

**Collection Planning Committee Collection Valuation Task Force
Final Report and Recommendations to CSUL
July 2009**

Caveat: This is a vast and complicated issue with numerous variations and distinctions that raise seemingly endless questions. It could, and perhaps should, be studied in more depth by a larger task force for a much longer period of time than we have had. That being said, the following is a summary of findings based upon the efforts of a three person group in the time that we have had to review the issues.

Background

Last fall, each CPC member contributed spreadsheets or descriptions of the methods by which their respective libraries evaluated their collections for purposes of insurance valuation. The Collection Valuation Task Force (CVTF) members (Linda Barrette, FAMU-Law, chair; John Ingram, UF, Becky Donlan, FGCU) reviewed the information provided and solicited clarification and additional explanation where we felt it would be helpful. Available literature on the topic of collection valuation was reviewed. Price surveys were evaluated and performed and available documentation from the Division of Risk Management was reviewed. It was learned that categories eligible for coverage are books, periodicals, microfilm, microfiche, CD's, DVD's, videos, audio cassettes, films, and copyrighted software.

Generally, the majority of libraries used one of two methods to determine the value of a library collection. The first method totals the actual cost of purchases each year, from the start of the collection, and adds the amount of purchases each successive year. This method is cumbersome, and time consuming and difficult for older more established collections. It should not be discounted, however, as it may have some useful applications with specific formats such as computer software.

The second method is the unit cost approach in which a value is assigned to each unit or item within a category of a collection. In this case, the categories would be those listed above as eligible for coverage. This value is then multiplied by the number of units within that category. This basic method is more straightforward and easier to apply, in most situations, than the "actual cost" method described above. It is not without its own difficulties, however.

Recommendations

Based upon the information provided by the institutions, it appears that all Florida State University System libraries are using the unit cost approach to ascertain the value of at least some part of their collections. However, there is a significant amount of variation among the

libraries in how individual libraries apply that method. Some of the variation is, perhaps, a reflection of differing methods of statistical and holdings input over the years and these variations may present their own challenges in individual cases. In order to introduce consistency among the libraries and to provide for adequate replacement funds in the event of loss, the task force recommends that the following set of evaluations be followed:

A. Print

1. Due to the substantially higher costs of books, periodicals, DVD's and other materials in the medical/healthcare and law disciplines, these sub-library collections should be valued independently of university library collections.
2. An average price should be multiplied by the number of volumes in each collection. This average price should be derived each year from the current edition of the *Bowker Annual of Library and Book Trade Information*. All collections should use the "Average for all subjects" price in the table for North American Academic Books table, with the exception of medical/healthcare and law collections which should use the "Medicine" and "Law" subject area average prices, respectively.
3. An average price should be multiplied by the number of periodical titles in each collection. This average price should be derived each year from the current edition of the *Library Journal* "Periodicals Price Survey." All collections should use the "Average Cost per Title" set forth in the table for the current year with the exception of medical/healthcare and law collections which should use the appropriate subject area prices for their collections. The task force has not reviewed in depth how to establish values for backfiles of print journals that are lost, or the costs involved in replacing lost paper copies with electronic versions. One library uses the annual cost of a journal multiplied by the number of journal titles multiplied by 25 (as an average length of years of replacement) in order to determine a value. Additional review might facilitate setting such values.
4. Law libraries purchase large numbers of titles in loose-leaf binders (or print integrating resources). Although they do not match other categories of print materials, they comprise a large portion of some collections. Libraries should place values on these materials by using the most current edition of the American Association of Law Libraries *Price Index for Legal Publications* with the average price being multiplied by the number of loose-leaf titles. If medical/health libraries have a substantial number of integrating print resources, it is recommended that these be evaluated using an appropriate medical pricing index, if available.

B. Non-print

1. The *Bowker Annual of Library and Book Trade Information* has discontinued the tables for non-print media due to difficulties in tracking changes in pricing caused by the migration of many products to the web and also, because of burgeoning issues of network and site license pricing. The Task Force has independently surveyed pricing standards currently used by our institutions to determine the costs of various formats, in a number of disciplines, offered by several of the large vendors of these materials. A summary of suggested average prices, to be multiplied by the number of items in a collection, follows.

a. Microfilm	\$ 90.00 per reel
b. Microfiche	\$ 7.50 per piece
c. DVDs, General	\$ 75.00
d. DVDs, Medical	\$215.00
e. DVDs, Law	\$135.00
f. CD- ROMs, General	\$ 55.00
g. CD-ROMs, Medical	\$ 95.00
h. CDs, Law	\$ 80.00
i. Audiocassettes	\$ 28.00

C. General

1. Do not apply, or take into account, depreciation unless asked to by Division of Risk Management. This should be calculated by Risk Management.
2. Value has been added to many materials by application of spine labels, protective coverings, barcodes, and security devices. In order to recover the actual cash value of all materials so processed, it is necessary to include in the valuation analysis, the cost of items that have been physically added to books, DVDs, CD-ROMs and cassettes. These processing items are, in fact, part of the replacement cost. It is recommended that \$2.20 be added to the above pricing of each item that was shelf-ready through application of labels, barcodes, etc.

TO: Collections Planning Committee

FROM: Collection Valuation Task Force, Rita Pellen and Linda Barrette

RE: Overview of Insurance Valuation Methodologies

DATE: November 12, 2008

State owned property in Florida is covered by a self-insurance program. The document containing the provisions of the insurance appears to be the Department of Financial Services, Division of Risk Management, State Risk Management Trust Fund Certificate of Property Coverage (“Policy”). This Policy states that the State Risk Management Trust Fund will “determine the value of Covered Property in the event of loss or damage at ‘actual cash value’ at the time of loss or damage.” (Paragraph F., sec. 5.) It further defines “Actual Cash Value” as “replacement cost less depreciation.” (Paragraph H., sec. 1)

Generally, there are two primary methods used to determine the value of a library collection. The first method involves totaling the actual cost of purchases each year, from the beginning of the collection, and adding the amount of purchases each successive year. Though this may be practical for new collections, it is not feasible for older collections. Additionally, it does not take into account appreciation or depreciation in value and so, especially with older collections, is a poor measure of current value.

The second method is the unit cost approach in which a value is assigned to each unit or item within a category or subcategory of a collection. This value is then multiplied by the number of units within that category or subcategory. The typical breakdown of categories seems to be by format, with some libraries further subdividing by discipline.

Based upon the spreadsheets forwarded by CPC members, it appears that, at least for general collections, most, if not all, Florida state libraries are using the unit cost approach. Even when a single approach is used, however, inconsistent results can be achieved from collection to collection and/or from library to library based upon a variety of factors, such as:

- the application of appreciation or depreciation;

- replacement value versus actual value;
- what standard is used to derive the average price per unit;
- how current the cost per unit data is;
- how detailed the category breakdown is;
- whether the cost of processing is added to the unit price in order to value the items as “shelf ready;”
- whether special libraries, such as medical and law, with higher average prices per unit, are included or broken out, separately;
- the accuracy of the statistics that are used to generate the number of units in each category;
- how special collections are treated.

Assuming the Policy is the most recent and accurate representation of the guidelines by which valuation is controlled, the first two items are spelled out: value is “actual cash value” derived from replacement value, less depreciation.

The remaining listed items are factors upon which the libraries can work to standardize the process. For example, most of our libraries break down by format, but at least one library further subdivides by discipline. Various standards are used for achieving the cost per unit including Bowker’s, YBP, Blackwell’s, the N.Y. State Library Division average, and the actual price paid; additionally, the multiplier should be updated each year to reflect current prices. At least one library added processing costs as a separate line item to its valuation schedule; it is not clear whether other libraries included the cost in the price per unit, but that is an approach that could be taken.

Special collections present other problems because of their inherent uniqueness, age, donor and foundation issues, etc. The state Policy specifically excludes from coverage “fine arts, manuscripts, nitrocellulose films, museum collections, artifacts, relics, bullion.” (Paragraph A., sec. 2., q.) In a conversation with Mark Greenberg, at USF, it was learned that the Special Collections Subcommittee has discussed the issue of coverage and valuation of special collections and it has not come to any conclusions, again, because of the particular factors that are involved. The Special Collections Subcommittee minutes detailing these specific characteristics, further evaluation of which might be helpful, can be found on the CPC Swiki at <http://swiki.fcla.edu:8000/CPC>. Username and password information are available. He, also, supplied the name of an appraiser (see

Explanatory Notes at end of report) who has many university library clients and who, upon contact, mentioned that, typically, an appraisal, either item by item or as a collection, is required by an insurance carrier, but requirements of the individual carriers and the foundations of the individual institutions vary widely.

At this time, individual commercial insurance should be obtained by each institution for items that are not covered by the state Policy, if insurance is considered necessary. At least one library indicated that it is doing so. It should not be assumed that every special collection, or item within a special collection, is not covered by the Policy; each collection should be considered individually, where possible.

To summarize, it appears that collections must be valued at actual cash value which is determined by replacement cost less depreciation. The depreciation percentage to be used is, presumably, dictated by the Division of Risk Management. State libraries can standardize the valuation process for general collections by consistently using the cost unit method of determining value, using a common standard for ascertaining price per unit, standardizing the breakdown of categories, and treating special libraries (e.g. medical, law, music) consistently from institution to institution. Special collections issues are too varied to be adequately addressed without much more research and discussion. If further analysis is desired, in order to attempt to devise a standardized process with respect to the factors mentioned, for general or special collections, it is recommended that a larger group, that may include additional CPC, Special Collections Subcommittee, and TSPC members, be established to pursue much more extensive evaluation.

Works Cited

- Cady, Susan A., "Insuring the Academic Library Collection," Journal of Academic Librarianship 25.3 (1999) 211-215. H.W. Wilson, Florida A & M University Libraries, 10 Oct. 2008 [://vnweb.hwwilsonweb.com](http://vnweb.hwwilsonweb.com)
- Martin, Susan K., Insuring and Valuing Research Library Collections: SPEC Kit 272. Washington, D.C.: Association of Research Libraries, 2002.

Explanatory Notes

Department of Financial Services Division of Risk Management, State Risk Management Trust Fund, Certificate of Property Coverage document that was consulted is the most current document that was located during the time period allotted for research. Calls and requests have been made in an effort to confirm that this is the current Policy in use, but these requests have not, yet, been answered.

Rita Pellen spoke with Dr. Lori Verderame, of Masterpiece Technologies Inc., who produces certified appraisal documents for universities and donors with regularity. She conducts appraisal events for various institutions and can be reached at:

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