

**Toward a Financial Model and Process in Support of UC Library Collaboration
Proposal and Planning for Implementation FY 2012 - 2013**

Submitted by SOPAG to the Council of University Librarians

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Introduction

An ongoing theme throughout many UC Libraries' systemwide initiatives, most recently Next Generation Technical Services (NGTS), the Digital Library Task Force (DLSTF), and Next Generation Melvyl (NGM), has been the need for a stable financial structure to support collaborations and collaboration activities. The current lack of a well-defined financial model is consistently identified as a significant barrier that must be surmounted for the success of future collaborative initiatives, as articulated in the "*University of California Libraries' Systemwide Plan and Priorities, 2012-2015*."ⁱ The "*SLASLAC Library Planning Task Force Final Report 2011*" further reinforces the need for the UC Libraries to identify cost-sharing efficiencies, develop the ability to share costs across campuses reliably, and commit funding in a timely and sustainable manner.ⁱⁱ Of equal importance is the need to establish a process for determining how and which collaborative initiatives to fund.

To date, it has been possible for the UC Libraries to determine funding for non-collection cost-sharing initiatives on an ad hoc basis; however, that approach is neither stable nor scalable. Without serious action on the part of the UC Libraries to build a financial infrastructure that supports collaboration, the credibility and sustainability of our collaborative initiatives are at stake.

In response, SOPAG has developed a proposal for financial support of non-collection collaborations, including funding model criteria and an example of a decision making process. The purpose of this document is to explore and articulate the following: 1) the need for a commitment to financial structures that support collaboration, 2) current issues and challenges, 3) a plan for moving beyond the current status quo, and 4) examples of potential funding models. We also provide for CoUL consideration a possible approach for aligning the decision process for selecting and funding collaborative proposals with the existing CoUL "*Priorities for Collective Initiatives - Process for Annual Update*."

Proposal: Build a Financial Model and Process in Support of Collaboration

SOPAG proposes a financial model and process in support of collaboration, based upon the CoUL commitment to a shared philosophy, principles, and goals, and the implementation of a delegated decision and funding process, as illustrated in the attached "*Annual Financial Model and Process for UC Library Collaborations*" graphic, for implementation in FY 2012-2013. Implementation of this model and process will:

- Provide the UC Libraries and CDL with the power to sustain ongoing services and long-term initiatives, and, most importantly, to realize their fullest collaborative potential and leadership by creating the ability to fund that which is transformative.
- Ensure the effective use of budgetary resources via a governing structure that possesses the authority and assigns the responsibility to administer budgets and finances designated for shared

library services. This includes drafting multi-year budget plans, distributing funds, and monitoring their use.

- Ensure that collaborative systemwide plans, priorities, decisions and recommendations are effectively executed, as they are assigned early-on to the appropriate entity or group for investigation and/or implementation.
- Ensure that well-qualified staff are available and assigned, with authority to support the planning, coordination, and financial and business analysis activities needed for effective collaborative governance.

Defining the Issues and Challenges

The issues and challenges preventing the UC Libraries from realizing the full potential of systemwide initiatives relate in large part to a lack of an established model to support financial collaboration, and the processes, activities, services and staffing relative to such a model. The issues and challenges include:

1. A successful model for deciding, delegating, and funding collection collaborations using CDC and JSC is well established, but none is in place for non-collection collaborations.
2. The structure does not exist to put into action common activities funding, other than collaborative collection cost shares, which are managed by CDC.
3. The UC Libraries do not have much identifiable discretionary funding for systemwide initiatives, such as the creation and on-going maintenance of the UC Libraries Digital Collection, as noted in the March 2010 DLSTF Final Report.
4. There is no process for the transition of funding of systemwide initiatives from one-time development costs or pilot projects to ongoing production activities with sustainable funding.
5. There are no shared metrics or shared methods for tracking campus and CDL cost shares/in-kind contributions to systemwide initiatives, making analysis and strategic planning elusive.
6. The CoUL has formally established strategic collaborative initiative priorities, but commitment to corresponding funding typically does not follow.
7. Because there is no campus level budget/funding process or models for collaborative non-collection initiatives across functional areas, virtually all budget decisions, however large or small, must be resolved at the CoUL level, or by CDL.
8. Campus financial systems are not interoperable.

The new model of funding distribution between UCOP and campuses may require the UC Libraries to create different options for supporting collaboration that rely less on past resources streams. Also worthy of note is the work of the NGTS II Financial Infrastructure Task Group. In the Task Group's *Final Report* (September 2010), recommendations intended to build upon the success of existing UC Libraries collection financial models were outlined.ⁱⁱⁱThe Task Group's first two recommendations directly address the need for a financial model to support collaboration beyond the realm of collections:

F1: UC Libraries fund commonly held collections and technical services operations from a central source. System-wide resources and technical service activities common to all campuses would be funded off the top.

F2: Positions doing work on behalf of system-wide collections and technical services based at a campus need consistent and stable funding, and should be granted terms of employment consistent with their campus-funded peers.

SOPAG's Recommendations

SOPAG proposes the issues and challenges outlined above be addressed utilizing a five-pronged approach, including: 1) a statement of commitment by the CoUL in support of a UC Libraries model and process in support of financial collaboration; 2) agreement on a set of common understandings that will guide decisions pertaining to the investment of resources in financial collaborations; 3) the establishment of an array of budget, funding, and cost sharing models; 4) the development of a process that aligns the existing annual CoUL priorities review with appropriate funding; and 5) assignment of responsibility, or a mechanism, to provide the UC Libraries with necessary business analysis activities. Each of these five areas, and SOPAG recommendations for actions within each area, are explored more fully below.

1. **Commitment:** A stated commitment by the CoUL as to the concept, value, process and funding of collaborative initiatives will establish a basis for adopting a set of priorities relative to funding and decision-making. This statement of commitment, coupled with the "*University of California Libraries' Systemwide Plan and Priorities, 2012-2015*," provides the necessary foundation for moving forward with a model and process to support financial collaboration and setting priorities for funding of collaborative initiatives.

Recommendation: SOPAG recommends that the CoUL endorse and distribute this proposal with CoUL's stated commitment to fund collaborative efforts based on common understandings, priorities and goals.

2. **Common Understandings:** The fundamental understandings guiding UC Libraries' decisions about the investment of resources in the model and process in support of financial collaboration already exist for the most part, and are found in shared collection development documents, developed by the CDC and others. These documents have CoUL approval. These fundamentals have proven to be effective in a range of decision-making over time and include:

- Fund our priorities
- Provide fiscal tracking
- Ensure transparency
- Provide a sense of balance of contributions with cost distribution based on agreed-upon criteria
- Strive for participation by all, rather than payment by all
- Foster an environment of mutual trust

Recommendation: SOPAG recommends that the CoUL endorse the above set of common understandings intended to guide UC Libraries' decisions about the investment of resources in support of collaboration.

3. **Budget, Funding Sources and Funding Models:** Over time, various rationales and methods have been used for distributing costs for collaborative activities. In order to establish an array of viable funding and process models for the future, the concepts in the following goals have been incorporated.

- a. Determination of overall funding capacity, regardless of source.

- b. An established budget that is needed to support strategic collaborative efforts, with funding resources identified and committed annually.
- c. A balance of short-term and long-term funding commitments, with flexibility to leverage emerging opportunities.
- d. Regular assessment of existing systemwide funds, such as the Shared Collections Acquisitions Program (SCAP) and Resource Sharing Fund for potential re-purposing.
- e. Clarity and transparency on how much funding and resources are available when determining the overall collaborative budget and cost shares from both CDL and the campuses that can be used for systemwide initiatives.
- f. Use of a range of standardized cost share models with selection rationale to address various options for participation, including percentage assignment or campus apportionment of costs for determining cost shares and getting campus approvals.
- g. An understanding of historic models for funding systemwide initiatives (e.g. Melvyl, SCAP, and Resource Sharing) and assessment as to whether or not the models are still valid.

Recommendation: SOPAG recommends that CoUL review use of current systemwide funds and determine what mix of resources to bring together to create an annual budget in support of collaborative initiatives.

Recommendation: SOPAG recommends that CoUL identify from Table 2, “*Options for Funding Arrangements - UC Systemwide Non-collections Initiatives*,” the funding models it considers acceptable.

4. Decision-making Processes: The lack of a clear decision-making process has inhibited potential systemwide and multi-campus initiatives. The alignment of the annual CoUL priorities review with an annual overall funding availability and budget commitment for collaborative initiatives would provide a more stable environment for pursuing collaborations. Establishing the following processes will support the proposed financial model and process in support of collaboration:

- a. An annual process for reviewing and establishing a budget to support collaborative efforts, factoring in support for ongoing operational efforts as well as potential new initiatives or projects.
- b. A process for delegated decision-making, based on CoUL agreed-upon threshold ranges (e.g. small, up to \$50,000; medium, \$50,000-\$500,000, and large, over \$500,000).
- c. Transparent and agile processes for determining: what to fund; how to support start-up projects; how to provide for ongoing initiatives or operations.
- d. An efficient process for transfer of funds, with rationalized accounting practices and documentation of fund transfers between campuses/CDL, etc.

Recommendation: SOPAG recommends that CoUL endorse and implement a process for aligning the annual CoUL priorities review with establishing a budget to fund collaborative initiatives, both ongoing and new. The attached “*Annual Financial Model and Process for UC Library Collaborations*,” prepared by SOPAG, provides a visual graphic of such a process for CoUL consideration.

5. Support Personnel and Documentation: The success of a UC Libraries model and process to support financial collaboration calls for assigned responsibility to evaluate metrics, provide transparent fiscal reporting, track accounting of resources spent and savings realized, and to

provide budgetary information for planning and analysis for effective funding of multi-year plans, and to maintain a record of decisions, structures, and commitments.

Recommendation: SOPAG recommends that the CoUL develop strategies for monitoring collaborative activities.

Funding Resources and Cost Sharing Options

Examples of **current and past funding arrangements for systemwide or multi-campus non-collection initiatives** are provided in **Table 1**. Notable is the predominance of either considerable dependence on in-kind contributions and/or CDL contributions, coupled with a lack of tools for measuring both types of contributions. In-kind contributions generally work for relatively modest initiatives. However, as in-kind contributions increase, there will be noticeable stress on individual campuses. A more formal way to account for, recognize, and distribute in-kind collaboration costs more equitably across the UC libraries, including CDL, is required to sustain collaboration. While the advantage to in-kind contributions is that no additional funding need be found in library budgets, these contributions can meet only some of the substantially increased needs anticipated by NGTS, and other future collaborative initiatives.

Notable, too, in the current examples, is that there is very little, if any, delegated decision-making, bringing CoUL into directly dealing with each initiative and its details. As the UC Libraries move into considerably more collaborations, this process does not scale.

The **financial/cost share funding models** outlined in **Table 2** provide options for funding a variety of shared services and functions. Most are based on cost models that have been used successfully by CDC and CDL for funding shared collections content, and some of the current funding arrangements match, or are close to, some of those proposed going forward. The UC Libraries' long time experience in cost sharing for content has demonstrated that there is no single model that fits all situations, but it also shows that a default pro-rated campus cost share model used most of the time gives campuses predictability for budget planning and most closely reaches "fairness". While standard cost shares may not reflect the exact benefit to a campus for a specific initiative, there is balance over time of over/under contributions on shares that makes the standard cost shares both fair and most pragmatic for accounting. A rolling three-year average used to determine campus cost shares mitigates fluctuations in local budgets or other metrics used. For the types of shared services and functions where any campus becomes a service center, it will be necessary to factor in *measurable* campus in-kind contributions (e.g. personnel time) as part of an individual library's overall cost share where systemwide funding does not cover the entire campus cost. Any of the models can be used for participation by all or only some of the campuses. All cost shares should be reviewed and assessed on no more than a three year cycle for continuing relevancy and level of participation.

In determining the appropriate cost model, the following criteria should be considered as appropriate and as the starting point toward developing equitable shares. The number of participating campuses and the nature of the collaborative initiative will drive variation in the application of criteria, including:

- Importance of all-library/campus participation
- Relative campus size
- Size of campus' library budgets
- Level of potential or actual use of resource

ⁱUniversity of California Libraries' Systemwide Plan and Priorities, 2012-2015
http://libraries.universityofcalifornia.edu/about/vision_mission_goals.html

ⁱⁱ University of California Systemwide Library and Scholarly Information Advisory Committee Library Planning Task Force Final Report (December 2011)
http://libraries.universityofcalifornia.edu/planning/taskforce/final_LPTF_report_draft_v3_12-01-11.pdf

ⁱⁱⁱ Next Generation Technical Services Phase 2, Financial Infrastructure Task Group Recommendations (September 2010)
http://libraries.universityofcalifornia.edu/about/uls/ngts/docs/NGTS2Fin_Infra_Final_Report.pdf

Annual Financial Model and Process For UC Library Collaborations

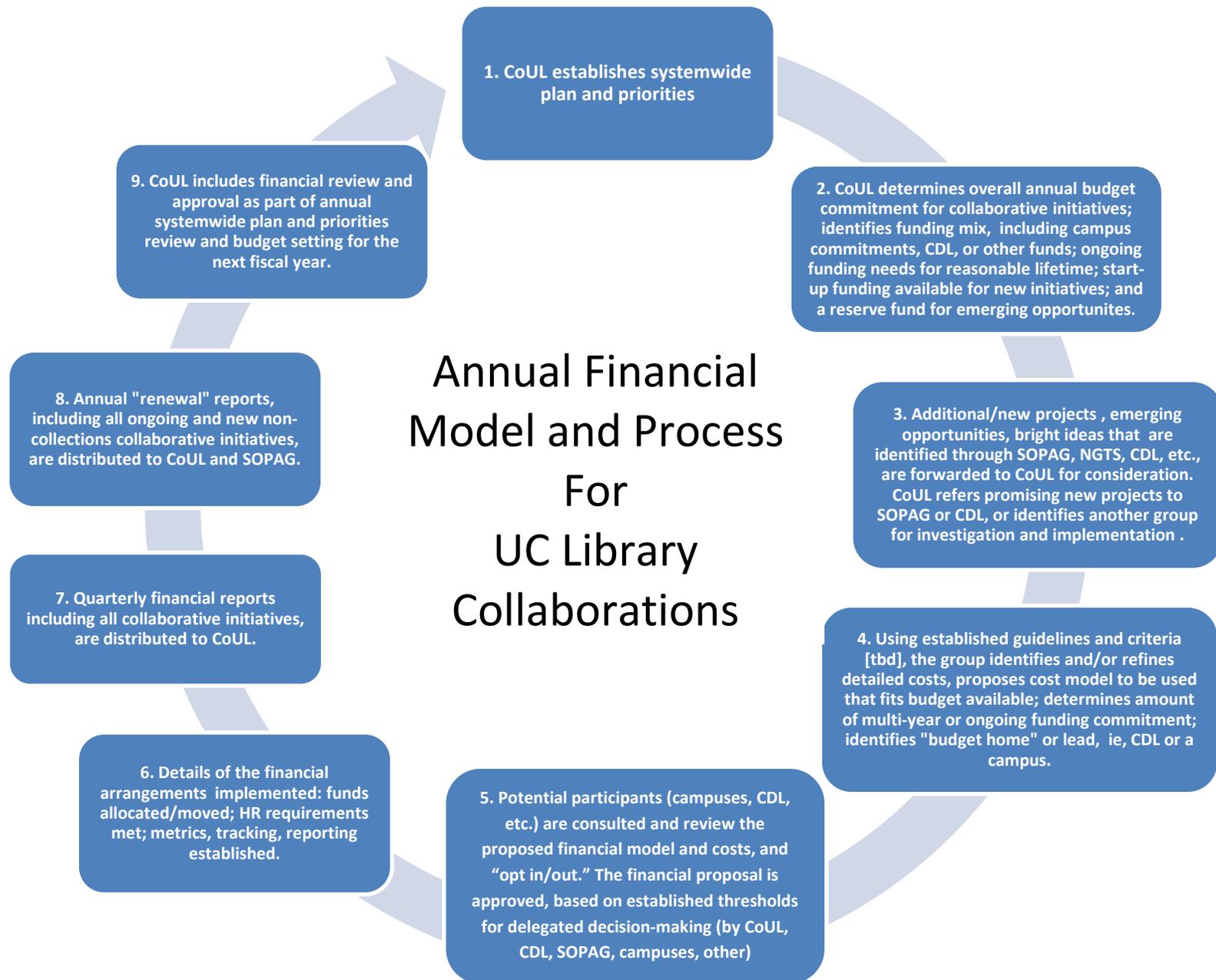


Table 1: Current Funding Arrangements
UC Systemwide or Multi-Campus Non-collections Initiatives

3-Feb-12

Current Arrangements						
Funding Arrangement	Basics of the Arrangement	Proposed by	Decision made by	Benefits	Concerns	Examples of current non-collections collaborations
1 Campus in-kind	agreement between two campuses for work to be done; no funds/recharge involved. Normally intermittent and/or low volume of work.	campuses	campuses	Informal, low overhead in documentation	potential for in-kind cost "creep" ; no accountability for level/amount of work being done beyond "home" library expectations Arrangement dependent on budget of "home" library. No guarantee of continued staff support	1. Cataloging: 1a. Nepali/Tibetan (B for SB) 1b. Music CD (SD for SB) 1c. Czech (LA for SF) 1d. ACM print archive (SD for all) 1e. Calif e-govdocs (5 campuses for all) 1f. German monos (B for SD) 2. Conservation/repair (LA for SB)
2 CDL funded	CDL commits resources to implement/administer the program	CDL	CoUL	Potential for non-UC fees or fees for value added services	There are some resources used--just not articulated	eScholarship
3 Campus and CDL in-kind	co-development of digital curation services with personnel at CDL and selected campuses. No funds/recharge. Use current personnel	CDL	CDL, UCLA, UCSD, UCM	Infrastructure can be used by all campuses Takes advantage of developed centers of expertise	There are some resources used--just not articulated	UC3
4 CDL in-kind, campus in-kind and grants	CDL supports infrastructure with CDL resources and CDL grant funding, campuses contribute metadata creation, support for researchers, etc.	UCB (OAC); CDL (Calisphere)	CoUL (OAC)	grant allows development without (over)-commitment of funds	transition to sustainable funding once grant funds run out	OAC, Calisphere
5 CDL in-kind and campus in-kind	co-development of digital curation services with personnel at CDL and selected campuses. No funds/recharge; use current personnel	CDL, UCSD, UCLA (UC3); approached by UVa	CDL, UCSD, UCLA (UC3)	Participation in national/int'l development of services Potential for non-UC fees or fees for value added services?		Data Management Plan
CDL in-kind and campus in-kind	none; using current personnel	UCSD?	CDL	potential for standardizing content management	unclear about coordination of development of this tool	Archivists Toolkit/Archon
6 CDL and campus funds	CDL funds majority; smaller fraction funded by equal campus shares	CDL (approached by UM and IU)	CoUL	participation in national initiative	membership costs unclear initially	HathiTrust
7 CDL and campus funds	some services originally funded through grants; move to CDL and campus funding to sustain service longterm	CDL	CoUL (proposed need for preservation solution)		finding funding for sustaining service built initially on grant funding	Merritt
8 CDL funding and campus in-kind	CDL funding with considerable campus resources in-kind	BSTF	CoUL			Melyl
9 Centrally funded originally; funds transferred to campuses hosting service and now absorbed by campus		Salmon plan		central funding transferred to campus control	unclear how much additional funding support campuses require to operate service	SRLF, NRLF -- plus fee for service
10 Vendor funded		CDL (approached by vendor)	CoUL			Mass digitization (Google, Microsoft) JSTOR Archive
11 Equal campus shares			CoUL			Chinese Cataloger
12 Equal campus shares plus CDL		HOPS	CoUL			QuestionPoint (Ask a Librarian)
13 Fee for Service	campuses pay vendor directly for service	CDL coordination with campuses participating				Mass digitization: IA or other vendors
14 Fee for Service	campuses pay CDL for service	CDL (approached by DataCite)	CDL	Participation in national/int'l development of services Potential for non-UC fees or fees for value added services		EZID
15 Fee for Service	one campus pays another for service	campuses	campuses			Preservation microfilming service (e.g. UCB for UCD)
16 Resource sharing; CDL in-kind; campus in-kind for maintenance of Tier 3	Resource sharing fund	CDL	CoUL			UC-eLinks
17 Resource sharing fund pays campus' staff; campus absorbs some overhead; campuses provide inkind for use of files	Resource sharing fund	CDL/ UCSD	CoUL			SCP
18 Resource sharing fund; extras paid by campus	Basic service covered by Resource sharing fund and campus cost only when extras are requested	HOPS/RSC CDL	RSC/ CDL			Courier Services Hosted VDX

19	Resource sharing fund and campus funds some overhead	Resource sharing fund pays UCSD staff; UCSD absorbs some overhead; campuses provide inkind for use of files	CDL/UCSD	CoUL		SCP
20	Resource sharing; CDL inkind	Resource sharing fund	HOPS; later by RSC	CoUL		Request
21	Membership fees, grant funding, CDL inkind; archive builders reimbursed		CDL/CoUL (?)	CoUL		WEST

Acknowledgement: Thanks to NGTS POT 6, Lightning Team 1A. Many of the funding arrangements listed above come from NGTS POT 6, Lightning Team 1A list "Shared Services within UC".
<https://wiki.library.ucsf.edu/display/NextGenTechServ/Shared+Services+List+%28Final%29>

Table 2: Options for Funding Arrangements

UC Systemwide or Multi-Campus Non-collections Initiatives

2/3/2012 ; rev. 4/19/2012

Funding Model	Basis of Funding Model	Benefits	Concerns	Potential Uses
<p>1 Prorated campus library/CDL shares based on size. DEFAULT COST MODEL</p>	<p>1a. 3 year rolling average of campus library budgets as reported in UC Statistics 1b. 3 year rolling average of campus library budgets and total FTE served (faculty/staff/students) 1c. 3 year rolling average of FTE served (faculty/staff/students) 1d. campus' anticipated use/benefit of the service/function based on historic use/FTE, etc as appropriate. 1e. Other measures?</p>	<p>Predictability of multi-year cost share commitments; use of regularly reported information to calculate shares</p>	<p>Using metrics that are agreed upon as fair indicators of capacity to participate and overall benefit of systemwide initiatives</p>	<p>1. Funding long-term initiatives/functions 2. Contracting with a large vendor 3. Funding shared personnel (e.g. foreign language cataloger, subject specialist for multi-campus) 4. Large ongoing systemwide memberships & sponsorships (e.g. WEST)</p>
<p>2 Create and sustain a "mixed" funding source</p>	<p>2a. Use Resource Sharing Fund as an Opportunity Fund 2b. Create a "mixed" or pooled fund from prorated campus/CDL *annual* contributions or "pledges" that can be recharged to campuses</p>	<p>Up front ease of accounting ; allows for annual variation in prorated campus/CDL shares reflecting budget swings;</p>	<p>Creates tension between "mixed" funding of ongoing initiatives and finding funding for pilots, start-ups, development. Size of "mixed" or pooled funding will vary annually--difficult to provide stability to any initiative without an additional funding strategy using one of the other cost models.</p>	<p>1. Start-ups & pilots 2. One-time costs 3. Truly core ongoing systemwide services</p>
<p>3 Equal shares</p>	<p>Evenly divide costs among all participants</p>	<p>Ease of accounting. Best used when each campus/CDL share would be lower than a threshold amount agreed on (e.g. \$10,000) or where prorated shares cannot be balanced within prorated parameters.</p>	<p>If threshold is set too high, smaller campuses (smaller library budgets) could be disadvantaged.</p>	<p>1. Programs below threshold (e.g., QuestionPoint) 2. Funding shared personnel (e.g., foreign language cataloger) 3. Memberships and partnerships in reg/nat'l organizations (e.g., HathiTrust)</p>
<p>4 Hybrid "mixed" or CDL Funding & campus cost-shares</p>	<p>Any combination of 1a-d with 2a-b</p>	<p>This would apply in cases where a single campus share would be larger than if it were to obtain the same service/function alone</p>	<p>Potentially ties up some amount of "mixed" funding for a longer term</p>	<p>1. Long-term initiatives/projects 2. Campus service centers 3. "Mixed"/CDL primary with smaller campus shares</p>

Funding Model	Basis of Funding Model	Benefits	Concerns	Potential Uses
5 Hybrid cost shares using both funding and in-kind campus contributions of personnel and/or facilities and equipment	Campuses hosting/housing a function, center or project would have their cost share reduced by the direct costs for personnel, space and/or equipment that can be quantified as directly related to the function or project. Other campuses' shares would be filled through funding.	This would apply where either a systemwide/CDL service or function involved significant *ongoing* contribution of specific individuals . The campus funding cost share would be offset by any campus direct cost in personnel borne by the campus and not paid from central funding. Could also apply to equipment/services such as IT, office space, etc. (e.g. Short term project using specific expertise; ongoing portion of individual's time devoted to systemwide function/project housed at a campus)	Determining value and types of in-kind campus contributions that would be included would need to be established	<ol style="list-style-type: none"> 1. Campus service centers--e.g. SRLF/NRLF, SCP costs above central funding contributions 2. one campus cataloger doing cataloging for other campuses 3. one campus digitizing a particular format for other/all campuses
6 Single campus, "mixed" or CDL funding used for one-time costs; equal or prorated campus cost sharing of ongoing annual costs		Applies where there is an initial major investment and campuses share long-term lower costs to maintain the project/function		<ol style="list-style-type: none"> 1. Investment in major software/equipment that may have ongoing maintenance fees
7 One campus or a small number of libraries invest one-time for systemwide benefit	Single or small group of campuses use "excess" year-end funds to purchase services or systems for systemwide use and benefit	Allows all libraries to benefit when a single campus has the ability to invest for all.	Normally funds would come at year-end. Unreliable where costs are ongoing.	
8 Grant/external funding	<ol style="list-style-type: none"> 8a. Funding based on grant amount awarded. 8b. Funding based on external partner funding negotiated. 	Opportunistic. Allows development without entirely funding from UC.	Concerns about: ability to come up with sustainable funding beyond the length of the grant; decision making on priorities and applicability to campuses; campuses obligated without input on decision	<ol style="list-style-type: none"> 1. Pilots 2. Start-ups 3. Development
9 CDL initiated	<ol style="list-style-type: none"> 9a. CDL budget 9b. CDL grant funding 9c. CDL external partnerships 	Allows funding of some types of development without campus upfront funding commitment.	Concern about ability to come up with sustainable funding; concern about decision making on priorities and applicability to campuses; campuses obligated without input on decision	<ol style="list-style-type: none"> 1. Pilots 2. Start-ups 3. Development (e.g. Mass digitization projects/Internet Archive) 4. Initiatives in partnership with non-UC entities (e.g., HathiTrust initial membership)