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CITIZENS UNION REPORT: NYC DISCRETIONARY FUNDING PROCESS IMPROVED BUT MORE REFORM NEEDED

FUNDING DECISIONS LACK OBJECTIVE MEASURES WITH POLITICS PLAYING TOO LARGE A ROLE

**Report Shows For First Time What Each Member
Gets in Expense and Capital Funding for Past Four Years**

**Report Shows Little Correlation between Socioeconomic Status
and What Districts Receive**

*Citizens Union Recommends a More Transparent, Objective and Equitable
Discretionary Funding Process*

With the city's budget season about to kick into high gear and important decisions on who to give member items funds, Citizens Union today released a comprehensive report on the New York City discretionary funding process revealing that despite past reforms, the process of allocating funds to Council members for distribution is still too political when in fact it should be more objective using various metrics like socioeconomic status.

The report shows the amount of "member item" funds received by each council member to distribute from FY 2009 to FY 2012, for expense funds and - for the first time - the amount of capital funding received by each member. The report also shows that there is little correlation between funding received by individual districts and the districts' socioeconomic status according to an analysis of common indicators measuring need.

"While the city's discretionary funding process is improved in significant ways from a decade ago, it remains flawed and needs additional reform," said Dick Dadey, Executive Director of Citizens Union. "Recent reforms in the City Council have improved the vetting of organizations receiving funding and provided additional disclosure, yet the distribution process to members remains too politicized and not equitable and objective enough."

"There is little correlation between the relative socioeconomic status of districts and the amount of funding received by members of the Council to distribute for their constituents," said Rachael Fauss, Policy and Research Manager and primary author of the report. "Citizens Union's recommendations seek to address the current lack of objectivity in funding decisions, as well as create a more transparent and equitable process."

Citizens Union recognizes that the city budget process is largely controlled by the executive branch. City Council involvement in the budget process is often confined to the margins and seeks to address needs or gaps in funding for local communities. Discretionary funding has filled this void, becoming an integral part of social service networks in communities, and has also become embedded in our city's budget process.

If the city budget process were more transparent, and the Council had a more significant role in deciding the city budget and funding priorities, it is possible that discretionary funds would not be needed. Recognizing, however, that discretionary funding is likely to continue to exist until the City Council is able to exercise more budgetary authority and there are more meaningful avenues for community input, Citizens Union prepared this report to recommend future needed reforms to create a more effective and objective discretionary funding system to better serve all New Yorkers.

The major findings of the report are below. [Download charts of some of the major findings.](#)

1. **Most discretionary funds - which include capital and expense funds - are not distributed using an objective formula, but rather based on political relationships between the Speaker of the Council and rank-and-file members, which contributes to wide variances in funding among council districts.**
 1. **Expense and capital funds totaled \$2.58 billion between FY2009-FY2012. Of the combined \$578 million in FY2012 expense and capital funds, the Speaker of the Council distributed \$459 million to individual members in FY 2012.**
 1. **Of the fifty-one council districts, the ten districts receiving the most combined capital and expense funds to distribute received 33 percent of the individual funds, or nearly \$94 million in FY 2012.** The 10 recipients of the least amount of combined capital and expense funds received only about \$33 million.
 2. **The variance in funding over four years from FY 2009 to FY 2012 was about \$57 million from highest to lowest funded district.** Domenic Recchia, Jr. (D-Brooklyn) in Council District 47 received nearly \$67 million in capital and expense funds, and Councilmembers Daniel Halloran (R-Queens) and Tony Avella (D-Queens) together received about \$9 million for Council District 19.
 2. **The Council awarded \$1.8 billion between FY 2009 and FY 2012 in capital funds to members of the Council, and through the Speaker's list, which is distributed by the Speaker in consultation with members.**
 1. **Of the \$254 million awarded in FY 2012 to fifty-one members of the Council, the ten members receiving the most funds to distribute received one-third - 33 percent or \$85 million - of individual capital funds in FY 2012.** The ten members at the bottom end of the spectrum received only \$28 million or 11 percent of the total funds for their capital projects.
 2. **If all capital funds were distributed equally, each member would have received about \$8.3 million in FY 2012.** Only five members received this much or more in FY 2012 - Domenic Recchia, Jr. (D-Brooklyn), Erik Martin Dilan (D-Brooklyn), Lew Fidler (D- Brooklyn), Inez Dickens (D-Manhattan), and Christine Quinn (D-Manhattan) in her local capacity representing Council District 3.
 3. **From FY 2009 to FY 2012, expense funds totaled \$777 million for the Council. Expense funds totaled \$150 million for the Council in FY 2012.** Expense funds are distributed through: council-determined citywide initiatives, the "Speaker's List," a "base" level of expense funding of about \$340,000 for each member to distribute, and additional funds to members at the discretion of the Speaker.
 1. **The ten members receiving the most to distribute received nearly a third or 31 percent of individual expense items,** for a total of \$10 million, in spite of the base

amount of \$340,000 given to all members in FY 2012. The ten council members receiving the least expense funds to distribute received only \$4 million or 12 percent of funds.

2. **If the \$50 million in non-citywide initiatives, which includes the Speaker's List and individually distributed member items, were shared equally, each member would have received about \$974,000 in FY 2012.** Only five members received this much or more in FY 2012 from the current individual funds pot - Domenic Recchia, Jr. (D-Brooklyn), Lew Fidler (D- Brooklyn), Leroy Comrie, Jr. (D-Queens), James Oddo (R-Staten Island), and Joel Rivera (D-Bronx).

2. **Discretionary funding allocations are not based on objective measures such as socioeconomic status, creating inequity among many districts. There is little correlation between expense funding allocation and district socioeconomic status** according to common indicators such as Median Household Income, Unemployment, Needy Populations (under 18 and over 65), Receipt of Foodstamps and Persons under the Poverty Level.

1. **Regarding median income, there is little correlation between need and receipt of discretionary funding, with low-income districts in some cases receiving a larger amount of funds, and in other cases ranking near the bottom.**

1. Two of the three lowest council districts in median income - District 17 (Maria del Carmen Arroyo, D-Bronx), ranked the lowest and District 15 (Joel Rivera, D-Bronx) ranked the 3rd lowest - were among the top fifteen recipients of expense funding, with Rivera ranking 6th in funding from FY 2009 to FY 2012 and Arroyo ranking 13th. Yet the 2nd lowest council district in median income - District 16 (Helen Foster, D-Bronx) - ranked 47th out of 51 districts from FY 2009 to FY 2012 in expense funding and the lowest in FY 2012 for expense funding.

2. **Regarding indicators examined by Citizens Union other than median income, there is also little correlation between socioeconomic status of districts and funding.**

1. While some members with districts ranking high among several socioeconomic indicators are among those receiving more than the average amount of funding (if distributed equally) such as Democrat Maria del Carmen Arroyo (District 17 in the Bronx), others with similar socioeconomic rankings are among the bottom half of recipients of discretionary expense funds, such as Democrat Fernando Cabrera (District 14 in the Bronx), Democrat Darlene Mealy (District 41 in Brooklyn) and Democrat Melissa Mark-Viverito (District 8 in Manhattan).

3. **While efforts have been made to increase transparency of discretionary expense funds for council members, capital funding and borough presidents' discretionary funding items lack the same level of disclosure.**

1. There is no online searchable database for City Council capital funds.
2. Borough presidents' discretionary funding line items are not disclosed in the city budget.

4. **Members may use discretionary funds strategically when looking at running for higher citywide office, more often funding groups with addresses located outside of their district.**

1. The average amount of funding provided by members running for citywide office to groups located outside of their borough was nearly 21 percent, versus 7.6 percent for those with no known ambitions for higher office.

Citizens Union recommends the following reforms:

1. **Reforms made in recent years by the Council should be FORMALIZED IN THE CITY COUNCIL RULES to ensure their likely continuance when the next Council is elected and Speaker selected.**
2. **GREATER EQUITY AND OBJECTIVITY should be a part of the process of awarding discretionary funding to council members.** While council members would retain the ability to decide which services or projects are funded, the total amount received should no longer be determined entirely at the Speaker's discretion.

1. **Expense funding, not including citywide initiatives, should be distributed to council members in the following manner:**

1. **using a larger base amount for each member equal to 50 percent of the total expense discretionary funding pot for local initiatives, divided equally among members; and**
2. **the remaining 50 percent of the funds no longer distributed subjectively, but rather through an agreed-upon formula that takes into account socioeconomic indicators among other objective considerations.**

This would not, however, preclude the ability of individual members or borough delegations to jointly distribute funds.

3. **All citywide expense initiatives should be distributed based on objective measures, building on the Council's use of funding formulas for items such as the Domestic Violence Empowerment (DoVE) initiative and the Dropout Prevention Initiative, among others.**
4. **All capital funding should be awarded to individual council members using an agreed-upon formula that takes into consideration socioeconomic indicators, among other objective considerations.** This would not limit the ability of members or borough delegations to jointly distribute funds.
5. **Objective formulas for expense and capital funding allocations should be developed through a deliberative and public process to ensure that funding formulas consider and balance various types of socioeconomic indicators and other objective measures.**

- **TRANSPARENCY of funding decisions should be enhanced for capital and expense funding, as well as borough presidents' discretionary funds.**

1. **The searchable database of expense funds sponsored by council members and the organizations which applied for funding should be expanded to include capital funds and provided three days in advance of passage of the city's budget.**
2. **Greater information should be provided regarding the intended purpose of discretionary funds through a more detailed and standardized statement of need for organizations receiving funding through the contract process with city agencies.**
3. **Discretionary spending of the borough presidents, for both capital and expense funds, should also be released in an itemized format in a searchable spreadsheet and web-based database for funded organizations and projects, as well as organizations that applied but were not funded.**

- **GREATER INNOVATION should be utilized in the discretionary funding process.** Citizens Union supports greater use of pilot programs to improve the current system such as the participatory

budgeting project taking place in four council districts during the current FY 2013 budget cycle.

[Download the report.](#)

[Download charts of some of the major findings.](#)



Citizens Union is a nonpartisan good government group dedicated to making democracy work for all New Yorkers. Citizens Union serves as a civic watchdog, combating corruption and fighting for political reform. We work to ensure fair and open elections, honest and efficient government, and a civically-engaged public.

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