



South Dakota Legislative Research Council

Issue Memorandum 94-3

FUNDING FOR PUBLIC BROADCASTING

The management, organization and oversight of public broadcasting systems varies considerably among states. In South Dakota, all sources of funding are authorized by the state legislature and included in the budget, but this practice is not followed by all states. In many cases, state legislatures make appropriations to public broadcasting stations which function as independent, non-profit entities. In these cases, the state government often has extremely limited oversight of the stations' receipts from federal and private sources.

At the opposite end of the spectrum, some entirely state operated systems do not allow their public broadcasting systems to do any private fundraising. Also, some public broadcasting stations are affiliated with state universities, and their funding may not be included in the state budget. Finally, some states makes no appropriation for public broadcasting; instead, stations in these states must survive on what they can receive from the local community and federal government. The wide disparity of involvement by state governments in the funding and management of public broadcasting poses a challenge when attempting to make comparisons among states.

Funding for Public Broadcasting in South Dakota.

In the fiscal year 1994 budget, South Dakota Public Broadcasting (SDPB) received a general fund appropriation of \$2,903,584. This money represents 47.3% of its total funding for the

year. Additionally, the budget includes federal spending authority of \$405,901, which will be used for two grants, which are still pending at this time, to upgrade equipment.

The FY94 budget for SDPB includes other fund authority in the amount of \$3,560,600. One source of funds in this category is grants from the Corporation for Public Broadcasting (CPB). CPB is a national organization which receives a yearly appropriation from Congress, which totalled \$275 million in fiscal year 1994, and distributes it to public broadcasting stations throughout the country. The major funding program administered by CPB is the Community Service Grant (CSG). These grants are intended to be used by stations to produce and acquire programming; SDPB uses its CSG money to produce programs such as "Buffalo Nation Journal" and purchase programs such as "The MacNeil-Lehrer News Hour."

Community Service Grants are made up of two components; one is a base grant to all television and radio stations which meet minimum eligibility requirements of full-time staff and non-federal financial support. Stations can also receive an incentive grant based on their level of non-federal financial support from two years before. Thus, FY94 grants are based on data from FY92. These incentive grants typically pay about 7 cents per dollar of non-federal support for television stations and 14 cents per dollar for radio stations. In FY94, SDPB will receive a total of \$1,511,829 in grants from CPB. The Friends of South Dakota Public Broadcasting are expected to collect

approximately \$540,000 in FY94; these statewide fundraising receipts will be transferred to SDPB and spent under the other fund authority in its budget. In addition, SDPB expects to receive about \$190,000 in grants from non-profits and corporations for the production of programming and associated educational materials, which will also be expended through other fund authority. In the FY94 budget, SDPB has approximately \$580,000 in excess other fund authority which is not backed by any funding source. This excess authority has been present in their budget for several years, and it would allow them to spend any unanticipated funds they might receive from CPB, Friends of SDPB, or other grants.

Survey Description

Over the past winter, the LRC conducted a survey of all fifty states to determine how much each public broadcasting system receives from state appropriations as well as from federal and private sources. Of these surveys, thirty-four were returned to our office. These surveys indicated that many states do not provide oversight of the private and federal money received by their public broadcasting stations. However, a total of fourteen states, including South Dakota, did furnish enough information to calculate the percentage of total funds received from the state government. In addition, all thirty-four returned surveys indicated the amount appropriated by the state legislature to support public broadcasting. The data in this survey is not ideal, because fiscal years and budget cycles vary among states, but it includes data from the current or most recent budget years which can be used to make comparisons.

Comparison of Per Capita Spending

The survey allows for the computation of an amount appropriated per resident of state funds

for public broadcasting for twenty-nine states. In five states which responded to the survey, the legislature makes no appropriation for the support of public broadcasting. In FY94, SDPB received a general fund appropriation of \$2,903,584, which means that South Dakota spends \$4.08 per resident. Among the twenty-nine state sample, this figure is second only to the \$10.13 per resident spent by Alaska. The median spending per resident for states in the sample was \$1.27, so South Dakota is spending more than twice the average in state funds to support public broadcasting.

The survey results indicate considerable variance in spending per capita among states. For example, twelve states appropriate less than \$1 per resident, including Michigan which spends only five cents per capita and Indiana which spends only thirteen cents per capita. In addition, five states make no appropriation. At the other end of the scale, seven states spend more than \$2 per capita on public broadcasting. These high spending states include Alaska, South Dakota, Wisconsin, New Hampshire, Mississippi, and Kentucky. These are all rural states, which confirms the expectation that it is more expensive to provide broadcast services in areas of low population density. In some of these states, because of limited population and insufficient community financial support, public broadcasting would likely be non-existent without a large appropriation from the state legislature. Due to the lack of other unifying factors among these states, it could be concluded that high per capita spending reflects, at least in part, a political preference toward greater state support for public broadcasting.

Comparison of Percentage of Funding from State

In the survey, fourteen states were able to provide information on the support for public

broadcasting from both state and all other sources. From this data, the percentage of spending for public broadcasting made by state government could be calculated for each state in this sample. In South Dakota, the public broadcasting system received 47.3% of its support from a state general fund appropriation in FY94. The average for all fourteen states is 52.6% state support, so SDPB is very close to the average percentage of state support for the sample. As in per capita spending, the percentage of state support varies considerably, from a high of 90.9% in Kentucky to a low of 30.6% in Utah.

Although SDPB is close to the average in this sample, this group of states is not representative of all public broadcasting systems. The states in this sample, including South Dakota, typically have more centralized and state controlled stations. These fourteen states spend an average of \$1.98 per resident, which is significantly higher than the median of \$1.27 for the twenty-nine states which responded to the survey. In general, the states in the sample spend more state funds and provide greater oversight and control of their public broadcasting stations; thus, they had more complete information to respond to the survey. If the states which did not include support from non-state sources on the survey generally receive a greater percentage of their support from these sources, then South Dakota would be above average in its percentage of public broadcasting support supplied by state government.

Comparison of South Dakota to Neighboring States

In comparing funding for public broadcasting in South Dakota to other states, it is logical to focus particular attention on neighboring states which are similar in size, population, and

preferences. Of the states that border South Dakota, only Iowa collects information on the amount of funding its public broadcasting system receives from sources other than state government. In the most recent budget, Iowa's public broadcasting stations received 66.3% of their funding from the state, and the state's appropriation totalled \$2.10 per resident. So, SDPB receives more money from sources outside state government, but it also spends more per resident. The difference in spending per resident could be partially explained due to Iowa's greater population density, which allows them to operate public broadcasting stations more efficiently.

For three other neighboring states, the survey was able to collect information only on spending per resident. In Minnesota, the legislature appropriated \$0.57 per resident in the most recent budget, but, like Iowa, they have much greater population density than South Dakota. The two states most like South Dakota in terms of population density are North Dakota and Wyoming. In the most recent budget, these states appropriated \$0.96 and \$1.83, respectively, per resident for public broadcasting. From these results, it can be concluded that South Dakota appropriates more money than its neighbors for public broadcasting, even when the inefficiencies caused by low population density are taken into account.

Possible Reform of Public Broadcasting Funding

After reviewing the patterns of spending and structure of public broadcasting systems across the country, legislatures may decide to enact reforms. For example, state legislatures might adopt the principle of linking payments to the amount of non-state funding stations receive,

which is similar to what the Corporation for Public Broadcasting does when awarding a CSG. In its 1993 session, Kansas passed a law which incorporated this concept into the state's system of funding public broadcasting stations.

In Kansas, the public broadcasting stations function independently, with no administration from state government and limited connections to each other. In the most recent budget, the state appropriated a total equal to \$0.41 per resident, so these stations receive much less state support than those in South Dakota. The Kansas law divides the state's appropriation into two pools, from which grants are made. Basic service grants are made to all eligible stations and make up 85% of the appropriation. The rest of the appropriation is used to make incentive payments to stations; these grants are based on the amount of revenue the station has raised through fundraising. This legislation is designed to provide a reward to those stations which do the best job of raising money in the private sector.

The Kansas legislation cannot be directly applied in South Dakota because the stations which make up SDPB are not independent and do not conduct their own fundraising campaigns. However, the principle of incentive payments could be applied to the financing of the entire system. In the FY94 budget, SDPB is receiving approximately \$5.38 in general funds for every dollar raised in the private sector; the legislature could choose to establish a goal for this ratio. Creating an explicit link between the revenue raised privately and the state's appropriation would encourage the system to maximize its fundraising efforts in order to receive the largest possible state appropriation.

Conclusion

The survey conducted by LRC indicates that South Dakota spends more per resident to support public broadcasting than most other states, while the percentage of funding that SDPB receives from the state is about average for a sample of states which typically have state-controlled systems. The high level of spending per capita can be partly explained by the high cost of providing services in a state with low population density, but similar states support their stations with less state funding.

When considering the data on funding for public broadcasting, it is important to remember that service also varies considerably among states. In South Dakota, 99% of the households have access to public television and public radio. Those states which spend less may not provide a similar quantity or quality of programming. When considering reforms to the system of funding for public broadcasting, legislatures should be cognizant of the effects funding changes can have on the programming available to the public.

This issue memorandum was written by Jeff Bostic, Fiscal Analyst for the Legislative Research Council. It is designed to supply background information on the subject and is not a policy statement made by the Legislative Research Council.
