



September 11, 2013

TO: CPB Board of Directors

CC: Pat Harrison; Vinnie Curren; Michael Levy; Westwood Smithers; Teresa Safon

FROM: William P. Tayman, Jr.

SUBJECT: Proposed FY 2014 Operating Budget

The attached proposed FY 2014 Operating Budget follows statutory obligations, past board decisions, and precedents set forth by prior contractual commitments.

MAJOR BUDGET CATEGORIES

FEDERAL APPROPRIATION

CPB's FY 2014 appropriation of \$445 million is based on the advanced amount approved by Congress in PL 112-74, the Consolidated Appropriations Act of 2012, and signed into law on December 23, 2011. This amount does not reflect any potential reduction under the Budget Control Act of 2011 (PL 112-25, August 2, 2011) that provided for a sequestration budget reduction beginning in FY 2013 to be followed by nine years of budget caps to achieve a total reduction in federal spending of \$1.2 trillion over this time period.

For FY 2013, CPB's original appropriation of \$445 million was reduced in March, 2013 by 5.0% for sequestration and by an additional 0.2% rescission under PL 113-6, Consolidated and Further Continuing Appropriations Act, 2013. These reductions left CPB with a final FY 2013 appropriation of \$421.86 million. Because budget caps for FY 2014 have not been determined, no provision for a rescission has been included.

It is possible that significant budget reductions may occur in FY 2014 based upon the budget caps. Typically, we receive our full appropriation on October 1 of each year. If subsequent reductions are made, similar to FY 2012 and FY 2013, we will adjust our budget to reflect the amount actually received. We began FY 2012 and FY 2013 with an approved budget of \$445 million. In FY 2012, CPB's appropriation was reduced at the start of the year and was later increased before the first quarter ended. On the other hand, in FY 2013, CPB's appropriation was reduced twice before the end of the second quarter. It is likely that we will experience a similar roller coaster budget process impact in FY 2014.

The attached preliminary budget for FY 2014 reflects the statutory funding percentages as shown on the "Money Tree" chart. Following is a brief description of each of the statutory funding categories.

INTEREST INCOME

Interest income is based on the earnings from very low-risk investments and accrues to TV and Radio Programming Funds according to our statute. Please note that we have budgeted for a reduction in interest income for FY 2014 based on current market conditions.

DIRECT GRANTS (TV AND RADIO)

These grants, primarily Community Service Grants (CSG), are relied upon as 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. We started much of this work as a result of the long-term, system-wide planning effort; consequently, much of this work intersects with other budget areas. In addition to activities initiated by CPB, this fund also supports activities as directed by the CPB statute, (e.g., ITVS, Music Royalties, the annual grant to stations covering a portion of their PBS TV Interconnection costs, and Minority Consortia.)

ADMINISTRATION

The CPB administrative budget is limited by statute to 5% 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.



FY 2014 Preliminary Operating Budget

Revenues	
Federal Appropriation	\$445,000,000
Interest Estimate	<u>500,000</u>
	\$445,500,000

System Support
\$26,700,000
≥ 6%

CPB Operations
\$22,250,000
≤ 5%

Station and Programming Grants	\$396,050,000	89%
	<u>500,000</u>	Interest
	\$ 396,550,000	Total

Allocated to Public Television	\$297,037,500	75%
	<u>375,000</u>	Interest
	\$297,412,500	Total

Allocated to Public Radio	\$99,012,500	25%
	<u>125,000</u>	Interest
	\$99,137,500	Total

Direct TV Grants
\$222,778,125 75% (no interest)

Direct Radio Grants
\$69,308,750 70% (no interest)

TV Programming
\$74,259,375 25%
375,000 Interest
\$74,634,375 Total

Natl. Program Prod. & Acq. Grants
\$22,772,875 23%
62,500 50% of Interest
\$22,835,375 Total

Radio Program Fund
\$6,930,875 7%
62,500 50% of Interest
\$6,993,375 Total

Corporation for Public Broadcasting
 FY 2014 Operating Budget
Preliminary

	FY 2013 Budget	FY 2014 Budget	% FY 2014 Total	\$ Change	% Change
Revenues					
Federal Appropriation	\$ 421,860,000	\$ 445,000,000	99.9%	\$ 23,140,000	5.5%
Interest Income	1,000,000	500,000	0.1%	(500,000)	-50.0%
Total Revenues	<u>\$ 422,860,000</u>	<u>\$ 445,500,000</u>	<u>100.0%</u>	<u>\$ 22,640,000</u>	<u>5.4%</u>
Expenses					
Television					
Direct TV Grants	\$ 211,193,663	\$ 222,778,125	50.0%	\$ 11,584,463	5.5%
TV Programming	71,147,888	74,634,375	16.8%	3,486,488	4.9%
Total TV	<u>282,341,550</u>	<u>297,412,500</u>	<u>66.8%</u>	<u>15,070,950</u>	<u>5.3%</u>
Radio					
Direct Radio Grants	65,704,695	69,308,750	15.6%	3,604,055	5.5%
National Program Production & Acquisition Grants	21,713,686	22,835,375	5.1%	1,121,690	5.2%
Radio Program Fund	6,695,470	6,993,375	1.6%	297,905	4.4%
Total Radio	<u>94,113,850</u>	<u>99,137,500</u>	<u>22.3%</u>	<u>5,023,650</u>	<u>5.3%</u>
System Support	<u>25,311,600</u>	<u>26,700,000</u>	<u>6.0%</u>	<u>1,388,400</u>	<u>5.5%</u>
CPB Administration	<u>21,093,000</u>	<u>22,250,000</u>	<u>5.0%</u>	<u>1,157,000</u>	<u>5.5%</u>
Total Expenses	<u>\$ 422,860,000</u>	<u>\$ 445,500,000</u>	<u>100.0%</u>	<u>\$ 22,640,000</u>	<u>5.4%</u>

Notes:

- 1 Carryforwards of prior year fund balances are not reflected in these budgets.
- 2 FY 2013 appropriation reflects the 5% sequestration under PL 112-240 effective January 2, 2013, and the 0.2% rescission under PL 113-6 effective March 26, 2013.
- 3 In February 2011, CPB submitted an advance appropriation requested of \$490 million for FY 2014. Public Law 112-74, the Consolidated Appropriations Act of 2012, signed into law on December 23, 2011 included a FY 2014 advance appropriation for CPB in the amount of \$445 million.