

## **WHERE THE AIR IS SWEET? VALUING AMERICAN PUBLIC BROADCASTING**

*2007 marked the 40<sup>th</sup> anniversary of widespread government funding for and oversight of public broadcasting in the United States. As the commercial media landscape is increasingly defined by a smaller number of conglomerates owning larger shares of the airwaves, public broadcasting advocates cite the quality and independence of their noncommercial productions as important public goods requiring continued federal support. Is this a valid justification for such support, or has public broadcasting outgrown the need for government funding and oversight?*

Public broadcasting may be broadly defined as transmitted communications that are freely available to a majority of a nation's citizens, and are directly or indirectly funded by those same citizens, either through taxes or fees collected and disbursed by the government on their behalf or via their own direct philanthropic donations. Generally, public broadcasting is offered with the goal of improving society—with the definition of “improvement” residing in the hands of the government agency or branch providing the funding.

Governments throughout the world have typically subsidized the high fixed costs involved in the nascent stages of their native radio and television industries, and in most nations public broadcasting was widespread long before commercial, private broadcasting stations emerged. The United States, however, stands unique as the only country in the world in which a wide-spread, market-bred, commercial broadcasting industry significantly preceded federal government support for public broadcasting, which did not begin until 1967. The initial justifications for federally-funded public broadcasting in the United States were therefore not predicated on providing radio or television to people who didn't have access to such broadcasts, but rather with using government funds to provide specific types of programming, primarily educational, cultural, and instructional.

### *Summary of U.S. Public Broadcasting History*

Public broadcasters operated without significant federal oversight or funding for over half a century after station 9YI (now WOI) at Iowa State University made the first public radio broadcast in 1921. Early public broadcasting stations were typically associated with, and funded by, colleges and universities as part of those institutions' educational missions. These pioneering public broadcasters quickly organized into regional and national associations, and were active (though largely unsuccessful) lobbyists during the hearings associated with the Communications Act of 1934, which established the Federal Communications Commission (FCC) and gave it authority over radio and telephone services. A proposed amendment to the 1934 Communications Act by Senators Robert Wagner and Henry Hatfield would have reserved 25% of all radio stations for noncommercial, educational purposes. The Hatfield-Wagner amendment was defeated, however, marking the dawn of a long era in which the FCC, its Congressional backers, and their corporate patrons tended to favor private, commercial broadcasting over its public, educational counterparts.

Despite these early setbacks, by 1938 the National Association of Educational Broadcasters had successfully petitioned the FCC to reserve five radio stations for public broadcasting. This decision was later cited as a precedent when 242 television stations were reserved for noncommercial broadcasting in 1952. In June 1953, Houston station KUHT became the first educational television station to begin noncommercial broadcasts, and by the end of 1957 there were 30 such stations broadcasting nationwide.

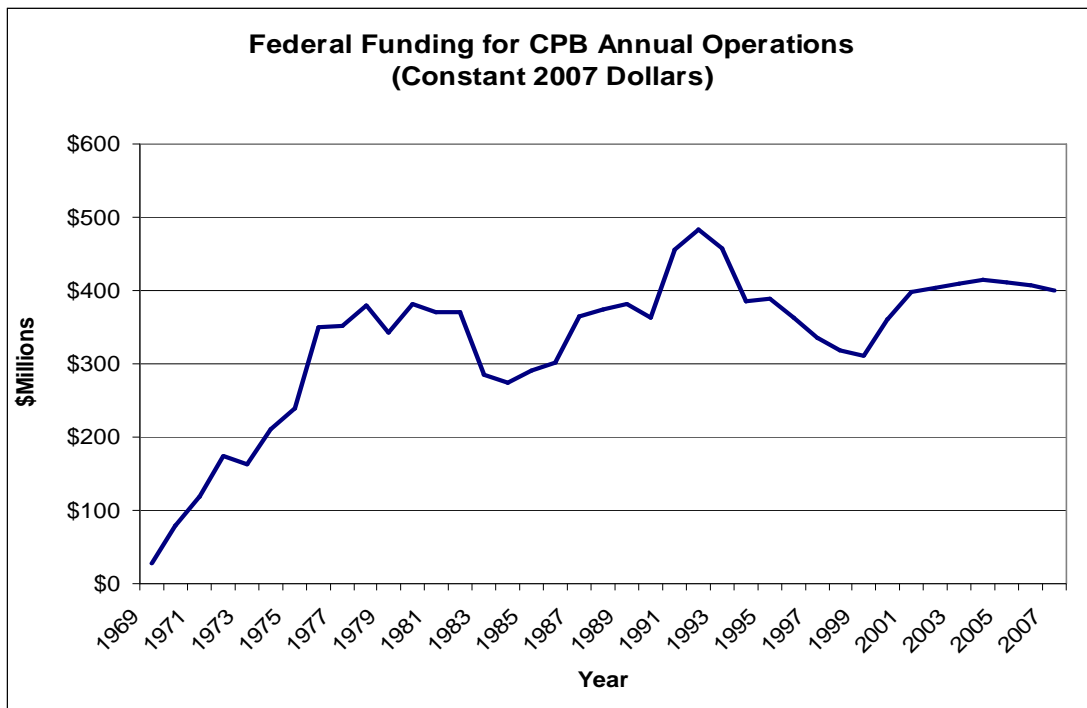
In 1962, President Kennedy signed the Educational Television Facilities Act, marking the first time that the Federal government gave major financial aid to public broadcasting, and directing the FCC to provide support to growing noncommercial radio and television markets. In 1965, the Carnegie Corporation of New York convened a 15-member commission to evaluate the opportunities and challenges associated with public television. Their influential report, issued in January 1967, directly contributed to congressional and executive interest in public broadcasting, which ultimately underpinned the successful passage of the Public Broadcasting Act (PBA), signed into law by President Johnson in November 1967.

The PBA established the Corporation for Public Broadcasting (CPB), a private, nonprofit corporation tasked with promoting and supporting public broadcasting. Among the PBA's

primary founding objectives were the delivery of educational, cultural and instructional programming to un-served and underserved audiences (particularly children and minorities), and the creation of a system that could blend national programming with local-origination material serving the unique needs of communities across the nation.

***Funding Public Broadcasting***

The first federal appropriations for the CPB were authorized in 1969. Since its inception, the CPB has received nearly \$13 billion (in 2007 dollars) in federal funding. For most of the past decade, about \$400 million (in 2007 dollars) has been authorized for the CPB each year. This essentially-flat funding level since 2001 has been the result of Congress restoring sizable cuts proposed each year in the President’s budget, leaving the CPB standing as an uneasy, unstable battleground in the contemporary culture wars. Today, the majority of the CPB’s funding goes directly to individual public radio and television stations, with relatively small portions being provided to Public Broadcasting Service (PBS) and National Public Radio (NPR). NPR and PBS are private, nonprofit media enterprises which are owned and operated by their dues-paying member stations.



In addition to this direct federal subsidy, the CPB, NPR, PBS and their individual public television and radio stations are accorded tax exempt status by the Internal Revenue Service, removing them from tax obligations, while allowing supporting gifts to be deducted by their donors as charitable contributions. United States public radio and television shows may also receive support via cash or in-kind donations from third parties (typically corporations) that underwrite, in whole or in part, the production or acquisition of a program. These underwriters must be publicly identified per the financial transparency provisions of the PBA, which makes underwriting an attractive, subtle alternative to traditional paid advertising for many businesses.

The industry spawned by the PBA has become a large, mature and lucrative one. The National Center for Charitable Statistics (NCCS) provides a clearinghouse for nonprofit data, sorted and ranked by various criteria, including National Taxonomy of Exempt Entity (NTEE) Codes, a classification system for all organizations recognized as tax exempt under current tax laws. Most organizations associated with public broadcasting are listed as either NTEE Code A30 (Media and Communications), A32 (Television) or A34 (Radio). The total receipts collected by the organizations within these three NTEE Codes are approximately \$4.0 billion, while their assets total approximately \$4.3 billion, per the table below.

**SUMMARY OF FINANCES BY NTEE CODE, 2006**  
(Dollars in Millions)

	<u>Number</u>	<u>Total Gross Receipts</u>	<u>Total Assets</u>	<u>Range of Ten Largest Entities (by Receipts)</u>	<u>Range of Ten Largest Entities (by Assets)</u>
<b>A30 (Media and Communications, includes CPB and NPR)</b>	522	\$1,501	\$1,602	\$28 to \$480	\$27 to \$503
<b>A32 (Television, includes PBS)</b>	474	\$2,023	\$2,145	\$27 to \$765	\$29 to \$435
<b>A34 (Radio)</b>	265	\$449	\$689	\$9 to \$81	\$12 to \$176

### *Justifying Public Broadcasting: Market Inequities, Independence or Quality?*

In 1967, at the dawn of the United States' public broadcasting era, the volume of non-commercial educational, cultural and instructional content available and the physical infrastructure to broadcast that content were limited. Federal policymakers at the time determined that a market inequity was in play, where commercial interests were unable or unwilling to provide content that was deemed necessary and useful to the nation. Funding the CPB was an attempt to rectify this inequity. Forty years later, however, as media outlets have expanded exponentially, and as the Internet has emerged as the world's pre-eminent vehicle for near-instantaneous information exchange, the argument that educational, cultural and instructional programming can not find a suitable market niche among commercial providers competing fairly in an open market becomes far less credible. Given this position, continued government funding for public broadcasting becomes less a matter of economic necessity, and more a response to an acquired sense of entitlement by the industry and its audience.

Public radio and television supporters often tout the importance of "independent," non-commercially-sponsored news and educational voices in an era when a smaller number of corporate conglomerates increasingly control larger chunks of the nation's media landscape. Their point may be valid and supportable; public broadcasters have, certainly, produced investigative reports or documentaries disclosing facts and issues that are unpalatable to corporate sponsors, and therefore might never have aired in the commercial sector. But the question remains: is it the federal government's responsibility to use our tax dollars to provide such an "independent" alternative to a media paradigm that is a product of the open market? Similarly, should the federal government be funding "independent" investigations of its own activities via public broadcasting, when ample funding for Investigators General, the Government Accountability Office and other more effective audit and internal controls organizations abound? In order to achieve true independence and to legitimately fulfill any self-presumed watchdog role, public broadcasters would have to refuse both government and corporate funds. Continued acceptance of federal funding and corporate underwriting is in direct contradiction to any claims of independence from government or commercial considerations.

Another common argument offered on public broadcasting's behalf relates to the subjective quality of the programming offered by PBS, NPR and their affiliates when compared

to that available on commercial networks or cable systems. Public broadcasting devotees routinely dismiss fare offered by their private counterparts as overly-commercial, simplistic, biased, or devoid of meaningful content, and state that federal funding is necessary to counter the societal impact of such fare. Implicit in these arguments are two distasteful worldviews: first, that people who choose to watch popular, commercial broadcasting are somehow making a “wrong” choice in doing so, and, second, that commercial broadcast viewers would forego the programming they currently enjoy if only they were offered something that was “better” for them, as defined by a government-funded organization. This smacks of cultural elitism, since if there is truly a demand for “quality” programming beyond that offered by commercial broadcasters, then the market will fill that need once public subsidy is removed.

In their defense, public broadcasting supporters who cite independence and quality as reasons for continued federal funding do have regulatory language to bolster their arguments. The original PBA provisions note that Congress considered “it furthers the general welfare to encourage public telecommunications services which will constitute an expression of diversity and excellence, and which will constitute a source of alternative telecommunications services for all the citizens of the Nation.” Contemporary issues related to “quality” and “independence” of broadcasting could certainly be shoehorned into a clause citing excellence and alternative services as desirable public goods.

However, while pursuing their “independent,” “quality” content, contemporary public broadcasters may have neglected to pay equal attention to two other key provisions of the PBA: first, that service to children and minorities is of particular importance to the government, and second, that public broadcasting must serve particular localities as well as the nation at large.

### ***Minority and Youth Programming***

In addition to touting amorphous attributes like “quality” and “independence,” public broadcasters must also be expected to consider whether the content offered in a typical day on a NPR station serves or appeals to struggling, disenfranchised minorities, or to a largely comfortable, affluent and white audience, or if children’s content is being pushed off of PBS airwaves by “independent,” “quality” fare designed to attract or appeal to prospective donors.

The Public Telecommunications Act of 1988 requires the CPB to submit an annual report to Congress and the American people on service to minority and diverse populations provided by public broadcasters. The 1988 Act defines such populations as “racial and ethnic minorities, including African-Americans, Asian Americans, Hispanics, Native Americans (including Alaskan natives), and Pacific Islanders; recent immigrants; persons who do not speak English as their native language; and adults who lack basic reading skills.” CPB has broadened this mandate to include the physically impaired, children, low-income and rural communities.

The annual reports submitted to Congress from 2002 to 2007 have generally provided samples and explanations of programs and initiatives developed or undertaken in the prior year, but without providing a sense of how prevalent these programs are on the public airwaves. Simply funding the production of content does not mean that it will ever be made widely available to the listening or viewing public. Many of the elements cited in the report, in fact, have nothing to do with broadcasting at all. Rather, they represent community initiatives undertaken by employees of publicly funded stations or networks that could just as effectively be undertaken by staff from virtually any nonprofit service provider. While the PBA does specifically call for “community programs and outreach programs to address national concerns and solve local problems,” it also specifically requires that they be accomplished by “utilizing electronic media.” Many of the programs cited in the annual reports to Congress do not satisfy this requirement.

Rather than simply accepting such a top down, potentially self-promoting report, and in order to provide some sense of a point-in-time, “real world” viewer or listener’s experience of minority and youth content, I conducted a statistically significant random survey of public radio and television stations in February 2008, using their online programming schedules to evaluate the amount of broadcast time currently serving a targeted minority or youth audience. The criteria used for coding minority and youth hours were generous and erred toward inclusion, rather than exclusion.

The first clearly evident trend within the collected data was that targeted youth broadcasting is statistically nonexistent on contemporary public radio, which has essentially become an adult idiom at this point in its evolution. The data collected indicate that a randomly selected NPR station would be expected to spend between 7% and 16% of its available on-air time on minority programming. On the television side, a randomly selected PBS station would be

expected to spend between 4% and 7% of its on-air time on minority programming, and between 27% and 40% on youth programming. (All ranges are at 95% confidence levels).

Overall, then, PBS television stations appear to still adhere to the youth programming element of the initial CPB charter far more than NPR radio stations do. Most of the sampled PBS stations turn over their entire daytime blocks to youth programming between 6 AM and 5 PM (with some stations returning to adult fare during the middle of the day), thereby reaching school and pre-school age children during times when they are likely to be able and interested in watching television.

The relatively low percentage of programming dedicated to minorities on both radio and television is more troublesome, especially since there are two observed factors that make these numbers even less significant from a real-world viewing or listening standpoint. First, among the NPR stations, the sizable majority of the total broadcast hours coded as minority programs are music-related programs that are broadcast in late evening or overnight slots. Peak daytime and drive-time hours are almost completely devoid of programming specifically targeted to minorities. Second, among the PBS stations, the hours coded as minority programs represent total broadcast time dedicated to those shows in a week, though typically the same episode of the same show will air multiple times throughout the week at different times of the day, so that the total amount of *watchable* programming in a week is much lower than reflected in these numbers, since adult viewers don't typically watch the same show multiple times. The PBS stations also often broadcast their minority programming in the evening or overnight slots, making it more difficult to see during daytime or primetime hours.

So while the annual reports issued to Congress indicate that the CPB understands its continued responsibility to produce such programs for children and minorities, the efforts its constituent stations make to actually air such programs in quantities or at times that make viewing possible are marginal at best. Creating cultural ghettos in a temporal sense by relegating minority broadcasting to late evening and overnight time slots certainly does not represent a fair allocation of resources toward underserved or disenfranchised audiences. Continuing to allocate federal funding to the production of programs that are slotted by broadcasters into such temporal ghettos in fact may perpetuate the sense that these populations are marginalized and underserved, completely contrary to the original intentions of the PBA. Such a situation does not merit continued federal funding.

### *Service to Localities*

Public broadcasters are also tasked by the PBA to serve unique, local radio markets, rather than just providing “one size fits all” programming across the nation, or allowing increasingly large and aggressive public broadcasting networks to neutralize their member stations’ individual characters to the detriment of local listeners. The CPB, PBS and NPR were originally constituted to provide a national framework to ensure the efficient allocation of programming and resources on a broad national basis, free from ideological interference from partisan politicians. Providing CPB funding streams directly to individual stations, on the other hand, created the opportunity for localities to produce or acquire programming that spoke to their specific, local needs, as did their ability to fundraise directly from their listeners and viewers.

Forty years after the PBA’s passing, while locally focused and produced programming still has a place on the public airwaves, it generally takes a backseat to popular, national programs produced or distributed by PBS, NPR, or larger public television and radio stations. In 2008, public television stations look much the same coast to coast, and public radio stations have become largely indistinguishable from each other as well, especially during daytime, drive-time and prime time hours.

If local broadcasting is relegated to temporal ghettos in the way that many minority-targeted programs are, the letter of public broadcasting law is being honored, but not the spirit. One of the more complicated elements in attempting to address the scope and success of public broadcastings’ service to localities, from both the letter and spirit of the law, hinges on parsing the very definition of “local broadcasting” itself. Is it defined by the location where it is produced, since that infers that funds have spent locally to benefit the local market? If so, then shows produced for national syndication by public mega-stations WRGB and WETA would count as local programming when they are broadcast in Boston and Washington, respectively. This definition would also appear to satisfy the letter, though not the spirit, of the law.

Should it instead be defined on a state-wide or regional basis? Looking at the programming schedules in the sample survey, this would appear to be a more common definitional approach, especially given the relative (and growing) frequency of state-wide or regional broadcasting networks that link stations and repeaters to cover wide geographic areas. Still, this definition may also be flawed: urban listeners in the Twin Cities and timber farmers in

the Iron Range would have distinctly different views of what constitute local programming, though they are both served by Minnesota Public Radio, to cite but one of many state-based examples. In the case of regional broadcasters, such as Albany, New York-based Northeast Public Radio, even state-wide information may be superfluous to the local interests of neighboring residents in a multi-state system.

Ultimately, it benefits stations and networks financially and organizationally to define “local broadcasting” as broadly and widely as possible, and to pursue or produce programs that do not focus too tightly on a specific geographic region. The problem with such an approach is that the commercial television and radio industries also traffic in such cross-regional fare, begging the question as to why public funding is necessary for organizations that operate with such an open-ended, regional definition of local broadcasting. Larger stations which are capable of fundraising for and producing their own material for national syndication are likely to take the more regional view of their local broadcasting responsibilities, simply because tightly-focused, single-locality based programming is not likely to be acquired by other stations or networks.

Many of these larger, regional stations may have the financial wherewithal to largely support their ongoing operations through fundraising or sale of original programming. If service to localities is to remain central to the mission of the CPB, then providing funding to such stations may be a less effective way of providing markets with locally-based, locally-targeted material. By the same token, CPB funding that is provided to PBS and NPR (admittedly small amounts in both cases, especially for NPR) is, by definition, also funding that does not support service to localities. There is a growing concern, in fact, that NPR, PBS and the larger production stations may be actively undermining local broadcasting through the aggressive marketing of their national products and the imposition of fee structures that consume an inordinate amount of smaller stations’ resources.

NPR also earned the enmity of many local-origination broadcasting supporters by joining the commercial National Association of Broadcasters its opposition to the FCC’s 2000 decision to regulate low power, noncommercial radio, allowing licensing of stations up to 100 watts on the FM band (which would provide a broadcast reach of about seven miles). The FCC banned existing broadcasters and media entities from operating low power FM (LPFM) stations, while also barring translators or repeaters, specifically to encourage locally originated programming. The economics of low power LPFM broadcasting make it tremendously compelling to

grassroots, noncommercial broadcasters. NPR resistance to LPFM has largely been couched in terms of technical issues associated with interference at the low end of the FM dial (though evidence to date suggests that LPFM has largely been able to coexist successfully with commercial and public FM stations), while concerns have also been voiced about religious broadcasters acquiring national networks of LPFM stations, effectively co-opting local airwaves for nationally syndicated material. Realistically speaking, however, it simply appears as though NPR simply doesn't want the competition.

Ultimately, NPR and PBS are largely superfluous today with regard to individual stations' service to their own localities. They are large national concerns that support local stations with national material. The local stations themselves must either be the producers of their own home-grown material or have the resources to acquire it on the open local market. It may be difficult for them to fundraise for programming that is unlikely to supplant popular national programming slotted in the prime listening and viewing windows. The CPB may have a particularly important role here, accordingly, in ensuring that stations have the ability to create and air material that serves markets in the strictest reading of the term "local," that is, within the broadcast range of a single station, not regional ranges of repeaters and translators. The CPB may also have a key role to play in nurturing the emergent LPFM market as well, in the same way that it nurtured PBS and NPR in their infancy. Big business, even big nonprofit business, may not be able to meet the needs of the small market. If PBS and NPR manage their affairs in ways that are indistinguishable from commercial broadcasters, then the need for "independent" non-commercial fare dissipates, as should funding associated with it.

### *Whither the CPB?*

As public broadcasting has grown to become a multi-billion dollar industry, market forces have led to a more nationalized, less localized approach, with programming becoming increasingly standardized across the country, regional networks consolidating formerly independent stations, and choice programming slots more often than not being held for popular, national, non-minority or non-youth-based programming. PBS, NPR and many of the larger public television and radio stations have reached a point where their fundraising appeals and

programming sales could allow them to meet their annual expenses in most years without direct government funding, yet they continue to receive public support via CPB grants and awards.

In their early days, PBS and NPR were small, agile grassroots organizations capable of leveraging modest grants and gifts into dramatic changes. In 2008, however, they are neither small, nor nimble, nor suffering from a lack of direct public support or products that they can sell or license for income. This is especially true of NPR since philanthropist Joan B. Kroc left the network a \$200 million bequest in 2003, which created additional tensions for local stations who don't receive funding from NPR, but saw their fundraising drop in the aftermath of the bequest, due to popular perception that it was no longer needed.

So what should happen to the CPB budget at this point? Should it be eliminated, reduced, or redirected? While some may assess the current situation as described above and conclude that funding for the CPB is simply no longer required, I would argue for redirection, believing that a return to and refocusing on core principles could still reap social dividends—certainly more so than continuing to fund relatively wealthy networks and stations as they produce “independent,” “quality” programming that mainly appeals to affluent listeners with the wherewithal to directly support the shows themselves, if they must have them. As long as government continues to provide direct funding to such programs, there is no incentive for free-riders or existing supporters to step up and replace the government subsidy.

NPR is already functioning without significant CPB funding at this point, and PBS is moving in that direction. It is time that the CPB recognize that these organizations are well-established and self-sustaining at this point without direct federal subsidies and eliminate annual funding for both NPR and PBS. The CPB should prioritize its funding instead to support individual stations that are not yet financially robust enough to be able to mount significant fundraising campaigns or produce their own content without such assistance. Given the significance of federal funding for such stations, CPB can use the leverage afforded by its financial resources to ensure that stations which best meet the goals, expectations and aspirations of the PBA have the opportunity to receive more federal funding than those that disregard these concepts, thereby providing incentives for full and efficient compliance with the PBA's terms. Educational, instructional, and cultural programming may still provide affordable, efficient ways of serving disenfranchised and underserved populations. CPB must conduct research, however,

to understand what these populations want and need, rather than imposing elitist, ivory-tower views on the purported recipients of its largesse.

The CPB should also re-embrace its mission as a clearinghouse and incubator for emergent technologies and techniques, especially when they are fast, light and cheap. Where NPR, as a large “competitor,” opposed LPFM licensing, CPB should embrace and nurture such technologies that serve communities in a cost-effective, locally-based way. CPB grantees in such new fields must be vetted in the same ways that traditional broadcast organizations are; while public radio devotees fear that LPFM may become a haven for small religious broadcasters, such organizations would not be eligible to receive CPB funding, any more than the churches that sponsor them would. By encouraging other types of educational, cultural and instructional organizations to develop locally-run LPFM stations, the CPB would actually help ensure that the left hand side of the dial didn’t become a simply a ghetto for religious broadcasters. When cultural bias is removed and common-sense views are applied, there are few sound rationales for opposing such grassroots technologies as LPFM, and numerous benefits to the nation at large to developing such a network.

### *Conclusion*

As public broadcasting in the United States moves into its comfortable and prosperous middle age, it is crucial that the energy, innovation and effectiveness of its youth are not subsumed into a stodgy, one-size-fits-all paradigm that holds tightly to the status quo as it exists today. Public broadcasting has been around long enough for its supporters to take a “we’ve always done it that way” view of current broadcasting practices and trends, and to resist fundamental structural changes in the flows of funding and priorities to which it is applies. Stations and networks have grown accustomed to federal funding, and feel entitled to it, even when it is not used in ways that support the PBA’s basic provisions.

Continuing to provide federal funds to NPR, PBS, nonprofit mega-stations and widely dispersed chains of repeaters and translators will only lock this entitled status quo in more tightly, not allow public broadcasting to continue growing in new markets and new directions. It is time for the next generation of innovative stations and producers to emerge, and the CPB has the mandate and the resources to make that happen — which, in turn, give it its best and

fundamental justification for its very continued existence. Unfortunately, its advocates often spend more time and energy touting their “independence” and the “quality” of their product, both of which represent culturally elitist positions, neither of which merits a penny of continued federal funding.