

R15P00
Maryland Public Broadcasting Commission

Operating Budget Data

(\$ in Thousands)

	<u>FY 09</u> <u>Actual</u>	<u>FY 10</u> <u>Working</u>	<u>FY 11</u> <u>Allowance</u>	<u>FY 10-11</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$9,411	\$9,420	\$9,006	-\$414	-4.4%
Contingent & Back of Bill Reductions	0	0	-155	-155	
Adjusted General Fund	\$9,411	\$9,420	\$8,852	-\$569	-6.0%
Special Fund	16,460	16,423	15,467	-956	-5.8%
Contingent & Back of Bill Reductions	0	0	-174	-174	
Adjusted Special Fund	\$16,460	\$16,423	\$15,293	-\$1,130	-6.9%
Federal Fund	2,228	3,238	2,082	-1,156	-35.7%
Adjusted Federal Fund	\$2,228	\$3,238	\$2,082	-\$1,156	-35.7%
Adjusted Grand Total	\$28,100	\$29,081	\$26,226	-\$2,855	-9.8%

Note: For purposes of illustration, the Department of Legislative Services has estimated the distribution of selected across-the-board reductions. The actual allocations are to be developed by the Administration.

- Before across-the-board reductions, the fiscal 2011 allowance for the Maryland Public Broadcasting Corporation (MPBC) is \$26.6 million, a \$2.5 million decrease from the 2010 working appropriation. Across-the-board actions reduce the allowance by another \$329,000.
- Altogether, the 2011 budget is down nearly 10% from the 2010 level.

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

For further information contact: Monica L. Kearns

Phone: (410) 946-5530

Personnel Data

	<u>FY 09 Actual</u>	<u>FY 10 Working</u>	<u>FY 11 Allowance</u>	<u>FY 10-11 Change</u>
Regular Positions	155.00	155.00	155.00	0.00
Contractual FTEs	<u>19.29</u>	<u>17.68</u>	<u>18.95</u>	<u>1.27</u>
Total Personnel	174.29	172.68	173.95	1.27

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	6.22	4.01%
Positions and Percentage Vacant as of 12/31/09	15.50	10.00%

- MPBC abolished 18 positions in fiscal 2010, ranging from a senior vice president to lower level positions.
- The agency did not lose the regular positions associated with the layoffs. Instead, 18 contractual broadcast talent employees were converted into regular positions.

Analysis in Brief

Major Trends

Special and Federal Funds Are Declining: MPBC has an objective to increase combined special and federal funds by at least \$100,000 each year over the fiscal 2009 amount. The objective was achieved for 2010, but it is not expected to be achieved in 2011.

Number of Viewers Is Somewhat Uneven; Unique Broadcasts Will Jump in 2011: The number of viewing households increased in fiscal 2009 but is expected to decline in 2010. MPBC reports that the decline is 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 were steady at about 8,000 annually but are expected to jump to 14,000 in fiscal 2011 due to the full conversion to a digital signal and the ability to transmit on three channels.

Education Broadcasts Are Discontinued; Visits Increase to Online Education Resources: Due to budget constraints, K-12 and college broadcasts have been eliminated. MPBC is now focusing its educational efforts on Thinkport.org, an online resource for teachers, parents, and other childcare providers that offers lesson plans and activity guides, among other functions. Visits to the agency's online education sites have increased. **The agency should comment on whether its mission to provide educational programs has been affected by the elimination of broadcast educational programs.**

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:

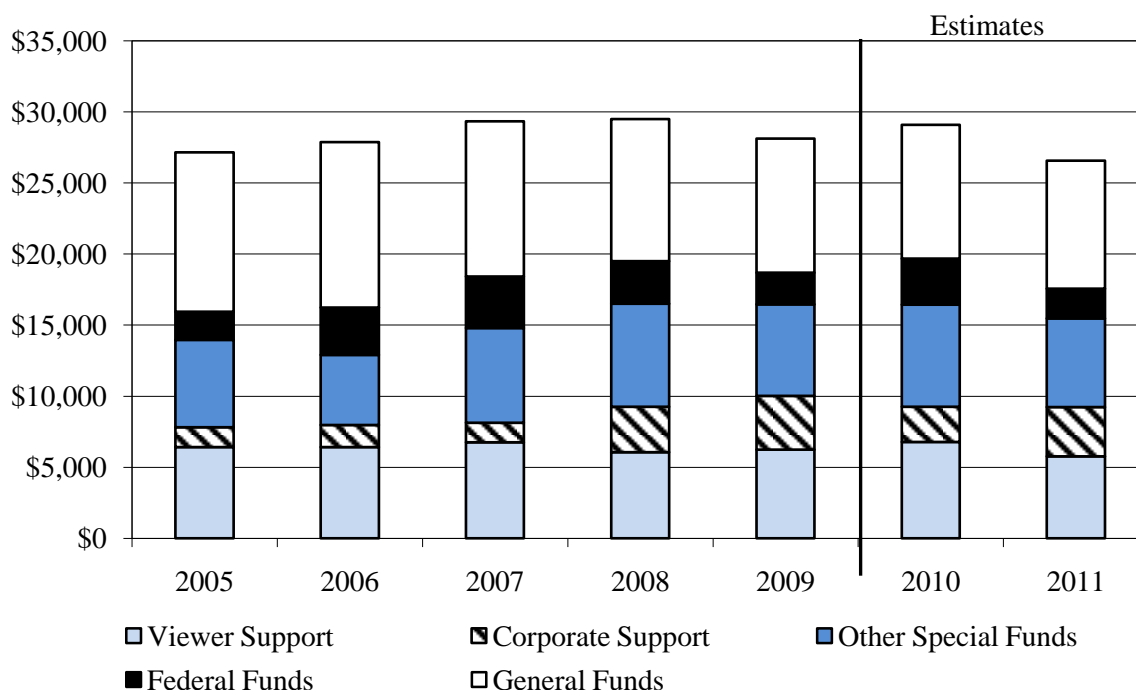
- to create and continuously enhance programming and services that recognize the values and meet the needs of the people of Maryland and surrounding areas, and secure high quality programming for Marylanders;
- to effectively use the conversion to a digital environment as the foundation upon which to 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 Are Declining

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 over the fiscal 2009 amount. The objective was achieved for 2010, but it is not expected to be achieved in 2011. Special and federal funds totaled \$18.7 million in fiscal 2009. In 2010, these funds were \$19.7 million, and in 2011 they are estimated at \$17.5 million. **Exhibit 1** shows funding by revenue source from 2005 to 2011.

Exhibit 1
Maryland Public Broadcasting Commission Sources of Revenue
Fiscal 2005-2011
(\$ in Thousands)



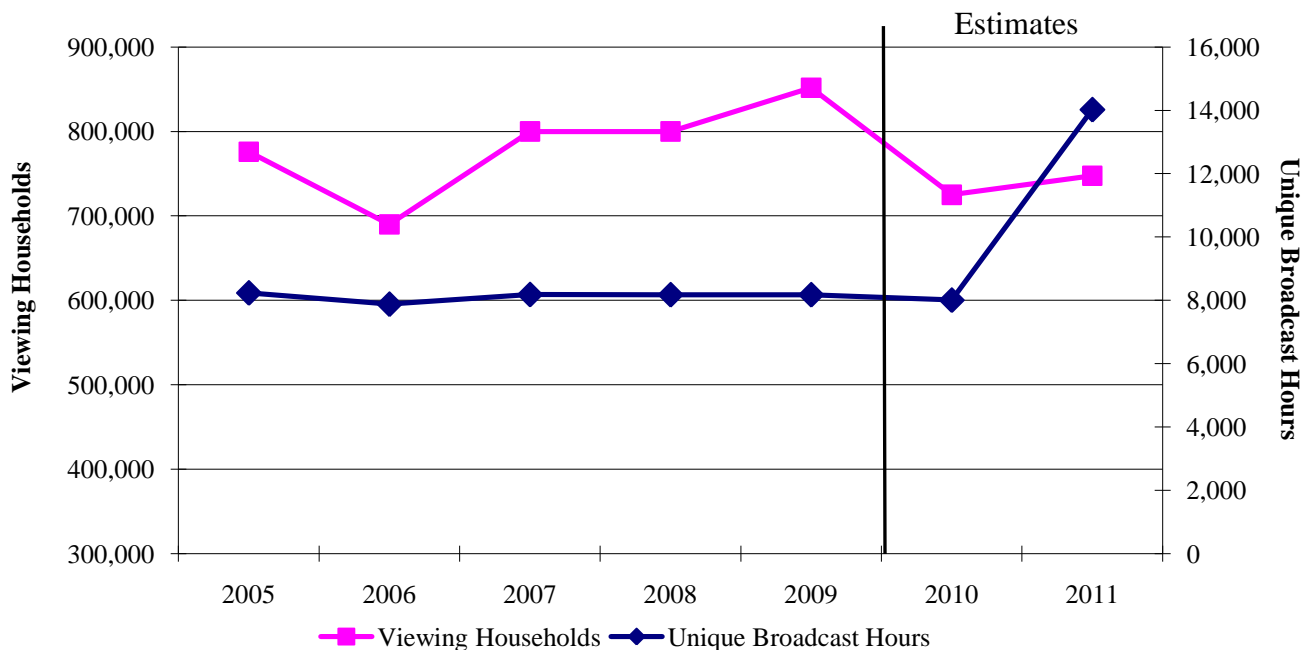
Source: Governor’s Budget Books, Fiscal 2007-2011

Number of Viewers Is Somewhat Uneven; Unique Broadcasts Will Jump in 2011

Another MPBC goal is to increase the number of members and viewers. **Exhibit 2** shows that the number of viewing households increased in fiscal 2009 but is expected to decline in 2010. Part of the decline, MPBC reports, is due to a change in viewership measurements. Previously, a media service would conduct telephone surveys to determine viewership, but now People Meter devices are installed to television sets to provide data. People tended to overestimate their viewing in the telephone surveys.

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 has contributed to the viewership decline. Some viewers use a digital converter box attached to their television set to receive digital signals, but many have had trouble receiving the MPT signal.

**Exhibit 2
Maryland Public Television’s Viewing Households and Hours
Fiscal 2005-2011**



Source: Governor’s Budget Books, Fiscal 2007-2011

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 that which is produced in-house. Exhibit 2 shows that these hours have been steady at about 8,000 annually but are expected to jump to 14,000 in fiscal 2011.

The steep increase in unique broadcast hours results from the full conversion to a digital signal. Previously, MPT broadcast only one channel; now it has three: MPT, MPT II, and V-Me, which is the Spanish channel. Each 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. The digital signal can accommodate a maximum of five channels, but they cannot all be high definition (HD) because of the bandwidth that HD requires. Therefore, MPBC decided to provide three channels with some HD programming. An HD channel can accommodate HD programs as well as non-HD programs.

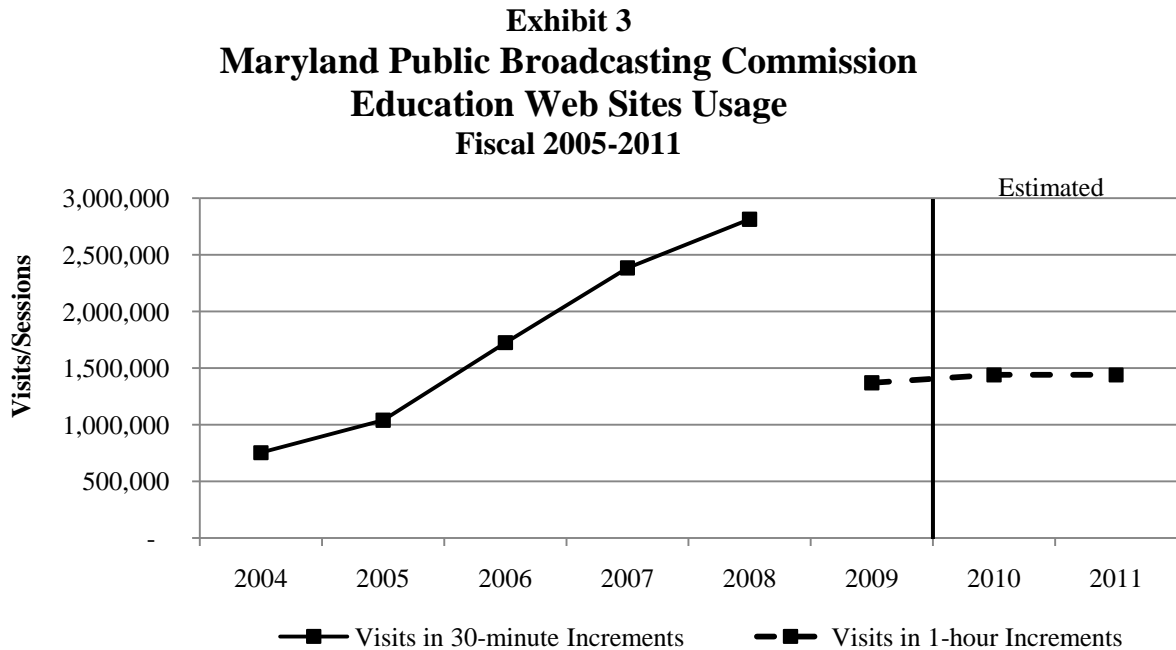
Education Broadcasts Are Discontinued; Visits Increase to Online Education Resources

MPBC has a goal to provide learning opportunities through educational programs and services. Due to budget constraints, K-12 broadcasts have been eliminated. MPBC purchased K-12

programs and local education agencies would pay to receive them, but the education funds are no longer available. Furthermore, the College of the Air broadcasts have been eliminated, which allowed students at participating community colleges to watch programs on Saturday mornings and take their exams at the college.

Now, MPBC is focusing its 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. MPBC received several years of federal funds to support Thinkport, but those funds have ended. 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 if the State is awarded these funds.

As shown in **Exhibit 3**, the number of visitors to MPBC’s online education sites, particularly to Thinkport, increased dramatically from fiscal 2005 to 2008. The number drops nearly in half in 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, 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 2010 and 2011. **The agency should comment on whether its mission to provide educational programs has been affected by the elimination of broadcast educational programs.**



Note: The Maryland Public Broadcasting Commission obtained a new vendor for its web site in fiscal 2009. Web site visits are now measured in one hour increments rather than 30 minute increments.

Source: Governor’s Budget Books, Fiscal 2007-2011

Fiscal 2010 Actions

Impact of Cost Containment

The MPBC budget has been reduced by \$790,000 from the legislative appropriation. Of this amount, general funds have declined \$608,000. Furloughs of State employees account 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.

Special funds have declined \$183,000 due to the economic recession. MPBC lost some major corporate sponsorships, including automaker support for the “Motor Week” program, and individual membership contributions are below expectations. Furthermore, some individuals have stopped contributing because they cannot receive the MPT broadcast signal since the digital conversion occurred.

To bring expenditures in line with available funds in fiscal 2010, MPBC has abolished 18 filled positions, ranging from a senior vice president to lower level positions. MPBC did not lose the regular positions associated with the layoffs. Instead, the agency moved public broadcast talent into the regular positions. Public broadcast talent is a type of MPBC employment that allows the agency to increase and decrease staff depending on the needs of its shows. These employees are budgeted as regular personnel, rather than contractual staff, so they can receive benefits except for retirement.

Proposed Budget

Before across-the-board reductions, the fiscal 2011 allowance for MPBC is \$26.6 million, a \$2.5 million decrease from the 2010 working appropriation, as shown in **Exhibit 4**. Across-the-board actions reduce the allowance by another \$329,000. Altogether, the 2011 budget is down nearly 10% from the 2010 level.

Impact of Cost Containment

The effect of the 18 positions abolished in fiscal 2010 is reflected in the 2011 allowance. Altogether, personnel expenditures decline by \$1.4 million, including \$911,000 for salaries and \$191,000 for performance pay. With the conversion of 18 public broadcast talent into regular positions in 2010, only 2 broadcast talent employees remain.

Exhibit 4
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>
2010 Working Appropriation	\$9,420	\$16,423	\$3,238	\$29,081
2011 Allowance	<u>9,006</u>	<u>15,467</u>	<u>2,082</u>	<u>26,555</u>
Amount Change	-\$414	-\$956	-\$1,156	-\$2,526
Percent Change	-4.4%	-5.8%	-35.7%	-8.7%
Contingent Reductions	-\$155	-\$174	\$0	-\$329
Adjusted Change	-\$569	-\$1,130	-\$1,156	-\$2,855
Adjusted Percent Change	-6.0%	-6.9%	-35.7%	-9.8%

Where It Goes:

Personnel Expenses

Employees' retirement system.....	\$67
Turnover adjustments	38
Changes in salary (e.g. reclassifications) net of furloughs	-911
Performance pay (MPBC's equivalent of merit increases)	-191
Employee and retiree health insurance	-174
Overtime earnings	-109
Social Security contributions.....	-95
Workers' compensation.....	-8

Other Changes

Contracts for production expenses, on-air talent, and Public Broadcasting Service dues..	396
Software contractual services	20
Installment payments for digital conversion and other equipment.....	-612
Individual membership gifts and other supplies.....	-384
Unallocated cost containment.....	-233
Licenses for broadcast programs	-175
Fuel and utilities	-114
Travel, primarily related to broadcast production	-85
Advertising and legal publications	-60
Contractual personnel.....	-59

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Where It Goes:

Telecommunications, postage, and other communication.....	-49
Printing and reproduction	-43
Other	-74
Total	-\$2,855

MPBC: Maryland Public Broadcasting Commission

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

The fiscal 2011 budget reflects several across-the-board actions to be allocated by the Administration. This includes a combination of employee furloughs and government shut-down days similar to the plan adopted in fiscal 2010; a reduction in overtime based on accident leave management; streamlining of State operations; hiring freeze and attrition savings; a change in the injured workers' settlement policy and administrative costs; and a savings in health insurance to reflect a balance in that account. For purposes of illustration, the Department of Legislative Services has estimated the distribution of selected actions relating to employee furloughs, health insurance, and the Injured Workers' Insurance Fund cost savings.

Other changes include a \$612,000 decrease in installment payments for digital conversion equipment and replacement of aging electronic equipment. Licenses for broadcast programs decrease by \$175,000, fuel and utilities decrease by \$114,000, and travel funds decrease by \$85,000.

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 2009					
Legislative Appropriation	\$9,837	\$15,733	\$4,764	\$0	\$30,334
Deficiency Appropriation	\$225	\$0	\$0	\$0	\$225
Budget Amendments	\$89	\$2,033	\$0	\$0	\$2,122
Cost Containment	-\$726	-\$119	-\$6	\$0	-\$851
Reversions and Cancellations	-\$15	-\$1,187	-\$2,529	\$0	-\$3,731
Actual Expenditures	\$9,411	\$16,460	\$2,228	\$0	\$28,099
Fiscal 2010					
Legislative Appropriation	10,028	16,606	3,238	0	29,872
Cost Containment	-608	-183	0	0	-790
Budget Amendments	0	0	0	0	0
Working Appropriation	9,420	16,423	3,238	0	29,081

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

Fiscal 2009

The fiscal 2009 budget closed at \$28.1 million, \$2.2 million less than the legislative appropriation. Deficiency appropriations and budget amendments increased the appropriation by \$2.3 million. Expenditures were reduced through cost containment (\$0.9 million) and reversions and cancellations (\$3.7 million).

General fund expenditures totaled \$9.4 million, \$0.4 million less than the legislative appropriation. A \$0.2 million deficiency for administration and support services increased the legislative appropriation. However, general funds were reduced by \$0.7 million through cost containment including a reduction for equipment purchases and maintenance, electricity payments, master lease payments, turnover, health insurance, and furloughs.

Special fund expenditures totaled \$16.5 million, \$0.7 million more than the legislative appropriation. Budget amendments increased the appropriation by \$2.0 million. This includes \$1.3 million in corporate support revenue and \$0.7 million to replace general funds budgeted for electricity, maintenance, and master lease payments. The agency reverted \$1.2 million in special funds for lower than expected grant revenues.

Federal funds closed at \$2.2 million, \$2.5 million less than the legislative appropriation. The federal Star Schools program was eliminated in the federal budget leading to a \$2.5 million federal fund cancellation.

Fiscal 2010

The fiscal 2010 working appropriation is \$29.1 million, which is \$790,000 less than the 2010 legislative appropriation. Of this amount, general funds have declined \$608,000. Furloughs of State employees account 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.

Special funds have declined \$183,000 due to lower than expected corporate sponsorships and individual membership contributions.

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

<u>Object/Fund</u>	<u>FY09 Actual</u>	<u>FY10 Working Appropriation</u>	<u>FY11 Allowance</u>	<u>FY10 - FY11 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	155.00	155.00	155.00	0	0%
02 Contractual	19.29	17.68	18.95	1.27	7.2%
Total Positions	174.29	172.68	173.95	1.27	0.7%
Objects					
01 Salaries and Wages	\$ 12,381,504	\$ 12,508,287	\$ 11,697,305	-\$ 810,982	-6.5%
02 Technical and Spec. Fees	596,642	637,505	578,237	-59,268	-9.3%
03 Communication	624,118	731,493	682,687	-48,806	-6.7%
04 Travel	233,599	292,485	207,054	-85,431	-29.2%
06 Fuel and Utilities	1,576,289	1,513,477	1,399,667	-113,810	-7.5%
07 Motor Vehicles	59,275	66,985	58,557	-8,428	-12.6%
08 Contractual Services	9,401,232	9,959,954	9,821,590	-138,364	-1.4%
09 Supplies and Materials	684,536	1,240,911	838,813	-402,098	-32.4%
10 Equipment – Replacement	97,690	129,883	87,959	-41,924	-32.3%
11 Equipment – Additional	1,770,355	1,289,513	687,864	-601,649	-46.7%
13 Fixed Charges	674,271	710,740	495,229	-215,511	-30.3%
Total Objects	\$ 28,099,511	\$ 29,081,233	\$ 26,554,962	-\$ 2,526,271	-8.7%
Funds					
01 General Fund	\$ 9,411,258	\$ 9,420,216	\$ 9,006,129	-\$ 414,087	-4.4%
03 Special Fund	16,460,096	16,422,904	15,467,006	-955,898	-5.8%
05 Federal Fund	2,228,157	3,238,113	2,081,827	-1,156,286	-35.7%
Total Funds	\$ 28,099,511	\$ 29,081,233	\$ 26,554,962	-\$ 2,526,271	-8.7%

Note: The fiscal 2010 appropriation does not include deficiencies.

**Fiscal Summary
Maryland Public Broadcasting Commission**

<u>Program/Unit</u>	<u>FY09 Actual</u>	<u>FY10 Wrk Approp</u>	<u>FY11 Allowance</u>	<u>Change</u>	<u>FY10 - FY11 % Change</u>
01 Executive Direction and Control	\$ 844,482	\$ 892,246	\$ 625,245	-\$ 267,001	-29.9%
02 Administration and Support Services	10,623,778	10,011,193	9,317,875	-693,318	-6.9%
03 Broadcasting	11,865,598	12,916,953	11,944,561	-972,392	-7.5%
04 Content Enterprises	4,765,653	5,260,841	4,667,281	-593,560	-11.3%
Total Expenditures	\$ 28,099,511	\$ 29,081,233	\$ 26,554,962	-\$ 2,526,271	-8.7%
General Fund	\$ 9,411,258	\$ 9,420,216	\$ 9,006,129	-\$ 414,087	-4.4%
Special Fund	16,460,096	16,422,904	15,467,006	-955,898	-5.8%
Federal Fund	2,228,157	3,238,113	2,081,827	-1,156,286	-35.7%
Total Appropriations	\$ 28,099,511	\$ 29,081,233	\$ 26,554,962	-\$ 2,526,271	-8.7%

Note: The fiscal 2010 appropriation does not include deficiencies.