Corporation
for Public
Broadcasting

Results of the 2010 Television Community Service Grant Policy Review

As Approved by the CPB Board of Directors

September 2010

CPB will implement the following changes to the Community Service Grant (CSG) Policy for CSG-qualified public television stations. All changes, except otherwise noted, will be effective October 1, 2011.

CPB developed these policy changes after an extensive consultation with a panel of representatives of the public television system. CPB is deeply grateful to the members of the 2010 TV CSG Review Panel who worked long and hard in weighing difficult issues and made thoughtful recommendations to management on the system's behalf. Advice and opinions were also solicited directly from public television stations and national organizations. We thank the many station managers who provided input throughout this process.

Policy 1: Mergers and Consolidations

Stations continue to evaluate their current operating models to determine if they remain sustainable and efficient. The merger of two or more entities and the consolidation of services are expected to decrease operating costs and increase stations' ability to fund more content and services. Interested stations will receive additional CSG funds for completing mergers, management agreements, or consolidations, executed by Boards or licensee officials, which result in the creation of a new operating entity or arrangement.

A peer review will evaluate proposals based on a set of clear, weighted criteria, giving priority to stations that achieve significant operating savings, merge within overlapped coverage areas, and demonstrate increased local content and services. In addition, priority will be given to mergers and consolidations that maintain universal service. The grant amount for two eligible stations would typically range from $500,000 to $1.5 million for the new entity, with no grant greater than $3 million, regardless of the number of station partners.

Policy 1:

- **1.1 Create a pool of funds for stations that have completed mergers, consolidations or LMAs.**

- **1.2 Access to pool of funds will be prioritized toward maintaining universal service.**

Policy 2: Collaborative Bandwidth Optimization

This policy will provide financial incentives to stations in overlapping markets to coordinate services to the community in a cooperative rather than competitive way. An agreement to use bandwidth more creatively and efficiently will increase and improve public service to the community.

Stations in overlapped coverage areas that engage in collaborative bandwidth optimization agreements will receive additional CSG funds for a period of three years. The agreement must be executed by all Boards or licensee officials and must include a plan to use the total available spectrum of all partners. In addition, stations should explain how the Collaborative Bandwidth Optimization funds would be used to enhance content and services. The agreement must have a unified approach to programming, promotion, and on-air fundraising. Multi-provider markets will receive highest priority; however, stations with significant broadcast coverage overlap will be eligible for funding. Each station participating in the collaboration will receive up to $250,000 per year for three years, with a cap of $750,000 per collaboration regardless of the number of stations participating. The grant would replace the Program Differentiation Incentive (PDI) for those stations currently receiving a PDI. Note: Currently, the maximum PDI stations can receive is approximately $190,000, which is less than the $250,000 per station funding opportunity.

Policy 2:

- **2.1** **Create a pool of funds for stations with overlapping coverage areas that have engaged in collaborative bandwidth initiatives, which include a unified approach to programming, promotion and on-air fundraising.**

- **2.2** **Access to the pool of funds will be prioritized towards stations in CPB-defined multi-provider markets.**

Policy 3: Non-Federal Financial Support Eligibility

The automatic waiver is removed for stations whose three-year average non-federal financial support (NFFS) is below the minimum and receive no audit findings that question the station's continuing operating viability. This means the average of a station's NFFS for 2009, 2010 and 2011 will determine its eligibility for a FY2013 Community Service Grant. CPB management will use its own discretion to consider issuing a waiver to stations below the minimum NFFS based upon operating sustainability, universal service, community engagement and local content and services, or when stations are seeking common cause with other public television stations.

Policy 3:

- **3.1** **Maintain NFFS minimum eligibility at its current level of $800,000 pending further review by the Board.**

- **3.2** **Effective October 1, 2011, remove the automatic waiver for stations whose three-year average NFFS is below the minimum and receive no audit findings that question the station's continuing operating viability.**

Policy 4: Diversity Eligibility

Public media has a responsibility to serve all members of the community, which goes beyond compliance with FCC license requirements in 47 CFR 73.2080. The Public Broadcasting Act requires CPB to support diverse non-commercial educational content for unserved and underserved audiences, particularly programming that addresses the needs and interests of minorities. CPB's goal, therefore, is to serve all of America with a wide variety of educational, informational and cultural content for all races, ethnicities, cultures and ages.

Consistent with CPB's goal, it is appropriate that the recipients of CPB's TV Community Service Grants endeavor to reflect the diversity of populations that they seek to serve. By "diversity," we mean a broad range of characteristics, including but not limited to gender, race, ethnicity, religion, national origin and economic status.

Accordingly, as a condition of eligibility for a TV Community Service Grant, grantees must certify that they have: (A) established a formal goal of diversity in their workforce, management and boards, including community advisory boards and governing boards having governance responsibilities specific to or limited to their broadcast stations; and (B) implemented the following initiatives to achieve that goal:

1. Review with the station's governing board or licensee official those practices that are designed to fulfill the station's commitment to diversity and to meet the applicable FCC guidelines;

2. Complete an annual report of the organization's hiring goals, guidelines, employment statistics, and actions undertaken to satisfy the Diversity Eligibility policy, and post that report on the station's website; and

3. Implement formal diversity training programs for management and appropriate staff.

In addition, grantees shall undertake annually one of the following four initiatives:

1. Include individuals representing diverse groups in internship or work-study programs designed to provide meaningful professional-level experience in order to reflect the diversity of the community and further public broadcasting's commitment to education.

2. Include qualified diverse candidates in any slate of candidates for elected governing boards which the grantee controls.

3. Implement a diversity training program for members of the organization's governing board of directors on an annual basis.

4. Participate in a minority or other diversity job fairs.

Finally, public television grantees are strongly encouraged to interview at least one qualified diversity candidate for any senior leadership position hire. The term "senior leadership position" includes: CEO, COO, CFO, Chief Content Officer, General Manager, and other equivalent positions.

Policy 4:

- **4.1** **As a condition of eligibility for receiving a Community Service Grant, grantees must certify that they have established a formal goal of reflecting a broad universe of diversity in their workforce, management and governing board (with governance responsibilities specific or limited to the station).**

Policy 5: Transparency and Donor Privacy

In an environment in which increased accountability is required for non-profit organizations, particularly those that receive public funding, public television has an opportunity to be a leader in the area of transparency. By increasing the level of transparency on a station-by-station level, public television is signaling its understanding that it must be accountable to those who invest in it – such as private donors, foundations, and government. Stations are required to maintain information on their websites that are aligned with open record guidelines as stated by statute.

As a requirement of CSG eligibility, a station certifies that it has on its website:

1. List of Board of Directors names;
2. List of Community Advisory Board (CAB) members (for stations that maintain a CAB by requirement or by choice);
3. Date, time and place of all open meetings as determined by the Communications Act;
4. Audited financial statements;
5. Information on how to obtain copies of annual financial reports;
6. IRS Form 990 when the grantee files its own 990; and
7. Any grantee that does not file its own IRS Form 990 is required to post compensation information (regardless of its licensee's open records policy), as outlined in the IRS Form 990.

In addition, a public television station, as part of the CSG certification process, must certify that it is meeting Federal and State law regarding donor privacy and data security.

Policy 5:

- **5.1 Stations are required to maintain information on their websites that is aligned with open record guidelines.**
- **5.2 Stations must certify that they are meeting Federal and State law regarding donor privacy and data security.**

Policy 6: Local Content and Service

Every public television CSG grantee will be required to submit to CPB and post on its website an annual report on its content and services that serve local needs, including quantitative and qualitative information about the impact of the local services in its community. The report will serve multiple purposes. First, the report ensures that the station is directly accountable to its

community for the services it provides to them. Second, national organizations including CPB and APTS can utilize the findings of the report to provide comprehensive data on the impact that stations are making on a local level. Third, the collection of reports allows the system to examine what each station is doing in its local community, which can promote best practices around the most effective local content and services in public television.

The report should provide a definitive description of local content created, acquired and distributed in support of local needs and interests. The report should also include analysis on the reach and impact of online, on-air and community engagement local content and services. The definition of local content and service will be determined by the grantee.

Policy 6:

- **6.1** **Every public television grantee is required to submit to CPB and post on its web site an annual report on its content and services that serve local needs, including analysis about the reach and impact of the local services in its community.**

- **6.2** **CPB will create a template for the report that allows for aggregation of data across the system.**

Policy 7: Current CSG Programs

CPB will maintain all existing CSG programs. The list of current grant programs is below. (See Appendix A for definitions of these programs.)

Policy 7:

- **7.1** **Maintain all current TV CSG programs:**
  - **Base Grant;**
  - **CSG Advance;**
  - **Small Station Bonus;**
  - **Distance Service Grant;**
  - **Local Service Grant; and**
  - **Program Differentiation Incentive.**

- **7.2** **The current CSG Advance policy was approved by the Board for FY2010 only. The CSG Advance policy will continue for FY2011. As a current TV CSG program, the above recommendation allows for continuation of the CSG Advance in FY2012 and beyond.**

Policy 8: LSG Population Maximum

The Local Service Grant (LSG) and its precursor, the Special Assistance Grant, were intended for stations in smaller and more rural communities. Therefore, a population maximum has been added to the LSG criteria.

To be eligible for an LSG, a station's NFFS must not exceed $2 million *and coverage area population must not exceed 2.5 million people*. Funds from ineligible stations, as a result of exceeding the coverage area population maximum, will be allocated to the Mergers and Consolidations and Collaborative Bandwidth Optimization pool of funds.

Policy 8:

- **8.1** **Limit the eligibility for the Local Service Grant to grantees that have NFFS of less than $2 million <u>and</u> whose coverage area population is less than 2.5 million people**.

- **8.2** **Funds from ineligible stations, as a result of exceeding the coverage area population maximum, will be allocated to the Merger and Consolidations and Collaborative Bandwidth Optimization pool of funds.**

Policy 9: Program Differentiation Incentive Duplication Definition

Access to programs over the Internet or through digital video recorders was not prevalent when the PDI policy was originally created. However, in today's multi-platform environment, people can watch programs where and when they want. Therefore, the definition of duplication used by the PDI will be amended to "No program can play on the same day on any other station in a CPB-designated multi-provider market with the exception of children's and certain news programming, such as news of an immediate national or local importance."

Policy 9:

- **9.1** **The definition of duplication as related to the Program Differentiation Incentive is changed to: "No program can play on the same day on any other station in a CPB-designated multi-provider market with the exception of children's and certain news programming."**

Policy 10: $55 Million Threshold for Loss of Base Grant

Policies that have NFFS as a requirement utilize a three-year NFFS average in order to minimize the effect of a year in which a station's NFFS has a significant variance from its typical NFFS. However, the one policy that had not utilized the three-year NFFS average is the policy that requires the loss of a base grant for stations with NFFS above $55 million. This new policy will be particularly beneficial for those national producing stations that have significant spikes in their NFFS from year to year. CPB will utilize a three-year NFFS average for the $55 million NFFS base grant loss policy.

Policy 10:

- **10.1 Use a three-year average for the $55 million NFFS base grant loss policy**.

Policy 11: WGBY Base Grant

The current policy allowing WGBY to receive a full base grant will be maintained due to WGBY's independent organizational structure, programming and community engagement activities.

Policy 11:

- **11.1 Maintain WGBY's base grant policy.**

Policy 12: TV CSG Treatment of WHA/Wisconsin Network and KUON/Nebraska Network

Maintaining the current practice of calculating Community Service Grants and Distance Service Grants for WHA/Wisconsin Network and KUON/Nebraska Network is consistent with other policies pertaining to funding for transmitters.

Recommendation 12:

- **12.1 Maintain current practice of calculating Community Service Grants and Distance Service Grants for WHA/Wisconsin Network and KUON/Nebraska Network.**

Policy 13: Eliminating Additional ½ Base Grant

With the elimination of multiple base grants after the 1996 TV CSG Review, three stations faced a significant reduction in their base grant amounts as compared to other multi-provider market stations. The 1996 TV CSG Review provided these stations with an additional ½ base grant for transitioning purposes. The 2010 TV CSG Review has determined it is time for the current additional ½ base grant policy to expire. The additional ½ base grants will be phased out over the next three years with the last year in FY2014.

Policy 13:

- **13.1 Phase out the additional ½ base grants over three years:**
  - **FY2012: 75%**
  - **FY2013: 50%**
  - **FY2014: 25%**

Policy 14: TV CSG Recovery

Several license holders are examining the value of their public television stations and determining whether they should maintain, sell or shutdown their service. As a result, universal service may be compromised. Stations that receive CSG funds should maintain the operation of a public television license during the CSG funds expenditure period to fulfill their service obligations, or the funds, spent or unspent, should be returned to CPB.

Policy 14:

- **14.1 Explicitly state in CPB policies the requirement of the return of all CSG funds, expended or unexpended, to CPB if, during the CSG's expenditure period, the license is sold or leased to a non-CSG qualified organization or the licensee ceases to operate a qualified public television service.**

Policy 15: TV CSG Re-Entry

Currently, a disqualified licensee does not have any pathway back to qualification. By allowing a previous CSG-qualified station to re-enter the program, CPB management has greater discretion to impose the appropriate penalty for stations not meeting the General Provision or falsely certifying their CSG agreements.

Policy 15:

- **15.1** **Previous CSG-qualified stations will be allowed to apply for re-entry if they meet all requirements of the General Provisions.**

- **15.2** **If the previous CSG-qualified station is in a multi-provider market, it must demonstrate its content is fully differentiated from every other station in the market. Fully differentiated is defined as having broadcast content that is unduplicated and not broadcast on any other station in the multi-provider market.**

- **15.3** **If a station enters a Collaborative Bandwidth Optimization agreement, full differentiation may not be necessary.**

- **15.4** **A station whose licensee currently receives a CSG is ineligible for CSG re-entry.**

Policy 16: NFFS Qualified Revenue

CPB reaffirms the current guidelines for NFFS-qualified revenue pertaining to underwriting on all distributed content related to public broadcasting activities.

Policy 16:

- **16.1** **Any underwriting revenue included in NFFS that is generated from any type of media, including, but not limited to websites, must meet current underwriting requirements as stated in CPB's financial reporting guidelines.**

Additional CSG Policy Details

1. Minority Qualified Station

A Minority Qualified Station program was considered and examined; however, the policy deals with a complex set of legal matters that require more time to develop. As a result, CPB management will continue its examination of this policy goal in the coming year and will work with a small consultative group to develop a policy that meets the original policy's goals and objectives of increasing diversity in public television. CPB will defer setting aside the proposed annual $2 million allocation for the Minority Qualified Station program pending further review by the CSG Review Panel, counsel, and the CPB Board.

2. Allocation of CSG Funds Toward New Policies

The total TV CSG pool increase over the next three years (FY2012-14) is expected to be $45 million. Of the $45 million, $15 million will go directly to base grant increases and $11.75 million towards the TV CSG incentive pool. The remaining funds, $18.25 million, will be allocated toward the Merger and Consolidations and Collaborative Bandwidth Optimization policies. The allocation between each policy will be determined on an annual basis. CPB is funded through FY2013. CPB's federal appropriation for FY2014 has yet to be determined. If the increase is different than $45 million, no more than 50% of the increase will go toward the new grant programs.

Appendix A: Definition of Current CSG Policies

Base Grant: The base grant is a flat grant based on the size of the appropriation and is calculated as 0.11% of the appropriation. For FY2010, the standard base grant size was $462,000. For stations in CPB-defined multi-provider markets, the base grant is divided equally among all stations in the market.

CSG Advance: A pool of funds that is 1% of the TV CSG appropriation set aside for stations to receive an advance on their future CSG, only as a last resort for stations in financial jeopardy. The CSG advance is then repaid to the TV CSG pool by the station over a period not to exceed four years.

Small Station Bonus and Local Service Grant: The Small Station Bonus and Local Service Grant are provided to stations with NFFS of less than $2 million. These grants are designed to assist stations in smaller and more rural communities.

Distance Service Grant: The Distance Service Grant is given to stations with three or more transmitters or transmitter equivalents. The Distance Service Grant provides additional funds to stations that are serving distant communities.

Program Differentiation Incentive: The Program Differentiation Incentive provides funding to secondary stations in multi-provider markets that offer differentiated scheduled programming from every other station in the market.