

R15P00
Maryland Public Broadcasting Commission

Operating Budget Data

(\$ in Thousands)

	<u>FY 10</u> <u>Actual</u>	<u>FY 11</u> <u>Working</u>	<u>FY 12</u> <u>Allowance</u>	<u>FY 11-12</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$9,420	\$8,654	\$8,448	-\$206	-2.4%
Contingent & Back of Bill Reductions	0	0	-121	-121	
Adjusted General Fund	\$9,420	\$8,654	\$8,327	-\$327	-3.8%
Special Fund	17,274	15,284	17,858	2,573	16.8%
Contingent & Back of Bill Reductions	0	0	-61	-61	
Adjusted Special Fund	\$17,274	\$15,284	\$17,797	\$2,513	16.4%
Federal Fund	908	2,080	1,794	-285	-13.7%
Contingent & Back of Bill Reductions	0	0	-5	-5	
Adjusted Federal Fund	\$908	\$2,080	\$1,790	-\$290	-14.0%
Adjusted Grand Total	\$27,602	\$26,018	\$27,913	\$1,895	7.3%

- Deficiencies proposed for fiscal 2011 include a -\$200,000 general fund withdrawn appropriation to recognize electricity savings and a \$2,580,000 special fund deficiency to accommodate an expected increase in corporate support for new programming. These deficiency appropriations would mean that the 2012 budget for general and special funds would be closer to the fiscal 2011 level.
- Before adjustments, the fiscal 2012 allowance is \$2.1 million more than the fiscal 2011 working appropriation, considering all fund sources. The Budget Reconciliation and Financing Act of 2011 and Back of the Bill reductions bring the allowance to \$1.9 million more than fiscal 2011.

Note: Numbers may not sum to total due to rounding.

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Personnel Data

	<u>FY 10 Actual</u>	<u>FY 11 Working</u>	<u>FY 12 Allowance</u>	<u>FY 11-12 Change</u>
Regular Positions	155.00	153.00	153.00	0.00
Contractual FTEs	<u>16.35</u>	<u>18.95</u>	<u>16.19</u>	<u>-2.76</u>
Total Personnel	171.35	171.95	169.19	-2.76

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	6.14	4.01%
Positions and Percentage Vacant as of 12/31/10	8.50	5.56%

- Contractual full-time equivalent positions are set to decrease by 2.76 in fiscal 2012. The reductions are in office assistance for program scheduling and finance.

Analysis in Brief

Major Trends

Special and Federal Funds Have Not Met Growth Objective: The Maryland Public Broadcasting Commission (MPBC) has an objective to increase combined special and federal funds by at least \$100,000 each year. The objective was not met in fiscal 2009 or 2010. However, the agency is more optimistic about special fund revenues for the remainder of 2011.

Viewers Declined in 2010 But Are Expected to Be Level in 2011; Unique Broadcast Hours Are Expected to Be Level: The number of viewing households increased in fiscal 2009 to 852,000 but declined in 2010 to 680,000. MPBC reports that the decline was due to a change in viewership measurements, competition from cable channels, and difficulties by some viewers in receiving the new digital broadcast signal. Unique broadcast hours jumped up while MPBC was broadcasting on analog and digital signals during 2009. The conversion to digital was complete by 2010, the analog signal was discontinued, and unique broadcast hours are expected to remain level at 23,000 annually.

Visits to Online Education Resources Were Stable in 2010: MPBC is focusing its K-12 educational efforts on Thinkport.org, which is an online resource for teachers, parents, and other childcare providers. MPBC had about 1.4 million visits to online resources in fiscal 2009 and 2010.

Recommended Actions

1. Concur with Governor's allowance.

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Maryland Public Broadcasting Commission

Operating Budget Analysis

Program Description

The Maryland Public Broadcasting Commission (MPBC) is responsible for operating a system of State, regional, and local facilities to provide educational and cultural radio and television programs in Maryland. MPBC is responsible for and controls the preparation, content, and programming of all its programs for the general public. The commission is the federal licensee for all broadcasting stations operated by Maryland Public Television (MPT) and consists of six broadcast transmitters throughout the State and a headquarters facility in Owings Mills.

To measure progress in fulfilling its responsibilities, MPBC's goals are:

- to create and continuously enhance programming and services that recognize the values and meet the needs of the people of Maryland and surrounding areas, and secure high quality programming for Marylanders;
- to effectively use the conversion to a digital environment as the foundation upon which to create and innovate, especially in the area of educational multimedia delivery systems, in ways that extend MPT's reach and increase its value; and
- to build MPT into an organization with the vision, leadership, and institutional capacity to fulfill its mission and ensure long-term growth and stability.

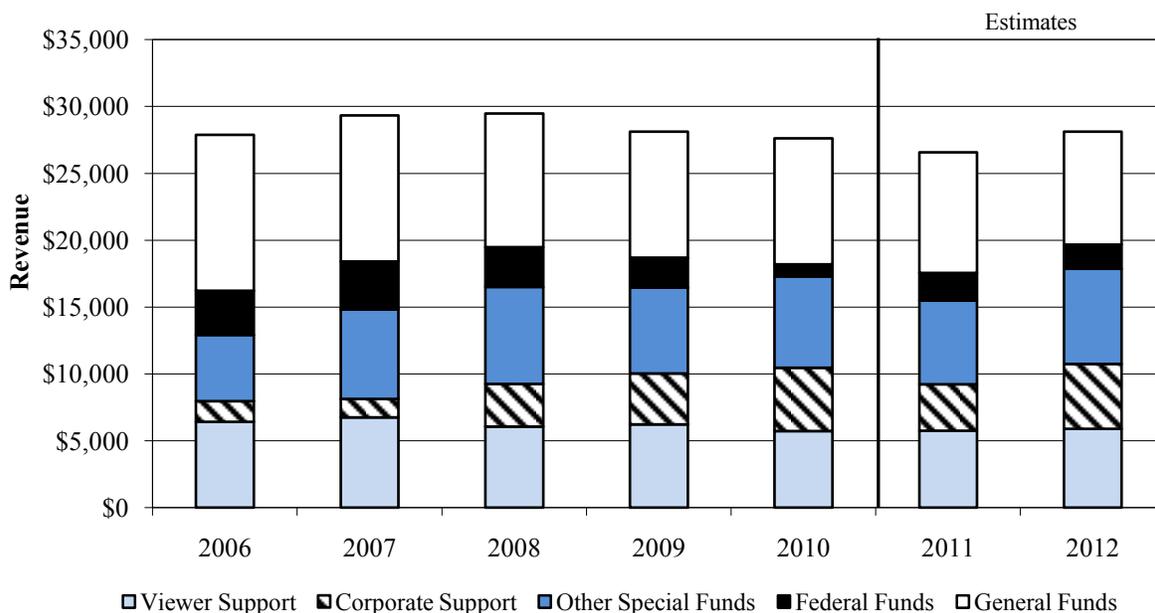
Performance Analysis: Managing for Results

Special and Federal Funds Have Not Met the Growth Objective

MPBC has a goal to maintain its financial viability. A related objective is to increase combined special and federal funds by at least \$100,000 each year. Special funds include viewer support; corporate support; a grant from the Corporation for Public Broadcasting, which is a nonprofit organization funded by the federal government; and other revenues the agency generates for itself.

The special and federal fund growth objective was not met in fiscal 2009 or 2010, and the fiscal 2011 working appropriation does not meet the objective. However, the fiscal 2012 allowance includes a \$2.6 million special fund deficiency appropriation for fiscal 2011, and if these funds are attained, and federal funds are maintained at least at the 2010 level, the agency would surpass the objective in fiscal 2011. **Exhibit 1** shows the components of MPBC revenue sources since fiscal 2006.

Exhibit 1
Maryland Public Broadcasting Commission Sources of Revenue
Fiscal 2006-2012
(\$ in Thousands)



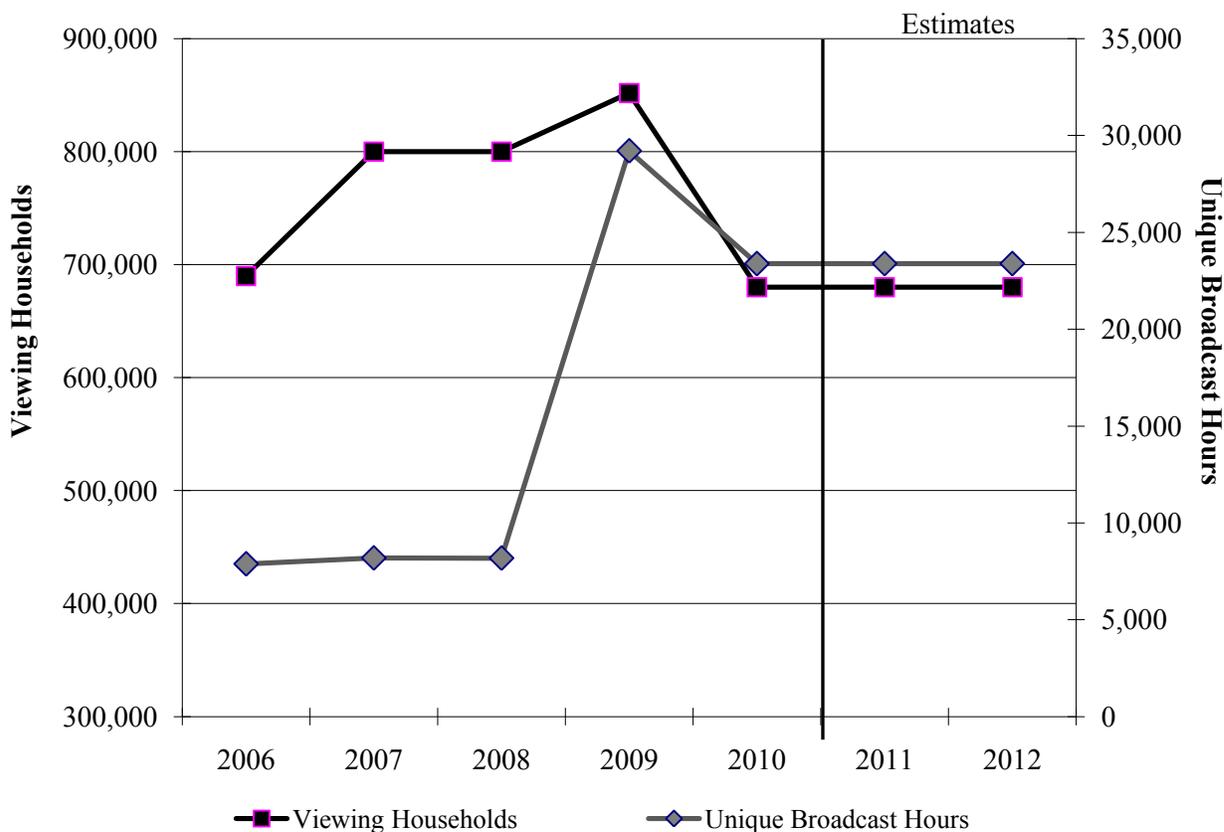
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Special Funds	\$12,899	\$14,797	\$16,491	\$16,460	\$17,274	\$15,284	\$17,858
Federal Funds	3,318	3,605	2,990	2,228	908	2,080	1,794
Subtotal, Special and Federal Funds	16,218	18,402	19,481	18,688	18,182	17,547	19,652
General Funds	11,641	10,912	9,993	9,411	9,420	8,654	8,448
Grand Total	\$27,858	\$29,314	\$29,474	\$28,100	\$27,602	\$26,018	\$28,100

Source: Governor’s Budget Books, Fiscal 2008-2012

Viewers Declined in 2010 but Are Expected to Be Level in 2011; Unique Broadcast Hours Are Expected to Be Level

Another MPBC goal is to increase the number of viewers and members. **Exhibit 2** shows that the number of viewing households increased in fiscal 2009 to 852,000 but declined in fiscal 2010 to 680,000 and is expected to remain at that level in fiscal 2011 and 2012. The decrease in fiscal 2010 was due, in part, to a change in viewership measurements, MPBC reports. Previously, a media service conducted telephone surveys to determine viewership, but now People Meter devices are installed to television sets to provide the data. People tended to overestimate their viewing in the telephone surveys.

**Exhibit 2
Maryland Public Television’s Viewing Households and Hours
Fiscal 2006-2012**



Source: Governor’s Budget Books, Fiscal 2008-2012

An additional factor is that, as the number of cable channels proliferates, the audience for any particular channel is more likely to diminish. Finally, the conversion from analog to entirely digital signals in June 2009 contributed to the viewership decline. Some viewers use a digital converter box attached to their television set to receive digital signals, but many had trouble receiving the MPT signal.

To attract viewers, MPBC strives to increase the number of unique broadcast hours it provides. This measure includes programming that MPBC purchases from the Public Broadcasting Service and other media sources and which is produced in-house. Exhibit 2 shows that these hours were steady at about 8,000 annually through fiscal 2008. In fiscal 2009, the hours jumped to 29,000 as the agency began its transition to a digital signal and transmitted analog as well as digital signals. By fiscal 2010, the conversion to digital was complete, the analog signal was discontinued, and the unique broadcast hours decreased to 23,000, where they are expected to stay in fiscal 2011 and 2012.

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The fiscal 2010 level of unique broadcast hours is higher than historic levels because the digital signal enables MPT to broadcast three channels instead of one. Each channel – MPT, MPT II, and V-Me, the Spanish channel – is a stand-alone channel with its own programming although some of the same programs may be broadcast on MPT and MPT II at different times.

To attract and retain members, which are viewers who contribute financially to MPBC, the agency conducts four broadcast pledge drives each year and sends 1.6 million pieces of direct mail. The direct mail contract totals about \$710,000 each year. The number of members has averaged 59,300 since fiscal 2006.

Visits to Online Education Resources Were Stable in 2010

MPBC has a goal to provide learning opportunities through educational programs and services. Due to budget constraints, K-12 broadcasts were eliminated in fiscal 2010. Still, the agency broadcast 1,000 hours of adult educational programs in fiscal 2010, including programs on math, history, American literature, and art. The level of educational programming is expected to decrease to 780 hours in fiscal 2012.

MPBC is focusing its K-12 educational efforts on Thinkport.org. Thinkport is an online resource for teachers, parents, and other childcare providers that offers a lesson plan builder, teacher-to-teacher discussion groups, and student activity guides, among other functions. The agency is working with the Maryland State Department of Education to determine whether any Race to the Top federal stimulus funds could be used to support Thinkport.

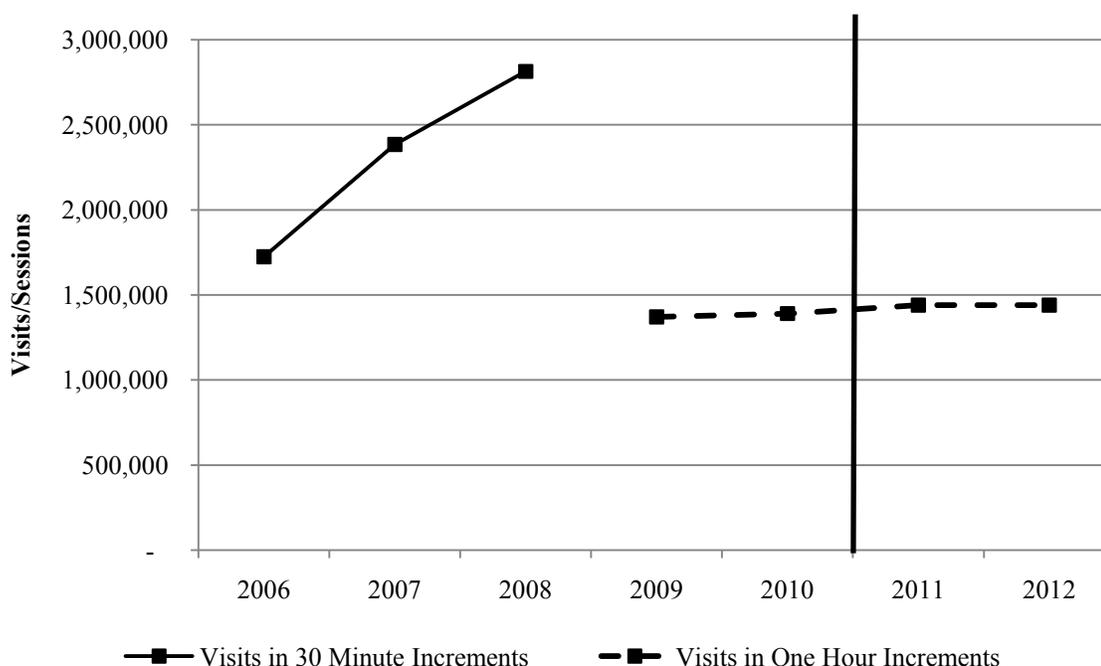
As shown in **Exhibit 3**, the number of visitors to MPBC's online education site increased dramatically from fiscal 2005 to 2008. The number dropped nearly in half in fiscal 2009 because of a change in the way online visits are measured. MPBC's previous web site vendor measured visits in 30 minute increments, but the new vendor measures visits in one hour increments. Unfortunately, MPBC reports that the old data cannot be normalized to be compared to new data. In any case, MPBC expects visits to online educational resources to be steady in fiscal 2010 and 2011. As of fiscal 2011, Thinkport.org represents MPBC's sole online education resource. When the website was redesigned in fiscal 2010, an online education resource called Learning Works was eliminated.

Fiscal 2011 Actions

Proposed Deficiency

A -\$200,000 general fund deficiency is withdrawn for fiscal 2011 to recognize electricity savings associated with the conversion from an analog to a digital signal. In other words, MPBC is expected to spend \$200,000 less than what is in the fiscal 2011 working appropriation for electricity, and the negative deficiency aligns the appropriation with expected spending.

**Exhibit 3
Education Website Usage
Fiscal 2006-2012**



Note: The Maryland Public Broadcasting Commission obtained a new vendor for its website in fiscal 2009. Since that time, website visits have been measured in one hour increments rather than 30 minute increments.

Source: Governor’s Budget Books, Fiscal 2008-2012

A \$2,580,000 special fund deficiency proposes to add funds to the fiscal 2011 budget to accommodate an increase in corporate support for new programming, including programs on the War of 1812, Chesapeake Collectibles, financial literacy, the Chesapeake Bay Bridge, cooking, and a science and technology program. The agency reports that most of the funds have been received or pledged.

Impact of Cost Containment

Section 44 of the fiscal 2011 budget bill required the Governor to abolish 500 positions in the Executive Branch as of June 30, 2011. The positions and the funds associated with them have been removed from the fiscal 2011 working appropriation. MPBC’s share of the reduction was 2 full-time equivalent positions and \$42,525 in fiscal 2011, which represents an ongoing annualized savings of \$117,047 for employee salary and fringe benefit expenditures. The positions were vacant.

Proposed Budget

The fiscal 2012 allowance, including across-the-board and contingent reductions, is \$1.9 million more than the fiscal 2011 working appropriation considering all fund sources, as shown in **Exhibit 4**. **Appendix 4** shows changes by program before proposed reductions.

Exhibit 4
Proposed Budget
Maryland Public Broadcasting Commission
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Total
2011 Working Appropriation	\$8,654	\$15,284	\$2,080	\$26,018
2012 Allowance	<u>8,448</u>	<u>17,858</u>	<u>1,794</u>	<u>28,100</u>
Amount Change	-\$206	\$2,573	-\$285	\$2,082
Percent Change	-2.4%	16.8%	-13.7%	8.0%
Contingent Reductions	-\$121	-\$61	-\$5	-\$187
Adjusted Change	-\$327	\$2,513	-\$290	\$1,895
Adjusted Percent Change	-3.8%	16.4%	-14.0%	7.3%

Where It Goes:

Personnel Expenses

Salaries, including restoration of furloughs	\$303
Employee and retiree health insurance, net of contingent and across-the-board reductions ..	75
Employees' retirement system, net of contingent reductions	160
Social Security contributions	20

Other Changes

Contracts for production of new programs	1,499
Supplies for buildings and materials for fundraising	419
Electricity	-333
Postage, telephone, and other communications	-202
Other	-46

Total **\$1,895**

Note: Numbers may not sum to total due to rounding.

Impact of Cost Containment

The fiscal 2012 allowance reflects several across-the board actions. MPBC's share of the reduction in employee health insurance is \$25,390 in general funds, \$1,792 in federal funds, and \$22,949 in special funds. Reductions contingent upon statutory changes include \$42,026 in general funds, \$2,963 in federal funds, and \$37,985 in special funds for retiree prescription drug benefits and \$53,745 in general funds for retirement benefits. To save additional funds, the Governor implemented an employee Voluntary Separation Program. MPBC has 4 positions that will be eliminated as a result of the separation program, and annualized savings for these positions is \$195,338.

Other Changes

Salaries increase by \$303,000 in the fiscal 2012 allowance, representing a restoration of furlough reductions. Altogether, personnel expenditures increase by \$557,817. Other increases include \$1.5 million for contracts to produce new programs and \$419,114 for supplies for buildings and materials for fundraising. MPBC reports that it is having to offer more premiums, such as concert tickets and other incentives, to generate private contributions. Decreases include \$332,645 related to lower electricity use now that signals are broadcast digitally rather than through analog, and energy use has decreased at facilities through installation of efficient lighting and boilers. Postage decreases by \$202,442 because some fundraising activities have moved from mail to on-air or event-based activities.

General funds decrease by \$327,350 after contingent and across-the-board adjustments in fiscal 2012. However, general funds will be nearly level with fiscal 2011 considering the -\$200,000 deficiency proposed for fiscal 2011. Special funds are expected to increase by \$2.5 million after adjustments in fiscal 2012. However, the proposed \$2.6 million special fund deficiency for fiscal 2011 would mean that special funds remain at about \$17.9 million from fiscal 2011 to 2012.

Recommended Actions

1. Concur with Governor's allowance.

Current and Prior Year Budgets

Current and Prior Year Budgets Maryland Public Broadcasting Commission (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2010					
Legislative Appropriation	\$10,028	\$16,606	\$3,238	\$0	\$29,872
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	3,225	0	0	3,225
Cost Containment	-608	-183	0	0	-790
Reversions and Cancellations	0	-2,374	-2,330	0	-4,704
Actual Expenditures	\$9,420	\$17,274	\$908	\$0	\$27,602
Fiscal 2011					
Legislative Appropriation	\$8,654	\$15,284	\$2,080	\$0	\$26,018
Budget Amendments	0	0	0	0	0
Working Appropriation	\$8,654	\$15,284	\$2,080	\$0	\$26,018

Note: Numbers may not sum to total due to rounding.

Fiscal 2010

The fiscal 2010 budget closed at \$27.6 million, which was \$2.3 million less than the legislative appropriation.

Cost containment reductions included \$608,000 in general funds. Furloughs of State employees accounted for about \$141,000 of the general fund reductions. Two positions were held vacant the first half of the fiscal year, saving \$83,000. Two other positions were held open the second half of the year, saving \$135,000. Master lease payments for digital and other equipment were funded with \$151,000 in special funds instead of general funds. Another \$98,000 in general funds was reduced from overbudgeted master lease payments.

A budget amendment of \$3.2 million in special funds was generated by private sector grants. The U.S. Army provided \$2.0 million to produce a program titled “For Love of Liberty.” A private producer secured the grant, performed most of the work on the program, and received most of the \$2.0 million grant through a sub-contract. MPBC provided the venue for the program, formatted the program to meet public broadcasting standards, and retained approximately \$100,000 of the total. Approximately \$600,000 in additional corporate funds was budgeted to support the program. Another \$625,000 was raised from corporations to support a cooking show titled “Primal Grilling” and Irish music programs.

Special funds declined \$183,000 during the year due to furloughs of State employees. Another \$2.4 million in special funds was cancelled at year-end from further erosion of membership revenues, loss of corporate sponsorship for the “Motor Week” program, and lower than expected corporate sponsorship for other programs, including “For Love of Liberty.”

Federal funds totaling \$2.3 million were cancelled because federal support for the “Learning Games to Go” show was eliminated.

Audit Findings

Audit Period for Last Audit:	April 1, 2006 – April 21, 2009
Issue Date:	March 2010
Number of Findings:	6
Number of Repeat Findings:	2
% of Repeat Findings:	33%
Rating: (if applicable)	n/a

Finding 1: **Services were procured without the use of competitive bidding; payments were made without a written contract; and Board of Public Works approval was not obtained.**

Finding 2: Certain other significant issues were identified related to a subsequent contract awarded to the same vendor for these services.

Finding 3: MPBC did not obtain supporting documentation for certain contractual services payments and made duplicate vendor payments.

Finding 4: **MPBC did not comply with certain State procurement regulations.**

Finding 5: Physical inventories were not conducted as required.

Finding 6: Proper controls were not established over certain cash receipts and refunds.

*Bold denotes item repeated in full or part from preceding audit report.

**Object/Fund Difference Report
Maryland Public Broadcasting Commission**

<u>Object/Fund</u>	<u>FY 10 Actual</u>	<u>FY 11 Working Appropriation</u>	<u>FY 12 Allowance</u>	<u>FY 11 - FY 12 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	155.00	153.00	153.00	0.00	0%
02 Contractual	16.35	18.95	16.19	-2.76	-14.6%
Total Positions	171.35	171.95	169.19	-2.76	-1.6%
Objects					
01 Salaries and Wages	\$ 11,784,541	\$ 11,289,395	\$ 12,047,996	\$ 758,601	6.7%
02 Technical and Spec. Fees	528,457	567,181	500,221	-66,960	-11.8%
03 Communication	393,262	682,687	480,245	-202,442	-29.7%
04 Travel	203,700	207,054	204,100	-2,954	-1.4%
06 Fuel and Utilities	956,439	1,281,656	982,720	-298,936	-23.3%
07 Motor Vehicles	58,029	58,557	50,274	-8,283	-14.1%
08 Contractual Services	10,145,335	9,821,590	11,331,208	1,509,618	15.4%
09 Supplies and Materials	1,257,068	838,813	1,219,606	380,793	45.4%
10 Equipment – Replacement	77,933	87,959	83,260	-4,699	-5.3%
11 Equipment – Additional	1,265,993	687,864	744,352	56,488	8.2%
13 Fixed Charges	931,697	495,229	455,822	-39,407	-8.0%
Total Objects	\$ 27,602,454	\$ 26,017,985	\$ 28,099,804	\$ 2,081,819	8.0%
Funds					
01 General Fund	\$ 9,420,209	\$ 8,653,985	\$ 8,447,796	-\$ 206,189	-2.4%
03 Special Fund	17,274,160	15,284,177	17,857,611	2,573,434	16.8%
05 Federal Fund	908,085	2,079,823	1,794,397	-285,426	-13.7%
Total Funds	\$ 27,602,454	\$ 26,017,985	\$ 28,099,804	\$ 2,081,819	8.0%

Note: The fiscal 2011 appropriation does not include deficiencies. The fiscal 2012 allowance does not include contingent reductions.

Fiscal Summary
Maryland Public Broadcasting Commission

<u>Program/Unit</u>	<u>FY 10 Actual</u>	<u>FY 11 Wrk Approp</u>	<u>FY 12 Allowance</u>	<u>Change</u>	<u>FY 11 - FY 12 % Change</u>
01 Executive Direction and Control	\$ 680,534	\$ 609,892	\$ 635,549	\$ 25,657	4.2%
02 Administration and Support Services	9,232,356	8,974,340	9,098,216	123,876	1.4%
03 Broadcasting	10,251,002	11,831,186	11,141,323	-689,863	-5.8%
04 Content Enterprises	7,438,562	4,602,567	7,224,716	2,622,149	57.0%
Total Expenditures	\$ 27,602,454	\$ 26,017,985	\$ 28,099,804	\$ 2,081,819	8.0%
General Fund	\$ 9,420,209	\$ 8,653,985	\$ 8,447,796	-\$ 206,189	-2.4%
Special Fund	17,274,160	15,284,177	17,857,611	2,573,434	16.8%
Federal Fund	908,085	2,079,823	1,794,397	-285,426	-13.7%
Total Appropriations	\$ 27,602,454	\$ 26,017,985	\$ 28,099,804	\$ 2,081,819	8.0%

Note: The fiscal 2011 appropriation does not include deficiencies. The fiscal 2012 allowance does not include contingent reductions.