

City Revamps Arts Funding Process: More Funds for More Groups

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SUMMARY

THE DEPARTMENT OF CULTURAL AFFAIRS REVAMPED the way it allocates funds through its Program Services Unit to most of the city's nonprofit arts and cultural groups in fiscal year 2008. This change, which affected all but the 33 institutions based in city-owned buildings or land, had several goals: to make more of these program funds available to more groups, to adopt a peer-panel review system that would award grants on a competitive basis, and to foster some level of fiscal stability among larger organizations by providing them with multiyear awards. IBO's analysis has found that the department generally achieved these goals.

The new funding process provides transparency in how program unit funds are distributed. In the past, most groups receiving program funds through the Department of Cultural Affairs had to have the leverage to obtain line items in the agency's budget or secure the support of the City Council. Now more than 80 percent of Program Services Unit funds are allocated through the peer-panel process and arts and cultural organizations stand on more level ground when seeking city funds. Among our findings:

- In fiscal year 2007, prior to the change, 884 groups applied for program unit funding and 780 received awards; in fiscal year 2009, 1,084 groups applied for funding and 882 received awards.
- In 2007 the line-item groups received \$17.2 million in program funding while other groups received \$6.3 million; in 2009 funding for the former line-item groups had decreased to \$14.7 million while the allocation to other groups had more than doubled to \$14.3 million.
- In 2009, 53 percent of organizations funded by the program unit's Cultural Development Fund had received multiyear grants.

The ability to distribute more funds to more groups was facilitated by an increase in funding for the agency. With the city facing large budget gaps in the upcoming years, it will be increasingly difficult to maintain the \$27.1 million budget for program services currently aiding many arts and cultural groups. The next round of Program Services Unit grants are expected to be released in September.

BACKGROUND

The Department of Cultural Affairs (DCA) funds arts and cultural organizations in New York City through the Program Services Unit (program unit) and the institutions located on city-owned property. The Program Services Unit provides funding for citywide and community-based programs run by nonprofit arts and cultural organizations. The 33 institutions located on city-owned property (often referred to as the Cultural Institutions Group), ranging from the American Museum of Natural History to the Staten Island Children’s Museum, receive operating subsidies and funding for heat, light, and power. In addition, the city provides assistance to arts groups through funding for capital construction projects.

This report focuses on the Program Services Unit, which in fiscal year 2009 accounted for roughly one-fifth of the cultural affairs budget, and the recent changes in the way that this unit allocates funds to hundreds of individual groups throughout the city. Prior to 2008, arts and cultural organizations received program unit funding through any of three primary channels. Funding was distributed to some groups through annual line-item allocations, most of which were established in the 1980s. These groups, which had dedicated lines in the department budget, were generally guaranteed funding so long as they submitted their annual request. Organizations could also receive funding through City Council member items included in the adopted budget. Finally, groups could apply for grants through the Cultural Development Fund (CDF), which was established in 2003 to provide an alternative method of distributing a portion of program funds.¹

In 2008, DCA increased the overall funding available for the program unit, and shifted to a system in which the vast majority of program funds are allocated through the agency’s Cultural Development Fund. The CDF is a competitive awards process open to all nonprofit arts and culture organizations that meet

eligibility requirements; all eligible groups can apply for funding and are guaranteed consideration and feedback.²

THE NEW FUNDING ALLOCATION SYSTEM

Under the 2008 reform, DCA changed the method for distributing funding for the program unit by phasing out line items and requiring all groups to apply for funding through the same competitive process. City Council member items for organizations funded through the program unit decreased, and DCA provided Local Arts Councils, which had previously received line-item funding, with operating funds and funds that they would redistribute among groups and artists in their respective boroughs.

Fiscal year 2008 served as a transition year for line-item organizations; while they participated in the Cultural Development Fund process, additional funding was added to the budget and their award was the larger of either their previous line-item or their panel-determined grant allocation. In 2008 the Mayor and City Council increased the CDF to \$30.0 million, including a \$5.6 million buffer of temporary funding to smooth the transition to the new allocation system.³ At the same time, the 171 line-item allocations from the cultural programs budget, most of which were added to the city’s budget in the 1980s, were eliminated. In 2009 the buffer funds were eliminated and all groups received their panel-recommended grant award; the Cultural Development Fund decreased to \$23.9 million.⁴

The process for distributing grants was also modified in 2008. Borough-based peer-review panels were organized to evaluate applications from smaller organizations with operating incomes of \$250,000 or less. Borough-based panels are made up of members of the local arts and cultural community, and representatives from both the City Council and the Borough President’s office. These smaller cultural groups receive annual awards of between \$5,000 and \$50,000; they must complete a new application each year.

Funding Shifts Toward Competitive Grants						
<i>Dollars in millions</i>						
Funding Source	2007		2008		2009	
	Funding	Organizations*	Funding†	Organizations*	Funding	Organizations*
CDF	\$3.7	609	\$30.0	817	\$23.9	852
Member Items	9.1	227	3.0	188	3.0	200
Line Items	10.7	171	-	-	-	-
Local Arts Councils†	-	-	2.3	10	2.1	10
TOTAL	\$23.6	780	\$35.2	848	\$29.0	882

SOURCES: IBO; Mayor's Office of Management and Budget; Department of Cultural Affairs.
 NOTES: *Some organizations receive funding through multiple funding streams. †Prior to 2008 Local Arts Councils received line-item funding. ‡CDF Funding in 2008 includes \$5.6 million in transition funding for former line-item groups. Numbers may not add due to rounding.

At the same time, citywide discipline-based peer-review panels were established to assess applications from larger organizations with operating incomes greater than \$250,000. Unlike the smaller organizations, these groups are

Awards to Multiyear Grantees Make up the Bulk of 2009 Program Funding

2009 Award Grantees	Number of Organizations	Total Funding*	% of Total Funding	Average Award
2008-2009 Multiyear	273	\$13.3	49.4%	\$48,745
2009-2011 Multiyear	187	9.0	33.3%	47,968
Annual Award	412	4.7	17.3%	11,293
TOTAL	872	\$26.9	100.0%	\$30,883

SOURCES: IBO; Department of Cultural Affairs.

NOTES: *Dollars in millions and includes CDF and member items. Numbers may not add due to rounding.

Multiyear versus Annual Awards. Large organizations, defined as those with annual budgets exceeding \$250,000, are eligible for multiyear grants. The multiyear awards add stability to funding and generally provide larger grants. In fiscal year 2008, 273 multiyear grants were awarded, and in 2009 an additional 187 groups received multiyear grants. This means that in 2009, 53 percent—460 groups of the 872 groups that received panel-awarded funding—had a multiyear grant.⁵

eligible to receive multiyear grants. Each discipline-based panel includes members of the city's arts and cultural community as well as a representative from the City Council. Once a group receives a multiyear grant, for the remaining years of the grant cycle it need only submit renewal applications that are not reevaluated by a panel. The introduction of multiyear grants is being staggered; by 2011, multiyear eligible organizations will come up for review every three years. These multiyear awards, with annual values of between \$15,000 and \$300,000, are intended to streamline the awards process and provide some stability in funding for programs run by groups with larger operating budgets.

Under the new system for distributing funds, arts and cultural groups can receive program funding through not only the Cultural Development Fund, but also through City Council member items and Local Arts Councils. Although line-item allocations no longer exist, City Council member-item funding is still available. The amount distributed through this mechanism, however, has been significantly reduced and the support is now added for one year to an organization's CDF grant agreement. In addition to member items that are allocated by the City Council and the Cultural Development Fund awards that are determined by the borough-based and citywide review panels, the department also allocates a portion of its program funding to the five Local Arts Councils, which distribute funds to arts organizations and artists within each borough. Prior to 2008 the Local Arts Councils received annual line-item funding; under the new system they receive allocations directly from the Department of Cultural Affairs. Groups that receive cultural development funds are not eligible for Local Arts Council funding.

By 2009 the Cultural Development Fund had become the primary mechanism for distributing program unit funding to nonprofit arts and cultural programs. In 2007, prior to the implementation of the new funding system, only 16 percent of program unit funds were awarded through the Cultural Development Fund; in the 2009 budget CDF awards accounted for 83 percent of all program unit funds.

While organizations that receive multiyear awards only need to complete renewal applications to receive their second or third year of funding, these funds are not guaranteed. For example, three rounds of spending cuts, part of the city's program to eliminate the gap, reduced the 2009 Cultural Development Fund budget. Because of these reductions, groups that first received multiyear awards in 2008 generally received less funding than expected in 2009.

EFFECT OF THE NEW FUNDING SYSTEM

The increased use of the competitive Cultural Development Fund to allocate funding was intended to open up the process used to distribute funds and to provide more New York City arts and cultural organizations with access to city funding. Our analysis indicates that the new funding system has resulted in an increase in the number of groups receiving program grants as well as in the share of funds going to organizations that did not previously have line items.

Increase in Number of Groups Funded. With most program unit funding distributed through DCA now available through an open and competitive grants process, both the number of groups applying for funds and the number receiving allocations has increased. In 2007, prior to the change, 884 groups applied for funding and 780 received awards, including groups that received Cultural Development Fund, line-item, or member-item allocations. In 2009, 1,084 groups applied for funding and 882 received awards, including those receiving CDF, member-item, and Local Arts Council funds. Thus, the number of groups applying for funds rose by nearly 23 percent, while the number receiving awards increased by 13 percent. While the overall increase in program funding provided additional motivation to apply for grants, it is likely that many of the additional applicants were encouraged by the competitive process.

Non Line-Item Organizations Gain Ground. Decreases in the dollar amount and share of program unit funding received by

More Organizations Receive Funding Through the New Process			
Funding Source	2007	2008	2009
CDF Only	469	654	676
Line Items Only	84	-	-
Member Items Only	89	24	20
CDF and Member Items	51	160	176
Line Item and Member Items	87	-	-
Local Arts Councils [*]	-	10	10
TOTAL	780	848	882
SOURCES: IBO; Department of Cultural Affairs.			
NOTE: [*] Local Arts Councils are included in the line-item categories in 2007.			

former line-item organizations suggest that the new allocation system has made some progress in providing a more level playing field for cultural organizations. Under the previous funding system, roughly one-fifth of the organizations were guaranteed annual line item allocations while the other four-fifths competed for the limited remaining program funds and City Council member items.

In 2007 the line-item groups received \$17.2 million while the non line-item groups received \$6.3 million.⁶ By 2009 funding for the former line-item groups had decreased to \$14.7 million, while the total allocation for the non line-item groups had more than doubled to \$14.3 million. Over this period the share of funding going to the non line-item groups increased from 27 percent to nearly 50 percent.

While there was a distinct shift in the distribution of funds toward non line-item organizations, in 2009 the previous line-

Distribution of Program Funds Shifts Away From Former Line-Item Groups				
Fiscal Year	Line-Item Organizations*	Total Line-Item Funding[†]	Percent of Total	Average Award
2007	171	\$17.2	73.2%	\$100,809
2009 [†]	159	\$14.7	50.7%	92,468
Difference	(12)	(\$2.5)		(8,342)
Percent Change	(7.0%)	(14.7%)		(8.3%)
Fiscal Year	Non Line-Item Organizations	Total Non Line-Item Funding	Percent of Total	Average Award
2007	609	\$6.3	26.8%	\$10,380
2009	723	\$14.3	49.3%	19,805
Difference	114	\$8.0		9,425
Percent Change	18.7%	126.5%		90.8%
SOURCES: IBO; Department of Cultural Affairs.				
NOTE: [*] Local Arts Councils are included in all of the line-item and former line-item calculations. [†] The values listed for 2009 represent groups that previously received line items. [‡] Dollars in millions.				

item groups still received much larger grants, averaging about \$92,000 compared to \$20,000 for the other groups. It is notable that 82 percent of groups that previously received line items were eligible for the larger, multiyear awards in 2009, compared with about 47 percent of non line-item groups. Because of the sheer number of non line-item groups that apply for grants, they have received a greater number of multiyear awards.

Manhattan's Share of Funds Rises, Theaters Get a Boost. The new funding system had some effect on the distribution of funds among the five boroughs and among the various arts and cultural disciplines. While only Manhattan saw an increase in funding share, the amount of funding increased for all boroughs except Staten Island. The shift in the share of organizations funded in each borough roughly parallels the shift in applications received from each borough. Funding shares remained relatively unchanged across disciplines; theaters saw the biggest increase in their share of total funding while music and museums saw the biggest declines. However, funding increased for all but two disciplines.

Each organization that applies for funding identifies the location and discipline of the specific program that would receive the grant. These program designations may be different from the organization's primary location or discipline. For example, a multidisciplinary, performing arts organization with headquarters in Manhattan may apply for funds for a dance program in Queens. Organizations identify the borough and discipline of their programs on their applications.

The geographic distribution of arts and cultural program unit funding can be assessed by the share of program funding going to each borough and by the share of organizations funded in each borough; by these measures, the new funding system added to the dominance of Manhattan. With a 4.1 percentage point increase in its share of total program funding allocated, Manhattan was the only borough to see such an increase. Brooklyn and Staten Island saw their share of total program funding decline, while the share of funding received by Queens and the Bronx was essentially unchanged. As with funding, with a 2.6 percentage point increase, Manhattan also had the largest shift in its share of programs funded. While Brooklyn also had a slight increase, the remaining three boroughs each had about a 1 percentage point decrease in their share of programs funded.

There are 17 discipline designations for programs.⁷ The shift to greater use of the Cultural Development Fund process did not significantly change the

distribution of funding among disciplines. The theater category saw the biggest increase in its funding share, a rise of just 2 percentage points. Conversely, music's share of funding declined by over 3 percentage points while the share going to museums decreased nearly 3 percentage points. Total funding increased for all but two disciplines—humanities and photography.

MEETING GOALS, BUT FACING FISCAL PRESSURE

The funding reform for cultural programs had several goals: increasing the amount of funding available through a competitive grants process to all nonprofit arts and culture programs throughout New York City, using a peer-panel review system to distribute those funds, and providing an opportunity for larger organizations to receive multiyear awards. IBO's analysis has found that DCA generally achieved these goals.

The new funding system adds transparency to the distribution

Program Funding Shifted Toward Manhattan

Dollars in millions

		2007		2009		Percentage Point Change in Share 2007 to 2009
		2007	Percent of Total 2007	2009	Percent of Total 2009	
Manhattan	Organizations	506	64.9%	595	67.5%	2.6
	Funding	\$14.0	59.5%	\$18.5	63.6%	4.1
Brooklyn	Organizations	124	15.9%	145	16.4%	0.5
	Funding	\$4.4	18.5%	\$4.6	15.8%	-2.8
Queens	Organizations	76	9.7%	75	8.5%	-1.2
	Funding	\$2.5	10.5%	\$3.0	10.4%	-0.2
The Bronx	Organizations	47	6.0%	44	5.0%	-1.0
	Funding	\$1.9	8.2%	\$2.3	8.1%	-0.1
Staten Island	Organizations	27	3.5%	23	2.6%	-0.9
	Funding	\$0.7	3.2%	\$0.6	2.1%	-1.1

SOURCES: IBO; Department of Cultural Affairs.

of program funds to the city's arts community. More than 80 percent of funds are now allocated through the peer-panel process. Through this process, any nonprofit member of the arts and culture community can apply for a grant, and less well known groups, which may not have had a large enough profile to command the attention of Council Members, stand on more level ground when seeking city funds. Greater numbers of organizations applied for and received funding; while

funding shifted away from groups that previously received line items, other arts organizations throughout the city received funding for the first time.

While the Department of Cultural Affairs' implementation of a new funding system has been eased by the overall increase in funding for arts programs, this period of growth has come to an end, at least for now. With the worsening economy, the 2010 budget for the Department of Cultural Affairs has been reduced. The city's Adopted Budget

Share of Program Funding Remains Fairly Constant Among Disciplines

Dollars in thousands

Discipline	2007		2009		Percentage Point Change in Funding Share	Percent Change 2007-2009
	Funding*	Percent of Total	Funding*	Percent of Total		
Theater	\$3,778	17.2%	\$5,198	19.3%	2.1	37.6%
Dance	2,157	9.8%	2,913	10.8%	1.0	35.0%
Literature	191	0.9%	477	1.8%	0.9	149.5%
Architecture/Design	157	0.7%	433	1.6%	0.9	176.3%
Folk Arts	115	0.5%	309	1.1%	0.6	167.8%
Film/Video/Audio	426	1.9%	647	2.4%	0.5	52.0%
Science	-	-	114	0.4%	0.4	-
Visual Arts	895	4.1%	1,206	4.5%	0.4	34.8%
New Media	40	0.2%	120	0.4%	0.3	200.0%
Multidiscipline [†]	5,796	26.4%	7,128	26.5%	0.1	23.0%
Crafts	-	-	19	0.1%	0.1	-
Botanical	3	0.0%	14	0.1%	0.0	367.6%
Photography	70	0.3%	66	0.2%	-0.1	(6.0%)
Other	79	0.4%	61	0.2%	-0.1	(22.8%)
Humanities	428	1.9%	265	1.0%	-1.0	(38.1%)
Museum	3,352	15.3%	3,395	12.6%	-2.7	1.3%
Music	4,470	20.4%	4,566	17.0%	-3.4	2.1%
TOTAL*	\$21,958	100.0%	\$26,930	100.0%		22.6%

SOURCES: IBO; Department of Cultural Affairs.

NOTES: *Total funding by discipline excludes Local Arts Council funds which do not have discipline designations. [†]Combines three DCA multidiscipline categories.

for 2010 includes \$27.1 million for cultural programs funded through DCA's Program Services Unit, including \$2.2 million in member items, a decrease of almost \$1.9 million in total funds from 2009. This decline occurs despite a one-time \$3.5 million budget restoration for the Cultural Development Fund in 2010. As this restoration was not included in the city's financial plan for subsequent years, funding for 2011 will start at a significantly lower base.

This report prepared by Shari Strauss

ENDNOTES

¹The Cultural Development Fund was not the first competitive process for distributing program funding to cultural groups; in some form, this process dates back to the 1980s.

²The CDF application guidelines include eligibility criteria. In order to be eligible to apply for a Cultural Development Fund award, groups must be nonprofit arts and cultural organizations operating within New York City and incorporated in New York State. Groups applying through a nonprofit organization that acts as a conduit may also be eligible. Individual artists and city-owned institutions are among the list of ineligible applicants. Certain activities, such as fundraising events and equipment purchases cannot be included in CDF applications.

³This value excludes \$2.3 million funding allocated to Local Arts Councils in 2008.

⁴This value excludes \$2.1 million funding allocated to Local Arts Councils in 2009.

⁵Local Arts Councils are not included in the discussion of multiyear grants because they do not receive their awards through the panel system.

⁶The \$17.2 million appropriation for Line Items in 2007 includes \$6.5 million in member items.

⁷The Department of Cultural Affairs has 20 discipline categories. For the purpose of a year-over-year comparison, the three multidiscipline categories have been combined into one. The category of Zoo was not relevant during the period covered by this analysis and is not included.

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