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# **WEST VIRGINIA HIGHWAYS**

## **Revenues and Expenditures**

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### **Federal-aid Revenue**

The Federal-aid highway program is a federally assisted, State-administered program that distributes Federal funds to the States for the construction and improvement of urban and rural highway systems. This program is administered by the Federal Highway Administration (FHWA) as a grant-in-aid program. It is financed from the proceeds of motor fuel (the current Federal gasoline tax is \$0.183 per gallon; the current Federal diesel fuel tax is \$0.243 per gallon) and other highway-related excise taxes. These taxes are deposited in the Federal Highway Trust fund (HTF), established by the **Highway Revenue Act of 1956**, and are not a part of the General Revenue Fund of the Federal Government. In April 1983, the **Highway Revenue Act of 1982** created the Mass Transit Account within the Highway Trust Fund. This Act provided that the equivalent of one cent per gallon of the motor-fuel taxes would be deposited in the Mass Transit Account for transit system capital expenditures.

The Federal Government does not collect most of the excise taxes credited to the HTF directly from the consumer. Instead, these taxes are paid to the Internal Revenue Service (IRS) by the producer or importer of the taxable product, with the exceptions of the tax on trucks and trailers, which is paid by the retailer, and the Federal use tax, which is paid by the heavy vehicle owner. As a result, figures depicting taxes paid into the HTF by West Virginia (and all other states) are estimates of what is paid by users in the State and do not mean that these taxes actually were collected in the State. These estimates are made on the basis of motor vehicle registrations and State motor-fuel tax collection data.

In accordance with the Internal Revenue Code, user taxes are deposited in the General Funds of the US Treasury and the amounts equivalent to these taxes are then transferred on paper to the HTF. Transfers are made at least monthly on the basis of estimates by the Secretary of the Treasury and later adjusted on the basis of actual tax receipts. Amounts in the HTF in excess of current expenditure requirements are invested in public debt securities and interest from these securities is credited to the HTF.

An important characteristic of the HTF is that it was established to operate on a "pay-as-you-go" basis, which means that it must contain enough money to make reimbursements. To ensure that the highway account remains solvent, unfunded authorizations (unpaid commitments in excess of amounts available in the HTF) at the

end of the federal fiscal year (September 30) in which the apportionment is to be made, must be less than the revenues anticipated to be earned in the following 24-month period. This control mechanism is known as the Byrd Amendment (which was modified in 1982), so named for Senator Harry Flood Byrd of Virginia, who was the chairman of the Committee on Finance during the development of the Federal-Aid Highway Act of 1956. The transit account of the HTF is subject to a similar control mechanism, the Rostenkowski Amendment (for Representative Dan Rostenkowski of Illinois), which is identical to the Byrd Amendment with the exception that outstanding commitments are compared to estimated income for the following 12 months, instead of 24.

Most federal-aid funds are apportioned to the states in accordance with certain formulas and procedures that give weight to population, area, mileage, relative costs (needs), and the percent share of prior (fiscal year 1987 to fiscal year 1991) apportioned funds (apportionment formulas for certain highway programs are depicted in Figure 3.1). When funds are distributed by apportionment, every state is assured of receiving some portion of the amount distributed (known as a "minimum apportionment"), with the exception of the Interstate Construction and Interstate Substitution programs, which are based on the cost of completion. Once an apportionment is made to a state, it cannot be retracted (other than by lapsing), except by a Congressional action. Federal-aid funds are apportioned by year, and a "grace period" in expending the funds is permitted to allow the State time for orderly planning, budgeting, and execution of its highway program. At the time of an apportionment, which is generally made on the first day of the federal fiscal year (October 1), the FHWA issues certificates denoting the exact amount of each apportionment. These certificates officially notify the states of the opportunity to request the Federal Government to obligate funds in the various categories, thereby promising to pay the states at a later date. It is important to note that a new line of credit or an addition to unused lines of credit previously provided is what is apportioned to a state--not cash. Although apportionments are made to the states, Congress frequently mandates provisions that require a state to further distribute the funds within the state, by "earmarking" certain sums that may be used only for specific purposes.

Some funding categories do not contain a legislatively mandated apportionment formula. Usually, these categories are referred to as discretionary programs. When no *formulas in law* exist, funds may be distributed to the states by using "allocations." In most cases, allocated funds are divided among the states using *administratively determined formulas* and/or criteria provided in law. If a state receiving an allocation does not use it within a specified period of time, it can be withdrawn and reallocated to other states.

An "obligation" is a commitment of the Federal Government to reimburse a state for the federal share of a project's eligible cost. This commitment usually is made when

the plans, specifications, and estimate (PS&E) are approved. For most programs, apportioned or allocated funds are matched by a state on an 80 percent Federal share to a 20 percent state share basis. A project need not be completed before a state begins to receive reimbursement. In fact, depending upon the type of project, the time period elapsing from obligation to reimbursement may vary from a few days to several years; however, the final reimbursement payment is made after completion of the project. In West Virginia, any State-maintained highway on which federal-aid monies are expended, remains under the administrative control of the WVDOH.

The Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) provided authorizations from the Highway Trust Fund for more than 35 highway-related programs. The largest portion of these funds was authorized for the following major federal-aid highway programs:

- **Interstate Construction (IC)** – for nationwide completion of the Interstate System. Funds are apportioned on the basis of the relative federal share of the cost to complete the system. West Virginia’s Interstate System was completed in 1988.
- **Interstate Maintenance (IM)** – finances projects to rehabilitate, restore, and resurface the Interstate System. Reconstruction is eligible if capacity is not added, although high-occupancy-vehicle (HOV) and auxiliary lanes may be added. Funds are apportioned on the basis of Interstate System lane-miles and the vehicle miles traveled (VMT) on the Interstate System.
- **National Highway System (NHS)** – for projects on all major roads in the nation. Currently consists of all Interstate System and principal arterial routes.
- **Highway Bridge Replacement and Rehabilitation (HBRR)** – provides funding for any deficient bridge on a public road. May also fund bridge painting, seismic retrofitting, and calcium magnesium applications.
- **Surface Transportation Program (STP)** – may be used for any roads (including NHS) that are not functionally classified as local or rural minor collectors. After these funds are distributed to the states, each state must set aside ten percent for safety construction activities, such as hazard elimination and rail-highway crossings, and ten percent for transportation enhancement activities, which encompass a broad range of environmental, historic and scenic projects.
- **Congestion Mitigation and Air Quality Improvement (CMAQ)** – funds transportation projects in non-attainment (based on the Clean Air Act) areas for ozone and carbon monoxide that will contribute to meeting the attainment of national ambient air quality standards.

In addition to funds from the Highway Trust Fund, West Virginia also receives funds from the National General Revenue Fund for use on the Appalachian Development (APD) Highway System. This system of multi-lane, high speed, partial-access controlled highways (known as "Appalachian Corridors") is intended to provide service to areas which have the potential for economic development, but where commerce and communication have been inhibited by a lack of adequate access. These funds are apportioned among the thirteen states within the Appalachian Region (as defined by Congress) on the basis of the federal share of the cost to complete each state's portion of the system to the cost to complete the entire system. These funds are administered by the Appalachian Regional Commission (ARC) and are matched by a state using an 80 percent federal to 20 percent State ratio. Figures 3.2 and 3.3, depict the federal appropriation levels for ARC funding relating to West Virginia since the inception of the federal Appalachian Program. Historically, West Virginia has received a large portion of the national total, due primarily to the fact that all 55 West Virginia counties are included within the Appalachian Region--the only state to be defined by Congress as entirely "Appalachian."

Figure 3.1  
**FEDERAL-AID HIGHWAY PROGRAM APPORTIONMENT FORMULAS<sup>1</sup>**  
*Federal Fiscal Year 1999*

<b>PROGRAM</b>	<b>FACTORS</b>	<b>WEIGHT</b>	<b>MINIMUM APPORTIONMENT</b>
Interstate Maintenance (IM)	Interstate System Lane Miles Vehicle Miles Traveled on Interstate System Annual contributions to the Highway account of the Highway Trust Fund attributable to commercial vehicles	33.3% 33.3% 33.3%	½ percent of Interstate Maintenance and National Highway System apportionments combined
National Highway System (NHS)	Remainder apportioned as follows: Lane miles on principal arterial route (excluding the Interstate System) Vehicle miles traveled on principal arterial routes (excluding the Interstate System) Diesel fuel used on highways Total lane miles on principal arterials divided by the State's total population	25% 35% 30% 10%	½ percent of Interstate Maintenance and National Highway System apportionment combined
Surface Transportation Program (STP)	Total lane miles of Federal-aid highways Total vehicle miles traveled on Federal-aid highways Estimated tax payments attributable to highway users paid into the Highway Account of the Highway Trust Fund	25% 40% 35%	½ percent
Bridge Replacement and Rehabilitation (BRR)	Relative share of total cost to repair or replace deficient bridges	100%	¼ percent (Ten percent of maximum)
Congestion Mitigation and Air Quality Improvement (CMAQ)	Weighted nonattainment and maintenance area population	100%	Fifty percent
Recreational Trails Program (RT)	Equal shares to each eligible state Nonhighway recreational fuel use during the preceding year	50%	None
Metropolitan Planning (MP)	Urbanized Area Population <sup>1</sup>	100%	½ percent
Minimum Guarantee	Specific share specified in law of the aggregate apportionments of Interstate Maintenance, National Highway System, Bridge, Congestion Mitigation, Surface Transportation Program, Metropolitan Planning, Recreational Trails, Appalachian Development Highway System and Minimum Guarantee and allocations for High Priority Projects adjusted to ensure that each state's share of apportionments for the specified programs is at least 90.5 percent of its percentage contributions to the Highway Account of the Highway Trust Fund. The shares specified in law are increased for states falling below the 90.5 level and the shares of the remaining states are decreased so that the shares continue to total 100%	100%	\$1 million
State and Community Highway Safety Grants	Total Population Public Road Mileage	75% 25%	½ percent, ¼ percent for American Samoa, Guam, Virgin Islands, and the Commonwealth of the Northern Mariana Islands. ¾ percent for the Secretary of the Interior (Bureau of Indian Affairs)

<sup>1</sup>Usually places of 50,000 or more person. Definition contained in 23 U.S.C. 101 (a).

SOURCE: USDOT, Federal Highway Administration, *Highway Statistics 1998*, Table FA-4A, Washington, D.C.: 1999

Figure 3.2  
**Federal Appropriation Levels for Appalachian Regional Commission (ARC)  
 WV vs. US 1966 - 1999**

(All figures in thousands of dollars)

Fiscal Year	National Total ARC Highway Appropriation	WV Appalachian Development Highway System (ADHS) Funds [federal]	Federal ARC Appropriation to West Virginia			
			WV Access Roads funds [federal]		WV Total ARC Funds [federal]	WV Total ARC funds as % of National Total [federal]
			Obligation (C)	Allocation (d)	(e) =(b+c+d)	(f)=(e/a)*100
(a)	(b)					
1966	\$200,000	\$22,000.00	118.00		\$22,118.00	11.06%
1967	\$100,000.00	\$16,800.00	204.00		\$17,004.00	17.00%
1968	\$70,000.00	\$9,110.00	1,361.00		\$10,471.00	14.96%
1969	\$100,000.00	\$56,090.00	1,065.00		\$55,025.00	55.03%
1970	\$175,000.00	\$52,200.00	57.00		\$52,257.00	29.86%
1971	\$175,000.00	\$49,906.00	2,732.00		\$52,638.00	30.08%
1972	\$175,000.00	\$37,229.00	609.00		\$37,838.00	21.62%
1973	\$205,000.00	\$56,475.00	1,060.00		\$57,535.00	28.07%
1974	\$155,000.00	\$26,550.00	85.00		\$26,635.00	17.18%
1975	\$160,000.00	\$58,640.00	163.00		\$58,477.00	36.55%
1976	\$199,700.00	\$21,279.00			\$21,279.00	10.66%
1977	\$185,000.00	\$25,909.00	175.00		\$26,084.00	14.10%
1978	\$211,300.00	\$33,300.00	645.00		\$33,945.00	16.06%
1979	\$233,000.00	\$40,222.00	878.00		\$41,100.00	17.64%
1980	\$229,000.00	\$35,637.00	1,431.00		\$37,068.00	16.19%
1981	\$214,600.00	\$36,156.00		\$11,143.00	\$47,299.00	22.04%
1982	\$100,000.00	\$14,122.00		\$923.00	\$15,045.00	15.05%
1983	\$115,133.00	\$16,484.00		\$1,311.00	\$17,795.00	15.46%
1984	\$109,400.00	\$12,754.00		\$2,886.00	\$15,640.00	14.30%
1985	\$100,000.00	\$15,953.00		\$82.00	\$16,035.00	16.04%
1986	\$78,980.00	\$14,674.00		\$1,647.00	\$16,321.00	20.66%
1987	\$74,961.00	\$10,529.00		\$2,044.00	\$12,573.00	16.77%
1988	\$63,967.00	\$8,794.00		\$1,714.00	\$10,508.00	16.43%
1989	\$69,169.00	\$10,959.00		\$472.00	\$11,431.00	16.53%
1990	\$101,090.00	\$29,739.00			\$29,739.00	29.42%
1991	\$126,374.00	\$37,350.00			\$37,350.00	29.56%
1992	\$142,899.00	\$57,440.00			\$57,440.00	40.20%
1993	\$129,255.00	\$46,511.00			\$46,511.00	35.98%
1994	\$160,000.00	\$49,000.00			\$49,000.00	30.63%
1995	\$189,145.00	\$71,056.00			\$71,056.00	37.57%
1996	\$109,000.00	\$12,725.00			\$12,725.00	11.67%
1997	\$97,969.00	\$11,454.00			\$11,454.00	11.69%
1998	\$450,000.00	\$67,861.00			\$67,861.00	15.08%
1999	\$450,000.00	\$67,861.00			\$67,861.00	15.08%
<b>Total</b>	<b>\$5,454,942</b>	<b>\$1,132,769</b>	<b>\$8,127</b>	<b>\$22,222</b>	<b>\$1,163,118</b>	<b>21.32%</b>

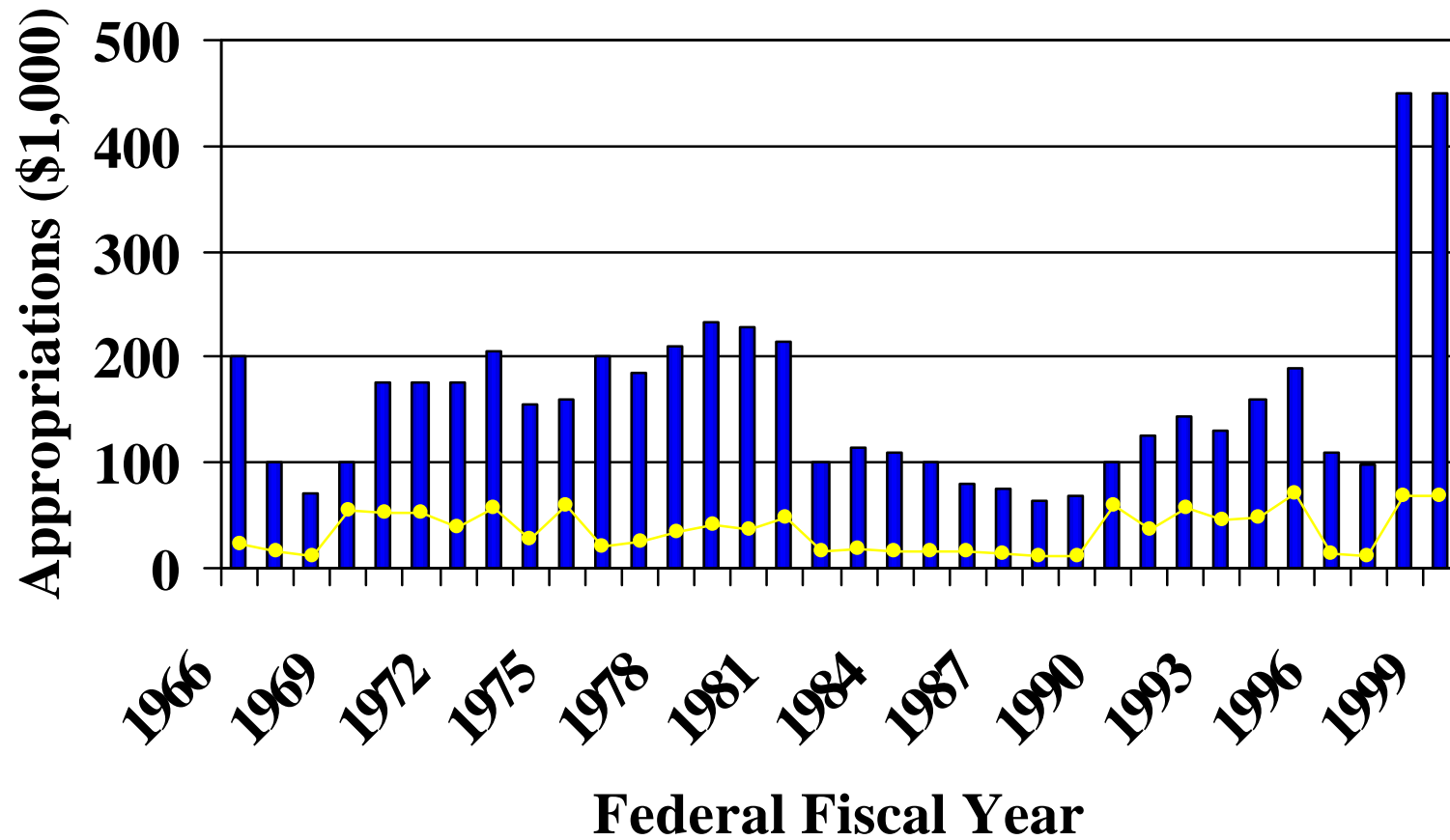
\* Prior to 1977, federal fiscal year was July 1 to June 30: Transition quarter in 1976 resulted in an extended fiscal year in 1976. Following FY 1976k, federal fiscal year is October 1 to September 30.

\*\* Reflects rescission action mandated by Congress on FY 95 ARC appropriation.

\*\*\* Funds apportioned through TEA-21.

**SOURCE** : *Appalachian Regional Commission, Washington, DC: November 1999*

Figure 3.3  
**Appalachian Regional Commission Appropriations  
 WV vs. US, 1966-1999**



**■ Total US Appropriation    ● Total WV Appropriation**

SOURCE: Appalachian Regional Commission, Washington, DC: November 1999.