THE COASTALASKA COLLABORATION

ORGANIZATIONAL CHANGE IN RESPONSE TO REDUCTION OF
TAX SUPPORT FOR PUBLIC BROADCASTING IN ALASKA

Local That Works: Public Radio Case Study No. 1

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CoastAlaska INC.
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Local That Works

The premise of these four case studies, prepared for the Eastern Region Public Media Public Radio Super-Regional Conference (Oct. 25–27, 2016): stations need and want to be “more local." The evidence we have collected suggests they will succeed in doing so by filling gaps in local news coverage and playing a larger role in the daily life of their communities.

It is safe to assume that all stations would do more of this—except for the fact that "being local" takes a good deal of money and staff. In an era of declining tax support, rural and small-market stations are getting squeezed. Through no fault of their own, their long-term prospects are being eroded by a combination of forces, including the inherent financial limits of a small local audience and small local economies; increasing ease of access to national program material; and increasing costs associated with multiplatform service.

This is not a new problem. The "large/small" divide has permeated system politics. Meanwhile, the growing "capacity gap" between smaller and larger stations—in membership, staffing and digital tools—has been well documented by the Public Media Futures Forum.

If public broadcasting is to retain its near-universal reach, the system will have to develop ways to sustain the service of small-market, especially rural, stations, and find ways to empower them to be both sustainable and more local.

The Local that Works project involved three elements. We were looking for locally managed activities with

(1) wide applicability across a range of small and large stations,
(2) repeatability—meaning a program, feature or engagement effort could be reapplied over and over with continuing value—and
(3) content or service output that could be delivered across several media platforms.

The case studies in this series look at local stations that meet these criteria. All have found ways to thrive and connect with their audiences in new and innovative ways despite trying market conditions.

Introduction

CoastAlaska, a consortium of six public radio stations serving the population of southeast Alaska, formed when declining oil revenues led to sharp state-funding cuts for Alaska's sprawling public broadcasting system. In this case study, we examine the process the stations went through in banding together, and, most important, what benefits and liabilities emerged from their decision to do so.

The courage and willingness to change demonstrated by these small stations provides an important example of how small stations can be "more local" by focusing resources on the aspects of broadcasting service that are unique to their localities while reorganizing and outsourcing the service aspects that are generic and essentially nonlocal.

There is a strong and growing sense that more stations, especially small, rural stations, will have to consider this path—or some alternative—as they look to find a sustainable financial footing over the coming decade.

The Backstory

In early 1994, the leaders from six independent public radio stations located in Alaska's southeast panhandle began working out a "deal": they would cede some level of operating autonomy in exchange for a package of continued state support. The deal anticipated cost efficiencies via an array of centralized back-office services. By the spring of 1995, these six stations—facing a drastic reduction in state funding for the coming fiscal year—were in deep negotiations to form a collaboration. With the Corporation for Public Broadcasting (CPB) providing critical funding from its newly created Future Fund, key collaboration agreements were negotiated over the next 39 months, culminating in the CoastAlaska Compact signed in July 1998.

Setting the Stage

Alaska is a unique setting for public broadcasting. With a population density of just 714,000 people (2010 census) spread out over 572,000 square miles, it has by far the lowest population density of any American state. In general, the business model of broadcasting works best in high-density population areas, where the number of people and the size of the regional economy provide operating revenues.

Southeast Alaska, the region we will discuss, has its own set of "uniquenesses," even within a very unusual state. The Alaska "Panhandle" consists of a thin mainland strip of steep mountains, ice fields and glaciers looking out to the West over a long string of several thousand islands. The panhandle has a total population of about 74,000, with 45 percent of it concentrated in Juneau—the state capital—and the rest spread out among 30-odd smaller communities. Few of the communities have road connections that reach outside their locales; aircraft and boats are the primary means of inter-community transportation. Nonetheless, compared with the rest of Alaska, they live close together in an area of shared topography, relatively mild weather, and common industries (fishing, timber, tourism and, in Juneau, government).

The Precipitating Event

As public broadcasting first emerged as a national institution, Alaska developed a remarkable tradition of fostering and funding public radio and TV as the principal means of keeping its widely dispersed residents connected and informed. Public broadcast funding in started in 1970 and jumped dramatically in 1974 when the Prudhoe Bay oil field opened, filling the state coffers with oil money. Soon, state funds were providing more than 50 percent of stations' budgets.

The early rosy financial picture didn't last. In 1987, Alaska's oil production peaked. With oil revenues dropping, the state steadily reduced funds for public broadcasting, driving system-wide downsizing. Seven years later, in 1994, an unexpected downturn in global oil prices—combined with the continuing impact of a dying timber industry and ongoing slide in oil production—pushed the state into a recession. With a very weak economic picture suddenly before them, the state legislature began to explore dramatic budget cuts across the board, including possibly zeroing out state support for public broadcasting. The message was clear: free-flowing state support was coming to an end, and the sprawling system of stations had to change.

Immediate Response

For the six radio stations in Southeast Alaska, the answer was obvious. Bill Legere, GM of KTOO in Juneau, captured it this way: "We knew we had to band together if each station was to have some chance to have a decent public radio service." The six panhandle stations—all community licensees—included KCAW (Sitka), KFSK (Petersburg), KHNS (Haines), KRBD (Ketchikan), KSTK (Wrangell) and KTOO (Juneau).

The idea of "banding together" may have come more easily to this regional group, because a foundation of regional cooperation was already in place. The individual station GMs knew and trusted each other from ongoing cross-region meetings and communications; there had been some management cross-fertilization via a movement of GMs between stations; and the leadership at both the board and staff level shared a common view of the region's unique character and special place in the state.

Under some pressure from the state broadcasting commission, the six-station leadership group met to explore what they could do collectively and quickly established an "agreement to agree." Any reorganization of the regional stations, they decided, must include several basic tenets:

1. the existing high standard of public service, consisting of local access, local news and network programs, would be maintained in each community.
2. license control and all programming decisions would be vested in local licensees.
3. all stations would contribute financially toward a set of centralized services capable of supporting the first two tenets, with the hope that combining financial resources would provide stronger protection against future cuts or revenue losses.
4. the status quo—with six fully autonomous stations getting weaker as state funding waned—was no longer acceptable.

From the start, the collective leaders rejected the model of a central superstation with repeater stations. This would undermine local program control and, looking toward the U.S. capital, would reduce total federal funding flowing to the group. (Only independently licensed stations qualify for a community service grant from the CPB, while repeater stations lose access to that annual funding.)

As important, leadership at the largest panhandle station, KTOO, stood firm on this question. "We don't want to take you over," GM Legere told the other station leaders—even though KTOO had, by far, the most to gain from a "superstation" model. Even with these agreements, designing a new structure and operationalizing the change was contentious. Each station argued for its unique needs and requirements; managers generally tried to hold on to as many locally based full-time employees as possible.

Progress was painful. Still, by June 1994, the six-station group agreed on a blueprint for change. Stations would deliver centralized services to each other by dividing work through a bidding process. Though this approach would prove to be largely unworkable, the blueprint convinced the head of the Alaska Public Broadcasting Commission to provide the station group with a "grace year" to allow for reorganization. Major funding cuts were delayed until July 1995.

A Long and Challenging Process

The first steps to put the blueprint into action came quickly in the summer of 1994. The stations hired a skilled facilitator, Rich McClear—a former GM at the Sitka station with a natural gift for bringing people together—and established an informal governing process that involved regular meetings of the station GMs and board chairs.

After that quick start, though, progress was halting. Jamie Waste, now the executive director of Alaska Public Broadcasting, explained, "this was new territory for all of us." Nonetheless, the four guiding tenets held fast, and by early summer 1995, the group had negotiated a basic agreement for the provision of station-based shared services.

Fortunately, government cuts were not as severe as feared: Alaska's legislature instituted a 30 percent cut for FY96. In Washington, the plan suggested by House Speaker Newt Gingrich to "place public broadcasting on a glidepath" to de-funding fizzled. Still, all the public broadcasting stations across Alaska—including the CoastAlaska stations—had to institute major staff layoffs and make cuts in other activities in response to reduced state support. In that more-stable environment, the Southeast Alaska collaboration felt poised to move ahead and put its plan into action. It took another three years before the reorganization plan was fully realized.

Starting in the fall of 1995, the CoastAlaska consortium began implementing the RFP process that would distribute services to individual stations. The early implementation had obvious problems. According to Legere, "finance went well," but "engineering was a disaster." The partner stations struggled to refine, apply and adapt the operating model

In the spring of 1996, with long-term prospects still unclear, CoastAlaska applied for a CPB Future Fund grant to help them explore in depth what a more formal collaboration might look like. When that grant was approved, the funds were instrumental in helping the discussions pick up from 1996 into 1997.

By mid-1996, everyone could see the station-based distributed service delivery model wasn't working. If CoastAlaska were to succeed, it needed a centralized and properly staffed regional services organization. Yet KHNS-Haines became deeply concerned about a possible loss of control, and negotiations dragged on. Finally, in September 1997—with five out of the six stations in strong support—the stations reached agreement on the formation of a standalone "central service" entity. CoastAlaska, Inc., was formally chartered. Haines was, at most, a reluctant signatory, and shortly after signing, the full KHNS-Haines board voted to withdraw from the collaboration. With KHNS-Haines out of the picture, implementation discussion moved forward. The initial CoastAlaska Compact was signed on July 1, 1998, and a new era of operations began.

Collaboration Structure And Operational Model

Under the CoastAlaska Compact,

- individual stations continued to be independently owned and operated (with full local control of programming and hiring of station staff)

- a regional organization was established to deliver back-office service to all five stations in financial management, development, membership services, engineering, news programming and system and state representation and administration.
- the central regional organization became the legal "fiscal agent" for the collaboration, handling all financial activities, including writing all checks and paying salaries through one set of books; filing one tax return and one CPB annual report; developing a consolidated budget; and managing a single unified audit.
- the stations irrevocably turned over all station cash to CoastAlaska, Inc., including existing checking account funds and all reserve funds, and they committed to hand over all future incoming funds on a continuing basis.
- the group began operating under a unified set of employee and operational policies.

Putting the Collaboration to Work

With a formal structure in place, the regional and station organizations got to work. Regional staffing quickly settled in at 6-7 FTEs, most located at CoastAlaska headquarters in KTOO's Juneau office, although some activities were based at other stations. Total regional expenses ran about 14 percent of total station revenue to cover these costs. Under these conditions, the member stations downsized their local staffs, with 3.5 to 5.5 FTEs at each location and at least two people assigned to the local news operations at each station (except KSTK-Wrangell, the smallest).

One of the most unexpected benefits came from the centralization of the administrative burden. Now that someone else was handling all financial management, CPB and tax filings reports, local station staff—especially the GMs—had far more time to focus on delivering high-quality service to their individual communities.

In January 2000, Jamie Waste, by that time executive director of CoastAlaska, summarized the situation in his close-out report for the CPB Future Fund grant:

The project goal was to support stations in retaining high-quality public broadcasting service with greatly reduced staffs. We have been successful. The workforce has shrunk by approximately one-third, yet stations have full access to network programming, competent news staffs, active on-air volunteer programs and local control of programming. We operate as a regional business while preserving local control of five community institutions.

Over the ensuing years, CoastAlaska built on that strong foundation, holding on to the values of partnering even as other Alaska public radio stations abandoned their early efforts at regional collaboration. Not everything was clear sailing. There were missteps with both regional and station staffing. One station briefly ran a serious deficit. But over time, the collaboration evolved and strengthened by

- establishing a ritual of regular face-to-face GMs meetings.
- amending the compact five times between 2000 and 2006 to reflect new learning. (The most significant change came in 2001 with the introduction of an operating deficit policy to strengthen the CoastAlaska executive director's hand in dealing with stations budget deficits.).
- putting key development capabilities in place—particularly around membership and corporation underwriting—that produced significantly increased revenue and allowed the station group to adopt a wide range of best practices.
- hiring of strong operational leadership. With dedicated aggregated funding, the central organization could hire very capable, experienced full-time staff, compared to individual stations' ability to afford only part-time staff in back-office roles.
- continuing to build news/information capacity, including building a remarkably strong digital presence.
- adding staff—both at the station and regional level—as funding grew. Over time, the rate of revenue dedicated to the regional entity has grown to about 18 percent of total revenue today.

Impact and Reach

Performance of the collaboration through 2015 was very strong, with positive results across a wide range of measures. Key performance indicators include:

- Total revenue grew by almost 50 percent compared to FY97, with membership revenue and underwriting revenue being particularly strong. With these revenues, the collaboration established a 3-4 month operating fund reserve (up from less than one month when the collaboration first formed).
- Station membership rolls expanded substantially, with aggregate member count almost doubling to 9,200 by 2014—more than 10 percent of the regional population.
- The collaboration was able to increase staffing at both the regional and station level with the increased revenue, with every station assigning 1.5 to 2 FTEs to local news. With this news staffing, the local news and information programs expanded, along with new online news services, so that the five CoastAlaska stations contribute more than half of all stories broadcast on the statewide daily half-hour show Alaska News Nightly put out by the Alaska Public Radio Network.
- The capacity of the regional coalition allowed KTOO to purchase two additional commercial frequencies in 2007 in Juneau, providing two new arts and culture (mostly music) stations, KRNN and KXLL.

- CoastAlaska has started to provide back-office services to other Alaska public broadcasting stations on a contract basis. This service generated revenue of $30,000 in FY12, growing to $131,000 in FY15. CoastAlaska staff sees this as a mission-driven activity and calls these “partner” rather than “contract” stations.
- The full KTOO joint radio and TV operation has benefited from CoastAlaska through shared administrative services. KTOO TV operations are not covered by the compact, but the reserves and bank accounts are not separate—the KTOO TV financial work is done as an in-kind service in exchange for CoastAlaska regional staff occupancy in the KTOO building. Legere has outsourced other KTOO-TV back-office work to the CoastAlaska regional staff, which has enabled his TV staff to focus on news/information content creation capacity.

Unique Features

For CoastAlaska, the worst may not be over. As FY15 played out, public broadcasting in Alaska faced another financial hit: a dramatic downturn in worldwide oil prices starting in late 2014 clobbered the state budget. The effect of sharply reduced state oil revenues and broader economic ripple effects of declining oil income statewide created a downturn that is ongoing. State government responded with budget cuts across the board for FY16 and FY17. Through the end of FY16 and going into FY17, the CoastAlaska collaboration—buttressed by solid reserves and strong central organization—was in a strong position to respond, focusing on enhancing revenues from sources like membership and underwriting and cutting expenses. CoastAlaska ended FY16 in the black (with total revenue roughly flat vs. FY15) and has a projected balanced budget for FY17, with limited station staff reductions and services to create that budget forecast.

The state legislature—facing massive budget deficits as FY17 moves toward FY18—is again considering totally zeroing out funding for public broadcasting in the state. This could be catastrophic for the entire state, not just for CoastAlaska. But in response, the CoastAlaska collaboration is being proactive about planning for a future where they will still meet their local service commitment, even in the face of a yet smaller budget.

Key Lessons

- A powerful shared sense of “place” played a major role in shaping the vision. The striking combination of strong local community identities—coupled with a strong regional identity—made the concept of enhanced local community service enabled via a consolidated regional back-office a natural fit.

- The CoastAlaska reorganization provided a foundation for growth and stability, while the combined regional asset base provided a financial "backstop" for member stations. As KTOO GM Legere told us: "By pooling funds, one station could have a bad year and CoastAlaska could help tide it over … and we all have had a bad year."
- Leadership matters. Bill Legere and Jamie Waste rejected self-interest in favor of a collaborative solution they thought was best for the region. Strong facilitation leadership at a critical moment came from Rich McClear. As Legere said: "Any of the things we have done here that I am really proud of—like acquiring those two new radio stations—we never could have done without CoastAlaska. … There is no way we could have done that alone."
- Relationships make a difference. As early as 1994, all the GMs knew each other and worked jointly on projects. McClear's facilitation took advantage of that prior experience. In the words of Mollie Kabler, now executive director of CoastAlaska: "We developed a culture of collaboration … that means people come together ready to work together, not come together to hold their ground."
- The founding executives focused on a shared commitment to providing and sustaining the best quality service. As one interviewee explained, "This was all about service, not structure." In addition, the experience of creating something new together was a powerful motivator.
- Preserving local control was essential. No station wants to be a repeater. They were driven to protect their independent identities and cherished local decision making, especially in programming. Still, GMs gained a great deal of freedom—from routine administration to reporting. As McClear noted, "with CoastAlaska in place, managers could focus on things that enhanced local impact and local service rather than filling out forms."
- Perseverance is critical. There were many opportunities for failure along the way, particularly when funding-cut pressures eased at both the state and federal levels. Other stations across Alaska backed off joint efforts and reverted to "business as usual." CoastAlaska folks pushed ahead.
- CPB money was a key enabler: "It was the grant that greased the wheels of change," said Waste. The grant funds enabled the in-depth face-to-face facilitated planning meetings (with consultants) that were so critical to moving forward.