

SRG Public Radio Profile

Listener Support, Underwriting and Grants: Revenue, Costs, and Net Return to Operations FY 1990 to FY 2004

By Thomas J. Thomas
and Theresa R. Clifford

November 2005

Available online:
www.srg.org/funding/04RevenueUpdate.pdf

Listener Support, Underwriting, and Grants: Revenue, Costs, and Net Return to Operations FY 1990 to FY 2004

FY 2004 was a mixed year for public radio. Listening was essentially flat, but development-based revenues set new records overall. Development costs rose at a brisker pace than income, substantially flattening net resources.

- The recent dramatic growth in public radio listening stalled in 2004. New nationwide audience data released as this report is being prepared indicate this stall continued into 2005.
- Even with no growth in audience, gross revenue from all key development sources increased, fueled at least in part by prior audience gains and a relatively stable national economy.
- FY 2004 was public radio's best year for overall net fundraising revenue – the funds available after accounting for the cost of raising them – a 2.1% increase over the prior year after adjusting for inflation.
- Station Investments in raising listener support, underwriting, and grants have increased significantly over time. In FY 2004 these expenses grew faster than the income they produced, so net revenue did not grow as fast as gross revenue. Net revenue from listener support actually declined compared to FY 2003.
- Looking at the key components of development-based revenue (all after adjusting for inflation):
 - Listener support is at its highest level ever in gross revenue, its best year in gross revenue per listener hour, its second best year in net revenue, and its third best year in net revenue per listener hour.
 - Underwriting continues to grow, reaching its highest gross revenue year and second highest net revenue year.
 - Grant support has more ups and downs than other sources. FY 2004 was up, to its second highest level ever.
 - Underwriting and grant support, against which stations report a single expense amount, was at the highest net revenue amount ever.

The Public Support/Public Service Equation

Revenues from listener support and underwriting have been the twin growth engines of public radio's economy for years. These revenues are closely entwined with the growth in public radio's audience. More listening correlates with more giving and a competitive advantage with prospective underwriters. More revenue from these sources fuels better programming that generates more listening. Complemented by grants and other organizational contributions, these proceeds from public radio's development efforts fuel the continuing expansion of public radio's public service.

This report follows public radio's experience with these key revenue sources over an extended period, highlighting the relationships between the gross amounts that stations raise, the costs of generating these revenues, the resulting net revenue available for public service, and the relationship of all of this to the size of the listening audience.

What We Review

The report is based on stations' listening and financial activity from FY 1990 through FY 2004, the most recent year for which comprehensive financial data are available. The data come from all public radio stations supported by the Corporation for Public Broadcasting that submit annual financial reports to CPB – 343 grantees that operated nearly 800 stations in FY 2004.

The findings presented here are based on an aggregate analysis of all public radio stations. The results are influenced more by the work of public radio's largest operations – major market outlets, state networks, and multi-station regional operations – than by smaller entities. Examination of average station performance, mean or median, would produce different results on some metrics. So would a report based on segmenting the system by format or market size. But those are other studies, some of which SRG will undertake in coming months. This report is public radio's shared story, the combined tallies for the entire field. It is a useful backdrop against which every station can consider its own performance and aspirations.

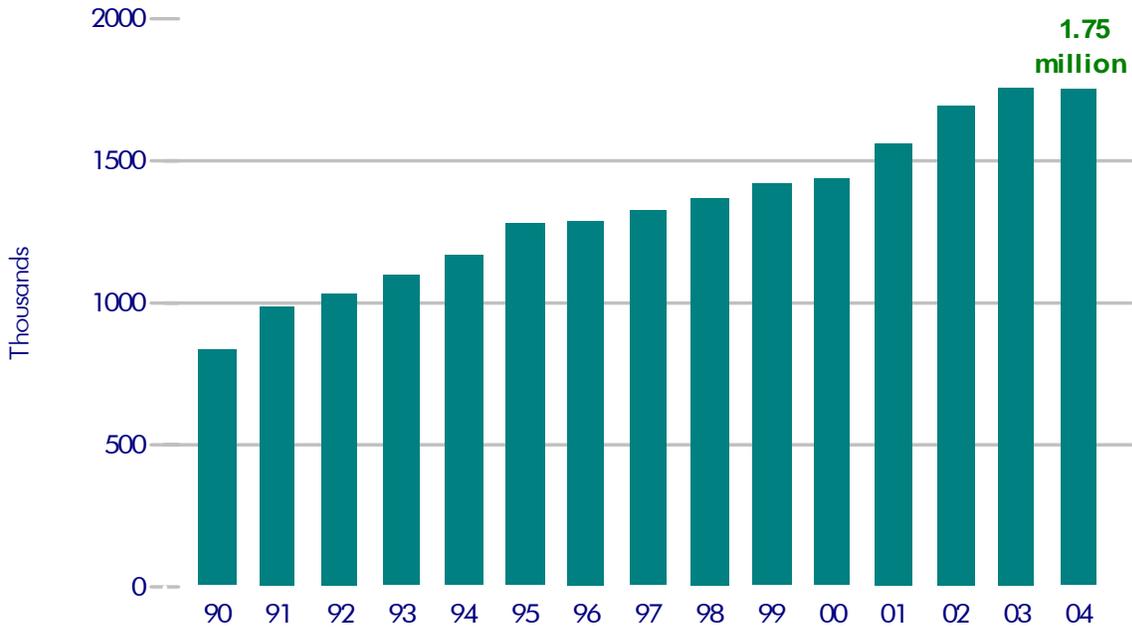
Adjustments for Inflation

All dollar amounts prior to FY 2004 are reported in "2004 dollars." This means amounts from earlier years are larger than the sums reported at the time. This adjustment for inflation allows the data to reflect real changes in the costs and benefits of development activity over time, a better "apples to apples" comparison of performance in different years.

This report was developed as part of Charting the Territory, a system-wide planning initiative supported by the Corporation for Public Broadcasting and SRG member stations.
Copyright © 2005 Station Resource Group, Inc. All rights reserved.

Public Radio's Average (AQH) Audience

Mon-Sun, 6am-midnight, 12+



Source: Arbitron Spring Nationwide, Radio Research Consortium

Station Resource Group

Listening Is Flat

Listening to public radio was virtually unchanged from spring 2003 to spring 2004.

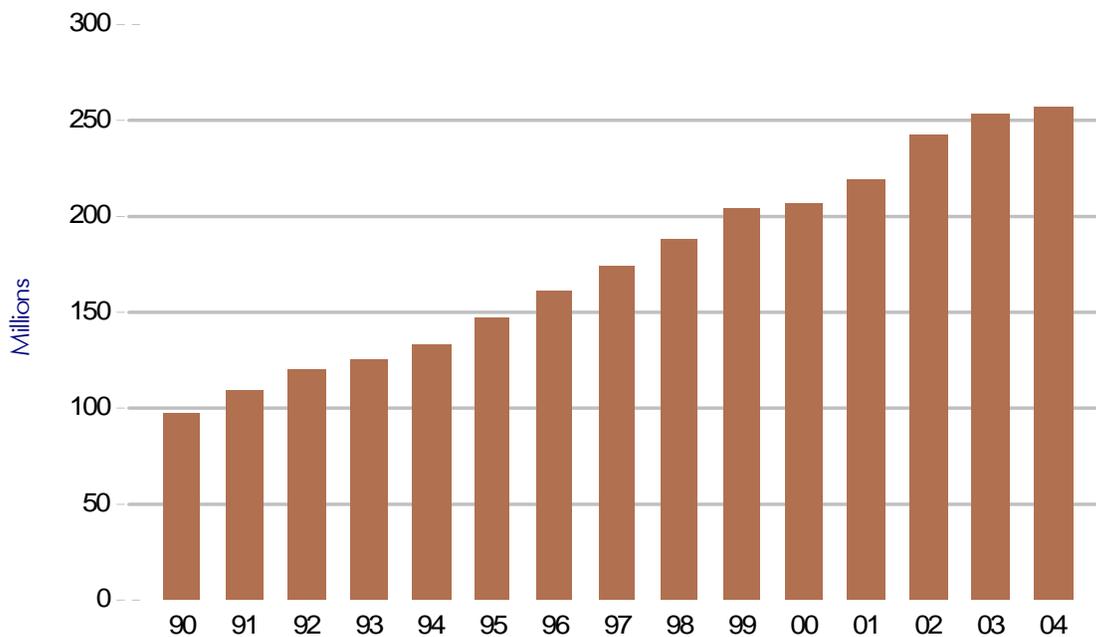
The full week average-quarter-hour audience, the average number of people tuned in to public radio at any one time, was 1.75 million listeners during spring 2004, according to Arbitron's Spring Nationwide report for all CPB-supported stations. In percentage terms, listening declined just slightly, by 0.3%. The cumulative audience, the listeners who tune in at least once per week to public radio, grew to a national total of 27.3 million, an increase of 0.2%.

These figures may seem disappointing after several years of dramatic audience growth – an increase in listening of over 22% from 2000 to 2003. At the same time, they indicate that public radio has been able to maintain its relationship with millions of new listeners added during the preceding years. In several ways the audience performance of public radio in 2004 matches that in 2000 and 1996: a flat year following three years of solid growth.

Note: we use audience data from spring 2004 throughout this report to align with the financial data from stations' 2004 fiscal years, the most recent available.

Public Radio's Listener Support

Adjusted for Inflation (2004 Dollars)



Source: CPB: Annual Financial Reports

Station Resource Group

Listener Contributions Highest Ever

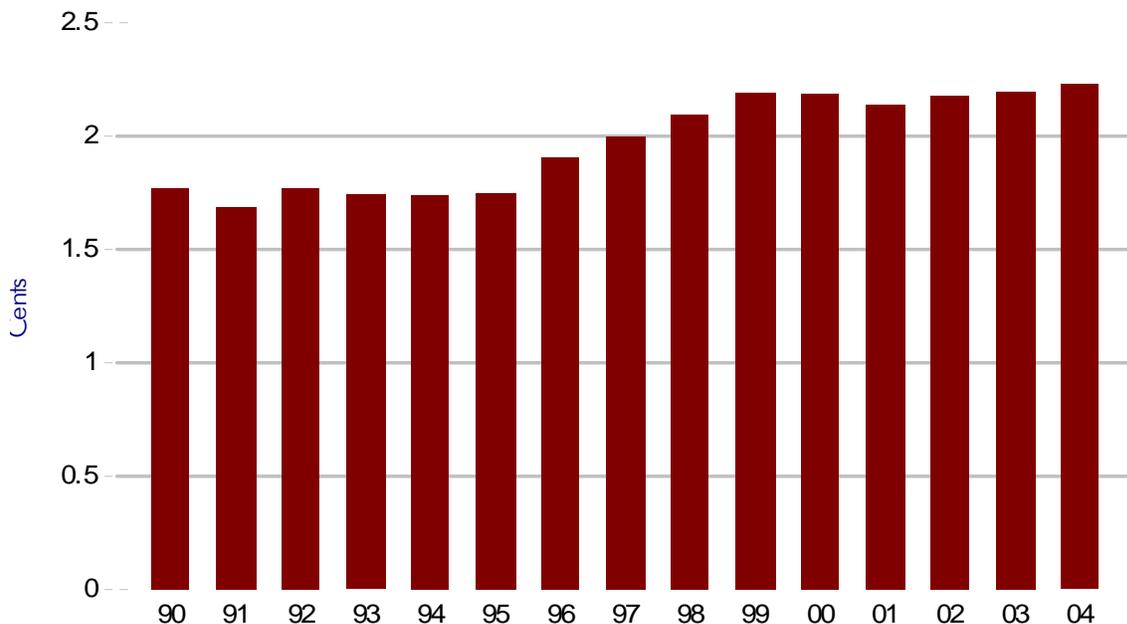
Listener support of public radio stations increased by \$3.3 million in FY 2004. The \$257 million reported by stations was 1.3% more than the preceding year. Both the dollar increase and the percentage increase are calculated *after* adjusting for inflation, as are all the changes presented in this report.

Years of research tell us that the best predictor of listener support is the level of listening to a station. 2004 results affirm that relationship: essentially flat levels of listening translate to essentially flat listener support

But we also know that, even after accounting for listening, there is a good deal of the variation in levels of giving yet to be explained. This is where the scope and effectiveness of public radio's fundraising work enters the picture.

Public Radio's Listener Support per Listener Hour

Adjusted for Inflation (2004 Dollars)



Source: CPB: Annual Financial Reports, Arbitron Spring Nationwide, RRC

Station Resource Group

A Little More Giving for Each Hour of Listening

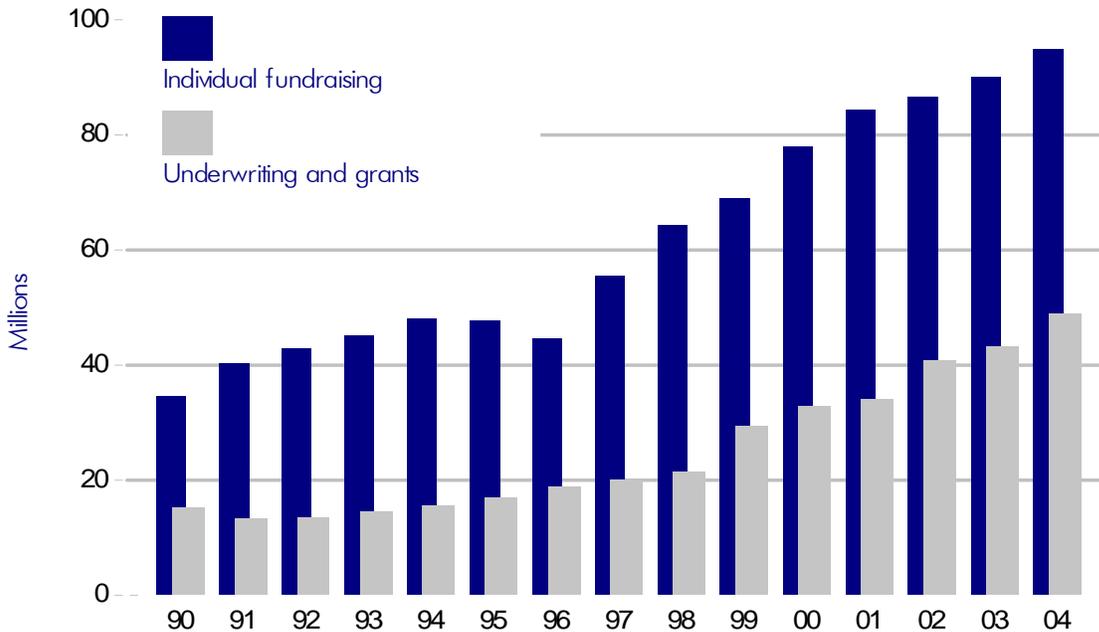
When we examine the slight increase in listener support in the context of the slight decrease in listening, we can see that listeners are giving just a little more for each hour of listening than they did in the prior year. In fact, FY 2004 was the best performance ever by public radio with respect to this combined metric.

The above chart shows the result of dividing the total listener income by the total listener hours for public radio. Listener hours are calculated by multiplying the system's AQH x 18 hours per day x 365 days per year.

The result is that, in FY 2004, public radio listeners contributed over 2 cents for each hour of listening – 2.23 cents to be precise. This figure reflects all giving to stations in relation to all listening. Those who actually contributed gave at a much higher rate relative to their own listening.

Public Radio's Development Expenses

Adjusted for Inflation (2004 Dollars)



Source: CPB: Annual Financial Reports

Station Resource Group

It Takes Money to Raise Money

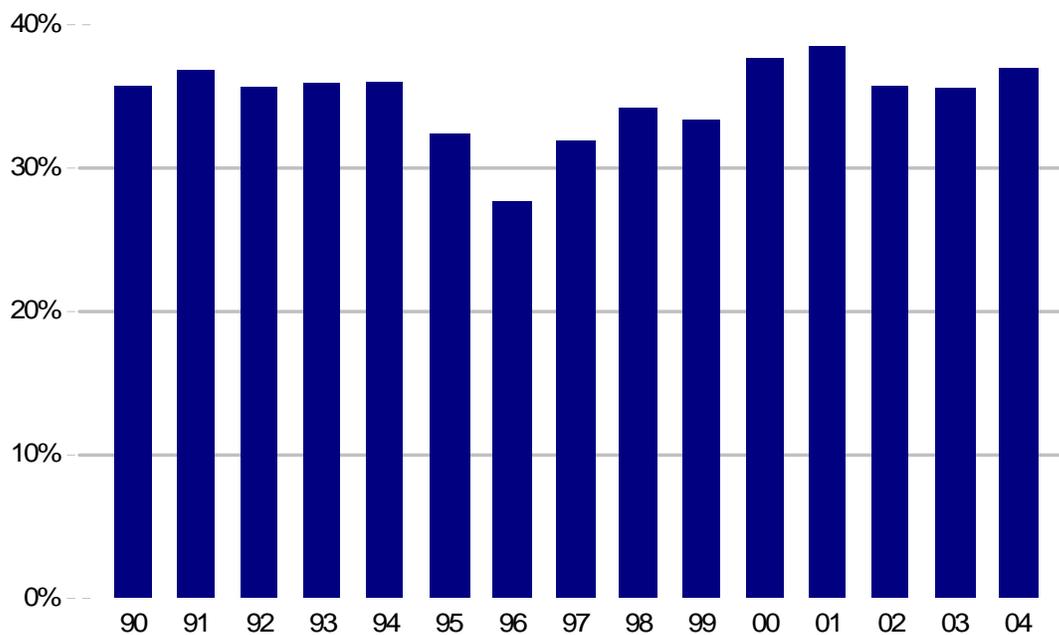
Public radio has been steadily increasing its investment in listener fundraising and developing underwriting and grants, as the chart above makes clear.

The cost of raising funds from individuals increased by 5.4%, more than the increase in the prior year (4.1%) but considerably less than the leaps of 14.3% in FY 2000 and 8.9% in FY 2001 (all numbers after adjusting for inflation).

The costs of generating underwriting and grant support were up 13.3%, a point to which we will return later in this report.

Fundraising Cost as Percent of Revenue

Adjusted for Inflation (2003 Dollars)



Source: CPB: Annual Financial Reports

Station Resource Group

It Cost 37¢ to Raise a Listener Dollar in 2004

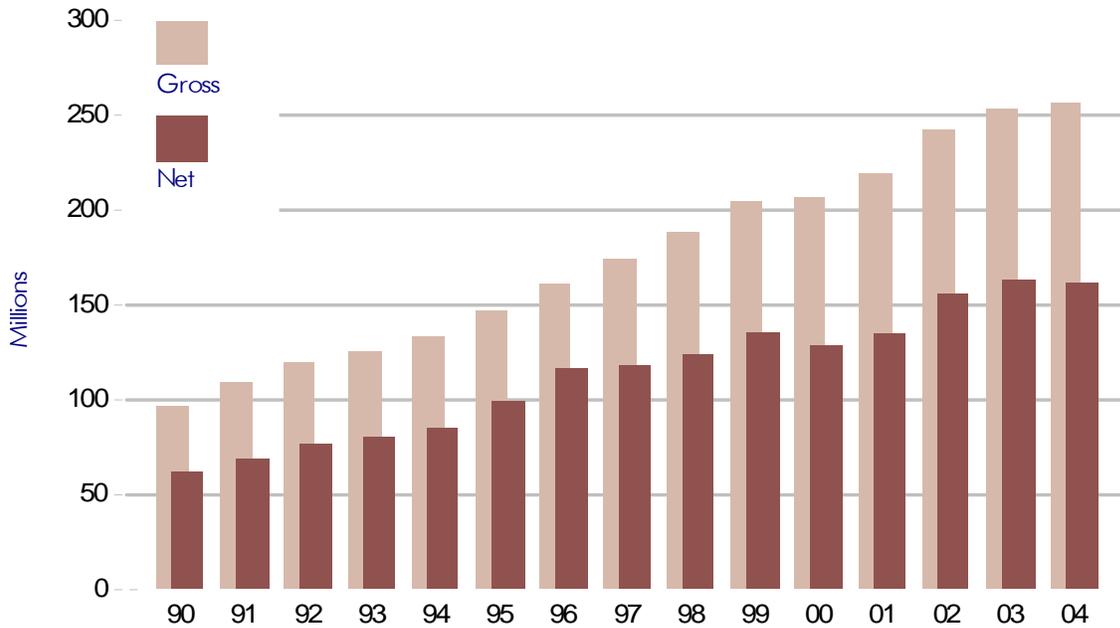
Station spending to raise contributions from listeners rose faster than the increase in such contributions during FY 2004. As a result, the cost of raising a dollar of listener support increased by a penny.

In FY 2004 public radio stations spent 37 cents on fundraising for every listener dollar raised. It should be noted, however, that this analysis includes no assignment of value to the airtime stations use to ask for support.

It is important to note, however, that not all of the returns on stations' fundraising investments are reflected in this calculation. A growing number of stations – more than 80 – are building endowments to support their work over the long-term. Because stations currently report both new contributions to endowment principal and earnings on existing endowed funds as a single item, we are unable to add endowment fundraising results into this mix. If we were able to do so, there would be a modest reduction in the cost per dollar raised.

Public Radio's Net Listener Support

Adjusted for Inflation (2004 Dollars)



Source: CPB: Annual Financial Reports

Station Resource Group

Net Support from Listeners \$1.6 Million Less in 2004

At the end of the day it is the **net** revenue from contributions – the funds that remain after accounting for the costs of raising them – that stations are able to invest in fulfilling their public service missions.

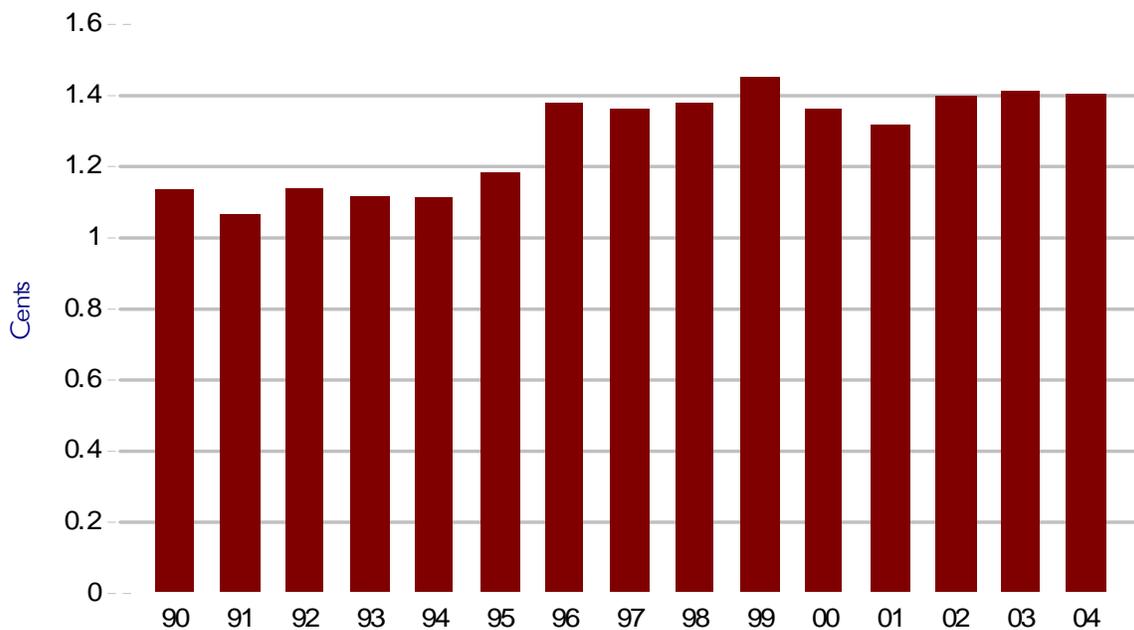
This chart highlights the interplay between the gross amounts contributed by public radio's listeners and the expenses stations incur in securing those gifts.

In FY 2004, stations' fundraising costs grew by more than gross listener revenue. The result was a \$1.6 million decline in net revenue flowing to operations, after adjusting for inflation, a loss of 1.0%.

This decline in net revenue from listeners is only the second time public radio has experienced such a change during the years covered in this report; the other was FY 2000. It may provide some consolation to note that FY 2004 was also public radio's second best performance ever on this key measure.

Public Radio's Net Listener Support per Listener Hour

Adjusted for Inflation (2004 Dollars)



Source: CPB: Annual Financial Reports, Arbitron Spring Nationwide, RRC

Station Resource Group

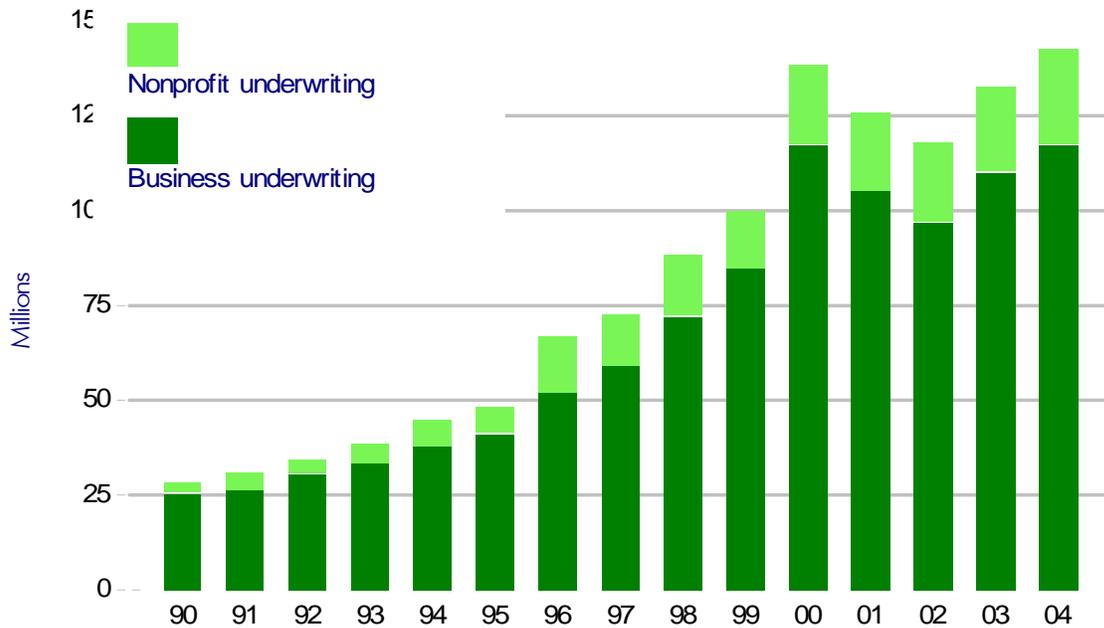
Listener Support Productivity: A “Hold Even” Year

We can now combine the previous information into an overall performance assessment of public radio’s listener support efforts: the net listener support per listener hour. This measure looks at the productivity of public radio’s collective fundraising after accounting for both the opportunity – the amount of listening or listener hours – and the costs.

The result is essentially a “hold even” performance. The FY 2004 number is 1.41 cents per listener hour – just about the same as the preceding two years, down just a hair (0.7%) from FY 2003, and the third best year ever for public radio.

Public Radio's Underwriting Support

Adjusted for Inflation (2004 Dollars)



Source: CPB: Annual Financial Reports

Station Resource Group

Underwriting Growth Continues: Highest Total Ever

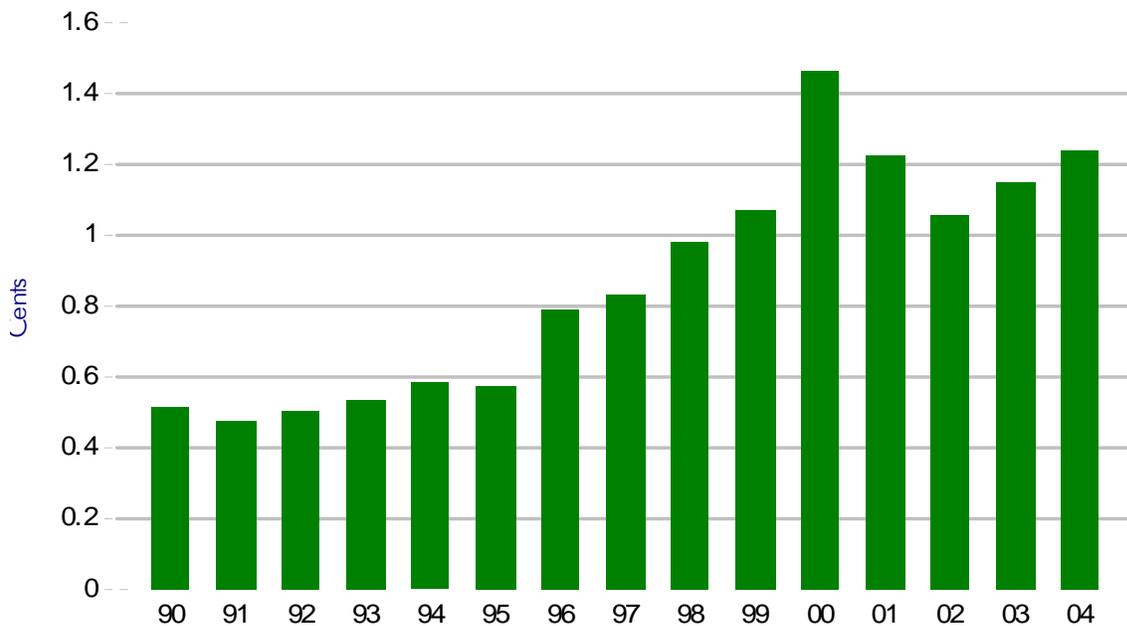
There is a different pattern to track when we turn to public radio stations' underwriting efforts. Stations steadily grew their underwriting from businesses and nonprofit organizations throughout 1990s. FY 2000 brought what one observer termed the "dot com event" – a surge of new underwriting for public radio on top of the expanding base. When the national economy took a nosedive, public radio's underwriting took a tumble, too, although totals for the 2001 and 2002 were still dramatically above any previous year save the extraordinary FY 2000.

Business underwriting turned around in FY 2003, and FY 2004 shows a continuing good story, with an increase of \$7.2 million to an amount exceeding FY 2000 receipts – public radio's best prior year.

Underwriting from nonprofits has moved from a marginal activity to accounting for nearly one in five underwriting dollars (18%). It grew in FY 2004 at almost twice the rate (12%) as underwriting from businesses (6.6%).

Combined gross underwriting reported by stations grew by \$9.9 million after adjusting for inflation, a gain of 7.5% compared to the prior year.

Public Radio's Underwriting Support per Listener Hour Adjusted for Inflation (2004 Dollars)



Source: CPB: Annual Financial Reports, Arbitron Spring Nationwide, RRC

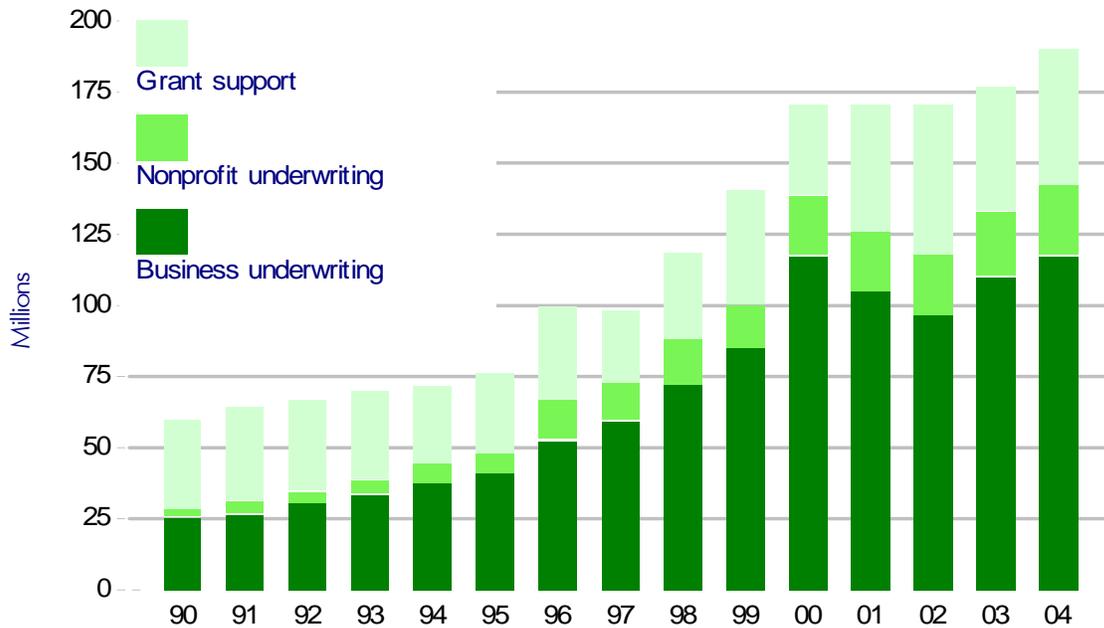
Station Resource Group

Underwriting Outpaces Audience Growth

When we examine public radio stations' underwriting performance in terms of returns per listener hour, the work of public radio's underwriting teams looks even better. The growth in underwriting was against the backdrop of a slight slip in listening. As a result, underwriting per listener hour increased significantly (7.8%) compared to the prior year.

Public Radio's Grants and Underwriting Support

Adjusted for Inflation (2004 Dollars)



Source: CPB: Annual Financial Reports

Station Resource Group

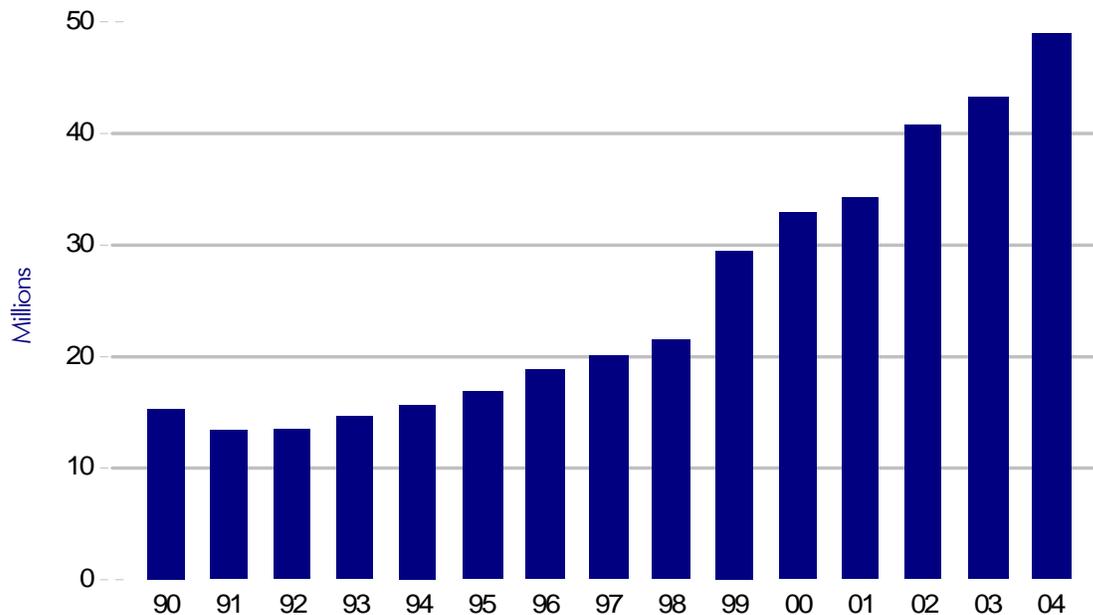
Grant Support Complements Underwriting

Not all organizational contributions to public radio stations are underwriting. Each year stations raise millions in grants and contributions from foundations, government agencies, businesses, and the Corporation for Public Broadcasting. [Note: for this analysis we have excluded CPB's formula-driven Community Service Grants and included only those CPB grants awarded on a competitive basis, such as through the Radio Program Fund.]

At the beginning of the period covered by this report, such grants and organizational contributions were a virtual match to underwriting support. In the ensuing years these grants and contributions have grown modestly compared to other sources of funding. FY 2004 was public radio's second best year for capturing grants and organizational contributions, yielding a total of \$48 million, up \$3.7 million or 8.4% from the prior year.

Public Radio's Underwriting and Grant Expenses

Adjusted for Inflation (2004 Dollars)



Source: CPB: Annual Financial Reports

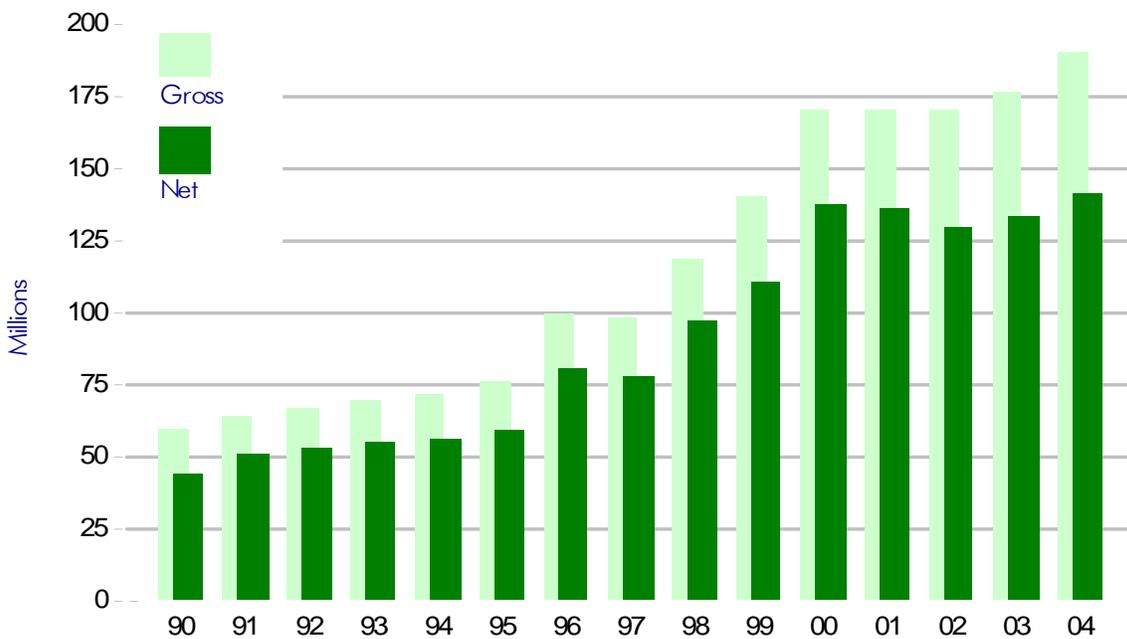
Station Resource Group

Underwriting and Grant Development Expenses Rise

A major factor in public radio stations capturing additional underwriting and grant support has been a willingness to invest in developing such support. That pattern continued in FY 2004: underwriting and grant development costs grew by \$5.8 million after adjusting for inflation, an increase of 13.3%.

Public Radio's Net Underwriting and Grant Support

Adjusted for Inflation (2004 Dollars)



Source: CPB: Annual Financial Reports

Station Resource Group

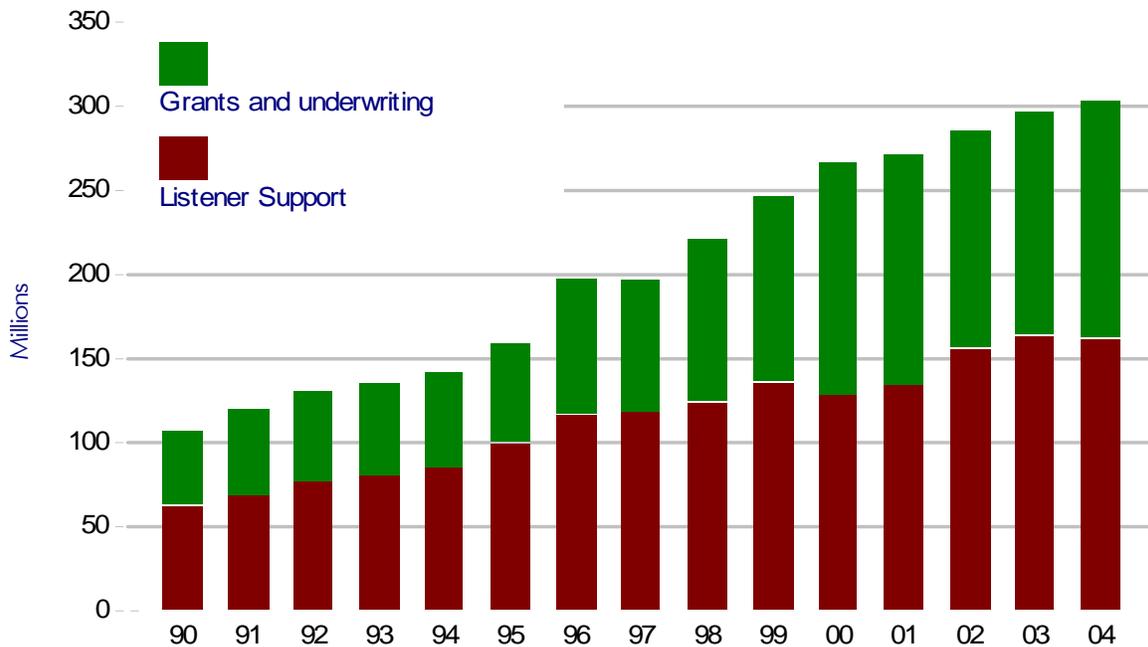
Net from Underwriting and Grants Up \$7.9 Million

This chart shows public radio stations' net income from underwriting and grants activity. Although expenses grew faster than income, the "bottom line" for the year was an increase of \$7.9 million after adjusting for inflation, a boost of 5.9%.

FY 2004 was public radio's best year ever with respect to net income from organizational grants, contributions, and underwriting, exceeding (by a small margin) even the then-extraordinary performance of FY 2000.

Net Listener Support, Grants and Underwriting

Adjusted for Inflation (2004 Dollars)



Source: CPB: Annual Financial Reports, Arbitron Nationwide

Station Resource Group

Total Development Effort Yields 2.1% More for Service

Year-by-year public radio's development professionals have steadily increased the resources that fuel public radio's public service. Each element of this support has grown through interplay with public radio's programming. Listener support follows a close relationship with levels of listening and the importance of the programming to those who hear it. Underwriting also follows listening levels and the prestige of public radio's programming, but it is more sensitive to the broader economy and the vigor of public radio's efforts to secure it. Grant support is perhaps the most complex to sort out, a reflection of the intersection between station mission and grant-givers' priorities, of appropriations to public agencies, and the vitality of foundation portfolios.

In FY 2004 the combined gain from all these sources, after adjusting for inflation and accounting for the cost of fundraising, was 2.1% ahead of the previous year, an increase of \$6.3 million. The modest setback in net revenue from listener support was more than offset by net growth in underwriting and grants. FY 2004 was the most productive year to date for public radio's development staff, but also one with some important cautionary notes for the years ahead.

Listener Support, Underwriting, and Grants: Revenue, Costs, and Net Return to Operations

About the Data

Financial data are from Annual Financial Reports filed by stations supported by the Corporation for Public Broadcasting, which are reconciled to audited financial statements for each station. In FY2004 343 grantees filed reports that were included in this analysis.

Audience data are from Arbitron's Spring Nationwide report of listening to all CPB-supported stations as prepared by the Radio Research Consortium.

All financial data are adjusted for inflation to 2004 dollars using the Consumer Price Index (CPI-U) of the Bureau of Labor Statistics.

Listener income includes both funds contributed directly to stations and revenues received from "friends" groups. Revenue designated as "major gifts" by stations is included; revenue designated as "endowment" is not.

Development expenses for this report have been adjusted from the figures reported by stations to CPB. Of the stations reporting underwriting and grant income, most divide development expenses between fundraising from members and individuals and development costs for underwriting and grants, but many do not. Some 151 grantees that account for 24% of stations' underwriting and grants income report only a single development figure. SRG calculated the ratio of cost to revenue for those stations that did report separate figures and made an allocation of costs using this ratio for those stations that did not furnish a break-out. This adjustment decreases the cost for fundraising from members and individuals and increases the cost for underwriting and grant expense compared to the original figures.

We thank Nadine Feaster, Director, Station Grants Administration, at the Corporation for Public Broadcasting, and Joanne Church of the Radio Research Consortium for their help in providing data for this report.