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Testimony of Kevin Klose

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On Funding for Public Radio

**House Appropriations Subcommittee on Labor, Health and
Human Services, Education and Related Agencies**

**Honorable Ralph Regula
Chairman**

February 25, 2004

Chairman Regula, Mr. Obey, and members of the Subcommittee, I am Kevin Klose, President and Chief Executive Officer of National Public Radio. Thank you for this opportunity to provide comments on funding recommendations for public radio's needs and to endorse the funding request made by the Corporation for Public Broadcasting (CPB). On behalf of the public radio community, I want to express appreciation for the financial contributions you've provided to institutions like CPB, which in turn fund a portion of the operational expenses of public radio stations serving every congressional district in America.

Mr. Chairman, let me also ask for your permission to submit for the hearing record a lengthier statement with accompanying documents.

Today, NPR programming is heard on more than 770 public radio stations reaching a weekly audience of some 29 million citizens. Public radio stations are located in every one of America's fifty states, as well as the District of Columbia, Puerto Rico, Guam and the Marianas Pacific. A public radio signal reaches across America to bring programming that meets the highest standards of public service in journalism and cultural expression.

NPR doesn't own or operate radio stations. Public radio stations are locally licensed, locally governed, locally programmed, and locally staffed. Whether a public radio station's broadcast license is held by a university, such as Kent State University in Ohio, a community organization, such as Wisconsin's WXPB, a state authority, such as the Mississippi Public Radio Network, a local authority like the Public Radio Partnership in Louisville, Kentucky, or a school board such as WABE in Atlanta, public radio stations provide localized services that meet local and regional needs.

The audience listening to stations carrying NPR programming is a reflection of the distinctive, catalytic partnership that exists between the public radio stations serving local audiences across the country and national programming entities like NPR. Roughly one in ten Americans tunes to an NPR station in a given week and more than one in every four college-educated adults listens to NPR stations. This is an audience reach that exceeds the combined readership of the nation's top 46 newspapers.

While retaining its deep local roots and its focus on balanced, objective and in-depth programming, public radio has evolved dramatically in recent years. In the past four years, NPR's audience has grown by more than 60 percent. In the past decade, our audience has doubled. This growth has occurred in public radio while audiences tuning into commercial stations have declined over the same period.

Travel across America and you'll hear our unique blend of programming that combines daily coverage of events with in-depth excursions into local, national and international stories. Consider these examples, found only on the airwaves of public radio stations:

- WKSU News, licensed by Kent State, profiled the creation of the Ohio Towpath Trail, a celebration of an important regional effort that has national significance.
- Oklahoma's public radio stations carry the Governor's annual "*State of the State*" address and other public affairs programming.
- KPBS, licensed by San Diego State University, airs a weekly morning talk show, *These Days*, hosted by Tom Fudge, that probes local and national stories like the grocery workers strike and aftermath of the Southern California wildfires.
- KBSU, licensed by Boise State University (BSU), each week airs *New Horizons in Education*, hosted by Dr. Bob Kustra, BSU's President.
- Wisconsin Public Radio each week brings state listeners the *Joy Cardin* show to review the week's state, national and international news.
- WMFE, 90.7 FM, in Orlando, with Pat Duggins, News Director, is public radio's premier voice in space launch and exploration news.

Additionally, NPR reaches an international audience through NPR Worldwide, which brings all of our most popular shows to American military forces via the Armed Forces Network in the Middle East, Europe, Japan and Korea. This is an important audience for public radio and it's an audience we value. We've received numerous letters from American soldiers posted overseas expressing sentiments like this:

"Hello NPR...an Army Reservist recalled to active duty and sent to Bagram Air Base in Afghanistan this past May. I just wanted to drop a line to let you know I listen to NPR Worldwide on 105.7 FM.

I found the station while channel surfing on a car radio the other day, and upon hearing Click and Clack's familiar voices became quite pleased that NPR reaches this far from my home in Virginia. I shared my find with a fellow officer and NPR listener, and we are now both confident that listening to NPR will make our stay in Bagram a bit more bearable. Thank you for making this service available so far away from home."

And this from a Chaplain:

"I served as Chaplain to an engineer Battalion until December of last year. In February, the unit was deployed and is now in Iraq. Today I received an email from the commander.....sharing some of the life and times in that country. He noted in particular that the English TV is very limited, so he listens to NPR. It was a comfort to me to know that our troops have contact to the world via NPR. There are some 450 soldiers with him, most from Arkansas. A member of A company was killed recently and the pain of his loss still lingers. If nothing else, I just want to say thank you for reaching around the world, with the world, so that our soldiers have a taste of home while in the desert".

Mr. Chairman, distribution of NPR Worldwide programming is supported financially by NPR as part of our annual operating budget. Our current relationship with the Armed Forces Network began more than 2 decades ago and continues today as an important component of our day-to-day mission.

The funding profile of public radio stations also has changed dramatically in recent years. In 2001, local community support grew to 53 percent of a station's total revenue, up from 38 percent in 1992. Federal financial support, while a vital component of local station operations, is, on average, only 14 percent of total station revenue. This is down from 22 percent in 1992. Over the same time frame, total station revenue grew from roughly \$310 million in 1992 to approximately \$725 million in 2003. Public radio stations operate today because of the federal financial support your subcommittee and the Congress provide, but also because they have won the loyalty, trust and support of listeners, local businesses and foundations through programming that is compelling and worthy of support.

Consider NPR's own financial profile. For the just completed 2003 fiscal year, programming fees paid by stations carrying NPR programming represented roughly 51 percent of our annual budget of \$102 million. That is down from 70 percent just several years ago. Corporate sponsorships, foundation grants and individual contributions comprise some 40 percent of our budget in any given year, a figure we believe will increase in future years.

NPR does not receive any direct federal financial support. Annually, through the competitive programming grant process open to all programming entities in the public radio system, NPR wins awards that total between 1 and 3 percent of our annual operating budget. For fiscal years 2002 and 2003, for example, these awards totaled \$3 million and \$2.7 million respectively. NPR's financial model is built upon partnerships with member stations, with corporate sponsors and with foundations. NPR is successful today because we continually produce programming that public radio stations want to air and that their listeners want to hear.

The challenges confronting public radio today – decreasing financial support from state and local governments; the necessity of converting an aging analog broadcasting infrastructure to a digital systems; technical and cost constraints that limit expansion of public radio signals to unserved and underserved areas; and improving programming service to existing listeners and reaching new audiences – are placing significant financial stress on the system. Reaching underserved areas and audiences and improving existing services are now more important than ever, as current events demand an informed and engaged public. In this era of commercial media consolidation, public radio is unmatched in its ability to deliver in-depth, balanced, objective coverage of our cities, country and the world.

Federal financial support has not kept pace with increases in listeners, a situation that only adds to local station problems. Reductions in financial support translate into staff reductions and reduced hours of local programming. Capital improvements are postponed, news staff growth is delayed and the expansion of initiatives to better serve communities simply doesn't occur. To accomplish their

public service mission and to improve the quality and expand the quantity of daily programming, America's public radio stations need the continued financial support your subcommittee provides.

One of the most important, immediate and far-reaching challenges of public radio stations is found in the technology used to reach listeners. Radio, the most ubiquitous, most accessed content delivery medium in the United States remains dependent on an aging, dated analog transmission system.

But change is on the way. In October 2002, the Federal Communications Commission endorsed a technology for radio stations to use to begin the conversion from analog to digital broadcasting. The Commission's landmark decision has opened a transition path that public radio stations must follow. This new technology opens the door to new, expanded service for public radio in a way that is revolutionary in enhancing service to listeners, in improving sound quality, and in creating a means of affordable programming expansion.

NPR and public radio stations have become recognized leaders in this important technology transformation. Just weeks after the FCC's 2002 decision, NPR announced the *Tomorrow Radio* project, with partners in the private sector renowned for their expertise in transmission and radio receiver know-how. The principal goal of NPR's *Tomorrow Radio* effort was to test multi-channel or "second audio" technology that could allow public radio stations to broadcast more programming and content using their existing spectrum. Quite simply, this means that public radio stations can utilize digital broadcast technology to carry two or more streams of programming on the same channel, or frequency.

For the Chairman, this means that his favorite public radio station in Ohio, which might be WKRW broadcasting on 89.3 FM, will have a supplemental channel on 89.3 carrying entirely separate programming. For public radio stations nation-wide, this revolutionary technology, pioneered by NPR, will permit the broadcast of multiple audio program streams for the modest price of a new digital broadcast system. Prior to *Tomorrow Radio*, the only alternative for public radio stations for this kind of program expansion was the acquisition of an entirely new radio frequency, often technically and financially not achievable. With budgets already tight, very few public radio stations could afford to increase their programming services through new signal acquisitions.

However, the *Tomorrow Radio* format, which may be approved this year by the FCC, will permit program expansion for just a fraction of the cost. It is estimated that the total cost of converting public radio's 800 full power stations and 800 translator and repeater stations is \$171.7 million, with the average station transition cost estimated to be \$150,000. By comparison, the cost of providing just the 90 public radio FM stations serving top 25 markets with another signal in the traditional, but more burdensome, fashion of acquiring a new channel is estimated to be between \$250 and \$300 million. This comparison clearly illustrates the cost efficiency and affordability that digital technology offers public radio.

The driving force behind public radio's digital transition is not just the improved audio quality and reduced interference, but the expanded public service and programming opportunities. In addition to supplemental audio channel capability, digital broadcasting can provide on-demand delivery of programming; features that allow listeners to interact with stations and to tailor services to their own unique needs and interests; expanded weather alerts, traffic reports emergency and Amber alerts; non-English broadcasts; and, expanded assisted-living services such as reading services for the visually impaired.

Mr. Chairman and Members of the Subcommittee, I recognize the fiscal challenges you confront in appropriating funds for the next fiscal year. However, please remember that public radio makes extremely efficient use of the federal funds it receives. For every dollar provided to public radio, through CPB grants, public radio raises an additional eight dollars. Viewed another way, federal support for public radio stations amounts to only 30 cents per American.

NPR's long-standing commitment to deep, engaged, long-form radio journalism sets public radio apart from all other broadcasters. Listeners have come to rely on public radio during the most intense news periods in our nation's history. We have set the bar of public expectations exceedingly high because we're capable of providing service that isn't found anywhere else. We respect the public in ways that have been long forgotten in American broadcasting. Our relationship with listeners is not transactional. It is a relationship of values.

Mr. Chairman, thank you for this opportunity to be part of your appropriations deliberations for the coming fiscal year.