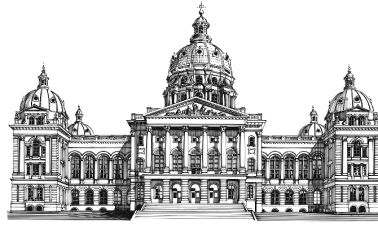

Iowa Legislative Fiscal Bureau

Dennis Prouty
(515) 281-5279
FAX 281-8451



State Capitol
Des Moines, IA 50319
June 9, 1993

Update On the Sale Of Advertising In State Publications

ISSUE

The Department of Economic Development (DED) hired an advertising sales staff person to sell advertising in State publications in January 1993. A vacant accounting position in the DED was used to create this position. In the FY 1994 budget request, the DED requested the General Assembly fund this position as a permanent position. The DED estimates the position will generate between \$500,000 and \$800,000 a year in revenues.

AFFECTED AGENCIES

Potentially all departments with major publications

CODE AUTHORITY

Chapter 15, Code of Iowa and Section 1.1(a), Senate File 227, 1993 Iowa Acts

BACKGROUND

The DED collected information related to the potential market for sale of advertising space in State publications in FY 1992. Both private advertising contractors and the Des Moines Register were contacted for information about the market potential and for estimates of the amounts that could be generated (Attachment A). This and other information was used as the basis for consideration of three options for handling the sale of advertising.

- Contracting with an organization outside State government that has an established print advertising sales operation.
- Contracting with an individual outside State government who is experienced in print advertising sales.
- Dedicating a State employee full-time to manage the project including selling, internal coordination, and promotional activities.

After reviewing a number of cost and policy related issues, the decision was made to hire a State employee in January 1993 to coordinate the sales efforts. (For example, the cost of an outside firm or individual would be a commission of between 30.0% and 50.0% of sales and the DED would still need a staff person at least half time to coordinate the internal and external efforts.)

I
S
S
U
E

R
E
V
I
E
W

The DED also developed objectives to be accomplished by the position for the first 6 months that would result in the generation of \$800,000 in sales during FY 1994. These objectives have either been met on schedule or are in the process of being accomplished.

CURRENT SITUATION

The DED has developed an initial list of 16 State publications in which to market advertising space (Attachment B). Rates for advertising and contract requirements have been established for each publication and a sample is presented (Attachment C). Rates vary from \$850 for a full page black and white advertisement in the Iowa Educational Directory to \$32,000 for a full page black and white advertisement in the Iowa State Income Tax Booklet. (Copies of rates for all publications are available from the Fiscal Bureau.)

The DED engages in direct sales activities as well as promotion through advertising agencies. The rates provided to prospective clients are net rates, meaning that the State will receive the same amount regardless of whether the company wishing to advertise comes to the DED directly or through an advertising agency. Advertising firms would have to add a commission to the State rate to make a profit.

Through May 27, 1993, no contracts had been signed for sales of advertising space. However, the DED has commitments from companies for approximately \$10,000 of advertising in Truckin' Through Iowa and \$4,000 in the Hunting and Trapping Regulations.

BUDGET IMPACT

The General Assembly provided \$14,000 support for the sales position in DED and required the Department to retain the first \$50,000 in advertising sales receipts to pay for the position and support during FY 1994. The DED maintains its estimates of generating between \$500,000 and \$800,000 in advertising sales receipts to the General Fund during FY 1994.

STAFF CONTACT: Douglas Wulf (Ext. 13250)

June 25, 1992

TO: Debra Meyers
 FROM: The Des Moines Register
 RE: Advertising Project

Per our discussion, we have reviewed the information you provided. We are submitting the following plan for a joint venture between the State of Iowa and The Des Moines Register. Enclosed please find our initial recommendations and suggestions.

Below are the forms listed in order of revenue potential and grouped into target categories.

<u>High Potential</u> <u>Form</u>	<u>Target</u>	<u>Revenue</u>
1. Drivers Manual	Auto dealers, Aftermarket, Service	\$30-\$50M
2. Tax Forms Long/Short Business Tax Iowa Tax Iowa Inheritance Tax	Tax preparation business Business to business Ia. Assoc. Financial Advisors, State planners attorneys	\$40-\$60M
3. Iowa Conservationist Fishing Guide	Broad base & environmental Hunting, Outdoorsmen	\$50-\$73M
4. Iowa Lottery	State of Iowa	\$13,000 savings by inserting into news paper vs. mail
5. Motorcycle Manual	Coop dealer lists young target audience	\$10M
6. Palimpsest	Corporate companies	\$10M

Medium Potential

Reasoning for this group's potential evolves around the product itself and the limited distribution used. We feel that the markets targeted in this group have high potential.

Elder Echoes - Sr. citizen target very strong. Need to change product and expand list.

IoWoman - Better focus needed here with the product and list.

Healthcare - Reposition the list to reach an audience that advertisers want. Classified opportunity here.

Iowa Arts News - Who is this sent to? Difficult to define actual potential. Repackage the product.

<u>Small Potential</u> <u>Form</u>	<u>Target</u>	<u>Revenue</u>
1. Truckin' thru Iowa	Truck stops	\$2M
2. 1991 Guide to Interstate Construction	AAA Travel Hotels, Hardees	\$2M
3. International Registration Plan	Hardees Truck stops Hotels	\$2M
4. Liquor	Spirits, Cordials Co.	\$5-\$10M
5. Iowa Educational Dir.	Teachers primary audience Market to students would be better. Computers, Bookstores Learning Post, Rieman Music, Living History Farms	\$5M
6. Iowa Aviation	Very targeted	\$2-\$5M
7. Iowa Cultural Resource Directory	Hanchers Civic Center	\$2M
8. Dental Health	Dental Association Univ. Children's Dentistry	\$2M
9. PT Update	Iowa Public Television	\$2M
10. Backyard Wildlife	Tour Operators Wild Bird Seed	\$1M
11. Public Auction Handbill	Classified	

Unlikely

Footnotes
DES Today
Condition of Employment
State Telephone Directory
Iowa Bridge Embargo Map
Warrants

Revenue Potential

\$165,000

Post-It™ brand fax transmittal memo 7871		# of pages
To	Debi Meyers	From Tom Smull
Co.		Co.
Dept.		Phone # 244-2145
Fax # 281-4597		Fax #

Tom Smull
3901 Woodland Ave. #23
West Des Moines IA 50265

June 19, 1992

Debi Meyers
Dept. of Human Services
Hoover Building
Des Moines IA 50319

Dear Debi:

Thank you for thinking of me as a resource while you explore the possibility of selling advertising for state publications. I am writing this letter as a concerned taxpayer, not as an advertising director in the position I am employed, in order to avoid any appearances of conflict of interest.

Your committee has done a thorough job of researching the publications and there does seem to be opportunity in the idea; you should be commended.

It would seem that the best way to manage the process would be to hire an independent contractor on a 20-30 percent margin to sell the advertising. Of course, it would need to be worked out as to which publications would be available ahead of time, which could effect the contractor's margin - the more opportunity, the less the margin.

At first, it may be best to pick a few of the most marketable publications or mailers and try to sell advertising into them. As advertisers become more aware of the opportunity, more publications may be added to the list of marketable pieces and it may be necessary for the state to hire a coordinator to deal with the details and administration of placement and to make sure the ad slicks are to the right people for publication, etc.

In looking at the publications list you provided me, it seems feasible that after two years, sales of at least \$350,000 could be achieved. That is a conservative and very rough estimate. It could be that opportunities far exceed that figure. However, since it is a new concept, sales may be sluggish at first.

I hope these comments are helpful to you. Please give me a call if you have any questions. Thank you.

Sincerely,


Tom Smull



TERRY E. BRANSTAD, GOVERNOR

State of Iowa Publications
(by category with per issue circulation)

Automotive/Motorcycle

Driver's License Manual *Circulation: 160,000*

Motorcycle Operator's Manual *Circulation: 24,000*

Outdoor/Recreation

Iowa Conservationist *Circulation: 55,000*

For the outdoor enthusiast in Iowa, nothing compares to the beauty of this bi-monthly, 4-color magazine. Readership studies show that the *Conservationist* subscriber is a loyal, upscale reader with purchasing power.

Iowa Fishing Regulations *Circulation: 500,000*

The *Fishing Regulations* booklet gives anglers (1 out of 3 Iowans) tips on fishing, listings of fishing seasons and limits, and all types of information on one of Iowa's greatest outdoor activities.

Iowa Hunting & Trapping Regulations *Circulation: 350,000*

For hunting and trapping license holders in Iowa, this booklet is a "must have" reference. Like those who enjoy fishing in Iowa, hunters and trappers represent an important market for all types of Iowa products and services - during the season and beyond.

Iowa Boating Regulations *Circulation: 20,000*

General Circulation

State Income Tax Booklet *Circulation: 1,300,000*

VIP Connection *Circulation: 200,000*

This quarterly publication is mailed to the growing list of Iowa Lottery winners.

Upscale Households

Iowa Arts Council News *Circulation: 30,000*

As the bi-monthly voice of the arts in Iowa, the *Arts Council News* delivers an educated, upper-income reader.

The Palimpsest

Circulation: 5,000

The Palimpsest, Iowa's popular history magazine published by the state's Historical Society, is a 4-color, quarterly tribute to Iowa's past. Over 40% of *Palimpsest* readers have a graduate or professional degree and incomes over \$40,000.

Financial/Small Business/Administration

The Dispatch

Circulation: 56,000

Iowa's teachers and administrators keep current on events affecting education in the state through this tabloid produced four times during the school year.

Truckin' Through Iowa

Circulation: 25,000

For any trucking company or truck driver doing business in Iowa, *Truckin' Through Iowa* is a comprehensive resource containing concise, essential information on trucking regulations and procedures.

Iowa Business Tax Newsletter

Circulation: 135,000

Iowa financial executives across the state request this quarterly update because of its value as a source of information on tax-related issues.

Iowa Tax Newsletter

Circulation: 6,000

This quarterly update from the Department of Revenue and Finance keeps accountants, attorneys, financial officers, and tax professionals informed about rulings and legislation.

Iowa Educational Directory

Circulation: 5,000

This annual guide to Iowa's education system is an excellent avenue for reaching educators and administrators making important buying decisions.

Health Care Facilities in Iowa

Circulation: 1,500

Every hospital, nursing facility, laboratory, residential care facility, and clinic in Iowa is listed in this directory which serves as a frequent resource for those providing health care.

Iowa Conservationist

Publisher's Editorial Profile

Iowa Conservationist is a bimonthly magazine published by the Iowa Department of Natural Resources, that highlights Iowa's outdoors. Articles cover fish, wildlife, parks, and forestry as well as other issues of interest to Iowa outdoor enthusiasts.

1. Personnel

Bureau Chief - Ross Harrison
 Editor - Julie Sparks

2. Representatives

Advertising Sales -
 Debi Meyers, (515) 242-4861

3. Commission and Cash Discount

All rates quoted are net. No cash discount.

4. General Rate Policy

Charter Advertiser Rates are applicable for three months from the date on the rate card regardless of publication date. Should rates change after three months, Charter Advertiser Rates will be honored for the length of the signed contract (not to exceed one year).

The State publishes a variety of publications. Placement in more than one publication may qualify for a discount. Additional information on discounts is available upon request.

**Local Charter Advertiser Rates
 effective 4/5/93**

Black and white rates	1x	3x	6x
1 page.....	1,375	1,300	1,240
2/3 page.....	1,030	975	925
1/2 page.....	750	710	675
1/3 page.....	480	455	430
1/4 page.....	410	390	370

4-color rates	1x	3x	6x
1 page.....	2,060	1,957	1,751
2/3 page.....	1,545	1,470	1,390
1/2 page.....	1,125	1,070	1,012

9. Bleed

No charge.

14. Contract and Copy Regulations

See reverse side of rate card.

15. General Requirements

Trim Size: 8 3/4 by 10 3/4
 Number of Columns: 3
 Binding Method: Stapled
 Colors available: 4-color process

AD PAGE DIMENSIONS

Full page	7 x 10	1/3 sq.	4 5/8 x 4 7/8
2/3 v.	4 5/8 x 10	1/3 v.	2 1/4 x 10
1/2 v.	3 3/8 x 10	1/4 v.	3 3/8 x 4 7/8
1/2 h.	7 x 4 7/8	1/4 h.	4 5/8 x 3 3/4

16. Issue and Closing Dates

Published bi-monthly. No cancellations accepted after the closing deadline.

	---- Closing ----	
	Space	Materials
January/February	9/15	11/15
March/April	11/15	1/15
May/June	1/15	3/15
July/August	3/15	5/15
September/October	5/15	7/15
November/December	7/1	9/1

18. Circulation

Established in 1942. Per year subscription: \$9.97. Rates based on a circulation of 55,000 subscribers, 98% located in Iowa. Readership study available upon request.

TERMS AND CONDITIONS

1. **Purchase of Advertising.** The advertiser agrees to purchase the advertising space specified in this Agreement, at the rates described on the State's rate card, which is made a part of this Agreement. The placement of an order is construed as an acceptance of all the rates and conditions under which advertising is at the time sold.

2. **Location of Ad.** A request for a particular page, section or position for an advertisement will be accommodated whenever possible. However, page, section or position cannot be guaranteed by the State and adjustments, reruns or refunds will not be made because of the page, section or position in which an advertisement was published.

3. **Representation.** The State accepts and publishes advertising on the representation that the advertiser and/or advertising agency are properly authorized to publish the entire contents and subject matter of the advertising. Advertiser and/or advertising agency represents and warrants that any material submitted is original, does not violate any law or infringe copy-rights, trademarks, trade names or patents, and contains no matter which is libelous, an invasion of privacy, an unlawful appropriation of the name or likeness, or is otherwise injurious to any other person, and that advertiser has obtained all necessary consents prior to submitting the advertisement to the State.

The State of Iowa reserves the right to omit advertising from a publication or specific issues. No advertisement will be accepted for tobacco products or which in the judgment of the State attempts to create an illusion that it is part of the publication's editorial material or endorsed by the State. The word "advertisement" may be printed at the top of advertisements at the discretion of the State.

All copy text and illustrations are subject to approval by the State of Iowa before execution of the order; and the right is reserved to reject or exclude material which is unethical, misleading, in bad taste, detrimental to public health or interest, otherwise inappropriate or incompatible with the character of the publication. The State is not responsible for costs of an advertisement that is not approved for publication.

4. **Indemnity.** Advertiser agrees to indemnify and hold the State harmless against any and all claims, losses, liabilities and expenses, including attorneys' fees and legal expenses resulting from the publication of any advertisement submitted by advertiser.

5. **Corrections.** Advertiser is responsible for checking advertising copy for corrections and providing the State with prompt written notice of corrections or revisions within the State's deadlines.

6. **Limitation.** The State shall not be liable for any consequential damages, whether foreseeable or not, which may occur because of an error in or omission of a part or the whole of any advertisement. The State's liability for any error will not exceed the charge for the advertisement in question.

7. **Cancellation.** The State may cancel this Agreement at any time.

8. **Rate Revisions.** The State may revise the advertising rate schedule at any time upon 30 days written notice to Advertiser. Advertiser may, without penalty, cancel the Agreement at any time new rates become effective by giving 30 days prior written notice.

9. **Payment Procedures.** Payment is due within 30 days of receipt of billing statement.

10. **Governing Law.** This Agreement is governed by the laws of the State of Iowa and any action relating to this Agreement shall only be commenced in the Iowa District Court for Polk County or the United States District Court for the Southern District of Iowa.

11. No advertiser shall be discriminated against because of race, color, creed, national origin, sex, age, mental or physical disability or religion.