

New York City Council

Christine C. Quinn, Speaker

Finance Division

Preston Niblack, Director

Jeffrey Rodus, First Deputy Director

Hearing on the Mayor's Fiscal Year 2012 Executive Budget

Department of Cultural Affairs

May 23, 2011

The Committee on Finance

Hon. Domenic M. Recchia, Jr., Chair

The Committee on Cultural Affairs, Libraries and International Intergroup Relations

Hon. James Van Bramer, Chair

Latonia McKinney, Deputy Director

Shadawn Smith, Principal Legislative Financial Analyst

Overview

The DCA provides support, advocacy, and technical assistance to the City’s cultural community to ensure that the arts remain a central feature of civic and economic life in the City. The Department funds both energy and a portion of operating support for the 34 City-owned cultural institutions of the Cultural Institutions Group (“CIG” or “Institutions”) and the agency also supports, through its Cultural Development Fund (“CDF”) program, other not-for-profit cultural organizations (“Programs”). In addition, the DCA also operates the Materials for the Arts (“MFTA”) program, which distributes donated arts materials to public schools, cultural organizations, and social service programs and the Percent for Art program that commissions works of art in public spaces. The DCA continues to support the capital improvement of cultural facilities throughout the City.

Department of Cultural Affairs Financial Summary						
<i>Dollars in Thousands</i>						
	2009	2010	2011	2011	2012	Difference
	Actual	Actual	Adopted	Exec Plan	Exec Plan	2012–2011*
Spending						
Personal Services	\$4,106	\$4,107	\$4,160	\$4,134	\$4,160	\$0
Other Than Personal Services	147,281	138,799	145,988	140,846	96,696	(49,292)
TOTAL	\$151,387	\$142,906	\$150,148	\$144,980	\$100,856	(49,292)
Budget by Program Area						
Office of the Commissioner	\$5,127	\$5,158	\$5,381	\$5,306	\$5,591	\$210
Cultural Programs	29,298	31,159	34,500	30,770	16,652	(17,848)
Cultural Institutions	116,961	106,589	110,267	108,905	78,613	(31,655)
TOTAL	\$151,387	\$142,906	\$150,148	\$144,980	\$100,856	(49,292)
Funding						
City Funds	NA	NA	\$149,517	\$142,541	\$100,065	(49,452)
<i>Memo: Council Funds</i>			39,037	39,037		
State	NA	NA	0	7	0	0
Other Categorical	NA	NA	0	0	0	0
Capital - IFA	NA	NA	70	70	230	160
Federal – CDBG	NA	NA	263	759	263	0
Intra-City	NA	NA	297	1,603	297	0
TOTAL	\$151,387	\$142,906	\$150,148	\$144,980	\$100,856	(49,292)
Positions						
Fulltime Positions	47	45	48	48	48	0
TOTAL	47	48	48	48	48	0

*Difference refers to the variance between the Fiscal 2011 Adopted Budget and the Fiscal 2012 Executive Plan.

Fiscal 2012 Executive Budget Actions

- ☑ The Fiscal 2012 Executive Budget reflects a \$49 million decrease when compared to the Fiscal 2011 Adopted Budget for DCA.
- ☑ The Executive Budget does not include approximately \$39 million in City Council and Mayoral funding (including funding for Council initiatives, Programs to Eliminate the Gap [PEG] restorations, and local discretionary) that was included in the Fiscal 2011 Adopted Budget.
- ☑ The PEG program for DCA totals \$12.7 million for Fiscal 2012.

Reduction to Cultural Subsidies

There is an additional PEG of \$3.9 million to the Cultural Institutions and Cultural Program in the Fiscal 2012 Executive Plan for Fiscal 2012 and the outyears. The total PEG in Fiscal 2012 is \$12.7 million, which in addition to the loss of restoration funds of \$25 million, will impact staffing, programs, and services to the City’s cultural community.

Cultural Programs

Non-profit cultural institutions and programs are one of the leading economic engines of the City. “Culturals” generate billions in taxable revenue, provide unparalleled educational opportunities for children and adults throughout the five boroughs and is a major employer of tens of thousands of New York City residents. The funding in this program area is primarily for the Cultural Development Fund (CDF). All groups that wish to receive City funding must go through a peer-based, merit-review application process. There were 730 applicants for Fiscal 2012 CDF awards. Additionally, there is funding in this area for special initiatives like the Cultural After School Adventure (CASA).

There is a \$17.8 million difference between the Fiscal 2012 Executive Plan and the Fiscal 2011 Adopted Budget. The PEG reductions and loss of restoration and initiative funds account for the variance.

<i>Dollars in thousands</i>	2009 Actual	2010 Actual	2011 Adopted	2011 Exec Plan	2012 Exec Plan	Difference 2012-2011*
Spending						
Cultural Programs	29,298	31,159	34,500	30,770	16,652	(\$17,848)
TOTAL	\$29,298	\$31,159	\$34,500	\$30,770	\$16,652	(\$17,848)

*Difference refers to the variance between the Fiscal 2011 Adopted Budget and the Fiscal 2012 Executive Plan.

- ☑ **Reduction to the Cultural Development Fund.** The Fiscal 2012 Executive Plan includes \$16.6 million for the Cultural Development Fund (CDF) in Fiscal 2012, which is \$9 million less than Fiscal 2011. The \$9 million reduction includes \$2.2 million in PEGS and the elimination of \$6.8 million in restoration funds to the CDF in Fiscal 2012 and the outyears.

The diminished fund would be stretched to supply the increasing programmatic needs of approximately 1,000 organizations across the City. Many of these cultural organizations are implementing workforce and program reductions for cost-savings purposes as private patronage, institutional giving, and government support is down.

- ☑ **City Council Initiatives.** The Fiscal 2012 Executive Plan does not include a total of \$6.2 million: \$5.48 million in Council and Administration funds for the CASA initiative and \$700,000 in Council funds for the Coalition of Theaters of Color initiative.

Cultural Institutions

The public-private partnerships between New York City and its 33 cultural institutions (the CIG) were established in the 19th century. The City would provide these institutions with land, facilities, and funds for maintenance and security, and the institutions would develop specialized cultural services and collections which would be available to the general public.

There is a \$32 million difference between the Fiscal 2012 Executive Plan and the Fiscal 2011 Adopted Budget. The PEG reductions and loss of restoration funds account for the variance.

	2009	2010	2011	2011	2012	Difference
<i>Dollars in Thousands</i>	Actual	Actual	Adopted	Exec Plan	Exec Plan	2012-2011*
Spending						
American Museum of Natural History	\$17,366	\$15,921	\$16,184	\$15,948	12,438	(\$3,746)
Brooklyn Academy of Music	3,112	2,936	2,806	2,748	1,743	(1,063)
Brooklyn Botanical Garden	4,534	3,842	3,704	3,620	2,153	(1,551)
Brooklyn Children's Museum	2,290	2,009	2,074	1,965	1,104	(970)
Brooklyn Museum	9,178	8,139	8,482	8,062	4,916	(3,566)
Metropolitan Museum of Art	26,779	23,626	26,026	25,085	21,909	(4,117)
Museum of the City of New York	1,781	1,497	2,056	1,544	913	(1,143)
New York Botanical Garden	7,697	7,036	7,061	6,601	4,109	(2,951)
New York Hall of Science	2,114	2,074	1,989	1,952	1,270	(719)
New York Shakespeare Festival	1,058	1,000	1,009	950	666	(343)
Queens Botanical Garden	1,345	1,145	1,020	990	566	(454)
Staten Island Institute of Arts & Sciences	862	775	780	748	407	(373)
Snug Harbor Cultural Center	1,936	1,709	1,579	1,590	1,224	(356)
Staten Island Historical Society	776	733	762	742	413	(348)
Staten Island Zoological Society	1,620	1,480	1,617	1,519	899	(719)
Studio Museum in Harlem	867	879	917	866	525	(392)
Wave Hill	1,094	988	1,016	964	541	(475)
Wildlife Conservation Society	16,966	15,209	15,211	15,014	11,265	(3,946)
Other Cultural Institutions	15,587	15,592	15,973	16,353	11,551	(4,422)
TOTAL	\$116,961	\$106,589	\$110,267	\$107,260	\$78,613	(\$31,655)

*Difference refers to the variance between the Fiscal 2011 Adopted Budget and the Fiscal 2012 Executive Plan.

- ☑ **Reduction to the Cultural Institutions Group.** The Fiscal 2012 Executive Plan includes \$78.6 million to the institutions for operations and energy expenses in Fiscal 2012, which is \$32 million less than in Fiscal 2011. The \$32 million reduction includes \$10.5 million in PEGS and the elimination of \$23.2 million in restoration funds for CIG operating expenses only in Fiscal 2012 and the outyears.

When the Department implements a funding reduction program mandated by the Administration, it applies the reduction equally to the CIG. It is problematic for the institutions when the Department applies this policy because an institution with an operational City support of \$500,000 will receive the same cut as an institution with an operational City support of \$10 million.

Furthermore, these are applied to the City's operational support only and not to the allocated energy funding. Energy funding is not a part of the funding reduction program by

the Administration. Even if an institution implements energy cost-savings programs, any unspent energy funding cannot be applied to the institution’s operational support. Additionally, the Administration develops the PEG target or “PEGable” base of an institution from its total subsidy, but the PEG is only applied to its operational support. Thus, there is a larger percentage cut than what is mandated by the Administration’s PEG program to the CIG.

Although each member of the CIG had increased its cultural programming, expanded its number of specialty activities and events, and served the City’s record-breaking tourism, there has been a steady decline in City support over the fiscal years. These reductions have resulted in the decrease of shows, exhibits, and events for the 2010-2011 season at most institutions, including family discounts and educational programs.

Budget Actions in the Executive Plan

<i>Dollars in Thousands</i>	FY 2011			FY 2012		
	City	Non-City	Total	City	Non-City	Total
Agency Budget as of February 2012 Plan	\$141,189	\$2,081	\$143,270	\$100,710	\$630	\$101,340
Program to Eliminate the Gap (PEGs)						
Reduction to Cultural Subsidies (4% in FY12 and in the outyears)	\$0	\$0	\$0	(\$3,903)	\$0	(\$3,903)
IFA Funding Switch for 2 Positions	0	0	0	(161)	161	0
Total, PEGs	\$0	\$0	\$0	(\$4,064)	\$161	(\$3,903)
Other Adjustments						
Heating Oil Tank Costs - CIGs	\$0	\$0	\$0	(\$170)	\$0	(\$170)
Roll Surplus Funds - Heating Oil Tank Costs	(170)	0	(170)	170	0	170
Rent Adjustment - El Museo/Boys Harbor	996	0	996	178	0	178
OSA Collective Bargaining	0		0	0		0
Heat, Light, Power	527	0	527	3,123	0	3,123
Lease Adjustment	0	0	0	117	0	117
MFTA	0	7	7	0	0	0
Intracity	0	352	352	0	0	0
Total, Other Adjustments	\$1,352	\$358	\$1,710	\$3,418	\$0	\$3,418
Agency Budget as of May 2012 Plan	\$142,541	\$2,439	\$144,980	\$100,064	\$791	\$100,856

Energy Adjustment. The Fiscal 2012 Executive Plan includes \$3.1 million to the institutions for energy funding in Fiscal 2012. The Administration determines energy costs for the CIG using a variety of factors through the Department of Citywide Administrative Services (DCAS). The Administration relies on DCAS’ projections of what the energy needs are for a given agency/institution for the upcoming fiscal year.

DCAS bases its estimates on a number of factors, including:

- ✓ the previous year’s energy usage;
- ✓ the energy surveys that are sent out each fiscal year; and
- ✓ any forecasted rate increases/decreases.

The type of utility used at each institution (gas vs. electric, etc.) and the varying prices of those utilities also account for the variability in the energy adjustments associated with a

given plan. Therefore in reviewing the CIG energy budget over the years, the budget remains stable especially since it is also not subjected to PEGs. Below is a chart showing the energy budget for each institution from Fiscal 2008 to Fiscal 2012.

Energy Subsidy Overview: FY08-FY12

INSTITUTION	FY 08 Adopted	FY09 Adopted	FY10 Adopted	FY11 Adopted	FY12 Exec
American Museum of Natural History	\$6,648,873	\$6,903,003	\$7,483,941	\$6,657,992	\$7,881,672
Bronx County Historical Society	14,381	17,853	16,045	13,066	16,009
Bronx Museum of Art	136,656	315,936	348,100	277,330	209,417
Brooklyn Academy of Music	565,100	599,529	662,035	636,575	710,591
Brooklyn Botanic Garden	708,452	697,644	677,573	515,728	546,902
Brooklyn Children's Museum	201,204	398,534	754,543	303,970	257,847
Brooklyn Museum	1,881,012	2,144,406	2,224,086	2,232,241	1,911,646
Carnegie Hall	1,087,516	1,179,693	1,222,969	1,113,119	1,310,468
City Center Theater	321,473	573,772	633,383	652,329	737,395
El Museo del Barrio	112,255	127,952	229,393	126,885	189,964
Flushing Town Hall	106,766	97,926	103,286	78,285	74,241
Jamaica Center for Arts & Learning	76,688	104,256	116,641	117,488	109,514
Lincoln Center	372,497	366,512	1,257,125	563,357	621,526
Metropolitan Museum of Art	14,412,931	15,077,799	15,945,795	14,534,433	16,384,361
Museum of the City of New York	180,820	224,798	983,351	898,599	331,340
Museum of the Jewish Heritage	556,572	744,137	808,070	745,592	635,490
Museum of the Moving Image	250,352	263,229	417,090	213,457	229,738
New York Botanical Garden	2,400,086	2,770,862	2,478,818	2,236,794	1,802,214
New York Hall of Science	615,064	659,180	689,015	638,521	583,797
New York Shakespeare Festival	709,627	315,521	299,255	309,508	310,578
New York State Theater	1,255,845	1,272,138	1,175,467	1,047,534	1,308,433
P.S.1/Contemporary Art Center	189,745	190,535	118,775	145,838	161,068
Queens Botanical Garden	116,378	127,103	178,198	120,765	113,694
Queens Museum of Art	0	0	0	0	0
Queens Theatre in the Park	22,645	18,990	30,278	24,534	51,635
Snug Harbor	674,843	638,110	622,287	575,846	713,807
Staten Island Children's Museum	5,495	7,471	4,066	4,734	5,992
Staten Island Historical Society	111,692	110,744	127,052	103,015	108,754
Staten Island Institute of Arts & Sciences	26,828	28,556	30,102	29,512	29,512
Staten Island Zoological Society	190,933	312,627	332,289	305,235	303,040
Studio Museum of Harlem	252,461	218,133	253,142	246,712	241,709
Wave Hill	129,301	125,394	142,094	118,179	99,754
Wildlife Conservation Society	7,528,383	7,199,238	6,757,384	5,314,732	5,939,847
TOTAL CULTURAL INSTITUTIONS	\$41,862,874	\$43,831,581	\$47,121,648	\$40,901,905	\$43,931,955

Council and Administrative Funding

City Council funding provides approximately 22 percent of the Department's annual City-funds operating budget, which totaled \$32.6 million in the Fiscal 2011 Adopted Budget. In addition to restoring reductions, this funding is for initiatives that expand arts education in the public school system and to ensure the existence of historically diverse performing arts organizations in the DCA budget. In the Fiscal 2011 Adopted Budget, there is restorative and initiative funding of \$6.4 million from the Administration. The \$39 million in Council and Administrative funding is not included in the Fiscal 2012 Executive Budget.

FY 2011 Council and Administration Funding at Adoption by Program Area

Dollars in Thousands

Cultural Programs	City Council	Administration	Total
Cultural Development Fund Restoration	\$5,000	\$1,800	\$6,800
Cultural After School Adventure (CASA)	4,080		
Coalition of Theaters of Color	700	0	700
Local Initiatives	2,579	0	2,579
Subtotal	\$12,359	\$3,200	\$15,559
Cultural Institutions			
PEG Restorations	\$20,000	\$3,200	\$23,200
Local Initiatives	278	0	278
Subtotal	\$20,278	\$3,200	\$23,478
TOTAL	\$32,637	\$6,400	\$39,037

Capital Program

Capital Budget Summary

There is \$262.6 million in the May 2011 Capital Commitment Plan from Fiscal 2012-2015 for the DCA (including City and Non-City funds). This represents less than one percent of the City’s total \$28.1 billion Executive Plan for Fiscals 2012-2014. The Department’s Executive Commitment Plan for Fiscal 2012-2015 is 34 percent more than the \$195.2 million scheduled in the September Commitment Plan, an increase of \$67 million.

Over the past five years (2006-2010), the DCA has only committed an average of 33.4 percent of its annual capital plan. Therefore, it is assumed that a portion of the agency’s Fiscal 2011 Capital Plan will be rolled into Fiscal 2012, thus increasing the size of the Fiscal 2012-2015 Capital Plan. Since adoption last June, the Capital Commitment Plan for Fiscal 2011 has decreased from \$503.9 million to \$404.2 million, a reduction of \$99.7 million or 19 percent.

Currently, the DCA’s appropriations total \$737 million in City funds for Fiscal 2011. These appropriations are to be used to finance the remaining portion of the Department’s \$358 million City-funded Fiscal 2011 Capital Commitment Program. The agency has \$379 million, or approximately 51 percent, more funding than it needs to meet its entire Capital Commitment Program for the current fiscal year.

2011-2015 Commitment Plan: Adopted and Executive Budget

Dollars in Thousands

	FY11*	FY12	FY13	FY14	FY15	Total
Adopted						
Total Capital Plan	\$503,937	\$42,789	\$121,628	\$18,060	\$12,732	\$195,209
Executive						
Total Capital Plan	\$404,179	\$148,994	\$82,428	\$18,448	\$12,732	\$262,602
Change						
Level	(\$99,758)	\$106,205	(\$39,200)	\$388	\$0	\$67,393
Percentage	-19.80%	248.21%	-32.23%	2.15%	0.00%	34.52%

**The large percentage increase is due to funding from FY11 rolling over into FY12.*

Capital Program Goals

- ✓ To invest in and strengthen capital infrastructure at cultural organizations throughout the five boroughs;
- ✓ To invest in improving and expanding cultural facilities in ways that will increase the public’s access and enjoyment;
- ✓ To invest in equipment and systems at cultural organizations, including vehicles, grounds keeping and communications systems; and
- ✓ To ensure compliance with legal mandates, code requirements, and address emergency situations as they arise.

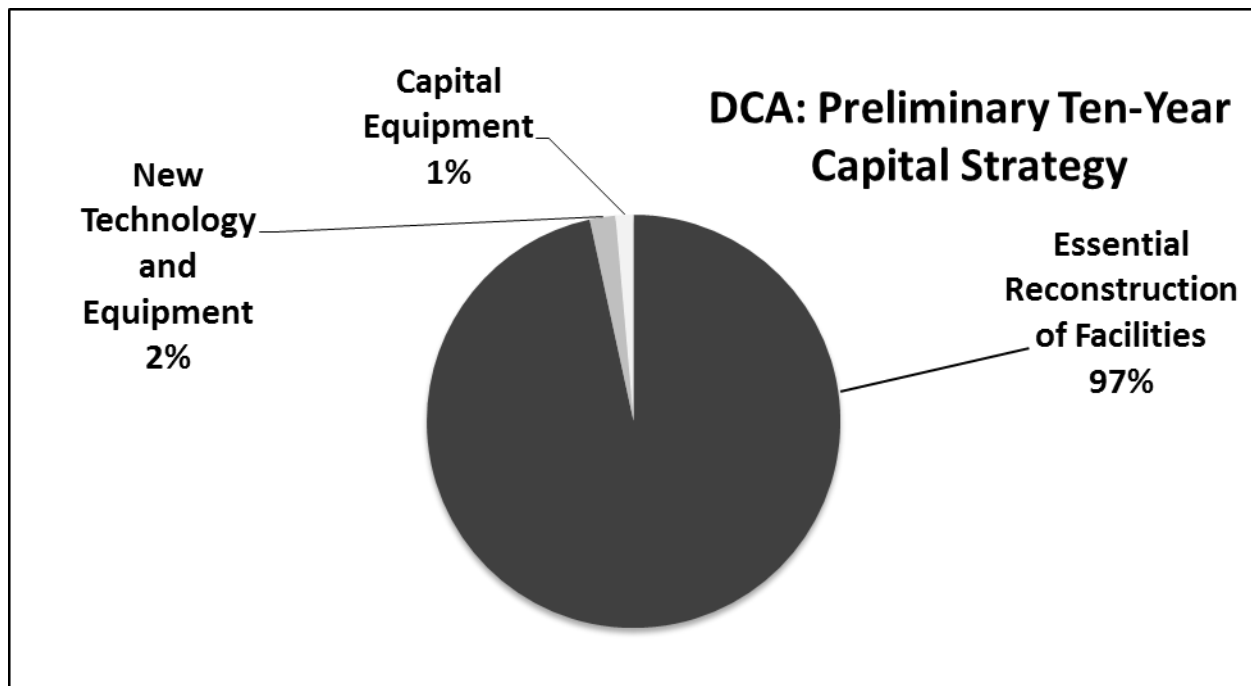
Ten-Year Strategy

The Department’s Ten-Year Capital Strategy includes a total of \$318.5 million in funding for non-profit cultural community to increase public service, provide greater access for the disabled, enhance exhibition or performing space, better maintain and preserve historic buildings and increase protection of botanical, zoological and fine art collections. In addition, the DCA has 97 percent of its funding for essential reconstruction of facilities.

DCA: Executive Ten-Year Capital Strategy

Dollars in Millions

	DCA
Essential Reconstruction of Facilities	\$307.6
New Technology and Equipment	6.4
Capital Equipment	4.5
TOTALS:	\$318.5



Appendix A: Budget Actions in the November and February Plans

<i>Dollars in Thousands</i>	FY 2011			FY 2012		
	City	Non-City	Total	City	Non-City	Total
Agency Budget as of June 2011 Plan	\$149,517	\$630	\$150,147	\$109,547	\$630	\$110,177
Program to Eliminate the Gap (PEGs)						
Reduction to Cultural Subsidies (5.4% in FY11 and 8% in outyears)	(\$8,120)	\$0	(\$8,120)	(\$8,837)	\$0	(\$8,837)
Total, PEGs	(\$8,120)	\$0	(\$8,120)	(\$8,837)	\$0	(\$8,837)
Other Adjustments						
Member Items Realignment	(\$48)	\$0	(\$48)	\$0	\$0	\$0
CASA funds transfer to DYCD	(160)	0	(160)	0	0	0
Put up FY10 CADP Funds	0	496	496	0	0	0
Intracity	0	955	955	0	0	0
Total, Other Adjustments	(\$208)	\$1,451	\$1,242	\$0	\$0	\$0
Agency Budget as of February 2012 Plan	\$141,189	\$2,081	\$143,270	\$100,710	\$630	\$101,340