

RESOLUTION
THE BOARD OF DIRECTORS
CORPORATION FOR PUBLIC BROADCASTING
WASHINGTON, D.C.
July 22, 2003
Five in favor, one absent

RESOLVED,

That the Board of Directors hereby approves CPB's FY 2004 Operating Budget as reflected in the accompanying document.

RESOLVED,

Consistent with this resolution, the President and Chief Executive Officer may, from time to time, make reallocations in the line items of the budget not to exceed ten (10) percent of any line item, provided that the Chair approves and the Board is informed in advance of such reallocations through reports from the Corporate Treasurer.

FURTHER RESOLVED,

Consistent with the authority delegated above, in the event of federal budget action that affects CPB's FY 2004 appropriation, the President and Chief Executive Officer may adjust the overall budget to comply with such action.



Corporation
for Public
Broadcasting

July 22, 2003

TO: CPB Board of Directors

FROM:

Bob Coonrod

SUBJECT: FY 2004 Budget

When we discussed last year's budget, several disturbing trends were very much on our minds. We noted that, like all broadcasters, we in public broadcasting were challenged by increased competition for audience, by industry consolidation, and by new competitors in programming genres we have long considered our franchise. We also noted that increasing financial difficulties at individual stations probably signaled more pervasive system-wide problems.

This year, the environment not only continues to be very challenging on all these fronts, but also presents us with a new uncertainty regarding the federal appropriation. The House Appropriations Subcommittee on Labor/HHS and Education approved numbers for CPB for fiscal years 2004 and 2006 that were very disappointing. The Subcommittee endorsed the Administration's proposal that would provide no new dollars for the digital transition and satellite interconnection needs in fiscal year 2004, but would authorize CPB to spend up to \$100 million out of its fiscal year 2004 amount of \$380 million on such purposes. In addition, the Subcommittee supported an advance appropriation for CPB for fiscal year 2006 of \$330 million – \$60 million below the fiscal year 2005 level of \$390 million.

On the other hand, the Senate Subcommittee on Labor/HHS/Education Appropriations Subcommittee recommended funding levels close to our requests for fiscal years 2004 and 2006. The Subcommittee approved \$400 million in advance appropriation for FY 2006 and an additional \$55 million for digital conversion and \$10 million for interconnection in FY 2004.

Obviously there are significant differences in the two proposals that will have to be worked out later this summer. And so, with no final number to work with, CPB's budget process is taking place at a time of great uncertainty.

Guiding us through this time of upheaval and change are four goals and objectives adopted by the Board in November of last year. These goals and objectives have been updated as part of the FY 2004 budget development and are attached in full. The goals are as follows:

I. LOCAL SERVICES AND CONTENT

Strengthen the value and viability of local stations as essential community institutions by improving their operational effectiveness and fiscal stability, and increasing their capacity to invest in and create sustainable services and content that will advance their local mission.

II. NATIONAL CONTENT AND SERVICES

Development of economically sustainable, high-quality, noncommercial programming that inspires, enlightens and, entertains with a particular emphasis on children's programming with high educational value; programming for underserved audiences; and programming that creates better informed citizens on the national and local level in an objective and balanced manner.

III. SUPPORT FOR PUBLIC BROADCASTING

Bolster support for public broadcasting with opinion leaders, funders and the public with a broad-based long-term public education effort to raise awareness of and appreciation for the contribution that public broadcasting makes to American life. A successful effort can result in enhancing sustained revenues of all kinds: tax-based support at the federal, state and local level; foundation giving; corporate underwriting; and major giving by individuals.

IV. LONG TERM SYSTEM-WIDE PLANNING

Engage in analysis and planning efforts to support both Goal 1 - Local Services & Content and Goal 2 - National Content & Services. Each effort will be phased and include: articulating challenges; identifying and evaluating opportunities; building consensus; and migrating the project to the implementation team. Each system-wide planning effort will build upon prior efforts.

During the next year, we expect to continue a significant focus on system-wide planning. Some of those activities are described in the next section. Following that is a description of other areas and activities on which we will focus next year.

SYSTEM-WIDE PLANNING

Consistent with the Board's endorsement and direction, the most important work that CPB has underway is the system-wide planning effort (SWPE). The major categories of focus identified so far in the SWPE are research, analysis and actions associated with financial sustainability; strategic analysis and re-engineering of national programming; strategic assessment and analysis of local service models; and a preliminary exploration of challenges facing public radio.

Financial Sustainability

The initial phases of this focus, which involved the research and identification of opportunities, are now largely completed. This process uncovered two significant station-based efforts that promise to improve public television's net revenues. These are strengthening major and planned giving efforts at local stations, and developing new operating practices that will improve the efficiency of

local station operations. We are now in the process of developing an implementation plan for both of these activities. An important new investment in FY 2004 will be the support of a coordinating office to support system-wide planning. This office, with guidance from a steering committee, will keep the major giving and efficiency efforts on track and coordinate with the national programming research initiative and other related efforts. We expect these approaches to be instrumental in helping us better understand of how best to serve the public in this time of technological and demographic change.

Local Service Analysis

In response to feedback from the round robins – where GMs expressed strong interest in examining strategy questions – we will begin an analysis and assessment of services provided by the local stations; the services valued by the community; and analysis of strategies to support these service models. We are presently preparing the work plan for this aspect of the SWPE, but expect the data gathering and research phase of this to begin this quarter. Methodology will include financial analysis, subject matter expert interview and end-user focus groups. Over the next 12 months, this effort will help stations begin to chart the course ahead, but also help shape the case statement needed for major giving, provide direction for station efficiency efforts, and inform national programming decisions

National Programming/Strategic Analysis and Reengineering

We have identified two key activities – NPS Business Practices and Children’s Programming.

As reported previously, our research to date has identified the need to reexamine our approach to national programming. We will begin our analysis of NPS by mapping current NPS business practices to identify weak points in the process and identify recommended processes. The analysis of opportunities during the system-wide planning process identified a wide disconnect between audience research, national commissioning and scheduling decisions, and local service strategy. This series of studies will identify gaps in our audience and member knowledge and address ways to fill those gaps.

Our children’s programming initiative is being reexamined and recommendations will be forthcoming.

Public Radio

Radio has convened a system-wide consultation to inform their 2004 program priorities. We are in the process of determining what the appropriate SWPE analysis should be with respect to radio.

ONGOING ACTIVITIES

Although system-wide planning continues to be a major focus, the projects it has generated are not the only ones to have grown from our goals and objectives. Others include a larger commitment to outreach, working on digital transition, formalized collaboration with local museums and libraries, and rethinking the way we approach both television and radio programming, with an eye, always, to better public service.

In addition, we are also continuing work on a number of ongoing projects, some highlights of which follow.

Direct Support to Stations

This fall, we will begin a comprehensive Community Service Grant (CSG) review that will look at the allocation and use of federally appropriated money for public television. In what we hope will be a thoughtful, wide-ranging, and forward-looking consultation across the system, we will review the CSGs themselves, the CPB Television Program Fund, and the system support funds. The discussions will examine how we can make station more significant voices in their communities and discuss allocating the resources to do this.

In radio, we propose to increase the Future Fund and Rural Listener Access Fund in proportion to the appropriations. In the fall, we plan to undertake a comprehensive review of radio CSG policies. We will examine the criteria used to disburse these funds with the objective of enhancing listener service through improved program services and new technologies.

Programming

Funding for the General Program Fund portion of the TV Programming will increase 6 percent to \$38 million, in keeping with standing agreements between CPB and PBS.

In TV Programming, we will make investments in major national programming initiatives, diversity and outreach. We have identified national programming as the focal area in our planning efforts and continue to work with our programming partners in the system to improve efficiencies and decision-making in this area. We begin this effort with investments in research to better inform our programming strategies, which include development, presentation and outreach. We have already started a new outreach fund that can leverage our programming investments for greater impact in communities. Additionally, we continue to take steps to facilitate the development and presentation of programming about important national and local issues in a manner that is fair and balanced; work towards improved production and distribution models; and explore potential for greater public service through new media platforms.

Radio has convened a system-wide consultation to inform their 2004 program priorities.

Technology Planning

This environment shifts on a daily basis and involves significant activity related to the digital transition and to the development of the next generation interconnection system.

With respect to digital, as the final shape and size of federal funding for 2004 becomes clear, we will consult with stations on priorities for the use of these funds in support of both television and radio digital conversion. CPB requested \$60 million as part of its 2004 appropriation for digital conversion.

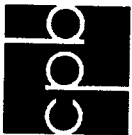
The current PBS interconnection satellite lease agreement terminates in October 2005. Planning has been underway for the next generation hybrid system. CPB requested \$20 million as part of its 2004 appropriation as a first installment in funding this system.

System Support

A significant portion of the new FY 2004 funds in the system support budget are allocated towards support for national content and services pursuant to agreements we have with PBS, the minority consortia, ITVS and music licensing societies. In addition, our system planning efforts that commenced and were funded in FY 2003 will continue with significant investments in both local content and services and long-term planning. Therefore, we have departed from our usual representation of the system support or “6 percent” budget this year and grouped FY 2004 funds by their primary goal and objective. Given the uncertainty we face in FY 2004, our goals and objectives will be even more important in our decision-making on scarce discretionary funds after we fund statutorily required expenses in the system support.

Administration

Like the system support budget, administrative dollars will be required to support multiple goals and objectives in FY 2004. Among these goals will be support for long-range planning and some of the administrative costs for the interconnection and digital initiatives. Our challenge in the administrative budget will be to manage the strain that this will impose on a limited pool of funds that must also support CPB’s day-to-day functions.



Corporation for Public Broadcasting Proposed FY 2004 Budget Allocation of Appropriation

Revenues

Federal Appropriation \$380,000,000
Interest Estimate 5,500,000
\$385,500,000

System Support
\$24,000,000
> 6%

Station and Programming Grants
\$338,200,000 89%
5,500,000 Interest
\$343,700,000 Total

CPB Operations
\$17,800,000
< 5%

Allocated to Public Television
\$253,650,000 75%
4,125,000 Interest
\$257,775,000 Total

Direct TV Grants
\$190,237,500 75% (no interest)

TV Programming
\$63,412,500 25%
4,125,000 Interest
\$67,537,500 Total

Allocated to Public Radio
\$84,550,000 25%
1,375,000 Interest
\$85,925,000 Total

Direct Radio Grants
\$59,185,000 70% (no interest)

Natl. Program Prod. & Acq. Grants
\$19,446,500 23%
687,500 50% of Interest
\$20,134,000 Total

Radio Program Fund
\$5,918,500 7%
687,500 50% of Interest
\$6,606,000 Total

Corporation for Public Broadcasting
Proposed Budget
Allocation of FY 2004 Appropriation

	FY 2003 Budget	Proposed FY 2004 Budget	\$ Change	% Change
Revenues				
Federal Appropriation	365,000,000	380,000,000	15,000,000	4.1%
Interest Income	6,000,000	5,500,000	(500,000)	-8.3%
Total Revenues	371,000,000	385,500,000	14,500,000	3.9%
Expenses				
Direct TV Grants	182,728,125	190,237,500	7,509,375	4.1%
TV Programming	65,409,375	67,537,500	2,128,125	3.3%
Radio				
Direct Radio Grants				
National Program Production & Acquisition Grants	56,848,750	59,185,000	2,336,250	4.1%
Radio Program Fund	19,428,875	20,134,000	705,125	3.6%
Total Radio	6,434,875	6,606,000	171,125	2.7%
System Support	82,712,500	85,925,000	3,212,500	3.9%
CPB Administration	23,050,000	24,000,000	950,000	4.1%
Total Expenses	17,100,000	17,800,000	700,000	4.1%
Total Expenses	371,000,000	385,500,000	14,500,000	3.9%

Notes:

- 1) FY 2003 budget was subject to a 0.65% rescission. Cuts were offset by reserves in the System Support budget and reductions in the admin budget.
- 2) FY 2003 activities included a \$48,427,164 for digital (net of a 0.65% rescission).
- 3) Anneberg/CPB activities and carryforward funds from the prior year will be amended into the budget.

Proposed Direct Support to Stations Budget
Allocation of FY 2004 Appropriation

	<u>FY 2003 Budget</u>	<u>Proposed FY 2004 Budget</u>	<u>\$ Change</u>	<u>% Change</u>
Television				
Television CSGs	173,728,125	181,237,500	7,509,375	4.3%
Transition/Small Station Fund	1,000,000	1,000,000	0	0%
TV Future Fund	4,000,000	4,000,000	0	0%
Local Service Grant	3,000,000	3,000,000	0	100%
Collaboration Fund	1,000,000	1,000,000	0	100%
	<u>182,728,125</u>	<u>190,237,500</u>	<u>7,509,375</u>	<u>4.1%</u>
Radio				
Radio CSGs	50,522,083	52,598,333	2,076,250	4.1%
Radio Future Fund	2,190,000	2,280,000	90,000	4.1%
Rural Listener Access Fund	4,136,667	4,306,667	170,000	4.1%
	<u>56,848,750</u>	<u>59,185,000</u>	<u>2,336,250</u>	<u>4.1%</u>
	<u>239,576,875</u>	<u>249,422,500</u>	<u>9,845,625</u>	<u>4.1%</u>

Proposed Television Programming Budget
Allocation of FY 2004 Appropriation

	FY 2003 Budget	Proposed FY 2004 Budget	\$ Change	% Change
National Program Service	22,520,000	22,520,000	0	0%
CPB/PBS Challenge Fund	7,000,000	7,000,000	0	0%
General Program Fund	35,889,375	38,017,500	2,128,125	5.9%
	<u>65,409,375</u>	<u>67,537,500</u>	<u>2,128,125</u>	<u>3.3%</u>

**Proposed Radio Programming Budget
Allocation of FY 2004 Appropriation**

	FY 2003 Budget	Proposed FY 2004 Budget	\$ Change	% Change
Radio NPPAG (CSG Restricted)	19,428,875	20,134,000	705,125	3.6%
Radio Program Fund	6,434,875	6,606,000	171,125	2.7%
	<u>25,863,750</u>	<u>26,740,000</u>	<u>876,250</u>	<u>3.4%</u>

**Proposed System Support Budget
Allocation of FY 2004 Appropriation**

Primary Goal & Objective	FY 2003 Budget	Proposed FY 2004 Budget	\$ Change	% Change
I. Local Content & Services				
Television Future Fund	4,000,000	4,000,000	0	0%
Radio Future Fund	2,190,000	2,280,000	90,000	4.1%
	<u>6,190,000</u>	<u>6,280,000</u>	<u>90,000</u>	<u>1.5%</u>
II. National Content and Services				
Music Copyright Fees	6,750,000	7,020,000	270,000	4.0%
TV Interconnection Grants	3,856,000	3,893,000	37,000	1.0%
Minority Consortia	1,825,000	1,900,000	75,000	4.1%
ITVS Administration	826,620	860,594	33,974	4.1%
Diversity Support	200,000	200,000	0	0%
	<u>13,457,620</u>	<u>13,873,594</u>	<u>415,974</u>	<u>3.1%</u>
III. Support for Public Broadcasting				
System Management & Contingency	1,275,380	1,646,790	371,410	29%
Communications	310,000	310,000	0	0%
	<u>1,585,380</u>	<u>1,956,790</u>	<u>371,410</u>	<u>23%</u>
IV. Long Term System Planning				
Research	1,507,000	1,568,932	61,932	4.1%
System Consultation	260,000	270,685	10,685	4.1%
Policy	50,000	50,000	0	0%
	<u>1,817,000</u>	<u>1,889,616</u>	<u>72,616</u>	<u>4.0%</u>
	<u>23,050,000</u>	<u>24,000,000</u>	<u>950,000</u>	<u>4.1%</u>

CORPORATION FOR PUBLIC BROADCASTING

GOALS AND OBJECTIVES

July 22, 2003

Approved by the CPB Board of Directors as part of the FY 2004 budget.

I. LOCAL SERVICES AND CONTENT

Strengthen the value and viability of local stations as essential community institutions by improving their operational effectiveness and fiscal stability, and increasing their capacity to invest in and create sustainable services and content that will advance their local mission.

To achieve this Goal, CPB will pursue the following objectives:

- A. **Measure the value of local service as perceived by the intended beneficiaries** – Conduct research to understand how various media are used by the audiences that stations serve or hope to serve in the future, and how the pattern of use is changing as new platforms and media emerge. Create mechanisms that can be used to evaluate the success of local content and services, and inform the local/national conversation.
- B. **Improve station practices and institutional effectiveness** – Assess the performance of individual stations and station cohort groups within public broadcasting to identify opportunities to increase stations' income earning capabilities and reduce the cost of current operations, through improved practices and new operating and service models.
- C. **Support the development of community-based public interest partnership** – Identify organizations and institutions that share public broadcasting's public service ambitions, and foster the development of local relationships and partnerships and the creation of leverageable content and service resources to address community needs and increase civic engagement.
- D. **Inform station investment in new technologies and platforms for the delivery of public interest content and services** – Research the attributes of emerging distribution platforms and technologies, assist in the development of a common technical framework and shared standards within public broadcasting, and develop policy positions with respect to legal, regulatory, and rights related issues arising from the digital, multi-media environment.
- E. **Assist stations in effecting structural, managerial and governance changes** - Assist stations in effecting structural, managerial and governance changes in response to the technical, funding, regulatory and demographic changes taking place in our industry and our nation.

II. NATIONAL CONTENT AND SERVICES

Development of economically sustainable, high-quality, noncommercial programming that inspires, enlightens and, entertains with a particular emphasis on children's programming with high educational value; programming for underserved audiences; and programming that creates better informed citizens on the national and local level in an objective and balanced manner.

To achieve this Goal, CPB will pursue the following objectives:

- A. **Identify needs and opportunities through research and outreach** – Use research on viewers and listeners to help identify needs and opportunities for programming consistent with this goal. An important part of the research process will be an on-going dialog with national organizations, producers and stations to help shape the research questions, refine the analysis and help define strategic implications and research findings. Develop and advocate innovative approaches to outreach that lead to successful national/local initiatives and inform the dialog regarding needs and opportunities.
- B. **Assure programming represents public interest and need** – Facilitate the development and presentation of programming about important national and local issues in a manner that is objective and balanced.
- C. **High-impact initiatives** – Spearhead the development of select high-impact programming initiatives that support this goal consistent with identified needs and opportunities.
- D. **New production and distribution options** – Identify and develop new production and distribution partners for increasing the range of creative talent, encouraging new sources of funding and the possibility of lower costs. Continue to develop and enhance work underway with existing production and distribution partners.
- E. **Initiate new media** – Spearhead selected new media projects designed to explore and exploit future applications of new platforms.

III. SUPPORT FOR PUBLIC BROADCASTING

Bolster support for public broadcasting with opinion leaders, funders and the public with a broad-based long-term public education effort to raise awareness of and appreciation for the contribution that public broadcasting makes to American life. A successful effort can result in enhancing sustained revenues of all kinds: tax-based support at the federal, state and local level; foundation giving; corporate underwriting; and major giving by individuals.

To achieve this Goal CPB will pursue the following objectives:

- A. **Bolster support for public broadcasting with opinion leaders, funders and public -** Development of a broad-based long-term public education effort to raise awareness of and appreciation for public broadcasting as an essential national cultural institution.
- B. **Raise awareness and appreciation for public broadcasting's programming -** Development of a communication initiative that raises awareness and appreciation for public broadcasting's programming which aspires to be of the highest quality with strict adherence to a balanced view of all issues.
- C. **Inform key audiences of system-wide planning effort -** Development of a communication initiative that informs key audiences about significant efforts within public broadcasting, including efforts underway to establish financial stability; clarify its local service missions and strengthen its national programming.

IV. LONG TERM SYSTEM-WIDE PLANNING

Engage in analysis and planning efforts to support both Goal 1 - Local Services & Content and Goal 2 - National Content & Services. Each effort will be phased and include: articulating challenges; identifying and evaluating opportunities; building consensus; and migrating the project to the implementation team. Each system-wide planning effort will build upon prior efforts.

To achieve this Goal, in concert with system leaders CPB will pursue the following objectives:

- A. **Financial sustainability for public television** - Understand and begin to address the significant economic, technological, and media environment which places our system at an inflection point that challenges our long-term sustainability.
- B. **Strategic assessment of local service models** - Grow understanding of the roles and potential roles that local television stations play in their communities' lives. Integrate findings into local service decisions, national programming decisions, major giving case statements and system infrastructure investments.
- C. **Research and strategic analysis for national programming** - Analyses designed to strengthen the national program service from audience, member and stakeholder perspectives.
- D. **Assessment and strengthening of public radio** - Identify and understand the significant economic, technological, and media environment that challenge the long-term sustainability of radio and undertake similar activities to strengthen public radio financial base, programming, and services.