



Pennsylvania Public Television Network (PPTN)

**Public Broadcasting in Pennsylvania and Discussion of  
FY09-10 Executive Budget Proposal**

Testimony of Pennsylvania Public Television Network (PPTN)  
*Before House State Government Committee*

Luc M. Miron  
Acting President & General Manager  
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Good morning Madam Chair Josephs, Representative Benninghoff, distinguished Members of the House of Representatives, and Friends and Colleagues in Public Broadcasting.

Thank you for the opportunity to speak to you at the hearing this morning. My name is Luc Miron, and I am the acting President and General Manager of the Pennsylvania Public Television Network ("PPTN").

Tough economic times are affecting Wall Street, Main Street and Sesame Street. Government agencies and public broadcasters are vulnerable to necessary government belt-tightening, and neither PPTN nor Pennsylvania's public broadcasting community will emerge unscathed from the recent economic downturn. The Governor's Executive Budget proposal for FY09-10 recommends the elimination of all funding for public television, both PPTN's operational funding and station grant funding. The Governor further calls for the consolidation certain limited functions of the agency within the Governor's Office of Administration (OA), as well as the rollover of certain PPTN assets and limited staff complement into OA.

**PPTN – What is it?**

The Pennsylvania Public Television Network (PPTN) Commission was created as an independent executive commission of the Commonwealth government by statute, in 1968, through the Public Television Network System Law. The law was enacted by the General Assembly on November 20, 1968 (P.L. 1075, No. 329), amended the law through the Act of June 18, 1998 (P.L. 682, No. 87). A copy of PPTN's enabling legislation is contained in the Appendix to this testimony.

PPTN was born at the dawn of public broadcasting in this country. Most of Pennsylvania's public TV stations were barely a few years old when the Commission was created in 1968. Soon thereafter, PBS was incorporated, Sesame Street made its debut, and Mister Rogers Neighborhood launched into national distribution.

PPTN's charter and mission requires it to: (i) serve the public interest; (ii) facilitate and encourage the growth and development of noncommercial and educational television broadcasting and programming; (iii) expand educational broadcasting and program diversity; and (iv) afford educational broadcasting maximum protection from extraneous interference and control.

The state agency provides technical support and services and funding assistance to members of Pennsylvania's public broadcasting community. This group encompasses 8 independent public television stations: WQED (Pittsburgh), WITF (Harrisburg), WHYI (Philadelphia), WYBE (Philadelphia), WVIA (Pittston), WLVT (Bethlehem), WPSU (State College) and WQLN (Erie). PPTN refers to the 8 stations as "affiliates" (as opposed to "members" since they do not pay the Commonwealth any membership dues). It has been said that the affiliates reach 98% of the Commonwealth's 12 million plus citizens.

**PPTN – Agency and Commission Composition**

Currently, the agency's executive and technical/operational staff complement is comprised of 18 individuals. In terms of governance, the PPTN Commission is comprised of 24 members. The legislative leadership appoints 4 members. There are 3 voting *ex officio* members -- the Secretary of Education, the chair of the Council on the Arts, and the Commonwealth's chief technology policy officer. The Governor appoints the remainder of the Commission members (some with and some without Senate confirmation); some of the gubernatorial appointments are regional, while some are at large.

### **PPTN – What services does it provide?**

PPTN provides a range of broadcast operations-oriented services to stations, from the acquisition and transport of scheduled programming, which can comprise in some cases a substantial part of a station's broadcast day, to offsite backup and archive. Through a network operations center (NOC) in Hershey, PPTN has the ability to:

- Downlink and record programming from PBS and other syndicated or local production sources to meet station demand (as determined by station traffic/scheduling systems).
- Store the programming as needed.
- Match the archived programming with individual stations' schedules.
- Deliver programming to stations at the designated time.

These services are available to stations as needed, but require funding for continued maintenance and staffing and the ongoing replacement of equipment. PPTN's entire operating budget comes from the Commonwealth's General Fund. During its entire existence, PPTN has not charged a fee to its affiliates for its services.

In this regard, PPTN has a unique role in public broadcasting in the U.S., allowing stations to remain independent, maintaining their own program schedules, while at the same time enjoying the benefit of a publicly funded statewide network, program distribution service, and centralized master control.

### **PPTN – How is it funded?**

PPTN's sole source of revenue has always consisted of an annual appropriation from the General Assembly (approximately \$3.7M in FY08-09). Unlike many other states, in Pennsylvania the state entity does not own the broadcast license and does not own the broadcast transmitters. As such, PPTN is constricted in its ability to receive other sources of funding.

PPTN has faced challenges as a result of this governance model. Pennsylvania is one of a very few states that operates in conjunction with independently owned and operated stations. The approximately 30 other state public broadcasting networks largely own their state's public broadcast licenses (either TV, radio or a combination of the two) and operate as either a stand-alone station or simulcast programming throughout the state on various stations. PPTN's unusual position has created functional, political and funding challenges.

The remainder of the annual appropriation in PPTN's line item is approximately \$8 million, which is provided to public television stations in the form of "station operating grants" administered by PPTN. This amount is distributed to the 8 stations in accordance with a formula established annually by the Commission; the range is \$700,000 to \$1.1 million per station. Over the past several years, the Commission has carved out \$211,000 to encourage the production of programming that is of statewide interest.

### **PPTN Strategic Planning**

The very definition of "broadcasting" is fundamentally changing. The broadcasting industry is undergoing monumental changes driven by competition, consolidation, new consumer behaviors (on demand "anytime, any place"; online video growth and acceptance), evolving technologies and handheld devices, digital conversion, economic downturn leading to increasing funding pressures, and so forth.

Many of today's consumers of content do not have the time, interest or motivation to view content on a schedule. Rather, they want the content they identify as useful or entertaining to be available on demand

More importantly, they want to decide how to view the content – online, via a download from the Internet or over the airwaves. The key concept, as numerous studies indicate, is that less and less of that interaction is with traditional appointment viewing from a public television station. The legacy model of broadcasting, although still strong and expected to remain in the mix at least in the near future, is slowly giving way to a more flexible access and viewing model.

Given the changing landscape, in 2008 PPTN undertook a major strategic planning process to determine how and where its technology and services should be allocated to better serve stations and Commonwealth citizens. The consultant-driven strategic planning process was aimed at:

- Responding to the competitive forces and the evolving technology landscape.
- Uncovering opportunities for shared services, cost savings and partnerships.
- Leveraging the strengths and assets of PPTN (and its affiliates).
- Exploring and expanding new offerings and delivery platforms.
- Better aligning activities with priorities, objectives and resources.
- Building a financially sustainable operating model for PPTN's future.
- Exploring new or improved governance models for PPTN, including consolidation

While PPTN's final strategic plan contained many observations, conclusions and recommendations, several findings are relevant for the purposes of today's presentation and discussion, namely:

- *Vulnerabilities:* PPTN's dependency on state funding amounts to a flawed business plan; agency management acknowledged that PPTN was too vulnerable to budget volatility and unpredictability. Given the precarious position that it finds itself in, a drastic reduction or elimination of funding would be lethal for PPTN.
- *Insufficient funding:* Funding levels to sustain PPTN have historically been insufficient to keep up with the increasing costs of operation and the necessity to constantly maintain, upgrade and replace equipment. This trend of declining status quo started a decade ago. This situation was exacerbated in FY08-09 due to two funding rescissions (the second one of which was borne in its entirety by PPTN).
- *Duplicative investment:* At the same time, many of the stations have made their own investments in equipment and digital infrastructure and less reliance is increasingly placed on PPTN's assets and services.  
*Erosion of value of network:* We witnessed an indication by stations of the preference for grant funding over services offered by PPTN, as well as an indication by a preponderance of the stations that the statewide network was no longer essential and/or desired.  
*Consolidation & Governance Changes:* The strategic plan invited PPTN to consider changes to its governance and to its very structure, including consolidation of PPTN within other state agencies or entities.  
*Coordination & Consolidation:* The strategic planning effort presented an opportunity for stations to streamline functions and to deliver services as effectively and efficiently as possible through shared funding and resourcing and/or consolidation.
- *Alternative Delivery Models:* The plan sought out new delivery models for PPTN and/or alternative funding sources in the form of provision of services to peer state agencies.
- *Contingency and business continuity planning:* Recognizing the increasing fragility of PPTN, stations were invited individually to compile a detailed assessment of their current broadcast and technical facilities, and projected costs for operations as a stand-alone station without any PPTN services or interconnect functions, or alternatively for the buildout of their own "centralized" network operations

## **Budget Implications for PPTN**

Between the initial presentation of the Strategic Plan in September 2008 and the December 2008 PPTN Commission meeting, the national economic decline necessitated two rescissions to PPTN's operating budget. Drastic cost-reduction measures were implemented by PPTN in order to ensure the agency's ability to sustain itself for the balance of the current fiscal year.

In December 2008, the stations collectively notified the Commission that rather than absorbing additional reductions to their station grants this fiscal year from the second round of rescissions, they preferred that the Commission eliminate the statewide interconnect via the Commonwealth's telecom provider (Level 3) and take all budgetary rescission from the Level 3 savings. Six of eight stations stated at the December Commission meeting that they could exist without the statewide interconnect.

PPTN opted to maintain a fiber connection due to ongoing legal, statutory and contractual obligations, including its role as tertiary backup for the EAS and Amber Alerts as approved by the FCC. However, in order to do so PPTN did forego the purchase of equipment needed to maintain the network, thereby impairing the integrity of the PPTN assets and the agency's ability to provide long term services to stations.

At this time, PPTN is working with the Office of Administration (OA). The Governor has proposed as part of his Executive Budget an appropriation of up to \$2M in OA's budget to cover the costs of closing out PPTN, retiring the agency's obligations and liabilities and moving PPTN equipment to facilities in Harrisburg. The current PPTN equipment, which is Commonwealth owned, has significant value, was a large investment for the Commonwealth, and will be leveraged and repurposed for other Commonwealth needs.

Due to the lack of proposed appropriations to PPTN for next fiscal year, anticipated costs for the relocation and repurposing of equipment, and legal liability concerns, PPTN must prepare to vacate its premises before the close of this fiscal year. Consequently, PPTN will disconnect from Level 3 on May 1 in order to take all steps required to carry out the move. Stations have been aware of this impending event since March, and have been encouraged to take delivery of digital content from PPTN archives during this intervening period.

OA plans to provide limited services to stations during FY 2009-10. These services are being finalized based on budgetary considerations, but OA will not provide for a real-time interconnect, as funding does not allow for such a service. Seven employees currently employed by PPTN will be retained by OA; the remainder will be separated on May 1<sup>st</sup>.

In conclusion, while my testimony has focused on the agency's affairs, it is clear that the proposed elimination of the \$8M funding to stations will have a significant impact. The stations will address this in their testimony. The continued success of public broadcasting in Pennsylvania (and the long-term survival of some of the affiliates) may depend on the General Assembly's ability or desire to restore all or some level of funding to the stations. I sincerely hope that the Legislature will give the financial situation of the stations the due consideration that it deserves.

Thank you for your attention to this testimony. I would be happy to answer any questions you may have.

## Appendix

*Public Television Network System Law, enacted by the General Assembly on November 20, 1968 (P.L. 1075, No. 329), amended by the Act of June 18, 1998 (P.L. 682, No. 87) [71 P.S. §§ 1188.1-1188.4a]*

### **§ 1. Declaration of public policy**

The General Assembly hereby declares that it is in the public interest of the Commonwealth to encourage and develop the growth of noncommercial educational television broadcasting, including the use of such media for instructional purposes; that the expansion and development of noncommercial educational television broadcasting and its programming diversity depend on freedom, imagination and initiative; that it furthers the general welfare to encourage such programming which will be responsive to the interests of people throughout the Commonwealth and which will constitute an expression of diversity and excellence; that it is necessary and appropriate for the State government to complement, assist and support a policy that will most effectively make noncommercial educational television service available to the people of the Commonwealth; and that an independent commission should be created to facilitate the development of educational television broadcasting and to afford maximum protection from extraneous interference and control.

### **§ 2. Creation of commission**

(a) There is hereby created the Pennsylvania Public Television Network Commission, hereinafter referred to as "commission," as an independent commission with powers to encourage the growth and development of noncommercial television broadcasting and programming.

(b) The commission shall consist of the following twenty-four members:

(1) The Secretary of Education or the secretary's designee.

(2) The chief telecommunications technology policy officer of the Executive Department of the Commonwealth or the officer's designee.

(3) The Chairman of the Pennsylvania Council of the Arts.

(4) One member appointed by each of the following from the respective chambers:

(i) The President pro tempore of the Senate.

(ii) The Minority Leader of the Senate.

(iii) The Speaker of the House of Representatives.

(iv) The Minority Leader of the House of Representatives.

(5) Two members appointed by the Governor who shall serve at his pleasure, one of whom shall represent institutions of private education and one of whom shall represent institutions of public education.

(6) Nine members appointed by the Governor, subject to the advice and consent of a majority of the members elected to the Senate, as follows:

(i) One member shall be appointed from Philadelphia County.

(ii) One member shall be appointed from Allegheny County.

(iii) One member shall be appointed from among Bucks, Chester, Delaware and Montgomery Counties.

(iv) One member shall be appointed from among Armstrong, Beaver, Butler, Clarion, Fayette, Greene, Indiana, Jefferson, Lawrence, Mercer, Venango, Washington and Westmoreland Counties.

(v) One member shall be appointed from among Adams, Cumberland, Dauphin, Franklin, Juniata, Lancaster, Lebanon, Perry and York Counties.

(vi) One member shall be appointed from among Bedford, Blair, Cambria, Cameron, Centre, Clearfield, Clinton, Elk, Fulton, Huntingdon, McKean, Mifflin, Potter and Somerset Counties.

(vii) One member shall be appointed from among Berks, Carbon, Lehigh, Monroe, Northampton and Pike Counties.

(viii) One member shall be appointed from among Bradford, Columbia, Lackawanna, Luzerne, Lycoming, Montour, Northumberland, Schuylkill, Snyder, Sullivan, Susquehanna, Tioga, Union, Wayne and Wyoming Counties.

(ix) One member shall be appointed from among Crawford, Erie, Forest and Warren Counties.

(7) Six members at large appointed by the Governor, subject to the advice and consent of a majority of the members elected to the Senate, from any part of the Commonwealth.

(c) Members shall be subject to the following terms:

(1) Each member appointed by the Governor with the advice and consent of a majority of the members elected to the Senate shall serve for a term of six years or until a successor has been appointed and has qualified, but not to exceed six months after the expiration of the member's term.

(2) Of the nine members from specific areas of the Commonwealth initially appointed by the Governor with the advice and consent of a majority of the members elected to the Senate, three shall serve for a six-year term, three shall serve for a four-year term and three shall serve for a two-year term.

(d) No member shall be appointed who is also a member of the governing authority of a public television station or is otherwise affiliated with a public television station.

(e) Any member appointed by the Governor who fails to attend three consecutive board meetings shall forfeit his membership on the commission unless the chairman upon written request from the member determines

that the member should be excused from a meeting or meetings for reasons of illness or the death of an immediate family member.

(f) Such commissioners shall receive no salary but shall be reimbursed for expenses incurred in the performance of their official duties. The commission shall appoint such deputies, secretaries, officers as it may deem necessary, and shall perform all things necessary and proper, consistent with the powers and duties imposed upon it by this act.

(g) Such commission shall, annually, make a full report to the Governor and the General Assembly as soon as possible after the close of each fiscal year, and make such other reports at such intervals as it deems necessary and advisable.

### **§ 3. Powers and duties of the Pennsylvania Public Television Network Commission**

The powers and duties of the commission shall include, but not be limited to, the following:

- (1) To assist, develop and support a statewide policy to encourage the growth and development of a dynamic, free and effective public television service;
- (2) To make grants to public television stations serving Pennsylvania to aid in the improvement of their broadcast operations, programming, and capital facilities;
- (3) To establish and develop and operate, on behalf of the Commonwealth, a public television network system interconnecting all noncommercial television stations serving Pennsylvania;
- (4) To insure the diversity of programming to allow for freedom, imagination, objectivity and initiative on both the State and local level and to insure that the networks shall not be misused for political or other propaganda purposes contrary to the Federal Constitution or the Constitution of the Commonwealth of Pennsylvania;
- (5) To apply for, receive and distribute Federal funds, State funds and public or private funds from any source whatsoever, and to serve as a coordination agency in connection with those funds which are available through the Federal Public Broadcasting Act of 1967 and other Federal legislation now or hereinafter enacted;
- (6) To enter into contracts, leases and other arrangements to own and operate interconnection and switching facilities and equipment pertinent to a statewide network and to apply to the Federal Communications Commission and other Federal agencies for such licenses necessary to operate and maintain such a network;
- (7) To contract with or make plans with other agencies or individuals to program productions and otherwise to procure educational and public television programs for distribution to the noncommercial educational television network;



(8) To conduct research, demonstration and training activities in matters relating to noncommercial educational and public television broadcasting;

(9) To establish and maintain a library and archives for programs and related materials and to develop and promote public awareness of and disseminate information concerning noncommercial educational and public television; and

10) To do all things necessary and proper to effectuate the provisions of this act which are not inconsistent with law, and to promulgate rules and regulations relative thereto.

#### **§ 4. Contracts**

All contracts or purchases made by the commission involving the expenditure of over four thousand dollars (\$4,000), except those involving personal services or items that can only be obtained from one source, shall be in writing, awarded on the basis of competitive bidding and shall be made only after notice of the proposed contract or purchase is published in at least twelve newspapers, as the commission shall determine will be sufficient to ensure distribution of the notice throughout the Commonwealth, at least twenty days before the letting of the contract or purchase.

Every contract for the construction, reconstruction, alteration, repair, improvement or maintenance of public works shall comply with the provisions of the act of March 3, 1978 (P.L. 6, No. 3), known as the "Steel Products Procurement Act."

#### **§ 4.1. Public television broadcasting advisory council**

There is hereby created and placed within the commission a Public Television Broadcasting Advisory Council, whose members shall consist of the highest-ranking, full-time professional employee from each of the public television station licensees serving this Commonwealth or his designee. The council shall elect from among its members a chairman and vice chairman. The chairman or his designee shall serve as an *ad hoc*, nonvoting representative to the commission. The members of the council shall meet from time to time as they deem necessary but shall receive no compensation for their service.