

Discussion Points

STATE LIBRARY

1. On November 7, 2017, the voters approved the “New Jersey Library Construction Bond Act” (P.L.2017, c.149). The act authorized the issuance of \$125 million in State general obligation bonds to provide grants for the construction, expansion, and equipping of New Jersey’s public libraries.

Under the law, the State Librarian, in consultation with the President of Thomas Edison State University, will establish procedures for the review and approval of, and eligibility criteria for, the receipt of grants. The law requires the State Librarian, with the approval of the president, to prepare a list of eligible projects. Appropriations for specific projects must be approved by law.

For any approved project financed by bond proceeds, the grant award will support 50% of the cost of the project, and the appropriate local governing entity in the area served by the public library will support 50% of the cost of the project. The law authorizes the local governing entity to solicit and receive grants and other funds from any private source to support its required share of the project.

According to the State Library’s website, the State Librarian is continuing to draft the regulations for the program and has been meeting regularly with the Governor’s Policy Office. However, despite the fact that the voters approved the bond act almost 18 months ago, it is not clear when the regulations will be finalized. Once finalized, the guidelines and applications for the grant program will be distributed to all public libraries in New Jersey.

● **Question:** Please provide an update on the process of establishing the review and approval procedures and the eligibility criteria for the receipt of grants. When does the State Librarian anticipate that they will be adopted and, upon adoption, when does the State Librarian anticipate (1) accepting grant applications, and (2) recommending specific projects and grant amounts for legislative consideration?

The State Library has been working very closely with the Administration’s Policy Office on the proposed regulations and we are hoping the draft will be finalized by mid-May. Once the regulations are posted in accordance with the Office of Legislative Services’ New Jersey Register Publication Schedule, they will be open for public comment for 60 days. The State Library will then have 30 days within which to respond to any comments. Simultaneous with the adoption of the final regulations we will release the grant solicitation to public libraries. There will be a 90-day window for libraries to submit their grant applications and we then expect a 30 to 60-day window for the review committee to make recommendations to the State Librarian. The President of Thomas Edison State University (TESU) will give her final approval before the list of proposed projects are submitted to the Legislature for their approval. Award letters will go out once the projects are approved by the Legislature.

● **Question:** Why has there been such an extended timeframe in the promulgation of the grant review and approval procedures and eligibility criteria? In establishing the eligibility criteria, does the State Librarian anticipate giving preference to projects where the local match is funded by private source funding solicited by the local governing entity? How

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will the eligibility criteria ensure that libraries in each region of the State are adequately represented in the award of project grants?

The State Library started to work on the grant review and approval procedures and eligibility criteria in November 2017 and had a draft of the regulations approved by the President of TESU in March 2018. Although the State Library and TESU are the two entities listed in the Bond Act, there a number of other State offices and agencies critical to the running of this program. The State Library is working with those offices now to advance the draft regulations.

There is no plan to give preference to projects where the local match is funded by private source funding solicited by the local governing entity. Projects will be evaluated on primary criteria that articulate basic eligibility for funding as well as secondary criteria that measure a project's alignment with statewide priorities. Those that most fully meet the criteria and the needs in their respective communities will be selected for funding. The review panel will look to spread funding throughout the State; however the primary and secondary criteria will guide final funding decisions.

2. The New Jersey Library Network was established under P.L.1983, c.486 to promote cooperation among the various types of libraries in New Jersey and ensure that the State's residents have full access to library materials and programs not currently available in their communities. Library Network aid enables libraries to share resources, maximize purchasing power, realize economies of scale, and collectively access electronic resources. The Governor's FY 2020 Budget recommendation of \$4.3 million in State Aid funding for the Library Network equals the FY 2019 adjusted appropriation. However, the Division of State Library requested \$6.1 million in Library Network Aid for FY 2020.

The State-wide interlibrary lending program is overseen by the non-profit corporation LibraryLinkNJ. After years of using TForce Final Mile, a Dallas-based delivery company that had moved millions of books and other materials among New Jersey's libraries, in the fall of 2017 LibraryLinkNJ awarded the delivery contract to Expak Logistics, a Los Angeles-based company with little experience in New Jersey. Expak began service on January 2, 2018. Almost immediately after awarding the contract to Expak, library patrons began complaining that books and other requested materials weren't reaching their destinations. Meanwhile, according to press reports, thousands of volumes languished in warehouses. On January 29, 2018, Expak withdrew from its contract, giving LibraryLinkNJ the contracted 120 days' notice of cancellation. New contract bids for the delivery service were solicited in March 2018, and the LibraryLink NJ board voted unanimously to rehire TForce Final Mile to provide the delivery service.

In June 2018 LibraryLinkNJ adopted an operating budget for fiscal 2019 of about \$2.3 million with income primarily from a Library Network allocation of \$1.84 million, a one-time \$93,060 contribution from the State Library, first-time cost-sharing contributions from participating libraries of \$200,000, and an opening surplus of about \$220,000. The notice of budget approval indicated that the budget anticipated closing LibraryLinkNJ by June 30, 2019 "if additional funds are not provided."

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- **Question:** Did the State Librarian have any direct involvement in developing the Request for Proposal (RFP) and review process that awarded the contract to Expak. What were the primary reasons that Expak was initially awarded the contract over TForce? Does LibraryLinkNJ continue to contract with TForce for delivery service, and if so, when does the contract expire? What steps, if any, are in place to ensure that future vendors will be able to provide satisfactory delivery services?

The State Library was not involved in developing the Request for Proposal and review process that awarded the contract to Expak. LibraryLinkNJ (LLNJ) is an independent non-profit corporation with an elected Board of Directors and a full-time paid Executive Director. A formal RFP and review process was undertaken by LLNJ in 2017 that included opportunities for prospective vendors to submit written questions; a pre-bid meeting; proposal evaluation by the LLNJ Delivery Task Force evaluation committee with particular attention paid to vendor experience, price and service plan; and reference checks. Expak scored the highest of the bidders and was therefore awarded the contract for service beginning January 2, 2018.

After Expak withdrew from its contract, LLNJ went through a second RFP and review process to select a new delivery vendor. Based on the evaluation committee's recommendation a contract signed with TForce in March 2018 was for the remainder of calendar year 2018 with two one-year renewal options for 2019 and 2020. LLNJ renewed the contract for 2019 and intends to renew for calendar year 2020.

The next RFP and review process will address lessons learned in 2018 and will include the following: the ability for LLNJ to accept or reject any proposed subcontractors; penalties for service failures; the ability for LLNJ to terminate for any reason with proper notice give to the vendor; and deeper vetting with current and former clients to ensure the selected vendor can meet the requirements of New Jersey's library community.

- **Question:** Please provide an update on the financial condition and future of LibraryLinkNJ as a component of the Library Network. What steps have been taken to continue satisfactory delivery services to member libraries, and other services offered by the organization, should LibraryLinkNJ discontinue its role in the network?

LLNJ is unique across the country in its cooperative role as it represents not just public libraries but also academic, school, institutional, health sciences and special libraries as well. LLNJ is the last remaining cooperative in New Jersey, down from the four regional cooperatives that consolidated in FY2011 when the State Library's funding for statewide services was reduced by 43%. Since consolidation LLNJ's primary focus has been on statewide delivery, continuing education for members of the Library Network and other special initiatives. LLNJ's performance to date has been exemplary and members of the library community have made it clear to the State Library that its service and existence is of continued value.

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Additional funding for the Library Network would be required for LLNJ to continue to provide the broad and robust services to the library community that it has to date. In February 2019 LLNJ's Board of Directors voted to continue operations in FY2020 but with limited staff and services. Cost containment strategies include layoffs of 30% of the staff by the end of FY2019, a reduction in office space costs, increased employee cost sharing for health benefits and continued cost sharing by member libraries for delivery services. LLNJ will also commission a delivery study to determine if the current approach to statewide delivery is the best use of resources in the future.

- **Question:** Please provide an update on other facets of the Library Network program, including specific examples of the cooperation among the various types of libraries in New Jersey and how that cooperation helps realize economies of scale. For what purpose(s) did the Division of State Library request \$6.1 million in Library Network funding for FY 2020? How will the flat-funding recommended by the Governor impact the ability of the libraries to ensure that the State's residents have full access to library materials and programs not currently available in their communities?

In addition to the statewide delivery of library materials discussed earlier, the New Jersey Library Network serves to enhance and strengthen the member libraries' ability to serve their local customers through the following shared resources:

- High quality 21st century information through licensed electronic resources provided by the State Library;
- Statewide interlibrary loan of library materials through the State Library's JerseyCat online catalog;
- Statewide database discount program;
- Coordinated book selection and programming for children including the annual statewide summer reading program, funded by the State Library;
- Statewide specialized reference assistance for local libraries; and
- Professional development opportunities for librarians, particularly related to technology training.

Each of these services would be prohibitively more expensive if every library system had to provide for them on an individual basis. This is especially true for K-12 schools, which benefit from the electronic resources the State Library provides.

The State Library had requested additional funding for electronic and digital resources, through the Library Network and prior to that through Virtual Library Aid, for the past seven years in order to make the sophisticated electronic tools of today available to New Jersey's residents through the state's libraries. However, due to flat funding, our current menu of offerings is more basic in nature and libraries have not been able to keep up with the changing digital landscape and the needs of their patrons. While this remains a pressing need for New Jersey's libraries, this year the State Library determined that funding technology infrastructure and delivery services took higher priority.

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The State Library requested an additional \$1.8 million in Library Network funding in FY 2020 for two primary purposes: \$1.3 million to upgrade the technology infrastructure that provides reliable core internet connectivity and related services to more than 300 library locations across the state and \$500,000 to meet the increased expense and demand of materials delivery between libraries throughout New Jersey.

JerseyConnect, the State Library technology infrastructure which provides services such as email hosting and management, spam and virus filtering, cloud storage services, Website and domain name hosting and router and firewall management, as well as managed WiFi services to the state's public libraries, makes information accessible to all residents, regardless of socio-economic status. However, core components of this infrastructure such as firewalls, routers and switches are approaching end of life and will need to be upgraded soon; in some cases, even sooner than end of life due to increased speed and bandwidth needs of the public. Failure to upgrade the network will render JerseyConnect obsolete as it will not be able to provide the technology services on which hundreds of public libraries rely. This in turn will cause these libraries to curtail other important services they provide to New Jersey residents in order to pay retail prices for internet connectivity and related services. In some areas of the state JerseyConnect is the only option to provide libraries with the information technology services they need.

As discussed earlier, libraries that are members of the New Jersey Library Network are able to maximize their purchasing power by sharing resources through the use of interlibrary loan and delivery of materials; this allows libraries to provide materials not locally owned to their residents while keeping material costs down. The freezing and reduction of budgets at the local level has meant that libraries are spending less on collection development. This has therefore increased the volume of delivery of materials between libraries such as books, periodicals, media and the like. In FY 2018 the number of items delivered between libraries was 3.6 million, even with the issues surrounding the delivery vendors in early 2018. Meeting this need for expanded delivery will continue to support libraries' efforts to contain costs while supporting their communities with broader access to information and remains a priority of the State Library. Due to budgetary constraints the State Library and LLNJ are reliant on outside contractors to provide this important service; we are therefore at the mercy of vendor price increases as contracts expire. This is sure to become an issue as the State's minimum wage is set to increase in July 2019 and January 2020. An increase in the Library Network budget will ensure that statewide delivery and other Network services will be able to continue uninterrupted going forward.

3. Of the amount recommended to the Division of State Library in Direct State Services appropriations, \$500,000 is recommended for Special Purpose funding for Supplies and Extended Services, the same amount appropriated in FY 2019. However, the State Library requested \$1.5 million in FY 2020 funding for Supplies and Extended Services.

● **Question:** What types of supplies and services are provided through this funding category? For what purpose(s) had the State Library requested that an additional \$1 million

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be appropriated for this category? Please describe the impact the flat-funded FY 2020 recommended appropriation will have on the ability of libraries to adequately provide supplies and services for their patrons.

The State Library is the principal library of state government, providing access to information in print, electronic and micro- formats, as well as the in-person, phone, email and Web-based remote services of professional librarians to employees and officials in the three branches of state government. The State Library information Center (SLIC) receives \$500,000 in Special Purpose funding each year to update the research collections with current authoritative information. SLIC maintains the largest publicly accessible law library in the state and several of its collections are among the best in New Jersey. These include the Jerseyana, Genealogy, Foundations (funding information for non-profits), and Federal and New Jersey State documents collections. Materials purchased with these funds include books and periodicals, plus specially-selected electronic resources that provide state employees immediate access to the premium information contained in privately published e-books and databases of statistical reports and scholarly journals.

Special purpose funding was initially appropriated in FY 1999; however, publishers' prices have increased an average of 11% per year since then. More than 80% of the collections budget goes to material which is updated annually; due to the erosion of the Library's purchasing power, many of these subscriptions are now updated once every few years or have been canceled completely. Many of the State Library's collection strengths are in subject areas where it is critical to have current information. This is especially true for our law collection, used by state legal researchers including legislators and their staff, the staff of the Office of Legislative Services, and judges all over New Jersey.

While the gap in information due to cancellations has been partially filled by the Library's subscription to proprietary databases, those subscription costs also increase every year and not all materials are available electronically. This is especially true for legal treatises and practice guides, which are now mostly at least five years out of date. Continued flat funding of the Special Purpose appropriation will mean that the State Library's holdings will continue to age without updating, lessening the ability of the State Library to meet the needs of state government.

4. P.L.2019, c.32 established several multiyear schedules for gradually raising the State minimum wage from currently \$8.85 per hour to not less than \$15.00 per hour. The increase may affect department staff, third parties that provide services to or on behalf of the department, and programs with means-tested eligibility criteria.

In FY 2020, the general State minimum wage will rise as follows: 1) on July 1, 2019 to \$10.00 per hour; and 2) on January 1, 2020, to not less than \$11.00 per hour. The general minimum wage schedule will increase to at least \$12 per hour on January 1, 2021; \$13 per hour on January 1, 2022; \$14 per hour on January 1, 2023; and \$15 per hour on January 1, 2024.

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- **Question:** Please quantify the fiscal impact to the department in FY 2020 of the increases in the minimum wage of department employees from \$8.85 to \$10 per hour on July 1, 2019 and from \$10 to \$11 per hour on January 1, 2020, and the number of employees who will be impacted by each increase. Relative to current compensation levels, please provide the same information assuming an hourly minimum wage of \$12, \$13, \$14, and \$15.

The State Library currently employs eight part-time, hourly employees, seven of whom work exclusively on Federal grants. One of the eight staff members, paid with Federal funds, currently earns less than \$15 per hour but only works twelve hours per week. The fiscal impact on state funding, therefore, will be zero. The impact on Federal funding will be negligible: an annual increase of \$600 at \$13 per hour, a \$1,200 annual increase at \$14 per hour and a \$1,800 increase at \$15 per hour.

- **Question:** Please quantify the fiscal impact to the department in FY 2020 of the increases in the minimum wage of employees of third parties that provide services either to the department, including temporary employment services, or on behalf of the department according to contractual agreements. Relative to current compensation levels, please provide the same information assuming an hourly minimum wage of \$12, \$13, \$14, and \$15.

We are unable to answer this question when there are so many unknowns involved. We do not yet know to whom LibraryLinkNJ will award the contract for statewide delivery of library materials in calendar year 2020, the mechanics of how the services will be delivered, nor the hourly wages these types of vendors currently pay their employees. Other purchases under state contract such as office supplies or UPS delivery will most likely be impacted as well but we cannot calculate how increased wages will affect future state contracts. We are therefore unable to calculate the fiscal impact, if any, that a wage increase might have. We can note, however that the State Library is not currently a direct party to any contract that allows for an automatic pass-through of cost increases due to changes in the State minimum wage.