

**OFFICE OF
STATE AID ROAD CONSTRUCTION**

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MEMORANDUM

TO: All Interested Parties

FROM: J. Brooks Miller, Sr., P. E., State Aid Engineer

RE: Funding Formulas, Percentages and Sources for State Aid Administered Projects

The following information describes the funding formulas, percentages and sources of funds for State Aid administered projects.

STATE AID PROGRAM FUNDS:

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.

Allocation:

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 ($\frac{1}{3}$) shall be allocated to all Counties in equal shares;
- One-third ($\frac{1}{3}$) shall be allocated to Counties based on the proportion that the total number of rural road miles in a County bears to the total number of rural roads miles in all Counties of the State; and
- One-third ($\frac{1}{3}$) 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). Any funds in excess of \$51,000,000.00 are distributed to the “gainer” counties as required by the 1994 legislation.

State Aid 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 State Aid fund.

LOCAL SYSTEM BRIDGE PROGRAM FUNDS:

Local System Bridge Program Funds are provided for in Code Section 65-37-13 which states in part 2(b) and 2(c) the following:

During the regular legislative session held in calendar year 1999, if the official General Fund revenue estimate for the succeeding fiscal year for which appropriations are being made reflects a growth in General Fund revenues of two percent (2%) or more for the succeeding fiscal year, then Legislature shall appropriate Ten Million Dollars (10,000,000.00) from the State General Fund for deposit into the Local System Bridge Replacement and Rehabilitation Fund.

Except as otherwise provided in this paragraph, during each regular legislative session held in calendar years 2001 through 2008, if the official General Fund revenue estimate for the succeeding fiscal year for which appropriations are being made reflects a growth in General Fund revenues of two percent (2%) or more for the succeeding fiscal year, then the Legislature shall appropriate Twenty Million Dollars (\$20,000,000.00) from the State General Fund for deposit into the Local System Bridge Replacement and Rehabilitation Fund. However, during the regular legislative sessions held in calendar years 2003, 2004, 2005, 2006 and 2007, the Legislature shall not be required to appropriate funds for deposit into the Local System Bridge Replacement and Rehabilitation Fund.

Since fiscal year 2004 the legislature has provided for the bonding of \$20,000,000 to obtain LSBP funds. 2008 is the last year of the program unless it is extended by legislative action.

Funds are allocated to each County on the basis of a percentage derived as follows:

- One-half (1/2) on the proportion that the total number of deficient bridges in the County bears to the total number of deficient bridges in all Counties of the State.
- One-half (1/2) on the proportion that the total number of local system road miles in the County bears to the total number of local system road miles in all Counties of the State.

As with the State Aid program, advanced credits are also available to the counties in the LSBP program.

SURFACE TRANSPORTATION PROGRAM FUNDS:

Surface Transportation Program (STP) Funds are appropriated by the Congress for expenditure on the (designated) Federal Aid Roads. STP funds may also be expended for bridges on any public road. The Transportation Equity Act for the 21st Century (TEA-21) provided that up to 15% of STP funds reserved for rural areas could be expended on minor collectors. In 2005, the Safe Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) deleted the provision allowing the use of these funds on minor collectors.

Section 65-9-29, Mississippi Code of 1972, as amended provides that Federal Aid Secondary funds allocated to Mississippi shall be expended as follows:

One-half (1/2) of said funds will be matched by the State Highway Department and expended on the Federal Aid Secondary System on the State Highway System.

One-half (1/2) of said funds will be matched by the Counties with State Aid or local funds and expended on Federal Aid Secondary routes on the State Aid System.

Since implementation of the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) and continued with TEA-21 and SAFETEA-LU, there have been no Federal Aid Secondary Funds. MDOT, generally following the intent of the above referenced law, allocates a portion of the state's STP funds to the counties through State Aid.

Allocation:

Code Section 65-9-29 provides that each county's share of federal funds shall be in accordance with the percentages set out in Section 65-9-3. These are the same percentages used to distribute State Aid funds. There is no "hold harmless" provision provided for in the distribution of federal funds.

FEDERAL BRIDGE REPLACEMENT PROGRAM FUNDS:

Federal Bridge Replacement and Rehabilitation Funds are appropriated by the Congress for

expenditure on and off the Federal Aid Road System.

Bridge Replacement Funds are allocated to the Office of State Aid by MDOT and are distributed to the Counties on an individual project basis subject to the approval of the Federal Highway Administration.

APPALACHIAN DEVELOPMENT HIGHWAY FUNDS:

Appalachian Development Highway funds are appropriated by the Congress for improving roads within the Appalachian Region. Funds are designated for roads that will, when improved, better the recreational and economic life of the area. Provisions in the Appalachian Regional Commission (ARC) Code allow each state to utilize \$500,000 plus 5% of funds allocated for local access roads.

Allocation:

The program is under the general administration of the ARC. Local Access Road Project applications are received and approved by the ARC on an individual project basis. After projects are approved, they are administered by the FHWA throughout the planning, design and construction stages under the State's approved plan for administering projects in accordance with Federal Code 23 USC 106(B) as amended by applicable Federal Highway Laws. State Aid administers approved local access road projects with federal funding provided through MDOT.

SPECIAL FEDERAL FUNDS:

Special Federal Funds appropriated by Congress for specific uses such as Special Earmark Funds, Emergency Relief Funds, Defense Access Funds and High Risk Rural Road Funds are made available to the counties on an individual project basis, as approved by MDOT and the Federal Highway Administration.

SPECIAL STATE FUNDS:

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. The Office of State Aid is responsible for administering MDA projects that are not on the State Highway System.