

Department of Legislative Services
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FISCAL AND POLICY NOTE
Third Reader

Senate Bill 24
Finance

(Senator Klausmeier)

Environment and Transportation

**State Highway Administration - Sale or Lease of Naming Rights for Rest Areas
and Welcome Centers**

This bill authorizes the State Highway Administration (SHA) to sell or lease the naming rights for rest areas or welcome centers within State highway rights-of-way to a private entity, if doing so is consistent with federal regulations governing the distribution of federal highway funds to the State. The bill establishes conditions and requirements relating to such authority. All proceeds from the sale or lease of naming rights must be credited to the Transportation Trust Fund (TTF).

Fiscal Summary

State Effect: TTF revenues increase potentially significantly in FY 2019 and subsequent years due to the sale or leasing of naming rights. Expenditures are not materially affected.

Local Effect: The bill does not materially affect local operations or finances.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The authority provided by the bill is limited to sponsorship purposes and may not be construed to require that any highway sign or mailing address be altered. In addition, the term of a contract must be for at least one year. A private entity that purchases or leases naming rights may erect outdoor signs along the highway; however, all costs associated with any outdoor signs erected pursuant to the bill must be paid by the private entity. Outdoor signs authorized by the bill may not be erected without prior approval by SHA and the Federal Highway Administration approval, if necessary to secure federal highway funds.

The bill establishes numerous other conditions relating to the signs erected pursuant to the bill. Among other things, a sign may not detract from the safety of the traveling public, must be aesthetically appropriate, must conform to SHA's design and placement guidelines, and may not include a name or logo that is profane, sexually explicit, or offensive.

Current Law: SHA may name or rename any State highway.

Subject to specified exceptions, a person may not erect or maintain any outdoor sign outside the limits of any municipal corporation and within 500 feet of a State highway unless the person has a permit issued by SHA for that sign. In addition, there are more stringent requirements for signs placed along or near any federal aid primary highway. A State highway's right-of-way is at least 40 feet wide. Any person who removes, damages, or defaces any SHA sign, signal, or marker is guilty of a misdemeanor and subject to a fine of up to \$100.

In accordance with federal regulations, a highway right-of-way must be devoted exclusively to public highway purposes, and state highway departments must keep the right-of-way free of all public and private installations, facilities, or encroachments, except (1) if a state highway administrator finds it is in the public interest and will not impair the highway or interfere with the free and safe flow of traffic; (2) a state highway administrator approves it as constituting a part of a highway or as necessary for its operation, use, or maintenance; or (3) if it is an informational site established and maintained in accordance with specified federal regulations.

Background: SHA is responsible for more than 5,200 miles or approximately 16,800 lane miles of road, 2,500 bridges, 3,500 small stream crossing structures, and 80 miles of sound barriers. It also has responsibility for planning, designing, constructing, and maintaining these roads and bridges to safety and performance standards while considering sociological, ecological, and economic concerns.

Numerous federal and State requirements impact how and where outdoor advertising occurs along highways. In addition, many local zoning and sign ordinances dictate the size, illumination, and location of signs. Some local jurisdictions prohibit new off-premise outdoor advertising signs altogether. When SHA does issue permits, the requirements vary depending on whether the sign is for a business located on the property on which the sign will be placed (on-premise) or for businesses located elsewhere (off-premise). SHA sign permit fees range from \$10 to \$35 per advertising face, and outdoor advertising license fees range from \$50 to \$750 depending on the number of structures. Permits and licenses must be renewed annually.

State Revenues: TTF revenues increase potentially significantly in fiscal 2019 and subsequent years to the extent rest area and welcome center naming rights are sold or leased. The bill's impact depends largely on the extent to which strong private entity interest exists and SHA negotiates lucrative sale and lease rates.

Small Business Effect: Small businesses that buy or lease naming rights for a rest area or welcome center may benefit financially from the increased exposure.

Additional Information

Prior Introductions: SB 430 of 2017, a similar bill, was referred to the Senate Budget and Taxation Committee, but no further action was taken. SB 616 of 2016, a similar bill, received a hearing in the Senate Budget and Taxation Committee, but no further action was taken.

Cross File: HB 54 (Delegate Lam) - Environment and Transportation.

Information Source(s): Maryland Department of Transportation; Department of Legislative Services

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