



New York City Council

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**Hearing on the Mayor's Fiscal Year 2012 Preliminary Budget &
the Fiscal Year 2011 Preliminary Mayor's Management Report**

Department of Cultural Affairs

March 24, 2011

**Committee on Cultural Affairs, Libraries and International
Intergroup Relations**

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Summary and Highlights

The Fiscal 2012 Preliminary Budget is \$101 million for the Department of Cultural Affairs (“DCA”), which is \$49 million less than the Fiscal 2011 Adopted Budget.

Department of Cultural Affairs						
<i>Dollars in Thousands</i>						
	2009	2010	2011	2011	2012	Difference,
	Actual	Actual	Adopted	Feb Plan	Feb Plan	2012 – 2011*
Personal Services	\$4,106	\$4,107	\$4,160	\$4,305	\$4,160	\$0
Other than Personal Services	147,282	138,800	145,988	138,966	97,181	(\$48,807)
Department Total	\$151,388	\$142,907	\$150,148	\$143,270	\$101,341	(\$48,807)

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

The \$49 million reduction from the Fiscal 2011 Adopted Budget to the Fiscal 2012 Preliminary Budget is due to the Administration’s cost-savings programs as well as the elimination of over \$39 million in restorations and initiatives in the Fiscal 2012 Preliminary Budget.

Fiscal 2012 Preliminary Plan Highlights

- **Reduction to the Cultural Development Fund.** There is an approximate \$8.3 million reduction to the Cultural Development Fund in Fiscal 2012 and the outyears, which includes the elimination of a restoration of \$6.8 million of Council and Administration funding provided in the Fiscal 2011 Adopted Budget (see section titled “Impact of Reductions to the Cultural Development Fund”).
- **Reduction to the Cultural Institutions Group.** There is a \$32.4 million reduction to the Cultural Institutions Group in Fiscal 2012 and the outyears, which includes the elimination of a restoration of \$23.2 million of Council and Administration funding provided in the Fiscal 2011 Adopted Budget (see section titled “Impact of Reductions to the Cultural Institutions Group”).

Department of Cultural Affairs

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.

- Key Public Services Areas**
- Oversee City support for the operations and services of non-profit cultural organizations, which have a significant impact on the City’s economy and quality of life.
 - Support the capital improvement of cultural facilities to better serve City residents and attract foreign and domestic tourists.
 - Promote public appreciation of the arts and culture.

- Critical Objectives**
- Award funding and make payments as quickly as possible to ensure that all segments of the public have access to a broad array of cultural activities.
 - Encourage the contribution and use of donated materials with the goal of expanding resources available for cultural activities and promoting public awareness of the value of reusing materials.
 - Provide efficient coordination and support for capital projects at cultural facilities and expedite the completion of these projects.
 - Enhance public awareness of the array of cultural programming offered throughout the five boroughs.

SOURCE: Mayor’s Management Report

Department of Cultural Affairs Financial Summary						
<i>Dollars in Thousands</i>						
	2009	2010	2011	2011	2012	Difference
	Actual	Actual	Adopted	Feb Plan	Feb Plan	2012–2011*
Budget by Program Area						
Office of the Commissioner	\$5,127	\$5,158	\$5,381	\$5,526	\$5,381	\$0
Cultural Programs	29,298	31,159	34,500	31,925	17,353	(\$17,146)
Cultural Institutions	116,961	106,589	110,267	105,819	78,607	(\$31,660)
TOTAL	\$151,387	\$142,906	\$150,148	\$143,270	\$101,341	(\$48,807)
Funding						
City Funds	NA	NA	\$149,517	\$141,189	\$100,711	(\$48,807)
<i>Memo: Council Funds</i>						
Other Categorical	NA	NA	0	0	0	0
Capital - IFA	NA	NA	70	70	70	0
Federal – CDBG	NA	NA	263	759	263	0
Intra-City	NA	NA	297	1,252	297	0
TOTAL	\$151,387	\$142,906	\$150,148	\$143,270	\$101,341	(\$48,807)
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 February Plan.

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 from the Administration as well. This funding is not included in the Fiscal 2012 Preliminary 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

Contract Budget

The New York City Charter mandates the preparation of a Contract Budget to identify expenditures for contractual services, which are defined as any technical, consultant or personal service provided to the City by means of a contract. The Contract Budget is actually a subset of the Other Than Personal Services (OTPS) portion of the City’s Expense Budget. The Administration prepares a Contract Budget twice each fiscal year. In January, it is prepared with the Departmental Estimates, and in late April it is submitted to the Council with the Executive Budget. Finally, the Council adopts the entire budget (Expense, Revenue, Contract and Capital) before the end of each fiscal year.

Approximately, 99 percent of contractual spending for the Department is for payments to the Cultural Development Fund recipients (shown below in the “Pay to Cultural Institutions” line).

Category	Number	Budgeted	Pct of DCA Total
Telecommunications Maintenance	1	1,481	0.0%
Maintenance & Repair, General	1	30,150	0.2%
Office Equipment Maintenance	1	14,591	0.1%
Printing Contracts	1	440	0.0%
Temporary Services	1	3,280	0.0%
Cleaning Services	1	34,814	0.2%
Pay to Cultural Institutions	651	17,353,196	99.2%
Professional Services: Engineer & Architect	1	10,000	0.1%
Professional Services: Other	1	49,000	0.3%
Preliminary Budget	659	\$17,496,952	100.0%

Capital Program

Agency Overview

The Department of Cultural Affairs (DCLA) is the largest cultural funder in the nation, and works to create and expand access to public programming, provide technical assistance, build audiences, and ensure that arts and culture are central to the City's economic vitality and quality of life. DCLA is currently investing capital support in the 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. The CIG buildings under DCLA's jurisdiction, many of which are landmarks, comprise over 9.8 million gross square feet. Currently, the agency is managing 337 capital projects at 180 arts organizations that are leading the way in sustainable architecture and design excellence.

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.

Capital Budget Summary

2011-2014 Commitment Plan: Adopted and Preliminary Budget

Dollars in Thousands

	FY11	FY12	FY13	FY14	Total
Adopted					
Total Capital Plan	\$503,937	\$42,789	\$121,628	\$18,060	\$686,414
Prelim					
Total Capital Plan	\$446,325	\$90,670	\$94,914	\$18,448	\$650,357
Change					
Level	(\$57,612)	\$47,881	(\$26,714)	\$388	(\$36,057)
Percentage	-11.43%	111.90%	-21.96%	2.15%	-5.25%

The February 2011 Capital Commitment Plan includes \$650.4 million in Fiscal 2011-2014 for the Department of Cultural Affairs (including City and Non-City funds). This represents almost two percent of the City's total \$33.2 billion January Plan for Fiscal 2011-2014. The Department's February Commitment

Plan for Fiscal 2011-2014 is 5.2 percent less than the \$686 million scheduled in the September Commitment Plan, a decrease of \$36 million.

Over the past five years (2006-2010) the Department has only committed an average of 33.4 percent of its annual Capital plan. Therefore, it is assumed that a portion of the Department’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 \$446.3 million, a reduction of \$57.6 million or 11.4 percent.

Currently the Department’s appropriations total \$766 million in City funds for Fiscal 2011. These appropriations are to be used to finance the Department’s \$395.9 million City-funded Fiscal 2011 Capital Commitment Program. The agency has \$370 million, or 48.3 percent more funding than it needs to meet its entire Capital Commitment Program for the current fiscal year.

Capital Plan Highlights

- Whitney Museum of American Art expansion: \$44.0 million
- New York Aquarium: \$41.4 million for the installation of a new Shark Exhibit, and \$4.2 million for a seawater intake system.
- Carnegie Hall: \$28.0 million for major renovations to the non-performance spaces.
- 122 Community Center: \$15.8 million for reconstruction.
- Metropolitan Museum of Art: \$14.5 million for HVAC and Mechanical/Electric/Plumbing improvements and the creation of a Costume Institute.
- Brooklyn Botanic Garden: \$10.4 million for improvements to the café and auditorium, as well as construction of a Water Garden.
- National Jazz Museum: \$9.0 million for the construction of a new museum.
- Staten Island Zoo: \$5.6 million for the Children’s Farmstead project.
- Bronx Zoo: \$4.0 million for reconstruction projects.
- P.S. 1 Art Institute: \$1.6 million for HVAC improvements.

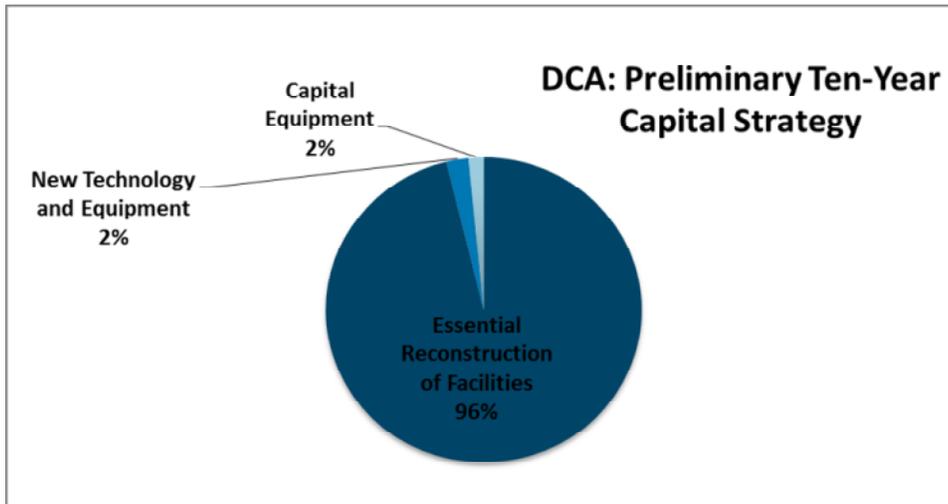
Preliminary Budget Issues

The Administration asked agencies to identify a 20 percent reduction in capital commitments for fiscal years 2011 to 2021. The Ten-Year Capital Plan included, instead, a reduction of 10 percent. It is not clear at this time which projects would be affected by this reduction.

Preliminary Ten-year Strategy

DCA: Preliminary Ten-Year Capital Strategy	
<i>Dollars in Millions</i>	
	DCA
Essential Reconstruction of Facilities	\$259.5
New Technology and Equipment	6.1
Capital Equipment	4.2
TOTALS:	\$269.8

The Department's Ten-Year Capital Strategy includes a total of \$269.8 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 96 percent of its funding for essential reconstruction of facilities.



Program Areas

Office of the Commissioner

The Office of the Commissioner is responsible for the administration and monitoring of funds for the CIG and the Cultural Development Fund (CDF). The agency also assists (with other City agencies) in the management of various capital construction projects in both City-owned and non-City owned facilities housing cultural programs and other cultural groups. In addition, the Office of the Commissioner manages many public cultural events throughout the year.

<i>Dollars in Thousands</i>	2009	2010	2011	2011	2012	Difference
	Actual	Adopted	Adopted	Feb Plan	Feb Plan	2012-2011*
Spending						
Personal Services						
Full-Time Salaried - Uniform	\$0	\$0	\$0	\$0	\$0	\$0
Full-Time Salaried - Civilian	3,263	3,413	3,693	3,693	3,693	0
Other Salaried and Unsalariated	663	630	442	587	442	0
Additional Gross Pay	178	63	25	25	25	0
Overtime - Civilian	1	-	0	0	0	0
Other	1	1	-	-	-	0
Subtotal, PS	\$4,106	\$4,107	\$4,160	\$4,305	\$4,160	\$0
Other than Personal Services						
Supplies and Materials	\$45	\$29	\$45	\$32	\$45	\$0
Property and Equipment	6	11	117	120	117	0
Other Services and Charges	850	898	915	919	915	0
Contractual Services	120	114	144	151	144	0
Fixed and Misc Charges	0	-	0	0	0	0
Subtotal, OTPS	\$1,022	\$1,052	\$1,221	\$1,221	\$1,221	\$0
TOTAL	\$5,128	\$5,159	\$5,381	\$5,526	\$5,381	\$0

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

Fiscal 2012 Preliminary Plan Actions

There are no changes to the Office of the Commissioner in the Fiscal 2012 Preliminary Plan. In addition, any reductions given to the Department is always applied to the Program and Institution program areas.

Performance Measures

The following performance measures were reported in the Preliminary Mayor’s Management Report.

	FY08	FY09	FY10	Target FY11	Target FY12	4-Month Actual FY10	4-Month Actual FY11
Operating support payments made to Cultural Institutions Group by the 5th day of each month (%)	100%	100%	100%	100%	100%	100%	100%
Average days to issue initial Cultural Development Fund payments after complying with all City	NA	6.1	9.3	*	*	9.8	8.1
Average days to issue program grant final payments	6	6	10	*	*	NA	NA
MFTA transactions	4,994	5,593	5,534	5,500	5,500	1,710	1,644
Number of schools served by MFTA	545	631	713	600	600	307	290

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). Through negotiations between the City Council and the Administration, a fund of approximately \$30 million was created in Fiscal 2008 for these “Culturals.” This fund eliminated the two-decades old 172 “program lines” and funding under the old process by the Council. Now all groups that wish to receive City funding must go through a peer-based, merit-review application process. There are over 700 groups that have applied for Fiscal 2012 CDF awards. Additionally, there is funding in this area for special initiatives like the Cultural After School Adventure (CASA).

<i>Dollars in thousands</i>	2009 Actual	2010 Actual	2011 Adopted	2011 Feb Plan	2012 Feb Plan	Difference 2012-2011*
Spending						
Cultural Programs	29,298	31,159	34,500	31,925	17,353	(\$17,146)
TOTAL	\$29,298	\$31,159	\$34,500	\$31,925	\$17,353	(\$17,146)

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

Fiscal 2012 Preliminary Plan Actions

- Reduction to the Cultural Development Fund.** The Fiscal 2012 Preliminary Plan includes \$17.3 million for the Cultural Development Fund. Although there are no reductions to the CDF in the Preliminary Plan, there is a \$1.6 million cut from the Fiscal 2011 November Plan and the elimination of \$6.8 million in restoration funds to the CDF in Fiscal 2012 and the outyears. When the CDF was established, it was the Council’s intention that the funding would not decrease each fiscal year. This has not been the case with the fund taking incremental reductions every fiscal year.

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 Preliminary Plan does not include Council and Administration funds for the CASA initiative and also does not include Council funds for the Coalition of Theaters of Color initiative.

FY 2011 Council and Administration Funding for Cultural Programs			
<i>Dollars in Thousands</i>			
Cultural Programs	City Council	Administration	Total
Cultural After School Adventure (CASA)	4,080	1,400	5,480
Coalition of Theaters of Color	700	0	700
TOTAL	\$4,780	\$1,400	\$6,180

Cultural Institutions

The basic framework for the public-private partnerships between New York City and its 34 cultural institutions was established in the 19th century. The State of New York passed legislation that incorporated the institutions and authorized the City to build facilities and lease them and the City-owned parkland on which they sat to the new private institutions. The partnership stipulated that the City would provide these institutions with land, facilities, and funds for maintenance and security. The private institutions in turn would develop specialized cultural services and collections which would be available to the general public. These 34 cultural institutions are members of the Cultural Institutions Group (CIG).

	2009	2010	2011	2011	2012	Difference
<i>Dollars in Thousands</i>	Actual	Actual	Adopted	Feb Plan	Feb Plan	2012-2011*
Spending						
American Museum of Natural History	\$17,366	\$15,921	\$16,184	\$15,525	\$11,658	(\$4,525)
Brooklyn Academy of Music	3,112	2,936	2,806	2,678	1,770	(\$1,036)
Brooklyn Botanical Garden	4,534	3,842	3,704	3,657	2,279	(\$1,426)
Brooklyn Children's Museum	2,290	2,009	2,074	1,925	1,233	(\$841)
Brooklyn Museum	9,178	8,139	8,482	7,998	5,530	(\$2,953)
Metropolitan Museum of Art	26,779	23,626	26,026	25,136	20,597	(\$5,429)
Museum of the City of New York	1,781	1,497	2,056	1,959	1,537	(\$520)
New York Botanical Garden	7,697	7,036	7,061	6,900	4,769	(\$2,292)
New York Hall of Science	2,114	2,074	1,989	1,936	1,392	(\$597)
New York Shakespeare Festival	1,058	1,000	1,009	950	700	(\$309)
Queens Botanical Garden	1,345	1,145	1,020	1,118	617	(\$403)
Staten Island Institute of Arts & Sciences	862	775	780	717	444	(\$337)
Snug Harbor Cultural Center	1,936	1,709	1,579	1,717	1,136	(\$444)
Staten Island Historical Society	776	733	762	698	437	(\$324)
Staten Island Zoological Society	1,620	1,480	1,617	1,506	959	(\$658)
Studio Museum in Harlem	867	879	917	846	558	(\$359)
Wave Hill	1,094	988	1,016	940	602	(\$414)
Wildlife Conservation Society	16,966	15,209	15,211	14,521	11,040	(\$4,171)
Other Cultural Institutions	15,587	15,592	15,973	15,091	11,351	(\$4,622)
TOTAL	\$116,961	106,589	110,267	105,819	78,607	(\$31,660)

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

Fiscal 2012 Preliminary Plan Actions

- **Reduction to the Cultural Institutions Group.** The Fiscal 2012 Preliminary Plan does not include any actions to the institutions. However, these institutions face a \$7.2 million reduction to its operating budget from the Fiscal 2011 November Plan, and the exclusion of \$23.4 million of Council and Administration funding put in the Fiscal 2011 Adopted Budget of the CIG.

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.

For example, in the Fiscal 2011 November Plan, a 5.4 percent PEG program was initiated for each City agency. The Department then applied the PEG to the total subsidy to determine the amount of funding to be reduced from the operational support. Therefore, the 5.4 percent mid-year reduction becomes an 8.5 percent, or \$7.5 million, reduction (see charts below). However if the 5.4 percent reduction is applied to the operational support to then determine how much the operational support should be reduced, then the reduction is only 5.3 percent. Therefore the savings for the Administration is about \$2.2 million less if the PEG target is determined by this method; however, this method is much more equitable and fair.

FY11 Adopted Budget		
TOTAL CULTURAL INSTITUTIONS		
Operating Support	Energy Subsidy	TOTAL
\$69,365,253	\$40,901,905	\$110,267,158

Historic Formula				
	Actual % Cut to Operating	New Operating Base	TOTAL	% Cut to TOTAL
5.4% PEG	-8.5%	\$61,848,171	\$102,750,076	-5.3%
Total Cost-Savings:		\$7,517,082		

Applied to Operational Support Only				
	Actual % Cut to Operating	New Operating Base	TOTAL	% Cut to TOTAL
5.4% PEG	-5.3%	\$64,056,874	\$104,958,779	-3.3%
Total Cost-Savings:		\$5,308,379		

Although each member of the CIG has 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 2009-2010 season at most institutions, including family discounts and educational programs.

Performance Measures

The following performance measures were reported in the Preliminary Mayor’s Management Report.

	FY08	FY09	FY10	Target FY11	Target FY12	4-Month Actual FY10	4-Month Actual FY11
Number of visitors to the Cultural Institutions Group	19,092,865	18,882,316	19,266,938	*	*	NA	NA

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