

R15P00
Maryland Public Broadcasting Commission

Operating Budget Data

(\$ in Thousands)

	FY 06	FY 07	FY 08	FY 07-08	% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Fund	\$11,641	\$10,699	\$10,053	-\$646	-6.0%
Special Fund	12,899	15,576	13,880	-1,697	-10.9%
Federal Fund	<u>3,318</u>	<u>4,200</u>	<u>3,432</u>	<u>-768</u>	<u>-18.3%</u>
Total Funds	\$27,858	\$30,475	\$27,364	-\$3,111	-10.2%

- There is a \$500,000 general fund deficiency appropriation to provide funds for electricity expenditures.
- The Maryland Public Broadcasting Commission's budget decreases \$3,110,624, or 10.2% in the fiscal 2008 allowance. If the one-time health insurance savings and the deficiency are taken into consideration, the agency has an overall decrease of \$2,929,053, or 9.7%.

Personnel Data

	FY 06	FY 07	FY 08	FY 07-08
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	157.00	157.00	156.00	-1.00
Contractual FTEs	<u>17.61</u>	<u>15.04</u>	<u>17.60</u>	<u>2.56</u>
Total Personnel	174.61	172.04	173.60	1.56

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	5.01	3.21%
Positions Vacant as of 12/31/06	10.00	6.37%

- There are 10.0 full-time equivalent (FTE) positions vacant as of December 31, 2006. The turnover rate budgeted by the agency requires that 5.01 FTE positions remain open through the fiscal year.

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

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R15P00 – Maryland Public Broadcasting Commission

- 1.0 FTE vacant Maryland Public Television (MPT) manager position is abolished in the fiscal 2008 allowance.
- 2.56 FTE contractual positions are added in the allowance, primarily for Community Learning Ventures (1.2 FTEs) and production assistance related to national (*e.g.*, MotorWeek, National Geographic Bee) and regional (*e.g.*, State Circle, expanded legislative coverage) programs (1.3 FTEs).

Analysis in Brief

Major Trends

Longer Term Special Fund Revenue: Total spending decreases in the allowance, but two important sources of special fund revenue, corporate and viewer support, remain relatively flat. Revenue has, however, decreased dramatically since fiscal 2001, when corporate support was much stronger. **MPT is asked to discuss how it plans to address the longer term trend in reduced revenue.**

Recommended Actions

1. Concur with Governor's allowance.

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 2006

State revenues, which comprised 32.0% of MPBC's budget in fiscal 2001, increased to 41.8% in fiscal 2006, shown in **Exhibit 1**. While State support grew 9.9% in terms of absolute dollars over these five years, other sources of support did not. The decrease in non-state revenue reflects a large decrease in corporate support; a smaller decline in Public Broadcasting System (PBS), Corporation for Public Broadcasting (CPB), and Community Service Grants; and a decrease in viewer support (including revenue from program-related purchases, such as transcripts). These large total special fund revenue decreases were partially offset by an increase in federal support.

Exhibit 1
Sources of Revenue
Fiscal 2001 and 2006
(\$ in Thousands)

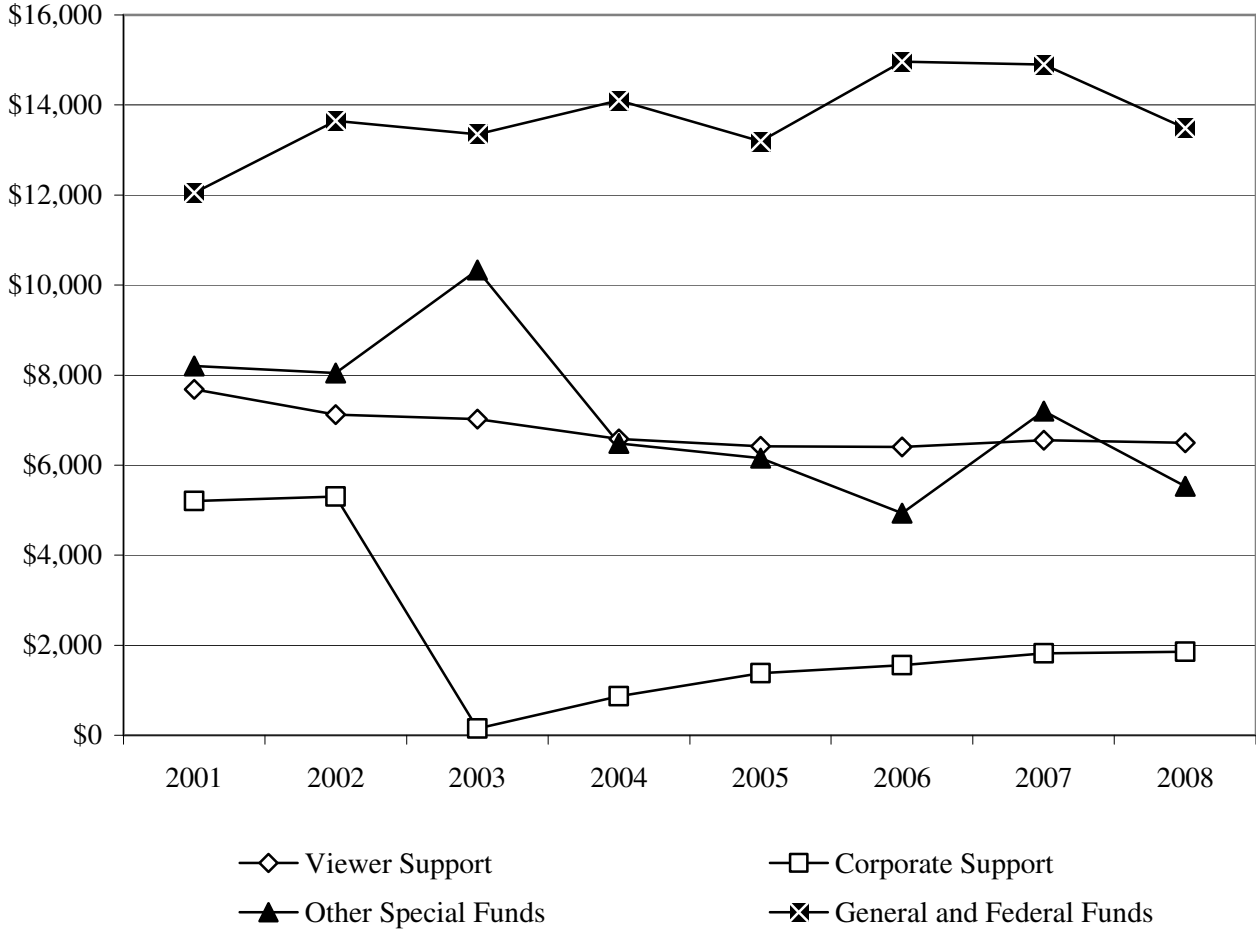
	2001		2006	
	<u>Revenue</u>	<u>% of Total</u>	<u>Revenue</u>	<u>% of Total</u>
General Funds	\$10,589.8	32.0%	\$11,640.7	41.8%
Special Funds				
Viewer Support ¹	7,686.3	23.2%	6,405.6	23.0%
Corporate Support	5,200.0	15.7%	1,560.0	5.6%
PBS, CPB, and Community Service Grants	4,278.1	12.9%	2,870.5	10.3%
Other Special Funds	3,923.6	11.8%	2,063.0	7.4%
Special Funds Subtotal	\$21,088.0	63.6%	\$12,899.1	46.3%
Federal Funds	1,461.7	4.4%	3,318.4	11.9%
Total Funds	\$33,139.5	100.0%	\$27,858.2	100.0%

¹Includes viewer and program-related support, such as program transcripts, related books, and study guides, as well as gifts and requests.

Source: Maryland Public Broadcasting Commission

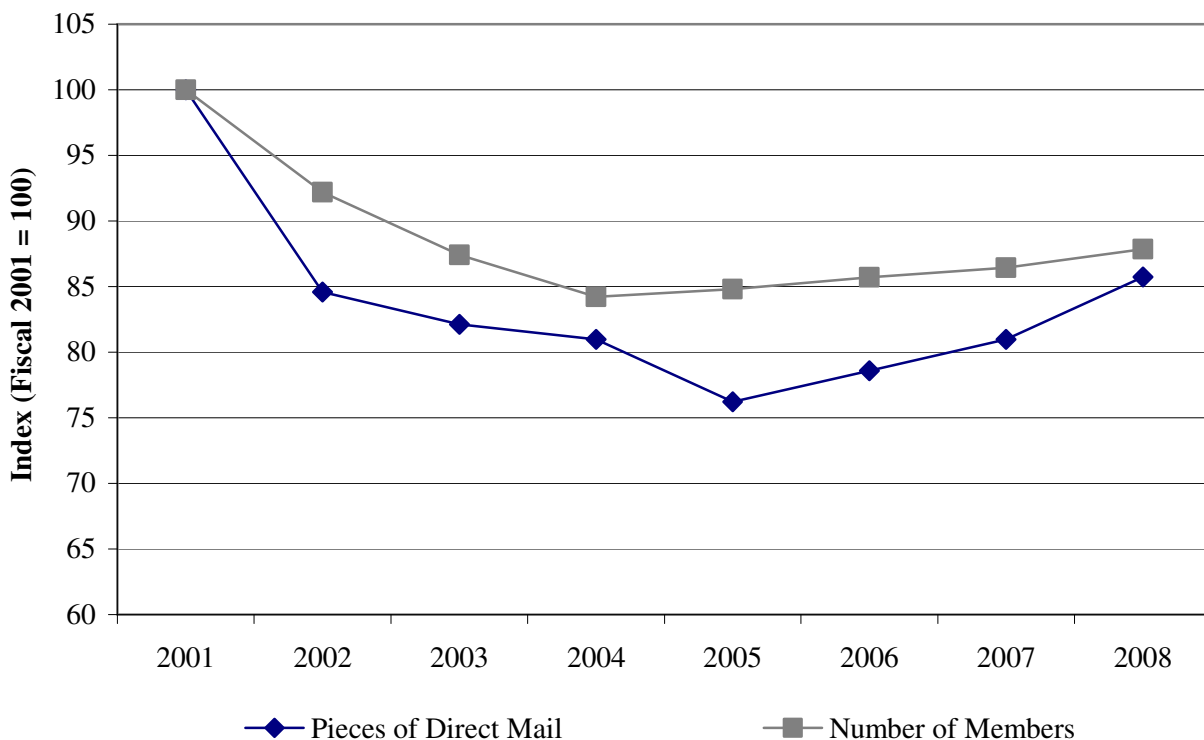
Revenue by funding source from fiscal 2001, 2006, 2007, and the 2008 allowance is shown in **Exhibit 2**. Between fiscal 2006 and 2008, MPT is anticipating a 10% decline in general and federal fund revenues and relatively flat viewer support and corporate giving (special funds). Maintenance of viewer donation levels confirms at least a partial recovery in charitable giving after September 2001. However, longer term corporate giving has not recovered to a similar degree. **MPBC is asked to comment on the loss of corporate support on MPT's revenue stream and discuss plans to strengthen that support in the future.** 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 also asked to discuss future plans to generate individual member support.**

Exhibit 2
Sources of Revenue
Fiscal 2001-2008
(\$ in Thousands)



Source: Maryland Public Broadcasting Commission

**Exhibit 3
Individual Donor Fundraising at MPT
Fiscal 2001-2008**

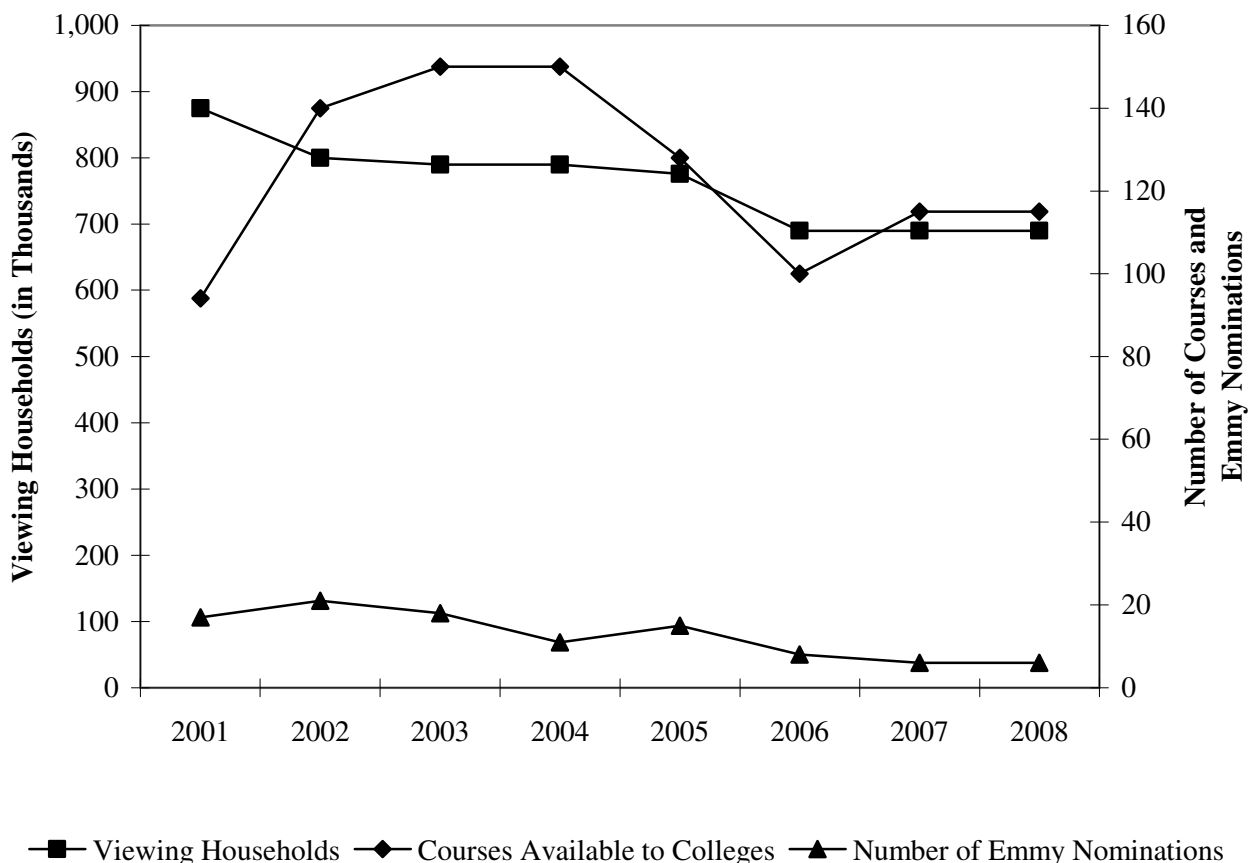


Source: Maryland Public Broadcasting Commission

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 to 690,000 in fiscal 2006, a 21% decrease. The number of Emmy nominations has fluctuated from 17 in fiscal 2001 to 11 in fiscal 2004 to 8 in fiscal 2006; MPT expects them to drop further to 6 in fiscal 2007 and 2008. Despite the longer term trend toward decreased membership and Emmy nominations, MPT expects to maintain its performance in fiscal 2008, which appears unrealistic. **MPBC is asked to comment on how it will accomplish these goals.**

**Exhibit 4
Select Outcome Measures
Fiscal 2001-2008**



Source: Maryland Public Broadcasting Commission

Fiscal 2007 Actions

Proposed Deficiency

The fiscal 2008 allowance includes a \$500,000 general fund deficiency appropriation to provide funds for electricity expenditures. Language in the budget bill requires that funds not expended on electricity revert to the general fund.

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
2007 Working Appropriation	\$10,699	\$15,576	\$4,200	\$30,475
2008 Governor’s Allowance	<u>10,053</u>	<u>13,880</u>	<u>3,432</u>	<u>27,364</u>
Amount Change	-\$646	-\$1,697	-\$768	-\$3,111
Percent Change	-6.0%	-10.9%	-18.3%	-10.2%

Where It Goes:

Personnel Expenses

Employees’ retirement system.....	\$155
Turnover adjustments	48
Re-evaluation of deferred compensation participation.....	15
Health insurance costs decline due to one-time savings.....	-687
Reduction in funding for merit increases, reclassifications, and leave payout.....	-334
Abolished vacant Maryland Public Television (MPT) manager position	-70
Workers’ compensation premium assessment.....	-18

Other Changes

Electric rate increase (if the proposed fiscal 2007 deficiency is assumed in the fiscal 2007 working appropriation, the increase is \$100,000).....	600
Underbudgeting of fiscal 2007 contractual costs and additional contractual positions primarily related to Community Learning Ventures and MPT-produced programming	237
Equipment replacement, repair, and maintenance services based on fiscal 2006 actual expenditures.....	160
Printing and advertising services based on fiscal 2006 actual expenditures	155
Fuel oil cost increases.....	20
Decreased costs for various miscellaneous contracts, primarily due to a smaller number of MPT-produced programs	-2,523
Digital master lease payments	-650
Supplies and materials and travel based on fiscal 2006 actual expenditures.....	-109
Security services.....	-71

R15P00 – Maryland Public Broadcasting Commission

Where It Goes:

Motor vehicle costs (assumes replacement of a 1999 Dodge Caravan, driven more than 100,000 miles)	-21
Insurance and license charges.....	-16
Other	-2
Total	-\$3,111

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

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 2006					
Legislative Appropriation	\$10,956	\$16,126	\$3,200	\$0	\$30,283
Deficiency Appropriation	629	0	1,300	0	1,929
Budget Amendments	130	0	0	0	130
Reversions and Cancellations	-75	-3,227	-1,182	0	-4,484
Actual Expenditures	\$11,641	\$12,899	\$3,318	\$0	\$27,858
Fiscal 2007					
Legislative Appropriation	\$10,628	\$15,487	\$4,200	\$0	\$30,315
Budget Amendments	70	89	0	0	160
Working Appropriation	\$10,699	\$15,576	\$4,200	\$0	\$30,475

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

Fiscal 2006

- Corporate and individual donations were lower than anticipated during fiscal 2006, resulting in the cancellation of \$3,227,409 in special funds.
- Federal funds increased by \$1,300,000 due to a Learning Games to Go grant from the U.S. Department of Education; these funds have been used to create a series of digital educational games designed to improve student achievement in math, vocabulary, and reading comprehension. These funds were largely unattained during fiscal 2006 and, as a result, \$1,181,567 in federal funds was cancelled. MPBC expects that they will receive these funds during fiscal 2007.
- A \$628,645 general fund deficiency appropriation was made to cover additional electricity costs.
- General funds increased by \$68,130 from the Department of Budget and Management (DBM) in the reallocation of health insurance funding.
- General funds increased by \$62,102 through a transfer from DBM for the reallocation of general salary increase funding.

Fiscal 2007

- General funds increased by \$67,952 and special funds increased by \$89,282 through a transfer from DBM for the reallocation of general salary increase funding.
- General funds increased by \$3,841 from DBM to cover annual salary review expenditures.
- General funds decreased by \$1,319 through a transfer to DBM for a comprehensive salary study.

Audit Findings

Audit Period for Last Audit:	April 17, 2003 – March 31, 2006
Issue Date:	September 2006
Number of Findings:	4
Number of Repeat Findings:	3
% of Repeat Findings:	75%
Rating: (if applicable)	n/a

MPBC satisfactorily addressed 11 of the 14 findings from the preceding audit report dated November 24, 2003; resolution of 3 findings remains outstanding.

Finding 1: **Proper internal controls were not established over the processing of purchasing and disbursement transactions.**

Finding 2: **MPBC has not established adequate controls over cash receipts.**

Finding 3: **MPBC's agreement with its affiliated foundation did not specify the costs to be reimbursed for services provided by MPBC to the foundation, and MPBC did not recover the full cost of services provided to the foundation.**

Finding 4: **MPBC did not always follow State procurement regulations for contractual service procurements. Additionally, certain services were provided prior to finalization of contractual agreements, and certain payments were not adequately supported.**

*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>FY06 Actual</u>	<u>FY07 Working Appropriation</u>	<u>FY08 Allowance</u>	<u>FY07-FY08 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	157.00	157.00	156.00	-1.00	-0.6%
02 Contractual	17.61	15.04	17.60	2.56	17.0%
Total Positions	174.61	172.04	173.60	1.56	0.9%
Objects					
01 Salaries and Wages	\$ 11,306,669	\$ 12,892,403	\$ 12,001,749	-\$ 890,654	-6.9%
02 Technical and Spec Fees	609,261	365,154	596,613	231,459	63.4%
03 Communication	683,746	764,617	761,340	-3,277	-0.4%
04 Travel	171,016	183,694	170,389	-13,305	-7.2%
06 Fuel and Utilities	1,613,758	1,285,090	1,906,169	621,079	48.3%
07 Motor Vehicles	94,045	94,427	73,844	-20,583	-21.8%
08 Contractual Services	7,071,767	9,565,686	7,192,428	-2,373,258	-24.8%
09 Supplies and Materials	1,004,765	1,096,307	1,000,114	-96,193	-8.8%
10 Equipment - Replacement	209,420	58,948	152,391	93,443	158.5%
11 Equipment - Additional	4,141,554	3,082,739	2,438,957	-643,782	-20.9%
13 Fixed Charges	952,226	1,085,901	1,070,351	-15,550	-1.4%
Total Objects	\$ 27,858,227	\$ 30,474,966	\$ 27,364,345	-\$ 3,110,621	-10.2%
Funds					
01 General Fund	\$ 11,640,713	\$ 10,698,749	\$ 10,052,561	-\$ 646,188	-6.0%
03 Special Fund	12,899,081	15,576,217	13,879,600	-1,696,617	-10.9%
05 Federal Fund	3,318,433	4,200,000	3,432,184	-767,816	-18.3%
Total Funds	\$ 27,858,227	\$ 30,474,966	\$ 27,364,345	-\$ 3,110,621	-10.2%

Note: The fiscal 2007 appropriation does not include deficiencies, and the fiscal 2008 allowance does not reflect contingent reductions.

**Fiscal Summary
Maryland Public Broadcasting Commission**

<u>Program/Unit</u>	<u>FY06 Actual</u>	<u>FY07 Wrk Approp</u>	<u>FY08 Allowance</u>	<u>Change</u>	<u>FY07-FY08 % Change</u>
01 Executive Direction and Control	\$ 741,643	\$ 981,129	\$ 813,069	-\$ 168,060	-17.1%
02 Administration and Support Services	12,552,220	11,943,006	11,493,436	-449,570	-3.8%
03 Broadcasting	11,487,997	13,392,882	11,812,634	-1,580,248	-11.8%
04 Content Enterprises Productions	3,076,367	4,157,949	3,245,206	-912,743	-22.0%
Total Expenditures	\$ 27,858,227	\$ 30,474,966	\$ 27,364,345	-\$ 3,110,621	-10.2%
General Fund	\$ 11,640,713	\$ 10,698,749	\$ 10,052,561	-\$ 646,188	-6.0%
Special Fund	12,899,081	15,576,217	13,879,600	-1,696,617	-10.9%
Federal Fund	3,318,433	4,200,000	3,432,184	-767,816	-18.3%
Total Appropriations	\$ 27,858,227	\$ 30,474,966	\$ 27,364,345	-\$ 3,110,621	-10.2%

Note: The fiscal 2007 appropriation does not include deficiencies, and the fiscal 2008 allowance does not reflect contingent reductions.

**Individual Donor Fundraising
Fiscal 2001-2008**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>Est. 2007</u>	<u>Est. 2008</u>
Number of pledge drives	4	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	1,650,000	1,700,000	1,800,000
Number of members	70,000	64,541	61,197	58,956	59,369	60,000	60,500	61,500
Select Outcome Measures								
Viewing households	875,000	800,000	790,000	790,079	776,000	690,000	690,000	690,000
Courses available to colleges	94	140	150	150	128	100	115	115
Number of Emmy nominations	17	21	18	11	15	8	6	6