



Corporation
for Public
Broadcasting

William P. Tayman, Jr.
Chief Financial Officer and Treasurer

September 25, 2017

TO: Board of Directors

CC: Pat Harrison; Steve Altman; Michael Levy; West Smithers; Teresa Safon

FROM: William P. Tayman, Jr.

SUBJECT: Proposed FY 2018 Operating Budget

The FY 2018 Operating Budget reflects an appropriation of \$445 million, estimated interest income of \$2 million and follows statutory funding obligations. Although prior year appropriations have been impacted by rescissions and in FY 2013 sequestration, FY 2018 is the seventh consecutive year that CPB's advance appropriation has been approved at \$445 million. The draft operating budget was reviewed by the Audit and Finance Committee at its September 18, 2017 meeting.

H.R. 601, the "Continuing Appropriations Act, 2018 and Supplemental Appropriations for Disaster Relief Requirements Act, 2017" signed by President Donald J. Trump on September 8, 2017 provides funding of the federal government through December 8, 2017. Included in this Act is a 0.6791 percent across-the-board rescission which reduces CPB's FY 2018 appropriation by \$3,021,995.

Our final budget for FY 2018 will not be known until Congress finalizes the FY 2018 appropriations process later this year. We have included information on both budget levels, but will seek Board approval for the full advanced appropriation amount of \$445 million. Language has been included in the budget resolution for CPB management to adjust the budget to the final amount enacted into law consistent with statutory funding allocations.

MAJOR BUDGET CATEGORIES

CPB expects to receive its general appropriation of \$445 million less the rescission on October 2, 2017 for FY 2018. CPB's \$445 million was advance appropriated under Public Law 114-113, the Consolidated Appropriations Act of 2016, which was signed into law by President Obama on December 18, 2015.

The attached budget does not include appropriations such as the additional \$20 million that has been requested for FY 2018 to continue the multi-year replacement of the public broadcasting interconnection system nor funds from the U.S. Department of Education for the Ready To Learn program as such funds are not authorized in advance of the fiscal year to which they pertain. It also does not include carryforwards and prior year fund balances.

The following is a brief description of each of the statutory funding categories:

Interest Income

Budgeted interest income of \$2,000,000 is based on the earnings from low-risk fixed income investments and accrues to Television and Radio Program Funds according to statute. Budgeted interest income for FY 2018 was increased from \$750,000 to reflect higher returns earned in FY 2017 and our expectations that investment yields will increase in FY 2018 based on recent and anticipated actions of the Federal Reserve Board.

Direct Grants (TV and Radio)

These grants, primarily Community Service Grants (CSGs), are an important source of funding for local public broadcasting stations. These grants make up the largest portion of our budget.

Programming Grants (TV and Radio)

We continue to support public broadcasting with broad and balanced national programming. In addition, programming funds are used to support our statutory obligation for underserved audiences and independent producers.

System Support

The System Support budget is a strategic tool for CPB. It funds much of the research and system consultation that guides our decision-making in the other categories. In addition to activities initiated by CPB, this fund also supports activities as directed by the CPB statute (e.g., ITVS, Music Royalties, Minority Consortia and the annual grant to stations covering a portion of their PBS TV Interconnection costs).

Administration

The CPB administrative budget is limited by statute to five percent of the federal appropriation. We continue to carefully examine our administrative budget to maximize the impact of our resources in support of CPB's Goals and Objectives.

Attachments:

- Draft FY 2018 Operating Budget at \$445,000,000
- "Money Tree" Chart
- Draft FY 2018 Operating Budget at \$441,978,005



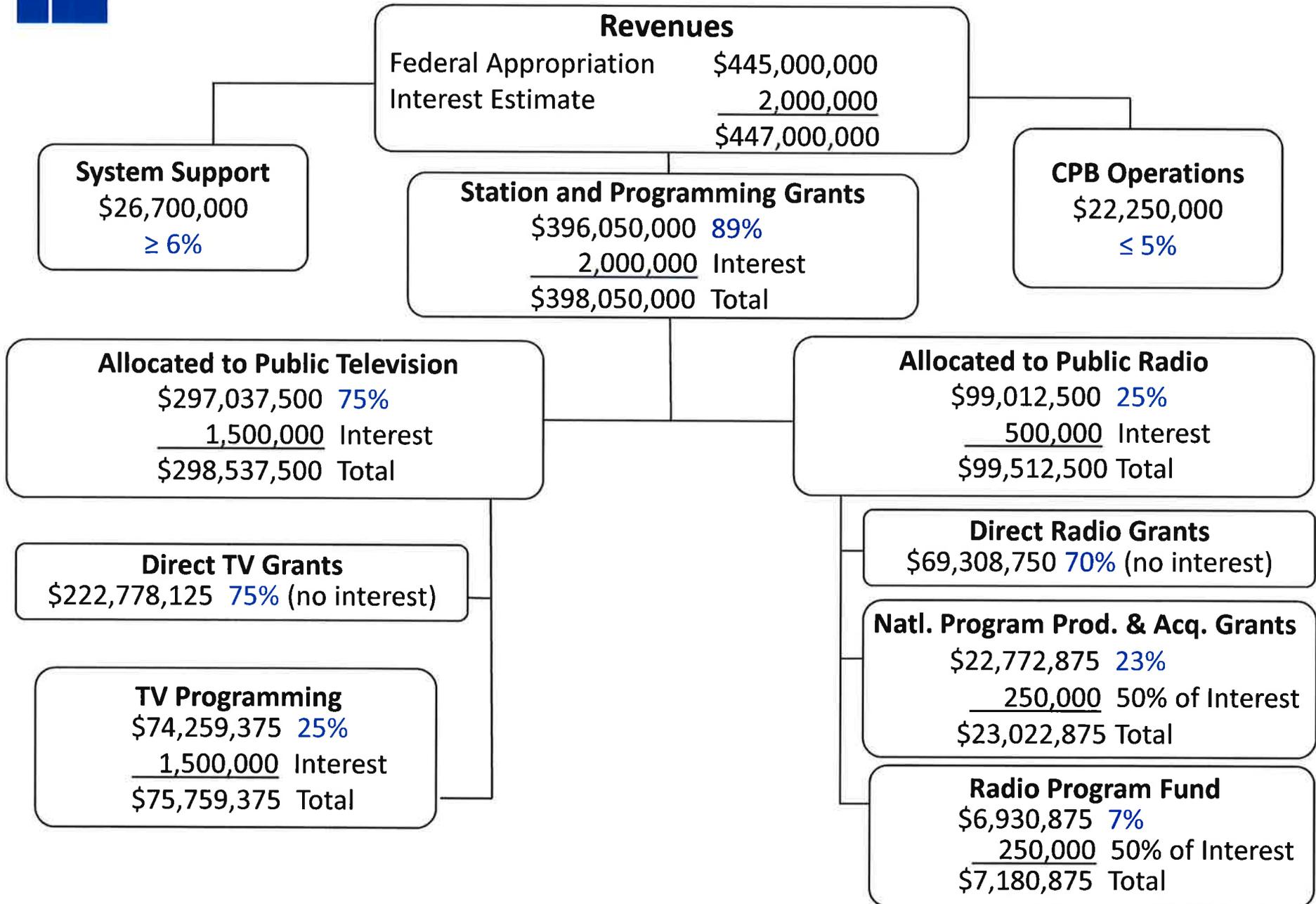
Corporation for Public Broadcasting Preliminary FY 2018 Operating Budget

| | FY 2017 Budget ¹ | FY 2018 Budget ¹ | % FY 2018 Total | Change | |
|---|--------------------------------|--------------------------------|-----------------------|---------------------|-------------|
| | | | | (\$) | (%) |
| Revenues | | | | | |
| Federal Appropriation | \$ 445,000,000 | \$ 445,000,000 | 99.6% | \$ - | 0.0% |
| Interest Income | 750,000 | 2,000,000 | 0.4% | 1,250,000 | 166.7% |
| Total Revenues | \$ 445,750,000 | \$ 447,000,000 | 100.0% | \$ 1,250,000 | 0.3% |
| Expenses | | | | | |
| <i>Television</i> | | | | | |
| Direct TV Grants | \$ 222,778,125 | \$ 222,778,125 | 49.8% | \$ - | 0.0% |
| TV Programming | 74,821,875 | 75,759,375 | 16.9% | 937,500 | 1.3% |
| Total Television | 297,600,000 | 298,537,500 | 66.8% | 937,500 | 0.3% |
| <i>Radio</i> | | | | | |
| Direct Radio Grants | 69,308,750 | 69,308,750 | 15.5% | - | 0.0% |
| National Program Production & Acquisition Grants | 22,866,625 | 23,022,875 | 5.2% | 156,250 | 0.7% |
| Radio Program Fund | 7,024,625 | 7,180,875 | 1.6% | 156,250 | 2.2% |
| Total Radio | 99,200,000 | 99,512,500 | 22.3% | 312,500 | 0.3% |
| System Support | 26,700,000 | 26,700,000 | 6.0% | - | 0.0% |
| CPB Administration | 22,250,000 | 22,250,000 | 5.0% | - | 0.0% |
| Total Expenses | \$ 445,750,000 | \$ 447,000,000 | 100.0% | \$ 1,250,000 | 0.3% |

¹ Carryforwards of prior year fund balances, Public Broadcasting Interconnection and Ready To Learn funds are not reflected in these budgets.



FY 2018 Operating Budget





Corporation for Public Broadcasting
Preliminary FY 2018 Operating Budget
with H.R. 601 rescission of 0.6791%

| | FY 2017 | FY 2018 | | Change | |
|---|-----------------------|-----------------------|---------------|-----------------------|--------------|
| | Budget ¹ | Budget ^{1,2} | % of Total | (\$) | (%) |
| Revenues | | | | | |
| Federal Appropriation | \$ 445,000,000 | \$ 441,978,005 | 99.5% | \$ (3,021,995) | -0.7% |
| Interest Income | 750,000 | 2,000,000 | 0.5% | 1,250,000 | 166.7% |
| Total Revenues | \$ 445,750,000 | \$ 443,978,005 | 100.0% | \$ (1,771,995) | -0.4% |
| Expenses | | | | | |
| <i>Television</i> | | | | | |
| Direct TV Grants | \$ 222,778,125 | \$ 221,265,239 | 49.8% | \$ (1,512,886) | -0.7% |
| TV Programming | 74,821,875 | 75,255,080 | 17.0% | 433,205 | 0.6% |
| Total Television | 297,600,000 | 296,520,319 | 66.8% | (1,079,681) | -0.4% |
| <i>Radio</i> | | | | | |
| Direct Radio Grants | 69,308,750 | 68,838,074 | 15.5% | (470,676) | -0.7% |
| National Program Production & Acquisition Grants | 22,866,625 | 22,868,224 | 5.2% | 1,599 | 0.0% |
| Radio Program Fund | 7,024,625 | 7,133,807 | 1.6% | 109,182 | 1.6% |
| Total Radio | 99,200,000 | 98,840,105 | 22.3% | (359,895) | -0.4% |
| System Support | 26,700,000 | 26,518,680 | 6.0% | (181,320) | -0.7% |
| CPB Administration | 22,250,000 | 22,098,900 | 5.0% | (151,100) | -0.7% |
| Total Expenses | \$ 445,750,000 | \$ 443,978,004 | 100.0% | \$ (1,771,996) | -0.4% |

¹ Carryforwards of prior year fund balances, Public Broadcasting Interconnection and Ready To Learn funds are not reflected in these budgets.

² FY 2018 budget includes a rescission of 0.6791% per a continuing resolution signed by Congress and signed into law on September 9, 2017.