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**PRIVATIZATION OF OUTDOOR  
ADVERTISING  
(PROCESS IMPROVEMENT)**

*By*  
*Keith C. Melvin*  
*Director of Outdoor Advertising*  
*South Carolina Department of Transportation*  
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**PRIVATIZATION OF OUTDOOR ADVERTISING  
(Process Improvement)**

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## **PRIVATIZATION OF OUTDOOR ADVERTISING (Process Improvement)**

### **I. INTRODUCTION**

The mission of the South Carolina Department of Transportation (SCDOT) is to build and maintain roads and bridges as well as provide mass transit services to the citizens of the state. An important, but little known function of SCDOT is to administer the Outdoor Advertising (ODA) Program.

The purpose of this research is to determine if the current permitting and review process utilized in the ODA Program is the most efficient and least expensive method to use for the taxpayers of South Carolina.

### **II. BACKGROUND**

In 1965, our nation was faced with the Vietnam War, the Civil Rights Movement and Lyndon Johnson took his oath of office on January 20, 1965. President Johnson was from state of Texas. The first lady's name was Claudia "Lady Bird" Johnson. She received the nickname "Lady Bird" as a child. This name was very fitting because she saw the importance of beautifying America and conserving our environment. Lady Bird and the President had driven many times from their home in Texas to Washington, DC, and had been frustrated by the number of billboards and junkyards along the roadways. She wanted the nation's roadways clear of billboards and junkyards, and filled with more wildflowers and green spaces.

Lady Bird's emphasis during the Johnson administration resulted in beautification of our roadways. With the assistance of Lady Bird, Congress passed the Highway Beautification Act of 1965. The power of the billboard industry became evident, however the White House got the Act passed into law. The final Act ended up being a compromise between the Outdoor Advertising Industry and the White House. The Act stated that billboards would be banned unless they were erected in industrial or commercial areas. The industry was able to add an additional clause that would require the government to pay "just compensation" to owners if they were losing their billboards. The Act required states to control signs within 660 feet of the right-of-way. This caused some owners to place their sign beyond the 660 feet, resulting in large jumbo size signs. The Act also made the Beautification Act a mandatory program for states with a 10 percent penalty of a state's annual Federal Highway Funds if they did not provide "effective control" of outdoor advertising. In establishing a program, states provided control procedures to address outdoor advertising through permitting systems, inventories and surveillance of control highways (Interstate Highways and Federal Aid Primary roadways, now referred to as the National Highway System routes) to find illegal signs, and monitor permitted signs in regulated areas.

An additional feature of "effective control" required a mandatory State agreement with the Federal government that laid out the controls for signs in commercial and industrial areas based on customary use and defined by each state court. The state's Federal Agreement addressed size, lighting, and spacing requirement. South Carolina (SC) signed its federal agreement on January 10, 1972.

To insure compliance with the federal government, the SC General Assembly passed into law measures that would ensure “effective control” of outdoor advertising. The SC General Assembly recognized that outdoor advertising is a legitimate use of commercial property. The Assembly went on to say that outdoor advertising is a business that should be allowed to exist and operate where other commercial and business activities are conducted. Outdoor advertising that does not conform to the requirements of the law would be considered illegal. The General Assembly gave SCDOT the authority to create outdoor advertising regulations consistent with public policy, addressing areas adjacent to Interstate and Federal-Aid-Primary highways or National Highways System routes. ODA regulations address the day-to-day operations of the program.

### **III. SCOPE OF SERVICES**

SCDOT’s outdoor advertising program is a centralized program. The centralized location for the program is the headquarters of the SCDOT in Columbia, SC. This office is responsible for the administration of the program. The office is self-contained, it maintains a budget, acts as the approving authority for all permit actions, and is staffed with three (3) employees (Director of Outdoor Advertising, Administrative Assistant, and Administrative Specialist II). SCDOT has divided the state into seven (7) districts. Each district has an ODA coordinator assigned to its district office. The ODA coordinator is under the direct supervision of the District Engineering Administrator (DEA). The Director of Outdoor Advertising in the central office supervises the coordinator indirectly for ODA purposes.

The ODA coordinators carry out numerous duties in this capacity. The coordinator performs functions necessary to control signs and prevent the erection of illegal signs

through an inventory, review, surveillance, and monitoring process of the controlled routes within their district. There are approximately 6370 active outdoor advertising permits in the state. SCDOT maintains an automated permitting program that contains data on all permitted signs. The program has the capability of providing digital images of each permitted sign. The coordinator will download images onto the program when signs are erected or where new roads are added to the controlled routes. Coordinators are responsible for sending in recommendations of either approval or denial of a permit action. The final approving authority on all permits actions remains with the Director of Outdoor Advertising.

The SCDOT's ODA office is required to provide "effective control" of outdoor advertising. This requirement equates to SCDOT being responsible for the overall compliance of the program. There are elements of the program that have the potential of being contracted out to a service provider without the SCDOT relieving itself of the administration of the program.

Service providers remove the need for coordinators to be involved in field reviews associated with day-to-day fieldwork. Currently there are only two (2) companies in the United States that provide field reviews relating to ODA. For this review, the companies will be referred to as Company A and Company B. Company A is located in Arizona. Due to its geographical location, Company A will not be considered in providing services to SCDOT during this review. Company B will be considered in providing services because they are located on the East Coast. Company B will be required to:

- Conduct field reviews on all permit actions.

- Conduct quarterly sign inventories.
- Identify advertising signs that are in violation.
- Maintain current classification (conforming/nonconforming) on permitted signs.
- Provide litigation information and testify at hearings.

The utilization of services provided will require that SCDOT provide quality assurance reviews to ensure that service provider's quality control is followed.

#### **IV. ANALYSIS OF COST**

Over the past five (5) years the number of signs permitted each year has been reduced. Cities and counties have taken steps to reduce the number of signs within their borders. Many cities have banned signs through enacting ordinances. As a result, the number of signs permitted by the state has been reduced (Appendix A).

It is important to note that SCDOT would not remove the seven (7) coordinators from the department's payroll if privatization of ODA were to occur. The employees would assume other duties within their district. In reviewing costs associated with the ODA program, it is important to note that ODA coordinators are accounted for in each district's budget. For purposes of this review, service costs provided by Company B will be compared to revenue collected by SCDOT's ODA office in 2005 (Appendix B).

In 2005 SCDOT collected \$23,000.00 in revenue on new application actions as part of its regular daily duties. To perform these same application actions, Company B would have charged the SCDOT \$168,380.00, resulting in the \$145,380.00 in services fees being

charged to the SCDOT. The department collected \$170,480.00 in revenue for permit renewals fees and \$285,402.00 in revenue for vegetation renewals. The total renewal revenue collected by the ODA office for 2005 was \$478,882.00.

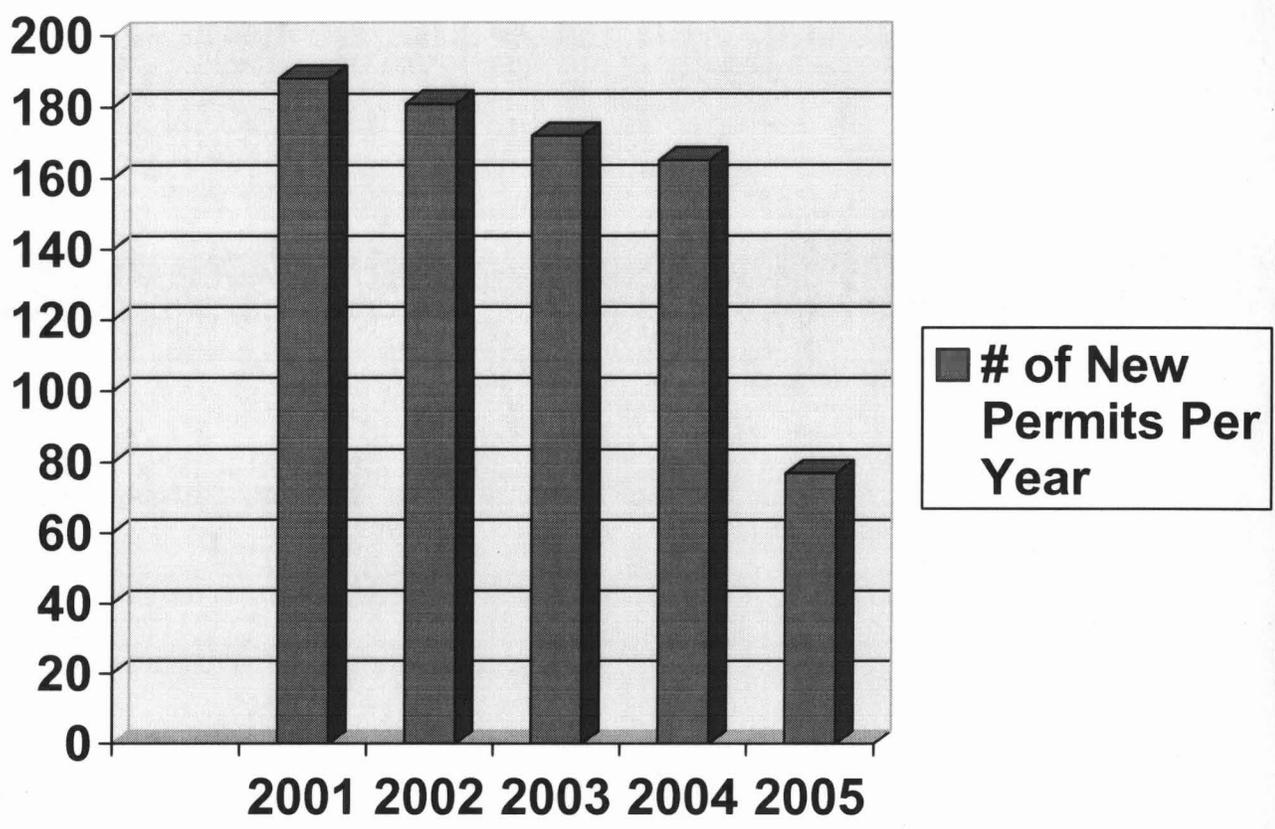
If Company B were providing ODA services to SCDOT in 2005, they would charge \$358,896.00 for the quarterly route inventory. The company would charge SCDOT \$168,380.00 to review that same applications that SCDOT received \$23,000.00 in revenue to permit. The total services charged to SCDOT in 2005 would have been \$527,276.00. The difference in services charged to SCDOT and revenue collected would be a loss of revenue of \$48,394.00 (Appendix B).

## **V. SUMMARY AND CONCLUSION**

SCDOT's ODA coordinators have additional duties other than ODA. It is important to note that ODA is their primary responsibility. Two of the seven coordinators have no additional duties. The other five coordinators have additional duties that make up less than ten percent of their job functions. Some of these duties include Color Spaces Point of Contact, contact person for their district's newsletter and duties as assigned by their DEA. The privatization of their field duties would have a negative financial impact on costs associated with the ODA program. If SCDOT had contracted Company B to provide ODA field review services for billing year 2005, SCDOT would have needed \$48,394.00 in additional revenue to avoid a financial loss. SCDOT ODA permitting fees would need to be increased to offset the cost of privatization. To avoid a financial loss to the department there would be a need to address current law to allow an increase in permitting fees. It would require approval of the General Assembly to increase permitting fees.

We have determined that our current permitting and review process utilized in the ODA program is the most efficient and least expensive to the taxpayers of South Carolina. The ODA office will continue to seek out avenues to better utilize existing staff and equipment. The office has and continues to address new technology and trends in the industry while providing excellent customer service.

**Appendix A (Number of Applications Permitted By Year)**



## Appendix B (ANALYSIS OF COST)

### SCDOT Outdoor Advertising Coordinators

ODA Field Coordinator Salaries = **\$361,524.93<sup>1</sup>**

(No impact on cost because employees would be retained)

### Company B Employees

4 Employees @ \$70,000. per quarter  
 4 x \$70,000. = \$280,000.  
 1 Supervisor @ \$13,000. per quarter  
 4 x \$13,000. = \$52,000.  
 Vehicles & Fuel @ \$6724. per quarter  
 4 x \$6724. = \$26,896.  
**Total = \$358,896.**

### Permit Review

(Studying services provided by ODA coordinators in 2005 Billing Period)

### ODA Coordinators

### Company B services fees

#### New Applications

77 applications @ \$130. = \$16,900.	77 applications @ \$1000. = \$77,000.
	77 land use reviews @ \$270. = \$20,790.
	77 new photos @ \$20. = \$1,540.
25 revised permits @ \$30. = \$750.	25 revised permits @ \$1000. = \$25,000.
	25 revised photos @ \$20. = \$500.
70 replacements @ \$30. = \$2100.	70 replacements @ \$1000. = \$7,000.
5 reinstatements @ \$130. = \$650.	5 reinstatements @ \$1000. = \$5,000.
13 vegetations @ \$200. = \$2600.	13 vegetations @ \$1000. = \$13,000.
<b>Total = \$23,000.</b>	15 litigations visits = \$8,400.
	70 illegal reviews @ \$125. = \$8,750.
	70 illegal photos @ \$20. = \$1,400.
	<b>Total = \$168,380.</b>

2005 permit renewal revenue = \$170,480.

2005 vegetation renewal revenue = \$285,402.

**Total = \$455,882.**

**Total ODA fees revenue = \$478,882.<sup>2</sup>**

\$358,896.  
+\$168,380.  
**Total cost per year = \$527,276.**

<b>Company B Cost</b>	<b>\$527,276.</b>
<b>DOT Revenue</b>	<b><u>-\$478,882.</u></b>
<b>*Loss of Revenue for SCDOT</b>	<b>\$48,394.</b>

<sup>1</sup> ODA Coordinator's salaries include fringe benefits.

<sup>2</sup> All revenue associated with ODA permitting action is deposited into SCDOT General Fund.

**APPENDIX C (References)**

1. South Carolina Code of Laws, Title 57, Chapter 25, Outdoor Advertising, 1994.
2. South Carolina Department of Transportation Outdoor Advertising Regulations. Amended effective June 24, 1996.
3. South Carolina Price Proposal, (Company B), Received December 2005.
4. State of South Carolina Federal Agreement, January 10. 1972