



To: All HathiTrust Members
Subject: A proposal to modify HathiTrust's fee structure
Date: October 24, 2018
From: The Board of Governors

Introduction

The HathiTrust Board of Governors is making the following proposal to the membership, which will be introduced at the 2018 Member Meeting and voted upon by the membership in early 2019. The proposal is based upon the work of a subcommittee of the Board of Governors, which was reported on at the 2016 and 2017 Member Meetings.

A proposal to change HathiTrust's public domain fee structure

The proposal would change how HathiTrust assesses the public domain portion of the member fee by creating three tiers, based on total library expenditures, which results in some libraries paying a smaller public domain fee and others paying more.

Beginning with fees assessed in January 2020, libraries with the smallest budgets would pay a public domain fee that is 33% less than they would under the current model. Libraries with budgets in the top tier of all HathiTrust members would pay 33% more than they do now. Libraries in the middle range would see no change to how their fees are calculated. This is a large percentage change, but because it affects only the public domain element of a members fees, it's actual impact will be a few thousand dollars.

This proposal is revenue-neutral and would change only how the fees are distributed across the membership.

How is the public domain fee assessed now?

Currently each member of HathiTrust pays the exact same amount to cover the costs associated with the public domain collection. In contrast, the costs associated with the in copyright portion of the collection vary widely. The two portions of the fee are calculated separately.

The rationale for this approach has been that the public domain materials are a public good developed by HathiTrust, one that is broadly accessible and beneficial to all, and thus should be financially supported equally by all members. On the other hand, the fees associated with the portion of the collection that are in copyright are related to the value members gain from the overlap of their local holdings with the HathiTrust collection.

To calculate our annual public domain fees, HathiTrust takes the following steps:

We determine a per-volume cost for maintaining the collection and services by dividing the total number of volumes in HathiTrust by the total amount of fees to be received from returning members.

- This cost is multiplied by the number of public domain volumes in the collection at that time.
- This total is then divided by the number of institutions that will be assessed the public domain fee.

The resulting amount is the public domain fee for the budget year. In the 2019 budget year the public domain fee paid by each member is set at \$9,275 US.

How would the public domain fee be assessed in 2020 under this new proposal?

We would continue to calculate a base public domain fee as described above, which the majority of members will pay. However, once this has been calculated, we would multiply that base dollar amount by a weight associated for each of the three groups of members. The libraries in Tier 1 would pay 67.7% of the base fee; libraries in Tier 2 would pay that base public domain fee in full; and libraries in Tier 3 would pay an additional 33% above the base public domain fee.

The table below gives an example in which \$10,000 is the base public domain fee, and \$10 million and \$42 million are the “break points” at which tiers are established.

TIER	TOTAL EXPENDITURES (USD)	PD FACTOR	PUBLIC DOMAIN FEE
Tier 1	Less than \$10 million	.677	\$6,770
Tier 2	Between \$10 and \$42 million	1.0	\$10,000
Tier 3	Above \$42 million	1.33	\$13,300

Would the benefits libraries receive change if their fee increases or decreases?

No. All members would receive access to the same services and benefits as they did before.

Will the method of assessing fees for the in copyright portion be changed?

No. Under this proposal we would continue to calculate the fees associated with the in copyright volumes in the same manner.

Why is this change being proposed?

There are two reasons.

First, we believe it is a more equitable way of sharing the cost of the public good. By linking the public domain fee to library expenditures, we take into account a library's overall financial capacity and ability to dedicate a portion of its budget to support of the public good that HathiTrust creates.

We have seen examples of unintended consequences of the current approach. HathiTrust members with lesser total expenditures typically have a smaller collection and lower rates of overlap with HathiTrust's collection, and thus the public domain element is the vast majority of their fee. When we have significantly increased the number of public domain volumes in a short period of time, the public domain fee has risen, and thus members in this category can see a larger percentage increase in their membership fee.

Second, we believe that there is value in greater diversity of the HathiTrust membership. The membership model has been altered in the past to allow for a wider range of members who contribute to the organization's effort in more varied ways. Since 2014 we have spoken with a growing number of smaller colleges who have had an interest in joining HathiTrust. However, not all of these members have chosen to join and some of them have cited price as a reason.

This proposal is not being put forward because we have lost members or because we believe that existing members are considering dropping their membership in HathiTrust. Membership growth is healthy, and we have lost just one member since the current model was put in place in 2013. In that time our membership has grown from 59 to 143.

How did the Board of Governors decide upon this model?

In 2016 the Board of Governors formed a the Membership and Finance Subcommittee to examine HathiTrust's membership criteria, growth strategy, and fee structures. This group reaffirmed the philosophical principles behind our fee model, but recommended that we investigate how a tiered model might be applied. Other recommendations of this committee have been implemented or are being submitted to the membership for approval at this time.

In 2017 HathiTrust engaged a consultant to look more closely at the fee model and to develop a series of recommendations for how to allocate our costs more equitably and recruit a more diverse membership. The Board reviewed several options at its spring, summer, and fall 2017 meetings, and in early 2018 the Board adopted the current proposal for presentation to the membership.

We presented the initial recommendations of the Membership and Finance Committee at the 2016 Membership Meeting, and a progress report on the review of the fee model at the 2017 meeting.

What data will you use to sort libraries into these different tiers?

For educational institutions in the United States, we will use the most recently available data recorded in [The Integrated Postsecondary Education Data System \(IPEDS\)](#). This provides a consistent source to use for the majority of our members.

For members who do not report data to IPEDS, we will consult with the member or members to identify an appropriate publicly available source, which may include public reports, or a service analogous to IPEDS for that member's country, or some other source to be determined.

How will you determine the range of expenditures to set these tiers?

To develop this model, we used data collected from IPEDS and other sources, and then sorted the members according to their total expenditures (high to low). We then grouped them into quintiles, so that we would have the same number of members in the top quintile as in the bottom quintile. The bottom and top quintiles are considered tiers 1 and 3, respectively. All other members are considered tier 2.

Our intention is to have roughly 20% numbers of members in the top tier, 20% in the bottom tiers, and approximately 60% of members fall into the middle tier, which will not impact their fee at all. To ensure an equal distribution of members in the top and bottom tiers, we will again sort data to determine the cutoff point between tiers based on the current membership in early 2019. To sort members, we will use a common currency, e.g., the US Dollar. We will convert from foreign currency totals to USD using exchange rates at noon EST on January 2, 2019.

Will libraries change tiers if their budgets increase or decrease?

No, or at least not at first. In order to assess how this process is working, we propose to classify libraries in 2019 for fees assessed in 2020. Once we arrange these, we would not change the boundaries between tiers or the classifications for at least three budget years (2020, 2021, 2022). New members who join during that period will be assigned a tier at the time they become active. In 2022, we will assess if the boundaries should change or if libraries should be reclassified for 2023.

Can you tell me exactly what this means for my fee?

Yes. After the Member Meeting we will be publishing more details about this proposal, including examples that will show how your 2019 fee *would have been* assessed if the proposal were in effect today. The exact break points between tiers and distribution of members may differ slightly from the examples presented here.

How can I offer feedback on the proposal?

Beginning in early November we will provide a number of ways for you to offer your feedback:

- Group video conferences. We plan to offer at least three web conferences beginning in November to outline this proposal and take questions. These will be reserved for

members representatives, our listed direct contact, or their designates. We may need to limit the number of participants per session and if needed we will offer more.

- Written feedback via form or email. We will provide you with a specific email address to write with questions, suggestions, or concerns.
- Discussions. You may request a phone or video conference with the Executive Director and/or a member of the Board of Governors to talk about your specific library's circumstances. In some cases, we may contact you to suggest a discussion.

Who will decide if this is implemented?

The members will. The bylaws state that members have the authority “to approve...the formula or principle proposed by the Board of Governors by which the dues, fees, or other charges are to be levied against the Members” (Article IV, Section 7.d).

For the purposes of Member voting, HathiTrust employs a weighted voting to reflect the level of member investment in HathiTrust, and the proposal must be approved by a two-thirds majority of the weighted votes cast. Details of this formula may be found online at: <https://www.hathitrust.org/explanation-of-weighted-voting>

When will the vote be held?

We have not yet set a date for the vote, but expect that it would be held early in 2019 so that we have adequate time to consult with the membership and to complete the necessary work before development of the 2020 budget in the spring.

Could this proposal change before voting?

We don't anticipate changing the overall structure of the proposal, but as noted above, the specific dollar boundaries between tiers will be set in early 2019 before a vote.