

R15P00
Maryland Public Broadcasting Commission

Operating Budget Data

(\$ in Thousands)

	<u>FY 12</u>	<u>FY 13</u>	<u>FY 14</u>	<u>FY 13-14</u>	<u>% Change</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Fund	\$8,182	\$7,799	\$7,734	-\$65	-0.8%
Contingent & Back of Bill Reductions	0	0	-10	-10	
Adjusted General Fund	\$8,182	\$7,799	\$7,725	-\$75	-1.0%
Special Fund	14,635	16,776	15,570	-1,206	-7.2%
Contingent & Back of Bill Reductions	0	0	-10	-10	
Adjusted Special Fund	\$14,635	\$16,776	\$15,560	-\$1,217	-7.3%
Federal Fund	1,174	1,396	1,490	94	6.8%
Contingent & Back of Bill Reductions	0	0	-1	-1	
Adjusted Federal Fund	\$1,174	\$1,396	\$1,489	\$93	6.7%
Reimbursable Fund	486	1,026	1,426	400	39.0%
Adjusted Reimbursable Fund	\$486	\$1,026	\$1,426	\$400	39.0%
Adjusted Grand Total	\$24,476	\$26,998	\$26,200	-\$798	-3.0%

- The fiscal 2014 allowance is \$798,436 less than the fiscal 2013 working appropriation, considering all fund sources. Special funds decrease \$1.2 million due to fiscal 2013 corporate support for a one-time production that will not continue in fiscal 2014. Reimbursable funds increase \$400,000 due to a memorandum of understanding between the Maryland Public Broadcasting Commission (MPBC) and the Maryland State Department of Education to develop deliverables for the State's federal Race to the Top grant.

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

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Personnel Data

	<u>FY 12 Actual</u>	<u>FY 13 Working</u>	<u>FY 14 Allowance</u>	<u>FY 13-14 Change</u>
Regular Positions	148.00	145.00	145.00	0.00
Contractual FTEs	<u>20.12</u>	<u>19.33</u>	<u>21.53</u>	<u>2.20</u>
Total Personnel	168.12	164.33	166.53	2.20

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	5.79	3.99%
Positions and Percentage Vacant as of 12/31/12	12.00	8.28%

- There is no change in the number of regular positions in MPBC in the fiscal 2014 allowance.
- As of December 31, 2012, MPBC has 12.0 vacancies. Budgeted turnover for fiscal 2014 is 4.0%, requiring the agency to maintain at least 5.8 positions vacant.
- Departmental full-time equivalents increase 2.20 in the fiscal 2014 allowance to support education programs and studio electronics.

Analysis in Brief

Major Trends

Special and Federal Fund Goal Exceeded in Fiscal 2012 and 2013: In fiscal 2012 and 2013, MPBC attained its goal of increasing combined special and federal funds by at least \$100,000 each year. Federal and special funds increased \$403,503 in fiscal 2012 and \$2.4 million in fiscal 2013.

Unique Broadcast Hours Remain Level: Unique broadcast hours have remained level at about 23,000 since fiscal 2010.

Online Visits Increase 12.9%: The number of visitors to MPBC’s online education site increased 12.9% between fiscal 2011 and 2012 to 1.6 million visits.

Recommended Actions

1. Concur with Governor's allowance.

R15P00 – Maryland Public Broadcasting Commission

R15P00
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 the preparation and content of all its programs. 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.

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;
- 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
- build MPT into an organization with the vision, leadership, and institutional capacity to fulfill its mission and ensure long-term growth and stability.

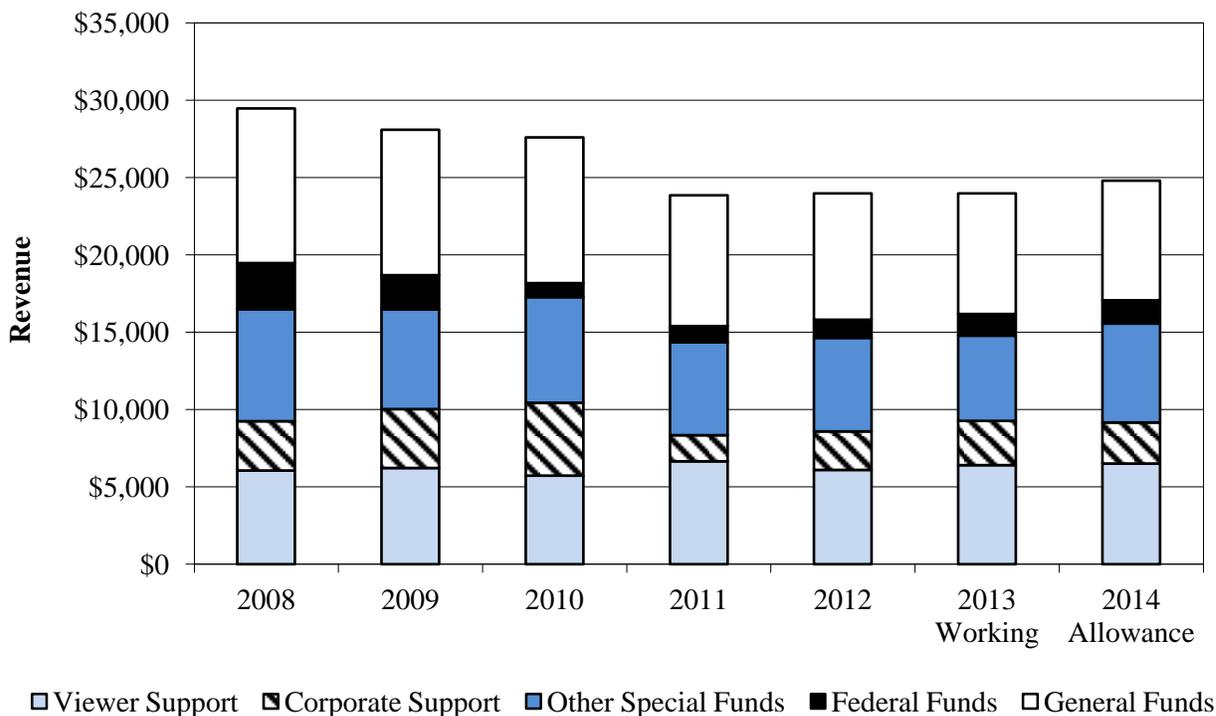
Performance Analysis: Managing for Results

1. Special and Federal Fund Goal Exceeded in Fiscal 2012 and 2013

One MPBC goal is 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 and corporate support; a grant from the Corporation for Public Broadcasting, which is a nonprofit organization, funded by the federal government; and other agency generated revenues.

Though the special and federal fund growth objective was not met between fiscal 2009 and 2011, these funds increased \$403,503 in fiscal 2012 and \$2.4 million in fiscal 2013, exceeding the \$100,000 goal due largely to an increase in corporate support for new programming. Federal and special funds are expected to decrease \$1.1 million in the fiscal 2014 allowance as a result of the completion of a one-time production, leaving combined federal and special funds at \$17.1 million. **Exhibit 1** shows the components of MPBC revenue sources since fiscal 2008.

Exhibit 1
Maryland Public Broadcasting Commission Sources of Revenue
Fiscal 2008-2014

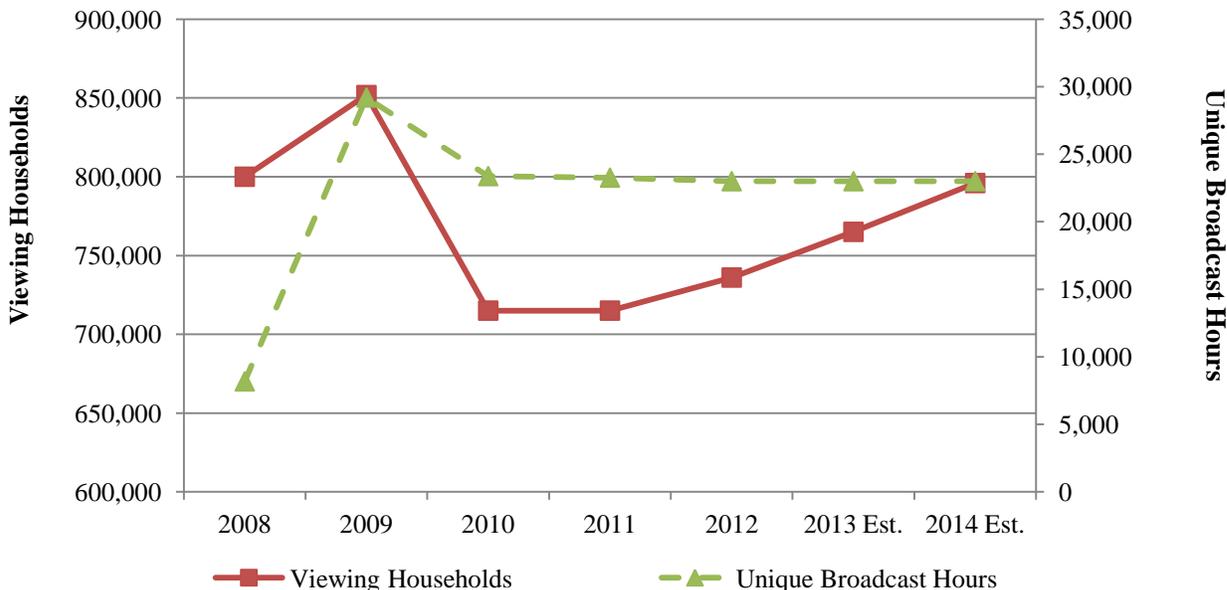


Source: Governor’s Budget Books, Fiscal 2010-2014

2. Unique Broadcast Hours Remain Level

To attract viewers, MPBC strives to increase the number of unique broadcast hours it provides. This measure includes programming purchased from the Public Broadcasting Service and other media sources and programming produced in-house. **Exhibit 2** shows that unique broadcast hours increased from 8,000 in fiscal 2008 to 29,000 in fiscal 2009, as the agency began to transmit both digital and analog signals. By fiscal 2010, the conversion to digital was complete, the analog signal was discontinued, and unique broadcast hours decreased to 23,000, where they have remained through fiscal 2012 despite MPBC’s goal. MPBC attributes the leveling off of unique broadcast hours to declines in staff and State funding over the last ten years.

**Exhibit 2
Maryland Public Television’s Viewing Households and Hours
Fiscal 2008-2014**



Source: Governor’s Budget Books, Fiscal 2008-2014

Unique broadcast hours have been higher than historic levels since fiscal 2010 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, though some of the same programs may be broadcast on MPT and MPT II at different times.

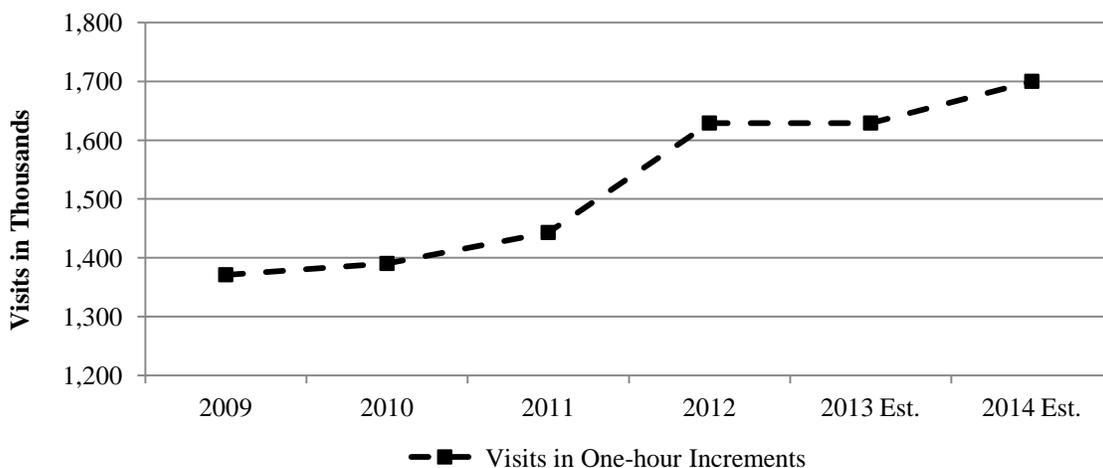
Exhibit 2 also shows that the number of viewing households increased 2.9% to 736,000 in fiscal 2012 from 715,000 the previous year. MPBC attributes this increase to the fact that previous statistics did not include viewers in the Washington, DC metro area. Viewing households remain below the fiscal 2009 level due to a shift in the way viewership is measured from telephone surveys to People Meters on television sets. The number of viewing households is expected to increase in fiscal 2013 and 2014.

To attract and retain members (viewers who contribute financially to MPBC), the agency conducts four broadcast pledge drives each year and sends 1.7 million pieces of direct mail. The direct mail contract totals about \$710,000 each year, and the number of members has averaged 59,392 since fiscal 2006.

3. Online Visits Increase 12.9%

MPBC strives to provide learning opportunities through educational programs and services. Due to budget constraints, K-12 broadcasts were eliminated in fiscal 2010. Instead, MPBC focuses its K-12 educational efforts on Thinkport.org, an online resource for teachers, parents, and childcare providers that offers a lesson plan builder, teacher-to-teacher discussion groups, and student activity guides. Content created through Maryland’s Race to the Top (RTTT) grant will be available through Thinkport. MPBC is collaborating with Maryland State Department of Education (MSDE) to develop instructional resources for students and online professional development courses for teachers; test and evaluate Science, Technology, Engineering, and Math resources; and create public service announcements over a three-year period as part of this effort. These RTTT activities are supported by \$3 million from the federal grant. As shown in **Exhibit 3**, the number of visitors to MPBC’s online education website increased 12.9% between fiscal 2011 and 2012 to 1.6 million visits, which MPBC attributes to word of mouth and the website’s usefulness to teachers, students, and parents. MPBC expects visits to the website to increase through fiscal 2014, though at a slower rate.

Exhibit 3
Education Website Usage
Fiscal 2009-2014



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 2008-2014

Proposed Budget

The fiscal 2014 allowance is \$798,436 less than the fiscal 2013 working appropriation considering all fund sources, as shown in **Exhibit 4**.

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

How Much It Grows:	<u>General</u>	<u>Special</u>	<u>Federal</u>	<u>Reimb.</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	
2013 Working Appropriation	\$7,799	\$16,776	\$1,396	\$1,026	\$26,998
2014 Allowance	<u>7,734</u>	<u>15,570</u>	<u>1,490</u>	<u>1,426</u>	<u>26,221</u>
Amount Change	-\$65	-\$1,206	\$94	\$400	-\$777
Percent Change	-0.8%	-7.2%	6.8%	39.0%	-2.9%
 Contingent Reduction	 -\$10	 -\$10	 -\$1	 \$0	 -\$21
Adjusted Change	-\$75	-\$1,217	\$93	\$400	-\$798
Adjusted Percent Change	-1.0%	-7.3%	6.7%	39.0%	-3.0%
 Where It Goes:					
Personnel Expenses					
Salary adjustments					-\$47
Public broadcast talent to support new programs.....					361
Annualized fiscal 2013 cost-of-living adjustment					97
State contribution to employee retirement					240
Employee and retiree health insurance, net of across-the-board reductions					156
Workers' compensation					14
Turnover adjustments.....					-11
Other fringe benefit adjustments					30
Other Changes					
Additional contractual position and contractual cost-of-living adjustments.....					121
Master lease payments for production equipment					-130
Completion of one-time productions.....					-1,551
Member gifts					-132
Nielsen Rating System contract revised to include metro Washington region					70
Other changes.....					-15
Total					-\$798

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

Personnel Changes

Section 25 of Chapter 1 of the First Special Session of 2012 (the Budget Reconciliation and Financing Act of 2012) required the Governor to abolish at least 100 vacant positions as of January 1, 2013, saving at least \$6.0 million in general funds. This agency's share of the reduction was \$17,468. Fiscal 2014 personnel costs increase \$839,710 due largely to the addition of 5 public broadcasting talent positions to support new projects including *Maryland Farmer*, *Chaplains*, and *Catholics in America*; increases to employee retirement, health insurance costs; and the annualized cost of the fiscal 2013 statewide cost-of-living adjustment. Contribution rates for the regular employees, teachers, State police, and law enforcement officers pension plans increase in fiscal 2014. The rate increases are attributable to underattaining investment returns, adjusting actuarial assumptions, and increasing the reinvestment of savings achieved in the 2011 pension reform. Back of the bill health insurance reductions of \$9,791 in general funds, \$10,216 in special funds, and \$1,419 in federal funds are attributable to favorable health insurance trends. Regular earnings decrease \$47,078 due to the reclassification of some positions to lower levels.

Master Leases

MPBC uses master lease agreements to replace aging production equipment such as camera, lighting, and editing equipment. These leases spread the cost of equipment out over five years. In calendar 2001-2002, MPBC began replacing existing equipment to comply with a federal mandate to convert to digital broadcast. This equipment is now 12 years old and reaching the end of its useful life. The fiscal 2014 allowance includes a net decrease of \$130,349 in master lease activity as MPBC makes final payment on existing equipment leases following a period when, due to the State's fiscal condition, master leases for the agency were not authorized. The fiscal 2014 allowance, however, includes funds to support the first year of lease payments for \$823,000 in additional production equipment. The first year of these payments will be interest only.

Other Changes

Other changes include a \$131,589 decrease in funding for member gifts, as those who donate without them tend to renew membership at a higher rate, and a \$1.6 million decrease related to one-time production costs. In fiscal 2013, MPBC produced programs such as *Heart of the Civil War*, which are not budgeted in fiscal 2014. Increases include \$120,982 to support cost-of-living adjustments for contractual employees and 2.2 additional contractual employees supporting education programs and studio electronics, and \$69,594 related to an increase in MPBC's Nielsen Rating System contract, which now includes the Washington, DC metro region to provide more accurate data on viewership.

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 2012					
Legislative Appropriation	\$8,129	\$17,721	\$1,791	\$0	\$27,641
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	52	57	0	1,032	1,141
Reversions and Cancellations	0	-3,144	-617	-545	-4,306
Actual Expenditures	\$8,182	\$14,635	\$1,174	\$486	\$24,476
Fiscal 2013					
Legislative Appropriation	\$7,799	\$14,761	\$1,392	\$1,026	\$24,978
Budget Amendments	0	2,015	4	0	2,020
Working Appropriation	\$7,799	\$16,776	\$1,396	\$1,026	\$26,998

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

Fiscal 2012

The fiscal 2012 budget closed at \$24.5 million, which was \$3.2 million less than the legislative appropriation. General funds increased \$52,455, and special funds increased \$57,297 to reflect the \$750 employee bonus. A budget amendment increased the reimbursable appropriation \$1.0 million to provide RTTT funds from MSDE to develop interactive digital student resources aligned to national common core standards and online courses for teacher professional development.

Reversions and Cancellations: Cancellations totaled \$4.3 million. Special fund cancellations totaled \$3.1 million in part because the fiscal 2012 appropriation was developed using fiscal 2010 actual expenditures including \$2.5 million in special funds for a program called *For Love of Liberty*, which did not continue in fiscal 2012. In addition, when the fiscal 2012 budget was developed, MPBC planned to classify RTTT funds as special funds, though they were ultimately budgeted as reimbursable funds. Federal fund cancellations totaled \$616,741 due to anticipated funding from the U.S. Department of Education which did not materialize and funding from the National Science Foundation for the MathPath project which did not progress as quickly as expected. Reimbursable fund cancellations totaled \$545,258 due to RTTT project delays which resulted in the movement of funds to fiscal 2013.

Fiscal 2013

The fiscal 2013 working appropriation is \$2.0 million above the legislative appropriation. Special funds increase \$1.9 million to reflect corporate support used to produce programs on health, arts, the civil war, local programs and documentaries, as well as to procure an emergency generator. In addition, special funds increased \$72,334 and federal funds \$4,407 to support the fiscal 2013 cost-of-living adjustment.

Audit Findings

Audit Period for Last Audit:	April 22, 2009 – November 30, 2011
Issue Date:	November 2012
Number of Findings:	4
Number of Repeat Findings:	1
% of Repeat Findings:	25%
Rating: (if applicable)	n/a

Finding 1: A sole-source procurement award for direct marketing and fundraising services did not appear to be adequately justified.

Finding 2: **MPBC did not adequately monitor two contracts and related payments.**

Finding 3: MPBC did not have a process to monitor contractor payments resulting in payments exceeding contract amount.

Finding 4: MPBC had not established adequate control over certain mail receipts.

*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 12 Actual</u>	<u>FY 13 Working Appropriation</u>	<u>FY 14 Allowance</u>	<u>FY 13 - FY 14 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	148.00	145.00	145.00	0.00	0%
02 Contractual	20.12	19.33	21.53	2.20	11.4%
Total Positions	168.12	164.33	166.53	2.20	1.3%
Objects					
01 Salaries and Wages	\$ 11,317,245	\$ 11,781,605	\$ 12,642,741	\$ 861,136	7.3%
02 Technical and Spec. Fees	810,744	729,655	898,709	169,054	23.2%
03 Communication	551,538	493,593	591,540	97,947	19.8%
04 Travel	199,633	201,046	149,633	-51,413	-25.6%
06 Fuel and Utilities	789,565	897,948	785,307	-112,641	-12.5%
07 Motor Vehicles	84,756	41,470	57,676	16,206	39.1%
08 Contractual Services	8,598,042	10,219,082	9,109,728	-1,109,354	-10.9%
09 Supplies and Materials	788,994	1,086,276	937,011	-149,265	-13.7%
10 Equipment – Replacement	103,999	437,365	104,000	-333,365	-76.2%
11 Equipment – Additional	808,364	668,659	540,170	-128,489	-19.2%
13 Fixed Charges	423,543	441,397	404,571	-36,826	-8.3%
Total Objects	\$ 24,476,423	\$ 26,998,096	\$ 26,221,086	-\$ 777,010	-2.9%
Funds					
01 General Fund	\$ 8,181,565	\$ 7,799,437	\$ 7,734,332	-\$ 65,105	-0.8%
03 Special Fund	14,634,557	16,776,094	15,569,759	-1,206,335	-7.2%
05 Federal Fund	1,174,002	1,396,067	1,490,496	94,429	6.8%
09 Reimbursable Fund	486,299	1,026,498	1,426,499	400,001	39.0%
Total Funds	\$ 24,476,423	\$ 26,998,096	\$ 26,221,086	-\$ 777,010	-2.9%

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.

Fiscal Summary
Maryland Public Broadcasting Commission

<u>Program/Unit</u>	<u>FY 12 Actual</u>	<u>FY 13 Wrk Approp</u>	<u>FY 14 Allowance</u>	<u>Change</u>	<u>FY 13 - FY 14 % Change</u>
01 Executive Direction and Control	\$ 579,094	\$ 656,197	\$ 705,583	\$ 49,386	7.5%
02 Administration and Support Services	8,470,647	9,080,743	8,532,166	-548,577	-6.0%
03 Broadcasting	10,528,001	11,827,892	12,114,485	286,593	2.4%
04 Content Enterprises	4,898,681	5,433,264	4,868,852	-564,412	-10.4%
Total Expenditures	\$ 24,476,423	\$ 26,998,096	\$ 26,221,086	-\$ 777,010	-2.9%
General Fund	\$ 8,181,565	\$ 7,799,437	\$ 7,734,332	-\$ 65,105	-0.8%
Special Fund	14,634,557	16,776,094	15,569,759	-1,206,335	-7.2%
Federal Fund	1,174,002	1,396,067	1,490,496	94,429	6.8%
Total Appropriations	\$ 23,990,124	\$ 25,971,598	\$ 24,794,587	-\$ 1,177,011	-4.5%
Reimbursable Fund	\$ 486,299	\$ 1,026,498	\$ 1,426,499	\$ 400,001	39.0%
Total Funds	\$ 24,476,423	\$ 26,998,096	\$ 26,221,086	-\$ 777,010	-2.9%

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.