

Forecasting Your Budget

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EVERY NEW STUDENT ENTERING YOUR LIBRARY DOORS EACH YEAR EXPECTS your library to satisfy their needs. The needs of the students change and grow with every new class. In addition, the expectations of the community change and grow with every new program offering. However, the library budget does not always increase with the demand. Careful planning and evaluation before creating and implementing new services and resources will ensure that your funds are spent wisely.

So what does the term “budget” really mean? Investopedia defines a budget as “an estimation of revenue and expenses over a specified future period of time. . . usually compiled and re-evaluated on a periodic basis” (Ganti n.d.). The keyword here is “estimation.” There is no way for us to determine the exact amount of need within the twelve months of each budget year. We can

“estimate” what will be needed to supply the library community services and resources in the upcoming year. This is what I will refer to as “forecasting” future needs. How do we do this?

First, you need to understand the library mission, vision, and goals:

- Do you have clear mission, vision, and goal statements?

Second, you need to understand the budgeting process at your organization:

- Does your budget have elements that roll over, or do you start over each year?
- Is your next year’s budget determined by the money you spent this year, or is it zero-based?
- Who approves your overall budget?

Third, you will want to understand what needs to be renewed:

- Are you paying for resources that are not being used?
- Are there new programs being offered?

Finally, you want to understand how you want to grow your services:

- Are there resource updates you would like to purchase?
- Are there improvements to the building that need to be made?

Understanding the Mission, Vision, and Goals

Understanding the library’s mission and how that mission supports the organization’s greater mission is extremely important when forecasting your next yearly budget. The mission tells the organization why the library exists; in essence, it is the library’s identity and its association to the larger organization. The vision tells the organization what your library hopes to accomplish. Finally, the goals tell the organization how the library will contin-

ue its mission and achieve the vision. Therefore, having a vital mission, vision, and goals will help support any needs the library identifies for the following year. To understand how to create these statements, please refer to the chapter in this book written by Amy Limpitlaw entitled “Library Mission and Goals” (pp. 1 ff.).

Understanding the Budget Process

You might be saying, “why do I need to understand the overall budget process used by my organization?” Understanding your organization’s overall budgetary process increases your ability to adequately develop a detailed forecast of what funds will be needed from year to year. For example, some organizations allow for specific unused budgetary allocations to roll over into the next year, while others start over each year. Your organization could do a combination of both within one budget. Understanding how your organization works will help you plan more efficiently. So, here we have two budget allocations:

Allocation Name	Current Year	Spent	Remainder
Bibles	2000	1500	500
Research Databases	13000	10000	3000

The allocation for “Bibles” rolls over each year, but the allocation for “Research Databases” does not. You spent \$1500 of the \$2000 you had budgeted for in this current year on Bibles. You are estimating you will be spending another \$1500 next year. Since this is a roll-over account, that means your forecast would equal \$1000 for next year because you still have \$500 from this year which rolls over into next year. Since the research databases do not roll over, you will lose the \$3000 remaining in your budget. Therefore, next year you know you will need to request a minimum of \$10,000.

You also need to be aware of whether you need to create your forecast from what you spent this past year or whether your budget is zero-based, meaning what was spent last year has no bearing on what you request for next year. Using our Bibles and

research databases example, a zero-based budget would not have to consider what was spent this year. You could request whatever amount you estimate your need to be for next year. However, if your budget is based on the funds used in the current year, you would likely request \$1000 for Bibles (since you have \$500 that rolls over) and \$10,000 for research databases.

Finally, you will need to understand the approval process. Most often, the board of trustees will make the final decision as part of institutional planning for the following year. Let’s look at an example:

Line Item Detail: Periodicals for LRC (10-1411-7025-ILL)

To comply with CONTU regulations for ILL requests

This Request	Jul 2020 – June 2021	
\$2000 allocated up front	\$2000 (\$0.00) allocated manually	
Jul	\$2,000	\$4727
Aug	\$0	(\$273)
Sep	\$0	(\$273)
Oct	\$0	(\$273)
Nov	\$0	(\$273)
Dec	\$0	(\$273)
Jan	\$0	(\$273)
Feb	\$0	(\$273)
Mar	\$0	(\$273)
Apr	\$0	(\$273)
May	\$0	(\$273)
Jun	\$0	\$0

Here is a real example of an expenditure that I assigned this past year. You can see that this expenditure is for the purchase of periodical subscriptions following the CONTU (“The Campus Guide to Copyright Compliance” n.d.) regulations surrounding interlibrary loan requests. This explanation’s sole purpose is so that the Board of Trustees knows what the request refers to and

why it is needed. The budgeting software your organization uses will determine how you will relay this information. The critical aspect is that you explain your requests.

In summary, the questions you need to answer before starting to create your forecast for the following year are:

- Does your budget have elements that roll over, or do you start over each year?
- Is your next year's budget determined by the money you spent this year, or is it zero-based?
- Who approves your overall budget?

After answering these questions, we now need to identify what is required to support your organizational community.

Understanding Need

Understanding need is probably the most difficult step in the budgeting process. This section will provide you with some indicators I have found to be useful when trying to identify needs: the collection age, new program offerings, interlibrary loan requests, and resource usage.

The age of your collection can be important for resources outside of theological and philosophical subject areas. These two areas never seem to lose their value due to age. They provide rich information that newer resources often do not. However, if you have subject areas like science or medicine, you will want to review outdated editions and calculate the price for more recent editions to replace the aging resources. You can use this estimate as part of the forecasted resource allocation for the following year.

You can also look at syllabi for updated resources used in courses and faculty purchase requests to determine resource allocations. For example, new program offerings also provide an opportunity to review your collection for resources that support the program. Resources can include research databases, journals, books, etc. Identifying a perceived need is probably the most difficult in forecasting cost. I currently find a wealth of information

from reviewing syllabi for the course offerings within new and existing programs. The syllabi provide information about assignments that the student needs to complete, required and additional readings and often a bibliography of resources the students are encouraged to review. Using these areas can help move from a perceived need to informed forecasting.

Interlibrary loan requests also provide a wealth of information. These requests help to identify what topics are being researched and where your library collection has weak areas. For instance, we have 35 interlibrary loan (ILL) requests for resources focused on “educational social systems.” When reviewing the LC191, which focuses on the social aspects of education, I found that we had only five items all of which were 30 years of age or older. The requests were all newer published items focused on student achievement, bullying, and peer pressure. We reviewed the cost of each if we were to purchase them and included 20 of the 35 titles in our forecasted budget. This list of titles and cost were then included in the details of the requested amount.

That brings us to usage evaluation. You will need to evaluate what you have purchased this past year, what resources are available to support each academic program, and what is actually being used by the community. Understanding what is being used gives you an idea of what your community needs. I have found I need to do this evaluation every year but on the past two years of data. Degree program class rotation goes on a two-year cycle; therefore, some resources may be required for the upcoming year even if they have been barely used during the current year. You will need to determine what is best for your library.

The best way to assess usage is by calculating the “return-on-investment” (ROI) for each subscription. Investopedia defines ROI as “tr[ying] to directly measure the amount of return on a particular investment, relative to the investment’s cost” (Fernando n.d.). The resources you purchase are investments. Like any other investment, you want to be sure that you are investing wisely and your community is benefiting from those investments. To calculate the ROI, the cost is divided by the usage, which yields the amount you spend per usage. For example, I am evaluating the Atla databases to ensure that we want to continue subscribing to this research tool. The cost per year is \$9300. Within the past year, there have been:

Sessions	Searches	Full-text requests	Abstract views
22336	57894	6737	4604

- Sessions = the number of times the database was launched
- Searches = the number of times search terms were entered
- Full-text requests = the number of times the full text of an article was downloaded
- Abstract views = the number of times an article’s content was viewed online

So you may be asking, “which area is more important when doing your evaluation?” That is something you have to determine, but you want to use the same usage criteria for all your online subscription services. We look mainly at full-text and abstract views, which tells us the number of valuable articles available to our campus community in accordance to their needs.

$$9300 / 6737 = \$2.11 \text{ per full-text article used this year.}$$

Our acceptable cost also needed to be determined and used consistently across all online subscriptions. Ours is capped at \$2 per use. Therefore, this database does not meet our ROI standards. However, when looking at the previous year, we spent \$1.01 per full-text article. Therefore, we will retain this database for another year.

Let’s review.

This is the budget estimation for databases that support the seminary. In this case, the Atla databases will be retained due to usage over two years that remains consistent with the established ROI.

Year	Database Sessions	Total Searches	Total Requests	Total Full-Text Requests	Abstract Requests
2020	22,336	57,894	11,513	6737	4604
ROI	\$0.75	\$0.28	\$1.21	\$2.11	\$2.98

Year	Database Sessions	Total Searches	Total Requests	Total Full-Text Requests	Abstract Requests
2019	28,055	73,996	15,934	9250	6438
ROI	\$0.33	\$0.13	\$0.58	\$1.01	\$1.44

Understanding Growth

Estimating the additional funds needed to accomplish your growth plan can be the most difficult to prepare. Whether it is additional subscriptions or structural repairs/additions, the cost is never definitive, and quotes can be time-sensitive. However, growth is a necessity if the library is to stay viable to the organization.

Additional resources that have been identified due to the age of the collection or new program offerings are important to include in your budget forecast. So, you will need to get quotes for these resources.

Structural repairs and additions are areas that are very important for you to include in your budget forecast. However, this forecast would actually be part of your capital funding. Capital funding is explained in more detail in the chapter authored by T. Patrick Milas entitled “Financial Accountability and Record-keeping” (pp. 81 ff.). For this section, I would just advise you to discuss these changes with your supervisor before including them in your forecast. Capital budgets often have other requirements that your operational budget does not.

Most importantly, *breathe*. Forecasting your budget is not an exact science. Experience does not mean you will never under- or over-forecast. Predicting the future always has unforeseen variables!

Works Cited

“The Campus Guide to Copyright Compliance.” n.d. Accessed May 4, 2021. https://www.copyright.com/Services/copyrighoncampus/content/ill_contu.html.

Fernando, Jason. n.d. “Return on Investment (ROI) Definition.” Investopedia. Accessed May 4, 2021. <https://www.investopedia.com/terms/r/returnoninvestment.asp>.

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