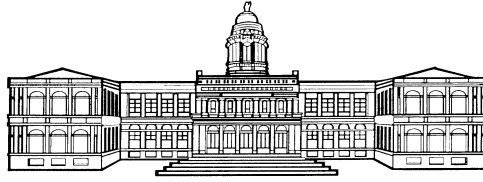


THE COUNCIL OF THE CITY OF NEW YORK

Finance Division



Hearing
on the Fiscal 2010 Executive Budget
for the
Department of Cultural Affairs

May 28, 2009

Hon. Christine C. Quinn
Speaker

Hon. David I. Weprin
Chair, Committee on Finance

Hon. Domenic M. Recchia, Jr.
Chair, Committee on Cultural Affairs,
Libraries & International Intergroup
Relations

Preston Niblack
Director

Jeffrey Rodus
First Deputy Director

Latonia McKinney
Deputy Director

Shadawn Smith
Senior Legislative Financial
Analyst

Department of Cultural Affairs (126)

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. DCA 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, 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. DCA continues to support the capital improvement of cultural facilities throughout the City.

Expense Budget Summary

There are three main aspects of the budget for the DCA: Office of the Commissioner; programming support to cultural programs; and operational support to the Cultural Institutions Group (CIG). The chart below shows the changes from the Fiscal 2009 Adopted Budget to the Fiscal 2010 Executive Budget.

Budget Areas	Fiscal 2009 Adopted Budget	Fiscal 2010 Executive Budget	Percent Change from Adoption
Office of Commissioner	\$5,125,479	\$5,278,005	2.9%
Cultural Programs (CDF)	\$29,878,998	\$21,472,263	-28.1%
Cultural Institutions Group (CIG)	\$118,206,882	\$104,405,975	-11.7%
Total Agency	\$153,211,359	\$131,156,243	-14.4%

The proposed Fiscal 2010 Executive Budget for the DCA is \$131 million, which is a \$22.1 million decrease or 14 percent less than the Fiscal 2009 Adopted Budget. This decrease of \$22.1 million in DCA’s budget is due to the City’s cost-savings efforts for Fiscal 2010 in the November Financial Plan, the Fiscal 2010 Preliminary Plan, and the Fiscal 2010 Executive Plan combined. Approximately 99 percent of these proposed reductions would be absorbed by the CIG (\$18.1 million) and cultural programs (\$3.9 million). The impact of the proposed cuts are discussed in the Cultural Programs and Cultural Institutions sections of this report.

2010 Executive Budget

This chart below outlines the Department's budget by personal and other than personal services spending and by funding source. It also includes the budgeted headcount.

	2008 Actual Expenses	2009 Adopted Budget	2010 Preliminary Budget	2010 Executive Budget
Spending				
Personal Services	\$3,973,219	\$3,904,531	\$3,985,593	\$4,031,019
Other than Personal Services	\$157,302,714	\$149,306,828	\$129,107,119	\$127,125,224
Total	\$161,275,933	\$153,211,359	\$133,092,712	\$131,156,243
Funding				
City	NA	\$152,572,975	\$132,454,328	\$130,513,046
Capital IFA	NA	\$70,013	\$70,013	\$70,013
Federal - CDBG	NA	\$257,871	\$257,871	\$262,684
Intra-City	NA	\$310,500	\$310,500	\$310,500
Total	NA	\$153,211,359	\$133,092,712	\$131,156,243
Headcount				
Full-time Positions	48	48	48	48

Capital Budget Summary

The following table compares the Preliminary and the Executive Capital Commitment Plan for DCA for Fiscal 2009-2013 and demonstrates the changes in City and Non-City capital funding per plan.

DCA Capital Commitment Plan, 2009-2013

Millions of dollars

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	TOTAL
January Plan						
City	\$773.6	\$140.2	\$94.7	\$19.5	\$223.1	\$1,251.1
Non-City	\$49.1	\$0	\$0	\$0	\$0	\$49.1
Total	\$822.7	\$140.2	\$94.7	\$19.5	\$223.1	\$1,300.2
Executive Plan						
City	\$771.7	\$114.3	\$68	\$13.9	\$153.8	\$1,121.7
Non-City	\$49.1	\$15.5	\$0	\$0	\$0	\$64.6
Total	\$820.8	\$129.8	\$68	\$13.9	\$153.8	\$1,186.3
Difference						
City	(\$1.9)	(\$25.9)	(\$26.7)	(\$5.6)	(\$69.3)	(\$129.4)
Non-City	\$0	\$15.5	\$0	\$0	\$0	\$15.5
Total	(\$1.9)	(\$10.4)	(\$26.7)	(\$5.6)	(\$69.3)	(\$113.9)
Percent Chng.	-0.2%	-7.4%	-28%	-29%	-31%	-8.8%

Commitment Plan Overview

The 2009 Executive Capital Commitment Plan includes \$1.2 billion in Fiscal 2009-2013 for the Department of Cultural Affairs (including City and Non-City funds). This represents 2.5 percent of the City's total \$47.1 billion Executive Plan for Fiscal 2009-2013. The Executive Commitment Plan for Fiscal 2009-2013 is 8.8 percent less than the \$1.2 billion January Commitment Plan for the DCA. Since adoption last June, the Capital Commitment Plan for Fiscal 2009 has decreased from \$822.7 million to \$820.8 million, a reduction of \$1.9 million.

Over the past five years the DCA has only committed an average of 24.4 percent of its annual capital plan. Currently the appropriations for the DCA total \$975.2 million in City funds for Fiscal 2009. These appropriations are to be used to finance the \$692.1 million City-funded Fiscal 2009 Capital Commitment Program for the DCA. The agency has 29 percent more funding than it needs to meet its entire capital commitment program for the current fiscal year. Therefore, it is assumed that a large portion of the agency's Fiscal 2009 capital plan will be rolled into Fiscal 2010, thus, greatly increasing the size of the Fiscal 2010-2014 capital plan.

Executive Budget Overview

Office of the Commissioner

The Office of the Commissioner is responsible for the administration and monitoring of funds for the CIG and the management of 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.

	2008 Actual Expenses	2009 Adopted Budget	2010 Preliminary Budget	2010 Executive Budget
Spending				
Office of the Comm.-PS	\$3,973,219	\$3,904,531	\$3,985,593	\$4,031,019
Office of the Comm.-OTPS	\$778,632	\$1,220,948	\$1,220,948	\$1,246,986
Total	\$4,751,851	\$5,125,479	\$5,206,541	\$5,278,005
Funding				
City	NA	\$4,638,595	\$4,719,657	\$4,786,308
Capital IFA	NA	\$70,013	\$70,013	\$70,013
Federal - CDBG	NA	\$119,871	\$119,871	\$124,684
Intra-City	NA	\$297,000	\$297,000	\$297,000
Total	NA	\$5,125,479	\$5,206,541	\$5,278,005
Headcount				
Full-time Positions	48	48	48	48

The Fiscal 2010 Executive Budget for this Office is approximately \$5.3 million, which is a slight increase over the Fiscal 2009 Adopted Budget. The increase in funding is due to \$190,000 in collective bargaining costs and \$26,000 in energy adjustments. The Department's headcount remains constant.

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.

Through negotiations between the City Council and the Administration, a fund of approximately \$30 million was created in Fiscal 2007 for the program groups. This fund eliminated the two-decades old 172 "program lines" and added funding that was allocated to the old CDF and Council restorations. 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.

	2008 Actual Expenses	2009 Adopted Budget	2010 Preliminary Budget	2010 Executive Budget
Spending				
Cultural Programs	\$35,491,391	\$29,878,998	\$22,394,841	\$21,472,263
Total	\$35,491,391	\$29,878,998	\$22,394,841	\$21,472,263
Funding				
City	NA	\$29,727,498	\$22,243,341	\$21,320,763
Federal - CDBG	NA	\$138,000	\$138,000	\$138,000
Intra-City	NA	\$13,500	\$13,500	\$13,500
Total	NA	\$29,878,998	\$22,394,841	\$21,472,263

The Fiscal 2010 Executive Budget provides \$21 million to the DCA for cultural programs, which is approximately \$8.4 million or 28 percent less than the Fiscal 2009 Adopted Budget. When the CDF was established, there was an expectation that the amount of funding would not decrease each fiscal year, and it is unclear at this time what the impact of this 28 percent reduction will have on the Fiscal 2010 CDF process. However, many of these cultural organizations are implementing workforce and service reductions for cost-savings purposes as private patronage, institutional giving, and government support is down.

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).

City Funding	2008 Actual Expenses	2009 Adopted Budget	2010 Preliminary Budget	2010 Executive Budget
Metropolitan Museum of Art	\$23,983,649	\$27,189,000	\$25,442,167	\$25,542,509
New York Botanical Garden	\$7,697,134	\$7,852,642	\$7,099,084	\$6,486,463
American Museum of Natural History	\$16,467,606	\$16,973,569	\$15,451,356	\$15,399,145
Wildlife Conservation Society	\$18,611,512	\$17,617,266	\$16,118,970	\$15,107,047
Brooklyn Museum	\$9,004,416	\$8,780,352	\$7,781,457	\$7,443,619
Brooklyn Children's Museum	\$2,191,607	\$2,289,060	\$1,890,026	\$2,135,565
Brooklyn Botanical Garden	\$4,623,498	\$3,979,726	\$3,528,426	\$3,298,688
Queens Botanical Garden	\$1,566,479	\$1,107,917	\$923,622	\$915,721
New York Hall of Science	\$2,320,716	\$2,170,863	\$1,868,953	\$1,809,184
Staten Island Institute Arts & Sciences	\$984,985	\$864,967	\$693,901	\$646,167
Staten Island Zoological Society	\$1,781,652	\$1,580,772	\$1,362,391	\$1,304,300
Staten Island Historical Society	\$883,313	\$767,776	\$647,611	\$624,155
Museum of the City of New York	\$1,772,859	\$1,490,569	\$1,249,700	\$1,932,342
Wave Hill	\$1,187,178	\$1,068,508	\$902,512	\$861,653
Brooklyn Academy of Music	\$3,772,409	\$3,158,229	\$2,537,165	\$2,456,157
Snug Harbor Cultural Center	\$2,515,942	\$1,814,540	\$1,536,841	\$1,454,452
Studio Museum in Harlem	\$956,153	\$877,078	\$717,713	\$715,720
Other Cultural Institutions	\$19,424,004	\$17,488,673	\$14,797,589	\$15,393,898
New York Shakespeare Festival	\$1,287,579	\$1,135,375	\$941,846	\$879,190
Total	\$121,032,691	\$118,206,882	\$105,491,330	\$104,405,975

In the Fiscal 2010 Executive Budget, the City provides support of \$104 million to the DCA for the CIG in Fiscal 2010, which is \$13.8 million or 11.7 percent less than the Fiscal 2009 Adopted Budget. The decrease is due to \$18.1 million in reductions from the November Financial Plan, the Fiscal 2010 Preliminary Plan, and the Fiscal 2010 Executive Plan. These reductions are partially offset by \$8.3 million in collective bargaining increases and energy re-estimates. What is problematic is that the Department applies these cuts to each institution in the same way, so 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. In addition, these cuts will be applied to the City's operational support only and not to the allocated energy funding.

Even though the CIG has increased its cultural programming, expanded its number of specialty activities and events, and served the City's record-breaking tourism, the amount of City support will decline by 18 percent from the Fiscal 2008 Adopted Budget to the Fiscal 2010 Executive Budget. 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. Also, there has been a workforce reduction of approximately 500 positions among the CIG with additional job losses on the immediate horizon.

Executive Capital Commitment Plan, 2009-2013

In January, the Mayor announced his intention to reduce the City's capital plan by 30 percent. The objective of the capital cut is to reduce the amount of the City's general obligation (GO) debt service as a percentage of total revenues. The 30 percent reduction in the Ten-Year Capital Plan Fiscal 2010–2019 would reduce the long-term average annual growth in debt service costs to 3.4 percent, equal to the level of forecast growth in City revenues. The 2010 Executive Capital Budget includes \$47.0 billion in planned commitments for Fiscal 2010–2019. This total includes \$12.84 billion in commitments for capital projects for the Department of Environmental Protection (DEP) which are funded primarily by non-GO debt.

The GO-funded portion of the Fiscal 2010 – 2019 Executive Capital Plan is \$34.17 billion; this is \$6.93 billion or 16.86 percent less than the \$41.1 billion Preliminary Fiscal 2010 – 2019 Capital Plan.

The Executive Capital Commitment Plan, in comparison to the January Capital Commitment Plan for DCA, incurs a decrease each year from Fiscal 2009-2013. These decreases range from 28 percent to 31 percent in Fiscal 2011 to Fiscal 2013. These reductions affect ongoing major capital projects for the CIG and other cultural organizations in the City. Below are the committed funds cut from projects in the Executive Capital Commitment Plan.

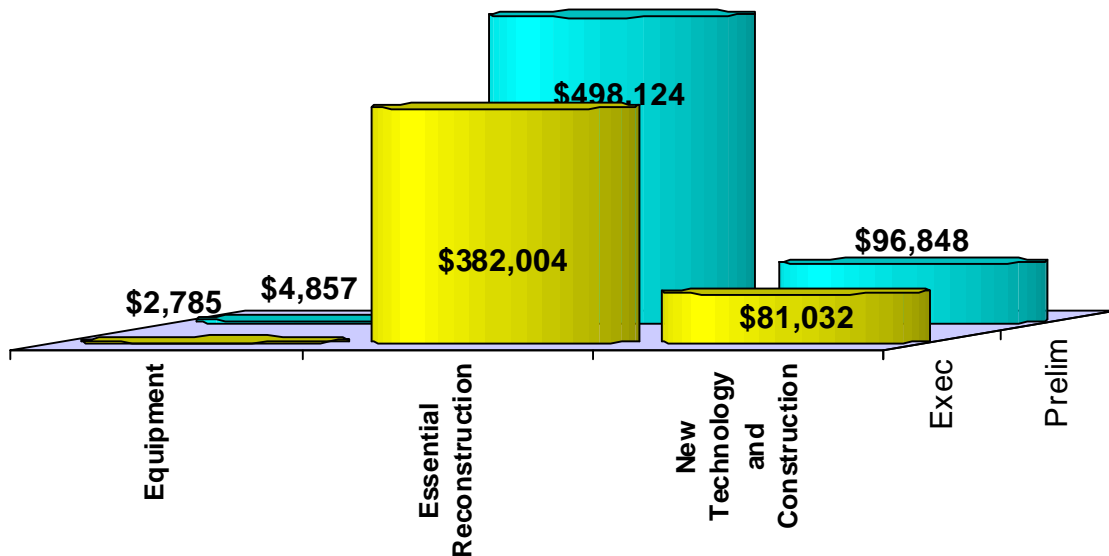
- \$5.6 million cut for the **Brooklyn Botanical Gardens – Flatbush Avenue/Children's Garden Entrance** project.
- \$6.5 million for the **Bronx Zoo – Intermodal Transportation Facility**.
- \$7.2 million for two projects, the special events building and the welcome garden entrance, at the **Queens Botanical Garden**.
- \$1.5 million for the site security and demolition of adjoining lots for an expansion project at the **Bronx Museum of the Arts**.
- \$2.3 million for a new vestibule entry at the **Staten Island Children's Museum**.
- \$2 million for a renovation and maintenance project at the **New 42nd St Theater/LEED Studios**.

Executive Ten-Year Capital Strategy, 2010-2019

The Executive Ten-Year Capital Strategy for DCA reduces City capital funds by 22.3 percent from the Preliminary Ten-Year Capital Strategy. This reduction includes a 43 percent decrease in equipment purchases and a 23 percent decrease in essential reconstruction. Since essential reconstruction is the primary funding program for the Ten-Year Capital Strategy, reductions in this program area have a direct effect on strengthening the infrastructure at cultural institutions and improving and expanding cultural facilities to sustain increased public demand.

The chart below compares the Preliminary and the Executive Ten-Year Capital Strategy for DCA by program area.

DCA Ten-Year Capital Plan Preliminary FY10 vs. Executive FY10



Supplemental Tables

Executive Budget Actions

The following table summarizes changes to the Fiscal 2009 and 2010 budgets since the 2009 budget was adopted. The Non-City actions include State, Federal, Other Categorical, Intra-City and Capital Inter-Fund Agreement (IFA) funding changes.

Description	Fiscal 2009			Fiscal 2010		
	City	Non-City	Total	City	Non-City	Total
Agency Budget as per the January Plan	\$153,059	\$2,595	\$155,654	\$132,455	\$639	\$133,094
Executive Plan Programs to Eliminate the Gap (PEGs)						
4% Reduction to Cultural Subsidies	\$0	\$0	\$0	(\$5,298)	\$0	(\$5,298)
Total PEGs	\$0	\$0	\$0	(\$5,298)	\$0	(\$5,298)
Executive Plan Other Adjustments						
Collective Bargaining Increase	\$13	\$2	\$15	\$28	\$5	\$33
CWA Collective Bargaining Increase	\$5	\$0	\$5	\$12	\$0	\$12
Midtown Management Group-Inside Broadway	\$10	\$0	\$10	\$0	\$0	\$0
Music De Camara, Inc	\$5	\$0	\$5	\$0	\$0	\$0
Take Wing and Soar Productions, Inc	\$3	\$0	\$3	\$0	\$0	\$0
Enact Inc	(\$5)	\$0	(\$5)	\$0	\$0	\$0
New Way Circus Center	(\$10)	\$0	(\$10)	\$0	\$0	\$0
Black Spectrum Theater	\$5	\$0	\$5	\$0	\$0	\$0
Heat, Light, and Power	(\$2,762)	\$0	(\$2,762)	\$3,316	\$0	\$3,316
Total Other Adjustments	(\$2,736)	\$2	(\$2,734)	\$3,356	\$5	\$3,361
Total Executive Plan Budget Changes	(\$2,736)	\$2	(\$2,734)	(\$1,942)	\$5	(\$1,937)
Agency Budget as per the Executive Plan	\$150,323	\$2,597	\$152,920	\$130,513	\$644	\$131,157

Summary of Changes Since June 2009 Plan*City Funds only, \$\$ 000's*

	2009	2010	2011	2012	2013
Adopted 2009 Plan	\$152,573	\$144,091	\$144,091	\$144,091	\$144,091
New Needs	\$0	\$0	\$0	\$0	\$0
Collective Bargaining	\$4,223	\$5,191	\$5,196	\$5,196	\$5,196
Other Adjustments	(\$2,659)	\$3,316	\$3,316	\$3,316	\$3,316
PEGs	(\$3,814)	(\$22,086)	(\$22,086)	(\$22,086)	(\$22,086)
Executive 2010 Plan	\$150,323	\$130,513	\$130,518	\$130,518	\$130,518