

Red Tape Review Rule Report (Due: September 1, 2024)

Department Name:	Department of Transportation	Date:	March 15, 2024	Total Rule Count:	7
IAC #:	761	Chapter/ SubChapter/ Rule(s):	118	Iowa Code Section Authorizing Rule:	306C.11
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PLEASE NOTE, THE BOXES BELOW WILL EXPAND AS YOU TYPE

What is the intended benefit of the rule?

This chapter implements the statutory provisions for the placement of signs along interstates and freeways to alert and direct motorists to services which are available at approaching interchanges. The program consists of a series of “specific service signs” which display logos for qualifying businesses that provide services such as gas, food, and lodging. With federal and state laws severely limiting the placement of billboards along the interstate system, it’s especially important for the traveling public to have this system of service signs offering choices on essential services. The businesses and public both benefit from the program.

Is the benefit being achieved? Please provide evidence.

Business owners report that these signs boost brand awareness and customer visits. The Department does not actively sell this program; rather, business owners approach the Department inquiring how they can participate. The program maintains an approximate 97% customer retention rate according to the renewal fees paid in 2022 so it seems apparent that business-owners like the return-on-investment. According to a 05/16/2017 report conducted by OAAA (Out of Home Advertising Association of America) approximately \$5.97 is returned on every dollar spent on outdoor structures. When positions become available on otherwise maxed-out structures, the number of applications received often exceeds the space available on the signs, forcing a lottery drawing. The return on investment has not been specifically studied in Iowa and would fluctuate widely based on service type and existing brand recognition. The food service type is the most requested application and Department staff has heard that the signs can boost restaurant sales by ten or more basis points. In conclusion, all indications point to the benefit being achieved.

What are the costs incurred by the public to comply with the rule?

Participation from business owners is completely voluntary. The cost to fabricate the business (logo) signs which are fastened to the large blue background service signs is the responsibility of the business owner and varies. The businesses work with a sign fabricator to have the signs made according to Department specifications and provide the signs to the Department for inspection and installation. The annual fee to “rent” the space on the blue background service sign is currently \$230 per year (\$920 for a typical set of four signs), a fee which has not been increased since 1996. This is below the national average and the Department does not plan to raise fees at the time of this report. The program is not funded through general highway funds; it is self-funded through the sign permit fees charged and deposited into the

Highway Beautification Fund, established by the Iowa legislature in the early 1970s, and codified in Iowa Code section 306C.11.

What are the costs to the agency or any other agency to implement/enforce the rule?

2022 Logo Program Expenses (Estimation)

Program Administrator (2080 hrs. @ \$60/hr*)	124,800
Supervisor (52 hrs. @ \$75/hr*)	3,900
Billing Agent (520 hrs. @ \$45/hr*)	23,400
Six Traffic Engineering Staff (700 hrs. @ 75/hr*)	52,500
Design Engineering Consultant (110 hrs. @ \$54)	6,000
Service work; district equipment & labor: 101 requests x \$636	64,200
Sign Contractor; labor & materials	654,700
Program administrator vehicle expense	3,200
IDOT Sign Shop Staff (36 hrs @ \$26/hr*)	900
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Total Costs	933,600
Revenue: 3662 signs @ \$230/year	842,300

*Includes benefits package

Do the costs justify the benefits achieved? Please explain.

Travelers appreciate the service information that these signs provide, and the participating businesses appreciate Iowa's low-cost program. The logo signs are often seen as a lower cost alternative to advertising on a billboard and motorists assume a degree of legitimacy exists with a business being listed on a state-owned blue sign. As evident in the cost breakdown above, some adjustment to the fee structure may be needed in the future, unless revenue comes up in future years, costs are reduced, or some combination of the two occur. The fund balance, as of April 1, 2023 was \$2,034,491.

Are there less restrictive alternatives to accomplish the benefit? YES NO

If YES, please list alternative(s) and provide analysis of less restrictive alternatives from other states, if applicable. If NO, please explain.

Iowa's program is not very restrictive, and the standards used reflect, for the most part, the standards in the Federal Manual on Uniform Traffic Control Devices (MUTCD). This is a voluntary program; businesses may choose to participate if they qualify and feel that there is a good return on investment. The customer retention rate for the program is 97%.

When developing and administering these signing programs within the public rights-of-way, states need to adhere to the MUTCD or risk penalties on their federal highway funding. For example, the state of New York spent over \$8 million installing noncompliant signs that displayed "I love New York" along with various messages related to tourism. After a series of warnings from FHWA, funds totaling \$14 million were docked from the state's next scheduled apportionment in 2018. State crews removed the signs later that year.



Forty-six states offer a logo sign program, of which 25 have been privatized. The average cost for a business in a state where a private firm manages the program is approximately \$2,400 for a set of four logo signs, which is significantly higher than Iowa's fees of \$920. The revenue in a privatized state is generally split between the contractor and state government, based on agreement terms. In Iowa, costs and fees have been held to a reasonable level and the program is not incentivized. This benefits small locally-owned businesses as well as motorists who like to see the signs. In a privatized program, the higher fees charged means that some businesses cannot afford to participate. This can lead to a skewed representation towards logos for national chains on the signs, rather than logos for independents and the local variety that may have limited advertising budgets. Furthermore, the Department was able to partner with the Travel Federation of Iowa to issue a fee waiver to all participating businesses during the onset of the pandemic in April 2020. "Thank you" letters poured in from both small and large businesses across the state. This did not occur in the privatized states.

Does this chapter/rule(s) contain language that is obsolete, outdated, inconsistent, redundant, or unnecessary language, including instances where rule language is duplicative of statutory language? [list chapter/rule number(s) that fall under any of the above categories]

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The definition for "qualified business" in 118.2 is removed because the system of exceptions provided for in subrule 118.4(11) are removed. There is no reason to distinguish between qualified businesses and businesses that would conditionally qualify for the signing.

118.3(2)"g " is removed. Language regarding the six-logo-limit per service sign is moved to paragraph "f" and the language regarding the display of three service types on a single service sign is moved to paragraph

“e.” The language in the other two subparagraphs is already contained in the MUTCD and, like other finer details contained therein, does not need to be repeated in this chapter. The Department operates the program in accordance with the MUTCD, as stated in rule 118.1.

118.3(2)“h” is removed. The “preference or equal representation” language concerning the display of higher or lower priority types is not necessary, as the Department can proceed in this manner based on paragraphs “c,” “d,” and “e.”

118.3(2)“i” is removed. The 12-logo per-service limit and the two-service-signs per-service limit may not be provided for in the revised MUTCD, leaving the standard six-logo per-service limit and the one service-sign per-service limit in place. The Department will follow the MUTCD as revised and adopted in the future.

118.3(2)“j” is removed. The language regarding the designation of a service sign as one of the service types is overly bureaucratic and unnecessary. It will also become obsolete, if the 12-logo per-service limit and the two service-signs per-service limit are removed from the MUTCD. The Department acknowledges and follows the order of priority established in paragraphs “c,” “d,” and “e.” Removing conditional approvals will simplify the Department’s administration of the program.

118.3(3)“c” is removed. The language regarding the prevention of erecting ramp signs in that given situation is rephrased and worked into paragraph “b.”

118.3(3)“d” is removed. The language regarding the required placement of ramp signs is moved to paragraph “a.”

118.3(3)“e” is removed. This language was intended to clarify that applications cannot be submitted just for the ramps. This occurs when the main line service signs are full and business owners notice that ramp service signs are not full. But paragraph “a” already narrows the eligibility to “participating businesses.” Furthermore, subrule 118.5(1) adequately outlines the application process and specifies that the application is for a main line sign, with total needs being identified by the Department upon approval for participation.

118.3(4)“d” contained language limiting the number of business signs to four on a trailblazer service sign. This language implied that the Department will install up to four business signs on a single trailblazer sign, whereas in practice, the Department generally prefers to limit the placements to three for highway safety engineering reasons. If another application is submitted, the Department’s first reaction is to look for additional room to install another trailblazer sign, instead of adding a fourth business sign to the existing trailblazer sign. Since these situations are nuanced, the language is removed, leaving the four-business sign limit as a backstop in the MUTCD.

118.3(4)“e” is removed. This language regarding the use of substitutes for trailblazer signs, when such cannot otherwise be placed, is moved to paragraph “c.”

118.3(4)“f” is removed. This language regarding the use of substitutes for trailblazer signs, when such cannot otherwise be placed, is moved to paragraph “c.”

118.3(4)“g” is removed. This language establishes a two-turn limit for qualifying purposes, not counting the turn off the ramp. This limit automatically disqualifies any business needing more than two turns from participation. The intent was to reduce the likelihood that motorists would lose their way before reaching

the destination. This limit is not contained in the MUTCD. If effective trailblazer signs are in place, and with most motorists having access to mobile internet data or mapping, the restriction is not necessary.

118.4(2)“c” contained a provision for conditional approvals for businesses which were located beyond the distance limit, up to the overall limit of 15 miles. The tracking mechanism and two-tiered lottery systems created by this provision are overly bureaucratic and cumbersome. If space on the service sign is available and an application is received from a business beyond the three-mile limit, but not beyond the 15-mile limit, the Department will simply weigh the factors (commercial development in the area) and make a decision. If approved, the business enjoys the same status as any other participating business.

118.4(3)“b” contained a provision for conditional approvals for 24-hour card-operated fueling centers. As with the other conditional approvals being removed in the chapter, this provision sets up added administrative work for the Department to track the time from the point of application approval and distinguish between full qualifiers and conditional qualifiers during lottery drawings to fill vacant spots. The intent was to give preference to full-service centers, but since the gas service signs are rarely maxed out and motorists can simply make their choices when seeing the business signs displayed, this language is removed.

118.4(4)“a”(2) contained an itemized list of food entrees which were considered sufficient for “breakfast.” This language was crafted years ago when the program operated more stringently on the number of meals provided per-day, with preference being given to three-meal providers. With the two-meal threshold now in effect and with most motorists being familiar with the menus offered by their favorite restaurants, specifying what constitutes a “breakfast” is unnecessary. A two-meal per-day threshold for qualifying, with the times specified in the proposed definition of “meal,” is appropriate. Let the free market determine what is offered for breakfast.

118.4(5)“a”(2) contained a requirement that lodging facilities have at least ten units. This requirement is not in the MUTCD nor does the Department have any compelling reason to set the threshold at ten units, when simultaneously allowing bed and breakfast establishments to qualify. Business developers will build hotels and motels according to the expected market demand in the area. Should, for an example, a small eight-unit facility be constructed in a remote area, and space is available for logo signs, there really isn’t a good reason why the Department couldn’t approve them and provide this service information to motorists traveling in the area.

118.4(7) is removed. This list of qualifying types of destinations is moved to subrule 118.4(3).

118.4(8) is removed. This stipulation that all outdoor advertising signs maintained by a participating business comply with other Iowa Code sections is moved to subrule 118.4(4).

118.4(9) is removed. This requirement that an on-premises type sign be in existence by participating businesses is moved to rule 118.4(5).

118.4(10) is removed. This provision for the removal of business signs for businesses which fail to conform to the requirements in the chapter is moved to rule 118.4(6).

118.4(11) contained the process for conditional approvals. For the reasons already outlined, this is removed.

118.5(3) contained a process where applications for attractions are subjected to review and approval by the tourist signing committee, as opposed to simply the Department, as with the other service types. This process can add an additional 30 days of processing time for applications as this committee meets once per month. This committee primarily reviews applications for the blue directional signs (tourist-oriented directional signs) rather than this logo signing program, with applications averaging only about three per-year. This committee is under review by the Boards and Commissions Study for possible merging or elimination. This re-promulgated chapter disconnects the logo program from this committee, but as a valued stakeholder, policy decisions will still be shared with it.

118.6(1); unnecessary language – this will be in an operational manual

118.6(2); unnecessary language – this will be in an operational manual

118.6(3); unnecessary language – this will be in an operational manual

118.7(1); unnecessary language – this will be in an operational manual

118.7(2); unnecessary language – this will be in an operational manual

118.7(3); unnecessary language – this will be in an operational manual

118.7(4); unnecessary language – this will be in an operational manual

118.7(6); unnecessary language – this will be in an operational manual

RULES PROPOSED FOR REPEAL (list rule number[s]):

118.3(2)“g”

118.3(2)“h”

118.3(2)“l”

118.3(2)“j”

118.3(3)“c”

118.3(3)“d”

118.3(3)“e”

118.3(4)“d”

118.3(4)“e”

118.4(2)“c”

118.4(3)“b”

118.4(11)

118.5(3)

118.6(1)

118.6(2)

118.6(3)

118.7(1)

118.7(2)

118.7(3)

118.7(4)

118.7(6)

***RULES PROPOSED FOR RE-PROMULGATION* (list rule number[s] or include text if available):**

- 118.1 Introduction
- 118.2 Definitions
- 118.3 Erection and location of specific service signs and placement of business signs
- 118.4 Eligibility for placement of business signs on specific service signs
- 118.5 Application, drawing, and fees
- 118.6 Business sign fabrication
- 118.7 Business sign replacement

**** For rules being re-promulgated with changes, you may attach a document with suggested changes.***

METRICS

Total number of rules repealed:	0
Proposed word count reduction after repeal and/or re-promulgation	2,592
Proposed number of restrictive terms eliminated after repeal and/or re-promulgation	132

ARE THERE ANY RULES YOU WOULD RECOMMEND BE CODIFIED IN STATUTE?

No