



OSARC

— OFFICE OF —
STATE AID ROAD CONSTRUCTION

Annual Report
Fiscal Year 2023

Summary Annual Report for the Fiscal Year July 1, 2022, to June 30, 2023

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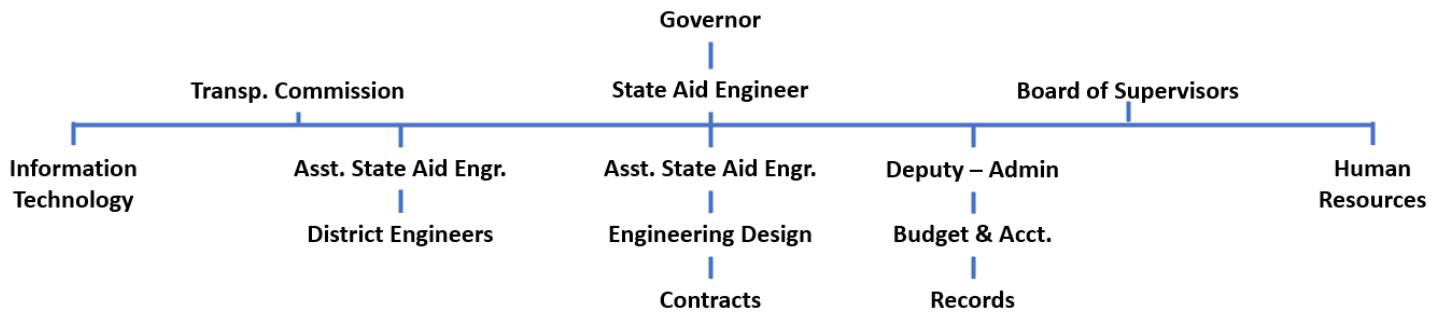
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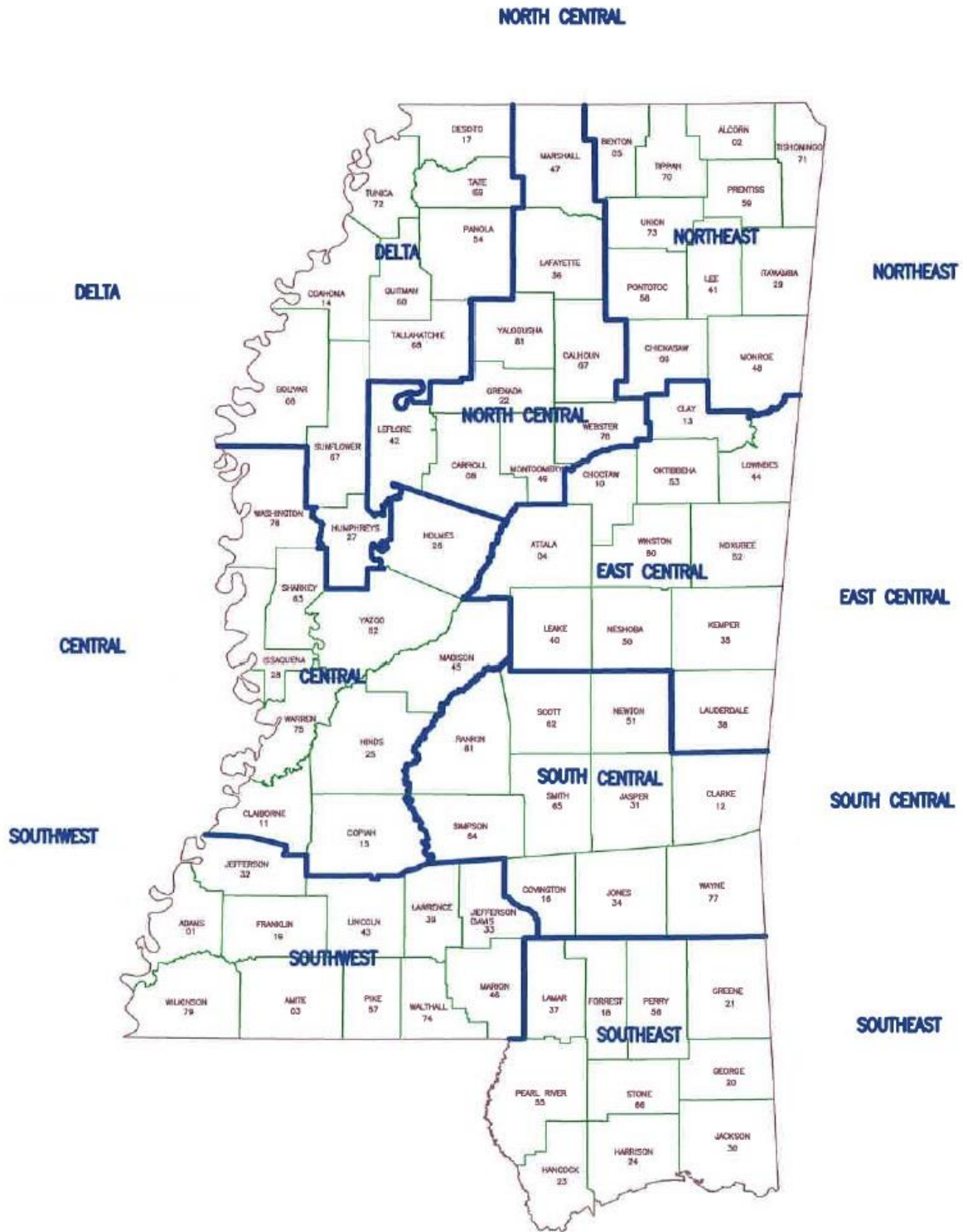
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Organizational Chart:

Office of State Aid Road Construction
Organizational Chart



District Map:



The State Aid Construction Program:

The State Aid Construction Program (SAP) had its beginning with the passage of Chapter 6, Laws of the Extraordinary Session of 1949 [Section 65-9-(1-33) of the Mississippi Code of 1972]. This legislation provided for the creation of a division within the State Highway Department, to be known as the Division of State Aid Road Construction, and to be charged with the responsibility of administering the program at the state level. The 1992 Legislature passed Senate Bill 2763 which created the Mississippi Department of Transportation. Under this bill the State Highway Department became known as the Department of Transportation and the Division of State Aid Road Construction became known as the Office of State Aid Road Construction (OSARC).

The Enabling Act provided for a State Aid System, to be composed of the principal collector and distributor routes in the 82 counties, connecting with the State Highway System and other principal county roads to form a network of secondary roads for the state. There are currently 25,857.04 eligible miles on the State Aid System, with 19,005.30 miles designated by the Boards and approved by the State Aid Engineer to date.

Each Board of Supervisors, as the governing agency of the county, is required by statute to appoint a County Engineer, who is a Registered Professional Engineer, to act for and on behalf of the Board and to administer the engineering functions at the county level, subject to the rules and regulations promulgated by the State Aid Engineer.

It is the responsibility of the Board of Supervisors to designate the roads to be included in the county's State Aid System; adopt annual construction programs; acquire rights-of-way for State Aid Program (SAP) projects; advertise for bids; award contracts; and maintain completed projects after construction.

The County Engineers' responsibilities and duties include, but are not limited to, the following: Assist the Boards of Supervisors in the designation and modification of their State Aid Systems; prepare annual construction programs; make surveys and prepare detailed plans and designs; make field inspections with the State Aid Engineer's representatives; prepare proposals for advertisement for bids; attend lettings at the county level; provide engineering controls (staking, etc.); supervise and inspect construction; prepare estimates for payment to the contractors; and make annual maintenance inspections of completed projects.

It is the responsibility of the State Aid Engineer and OSARC staff to prepare and adopt uniform design standards and specifications for the construction and maintenance of SAP projects; approve all additions to the State Aid System; approve all construction programs, plans and specifications; authorize advertisement for bids; concur in the award of the contracts; approve and disburse all payments made from the project fund; approve the final acceptance of completed projects; and make annual and other periodic inspections of completed projects to see that they are properly maintained by the respective Boards of Supervisors.

State Aid Funds are derived from the following sources and under the following statutory provisions. Code Section 27-65-75 provides for a diversion from the proceeds of gasoline, diesel fuel or kerosene taxes of \$4,000,000.00 per month (\$48,000,000.00 annually) or an amount equal to 23.25% of such

funds, whichever is the greater amount into the State Aid Road Construction Special Fund. An additional \$3,000,000.00 per year is diverted into the fund from sales tax revenue.

The formula (which was revised under House bill 1302 in 1994), includes a hold harmless provision assuring that no county will be allocated an amount less than it received during the 1994 fiscal year.

Revenues derived from the above-named sources are received monthly and are allocated to the counties on the following basis:

- One-third (a) shall be allocated to all Counties in equal shares;
- One-third (a) shall be allocated to Counties based on the proportion that the total number of rural road miles in a County bear to the total number of rural roads miles in all Counties of the State; and
- One-third (a) shall be allocated to Counties based on the proportion that the rural population of the County bears to the total rural population in all Counties of the State, according to the latest federal decennial census.

The amount allocated to each County is adjusted to assure that no County receives less than the amount received in FY 1994 (as required by HB 1302).

OSARC legislation allows for “advanced credits” to each county. Ninety percent (90%) of a county’s estimated revenue for a board term can be advanced to the county so long as there is at least one million dollars (\$1,000,000.00) in the overall SAP fund.

Construction expenditures rise and fall throughout the four-year term of each Board of Supervisors. A new Board Term began on January 1, 2020, and advanced credits were issued for planning purposes and to allow counties to proceed with projects in need of funding. There was a rise in project expenditures beginning in fiscal year 2021 and continuing through fiscal year 2022. Unless additional funding is provided, a decline in expenditures is anticipated through the end of the board term on December 31, 2023, as most counties will have used all available funds and advanced credits.

House Bill 0001, First Extraordinary Session 2018, created the Mississippi Infrastructure Modernization Act of 2018. This Act created the Emergency Road and Bridge Repair Fund (ERBRF) program to be administered by the Mississippi Department of Transportation (MDOT). House Bill 779, Regular Session 2019, revised certain aspects of the ERBRF program, including allowing SAP Funds and Local System Bridge Replacement and Rehabilitation Program (LSBP) funds to be used in conjunction with ERBRF program funds to assist the counties with ERBRF program projects. Although OSARC does not directly administer the ERBRF program projects, the agency has committed to providing any services typically performed on SAP or LSBP program projects if requested by a County Engineer or County Board of Supervisors.

The 2023 Regular Session of the Legislature passed House Bill 1734 which divided the 5% Use Tax Collection into two portions of two and one-half percent (2 ½%) for each fund. Beginning August 15, 2023, one portion being deposited into the State Aid Road Fund created in Section 65-9-17. The remaining two and one-half percent (2 ½%) portion is deposited tin the LSBP Fund created in 65-37-3.

The Local System Bridge Replacement and Rehabilitation Program:

The 1994 Regular Session of the Legislature passed House Bill 1302 which included the establishment of a Local System Bridge replacement and rehabilitation Program (LSBP), [Section 65-37(1-15) of the Mississippi Code of 1972]. The program provides funding for replacement and rehabilitation of deficient bridges maintained by counties or municipalities excluding bridges on the State Aid System, the municipal urban system, or the rural major collector system. The Office of State Aid Road Construction is charged with the responsibility of administering the LSBP program under rules and regulations promulgated by the State Aid Engineer.

LSBP funds historically have been provided by Legislative appropriation, Bond proceeds or any other monies the Legislature may designate for deposit in the fund in accordance with Section 65-37-13 of the Mississippi Code of 1972. House Bill 0001, First Extraordinary Session 2018, provided for the LSBP program to be funded with Use Tax Revenue beginning in fiscal year 2020. The dedicated funding stream created in Section 2 of HB0001 has added long-term stability to the program and allows the counties to better plan their local system bridge replacement program needs.

Local System Bridge replacement and rehabilitation Program (LSBP) Funds are now derived from one million six hundred sixty-six thousand, six-hundred sixty-six dollars and sixty-seven cents (\$1,666,666.67) or, five percent (5%) of the total use tax revenue collected during the preceding month and deposited into the Local System Bridge Replacement and Rehabilitation Fund created in Mississippi Code Section 65-37-13. HB 1734, passed in the 2023 RLS, revised the funding deposited in the LSBP Fund to two and one-half percent (2 ½%), effective July 1, 2023.

On July 1, 2021, the allocation of LSBP Funds to each County was updated based on the passage of HB576 of the 2021 Regular Legislative Session. Percentage allocation is now calculated as follows:

- One-half (½) on the proportion that the total number of local system bridges in the County bears to the total number of local system bridges in all Counties of the State.
- One-half (½) on the proportion that the total square footage of deck area of all local system bridges in the County bears to the total square footage of deck area of all local system bridges in all Counties of the State.

OSARC legislation allows for “advanced credits” to each county. Ninety percent (90%) of a county’s estimated revenue for a board term can be advanced to the county so long as there is at least one million dollars (\$1,000,000.00) in the overall LSBP fund. Construction expenditure rises and falls throughout the four-year term of each Board of Supervisors. A new Board Term began on January 1, 2020, and advanced credits were issued for planning purposes and to allow counties to proceed with projects in need of funding. There was a rise in project expenditures beginning in fiscal year 2021 and continuing through fiscal year 2022. Unless additional funding is provided, a decline in expenditures is anticipated through the end of the board term on December 31, 2023, as most counties will have used all available funds and advanced credit.

Bridge Inspection and Federal Aid Programs:

The authority to spend federal funds from the Federal Highway Administration (FHWA) is received through the Mississippi Department of Transportation (MDOT) as OSARC is a sub-recipient of federal-aid funds. Funds are received as reimbursement for expenditures on the federal projects we administer. Unfortunately, these funds are no longer routinely available for construction projects on roads and bridges. Federal funds are currently being utilized for performing National Bridge Inspection Standards (NBIS) compliant bridge inspections as required by FHWA under 23 CFR § 650.301. OSARC currently receives an average of \$30 million annually, not including specially designated funds. Most of this funding is used for the inspection of county and locally owned and maintained bridges and structures. Any remaining funds are available for use on surface transportation projects on Federal Aid routes and the replacement of any eligible bridge in the county. OSARC maintains a list of projects eligible for federal aid when funding is available and works with MDOT to authorize projects when a project has been verified complete and ready for funding and on the priority of replacing closed bridges.

Special State Projects:

The Economic Development Highway Act (Code Section 65-4-1) authorizes the Mississippi Development Authority (MDA) to assist political subdivisions with Highway Projects which encourage private companies to engage in high economic benefit projects within their area. These funds are made available to the county(ies) or municipality(ies) on an individual project basis and are administered in accordance with guidelines established by the MDA. OSARC is responsible for administering MDA projects that are not on the State Highway System.

Administrative Program:

The Administrative Program is designed to provide agency and project accounting, record retention, procurement, agency personnel and human resource support. We currently have 54 authorized staff positions and operate on an annual budget of just under \$190 million, of which less than \$5 million is used for the administration of the agency. Administrative Program funds are deducted from the State Aid Construction Program funds. The State Aid Engineer serves as the Executive Director of OSARC and is appointed to the position by the Governor.

The workload on OSARC has increased exponentially over the past few years due to the emerging requirements of the National Bridge Inspection Standards (NBIS) and contracting requirements for bridge inspection and engineering consulting contracts as well as addressing other new state laws, including the Emergency Road and Bridge Repair Fund (ERBRF) that impact county infrastructure. OSARC needs an updated project accounting software program to track and report the status of construction projects and the expenditure of funds administered on behalf of each County. The current systems(s) are decades old and do not meet the current needs of the agency, or the requirements of the control agencies and the county officials with whom OSARC conducts business.

Receipts and Disbursements:

	Actual FY Ending 6/30/2023	Estimated FY Ending 6/30/2024	Estimated FY Ending 6/30/2025
DISBURSEMENTS			
Construction of Highways			
State Aid Projects	85,048,575	115,297,371	115,297,371
Federal Aid Projects	31,688,437	59,000,000	59,000,000
Local System Bridge Program	27,255,495	30,000,000	30,000,000
Administrative Program	4,592,378	5,823,063	6,342,878
Total Expenditures-OSARC	148,584,885	210,120,434	210,640,249
RECEIPTS			
Gasoline Tax(Section 27-65-75)- SAP	56,849,822	81,147,371	81,147,371
Sales Tax(Section 27-65-75)- SAP	3,000,000	3,000,000	3,000,000
Hybrid Vehicle Tax (Section 27-67-31)	304,998	300,000	300,000
Use Tax (Section 27-67-31)- LSBP	39,405,658	20,000,000	20,000,000
Use Tax (Section 27-67-31)- SABP	0	20,000,000	20,000,000
County Contributions	13,599,130	19,500,000	19,500,000
Misc State Aid Revenue	2,025,881	1,000,000	1,000,000
Interest on Investments	102,575	350,000	350,000
Administrative	3,793,364	5,823,063	6,342,878
Total State Revenue-OSARC	119,081,428	151,120,434	151,640,249
Federal Funds(Allocations)Reimbursements			
FHWA Reimbursements	34,404,821	49,000,000	49,000,000
Federal Aid Matching Requirements	0	10,000,000	10,000,000
Total Federal Funds-OSARC	34,404,821	59,000,000	59,000,000
Total Revenue	153,486,249	210,120,434	210,640,249
Beginning Funds Balance	160,626,506	165,527,870	165,527,870
Ending Funds Balance	165,527,870	165,527,870	165,527,870
Total Available	148,584,885	210,120,434	210,640,249

Summary of Administrative Expenses:

Salaries, Wages and Fringe Benefits:		
Salaries and Wages	3,099,790	
Term Leave Pay	7,727.04	
Retirement Matching	540,707.91	
Social Security Matching	229,244.47	
Workers' Compensation	9,438.00	
Group Health Insurance	243,115.00	
Group Life Insurance	4,885.93	
Unemployment Insurance tax	2,847.00	4,137,755.07
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Travel:		
In-State	36,691.00	
Out-of-State	6,376.61	43,067.61
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Contractual Services:		
Tuition & Employee Training	44,169.00	
Liability Insurance Contributions	9,709.00	
Conference Room, Exh, Display	7,900.00	
Postage	10,052.53	
Equipment Rental	14,550.36	
Repairs to Motor Vehicles	7,140.23	
Professional Service Fees	107,065.39	
DFA Fees (MMRS/Torte Claims)	52,892.00	
Other Fees & Services	210.00	253,688.51
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Information Technology:		
Offsite Data Storage	3,785.93	
ITS Fees	5,552.46	
Software Outside Vendor	17,900.72	
Usage Time Cellular Telephones	12,705.73	39,944.84
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Commodities:		
Office Supplies and Materials	6,574.60	
Office Equipment	4,911.19	
Fuel Card -Gas, Oils, Greases, Etc.	38,352.22	
Tires & Tubes - Auto	2,955.72	
Other Miscellaneous Expenses	154.82	
Procurement Card Purchases	11,468.42	64,416.97
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Capital Outlay:		
Vehicles	53,505.00	53,505.00
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Total		<u>4,592,378.00</u>