
Making Sense of Our Dollars

by John T. Welch

This issue of *North Carolina Libraries* proposes to investigate the topic of libraries and their effect on the economy at local and state levels. While libraries have long been painfully aware of how the economy affected them, little attention has been devoted to the other side of the coin.

The genesis of this article was a conversation that I had with the director of an academic library in Michigan about two years ago. She was describing how two of her professional reference librarians had teamed up with some members of a local and state government economic task force to help bring into the area a new industry that employed over five hundred people. Naturally, the local county government was pleased to have the increased revenue that would come from taxes on the industry, and local merchants were pleased because they had a new group of customers.

At about the same time, I was becoming more aware of how the reference staff at the Division of State Library was performing similar tasks. Over the past several years, the State Library had made a concerted effort to promote the use of the state and federal demographic and economic statistics that were in our collection. And the staff told me that they were getting an increasing number of inquiries from patrons seeking information that would help them decide where to locate potential business sites. We even received a letter from a Winston-Salem businessman who said that our efforts had helped him not only establish his business, but also make it economically successful.

The more I thought about it, the more I realized that we at the State Library were doing a lot of work that had definite economic impacts. This work, unfortunately,

was going unnoticed by us and others. My hunch was that this fact held true for most other types of libraries.

Something else struck my attention a few days later when I was back in our reference department. As I was looking through a stack of state documents, it was not difficult to find other state agencies, the Department of Commerce for example, that were not shy about announcing their economic impact on the state. They made certain that this type of information was front page news in their press releases and publications, constantly implying, if not directly telling, to anyone who read that information just how valuable they, their staffs, and services were to the economy of our state.

Could libraries take the same tack as the Department of Commerce had? Could we make a solid case presenting our direct effect on the economy? What about the indirect economic effects that result from our work? What would we need to know to be able to make such an approach work?

The scope of this inquiry is too broad to fit conveniently in one issue of this journal. There are simply too many facets to be explored and studied. What can be done, however, is to point out some examples of how libraries affect the economy and ask questions about how we might begin to further explore, understand, and exploit this area of our services.

Caveat lector! It is fair to say that all libraries seek to improve their own budget standings; none of us is "rolling in dough" and many of us seem to have been put on a starvation diet. Though it is hoped that these articles may lead to libraries finding ways to increase their portion of the budget pie, there is no guarantee that such will be the case. There does not appear to be any magic formula that will correlate all

that we do with its effect on the economy. Yet, as with all other attempts at self-examination, libraries may gain a better understanding of themselves, their missions, and services. This, in turn, may result in rewards recognized through better service, stronger collections, and improved productivity.

The easiest place to begin is with our direct economic impact. By looking at the following examples it is possible to get a glimpse of the level of economic impact that we are making now. And the list below is only a representative sample of what is currently being done.

Direct Impacts

The North Carolina Association of Independent Colleges and Universities ran an article in its fall 1993 newsletter, *The Independent*, explaining how its member institutions had contributed \$4.8 billion to North Carolina's economy (See Figure 1). Note the areas reported: goods and services, capital projects, employment, even money spent by out-of-town visitors. Also, please note the statement that "This study points out how the impact of these institutions extends beyond the local community and benefits the entire state."¹

This type of direct impact is one that libraries should be able to capitalize upon readily. For example, according to statistics collected by the State Library, public libraries received \$79,158,937 in local operating funds and another \$1,513,095 in federal grant funds during the 1992-1993 state fiscal year.² This same information should be reasonably available for almost all libraries.

What about capital projects? East Carolina University is embarking this spring on a twenty-nine million dollar expansion and renovation project for its Joyner Li-

brary. In May of this year, the Chapel Hill Public Library will open its new \$5.3 million library. Later this spring, the Division of State Library will award \$420,703 in federal Library Services and Construction Act Title II funds for constructing, expanding, and renovating public library facilities in the state. Since public libraries are required to match these federal funds,

total project construction funds are at least double the amount of the grant awards.

Adding the East Carolina University Project, the Chapel Hill Public Library project and the federal construction funds, the total comes to \$34.7 million in funds that potentially will go back into the local and state economies in terms of wages paid and goods and services purchased. It

is necessary to acknowledge that some of those funds might be paid to out-of-state firms. However, even some of those funds will be spent within North Carolina to hire and/or house workers and purchase or transport goods and services. Imagine what the total figure would be if you included construction projects for all the libraries in the state!

Another example includes the grant funds that libraries receive to support special projects or activities. In 1992, North Carolina State University's D. H. Hill Library was awarded a \$71,690 Higher Education Act Title II-D research and demonstration grant by the U.S. Department of Education to develop a model for distributing research materials directly to scholars through a campus network. The Division of State Library has received two grants totalling \$1,278,765 from the National Endowment for the Humanities to support the North Carolina Newspaper Project. Again, this list could be expanded greatly to reflect the wide variety of grant programs currently underway.

What does all of this tell us? In the cold, hard, dollars-and-cents way of economics, it says dramatically that libraries return a direct value to local and state economies. Because of the goods and services we buy, the staff that we employ, the facilities that we build, and the grants that we administer, tax revenues flow directly back to the governmental sources that fund us. We are actually helping to pay our own way. And we need to be able to articulate clearly that message to our funding agencies. While the area of direct economic impact offers many possibilities, it is only the surface of a much deeper economic impact that libraries have — our indirect economic impact. I use this term because it seems to best explain how much of our work takes place. Trying to understand this realm is much like voyaging into deep ocean waters — the further you go, the less light there is to see by; however, the further you go, the greater potential rewards there are.

Indirect Impacts

The area of indirect impact on the economy may have great potential for showing how libraries re-

Figure 1

Independent Colleges Contribute Billions to N.C. Economy

North Carolina's 37 independent colleges and universities contributed \$4.8 billion and more than 34,000 jobs to the state's economy in 1991-92, according to a study conducted by the Center for Economic and Banking Studies at Wake Forest University's Babcock Graduate School of Management.

The study, conducted for the NCAICU by a team of Wake Forest MBA students under the direction of Dr. Gary L. Shoemsmith, determined that the colleges' direct impact on the state was estimated at \$2.3 billion. Including indirect effects, the total impact of the institutions was estimated at \$4.8 billion.

"This study shows the important role North Carolina's independent colleges and universities play in the state's economy in terms of jobs, income and expenditures," Shoemsmith said.

"This study confirms that, in addition to providing high quality educational opportunities to North Carolina citizens, our independent colleges and universities play a major role in the economic well-being of the state," said NCAICU President A. Hope Williams. "People often recognize the important contributions an independent college makes to the community in which it is located. This study points out how the impact of these institutions extends beyond the local community and benefits the entire state."

The study found that the 37 schools spent an estimated \$1.75 billion on goods and services during 1991-92, excluding wages and benefits. Of that total, \$696 million went toward goods and services in North Carolina. Shoemsmith and the graduate business students used a 2.12 multiplier from the N.C. State Budget Office to determine the institutions' total state economic impact of \$1.5 billion in expenditures.

In addition to annual operating expenditures, the schools bring significant

capital projects to the state. Over the past three years, the schools spent an estimated \$465 million on capital projects, the study found. Using averages, the annual impact of capital spending was estimated at \$155 million annually. With multiplier effects, the total impact was \$328 million per year.

The institutions represent one of the largest private sector employers in the state with 34,408 employees and another 4,100 jobs dependent on them. In 1992, the schools paid \$1.02 billion in wages, and the economic impact of spending by those employees ranks independent colleges and universities as one of the most important sectors in the state. Applying the 2.12 multiplier, the total economic impact of the employees' spending was \$2.15 billion.

The 61,682 students enrolled in the schools spent an estimated \$316 million in North Carolina during 1991-92. That figure does not include payments for housing, meal plans, tuition and books. In all, student spending contributed \$670 million to the state's economy during the 1991-92 academic year.

The study found that various activities at the schools draw visitors and dollars to North Carolina communities. During 1991-92, an estimated 10,905 events were open to the public, attracting 1.7 million visitors from the local communities and more than 804,000 visitors from out of town.

The study noted that local visitor expenditures do not represent notable additional spending, but out-of-town visitors have a significant impact on the economy. Assuming that the average stay for an out-of-town visitor was just one night at \$127 (the state's average expenditure estimate), visitors spent more than \$102 million in 1991-92. These expenditures represented a total economic impact of more than \$216 million, according to the study.

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ally do make a positive economic impact. However, this same area also poses the much more difficult problem of how to access that impact accurately.

For example, we have long known that library users frequently make economic gains from materials, information and/or services that we provide to them. The dedication pages of numerous novels and nonfiction works, to name the two most common categories, feature an acknowledgement of libraries and librarians who have helped authors get precisely what they needed for their work. Sometimes these works have sold in the millions of copies and even been turned into movies.

*Because of the goods
and services we buy,
the staff that we
employ, the facilities
that we build, and
the grants that we
administer, tax
revenues flow
directly back to the
governmental sources
that fund us.*

In March and April 1994, the *Raleigh News and Observer* ran a series of articles entitled "Science for Sale" describing how faculty at several major Triangle universities were profiting financially from their publicly and privately funded research. One particular graph indicated that during 1992, Duke, NC State, and UNC-CH's combined total of corporate-sponsored research was in excess of fifty million dollars.³ What role did the library collections and services at those three universities play in supporting that research? Equally important, what role do those libraries play in making the Triangle area a very attractive place for the type of researchers who get those large grants?

In the *News and Observer* series of articles, one senior university research associate in computer science at UNC-Chapel

Hill claimed his research project "has been a succession of companies providing well-paid jobs for North Carolinians over the last 16 years. The result of the \$50,000 research project has been around \$50 million added to our state's economy."⁴ Quite an impact on the economy, isn't it? It does make you wonder what he would have to say about the relationship of library services to his success?

Probably the hardest area of all to document is the longitudinal impact that libraries have on the economy. In this case we are concerned with attempting to assess what effect the ongoing use of libraries has on individuals and/or groups of users and where the payoff of that use reenters the economy.

A prime example in this category are public school library media centers. An important study published in September 1992 by the Colorado Department of Education and the Colorado State Library and Adult Education Office found that "Students at schools with better funded LMCs [Library Media Centers] tend to achieve higher average test scores, whether their schools and communities are rich or poor and whether adults in the community are well or poorly educated."⁵ Where's the indirect impact here? Just consider the following: fewer students would need remedial training, more students might take advanced courses, students could graduate from high school knowing not only the use of, but the value of, quality library programs and services. They would then expect to find those services in college, community college and public library settings. Hopefully they probably will be willing to support them, as well.

As librarians, don't we need to put information like that from the Colorado study in billboard sized letters for our funding agencies? Don't we hear from most of our political and economic leaders that what our state, indeed our nation, needs most is a much better educated workforce to improve our economic potential? Here is carefully documented research that can be used to reenforce libraries' indirect economic effects.

Again, the examples listed above are only a small sample of a much larger pool of possibilities that libraries could delve into. Rather than jumping head first into the depths, a much more deliberate approach might yield better end results. Thus, what follows is a suggestion of a possible

future research agenda.

What Lies Ahead?

In working on this article and reflecting on the contributions of the other authors in this issue, I have become aware of just how difficult it is to understand the true relationship of libraries to the economy. On the one hand, it seems so obvious that we do make a significant, broad-based contribution to local and state economies; on the other hand, it seems to be agonizingly difficult to express and explain graphically that contribution. Is it any wonder then that we have difficulty in using such information to our advantage when we approach our funding agencies?

We seem to find ourselves in the same dilemma that Don Sager, former director of the Milwaukee Public Library, noted regarding the federal Library Services and Construction Act program. "Unfortunately, most of the data we have on the beneficial impact of LSCA is anecdotal. While we can document how many federal dollars have been spent on various programs, we haven't marshalled the hard numbers necessary to demonstrate LSCA's effectiveness. That weakness makes the existing legislation vulnerable."⁶ Note that Sager considers the lack of hard data a weakness.

One answer to this dilemma is to develop a research agenda that could provide some methodologies and hard data for library use. The following questions might provide a starting point for such research:

- 1) How can libraries best present information relating to their direct impact on the economy to their funding/governing authorities?
- 2) Can we enlist the assistance of government and/or academic research institutions, as the North Carolina Association of Independent Colleges and Universities did in the example cited above, and use their expertise in research and interpretation to better explain our case? More important, how can we make certain that we are included in their studies and projections on economic growth and impact? An article in the *Raleigh News and Observer* announced that the new North Carolina Information Highway would add \$2.7 billion to the state's economy.⁷ It would be wonderful to know what portion of that sum was considered to be the result of libraries participating in the project.
- 3) Are we collecting the right type of statistics on an individual and institutional basis? Can we find better, more

concrete ways to evaluate our programs, services, and the use of our materials? Can we adapt the research techniques of the "for profit" sector to aid us in understanding what our services, materials, and collections do for our users?

- 4) Can libraries come up with a way to determine how much value they add to the information that they make available to their patrons? Here is what two outside professional observers from the state of New York reported on this subject: "Due to their organized methods of identifying, locating and retrieving information, libraries save users millions of dollars each year in time not wasted in attempting to recreate data already available, time saved in not duplicating work already done and time not wasted on erroneous work."⁸
- 5) Is there a way that we can more effectively market our contributions to today's students at the school, community college, and university levels? There are students at all those levels who will be in positions to make decisions on our funding in the future. There should be some way to pass

along to them our value to their economic, as well as educational and recreational, lives.

- 6) Should we designate some single agency to collect and disseminate research information for us?

Finally, it must be said that this is not going to be an easy task. Kem Ellis's questionnaire on the High Point Public Library's business reference service, reprinted in this issue, yielded only a ten percent return; that is not a good enough return rate from which to draw conclusions. However, it is a start; it may even be the first time that a public library in North Carolina has even tried to obtain such information in this manner.

We can learn from our setbacks; we may, indeed, learn a lot from them. We can share information and work together cooperatively on any of the above items. Here in North Carolina, we have access to many of the resources that are needed for good quality research. We must strive for the most rigorous research standards. We have the ability to help ourselves. It is up to us to decide to do something about it!

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