

# ***WEST VIRGINIA HIGHWAYS***

## ***Revenues and Expenditures***

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### **Highway Bonds**

A bond is a written promise to repay borrowed money on a definite schedule, usually at a fixed rate over the life of the bond. Almost all highway bonds are municipal bonds, which are those issued by the State (or a local governmental body) to finance various projects and expenses. Additionally, the interest income earned from municipal bonds (including highway bonds) is exempt from federal tax. Consequently, the saving that this federal tax exemption affords to State and local issuers lets them borrow more cheaply than other issuers. Historically, the sale of highway bonds has been a popular means of financing highway projects. Although the Idaho Territory issued “wagon road” bonds as early as 1890, Massachusetts was the first state to use bonds to borrow funds for highway purposes in 1893. Since that time, every state except Nebraska and Wyoming has issued highway bonds.

Municipal bonds are usually issued in denominations or multiples of \$5,000, which is the bond’s par (or face) value that is paid when the bond reaches maturity. Bonds most often are structured so that the life of the bond is equal to the usual life of the facility to be financed; the term of financing for a very long-term project, such as a highway or bridge facility generally is limited to 20 or 30 years. Every bond has a coupon rate, which is the interest rate stated on the bond and payable to the bondholder, usually on a semiannual basis. Bonds also have a yield rate, which is the effective rate of return to the investor determined by the price the investor paid for the bonds, the coupon rate, and the maturity date. The price and yield of highway bonds fluctuates due to activity in other credit markets, overall economic activity, inflation, and Federal Reserve policy.

Three categories of highway bonds exist: general obligation bonds, revenue bonds, and hybrid bonds. General obligation bonds are backed by the “full faith and credit” of the issuing government, which implies that all sources of State revenue, unless specifically limited, may be used to pay debt service on this type of bond. Revenue bonds are backed by a specific source of revenue, usually linked to the particular function for whose support the bond is being issued; consequently, highway and bridges may be financed by revenue bonds that are backed by tolls, concessions, and direct fees. Hybrid bonds are those with characteristics of both general obligation and revenue bonds. A history of the highway bond issues of the State of West Virginia is depicted in Figure 3.6.

Figure 3.6  
**HISTORY OF WEST VIRGINIA HIGHWAY BOND ISSUES**

YEAR	BOND TITLE	TOTAL BOND AMOUNT	In Favor of Amendment		Against Amendment		RESULT
			Votes Cast	Percent of Total	Votes Cast	Percent of Total Votes	
1920	The Good Roads Amendment of 1920	\$50,000,000	248,689	65.57%	130,569	34.43%	Passed*
1928	The Good Roads Amendment of 1928	\$35,000,000	360,597	79.82%	92,885	20.18%	Passed
1948	Fifty Million Dollar Bond Issue for Roads Amendment	\$50,000,000	475,272	74.39%	163,579	25.61%	Passed
1964	Better Road Amendment	\$200,000,000	455,294	79.63%	116,438	20.37%	Passed
1968	Roads Development Amendment	\$350,000,000	366,958	69.64%	159,971	30.36%	Passed
1973	Better Highways Amendment	\$500,000,000	172,187	73.74%	61,308	26.26%	Passed
1981	Roads for Jobs and Progress	\$750,000,000	125,582	38.41%	201,327	61.59%	Failed
1984	Better Schools, Roads and Public Works Construction Amendment	\$200,000,000	285,771	45.56%	341,426	54.44%	Failed
1986	Highway and Bridge Improvement Amendment	\$500,000,000	155,395	38.86%	244,482	61.14%	Failed
1996	Safe Roads Amendment of 1996	\$550,000,000	372,335	71.82%	146,069	28.18%	Passed

\*Revolving Bond Issue