

THE COUNCIL OF THE CITY OF NEW YORK

Speaker of the Council
Christine C. Quinn



Hon. James Van Bramer, Chair, Cultural Affairs, Libraries,
International Intergroup Relations Committee

Hearing on the Mayor's Fiscal 2013 Preliminary Budget & the Fiscal 2012 Preliminary Mayor's Management Report

Department of Cultural Affairs

March 13, 2012

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Agency Overview

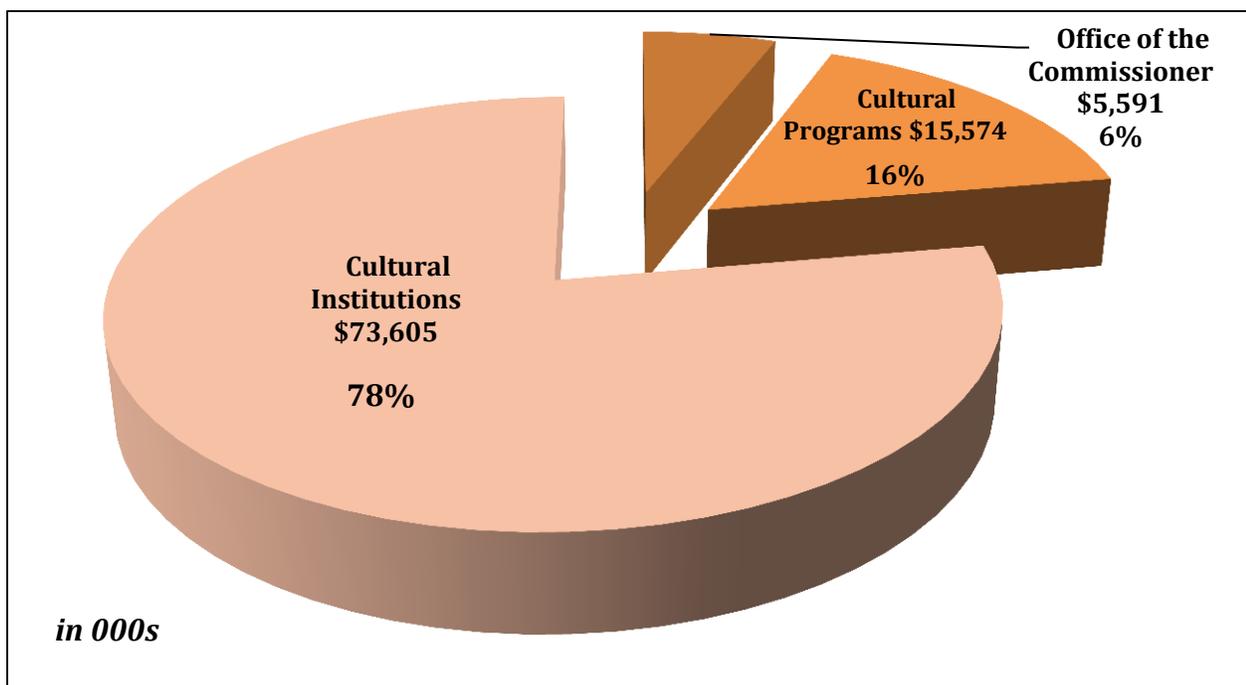
The Department of Cultural Affairs (DCA) provides support, advocacy, and technical assistance to the City’s cultural community to ensure that the arts remain a central feature of civic and economic life in the City. The Department funds both energy and a portion of operating support for the 34 City-owned 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.

This report provides a review of the Department of Cultural Affairs’ Preliminary Budget for Fiscal 2013. The first section presents DCA’s total funding and highlights of the Fiscal 2013 expense and capital budgets. Following these highlights, the report analyzes the Department’s budget for the Office of the Commissioner, programs, and the institutions group. Further, it provides information on actions included in the November and February Financial Plans. Finally, the report provides a review of the proposed capital budget managed by the Department with a discussion of significant changes proposed to the Capital Plan.

DCA Funding

Approximately four percent of the Department’s total budget covers direct agency expenses; whereas, the remaining 96 percent of the Department’s budget supports not-for-profit arts organizations and the institutions. Below is a chart providing a breakout of the Department’s funding.

DCA Fiscal 2013 Preliminary Budget by Program Area



The following table, "Department of Cultural Affairs Financial Summary," provides an overview of the Department's total budget from Fiscal 2011 to the February Plan for Fiscal 2013, as well as the agency's funding sources.

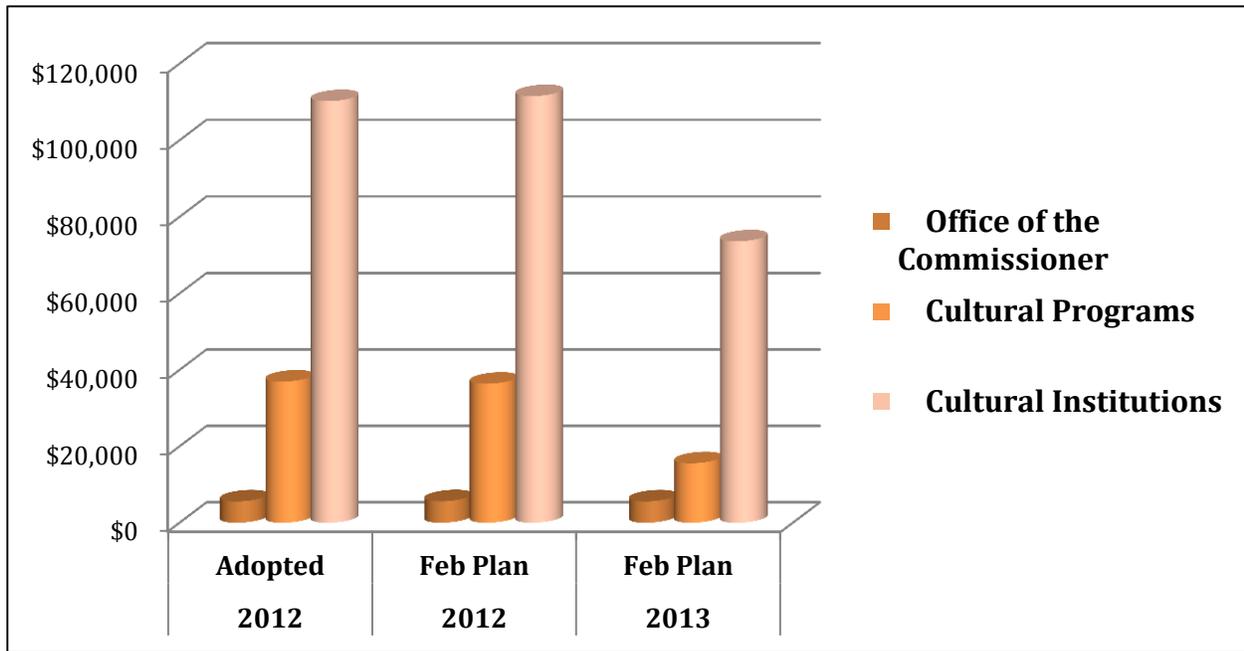
DCA Financial Summary

<i>Dollars in Thousands</i>	2011 Actual	2012 Adopted	2012 Feb Plan	2013 Feb Plan	Difference 2012-2013*
Budget by Program Area					
Office of the Commissioner	\$5,011	\$5,591	\$5,625	\$5,591	\$0
Cultural Programs	32,051	36,943	36,380	15,574	(21,369)
Cultural Institutions	106,988	110,216	111,527	73,605	(36,611)
TOTAL	\$144,050	\$152,751	\$153,532	\$94,771	(\$57,980)
Funding					
City Funds	N/A	\$151,954	\$148,954	\$94,000	(\$57,954)
Other Categorical	N/A	0	0	0	0
Capital - IFA	N/A	237	237	237	0
State	N/A	0	258	0	0
Federal – CDBG	N/A	263	736	237	(26)
Federal - Other	N/A	0	1,564	0	0
Intra-City	N/A	297	1,783	297	0
TOTAL	\$144,050	\$152,751	\$153,532	\$94,771	(\$57,980)
Positions					
Full-time Positions (Budgeted)	48	48	48	48	0
TOTAL	48	48	48	48	0

*The difference of the Fiscal 2012 Adopted compared to the Fiscal 2013 February Plan funding.

Fiscal 2013 Preliminary Budget Actions

- The proposed budget for Fiscal 2013 includes only \$15.4 million for the cultural programs, which is \$12.3 million less than the Fiscal 2012 Adopted Budget.
- The \$73 million proposed budget for the institutions of City tax-levy funds in Fiscal 2013 reflects a \$36 million decrease when compared to the Fiscal 2012 Adopted Budget of \$110 million.
- There is no change to the energy funding for the institutions between the Fiscal 2012 Adopted Budget and the proposed Fiscal 2013 budget.
- The November Plan PEG for the institutions total \$5 million and for the cultural programs total \$1 million for Fiscal 2013.
- The Department's Fiscal 2012 Preliminary Capital Budget is at \$421 million, which is a decrease of \$58 million from the September Capital Budget. This decrease reflects the ten percent reduction implemented in the Ten-Year Capital Plan last fiscal year.



The proposed budget for DCA in Fiscal 2013 is \$94 million, which is 62 percent less than the Fiscal 2012 Adopted Budget. However, the actual budget for DCA (Office of the Commissioner) has no change. The \$57 million decrease in funding affects the funding for the non-profit cultural organizations and the institutions.

Council Initiatives

City Council funding provides approximately 25 percent of the Department's annual City-funds budget for programs and the institutions, which totaled \$39 million in the Fiscal 2012 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 City. In the Fiscal 2012 Adopted Budget, there is one-year funding from the Administration as well. This funding is not included in the Fiscal 2013 Preliminary Budget. The chart below outlines the Council's and the Administration's Fiscal 2012 restorations.

FY 2012 Council and Administration Funding at Adoption by Program Area			
<i>Dollars in Thousands</i>			
Cultural Programs	City Council	Administration	Total
Cultural Development Fund Restoration	\$9,000	\$2,289	\$11,289
Cultural After School Adventure (CASA)	5,100	0	5,100
Coalition of Theaters of Color	700	0	700
Local Initiatives	3,361	0	3,361
Subtotal	\$18,161	\$2,289	\$20,450
Cultural Institutions			
PEG Restorations	\$20,549	\$10,451	\$31,000
Local Initiatives	434	0	434
Subtotal	\$20,983	\$10,451	\$31,434
TOTAL	\$39,144	\$12,740	\$51,884

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.

Office of the Commissioner - Department of Cultural Affairs

Dollars in Thousands

	2011 Actual	2012 Adopted	2012 Feb Plan	2013 Feb Plan	Difference, 2012 – 2013*
Personal Services	\$3,910	\$4,160	\$4,108	\$4,160	\$0
Other than Personal Services	1,102	1,432	1,517	1,432	0
Department Total	\$5,011	\$5,591	\$5,625	\$5,591	\$0
Positions					
Full-time Positions (Budgeted)	48	48	48	48	0
Full-time Positions (Actual)	48	48	41	41	(7)
TOTAL	48	48	41	41	(7)

**The difference of the Fiscal 2012 Adopted compared to the Fiscal 2013 February Plan funding.*

As mentioned earlier, there is no change in the funding to the Department’s budget. Although the Office is budgeted for 48 positions, the Office is currently operating with a staff of 41 people. These seven vacancies will not be filled before the end of the fiscal year, and it is proposed for those positions to remain vacant into the next fiscal year. This shortfall is potentially problematic for the Department to maintain its service to the cultural and arts community with timely payments, oversight, and project management.

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 cultural organizations. 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). Approximately, 99 percent of contractual spending for the Department is for payments to the Cultural Development Fund recipients

	2011	2012	2012	2013	Difference
<i>Dollars in thousands</i>	Actual	Adopted	Feb Plan	Feb Plan	2012–2013*
Spending					
Cultural Programs	\$32,051	\$36,943	\$36,380	\$15,574	(\$21,369)
TOTAL	\$32,051	\$36,943	\$36,380	\$15,574	(\$21,369)

**The difference of the Fiscal 2012 Adopted compared to the Fiscal 2013 February Plan funding.*

Cultural Development Fund

The projected budget for Fiscal 2013 includes only \$15.5 million for the CDF, which is \$12.3 million less than what was included in the Fiscal 2012 Adopted Budget. This decrease is mostly due to the loss of \$11 million the Council and Administration put in at Adoption. In addition, the November Plan included an approximately \$1 million reduction to programs.

There were 896 grantees for Fiscal 2012, which includes a current roster of approximately 300 multi-year grantees, throughout New York City. The diminished fund would be insufficient to handle the increasing programmatic needs of approximately 1,000 organizations across the City.

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).

<i>Dollars in Thousands</i>	2011	2012	2012	2013	Difference, 2012 – 2013*
	Actual	Adopted	Feb Plan	Feb Plan	
Spending					
American Museum of Natural History	\$15,917	\$16,796	\$16,298	\$11,728	(\$5,068)
Brooklyn Academy of Music	2,694	2,844	2,753	1,582	(1,262)
Brooklyn Botanical Garden	3,718	3,688	3,937	1,903	(1,785)
Brooklyn Children's Museum	1,874	1,913	2,030	972	(940)
Brooklyn Museum	7,593	7,787	7,797	4,448	(3,339)
Metropolitan Museum of Art	25,492	27,621	25,287	21,048	(6,573)
Museum of the City of New York	1,390	1,476	1,476	822	(653)
New York Botanical Garden	6,826	6,338	7,545	3,750	(2,588)
New York Hall of Science	1,938	1,926	1,937	1,163	(763)
New York Shakespeare Festival	917	1,007	1,006	611	(397)
Queens Botanical Garden	1,108	1,020	1,512	495	(525)
Staten Island Institute of Arts & Sciences	1,806	1,711	2,349	1,144	(567)
Snug Harbor Cultural Center	733	704	754	366	(338)
Staten Island Historical Society	724	776	776	348	(427)
Staten Island Zoological Society	1,484	1,513	1,613	806	(707)
Studio Museum in Harlem	859	821	901	481	(340)
Wave Hill	932	962	992	472	(490)
Wildlife Conservation Society	15,123	15,260	15,957	10,626	(4,634)
Other Cultural Institutions	15,862	16,054	16,609	10,838	(5,216)
TOTAL	\$106,988	\$110,216	\$111,527	\$73,605	(\$36,611)

**The difference of the Fiscal 2012 Adopted compared to the Fiscal 2013 February Plan funding.*

The institutions face a loss of \$36 million in operational support in Fiscal 2013 due to the \$5 million funding reduction proposed in the November Plan and the exclusion of approximately \$31 million in restoration made at Adoption. 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 past few fiscal years. A \$31 million reduction would result in a loss of staff, shows, exhibits, and events at most institutions, as well as family discounts and educational programs. There has been a rise in ticket prices, rental fees, and suggested donations to cover the loss of City support.

Capital Program

Agency Overview

The DCA 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. DCA 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 DCA’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

2012-2015 Commitment Plan: Adopted and Preliminary Budget

Dollars in Thousands

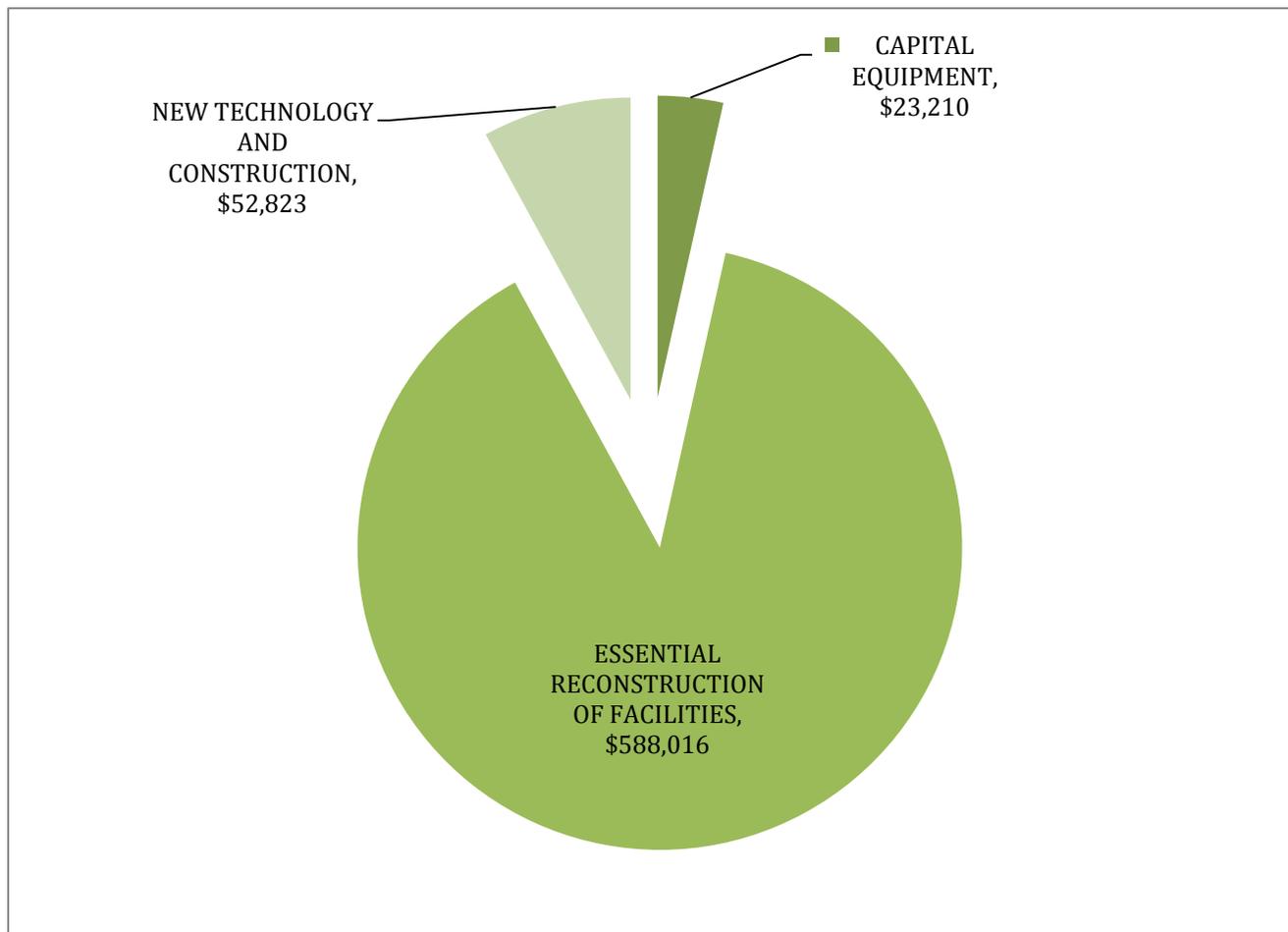
	FY12	FY13	FY14	FY15	Total
Adopted					
Total Capital Plan	\$479,245	\$141,333	\$30,448	\$14,032	\$665,058
Prelim					
Total Capital Plan	\$421,241	\$198,328	\$30,448	\$14,032	\$664,049
Change					
Level	(\$58,004)	\$56,995	\$0	\$0	(\$1,009)
Percentage	-12.10%	40.33%	0.00%	0.00%	-0.15%

There is \$664 million for the DCA in the 2012-2015 February Capital Commitment Plan (including City and Non-City funds). This represents more than one percent of the City’s total \$35.07 billion February Capital Commitment Plan. The Department’s Preliminary Commitment Plan for Fiscal 2012-2015 is less than one percent of the \$665 million scheduled in the September Commitment Plan, a decrease of approximately \$1 million.

The majority of capital projects span multiple fiscal years and it is therefore common practice for an agency to roll unspent capital funds into future fiscal years. Since adoption last June, the total Capital Commitment Plan for Fiscal 2013 has increased from \$7.35 billion to \$8.69 billion, an increase of \$1.33 billion or 24.9 percent. Over the past five years (2006-2011), 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 Department's Fiscal 2012 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 2012 has decreased from \$479.2 million to \$421.2 million, a reduction of \$58 million or 12 percent.

DCA's Preliminary Capital Commitment Plan by Ten Year Plan Category

(All Funds in 000's)



Appendix A: Budget Actions in the November and February Plans

<i>Dollars in Thousands</i>	FY 2012			FY 2013		
	City	Non-City	Total	City	Non-City	Total
Agency Budget as of June 2011 Plan	\$151,954	\$797	\$152,751	\$100,059	\$771	\$100,830
Program to Eliminate the Gap (PEGs)						
Reduction to Cultural Subsidies (2% in FY12 and 6% in outyears)	(\$3,056)	\$0	(\$3,056)	(\$6,056)	\$0	(\$6,056)
Total, PEGs	(\$3,056)	\$0	(\$3,056)	(\$6,056)	\$0	(\$6,056)
Other Adjustments						
Member Items Realignment	\$23	\$0	\$23	\$0	\$0	\$0
MFTA	32	80	113	0	0	0
BCM Special Grants	0	37	37	0	0	0
Bronx Zoo Grants	0	537	537	0	0	0
NY Botanical Garden	0	980	980	0	0	0
Put up FY12 CADP Funds	0	473	473	0	0	0
Put up DEC funds-intern	0	5	5	0	0	0
Put Up FTA funds	0	60	60	0	0	0
NEA Funding	0	113	113	0	0	0
AARA Funding	0	10	10	0	0	0
Intracity	0	1,486	1,486	0	0	0
Total, Other Adjustments	\$56	\$3,781	\$3,837	\$0	\$0	\$0
Agency Budget as of February 2012 Plan	\$148,954	\$4,578	\$153,532	\$94,003	\$771	\$94,774

Appendix B: Fiscal 2012 Mayor’s Management Report Performance Measures

	FY09	FY10	FY11	Target FY12	Target FY13	4-Month Actual FY12	4-Month Actual FY13
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 requirements	6	9	7	*	*	8	5
Average days to issue program grant final payments	6	10	4	*	*	NA	NA
MFTA transactions	5,593	5,534	5,276	5,300	5,300	1,644	1,765
Number of schools served by MFTA	631	713	622	625	625	290	346

	FY09	FY10	FY11	Target FY12	Target FY13	4-Month Actual FY12	4-Month Actual FY13
Number of visitors to the Cultural Institutions Group	18,882,316	19,266,938	18,743,457	*	*	NA	NA
Percentage of visitors using free admission and/or tickets	15%	16%	16%	*	*	NA	NA

	FY09	FY10	FY11	Target FY12	Target FY13	4-Month Actual FY12	4-Month Actual FY13
New capital projects initiated (%)	70%	74%	99%	70%	70%	NA	NA