



OSARC
— OFFICE OF —
STATE AID ROAD CONSTRUCTION

ANNUAL REPORT

Fiscal Year 2024

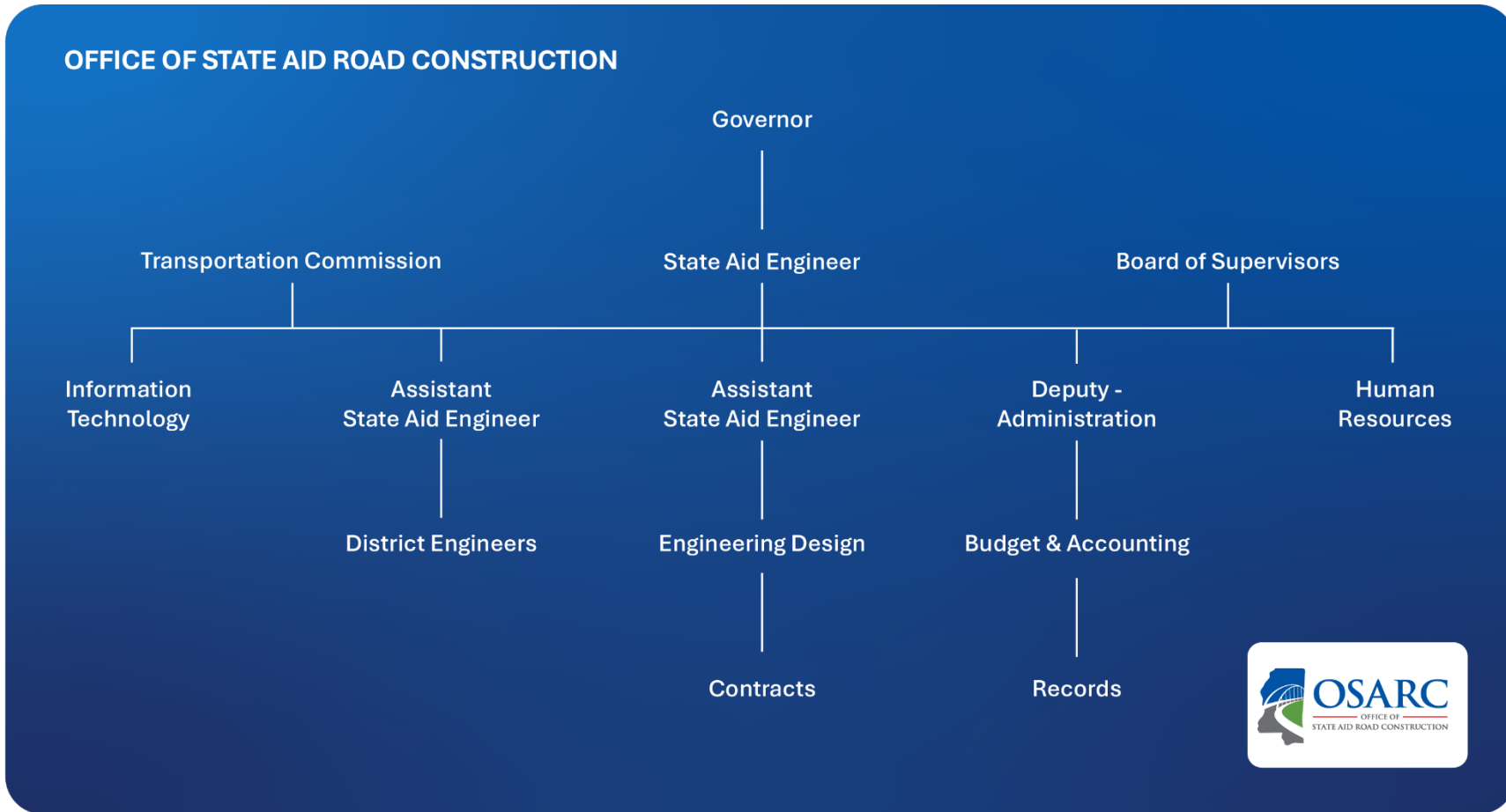
(July 1, 2023 – June 30, 2024)

December 31, 2024

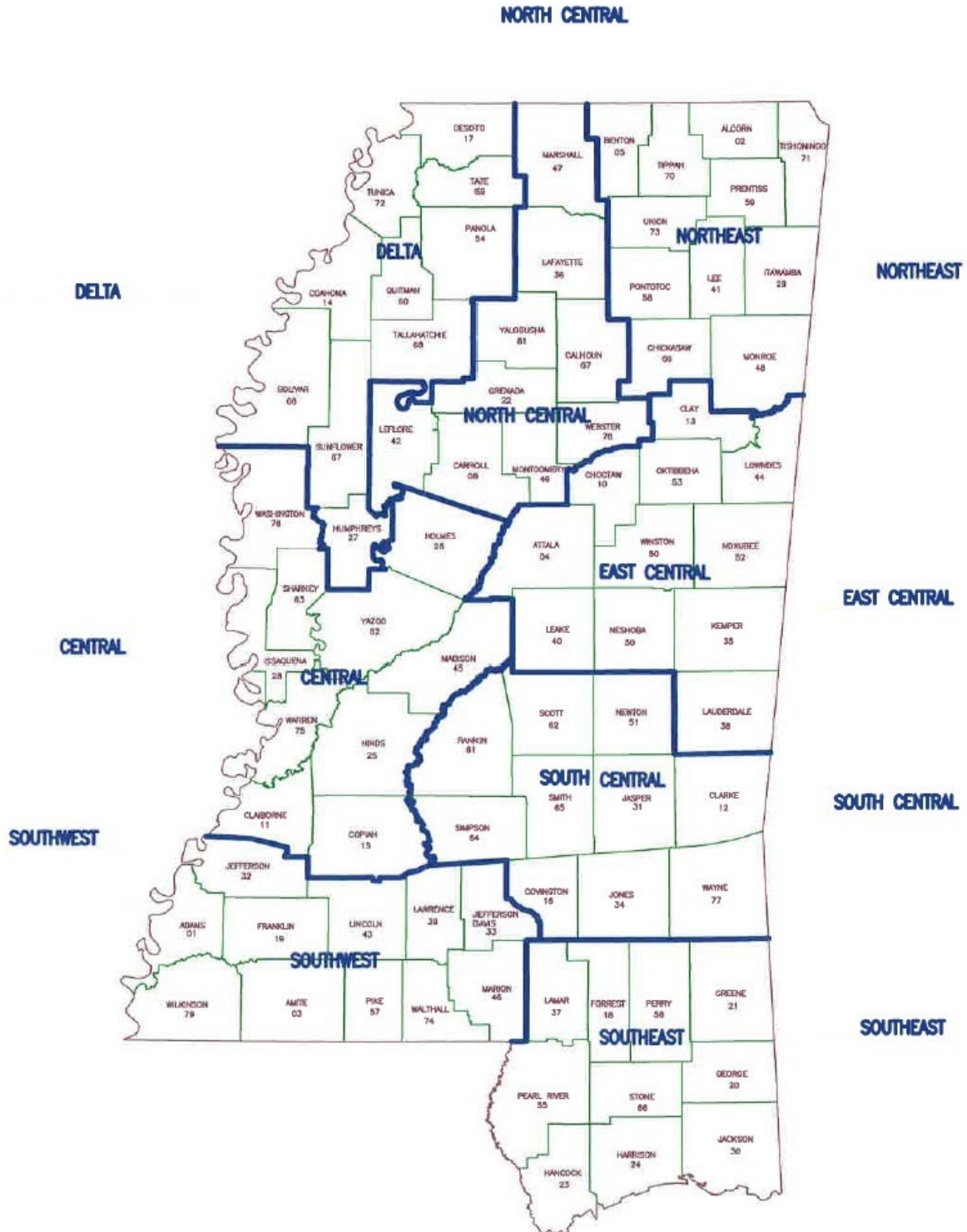
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Organizational Chart



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 19,005.30 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;

- 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.

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

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 “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 expenditures fluctuate throughout the four-year term of each County Board of Supervisors. A new Board term began on January 1, 2024, and advance credits were issued for planning purposes and to allow counties to proceed with projects in need of funding. There will be an increase in project expenditures beginning in FY 2025 and continuing through FY 2026. Unless additional funding is provided, a decline in expenditures is anticipated through the end of the Board term on December 31, 2027, 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. 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, which 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.

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 Road Construction is charged with administering the LSBP program under rules and regulations promulgated by the State Aid Engineer.

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

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 5% 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 expenditures fluctuate throughout the four-year term of each County Board of Supervisors. A new Board term began on January 1, 2024, and advance credits were issued for planning purposes and to allow counties to proceed with projects in need of funding. There will be an increase in project expenditures beginning in FY 2025 and continuing through FY 2026. Unless additional funding is provided, a decline in expenditures is anticipated through the end of the Board term on December 31, 2027, as most counties will have used all available funds and advanced 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

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

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 as complete and ready for funding. Replacement of closed 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 \$220 million, of which just over \$6 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 3% of its annual budget on agency administration.

Statement of Revenue and Expenditures

Office of State Aid Road Construction	Actual FY Ending 6/30/2024	Estimated FY Ending 6/30/2025	Estimated FY Ending 6/30/2026
EXPENDITURES			
Construction of Highways			
State Aid Projects	\$70,094,346	\$95,267,871	\$95,267,871
Federal Aid Projects	\$31,033,288	\$59,000,000	\$59,000,000
Local System Bridge Program	\$21,502,022	\$40,000,000	\$40,000,000
State Aid Bridge Program	\$38,012	\$20,000,000	\$30,000,000
Administrative	\$4,899,595	\$6,077,875	\$6,450,728
Total Expenditures	\$127,567,264	\$220,345,746	\$230,718,599
REVENUE			
State Funds			
Gasoline Tax (Section 27-65-75)	\$56,239,115	\$81,147,371	\$81,147,371
Sales Tax (Section 27-65-75)	\$3,000,000	\$3,000,000	\$3,000,000
Hybrid Vehicle Tax	\$423,716	\$400,000	\$400,000
SABP Use Tax	\$20,614,288	\$20,000,000	\$30,000,000
LSBP Use Tax	\$23,931,097	\$40,000,000	\$40,000,000
County Contributions	\$13,772,552	\$18,240,000	\$18,240,000
Misc. State Aid Revenue	\$1,610,790	\$1,510,000	\$1,510,000
Interest on Investments	\$368,249		
Administrative	\$6,442,761	\$6,077,875	\$6,450,728
Transfer from Other Funds	\$0	\$500,000	\$500,000
Total State Funds	\$126,402,566	\$170,875,246	\$181,248,099
Federal Funds (Allocations) Reimbursements			
FHWA Reimbursements	\$20,037,869	\$59,000,000	\$59,000,000
Federal Aid Matching Requirements	\$0		
Total Federal Funds	\$20,037,869	\$59,000,000	\$59,000,000
Total Revenue	\$146,440,435	\$229,875,246	\$240,248,099
BALANCES			
Beginning Funds Balance	\$171,180,153	\$190,053,325	\$199,582,825
Ending Funds Balance	\$190,053,325	\$199,582,825	\$209,112,325
Total Available	\$127,567,263	\$220,345,746	\$230,718,599

Summary of Administrative Expenses

Expense	Total	Detail
Salaries, Wages, and Fringe Benefits	\$4,322,248	
Salaries and Wages		\$3,205,070
Term Leave Pay		\$48,526
Retirement Matching		\$566,124
Social Security Matching		\$240,689
Workers' Compensation		\$244,265
Group Health Insurance		\$5,006
Group Life Insurance		\$9,536
Unemployment Insurance Tax		\$3,032
Travel	\$36,340	
In-State		\$30,431
Out-of-State		\$5,909
Contractual Services	\$270,678	
Tuition & Employee Training		\$11,660
Conference Room, Exhibit, Display		\$11,330
Postage		\$10,350
Equipment Rental		\$13,654
Repairs to Motor Vehicles		\$11,733
Professional Service Fees		\$158,073
DFA Fees (MMRS/Torte Claims)		\$49,163
Other Fees & Services		\$4,715
Information Technology	\$53,320	
Offsite Data Storage		\$3,541
ITS Fees		\$1,002
Parts-Office/IT		\$6,663
Software Outside Vendor		\$30,832
Usage Time Cellular Telephones		\$11,282
Commodities	\$109,999	
Office Supplies/Equipment		\$6,765
Computer Equipment		\$39,881
Fuel Card – Gas, Oils, Greases, etc.		\$34,568
Tires & Tubes / Parts (Auto)		\$14,040
Other Miscellaneous Expenses		\$1,125
Procurement Card Purchases		\$13,620
Equipment	\$107,010	
Vehicles		\$107,010
TOTAL	\$4,899,595	