



OLR RESEARCH REPORT

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ADVERTISING ON STATE AGENCY WEBSITES

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You asked if any state agencies sell advertising on their websites. You also asked about potential revenue from website advertising and other states' experiences with website advertising.

SUMMARY

We found few Connecticut state agencies with advertisements on their websites, and state law does not specifically prohibit or authorize advertising. It is also unclear whether or not an agency needs specific authorization to sell website advertising.

The potential revenue cannot be precisely estimated as it depends on several factors, including the amount and type of advertising permitted, its size and placement on the page, the sales model used to sell it, and the amount of traffic to the website. One agency, the Washington Department of Transportation, (WSDOT) projected that, under a best-case scenario, it could earn more than \$1 million annually from website advertising. However, under a worst-case scenario, WSDOT projected that it could lose money from advertising.

It appears that while website advertising has been discussed in several states, its implementation has been limited and is typically found in agencies associated with travel or tourism. Conversely, some states have discouraged or severely limited website advertising, citing privacy concerns as well as the perception that the government endorses or favors a particular firm.

CONNECTICUT

We found few state agency websites with advertising. Examples include Bradley Airport and the state's official tourism website (ctvisit.com). Additionally, university athletic websites, such as UConn and Central and Southern Connecticut State Universities, also accept advertising, but this is common in collegiate athletics, and discussions of state website advertising typically exclude university athletic departments. According to the Office of Fiscal Analysis (OFA), athletics website advertising produces \$3,000 annually for the Connecticut State University System. OFA is still awaiting information on the other websites.

State law appears to neither prohibit nor permit website advertising, and it is unclear if specific authority is needed before an agency could sell advertising on its website. However, agencies must comply with guidelines from the U.S. General Services Administration, which administers the .gov domain. According to the guidelines, "a .gov domain may not be used to advertise for private individuals, firms, or corporations, or imply in any manner that the government endorses or favors any specific commercial product, commodity, or service."

Those agencies using the .gov domain would have to create a page in a different domain, such as .com or .org, in order to accept advertising. For instance, each of the websites listed above is in the .com domain.

REVENUE IN OTHER STATES

In January 2010, WSDOT released a report, *WSDOT Web Site Monetizing Feasibility Study*, that assessed the revenue potential from selling advertising on its website. It found that the department could potentially earn more than \$1 million annually in net revenue but could also lose money. Two key revenue determinants are the type of advertising sold and the sales model used to sell it.

The report examined three types of advertising: (1) display ads, (2) sponsorships, and (3) business listings. Display ads are often referred to as banner ads. They may consist of static or animated images and may also have interactive media. Sponsorships are short descriptions of an advertiser's offerings and may include an advertiser's logo and a link to its website. Business listings link to advertisers' websites and are typically organized into categories, such as lodging or restaurants.

WSDOT noted that display ad pricing varies based on several factors, such as the ad's size and location on the page, the content of the page and the number of competing ads, and the size and demographics of the audience. The report estimated revenue potential for display ads at between \$3 and \$7 CPM (cost per 1,000 impressions). For sponsorships, it estimated potential revenue at between \$5,000 and \$20,000 per location, while business listings were estimated at \$100 to \$300 per listing.

Additionally, the report examined three different sales models: (1) direct sales by agency staff, (2) using an advertising network, and (3) using a partner organization. In both advertising networks and partner organizations, the ads are sold and delivered through a third party. However, a partner organization could be a newspaper or television station, and in this model the state agency has more control over the advertising content than it does with an advertising network. WSDOT reported that the partner model is the most common one for public agencies.

Table 1 shows a range of potential advertising revenue for WSDOT using different advertising types and sales models. The estimates were based on 312 million annual page views.

Table 1: WSDOT Potential Advertising Net Revenue

<i>Type of Advertising</i>	<i>Sales Model</i>	<i>Low</i>	<i>High</i>	<i>Most Likely</i>
Display Advertising	Direct Sales	(\$70,000)	\$1,900,000	\$250,000
	Ad Network	\$10,000	\$270,000	\$100,000
	Partner Organization	\$110,000	\$1,630,000	\$440,000
Sponsorships	Partner Organization	(\$30,000)	\$420,000	\$210,000
Business Listings	Partner Organization	(\$40,000)	\$140,000	\$10,000

Source: WSDOT

The report also provided information on other public agencies that have sold advertising on their websites. Table 2 lists these agencies and their approximate annual net revenue.

Table 2: Other Organizations' Advertising Net Revenue

Organization	Type of Advertising	Annual Page Views	Approximate Annual Net Revenue
Cook County (IL) Assessor's Office	Traditional Display	44 million	\$200,000
Experience WA (Washington Department of Commerce)	Business Listings, Links, and Banner Ads	10 million	\$100,000
Visit California (California Travel and Tourism Commission)	Traditional Display and Sponsorships	12 million	Less than \$100,000
Trip Check (Oregon DOT)	Business Listings, Links	340 million	\$20,000
Travel Oregon (Oregon Tourism Commission)	Traditional Display	8 million	undetermined

Source: WSDOT

OTHER CONSIDERATIONS

How fully a state or agency embraces web advertising and the amount of financial risk it is willing to accept also affect potential revenue. For instance, WSDOT reported that direct sales by a public agency have the highest revenue potential but are also the most costly for the agency and have the highest risk of losing money. Similarly, display ads have the highest revenue potential, particularly if they are placed in prominent locations on the website, but privacy issues may arise with display advertisements in particular because of tracking by the advertiser, such as using a "cookie" to track the user's browsing activity.

Similarly, some states raised concerns about banner advertising redirects. According to a policy statement from Montana's Department of Information, "Individuals 'clicking' on a banner advertisement have little or no control of the redirect options to return the user to the original website. Re-routed advertising links can result in the user being linked to questionable or problematic web sites, which may negatively impact the state's image."

Other concerns with website advertising include (1) an implication that the state endorses or favors particular products, commodities, or services and (2) a negative effect on the user's experience with the site.

Limitations by States

These concerns prompted some states to develop policies that discourage or limit website advertising. For example, Ohio issued a moratorium on it in 2000. Other states focused their concern on display advertising. For instance, Virginia's secretary of technology

recommended prohibiting pop-up and banner advertising and only allowing sponsorships that (1) do not present a distraction for users, (2) do not slow transaction time, and (3) relate to special events or projects.

Similarly, Montana prohibited agencies from accepting banner ads and permitted linking to other organizations only when the link (1) does not discriminate against like sites or the state has an active contract with the organization, (2) adds appropriate value to the state site, (3) is in the state's best interest, and (4) is relevant in content. Links may also be posted if they are necessary for the site's operation (such as Adobe Acrobat software).

New York did not prohibit display advertising, but advised agencies to be mindful of the issues listed above. The state's policy recommended limiting external linking to information or services necessary for the proper performance of an agency function or in furtherance of an agency mission. It also discouraged links to private businesses unless (1) all such businesses are provided equal access, (2) a formal business partnership has been established, or (3) the reason for the link is primarily educational or resourceful in nature. It also (1) recommended including disclaimers that state that the links or advertisements are not endorsements and (2) limited website advertising to those agencies with express or implicit statutory authority.

ADDITIONAL RESOURCES

WSDOT Web Site Monetizing Feasibility Study
http://www.wsdot.wa.gov/NR/rdonlyres/869519D2-0DE5-4ED2-B30D-24D91E0B9913/0/FinalWSDOTWebSiteReport_20100122.pdf

Advertisements, Endorsements and Sponsorships on State Entity Websites (New York) <http://www.cio.ny.gov/policy/NYSP10-001AdvertisementsEndorsementsandSponsorships.pdf>

Web Advertising and Linking (Montana)
http://itsd.mt.gov/content/policy/policies/Legacy_Policy/Statewide_Policy_Web_Advertising_and_Linking.pdf

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