



OSARC
— OFFICE OF —
STATE AID ROAD CONSTRUCTION

ANNUAL REPORT

Fiscal Year 2025

(July 1, 2024 – June 30, 2025)

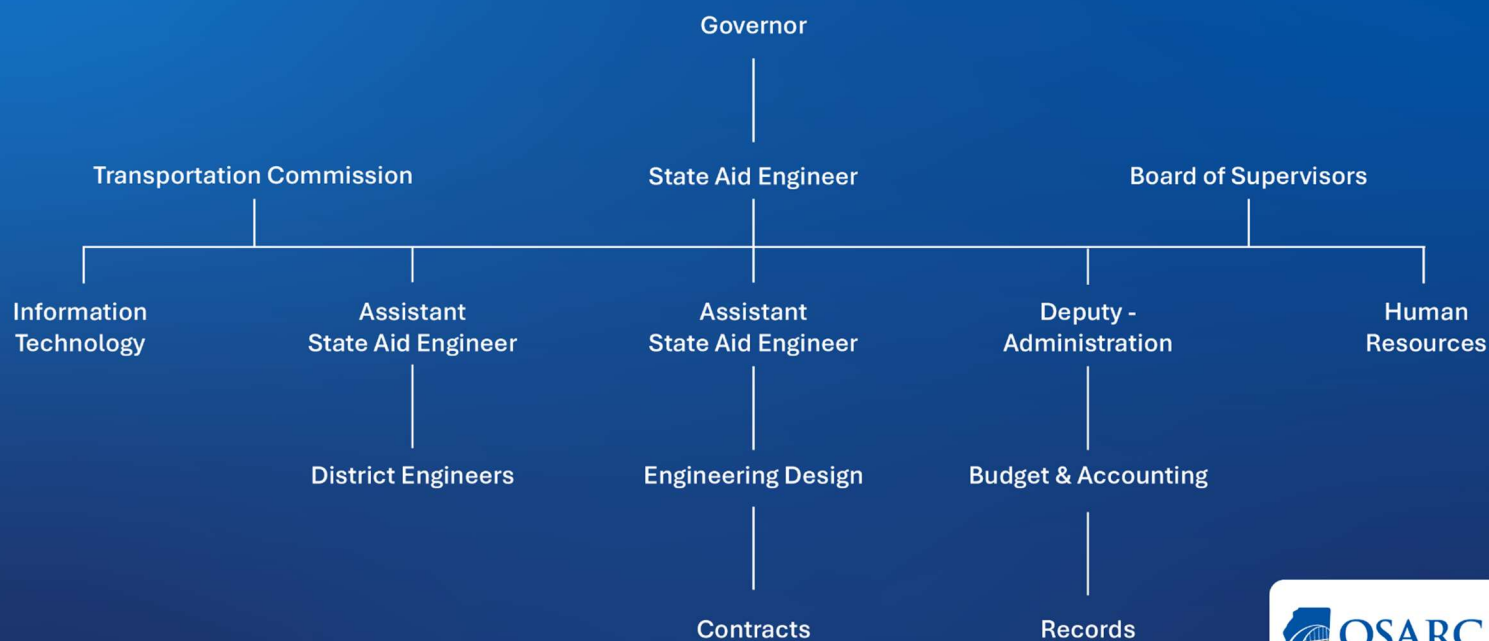
December 31, 2025

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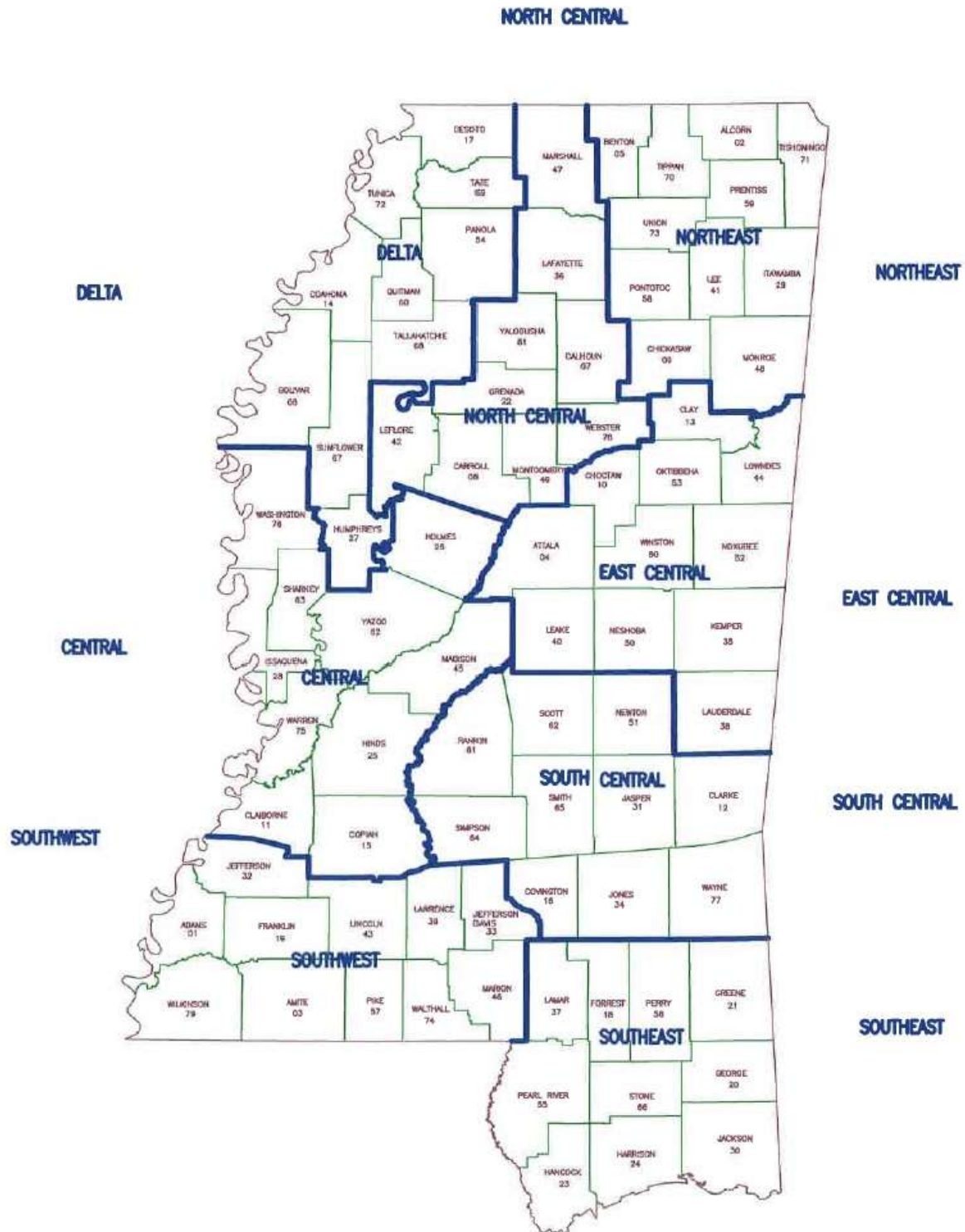
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Organizational Chart

OFFICE OF STATE AID ROAD CONSTRUCTION



District Map



State Aid Construction Program

Legislative Basis

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, under which 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.

The enabling act provided for a State Aid System, to be composed of the principal collector and distributor routes in Mississippi's 82 counties, connecting with the State Highway System and other principal county roads to form a statewide network of secondary roads. There are currently 25,857.04 eligible miles on the State Aid System; to date 19,035.65 miles have been designated as State Aid routes by the applicable County Board of Supervisors and approved by the State Aid Engineer.

Responsibilities

It is the responsibility of each County 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.

Each Board of Supervisors, as the governing agency of the county, is required by statute to appoint a County Engineer, who must be 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. The State Aid Engineer serves as the Executive Director of OSARC and is appointed by the Governor.

A County Engineer's responsibilities and duties include, but are not limited to, the following:

- Assist the Board of Supervisors in the designation and modification of their State Aid Systems;
- Prepare annual construction programs;
- Make surveys and prepare detailed plans and designs;
- Conduct field inspections with the State Aid Engineer's representatives;
- Prepare proposals for advertisement for bids;

**The designated State Aid System comprises
19,000 miles of roads and bridges.**

- 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
- Conduct annual and other periodic inspections of completed projects to see that they are properly maintained by the respective Boards of Supervisors.

Revenue and Distributions

State Aid Funds are derived from the following sources and under the following statutory provisions. Mississippi Code Section 27-65-75 provides for a diversion from the proceeds of gasoline, diesel fuel, or kerosene taxes of \$4 million per month (\$48 million per year) 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 million per year is diverted into the fund from sales tax revenue.

The formula (which was revised under House Bill (HB) 1302 in 1994), includes a hold-harmless provision assuring that no county will be allocated an amount less than it received during Fiscal Year (FY) 1994.

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

- One-third shall be allocated to all counties in equal shares;
- One-third 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 road miles in all counties of the state; and
- One-third 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.

One-third of State Aid funds are allocated to counties equally; the remainder is allocated according to population and road mileage.

The amount allocated to each county is adjusted to ensure that no county receives less than the amount received in FY 1994, as required by HB 1302.

OSARC legislation allows for “advance 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 \$1 million in the overall SAP fund.

Construction spending varies over each four-year Board term. With the new term beginning January 1, 2024, advance credits were issued to help counties begin needed projects. Expenditures are expected to rise through FY 2026, then decline through the end of the term in December 2027 as most counties exhaust available funds and advance credits.

House Bill 0001, First Extraordinary Session 2018, created the Mississippi Infrastructure Modernization Act of 2018. The act established 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. Section 27-67-31(g) divided the 5% use tax collection into two portions of 2.5% for each fund. Beginning August 15, 2023, one portion is deposited into the State Aid Road Fund created under Section 65-9-17. The remaining 2.5% portion is deposited into the LSBP Fund created under 65-37-3. Funds deposited into the State Aid Road Fund shall be used for the repair and replacement of deficient state aid system bridges. Consequently, OSARC has created a State Aid Bridge Replacement and Rehabilitation Program (SABP) using this portion of the use tax for deficient bridges on the State Aid System of Roads in each county.

Local System Bridge Replacement and Rehabilitation Program

The 1994 Regular Session of the Legislature passed House Bill 1302, which established 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

The Local System Bridge Program provides stable long-term funding for counties to replace & rehabilitate local bridges, supported by a dedicated use-tax revenue stream

Road Construction is charged with 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 FY 2020. The dedicated funding stream created in Section 2 of HB 0001 has added long-term stability to the program and allows the counties to better plan their local system bridge replacement program needs.

HB 1734, passed during the 2023 Regular Legislative Session, revised the funding deposited in the LSBP Fund, effective July 1, 2023. The LSBP program is now funded by 2 ½% of the total use tax revenue collected during the preceding month and deposited into the Local System Bridge Replacement and Rehabilitation Fund created under Mississippi Code Section 65-37-13.

On July 1, 2021, the allocation of LSBP funds to each county was updated based on the passage of HB 576 of the 2021 Regular Legislative Session. Percentage allocation is now calculated as follows:

- One-half 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 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 “advance 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 \$1 million in the overall LSBP fund.

Construction spending varies over each four-year Board term. With the new term beginning January 1, 2024, advance credits were issued to help counties begin needed projects. Expenditures are expected to rise through FY 2026, then decline through the end of the term in December 2027 as most counties exhaust available funds and advance credits.

Bridge Inspection and Federal Aid Programs

OSARC’s authority to spend federal funds from the Federal Highway Administration (FHWA) is received through the Mississippi Department of Transportation (MDOT). OSARC is a sub-recipient of Federal Aid funds. Funds are received as a reimbursement for expenditures on the federal projects OSARC administers. 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

**Federal funds are currently being used to perform
National Bridge Inspection Standards (NBIS)-compliant
bridge inspections required by FHWA.**

by FHWA under 23 CFR § 650.301. OSARC currently receives an average of \$40 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 may be 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 as complete and ready for funding. Replacement of closed and deficient bridges is prioritized.

Special State Projects

The Economic Development Highway Act (Mississippi Code Section 65-4-1) authorizes the Mississippi Development Authority (MDA) to assist political subdivisions with highway projects that 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

OSARC's Administrative Program is designed to provide agency and project accounting, record retention, procurement, and agency personnel and human resources support. OSARC currently has 54 authorized staff positions and operates on an annual budget of just over \$210 million, of which just over \$5 million is used for the administration of the agency. Administrative Program funds are deducted from the State Aid Construction Program funds.

OSARC's workload 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 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.

OSARC uses less than 4% of its annual budget on agency administration.

Statement of Revenue and Expenditures

Office of State Aid Road Construction	Actual FY Ending 6/30/2025	Estimated FY Ending 6/30/2026	Estimated FY Ending 6/30/2027	Increase or Decrease 2026 vs. 2027
EXPENDITURES				
Construction of Highways				
State Aid Projects	58,279,741	85,252,871	216,776,615	131,523,744
Federal Aid Projects	30,538,126	59,000,000	59,000,000	0
Local System Bridge Program	28,117,330	55,000,000	55,000,000	0
State Aid Bridge Program	3,757,669	30,000,000	30,000,000	0
Administrative	5,162,242	6,483,203	6,811,520	328,317
Total Expenditures	\$125,855,108	\$235,736,074	\$367,588,135	\$131,852,061
REVENUE				
State Funds				
Gasoline Tax (Section 27-65-75)	55,810,332	81,147,371	212,671,115	131,523,744
Sales Tax (Section 27-65-75)	3,000,000	3,000,000	3,000,000	0
Hybrid Vehicle Tax	597,102	400,000	400,000	0
SABP Use Tax	23,609,254	30,000,000	30,000,000	0
LSBP Use Tax	23,609,254	40,000,000	40,000,000	0
County Contributions	6,984,451	18,240,000	18,240,000	0
Misc. State Aid Revenue	838,815	1,510,000	1,510,000	0
Interest on Investments	631,931	0	0	0
Administrative	4,374,631	6,483,203	6,811,520	328,317
Transfer from Other Funds	0	500,000	500,000	0
Total State Funds	119,455,769	181,280,574	313,132,635	131,852,061
Federal Funds (Allocations) Reimbursements				
FHWA Reimbursements	\$35,806,879	\$59,000,000	\$59,000,000	\$0
Federal Aid Matching Requirements	\$0			\$0
Total Federal Funds	\$35,806,879	\$59,000,000	\$59,000,000	\$0
Total Revenue	\$155,262,648	\$240,280,574	\$372,132,635	\$131,852,061
BALANCES				
Beginning Funds Balance	\$190,046,090	\$219,453,630	\$223,998,130	
Ending Funds Balance	\$219,453,630	\$223,998,130	\$228,542,630	
Total Available	\$210,873,034	\$235,736,074	\$367,588,135	\$131,852,061

Summary of Administrative Expenses

Expense	Amount	Total
Salaries, Wages, and Fringe Benefits		
Salaries and Wages	\$3,494,302	
Retirement Matching	\$625,480	
Social Security Matching	\$259,696	
Workers' Compensation	\$8,710	
Group Health Insurance	\$261,738	
Group Life Insurance	\$5,266	
Unemployment Insurance Tax	\$4,885	\$4,660,077
Travel		
In-State	\$37,235	
Out-of-State	\$5,154	\$42,389
Contractual Services		
Tuition & Employee Training	\$12,367	
Postage	\$10,040	
Equipment Rental	\$15,165	
Repairs to Motor Vehicles	\$3,998	
Professional Service Fees	\$111,677	
DFA Fees (MMRS/Torte Claims)	\$56,834	
Other Fees & Services	\$11,435	\$221,515
Information Technology		
Offsite Data Storage	\$3,978	
ITS Fees	\$5,379	
Software Outside Vendor	\$25,756	
Usage Time Cellular Telephones	\$11,289	\$46,403
Commodities		
Office Supplies/Equipment	\$11,183	
Computer Equipment	\$42,805	
Fuel Card – Gas, Oils, Greases, etc.	\$31,586	
Tires & Tubes / Parts (Auto)	\$10,646	
Other Miscellaneous Expenses	\$1,055	
Procurement Card Purchases	\$9,683	\$106,958
Equipment		
Vehicles	\$84,900	\$84,900
TOTAL		\$5,162,242