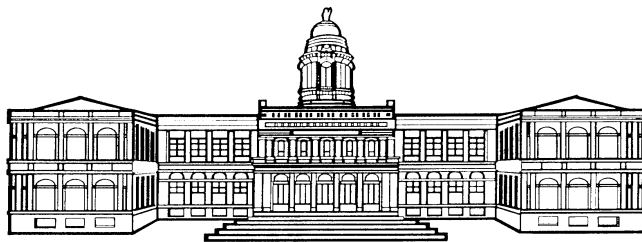


New York City Council



# BUDGET REPORT

Finance Division

March 2009

***Analysis of the  
Fiscal 2010 Preliminary Budget  
and  
Fiscal 2009 Preliminary Mayor's Management Report  
for the  
Department of Cultural Affairs***

***Friday, March 13, 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

## PREFACE

On March 13, 2009, at 12 p.m., the Committee on Cultural Affairs, Libraries and International Intergroup Relations, chaired by the Hon. Domenic M. Recchia, Jr., will hold a hearing on the Mayor's Fiscal 2010 Preliminary Budget and Fiscal 2009 Preliminary Mayor's Management Report for the Department of Cultural Affairs.

Section 236 of the New York City Charter requires the Mayor to submit by January 16<sup>th</sup> a preliminary budget for the upcoming fiscal year.<sup>a</sup> In addition, under section 12 of the City Charter, the Mayor must make public and submit to the Council by January 30<sup>th</sup> the Preliminary Mayor's Management Report (PMMR) for the current fiscal year.<sup>b</sup> Among other things, the PMMR must contain "proposed program performance goals and measures for the next fiscal year reflecting budgetary decisions made as of the date of submission of the preliminary budget."<sup>c</sup> The Charter also requires the Council to hold hearings on the preliminary budget and to submit recommendations to the Mayor by March 25<sup>th</sup>.<sup>d</sup> This year, the Council will hold joint hearings on the Fiscal 2010 Preliminary Budget and the Fiscal 2009 Preliminary Mayor's Management Report.

Beginning with the Fiscal Year 2008 Adopted Budget, the Council and the Mayor's Office of Management and Budget agreed to an additional budget presentation, referred to by OMB as the budget function analysis, and by the Council as the program budget. Two agencies were initially presented in the program budget form. Beginning with the January 2008 Financial Plan (Fiscal 2009 Preliminary Budget), a total of 16 agencies are now in program budget form. The Department of Cultural Affairs is not a program budget agency.

This report was prepared by Shadawn Smith, Senior Legislative Financial Analyst, under the supervision of Deputy Director Latonia R. McKinney.

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<sup>a</sup> The Charter prescribes specific actions that are required as part of the annual budget submission process during a fiscal year. The Charter allows for changes, via local law, in the dates in the submission of the PMMR, as well as an extension for subsequent steps in the budget process. This year, Local Law 03 of 2009 changed the date for the submission of the Preliminary Budget to January 30<sup>th</sup>, and the date for the Council's Response to the Preliminary Budget to April 8<sup>th</sup>.

<sup>b</sup> Local Law 03 of 2009 changed the date of submission of the PMMR to February 13, 2009.

<sup>c</sup> New York City Charter, §12(b)(2).

<sup>d</sup> *See id.* at §247.

## Department of Cultural Affairs (126)

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.

### PROGRAM TO ELIMINATE THE GAP

Since the Fiscal 2009 Budget was adopted in June, the Office of Management and Budget has twice asked agency heads to submit Programs to Eliminate the Gap (PEGs) proposals. In the first round, in September, OMB sought PEG submissions equal to five percent of agency City tax-levy budgets for Fiscal 2010, with a further seven percent sought in December.

PEGs reduce the City’s budget gap either by reducing an agency’s City tax-levy Expense Budget spending, or by increasing City revenues. The chart below indicates the proposed PEG amounts for the DCA based on the Fiscal 2010 forecast at the time the Fiscal 2009 Budget was adopted (June 2008).

<b>November and January Plan PEGs for Fiscal 2010</b> <i>(in 000s)</i>	
<b>Fiscal 2010 Forecast at Fiscal 2009 Adoption (June 2008)</b>	<b>\$144,091</b>
Expense PEGs	(\$16,788)
Revenue PEGs	---
<b>Total Fiscal 2010 PEGs</b>	<b>(\$16,788)</b>
PEGs as a Percent of the Fiscal 2010 Forecast	11.65%

### PRELIMINARY BUDGET HIGHLIGHTS

There are three main aspects of the budget for the DCA: Office of the Commissioner; programming support to non-CIG members; and operational support to the Cultural Institutions Group (CIG). The proposed Fiscal 2010 Preliminary Budget for the DCA is \$133 million, which is a \$20 million decrease or 13 percent less than the Fiscal 2009 Adopted Budget. This decrease is due to the November Plan and Preliminary Plan reductions to the Department’s budget.

U/A Name	Fiscal 2009 Adopted Budget	Fiscal 2010 Preliminary Budget	Percent Change from Adoption
Office of Commissioner	\$5,125,479	\$5,206,541	1.6%
Cultural Programs (CDF)	\$29,878,998	\$22,394,841	-25.0%
Cultural Institutions Group (CIG)	\$118,206,882	\$105,491,330	-10.8%
<b>Total Agency</b>	<b>\$153,211,359</b>	<b>\$133,092,712</b>	<b>-13.1%</b>

## **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 facilities housing cultural programs and other cultural groups. In addition, the Office of the Commissioner manages many public cultural events throughout the year.

The Fiscal 2010 Preliminary Budget for this office is \$5.2 million, which is a slight increase over the Fiscal 2009 Adopted Budget. The increase in funding is due to collective bargaining costs. 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. The Department made the CDF application available online in February 2009, and all groups must use the online application in order to receive funding in Fiscal 2010.

The Fiscal 2010 Preliminary Budget provides \$22 million to the DCA for cultural programs, which is approximately \$8 million or 25 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. However, these are extraordinary times, and it is unclear at this time what the impact of this 25 percent reduction will be on the Fiscal 2010 CDF process.

## **Cultural Institutions Group**

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).

No other city in the United States, and few in the world, can boast of a group of cultural organizations that even approach the New York institutions. The CIG includes museums for children, art, "living" collections (zoos and botanical gardens), history and natural history, science, and centers for performing arts and film. The sheer scale upon which these organizations operate is phenomenal:

- Approximately, 18.3 million people attend each year, including 2.3 million children;
- Collectively, the institutions (many of which are in landmarked facilities) occupy over 258 buildings, comprising over four million square feet of exhibition space, close to 20,000 theater seats and 1,100 acres of zoos and botanical gardens;
- Their operating budgets exceed \$830 million, in which City support provides just 12 percent of the annual support for these cultural organizations, while the rest — \$730 million — is raised and earned by the institutions' private efforts. Private fund-raising is materially helped by the leverage effect of city support; and
- Nearly 11,000 people are employed by the institutions, including 6,205 full-time and 4,559 part-time employees in positions that include curators, educators, food service workers, fundraisers, guards, janitors, marketers, retail clerks, and many more (*The Cultural Partnerships of the City of New York: A History 1877-2007*, 2007).

In the Fiscal 2010 Preliminary Budget, the City provides support of \$105 million to the DCA for the CIG, which is \$12.7 million or 11 percent less than the Fiscal 2009 Adopted Budget due to reductions from the Fiscal 2009 November Plan and Fiscal 2010 Preliminary Plan. 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 eighteen percent from Fiscal 2008 to Fiscal 2010.

The impact to institutions is reflected in the unit of appropriation table below.

### AGENCY FUNDING OVERVIEW

Agency Funding Sources	Fiscal 2009 Adopted Budget	Fiscal 2009 Modified as of 1/30/2009	Fiscal 2010 Preliminary Budget
City	\$152,572,975	\$152,667,975	\$132,454,328
Other Categorical	\$0	\$102,800	\$0
Capital IFA	\$70,013	\$70,013	\$70,013
State	\$0	\$0	\$0
Community Development	\$257,871	\$746,031	\$257,871
Federal-Other	\$0	\$0	\$0
Intra-City	\$310,500	\$1,676,340	\$310,500
<b>Total</b>	<b>\$153,211,359</b>	<b>\$155,263,159</b>	<b>\$133,092,712</b>

### HEADCOUNT OVERVIEW

Headcount (Uniform and Civilian)	Fiscal 2009 Adopted Budget	Fiscal 2009 Modified as of 1/30/2009	Fiscal 2010 Preliminary Budget
City	45	45	45
Non-City	3	3	3
<b>Total</b>	<b>48</b>	<b>48</b>	<b>48</b>

### UNITS OF APPROPRIATION

The operating budget of an agency is structured into several levels, each of which provides varying levels of detail on an agency's spending plans. The City Charter requires that U/A's represent the amount appropriated for personal services (i.e. salaries) or Other Than Personal Services (i.e. supplies) for a particular program, purpose, activity or institution. The table below presents the DCA budget, comparing the Fiscal 2009 Adopted Budget to the Fiscal 2010 Preliminary Budget. The Fiscal 2009 Modified Budget reflects this year's budget at the time this financial plan was released.

U/A#	U/A Name	Fiscal 2009 Adopted Budget	Fiscal 2009 Modified as of 1/30/2009	Fiscal 2010 Preliminary Budget	Percent Change from Adoption
001	Office of the Commissioner-PS	\$3,904,531	\$4,152,331	\$3,985,593	2.08%
002	Office of the Commissioner-OTPS	\$1,220,948	\$1,220,948	\$1,220,948	0.00%
	<b>Total</b>	<b>\$5,125,479</b>	<b>\$5,373,279</b>	<b>\$5,206,541</b>	<b>1.58%</b>

U/A#	U/A Name	Fiscal 2009 Adopted Budget	Fiscal 2009 Modified as of 1/30/2009	Fiscal 2010 Preliminary Budget	Percent Change from Adoption
003	Cultural Programs	\$29,878,998	\$30,422,158	\$22,394,841	-25.05%
	<b>Total</b>	<b>\$29,878,998</b>	<b>\$30,422,158</b>	<b>\$22,394,841</b>	<b>-25.05%</b>

U/A#	U/A Name	Fiscal 2009 Adopted Budget	Fiscal 2009 Modified as of 1/30/2009	Fiscal 2010 Preliminary Budget	Percent Change from Adoption
004	Metropolitan Museum of Art	\$27,189,000	\$27,362,148	\$25,442,167	-6.42%
005	New York Botanical Garden	\$7,852,642	\$8,130,876	\$7,099,084	-9.60%
006	American Museum of Natural History	\$16,973,569	\$17,146,787	\$15,451,356	-8.97%
007	Wildlife Conservation Society	\$17,617,266	\$17,748,794	\$16,118,970	-8.50%
008	Brooklyn Museum	\$8,780,352	\$8,875,080	\$7,781,457	-11.38%
009	Brooklyn Children's Museum	\$2,289,060	\$2,315,731	\$1,890,026	-17.43%
010	Brooklyn Botanical Garden	\$3,979,726	\$4,566,909	\$3,528,426	-11.34%
011	Queens Botanical Garden	\$1,107,917	\$1,337,704	\$923,622	-16.63%
012	New York Hall of Science	\$2,170,863	\$2,192,361	\$1,868,953	-13.91%
013	Staten Island Institute Arts & Sciences	\$864,967	\$876,925	\$693,901	-19.78%
014	Staten Island Zoological Society	\$1,580,772	\$1,598,902	\$1,362,391	-13.81%
015	Staten Island Historical Society	\$767,776	\$777,169	\$647,611	-15.65%
016	Museum of the City of New York	\$1,490,569	\$1,508,665	\$1,249,700	-16.16%
017	Wave Hill	\$1,068,508	\$1,081,991	\$902,512	-15.54%
019	Brooklyn Academy of Music	\$3,158,229	\$3,194,068	\$2,537,165	-19.66%
020	Snug Harbor Cultural Center	\$1,814,540	\$2,055,307	\$1,536,841	-15.30%
021	Studio Museum in Harlem	\$877,078	\$886,427	\$717,713	-18.17%
022	Other Cultural Institutions	\$17,488,673	\$16,664,782	\$14,797,589	-15.39%
024	New York Shakespeare Festival	\$1,135,375	\$1,147,096	\$941,846	-17.05%
	<b>Total</b>	<b>\$118,206,882</b>	<b>\$119,467,722</b>	<b>\$105,491,330</b>	<b>-10.76%</b>

## PRELIMINARY BUDGET ACTIONS (in 000s)

The following table is a summary of the Preliminary Plan actions for Fiscal 2009 and Fiscal 2010 that are described in the Preliminary Budget Funding Analysis section above. The Non-City actions include State, Federal, Other Categorical, Intra-City and Capital Inter-Fund Agreement (IFA) funding changes for the DCA.

Description	Fiscal 2009			Fiscal 2010		
	City	Non-City	Total	City	Non-City	Total
<b>Agency Budget as per the November Plan</b>	<b>\$148,787</b>	<b>\$2,407</b>	<b>\$151,194</b>	<b>\$136,910</b>	<b>\$639</b>	<b>\$137,549</b>
<b>January Plan Programs to Eliminate the Gap (PEGs)</b>						
7% Reduction to Cultural Subsidies	\$0	\$0	\$0	(\$9,583)	\$0	(\$9,583)
<b>Total PEGS</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$9,583)</b>	<b>\$0</b>	<b>(\$9,583)</b>
<b>January Plan Other Adjustments</b>						
DC37 Collective Bargaining - CIGs	\$4,092	\$0	\$4,092	\$5,001	\$0	\$5,001
DC37 Collective Bargaining Increase	\$83	\$0	\$83	\$126	\$0	\$126
CWA Collective Bargaining Increase	\$1	\$0	\$1	\$1	\$0	\$1
City Lore, Inc.	\$5	\$0	\$5	\$0	\$0	\$0
Friends of Historic New Utrecht	\$3	\$0	\$3	\$0	\$0	\$0
Harlem Arts Alliance	\$4	\$0	\$4	\$0	\$0	\$0
National Jazz Museum in Harlem	\$4	\$0	\$4	\$0	\$0	\$0
Theatre Rehabilitation For Youth, Inc.	\$10	\$0	\$10	\$0	\$0	\$0
New York Historical Society	\$15	\$0	\$15	\$0	\$0	\$0
West Indian American Day Carnival Association, Inc.	\$25	\$0	\$25	\$0	\$0	\$0
American Museum of Natural History	\$30	\$0	\$30	\$0	\$0	\$0
BP Fellow Par Funding	\$0	\$43	\$43	\$0	\$0	\$0
Intra-City Funds	\$0	\$145	\$145	\$0	\$0	\$0
<b>Total Other Adjustments</b>	<b>\$4,271</b>	<b>\$188</b>	<b>\$4,459</b>	<b>\$5,128</b>	<b>\$0</b>	<b>\$5,128</b>
<b>Total January Plan Budget Changes</b>	<b>\$4,271</b>	<b>\$188</b>	<b>\$4,459</b>	<b>(\$4,455)</b>	<b>\$0</b>	<b>(\$4,455)</b>
<b>Agency Budget as per the January Plan</b>	<b>\$153,058</b>	<b>\$2,595</b>	<b>\$155,653</b>	<b>\$132,455</b>	<b>\$639</b>	<b>\$133,094</b>

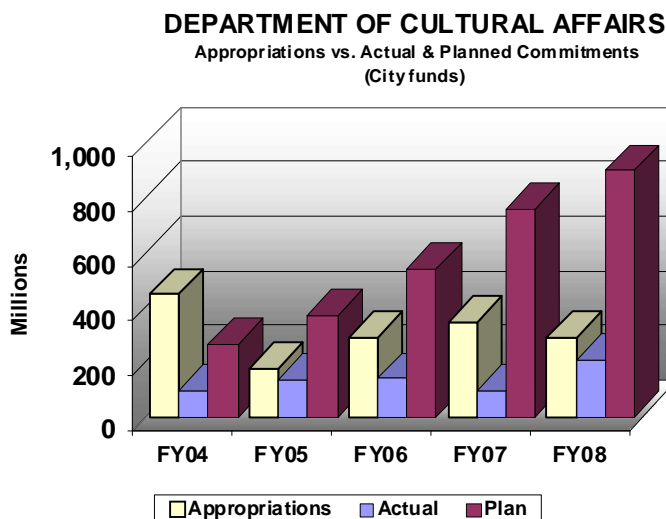
Note: The budget for the CIG includes energy costs.



## FISCAL 2010 CAPITAL PLAN

### Agency Overview

DCA oversees and maintains more than 9.8 million gross square feet of facility space for 273 buildings, many of which are landmarks. The Department's capital expenditure responsibilities consist mainly of managing a capital construction program for the 34 primary cultural institutions and the management of programs for other capital-eligible institutions that occupy City-owned buildings. Capital projects include design, renovation, construction, computerization and exterior rehabilitation of facilities, provision of security, public safety improvements, and code compliance.



### Current Budget Summary

The January 2009 Capital Commitment Plan includes \$1.3 billion in Fiscals 2009-2013 for the Department of Cultural Affairs (including City and Non-City funds). This represents 2.5 percent of the City's total \$50.55 billion January Plan for Fiscals 2009-2013. The agency's January Commitment Plan for Fiscals 2009 - 2013 is under one percent greater than the \$1.2 billion in the November Commitment Plan.

Over the past five years the DCA 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 2009 capital plan will be rolled into Fiscal 2010, thus, greatly increasing the size of the Fiscal 2010-2014 capital plan. Since adoption last June, the Capital Commitment Plan for Fiscal 2009 has decreased from \$862.8 million to \$822.7 million, a reduction of \$40.1 million or 4.6 percent.

Currently the DCA's appropriations total \$982.9 million in city-funds for Fiscal 2009. These appropriations are to be used to finance the DCA's \$723.6 million city-funded Fiscal 2009 capital commitment program. The agency has 26 percent more funding than it needs to meet its entire capital commitment program for the current fiscal year.

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 debt service as a percentage of total revenues. The 30 percent reduction in the Ten-Year Capital Plan Fiscal 2010 – Fiscal 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 capital cut would eliminate nearly \$7 billion worth of planned commitments from the current Plan.

The Department of Cultural Affairs' capital commitments for the last five years are shown below:

**FIVE YEAR HISTORY – CAPITAL BUDGET**  
 (\$ in millions)

	<b>FY04</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>
CITY	\$98	\$140	\$144	\$99	\$215
NON-CITY	2	0	8	5	0
<b>TOTAL</b>	<b>\$100</b>	<b>\$140</b>	<b>\$152</b>	<b>\$104</b>	<b>\$215</b>

The Adopted Five-Year Capital Plan is shown below:

**ADOPTED FIVE YEAR CAPITAL BUDGET – NOVEMBER 2008**  
 (\$ in millions)

	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY's 09-13</b>
CITY	\$813.7	\$98	\$94.7	\$19.5	\$223.1	\$1,249.0
NON-CITY	49.1	0	0	0	0	49.1
<b>TOTAL</b>	<b>\$862.8</b>	<b>\$98</b>	<b>\$94.7</b>	<b>\$19.5</b>	<b>\$223.1</b>	<b>\$1,298.1</b>

The Preliminary Five-Year Capital Plan is shown below:

**PRELIMINARY FIVE YEAR CAPITAL PLAN – JANUARY 2009**  
 (\$ in millions)

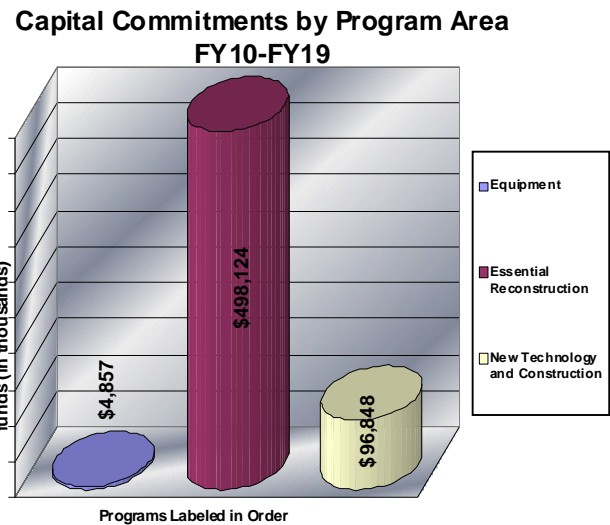
	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY's 09-13</b>
CITY	\$773.6	\$140.2	\$94.7	\$19.5	\$223.1	\$1,251.1
NON-CITY	49.1	0	0	0	0	49.1
<b>TOTAL</b>	<b>\$822.7</b>	<b>\$140.2</b>	<b>\$94.7</b>	<b>\$19.5</b>	<b>\$223.1</b>	<b>\$1,300.2</b>

## PRELIMINARY BUDGET ISSUES

As part of the formulization of the Fiscal 2009 Adopted Capital Budget agencies were required to reduce their capital plans by twenty percent in each year from Fiscal 2009-2012. The funds pushed-out from these four years could roll into the fifth year of the plan, Fiscal 2013. As such, even with the inevitable roll of projects from Fiscal 2008 which had yet to be committed, the Fiscal 2009-2013 plan is significantly less than the plan presented in May 2008.

This continues to occur in the Fiscal 2009 January Plan. Here are some examples:

- \$5 million pushed out into 2013 for **Brooklyn Botanical Gardens – Water Garden**.
- \$24 million pushed out into 2013 for renovations at the **City Center Theater**.
- \$3 million pushed out into 2013 for the **Metropolitan Museum Art – Southside Cooling Tower**.
- \$4.6 million pushed out into 2013 for the Great Hall at the **New York Hall of Science**.
- \$1.5 million for a new vestibule entry at the **Staten Island Children’s Museum**.



### Fiscal 2009 Mayor’s Preliminary Management Report Highlights

There is approximately \$773.6 million in City funding committed to the libraries’ capital plan, but in the first four months of Fiscal 2009, only \$47.9 million has been expending on capital projects. This is actually \$7.7 million less than what was expended in a four-month period in Fiscal 2008.