NEKLS

2027 Proposed Budget Summary

How NEKLS is Funded

Each **member public library** levies taxes from within their legal taxing area (city, township, district or county) to fund their library's operations.

NEKLS, as a special taxing district, collects an ad valorem tax and other taxes (e.g. motor vehicle) from those areas of the region not taxed by a local public library.

- In turn, NEKLS supports member libraries through:
  - grants and subsidies (over 41% of the total operating budget)
  - consulting and technology services
  - continuing education and training
  - IT support
  - resource sharing support

Member public libraries and NEKLS effectively partner to ensure all Kansans in the 14-county service area enjoy access to strong library services. **Property owners taxed by NEKLS** have access to every public library in the region.

Budget Considerations for 2027

(1) NEKLS will be staffed at **11 employees** and all employees will accept health insurance.

(2) NEKLS should maintain **at least two months** of annual expenditures in cash reserves. This is down from a previous target of three months. *(Generally, auditors recommend that municipalities like NEKLS maintain at least three to six months of annual expenditures in cash reserves.)*

(3) **Costs continue to increase**: supplies, technology, services, fuel, etc. The U.S. Consumer Price Index (CPI) increased by 3.4% over the 12-month period ending in July 2026.

(4) Estimated **15% increase in the cost of benefits**: health insurance, worker's compensation, unemployment insurance costs, and employer KPERS costs.

(5) **Reduction in expenditures** by eliminating Architectural Services grant program.

Future Budget Considerations

Looking beyond 2027, NEKLS must prepare for fiscal challenges.

- The unpredictable future of the Institute of Museum and Library Services (IMLS) could lead to the reduction or elimination of IMLS funding to the Kansas State Library. In turn, State Library funding decisions could impact regional library systems (e.g. courier grant, summer reading grant, resource sharing).

- **District Libraries.** Whenever a district library forms within the NEKLS region, the result is generally a <u>net loss in revenue</u> for the system. Historically, the NEKLS budget was able to absorb the loss of revenue when a district library forms. This is no longer feasible.

    - NEKLS expects to lose at least $120,000 in ad valorem tax revenue for the 2029 budget year due to the formation of a library district.

    - At least three additional communities with an existing city library are exploring district formation.

The Kansas library ecosystem is evolving.
Going forward, <u>any loss in revenue will necessitate budget adjustments</u>. The NEKLS director and staff are holding conversations with libraries over the next several months to better understand their budget challenges; what they value most in their participation in the regional system; and opportunities for more collaboration. The discussion will inform NEKLS's thinking on the future of grants, subsidies, and services provided to member libraries.

2027 Proposed Budget

BUDGET SUMMARY

Proposed Budget 2027 Expenditures and Amount of Current Year Estimate for 2026 Ad Valorem Tax establish the maximum limits of the 2027 budget. Estimated Tax Rate is subject to change depending on the final assessed valuation.

	Prior Year Actual for 2025		Current Year Estimate for 2026		Proposed Budget Year for 2027		
FUND	Expenditures	Actual Tax Rate*	Expenditures	Actual Tax Rate*	Budget Authority for Expenditures	Amount of 2026 Ad Valorem Tax	Proposed Estimated Tax Rate*
General	2,698,772	0.980	3,041,269	1.030	3,459,743	2,853,117	1.241
Debt Service	0		0		0	0	0.000
Employee Benefits	379,826	0.154	429,384	0.180	479,050	424,738	0.185
Kansas Library Express Courier	978,827		1,166,600		1,486,124		
Non-Budgeted Funds	212,465						
Totals	4,269,890	1.134	4,637,253	1.210	5,424,917	3,277,855	1.426
						*Revenue Neutral Rate ***	*1.165*
Less: Transfers	183,000		0		0		
Net Expenditures	4,086,890		4,637,253		5,424,917		
Total Tax Levied	2,418,934		2,679,026		xxxxxxxxxxxxxxx		
Assessed Valuation	2,091,193,067		2,213,841,065		2,299,699,282		

Example of the impact of the proposed 2027 budget on a homeowner

Suppose the property is appraised at **$300,000** in 2026.

Determine the assessed value *(residential properties are assessed at 11.5%)*

Appraised value X Assessment rate = Assessed value
300,000 X 0.115 = 34,500

***Note**: Agricultural land, commercial property and other property classes are assessed at a different percentage. This example is specific to real property for residential purposes.*

Tax Bill for this property

(Assessed value X Proposed Mill levy rate) / 1000 = Property tax for NEKLS
(34,500 X 1.426) / 1000 = $49.20

Revenue Neutral Tax Bill for this property

(Assessed value X RNR Mill levy rate) / 1000 = Property tax for NEKLS
(34,500 X 1.165) / 1000 = $40.19

Difference between Revenue Neutral and Proposed Budget
for the year = **$9.01**