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HEARING ON THE FISCAL YEAR 2014 EXECUTIVE BUDGET FOR THE

THE DEPARTMENT OF CULTURAL AFFAIRS

June 3, 2013

EXECUTIVE BUDGET HIGHLIGHTS

- The proposed budget for the Department of Cultural Affairs (DCLA) in the Fiscal 2014 Executive Budget is \$88.7 million, 43 percent less than the Fiscal 2013 Adopted Budget of \$156 million. The nearly \$68 million decrease in funding affects the funding for the non-profit cultural organizations and the institutions. This is largely due to the combination of reductions from the Fiscal 2014 PEG program, the elimination of City Council and Administration funding, and energy adjustments.
- The overall headcount for DCLA remains at 48 positions.
- The Fiscal 2014 Executive DCLA Budget includes a funding reduction of \$4.1 million due to heat, light, and power adjustments. In addition, a one-time funding adjustment for Lincoln Center of \$420,000 is not included in the Executive Budget.
- The Fiscal 2014 PEG of \$8.1 million for the institutions and cultural programs, as well as the \$55 million restoration at adoption, was not restored in the Executive Budget for Fiscal 2014.
- The Cultural Institutions Group (CIG) face a loss of \$44.6 million in operational support in Fiscal 2014 due to the \$6.8 million PEG reduction, the exclusion of the \$33.3 million restoration in Fiscal 2013 and the \$4.1 million reduction in energy reductions.
- The projected budget for Fiscal 2014 includes only \$14.2 million for the Cultural Development Fund (CDF), which is \$22.9 million less than what was in the Fiscal 2013 Adopted Budget. This decrease is mostly due to the loss of \$21.6 million included in the Adopted 2013 Budget, and the PEG program of \$1.3 million.
- The Department's Executive Capital Budget is \$819 million, an increase of \$13.1 million as compared to the Fiscal 2014 Preliminary Budget. This increase reflects the funding for various projects being rolled into Fiscal 2014 and in the outyears.

FINANCE DIVISION

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THE DEPARTMENT OF CULTURAL AFFAIRS OVERVIEW

This report provides an overview of the Department of Cultural Affairs Fiscal 2014 Budget, a review of the significant initiatives included in the Executive Budget, and a summary of the Department's Capital Budget for Fiscal 2014-2017. Appendices 1 and 2 report the changes made to the Fiscal 2013 and Fiscal 2014 Budget since adoption of the Fiscal 2013 Budget. For additional information on the DCLA Budget and its various programs, please refer to the "DCLA Fiscal 2014 Preliminary Budget Report" available at: http://council.nyc.gov/downloads/pdf/budget/2014/126_cultural_affairs.pdf

FINANCIAL SUMMARY					
<i>Dollars in Thousands</i>	2012 Actual	2013 Adopted	2013 Exec. Plan	2014 Exec. Plan	Difference 2013-2014*
Budget by Program Area					
Office of the Commissioner	\$5,302	\$5,548	\$5,893	\$5,539	(\$9)
Cultural Programs	36,011	37,247	37,370	14,261	(22,986)
Cultural Institutions	106,435	113,596	107,761	68,989	(44,607)
TOTAL	\$147,748	\$156,391	\$151,024	\$88,789	(\$67,602)
Funding					
City Funds		\$155,620	\$145,235	\$88,135	(\$67,485)
Other Categorical		0	0	0	0
Capital - IFA		237	237	237	0
State		0	220	0	0
Federal – CDBG		237	694	237	0
Federal - Other		0	2,070	0	0
Intra-City		297	2,568	180	(117)
TOTAL	\$144,748	\$156,391	\$151,024	\$88,789	(\$67,602)
Positions					
Full-time Positions (Budgeted)	48	48	48	48	48
TOTAL	48	48	48	48	48

*The difference of Fiscal 2013 Adopted compared to Fiscal 2014 Executive Plan funding.

NEW IN THE EXECUTIVE BUDGET

The Fiscal 2014 Executive Plan reduces the Department of Cultural Affairs budget by \$67.6 million in Fiscal 2014, when compared to the Fiscal 2013 Adopted Budget. This reduction is largely due to the exclusion of \$55 million in restorations made by the Administration and the Council. In addition, DCLA's Budget includes a \$8.1 million reduction in Fiscal 2014.

The Fiscal 2014 Executive Budget reflects a savings due to energy adjustments which results in a \$4.1 million reduction to the institutions. The Administration determines energy costs for the CIG using a formula derived by the Department of Citywide Administrative Services (DCAS). DCAS bases its formula on these variables:

- ✓ the previous year's energy usage;
- ✓ the energy surveys that are sent out each fiscal year; and
- ✓ any forecasted rate increases/decreases.

Any energy savings accrued over the fiscal year is not returned to the Department or to the institution to cover operational expenses, but instead, becomes a savings for the City and reallocated for other purposes.

BUDGET HIGHLIGHTS IN THE DEPARTMENT OF CULTURAL AFFAIRS

Funding to DCLA was not restored in the Executive Budget for Fiscal 2014. The Council will work with the Administration to ensure that programs and institutions in this City remain vital parts of its cultural and economic future.

CULTURAL PROGRAMS

The funding for this program area is primarily for the Cultural Development Fund (CDF); the projected budget for Fiscal 2014 includes only \$14.2 million for the CDF, a decrease of nearly \$23 million as compared to the Adopted Fiscal 2013 Budget. As highlighted in the Fiscal 2014 Preliminary Budget Hearing, there are currently 351 multi-year recipients and 702 new applicants for funding for Fiscal 2014.

CULTURAL INSTITUTIONS

The institutions face a loss of \$44.6 million in operation support in Fiscal 2014 due to the \$6.8 million funding reduction proposed in the Fiscal 2014 PEG program, the exclusion of approximately \$33 million in restorations, and \$4.1 million in energy savings. The proposed reduction to the Cultural Institutions Group (CIG) could result in a loss of staff, shows, exhibits, as well as educational programs and family discounts. The fiscal impact of the reduction to the cultural institutions are outlined in Appendix 3.

INITIATIVES AND RESTORATIONS

City Council funding provides approximately ten percent of the DCLA's annual City-funds budget for programs and the institutions, which totaled \$15 million in the Fiscal 2013 Adopted Budget. In addition, the Administration restored funding to cultural programs and the institutions totaling \$40 million, 25 percent of DCLA's funding in the Fiscal 2013 Adopted Budget. This funding is not included in the Fiscal 2014 Executive Budget.

FY 2013 Council and Administration Funding at Adoption by Program Area			
<i>Dollars in Thousands</i>			
Cultural Programs	City Council	Administration	Total
Cultural Development Fund Restoration	\$0	\$13,000	\$13,000
Cultural After School Adventure (CASA)	5,100	0	5,100
Coalition of Theaters of Color	700	0	700
Local Initiatives	2,873	0	2,873
Subtotal	\$8,673	\$13,000	\$21,673
Cultural Institutions			
PEG Restorations	\$6,000	\$27,000	\$33,000
Local Initiatives	334	0	334
Subtotal	\$6,334	\$27,000	\$33,334
TOTAL	\$15,007	\$40,000	\$55,007

CAPITAL PROGRAM

The Executive Fiscal 2014 Capital Commitment Plan includes \$819 million in Fiscal 2013-2017 for the Department of Cultural Affairs (including City and Non-City funds). This represents almost two percent (1.84) of the City's total \$44.5 billion Executive Plan for Fiscal 2014-2017. The agency's Executive Commitment Plan for Fiscal 2014-2017 is 1.6 percent more than the \$806 million scheduled in the Preliminary Commitment Plan, an increase of \$13.1 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. In Fiscal Year 2012, the Department of Cultural Affairs committed \$135 million or 35 percent of its annual capital plan. Therefore, it is assumed that a portion of the agency's Fiscal 2013 Capital Plan will be rolled into Fiscal 2014, thus increasing the size of the Fiscal 2014-2017 Capital Plan. The total Capital Commitment Plan for Fiscal 2013 has increased from \$17.9 billion in the September Capital Commitment Plan to \$19 billion in the Preliminary Capital Commitment Plan, an increase of \$1.1 billion or 6.2 percent.

2014-2017 Commitment Plan: Preliminary and Executive Budget

Dollars in Thousands

	FY13	FY14	FY15	FY16	FY17	Total
Preliminary						
Total Capital Plan	\$718,191	\$48,381	\$19,032	\$11,085	\$9,443	\$806,132
Executive						
Total Capital Plan	\$648,141	\$129,176	\$21,395	\$11,085	\$9,443	\$819,240
Change						
Level	(\$70,050)	\$80,795	\$2,363	\$0	\$0	\$13,108
Percentage	(9.75%)	167.00%	12.42%	0.00%	0.00%	1.63%

MAJOR CAPITAL PROJECTS & EXECUTIVE BUDGET HIGHLIGHTS

- **Whitney Museum of American Art.** The Capital Plan includes \$25 million for an art expansion and renovation.
- **New York Hall of Science in Queens.** The planned commitments in the Plan includes \$20.8 million for roof replacements, outdoor lighting and new boilers for the facility.
- **Brooklyn Children's Museum.** In the Plan, \$10.1 million has been added for the construction of an auditorium in addition to renovations.
- **Superstorm Sandy.** There is an additional \$75.5 million in funding for reconstruction due to Superstorm Sandy for the Wildlife Conservation Society and the Police Museum.

APPENDIX 1: BUDGET ACTIONS IN THE EXECUTIVE PLAN

<i>Dollars in Thousands</i>	FY 2013			FY 2014		
	City	Non-City	Total	City	Non-City	Total
Agency Budget as of Preliminary 2014 Budget	\$150,134	\$4,119	\$154,253	\$92,101	\$654	\$92,755
Other Adjustments						
Cultural Intracity Funds	\$0	\$505	\$505	\$0	\$0	\$0
SANDY - Police Museum and Others	0	1,166	1,166	0	0	0
FY14 Member Items-programs group	70	0	70	0	0	0
FY 14 Heat, Light, Power	(4,969)	0	(4,969)	(4,097)	0	(4,097)
Lease Adjustment	0	0	0	131	0	131
TOTAL, Other Adjustments	(\$4,899)	\$1,671	(\$3,228)	(\$3,966)	\$0	(\$3,966)
TOTAL, All Changes	(\$4,899)	\$1,671	(\$3,228)	(\$3,966)	\$0	(\$3,966)
Agency Budget as of Executive 2014 Plan	\$145,235	\$9,132	\$151,025	\$88,135	\$654	\$88,789

APPENDIX 2: BUDGET ACTIONS IN THE NOVEMBER, PRELIMINARY AND EXECUTIVE PLANS

Dollars in Thousands	FY 2013			FY 2014		
	City	Non-City	Total	City	Non-City	Total
Agency Budget as of Adopted 2013 Plan	\$155,621	\$771	\$156,392	\$100,193	\$771	\$100,964
Program to Eliminate the Gap (PEGs)						
Reduction to Cultural Subsidies	(\$8,452)	\$0	(\$8,452)	(\$8,092)	\$0	(\$8,092)
January Partial Restoration of FY 14 Nov PEG	2,412		2,412	0		
Total, PEGs	(\$6,040)	\$0	(\$6,040)	(\$8,092)	\$0	(\$8,092)
Other Adjustments						
Nov. Cultural Intracity Funds	\$0	\$1,884	\$1,884	\$0	\$0	\$0
Nov. Cultural Other Federal Fund Adjustments	0	903	903	0	0	0
Nov. Cultural State Adjustments	0	215	215	0	0	0
Nov. Cultural City Adjustments	237	0	237	0	0	0
Nov. Cultural Fed CD Adjustments	0	456	456	0	0	0
Prelim. Cultural Intracity Funds	0	(117)	(117)	0	(117)	(117)
Prelim. City Council Member Items	200	0	200	0	0	0
Prelim. Lease Adjustment	117	0	117	0	0	0
Prelim. Put Up DEC funds	0	5	5	0	0	0
Cultural Intracity Funds	0	505	505	0	0	0
SANDY - Police Museum and Others	0	1,166	1,166	0	0	0
FY14 Member Items-programs group	70	0	70	0	0	0
FY 14 Heat, Light, Power	(4,969)	0	(4,969)	(4,097)	0	(4,097)
Lease Adjustment	0	0	0	131	0	131
Total, Other Adjustments	(\$4,345)	\$5,017	\$672	(\$3,966)	(\$117)	(\$4,083)
TOTAL, All Changes	(\$10,385)	\$5,017	(\$5,368)	(\$12,058)	(\$117)	(\$12,175)
Agency Budget as of Executive 2014 Plan	\$145,236	\$5,788	\$151,024	\$88,135	\$654	\$88,789

APPENDIX 3: CULTURAL INSTITUTIONS IMPACT

<i>Dollars in Thousands</i>	2012 Actual	2013		2014 Exec Plan	Difference, 2013 – 2014*
		Adopted	Exec Plan		
Spending					
American Museum of Natural History	\$15,724	\$16,744	\$15,647	\$11,112	(\$5,632)
Brooklyn Academy of Music	2,655	2,703	2,553	1,295	(1,408)
Brooklyn Botanical Garden	3,914	3,649	3,801	1,624	(2,024)
Brooklyn Children's Museum	1,985	1,915	1,908	787	(1,129)
Brooklyn Museum	7,785	7,619	7,359	3,837	(3,782)
Metropolitan Museum of Art	24,018	28,816	23,779	19,743	(9,073)
Museum of the City of New York	1,506	1,410	1,716	1,144	(265)
New York Botanical Garden	6,581	6,692	7,487	3,638	(3,054)
New York Hall of Science	1,920	1,909	1,813	983	(926)
New York Shakespeare Festival	965	961	1,098	605	(356)
Queens Botanical Garden	1,495	1,017	1,561	387	(631)
Staten Island Institute of Arts & Sciences	2,156	1,594	761	267	(1,327)
Snug Harbor Cultural Center	739	746	2,343	1,030	285
Staten Island Historical Society	769	775	734	299	(477)
Staten Island Zoological Society	1,546	1,499	1,469	630	(869)
Studio Museum in Harlem	935	815	805	425	(390)
Wave Hill	994	1,050	1,044	470	(580)
Wildlife Conservation Society	14,500	16,828	15,315	10,322	(6,506)
Other Cultural Institutions	16,249	16,854	16,568	10,389	(6,465)
TOTAL	\$106,436	\$113,596	\$107,761	\$68,989	(\$44,607)

*The difference of Fiscal 2013 Adopted compared to Fiscal 2014 Executive Plan funding.