

## Radio Community Service Grant (CSG) Approved Changes

**Executive Summary** – In early 2005, the Corporation for Public Broadcasting (CPB) convened a panel of public radio station leaders to review current radio CSG policy and to recommend changes to CPB management that would enhance stations' ability to serve their communities. After a thorough review of their recommendations and consultation with the broader public radio system, CPB management endorsed all of the panel's main proposals and forwarded them with a few amendments to the members of the CPB Board, for their consideration. The CPB Board approved the changes set forth in this document on September 26, 2005.

These changes are summarized below. Each change is then described in more detail in the body of this document and differences between the panel's proposals and management's recommendations are highlighted. These recommendations will take effect in Fiscal Year 2007.

- 1. Eligibility:** A station's measurable community service will be used as the basis for determining CSG qualification in place of the current "first come, first served" approach.<sup>1</sup> This will end the eligibility freeze that is currently in place for new stations in most communities.
- 2. Audience Service Criteria:** The Audience Service Criteria will be adjusted to operate more equitably across the system regardless of the size of the community that a station may serve or the format it presents. In addition, funding will be removed from stations in the CSG program that repeatedly fail to meet the service criteria.
- 3. Number of CSG Levels:** The number of levels in the CSG program will be reduced from seven to four.
- 4. Rural and Minority Incentives:** Favorable treatment of rural and minority stations included in current CSG funding formulas will continue.
- 5. Administrative Issues:** Stations in new Levels A and B with total station revenue (TSR) of less than \$300,000 will be granted relief from the requirement to submit audited financial statements to CPB. Currently, CPB grants audit relief to stations receiving CPB funding of less than \$50,000. Two other minor administrative changes pertaining to data collection and the public availability of station financial records have been made.
- 6. Community Service Incentive:** A "Community Service Incentive" (CSI) within the radio CSG program will be created. The CSI will reward stations that take extraordinary steps to become more significant institutions in their local communities. We will identify activities that enhance stations' institutional significance and community service and define specific performance targets that they will be required to meet to qualify for the incentive. These targets will be designed to allow approximately 25% of the best performing stations that are eligible to participate in the incentive program to qualify for the incentive. We will adjust CSG funding formulas to shift \$4.25 million in funding to stations that exceed these CSI performance benchmarks and thus qualify for the incentive. We will pilot, test, and refine this program during FY-2006. Assuming the pilot is successful, we will put the program in place in FY-2007.

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<sup>1</sup> In addition to current standards for operating at a professional level.

## Radio Community Service Grant (CSG) Approved Changes

This document describes the accepted recommendations made by CPB management to the CPB Board of Directors for changes to Community Service Grant policy for public radio stations.

These changes were made after an extensive consultation with the public radio system. We convened a review panel of eleven station managers and system leaders to suggest changes to CSG policy. We also solicited advice and opinion directly from public radio stations. We would like to express our gratitude to the members of the 2005 CSG Review Panel who worked long and hard weighing difficult issues and making thoughtful recommendations to management on the system's behalf. We would also like to thank the many station managers that responded to our requests for comment.

The accepted recommendations presented here were largely the recommendations made to CPB by the panel. We have marked clearly throughout this essay the few places where our recommendations differed from those of the panel. The panel operated in consensus mode for most of its discussions; however we have also noted places where there was disagreement within the panel.

### **Background:**

The 2005 CSG Review Panel met four times between January and May, 2005. Its discussions were wide-ranging and included many issues facing public radio. The panel focused on these areas:

1. Eligibility: opening the CSG program up to new stations and adjusting the Audience Service Criteria (ASC) so that it would operate more equitably.
2. Structure: simplifying the CSG program by reducing the number of levels within the program.
3. Underserved audiences: evaluating the current incentives for rural and minority stations.
4. Administrative efficiency: relieving the administrative burden on grantees wherever possible.
5. Station significance: developing a new incentive program that would encourage stations to build their capacity to serve their local communities.

In addition to its own deliberations, the panel solicited input from the station community. The panel forwarded six primary recommendations to CPB management. CPB management evaluated the panel's recommendations and solicited additional input from the system about them. CPB management endorsed all of the panel's recommendations with minor modifications. The following pages present CPB management's recommendations in detail. These recommendations were approved by the CPB Board of Directors on September 26, 2005.

## Recommendation 1: Station Eligibility

Under current policy, entry to the CSG program is by-and-large limited to stations that provide the first public radio service to a region. Minority stations in certain limited circumstances may also enter the CSG program under the current policy. This restrictive entrance policy was adopted in the mid-nineties by CPB in expectation of a decline in federal funding. All stations in the CSG program at the time were grandfathered, including many stations providing second, third, and additional services to a single community. Now, as a general rule, new stations are unable to enter the program unless they provide a community's first service.

The need for public radio service is great. Ample listener interest and programming is available to support multiple public radio services. Experience demonstrates that the presence of multiple services in a community results in healthier public radio stations and a higher level of service to the public. We in CPB management now believe that, given the public benefit that flows from multiple public radio services, limiting funding to those new stations providing a community's first service is overly restrictive.

Rather than a first service test, we recommend that a station's actual, measured service to its community be used as the basis for determining qualification to the CSG program. Any station able to meet a specified minimum level of service to its community would be eligible for funding. Any station that is unable to meet these minimum service benchmarks would lose eligibility for CSG funding. We would not consider the presence or absence of other public radio services in the region. Under long-standing CSG policy, stations must meet a variety of legal, managerial, staffing, and operational criteria as prerequisites for CSG funding.<sup>2</sup> These prerequisites would remain in place; stations would be required to meet them as well to be eligible for funding.

The use of a community service benchmark as part of CSG eligibility is not new. Under current policy, stations must demonstrate that they meet a threshold level of community service to *maintain* eligibility for a Community Service Grant. We now recommend extending this approach to determine *new* station eligibility.

The community service standard used to determine station eligibility is known as the Audience Service Criteria (ASC). Stations can meet the ASC in one of two ways: they can show that their service is used by a minimum number of people in their community (the "listening index") or they can show that they receive a minimum amount of financial support from their community (the "community financial support index").

Under current policy, stations in some CSG levels that receive minimal amounts of funding are not required to meet the ASC. We recommend that this be changed and that *all* grantees be required to meet these standards. The only exception to this universal audience service standard would be Level 1 "Sole Service" grantees because of the unusual nature of the service these stations provide.<sup>3</sup>

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<sup>2</sup> These criteria include a general audience service mission, open meetings requirements, minimum financial and technical resources, and a variety of other items.

<sup>3</sup> Currently only nine of 390 CSG recipients have Sole Service status.

Should the Board adopt this new policy, we believe that about a dozen stations may become eligible for the CSG program shortly after the new policy becomes effective. We recommend limiting the number of new entrants to 15 in the first year. Additional stations may enter the program in future years.

**Recommendation 1:**

- **1.1 Adopt the Audience Service Criteria as a universal service standard for eligibility to the Community Service Grant program allowing new public radio stations to receive CSG funding.**
- **1.2 Limit the number of new stations entering the CSG program to 15 in the first year.**

**Difference between the panel's and management's recommendations:**

The panel discussed but did not recommend a limit to the number of new stations.

**Minority panel opinions:**

A few panelists were uncomfortable with the quantitative nature of the ASC and expressed concern about the validity of the ASC as a measure of audience service and as a standard to qualify new stations. They encouraged CPB to find alternative methods of verifying community service that included more qualitative measures.

**Recommendation 2: Audience Service Criteria**

During the review process, we heard questions from several general managers about the fairness of the current Audience Service Criteria. Given Recommendation 1.1 to apply the ASC as a universal condition of station eligibility, we wanted to be sure that the ASC was operating as fairly and as equitably as possible across the public radio system. The panel conducted an extensive review of station performance under the existing Audience Service Criteria. They identified two problem areas:

- First, the current ASC benchmarks are substantially harder for stations with a large number of potential listeners like stations in New York and Los Angeles and easier for stations with a small number of potential listeners like stations in rural regions.
- Second, the present system of annually adjusting ASC levels to track system-wide listening and financial performance was not working as intended. A small group of stations, generally large news stations serving major metropolitan areas, had a disproportionate effect on average performance of the total public radio system. The index therefore has been increasing at a faster rate than conditions at many stations might warrant.

In response to these findings, we recommend that the Audience Service Criteria be adjusted in two areas:

1. ASC Threshold

We recommend that we adjust the ASC to correct the imbalance across different coverage area populations. Under the current policy, stations are divided into two bands. Stations with more than 3 million potential listeners are required to meet one service threshold; stations with fewer than 3 million potential listeners are required to meet a different threshold. To create more equity in the system we recommend dividing public radio stations into four bands of coverage area population: stations with 5 million potential listeners and above, stations with 1 million to 5 million potential listeners, those with 500,000 to 1 million potential listeners, and those with fewer than 500,000 potential listeners. We recommend that we calibrate the ASC threshold separately for each band so that the median station in that band performs at about 200% of the specified index. Stations in the smallest band, 500,000 potential listeners and under, are the most varied. Because of this, we recommend that the threshold for stations in this band be set so the average station performs at about 600% of the index. These changes will make the ASC a bit easier to meet for most stations.

2. Annual ASC Adjustment

We also recommend eliminating the present system of annually adjusting the ASC by total system performance. Instead, we recommend that ASC thresholds be reviewed periodically as part of the normal CSG review process.

In addition to reviewing the equity of the ASC methodology across the system, the panel and management have considered a variety of other issues related to administration of the Audience Service Criteria:

Failing Stations

The panel was concerned that stations be given ample warning when they are in danger of failing to meet the ASC. After ample warning, stations that cannot meet the ASC should face escalating restrictions and reductions in their CSG and eventually be removed from the CSG program. We propose the following system of warnings and reductions:

- All stations in danger of failing the ASC will receive a warning and a year of full funding before their CSG is affected – “Year 0.” All stations within 110% of the ASC threshold would receive such a warning and enter Year 0.
- A station that fails to meet the ASC after receiving a Year 0 warning would move into Year 1 and Year 2. Stations in Year 1 and Year 2 would continue to receive their full CSG. However, 25% of this CSG would be restricted and could be used only to fund special projects designed by the station to help it return to compliance with the ASC. Stations would be required to report the nature of these projects to CPB.
- A station that fails to meet the ASC after Year 2 enters Years 3 and 4. Stations in Years 3 and 4 will receive only 50% of their CSG.

- A station that fails to meet the ASC after Year 4 will be removed from the CSG program until the station demonstrates that it is once again able to meet the ASC threshold.
- Stations that are able to recover and meet the ASC during Years 1 – 4 will have their full CSG restored. However, if these stations once again fail to meet the ASC during the next four years, they will not move all the way back to Year 0 and receive another full cycle of warnings, restrictions, and reductions. Instead, CPB staff will develop practices to return stations to Year 1, 2, 3 or 4 status depending on the particular circumstances of the individual case.
- Some stations are currently failing to meet the ASC and have been failing for a number of years. These stations have already received multiple warnings and may already be receiving a reduced CSG. We will not move these stations to “Year 0” status upon adoption of this policy. Instead, CPB will place these stations at an appropriate point along the transition path.

The following chart summarizes the recommended transition out of the CSG program:

Table 2-1  
Transition Plan for Stations Failing to Meet the ASC

	Year 0	Year 1	Year 2	Year 3	Year 4
<b>Stations that don't meet ASC</b>	Warning to stations scoring less than 110% of index	Full grant 25% of grant is restricted	Full grant 25% of grant is restricted	50% grant	50% grant

Minority Stations

Both the panel and we in CPB management recognize the special challenges that many minority stations encounter in serving their communities. For this reason, we recommend continuation of our present policy that minority stations be required to meet only 50% of the applicable ASC threshold.

Updating the Definition of Community Financial Support

We recommend changing the definition of Community Financial Support in the ASC to include gifts from major donors. When the formula for Community Financial Support was first defined, major giving was rare in the public radio system and such gifts were not viewed as regular, annual sources of revenue. In recent years, many stations have launched

major giving programs as a routine part of their fundraising efforts. We believe it is now appropriate to include major gifts as part of community financial support.

***Impact***

We would prefer that every public radio station provide a significant level of service to its community. If this were so, no station would be in danger of losing its CSG funding because it failed to meet the ASC. Unfortunately, this is not the case. We believe that some 29 grantees may be in danger of failing to meet the ASC under the proposed policy. Unless they improve, these stations will eventually lose their CSG funding. Several of these stations are minority stations that we are particularly interested in keeping in the CSG program. To address this concern, we are developing a concept for a grant program that would use CPB discretionary dollars to invest in stations that are underperforming against the ASC. For the next few years, we would make a few significant multi-year grants to stations that are seriously committed to improving their service. We are hopeful that this program will help a number of stations improve their service, including the minority stations we are most concerned about.

**Recommendation 2:**

- **2.1: Adopt a four band approach to setting Audience Service Criteria goals.**
- **2.2: Ease the criteria for most stations compared to current levels.**
- **2.3: Eliminate automatic ASC indexing. Review ASC levels as part of the normal CSG review process instead.**
- **2.4 Provide an orderly transition out of the CSG program as described in Table 2-1 for stations that are unable to meet the audience criteria.**
- **2.5 Continue the present policy of requiring minority stations to meet 50% of the appropriate ASC index.**
- **2.6: Add a major giving component to the Community Financial Support calculation.**

**Difference between the panel's and management's recommendations:**

The panel did not discuss the inclusion of major giving as a component of the Community Financial Support Index of the Audience Service Criteria.

**Minority panel opinions:**

As with recommendation 1, a few panelists were uncomfortable with the quantitative nature of the ASC and expressed concern about the validity of the ASC as a measure of audience service and a standard of CSG qualification. They encouraged CPB to find alternative methods of verifying community service that included more qualitative measures.

### **Recommendation 3: Simplify CSG Program Complexity**

The current seven level CSG model is very complicated. This complexity can make it difficult for stations to understand where they fit in the CSG program and how they might change their operation to receive a higher grant.

#### Simplifying the CSG Program

We recommend restructuring the CSG program by collapsing the current seven level system into four levels. To avoid confusion, we will rename the new levels using letters instead of the current numeric labels. We would accomplish this restructuring by:

- Maintaining Level 1, Sole Service, as “Level A.”
- Combining Levels 2, 3, and 4 into a single small station level, “Level B.”
- Maintaining Level 5 as the larger station rural level, “Level C.”
- Combining Levels 6 and 7 into a single, larger station non-rural level, “Level D.”

#### Maintain Level 1, Sole Service, as Level A

Sole service stations provide the only broadcast service to a region -- radio or television, commercial or noncommercial. Currently we define “only broadcast service” as the lack of any other primary broadcast service within a fifty mile radius. There are currently nine stations that meet this definition, seven of them in Alaska. We recommend maintaining this Level, changing only its name.

#### Merge Levels 2, 3, and 4 into a single Level B

Stations in Levels 2 and 3 are small stations with very limited resources. Level 2 stations are rural and Level 3 stations are non-rural. Level 4 stations are also small rural stations but they are not quite as small as Level 2 rural stations.

Currently Level 2 stations and some Level 3 stations are not required to meet the Audience Service Criteria. Earlier, however, we recommended that the Audience Service Criteria be made a universal requirement for stations in the CSG program. Under this approach, *all* Level 2 and 3 stations would be required to meet the ASC. This change would remove a critical distinction among the three small station levels, Levels 2, 3, and 4. We therefore propose to merge Levels 2, 3, and 4 into a single level, Level B.

We propose to set the grant size and eligibility requirements for Level B stations at the approximate level that applies to Level 4 stations. We would provide the new Level B stations with base grants of \$65,000, a substantial increase for Level 2 and 3 stations. In addition to the Audience Service requirement, stations in Level B would be required to have a minimum NFFS of \$100,000 and to meet an employee minimum of one full time person. This is an increase over present operations for many Level 2 and 3 stations.

Three stations currently in the CSG program do not meet the new minimum NFFS requirement for this level. We will waive this requirement for these stations for a few years to enable them to increase their NFFS to the required level. Many Level 2 and 3 stations do

not currently meet the employee minimum but we do not anticipate routinely waiving this requirement. Level 2, 3 and 4 stations do not receive a match on the NFFS that they raise. Level B stations will likewise not receive a match on NFFS.

#### Maintain Level 5 as Level C

Level 5 stations are larger stations serving rural areas. They have a NFFS of at least \$200,000 and at least four full-time-equivalent employees. In the current program, Level 5 stations receive the same base grant as Level 4 stations but, unlike Level 4 stations, Level 5 stations also receive matching funds based on the NFFS they raise each year.

We propose retaining the current Level 5 in the new program as Level C. Level C stations will receive a base grant of \$65,000 and will receive matching funds on total NFFS raised.

#### Merge Level 6 and 7 into a single Level D

Level 6 and Level 7 stations are larger stations that are not located in rural areas. These stations also have minimum NFFS of approximately \$200,000. They have an employee minimum of 5 FTEs. Level 6 and 7 stations differ in the kinds of areas they serve and in the size of their base grants. While both Level 6 and 7 stations serve urban areas, Level 7 stations serve the most densely populated areas, generally the country's largest cities, and Level 6 stations serve somewhat less densely populated areas. Level 7 stations receive smaller base grants than Level 6 stations. Level 7 base grants are approximately \$25,000 and Level 6 station base grants are approximately \$50,000.

In the past, Level 7 stations received smaller base grants because they were deemed to have more opportunity to raise money than stations in less densely populated areas. This review panel observed, however, that stations in the largest cities are not always the largest stations. There are many small stations with limited resources in large cities, just as there are many large stations with substantial resources serving smaller communities. Although the panel agreed that stations serving the nation's smaller communities should have an advantage in the CSG funding formula, the panel did not agree that stations serving the very largest, most densely populated communities should receive a *disadvantage* in the CSG funding formula. We agree and therefore recommend that Levels 6 and 7 be collapsed into a single Level D with a base grant of \$50,000. We further recommend, for the sake of consistency with Level C, that the employee minimum for Level D stations be set at 4 FTEs with a minimum of 2 full time employees.

#### Additional Recommendations

In addition to reducing the number of CSG levels as described above, we also recommend:

- Reset all base grant amounts for FY-07 to the rounded figures specified in table 3-2 (e.g. Level D base grants drop from \$65,624 to \$65,000).
- Limit the total Community Service Grant that a station may receive to its total station NFFS except for minority stations and Level A, Sole Service Stations.

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- Continue the current practice of indexing base grants in future years to size of the appropriation.
- Maintain the current policy of allowing minority stations to use part-time equivalents to meet the full time employee requirement

Tables 3-1 and 3-2 summarize the changes that we propose to the CSG structure.

**Table 3-1  
Current vs. Recommended CSG Structure**

Old Level	# of grantees	Description	New Level	Description
1	9	Sole Service	A	Sole Service
2	6	Rural with limited resources	B	Small Stations
3	18	Non-rural with modest resources		
4	16	Rural with modest resources		
5	117	Rural with high resources	C	Larger Rural Stations
6	175	Mid-market high resources or urban minority	D	Larger Non-Rural Stations
7	47	Major market non-minority		

**Table 3-2  
New CSG Structure**

New Level	# of grantees	Description	Proposed Grant	Requirements
A	9	Sole Service	\$100,000 No NFFS Match	Only radio/TV within 50 miles
B	40	Small Stations	\$65,000 No NFFS Match	<ul style="list-style-type: none"> <li>o \$100,000 NFFS</li> <li>o ASC</li> <li>o 1 FT</li> </ul>
C	117	Larger Rural Stations	\$65,000 NFFS Match	<ul style="list-style-type: none"> <li>o \$200,000 NFFS</li> <li>o ASC</li> <li>o 4 FTE incl. min of 2 FTs</li> </ul>
D	222	Larger Non-Rural Stations	\$52,000 NFFS Match	<ul style="list-style-type: none"> <li>o \$200,000 NFFS</li> <li>o ASC</li> <li>o 4 FTEs incl. min of 2 FTs</li> </ul>

Note: Rural and minority stations also receive a higher base grant, an NFFS multiplier, or both, as outlined in the next section.

*Transitional Issues*

There are a few transitional issues:

- There are some grantees that have been demoted to Level 2 or 3 from higher levels for failing to meet the Audience Service Criteria (Level 2 and 3 stations are currently exempt from the ASC). If these stations were simply transferred to the new Level B, they would

receive a significant increase in their base grant. We believe it would be inappropriate for these stations to receive a large increase in funding while still not meeting the ASC. We recommend that grants for demoted grantees stay at their current level until the stations either lose their eligibility or improve their performance and meet the Audience Service Criteria. CPB staff would grant waivers to this transition policy in unusual circumstances.

- There are currently three stations in the program that do not meet the requirement of having at least \$100,000 in NFFS for the newly defined Level B.<sup>4</sup> We propose to grant waivers to these stations for a period of five years. Without additional waivers, they will be deemed ineligible for CPB funding after this period if they do not meet the minimum NFFS requirement.
- Some licensees with multiple stations in different communities could potentially reap windfalls by reconfiguring themselves as multiple-grantee operations. This possibility arises since we are recommending a significant increase in base grants for Level B stations and the eligibility requirements are not particularly onerous for this level. We need a period of stability to assess the impact of these changes on the system. We propose to develop an operational policy that prevents stations from restructuring their operations for the primary purpose of increasing the number of CSG base grants that they receive.

**Recommendation 3:**

- **3.1: Simplify the CSG program by consolidating from seven levels to four.**
- **3.2: Set base grant amounts at the rounded levels specified in Table 3.2**
- **3.3: Cap the total Community Service Grant at each Grantee's total station NFFS, except for minority stations and Level A, Sole Service Stations.**
- **3.4: Maintain the current policy of indexing CSG base grants to each year's federal appropriation.**
- **3.5 Maintain the current policy of allowing minority stations to use part-time equivalent employees to meet all full-time employee requirements.**
- **3.6 Develop an interim policy that prevents licensees from restructuring their operations for the primary purpose of increasing the number of CSG base grants that they receive.**

**Difference between the panel's and management's recommendations:**

- The panel recommended limiting any station's CSG to the amount of its NFFS. We recommend exempting minority stations from this provision.

**Minority panel opinion:**

- Some panel members believed that Level 7 base grants should not be increased when Level 6 and 7 stations are consolidated into Level D.

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<sup>4</sup> These stations are KZMU (Moab, UT) with total NFFS of \$50K, KGPR (Great Falls, MT) with total NFFS of \$33K, and KSHI (Zuni, NM) with adjusted NFFS of \$89K.

## **Recommendation 4: Maintain Support for Rural and Minority Stations**

CPB has long recognized that stations incur additional costs and operating challenges in providing service to rural and minority communities. In order to encourage public radio stations to provide service to these communities, CPB has given rural and minority stations preferential treatment in the formula that allocates CSG funds. The panel and CPB management conducted an extensive review of the criteria that CPB uses to confer rural and minority status and the magnitude of the additional financial support that CPB provides to these stations in its CSG formula.

### ***A. Minority Station Support***

CPB defines a minority station as one that is either controlled by members of a minority group or that provides significant service to a minority group. To qualify as a minority station grantee, a station must meet two of the following three criteria:

- A majority of a station's governing board are members of a minority group.
- A majority of a station's staff are members of a minority group.
- The station's minority audience is at least 35% of its weekly cumulative audience.

In some cases, CPB has developed alternative qualification criteria to reflect the special conditions under which minority stations operate. For example, stations operated by Native American organizations and Historically Black Colleges and Universities are presumed to be minority stations regardless of staff or board composition, or audience demographics.

After conducting a review of CPB's minority station criteria, we agree with the CSG review panel that those criteria continue to be appropriate measures of station minority status and we recommend that CPB continue the present criteria for qualification.

### **Support Amount:**

Stations that qualify as minority grantees receive preferential treatment in several ways:

- If a station meets two of the three criteria for minority status, CPB multiplies its NFFS by 1.25 before applying the minimum NFFS requirement. If a station meets all three of the criteria, CPB multiplies its NFFS by 1.5.<sup>5</sup>
- CPB also multiplies minority stations' NFFS by the same 1.25 or 1.5 before calculating the variable portion of a minority station's CSG, resulting in a larger grant.
- Minority stations may use part time equivalent employees to meet the minimum employment qualification.
- Minority stations are required to meet only 50% of the relevant ASC index.

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<sup>5</sup> Stations operated by Native American organizations are deemed to meet all three of the minority eligibility criteria since reliable audience data is generally not available for native communities. Stations controlled by HBCUs are deemed to meet the Board and staff criteria.

As part of the CSG review, CPB calculated the amount of additional funding that has flowed to minority stations as a result of their favorable treatment under the CSG formulas. The amount has grown from \$3.6 million in FY-2002 to \$4.4 million in FY-2005. We agree with the panel that this level of additional funding is justified and appropriate and we recommend that the policies for additional support for minority stations continue in their present form.

### ***B. Rural Station Support***

Maximizing rural service is an essential part of achieving the goal of universal service expressed in the Public Broadcasting Act. The panel and CPB management reviewed the criteria CPB uses to define rural grantee status and the magnitude of the financial support CPB provides to encourage rural service.

Under current policy, a grantee is considered to be rural if the population density of its coverage area is less than or equal to 40 people per square kilometer.<sup>6</sup> Currently, 151 grantees have rural status. In FY-2006, CPB will use 2000 Census data in these calculation for the first time.<sup>7</sup> When we apply this new data, 11 grantees will gain rural status for the first time and 10 grantees will lose rural status. We have reviewed the specific stations that will gain and lose rural status and we believe that these reclassifications are appropriate. We therefore recommend that the threshold for rural service continue at 40 people per square kilometer.

#### *Rural Incentives*

Rural stations receive additional funding through the CSG program in several ways:

- A larger base grant for larger rural stations (Levels 4 and 5) compared to larger non-rural stations (Levels 6 and 7).
- A multiplier of 1.25 applied to NFFS for the purpose of calculating the variable portion of a station's CSG, which yields a larger grant.
- The Rural Listener Access Incentive Fund (RLAIF) program.

As part of the CSG review, CPB calculated the additional revenue that has flowed to rural stations as a result of these policies. This additional funding has grown from \$7.7 million in 2002 to \$8.5 million in 2005. We agree with the panel that this level of additional funding is justified and appropriate and we recommend that policies for additional support of rural stations continue in their present form.

#### **Recommendation 4:**

- **4.1 Maintain current criteria for rural and minority status.**
- **4.2 Maintain current incentive levels for rural and minority stations.<sup>8</sup>**
- **4.3 Maintain the Rural Listener Access Incentive Fund program.**

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<sup>6</sup> Many rural public radio stations operate multiple transmitters. Coverage area population for stations with multiple stations is averaged across all of its signal areas.

<sup>7</sup> Previously, CPB had been using 1998 Claritas population data.

<sup>8</sup> Rural and minority incentives are additive. For example, if a station qualifies for both rural and minority status, CPB will multiply its NFFS by 1.75 before calculating the variable portion of its CSG.

**Difference between the panel's and management's recommendations:**

None.

**Minority panel opinions:**

None.

## **Recommendation 5: Administrative Issues**

The panel considered a number of administrative issues during the CSG review process, including audit relief, data reporting, and data sharing.

### **A. Audit Requirements**

Under current policy, almost all grantees are required to submit audited financial statements as part of their financial reporting to CPB. Stations in Levels 1, 2, 3, and 4 that receive CPB funding of \$50,000 or less are exempt from this policy. Approximately 27 stations benefit from this audit exemption.

As part of the review process, the review panel and CPB staff reviewed the list of stations that currently benefit from the audit exemption. Many of these stations are little operations with a small amount of revenue. Some, though, are more sizeable but happen to receive small grants from CPB. The CSG review panel suggested that, instead of the current "small CSG" approach, a better method would be "total station revenue." The panel suggested providing audit relief to any station with less than \$500,000 in total station revenue.

We in CPB management have reviewed this recommendation. We agree that the "total station revenue" system suggested by the panel is a more effective way to identify stations that really need audit relief. These are the very smallest stations, often in isolated, rural areas. If we were to adopt the \$500,000 threshold recommended by the panel, though, some 90 stations would receive audit relief. This is about one fourth of all the stations in the CSG program.

We believe that the \$500,000 threshold is too liberal, particularly as an initial figure for a new policy. We are concerned that losing audited financial data for one-fourth of the public radio system will reduce the reliability of the financial information that CPB has collected and distributed to the system for many years.

We recommend adopting the general approach favored by the panel of using a total station revenue threshold to determine eligibility for audit relief. However, we recommend that audit relief be given to Level A and B stations that have \$300,000 or less of total station revenue. With this approach, 35 stations will be eligible for audit relief. We will require Level C and D stations to submit audited financial statements even if they have less than \$300,000 in total station revenue in order to protect the integrity of CSG calculations involving an NFFS match.<sup>9</sup> Using this method, stations that receive relief will, in fact, be the smallest stations in the system.

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<sup>9</sup> We will consider waiving the audit requirement in extraordinary situations for these stations such as when the cost of the audit would exceed the amount of a station's variable CSG.

We recommend that stations that fall under this audit exemption be required to provide CPB with a copy of any audit that they choose to obtain for their own purposes.

### ***B. Data Collection***

Each year, most stations in the CSG program are required to complete an Annual Financial Report (AFR). The primary purpose of the AFR is to capture stations' Non-Federal Financial Support (NFFS). Because NFFS is a measure of gross revenue, the report collects nearly 100 lines of data about income and only 10 lines related to expenses. CPB therefore has very reliable information about station revenue and relatively little information about station expenses. The information about station revenue has become an asset to the public radio system but the lack of information about expenses has become a system handicap. We therefore recommend that the AFR be expanded to capture more complete data about station expenses.

### ***C. Data Sharing***

By virtue of its reporting requirements, CPB collects a great deal of information about each station's operations. By law, stations must make the financial data that they provide to CPB available to the public upon request. As a central repository of station data, CPB is frequently asked for station data. Some requests come from national organizations that collect and analyze station data. CPB generally has honored these requests. Sometimes CPB is asked for station data by the public or the press. CPB has generally referred these requests to the local station that is the subject of the request. We believe that CPB should have a more consistent practice for releasing station data. CPB asked the CSG Review Panel about their sensitivity to CPB making station financial information available more liberally. The Review Panel agreed that a more liberal approach would be acceptable.

We therefore recommend that CPB adopt a practice of making station data available to the public upon request. Eventually, CPB may wish to build an on-line database of station financial data accessible to the public through the CPB web site.

### **Recommendation 5:**

- **5.1 Exempt Level A and B stations with Total Station Revenue less than \$300,000 from the annual audit requirement.**
- **5.2 Expand the Annual Financial Report to capture more information about station expenses.**
- **5.3 Develop a practice of making station financial data reported to CPB available to the public upon request.**

### **Difference between the panel's and management's recommendations:**

- Regarding recommendation 5.1, the panel proposed setting the threshold at \$500,000. The panel did not discuss limiting the exemption to Level A and B stations.
- Regarding recommendation 5.2, the panel requested that CPB make individual stations aware of any requests that CPB receives for station data from the media.

**Minority panel opinions:**

- Regarding recommendation 5.1, some panelists believed that all stations should be required to submit an audit because it promotes strong fiscal practices at the station.

**Recommendation 6: Develop a *Community Service Incentive* Program**

Public radio is currently a leading source of public service audio content. However, consumers now have an increasingly rich array of delivery systems at their disposal to receive the content that interests them. Even if public radio as a whole is able to maintain its leadership position in public service audio content, the role of the local station may become less secure as consumers find new, more direct ways to receive this valued material.

The CSG Review Panel discussed at length the potential impact of new technology on local stations. The rapid multiplication of alternative media channels clearly presents a challenge to the status quo. Unlike most other media, the public radio system is decentralized. Local control allows individual station managers to design a program service that reflects each community's unique needs. The more relevant its service and the more connected to its community each station is, the more the station will be recognized as an essential part of its community. This recognition, paired with sound management, effective leadership, and community responsiveness can lead to stations establishing themselves as influential local institutions in their communities. Doing so, public stations differentiate themselves from competitive media, build the case for support in their communities, and lay the groundwork for future success based on the unique service that they provide.

The panel believed that the future strength of public radio as a whole is related to the number of stations that achieve a position of strength and influence in their local communities. The panel therefore recommended that CPB create an incentive inside the CSG program to encourage stations to engage in activities that increase their local institutional significance, building the strength and resiliency of the public radio system.

There are precedents for using the CSG program to encourage stations to engage in activities thought to benefit the public radio system as a whole. For example, the current NFFS matching program first began in 1977 as an incentive to encourage stations to engage in local fundraising rather than relying exclusively on governmental and other institutional support. Now, most station resources come from local fundraising. In early 1998, CPB created incentives to encourage stations to extend public radio service to rural areas and to minority listeners. Now, just a few years later, public radio has greatly expanded its service to rural and minority listeners.

We in CPB management agree with the panel's assessment and recommend that CPB develop such an incentive program, the "Community Service Incentive" (CSI), inside the CSG program to encourage stations to begin or accelerate initiatives that will build their institutional significance in the communities they serve.

## **A. General Approach**

In order for the Community Service Incentive to be effective, it must be:

- Appropriate: The activities that produce incentives should be consistent with building local institutional significance and increasing community service.
- Clear and unambiguous: The criteria for the CSI need to be very clear. CSG funds are distributed by formula. Administering them should not require substantial interpretation by CPB staff. Benchmarks for qualifying activities should be clear enough that stations can check a box and self-certify when they have become eligible for the incentive. With this “checkbox” approach, it must be clear to stations and to CPB who is eligible to receive an incentive and who is not.
- Scalable and adaptable: Activities should be broadly defined so that stations in a wide variety of circumstances can qualify for an incentive. In practice, this means that activities must be included that are feasible for stations of different sizes, different formats, and serving different kinds of communities.
- Ambitious: Incentive goals should present stretch targets. The CSG program is a “zero-sum game” since the pool of funds to be divided among stations is fixed. If one station receives a little more money, another station will receive a little less. Therefore, if most stations qualify for the CSI, there would be little change in individual station grants since the same pool of money would be divided among the same group of stations. If incentive payments to qualifying stations are to be meaningful, the program must be structured so that a small number of stations qualify.

Over the course of the CSG review, we have considered a number of activities related to institution building and community service that might be worthy of inclusion in the incentive program. We have taken the general set of activities proposed by the panel and evaluated whether each could be implemented in a way that was appropriate, adaptable, unambiguous, and ambitious. We collected information about station performance. We sought advice from respected industry experts. We experimented with a variety of specific metrics.

After this extensive effort, we have identified five general areas of activity that we believe form a sound basis for a Community Service Incentive program. To be eligible for an incentive, stations must certify that they comply with standards in at least three of the five following areas:

- Governance: manage the public radio station in a manner that is transparent and accountable to the local community;
- Fundraising: establish a strong individual giving program, either in major gifts or in annual giving;
- Service Extension: extend community service significantly using on-line technologies;
- Content: provide significant local or regional content;
- Efficiency: achieve significant operating efficiencies.

The public radio system is diverse. We recognize that there is no single path to institutional significance that will work for every station. We believe that the “three of five” approach takes our system’s diversity into account by providing flexibility to allow stations in different circumstances to choose the path to CSI qualification that is best for them.

We also recognize that this list is not a definitive one. Individual stations will certainly be able to identify other ways to build their own institutional significance. We at CPB may refine the list as we gain experience and observe the results of the incentive program. Certain activities may grow in importance and others recede. Nevertheless, we believe that these general areas, recommended by the panel and reviewed extensively by staff, are relevant to a great number of stations. We believe that the proposed activities are suitable for the first generation of the CSI in that they can be effectively defined and measured and that many stations will benefit relatively quickly if they can make progress in these areas.

We therefore recommend that the Board approve the creation of a Community Service Incentive as part of the CSG program. We recommend that the board authorize CPB management to continue to define the specific activities and qualifying metrics that are part of the program, implement the program when it is ready, and refine it as necessary.

### ***B. Funding the Program***

After a thorough review of different funding models, we recommend that a pool of \$4.25 million be made available initially for the incentive program. To create this incentive pool we recommend reducing base grants for Level D stations by approximately \$1.06 million (25% of the CSI pool) and adjusting the NFFS “Rate of Return” to yield approximately \$3.19 million (75% of the CSI pool). We will revisit the size of the incentive pool as part of our periodic CSG panel review process or if there is a critical change in external conditions such as a significant change in federal funding.

### ***C. Incentive Amount***

The incentive amount needs to be big enough to be meaningful to stations that qualify. The cost to stations that are unable to qualify, though, has to be small enough to avoid causing significant harm. We recommend the following initial parameters as the best balance between station benefit and station cost. We recommend that the Board authorize CPB to adjust these settings in the future in the light of experience and system circumstances.

- Incentive Pool: Create a pool of \$4.25 million in the manner outlined above.
- Number of stations: Calibrate incentive criteria in the first year so that roughly 25% of Level C and D stations would be eligible to receive an incentive<sup>10</sup>.
- Incentive amount: Set the incentive at \$30,000 + 10% of a grantee’s final Community Service Grant, before the award of the incentive.

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<sup>10</sup> If we were able to calibrate our metrics so exactly 25% of the eligible stations qualified, 85 stations would receive the incentive out of a pool of 339 eligible stations. We may adjust the target percentage for qualifying stations in future years.

- Payment timing: Award incentives in arrears. For example, a station would receive an incentive payment in its FY-08 CSG after certifying that was eligible for an incentive based on its activities during FY-07. This policy, if approved, would become effective in FY-07. Therefore the incentive pool will be established and the first incentive payments would be disbursed in FY-08.

We will test the incentive program against station performance during FY-06. This will help us to calibrate performance benchmarks so that 25% of the eligible stations are able to qualify for the incentive. Of course, we may miss the target.

- If more stations certify that they are eligible for the incentive than the anticipated 25%, we will reduce the incentive award for each station proportionally so that the total incentive awarded to all stations does not exceed \$4.25 million.
- If fewer stations certify than the anticipated 25%, there will be money left over in the incentive pool. We will carry these funds over to the next fiscal year to build a larger incentive pool, anticipating that more stations may reach the required benchmarks and qualify for an incentive payment. Carryover funds will be returned to the CSG pool if they are not needed to augment the incentive pool in future years.

#### ***D. Eligibility***

We propose to limit eligibility for participation in the Community Service Incentive Program to Level C and D stations. We recommend this because:

- The incentive program is wholly funded by Level C and D stations through decreased base and incentive components of their community service grants. Since Level A and B stations are not asked to contribute to the program, they should not be eligible to benefit from it.
- The majority of Level A and B stations are already eligible for an alternative incentive program, the Rural Listener Access Incentive Fund (RLAIF). If the CSI proves to be successful, it may be possible to merge these two incentive programs in the future.
- Level C stations are also eligible for RLAIF incentives. We recommend that Level C stations choose in advance the incentive program that they will participate in. Level C stations would not be eligible to participate in both programs.

#### ***E. Reporting and Unverifiable Certification***

CPB will adopt a “trust but verify” approach to administering this program. CPB will trust stations to self-certify their eligibility for an incentive payment. Successful implementation of the CSI therefore will rely on candid and honest reporting by station management. This “trusting” approach is necessary because it is impractical for CPB staff to review each station’s certification.

CPB will verify that stations are, in fact, being candid in certifying their eligibility. We will require stations to maintain supporting records for a period of five years. We will review certifications as part of the normal CSG documentation intake process and conduct desk audits of

a modest number of station certifications each year. We will also ask the Inspector General to review station documentation as part of his normal station audit plan.

We recommend that stations be penalized if they incorrectly certify that they are eligible to receive an incentive. We recommend that the more willful and egregious the unfounded certification is, the more severe the penalty would be. The minimum penalty for an unfounded certification, one that appears to result from confusion or misunderstanding, will be:

- The return of any incentive funds paid to the station for the period covered by the incorrect certification.

In addition to the return of incentive funds, penalties for stations found to have engaged in creative misinterpretation of criteria or intentional lack of candor may include:

- Ineligibility to participate in the CSI for up to five years;
- Ineligibility to participate in other CSG incentive programs, such as the RLAIIF program, for up to five years;
- Ineligibility for the station to receive other discretionary grants from CPB for up to five years;
- Special reporting conditions such as detailed desk audits performed by CPB, additional audit requirements, additional attestations, additional document retention requirements.

### **Recommendation 6:**

- **6.1 Create a Community Service Incentive (CSI) program as part of the Community Service Grant program. Authorize CPB management to continue to define the specific activities and qualifying metrics that are part of the program, implement the program when it is ready, and refine it as necessary.**
- **6.2 Establish the initial parameters of the CSI in the following manner:**
  - **6.2 (a) Set aside an incentive pool of \$4.25 million. Shift \$1.06 million (25%) within the CSG program to the incentive pool by adjusting Level D base grants. Shift \$3.19 million (75%) to the pool by adjusting the CSG incentive “rate of return.”**
  - **6.2 (b) Set the incentive award at \$30,000 + 10% of each grantee’s final Community Service Grant, before the award of the incentive.**
  - **6.2 (c) Calibrate performance benchmarks in the CSI so that roughly 25% of eligible stations qualify to receive the incentive.**
  - **6.2 (d) Restrict eligibility for the CSI to Level C and D stations.**
  - **6.2 (e) Authorize CPB management to adjust these parameters as system needs warrant.**
- **6.3 Create an appropriate schedule of penalties for stations that mistakenly or falsely claim an incentive.**

**Difference between the panel's and management's recommendations:**

- The panel recommended a variety of specific activities and benchmarks to be incorporated into the CSI. We do not include them in our recommendations to you because we are still refining them. Instead, we ask you for authority to continue sharpening them and to implement them as part of the CSI when they are ready. We provide you with the following summary of the panel's recommendations and our current thinking in this area so that you may understand the way the incentive program is evolving.
  - The Panel recommended that the “community transparency and accountability” activity serve as a prerequisite for CSI eligibility. In other words, a station would have to be able to certify that it met the standards of the transparency activity to be eligible for a bonus. While there was significant system support for this approach, some stations operate in very difficult institutional environments. Rather than adopt the mandatory approach and potentially exclude some deserving stations from the bonus program, we decided to include this activity for now as one of the “three of five” paths that a station may take to qualify for an incentive. We may make this activity mandatory in the future when we are confident that we better understand the impact of doing so.
  - The panel recommended that the “Individual Giving” activity be focused on major giving. We heard from a number of stations in the system that their first priority was membership giving. We decided to offer stations the option of meeting the standards of this activity with an outstanding membership program.
  - The panel recommended that the CSI include an activity for “Local News.” We decided to broaden this activity to “Local Content” since we believe that locally produced music programming can increase a music station's institutional significance just as local news can increase the significance of an information station.
  - The panel recommended that the CSI include an alternative activity for minority listening. Stations would be able to meet one of the three required CSI activities if they are able to attract an above average proportion of minority listeners. After considerable investigation, we were unable to find a way to evaluate station performance in this area reliably.
  - The panel recommended that “Community Engagement” be included as an activity in the CSI program. In the time available to us, we were unable to develop appropriate activities and metrics needed to implement this activity.

**Minority panel opinions:**

- A few panel members believed the CSI should recognize stations' efforts to extend their service through digital radio multicasting.
- A few panel members were concerned about the impact of the incentive program on stations that would be unable to qualify for the incentive, especially smaller Level 5 stations.

***Rationale for and Measurement of Specific Incentive Criteria:***

We offer the information in this section to provide you with an understanding of the types of activities and benchmarks that we are developing.

Stations would be required to meet specific, quantifiable metrics to certify that they qualify under a particular activity. For example, the criterion of transparency and accountability will require stations to engage in governance practices that are generally recognized as appropriate for nonprofit organizations seeking to operate in a transparent and accountable manner. These include conducting regular, scheduled open meetings with the station's governing body (or group of committed civic leaders substituting for the governing body), having an approved mission statement and conflict of interest policy, having an approved multi-year plan for the station, having an audit committee, and keeping the cost of fundraising under a specified ceiling.

Other areas will use numeric benchmarks, activity-based criteria, or both to indicate that a station is achieving notable success in a particular area. For instance, a primary indicator of success online will be usage of station's website. Additional criteria might include ways that high performing stations take advantage of this new technology (by offering on-demand content, for example). We have been devising specific metrics and will continue to refine them with advice from subject matter experts and the broader public radio system. We plan to conduct several tests of these metrics against actual station operations during FY-06.

**Organizational Transparency and Accountability**

To achieve institutional significance in a community, organizations must manage themselves in a way that is transparent and accountable to that community. The criteria in this section include items like having an active board that engages community leaders in the leadership of the organization, holding open public meetings, establishing a clear mission and conflict of interest policy, planning for the long term, having a board audit committee, controlling fundraising costs, and providing ready public access to financial and organizational information. These steps position the station to be a trusted, reliable, responsive and valued body in its community.

We recognize that a requirement to have an active, engaged governing board could be very difficult for many stations operated by university and institutional licensees. These stations are often a small part of a very large organization. It is unrealistic to expect that the legal governing body of a station that is part of a very large institution would spend any appreciable time on station issues. The station is simply not a material part of the larger organization.

To address this problem, we will offer university and institutional licensees the option to create a separate committee of civic leaders to meet and advise the station on topics that an active board would normally take up. Since this civic committee may not have formal authority, depending upon the delegation of responsibilities by the licensee, it may serve more in an advisory rather than decision-making role. We would require evidence, though, that a senior executive of the parent institution supported the formation of the civic committee and agreed to consider its recommendations. The committee would make recommendations to this executive about mission, conflict of interest, station plans, etc.

In the case of joint licensees, benchmarks will apply to the entire institution, not just radio.

### Individual Giving

We anticipate offering stations the choice of qualifying for this activity through either major giving or annual membership giving.

Major giving: For the purposes of the CSI we will begin with a definition of a major gift as annual support from an individual or household of more than \$1,000. While this amount is low by typical practices of nonprofit organizations, it is consistent with the level commonly used in public broadcasting.

The evidence is clear. Effective major giving programs contribute directly to institutional significance. In order to fashion an effective case for prospective major donors, station management must be able to articulate clear community service objectives. The act of asking for major gifts brings station leadership, typically both management and board, into more frequent and direct contact with influential leaders in a community. Individuals who become major donors often take an interest in and advocate for a station in a way that is qualitatively different from other donors.

In addition, major giving represents a significant new, untapped opportunity for most stations. Once established, it is efficient. Gifts are large, renewals are high, costs are relatively low. Major giving has the potential both to increase the resources available to a station and to increase the station's institutional significance.

Membership Giving: Membership gifts are generally modest annual gifts. While membership gifts sometimes have more of a transactional character than a philanthropic one, they also indicate passion in a community for a station's service. Listeners contribute when a station is important to them. In a democratic way, listener by listener, stations that are capable of convincing a relatively large portion of the population within their coverage area to contribute to them demonstrate significance in their community.

### Metrics:

We are developing benchmarks for individual giving that include:

- Major gifts as a proportion of total individual gifts.
- Growth in major giving.
- Annual membership gifts as a proportion of coverage area population.

In the case of joint licensees, major donor and individual giving benchmarks would apply to the combined organization.

### On-line service delivery

A robust online service contributes to a station's significance by deepening its service to its current listeners, by extending services to new listeners, and by increasing interaction with its community. Internet technology allows a station to augment the ephemeral exposure of on-air programming by making content conveniently available off-air whenever and wherever a listener is interested in hearing it. A station can offer program material of wider scope and more depth online than may be practical on-air. A station can use the Internet to increase the points of

contact that it has with its listeners and to make those contacts easier for listeners. Examples are email technology that “pushes” regular messages to listeners (with permission, of course), online pledging and message boards that bring listeners together with staff and with other listeners, event calendars that give community groups access to a station’s listeners. These activities, and others like them, deepen a station’s relationship with its listeners. In addition to relating more deeply to its listeners, a station can also use its online service to relate more broadly to its community. For example, a station can reach new segments of its community by making additional program services available online that may be incompatible with its on-air offerings.

### Metrics:

We are developing benchmarks for on-line service delivery that include:

- Unique site visitors
- Availability of additional services: program streams, on demand content, etc.
- The use of email to establish regular communication with a significant portion of a station’s community.

### Local or Regional Content

Most public radio stations are best known for the unmatched quality of their national programming. Many public radio stations have built an effective, successful public service with national content, offering relatively little local programming. While the CSG Review Panel recognized the value of these services and did not intend to diminish their importance in any way, the panel also believed that strong local programming contributes to a station’s local significance as an important, influential community institution.

The panel focused on the impact on local station significance that an effective local news and information service can have. Time constraints prevented the panel from expanding its discussion beyond news programming.

We agree that local news and public affairs programming can have a powerful impact on a news station’s significance. We also believe that well produced local music and cultural programming can have a similar effect on a music station’s institutional significance and community influence. We therefore have broadened the panel’s concept to include locally produced content. We believe that locally produced content, news or music, can be an appropriate strategy for many stations interested in increasing their significance in their communities.

### Metrics:

The area of program content is a sensitive one for CPB. We are reluctant to be prescriptive about what kind of local content a station should offer. We will therefore develop a metric based not on the nature of a station’s content, but on its importance to the station’s listeners as indicated by their use of local content. We are developing metrics like:

- A station’s commitment to local content as indicated by the amount and scheduling of this content,
- A minimum level of use of local content by listeners, and

- Listener use of locally produced content compared to listener use of nationally produced content.

### Operating Efficiency

Efficiently run public radio stations convert community support to community service. In an environment of scarce resources and increasing availability of content, efficient stations will be more resilient. They will be able to redeploy the resources that would otherwise be spent on administration and “back office” activities to programming. They will be better positioned to produce or acquire the programming necessary to meet their community’s unique needs.

### Metrics:

We are developing measurements in these areas:

- Cost per listener hour.
- Increase in efficiency through station acquisition or consolidation.

### **Conclusion:**

Taken together, these six major recommendations bring significant change to the radio CSG program. These changes will improve public radio service to the American people and will help public radio position itself for continued success.

Recommendation 1 will open the CSG program to a significant number of new stations. Newly acquired CSG funding will enable these stations to augment and improve upon the already valuable service that they provide to their communities. Together, recommendations 1 and 2 will ensure that stations receiving Community Service Grants provide significant, measurable support to their communities and, by doing so, are deserving of CPB support. Recommendation 3 removes a number of funding provisions that have been overtaken by system evolution and makes the basic framework of the CSG program much easier to comprehend. Recommendation 4 endorses the valuable service provided by stations serving rural and minority communities and provides for continued enhanced funding to support that service. Recommendation 5 will improve administration of the CSG program. Recommendation 6 will help “nudge” stations to build greater organizational capacity and achieve more substantial local significance. This final recommendation is the most daring and remains a topic of discussion and some disagreement in the public radio system.

Once again, we in CPB management would like to express our appreciation to the CSG Review Panel for their substantial investment of time and effort and to the many station managers and system leaders who have given us the benefit of their thinking. Our recommendations are stronger as a result of their involvement.

## Appendix – Panel Members

Cephas Bowles	WBGO	Newark, NJ
Roger Duvall	Alabama Public Radio	Tuscaloosa, AL
William McGinley	WOI Radio Group	Ames, IA
Hugo Morales	Radio Bilingue	Fresno, CA
Doug Myrland	KPBS	San Diego, CA
Carol Pierson	National Fed. of Comm. Broadcasters	Oakland, CA
Dana Rehm	National Public Radio	Washington, DC
Ellen Rocco	North Country Public Radio	Canton, NY
Tom Thomas	Station Resource Group	Takoma Park, MD
Beth Warren	KSUT	Ignacio, CO
Jamie Waste	Alaska Public Radio	Juneau, AK