



October 5, 2018

TO: Board of Directors

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

FROM: William P. Tayman, Jr.

SUBJECT: Proposed FY 2019 Operating Budget

Each fiscal year CPB presents to the Board for review and approval an operating budget that follows statutory funding obligation set forth by the Public Broadcasting Act.

Attached is CPB's FY 2019 Operating Budget. It reflects CPB's \$445 million appropriation received on October 1, 2018, and estimated interest income of \$4 million, totaling \$449 million. CPB's \$445 million was advance appropriated under Public Law 115-31, Consolidated Appropriations Act, 2017, which was signed into law by President Trump on May 5, 2017. While prior year appropriations have been affected by rescissions and sequestration, CPB does not expect any reductions to this appropriation.

FY 2019 is the eighth consecutive year that CPB's advance appropriation has been approved at \$445 million. CPB's FY 2021 appropriation has also been approved for the same amount of \$445 million through the "Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019 and Continuing Appropriations Act, 2019" signed by the President on September 28, 2018.

It also provides \$20 million to CPB for FY 2019 to fund costs associated with replacing and upgrading the public broadcasting interconnection system and other technologies and services that create infrastructure and efficiencies. Finally, the Conference Report attached to this Act provides \$27.741 million for Ready To Learn.

For consistency with comparison to CPB's FY 2018 Operating Budget, the attached budget does not include the FY 2019 \$20 million interconnection appropriation referenced above nor funds from the U.S. Department of Education for the Ready To Learn program. It also does not include any carry-forward or unspent funds from FY 2018.

This budget was reviewed and endorsed by the Audit and Finance Committee at their meeting on October 1, 2018. In your materials is a resolution approving the FY 2019 Operating Budget for your consideration and action at the upcoming board meeting.

If you have any questions, please let me know. I look forward to our discussions.

Attachments:

- Description of Major Budget Categories
- Proposed FY 2019 Operating Budget
- "Money Tree" Chart

## MAJOR BUDGET CATEGORIES

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

### **Interest Income**

Budgeted interest income of \$4,000,000 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 2019 was increased from \$2,000,000 to reflect higher returns earned in FY 2018 and our expectations that investment yields will increase in FY 2019 based on 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 consultations that guide 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 for independent producers, Music Royalties, Minority Consortia and the annual grants 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 general 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.



## Corporation for Public Broadcasting Preliminary FY 2019 Operating Budget

	FY 2018 Budget <sup>1,2</sup>	FY 2019 Budget <sup>1,3</sup>	% FY 2019 Total	Change	
				(\$)	(%)
<b>Revenues</b>					
Federal Appropriation	\$ 445,000,000	\$ 445,000,000	99.1%	\$ -	0.0%
Interest Income	2,000,000	4,000,000	0.9%	2,000,000	100.0%
<b>Total Revenues</b>	<b>\$ 447,000,000</b>	<b>\$ 449,000,000</b>	<b>100.0%</b>	<b>\$ 2,000,000</b>	<b>0.4%</b>
<b>Expenses</b>					
<i>Television</i>					
Direct TV Grants	\$ 222,778,125	\$ 222,778,125	49.6%	\$ -	0.0%
TV Programming	75,759,375	77,259,375	17.2%	1,500,000	2.0%
<b>Total Television</b>	<b>298,537,500</b>	<b>300,037,500</b>	<b>66.8%</b>	<b>1,500,000</b>	<b>0.5%</b>
<i>Radio</i>					
Direct Radio Grants	69,308,750	69,308,750	15.4%	-	0.0%
National Program Production & Acquisition Grants	23,022,875	23,272,875	5.2%	250,000	1.1%
Radio Program Fund	7,180,875	7,430,875	1.7%	250,000	3.5%
<b>Total Radio</b>	<b>99,512,500</b>	<b>100,012,500</b>	<b>22.3%</b>	<b>500,000</b>	<b>0.5%</b>
System Support	26,700,000	26,700,000	5.9%	-	0.0%
CPB Administration	22,250,000	22,250,000	5.0%	-	0.0%
<b>Total Expenses</b>	<b>\$ 447,000,000</b>	<b>\$ 449,000,000</b>	<b>100.0%</b>	<b>\$ 2,000,000</b>	<b>0.4%</b>

<sup>1</sup>Carryforwards of prior year fund balances are not reflected in these budgets.

<sup>2</sup>The initial FY 2018 budget included a rescission of 0.6791% per a September 2017 continuing resolution, P.L. 115-56. The rescission was restored in March 2018 with the passage of an omnibus spending bill, P.L. 115-141.

<sup>3</sup>CPB was appropriated \$445 million for FY 2019 with P.L. 115-31.



# FY 2019 Operating Budget

