

**Alaska Public Broadcasting Commission  
Special Meeting**

**10 a.m. ~ September 21, 2016**

Teleconference: 1-800-240-3895, Participant Code: 8981030#

Teleconference will originate at APBI Offices  
135 Cordova Street, Anchorage, Alaska 99501

**Agenda**

- I. Call to Order/Roll Call**
- II. Introduction of Commission Members and Attendees**
- III. Approval of Agenda**
- IV. Commissioner Disclosures (pursuant to State of Alaska Ethics Act, AS 39.52 and Operating Policy #05-003, Section II F)**
- V. New Business**
  - a. FY18 Operating and Capital Budget Requests to the Walker Administration
  - b. KOTZ FY17 Eligibility Status and Operating Grant
- VI. Next Meeting Date: October 31, 2016 at 11 a.m. by teleconference**
- XII. Adjournment**

## **APBC Special Meeting September 21, 2016**

### **FY18 Operating Budget Request to Walker Administration**

The APBC's annual funding request to the State of Alaska (SOA) is made through the Department of Administration (DOA). The APBC has actively sought increased operating revenue in nine out of the past ten years. In each year various Governors proposed flat funding, with the last two years being the exceptions. DOA proposed an 18% combined reduction in FY16 funding and proposed an 18.5% combined reduction in FY17. Given the price of oil and no revenue solution on the horizon, it appears that we are headed for a third year of proposed reductions by DOA, likely followed by efforts by some legislators to zero out funding during the 2017 session.

Staff recommends that the APBC make the following funding requests for Governor Walker's FY18 operating budget:

Radio: \$750K increase. Make the case for getting the funds back that were lost in FY17.  
TV: level funding  
APBC: level funding

Staff also recommends that we open a dialogue with the Alaska Department of Commerce, Community, and Economic Development to see if that Department might be a better home for public broadcasting budget components in the future.

In FY91, SOA funding for public broadcasting funding exceeded \$7.5M compared to \$2.7M in FY17. Adjust for inflation and considerable purchasing and operating power has been lost. In addition, federal matching funds have been lost due to lower SOA revenue.

### **FY18 Capital Budget Request to Walker Administration**

Capital budget requests are submitted by stations, working directly with their representatives. Historically, this approach has yielded varying degrees of success. However, in this budget environment, it is unlikely that capital revenue can be secured for equipment and infrastructure needs. Stations are still encouraged to submit capital requests to legislators. In addition, the APBC has submitted capital budget requests the past four years. None of these APBC requests have been successful.

For FY18 staff recommends requesting funds for replacing the *Satellite Distribution Infrastructure*. This system provides video and audio distribution for public television and radio signals throughout Alaska for a variety of services and distributes the ARCS low power rural TV network. It also carries statewide emergency communications services, Emergency Alert Service (EAS) messages, to radio and TV stations around the state. The current equipment was put into service in 2007 and has been in continuous service for over 9.5 years. All associated equipment is beyond *end of service/end of life* dates mandated by the manufacturer and as such are not eligible for factory maintenance, support or repairs.

Any major system failure at this point would result in complete loss of service. The project work scope requires system design, equipment and license purchases, installation and commissioning of new system. In 2006, cost of this infrastructure project was \$1.2m. Estimated cost of replacement is \$450k.

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KOTZ Kotzebue  
FY17 Grantee Eligibility Status  
FY17 Operating Grant

**FY17 Grantee Eligibility Status & Background**

In FY10, the Commission implemented new grant eligibility criteria for licensees, adding best practices for sustainable non-profit organizations to the existing criteria. In doing so, the APBC established a higher performance standard for compliance and grantee qualification. In response to some stations having challenges meeting the criteria, the APBC adopted Policy 09-001, Licensee Ineligibility in August 2009. The APBC reviewed and revised the policy in August 2010 and again in March 2016. The policy gives the APBC guidance on addressing stations that fail to meet the deadline for establishing eligibility for the following fiscal year. Specifically, per policy *“a daily reduction (1/365<sup>th</sup> per day) is assessed to the grant amount. This reduction is effective the day following the deadline for submitting all required materials and continues until licensee satisfies requirements and is declared eligible.”*

May 2, 2016 was the deadline for being in full compliance and establishing eligibility for FY17 operating grants. Three stations failed to meet this deadline: KMXT, KSKO, and KOTZ.

During the June 17, 2016 APBC meeting in Anchorage, the Commission reviewed each case separately and took the following actions:

*KMXT Kodiak* established eligibility on May 6, 2016, three days past the deadline. KMXT submitted a letter stating the reasons behind the delay and accepting full responsibility for missing the deadline and was available to answer Commissioners questions and concerns at the meeting. The Commission noted this was the first time KMXT has missed the annual eligibility deadline since its adoption. The Commission, by roll call vote, moved to issue a one-time waiver of FY17 operating grant allocation reductions per APBC Policy 09-001 to KMXT and to issue a formal letter to KMXT management notifying them of this action and the consequences of future compliance issues. That administrative action was completed in a timely manner.

*KSKO McGrath* submitted all survey material on May 9, 2017, six days past the deadline. However, they were not able to satisfy the board training requirement until June 14, 2016, 42 days past the deadline. The Commission noted that this was not the first occurrence by KSKO in missing the annual eligibility and reporting deadline; however, it was the first time that the new manager had to handle the annual requirement. The Commission, by roll call vote, moved to reduce KSKO, FY17 operating grant allocation by 6/365 in accordance to APBC Policy 09-001 and to issue a formal letter to KSKO management and board of directors informing them of this action, stating that previous compliance infractions have occurred, and reminding them of future consequences if compliance issues continue. That administrative action was completed in a timely manner.

KOTZ Kotzebue had not submitted any survey or eligibility documentation as of the June 17, 2016 APBC meeting. The manager knew that the deadline was missed and had been unresponsive to subsequent requests for the missing eligibility documentation. The Commission, by roll call vote, moved to issue a formal letter to KOTZ management and board of directors stating that KOTZ is not in compliance and is currently ineligible for FY17 operating grant funds. That administrative action was completed in a timely manner. As of June 17, 2016, per APBC Policy 09-001, the station had potentially forfeited 42/365 of grant funds due to non-compliance and will continue to potentially forfeit 1/365 of grant funds per day if the station remains out of compliance. KOTZ had a minor eligibility issue in FY11 ending in a 1/365 grant reduction and in FY13 the Commission issued a 20/365<sup>th</sup>, one-time cap on the total reduction to KOTZ for eligibility issues.

### **FY17 Operating Grant – KOTZ**

Per Commission decision at the June 17, 2016 meeting, the State is holding \$82,542 (FY17 grant amount per formula) until KOTZ establishes eligibility and the Commission can take further action. On August 8, 2016, KOTZ fulfilled all FY17 eligibility requirements.

If the Commission strictly adheres to Policy 09-001 a grant reduction of 97/365 or \$21,936 would be imposed. There is precedence for capping significant reductions at 20/365. If the Commission chooses to cap the reduction at 20/365, then the reduction would be \$4,523.

KOTZ management has been notified that participation by the manager or a KOTZ representative at the September 21, 2016 APBC Special Meeting is required.

In past cases of *significant* compliance issues, there is precedence to approve a grant amount, issue a Department of Administration (DOA) grant agreement, authorize the first advance payment (30%); but authorization of subsequent advances is contingent upon grantee meeting all compliance requirements throughout the year. In these situations, DOA disbursements are executed only after consultation with the Executive Director for confirmation of compliance status.

All APBC grantees are currently losing considerable SOA funding, FY16, FY17 and possibly more in FY18. That fact is worth noting when considering whether or not the Commission may wish to impose additional one time losses for KOTZ per policy/past precedence, i.e., higher than 20/365.

Commission review and decision is needed on the eligibility status and FY17 Operating Grant for KOTZ. Any balance of reductions would be allocated to the FY17 APBC Discretionary Fund per Policy 09-001.

# **Alaska Public Broadcasting Commission OPERATING POLICY #09-001**

## **SUBJECT: LICENSEE INELIGIBILITY**

### **I. BACKGROUND:**

At the June 15, 2009 meeting, the Commission discussed aspects of licensee ineligibility; in particular, what issue or combination of issues would trigger a licensee being declared ineligible for funding. Discussion centered around three areas: timeliness of required reporting, degree of non-compliance, and Executive Director (ED) authority to exercise judgment, discretion when appropriate.

As a result of that discussion, the Commission recommended that these topics and questions be further explored by the APBC Policy Committee in order to 1) establish a clear set of parameters for declaring a licensee ineligible, 2) determine consequences for ineligible licensees, and 3) determine steps by which a licensee regains eligibility.

The APBC Policy Committee reviewed and discussed these topics on August 21, 2009.

### **II. POLICY**

BE IT RESOLVED, that the Alaska Public Broadcasting Commission adopts as policy the following rules of procedure for licensees to establish eligibility and corresponding consequences for non-compliance.

#### **A – Annual Eligibility**

##### **1. Annually declaring licensee eligibility status.**

- a. The APBC will declare a licensee ineligible for grant funding if the applicant has not met all eligibility criteria and reporting requirements as of the deadline for submitting the annual station survey documents.

##### **2. Consequences for ineligible licensees.**

- a. All projected licensee grant amounts are determined per the established funding formula. (Grant amounts may be projected using licensee's prior year financial information if current data is not available. Grant amounts will be projected for all licensees whether they are deemed eligible or ineligible at time grant calculations are conducted.)

- b. Ineligible licensees will not be awarded a grant and therefore no grant agreement will be executed by the Department of Administration.
- c. A daily reduction (1/365th per day) is assessed to the grant amount. This reduction is effective the day following the deadline for submitting all required materials and continues until licensee satisfies requirements and is declared eligible.

### **3. Reestablishing licensee eligibility.**

- a. Licensee must satisfy all reporting and eligibility requirements.
- b. The ED in consultation with the Co-Chairs will determine if/when eligibility is satisfied. Decision does not require special meeting or have to wait until next quarterly meeting. Full Commission will be notified of the determination at the time that it is made.
- c. The prorated grant amount will be transmitted to DOA for drafting of the grant agreement.
- d. If the late financial data used in the funding formula calculation results in a higher grant amount than determined previously, then the licensee forfeits the increase as a result of having been declared ineligible. If the projected grant amount is too high based upon the late arriving financial data, the overage is backed out of the grant amount and allocated to the Discretionary Fund.
- e. The total prorated grant reduction (1/365<sup>th</sup> per day) is also allocated to the Discretionary Fund. Licensees whose grants are reduced due to ineligibility are not eligible to recoup these reductions back through the Discretionary Fund for operating; however, they may be eligible to receive discretionary funds for emergency and/or special projects.

## **B. Maintaining Eligibility throughout Fiscal Year**

### **1. Declaring a licensee ineligible within a fiscal year.**

- a. The APBC will declare a licensee ineligible if the grantee falls out of compliance with quarterly eligibility and reporting requirements.

**2. Consequences for grantee being out of compliance within the fiscal year.**

- a. Grant payments by the Department of Administration will be placed on hold until grantee is deemed eligible by the Commission.

**3. Reestablishing licensee eligibility within fiscal year.**

- a. Licensee satisfies all quarterly reporting and eligibility requirements.
- b. The ED in consultation with the Commission will determine if/when eligibility is satisfied. Determinations will occur during regularly scheduled quarterly Commission meetings.

**PASSED** and **APPROVED** by the Alaska Public Broadcasting Commission, this 17<sup>th</sup> day of March, 2016.

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Lisa Vaught, Co-Chair

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Michelle O'Brien, Co-Chair