Buckland **LIBRARY BUDGETS, ACCOUNTS, COSTS** Rev. May 7, 2003

Library and information center management / Robert D. Stueart, Barbara B. Moran. 5th ed. Englewood, Colo. : Libraries Unlimited, 1998. MAIN Z678 .S799 1998

Roberts, S. A. *Cost Management for Library and Information Services*. London: Butterworths, 1985. Z683.R581 1985. Advanced, good, not an easy read.

"Control" as process; "Controls" as things. cf "regulation(s)". Management by exception.

Costs & benefits are consequences. Relevant economic costs lie in the future not in the past (sunk costs).

Relevant costs are those that depend on the choice made, given the options.

Sorts of costs: 1. Resources required; 2. Alternative uses of the resources; 3. Value of alternatives; 4. $ cost of acting.

Cost center: Activity/program to be separately costed, e.g. library services for undergraduates; or summer outreach for children ("bookworm club"); searching for corporate patent office.

Fixed costs (Minimum unavoidable if you are to do anything).

Average cost (Total cost divided by total activity).

Variable costs depend on *how much* you do.

Marginal cost (additional cost of doing a little more).

(Dis)economies of scale: When marginal cost is less (more) than average cost.

Non-recurrent ("one-time") costs (e.g. retrospective conversion project) and recurring costs (e.g. maintenance costs on equipment).

Depreciation: Spreading the cost of equipment over more than one year.

Direct costs: Salaries, benefits, travel, equipment, supplies, contracted services. Directly attributable.

Indirect costs: Costs that cannot or are not directly traceable to activity concerned, esp. Institutional services: Heating, accounting, chancellor's salary,... = "(administrative) overhead"

Capital costs: One time investments, e.g. building, equipment. Usually separate from "Operating budget". Can rent/lease to convert to operating budget. Capital is often "free" or unavailable.

Internal costs (*your* money); external costs (*other people's* money). Externalities (costs & benefits affecting others, esp. environmental and social impacts).

Variation & flexibility between: Development costs; investment costs; operating costs, e.g. buy vs build in automation; internal vs external costs; direct & indirect costs.

Costs include time, effort, discomfort, money: Not all expressible in $ exchange value: $ expenditures; costs expressible in $; other quantifiable costs; non-quantifiable costs.

Cost-effectiveness compares costs with one kind of achievement, e.g. alternative circulation systems.

Cost benefit analysis tries to compare consequences of alternatives in terms of costs and benefits.

Discounted cash flow: Generally to defer expense is to save.

Lump-sum budget: A single sum of money to be deployed at administrator wishes.

Line-item budget: Budget with separate sums (each on a separate line) wherein each sum/line is restricted to a particular type of expenditure: salaries, books, equipment, travel. Transfer of money from one line/category to another usually requires approval from the funder.

Budget flexibility (Virement): Authority to transfer funds between accounts.

Program budgeting: Primary division of budget is not by type of expenditure but by program (i.e. by purpose, objective , activity or goal).

PPBS = Planning-Programming-Budgeting-System. Budgeting process is integrated with the planning process. Layout to provide line-item as well as program analysis.

Formula budgeting: Budgets based on "objective" (i.e. quantitative) formula, e.g. acquisition of X volumes per year at Y unit cost per Z of population served.

Zero budgeting: Entire new budget each year. Incremental budget: Last year's budget modified.

FTE (Full Time Equivalent). Two half-time employees add up to 1 FTE. Price indexes.