



**New York City Council**

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**Finance Division**

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**Hearing on the Mayor's Fiscal Year 2011 Executive Budget**

**Department of Cultural Affairs**

June 4, 2010

**Committee on Finance**

Hon. Domenic M. Recchia, Jr., Chair

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

Hon. James Van Bramer, Chair

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## Summary and Highlights

The Fiscal 2011 Executive Budget is \$110 million for the Department of Cultural Affairs (“DCA”), which is approximately \$49 million less than the Fiscal 2010 Adopted Budget.

<b>Department of Cultural Affairs</b>						
<i>Dollars in Thousands</i>						
	<b>2008 Actual</b>	<b>2009 Actual</b>	<b>2010 Adopted</b>	<b>2010 Executive Plan</b>	<b>2011 Executive Plan</b>	<b>Difference, 2010 – 2011*</b>
Personal Services	\$3,973	\$4,105	\$4,031	\$4,155	\$4,159	\$128
Other than Personal Services	157,303	147,282	154,963	141,917	106,018	(48,945)
<b>Department Total</b>	<b>\$161,276</b>	<b>\$151,387</b>	<b>\$158,994</b>	<b>\$146,072</b>	<b>\$110,177</b>	<b>(\$48,817)</b>

*\*Difference refers to the variance between the Fiscal 2010 Adopted Budget and the Fiscal 2011 Executive Plan.*

The \$49 million reduction from the Fiscal 2010 Adopted Budget to the Fiscal 2011 Executive Budget is due to the Administration’s cost-savings programs to the Department’s Cultural Programming and Cultural Institution Group operational subsidy, as well as the elimination of over \$25 million in City Council restorations and initiatives in the Fiscal 2011 Executive Budget.

### Budget Highlights

- **Reduction to the Cultural Development Fund.** There is an approximate \$6.3 million reduction to the Cultural Development Fund in Fiscal 2011 and in the outyears, which includes the exclusion of \$3.5 million of Council funding provided in the Fiscal 2010 Adopted Budget and a total of \$2.8 million in reductions from the Fiscal 2011 Preliminary and Executive Plans (see section titled “Impact of Reductions to the Cultural Development Fund”).
- **Reduction to the Cultural Institutions Group.** There is a \$28.6 million reduction to the operating subsidy for the Cultural Institutions Group in Fiscal 2011 and the outyears, which includes the exclusion of \$16 million of Council funding provided in the Fiscal 2010 Adopted Budget and a total of 12.3 million in reductions from the Fiscal 2011 Preliminary and Executive Plans. These proposed reductions would create at minimum a loss of 417 positions through layoffs (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

Dollars in Thousands

	2008 Actual	2009 Actual	2010 Adopted	2010 Executive Plan	2011 Executive Plan	Difference 2010–2011*
<b>Budget by Program Area</b>						
Office of the Commissioner	\$4,752	\$5,127	\$5,278	\$5,381	\$5,381	\$103
Cultural Programs	35,491	29,298	33,116	31,285	18,941	(14,175)
Cultural Institutions	121,033	116,961	120,600	109,406	85,856	(34,744)
<b>TOTAL</b>	<b>\$161,276</b>	<b>\$151,387</b>	<b>\$158,995</b>	<b>\$146,071</b>	<b>\$110,178</b>	<b>(\$48,817)</b>
<b>Funding</b>						
City Funds	NA	NA	\$158,351	\$144,386	\$109,548	(\$48,803)
<i>Memo: Council Funds</i>			27,838			
Other Categorical	NA	NA	NA	100	0	0
Capital - IFA	NA	NA	70	70	70	0
Federal – CDBG	NA	NA	263	648	263	0
Federal - Other	0	0	0	56	0	0
Intra-City	NA	NA	311	811	297	(14)
<b>TOTAL</b>	<b>\$161,276</b>	<b>\$151,387</b>	<b>\$158,995</b>	<b>\$146,071</b>	<b>\$110,178</b>	<b>(\$48,817)</b>
<b>Positions</b>						
Fulltime Positions	48	47	48	48	48	0
<b>TOTAL</b>	<b>48</b>	<b>47</b>	<b>48</b>	<b>48</b>	<b>48</b>	<b>0</b>

\*Difference refers to the variance between the Fiscal 2010 Adopted Budget and the Fiscal 2011 Executive Plan.

## Council Funding

City Council funding provides approximately 15.9 percent of the Department's annual City-funds operating budget. The Council has funded initiatives to expand arts education in the public school system and to ensure the existence of historically diverse performing arts organizations in the DCA budget. Finally, the Council provided \$19.5 million to restore cuts in the 2010 Adopted Budget. This Council funding is not included in the Fiscal 2011 Executive Plan.

There was a \$191,000 reduction to the Cultural After School Adventure and Coalition of Theaters of Color initiatives in this fiscal year.

<b>FY 2010 Council Changes at Adoption by Program Area</b>	
<i>Dollars in Thousands</i>	
<b>Cultural Programs</b>	
Cultural Development Fund Restoration	\$3,500
Cultural After School Adventure (CASA)	4,900
Coalition of Theaters of Color	800
Local Initiatives	2,259
<b>Subtotal</b>	<b>\$11,459</b>
<b>Cultural Institutions</b>	
PEG Restorations	\$16,000
Local Initiatives	179
<b>Subtotal</b>	<b>\$16,179</b>
<b>TOTAL</b>	<b>\$27,638</b>

## Capital Program

### Capital Budget Summary

The May 2011 Capital Commitment Plan provides \$261 million through Fiscal 2011 to Fiscal 2014 for the Department (including City and Non-City funds), which represents less than one percent of the City's total \$28.6 billion Executive Plan through Fiscal 2011 to Fiscal 2014. The Department's May Commitment Plan through Fiscal 2011 to 2014 is 70 percent less than the \$876 million scheduled in the September Commitment Plan, a decrease of \$615 million.

Over the past five years, the Department has only committed an average of 24.4 percent of its annual capital plan. Therefore, it is assumed that a large portion of the agency's Fiscal 2010 capital plan will be rolled into Fiscal 2011 thus greatly increasing the size of the Fiscal 2011-2014 capital plan. Since adoption last June, the Capital Commitment Plan for Fiscal 2010 has remained the same at \$670 million in commitments.

Currently the appropriations for the agency total \$609 million in City funds for Fiscal 2010. These appropriations are to be used to finance the Department's \$607 million City-funded Fiscal 2010 Capital Commitment Plan. The agency has \$2 million more funding than it needs to meet its entire capital commitment program for the current fiscal year.

### Ten-Year Capital Program

The Department's ten-year capital program totals \$991 million. Of this total, \$560 million will be for essential reconstruction, which includes the strengthening of infrastructure at cultural institutions and improving and expanding cultural facilities to sustain increased public demand.

#### FY 2010 Adopted Capital Commitment Plan

<i>Dollars in thousands</i>	2010	2011	2012	2013	2014-2019
Capital Equipment	\$30,476	\$0	\$0	\$50	\$0
Essential Reconstruction of Facilities	559,656	60,969	20,185	125,828	95,152
New Technology and Construction	39,841	10,532	0	27,977	20,481
<b>TOTAL</b>	<b>\$629,973</b>	<b>\$71,501</b>	<b>\$20,185</b>	<b>\$153,855</b>	<b>\$115,633</b>

### Highlights

- \$38 million in committed funds for the New York Aquarium for the renovation of the shark exhibit
- \$35.6 million in committed funds for the renovation of New York City Center
- \$17.8 million in committed funds for the reconstruction and essential improvements at the Snug Harbor Cultural Center in Staten Island
- \$21.3 million in committed funds for construction and improvements at the American Museum of the Moving Image
- \$8.1 million in committed funds for the reconstruction of the Bronx River Arts Center

# 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>	2008 Actual	2009 Actual	2010 Adopted	2010 Executive Plan	2011 Executive Plan	Difference 2010-2011*
<b>Spending</b>						
<b>Personal Services</b>						
Full-Time Salaried - Uniform	\$1	\$0	\$0	\$0	\$0	\$0
Full-Time Salaried - Civilian	3,208	3,264	3,560	3,689	3,693	133
Other Salaried and Unsalariated	680	663	446	442	442	(4)
Additional Gross Pay	83	178	25	25	25	(0)
Overtime - Civilian	2	0	0	0	0	0
Other	0	0	0	0	0	0
<b>Subtotal, PS</b>	<b>\$3,973</b>	<b>\$4,105</b>	<b>\$4,031</b>	<b>\$4,155</b>	<b>\$4,159</b>	<b>\$128</b>
<b>Other than Personal Services</b>						
Supplies and Materials	\$45	\$45	\$63	\$48	\$45	(\$18)
Property and Equipment	78	6	15	105	117	102
Other Services and Charges	547	850	931	923	915	(16)
Contractual Services	108	121	238	150	144	(94)
Fixed and Misc Charges	1	1	0	1	1	1
<b>Subtotal, OTPS</b>	<b>\$779</b>	<b>\$1,022</b>	<b>\$1,247</b>	<b>\$1,226</b>	<b>\$1,222</b>	<b>(\$25)</b>
<b>TOTAL</b>	<b>\$4,752</b>	<b>\$5,127</b>	<b>\$5,278</b>	<b>\$5,381</b>	<b>\$5,381</b>	<b>\$103</b>

\*Difference refers to the variance between the Fiscal 2010 Adopted Budget and the Fiscal 2011 Executive Plan.

## Fiscal 2011 Executive Plan Actions

The Executive Plan reduces the Department's energy spending by \$28,000 and provides a \$3,000 increase for leasing expenses. This accounts for the \$25,000 difference in other than personal spending between the Fiscal 2010 Adopted Budget and the Fiscal 2011 Executive Plan.

The increase in personal spending reflects collective bargaining agreements from the Preliminary Plan.

## 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 is primarily for the Cultural Development Fund. 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 were 880 groups that were granted funding awards through the Fiscal 2009 CDF process and over 700 groups that applied for Fiscal 2010 CDF awards. Additionally, there is funding in this area for special initiatives like the Cultural After School Adventure (CASA).

<i>Dollars in thousands</i>	2008 Actual	2009 Actual	2010 Adopted	2010 Executive Plan	2011 Executive Plan	Difference 2010-2011*
<b>Spending</b>						
Cultural Programs	\$35,491	\$29,298	\$33,116	\$31,285	\$18,941	(\$14,175)
<b>TOTAL</b>	<b>\$35,491</b>	<b>\$29,298</b>	<b>\$33,116</b>	<b>\$31,285</b>	<b>\$18,941</b>	<b>(\$14,175)</b>

\*Difference refers to the variance between the Fiscal 2010 Adopted Budget and the Fiscal 2011 Executive Plan.

### Fiscal 2011 Executive Plan Actions

- Reduction to the Cultural Development Fund.** 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 total reduction to the CDF would be \$2.8 million if the proposed \$1.6 million reduction in the Preliminary Plan and the \$735,300 reduction in the Executive Plan were implemented for Fiscal 2011 and the outyears. This equates to a loss of approximately \$11.1 million or 37percent of City funding for the CDF since its inception in Fiscal 2008 if the \$3.5 million Council restoration is not included.

The diminished fund would be stretched to supply the increasing programmatic needs of the approximately 1,000 organizations across the City who has applied for a new or renewed grant for Fiscal 2011. Many of these cultural organizations are implementing workforce and program reductions for cost-savings purposes as private patronage, institutional giving, and government support decreases.

## Cultural Institutions

The basic framework for the public-private partnerships between New York City and its 34 cultural institutions was established in the 19<sup>th</sup> 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>	2008 Actual	2009 Actual	2010 Adopted	2010 Executive Plan	2011 Executive Plan	Difference 2010-2011*
<b>Spending</b>						
American Museum of Natural History	\$16,468	\$17,366	\$17,823	\$16,273	\$12,664	(\$5,159)
Brooklyn Academy of Music	3,772	3,112	2,999	2,948	1,998	(1,001)
Brooklyn Botanical Garden	4,624	4,534	4,084	3,871	2,633	(1,451)
Brooklyn Children's Museum	2,192	2,290	2,554	2,008	1,420	(1,134)
Brooklyn Museum	9,004	9,178	9,017	8,474	6,193	(2,824)
Metropolitan Museum of Art	23,984	26,779	28,417	24,695	21,816	(6,601)
Museum of the City of New York	1,773	1,781	2,230	1,602	1,665	(565)
New York Botanical Garden	7,697	7,697	7,712	7,177	5,278	(2,434)
New York Hall of Science	2,321	2,114	2,160	2,086	1,543	(617)
New York Shakespeare Festival	1,288	1,058	1,053	983	778	(275)
Queens Botanical Garden	1,566	1,345	1,142	1,142	717	(425)
Staten Island Institute of Arts & Sciences	985	862	831	782	527	(304)
Snug Harbor Cultural Center	2,516	1,936	1,704	1,680	1,248	(456)
Staten Island Historical Society	883	776	820	750	505	(315)
Staten Island Zoological Society	1,782	1,620	1,595	1,449	1,090	(505)
Studio Museum in Harlem	956	867	941	882	620	(321)
Wave Hill	1,187	1,094	1,077	1,018	699	(378)
Wildlife Conservation Society	18,612	16,966	17,353	15,344	11,945	(5,408)
Other Cultural Institutions	19,424	15,587	17,089	16,241	12,517	(4,572)
<b>TOTAL</b>	<b>\$121,033</b>	<b>\$116,961</b>	<b>\$120,600</b>	<b>\$109,406</b>	<b>\$85,856</b>	<b>(\$34,744)</b>

\*Difference refers to the variance between the Fiscal 2010 Adopted Budget and the Fiscal 2011 Executive Plan.

### Fiscal 2011 Executive Plan Actions

There is a projected funding loss of approximately \$35 million for Fiscal 2011, which includes \$28.6 million to the operational subsidy and \$6.2 million in energy savings, for the CIG.

- Operational Reduction to the Cultural Institutions Group.** The total reduction to the operation budget line of the CIG would be \$12.3 million if the proposed \$8.7 million in the Preliminary Plan and the \$3.6 million reduction in the Executive Plan are implemented for Fiscal 2011 and the outyears. In addition, the Fiscal 2011 base operating budget line for the CIG does not include the \$16 million Fiscal 2010 Council restoration, which creates a \$28.6 million operating deficit.

Typically when the Department implements a funding reduction program mandated by the Administration, it applies the reduction equally to the CIG. However in the Preliminary Plan, those organizations with a certain operational budget received a larger percentage cut than those with smaller operational budgets.

- Energy Reduction to the Cultural Institutions Group.** Energy funding is not a part of the Administration's cost-savings program, so if an institution implements an energy savings programs, any unspent energy funding cannot be applied to the institution's operational support. This is exemplified in the Fiscal 2011 Executive Plan. Because of the CIG's ability to keep energy costs low, there is a \$6.2 million energy cost adjustment for Fiscal 2011 and the outyears. Unfortunately, this \$6.2 million energy savings for the City cannot be applied to any institution's operating budget and possibly offset these reductions. The chart below compares the operating and energy budgets of the CIG between the Fiscal 2010 Adopted Budget and the proposed Fiscal 2011 Executive Budget.

*Dollars in Thousands*

INSTITUTION	Fiscal 2010 Adopted Budget				Fiscal 2011 Executive Budget			
	Operating	Energy	Total	% Energy	Operating	Energy	Total	% Energy
American Museum of Natural History	\$10,339	\$7,484	\$17,823	42%	\$6,006	\$6,658	\$12,664	53%
Brooklyn Academy of Music	2,336	662	2,999	22%	1,361	637	1,998	32%
Brooklyn Botanic Garden	3,406	678	4,084	17%	2,117	516	2,633	20%
Brooklyn Children's Museum	1,800	755	2,554	30%	1,116	304	1,420	21%
Brooklyn Museum	6,793	2,224	9,017	25%	3,961	2,232	6,193	36%
Metropolitan Museum of Art	12,471	15,946	28,417	56%	7,282	14,534	21,816	67%
Museum of the City of New York	1,247	983	2,230	44%	767	899	1,665	54%
New York Botanical Garden	5,233	2,479	7,712	32%	3,041	2,237	5,278	42%
New York Hall of Science	1,471	689	2,160	32%	905	639	1,543	41%
New York Shakespeare Festival	754	299	1,053	28%	468	310	778	40%
Queens Botanical Garden	963	178	1,142	16%	596	121	717	17%
Snug Harbor/Botanical Garden	1,081	622	1,704	37%	672	576	1,248	46%
Staten Island Historical Society	693	127	820	15%	402	103	505	20%
Staten Island Institute of Arts & Sciences	801	30	831	4%	498	30	527	6%
Staten Island Zoological Society	1,263	332	1,595	21%	785	305	1,090	28%
Studio Museum in Harlem	688	253	941	27%	374	247	620	40%
Wave Hill	935	142	1,077	13%	581	118	699	17%
WCS - Bronx Zoo & New York Aquarium	10,596	6,757	17,353	39%	5,408	5,315	10,722	50%
Other Cultural Institutions	10,608	6,481	17,089	38%	6,459	5,124	11,583	44%
<b>TOTAL</b>	<b>\$73,478</b>	<b>\$47,121</b>	<b>\$120,599</b>	<b>39%</b>	<b>\$42,797</b>	<b>\$40,902</b>	<b>\$83,699</b>	<b>49%</b>

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 would result in diminished 2010-2011 seasons at most institutions, the inability to provide family discounts, and a lower amount of city-wide educational programs. With many institutions already laying off staff for cost-savings benefits, there would be an additional headcount loss of 417 positions through layoffs if these proposed reductions are implemented for Fiscal 2011.

## Appendix A: Budget Actions Since Fiscal Year 2010 Adoption

<i>Dollars in Thousands</i>	FY 2010			FY 2011		
	City	Non-City	Total	City	Non-City	Total
<b>Agency Budget as per the 2009 Plan</b>	<b>\$158,350</b>	<b>\$644</b>	<b>\$158,994</b>	<b>\$130,518</b>	<b>\$644</b>	<b>\$131,162</b>
<b>Program to Eliminate the Gap (PEGs)</b>						
Reduction to Cultural Subsidies (4% in FY10 and 11.3% in outyears)	(\$6,367)	\$0	(\$6,367)	(\$14,848)	\$0	(\$14,848)
<b>Total, PEGs</b>	<b>(\$6,367)</b>	<b>\$0</b>	<b>(\$6,367)</b>	<b>(\$14,848)</b>	<b>\$0</b>	<b>(\$14,848)</b>
<b>Other Adjustments</b>						
FY10 Mod 1 Member Items Realignment	(\$136)	\$0	(\$136)	\$0	\$0	\$0
Collective Bargaining Increase for Managers	124	0	124	124	0	124
Put up FY10 CADP Funds	0	385	385	0	0	0
Put up ASAP Funds	0	100	100	0	0	0
Heat, Light, and Power	(7,663)	0	(7,663)	(6,248)	0	(6,248)
Lease Adjustment	0	0	0	3	0	3
Brooklyn Academy of Music	20	0	20	0	0	0
Brooklyn Ballet Inc.	32	0	32	0	0	0
Education Through Music, Inc.	15	0	15	0	0	0
Primary Stages Company, Inc.	(3)	0	(3)	0	0	0
Studio Museum in Harlem	1	0	1	0	0	0
Turtle Bay Music School	4	0	4	0	0	0
Wyckoff House Association, Inc.	10	0	10	0	0	0
Fed Funding-NYBG	0	56	56	0	0	0
Intracity	0	498	498	0	(13)	(13)
<b>Total, Other Adjustments</b>	<b>(\$7,597)</b>	<b>\$1,039</b>	<b>(\$6,558)</b>	<b>(\$6,122)</b>	<b>(\$13)</b>	<b>(\$6,135)</b>
<b>Total Plan Changes</b>	<b>(\$13,964)</b>	<b>\$1,039</b>	<b>(\$12,925)</b>	<b>(\$20,970)</b>	<b>(\$13)</b>	<b>(\$20,983)</b>
<b>Agency Budget as per the Fiscal 2011 Executive Plan</b>	<b>\$144,386</b>	<b>\$1,683</b>	<b>\$146,069</b>	<b>\$109,548</b>	<b>\$631</b>	<b>\$110,179</b>