

R15P00
Maryland Public Broadcasting Commission

Operating Budget Data

(\$ in Thousands)

	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>	<u>FY 05-06</u>	<u>% Change</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Fund	\$10,787	\$11,219	\$10,958	-\$262	-2.3%
Special Fund	13,933	19,123	16,192	-2,931	-15.3%
Federal Fund	<u>3,314</u>	<u>3,378</u>	<u>3,200</u>	<u>-178</u>	<u>-5.3%</u>
Total Funds	\$28,034	\$33,721	\$30,350	-\$3,371	-10.0%
Contingent & Back of Bill Reductions			-48	-48	
Adjusted Total	\$28,034	\$33,721	\$30,302	-\$3,419	-10.1%

- The largest changes in the fiscal 2006 allowance are a \$1.2 million decrease primarily due to the expiration of a grant and a \$686,000 decrease due to the cancellation of a show.

Personnel Data

	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>	<u>FY 05-06</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	162.00	160.00	158.00	-2.00
Contractual FTEs	<u>5.75</u>	<u>7.42</u>	<u>6.17</u>	<u>-1.25</u>
Total Personnel	167.75	167.42	164.17	-3.25

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	4.49	2.84%
Positions Vacant as of 12/31/04	6.50	4.06%

- The fiscal 2006 allowance deletes 2 filled regular positions and 1.25 contractual positions.

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

For further information contact: Brian Baugus

Phone: (410) 946-5530

Analysis in Brief

Major Trends

Digital Conversion Complete: The multi-year project of converting Maryland Public Television's (MPT) six broadcast towers to digital capability was completed in fiscal 2004.

Non-State Government Financing Expected to Increase: MPT reports that it expects to generate an additional \$2 million in revenues over fiscal 2004 from either federal or private sector sources in fiscal 2005 and an additional \$100,000 in fiscal 2006.

Broadcast Hours of Educational Programming to Increase Significantly: MPT expects to increase the hours of educational programming broadcast from 601 in fiscal 2003 to 3,549 in fiscal 2006.

Issues

Alternative Organizational Structures: As has been noted in the analyses of the previous few years, Maryland Public Broadcasting Commission's traditional revenue sources are not as productive as they have historically been. This is a long term trend that will have to be addressed; some public broadcasting systems in other states have successfully done so.

Recommended Actions

	<u>Funds</u>	<u>Positions</u>
1. Reduce planned increase in Executive Direction.	\$ 39,000	
2. Adopt committee narrative requiring the Maryland Public Broadcasting Commission to produce a report on its organizational structure.		
3. Reduce planned new equipment purchases.	8,931	
4. Delete two PINs in administration.	121,033	2.0
Total Reductions	\$ 168,964	2.0

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 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.

MPBC has two primary responsibilities: to prepare, schedule, and program all educational television and radio programs to be used in the public schools and for adult education programs; and to prepare programs for the general public.

To measure its progress in fulfilling its responsibilities, MPBC has established the following goals:

- produce quality entertainment and educational programming at the national and local level;
- increase the number of members and viewers of MPT; and
- maintain the financial viability of MPBC.

Performance Analysis: Managing for Results

Digital Broadcasting Operational

In 1998 the Federal Communications Commission (FCC) mandated that all public broadcasting stations be equipped to broadcast in both digital and analog format by June 1, 2003, or risk losing their license. Originally, all public broadcasting stations were to have ceased analog broadcasting by 2006. Along with this mandate, the federal government pledged to provide approximately \$1.7 billion nationally to aid in the transition. The pledged aid never materialized in significant amounts, and tight state budgets put many public broadcasting systems behind the original federal schedule.

Eventually, the FCC did extend one deadline: stations may broadcast in both analog and digital until 85% of all homes have digital reception equipment. At this time, it is estimated that about 20% of homes have digital television sets, but it is interesting to note that less than 70% of all homes have cable. It is difficult to estimate how soon or how extensively any new technology will be accepted, but the FCC has set 2010 as a target date.

R15P00 – Maryland Public Broadcasting Commission

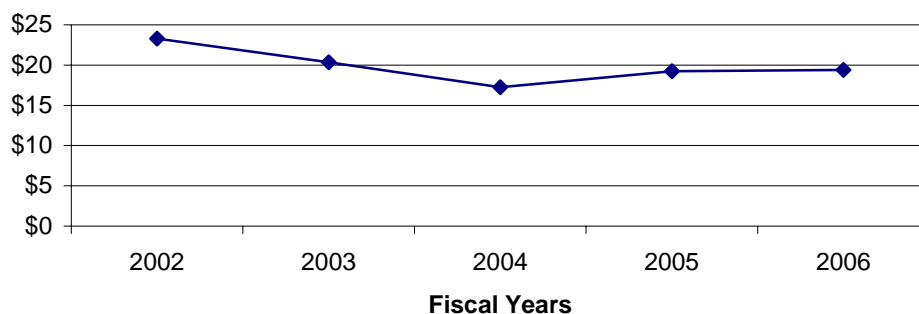
MPT has completed the conversion of all six of its broadcast towers to digital and is now 100% in compliance with the FCC requirements. However, broadcast capability is only one aspect of digital transmission; reception capability is the other half of the equation. Until 85% of the homes are digital ready, MPT will require analog and digital bandwidth – bandwidth that has been promised to emergency responders as soon as it is available.

MPBC should be ready to explain the next phases of the digital conversion and the probable timeline of when the analog bandwidth may be available.

Non-State Government Revenues Expected to Increase

MPT is reporting that it expects a \$2.0 million increase in non-State government revenues (this includes membership donations, federal funds, corporate underwriting and the like) in fiscal 2005 and another \$100,000 increase in fiscal 2006. In addition to these increases, it is a goal of MPT to increase its non-State government revenues by \$100,000 each year. **Exhibit 1** shows the revenues generated from federal and private sources since fiscal 2002.

Exhibit 1
Non-General Fund Revenues
(\$ in Millions)



Source: Maryland Public Broadcasting Commission

The department has reorganized its development management team, and it expects to realize increases from its fundraising efforts. However, as Exhibit 1 shows, there has been a steady downward trend in non-general fund revenues since fiscal 2002 – decreasing 25% from fiscal 2002 to 2004.

R15P00 – Maryland Public Broadcasting Commission

Exhibit 2 shows that membership revenues have fluctuated in a narrow range around an annual average of \$5.5 million since fiscal 2002, and that the number of national and local underwriters has declined significantly since fiscal 2002.

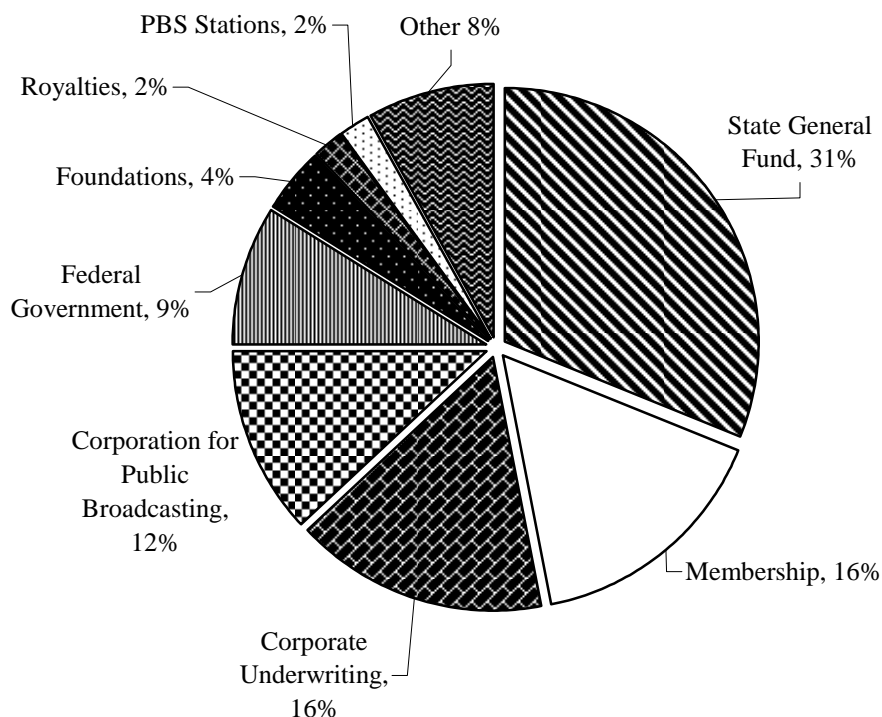
Exhibit 2
Federal and Private Revenues
Maryland Public Broadcasting Commission
Fiscal 2002 – 2006
(\$ in Millions)

	Actual <u>2002</u>	Actual <u>2003</u>	Actual <u>2004</u>	Est. <u>2005</u>	Est. <u>2006</u>
Membership Revenues	\$5.4	\$5.7	\$5.5	\$5.8	\$6.0
Number of National Underwriters	20	18	12	12	12
Number of Local Underwriters	125	82	75	70	70

Source: Maryland Public Broadcasting Commission

From fiscal 1996 through 2001, general funds have comprised about 31% of the MPBC's revenues. Of the remaining 69%, corporate underwriting and memberships each make up about 16% and federal revenues comprise about 9%, which means these three revenue sources contribute three-fifths of MPBC's non-general fund revenues. **Exhibit 3** presents the details of MPBC's historical revenue sources.

Exhibit 3
MPBC's Revenue Sources: Historical Averages
Fiscal 1996 – 2001



Source: Maryland Public Broadcasting Commission

Starting in fiscal 2002, MPBC's dependence on general funds has increased. Membership has been essentially flat for 5 years, and underwriting, which is in decline, is fundamentally different than it was 10 years ago. Underwriters seem less willing to enter into long-term underwriting contracts; instead of six months or a year, the contract length is more likely to be 13 weeks. This shift increases the volatility and uncertainty in the revenue stream.

Unless MPBC expects the average amount that each underwriter pledges to increase in fiscal 2005 and 2006, or the commission expects a fundamental shift in its revenue structure, it is uncertain what the source is for the \$2.0 million estimated revenue growth in fiscal 2005 or the expected growth in future years. **While the Department of Legislative Services (DLS) has consistently encouraged MPBC to seek out new revenue sources, it is not obvious that the expected growth is supported by a funding mechanism; therefore, the commission should be prepared to discuss how it will achieve and sustain its estimated increases.**

Broadcast Hours for Educational Programming Graduated

A significant part of MPT’s mission is to provide “lifelong learning opportunities through educational programs.” To that end MPT has undertaken a variety of projects including the College of the Air program with 40 participating colleges, educational content on its web site, and the broadcasting of education programs. Hours of educational programming broadcast have increased from 601 hours in fiscal 2003 to 1,831 hours in fiscal 2004. In fiscal 2005 and 2006, the hours are expected to reach 3,549.

This is a 490% increase in education programming in two years made possible by digital broadcasting. MPT has added a digital channel whose primary purpose is to broadcast educational programming.

The commission should be prepared to discuss if any other channels will be added and the programming possibilities digital broadcasting has created.

Fiscal 2005 Actions

MPBC abolished two positions in fiscal 2005. One position was a vacant engineering position, and the other was a vacant public information office position.

Governor’s Proposed Budget

Exhibit 4 details the Governor’s fiscal 2006 allowance which decreases from the fiscal 2005 working appropriation by \$3.4 million (10.1%).



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

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Total</u>
2005 Working Appropriation	\$11,219	\$19,123	\$3,378	\$33,721
2006 Governor's Allowance	10,958	16,192	3,200	30,350
Contingent & Back of Bill Reductions	0	-48	0	-48
Adjusted Allowance	<u>10,958</u>	<u>16,144</u>	<u>3,200</u>	<u>30,302</u>
Amount Change	-\$262	-\$2,979	-\$178	-\$3,419
Percent Change	-2.3%	-15.6%	-5.3%	-10.1%

R15P00 – Maryland Public Broadcasting Commission

Where It Goes:

Personnel Expenses

Increments and other compensation	226
Increase in pay for performance	205
Reductions primarily from deleted funds associated with previously abolished positions.....	-474
Employee and retiree health insurance	-129
Other fringe benefit adjustments	63

Other Changes

Executive Direction and Control

Consulting services to study tower needs and FCC compliance issues.....	37
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Administration

Purchase of analog production and broadcasting equipment.....	123
Reduction in equipment repairs due to purchase of new equipment under warranty	-162
Reduction in purchase of equipment parts.....	-160
Modifications associated with new digital broadcast equipment are complete	-103
Reduction in telephone expense	-75

Broadcasting

Reduction primarily due to the expiration of a grant from the Annenberg Foundation .	-1,226
Reduction in payments to World Com for telephone line service due to expiration of contract	-249
Decrease in the required number of program licenses.....	-249
Reduction in advertising based on fiscal 2004 actuals	-147
Decrease in equipment and broadcasting supplies	-126

Content

Reduction due to the cancellation of an anticipated but never produced cooking show	-686
In-state travel decreases due to fewer field broadcasts.....	-40

Other Changes

Miscellaneous	-247
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Total	-\$3,419
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Note: Numbers may not sum to total due to rounding.

R15P00 – Maryland Public Broadcasting Commission

Contingent Reduction

The fiscal 2006 allowance reflects the elimination of \$48,000, the appropriation for matching employee deferred compensation contributions up to \$600, contingent upon enactment of a provision in budget reconciliation legislation.

Personnel

The fiscal 2006 allowance abolishes two graphic artist positions. These are filled positions.

Broadcasting

The largest single change in the fiscal 2006 allowance is the \$1.3 million decrease due to the expiration of a grant from the Annenberg Foundation. MPT had been receiving this grant for two years to finance its Envisioning Literature program. **MPBC should comment on the prospects for replacing this grant money.**

Content

MPT will not be broadcasting “How to Cook Everything” in fiscal 2006 as originally planned. This show was never produced and as a result there is a \$750,000 reduction in the allowance, \$686,000 of which is in the content program and the remainder spread over several functions in broadcasting and administration.

Fiscal 2006 Allowance Increases Reliance on General Funds

Compared to the fiscal 2005 appropriation, general fund expenditures in the fiscal 2006 allowance decrease by \$262,000 (2.3%) while special funds decline by \$2.9 million (15.6%) and federal funds fall by \$178,000 (5.3%). Even though all funds are decreasing, the allocation of the decrease has the effect of increasing MPBC’s overall reliance on general funds as **Exhibit 5** shows.

Exhibit 5
Funding for Maryland Public Broadcasting
Fiscal 2005 and 2006
(\$ in Millions)

Fund	Fiscal 2005 (Est.)		Fiscal 2006 (Est.)	
	\$ Amount	% of Total	\$ Amount	% of Total
General	\$11,219	33.3%	\$10,958	36.1%
Special	19,123	56.7%	16,192	53.4%
Federal	3,378	10%	3,200	10.5%
Total	\$33,721	100.00%	\$30,350	100.00%

Source: Governor’s Budget Books

R15P00 – Maryland Public Broadcasting Commission

While the fiscal 2006 allowance is less dependent on general funds than in fiscal 2004 (39% general funds), it is still well above the historical average of 31%. Previous analyses have discussed the advantages of revenue source diversification, especially in volatile times, and the commission has expressed its agreement with the concept (and even assumes an increase in non-state government revenues in its performance indicators) but does not seem to be making much progress in diversifying its revenue portfolio. The expiration of the Annenberg Foundation grant is certainly a factor in the fiscal 2006 projections, but this development only reinforces the value of diversification.

Issues

1. Alternative Organizational Structures

Public television's traditional revenue sources are not as productive as they have historically been and MPBC has not been immune to this trend. Membership donations have been trending down, and government budgets remain tight. While private funding sources are the largest portion of MPBC's budget, State general funds are historically about 31% (and projected to be 36% in fiscal 2006), and federal funds are about 9% of MPBC's total budget. Statistics show that MPT has a greater dependence on government revenues than many other public broadcasting systems or the Corporation for Public Broadcasting, (which receives approximately 15% of its revenues from government sources).

As **Exhibit 6** below shows, public television stations on average receive less than 15% of their total revenues from state government.

Exhibit 6
Revenue Sources for All Public Television Stations
Fiscal 2001

<u>Public Television Stations</u>	<u>Revenue</u>	<u>Percentage</u>	<u>Approx. FY 2001 MPT Percentages</u>
Membership	\$575,556,000	25.2%	18.0%
Business	361,078,000	15.8%	15.6%
State Governments	\$331,203,000	14.5%	31.7%
CPB Appropriation	340,000,000	14.9%	12.8%
State Colleges	182,523,000	8.0%	
Miscellaneous	174,499,000	7.7%	13.3%
Foundations	141,184,000	6.2%	3.7%
Local Governments	60,933,000	2.7%	
Federal Grants and Contracts	45,185,000	2.0%	4.9%
Private Colleges	36,460,000	1.6%	
Other Public Colleges	18,790,000	0.8%	
Auction	13,052,000	0.6%	
Total	\$2,280,463,000	100.0%	100.0%

Source: Corporation for Public Broadcasting website http://www.cpb.org/pubcast/#who_pays

Exhibit 6 could imply that MPT has had less success in developing its membership base than the public television system as a whole, and therefore it is more dependent on State funding than its sister stations. However, this is not the case. MPT attracts approximately the same percentage of members from its viewership as do other stations, and does better than many. MPT reports that it has

R15P00 – Maryland Public Broadcasting Commission

approximately 800,000 viewing households (fiscal 2004) and slightly more than 62,000 members (a 7.8% membership-to-viewership ratio). Stations in the states of Washington and Pennsylvania for example, have less than 5% membership-to-viewership ratio. These statistics show that there may be untapped potential for MPT to generate more revenue from its donor base. Compared to other stations, however, MPT may be disadvantaged by having a smaller number of viewers from which to recruit members.

MPBC notes that there are many stations that organized differently than they are and believe it is more accurate and useful to compare their performance to other statewide systems. There are 21 systems that serve their entire state and 28 systems that receive some level of state funding. MPBC provided the Department of Legislative Services a list of 13 of these stations. **Exhibit 7** presents the details. Data for the remaining statewide systems are reportedly unavailable.

Exhibit 7
Revenue Breakdown for State-Licensed Public Television Systems
Fiscal 2004

<u>State</u>	<u>State Funding</u>	<u>Annual Budget</u>	<u>% from State Funding</u>
GA	\$18,239,844	\$33,000,000	55%
MD	10,787,000	28,034,000	38%
SC	12,800,000	28,000,000	46%
KY	14,548,100	26,748,700	54%
NJ	7,100,000	17,682,000	40%
IA	6,617,838	14,000,000	47%
WV	5,184,815	13,600,000	38%
AL	8,077,950	12,329,476	66%
MS	7,661,053	10,500,000	73%
OK	3,448,000	9,500,000	36%
AR	4,450,000	9,000,000	49%
SD	3,500,000	8,300,000	42%
ID	1,528,200	6,400,000	24%
RI	1,196,530	3,450,000	35%
AVG	\$7,509,952	\$15,753,155	46%

Source: Maryland Public Broadcasting Commission

This data for fiscal 2004 shows that Maryland is less dependent on State funds than most of the stations in the list (only Idaho, Rhode Island and Oklahoma are less dependent) as a percentage of total budget. Exhibit 7 also shows that MPT is one of the largest systems (as measured by budget size) receiving State funds and actually receives more State funds than the total budgets of the bottom 6 states in the list.

R15P00 – Maryland Public Broadcasting Commission

There are several organizational options for a public television station. There are 356 public television stations in the United States that are structurally organized into one of four Federal Communications Commission recognized license types: community organizations, colleges or universities, local authorities, or state governments. **Exhibit 8** shows the details.

Exhibit 8
Public Television Station and License Holder

<u>License Holder Type</u>	<u>Stations</u>	<u>Licenses</u>
Nonprofit Community Organization	138	89
University	85	59
Local Government	7	7
State Government	126	21
Total	356	176

Source: Corporation for Public Broadcasting (http://www.cpb.org/pubcast/#how_many)

No one structure truly dominates the industry, but the most popular licensee is the nonprofit community organization license. Approximately 39% of all public television stations and 50% of the licenses in the nation are organized as nonprofit community organization licensees. This organizational form is the dominate one in states such as New York (9 out of 10 licensees), California (9 out of 14 licensees), Pennsylvania (7 out of 8 licensees), and Virginia (4 out of 4 licensees). Also of note is that 23 of the largest 25 markets (reaching more than half the American population) are served by stations licensed as a community licensee. The two exceptions are Atlanta and Baltimore.

Institutions of higher education hold 33% of the licenses, managing approximately 24% of the public stations in the country. Under this arrangement, the stations are affiliated with, and often located on the campus of, an institution of higher education including four-year, two-year, and public and private schools. University licensees are the majority of licensees in Florida, Illinois, and Michigan.

State licensees are state agencies and comprise about 12% of the licenses and approximately 35% of the stations in the country. Exhibit 6 presented 13 of the 21 states with a state licensee. Only a few licenses are held by local governments.

It is not unprecedented for a station or system to change its organizational structure. According to the Corporation for Public Broadcasting records, at least six public television entities have changed their license status since 1987; all have become nonprofit community organization licensees. The six systems were Nashville, Maine, Vermont, Denver, Oregon and Puerto Rico. All six systems cite financial and organizational reasons for the change. All the organizations were experiencing a gradual reduction in government revenues and creativity limits. Their former organizational structures restricted them in their ability to replace that funding source with other revenues.

R15P00 – Maryland Public Broadcasting Commission

The most recent station to convert was Nashville Public Television (NPT). It began the process of converting from a school board licensee (local government) to nonprofit organization licensed public television station in 1999 and completed its conversion on July 1, 2004. NPT was dependent on Nashville city government for about 18% of its budget when the conversion began and is now financially independent.

NPT's chief executive, Steve Bass, emphasized in an interview with *The Tennessean* newspaper the potential benefits; "divestment from government means freedom from the bureaucracy that once inhibited station progress in everything from technology to programming choices." This benefit would seem particularly salient to Maryland given that MPT stated this year that "[I]n general, some delays in state procurement inhibits our ability to react quickly to changing needs and this sometimes can restrict our ability to get contracts in place fast enough to get new grants." MPT has responded to this problem by requesting that legislation be introduced that would allow it more flexibility with the State procurement process.

As NPT board member Kathleen Harkey stated in the same interview: "[B]ureaucracies just don't respond real quickly to opportunities." This echoes MPT's concerns. These opportunities for NPT include a plan to introduce a new revenue-generating service called datacasting, which makes use of NPT's extra digital bandwidth to transmit information directly to computers. This service may even be sold back to the city, which would use it to transmit proprietary training and emergency alert services for emergency responders, and schools.

NPT has found a way to turn its new digital technology into a revenue generator, something it could only do as quickly as it did under its current independent structure. As Mr. Bass says, it is consistent with public television's mission but also revenue generating.

Exhibit 9 shows MPT's revenue sources as compared to stations with other organizational structures. The exhibit shows that even with MPT being less reliant on State funds than many State licensees, it is still far more reliant on State funds than other types of organizational structures that are in use around the country.

Exhibit 9
Revenue Sources for Selected State Public Broadcasting Systems
(Percentage of Total Budgeted Dollars)

<u>State</u>	<u>Memberships</u>	<u>State and Local Funds</u>	<u>Corporate Underwriting</u>
MD	16%	31%	16%
WI ¹	31%	19%	5%
WA ²	52%	1%	19%
MN ³	33%	1.4%	13.2%
CA ⁴	49%	14% *	10%
PA ⁵	51%	14%	31% **
FL ⁶	48%	15%	9%
CA ⁷	90%	4%	N/A

1. Wisconsin Public Television Annual Report fiscal 2003
2. KCTS Public Television of Seattle, WA Annual Report fiscal 2003
3. Twin Cities (MN) Public Television, Inc. and Subsidiary Consolidated Financial Statements August 31, 2003
4. KVIE Public Television Sacramento, CA “Facts Page”
5. WHYY Public Television of Philadelphia, PA Annual Report fiscal 2003
6. WEDU Florida West Coast Broadcasting, Inc. Tampa, FL fiscal 2003
7. KCET Public Broadcasting, Los Angeles, CA Annual Report fiscal 2002

* Listed as “other” in KVIE financial statements and may include other items besides State and local funds.

** Includes “program funding” as well as corporate underwriting

Note: States were selected at random to reflect geographical diversity.

Source: Department of Legislative Services

MPBC should prepare a report on whether its current organizational structure is the best one for the new financial realities and if it would benefit, both managerially and creatively, from a restructuring. If the report concludes that a restructuring is appropriate, the report should also include an outline and a time schedule for accomplishing it. If the report concludes that restructuring is inappropriate, a detailed plan for diversifying its revenue portfolio should be included in the report.

Recommended Actions

- | | <u>Amount
Reduction</u> | |
|--|-----------------------------|----|
| 1. Reduce increase in Executive Direction. The commission's fiscal 2006 allowance decreases by 10% but Executive Direction increases by over \$80,000. This reduction is primarily to consulting services and office supplies which both increase over 100%. | \$ 39,000 | SF |
| 2. Adopt the following narrative: | | |

Organizational Structure: The Maryland Public Broadcasting Commission should conduct a study and produce a report analyzing the advantages and disadvantages of its current organizational structure and license status. The report should determine if the commission's current structure and license status is adequate or if the commission would gain financial, managerial, and creative advantages by altering its licensing status. The report should also include a timeline and change management plan or, alternatively, depending on the conclusions, a detailed plan on how the commission will diversify its revenue base.

Information Request	Author	Due Date
Report on organizational structure and license arrangement.	Maryland Public Broadcasting Commission	December 1, 2005

- | | <u>Amount
Reduction</u> | | <u>Position
Reduction</u> |
|---|-----------------------------|----------|-------------------------------|
| 3. Reduce planned expenditures on equipment. The Maryland Public Broadcasting Commission plans to increase its expenditure on new equipment by over \$83,000 (100%). Most of this is for needed analog broadcasting equipment. This reduction is for other equipment and essentially level funds the commission with fiscal 2005. | 1,321
7,610 | GF
SF | |

R15P00 – Maryland Public Broadcasting Commission

4.	Delete two PINs in administration. The administration program increases by \$121,033 in fiscal 2006 over fiscal 2005. In fiscal 2002 the commission had 188 regular positions and 94 in administration. In fiscal 2006 the commission will have 158 positions and 85 in administration. This reduction will bring the number of positions in administration more in line with the total number of positions.	121,033	GF	2.0
	Total Reductions	\$ 168,964		2.0
	Total General Fund Reductions	\$ 122,354		
	Total Special Fund Reductions	\$ 46,610		

Current and Prior Year Budgets

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

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Federal</u> <u>Fund</u>	<u>Reimb.</u> <u>Fund</u>	<u>Total</u>
Fiscal 2004					
Legislative Appropriation	\$10,787	\$21,475	\$3,379	\$0	\$35,641
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Cost Containment	0	0	0	0	0
Reversions and Cancellations	0	-7,541 *	-66	0	-7,607
Actual Expenditures	\$10,787	\$13,933	\$3,314	\$0	\$28,034
Fiscal 2005					
Legislative Appropriation	\$11,162	\$19,123	\$3,378	\$0	\$33,664
Budget Amendments	57	0	0	0	57
Working Appropriation	\$11,219	\$19,123	\$3,378	\$0	\$33,721

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

Fiscal 2004

MPBC reverted \$7.5 million in fiscal 2004 because special fund revenue projections were higher than actual revenues.

Audit Findings

Audit Period for Last Audit:	July 1, 2000 - April 16, 2003
Issue Date:	November 2003
Number of Findings:	14
Number of Repeat Findings:	2
% of Repeat Findings:	14%
Rating: (if applicable)	

- Finding 1:** Website design services were improperly subcontracted to an individual who had a personal relationship with the MPBC employee responsible for selecting the primary contractor and monitoring the contract.
- Finding 2:** Website design services totaling approximately \$2.2 million were procured without obtaining competitive bids and Board of Public Works (BPW) approval, when applicable.
- Finding 3:** MPBC circumvented State procurement regulations and did not obtain required approvals of the BPW and DLS for certain procurement transactions.
- Finding 4:** **Supporting documentation was not always obtained to verify certain contractor billings, and overpayments were potentially made to two contractors.**
- Finding 5:** Bonus payments totaling approximately \$760,000 made during the audit period were not submitted to the Department of Budget and Management for review as required by State law, and were not always adequately supported.
- Finding 6:** MPBC reimbursed 25 management employees a total of approximately \$7,600 for a portion of the cost of their home internet and cable television bills. These payments were not specifically identified in MPBC's budget requests.
- Finding 7:** Four travel agency service contracts were awarded without competitive bidding to an agency whose president was a member of the Maryland Public Broadcasting Foundation. In addition, contract terms were not always clearly defined, resulting in questionable deductions from the amounts paid to MPBC, totaling approximately \$10,100.
- Finding 8:** A comprehensive cost benefit analysis of travel club activity had not been performed by MPBC, nor could MPBC substantiate that the travel club met its intended purpose. Such activity was not disclosed in MPBC's annual budgets.

R15P00 – Maryland Public Broadcasting Commission

Finding 9: Four bank accounts were opened and controlled by an MPBC employee without authorization from the Comptroller of the Treasury and the State Treasurer, and periodic reconciliations of the activity related to these accounts were not properly performed.

Finding 10: **Proper internal controls were not established over the processing of purchasing and disbursement transactions.**

Finding 11: MPBC had not established adequate control over cash receipts.

Finding 12: MPBC did not make timely transfers from the lockbox account to the State's depository account, resulting in a loss of investment income of approximately \$9,600 during the audit period.

Finding 13: MPBC's agreement with its affiliated Foundation did not specify the costs to be reimbursed for services provided by MPBC to the Foundation, and such costs significantly exceeded the amount reimbursed by the Foundation.

Finding 14: MPBC did not investigate missing items identified during its June 2002 physical inventory of equipment.

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

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

<u>Object/Fund</u>	<u>FY04 Actual</u>	<u>FY05 Working Appropriation</u>	<u>FY06 Allowance</u>	<u>FY05 - FY06 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	162.00	160.00	158.00	-2.00	-1.3%
02 Contractual	5.75	7.42	6.17	-1.25	-16.8%
Total Positions	167.75	167.42	164.17	-3.25	-1.9%
Objects					
01 Salaries and Wages	\$ 10,794,208	\$ 11,312,794	\$ 11,251,654	-\$ 61,140	-0.5%
02 Technical & Spec Fees	255,453	310,167	205,114	-105,053	-33.9%
03 Communication	947,946	1,214,492	862,626	-351,866	-29.0%
04 Travel	210,219	254,077	173,216	-80,861	-31.8%
06 Fuel & Utilities	853,160	931,443	1,005,596	74,153	8.0%
07 Motor Vehicles	38,795	59,461	61,102	1,641	2.8%
08 Contractual Services	8,914,568	12,498,831	10,113,011	-2,385,820	-19.1%
09 Supplies & Materials	957,226	1,382,857	937,786	-445,071	-32.2%
10 Equip - Replacement	389,989	79,805	163,361	83,556	104.7%
11 Equip - Additional	3,349,669	4,446,040	4,405,739	-40,301	-0.9%
13 Fixed Charges	1,322,736	1,230,953	1,170,694	-60,259	-4.9%
Total Objects	\$ 28,033,969	\$ 33,720,920	\$ 30,349,899	-\$ 3,371,021	-10.0%
Funds					
01 General Fund	\$ 10,786,888	\$ 11,219,335	\$ 10,957,820	-\$ 261,515	-2.3%
03 Special Fund	13,933,491	19,123,124	16,192,079	-2,931,045	-15.3%
05 Federal Fund	3,313,590	3,378,461	3,200,000	-178,461	-5.3%
Total Funds	\$ 28,033,969	\$ 33,720,920	\$ 30,349,899	-\$ 3,371,021	-10.0%

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.

**Fiscal Summary
Maryland Public Broadcasting Commission**

<u>Program/Unit</u>	<u>FY04 Actual</u>	<u>FY05 Wrk Approp</u>	<u>FY06 Allowance</u>	<u>Change</u>	<u>FY05 - FY06 % Change</u>
01 Executive Direction and Control	\$ 683,253	\$ 753,331	\$ 836,581	\$ 83,250	11.1%
02 Administration and Support Services	11,517,709	12,442,445	12,190,696	-251,749	-2.0%
03 Broadcasting	11,474,292	14,886,671	12,429,674	-2,456,997	-16.5%
04 Content Enterprises Productions	4,358,715	5,638,473	4,892,948	-745,525	-13.2%
Total Expenditures	\$ 28,033,969	\$ 33,720,920	\$ 30,349,899	-\$ 3,371,021	-10.0%
General Fund	\$ 10,786,888	\$ 11,219,335	\$ 10,957,820	-\$ 261,515	-2.3%
Special Fund	13,933,491	19,123,124	16,192,079	-2,931,045	-15.3%
Federal Fund	3,313,590	3,378,461	3,200,000	-178,461	-5.3%
Total Appropriations	\$ 28,033,969	\$ 33,720,920	\$ 30,349,899	-\$ 3,371,021	-10.0%

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.