RESOLUTION
PUBLIC SESSION
BOARD OF DIRECTORS
CORPORATION FOR PUBLIC BROADCASTING
WASHINGTON, DC
Monday, April 4, 2016

unanimously

WHEREAS,

Under the provisions of the Public Broadcasting Act, CPB makes grants to eligible public television stations in a manner intended to provide for the needs and requirements of stations so that they may serve their local communities and audiences; and

WHEREAS,

The Community Service Grant (CSG) program is the primary mechanism for CPB to provide this financial support to local stations; and

WHEREAS,

CPB management has consulted with a panel of television station representatives regarding changes to CSG policy and invited and received comment directly from public television stations as part of this consultation process; and

WHEREAS,

The panel of station representatives has made a series of recommendations to CPB management, which have been reviewed by management, shared with the public television system for further comment, and now are recommended by management to the CPB Board.

NOW, THEREFORE, BE IT RESOLVED THAT

The CPB Board of Directors hereby adopts CPB management's recommendations for changes to television CSG policy as outlined in the attached.

CPB Management's Recommendations for TV Community Service Grant Policy

I. Support Universal Service

Panel Recommendation
Establish a Universal Service Support grant and eliminate the following: the small station bonus, the $55 million base grant cap, and the Local Service Grant.

CPB Management Recommendation
Establish a Universal Service Support Grant in an amount equivalent to two percent of the CPB appropriation ($8.9 million in FY 2017) and eliminate the following: the Local Service Grant Program ($3 million in FY 2016), the small station bonus ($245,000 in FY 2016), and the $55 million eligibility cap.

Current Policy
The Local Service Grant supports 48 stations with NFFS of less than $2 million that serve populations of 2.5 million or fewer. It is awarded in inverse proportion to small stations' NFFS - the smaller the station's NFFS, the larger its grant. The small station bonus evenly distributes a pool of funds among 39 stations with NFFS of less than $2 million that are not in multi-provider markets. This pool of funds is derived from stations earning more than $55M NFFS that do not receive a base grant, per policy. The base grants of those stations are redirected instead to the small station bonus pool. Today, only one grantee earns more than $55 million and the base grant ($245,000) it would have otherwise received is the pool for the small station bonus.

Context for Decision
The Panel wanted to provide support for rural service; however, it recognized that the current grant programs supporting smaller stations were not achieving the desired outcome. Because the Local Service Grant is calculated in inverse proportion to a station's NFFS it has the potential effect of demotivating smaller stations from increasing their community revenue. The Small Station bonus is no longer a viable program since only one station in the system has NFFS in excess of $55 million.

The Universal Service Support Grant is comprised of two components: 1) a rural grant, in which a station will receive additional grant support in proportion to the percentage of audience it serves that is rural as determined by US Census data; and 2) a small market grant, in which stations whose total non-duplicated and non-rural population served is less than one million will receive additional grant support proportional to the size of its population.

II. Phase Out Program Differentiation Incentive

Panel Recommendation

Phase out the Program Differentiation Incentive (PDI) over four years; and review the one base grant per multi-provider market (MPM) policy after the spectrum auction

The panel recommends CPB phase out PDI over four years so that in 2021, MPM stations will no longer receive an incentive. Because the spectrum auction has the potential to significantly change the composition of the pool of MPM stations, after the auction CPB will revisit the policy that limits multi-provider markets to a single base grant.

CPB Management Recommendation

CPB management agrees with the phase out of the Program Differentiation Incentive (PDI) over four years and the need to review the one base grant per multi-provider market (MPM) policy after the spectrum auction.

Current Policy

The PDI was established in 2001 several years after the one base grant per market policy was implemented. It was intended to incentivize program differentiation among smaller stations in multi-provider markets.

Context for Decision

Most of the differentiation that exists among MPM stations is the result of time-shifting programs. In today's multi-channel on-demand environment, time-shifting the same programs has become irrelevant. PDI also unfairly favors some stations over others in the same market. Stations with the largest budget in a market are not eligible for a PDI. In some cases, the PDI gives a station a larger CSG than the identified largest station. In other instances, stations are receiving a larger CSG than they would if they still received a full base grant.

III Diversity

Panel Recommendation

Adopt the Historically Black Colleges and Universities (HBCU) and Native service diversity elements used by the Radio CSG to qualify MPM stations for a full base grant, and explore other service criteria that CPB could use to encourage and support truly diverse service.

CPB Management Recommendation

CPB management agrees with adopting the HBCU and Native service diversity elements used by the Radio CSG to qualify MPM stations for a full base grant; and explore other service criteria that CPB could use to encourage and support truly diverse service.

Current Policy

None

Context for Decision

The PDI grant is not achieving the desired effect. Examining the PDI policy prompted the panel to consider steps that could be taken to encourage greater diversity of service in public television. The panel considered current public radio CSG policy. While there is currently only one TV station licensed to an HBCU, and none to Native service stations, the panel felt this recommendation was worth adopting in television. More importantly, the panel considered specific audience metrics made available by new technologies that could lead to measurable service goals by stations. They encouraged CPB staff to pursue this inquiry.

IV. Establish a CSG Program to Support Efficiency, Sustainability, and Station Capacity

Panel Recommendation

The panel recommends establishing a CSG grant program to (1) support collaborations by stations that join multi-station master control hubs, and (2) reward stations for major consolidations under one executive management.

CPB Management Recommendation

Management recommends allocating $5 million per year from the CSG pool to establish a CSG grant program to (1) support collaborations by stations that join multi-station master control hubs, and (2) reward stations for major consolidations under one executive management.

Current Policy

The 2010 TV CSG Review resulted in the creation of two CSG Collaboration programs: (1) the Merger & Consolidation Program, and (2) the Collaborative Bandwidth Optimization Program. Eighteen million dollars was set aside for four years for these programs, which expired in FY 2016.

Context for Decision
The panel acknowledged that the current Merger/Collaboration program, while it led to a few significant successes, had not generated adequate interest or number of proposals and should not be continued in its current form. However the panel felt strongly that, given the general media landscape, the lingering effects of the recession, the loss of PTFP funding, and the uncertainty of the pending spectrum auction, this area warrants CSG support.

V. Retain the Minimum NFFS Eligibility Requirement of $800,000

Panel Recommendation
Retain the minimum NFFS eligibility criteria of $800,000 (three-year average) and provide waivers as necessary that give grantees three years to meet the minimum requirement either on their own or in consolidation or collaboration with another grantee, where together they meet the minimum requirement.

CPB Management Recommendation
Retain the minimum NFFS eligibility criteria of $800,000 (three-year average) and provide waivers as necessary that give grantees three years to meet the minimum requirement either on their own or in consolidation or collaboration with another grantee, where together they meet the minimum requirement.

Current Policy
Grantees must meet the minimum NFFS requirement of $800,000 (three-year average). One-year waivers are provided to eligible stations.

Context for Decision
Panelists concluded that NFFS is a reasonable bellwether for a station's financial well-being. They also wanted to give struggling stations every opportunity to improve their financial situation and encouraged CPB staff to be more pro-active in seeking solutions to ensure continued service to communities at risk.

VI. CSG Advance

Panel Recommendation
Eliminate the CSG Advance program.

CPB Management Recommendation
Eliminate the CSG Advance Program.

Current Policy
The CSG Advance Program is annually funded with approximately $2.1 million and provides interest-free loans to stations in financial distress. CSG Advance funds that are unused are returned to the CSG pool the following year.

Context for Decision
This program is not being used.

VII. Support Station Compliance

Panel Recommendation
Require at least one grantee staff member, certified by the station to be actively involved in ensuring CSG compliance, to annually complete a minimum of one free CPB-sponsored training session.

CPB Management Recommendation
Require grantees to annually complete at least one CPB-sponsored training session.

Current Policy
No required training policy.

Context for Decision
It is important for grantees to comply with the terms and conditions of their grant awards, including the Communications Act, CPB's annual reporting requirements and other requirements of the General Provisions and Eligibility Criteria. Annual training will support compliance. The panel felt that CPB could play a stronger role in ensuring that stations were fully informed about the process of compliance.

VIII. Simplify Transparency Requirements

Panel Recommendation
Update Transparency Requirements to require stations to post to their websites:

- A list of station senior/executive management (names and titles) and contact information;
- A list of the members of its board of directors; and
- A list of the members of its Community Advisory Board (CAB) (for stations that maintain a CAB either by requirement or by choice).

CPB Management Recommendation

Update Transparency Requirements to require stations to post to their websites:

- A list of station senior/executive management (names and titles) and contact information;
- A list of the members of its board of directors;
- A list of the members of its CAB(for stations that maintain a CAB either by requirement or by choice); and
- Financial reports submitted to CPB as required by communication act – audited or unaudited financial statements and Annual Financial Reports (AFR) or Financial Summary Report (FSR) (added by CPB Management).

Current Policy

Stations must post nine items on their websites to meet CPB's transparency requirements.

Context for Decision

Both CPB and the panelists reaffirm that CSG recipient stations must operate in a transparent manner, in terms of station management and financial operations, but recognize that CPB's requirements for posting information exceed what is required by the Communications Act or are redundant to other disclosure requirements. The Panel recommended simplifying CPB's transparency requirements.

IX. Revise Station Eligibility Requirements

Panel Recommendation

The Panel recommends revising the definition of licensee to require the licensee to operate a full-power noncommercial educational station. CPB management will accomplish the panel's objective by revising the CSG eligibility requirements pertaining to station operations.

CPB Management Recommendation

Revise station eligibility requirements to ensure that licensees that receive a CSG actually operate their stations as a full-power noncommercial educational television station.

Current Policy

Stations must have a license to operate a full-power noncommercial educational television station.

Context for Decision

In allowing channel sharing among stations, the FCC is also allowing stations with full-power licenses to channel share with low-power operators and still retain their full-power license. CPB should clarify its eligibility criteria to specifically articulate that if a station is authorized to operate a full-power station but is not doing so, it is not eligible to receive a CSG.

X. Continue 70/30 CSG Disbursement

Panel Recommendation

The Panel recommends the CPB Board reauthorize the 70/30 distribution of CSG funds – releasing 70 percent of the total grant in the first payment and 30 percent in the second payment.

CPB Management Recommendation

Maintain the disbursement schedule in which CPB releases 70 percent of the total CSG in stations' first payment and 30 percent in their second payment on a going forward basis.

Current Policy

In recent years, CPB has been disbursing 70 percent of a station's annual CSG in its first payment and 30 percent in the second payment.

Context for Decision

The 70/30 disbursement policy was set to expire at the conclusion of FY 2016. In attachment 4, you will find a detailed report regarding this recommendation. The panel felt that many stations, particularly smaller ones, were still struggling financially. The first CSG payment is particularly critical to these stations as summer is a difficult fundraising period, and PBS dues are payable in the fall.

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