

Maryland Lottery and Gaming Control Agency

Wes Moore, Governor • John Martin, Director



Montgomery Park Business Center
1800 Washington Blvd., Ste. 330
Baltimore, Maryland 21230

Tel: 410-230-8800
TTY users call Maryland Relay
www.mdlottery.com

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BILL NO: House Bill 1119
BILL TITLE: Procurement - Advertising - Local News Organizations
COMMITTEE: Health and Government Operations
POSITION: Information

The Maryland Lottery and Gaming Control Agency provides the following information regarding House Bill 1119, Procurement - Advertising - Local News Organizations.

Bill Summary:

HB 1119 creates § 14-419 under the State Finance and Procurement Article. This section requires State agencies to structure procurement procedures to achieve an overall goal of 50% of the total dollar value of procurement contracts for print or digital advertising to be made directly to local news organizations as defined in this new section.

Background:

The Maryland Lottery maintains carefully curated “restricted” and “approved” lists of websites/content themes, even including specific pages within sites. These tags help verify that Maryland Lottery advertising is appearing only in these preapproved spaces. Some local sites and publishers may not have the resources to accept third-party tags and brand safety tags, which are essential for ensuring that the Lottery’s ads are displayed in appropriate, safe, and contextually relevant environments.

Rationale:

In addition to ensuring the integrity of the advertising in which the Maryland Lottery engages, being directed on where to spend our advertising dollars has other repercussions that may be unintended.

Limited Audience Reach and Targeting Capabilities

- Some local news organizations have limited readership (print) and unique visitors (digital) and may not effectively reach all demographic segments the Agency needs to engage.
- Larger digital platforms provide advanced segmentation and targeting that local news organizations may not be able to replicate, reducing a campaign's effectiveness.
- The Lottery advertises on digital media sites that are able to control the market in which the advertising is displayed. For example, ESPN is a nationwide platform but any advertising the Agency does with ESPN is only broadcast in the Maryland market. The Agency utilizes national websites because they offer greater utilization, visits and engagement compared to local outlets.

Increased Costs and Reduced Efficiency

- Programmatic and digital advertising allow for real-time budget optimization based on engagement metrics, reducing wasted spending. Shifting a mandated 50% of the Agency's budget to local news organizations may significantly increase the cost per impression without improving engagement.
- Limited inventory and higher costs in local publications may result in paying more for less reach and impact.
- The average cost to reach 1,000 people with online advertising ranges from \$3 to \$10, with local/direct sites falling on the higher end of the spectrum.

Operational Challenges and Vendor Limitations

- **Technical Limitations:** Some local news outlets are not able to provide real-time analytics, campaign tracking, or performance-based buying, which are industry standards on digital advertising platforms, potentially hindering the ability to measure and optimize campaign success.

Ultimately, the Agency will be budgeting and spending the same amount on digital and print advertising as has been spent in the past while at the same time it would likely receive diminished returns on these advertising dollars due to the smaller market. This could lead to reduced sales. The Agency understands the value of local media and will continue to utilize this market as appropriate.

The Agency respectfully submits this information for your consideration as you debate HB 1119.