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AGENCY REVIEW EDUCATIONAL BROADCASTING AUTHORITY

AUDIT OVERVIEW

The Educational Broadcasting Authority Remains Relevant Through the Use of Non-Traditional Media; However, In Order to Maintain Relevancy, the Agency Needs to Develop a Comprehensive Strategy for Continued Use of Technology and Expansion of the Younger Audience Demographics



WEST VIRGINIA LEGISLATIVE AUDITOR

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Note: On Monday, February 6, 2017, the Legislative Manager/Legislative Auditor's wife, Elizabeth Summit, began employment as the Governor's Deputy Chief Counsel. Most or all the actions discussed and work performed in this report occurred after this date. However, the Governor's Deputy Chief Counsel was not involved in the subject matter of this report, nor did the audit team have any communications with her regarding the report. As Deputy Chief Counsel, the Legislative Auditor's wife is not in a policy making position within the Executive Branch. Therefore, the Performance Evaluation and Research Division does not believe there are any threats to independence with regard to this report as defined in A3.06.a and A3. 06.b of the Generally Accepted Government Auditing Standards. Furthermore, the Legislative Auditor has instructed the Director of Performance Evaluation and Research Division to document and discuss any issues he believes are a threat to the division's independence with the President of the Senate and the Speaker of the House due to Ms. Summit's position.

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EXECUTIVE SUMMARY

The Legislative Auditor conducted an Agency Review of the Department of Education and the Arts (DEA) pursuant to W.VA Code §4-10-8(b)(2). As part of this review, a performance audit was conducted on the Educational Broadcasting Authority within the DEA. The Legislature established the Educational Broadcasting Authority (EBA) in 1967 to provide educational, cultural, and informational services to citizens of West Virginia through the operation of noncommercial educational television and radio stations. The objective of this audit is to determine if the Educational Broadcasting Authority is still relevant amidst the rapidly changing technological environment. The highlights of this review are discussed below.

Frequently Used Acronyms in this Report

EBA: Educational Broadcasting Authority

WVPB: West Virginia Public Broadcasting

Report Highlights:

Issue 1: The Educational Broadcasting Authority Remains Relevant Through the Use of Non-Traditional Media; However, In Order to Maintain Relevancy, the Agency Needs to Develop a Comprehensive Strategy for Continued Use of Technology and Expansion of the Younger Audience Demographics.

- The EBA uses a wide variety of non-traditional media platforms to reach its audience, including Facebook, YouTube, Twitter, and smartphone applications.
- Individuals 45 years and older are over 50 percent of the viewing audience as compared to 46 percent of West Virginia's population.
- The EBA does not have a comprehensive plan for the integration of new technologies nor a plan for the attraction of a younger demographic.

Recommendations

1. *The Legislative Auditor recommends the Educational Broadcasting Authority create a comprehensive strategy to attract and retain audience members in younger demographics, namely the 18 to 45 age group.*
2. *The Legislative Auditor recommends the Educational Broadcasting Authority create a comprehensive strategy for the development and expansion of non-traditional media.*

PERD's Evaluation of the Educational Broadcasting Authority's Response

The EBA agrees with the recommendations in the issue. The agency notes that “the last few years have brought tremendous changes in how we consume video and audio, and...agree with your recommendation that the EBA create comprehensive strategies to attract younger audiences and expand our reach on non-traditional media.” The EBA will be hiring a Marketing and Engagement Coordinator. According to the EBA, the “Coordinator’s first job will be to lead strategic planning around attracting and keeping younger audiences.” The EBA’s response can be seen in Appendix C.

ISSUE1

The Educational Broadcasting Authority Remains Relevant Through the Use of Non-Traditional Media; However, In Order to Maintain Relevancy, the Agency Needs to Develop a Comprehensive Strategy for Continued Use of Technology and Expansion of the Younger Audience Demographics.

Issue Summary

The Legislature established the Educational Broadcasting Authority in 1967 as a public benefit corporation on behalf of noncommercial educational radio, television and related media. Its mission is “to educate, inform and inspire our people by telling West Virginia’s story... [it] is a resource for education, news and public affairs, emergency services and economic development.” Significant changes to the EBA’s operations took place from 2010 through 2017. These changes include a rebranding of radio and television functions, the launch of new television programming, and the launch of non-traditional media (e.g. social media, mobile apps for smart phones, etc.). Despite the new programming and expansion of non-traditional media, two significant threats to continued relevancy exist: an aging audience and alternatives to traditional media. While the EBA is aware of these threats, the agency does not have a strategy in place to address these issues. **The Legislative Auditor recommends the EBA create comprehensive strategies to 1) attract and retain audience members in younger demographics and 2) plan the use and expansion of non-traditional media.**

The Legislative Auditor recommends the EBA create comprehensive strategies to 1) attract and retain audience members in younger demographics and 2) plan the use and expansion of non-traditional media.

Expanded Programming Options and Non-Traditional Media Platforms Enabled the EBA to Reach a Larger Audience

The Legislature established the Educational Broadcasting Authority (EBA) in 1967 to provide educational, cultural, and informational services to citizens of West Virginia through the operation of noncommercial educational television and radio stations. As such, the EBA:

- provides educational videos and curricula via the website West Virginia LearningMedia [sic];
- produces educational programs for television, radio, and online;
- provides media programs and services to the Department of Education, colleges, and universities;
- operates radio and television towers to provide free radio and television programming through PBS and Public Radio; and,

- broadcasts information in disaster situations.

Operations began as three separate television stations in Beckley, Huntington, and Morgantown, and one radio station located in Charleston. In 1992, the Beckley station and the Morgantown station began retransmitting the Huntington station via a completed microwave link, effectively creating a single, statewide television network. As of calendar year 2016, the EBA operates three television studios (Beckley, Charleston, and Morgantown) with programming available statewide through 11 television transmitters, while the radio network consists of 16 radio stations transmitting the radio broadcast produced in Charleston.

Significant changes to the EBA's operations took place from 2010 through 2017. The first major change was the creation of the West Virginia Public Broadcasting brand. Although already functioning as one unified network operated by the same entity, in January 2015, West Virginia Public Broadcasting Service and West Virginia Public Radio merged brands to become West Virginia Public Broadcasting. The goal of the brand merger was to unify services under a single brand to eliminate confusion about the source of programming. The second major change occurred in January 2016 with the launch of the West Virginia Channel. The West Virginia Channel replaced the existing WVPBS-2 on cable and satellite television systems throughout the state. The channel includes West Virginia and Appalachian centric programming, such as the live broadcast of the legislative session, as well as Frontline, Nova, and PBS NewsHour from the former channel. The third major change occurred in January 2017 with the launch of WVPBSKIDS, a 24-hour channel for children. The WVPB PBS KIDS channel provides educational programming for children and is available on cable, satellite, streaming television, and mobile apps.

The EBA launched the West Virginia channel in January 2016 and PBS Kids Channel in January 2017.

In addition to radio and television programming changes, the EBA significantly expanded its digital presence from 2006 to the present by launching the following:

- YouTube channel (November 2006);
- Mountain Stage channel (July 2009);
- News feed Twitter account (February 2011);
- Mountain Stage Twitter account (April 2011);
- General Twitter account (November 2011);
- Mountain Stage Instagram account (September 2013);
- EBA Instagram account (December 2013);
- Passport Program (December 2015); and,
- Mobile app for smartphones and tablets (April 2016);

Nationally Recognized Programming, Educational Programming, and Increasing Fundraising Demonstrate the EBA Is Relevant

As mentioned above, the EBA recently launched the WVPBS KIDS channel. The channel is available all day, every day, provides learning opportunities through educational programming, and targets children in the 2-year to 8-year age group. Broadcasting programs for this age group is practical for two main reasons. First, children are a large consumer of television. On average, children ages 2-11 spend approximately 20 hours per week watching television. Offering content appealing to this age group helps the EBA ensure relevancy. Second, in West Virginia, commercial television stations broadcast approximately three hours of educational television programming per week. Given that children watch approximately 20 hours of television per week, approximately 16 hours are spent watching non-educational programming. The EBA may be taking advantage of a niche market to further maintain relevancy as children are also the second largest consumer of public television (behind adults 50 and older).

EBA productions are also recognized nationally. Mountain Stage is broadcast by National Public Radio Music and is carried on 207 affiliate stations. Mountain Stage has been broadcast for 34 years and has produced over 900 programs. Moreover, the EBA has won several awards for both television and radio. Awards include Edward R. Murrow Regional Awards, Ohio Valley Regional Emmy Awards, and the Virginias Associated Press Broadcasters Association Awards.

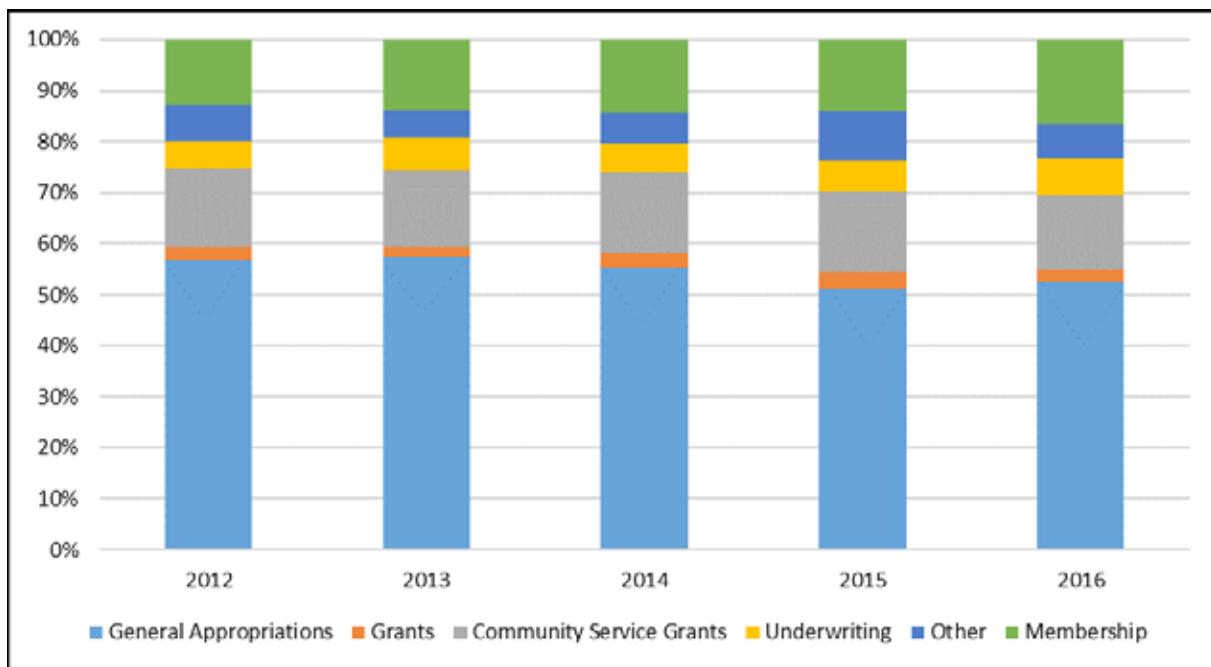
Mountain Stage, broadcast for 34 years, has produced over 900 programs and is carried on 207 affiliate stations and National Public Radio.

Despite Increase in Memberships and Donations, Majority of EBA Revenue Is State Appropriations

The EBA receives funds from state appropriations, donations, federal grants, operations of Mountain Stage, underwriting, and other operating income sources (such as tower leases). The three largest sources of funding are state appropriations, federal grants, and donations. As shown in Chart 1, state appropriations average 55 percent of funding, federal grants average 15 percent, and membership/donations average 14 percent.

State appropriations average 55 percent of funding, federal grants average 15 percent, and membership/donations average 14 percent.

Chart 1
EBA Revenue Sources as a Percent of Total
Fiscal Years 2012 through 2016

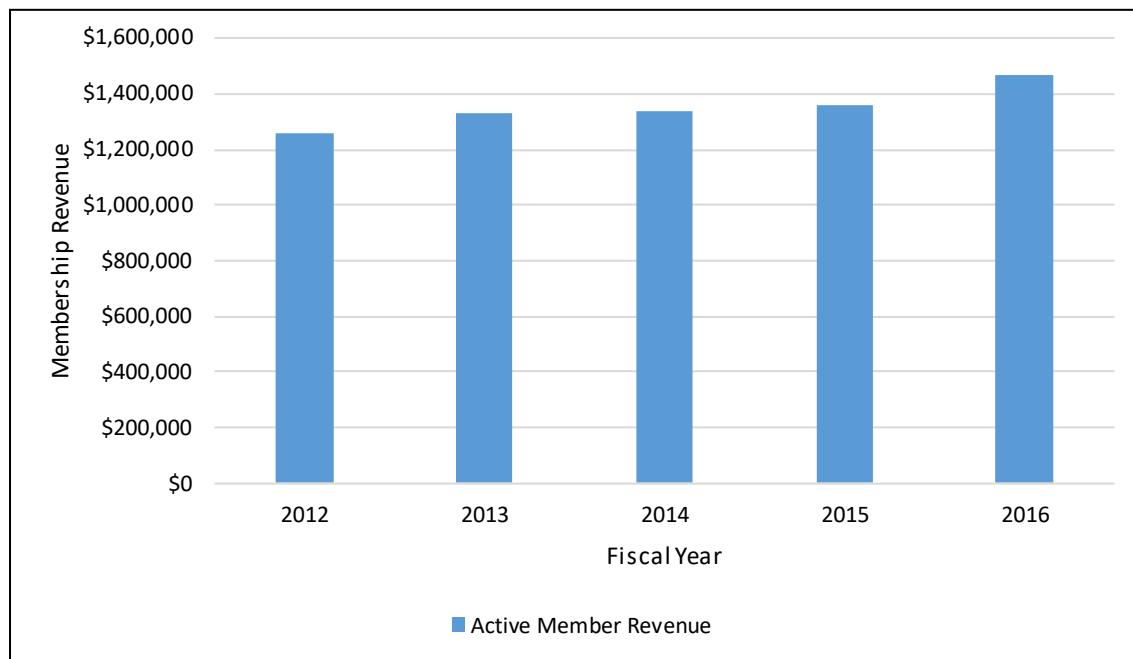


Source: Educational Broadcasting Authority Annual Financial Audits

Memberships and donations serve as a gauge of relevancy as they 1) directly support programming costs and 2) indicate the value the audience places on the programming. As shown in Chart 2, revenues from fundraising (memberships and other contributions) increased an average of nearly 4 percent annually from fiscal year 2012 through fiscal year 2016, averaging \$1,430,947 annually.

Revenues from fundraising increased an average of nearly 4 percent annually from fiscal year 2012 through fiscal year 2016.

Chart 2
Membership Revenue
FY 2012 through 2016



Source: Educational Broadcasting Authority Annual Financial Audits

Other States Have Eliminated Funding of Public Broadcasting

In 2012, New Hampshire eliminated state funding of public broadcasting. New Hampshire's state funding for public television represented approximately 30 percent of the agency's budget. Consequently, on July 1, 2012, New Hampshire's Public Television (NHPTV) began operating as a non-profit organization. To maintain service, NHPTV reached out to the Corporation for Public Broadcasting, who funded an outside consultant to provide short and term options for the future of NHPTV. Using the consultant's blueprint, NHPTV reduced staff by 40 percent, reduced salaries of remaining personnel, and ceased making most local productions. In addition, NHPTV launched a partnership with Boston, Massachusetts's WGHB. WGHB, the largest public television broadcasting operation in the country, was contracted to provide master control¹, backend fundraising support, and financial accounting services.

In 2012, New Hampshire eliminated state funding of public broadcasting. State funding for public television represented approximately 30 percent of the agency's budget.

¹ Master control is the final point before a signal is transmitted where staff monitor quality, ensure compliance with regulations, and troubleshoot equipment malfunctions.

Similarly, Rhode Island eliminated state funding of public television in June 2013. However, the state provided one full year of appropriations plus one year of grant funding to provide the Public Telecommunications Authority time to transition to a non-profit entity. A complete evaluation of operations post-transition has not been completed. However, the non-profit Rhode Island PBS participated in the federal spectrum auction whereby broadcasters could sell their ultra-high frequency (UHF) to wireless providers to expand mobile broadband. Rhode Island PBS received \$94.5 million from the sale which will be placed into an endowment. Given Rhode Island's annual budget is approximately \$4.3 million annually, the income from the sale of the frequencies will likely provide funding in perpetuity.

West Virginia would not likely have advantages similar to New Hampshire and Rhode Island. The largest Designated Market Areas² (DMA) around West Virginia are Cincinnati, Ohio (36th largest DMA); Columbus, Ohio (34th largest DMA); Pittsburgh, PA (24th largest DMA); and Washington, DC (6th largest DMA). Collectively, these markets contain 14 public broadcasters. It is likely individual public broadcasters in these locations are not capable of handling the services for the entire state, requiring West Virginia to partner with multiple broadcasters to ensure statewide coverage. In addition, these public broadcasters may not be willing or able to provide assistance. For example, Ohio State University participated in the spectrum auction and is closing the station serving Portsmouth, Ashland, and Huntington. Consequently, it is not likely to support West Virginia in sustaining public broadcasting.

The second factor impacting West Virginia is that the state would not likely receive as much money in an auction. In the most recent federal spectrum auction, two stations operating in West Virginia sold their rights to their UHF frequencies and transitioned to the lower VHF frequencies. However, the two stations sold for a combined \$14.3 million, which is less than 0.1 percent of the total auction. Given the low value of the UHF frequencies in West Virginia and an annual budget of approximately \$10 million, the sale of EBA's UHF frequencies would not likely provide a lasting endowment.

Lastly, in both New Hampshire and Rhode Island, state funding represented approximately 30 percent of state funding. As shown above, state appropriations are over 50 percent of public broadcasting's revenue in West Virginia. Identifying funding options to negate the loss of state appropriations would be difficult and likely result in the elimination of the service. Furthermore, elimination of educational programming and Mountain Stage via the termination of state appropriations would likely have a negative effect on the perception of West Virginia by those outside the state.

Rhode Island eliminated state funding of public television in June 2013. However, the state provided one full year of appropriations plus one year of grant funding to provide the Public Telecommunications Authority time to transition to a non-profit entity.

Elimination of educational programming and Mountain Stage via the termination of state appropriations would likely have a negative effect on the perception of West Virginia by those outside the state.

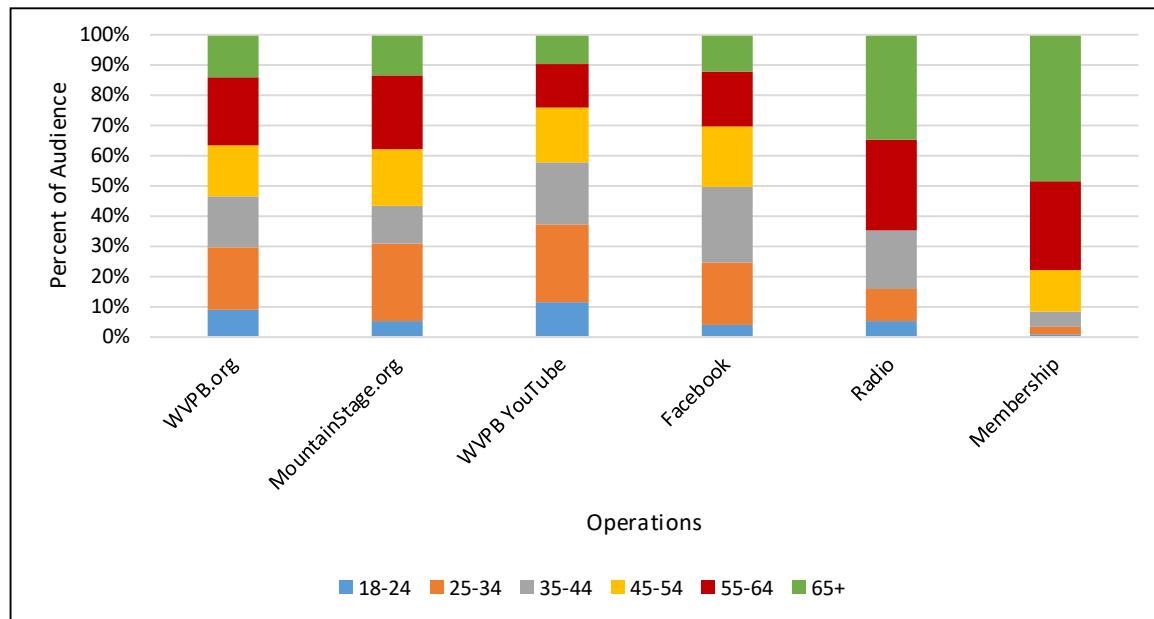
² Designated Market Areas are defined by Nielsen as a group of counties that form an exclusive geographic area in which the home market television stations hold a dominance of hours.

Aging Population Problematic for Ongoing Relevancy of the Educational Broadcasting Authority

Despite the changes to programming and expansion of the EBA's digital presence, threats to continued relevancy exist, namely the age of the audience. As shown in Chart 3, except for social media (Facebook, YouTube), individuals 45 years and older are over 50 percent of the audience as compared to 46 percent of West Virginia's population. Moreover, as illustrated below, the data show that for radio³, 65 percent of listeners are over the age of 50.

Except for social media (Facebook, YouTube), individuals 45 years and older are over 50 percent of the audience as compared to 46 percent of West Virginia's population.

Chart 3
Age Demographics of Select EBA Operations



Source: Educational Broadcasting Authority (unaudited)

Similarly, as shown in Table 1, the EBA's television viewership data shows the primary audience is over 50 years old. In fact, except for early mornings Monday through Friday and Saturday afternoon, people 50 years and older are the primary viewers of EBA's programming.

Except for early mornings Monday through Friday and Saturday afternoon, people 50 years and older are the primary viewers of EBA's programming.

³ It should be noted that for radio the demographic data groupings are: 18-24, 25-34, 35-49, 50-64, and 65 and above.

Table 1
EBA's Top Audience in Select Dayparts⁴

Day(s)	Times	Age of Top Audience
Monday through Friday	6:00 A.M. to 9:00 A.M.	2 years to 11 years
Monday through Friday	12:00 P.M. to 7:00 P.M.	2 years to 11 years; 54 years and up
Monday through Friday	6:00 P.M. to 8:00 P.M.	54 years and up
Sunday through Saturday	8:00 P.M. to 11:00 P.M.	Women 50 and up; Men 54 and up
Saturday	7:00 A.M. to 12:00 P.M.	Women 50 and up; Men 54 and up
Saturday	12:00 P.M. to 5:00 P.M.	Men 24 years to 34 years
Sunday	1:00 P.M. to 6:00 P.M.	Women 50 and up; Men 54 and up
Saturday and Sunday	8:00 P.M. to 11:00 P.M.	Women 50 and up; Men 54 and up; 11 years to 18 years

Source: 2016 July Nielsen Book as provided by the EBA.

The age of the audience is problematic for the EBA because the primary consumer of public broadcasting is older than the general population in the state. Nationally, the average age of the public broadcast audience is 55 years old, while the median age for the population is 37. Similarly, for West Virginia, the majority of EBA's radio and television audience is over 50 years old, as compared to West Virginia's median age of 43. Since the main consumer of public broadcasting is older than the general population, the EBA must appeal to a younger demographic to remain relevant and maintain a robust audience. However, the EBA does not have a comprehensive strategy for appealing to a younger audience, namely the 18 to 45 age group.

While the EBA has an annual strategic plan, the plan does not contain an approach to attracting a more youthful audience. Incorporation of a demographic strategy would likely require minimal additional work. For example, one strategy could be targeting new parents. This is advantageous as the strategy would include several of the EBA's offerings and have several potential benefits. First, the average age of a first time mother in West Virginia is 24 years old, which is within the younger demographic needed for retaining relevancy. Second, the children could be introduced to public broadcasting if they watch the newly launched WVPBSKIDS channel. Third, as the children age, the parents could become registered members of WV LearningMedia, while simultaneously continuing to be consumers of WVPB programming. Given the multiple areas potentially drawing an audience, targeting the parents of young children for outreach regarding WVPB programming

For West Virginia, the majority of EBA's radio and television audience is over 50 years old, as compared to West Virginia's median age of 43.

Since the main consumer of public broadcasting is older than the general population, the EBA must appeal to a younger demographic to remain relevant and maintain a robust audience.

⁴ A daypart is a specific time period during the day when people could be exposed to a station's broadcast.

would likely be a simple and feasible approach. **The Legislative Auditor recommends the EBA create a comprehensive strategy to attract and retain audience members in younger demographics, namely the 18 to 45 age group.**

Expanded Media Options Threaten Relevancy by Creating More Competition for the EBA

In 1969, when the first public stations began transmitting in West Virginia, there were 677 commercial television stations and 174 educational stations nationwide. As of 2016, there were 1,384 commercial television stations and 394 educational stations nationwide, representing a 104 percent and a 126 percent increase respectively. In addition, numerous alternatives to traditional television and radio developed over the years such as the internet, mobile apps, social media, and streaming television. The EBA must also compete against satellite radio for listeners as well. SiriusXM satellite radio offers 994 stations, three of which are National Public Radio, PRX Public Radio, and BBC World Service. These three stations offer content also available on WVPB Radio, including shows such as Fresh Air, Marketplace, and Prairie Home Companion. The EBA spends approximately \$71,385 annually on purchasing programming carried by satellite radio.

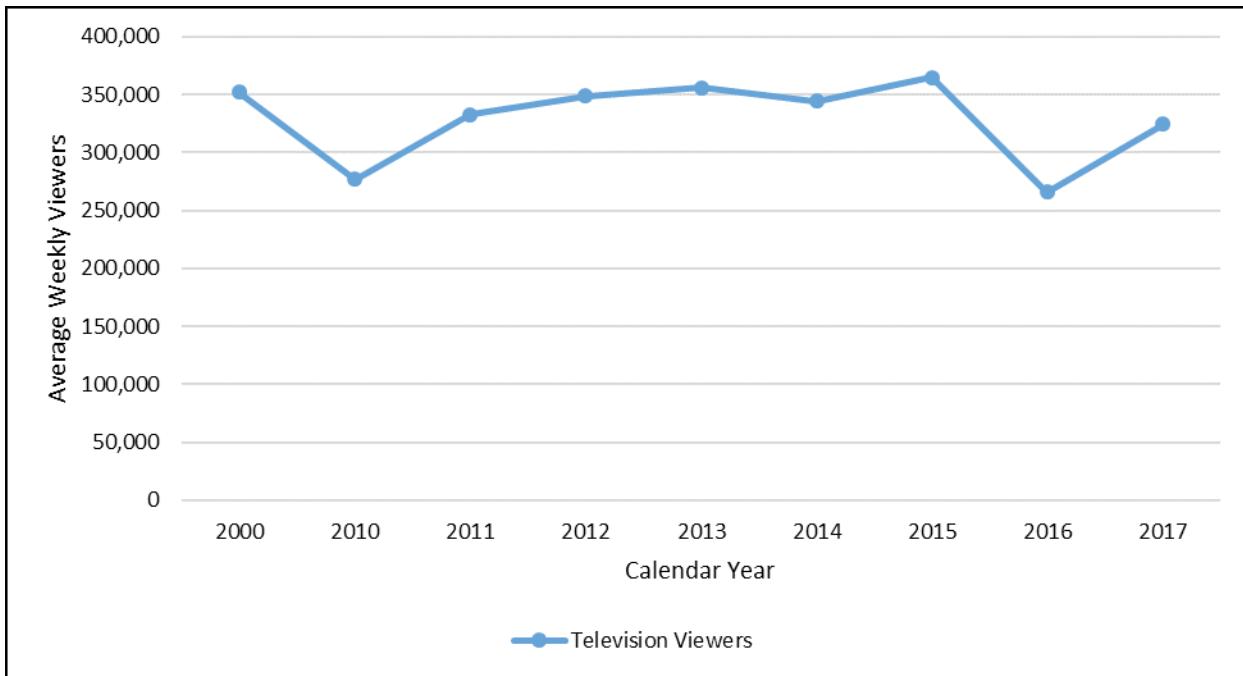
Despite the increase in viewing alternatives, viewership for the main WVPB channel has remained relatively stable over the years. As shown in Chart 4, the television audience averaged 326,694 viewers per week from 2010 to 2017, which is consistent with viewership in 2000. In addition, the EBA's main channel viewership increased from a six-year low of 277,200 in 2010 to a high of 364,980 in 2015.

According to the EBA, the drop in the viewership in 2016 is due to the combination of two factors. First, audience members are shifting from traditional media to non-traditional media. As of August 2017, the viewership of the PBS Adult streaming channel was 16,272 users streaming 17,472 shows, and the PBS Kids streaming channel was 22,311, for a combined 38,583. It should be noted the number of streaming viewers is roughly equivalent to the decline in viewers from 2015 to 2017. The second factor was the conclusion of the popular television show Downton Abbey. The program attracted non-traditional viewers to WVPB and when the broadcast ended, the viewers were not retained.

The Legislative Auditor recommends the EBA create a comprehensive strategy to attract and retain audience members in younger demographics, namely the 18 to 45 age group.

As of 2016, there were 1,384 commercial television stations and 394 educational stations nationwide, representing a 104 percent increase and a 126 percent increase respectively. The EBA must also compete against satellite radio for listeners as well. SiriusXM satellite radio offers 994 stations, three of which are National Public Radio, PRX Public Radio, and BBC World Service.

Chart 4
Average Weekly Persons Viewing
FY 2010 through FY 2016



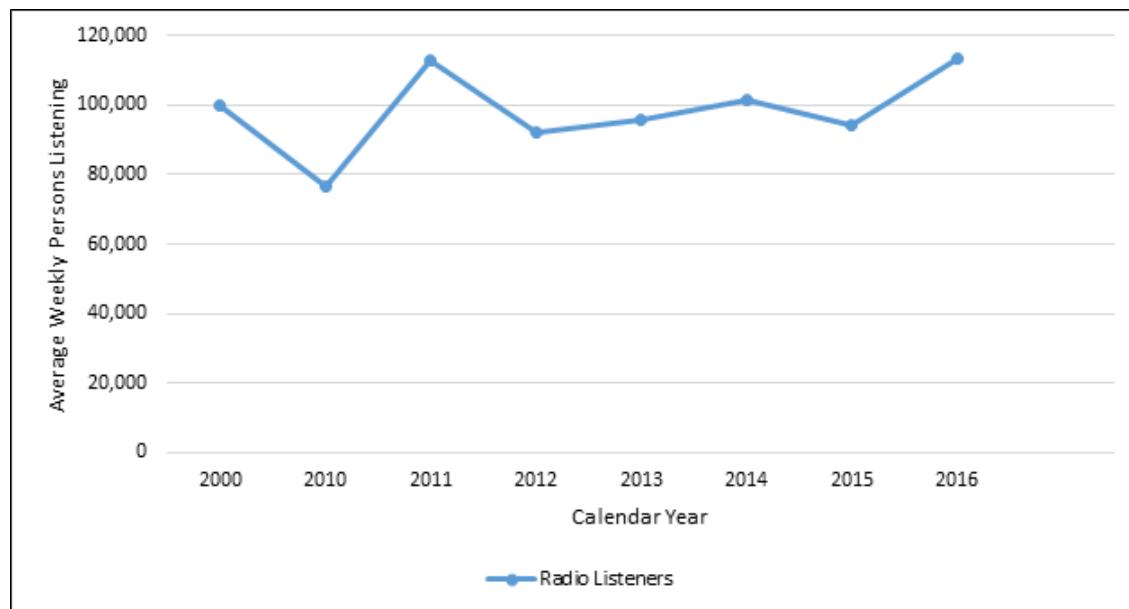
Source: Educational Broadcasting Authority (unaudited)

Similarly, as shown in Chart 5, in 2016 the EBA's radio audience⁵ averaged 113,300 listeners per week, a significant increase from its six-year low of 76,500. In addition, the average weekly persons listening exceeds that of 2000, indicating an increase in audience size.

The EBA's radio audience⁵ averaged 113,300 listeners per week, a significant increase from its six-year low of 76,500.

⁵ The average weekly persons listening is derived from Nielsen's Spring Cumulative Weekly Audience Figures, which are a projection of total number of different people a station reaches in a given period.

Chart 5
Average Weekly Persons Listening
FY 2010 through FY 2016



Source: Educational Broadcasting Authority (unaudited)

In addition to satellite radio, the EBA also competes against low power radio stations in West Virginia. Low power stations broadcast noncommercial educational programming within a limited (3.5-mile radius) area. Statewide, there are 32 low power radio stations. The stations offer a variety of programming from religious to community and local education.

In addition to television and radio, the EBA has experienced audience growth in non-traditional media. In fact, viewership and user data show significant growth in most platforms from 2010 to 2016:

- Website views increased from 857,918 views in 2012 to 2,500,000 in 2016, while the number of unique users increased from 312,533 to 1,100,000 during the same time period.
- Facebook “likes” increased from 1,000 in 2011 to 21,371 in 2016.
- Registered users of WV LearningMedia increased from 3,487 in 2014 to 5,977 in 2016.
- Mountain Stage affiliates increased from 129 stations in 2012 to 175 stations in 2016.

In addition to television and radio, the EBA has experienced audience growth in non-traditional media. In fact, viewership and user data show significant growth in most platforms from 2010 to 2016.

⁶The Facebook “Like” button is a feature that allows users to show support for specific comments , pictures, wall posts, statuses, or fan pages.

- YouTube views for the WVPB channel increased from 25,321 in 2007 to 707,968 in 2015.
- YouTube views for the Mountain Stage channel increased from 9,234 in 2009 to 330,923 in 2015.

However, although the EBA expanded into non-traditional media and audience counts increased, the expansion occurred significantly after the platforms were available. For example:

- YouTube launched in December 2005, while the EBA added its first videos in December 2006.
- Facebook premiered for anyone over 13 years of age in September 2006, whereas the EBA did not establish an account until 2009.
- Instagram debuted in October 2010 for iOS devices and April 2012 for Android devices; however, the EBA did not create an Instagram account until December 2013.

The use of alternatives to traditional radio and television not only increases the reach of the EBA, it also addresses the issue of the aging audience. This is primarily because younger individuals are more likely to access non-traditional media. **However, the EBA's annual strategic plan does not contain a comprehensive approach for its digital presence and the approach is not proactive as indicated above.** Rather, the EBA's digital presence is incorporated into the various outcomes within the strategic plan, for example:

- **Outcome 1, Strategy 3:** Develop and implement an ongoing educational marketing campaign to tell the story of WVPB's educational offerings, using e-mail, social media, TV, radio and outreach efforts;
- **Outcome 2, Strategy 4:** Ensure West Virginia Channel's digital presence [website] is as engaging as its TV presence.
- **Outcome 3, Strategy 2:** Deepen focus on West Virginia statehouse coverage, expanding the "Legislature Today" brand and doing more in-depth government storytelling online, social media, TV and radio.
- **Outcome 3, Strategy 3:** Develop podcasts/signature segments with regular timeslots, music cues and underwriting credits to highlight beats around health and energy and the environment.

Although the EBA expanded into non-traditional media and audience counts increased, the expansion occurred significantly after the platforms were available.

The EBA's annual strategic plan does not contain a comprehensive approach for its digital presence and the approach is not proactive as indicated above.

While many elements of a digital strategy are present, such as use of social media, podcasts, and website development, the elements are separated across three outcomes, and four separate strategies. In

addition, the EBA is beginning to explore additional alternatives to traditional radio and television delivery models in an effort to attract both members and a larger audience through the Passport⁷ program. While incorporating some elements of the digital presence in individual strategies may be necessary, a singular, comprehensive strategy for non-traditional media targeting the younger demographic will not only appeal to a more youthful audience, but will allow the EBA to remain relevant by increasing viewing opportunities and staying current with technology.

Conclusion

The EBA is currently fulfilling the need for which it was created by providing the public with adequate access to educational television and radio. Programs provided by the EBA are unique and would not be broadcasted elsewhere. The agency is addressing the factors that affect its relevancy, which are 1) the aging of the audience and 2) the increasing number of alternatives to traditional television and radio. By incorporating strategies for these areas into the agency's overall strategic plan, the EBA can continue to remain relevant.

A singular, comprehensive strategy for non-traditional media targeting the younger demographic will not only appeal to a more youthful audience, but will allow the EBA to remain relevant by increasing viewing opportunities and staying current with technology.

Recommendations

1. *The Legislative Auditor recommends the Educational Broadcasting Authority create a comprehensive strategy to attract and retain audience members in younger demographics, namely the 18 to 45 age group.*
2. *The Legislative Auditor recommends the Educational Broadcasting Authority create a comprehensive strategy for the development and expansion of non-traditional media.*

⁷ The Passport program allows individuals to sign up for an on-demand streaming video service. Since its start in December 2015, 464 individuals joined the program.

Appendix A Transmittal Letter

WEST VIRGINIA LEGISLATURE *Performance Evaluation and Research Division*

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John Sylvia
Director

November 17, 2017

Scott Finn, Executive Director and CEO
Educational Broadcasting Authority
600 Capitol Street
Charleston, WV 25301

Dear Director Finn:

This is to transmit a draft copy of the Agency Review of the Department of Education and the Arts, specifically the Educational Broadcasting Authority. This report is tentatively scheduled to be presented during the December 3-5 interim meetings of the Joint Committee on Government Operations, and the Joint Committee on Government Organization. We will inform you of the time and location once the information becomes available. It is expected that a representative from your agency be present at the meeting to orally respond to the report and answer any questions committee members may have during or after the meeting.

If you would like to schedule an exit conference to discuss any concerns you may have with the report, please notify us by Tuesday, November 22, 2017. In addition, we need your written response by noon on Monday, November 27, 2017 in order for it to be included in the final report. If your agency intends to distribute additional material to committee members at the meeting, please contact the House Government Organization staff at 304-340-3192 by November 30, 2017 to make arrangements.

We request that your personnel not disclose the report to anyone not affiliated with your agency. Thank you for your cooperation.

Sincerely,

A handwritten signature in blue ink that reads "John Sylvia".

John Sylvia

Appendix B

Objective, Scope and Methodology

The Performance Evaluation and Research Division (PERD) within the Office of the Legislative Auditor conducted this performance review of the Educational Broadcasting Authority (EBA) as part of the agency review of the West Virginia Department of Education and the Arts as required by West Virginia Code §4-10-8(b)(2). The Legislature established the Educational Broadcasting Authority (EBA) in 1967 to provide educational, cultural, and informational services to citizens of West Virginia through the operation of noncommercial educational television and radio stations.”

Objective

The objective of this audit is to determine if the Educational Broadcasting Authority is still relevant amidst the rapidly changing technological environment.

Scope

The scope of this objective consisted of fiscal years 2010 through 2016 and included actions taken by the Educational Broadcasting Authority to address the greying of the audience.

Methodology

PERD gathered both testimonial evidence and documentary evidence. The purpose for testimonial evidence was to gain a better understanding or clarification of certain issues, such as general financial indicators, and to confirm the existence or non-existence of a condition, or to understand the respective agency's position on an issue. PERD confirmed by either written statements or the receipt of corroborating evidence such testimonial evidence. In addition, PERD reviewed counts of users for a variety of technology platforms, including Facebook, Instagram, YouTube, Twitter, LearningMedia, and web traffic data as well as smartphone based applications. In addition, the audit team reviewed historical finances, demographic data, listenership data, and viewership data in order to establish trends and identify any potential issues. PERD also reviewed documents, such as annual reports and strategic plans, to identify the agency's approach to technology and its strategy for addressing a younger audience and incorporating new platforms in the future.

It should be noted that PERD identified a potential impairment with regard to the audit. The West Virginia Legislature received \$100,000 in March 2015 from the Educational Broadcasting Authority for installation of a high-definition video and live streaming system that captures in real time the proceedings in both the House and Senate Chambers. However, it was determined the threat to independence to be an acceptable level that did not affect the Legislative Auditor's ability to remain impartial.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix C

Agency Response



November 27, 2017

Dear Legislative Auditor,

Thank you for your thorough review of the Educational Broadcasting Authority, dba West Virginia Public Broadcasting. We are pleased you agree that West Virginia Public Broadcasting remains a relevant source of educational programming for the people of West Virginia.

The last few years have brought tremendous changes in how we consume video and audio, and we wholeheartedly agree with your recommendation that the EBA create comprehensive strategies to attract younger audiences and expand our reach on non-traditional media.

WVPB is a recognized leader among PBS stations nationwide in making our videos available through Facebook, YouTube and streaming services such as Roku and Apple TV. For example, WVPB's Facebook page now has more than 31,000 fans – ranking 16th among all PBS stations nationwide. More than 600,000 people have viewed one of our Facebook videos about a traditional craftsman. Our Facebook videos from Vietnam: West Virginians Remember generated more than 340,000 views.

However, there is much more to do to remain competitive and relevant in this new environment, and WVPB is committed to growing our digital audiences while maintaining service to our traditional ones.

One strategy is the launch last year of our new 24-hour channel, WVPB PBS Kids. Available on TV and online, this is a free, trusted source of educational programming for children 2 – 8.

As you rightly point out, WVPB must grow audiences that are older than 8 and younger than 50. In response to this challenge, we are in the process of hiring a Marketing and Engagement Coordinator for the station. This Coordinator's first job will be to lead strategic planning around attracting and keeping younger audiences. One successful example is our series "The Struggle to Stay," which follows 5 young people trying to remain in our region.

Finally, we want to update you on our continued success in raising additional money through membership and underwriting. Last year, we received an approximately \$1 million reduction in our state appropriation, which now stands a \$3.6 million of our \$9 million budget. Now, our state appropriation accounts for about 40 percent of our budget, down from over 50 percent.



Meanwhile, we've received unprecedented surge in donations from our members and underwriting sponsorships for our programs from corporations and non-profits. Over the last three years, federal and state support is down, but private support is rising:

1. State appropriations – down 24 percent
2. Federal CPB grant – down 6 percent
3. Membership/major giving – up 37 percent
4. Underwriting - up 37 percent
5. Foundation/private grants – up 58 percent

As you point out, the state's investment in the EBA continues to be crucial, to make sure ALL West Virginians receive our programming, no matter where they live.

West Virginia's mountainous terrain and rural population are difficult and expensive to serve. For example, one tower can serve a city of millions, but it takes 26 towers, as well as multiple fiber-optic and satellite feeds, to serve West Virginians in six different media markets. Public Media Company estimated this distribution cost to be about \$2 million.

This year, WVPB has asked lawmakers to fund that distribution network, as well as our financial services, educational services and Mountain Stage. Meanwhile, all other costs are being paid by our supporters, grants or earned income – including programming costs, fundraising personnel, video and news personnel, etc.

We believe West Virginia Public Broadcasting continues to play a crucial role in education, emergency services, news and public affairs, and promoting our state through Mountain Stage. We appreciate the opportunity to continue to improve, and tell West Virginia's story to ourselves and the world.

Sincerely,

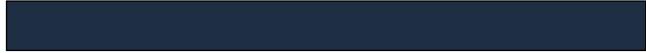
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