Finding the next hundred million dollars

Prepared for the Third Public Media Futures Forum

By Mark Fuerst,
Director of Strategic Initiatives, *Current*

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Author’s notes:

This analysis was prepared using the data provided to CPB by more than 500 public media licensees in their Annual Financial Reports. I want to express my appreciation to CPB staff for their assistance in providing access to this information and for their help in clarifying details in those reports, which have evolved over the last decade and a half.

I also want to thank the staff at *Current*, especially Steve Behrens and Karen Everhart, for their editorial guidance and patience in organizing the material and clarifying my own thinking about this subject. A shorter version of this material will be published in the July 9 edition of Current, in time for the annual Public Media Marketing and Development Conference in Seattle.

None of this work would have been accomplished without the support of the Wyncote Foundation and David Haas. Wyncote facilitated the move of Current from WNET, where it had been for two decades, to the School of Communications at American University. And David’s financial support has allowed me to conduct this research and to develop the Public Media Futures Forums as a new and unique platform for system discussion.

Finally, I want to recognize the important example provided by the Station Resource Group in focusing system discussion on opportunity— rather than on limitations and problems—even in the face of significant challenges.

For those who question public broadcasting's ability to react strategically to changing business conditions, I've got good news.

A review of the last fifteen years of financial data shows that despite their widely divergent revenue trajectories, public radio and television have *both* made great progress in implementing structural and cultural changes needed seize genuine revenue growth opportunities, some of which are generating $100 million or more in new system revenue *every year*.

In radio, improvements in basic membership practice increased member revenue by $104 million from 1995 to 2010; radio underwriting secured by licensees (stations) tripled between 1995 and 2008, from $60 million to $183 million before falling back to $157 million in 2010, another gain of $100 million.

And third, both radio and TV moved strategically and somewhat cohesively to exploit a set of "philanthropic revenues"— major gifts, endowment income and foundation fundraising—to increase system revenue by $186 million in new annual funding from 1999 to 2010.

This impressive result does not even consider the large volume of restricted "capital gifts," which are accounted for separately in the Annual Financial Reports (AFR) that licensees submit to CPB each year. Most of the analysis in this paper is based on a study of those Reports.

The growth in major gifts—donations over $1,000 from individuals—grew from changes in public media development practices, recommended repeatedly by task forces and supported by CPB and DEI over two decades. This strategic shift in development activity provided a safety net for public television when its membership and underwriting revenues plummeted from their dot-com era peaks. They reinforced public radio's revenue growth during the last decade, providing income to expand newsgathering capacity and laying the building blocks for multiplatform service strategies.

Growth in Philanthropic Revenues

	*1999	2010	
Radio			
Major Gifts	**3,636,449	47,425,758	43,789,309
Endowment Revenue	3,228,255	17,299,886	14,071,631
Foundation Support	34,135,863	75,084,792	40,948,929
Total for Radio	41,000,566	139,810,436	98,809,870
TV			
Major Gifts	13,087,477	66,437,672	53,350,195
Endowment Revenue	18,102,094	41,088,387	22,986,293
Foundation Support	117,690,097	128,624,968	10,934,871
Total for TV	148,879,668	236,151,027	87,271,359
Combined Radio and TV Philanthropic Support	189,880,235	375,961,463	186,081,228

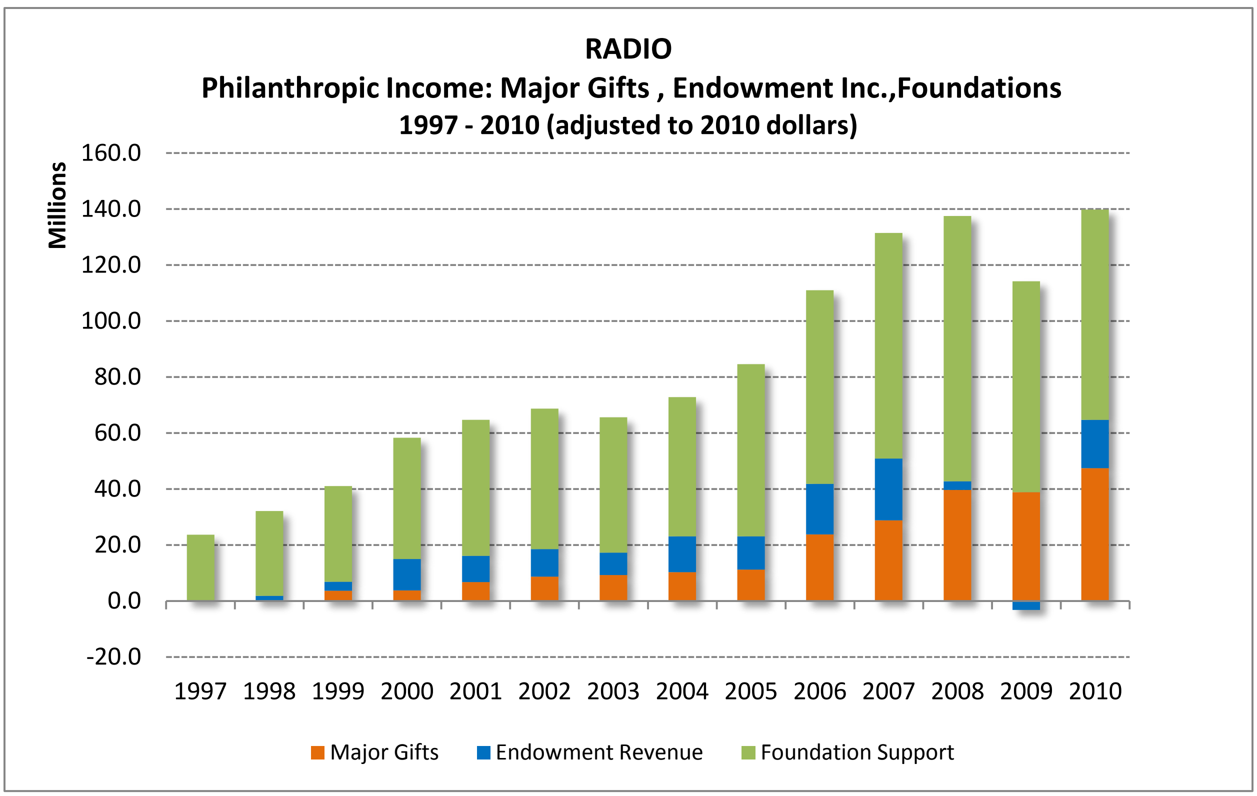
*1999 is the first year for which CPB Annual Financial Reports track major gifts.
**All figures are for licensees only. All figures are adjusted to 2010 dollars

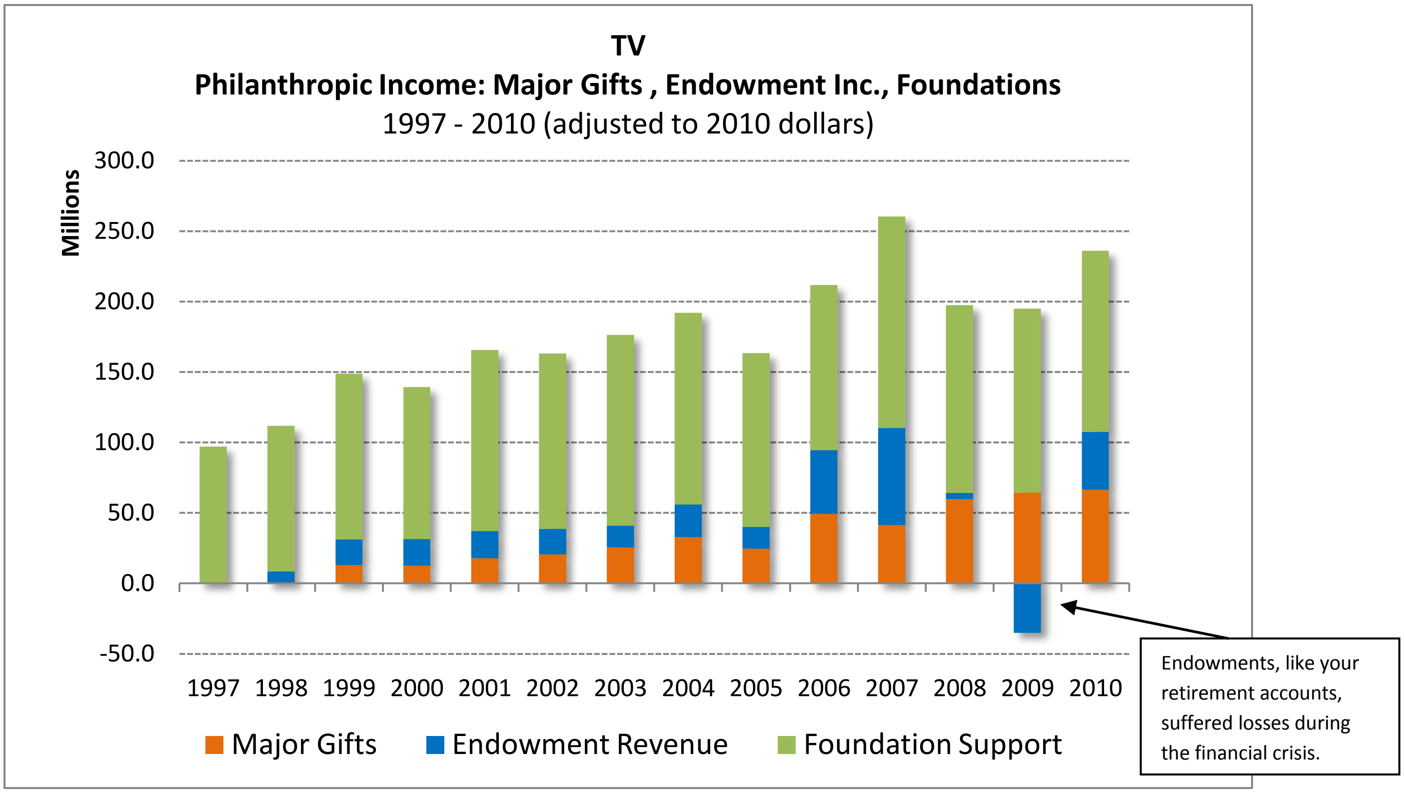
While most of these “philanthropic revenues” accrues to the largest stations in both radio and TV (see the charts on page 9), the gains provide compelling evidence that a systematic focus on a strategic opportunity can have a profound impact on public service media.

Without the concentrated efforts and investments of CPB, Development Exchange Inc., and station leaders, the public media system would be much weaker today.

Equally important, a survey of front-line development staff in public media indicated that *the continued expansion of major giving programs may be the single largest development opportunity for the decade ahead*. The upside could be another $100 million in additional annual revenue, if stations and networks can organize their staffing and coordinate their activities for optimal impact.

As I discovered in extensive interviews with public media development leaders in recent weeks, two thirds of the professionals we contacted see strong growth potential in major gifts fundraising and improvement in membership practices. That same group was less sanguine about the potential for out-sized growth through the improvement of “existing underwriting practices; those may have to change for real breakthroughs. And they were, overall, optimistic about the potential for new revenue models on digital platforms, but breakthroughs in that area are likely only after improvements in infrastructure and systems.





During the next Public Media Futures Forum, to convene in Seattle July 10 in advance of the Public Media Development and Marketing conference, we'll brainstorm and discuss this and other game-changing, strategic revenue opportunities for public media in the decade ahead.

Data Source: Annual Financial Reports, required from each licensee

To prepare for the Seattle forum and the survey of development leaders, I analyzed thirteen years of revenue data (FY1997 to 2010) submitted by public broadcasting licensees to CPB as a requirement for then the annual Community Service Grant.

The shift from very strong reliance on audience-sensitive income to a more balanced model of audience-sensitive *and* philanthropic revenues shows up clearly in those reports.

It is revealing to note that prior to 1998 the Annual Financial Reports did not track endowment income, and major gifts revenues first appear as a separate line item in the AFRs in 1999. Prior to that, *all* individual gifts, except capital fund contributions were recorded as "subscription/membership revenue" or "revenue from Friends groups."

The tracking reflected the reality in the system: In 1998, only 85 licensees reported *any* endowment revenue, totaling $7.7 million; major giving was similarly low. After a decade of major gift and foundation cultivation 197 licensees were reporting endowment income totaling $58.4 million in 2010.

In these thirteen years, licensees have moved away from labor intensive, small bore activities like auctions. In 1997 112 licensees reported $19.7 million in net auction revenue; by 2010, the number of licensees reporting auction income had dropped to 88 and total (net) auction revenue was $7.2 million. While auctions may have provided a weekend of excitement and community participation, stations were learning to deploy staffing more strategically. Identifying and cultivating major donors or working with foundations to find appropriate projects for grant support provided a much better return on effort than auctions.

In 2001, public TV's audience-sensitive "earned revenue" (a term we will use for memberships plus corporate underwriting) was already in decline. Membership income peaked at $491 million in 1999 revenues, and underwriting peaked a year later at $347 million. As the earned revenue decreased over the decade, major TV stations stabilized their operations by successfully focusing on major gifts and foundation grants.

As this was happening, large market and networked radio stations also expanded their fundraising portfolios with major gifts and foundation grants—but without the disruptive losses in earned income that hit public TV.

The strategic shift to philanthropic fundraising, jump-started in the late 1990s through the concerted efforts of system leaders and stations, appears to have altered the basic business model of public television: From 1999 to 2010, television licensees

Top 10 TV and Radio Licensees in Major gifts Reported on CPB Annual Financial Reports in 2010

TV Licensees					Radio Licensees			
Licensee	City	Major Gifts	Donors		Licensee	City	Major Gifts	Donors
WGBH-TV	Boston	$7,674,154	1,056		WGBH-FM	Boston	$3,009,916	524
KVCR-TV	San Bernardino	$5,746,717	1		WNYC-FM	New York	$2,935,133	1,398
WNET-TV	New York	$4,984,608	1,594		KQED-FM	San Francisco	$2,345,623	1,195
KCET-TV	Los Angeles	$4,239,888	503		WBUR-FM	Boston	$1,923,066	777
KBYU-TV	Provo	$4,154,454	111		KSJN-FM	Saint Paul	$1,873,817	783
KQED-TV	San Francisco	$3,584,203	1,644		WBEZ-FM	Chicago	$1,837,229	999
WPBT-TV	Miami	$2,138,903	323		KPCC-FM	Saint Paul	$1,796,159	735
KPBS-TV	San Diego	$2,117,093	531		KVOD-FM	Centennial	$1,474,529	517
WETA-TV	Arlington	$2,021,683	843		KOPB-FM	Portland	$1,276,541	756
KLRU-TV	Austin	$1,512,561	520		WKCP-FM	Fort Lauderdale	$1,248,218	81
KTCA-TV	St. Paul	$1,511,825	616		KUSC-FM	Los Angeles	$922,402	339
WTTW-TV	Chicago	$1,430,320	526		KCRW-FM	Santa Monica	$872,724	490
WQED-TV	Pittsburgh	$1,386,465	13		WHRV-FM	Norfolk	$837,412	212
OPB	Portland	$1,149,529	744		KUOW-FM	Seattle	$791,014	615
KUON-TV	Lincoln	$1,083,084	13		WXXI-FM	Rochester	$720,602	206
KUHT-TV	Houston	$998,212	445		KPBS-FM	San Diego	$712,988	228
KERA-TV	Dallas	$945,505	416		WUNC-FM	Chapel Hill	$645,674	316
KVIE-TV	Sacramento	$793,788	215		KERA-FM	Dallas	$631,573	378
WTVS-TV	Wixom	$766,527	255		KUHF-FM	Houston	$610,969	367
KCTS-TV	Seattle	$716,765	166		WAMU-FM	Washington	$605,460	342

increased annual major gifts/bequests from just under $3.6 million to $66.4 million. (Both figures adjusted to 2010 dollars and exclude capital gifts.) By 2010, the TV endowments, many of them built by major gift fundraising, were supplying an additional $41.0 million in annual income in 2010.

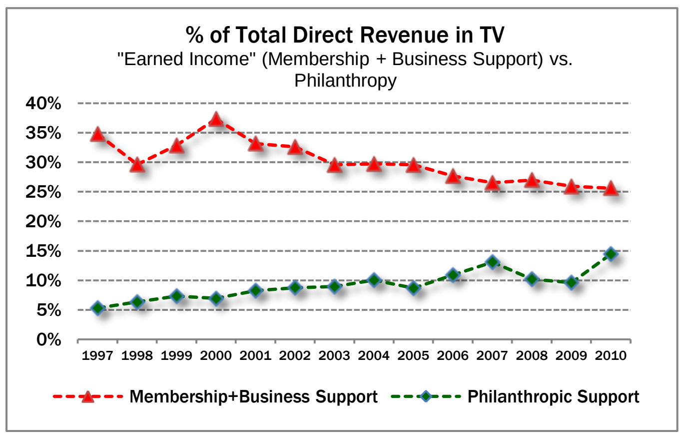
Among radio stations, major gift revenue grew by 1204% from just $3.6 million in 2000 to $47.4 million in 2010, with radio station endowments generating an additional $17.3 million in 2010.

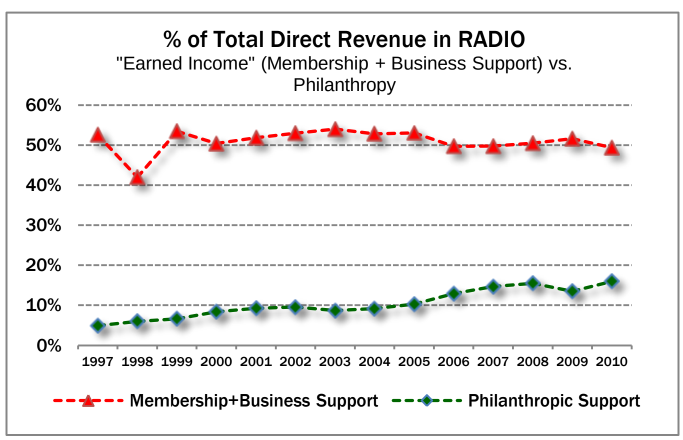
The major gift effort was complemented by increased emphasis on foundation support, again with very impressive results for both TV and radio.

For decades, foundation grants have been a large part of public television's revenue picture, nationally and locally. Consequently the growth in TV of foundation support has been modest: total foundation revenue for PTV licensees grew from $117 million in 1999 to $128 million in 2010, again, adjusted for inflation and excluding capital gifts. The picture in Radio is more dramatic: in the same period, radio foundation support *doubled*, from $34.1 million to $75.0 million.

The expansion of philanthropic revenue is already showing up in the content and service of public broadcasting, and a trend that is likely to continue in the decade ahead. In TV, revenues from major gifts and foundation support have bolstered community-engagement projects such as the CPB-backed American Graduate initiative that seeks to improve high school graduation rates, and local projects aimed at assisting homeowners struggling with excessive mortgage debt.

Neither of these projects "pledge well," at least not so far, but they are well suited for the philanthropic fundraising emphasis at many public TV stations.





Although one can only imagine where the public TV system would be if its membership and underwriting revenues had stabilized — or even grown — local stations have become less reliant on audience-sensitive income. This in itself may be good news for those who have long complained about *Lawrence Welk* reruns airing on local stations or the qualitative differences between public TV's regular schedule and its pledge fare.

The shift from earned income to philanthropic support is clear and, potentially, profound. In 1997, audience-sensitive revenues comprised 35 percent of public TV's total annual income; by 2010, they provided just 25 percent. Philanthropic revenue (major gifts, endowment income and foundation support) increased in a reciprocal fashion, from 5% in 1997 to

15% in 2010.

In radio, the income growth from major gifts and foundation grants have financed the expansion of local news operations and facilitated the transition to multi-platform news publishing. The cost of these investments may eventually be recovered by expanded memberships or underwriting, but audience sensitive income from any digital service remains elusive.

It will take another decade before the long-term impact of this revenue shift plays out. Whatever happens, we can say this: The growth of major gifts, endowment income and foundation support represented an enormous opportunity that was identified by development leaders at the close of the 1990's. Stations and networks, DEI and CPB all combined to change the culture of public media fund raising to capture this new revenue.

Revenue Expansion at a High Cost, Concentrated at the Top

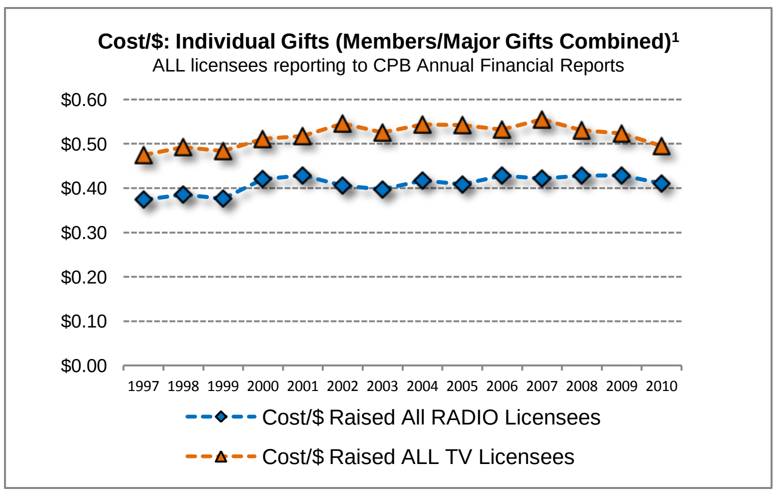
With all this good news about deep pockets of growth at least two issues come immediately to the fore: First, the gains cited above are all described in *gross* revenue terms. So, it is natural to ask: how much was *net* revenue increasing? And second, many people reading this paper will wonder how this new, philanthropic revenue is distributed across the 500 TV and radio licensees.

The answers to both questions go to the heart of major system issues that continue to elude easy solutions.

With the information available, we can only provide a crude measure of net revenue. The CPB Annual Financial Reports break development expenses into two large categories, "Fund raising and membership development" and "Underwriting and grant solicitation." There is no indication of how much money was spent on basic memberships and how much was devoted to major gifts.

Still, using those figures, we can get some insight into fund raising costs. Combining the total of membership/friends revenue with major gifts, we can calculate a crude cost per dollar raised for "individual gifts" (member revenue + major gifts and bequests).

In 1999, TV stations, reported spending 47 cents in "fund raising and membership development" for each dollar-raised of individual gifts. That ratio peaked in 2007 at 56 cents/dollar. The trend in radio was similar, but a bit lower. In 1997 the 370 radio licensees reported spending 37 cents in fund raising/membership development costs for each dollar of combined individual gifts; the radio numbers also peaked in 2007 at 43 cents/dollar.



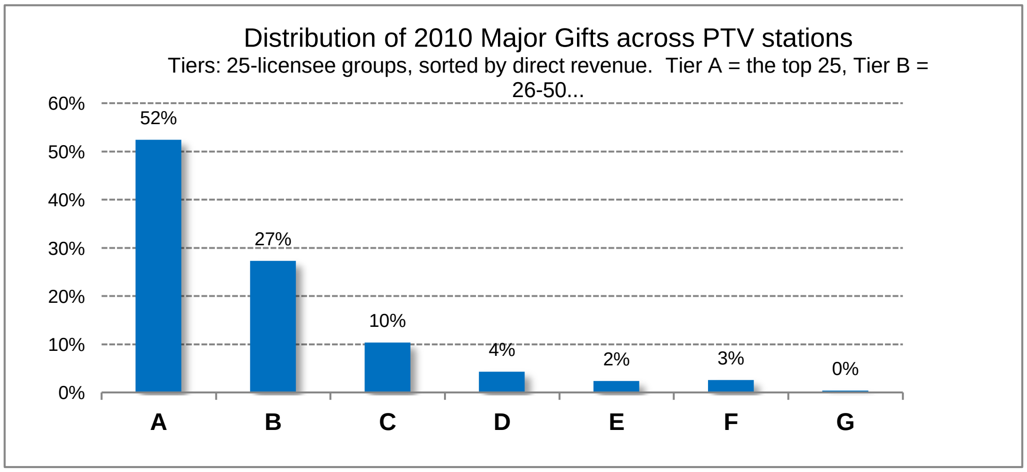
[1]Calculated using Annual Financial Reports Members/Friends Revenue + Major Gifts reported on Schedule A divided by "Fund raising and membership development" Expense reported on Schedule E.

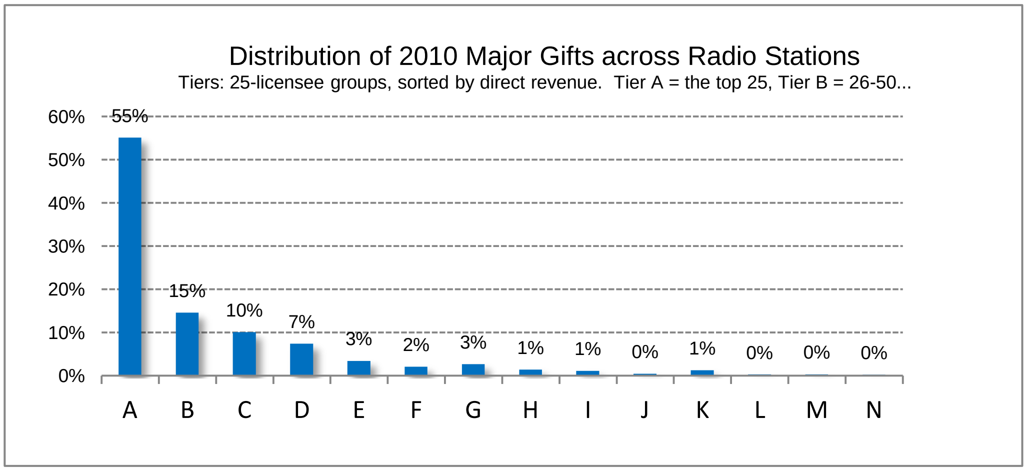
This ratio of fundraising expenses to dollars raised is only crude estimate taken over hundreds of stations whose individual cost structures vary substantially. The Annual Fundraising Reports don't provide enough detail to be more precise.

Still, the results are surprising. The unexpected feature of this analysis is not the specific value, which, at 50 cents per dollar raised in TV is uncomfortably high. The surprise is that these system-wide ratios barely changed over 15 years, despite the increasing volume of major gift revenue, which one might have expected to be less costly. In fact, the cost per dollar for "individual gifts" trended up.

Taking up the second question, the distribution of new philanthropic revenue, the results are more in line with expectations. As shown in the graphs below in 2010 the largest 50 PTV stations[1] took in 80% of all major gift dollars. The smallest 100 TV stations took in 10%. In Radio, the distribution was slightly less concentrated: the largest 50 licensees took in 70% all major gift dollars in 2010. The smallest 200 stations took in 7.5%

The Major Gifts Revenues are Concentrated in the Largest Licensees





[1] Ranked by total direct annual revenue

Both questions—the cost of fundraising and the distribution of revenues—are intimately connected to issues of long-term sustainability, optimal allocation of resources and the need for reasonable efficiency in a time of fiscal austerity.

What's the next game-changer?

Over the last month we interviewed 15 public broadcasting executives and polled another 27 speakers who will appear at the DEI conference to determine where they see the major areas for growth in the coming decade.

Their responses, which will be explored in more depth at the July 10 Forum, emphasized

1. A broad agreement on the potential for continued growth in philanthropic and member revenues,
2. Continuing concern about the high cost of fundraising and the varying of *capacity* to conduct efficient fund raising across the system;
3. Somewhat lower expectations about the potential for strong expansion of basic station underwriting, and
4. General optimism about the potential for digital operations, with no clear picture on how to harness new media revenues in the near-term.

<u>Extend the focus on major gifts</u>

Without question, major gifts will continue to be an area for outsized revenue growth. Two-thirds of those who contributed suggestions, through interviews or surveys, identified major giving as their first or second priority for revenue expansion.

Many of the executives we contacted believe major gift work is just beginning to flourish and most see enormous potential that can be exploited by wider adoption of basic techniques and a continued emphasis on training.

Training is a key. Norm Silverstein, CEO at WXXI TV/AM in Rochester suggested that "The best thing CPB ever did was fund the Major Giving Initiative," and he immediately moved on to express his support for a renewal of that effort. Steve Ramsey, g.m. at the smallest station we contacted, KBCS-FM in Bellevue, WA, was just as convinced about the importance of major gifts and the need for training support.

Over the last decade, hundreds of development professionals and station chief executives received basic training in major gifts fundraising, and the practices they learned are now embedded in the culture of local stations. The traditional notion of a general manager who is deeply involved in daily operations is receding as the concept of the "g.m. as civic leader" emerges. In addition, more stations have adopted the practice of involving board members in major gift fundraising.

These changes coincide with the demographic trend that points to a huge opportunity in major gift fundraising: the aging of millions of baby boomers, many of whom are already donors to public radio or TV and the estate planning that will take place as they approach retirement.

"We know the audience has the wealth indicators," wrote Mikel Elcessor, g.m. of Detroit's WDET and a DEI Board member. "What we need to do now is invest in and behave in a manner that is consistent with the enormity of the opportunity."

Fundraising consultant Helen Kennedy suggested that public stations set a specific goal for expanding their major donor programs. After looking over the Target Analysis fundraising reports of her clients, she said major donor programs often reach no more than .6 percent of the contributors in a station's donor file. "I certainly think that many of these stations could aspire to a goal of 1% of their total membership in the major donor category," she said.

Rethink Basic Membership Approaches: Away from Annual Gifts to Sustainers

Other respondents cited big upside potential in strengthening the basic membership programs at local stations by supplementing annual gift programs with "sustainer programs," which involve monthly donations automatically paid by credit card or a bank transfer. Many stations have already established sustainer programs, but fundraising consultants Barbara Appleby and Valerie Arganbright, who built a highly successful program for Minnesota Public Radio, are now recommending that stations restructure and refine their programs to make recruitment and retention of sustainers their top priority. (See Appleby's commentary that will be published in the next issue of *Current*).

Behind the optimism for both major gifts and membership expansion we also sensed a continuing concern about the high cost of membership fundraising, especially in TV, where premium-driven pledge drives have become the norm.[2]

In Underwriting: Stop Selling Your Station, Begin Selling the (Collective) Audience:

The most compelling suggestions we received for improved underwriting called for a radical reorientation, away from selling spots on your station to packaging and selling the whole public radio audience in each market. This approach will be championed at the PMDMC by Grey Smith, Director of Corporate Support at Public Radio Partnership in Louisville.

In Smith's carefully crafted presentation, provided to us in advance of the PMDMC, he uses his own success in Louisville to illustrate the benefits of providing businesses and agencies with ease of access to the whole public radio audience across all stations in each media market. "Put old rivalries aside," he wrote. Stop the race to the bottom, where stations vie for the least restrictive language and maximum spot length. "Put your rates together and create a [shared] Public Radio Rate Card."

This is what Smith has been able to do in Louisville where the Public Radio Partnership brought three formats (News, Classical and AAA) under a single management structure. Representing all three formats, Smith secures 90% of the Louisville "ad market share" (= the same share of ad spending equal as your station's or your group of stations' share of listening). For PRP, that adds up to a take of $1.8 million out of $45 million in radio total revenue in Smith's home market.

Applied to a large market like Philadelphia, Smith sees "$11 million per year in new revenue divided between three stations (WRTI, WHYY and WXPN)."

[2] Even admitting the crude simplifications used made to calculate the ratio of "fund raising and membership development costs" to "individual gifts" on page 7, it is hard to escape the sense that pubcast membership programs are costly operations. The Better Business Bureau currently recommends a cost/dollar raised ratio of no more than 35% of the relevant revenues. Our review of the station AFRs seemed to indicate that many stations, especially smaller stations, are operating well above that level.

Extended to the entire system, Grey's strategy could be the foundation for outsized revenue growth, perhaps on the order of major gifts.

Smith's approach was strongly supported by Jim Taszerack, Jr., Principal at Market Enginuity, which provides out-sourced underwriting sales support for some of public media's most progressive stations, including KCRW-FM, Ideastream FM/TV (Cleveland), KERA FM/TV (Dallas) and both KPLU-FM and KING-FM in Seattle.

Digital Media: The Systems are NOT in Place

The most perplexing area of opportunity is digital media, an area where many of our respondents sensed almost unlimited, long-term growth. Unfortunately, very few people were able to describe the tactics needed to capture that potential.

Many stations continue to see digital as "high expense, low return," at least for now. This has not stopped the most ambitious stations from making large online investments. (And why not? After all, pretty soon everything is going to be online.)

But others question both the strategy and the tactics. One prominent consultant, who asked to be anonymous, chuckled as he called "digital the new opera." Stations feel that they should be doing this, but they're not sure what they're getting from it, either in service or in financial returns.

Regardless, a full 33% of our poll respondents placed "the development of revenue streams from digital media" as one of their top two priorities for revenue expansion.

Tim Olson, VP for Digital Media and Education at KQED, and one of the most highly regarded leaders in this sector, sent an excellent, compact summary of investment opportunities that he felt could bring significant returns. His suggestions included software and infrastructure improvements to replace "relationship management systems… [created prior to] the modern web." In Olson's view, the legacy systems "lack key features, such as real time processing and integration to social networks." He is optimistic about the potential for progress, but admits that "the transition is complex and bumpy." Part of the infrastructure problem cited by Olson is "identity management applications" to track online interaction. "Public broadcasting needs a way for us to pass preferences, playlists, conditional access and other parameters" between the diverse systems that provide public access.

In raising these issues, Olson was well aware of both technical and the political challenges, citing access to the end-user data as "the third rail of public media."

Olson's views were echoed by Paula Nemzek, Membership Manager at KCTS9 in Seattle. Nemzek agreed "with the emphasis on sustainers and major gifts," but suggested that "online is obviously going to be more important as we go along." She was particularly concerned about the existing methods of selecting and fulfilling pledge premiums, which "are eons behind the Amazon shopping experience in terms of gratification – a huge problem that will only grow bigger."

100 million dollar opportunities: They were there in 1995 and, most likely, still there in 2012

Very few of the people we contacted in the course of this project recognized that both public radio and TV had in the last decade developed *any* revenue opportunities worth a hundred million dollars a year in new, unrestricted operating revenues.

Why? Well, the gains were distributed unevenly. Even at the largest stations, it's hard to appreciate the enormity of a collective success. Of course, as this was happening, CEOs were very busy fighting off or reacting to the loss of tax support, in the states and on Capitol Hill. And every station at every level of radio and TV was hammered by the financial crisis that emerged in 2007-2008, the effects of which are still with us.

Still, we could see the collective gains embedded in Annual Financial Reports from 500 radio and TV licensees. We found **three** one hundred million dollar advances: in radio underwriting; in radio memberships; and in "philanthropic revenue"—major gifts, endowment income, and foundation support—across both radio and TV.

The threats that distracted people from sensing those successes have, if anything, intensified. The competition, which might reverse those gains is also likely to increase in the coming decade. But new or expanded opportunities are emerging.

Collecting suggestions for the upcoming Forum on the Future of Public Media, we found at least three areas that might, if properly managed, become the next set of outsized opportunities for the 2010's.

- If we use Helen Kennedy's observations as a guide, then it's true: <u>major gift programs *are* just getting started</u>. If few or no stations have even 1% of their donors in the major gift category, the upside is large indeed.

- <u>Updating annual gift program to focus strategicially on sustainers</u> may also have potential upside on the same scale as major gifts. Sustainer efforts have already started. What remains to be seen is: Can sustainer work endure and build on its recent success? How hard will it be to reorganize the membership department culture so sustainer programs are more than another box on the gift ladder?

- Gray Smith's call to "stop selling your station and start selling the whole public radio audience," is a third suggestion, that, if we believe Gray's math, might be worth $5-10 million in the largest markets and $500,000 to a million dollars per market in dozens of smaller cities. Those numbers could add up to the kind of outsized business support opportunity that public broadcasters will need to fund an aggressive expansion of news, nrw forms of community engagement and digital service development.

The big question mark is digital media. No one doubts that it will grow, probably overtaking legacy broadcasting as the dominant service platform. So, the upside revenue opportunities in this sector may be—no, they *have to be*—the largest and most important of all.

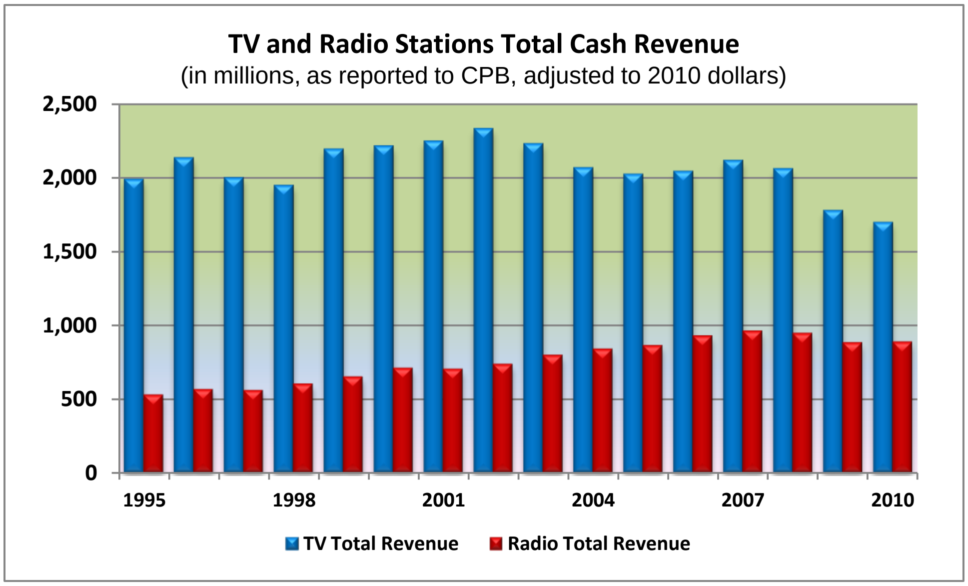
But exploiting the upside potential for digital media is probably out of reach until a leadership group hammers out the kind of agreements and commitments that characterized all of the landmark advances of public broadcasting over the last thirty years. Those landmark events and decisions include the development of national program services in both radio and TV, the launch of the satellite system, and more recently, on a smaller scale, the decisions to invest in and emphasize major gift training throughout the system.

That last decision is now paying some very handsome dividends.

Broad Trends in System Financial Development 1995 – 2010

In 1995, Total PTV licensee revenue stood at just under $2 billion. Those revenues peaked in 2002 at $2.33 billion, then declined, with a slight recovery in the mid 2000's. PTV licensees ended the decade with $1.69 billion, down 27.2% (-$635 mm) from 2002.

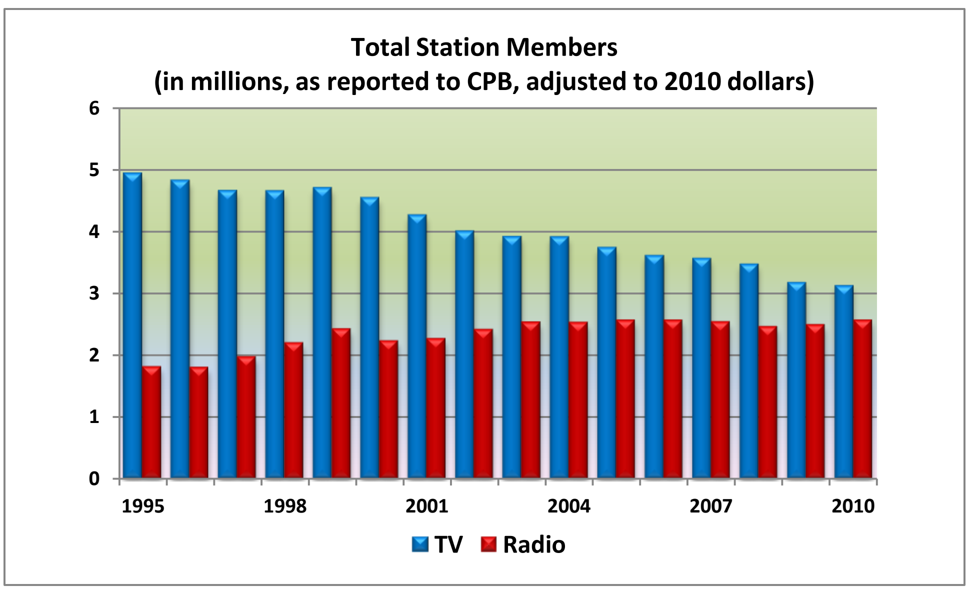
Radio licensee revenues in 1995 were $444 million. From that point, radio revenues grew steadily, doubling by 2006 and peaking in 2007 at $957 million, then falling back -7.6% (-$73 mm) to end the decade at $884 million.



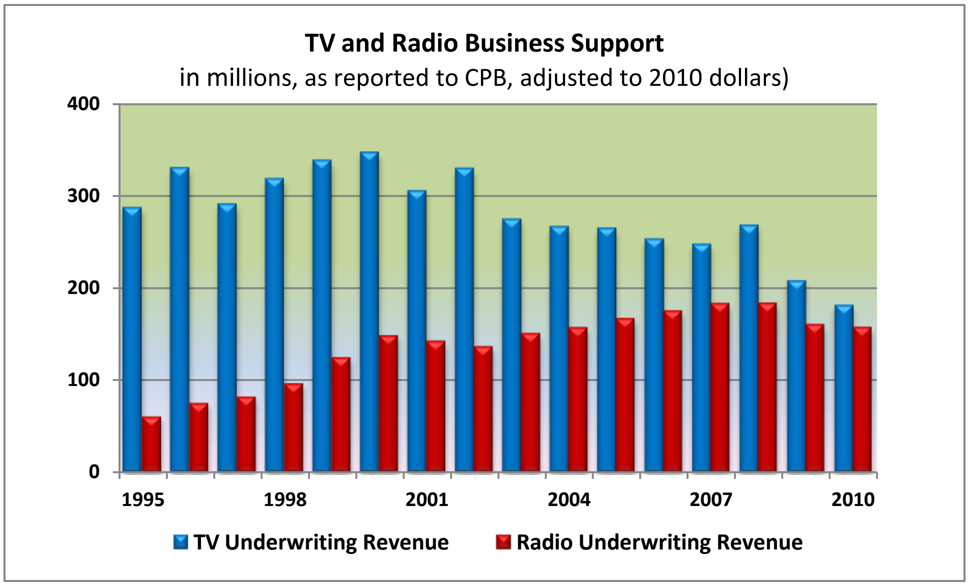
Major Trends in the last 15 Years

The four most significant financial developments in public broadcast finance during this period are:

- The deterioration of TV membership files, going back at least as far as 1995;
- The sharp decline of TV corporate underwriting after 2000;
- The steady growth in audience-sensitive revenues within radio; and
- The expansion of philanthropic support in both radio and TV, discussed above.



Between 1995 and 2010, PTV stations lost 37% of their member from 4.94 million to 3.13 million. In the same period, radio membership files grew 41% by from 1.81 million to 2.55 million.

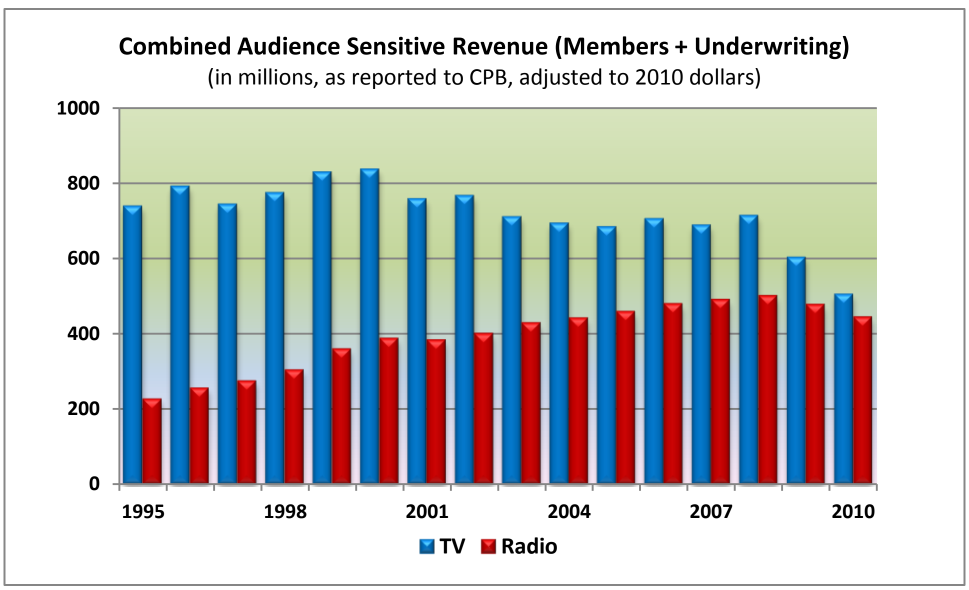


TV business support peaked in 2000 at $329 million (adjusted); it then fell as the decade wore on. By 2010, business support had fallen -48% to $181 million. Radio underwriting tripled from $60.5 million in 1995 to a peak of $183 million in 2008, then falling back -14% (-$26 mm) by 2010.

TV and Radio are approaching parity in Audience-Sensitive Revenue

As a consequence of these trends, the financial dimensions of the public broadcasting system are substantially changed in this 15 year span.

TV entered the period with $738 million in combined audience-sensitive "earned revenue" (= memberships plus underwriting), more than three times the volume in radio ($226 mm).



By 2010, the volume of this "earned revenue" in TV had fallen by -31.6% (-$233 mm).

Radio "earned revenue" was moving in the opposite direction. Combined memberships and underwriting nearly *doubled*, from $226 million in 1995 to $442 million 2010 (up $215 mm). Consequently, by 2010, the economy of earned revenues in TV was just 12% larger than earned revenues in radio.

Note: The graphs in this Appendix are based on data from the annual summaries of system financial reports published by CPB for each fiscal year. The totals vary slightly but not significantly from data used in the accompanying article, which was taken directly from the 500+ Annual Financial Reports filed each year, 1997 – 2010, by stations receiving CPB Community Service Grants.