

Proposed OWLSnet Fee Structure Revision Background Paper

Background

An OWLSnet committee began discussing options for establishing and implementing a new OWLSnet fee structure in February of 2016. The current OWLSnet fee structure had been in place since 2001. At that time, AAC recommended and the OWLS board approved that starting in 2002, fees would be set by multiplying the number of user licenses in use at each library by \$1815 per license, and setting that figure as the base fee. Subsequent increases in annual membership fees were applied by increasing each library's fee by the same percentage.

However, over the past 15 years, library demographic and service shares have changed, while fee shares have not. Consequently, some libraries may be paying more than their fair share, while others are paying less. Additionally, the current fee structure lacks transparency. As we have explored the possibility of adding more libraries to OWLSnet, it has been very difficult to estimate membership fees for new libraries. Most library systems use a formula to calculate membership fees based on member library statistics, which makes it possible to estimate a potential new member library's annual fees using annual report data.

Committee

The committee was composed of volunteer member library staff, chosen to represent both OWLS and NFLS member libraries, and including a wide range of sizes and types of libraries. The committee worked to develop and recommend a new, fair and equitable OWLSnet fee structure that is easy to understand and easy to explain. The goal was to present a recommended fee structure to AAC before or at the March 2017 meeting, to achieve implementation in 2018. Committee members are:

Amanda Burns – Algoma

Joan Denis – Oconto Falls

Tasha Saecker – Appleton

Kristie Hauer – Shawano

Becca Berger – Door County

Peg Burington – Waupaca

Stephanie Weber – Florence

Mark Merrifield – NFLS

Carolyn Habeck – Hortonville

Gerri Moeller – OWLS

Ellen Connor – Manawa

(staff support) Bradley Shipp – OWLS

Ann Hunt – New London

Process

The committee met 5 times over the past year and discussed a variety of possibilities. The discussion began with considering as many variables as possible, and then narrowing down the options to a select group that in the committee's opinion, fairly represent library size, circulation and use of OWLSnet services.

DRAFT Fee Structure Recommendation

The OWLSnet Fees Committee recommends that the new fee structure formula be based on a base fee per location, plus a weighted average of three primary variables, with the possibility of surcharges and credits, including credits for the resource library's contribution to cataloging. Please note that the figures listed in Addendum A: Proposed OWLSnet Fee Formula do not include potential annual fee increases. Over the last few years, OWLSnet fees have generally increased no more than 1-2% annually.

The new fee structure assumes that the Outagamie Waupaca Library System and the Nicolet Federated Library System will continue to provide funding for the OWLSnet consortium at a similar level as past years. Since the original fee structure provided for lower fees for the very smallest libraries, the committee recommends that OWLS and NFLS reduce system funding for OWLSnet by a small amount in order to provide a subsidy to the smallest libraries, who would be hit the hardest by a fee increase.

Currently, in addition to their OWLSnet fee, libraries are also charged for products purchased from Innovative on their behalf, such as SIP2 licenses, selfcheck licenses, and RFID licenses. These will not be included in the fee structure, but will continue to be charged individually to member libraries.

Base Fee

- Each library site is assigned a base fee. This fee represents the costs for telecommunications, local network hardware, external bandwidth, fixed software costs, licenses, and a base level of OWLS customer support.

Primary Variables

Beyond the base fee, the balance of the OWLSnet membership fee is based on three separate variables. In order to smooth out variations from year to year, a three year rolling average will be used for each variable. The three variables are weighted equally in the development of the fee. They represent the library's size, use and population, and all come from data in the state annual report. They are:

- Circulation: checkouts and renewals of physical items.
- Physical items added.

- Extrapolated service population: This method of estimating library population is a variation on the extended county population used by DPI. It is being used here, in place of other more standard population estimates, because it allows us to compare service populations of different types of libraries, i.e. joint libraries, tribal libraries, consolidated county libraries and municipal libraries. It extrapolates service population from nonresident circulation patterns by assuming that residents and nonresidents borrow material at roughly the same rate per capita. In this calculation, the municipal service population is divided by the percentage of resident circulation to estimate service population. For example, a library with an 85% resident circulation and a municipal population of 7,500 will have an extrapolated service population of 8,824.

As there are variables apart from these that affect the cost of services, sites may be assigned credits or surcharges. In some circumstances, a single site may receive both a credit and a surcharge.

Credits

- The Appleton Public Library, as the OWLS Resource Library, staffs a two person cataloging department. Since the Appleton library creates their own original records, and also contributes records to the catalog for OWLSnet libraries, the library is not charged for OWLS cataloging staff costs, and receives a credit on their OWLSnet fee for services provided to the consortium.
- Sites that do not receive network services from OWLS receive a credit for half of their base fee.

Surcharges

Several joint school/public libraries participate in the OWLSnet consortium. These sites are assessed a surcharge, to ensure that their participation in the consortium isn't being subsidized by other libraries, or the library systems. These surcharges are based on actual cost to provide service, similar to the base fee, but exclude network hardware and bandwidth costs.

Implementation

Although the committee attempted to keep fees in the new formula similar to current OWLSnet formula, many libraries' fees will change. Since some libraries will receive a significant increase, the committee recommends that these fees be phased in over a 5-year period. For each library, the total increase per year will be capped at 11%. The committee also recommends that OWLSnet reconsider the formula every 3-5 years.

Proposed OWLSnet Fee Formula Description

The current OWLSnet budget is slightly over \$1 million. OWLS and NFLS pay approximately 40% of the total cost of the OWLSnet service, while the remaining costs are split among OWLSnet member libraries.

In the proposed fee allocation, each location is assigned a base fee of \$3600 to cover the cost of providing service to one physical location. Locations that do not receive network and bandwidth services from OWLSnet (currently, Florence Elementary, Goodman and Birnamwood) are assigned ½ of the base fee. In addition, school libraries are charged a surcharge of \$4100, since participation by these libraries is not subsidized by OWLS and NFLS. Together, these fees make up approximately 30% of the portion of the budget paid by OWLSnet member libraries.

The remaining balance is distributed among the libraries based on a library's share of circulation, physical items added to the collection, and extrapolated service population. Each of these factors are weighted equally and averaged over the last three years.

The Appleton Public Library does not receive support from OWLSnet catalogers, so their fees are based on the total OWLSnet cost without cataloging personnel. Additionally, Appleton catalogers provide service to OWLSnet libraries, so they receive a cataloging credit.

Addendum A. Proposed OWLSnet Fee Formula

2017 Fees Compared									** Phase-in over 5 years				
Library	Fees			Credits		NEW FEE	* Current FEE	Difference	2018	2019	2020	2021	2022
	Base Fee	School library	Circ/Items/Pop	Cataloging									
Algoma	\$3,600	\$0	\$7,603	\$0	\$0	\$11,203	\$23,111	-\$11,908	\$20,729	\$18,348	\$15,966	\$13,585	\$11,203
Appleton	\$3,600	\$0	\$92,109	-\$25,000	\$0	\$70,709	\$62,396	\$8,313	\$64,059	\$65,721	\$67,384	\$69,046	\$70,709
Black Creek	\$3,600	\$0	\$6,381	\$0	\$0	\$9,981	\$9,245	\$736	\$9,392	\$9,540	\$9,687	\$9,834	\$9,981
Clintonville	\$3,600	\$0	\$13,267	\$0	\$0	\$16,867	\$27,732	-\$10,865	\$25,559	\$23,386	\$21,213	\$19,040	\$16,867
Door	\$28,800	\$0	\$36,676	\$0	\$0	\$65,476	\$64,707	\$769	\$64,861	\$65,015	\$65,169	\$65,322	\$65,476
Florence	\$5,400	\$4,100	\$4,757	\$0	\$0	\$10,157	\$13,866	-\$3,709	\$13,944	\$14,022	\$14,101	\$14,179	\$14,257
Fremont	\$3,600	\$0	\$4,259	\$0	\$0	\$7,859	\$6,933	\$926	\$7,118	\$7,304	\$7,489	\$7,674	\$7,859
Gillett	\$3,600	\$0	\$3,603	\$0	\$0	\$7,203	\$4,622	\$2,581	\$5,138	\$5,654	\$6,170	\$6,686	\$7,203
Hortonville	\$3,600	\$0	\$9,038	\$0	\$0	\$12,638	\$11,554	\$1,084	\$11,771	\$11,988	\$12,205	\$12,422	\$12,638
Iola	\$3,600	\$0	\$5,674	\$0	\$0	\$9,274	\$6,933	\$2,341	\$7,401	\$7,869	\$8,338	\$8,806	\$9,274
Kaukauna	\$3,600	\$0	\$24,861	\$0	\$0	\$28,461	\$23,111	\$5,350	\$24,181	\$25,251	\$26,321	\$27,391	\$28,461
Kewaunee	\$3,600	\$0	\$7,892	\$0	\$0	\$11,492	\$16,177	-\$4,685	\$15,240	\$14,303	\$13,366	\$12,429	\$11,492
Kimberly-Little Chute	\$7,200	\$0	\$38,548	\$0	\$0	\$45,748	\$48,531	-\$2,783	\$47,974	\$47,418	\$46,861	\$46,304	\$45,748
Lakewood	\$3,600	\$0	\$5,096	\$0	\$0	\$8,696	\$6,933	\$1,763	\$7,286	\$7,638	\$7,991	\$8,343	\$8,696
Lena	\$3,600	\$0	\$2,805	\$0	\$0	\$6,405	\$4,622	\$1,783	\$4,979	\$5,335	\$5,692	\$6,048	\$6,405
Manawa	\$3,600	\$0	\$5,424	\$0	\$0	\$9,024	\$9,245	-\$221	\$9,201	\$9,157	\$9,112	\$9,068	\$9,024
Marinette	\$23,400	\$0	\$36,159	\$0	\$0	\$59,559	\$54,067	\$5,492	\$55,165	\$56,264	\$57,362	\$58,460	\$59,559
Marion	\$3,600	\$0	\$4,327	\$0	\$0	\$7,927	\$9,245	-\$1,318	\$8,981	\$8,718	\$8,454	\$8,191	\$7,927
New London	\$3,600	\$0	\$15,020	\$0	\$0	\$18,620	\$18,487	\$133	\$18,514	\$18,540	\$18,567	\$18,593	\$18,620
Oconto	\$3,600	\$0	\$7,220	\$0	\$0	\$10,820	\$11,554	-\$734	\$11,407	\$11,260	\$11,113	\$10,966	\$10,820
Oconto Falls	\$3,600	\$0	\$9,293	\$0	\$0	\$12,893	\$11,554	\$1,339	\$11,822	\$12,089	\$12,357	\$12,625	\$12,893
Oneida	\$7,200	\$0	\$6,555	\$0	\$0	\$13,755	\$13,866	-\$111	\$13,844	\$13,822	\$13,800	\$13,778	\$13,755
Scandinavia	\$3,600	\$0	\$1,623	\$0	\$0	\$5,223	\$2,312	\$2,911	\$2,894	\$3,476	\$4,059	\$4,641	\$5,223
Seymour	\$3,600	\$0	\$8,561	\$0	\$0	\$12,161	\$11,554	\$607	\$11,675	\$11,797	\$11,918	\$12,039	\$12,161
Shawano	\$19,800	\$4,100	\$34,001	\$0	\$0	\$53,801	\$60,491	-\$6,690	\$59,973	\$59,455	\$58,937	\$58,419	\$57,901
Shiocton	\$3,600	\$0	\$2,517	\$0	\$0	\$6,117	\$4,622	\$1,495	\$4,921	\$5,220	\$5,519	\$5,818	\$6,117
Suring	\$3,600	\$0	\$3,340	\$0	\$0	\$6,940	\$4,622	\$2,318	\$5,086	\$5,549	\$6,013	\$6,476	\$6,940
Waupaca	\$3,600	\$0	\$25,597	\$0	\$0	\$29,197	\$27,732	\$1,465	\$28,025	\$28,318	\$28,611	\$28,904	\$29,197
Weyauwega	\$3,600	\$0	\$6,750	\$0	\$0	\$10,350	\$6,933	\$3,417	\$7,616	\$8,300	\$8,983	\$9,667	\$10,350

* Excludes add-on products purchased by individual libraries

** Excludes add-on products, OWLSnet fee increases, and formula adjustments.