

R15P00
Maryland Public Broadcasting Commission

Operating Budget Data

(\$ in Thousands)

	FY 05	FY 06	FY 07	FY 06-07	% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Fund	\$11,219	\$11,019	\$10,628	-\$390	-3.5%
Special Fund	13,955	16,126	15,565	-562	-3.5%
Federal Fund	<u>2,389</u>	<u>3,200</u>	<u>4,200</u>	<u>1,000</u>	<u>31.3%</u>
Total Funds	\$27,563	\$30,345	\$30,393	\$48	0.2%

- The Maryland Public Broadcasting Commission's budget increases \$48,119, or 0.2% in the fiscal 2007 allowance. While federal funds are expected to increase by \$1.0 million, or 31.3%, general and special funds are both expected to decrease by 3.5%, or \$951,881 in total.
- The federal funding increase is due to an increase in Star Schools Program funding (also known as Learning Games to Go). The general fund decrease is largely due to a decrease in digital master lease payments, while the special fund decrease is due to decreases in on-air talent and production acquisition.

Personnel Data

	FY 05	FY 06	FY 07	FY 06-07
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	160.00	157.00	157.00	0.00
Contractual FTEs	<u>16.63</u>	<u>6.48</u>	<u>12.11</u>	<u>5.63</u>
Total Personnel	176.63	163.48	169.11	5.63

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	4.43	2.82%
Positions Vacant as of 12/31/05	8.00	5.10%

- There are 8.0 full-time equivalent (FTE) positions vacant as of December 31, 2005. The turnover rate budgeted by the agency requires that 4.43 FTE positions remain open through the fiscal year.

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

For further information contact: Lori J. O'Brien

Phone: (410) 946-5530

R15P00 – Maryland Public Broadcasting Commission

- MPBC is requesting 5.63 new FTE contractual employees primarily for production support in Community Learning Ventures.

Analysis in Brief

Major Trends

Outcome Measures Possibly Overly Optimistic: Total spending remains relatively flat in fiscal 2007 as general and special fund spending decreases. Additionally, the expected number of pledge drives and expected membership also remains flat. The Maryland Public Television is asked to address how a longer-term trend toward decreased viewership and a decreased number of Emmy nominations can be overcome given these constraints.

Recommended Actions

	<u>Funds</u>
1. Reduce funding for new broadcast talent to reflect the standard turnover rate for new positions.	\$ 78,000
Total Reductions	\$ 78,000

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 programs to be used in the public schools and adult education classes including college-level courses and to prepare programs for the general public.

To measure its 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 its long-term growth and stability.

Performance Analysis: Managing for Results

Revenue Shifts Between Fiscal 2001 and 2005

State revenues, which comprised 32.0% of MPBC's budget in fiscal 2001, increased to 40.7% in fiscal 2005, shown in **Exhibit 1**. While State support remained relatively constant in absolute dollars over these four years, other sources of support did not. The decrease in non-state revenue reflects a large decrease in corporate support; a decline in Public Broadcasting System (PBS), Corporation for Public Broadcasting (CPB), and Community Service Grants; and a smaller decrease in viewer support. These large total special fund revenue decreases were offset by a small increase in federal support.

Exhibit 1
Sources of Revenue
Fiscal 2001 and 2005
(\$ in Thousands)

	FY 2001		FY 2005	
	<u>Revenue</u>	<u>% of Total</u>	<u>Revenue</u>	<u>% of Total</u>
General Funds	\$10,589.8	32.0%	\$11,219.3	40.7%
Special Funds				
Viewer Support	6,013.6	18.1%	5,884.5	21.3%
Corporate Support	5,200.0	15.7%	1,378.5	5.0%
PBS, CPB, and Community Service Grants	5,950.8	18.0%	3,824.5	13.9%
Other Special Funds	3,923.6	11.8%	2,867.4	10.4%
Special Funds Subtotal	\$21,088.0	63.6%	\$13,955.0	50.6%
Federal Funds	1,461.7	4.4%	2,388.8	8.7%
Total Funds	\$33,139.5	100.0%	\$27,563.1	100.0%

Source: Maryland Public Broadcasting Commission

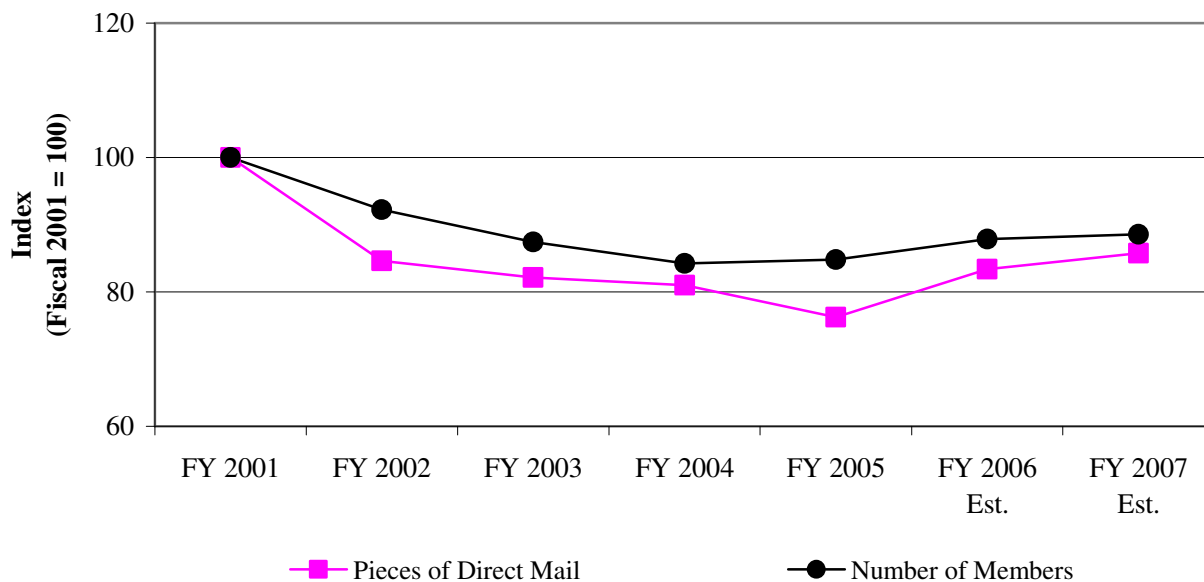
Revenue by funding source from fiscal 2001, 2005, 2006, and the 2007 allowance is shown in **Exhibit 2**. Between fiscal 2005 and 2007, MPT is anticipating relatively flat general fund revenues, a small increase in federal funding due a grant called Learning Games to Go (part of the Star Schools Program) through the U.S. Department of Education, and an increase in special funds due to increases in viewer and corporate support. These increased donations signal at least a partial recovery in charitable giving after September 2001. Also, some researchers and charitable organizations believe that, contrary to the opinion that charitable giving related to the tsunami disaster in South Asia, the hurricanes on the Gulf Coast of the United States, and the earthquake in Pakistan will cause “donor fatigue,” they will actually help create new philanthropists. **MPBC is asked to comment on the impact of recent catastrophic events on charitable giving to public television, in particular on MPT’s revenue stream.** Since fiscal 2001, MPT has held the number of pledge drives constant at four, lessened its reliance on direct mail, and lost about 10,000 members, as demonstrated in **Exhibit 3** and **Appendix 5**. **MPBC is asked to discuss future plans to generate individual member support as well as corporate support.**

Exhibit 2
Sources of Revenue
Fiscal 2001, 2005, 2006, and 2007
(\$ in Thousands)

	<u>FY 2001</u>	<u>FY 2005</u>	<u>Est. FY 2006</u>	<u>Est. FY 2007</u>
General Funds	\$10,589.8	\$11,219.3	\$11,018.6	\$10,628.3
Special Funds				
Viewer Support	6,013.6	5,884.5	5,934.4	6,085.4
Corporate Support	5,200.0	1,378.5	1,691.0	1,822.4
PBS, CPB, and Community Service Grants	5,950.8	3,824.5	5,861.1	4,882.1
Other Special Funds	3,923.6	2,867.4	2,640.0	2,775.0
Special Funds Subtotal	\$21,088.0	\$13,955.0	\$16,126.5	\$15,564.9
Federal Funds	1,461.7	2,388.8	3,200.0	4,200.0
Total Funds	\$33,139.5	\$27,563.1	\$30,345.1	\$30,393.2

Source: Maryland Public Broadcasting Commission

Exhibit 3
Individual Donor Fundraising at MPT
Fiscal 2001 – 2007

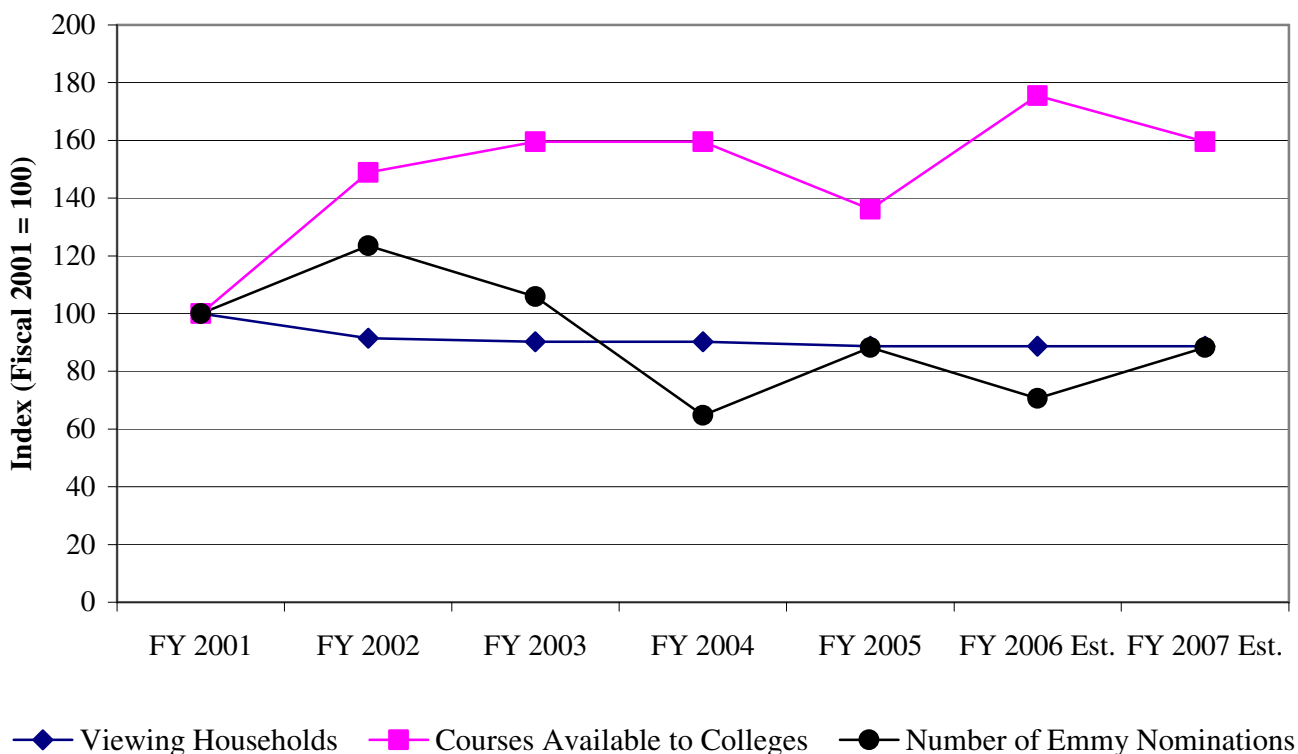


Source: Maryland Public Broadcasting Commission

Performance Outcomes

While MPT is becoming a stronger broadcast and web-based resource for educational programming (**Exhibit 4** and Appendix 5), other measures of performance are not as strong. For example, the number of viewing households decreased steadily from 875,000 in fiscal 2001 until there were 100,000 fewer in fiscal 2005, a total 11% decrease. The number of Emmy nominations has fluctuated from 17 in fiscal 2001 to 11 in fiscal 2004 to 15 in fiscal 2005; MPT expects them to drop further to 12 in fiscal 2006 but then increase to 15 again. Despite the longer-term trend toward decreased membership and Emmy nominations, MPT expects to maintain or even improve its performance in fiscal 2007. **MPBC is asked to comment on how it will accomplish these goals when it does not appear to be changing its individual fundraising activities between fiscal 2006 and 2007.**

**Exhibit 4
Select Outcome Measures
Fiscal 2001 – 2007**



Source: Maryland Public Broadcasting Commission

Fiscal 2006 Actions

Budget Amendment

Although not reflected in the fiscal 2006 budget data, a fiscal 2006 amendment processed for MPBC appropriates \$1,300,000 in federal funds. The funding source for this amendment is a federal grant known as Learning Games to Go (also known as the Star Schools Program) awarded by the U.S. Department of Education. Funding provided by this grant will provide web-based math instruction to middle school students at the pre-algebra level while also improving students' vocabulary and reading comprehension skills. The total grant is \$14,932,961 over five years; it is reflected in the fiscal 2007 allowance.

Governor's Proposed Budget

Exhibit 5 shows the major changes in MPBC's budget.

Exhibit 5
Governor's Proposed Budget
Maryland Public Broadcasting Commission
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Total
2006 Working Appropriation	\$11,019	\$16,126	\$3,200	\$30,345
2007 Governor's Allowance	<u>10,628</u>	<u>15,565</u>	<u>4,200</u>	<u>30,393</u>
Amount Change	-\$390	-\$562	\$1,000	\$48
Percent Change	-3.5%	-3.5%	31.3%	0.2%

Where It Goes:

Personnel Expenses

Understatement of fiscal 2006 salaries	\$371
MPT broadcasting talent (22 existing, 6 new positions)	330
Fiscal 2007 budgeted increase in employee and retiree health insurance	273
Fiscal 2006 underfunding of employee and retiree health insurance	260
Net addition of 5.63 full-time equivalent contractual employees primarily for telemarketing support that will be moved in-house.....	150
Employees' retirement system	110
Social Security	95
Turnover adjustment.....	22

R15P00 – Maryland Public Broadcasting Commission

Where It Goes:

Workers' compensation premium assessment	8
Other fringe benefit adjustments	43

Other Changes

Dual transmission electric rate increase	259
Equipment rental, repairs, and maintenance based on fiscal 2005 actual expenditures	89
Cosmetic supplies and materials based on 2005 actual expenditures.....	82
Replacement of 1995 Chevrolet Dump Truck used for snow removal (estimated February 2007 odometer reading of 29,903 miles).....	27
Replacement of 2000 Chevrolet Blazer used to maintain MPT transmitters located in remote locations (estimated February 2007 odometer reading of 135,773 miles).....	21
Security services contract	17
Cell phone expenditures based on fiscal 2005 actual expenditures.....	16
DBM paid telecommunications	16
Travel costs based on fiscal 2005 actual expenditures	10
Legal services support based on fiscal 2005 actual expenditures.....	10
Postage costs based on fiscal 2005 actual expenditures	-40
Telephone costs based on fiscal 2005 actual expenditures.....	-88
Reduction in subscription costs and other fixed charges	-113
On-air talent and production acquisition	-316
Advertising and legal publication contracts	-323
Digital master lease payments	-1,318
Other	35

Total **\$48**

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

Recommended Actions

	<u>Amount Reduction</u>
1. Reduce funding for new broadcast talent to reflect the standard turnover rate for new positions. This reduction will increase turnover for these new positions to 25%.	\$ 78,000 SF
Total Special Fund Reductions	\$ 78,000

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 2005					
Legislative Appropriation	\$11,162	\$19,123	\$3,378	\$0	\$33,664
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	57	0	0	0	57
Reversions and Cancellations	0	-5,168	-990	0	-6,158
Actual Expenditures	\$11,219	\$13,955	\$2,389	\$0	\$27,563
Fiscal 2006					
Legislative Appropriation	\$10,956	\$16,126	\$3,200	\$0	\$30,283
Budget Amendments	62	0	0	0	62
Working Appropriation	\$11,019	\$16,126	\$3,200	\$0	\$30,345

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

Fiscal 2005

In fiscal 2005, \$57,084 was transferred from the Department of Budget and Management (DBM) through budget amendment to cover the general fund portion of the \$752 general salary increase.

MPBC reverted \$5.2 million in fiscal 2005 because special fund revenue projections were higher than actual revenues. It also cancelled \$990,000 of unspent federal funds because the Star Schools grant expenditures did not progress quite as fast as originally expected and so it was necessary to cancel the unused appropriations. The expenditure rolls over into fiscal 2006.

Fiscal 2006

In fiscal 2006, \$62,102 in general funds was transferred from DBM through budget amendment to cover the general fund portion of the 1.5% general salary increase.

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)	n/a

- Finding 1:** Web site design services were improperly subcontracted to an individual who had a personal relationship with the MPBC employee responsible for selecting the primary contractor and for monitoring the contract.
- Finding 2:** Web site 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 BPW and the Department of Legislative Services 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 DBM 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>FY05 Actual</u>	<u>FY06 Working Appropriation</u>	<u>FY07 Allowance</u>	<u>FY06 - FY07 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	160.00	157.00	157.00	0	0%
02 Contractual	16.63	6.48	12.11	5.63	86.9%
Total Positions	176.63	163.48	169.11	5.63	3.4%
Objects					
01 Salaries and Wages	\$ 10,972,277	\$ 11,297,442	\$ 12,810,647	\$ 1,513,205	13.4%
02 Technical & Spec Fees	610,336	205,114	365,154	160,040	78.0%
03 Communication	698,765	862,626	764,617	-98,009	-11.4%
04 Travel	190,527	173,216	183,694	10,478	6.0%
06 Fuel & Utilities	1,151,630	1,005,596	1,285,090	279,494	27.8%
07 Motor Vehicles	110,094	58,437	94,427	35,990	61.6%
08 Contractual Services	7,548,946	10,077,655	9,565,686	-511,969	-5.1%
09 Supplies & Materials	1,002,666	934,142	1,096,307	162,165	17.4%
10 Equip - Replacement	469,722	155,751	58,948	-96,803	-62.2%
11 Equip - Additional	3,745,137	4,404,418	3,082,739	-1,321,679	-30.0%
13 Fixed Charges	1,062,970	1,170,694	1,085,901	-84,793	-7.2%
Total Objects	\$ 27,563,070	\$ 30,345,091	\$ 30,393,210	\$ 48,119	0.2%
Funds					
01 General Fund	\$ 11,219,319	\$ 11,018,601	\$ 10,628,275	-\$ 390,326	-3.5%
03 Special Fund	13,954,965	16,126,490	15,564,935	-561,555	-3.5%
05 Federal Fund	2,388,786	3,200,000	4,200,000	1,000,000	31.3%
Total Funds	\$ 27,563,070	\$ 30,345,091	\$ 30,393,210	\$ 48,119	0.2%

Note: The fiscal 2006 appropriation does not include deficiencies, and the fiscal 2007 allowance does not reflect contingent reductions.

**Fiscal Summary
Maryland Public Broadcasting Commission**

<u>Program/Unit</u>	<u>FY05 Actual</u>	<u>FY06 Wrk Approp</u>	<u>FY07 Allowance</u>	<u>Change</u>	<u>FY06 - FY07 % Change</u>
01 Executive Direction and Control	\$ 651,680	\$ 796,969	\$ 795,564	-\$ 1,405	-0.2%
02 Administration and Support Services	11,879,358	12,232,536	11,963,064	-269,472	-2.2%
03 Broadcasting	10,417,917	12,425,391	13,480,903	1,055,512	8.5%
04 Content Enterprises Productions	4,614,115	4,890,195	4,153,679	-736,516	-15.1%
Total Expenditures	\$ 27,563,070	\$ 30,345,091	\$ 30,393,210	\$ 48,119	0.2%
General Fund	\$ 11,219,319	\$ 11,018,601	\$ 10,628,275	-\$ 390,326	-3.5%
Special Fund	13,954,965	16,126,490	15,564,935	-561,555	-3.5%
Federal Fund	2,388,786	3,200,000	4,200,000	1,000,000	31.3%
Total Appropriations	\$ 27,563,070	\$ 30,345,091	\$ 30,393,210	\$ 48,119	0.2%

Note: The fiscal 2006 appropriation does not include deficiencies, and the fiscal 2007 allowance does not reflect contingent reductions.

Individual Donor Fundraising

	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006 Est.</u>	<u>FY 2007 Est.</u>
Number of pledge drives	4	4	4	4	4	4	4
Pieces of direct mail	2,099,360	1,775,978	1,724,241	1,700,000	1,600,000	1,750,000	1,800,000
Number of members	70,000	64,541	61,197	58,956	59,369	61,500	62,000

Select Outcome Measures

Viewing households	875,000	800,000	790,000	790,079	776,000	776,000	776,000
Courses available to colleges	94	140	150	150	128	165	150
Number of Emmy nominations	17	21	18	11	15	12	15

Source: Maryland Public Broadcasting Commission