



## Statewide Transportation Improvement Program

### III. FUNCTIONS FUNDED FROM STATE ROAD FUND

While it would seem deceptively simple for WVDOH staff to identify all highway improvements that will occur over the next six years on roadways under its jurisdiction, the reality is that providing that information with a reasonable degree of accuracy is quite difficult. Before a program that identifies future highway improvements can be laid out, it is important to understand the many functions that the Road Fund must support.

#### MANDATED PRIORITIES:

##### **Debt Service:**

The first mandated priority is Debt Service. The WVDOH must use incoming revenue to pay the principal and interest due on State bonds issued for prior highway initiatives. WVDOH and its predecessor agencies, with public approval, have engaged in the practice of selling road bonds to expedite highway improvements since 1920. Most recently, in 1996 citizens approved the sale of \$550 million in road bonds for highway initiatives, which will require WVDOH to make annual payments of between \$37 million and \$50 million through FY 2014 for debt service. Debt service payments will trend lower over time, but still be in excess of \$20 million per year in FY 2025. Debt service payments are analogous to a mortgage on a house. Few citizens would dispute the value of owning a home, yet few would have the financial wherewithal to purchase a home on a cash basis. Similarly, long-term financing of major highway initiatives is warranted at times to maximize the benefits to citizens. Debt service payments from the Road Fund were \$49.3 million in FY 2008.

##### **Administrative Support:**

The second mandated priority is the payment of Administrative Support expenses of WVDOH's operations. In order to effectively meet its statutory responsibility for maintenance, improvement, and construction of the nearly 36,000 miles of roadway under its jurisdiction, WVDOH has an in-house staff of nearly 5,000 individuals who are principally dedicated to highway maintenance, improvement, and construction activities. As in any firm of this size, a number of individuals are needed to perform tasks of a support nature (executive, finance, legal, human resources, information technology, etc.). Without these support functions in place, WVDOH could not operate. In addition to these support personnel, costs associated with WVDOH inventory and equipment (snowplows, mowers, trucks, etc.) also are considered a support expense. Before even basic maintenance activities can start, WVDOH must meet its daily financial obligations (insurance, salaries, pensions, etc.) for the facilities and staff related to these functions and must pay for the equipment needed to accomplish basic functions. Unlike debt service payments, administrative support costs are not fixed, but fluctuate depending on a variety of factors which include, but are not limited to, the number of employees, changes in



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benefits costs and changes in equipment costs. FY 2008 Administrative Support expenses were \$45 million.

## **Routine Maintenance:**

Once Debt Service and Administrative Support expenses are covered, funds are expended on the third mandated priority - Routine Maintenance of the roadways under WVDOH's jurisdiction. WVDOH has facilities, equipment and workers in all 55 counties dedicated to routine maintenance of the highways and bridges under its jurisdiction. Routine Maintenance includes such activities as snow removal, brush cutting, bridge inspection, litter collection, pothole patching, and roadway repaving to name a few. If WVDOH did not perform these fundamental tasks, the roadways under its jurisdiction would rapidly become unusable to the traveling public. While maintenance embodies all functions performed by WVDOH that serve to preserve, as near as possible, the State's infrastructure in its present condition, for the purposes of this report, activities such as renovation, resurfacing, and bridge repair are considered improvements rather than maintenance expenditures. Like Administrative Support expenses, Routine Maintenance does not historically remain fixed. Akin to Administrative Support expenses, Routine Maintenance costs tend to fluctuate but overall they will trend higher over time, depending on a number of factors such as weather, improvements in surface type, traffic volume, fuel, material, and personnel costs to name but a few. Routine Maintenance costs of the WVDOH were \$247.6 million in FY 2008.

## **Set-Asides:**

In addition to the three mandated priorities described above, the WVDOH must also consider the impact of Set-Asides. Set-Asides are Legislative mandates that require monies from the State Road Fund to be diverted to other agencies to cover "highway-related" activities. In FY 2008, \$34.4 million in Road Fund monies were used to pay for Set-Asides. The largest Setaside has historically been for the operation of West Virginia Division of Motor Vehicles (WVDMV). In FY 2008, \$30.4 million in Road Fund monies was used to pay for WVDMV operations. In addition to supporting WVDMV operations, Road Fund monies are used to cover legal claims against WVDOH and WVDMV. The WVDOH is legislatively required to transfer funds from the Road Fund to the Industrial Access Road (IAR) Fund. While the monies transferred to the IAR Funds are not available to WVDOH for general purposes, they are available for the construction of roads to industrial access facilities throughout the State. Despite this fact, since the emphasis in this report is on monies available in the Road Fund, IAR transfers are treated as a Set-Aside. In FY 2008, \$3.4 million was transferred from the Road Fund to the IAR Fund and \$0.6 million was needed for legal claims. Beginning in FY 2008 the drain on the Road Fund for Set-Asides was significantly reduced, when the Legislature ceased directing Road Fund monies to be used to pay for State Police and PSC weight enforcement activities, which cost \$10.1 million during FY 2007. The funding that would have been diverted to those agencies is now available to the WVDOH for other activities.



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While the mandated tasks appear mundane to the average highway user, they form the backbone of an effective and efficient highway network. Only after the expenses associated with those tasks and the legislatively mandated Set-Asides are met can WVDOH direct remaining State Road Fund monies towards the renovation, improvement, and expansion of the roads and bridges under its jurisdiction. Any fiscally constrained program of highway improvements that can be realistically accomplished must consider the future needs of these priority activities and Set-Asides in conjunction with available resources before identifying improvement projects.

## **IMPROVEMENTS:**

The concepts of fiscal constraints and limitations are frequently difficult for individuals to grasp when they know that WVDOH has an annual budget of approximately \$1 billion. The problem is exacerbated by the fact that citizens have seen and experienced the impressive strides made over the last 40 years in improving the quality and extent of the State's highway infrastructure and have come to expect similar improvements in the future. WVDOH expended a total of \$636 million for improvements in FY 2008; \$279 million (44%) was funded with State revenue, and \$357 million (56%) was funded with federal-aid reimbursements. It should be noted that for the purposes of the STIP the term "improvements" includes all types of programmed highway and transit projects (i.e., renovation, resurfacing, system preservation, expansion, etc.) not just projects that are adding capacity to the system, which would be a true improvement of the present transportation network.