

STATEMENT BY
CLAY T. WHITEHEAD, DIRECTOR
OFFICE OF TELECOMMUNICATIONS POLICY

before the

Subcommittee on Communications and Power
The Honorable Torbert H. Macdonald, Chairman
Committee on Interstate and Foreign Commerce
House of Representatives

February 3, 1972

Mr. Chairman, Members of the Subcommittee, I welcome the opportunity to appear before you today to discuss the pending public broadcast funding bills--H.R. 7443, H.R. 11807, H.R. 12808--and the Administration's plan for increased financing of public broadcasting in Fiscal 1973.

Mr. Chairman, I realize that you have been critical of us for not coming forth with a long-range financing plan for public broadcasting. I regret the delay. I have wrestled with this problem for almost a year. Others have tried for years. I need not tell this Subcommittee that it is an exceedingly complex and difficult problem--one that involves basic assumptions about the role and structure of the public broadcasting system in our country and how Government should interact with that system. We expect to solve this problem before the end of Fiscal 1973. With due deference, I do not believe that the Bills under consideration solve it. In order to comment specifically on the Bills, let me discuss briefly the background of our efforts over the past year.

BACKGROUND

Last year, the President's budget message stated that an improved financing plan would be devised for the Corporation for Public Broadcasting (CPB). My Office worked closely with representatives of CPB, the National Association of Educational Broadcasters (NAEB), HEW, the FCC, and other interested groups. But we were not able to develop an acceptable long-range

financing bill. One of the principal issues concerned the method for CPB distribution of operating funds to local educational broadcast stations, and whether the method should be specified in the statute. We feel strongly that a distribution formula should be set out in the statute to assure that the local entities would have the financial strength to counterbalance the growing dominance of CPB and its network arm--the Public Broadcasting Service.

Indeed, the Carnegie Commission felt so strongly about the need to disburse operating funds free of the Corporation's discretion that it recommended an approach that would have had HEW distribute all operating grant funds to the stations. As Dr. Killian stated in his testimony on the 1967 Act, the principal reason for this separation of funding responsibilities was a fear that, if the stations had to look to the Corporation for their "daily operational requirement," it would lead "naturally, inevitably, to unwise, unwarranted and unnecessary centralization of educational broadcasting." However, the Congress provided for operating funds to come from CPB, and operating support was to have been one of CPB's principal responsibilities. Unfortunately, CPB has never devoted enough funds to this purpose.

By October it was clear that we were not making any progress toward an acceptable financing plan, and I wanted

to explain the situation to the educational radio and TV stations, many of whom are in severe financial difficulty. I did so at the annual NAEB Convention. The particular financing controversy was only illustrative of the underlying issues concerning the shape the Congress wanted public broadcasting to take, and I focused on these fundamental issues.

Reduced to their essentials, my concerns are that:

1. The independence of the local stations has suffered because CPB has not devoted sufficient funds to station support grants and grants for purely local program production.
2. Local station autonomy has been undercut by the CPB and PBS use of interconnection facilities to establish a fixed-schedule, real-time network contrary to the intent of the 1967 Act.
3. Program diversity has not been enhanced, since national programs are produced or acquired in effect by CPB's "in-house" production entities, which are also local broadcast stations. Moreover, the national programming seeks a mass audience for news, public affairs, and entertainment programs.
4. Not enough attention is devoted to achieving two important balances: the balance between local and

national programming, and the broad balance among cultural, entertainment, news, public affairs, educational and instructional programs.

H.R. 7443 and H.R. 11807

With this as background, let me turn to the specifics of H.R. 11807 and H.R. 7443. First, as to both, the level of funding is too high. When all of the other demands on the Federal budget are considered, it is unfortunately not possible to devote a total over five years of \$500 million (H.R. 7443) or \$575 million (H.R. 11807) to public broadcasting. Moreover, H.R. 7443 provides all of these funds to CPB, without specifically requiring any distributions for station support. H.R. 11807 is better, since it requires CPB to earmark at least 30 percent of its funds for this purpose, but here too the amount and nature of the distributions to particular licensees are left to CPB's discretion, albeit a discretion that must be exercised in consultation with public broadcasting representatives. First, we think that a more substantial share of CPB's funds should be passed on to the local stations. When CPB funding gets as high as \$65 million, as it would in the first year of funding under this bill, at least half should go to the stations. Thereafter, an even greater proportion of CPB funds should be distributed to the stations.

Second, H.R. 11807 does not specify the criteria and methods of distributing operating funds to the stations. We prefer to see a matching formula set out in the statute, as it is in the facilities grant portion of the Communications Act. This would give the stations the incentive to generate financial support at the local level. The stations would know that Federal matching funds would come directly to them instead of being disbursed from a Treasury fund to CPB. There's no immediacy to it when CPB then has to set aside a fraction of the match and distribute it to all licensees pursuant to industry-wide criteria. The stations are likely to be more enthusiastic about local fund raising when there is an immediate prospect of a direct match. Finally, it would heighten the local stations' sense of autonomy and independence if they had available a stable source of funds of a known quantity, as a matter of statutory right and not CPB discretion.

Furthermore, H.R. 7443 would not allow CPB to foster the use of new communications technologies, such as video-cassettes, broadband cable, and communications satellites. H.R. 11807 is preferable in that it authorizes CPB to encourage educational and instructional uses of these technologies.

H.R. 12808

Turning now to H.R. 12803, we have not yet assessed the full import of some of the modifications this Bill would make in the present Act. However, the Bill addresses some very real issues, such as the restoration of balance between the local stations and CPB. The Bill would take the interconnection and station support functions away from CPB, and have HEW support the operating costs of the stations. The stations could then make their own interconnection arrangements. Indeed, a number of educational broadcasters are considering the feasibility of just such an arrangement. Some other features such as station representation on the CPB Board of Directors; prohibitions on promotional and lobbying activities, as well as on funding of programs on partisan political controversies, are worthy of consideration. Other features of the Bill, such as the limitation on funding from a single source and the mandatory GAO audit, may be too restrictive. In any event, the cumulative effect of all these features might be to erode the functions that are both necessarily and properly performed at the national level by CPB.

ADMINISTRATION PROPOSAL

In addition to the specifics of the pending long-range financing Bills which I have discussed, as a general matter, we do not believe that a long-range financing plan should be pressed at the present time. This is not to say, however, that the difficulty in devising such a funding approach should stand in the way

of continuing the sound development of public broadcasting at a time when its responsibilities are many but its resources are spread thin. Therefore, the Administration's Bill provides for a oneyear extension of CPB's authorization at an increased funding level and directs operating support grants to the local stations. The reasons we have not submitted a long-range financing plan are neither complex nor devious. One reason the Congress chose to defer long-range financing in 1967 was that CPB was an unknown quantity. It would have to go through a development phase before its structure would be sufficiently set to warrant such a financing plan. Today that development process is continuing. The relationships between the central organizations and the local stations are still relatively unclear. Indeed, the CPB Board has just authorized a study to define these relationships. Until these matters are clarified and the directions are better defined, we believe that it would be more sound for the Congress not to rush forward with a long-range plan during this Session.

The 1967 Act needs substantial refinement to provide a stable source of financing, to define clearly and carefully the respective roles of CPB and the local stations, and to take account of technological changes that have occurred since 1967. While these revisions are under consideration, our one-year* extension Bill would allow the growth of the public broadcast system to proceed soundly, during the critical development stages it is now in. Continuing the Administration's

record of increasing funds for public broadcasting--the appropriations will have increased by \$40 million from Fiscal 1969 to Fiscal 1973--the present Bill adds \$10 million to CPB's current level of funding, for a total of \$45 million, of which \$5 million must be matched by funds derived elsewhere.

In addition to the extension and increase in authorization for CPB, our Bill would provide a significant portion of Federal funds to local educational broadcast stations. CPB currently distributes over \$5 million in general support grants to the stations. Our Bill would add \$10 million for Fiscal 1973 and establish a mechanism for distributing a total of \$15 million to the local stations, so that they will be effective partners with the Corporation in the development of educational broadcasting services for their communities.

The Bill provides for \$2 million to be distributed to public radio stations--almost doubling the general support funds which the Corporation now provides them. Because of the large number and enormously diverse nature of public radio operations, the manner of distribution of these radio funds is left to the discretion of the Corporation, to be exercised in consultation with station representatives. The proportion of the \$15 million devoted to radio represents the approximate share of total non-Federal public broadcasting support which goes to radio.

The statutory mechanism would also make available \$13 million to approximately 140 licensees of public television stations. Two types of grants would be used for this purpose. First, there would be a minimum support grant of \$50,000 or one-quarter the licensee's total non-Federal, non-CPB supported Fiscal 1971 budget, whichever is less. Second, the licensee would be entitled to a supplemental grant based on the proportionate amount which his Fiscal 1971 operating budget, exclusive of Federal and Corporation grants, bore to all licensees' operating budgets during Fiscal 1971. There would, however, be an upper limit on the amount of the supplemental grant, since no licensee's operating budget would be considered to exceed \$2 million for grant purposes.

We anticipate that, taking both types of grants into account, and with a total non-Federal Fiscal 1971 budget of over \$117 million for all licensees, the minimum distribution in the typical situation would be around \$50,000 and the maximum would be approximately \$180,000. Station support at this level of funding would give the licensee some breathing time to work with all of us in devising a more long-range financing plan.

CONCLUSION

Mr. Chairman, I have endeavored to summarize the Administration's position on public broadcast funding. I hope that I have given you some idea of the problems that concern us,

and why we believe it is better for now to seek increased funding for another year. We will continue to work constructively and earnestly next year with educational broadcasters to resolve some of the issues that your hearings have aired.

The Congress in the 1967 Act attempted to give practical effect to the Carnegie Commission's eloquent plea for freedom in the public broadcasting system, excellence in its programming, and diversity within that excellence. Despite the arguments of some that diversity and decentralization are impractical and unworkable, or at least not the best way to enhance the national impact of public broadcasting, the Administration is not yet ready to abandon the Congress' grand design. CPB has made major strides in the relatively short time since it was created. The programs it has supported show that it has a great potential in helping the educational broadcast licensees meet their public interest obligations. There should be no doubt on this point. I have focused attention on problems with the public broadcast system because there are problems. But there are also accomplishments and successes that would have been beyond the capacity of educational broadcasting if there had been no CPB.

CPB is still going through that extraordinarily difficult process of self-examination and self-definition. Whether this maturation process evolves an entity that can live up to the

potential envisioned for it depends to some extent on determinations reached by Government. We are continuing to play our role in a way that we feel best serves CPB, the local stations, and the public. We agree with the view, expressed strongly during these hearings, that there must be a workable long-range financing plan, as contemplated by the Public Broadcasting Act of 1967, and the Administration intends to submit one before the proposed extension of authorization expires.

2/2/72
10:00

January 18, 1972

MEMORANDUM FOR MR. PETER FLANIGAN

Senator Sam J. Ervin, Jr., Chairman of the Senate Subcommittee on Constitutional Rights has invited me to testify before his Subcommittee on Wednesday morning, February 2, 1972. Senator Ervin has asked me for my views on "the Administration's policy toward the public broadcasting system" and the potential of cable television and its possible impact on first amendment considerations.

As I am sure you will remember, Senator Ervin began his hearings on the broadcast and printed press and their relationship to the first amendment last October. During the first set of hearings, which received considerable public attention, the following testified: Dean Burch and Nicholas Johnson, Frank Stanton and Walter Cronkite, Julian Goodman and David Brinkley, Fred Friendly, Congressman Ogden Reid, a representative of the New York Times, two working journalists from Nebraska, broadcasting representatives from North Carolina, and various professors who discussed both the history of the first amendment and the Fairness Doctrine as it now relates to the broadcasting industry. Senator Ervin has asked several members of the White House staff to testify including Herb Klein, Fred Malek, and Chuck Colson. All have declined invoking executive privilege. RNC Chairman, Dole, was asked and declined. Attorney General, John Mitchell, declined but suggested the Committee hear from Assistant Attorney General, William Rehnquist. Ervin turned him down as not being sufficiently authoritative.

I have discussed this request with Clark MacGregor's office. They find no objection and feel it would be difficult to turn them down because it's not possible for me to invoke executive privilege. I have been assured by Senator Hruska's staff that both Senator Ervin and Senator Hruska do not expect, and will not ask, me to answer questions concerning the several instances regarding this Administration and freedom of the press. If we accept Senator Ervin's invitation, it will be necessary for us to sort out within the White House our position on the Fairness Doctrine, but I think that this is important and now would be a good time.

Clay T. Whitehead

BLamb:mbc
cc: DO Records
DO Chron
Mansur
Whitehead 2
Lamb 2

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LAWRENCE M. BASKIR
CHIEF COUNSEL AND STAFF DIRECTOR

United States Senate

COMMITTEE ON THE JUDICIARY
SUBCOMMITTEE ON CONSTITUTIONAL RIGHTS
(PURSUANT TO SEC. 6, S. RES. 32, 92D CONGRESS)

WASHINGTON, D.C. 20510

January 11, 1972

Mr. Clay T. Whitehead
Director, Office of
Telecommunications Policy
1800 G Street
Washington, D. C. 20504

Dear Mr. Whitehead:

As you may know, the Senate Subcommittee on Constitutional Rights is studying the state of freedom of the press in America. We are especially interested in the relationship between government and the press. In this connection the Subcommittee conducted a series of hearings in September and October, 1971, and will resume these hearings in February, 1972.

I am writing to invite you to present testimony before the Subcommittee when our hearings resume. It would be particularly appropriate, in view of our present schedule of witnesses, for you to appear on the morning of Wednesday, February 2, 1972.

Throughout our first series of hearings, many questions were raised concerning the development of public broadcasting and cable television. The history and organization of, the government's relation to, and the present Administration's policy toward the "public broadcasting" system have become the subjects of great interest to our Subcommittee. The great potential inherent in "cable television" and the possible impact of its development on First Amendment considerations are also of considerable concern to us.

I am certain that your experience and present responsibilities with the Administration enable you to address these issues with special knowledge and understanding. We are most hopeful that you can arrange to present testimony to the Subcommittee. If the date of February 2, 1972, is not convenient for you, I am confident that we can arrange another, mutually satisfactory date.

Mr. Clay T. Whitehead

- 2 -

January 11, 1972

In my judgment, the Subcommittee on Constitutional Rights has never undertaken a more important study than its present study on freedom of the press. Many questions and doubts have arisen recently as to the vitality and significance of the Constitution's guarantee of a "free press." It is my hope that these hearings will serve as an effective forum for an examination of these questions and doubts and that they will ultimately contribute to a greater understanding of and appreciation for the First Amendment. Your participation, I am confident, will greatly assist us in this endeavor.

I look forward to hearing from you.

With kindest wishes,

Sincerely yours,

Sam J. Ervin, Jr.

Sam J. Ervin, Jr.
Chairman

SJE:bps

MAR 2 1972

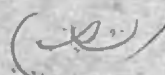
Honorable Torbert H. Macdonald
Chairman, Subcommittee on Communications
and Power
Committee on Interstate and Foreign Commerce
House of Representatives
Washington, D.C. 20510

Dear Mr. Macdonald:

When I appeared before your Subcommittee on Communications and Power on February 3, 1972, you requested that I supply supplemental material for the record regarding the representatives of public broadcasting organizations and entities with whom I have met personally, the number of times I have met with such representatives, and a list of OTP staff members who have had prior experience in broadcasting and broadcasting-related activities, prior to their association with OTP. I have enclosed this information and have sent copies to the clerk of the Committee on Interstate and Foreign Commerce so that my responses to your questions may be inserted into the official transcript of the Subcommittee's Hearings on Public Broadcasting Financing.

I appreciate the privilege of appearing before your Subcommittee and hope that the enclosed information will be useful to you and the Subcommittee members in considering the various issues concerning this important subject.

Sincerely,



Clay T. Whitehead

Enclosures

GOLDBERG:mbc

Cc: DO Records

DO Chron

Whitehead 2 ✓

Lamb 2

Mansur

Scalia 2

Insert to Tr. 463, line 15

During the period September, 1970 through January, 1972, Mr. Whitehead met personally with representatives of the following public broadcasting organizations and entities:

Corporation for Public Broadcasting

Children's Television Workshop

National Association of Educational Broadcasters

Joint Council on Educational Television

National Public Radio

KUAT, Tucson, Arizona

Maryland Educational Network, Owings Mills, Md.

South Dakota Educational Network, Vermillion, S.D.

KAET, Tempe/Phoenix, Arizona

WKNO, Memphis, Tennessee

WQED/WQEX, Pittsburgh, Pennsylvania

Nebraska Educational Network, Lincoln, Nebraska

Kentucky Educational Network, Lexington, Kentucky

KLRN, Austin, Texas

WCET, Cincinnati, Ohio

KTEH-TV, Santa Clara County, Office of Education,
Santa Clara, California

KCET, Los Angeles, California

KERA, Dallas, Texas

Telecommunications Center, Ohio State University,
Columbus, Ohio

WOSU-Radio, Ohio State University,
Columbus, Ohio

(Continuation of insert to TR. 463, line 15.)

WETA, Washington, D.C.

Television Unit, Purdue University,
Lafayette, Indiana

Educational Broadcasting Corporation
WNET, New York, New York

Insert to Tr. 464, line 20

During the period September, 1970 through January, 1972, Mr. Whitehead met personally on at least five separate occasions with officers and directors of the Corporation for Public Broadcasting, on at least three separate occasions with officials and directors of the National Association of Educational Broadcasters, once with directors of National Public Radio, once with the Public TV Managers Council, and over 15 times with representatives of individual public broadcast station licensees. Moreover, Mr. Whitehead met with representatives of the Corporation for Public Broadcasting while he was a Special Assistant to the President, prior to his appointment as Director of OTP.

In addition, staff members of OTP have met many times with the staffs of the Corporation for Public Broadcasting, the National Association of Educational Broadcasters, and individual public broadcast stations.

Insert to Tr. 521, Line 13

The following OTP staff members had experience in broadcasting or broadcasting-related activities prior to their association with OTP:

Walter R. Hinchman (Assistant Director)--worked as a private consultant to the Corporation for Public Broadcasting, RCA and the Twentieth Century Fund, in addition to being a staff member of President Johnson's Task Force on Communications Policy, and Chief of the Spectrum Utilization and Satellite Systems Group of the Institute for Telecommunication Sciences, U.S. Department of Commerce.

Brian P. Lamb (Assistant to the Director)--formerly Assistant General Manager of station WLFI-TV, Lafayette, Indiana, and a UPI radio news correspondent.

Henry Goldberg (Senior Attorney)--formerly in private law practice with Covington & Burling, Washington, D.C., dealing with regulatory problems involving both commercial and noncommercial educational radio and television broadcast stations.

Stephen E. Doyle (Senior Attorney)--formerly in private law practice with Haley, Bader & Potts, Washington, D.C., dealing with broadcast regulatory problems.

In addition, OTP draws upon a highly experienced group of staff members and consultants, who are expert in the wide range of governmental and private, international and domestic telecommunications activities which comprise OTP's official responsibilities in addition to broadcast policy-making.

MAR 27 1972

Listening
2/3/72

Mr. Bill Harley
National Association of Educational
Broadcasters
1346 Connecticut Avenue, N.W.
Washington, D.C. 20036

Dear Bill:

During my testimony before the House Communications Subcommittee, we were asked to substantiate the increase in operating grants for licensees of local educational broadcast stations as provided by our bill, H.R. 13007.

I wanted you to have the attached copy of our response to that request for your information.

Sincerely,

signed
TOM
Clay T. Whitehead

HALL:mbc
cc:
DO Records
DO Chron
Mansur
Whitehead 2 ✓
Lamb 2

MAR 27 1972

Mr. John Macy
Corporation for Public Broadcasting
888 16th Street, N.W.
Washington, D.C. 20006

Dear John:

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Signed
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HALL:mbc
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DO Records
DO Chron
Mansur
Whitehead 2 ✓
Lamb 2

SUBSTANTIATION OF H.R. 13007's
INCREASED OPERATING SUPPORT
FOR EDUCATIONAL BROADCAST STATIONS

Preface

This response contains the information requested during Mr. Whitehead's February 3, 1972, appearance before the Subcommittee on Communications and Power regarding the Administration's bill for public broadcasting financing (H.R. 13007). Specifically, facts were requested to substantiate the increase in operating grants for licensees of local educational broadcast stations, as provided by H.R. 13007. It should be noted at the outset that the various entities making up the public broadcasting community are still in the process of establishing a common format for reporting income, capital and operating expenditures, etc. As a result, some of the figures herein are "best approximations," and should be evaluated with that in mind.

Notwithstanding this qualification, we believe that the information is as accurate a representation of public broadcasting's need for increased operating funds as is possible to compile at this time. A review of the available financial data, projections and other budgetary information shows that it is impossible at present to determine how much is needed to support station operations and how much is appropriate for the Federal Government to commit for this purpose. There is, however, no doubt that the need for \$15 million in operating support earmarked for the stations by H.R. 13007 can be substantiated as set out below. While it can be assumed that more than \$15 million will be needed

in the future, it is desirable that the Congress be concerned that future needs be justified by the public broadcasting interests. The Office of Telecommunications Policy intends to work with public broadcasters to see what future funding levels would be necessary and appropriate.

Present Situation

The local educational television and radio licensees are severely constrained by funds and limited in their capability to increase the alternatives for local expression, which was intended by the Congress in establishing the public broadcasting system. Most witnesses who appeared before the Subcommittee made an effective case for increased Federal funds to support station operations. As Mr. Montgomery, of the Iowa educational broadcasting system summarized the problem, the stations have a need for funds to deal with local issues which is escalating faster than their need for national program services.

CPB Operating Grants

The Corporation for Public Broadcasting (CPB) currently distributes \$5.9 million in operating support grants among the public broadcasting licensees via Federal support grants. But Frank Pace, CPB's Board Chairman recognized that:

" . . . There is a great need to provide the stations with more dollars to enable them better to serve strictly local needs through local programming."

Over four and a-half million dollars of CPB's total operating grant funds go to 140 television licensees, which amounts to an

average of approximately \$33 thousand per licensee. Radio licensees receive about \$1.2 million of an average of \$11 thousand for each of 110 eligible licensees. The total operating income for all licensees from all sources is estimated at \$156 million for 1972. On this basis, the CPB support grants constitute approximately 4% of licensees' total operating income.

Television licensees spend on the average of about 22% of their total operating income on local program production. For 1972 this gives each licensee an average local production expenditure of about \$245 thousand. It should be noted that the licensees spend about 50% of the CPB operating support grants on local production, which from the figures cited above, would give each television licensee about \$16,700 on average for local programming. This suggests that the existing CPB support grants account for about 6.8% of local programming expenditures, and that more than 90% of the funds spent on local production comes from non-Federal sources.

When the costs of local programming are considered, it is clear that little local programming can be supported by the current level of CPB support grants. Local programming costs vary considerably. For example, licensee KCET spends about \$44 thousand per hour on THE ADVOCATES; SELF DEFENSE (a women's instructional program on self defense) incurs costs of \$3 thousand per hour; coverage of the President's China announcement cost \$7,500. A conservative figure of \$4 thousand per hour for local production costs would permit purchase of about 4.2 hours of local programming, out of a \$16,700 budget, for each licensee for the year! Indeed the total budgets for local programming of

\$245 thousand on average, at \$4 thousand per hour, would result in only 61 hours per year or about 5 hours per month for each licensee.

A Decline in Local Program Production

Local program production is one of the most expensive items in the stations' operating budgets; the economic squeeze faced by most stations has its first and most adverse impact on this essential aspect of the stations' service to their communities. In recent months, the educational television station in Philadelphia (WUHY-TV) stopped presenting local programming because of financial difficulties; KQED in San Francisco ceased separate programming of its second channel; WETA-TV, Washington, D.C. cut back its local program production, and WHRO-TV, Norfolk, Virginia, reduced its level of local instructional programming. Moreover, there are many educational television stations that do little or no local production of general audience programming and have had to defer plans to initiate such production because of a lack of funds. Stations falling into this category are: KCSD-TV, Kansas City, Missouri; KYVE-TV, Yakima, Washington; KETA, Oklahoma City, Oklahoma; WFYI (TV), Indianapolis, Indiana; KFME (TV), Fargo, North Dakota; KRMA-TV, Denver, Colorado; KTWU (TV), Topeka, Kansas; and WTVI (TV), Charlotte, North Carolina. An even greater number of educational television stations, which are already engaged in significant local program production efforts, have had to shelve their plans for increased local programming because they lack the necessary funds.

Mansur
Testimony

MAR 20 1972

Honorable Robert O. Tiernan
Subcommittee on Communications
and Power
Committee on Interstate and Foreign Commerce
House of Representatives
Washington, D. C.

Dear Mr. Tiernan:

When I appeared before the Subcommittee on Communications and Power, and discussed the Administration's position on public broadcasting financing, you requested that I supply supplemental material for the record to substantiate the need for increased Federal funds to support the operations of local public broadcast stations. I have enclosed the information you requested and have, this date, sent a copy to the clerk of the Committee on Interstate and Foreign Commerce for inclusion in the official transcript of the Subcommittee's hearings.

I appreciate the privilege of appearing before the Subcommittee and hope that the enclosed information will be useful to you and the Subcommittee members in considering the various issues concerning this important subject.

Sincerely,


Clay T. Whitehead

Enclosure

cc: DO Records
DO Chron
GC Subject
GC Chron
Mr. Whitehead 2
Dr. Mansur
HGoldberg:ch:3/20/72

SUBSTANTIATION OF H.R. 13007's
INCREASED OPERATING SUPPORT
FOR EDUCATIONAL BROADCAST STATIONS

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Over four and a-half million dollars of CPB's total operating grant funds go to 140 television licensees, which amounts to an

average of approximately \$33 thousand per licensee. Radio licensees receive about \$1.2 million of an average of \$11 thousand for each of 110 eligible licensees. The total operating income for all licensees from all sources is estimated at \$156 million for 1972. On this basis, the CPB support grants constitute approximately 4% of licensees' total operating income.

Television licensees spend on the average of about 22% of their total operating income on local program production. For 1972 this gives each licensee an average local production expenditure of about \$245 thousand. It should be noted that the licensees spend about 50% of the CPB operating support grants on local production, which from the figures cited above, would give each television licensee about \$16,700 on average for local programming. This suggests that the existing CPB support grants account for about 6.8% of local programming expenditures, and that more than 90% of the funds spent on local production comes from non-Federal sources.

When the costs of local programming are considered, it is clear that little local programming can be supported by the current level of CPB support grants. Local programming costs vary considerably. For example, licensee KCET spends about \$44 thousand per hour on THE ADVOCATES; SELF DEFENSE (a women's instructional program on self defense) incurs costs of \$3 thousand per hour; coverage of the President's China announcement cost \$7,500. A conservative figure of \$4 thousand per hour for local production costs would permit purchase of about 4.2 hours of local programming, out of a \$16,700 budget, for each licensee for

the year! Indeed the total budgets for local programming of \$245 thousand on average, at \$4 thousand per hour, would result in only 61 hours per year or about 5 hours per month for each licensee.

A Decline in Local Program Production

Local program production is one of the most expensive items in the station's operating budgets; the economic squeeze faced by most stations has its first and most adverse impact on this essential aspect of the stations' service to their communities. In recent months, the educational television station in Philadelphia (WUHY-TV) stopped presenting local programming because of financial difficulties; KQED in San Francisco ceased separate programming of its second channel; WETA-TV, Washington, D.C. cut back its local program production, and WHRO-TV, Norfolk, Virginia, reduced its level of local instructional programming. Moreover, there are many educational television stations that do little or no local production of general audience programming and have had to defer plans to initiate such production because of a lack of funds. Stations falling into this category are: KCSD-TV, Kansas City, Missouri; KYVE-TV, Yakima, Washington; KETA, Oklahoma City, Oklahoma; WFYI (TV), Indianapolis, Indiana; KFME (TV), Fargo, North Dakota; KRMA-TV, Denver, Colorado; KTWU (TV), Topeka, Kansas; and WTVI (TV), Charlotte, North Carolina. An even greater number of educational television stations, which are already engaged in significant local program production efforts, have had to shelve their plans for increased local programming because they lack the necessary funds.

Testimony by Frank Pace, Jr.,
Chairman of the Board of the Corporation for Public Broadcasting
Before the House Subcommittee on Communications
Washington, D. C.
February 1, 1972

It is, as always, an honor to appear before you.

I do so in my capacity as Chairman of the Board of Directors of the Corporation, a position I have been privileged to hold since the Corporation's beginning in 1968. Although I speak personally in this account of stewardship, I think my comments represent fairly the sentiments of the 14 distinguished citizens, all Presidentially appointed, with whom I serve on the CPB Board.

It is important at the outset to make clear that the Board of the Corporation is an active Board. It is well-informed and deeply involved in the matters of consideration now before you.

Interestingly enough while the backgrounds of the members are quite different in terms of political affiliation and experience our fundamental attitude on the functions and directions of the Corporation has been remarkably uniform.

H.R. 11807, the legislation introduced by you, Mr. Chairman, is an important piece of legislation. At a time when the fiscal demands upon the Federal Government are growing to the alarm of many, this bill asks for a significant increase in expenditure for the relatively young enterprise that is public broadcasting. Further, at this time of demands for increased accountability on the part of all institutions, this legislation calls for a five-year authorization of funds.

As a former Director of the Bureau of Budget, these

factors weigh heavily in my mind, and I appreciate their significance perhaps as few men outside the Congress do. Therefore, it is with a great deal of understanding of your position that I urge you to act favorably on H.R. 11807.

I urge you to this action because of my conviction that public broadcasting can represent one of America's biggest bargains and largest potential benefits.

Today, more than ever, the nation needs to develop new modes of education, if its wealth of human resources is to grow. It needs better education, and it needs it at lower cost. In this public broadcasting can help.

We have seen public broadcasting already help bring this goal closer to reality through such programs as "Sesame Street" and "The Electric Company"; in such dramas as "The Andersonville Trial" and "The Wright Brothers"; in such thoughtful programs as "The Advocates" and "Book Beat"; in such innovative efforts as "The Turned On Crisis," a series aimed at curbing drug abuse; and we see it everyday in live, often complete, coverage of the deliberative process from local school board meetings to hearings right here on Capitol Hill.

The important point to be stressed is that these programs are very seldom to be found anywhere except on public broadcast channels or frequencies. It is true then that public broadcasting provides a unique service to the American people.

Public broadcasting has been helped to reach its current state of development by many elements of our society. It

has, for example, received excellent support -- financial and moral -- from many commercial broadcasters on both the local and national level. In fact, the degree of cooperation between commercial and public broadcasters provides an outstanding example of how the profit and non-profit sectors of our society can effectively work together for the common good. On both sides of this grouping, there is recognition that the other fellow provides a distinct and useful service. Public broadcasting has also received excellent support from many of America's leading corporations and foundations, from government at all levels, and from the citizenry. The latter fact manifests itself in increased viewership and also in rising station membership.

And we have, of course, received excellent support from this Committee.

We believe we are now justified in asking your continued and increased support.

To date, the Corporation for Public Broadcasting has received a total of \$78 million from the Federal Government. This amount has seen us through the first four years of existence. But the stage of development of public broadcasting now requires that if the progress of this enterprise is to continue, we must receive increased assistance.

In my opinion, public broadcasting deserves this increased support chiefly on the basis of the results it has achieved with the funds invested to date. From the beginning, it was clear that the funding with which we had to operate was inadequate to meet completely all the

tasks that Congress had outlined. It was clear that priorities would have to be set. The setting of these priorities was painful, for it was clear that they would benefit some elements of the public broadcast enterprise more than others. But the alternative was unacceptable, and that was to spread our limited resources so thin as to benefit really no one. This was an exercise in judgment, but also, I believe, an exercise in fiscal responsibility.

In setting our priorities, we were guided by the express mandates laid out in the Public Broadcasting Act of 1967. I am happy to report to you that we have successfully and completely achieved one of the mandates and have made significant advances toward the achievement of all others.

Our most complete success has come in the establishment and development of interconnection and with it, the development of systems of production of (to use the phrase of the Act) "programs of high quality, obtained from diverse sources."

The effect of interconnection -- through the Public Broadcasting Service and National Public Radio -- has been to increase greatly the quality and choice of programming available to the local station -- and through the station, to the viewing and listening publics.

Concurrent with this action, we have engaged in various projects of direct financial support to the stations. The chief of these has been an annual program, now in its fourth year, of community service grants to stations. These grants are used to meet local station needs, as the station management sees fit. Our investment in this program to date has

been \$12 million. In addition, we have conducted various program production award projects and, on the radio side, projects for station improvement, development and specialized production. Mr. Macy will later present you with a background paper detailing these activities.

Having reached one level of development, however, we are now reaching out to a crucial new stage. To guide us, we have developed a new set of priorities.

Leading this list is an increase in our financial support to local stations. We recognize that while establishment of interconnection has benefited all stations by increasing their programming inventory, there is a great need to provide the stations with more dollars to enable them better to serve strictly local needs through local programming. Given the universe of public broadcasting, comprising as it does some 219 television and 510 radio stations, it is clear that -- even if the most generous funding is available to CPB -- the dollars to each station can never approach the magnitude we would like to see. However, as proven by our experience so far, these funds can have great effect; they can provide the margin of difference between a station's performing merely good service or excellent service.

The Board of Directors has already resolved that any increase in funds CPB receives in fiscal year 1973 will be used largely for station support. Our goal for next year is to devote a minimum of 30 percent of our total budget to this end. This is the same percentage as recommended by H.R. 11807.

Our second priority as we look to the future is education. We want frankly to see more "Sesame Street's" and "Electric Company's" on public broadcasting, and we intend -- if the dollar resources are made available to us -- that this will be done.

For more than a year now, the CPB staff has been engaged in the research and development of a new program concept along these lines. The project is called the Adult Learning Program Service (ALPS). Its purpose is to raise the sights and skills of those millions of Americans who have not had the opportunity to complete high school. The need in this crucial area of adult education is painfully evident. Further, we believe the efforts of the Children's Television Workshop merit CPB's increased support, and we are currently developing positive programs in environmental education, in continuance of our anti-drug effort, in helping Mexican-Americans and in teaching the rights and responsibilities of American citizenship.

Further, our list of priorities contains, among other things, important entries for technical research and development and for personnel development. In these areas, we intend to do our best to insure that the new communications mechanisms -- cable, satellites, cassettes and so forth -- are used for the highest purpose. And we intend to develop as much skilled and talented manpower within the industry as it takes to provide the American people with the kind of programming of quality and diversity that is your mandate. We are all too aware that too often the hardware aspects of an activity

tend to get the upper hand over the human side. We do not intend to let that happen in public broadcasting.

Simultaneously, of course, we will attempt to provide the public not just with the high caliber of public broadcast programming they have grown used to, but programming of increasing quality. Last month, for example, a new program by and for children from 8 to 12 called "Zoom," produced by the excellent Boston station WGBH, made its premiere on public television. It has met an excellent response -- among children, parents and reviewers alike -- and in its first three weeks, more than 20,000 letters have been sent by young viewers to the station. This, I believe, is the kind of meaningful, worthwhile programming that the Congress intended for us to foster. And it is the kind of programming which we vow to continue to provide.

The virtue of H.R. 11807 lies not just in the fact that it would provide public broadcasting the right funds to pursue a careful, measured growth. It resides also in the multi-year approach. All of the program projects I have mentioned cannot be conceived and executed in the course of a year; they require lead time for planning and research and careful assembly of the production elements.

Successful institutions are those which plan an orderly and well-conceived growth over a period of time. The bill under consideration would permit this type of programming with an increase in quality and more efficient use of public funds. It would be a giant step toward fulfillment of the goals established by the Public Broadcasting Act of 1967.

I urge you during this hearing to examine carefully the record of public broadcasting. When you do, I am convinced that you will come to share my belief that this has been a sound and responsible record and one that justifies your continued support.

Thank you.

Statement of Commissioner Nicholas Johnson, Federal Communications Commission, before the Subcommittee on Communications and Power, of the House Committee on Interstate and Foreign Commerce on H.R. 11807 and related bills, regarding the Funding of Public Broadcasting. February 3, 1972.

If we were to sum up our proposal with all the brevity at our command, we would say that what we recommend is freedom. We seek freedom from the constraints, however necessary in their context, of commercial television. We seek for educational television freedom from the pressures of inadequate funds. We seek for the artist, the technician, the journalist, the scholar, and the public servant freedom to create, freedom to innovate, freedom to be heard in this most far-reaching medium. We seek for the citizen freedom to view, to see programs that the present system, by its incompleteness, denies him.

--Carnegie Commission on
Educational Television,
Public Television: A
Program for Action, 99 (1967).

Chairman Macdonald, thank you very much for inviting me to testify this morning on the funding of public broadcasting. Your decision to introduce H.R. 11807--which I support--is most commendable. It has brought the discussion of public broadcasting's future out of the back rooms and into the public arena where it belongs. It is my earnest hope that these hearings will succeed in starting an inexorable process leading to the passage of a law guaranteeing public broadcasting insulated, long-range, and substantial financing.

My remarks will be mainly concerned with H.R. 11807, Chairman Macdonald's bill. Congressman Tiernan has introduced

H.R. 7443, which shares some of the same features as H.R. 11807. Chairman Dean Burch has adequately analyzed each bill and has demonstrated their differences. I would prefer H.R. 11807 to H.R. 7443 for two reasons: first, it appropriates more during the over-all five years of the Public Broadcasting Fund than H.R. 7443 (\$160 million in FY 1977 as opposed to \$140 million in FY 1977, for example); secondly, H.R. 11807 mandates a 30% "pass-through" to the local stations, which H.R. 7443 does not. However, I do want to add that I still would support Congressman Tiernan's bill, in principle, as a definite improvement over the status quo. Both are preferable, in my view, to Congressman Brown's bill, which would give \$35 million to the local stations through HEW, and only \$20 million to the Corporation for Public Broadcasting. H.R. 7443 is also preferable to the bill being proposed by the Office of Telecommunications Policy, which would provide, for one year only, \$30 million to CPB and \$15 million to the local stations.

The Carnegie Commission said it was recommending "freedom" for public broadcasting. Ever since the Corporation for Public Broadcasting was established, however, that freedom has been withheld. It has been denied by successive Administrations' unwillingness to recommend the freedom of funding at levels and with the insulation from the appropriations process required to develop a full, flowering system. It has been denied by politicians in and out of Congress and the White House publicly objecting to particular programs, personalities, or salary levels.

It has been denied by corporate contributors to public broadcasting, at the local and national levels, using their influence to object, often successfully, to particular programs or segments which make them appear in a bad light.

I. Levels of Funding

The Carnegie Commission envisioned the Corporation's receiving about \$56 million a year from Congress during its first four years; instead, funding has been much, much lower, averaging somewhere around \$20 million a year, with this Fiscal Year's funding at \$35 million, only \$30 million of which is from the federal government. Now, in CPB's fourth year, some \$146 million behind, the Administration proposes public broadcasting financing of \$45 million for Fiscal Year 1973.

In my opinion, we ought to start our discussions about public broadcasting with an annual financing figure of \$500 million. That's approximately the amount of money available to each of the three TV networks with which CPB must compete--ABC, CBS and NBC. Because some of the money must also be used for funding local stations it may be more appropriate to compare the \$500 million to the \$4 billion available for the entire commercial broadcasting system. Or compare that level to what is available to Japan's NHK--a successful non-commercial network existing side-by-side with profitable commercial networks in that country. If we funded public broadcasting in this country with the same proportion of our gross national product as Japan, we'd be budgeting it at a level of \$1.8 billion.

A \$500 million appropriation would constitute a mere 1/4 of 1% of the federal budget; one-half the cost of one new nuclear aircraft carrier; less than one per cent of what we quite willingly spend on education each year; a mere \$8 per household per year.

In the current political situation, I do not mean to fault you for coming forth with a proposal to fund public broadcasting at \$65 million for Fiscal 1973 and, eventually, \$160 million for Fiscal Year 1977. Certainly this is a major and a commendable step forward. It is unquestionably better than \$35 million or \$45 million. It may well be the best you can get. My only purpose in dwelling on the \$500 million figure is to say, in effect, of course we ought to appropriate \$65 million a year--there's no question about it.

II. Distribution of Funds

Simple economies of scale dictate a need for national public affairs and news reporting. Other programming--the Boston Symphony or the Rolling Stones--may be equally in need of centralized funding and production. This is not to say that total programming control should go to CPB, PBS, or any single national entity. Today you don't have one central programming source, but instead a variety of sources, just as the Carnegie Commission has envisioned--NET, Children's Television Workshop, the National Public Affairs Center for Television in Washington, and stations such as WQED in Pittsburgh, WGBH in Boston, KCET in Los Angeles, and KQED in San Francisco.

Of course, there is also a need for strong local programming. That's why granting a certain portion of the CPB budget to the local stations through a guaranteed pass-through--either the 30% in your bill, Mr. Chairman, or the 33% in OTP's interim bill for Fiscal Year 1973--is a good idea. But total reliance on either national or local programming is a fallacy. It's part of what's called the "politics of scarcity," to put the question in those all-or-nothing terms. It's like choosing between police protection and good hospitals and schools. There is no such choice. If you will allow me to revert to basics for a moment, I would suggest that the ideal funding system would provide one-third to national networks, one-third to local stations, and one-third to individual artists and program producers. One of the greatest frustrations that any artist feels is the necessity to work within a rigid bureaucratic structure. No bureaucratic structure comparable to a modern-day network (commercial or public), could possibly have permitted Homer to write the Aeneid, Shakespeare to write King Lear, or Arthur Miller to write Death of a Salesman. The only way to make such creative accidents possible in our time is to fund individuals as well as institutions.

III. Salaries

A word about the salaries paid public broadcasting personnel. It seems to me that if Congress wants to have a public broadcasting system public in fact as well as name, it has to let public broadcasting compete for the talent necessary

to attract audiences. The salaries paid to public broadcasting personnel are still significantly below those paid to commercial TV personnel--sometimes as high as \$100,000 to \$300,000 a year. If that is not a proper comparison, then the answer is not to force public broadcasting to employ paupers; the answer is to limit the salaries of commercial broadcasters and talent. In fact, I would suggest neither answer. Ultimately, the salaries paid public broadcasting personnel, like the editorial content of public broadcasting shows, should be a matter for public broadcasting's management alone to decide.

IV. Sources of Funding

Mr. Chairman, another major issue is the need to come up with a method of freeing public broadcasting from the political structures of the annual appropriations process. The clear statement of the Carnegie Commission was that

[T]he Commission cannot favor the ordinary budgeting and appropriations procedure followed by the government in providing support from general funds. We believe those procedures are not consonant with the degree of independence essential to Public Television.

Mr. Chairman, as you know, the Carnegie Commission proposed the setting up of an excise tax on the manufacturing of TV sets. Other proposals include a tax on commercial TV profits, a "public dividend" from domestic satellite operation, and a tax on total television advertising outlay. Ultimately, some system of automatic funding should be chosen by Congress. In the meantime, I support your proposal to earmark an increasing amount of support

for public broadcasting ahead of time throughout the next five fiscal years. As Mr. Macy told you Tuesday, establishing a Public Broadcasting Fund this year would facilitate the provision of a tax or a charge at a later date. Incidentally, it should be noted that the record of the Administration in this area is a sorry one, indeed. A year ago President Nixon promised a plan for permanent financing: "Legislation will be proposed to provide an improved financing arrangement for the Corporation." None has been forthcoming.

V. Public Broadcasting's Purpose

The American people are indebted to you for going ahead with these hearings even without any overt support from the Administration. After all, it is their public broadcasting system we are talking about. In that connection, I think that it's worth reviewing briefly the fundamental purposes of public broadcasting.

The job of public broadcasting is to provide solid programming alternatives for the many millions of Americans who are not served by the commercial system, a system completely dedicated to serving the marketing strategies of mass producers of goods and services. It is public broadcasting's job to discover the weaknesses and limitations of commercial broadcasting and fill those voids. Drawing from this premise, some people mistakenly conclude that public broadcasting should be aiming its programming solely at the Phi Beta Kappas, the professionals, the opera-lovers, and so forth. It may well be

that highly-educated people have not found much on commercial television and radio aimed at them; equally obviously, part of public broadcasting's programming should be aimed at filling their needs. Thus, public broadcasting ought, indeed, to include a regular complement of drama, concerts, documentaries, and the like.

But programming just for a "high-brow" audience is not a sufficient justification for public broadcasting, nor is it the logical inference to draw from notions about the failures of commercial TV.

The fact is that virtually no one is truly served by commercial broadcasting. If you were to make up a list of such viewers, you might start off with blacks, Spanish-Americans, and other racial minorities. You would have to include rural Americans, whose problems and special interests are by definition "minority," and receive scant attention from the commercial networks; there are those young people whose own preferred form of entertainment, "rock" music, has yet to receive wide exposure on commercial television because of its as-yet "minority" status; and there are the people over 65, who are doubly discriminated against on commercial television--first, because they are a minority of 20 million, and second, because even those programs which do attract huge numbers of elderly viewers to commercial television are considered by advertisers to attract the "wrong" audience (i.e., not white, middle-class, suburban, aged 18-40).

Public broadcasters should simply ask themselves, is this something commercial broadcasting is doing sufficiently and adequately now? After they make that decision, themselves, I believe they should not be limited by you (Congress) or me (the FCC) in their categories of programming. Whether political satire, specialty movies, rock music, drama, public affairs, or popular vocational education, public broadcasting ought to have the green light.

This does not mean, of course, that public broadcasting should avoid putting on highly-rated shows. Many programming concepts are traditionally viewed as too "risky" for commercial television by national advertisers. All in the Family is an exception, rather than the rule, in terms of the relative state of realism in commercial television. Ironically, All in the Family started on BBC, Britain's "public broadcasting" system. If CBS had accepted the age-old wisdom that reality and commercial television are like oil and water, then All in the Family might have been on PBS instead of CBS--and the ensuing high ratings certainly would not have destroyed the validity of its appearing on public broadcasting to begin with (as did the BBC's Civilization and Forsythe Saga).

This brings up the subject of public affairs programming. In a recent interview over National Public Radio, Dr. Clay T. Whitehead of OTP stated his views regarding the broadcasting of public affairs programming:

There is a real question as to whether public television, particularly the national federally funded part of public television, should be carrying public affairs and news commentary, and that kind of thing, for several reasons. One is the fact that the commercial networks, by and large, do, I think, quite a good job in that area. . . .

Another consideration is that we have a very strong tradition in this country that the press and the government stay at arm's length, that they keep apart from each other. So that when you're talking about using federal funds to support a journalism activity, it's always going to be a subject of scrutiny. It just invites a lot of political attention, you know, whether or not there's anything wrong going on there at all.

That's a rather disingenuous statement, I must say. Here is a leading representative of the Nixon Administration saying that he thinks there ought to be no public affairs on public broadcasting because politicians might object. But, this is the very Administration that has severely criticized the Corporation for Public Broadcasting for having the temerity to hire a newsman who disagrees with the Administration's political philosophy. This is the Administration that has publicly castigated the Public Broadcasting Service (a membership organization of local public stations) for becoming a fourth network--shades of the Eastern media conspiracy! This is the Administration that has refused to come up with a plan to fund public broadcasting through an insulated funding mechanism--holding out the carrot and stick that if CPB President Macy will monitor the public affairs programs a little more closely in this election year (as he's now told you he'll do) the Administration may finally come forward with some money.

The fact is that there probably is a great need for public affairs programming by public broadcasting. After all, the recent DuPont-Columbia survey of broadcasting reports that only 2% of commercial broadcasters' prime time is devoted to news and public affairs--this, by an industry with revenues of \$4 billion a year. The three networks combined have only four hours of regularly scheduled public affairs programming per month during prime time; ABC-TV has none. In addition, the three networks have repeatedly made clear that their half-hour evening newscasts are little more than "headline services." Compare the news and public affairs programs of our three commercial networks to those of Britain's BBC and ITV. NBC had a program called First Tuesday, which, by definition, was on once a month. BBC has a program called Twenty-Four Hours, which, by definition, is a daily public affairs show--in addition to BBC's nightly news. BBC has four separate departments in this area--one for public affairs, one for news, one for documentaries, and one for features--and each has its own regularly assigned portion of the broadcast week--in addition to sports, movies, series shows, and so forth. So to call American commercial efforts in this area adequate--despite how good they look in comparison to their entertainment programming--is absurd on its face.

It might well be that if I were the head of PBS, I might very well have decided not to go into public affairs in a big way at this time. But that is a journalistic, strategic and managerial judgment, not for me or Dr. Whitehead or any other governmental official to make. Moreover, once the managers of

public broadcasting have decided to enter a particular sphere of programming, they deserve the leeway necessary to produce programming free from outside interference.

The only real justification for public broadcasting's existence is its willingness to do the very things that commercial broadcasting cannot or will not do--because of the nature of the industry's structure, because of advertiser pressures, or whatever. In one sense, therefore, unless public broadcasting is controversial, unless it is innovative, it ceases to fulfill its minimal purposes. But it can never begin to fulfill those purposes--it can never exercise its own freedoms, or allow the artist to function freely in communicating with his audience--unless it is provided the security that will come with significant, insulated, long-range funding. The longer we postpone that day the longer we retard the growth and inhibit the freedom of public broadcasting, to the detriment of the entire society.

PBS Prime Time Program Hours (Excluding Repeats)

1971

5 station centers produced 526.2 hours out of 657.7 total.
[CTW produced an additional 150 hours daytime] - all other
stations produced 131.5 hours or 19% of total -- NET did
213.5 hours or 33%.

1972

6 station centers produced 539.5 hours out of 590.5 total.
[CTW produced an additional 195 daytime hours] -- all other
stations produced 51 hours or 8.6% of total -- NET did
146.5 hours or nearly 25%.

1973

Planned for 6 station centers to do 419 hours out of 500 total.
[CTW produced an additional 195 daytime hours] -- all other
stations produced 81 hours or 16% of total -- NET to do 130
hours or 26%.

Tiernan requested list of people you have contacted from local stations (licensees), NAEB, CPB, etc.

Tiernan asks for facts substantiating the proposed increase in appropriations for CPB.

Macdonald requests list of OTP staff members with background in broadcasting.

FEB 1 1972

Honorable Spiro T. Agnew
President of the Senate
Washington, D. C. 20510

Dear Mr. President:

I am submitting herewith for the consideration of the Congress a proposed revision of section 396 of the Communications Act of 1934, which pertains to public broadcasting.

In the Congressional deliberations preceding enactment of the Public Broadcasting Act of 1967, considerable attention was given to the desirable manner of funding public broadcasting. That important question was ultimately left for later resolution, and funds have since then been authorized on an annual or biennial basis that is generally acknowledged to be less than ideal. During the past year, the Administration has undertaken fundamental consideration of this important question and had hoped to present its recommendations during the past session. It developed, however, that basic questions were involved beyond those pertaining to the level, means and duration of funding. In particular, it became apparent that any program for increased funding without annual Congressional review would have to contain carefully drawn provisions to insure disposition of the funds in accordance with the intent of the Public Broadcasting Act.

We have found no consensus within the public broadcasting community on these matters, and hence have been unable to develop our recommendation as early as we had hoped. There is no controversy, however, concerning the continuing desirability of public broadcasting as envisioned by the 1967 Act, nor is there much doubt of its need for increased funds to continue its healthy development. While, therefore, consideration of an ultimate funding procedure continues, we recommend that the Congress adopt the proposals contained within this legislation for another one-year extension of the Corporation for Public Broadcasting's current funding, at a significantly increased level--\$10 million above that for the present fiscal year. Federal funding will thereby be established at \$45 million, \$5 million of which must be matched by funds derived elsewhere. Despite severe pressures

on the Federal budget, we feel this increase is desirable to continue the progress of an enterprise which is still in its developing stages.

This legislation also reflects an effort to direct assistance specifically to the individual public broadcasting stations, which currently face severe financial burdens. At present the Corporation devotes between \$5 and \$6 of its \$35 million to general operating support of local radio and television stations. The Administration bill seeks to add to this an additional \$10 million for Fiscal 1973. It establishes a mechanism for distribution of a total of \$15 million to the local stations in a manner which assures that they will be effective partners with the Corporation in the development of public broadcasting service for their communities.

This mechanism provides for \$2 million to be distributed to public radio stations--almost doubling the general support funds which the Corporation now provides them. Because of the large number and enormously diverse nature of public radio operations, the manner of distribution of these radio funds is left to the discretion of the Corporation, to be exercised in consultation with station representatives. The proportion of the \$15 million devoted to radio represents the approximate share of total non-Federal public broadcasting support which goes to radio.

The statutory mechanism would also make available \$13 million to approximately 140 licensees of public television stations. Two types of grants would be used for this purpose: a minimum support grant of \$50,000 and a supplemental grant based on the proportion which the licensee's operating budget, exclusive of Federal and Corporation grants, bore to all licensees' operating budgets during Fiscal 1971. The minimum grant would be reduced in those instances where necessary to prevent it from exceeding 25 per cent of the licensee's Fiscal 1971 operating budget (exclusive of Federal and Corporation grants). There would also be an upper limit on the amount of the supplemental grant, since no licensee's operating budget would be considered to exceed \$2 million for grant purposes.

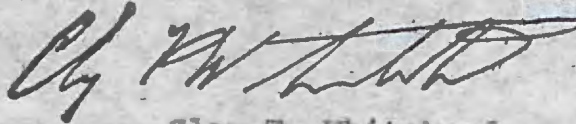
The Public Broadcasting Act needs substantial refinement--not only to establish its final basis of financing, but also to take account of technical change and operational experience during the first five years of its existence. While the needed revisions are being considered by the Administration and the Congress, this proposed bill will enable the sound growth of the system to continue.

- 3 -

The Office of Management and Budget advises that the proposed legislation is in accord with the program of the President.

A similar letter is being sent to the Speaker of the House.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Clay T. Whitehead', written in a cursive style.

Clay T. Whitehead

Enclosure

cc: DO Records
DO Chron
Dr. Mansur
Mr. Whitehead - 2 ✓
Mr. Lamb
GC Subj
GC Chron

AScalia:hmy - 1-31-72

A BILL

To amend section 396 of the Communications Act of 1934 to increase and extend for one year the authorization for the Corporation for Public Broadcasting.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

That subsection (k) of section 396 of the Communications Act of 1934 (47 U.S.C. 396(k)) is amended:

- (1) in paragraph (1) by adding "and for the fiscal year ending June 30, 1973, the sum of \$40,000,000. Provided, however, that \$15,000,000 of the funds authorized to be appropriated pursuant to this subsection shall be distributed by the Corporation in the form of general support grants to licensees of noncommercial educational radio and television broadcast stations in the following manner: \$2,000,000 shall be distributed to licensees of noncommercial educational radio stations according to criteria determined by the Corporation in consultation with representatives of such stations; and \$13,000,000 shall be distributed to licensees of noncommercial educational television broadcast stations by giving each such licensee a minimum support grant of \$50,000 or an amount equal to 25 per cent of the licensee's operating budget during the fiscal year ending June 30, 1971 (exclusive of Federal and Corporation funds), whichever is the lesser amount, and a supplemental support grant equal to the proportion which the licensee's operating budget (exclusive of Federal and Corporation funds) bore to the total of all such licensees' operating budgets (exclusive of Federal and Corporation funds) during the fiscal year ending June 30, 1971, except that no such licensee shall be considered for purposes of the supplemental support grant as having had an operating budget (exclusive of Federal and Corporation funds) in excess of \$2,000,000," and
- (2) in paragraph (2) by striking out "June 30, 1972" and inserting in lieu thereof "June 30, 1973."

draft

Mr. Chairman, this is my first appearance before the Subcommittee on Communications and Power. While I may be a stranger to the Subcommittee, I assure that I am no stranger to your work and accomplishments within the general communications field and particularly as to public broadcasting. Although the self-proclaimed fathers of public broadcasting are legion, its paternity is quite clear. The Carnegie Commission, this subcommittee, and its counterpart in the other body created the conceptual framework for the system we have and gave meaning to it in the Public Broadcasting Act of 1967. There isn't a basic issue regarding public broadcasting that hasn't had your constructive consideration. Therefore, I welcome the opportunity to explore with you OTP's views on these issues and the Administration's plan for increased interim financing of public broadcasting, while the fundamental issues await final resolution.

OTP is a new office, but we've been around long enough to realize that in Washington there are few things more permanent than interim legislation. Mr. Chairman you have been critical of us for not being more prompt in devising a permanent financing plan for public broadcasting. But the delay cannot be attributed to either ineptitude or maliciousness. I have personally wrestled with this problem for almost a year. Others have tried for years. It is an exceedingly complex and difficult matter -- one that involves basic assumptions about the role and structure of the public broadcasting

system in our country and how government should interact with that system. But it is not an insoluble problem--we just haven't solved it yet. With, due deference, I do not believe that H. R. 11807 solves it. Before I comment specifically on this Bill, and the others before the Subcommittee, let me discuss briefly the background of the Administration's efforts.

BACKGROUND

Last year, the President's budget message stated that an improved financing plan would be devised for public broadcasting. My office worked closely with representatives of the Corporation for Public Broadcasting (CPB), the National Association of Educational Broadcasters (NAEB), HEW, the FCC, and other interested groups. The bill we developed served two major purposes: It authorized HEW--and, to a lesser extent, CPB--to develop and encourage the use of new communications technologies for instructional purposes; and it authorized five-year funding for CPB, by means of a trust fund in the Treasury -- quite similar to the trust fund financing provided in H. R. 11807. We also provided mandatory distributions of operating funds from CPB to local educational broadcast stations and other programming outlets. We wanted to assure that the local entities would have the financial strength to counterbalance the growing dominance of CPB and its network arm -- Public Broadcasting Service.

Indeed, the Carnegie Commission felt so strongly about the need to disburse operating funds free of the Corporation's discretion that it

recommended an approach that would have had HEW distribute all operating grant funds to the stations. The principal reason for this separation of funding responsibilities between HEW and CPB was a fear that, if the stations had to look to the Corporation for their "daily operational requirement," it would lead "naturally, inevitably, to unwise, unwarranted and unnecessary centralization of educational broadcasting." The Corporation would become too big, too central, and too dominant an organization. Apparently, the Congress did not have the same fear, because the Act provided for operating funds to come from CPB, but operating support was to have been one of CPB's principal responsibilities. Unfortunately, CPB was never able to devote enough to this purpose, but we felt that with the \$35 million available to CPB in Fiscal 1971, more than \$5 million should have been used for general support grants. To get back to the bill OTP had last summer, we did not anticipate the depth of CPB's opposition to our method of station funding. CPB wanted only a percentage of its total appropriation to be earmarked in the statute for distribution to the local stations pursuant to a formula of CPB's closing. In short, had we made the changes that CPB wanted, we would have submitted a bill quite similar to H.R. 11807.

By October of last year, we had reached an impasse with CPB and I felt that I owed an explanation to the educational radio and TV stations, many of whom were, in severe financial difficulty. My

address to the annual NAEB Convention provided me with the opportunity I sought. The particular financing controversy was only illustrative of larger concerns that we had, and I focused on these fundamental issues.

Reduced to its essential elements, my bill of particulars dealt with the following concerns:

1. The independence of the local stations has suffered because CPB has not devoted more funds to station support grants and grants for purely local program production.
2. Local station autonomy has been undercut by the CPB and PBS use of interconnection facilities to establish a fixed-schedule, real-time network contrary to the intent of the 1967 Act.
3. Program diversity has not been enhanced, since national programs are produced or acquired in

effect by CPB's "in-house" production entities, which incidentally are also local broadcast stations. Moreover, the national programming stresses a fourth network approach to public broadcasting--an approach which seeks a mass audience for news, public affairs, and entertainment programs.

4. Not enough attention is devoted to achieving a balance of programming by devoting more resources to local programming, especially local instructional and educational programs.

OTP's motives in raising these matters have been questioned. This is to be expected in a political town in a political year. But public broadcasting should not be allowed off the hook so easily. These are our serious concerns and should be the concerns of everyone involved in shaping future policy for the public broadcast system.

H.R. 11807

With this as background, let me turn to our particular objections to H.R. 11807 and to H.R. 7443. First, as to both the bills, the level of funding over a five-year period is too high. When all of the other demands on the Federal budget are considered, it is inappropriate to earmark \$140 million (H.R. 7443) or \$160 million (H.R. 11807) to public broadcasting. Moreover, H.R. 7443 does not

provide that any of these funds be used on an unrestricted basis for station support, and leaves the amount of any such distribution to the complete discretion of CPB. H.R. 11807 is better in this regard, since it requires CPB to earmark at least 30 percent of its funds for this purpose, but here too the amount and nature of the distributions to particular licensees are left to CPB's discretion, albeit a discretion that must be exercised in conjunction with public broadcasting representatives. First, we think that a more substantial share of CPB's funds should be passed on to the local stations. The first-year level of \$64 million for CPB, at least 50 percent should go to the stations. Thereafter, an even greater proportion of CPB funds should be distributed to the stations. The costs of CPB activities in support of national programming should level off, but the stations' job of community service in the areas of education and instruction would require more and more resources.

Of equal importance is the statutory specification of the amounts and method of distribution of operating support grants. This H.R. 11807 does not do. Experience has shown that the local entities need a stable source of a known quantity of funds, if they are to live up to their potential of serving the educational needs of their communities.

Furthermore, H.R. 7443 would not require CPB to aid in the development and use of new communications technologies, such as

videocassettes, broadband cable, and communications satellites, H.R. 11807 speaks to this concern, but it does not give sufficient emphasis to CPB's obligation in this regard. We feel that, at a time of rapidly expanding technological capabilities, it is appropriate to require CPB to support educational and instructional uses of these technologies. For example, our own long-range financing bill would have made entities making use of new technologies for these purposes eligible to receive CPB's general support grants, along with the broadcast stations.

H.R. _____

Turning now to H.R. _____, we have not had a great deal of time to study Congressman Brown's method of financing, and we have not yet assessed the full import of some of the modifications H. R. _____ would make in the present Act. However, from what we have seen Congressman Brown has suggested a number of innovative approaches to some very real problems. The balance between the local stations and CPB must be restored. One sure way of achieving this would be to take the interconnection and station support functions away from CPB by providing substantial HEW funding for the stations and allowing them to make their own interconnection arrangements. Moreover, station representation on the CPB Board of Directors; prohibitions on promotional and lobbying

activities, as well as on funding of programs on partisan political controversies; limitations on the amount of CPB funding from a single nongovernment source; and requirements for an annual GAO audit are all reasonable methods of preventing future abuses of authority and discretion on the part of CPB. In addition, H.R. _____ takes a firmer stand than H.R. 11807 in requiring CPB to devote some of its resources to foster new communications technologies for educational services. The public is entitled to full exploitation of the most cost-effective methods of distributing these services.

In any event, while there is much to be said for H.R. _____, we believe that the time is not yet ripe to resolve finally the fundamental issues presented by the Federal Government's extensive financial support of an educational broadcast system. We intend to study all of the implications of H.R. _____, as well as other approaches, during the coming year so that these issues may be finally resolved before there is a need to devise yet another interim financing plan.

Administration Proposal

This brings me to the Administration's interim financing plan-- H.R. _____. For the reasons I have discussed, we have not been able, nor have we felt it appropriate in the present state of flux, to introduce a long-range financing plan for public broadcasting this

session. The 1967 Act needs substantial refinement to provide a stable source of financing, to define clearly and carefully the respective roles of CPB and the local stations, and to take account of technological charges that have occurred since 1967. While these revisions are under consideration, our one-year extension bill will allow the growth of the public broadcast system to proceed soundly, during the critical evolutionary period it is now in. Continuing the Administration's record of increasing funds for public broadcasting -- the appropriations will have increased two and a half times from Fiscal 1969 to Fiscal 1973 -- the present bill adds \$10 million to CPB's current level of funding, for a total of \$45 million, of which \$5 million must be matched by funds derived elsewhere.

H.R. _____ is more than a simple extension and increase in authorization for CPB. With it we seek to establish the basic principle that the local educational broadcast stations are entitled to a significant portion of Federal funds appropriated to CPB, and that these funds must be provided on unrestricted basis.

CPB currently distributes over \$5 million in general support grants to the stations. H.R. _____ would add \$10 million for Fiscal 1973 and establish a mechanism for distributing a total of \$15 million to the local stations, so that they will be effective partners

partners with the Corporation in the development of educational broadcasting services for their communities.

H.R. _____ provides for \$2 million to be distributed to public radio stations--almost doubling the general support funds which the Corporation now provides them. Because of the large number and enormously diverse nature of public radio operations, the manner of distribution of these radio funds is left to the discretion of the Corporation, to be exercised in consultation with station representatives. The proportion of the \$15 million devoted to radio represents the approximate share of total non-Federal public broadcasting support which goes to radio.

The statutory mechanism would also make available \$13 million to approximately 140 licensees of public television stations. Two types of grants would be used for this purpose. First, there would be a minimum support grant of \$50,000 or one-half the licensee's total non-Federal, non-CPB supported budget, whichever is less. At \$50,000 the minimum grant would be two and a half times as much as the present minimum Corporation grant. Second, the licensee would be entitled to a supplemental grant based on the proportion which his operating budget, exclusive of Federal and Corporation grants, bore to all licensees' operating budgets during Fiscal 1971. There would, however, be an upper limit on the amount of the supplemental grant, since no licensee's operating budget would be considered to exceed \$2 million for grant purposes.

We anticipate that, taking both types of grants into account, the minimum distribution would be around \$50,000 and the maximum would be over \$180,000. Station support at this level of funding would give the licensees some breathing time to work with all of us in devising a more long-range financing plan.

Conclusion

Mr. Chairman, this concludes my statement today. If I have not convinced you of the merits of the Administration's position on public broadcasting, I hope that I have at least given you some idea of the problems that concern us, and why we believe it is better for now to seek increased funding for another year on a sound basis. When time cools the passions that the public debate has engendered, we can work constructively next year with educational broadcast organizations to resolve some of the issues that your hearings have fully aired.

The Congress in the 1967 Act reflected the Carnegie Commission's eloquent plea for freedom in public broadcasting, excellence in programming, and diversity within that excellence. Despite the arguments of some that diversity and decentralization within the system are impractical and unworkable, or at least not the best way to enhance the national impact of the public broadcasting,

the Administration is not yet ready to abandon the Congress' grand design. To date, the acclaim that has followed presentation of the best and most innovative of CPB-supported programs has been well earned. No one seeks to destroy the effectiveness of such programming. I suspect, however, that with the refinements in the system that the Administration will urge, the best is yet to come.