SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 2717 (Caloza) - Outdoor advertising displays: arenas: exemptions

Version: June 11, 2026
Urgency: No
Hearing Date: August 3, 2026

Policy Vote: TRANS. 12 - 1
Mandate: No
Consultant: Mark McKenzie

Bill Summary: AB 2717 would reauthorize and revise the “arena exemption” to the Outdoor Advertising Act (OAA), and provide for the installation of certain advertising displays until January 1, 2032 that are used to market products, goods, or services sold, marketed, or promoted on the premises of a sports arena, as specified.

Fiscal Impact:

- The Department of Transportation (Caltrans) estimates costs in the range of $150,000 for additional staff resources to review whether a proposed display conforms with local ordinances or other discretionary approvals and with state and federal law. Specifically, Caltrans must determine whether proposed displays conform with federal requirements or agreements and will not cause a reduction in federal funds, and/or make requests to the Federal Highway Administration (FHWA) to make those determinations. Actual Caltrans administrative costs would depend upon the number of reviews and associated inspections that are conducted in a given year. (State Highway Account) See Staff Comments.

- Caltrans further notes the potential risk of federal sanctions that would reduce federal highway allocations by up to $580 million, to the extent Caltrans does not maintain effective control of outdoor advertising. Staff notes that this bill includes a provision requiring Caltrans, before authorizing a display to be placed, to make a determination that a proposed display will not cause a reduction in federal aid funds, or to request that the FHWA make that determination, which should mitigate the risk of federal sanctions.

Background: The Outdoor Advertising Act (OAA) regulates the size, illumination, orientation, and location of advertising displays adjacent to and within specified distances of interstate or primary highways. The OAA, with some exceptions, specifically prohibits the placement of any advertising display on property adjacent to a section of landscaped freeway. State law generally does not apply to “on premise” advertising displays, including those that advertise the sale, lease, or exchange of property upon which it is placed and those that advertise the business conducted, services rendered, or the goods produced or sold on the property. Apart from certain safety requirements in state law, the regulation of “on-premise” displays is a local matter. Existing law, through a contractual agreement, establishes Caltrans as the administrator of the federal Outdoor Advertising Control program, which includes similar restrictions as the OAA, including maximum sign size, sign spacing, location, illumination, and content. If the state fails to properly administer the federal program, the state is subject to a sanction that would reduce its federal highway funding allocations by 10%.

Existing law provides exemptions to the OAA for certain signs located in a handful of jurisdictions, all of which were explicitly authorized by the Legislature. Existing law also exempts certain advertising displays authorized by a local ordinance prior to January 1, 2021, as specified, that are used exclusively to either advertise products, goods, or services marketed or promoted on the premises of a sports arena on a regular basis, or pursuant to a sponsoring marketing plan. The sports arena must be capable of providing a venue for professional sports on a permanent basis and have a capacity of 15,000 or more seats. Existing law defines a "sponsorship marketing plan" as an agreement between the property owner, facility owner, facility operator, or occupant of the premises of an arena and a sponsor pursuant to which the sponsor is allowed to include its logo, slogan, or advertising on displays and that the agreement is for a duration of not less than 120 days. If an advertising display associated with a sports arena is subject to a notice from the federal government that the display will result in the reduction of federal highway funds, the authorization for the display will cease, and failure to remove such as display will result in a fine of $10,000 per day until the advertising is removed.

Proposed Law: AB 2717 would reauthorize and revise the arena exemption to the OAA, authorizing the installation of new displays associated with sports arenas until January 1, 2032. Specifically, this bill would:

- Require a qualifying arena to be fully constructed or under construction by January 1, 2027 in order to qualify for the exemption.
- Require an advertising display to be authorized by January 1, 2032 in accordance with a local ordinance or other discretionary approval, including a specific plan or sign district that benefits the arena, as specified, to bear the logo of the arena, and be visible when approaching offramps used to access the arena premises. No more than two displays shall be allowed under this provision.
- Require an advertising display constructed after January 1, 2027 that is located more than one mile from the premises of an arena to be located at least 5,000 feet from any advertising display authorized pursuant to the arena exemption for a different arena. This provision would not apply to a display authorized under the exemption in the City of Inglewood or displays authorized prior to January 1, 2021.
- Require Caltrans, before a display authorized under this bill may be placed, to have determined that the display will not cause a reduction in federal aid funds or otherwise be inconsistent with federal law, regulation, or agreement between the state and a federal agency or department.
- Require Caltrans, if it is unable to make the above determination, to request that the Federal Highway Administration (FHWA) make that determination. The display may only be placed upon receipt of that determination by the FHWA.

Related Legislation: SB 1309 (Durazo), which was vetoed by the Governor in 2022, would have reauthorized the arena exemption to the OAA until 2028, and contained similar provisions to this bill. The veto message stated the following:

> *"Caltrans has been officially notified that the existing arena billboards do not comply with federal law and exemptions in state law do not provide Caltrans with the ability to maintain effective control of outdoor advertising. The potential impact to California of falling out of FHWA compliance could be a reduction of over $400 million of federal transportation funding annually."*

AB 1687 (Jones Sawyer), which was approved by the Assembly in 2019 but never heard by a Committee in the Senate, would have extended the sports arena exemption from the OAA from January 1, 2021 to January 1, 2028, among other things.

AB 700 (Jones-Sawyer), Chap. 337/2018, extended the sunset on the exemptions of sports arenas from parts of the OAA to January 1, 2021, as specified.

SB 31 (Padilla), Chap. 542/2013, revised the sports arena exemption from the OAA to allow arenas to display advertising for products, goods, or services sold on premises as well as part of a sponsorship marketing plan if the arena is on public land and has a capacity of 15,000 or more seats, for displays erected by January 1, 2019, as specified.

SB 2339 (Solorio), Chap. 493/2008, provided an exemption from the OAA for advertising displays that advertise businesses, goods, or services that are marketed, produced, or sold on the premises of certain sports arenas

Staff Comments: This bill requires Caltrans to incur administrative costs for the review of draft local ordinances or other discretionary approvals, to confirm compliance with state law, and to determine whether resulting signs would be compliant with federal law and Caltrans' FHWA obligations before authorizing placement, including potential coordination with FHWA to make specified compliance determinations. Caltrans estimates costs in the range of $150,000 annually for staff workload to conduct those reviews, and any associated inspections. Costs could be higher depending on the number of proposals to erect new displays are submitted for review.

The FHWA periodically audits Caltrans to ensure that it is fulfilling its duties as administrator of the federal laws and regulations regarding billboards. In its latest report, the FHWA found that arena displays and displays in redevelopment areas may not be compliant with federal law. While the signs comply with state law, which was expressly revised to authorize many of these signs, federal law is more restrictive. Specifically, the FHWA review found that specified signs exceeded the size limits of 1200 square feet, were located too closely to one another, and displayed full motion video. FHWA recommended that Caltrans pursue compliance with federal law and, in some cases, pursue removal of the signs under threat of the loss of 10% of the state's annual federal-aid funds.

Staff notes that one provision of the bill could be interpreted to allow an arena that has already placed two authorized displays pursuant to the previous arena exemption (BPC 5272 (b)(4)(B) in the current bill) to place two additional signs at each qualifying arena under the new authorization created by the bill (BPC 5272 (b)(4)(C) in the current bill). This assumes that the signs have been authorized by a local ordinance or other discretionary act, and meet other requirements. The Committee may wish to consider an amendment to clarify that the total number of authorized signs at a given arena site cannot be "stacked."

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