

## CHAPTER 5

### BUDGETING AND FINANCE

Libraries earn the public trust by being accountable and transparent about the use of public money—a core function of library governance mandated by state law. Financial stewardship is demonstrated when governing and advisory library boards approve an annual budget based on the strategic plan, review monthly financial statements that include comparisons to budgeted amounts, and establish strong financial policies and procedures.

The following sections are not comprehensive and not intended as legal advice. Libraries and trustees should consult their own legal counsel for legal advice.

RELATED COLORADO PUBLIC LIBRARY STANDARD  
BUDGET & FINANCE

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## Fiscal Responsibilities of Trustees

Trustees are legally responsible for overseeing library finances. Colorado Library Laws ([C.R.S. § 24-90-109](#); [§ 24-90-112](#); & [§ 24-90-112.5](#)) clearly lay out these fiscal responsibilities.

Accountability and awareness are keys to meeting fiscal responsibilities. This is true no matter the type of board, advisory or governing. Governing Boards *adopt* and *control*; Advisory Boards *advise* and *advocate* to the governing authority.

You cannot make wise budgeting decisions unless you are aware of how the library is funded, what it costs to run, and what its needs will cost.

Each board member should:

- ☐ Know the library's financial base (funding sources, endowments, reserves, TABOR implications).
- ☐ Know the local, state, and federal authorities allocating library funds.
- ☐ Understand the financial needs for maintenance, growth, and expansion.
- ☐ Understand the basics of legal and reporting requirements for library funding.

## Budget Planning and Preparation

### Critical Staffing Note

When budgeting, you must consider staff wages and salaries at this early stage.

Do not allow necessary increases for utilities and media (costs often outside library control) to force a reduction in staff compensation, as library staff are the library's number one resource.

Budget preparation must reflect the objectives set by the trustees in the library's long-range plan. Both the library director and the board must be involved in formulating the budget. It is the responsibility of the trustees to evaluate how well the budget addresses the needs of the library.

For library districts, specific actions and dates must be strictly followed. The Division of Local Government (DLG) publishes a budget calendar each year.

## Planning and Direction

The first step is to look at the library's goals for the next year. The board must provide clear directions on the following key decisions *before* a draft budget is prepared:

### BUDGET METHODOLOGY

Will the director build a Zero-Based Budget (starting from zero and justifying every expense for the coming year) or an Incremental Budget (building upon the previous year's budget)?

### REVENUE INCLUSION

Should gifted money and fees be included in projected revenues for expenses, or are those too volatile?

### RESERVE STRATEGY

Will the board determine to add to reserves, utilize the full projected funding, or authorize the use of existing reserves?

## Capital and Equipment Planning

Trustees should actively consider the library's capital improvement needs, such as major building maintenance projects (e.g., a new roof), and be familiar with available funding resources. To manage these expenses, the library should:

- Develop a capital budget to save and replenish funds specifically for major projects.
- Establish a contingency fund to address unexpected major system failures.

The library director, in collaboration with the board, must establish an equipment replacement schedule and budget. This capital asset replacement plan establishes a schedule of assets (facilities, IT, vehicles) based on estimated useful lives, purchase year, and amount to be saved each year until the asset is due to be replaced. When acquiring new products, determine their lifecycle and budget for repairs and spare parts that may be needed beyond the warranty period.

The technology infrastructure requires continuous monitoring for maintenance and cybersecurity. Public and staff computers should be replaced every three to five years. To manage costs, consider a phased replacement strategy, such as grouping purchases by branch or by type (e.g., all public computers), rather than waiting for an emergency or relying solely on grants when equipment is obsolete.

## Reserve Funds and Legal Compliance

Auditors typically do not provide a specific reserve fund amount or percentage for a public library. This margin of flexibility exists because a public library collects funds to expend for the public good, but it must also account for potential emergencies, continuity of service, long-range planning needs, and volatility of existing revenue sources.

Decision-making on the appropriate reserve amount must be part of your long-range planning process.

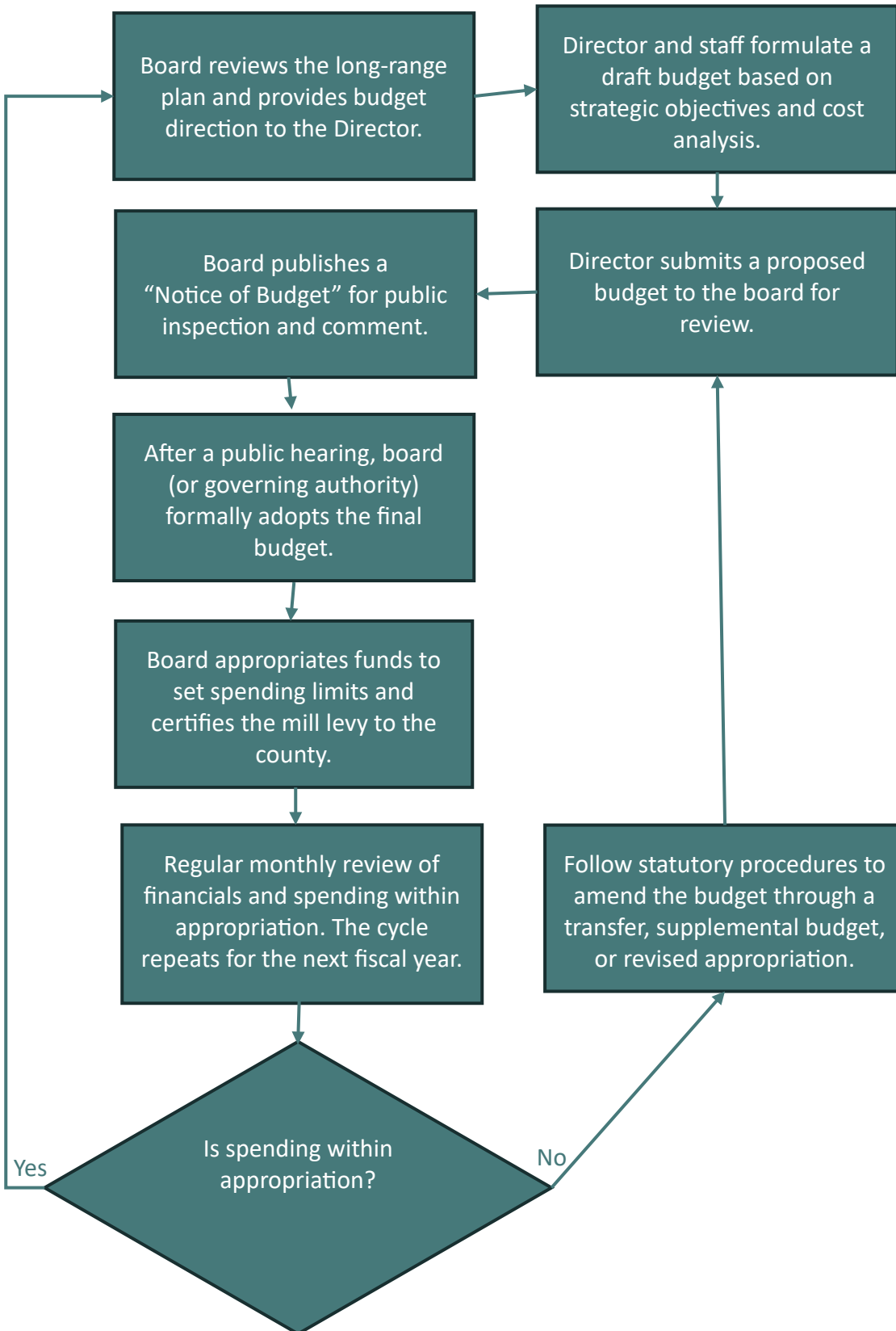
Additionally, library districts in Colorado must understand the Taxpayer Bill of Rights (TABOR). TABOR significantly impacts how local governments operate, affecting the administration's ability to manage revenue, spending, taxes, and debt. Library Districts should always consult with legal counsel on any TABOR-related matter. While many libraries' constituents voted to remove limits on property tax revenue, these actions were erased in 2024 by the Colorado state legislature. HB24B-1001 reinstated a two-year 10.5% property tax growth limit on local government entities. If library districts wish to remove the limit, they must ask voters to approve a ballot measure waiving the limit and include specific language from the law in the ballot.

Because library boards are responsible for making decisions about trust funds, it is important for trustees to know about the options available in the investment and management of these funds.

The library budget is a tool for turning library plans into reality. The budget determines the services that will be offered by your library and the resources devoted to each library program. A carefully developed budget will ensure that available funds are effectively utilized to realize your library's service objectives.

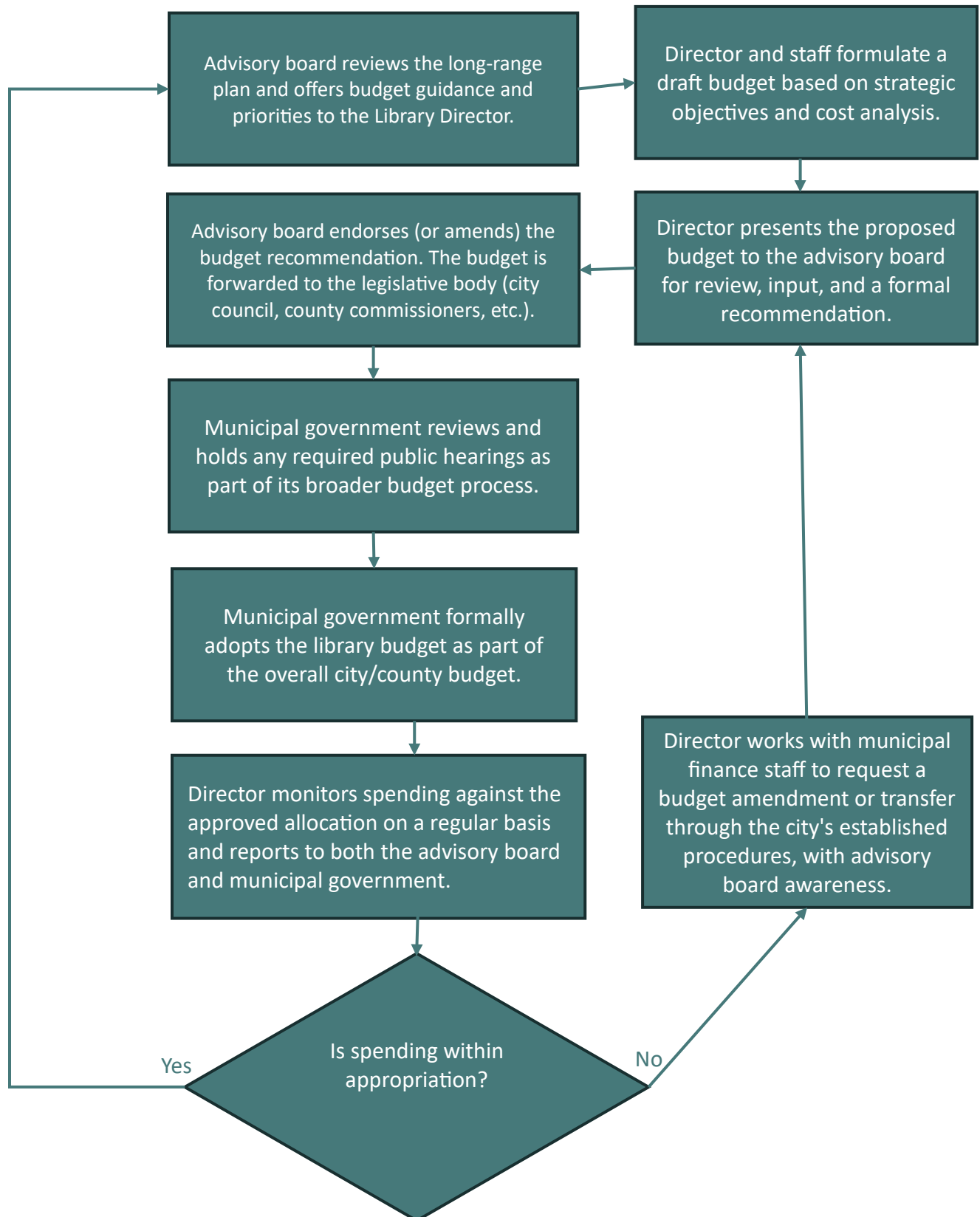
On the following two pages, the budgeting process is detailed out. This is meant to be a high-level overview of the process. Please refer to establishment documents, bylaws, memorandum of understanding, and intergovernmental agreements to further guide you in your budgeting process.

## The Process – Library Districts & Other Taxing Entities



## The Process – Advisory Boards

(Municipal, County, & multijurisdictional)



## Developing a Draft Budget, Costs, & Analysis

### INTENTION (BOARD)

The first step in developing a library budget is to look at what the library hopes to accomplish in the next year, as laid out in the library's strategic or long-range plan. This plan should already document your community's library service needs and the library activities necessary to meet those needs.

The board might then consider what type of budget should be built. Does the board want the director to build a budget based solely upon needs for that year (zero budget) or build upon the previous year's budget (incremental)? Should gifted money and fees be included in projected revenues for expenses, or are those too volatile? There are a variety of different methods to consider. The board should also advise the director on whether to add to the reserves, utilize the full projected funding, or consider utilizing reserves.

At the point that the board wishes to begin budgeting for the coming year, it should review the long-range plan and its chosen objectives, reflecting on the financial implications of the objectives for the coming year. The draft budget will then be one that reflects the needs of the library and the wishes of the board.

### COST & ANALYSIS (FINANCE COMMITTEE/DIRECTOR)

The second step in the financial process is to determine the total financial resources required for the library's goals in the coming year.

The budgeting process differs for library districts compared to municipal, county, and multi-jurisdiction libraries. Library districts can directly obtain assessed property values from the county assessor's office to reliably project their available revenue. Other public libraries, operating as departments within a governing authority, may find their funding subject to the varying needs and demands of other municipal or county departments.

In this day and age, library staff are the number one resource a library has. Prioritize staff compensation early. Avoid letting rising utility costs erode wages; instead, budget for salary increases as essential, recurring expenses to protect your most valuable resource.

Rising costs, usage, or new services often require more funding. New initiatives can be funded by reallocating resources from lower priorities. The director and staff draft the budget, usually with board or finance committee input.

## Presenting a Draft Budget and Notice

The Local Government Budget Law of Colorado requires local government entities to adopt an annual budget and sets other related requirements. ([C.R.S. § 29-1-101, et seq](#)) Once a draft budget is prepared, the budget officer must submit the proposal to the governing board, as required by [C.R.S. §29-1-105](#). The Local Government Budget Law mandates a specific format and content for the budget; requirements and sample forms are available on the DLG website.

Trustees, serving as volunteer public representatives, are especially effective budget advocates. They should be actively involved in presenting, explaining, and supporting the budget proposed to the library board, or, if the library operates with an advisory board, to the governing authority.

Per [C.R.S. §29-1-106\(1\)](#), a library district must approve and publish a “Notice of Budget” to allow the public time to review the draft and provide comment. Advisory boards should confirm with their governing authority to determine who holds the responsibility for this publication - the library or the governing body.

### A note on Budget Advocacy

Budget advocacy should not occur only at budget time. The board and the library director should be constantly talking with the town manager and the community about the value that the library brings to the community. The first rule of effective advocacy is to establish a good relationship first before ever asking for money.

## Adopting a Budget, Appropriating Funds, and Setting Mill Levies

Following the public comment period, budget approval must take place. A library district is the final adopter of its own budget, while the governing authority (e.g., city council, county commissioners) is the final adopter of a budget submitted by an advisory library board.

The Local Government Budget Law ([C.R.S. §29-1-101, et seq.](#)) requires library districts to formally adopt, appropriate funds, set mill levies, and file the adopted budget. [C.R.S. §24-90-109\(q\)\(2\)](#) requires an annual report to the legislative body.

## APPROPRIATING FUNDS

Due to TABOR (Taxpayer Bill of Rights), funds must be formally appropriated. The appropriation provides the legal spending authority for the budget. Essentially, the library governing board or governing authority must appropriate the revenues and reserves detailed in the budget to the specific purposes of library services. This act sets a legal limit on expenditures for operation, meaning spending cannot exceed the appropriated amount per [C.R.S. §29-1-110](#). Regular review of spending by the library board is essential to prevent exceeding this limit.

## SECURING FUNDING

(Certifying the Levy)

After the written budget documents are approved by the board and submitted to the governing authority (for city or county libraries), the final step is securing the necessary funding. Once a library board has adopted its budget, it can then **certify the levy** to the county. State statute outlines the deadline and required public information for this submittal ([C.R.S. §39-5-128\(1\)](#) and [§39-5-125](#)).

## Amending the Budget

A budget is an intended financial plan, but unforeseen circumstances often require changes. The board may need to amend the budget if the funding secured differs from the amount needed to balance the plan, or if actual expenditures or costs during the year are significantly higher or lower than anticipated.

Spending in excess of an appropriation is strictly prohibited by [C.R.S. §29-1-110](#). The budget must be amended, as required by law, before expenditure exceeds the appropriation.

Types of budgetary changes include:

- Transferring Appropriated Moneys: Moving funds between different accounts, particularly if the original appropriation was made by fund.
- Supplemental Budget & Appropriation: Required to use unanticipated revenues, such as new grants or donations.
- Revised Appropriation: Occurs when revenues are lower than anticipated; the board may choose to reduce the appropriation to match the expected reduction in spending.

- **Budget Contingency:** Allows for the adoption of a contingency plan to address an unforeseen emergency (excluding those covered as a TABOR emergency).

### AMENDMENT PROCEDURE

The steps to amend the budget for a budgetary transfer or a supplemental budget and appropriation include, but are not limited to:

1. **Public Notice:** Publish a notice of a public hearing to amend the budget.
2. **Conducting a Hearing:** Hold a public hearing on the proposed amendment.
3. **Adopting the Amendment:** Adopt the budget amendment through formal action (resolution or ordinance).
4. **Filing:** File a copy of the adopted resolution or ordinance with the Division of Local Government (DLG).

The notice for budget amendments must contain the same information as the original notice of budget for the regular adoption process (C.R.S. §29-1-106).

## Tips For Successful Budget Planning

(Adapted from: Massachusetts Public Library Trustees Handbook)

### KNOW WHO DOES WHAT

A crucial first step is to establish authority and responsibility within the budget planning process. Written policies and procedures must clearly outline these roles. Budget development should not rest solely on the library director; it is a team process. Trustees are vital to both creation and approval because they serve as the library's key link to the community and local government.

### UNDERSTAND THE BUDGET'S PLANNING CONTEXT

Budget development is central to the overall planning process, as the budget must directly reflect the library's purpose and priorities. The board defines these priorities in its strategic plan, and both the budget and funding requests must be clearly linked to this document's context and purposes. Board members should be prepared to explain the library's current activities, future goals, and expected outcomes to the governing authority and the public.

## Give Yourself and Others Time

Budget preparation requires sufficient time. Boards should develop budget planning calendars that allow the director and staff adequate time to formulate requests and recommendations, as budgeting, like planning, is a cooperative effort. Think long-range to identify or develop funding resources for future growth.

## QUESTION EVERYTHING

Do not simply manipulate existing figures by adding or subtracting percentages. A budget is a tool for accomplishing specific goals. When a goal has been met, phase out the related program or project and advocate for shifting that funding to the next priority. Utilizing program budgets is an effective way to track goals and the costs required to implement and sustain them.

## BE REALISTIC

Stay attuned to what is happening in the community and understand its ability to pay to determine realistic expectations. Be aware of the competing demands from other departments on the funding agency to understand your library's share in the context of the whole. Use data from the Colorado State Library's Library Research Services (LRS) Public Library Annual Report (PLAR) to benchmark your financial situation against comparable libraries.

## DON'T RESTRICT YOUR BUDGET TO AVAILABLE FUNDING

Remember that funds can increase or become unexpectedly available. Be prepared to immediately utilize such resources. Position the library to find and use alternative sources of income, such as federal and state grants, donations, and sponsors. These alternative funds are often ideal for one-time projects or program start-up costs. Seek community support for these alternative funding efforts when appropriate. When securing and using external funds, ensure your municipality is informed and publicize the achievement.

## KEEP IT SIMPLE

Understand the library's mission and core accomplishments. Make the library and its needs understandable and accessible to the public. When presenting budget requests, avoid acronyms or specialized library jargon. Do not exaggerate or underestimate financial needs. If funding results in program cuts, ensure those cuts actually occur, as credibility is paramount.

Community members have a right to know how their tax money is spent. Make the budget easy to understand. Learn to use simple and familiar comparisons to illustrate the value patrons receive for their tax dollars. A compelling argument can often be made by presenting a per capita expenditure figure and comparing it to the average cost of a restaurant meal or a hardcover book.

## READ, LISTEN, AND LEARN

Learn from other agencies about their successful budget development and presentation strategies. Pay close attention to what works well and learn from the examples of others. Most

## Annual Audit

Colorado state law requires local governments to submit to the Office of the State Auditor (OSA) an annual independent audit of financial statements. OSA releases a calendar annually identifying mandatory dates.

The independent auditor's report must be completed by a certified public accountant licensed to practice in Colorado. The independent auditor's report must be signed by the auditor or audit firm that performed the audit.

If a local government's revenue and expenditure are less than \$1,000,000, an exemption to the audit may be requested ([C.R.S. §29-1-604](#)). The statute requires the application for an exception to be personally reviewed, approved, and signed by the majority of trustees and recommends that an approved resolution also be provided. The audit exemption request must be prepared by a person skilled in governmental accounting if the revenues or expenditures are less than \$200,000. If between \$200,000 - \$1,000,000, an independent accountant with knowledge of governmental accounting must prepare the request for exemption.

importantly, listen actively to your funding agency to understand their requirements and what information impresses them.

### REVIEWING YOUR ANNUAL AUDIT

Your annual audit will be presented by the preparer. When reviewing, consider big picture questions that the audit would demonstrate, such as:

- Are we receiving financial reports that are reliable and credible?
- Are funds being used for the intended purposes?
- Are we demonstrating good stewardship of funds?
- Are there discrepancies, errors, or potential risks?
- Do internal controls work?

Other audits that are not required but may be useful to aid in the effectiveness of the board include:

- Investment and purchasing
- Legal audit
- Liability audit
- Management, operations, and maintenance audits.

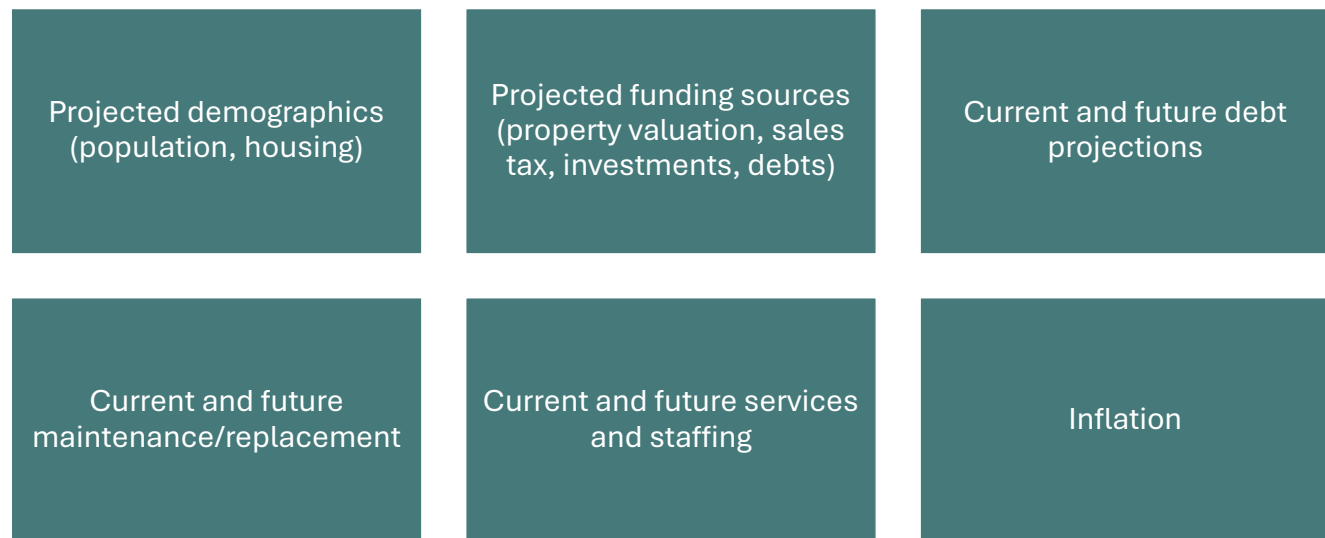
## Long Term Planning

A core value of librarianship is sustainability. Planning for the future of the public library is a critical piece of being a library trustee. Financial sustainability ensures you leave the library in a better state than when you started. Additionally, it provides a plan so sponsors, partners, granters, donors, and other funders can be invited into special projects or supplemental funding.

It is smart to create a long-term financial plan (aim for at least three years). This plan should work hand-in-hand with the library's big-picture strategic goals, making it easier to figure out what resources you will need down the road for the community. You just track and update the categories and dollar amounts over time. A good plan helps you avoid scrambling for money later, too. When you buy new equipment, you should know the expected lifespan and budget for those inevitable repairs and spare parts after the warranty runs out. That little bit of foresight really helps keep those emergency (contingency) budgets minimal!

Potential levers to consider for long-term adjustments include both projections of revenue and projections of expenses. Consider your scenarios - worst case, conservative, and best case.

## PLANNING MIGHT INCLUDE:



## Monthly Board Reports

The board reviews monthly financial statements that are tied to the annual budget. These reports should include current expenditure for each fund, year-to-date expenditures, remaining balances, and an explanation of any fund transfers. In many libraries, the board also receives a list of bills that have been paid in the current month. Good budget reports can help the trustees know what the library is doing with its resources.

Maintaining reliable bookkeeping software with scheduled funding updates, security, password access, and backup, rather than financial details saved on a single device, is best practice. In monthly or quarterly reporting, the board should review assets available, expenses paid, and the percentage of the budget expended. This software typically allows for a report that shows the percentage of the budget spent compared to the actual amount for the period being reviewed, as well as year-to-date. The intent is to thwart fraud as well as ensure the budget and, thus, the long-range plan is being followed.

The Board of Trustees must be aware of the library's financial standing. When reviewing the monthly or periodic financial reports, board members should ask themselves:

- Do these expenses make sense?
- Is anything out of place, unusual, or inappropriate?
- Are we on track to spend within our appropriated amount?
- Do we need to make any alterations to the budget?

If you are ever uncertain, ask questions during the public meeting when these items are reviewed. An effective board is one in which each individual fulfills the responsibility of reviewing the reports received, tracking expenses, and monitoring the financial health of the library.

## Investments and Banking

The intent of public funds is to be collected and used. Unless there is an intention for the funds, which can include future projects and budget stabilization funds, savings should be kept to a minimum.

Private donations to a 501(c)3 that supports the library do not hold the same requirements. Friends and Foundation groups that fall under that category are not required to meet the same obligations of public funds.

### INVESTMENTS

Public funds may be invested in authorized investment vehicles ([C.R.S. §24-75-601, et seq.](#)). These vehicles are subject to rating categories and maturity dates. Potential investments include United States Treasury obligations and Colorado local government investment pools. Refer to the statute for other legal investments.

### ELIGIBLE PUBLIC DEPOSITORIES ([C.R.S. §11-10.5-101, ET SEQ](#))

The Public Deposit Protection Act (PDPA), protects public deposits at approved banks above the FDIC insurance limit. Approved banks are monitored and examined by the Colorado Department of Regulatory Agencies, which requires these institutions to provide monthly reporting of public deposits and an annual audit.

## Financial Policies

All libraries must establish policies and procedures for the library's financial management, including budgeting, purchasing, approvals, procurement, contracts, reimbursement, petty cash, donations, etc.

Library Districts should have additional policies and procedures, including records retention, budget processes, contracts, control of asset disposal, annual audits, and reserve funds.

Transparency in the use of public funds is a key element of local government in Colorado. In small, rural communities, it is difficult to find entities without a personal connection and potential conflict of interest with the library. Clear policies ensure decisions are fair and appropriate. Checks and balances within the processes ensure public funds are being used appropriately.

Contracts that the library enters into, including construction contracts, must contain certain language and meet certain statutory requirements. Bidding, appropriation clauses ([C.R.S. §24-91-103.6](#)), final payment ([C.R.S. §38-26-107\(2\)](#), [§38-26-107\(3\)](#), and [§24-91-103\(1\)\(b\)](#)), and accessibility [C.R.S. § 24-85-104](#) laws must be reviewed and applied.

Sustainability also comes into play when considering purchasing policy. Public libraries are primarily locally funded. Is it better to purchase something locally at a higher price if it is recycling money back into the local economy? What impact does this have on how the appropriate funds can be spent?

The board sets the vision through policy, and the staff puts the vision into operation.

## Other Financial Odds & Ends

### STATE GRANT FOR LIBRARIES

Colorado Library Law includes the [State Grant for Libraries](#) program. As of 2025, nearly \$3 million is appropriated in the state budget to fund publicly funded school, public, and academic libraries. The purpose of the funds is for educational materials in libraries that support efforts to improve literacy and learning.

An application must be completed to receive these funds. Allotment is determined based on the community population. Once funds have been allocated, distribution of funds occurs through a request on a reimbursement basis.

Colorado State Library, which administers the grant, has staff available to assist with the application, eligible purchases, and completing the request for reimbursement.

### STATEWIDE INTERNET PORTAL AUTHORITY

Statewide Internet Portal Authority (SIPA) simplifies the technology procurement and contracting process for Colorado governments. Suppliers are vetted and in a variety of fields, provide easy access to a wide range of IT products and services. SIPA connects your library with a variety of partners, helps with procurement, and offers grants.

### E-RATE

Also known as the Schools and Libraries Universal Support Program, E-Rate is a federal program that provides discounts on telecommunications and internet access for eligible schools and libraries. Administered by the Universal Service Administrative Company under the Federal Communications Commission. E-Rate can provide discounts or reimbursement for services and hardware. The intent of the program is to ensure schools and libraries have access to high-speed internet and telecommunications at an affordable rate.

## Colorado Library Consortium (CLiC)

As well as providing a statewide courier program, AspenCat integrated library system, and much more, CLiC is a 501(c)(3) that also provides cooperative purchasing and can act as a fiscal agency to aid grants management.