

**THE LIBRARY OF CONGRESS
CONSOLIDATED FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 1999**

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The Management's Discussion and Analysis (MDA) is designed to provide a high level overview of the Library -- in short, it provides a description of who we are, what we do, and how we accomplished our mission during fiscal year 1999.

THE LIBRARY OF CONGRESS AND ITS MISSION

The Library of Congress, an agency in the Legislative branch of the government, is the world's largest and most comprehensive library maintaining a collection of 119 million items -- many of them unique and irreplaceable -- in more than 450 languages. It directly serves not only the Congress but the entire nation with the most important commodity of our time: **information**.

The Library's mission is to make its resources available and useful to the Congress and the American people and to sustain and preserve a universal collection of knowledge and creativity for future generations.

STRATEGIC PLAN AND PRIORITIES

The Library's challenge, under its 1997-2004 strategic plan, is to sustain past gains while becoming a more efficient and effective operation. The Library has a proven record of making knowledge and information accessible to users everywhere -- evidenced by the exponential rate of growth in the Library's Internet transactions and the wide public acclaim of its website.

The Library's vision for the 21st century is to "lead the nation in ensuring access to knowledge and information and in promoting its creative use for the Congress and its constituents." The strategic plan maps the changes that will ensure that the Library -- the research and information arm of the national legislature and the world's foremost storehouse of knowledge -- continues its worthy tradition of collecting, preserving, sharing, and fostering creativity and learning in support of the Congress, the public and the democratic ideal. Open access is the basic principle of our public library system -- and is more important than ever in helping prevent a division between information "haves" and "have-nots" in the electronic age. The Congress, through its

library, is ensuring that the tools of learning -- and of learning about America -- will be universally accessible in the next millennium.

The Library's strategic plan priorities are:

1. to make knowledge and creativity available to the United States Congress;
2. to acquire, organize, preserve, secure, and sustain for the present and future of the Congress and the nation a comprehensive record of American history and creativity and a universal collection of human knowledge;
3. to make its collections maximally accessible to the Congress, the U. S. Government, and the public; and
4. to add interpretive and educational value to the basic resources of the Library.

BRIEF HISTORY

The Library of Congress is a living monument to the remarkable wisdom of the Founding Fathers who saw access to an ever-expanding body of knowledge as essential to a dynamic democracy. The Library's three buildings are named for Thomas Jefferson, John Adams, and James Madison. With the support of these Presidents, the Congress established the Library in 1800 as soon as it moved to the new capital city of Washington and established the Joint Committee on the Library as the first Joint Committee of the Congress in 1802.

Jefferson, in particular, took a keen interest in the new institution. After the British burned the Capitol and the Library during the War of 1812, Congress accepted Jefferson's offer to "recommence" the Library and purchase his multi-lingual 6,487-volume collection (then the finest in America) at a price of \$23,950. It contained volumes in many languages on everything from architecture to geography and the sciences. Anticipating the argument that his collection might seem too wide-ranging for Congress, Jefferson said that there was "no subject to which a Member of Congress might not have occasion to refer."

Jefferson's ideals of a "universal" collection and of sharing knowledge as widely as possible still guide the Library. With Congressional blessing and support, the Library has grown to serve the Congress and the nation more broadly in ways that no other library has ever done -- largely as a result of four milestone laws: (1) the copyright law of 1870, which stipulated that two copies of every book, pamphlet, map, print, photograph, and piece of music registered for copyright in the United States be deposited in the Library; (2) the 1886 authorization of the first separate Library of Congress building that contained openly accessible reading rooms and exhibition space for the general public; (3) the 1902 law that authorized the Library to sell its cataloging records inexpensively to the nation's libraries and thus massively help to subsidize

the entire American library system; and (4) the law in 1931 that established the program in the Library to create and supply free library materials to blind and physically handicapped readers throughout the country. Congress thus established the basis both for the continued growth of the collections and for the extension of the Library's services to citizens everywhere.

In 1914, Congress created the Legislative Reference Service (LRS) as a separate entity within the Library of Congress to provide specialized services to "Congress and committees and Members thereof." In 1946, the Congress granted LRS further statutory status within the Library and directed it to employ specialists to cover broad subject areas. Congress renamed the LRS the Congressional Research Service (CRS) in 1970 and enhanced its analytical capabilities by defining its policy role for the Congress and emphasizing research support to the committees of Congress.

More recently, a series of Congressional statutes have created within the Library of Congress the American Folklife Center (1976), the American Television and Radio Archives (1976), the National Center for the Book (1977), the National Film Preservation Board (1988), and the National Film Preservation Foundation (1996) -- further extending the Library of Congress' national role.

THE LIBRARY OF CONGRESS TODAY

The core of the Library is its incomparable collections -- and the specialists who interpret and share them. The Library's 119 million items include almost all languages and media through which knowledge and creativity are preserved and communicated.

The Library has more than 27 million items in its print collections, including 5,700 volumes printed before the year 1500; 12 million photographs; 4 million maps, 2 million audio recordings; 800,000 motion pictures, including the earliest movies ever made; 4 million pieces of music; 53 million pages of personal papers and manuscripts, including those of 23 Presidents of the United States as well as hundreds of thousands of scientific and government documents.

New treasures are added each year. Notable acquisitions during fiscal year 1999 include: **Harry Blackmun Papers and Ruth Bader Ginsberg Papers** more than 600,000 new items of these Supreme Court Justices; **Marian Carson Collection** 10,000 papers and documents relating to the early history of the U.S.; **Bronislava Nijinska Collection** multi-medial collection of the noted ballet choreographer; **Carte de Canada et des Etats Unis de l'Amerique** the first map (1778) to recognize the independence of the U.S.; **Persian Manuscript Celestial Globe** ca. 1650; **The First American Haggadah** published in New York City, 1837; 337 issues of the important Revolutionary American newspaper *Claypoole's Daily Advertiser*, 1791-1793; the extraordinary **J. Arthur Wood, Jr. Collection of Cartoon and Caricature** 40,000 works by more than 3,000 artists; **Victor Hammer Archives** the

works of one of the great hand-press printers, print makers, and type designers of the 20th century; and *Politica* by Aristotle (Cologne, 1492) -- the earliest printed version of Aristotle's work to become available in the West.

Every workday, the Library's staff adds more than 10,000 new items to the collections after organizing and cataloging them and finds ways to share them with the Congress and the nation -- by providing on-line access across the nation, by assisting users in the Library's reading rooms, and by featuring the Library's collections in cultural programs. Major annual services include delivering **more than 545,000** congressional research responses and services, processing **more than 600,000** copyright claims, and circulating **more than 22 million** audio and braille books and magazines free to blind and physically handicapped individuals all across America. We annually catalog **more than 250,000** books and serials and provide the bibliographic record inexpensively to the Nation's libraries, saving them an estimated \$268 million annually.

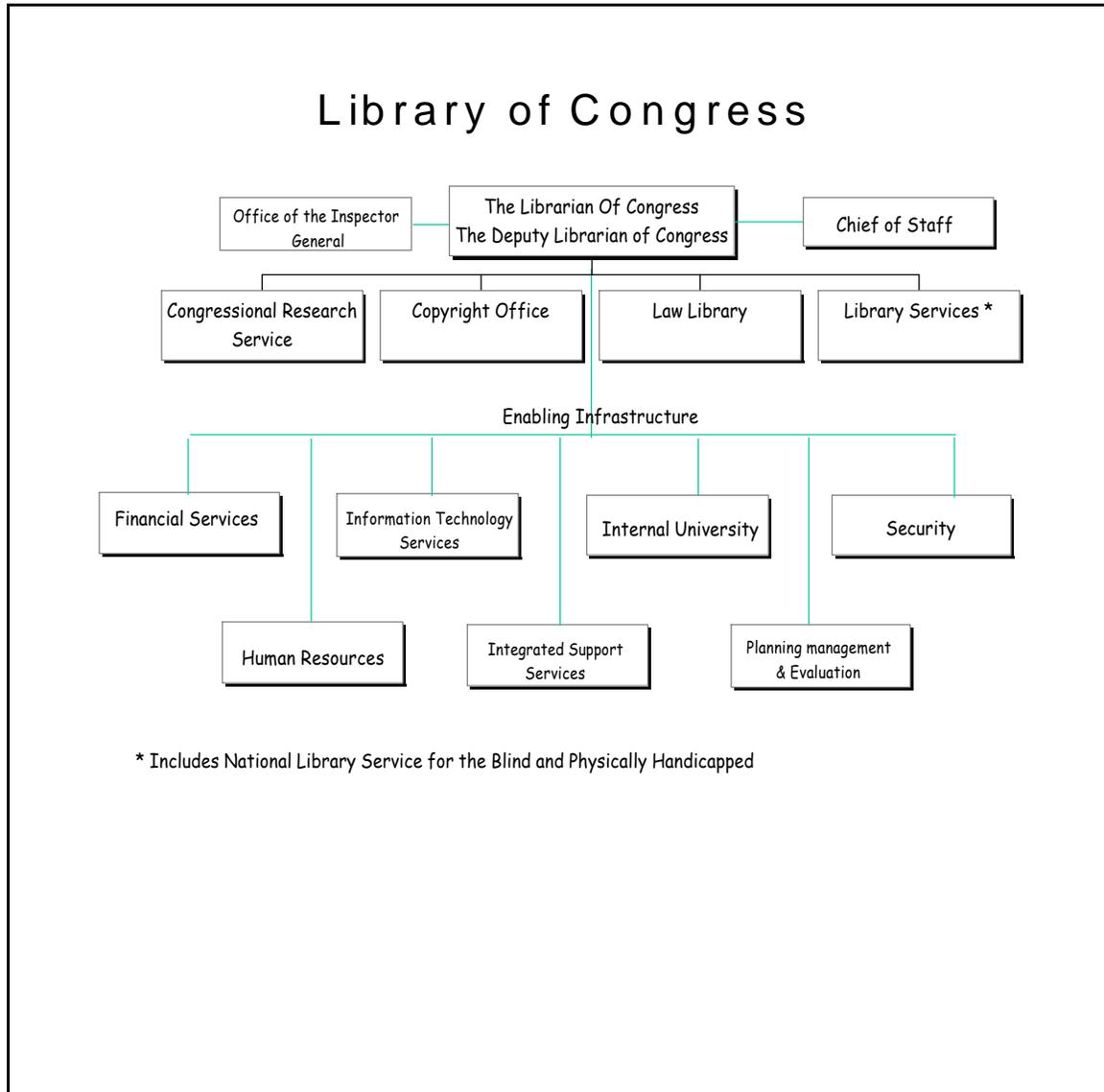
The Library also provides free on-line access, via the Internet, to its automated information files, which contain **more than 75 million** records -- to Congressional offices, Federal agencies, libraries, and the public. Internet-based systems include major world-wide-web (www) services (e.g., Legislative Information System, THOMAS, LC-web, Global Legal Information Network), the Library of Congress On-line Public Access Catalog (catalog.loc.gov), and various file transfer options.

The Librarian of Congress, appointed by the President with the advice and consent of the Senate, directs the Library. The Deputy Librarian of Congress is the Chief Operating Officer who manages the day-to-day operations through four service units and an enabling infrastructure (see organizational chart).

The Library has seven programs:

- ! Library Services
- ! Law Library
- ! Copyright Office
- ! Congressional Research Service
- ! National Library Service for the Blind and Physically Handicapped
- ! Reimbursable Funds
- ! Revolving Funds

The Library's seven programs are funded by four salaries and expenses (S&E) appropriations, a furniture and furnishings appropriation, gifts, reimbursements, and fees from products and services.



OVERVIEW OF FINANCIAL STATEMENTS

For fiscal 1999, the Library has prepared a Consolidated Balance Sheet, Consolidated Statement of Net Costs, Consolidated Statement of Changes in Net Position, and a Combined Statement of Budgetary Resources (see Section 2).

Consolidated Balance Sheet

The purpose of the consolidated balance sheet is to provide financial statement users with information about the Library's assets, liabilities, and net position as of September 30, 1999. In accordance with governmental accounting standards, the value of the Library's collections (our largest asset) is not calculated and reported as a monetary asset. Instead, the Library prepares a Stewardship report (see Section 4), which describes the collections and provides relevant information about their use, preservation, security, etc. The Library's Net Position consists of: (1) the portion of the Library's appropriations that are unexpended; (2) the cumulative balances of gift, trust, reimbursable and revolving funds; and (3) the cumulative amount of prior period adjustments.

Assets	Liabilities and Net Position
Entity Assets \$ 304.1	Liabilities Covered by Budgetary Resources \$ 847.5
Non-Entity Assets 774.9	Liabilities Not Covered by Budgetary Resources 38.6
	Net Position 192.9
Total Assets \$ 1,079.0	Total Liabilities and Net Position \$ 1,079.0

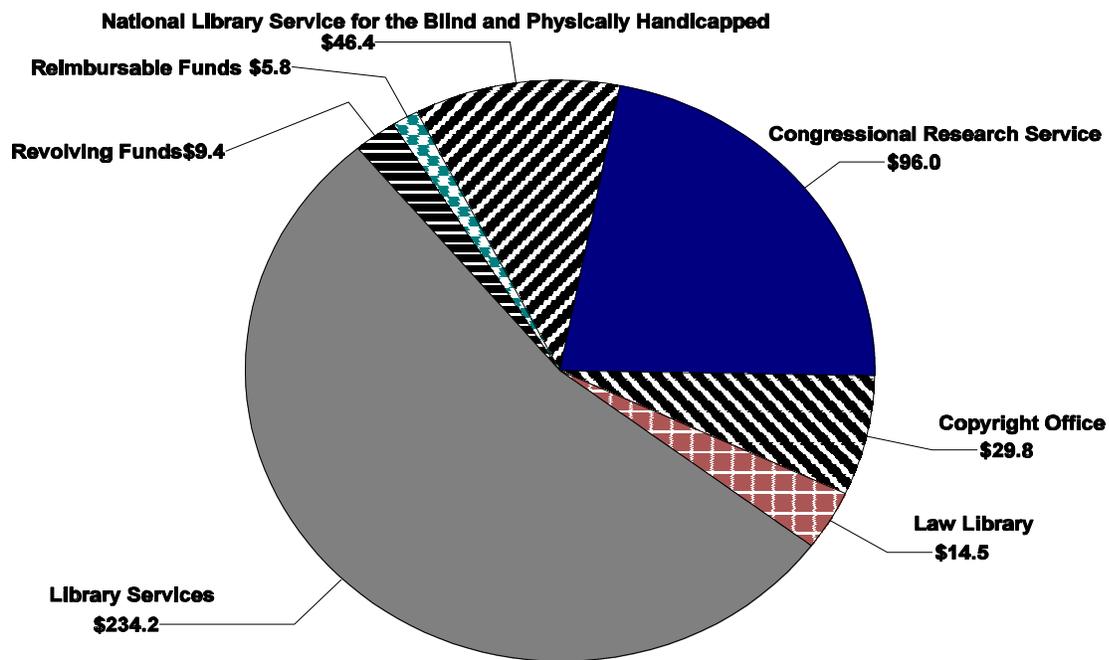
The Library's assets total more than one billion dollars. Entity assets increased by \$10.9 million during fiscal 1999 primarily as a result of additional donations to the Library's gift and trust funds. Non-entity assets (i.e., funds held and invested for future distribution to copyright owners) comprise 71 percent of all assets and total \$775 million. Non-entity (custodial) assets increased by \$70 million during fiscal 1999 because current year royalty receipts were in excess of multiple, prior-year royalty distributions to Copyright owners. The Library made royalty distributions totaling \$321.7 million in October 1999. The Library is authorized to invest the royalty funds in U.S. Treasury securities until the funds are distributed.

The Library's liabilities total \$886.1 million with custodial and deposit account activities (i. e., funds held for future distribution to copyright owners) as the major item. Other large liabilities include funds advanced from other governmental agencies for the FEDLINK program and accounts payable for various operating expenses. The accompanying Balance Sheet does not include the acquisition and improvement costs of the Library's buildings and grounds. By law, these buildings and grounds are under the structural and mechanical care of the Architect of the Capitol.

Consolidated Statement of Net Costs

The purpose of the Consolidated Statement of Net Costs is to provide financial statement users with information about the costs and earned revenues for the Library's seven programs for the fiscal year ended September 30, 1999. In other words, the statement presents the net costs of our programs -- \$436.1 million. Net costs include allocated management support costs (e.g., human resources, financial services, facility services). The net costs for each of the Library's seven programs are:

**The Library of Congress
Consolidated Statement of Net Costs -- \$436.1 Million**



Library Services - With net program costs of \$234.2 million, Library Services is the Library's largest program and is responsible for traditional library activities of acquisitions, cataloging, research and reference, and preservation. Specifically, Library Services provides the following major services:

- ▶ **Acquisitions** - Library Services acquired nearly 4 million items in fiscal year 1999 from purchases, gifts, exchanges, and transfers from other federal agencies.
- ▶ **Cataloging** - The Library produces bibliographic records and related products for libraries and bibliographic utilities in all 50 states and territories -- cataloging that saves America's libraries in excess of \$268 million annually (the money it would cost them if they had to catalog the books and other materials).
- ▶ **Research and Reference** - The Library makes available to scholars and other researchers vast information resources, many of which are unique, covering almost all formats, subjects, and languages -- responding to nearly one million information requests a year from all over the nation, including more than 600,000 in person in the 20 reading rooms in Washington open to the public. In addition, the Library responds to more than 52,000 free interlibrary loan requests from every state in the nation and to more than 30,000 requests for book loans from the Congress each year.
- ▶ **On-line Services** - The Library provides free, on-line access via the Internet to its automated information files, which contain more than 75 million records -- to Congressional offices, Federal agencies, libraries, and the public. Internet-based systems include major world-wide-web (www) services (e.g., THOMAS, LC-web), the Library of Congress On-line Public Access Catalog (catalog.loc.gov), and various file transfer options.
- ▶ **American Creativity** - The Library manages the nation's largest, most varied, and most important archival collections -- motion pictures, sound recordings, maps, prints, photographs, manuscripts, music, and folklore -- covering a wide range of ethnic and geographic communities; provides reference assistance to researchers and the general public; conducts field research; and promotes the preservation of American culture throughout the United States.
- ▶ **Preservation** - The Library develops and manages a program to preserve the diverse materials and formats in the Library's collections. The program provides a full range of prospective and retrospective preservation treatment for approximately 500,000 items a year; conducts research into new technologies; emphasizes prevention techniques including proper environmental storage and training for emergency situations; conserves and preserves materials; and reformats materials to more stable media. The Library plays a key role in developing national and international standards that support the work of Federal, state, and local agencies in preserving the nation's cultural heritage.

- ▶ **Reading Promotion and Outreach** -The Library promotes books, reading, and literacy through the Library's Center for the Book, its 37 affiliated State Centers for the Book and more than 75 national organizational partners, and encourages knowledge and use of its collections through other outreach programs (cable TV programs, lectures, publications, conferences and symposia, exhibitions, poetry readings -- all primarily supported by private funding) and through use of the Library's home page on the www. The Library also gives some 61,000 surplus books annually to qualified libraries and non-profit educational institutions through its nation-wide donation program.

Law Library - The Law Library of Congress, with net program costs of \$14.6 million, supplies legal research to the Congress on more than 200 foreign jurisdictions and, within available resources, to the Judiciary and Executive agencies, as well as reference assistance to the public in American and foreign law -- serving more than 100,000 users annually.

Copyright Office - The Copyright Office, with net program costs of \$29.8 million, administers the U.S. copyright laws, provides copyright expertise to the Congress and executive branch agencies, and actively promotes international protection for intellectual property created by U.S. citizens. The office annually processes approximately 620,000 claims (representing more than 900,000 works transferred to the Library) of which more than 590,000 claims are registered for copyright. The Office also records approximately 16,500 documents with more than 200,000 titles and responds annually to more than 430,000 requests for information. The Copyright Office convenes and supports Copyright Arbitration Royalty Panels for the purpose of (a) distributing hundreds of millions of dollars in royalties that are collected under various compulsory license provisions of the copyright law and (b) adjusting the royalty rates of these license provisions. A significant part of the Copyright Office is funded by registration fees and authorized deductions from royalty receipts (\$18.2 million). The Copyright Office increased statutory fees for registration and recordation services on July 1, 1999. (The basic filing fee for registering a claim increased from \$20 to \$30.) Copies of works received through the copyright system form the core of the Library's immense Americana collections, which provide the mint record of American creativity.

Congressional Research Service - The Congressional Research Service (CRS), with net program costs of \$96 million, provides non-partisan analytical research and information services to all Members and committees of the Congress. CRS works directly and exclusively for the Congress in support of its legislative functions. By maintaining a cost-effective, shared pool of expertise, CRS provides timely and balanced analyses of legislative proposals and public policy issues through provision of reports, tailored confidential memoranda, individual consultations and briefings -- a comprehensive source of information and analysis on almost any legislatively relevant subject. CRS delivers more than 545,000 research responses and services annually; of these, approximately 102,000 are responses to requests for tailored analyses, information and research.

National Library Service for the Blind and Physically Handicapped (NLS/BPH) - The NLS/BPH, which is part of Library Services, manages a free national reading program for blind and physically handicapped people -- circulating at no cost to users approximately 22.5 million items a year. This program consists of three segments:

1. The Library of Congress selects and produces full-length books and magazines in braille and on recorded disc and cassette and contracts for the production of talking book machines. The NLS/BPH's fiscal 1999 net program costs for this segment were \$46.4 million.
2. A cooperating network of 138 regional and subregional (local) libraries distribute the machines and library materials provided by the Library of Congress.
3. The U.S. Postal Service receives an appropriation to support postage-free mail for magazines, books, and machines which are sent directly to readers. Reading materials (books and magazines) and playback machines are sent to a total estimated readership of 761,000 comprised of over 500,000 audio and braille readers registered individually, in addition to an estimated 200,000 eligible individuals located in 36,000 institutions.

Reimbursable Funds - The net program costs for the Library's Reimbursable Funds are nearly zero (when intra-Library net revenues of \$4.4 million are included and imputed costs of \$.9 million and allocated administrative overhead of \$.4 million are excluded) because of the Library's goal of full cost recovery. Two major reimbursable programs make up the major portion of the reimbursable revenues: the Federal Library and Information Network (FEDLINK) and the Federal Research Division (FRD). The Library also provides accounting services for four Legislative agencies under cross-servicing agreements (i.e., the Congressional Budget Office, the Office of Compliance, the John C. Stennis Center, and the Capitol Preservation Commission).

- ▶ **Federal Library Services** - The Library coordinates services and programs on behalf of all Federal libraries and information centers, providing education and training programs and administering a cost-effective book, serial, and technical processing and database procurement program for approximately 1,300 Federal offices. This procurement program saves Federal agencies an estimated \$6.6 million annually in contract cost avoidance benefits and \$14 million more in products and services discounts. In fiscal 1999, FEDLINK revenues of \$46.4 million consist of \$42.1 million for payment of member services and \$4.3 million for administrative costs.
- ▶ **Federal Research Division (FRD)** - The Federal Research Division provides customized research services that the Library is uniquely able to perform as a result of its collections and subject and language expertise of its staff. A popular FRD product, available on-line via the Library's homepage, is the country study series of books.

Revolving Funds - Under the authority of 2 U.S.C. 160, the Library of Congress operates eleven gift revolving fund activities to provide, in various formats, duplication and preservation services, exhibits and other special programs, and retail marketing, to other Government agencies, libraries, other institutions, and the general public. Under the authority of 2 U.S.C. 182, the Library operates a Cooperative Acquisitions Program revolving fund under which the Library acquires foreign publications and research materials on behalf of participating institutions on a cost-recovery basis. Through these activities, the Library is able to further its programs dealing with the acquisition of library materials, reader and reference services, and support for public programs.

Although the revolving gift funds were created by gifts which donors designated to be used for self-sustaining activities, the General Accounting Office (GAO) believes that the Library has exceeded its authority by operating revolving funds with gift monies which generate revenues exceeding the original gifts. Therefore, as recommended by GAO, the Library has requested specific statutory authority to operate the gift revolving funds. The revolving fund legislation has been submitted to the Congress annually since 1991.

After reflecting earned revenue of \$6.3 million, revolving fund net program costs totaled \$9.4 million. The net program costs were primarily the result of the elimination of \$1.9 million of intra-Library net revenues, \$3.9 million in administrative overhead, and \$1.8 million in imputed inter-governmental costs (e.g., employee benefits) not recovered by fees charged by the revolving funds. The other \$1.8 million of net program costs were the result of ordinary business operations. The major funds are: Photoduplication Service, Cooperative Acquisitions, Recording Laboratory, and the Constance Green Fund.

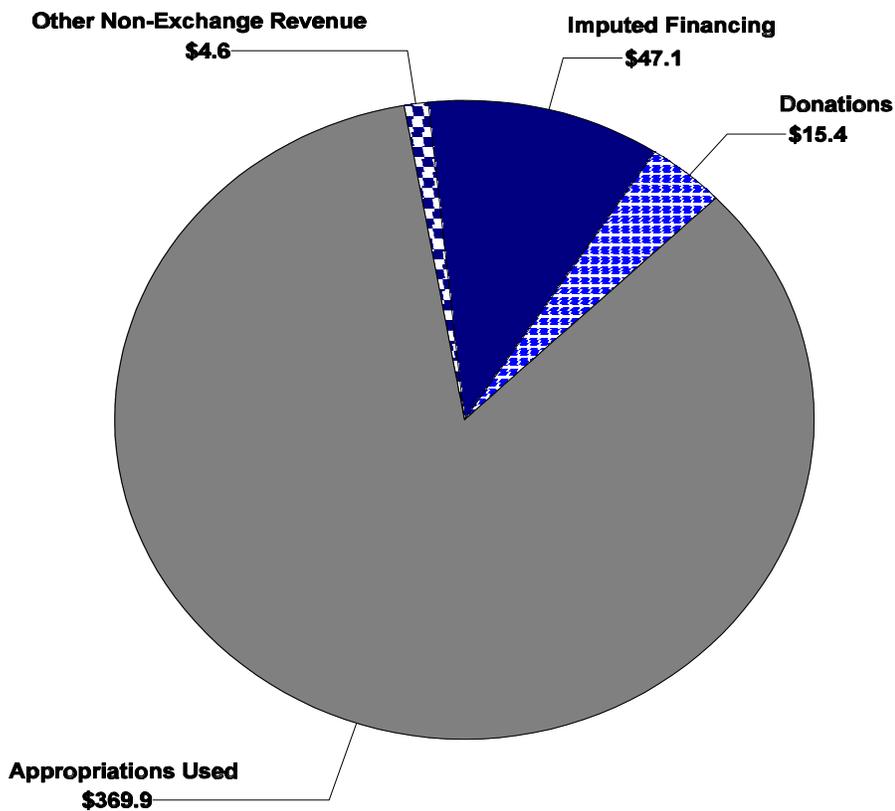
- ▶ **Photoduplication Service** - The Photoduplication Service provides preservation microfilming services for the Library's collections and reprographic services to other libraries, research institutions, government agencies, and individuals in the United States and abroad. Earned revenues were \$4.7 million in fiscal year 1999 and intra-Library transactions of \$2.1 million were eliminated during consolidation.
- ▶ **Cooperative Acquisitions Program** - The Cooperative Acquisitions Program, which is operated by the Library's six overseas field offices, acquires foreign publications and research materials on behalf of participating institutions on a cost-recovery basis. Earned revenues were \$1.8 million in fiscal year 1999.
- ▶ **Recording Laboratory** - The Recording Laboratory provides preservation services for the Library's collections and audio and video duplication services for the general public. Audio and video products are also produced for sale to the general public. Earned revenues for fiscal year 1999 were \$.5 million of which \$.3 million was for intra-Library transactions which were eliminated in the consolidated statements.

- ▶ **Constance Green Fund** - The Constance Green Fund supports the Library's retail marketing sales shop activities. Earned revenues for fiscal year 1999 were \$1.6 million.

Consolidated Statement of Changes in Net Position

The purpose of the Consolidated Statement of Changes in Net Position is to provide financial statement users with information about the Library's financing sources and the components of the changes in net position. The Library's financing sources totaled \$437.0 million for the year ended September 30, 1999.

**The Library of Congress
Consolidated Statement of Changes in Net Position -- \$437.0 Million**



The major source of the Library's funding is from Congressional appropriations for five programs: Library Services, Law Library, Copyright Office, Congressional Research Service, and National Library Service for the Blind and Physically Handicapped. Appropriations used during the fiscal year ended September 30, 1999, totaled \$369.9 million or 84.6 percent of all financing. In addition to appropriations made directly to the Library, other government agencies (i.e., the Architect of the Capitol, the Office of Personnel Management, Government Printing Office) used Congressional appropriations and other financing sources to provide support for the Library's programs totaling an estimated \$47.1 million (imputed financing). The support provided included structural care and maintenance of the Library's buildings and grounds (\$25.6 million), employee benefits (\$20.9 million), and acquisitions exchange services (\$.6 million).

During fiscal year 1999, the Library also received more than 750 gifts to 72 different Library funds. Twelve new gift and trust funds were established. At year's end, outstanding pledges totaled \$13.5 million. During fiscal year 1999, the Library celebrated the completion of the fund-raising for the first phase of the National Digital Library. Major gifts included \$2.5 million from the AT&T Corporation and \$1 million from the William and Flora Hewlett Foundation. The total raised for the NDL is now \$48 million, which exceeds the original goal of \$45 million from the private sector. The Library honored the Founding and Charter Sponsors of the NDL at a celebratory event on April 13, 1999.

The Library's net position increased by \$3 million during fiscal year 1999 primarily because of an increase in the amount of gift and trust funds and the amount of unexpended appropriations.

Combined Statement of Budgetary Resources

The Combined Statement of Budgetary Resources and the related disclosures provide information about how budgetary resources were made available as well as their status at the end of the period. The Budgetary Resources section of the statement presents the total budgetary resources available to the Library. The Status of Budgetary Resources section of the statement presents information about the status of budgetary resources at the end of the period. Finally the Outlays section presents the total outlays of the Library and reconciles obligations incurred to total outlays.

The Library's budgetary resources were \$1.5 billion, of which \$564.7 million were entity funds and \$946.6 million were non-entity funds. Total outlays of \$290.2 million were incurred with the outlays of entity funds (\$358.9 million) being offset with the negative outlays of non-entity funds (\$68.7 million).

KEY PERFORMANCE MEASURES

Since 1995, the Library's collections have increased from 108.4 million to 119 million -- an increase of 10.6 million or 9.7 percent. Over the same five-year period, the full-time equivalent (FTE) staff paid by appropriated funds has decreased from 4,180 to 3,923 -- a decrease of 257 FTE's or 6.2 percent. The Library's Internet transactions have grown dramatically from 92.9 million in fiscal 1995 to 728.2 million in fiscal 1999. Internet-based systems include major world-wide-web services (e.g., THOMAS, LC-Web) and various file transfer options. These Internet-based systems now record more than three million transactions daily. This rapid growth will almost certainly continue to increase because the Library has begun to put online American history collections as the core of a National Digital Library. This program seeks to make millions of items from the Library's unique collections as well as other institutions locally available in electronic form throughout the country by the year 2000.

THE LIBRARY OF CONGRESS							
COMPARISON OF APPROPRIATIONS, STAFF, AND WORKLOAD STATISTICS							
For the Fiscal years 1995, 1996, 1997, 1998, and 1999							
	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	CHANGE 1995 - 1999	% CHANGE
LIBRARY APPROPRIATIONS - ACTUAL	\$348,230,000	\$352,399,000	\$361,896,000	\$377,207,000	\$391,660,000	\$43,430,000	12.5%
FULL-TIME EQUIVALENT (FTE) POSITIONS (Appropriated)	4,180	4,114	4,010	3,958	3,923	-257	-6.2%
SIZE OF LIBRARY COLLECTIONS	108,433,370	111,080,666	113,026,742	115,505,695	118,993,629	10,560,259	9.7%
WORKLOAD STATISTICS:							
Unprocessed Library Arrearages	22,491,071	20,970,523	19,952,205	19,090,657	19,793,689	-2,697,382	-12.0%
CRS - Requests & Services Provided Congress	492,000	487,000	531,162	560,423	545,663	53,663	10.9%
Loans of Collections to Congress	36,368	31,026	30,708	30,614	26,193	-10,175	-28.0%
Copyright Claims Registered	609,195	550,422	569,226	558,645	594,501	-14,694	-2.4%
Copyright Inquiries	500,746	432,397	421,150	395,456	436,627	-64,119	-12.8%
Services to the Blind & Physically Handicapped (BPH) - Readership	772,100	776,000	764,800	761,600	764,600	-7,500	-1.0%
BPH - Books & Magazines; Total Circulated	22,909,400	22,908,900	22,437,900	22,553,100	22,665,000	-244,000	-1.1%
BPH - New Braille & Audio Books & Magazines Titles	2,328	2,568	2,691	2,764	2,647	319	13.7%
Print Materials Cataloged	276,348	289,509	289,154	274,890	205,893	-70,455	-25.5%
National Coordinated Cataloging Operation (NACO) - LC Contribution	124,911	115,714	118,054	186,515	80,176	-44,735	-35.8%
National Coordinated Cataloging Operation - Outside Contribution	96,655	106,182	146,858	173,721	133,011	36,356	37.6%
Exhibits, Displays, & Publications (Funded by Appropriations)	27	15	14	14	14	-13	-48.1%
Regular Tours	47,300	47,847	56,716	60,465	64,489	17,189	36.3%
Reference Service	1,145,757	1,129,952	1,094,588	1,101,717	967,387	-178,370	15.6%
Main Reading Room & Five Other Reading Rooms Hours Per Week	65	65	65	65	65	0	0.0%
Items Circulated	2,289,981	2,175,075	2,070,798	2,105,278	1,767,565	-522,416	-22.8%
Preservation Treatment - Original Format	339,636	274,086	309,597	354,027	472,027	132,391	39.0%
Mainframe Computer Transactions	197,216,679	204,297,492	247,691,844	270,259,005	331,103,221	133,886,542	67.9%
Machine Readable Cataloging (MARC) Records	26,100,661	26,320,667	27,519,078	28,093,497	28,890,000	2,789,339	10.7%
Internet Transactions (i.e., LOCIS, MARVEL, world-wide-web, and THOMAS public transactions)	92,873,807	134,416,660	345,221,229	615,149,938	728,226,616	635,352,809	684.1%

Other noteworthy workloads include the following:

- The number of Congressional requests and services annually provided by the Congressional Research Service (CRS) increased from some 492,000 in 1995 to 545,000 in 1999.
- The annual number of registrations in the Copyright Office decreased by 14,694 from some 609,195 in 1995 to 594,501 in 1999, and the number of copyright inquiries answered annually decreased by 64,119 from 1995 to 1999.
- The number of information requests handled by reference staff decreased from 1.1 million in 1995 to 1 million in 1999, while the number of Internet transactions increased from 93 million to 728 million.
- The number of free reading materials delivered across the country each year to the blind and physically handicapped remained relatively stable at 22.7 million in 1999.
- The number of print materials cataloged decreased significantly and the size of the arrears increased during 1999 because resources were diverted from these workloads towards the implementation of the Library of Congress Integrated Library System (LCILS).

MAJOR ACCOMPLISHMENTS IN FISCAL YEAR 1999

The Library's major accomplishments during fiscal year 1999 included implementation of the Library of Congress Integrated Library System (LCILS), administration of the Russian Leadership Program, and certification of mission-critical automated systems as Year 2000 (Y2K) compliant.

LC also improved physical and collections security measures, received the Library's third consecutive clean financial statements audit opinion, and delivered objective, timely, nonpartisan legislative support to the Congress on a wide range of issues. Highlights of these and other major achievements are listed below:

Congressional Research Service

The Congressional Research Service (CRS) provided information to Congress on matters ranging from agriculture to taxation and trade, from China to Kosovo, from space and technology to welfare and related issues.

CRS addressed a range of defense issues, among them budget priorities, medical care costs, military intelligence and law enforcement, base closings, acquisition reform, budget process

procedures, the cost to the United States of the Kosovo military operation, and long-term defense policy.

On the domestic front, CRS assisted the Congress as it considered matters relating to agriculture, education, banking and finance, proposed election campaign finance reforms, impeachment, proposed managed health care reforms, space and technology, Social Security, taxation, trade, welfare, children, and families.

CRS continued to prepare expert testimony for the Congress on topics related to the Y2K problem. Regarding Congress's oversight function, CRS planned and produced a three-day workshop on oversight for congressional staff that resulted in an updated congressional oversight manual, a video for broadcast on the congressional cable network, and a committee print of the proceedings.

CRS implemented the following technology to provide better services to the Congress:

- ◆ Legislative Information System: CRS focused on creation of a Y2K-compliant legislative information system (LIS) for the exchange of data among the House, Senate, and the Library. This compliance project was a significant undertaking due to the complexities of the LIS.
- ◆ Legislative Alert: To speed legislative analyses to Congress, CRS developed weekly email delivery of reports, issue briefs, and electronic materials relating to issues likely to receive action each week in the House and Senate. With links to the most recent products on the CRS Web site, these weekly summaries of legislative issues make information and analysis readily available to members and staff to support legislative deliberations.
- ◆ Electronic Briefing Books. CRS continued to develop one of its newest products, the electronic briefing book, by adding books for banking and finance, taxation, and the year 2000 computer problem.

Copyright Office

Pursuant to its longstanding role as an expert advisor to the Congress and the Administration on policy and international matters (a role expressly recognized in the 1999 Digital Millennium Copyright Act), the Copyright Office provided policy advice and technical assistance on legislation. For example, the office:

- ◆ assisted in drafting H.R. 354, the Collections of Information Antipiracy Act, which would make it unlawful to misappropriate substantial portions of databases; offered testimony on the bill; and assisted in revisions to accommodate concerns of various interested parties. The bill was reported out of the House Judiciary Committee during the fiscal year.
- ◆ worked closely with the Congress, including the House and Senate Judiciary committees and the House Commerce Committee, in connection with the extension of the satellite compulsory license and the enactment of a related new satellite compulsory license for

- the retransmission of local television broadcasts. The legislation passed both houses, and a conference was convened before the end of the fiscal year.
- ◆ helped Congress prepare technical corrections to Title 17 of the U.S. Code, primarily to correct technical errors in the Digital Millennium Copyright Act. The legislation was enacted on August 5, 1999.
 - ◆ assisted Congress with legislation to increase the minimum and maximum awards of statutory damages pursuant to 17 U.S.C. §504. Similar legislation passed both houses, but the two houses had not passed identical bills by the end of the fiscal year.
 - ◆ advised staff of the Senate Judiciary Committee with respect to proposed legislation that would permit suits seeking damages against states for copyright infringement.
 - ◆ assisted the House Judiciary Committee in its consideration of the proposed Federal Intellectual Property Security Act, which would make major changes in the way the office records security interests in copyrights. The Register of Copyrights testified on the proposed legislation.
 - ◆ in connection with its congressionally mandated report on "Copyright and Digital Distance Education," made and testified on legislative recommendations to update the Copyright Act's current educational exemptions to cover certain educational activities taking place through digital technologies.

CORDS: The Copyright Office continued to develop, test, and enhance the Copyright Office Electronic Registration, Recordation and Deposit System (CORDS) for the digital registration and deposit of copyrighted works via the Internet, using the latest advances in networking and computer technology. The goal is to implement CORDS in 2001.

Developed in collaboration with the Defense Advanced Research Projects Agency and Corporation for National Research Initiatives, CORDS will help the Copyright Office streamline its internal registration, recordation, and deposit processes, as well as provide the Library with copies of new copyrighted works in digital form for its National Digital Library repository. As many as 100,000 works in digital form could be received through CORDS annually by the year 2004.

CARP: The Copyright Office initiated three Copyright Arbitration Royalty Panel (CARP) proceedings to resolve the remaining controversies concerning the distribution of the 1992-1995 satellite royalties, the 1993-1997 cable royalties, and the 1995-1998 DART royalties. In each case, certain parties agreed to settle their claims in accordance with the terms of a private agreement; however, not one of the proceedings has been settled completely.

The Copyright Office also initiated, and in one case concluded, CARP proceedings for setting rates and terms for the statutory licenses governing: 1) the making of digital phono record deliveries, 17 U.S.C. 115; 2) the public performance of sound recordings by means of a digital transmission, 17 U.S.C. 114; and 3) the making of an ephemeral recording, 17 U.S.C. 112. The office concluded the proceeding that set the rates distributors pay for making digital phono records under statutory license. These rates are effective through December 31, 2000.

During the past year, the Copyright Office also assisted the Department of Justice in the preparation of two appellate briefs filed in the United States Court of Appeals for the D.C. Circuit in support of the Librarian's final order setting the rates and terms for digital transmissions by subscription services and his order determining the distribution of the 1991 cable royalty fees in the music category.

National Library Service for the Blind and Physically Handicapped (NLS/BPH)

During fiscal year 1999, the National Library Service for the Blind and Physically Handicapped (NLS/BPH) continued to refine and improve the Library's free, national reading program as highlighted by two major accomplishments:

Web-Braille: Braille readers may now access more than 2,700 Web-Braille digital braille book files created by the Library with a computer or electronic note-taker and a refreshable braille display, which is an electronic device that raises or lowers an array of pins to create a line of braille characters, or a braille embosser.

Digital Audio Development: The 17-member Digital Audio Development (DAD) executive and steering committee initiated work in digital talking book simulation software and digital collection access systems, including a prototype digital recording system at the NLS studio and a digital duplication system at the Multistate Center East. Work also continued on digital talking-book standards under the auspices of the National Information Standards Organization. Expected to be completed in one year, this digital standard will be used by NLS to develop its new talking book.

Library Services

LC ILS: The Library successfully implemented the Library of Congress Integrated Library System (LCILS) cataloging and circulation modules, the Online Public Access Catalog (OPAC), and the acquisitions and serials check-in modules. Through use of a shared bibliographic database, the system integrates all major Library Services functional areas, such as acquisitions, cataloging, serials management, circulation, inventory control, and reference. The LCILS improves bibliographic control and inventory management.

National Digital Library Program: By the end of fiscal year 1999, the National Digital Library Program (NDLP) had made more than 2.5 million Library of Congress digital files available online. Another 85,000 digital files from collaborating institutions also were accessible online, and an additional 2.5 million digital files from LC archives and other repositories were in various stages of production.

Fiscal year 1999 was the third and final year to award Library/Ameritech grants to other archives and institutions to digitize historically significant American history collections; a total of \$615,965 went to 12 recipients. A total of 33 award-winning institutions now have received support to digitize their historical collections and make them available through the NDLP.

In 1999, NDLP held its third American Memory Fellows Institute, welcoming 50 K-12 teachers and school media specialists from 20 states to the Library's existing network of master educators, bringing the reach of the National Digital Library's educational outreach program into 30 states since 1996.

During fiscal year 1999, the National Digital Library Visitors Center hosted more than 500 programs for more than 7,800 visitors. Center staff also answered 5,074 email requests for information.

Arrearage Reduction/Cataloging: The Library concentrated efforts to contain the growth of arrearages during fiscal year 1999, while resources were diverted to implement the LCILS. At year's end the total arrearage stood at 19,793,689 items, a decrease of 50 percent from the 39.7 million-item arrearage at the time of the initial census in September 1989. Even though the number of uncataloged items increased by 3.7 percent from September 1998, the accrual was 1,442,924 items less than had been projected for the year. Staff created catalog records for 205,893 print volumes and inventory records for an additional 55,243 items.

Preservation Efforts: Using the Bookkeeper limited-production contract, the Library completed the mass deacidification treatment of 75,000 volumes selected from three Library classifications: U. S. political science (JK), American literature (PS), and U. S. family history (CS71). The Library bound 183,202 paperback volumes and labeled 156,004 hardcover volumes; introduced a conservation fellow volunteer program, in which five volunteers rehoused 15,101 items; identified and evaluated an improved, commercially-available motion picture container; developed a new time-saving accelerated-aging test that will be used to predict the longevity of paper products; coordinated the preservation microfilming of 1.6 million pages of historically significant U. S. newspapers, adding more than 6,000 titles to the national union list of newspapers; microfilmed 3.3 million papers from the Library's collections; completed housing for 162,242 technical reports in the Publication Board Collection in the Science, Technology, and Business Division; inspected and processed 364 positive and 175 negative reels of microfilm acquired from Moscow's Library of Foreign Literature and Russian State Library, Lithuania, and military archives in Hungary, Poland, and Romania; and identified laser-marking equipment that can be used to place Library property information safely on CDs, audio tapes, and video tapes in the Library's collections.

American Folklife Center (AFC): The Legislative Branch Appropriations Act of 1999 (approved Oct. 21, 1998,) provided the American Folklife Center with permanent authorization and six new trustees for its board of directors. The center continued its mandate to preserve and present American folklife through a number of outreach programs, including the Local Legacies project and the addition of three new online collections.

Sharing the Collections: The Library shared its collections with hundreds of thousands of Americans through onsite exhibitions, 19 online exhibitions, special events, symposia, traveling exhibits, and major publications. The Library presented two major international exhibitions, *Sigmund Freud: Conflict and Culture* and *Charles and Ray Eames: A Legacy of*

Invention, in the northwest gallery of the Thomas Jefferson Building . These exhibitions were scheduled to visit Germany, Denmark, London, Vienna, New York City, Los Angeles, Brazil, and Chicago.

American Treasures of the Library of Congress, an unprecedented exhibition of the rarest and most significant items relating to America s past from the Library s collections, remained on view in the Thomas Jefferson s southwest gallery. Six smaller exhibits were mounted during the year in various other galleries and reading rooms of the Library, and ten displays were installed for special events.

Visitors: The Visitor Services Office conducted 3,108 tours for 64,489 visitors; arranged 734 tours for 13,699 congressional constituents; and made 487 appointments with LC staff for 2,180 VIPs, professionals, and students representing 77 different countries. The office assisted 858 first-time readers at a new Researcher Guidance Desk. A cadre of 152 volunteers provided 26,531 hours of service, conducted 1,780 public tours and 52 Spanish-language tours, and responded to inquiries from 179,813 visitors.

Publications: Major publications in fiscal year 1999 included: *Sigmund Freud: Conflict and Culture* (Alfred A. Knopf); *The Declaration of Independence: The Evolution of the Text* (University Press of New England); *David Roberts: Travels in Egypt and Nubia* (Pomegranate); *Language of the Land: The Library of Congress Book of Literary Maps* (Library of Congress); and *I'll Be Home For Christmas* (Delacorte). The Publishing Office won four awards for overall design excellence from the Washington Book Publishers in 1999, for *Gathering History: The Marian S. Carson Collection of Americana*; *Freud: Conflict and Culture*; *Performing Arts: Motion Pictures*; and *Oliphant s Anthem: Pat Oliphant at the Library of Congress*.

The award-winning book, *Eyes of the Nation*, was also released as a multimedia CD-ROM and DVD-ROM by Southpeak Interactive and the History Channel. *Eyes of the Nation* won second place in the American Association of Museums CD-ROM design competition, was named one of the top ten family multimedia products by Family Life magazine, and was the topic of a feature article in *The New York Times*.

Cybercasting: In pursuit of the latest Web technologies, the Library piloted a Web broadcasting program starting with Poet Laureate Robert Pinsky s lecture that opened the 1998-99 poetry season on October 8, 1998. The pilot explored the practicality of a regular Library cybercast program during the year of the Library s Bicentennial.

Digital mapping: Using digital technology, the Geography and Map Division (G&M) continued to work closely with the Congressional Research Service and the Congressional Relations Office to produce customized maps and geographic information for Members of Congress and with the National Digital Library to digitize cartographic materials for electronic access throughout the nation. Working with private-sector partners, G&M continued to expand a collection of large-format images available through the Internet. A new collection, *Mapping*

the National Parks, was introduced on June 2, and an evolving collection of *Places in the News/Contemporary Maps* was inaugurated in April 1999. By the end of the fiscal year, 2,428 maps (8,120 images) were made available to the world through the *Map Collections* homepage, which now averages more than 410,000 computer transactions each month.

Law Library

Global Legal Information Network (GLIN). GLIN is a cooperative international network of nations that contribute the full, authentic texts of statutes and regulations to a database managed by the Law Library. GLIN added several additional types of legal materials to support the requirements of specific GLIN members. At the end of fiscal year 1999, GLIN had 12 member countries participating via the internet; in addition, the Law Library was contributing information about the laws of another 24 nations. GLIN is a critical network for acquiring and making legal information available to the U.S. Congress, the government, and the nation.

Office of the Librarian

Russian Leadership Program: On May 24, 1999, Congress appropriated \$10 million for an Open World Russian Leadership Program to bring emerging political leaders from the Russian Federation to America to observe the workings of democratic institutions. Administered by the Library, the program brought to America more than 2,100 Russian political, civic, business, and intellectual leaders from 83 of 89 regions between July and September 30. Hosted by more than 50 members of Congress and 800 American families in 400 communities, the Russian guests visited 46 states and the District of Columbia. Program cochairs were Dr. Billington and Russian academician Dmitri Sergeevich Likhachev, who died on September 30, the last day of the program.

Bicentennial Commemoration: In preparation for the Library's Bicentennial on April 24, 2000, The Office of the Librarian coordinated a Bicentennial program that included plans for a commemorative stamp, commemorative coins, exhibitions, publications, symposia, Bicentennial-related activities at libraries nationwide, and several projects, such as Favorite Poem, Local Legacies, and Gifts to the Nation. The Bicentennial theme of Libraries, Creativity, Liberty was reflected in the first two Bicentennial exhibitions, *The Work of Charles and Ray Eames: A Legacy of Invention* and *John Bull and Uncle Sam: Four Centuries of British-American Relations*, with materials from the Library of Congress and the British Library.

The first of the Bicentennial symposia series, *Frontiers of the Mind in the Twenty-First Century*, was held in June 1999. Appointed in 1999 to an unprecedented third term as Poet Laureate Consultant in Poetry, Robert Pinsky will present the Library the first 50 audio and video segments from a nationwide Favorite Poem project as part of the April 2000 Bicentennial symposium, *Poetry in America*.

The cornerstone Bicentennial project of 1999, Local Legacies, involved Members of Congress and their constituents in an effort to document the cultural and historical traditions in their communities for the Library's Archive of Folk Culture. Citizens from all 50 states are participating in this grassroots effort to preserve the folk traditions and local histories of our country at the end of the century and millennium. Selections from Local Legacies will be digitized in 2000 and shared with Americans through the Library's popular Web site. Notable among Gifts to the Nation are a \$1 million contribution from Gene and Jerry Jones to recreate Jefferson's library and \$1 million from the Doris Duke Charitable Foundation to purchase the Martha Graham archives.

Management and Support

Strategic Plan (1997 - 2004): Building on the Library's 1997-2004 Strategic Plan, the Planning, Management and Evaluation Directorate (PMED) coordinated the development of Annual Program Performance Plans (AP3s), which established goals and performance measures for each service and support unit. PMED also coordinated the development of an integrated time line for the Library's Planning, Programming, Budgeting, Execution, and Evaluation System (PPBEES), which will improve the linkage between planning and budgeting and the ability to measure the outcome and results of program services.

Year 2000 Century Change: The Library's primary technology focus during fiscal year 1999 was to ready its mission-critical systems for the Year 2000. Ninety-seven percent of the Library's mission-critical information systems were certified Year 2000 compliant at the end of fiscal year 1999.

Internet Access: The Library continued to provide more information to Congress and the public via the Internet and its Internet-based services, such as American Memory and THOMAS. Monthly transactions peaked at more than 75 million in October 1999.

Computer Security: Information Technology Services completed the curriculum for a Library-wide information technology security awareness class and completed work on automation of security administration for the Library's large UNIX server complex, on network subdivisions (i.e., public vs. private), and on full Internet firewall implementation.

Security of Facilities, Staff, and Collections: The Library installed X-ray machines in the James Madison, Thomas Jefferson, and John Adams main lobbies, where visitors were screened electronically beginning in May. LC also awarded a single contract for security guards; expanded police presence by adding new posts and patrols; and gained congressional approval of plans to make major physical security improvements, including the consolidation of the two police command centers, the integration and upgrading of intrusion detection systems, and the installation of improved access controls, such as vehicle barriers, curb walls, perimeter bollards, and secure police shelters.

Offsite Collections Storage: In March 1999, the Library and the Architect of the Capitol (AOC) recommended the firm of Tobey & Davis to the David and Lucile Packard Foundation to be the prime architect to design a National Audio-Visual Conservation Center in Culpeper, Va.

The Library also continued to work closely with the AOC and its contractors to ensure that the first storage module at Fort Meade, Md., meets the necessary environmental requirements to house and preserve the transferred collections and that materials handling will be as efficient as possible. The AOC has advised the Library that construction of Module One will be completed and the building ready for occupancy late in 2000. The module will house 2.2 million items of paper-based material, primarily books, shelved by size in containers.

Financial Statement Audit Opinion: In February 1999, the Library's independent accountants, Clifton Gunderson, LLC, issued an unqualified "clean" audit opinion on the Library's fiscal year 1998 Consolidated Financial Statements. In addition to the third consecutive "clean" audit opinion, the auditors found no material internal control weaknesses, and the number of reportable conditions decreased from six to two.

Human Resources Improvement: Congress approved two reprogramming actions during fiscal year 1999 totaling \$720,000 to accelerate the Library's HR 21 initiative to enable the Library to compete successfully for highly-qualified staff; retain high performers and reward excellence and innovation; train and manage staff to achieve Library missions; and make personnel administration responsive, efficient, and effective. A Strategic Planning Group and a Hiring Improvement Group recommended a new human resources program and a timetable for implementing new systems, programs, and procedures. The Library also issued a Human Resources Strategic Plan to guide the transformation effort and ensure that human resources activities clearly align with the agency mission.

The Library of Congress Internal University developed and published the *Library of Congress Mission Critical Education and Training Matrix*, a training tool that identifies 37 Library mission-critical courses as well as specific courses for service units. To reinforce Facilitative Leadership practices throughout the Library, LCIU developed and conducted the course, *Teams in Action*. The LCIU also continued to coordinate the quarterly Leadership Lecture Series, a forum for managers and staff to learn from top corporate officers, government officials, and leadership scholars about effective leadership practices and techniques.

STEWARDSHIP REPORTING

The standard for stewardship reporting on selected assets classified as "Heritage Assets" developed by the Federal Accounting Standards Advisory Board (FASAB) is mandatory for fiscal year 1999. The standard applies to entities (1) that control stewardship resources and (2) whose financial statements purport to be in accordance with federal accounting principles and

standards developed by FASAB and accepted by the principals. All stewardship information is deemed "required supplemental stewardship information."

In fiscal year 1995, the Library, in consensus with its independent accountants, determined its collections were within the stewardship resource classification and prepared its first stewardship report. By beginning in fiscal year 1995, the Library initiated developing a data collection and a trial reporting methodology that lead to fulfilling the objectives of the stewardship reporting standard -- to assist in judging the long-term effectiveness of expenditures for "heritage assets," the results of inputs and outcomes, and the financial impact of sustaining current services.

Consistent with the guidelines provided by FASAB, the Library has prepared its fifth stewardship report on its collections that provides the suggested relevant information concerning the asset description, acquisition, preservation, security, use, estimated number of items, and expenditures. The Stewardship Report is included as Section 4 of this report.

LIMITATIONS OF THE FINANCIAL STATEMENTS

The Library's financial statements are the culmination of a systematic accounting process. The statements have been prepared to report the financial position and results of operations of the Library of Congress, pursuant to the hierarchy of accounting principles and standards set forth in Note 1 to the Consolidated Financial Statements. While the statements have been prepared from the books and records of the Library, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.