
CHAPTER 1

Background

The Wyoming Department of Transportation (WYDOT) is responsible for construction and maintenance on one-fourth of Wyoming's 28,000 miles of public roads (see Appendix A for selected statutes). Historically, WYDOT did not request state General Funds for highway construction and maintenance, relying instead on federal funds, fuel taxes, mineral royalties, and severance taxes. Operating on the federal fiscal year, WYDOT estimates its total FFY '08 revenue will be \$602 million, nearly half of which is from the federal government.

The Legislature recently began appropriating General Funds for highway projects.

In recent years, the agency has begun to request and receive General Funds. The Legislature appropriated \$175 million to WYDOT for the '07-'08 biennium; of this amount, \$170 million was for highways and \$5 million was designated for county road dust mitigation, the Industrial Road Program, and a commuter rail study. In the 2008 Budget Session, the Legislature appropriated just under \$190 million for the '09-'10 biennium for highway construction and maintenance. These recent increases in the state's financial support for highways do not negatively affect the amount of federal funding WYDOT receives.

The Transportation Commission governs this large agency

WYDOT has responsibilities beyond highways.

The Wyoming Highway Department was established in 1917 to cooperate with the United States Government in the construction of roads. In the early 1990's, as part of the reorganization of state government, the Highway Department became the Department of Transportation with the mission of providing a safe, high quality, and efficient transportation system. In addition to highways, WYDOT also is responsible for the Highway Patrol, issuing driver's licenses, regulating commercial vehicles and railroads, collecting and distributing state fuel taxes, providing road and travel information, and providing financial and technical support to airports in the state (see Appendix B, organization chart). The focus of this report is on WYDOT's highway responsibilities.

WYDOT is governed by the Transportation Commission, whose seven members are appointed by the Governor with the consent of the Senate. Among other duties, the commission makes policy decisions and approves purchases, construction bids, and the agency's budget for highway maintenance and operations.

WYDOT is the largest state agency.

With over 2,000 employees, WYDOT is the largest state agency. Staff at headquarters in Cheyenne have a wide range of responsibilities including budgeting, long-range planning, designing highway projects, inspecting bridges, and compiling and analyzing highway data such as pavement condition data.

The agency also has staff in five operational districts around the state, with district main offices in Laramie, Casper, Rock Springs, Sheridan, and Basin (see Appendix C for map of Commission and operational districts). District engineers manage each district, and are responsible for managing highway construction projects and performing routine summer and winter maintenance on the roads. Each district has between 9 and 13 of the state's 54 maintenance facilities.

WYDOT maintains and constructs roads

WYDOT's work on highways includes both maintenance and construction. Maintenance refers to work done to maintain the system at its current level. It ranges from snow removal and filling potholes to reconstruction, but does not involve changing any aspect of the road such as the width or curvature, as those are considered construction projects.

Maintenance work is done by WYDOT staff and contractors.

Agency employees perform some smaller maintenance jobs, while contractors often do larger maintenance and construction jobs. The agency's ability to carry out maintenance activities in the summer can be affected by snow removal costs during the previous winter. In a year with a great deal of snow, for example, WYDOT may have to cut other maintenance jobs.

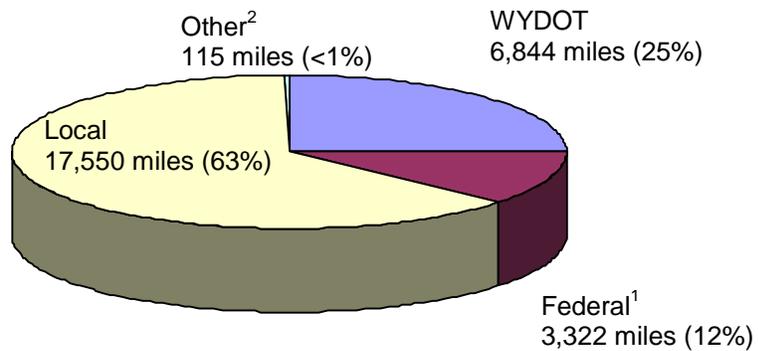
Seventy percent of traffic is on WYDOT roads.

WYDOT is responsible for a quarter of Wyoming’s public roads

Wyoming’s 27,831 road miles are owned and maintained by a mix of federal, state, and local entities. As shown in Figure 1.1, WYDOT is responsible for 6,844 miles of highway, referred to in this report as the state system. Although WYDOT is responsible for only 25 percent of the state’s highway miles, more than 70 percent of the state’s traffic is on state system highways.

Figure 1.1

Responsibility for public road miles in Wyoming



¹ Includes roads on federal land

² Includes miles owned by other state agencies

Source: LSO analysis of WYDOT data

WYDOT inspects all bridges every other year.

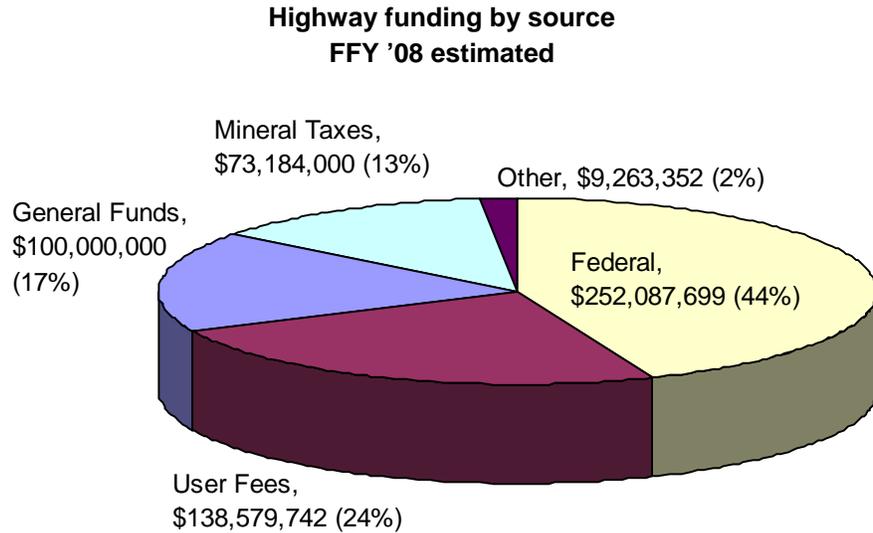
WYDOT also inspects bridges throughout the state, whether they are on the state system or not. The agency maintains the 1,929 bridges on the state system and inspects an additional 901 bridges and tunnels on other Wyoming roads. WYDOT inspects each bridge at least every other year using Federal Highway Administration criteria.

Nearly half of WYDOT funding is federal

Based on FFY '08 first quarter revisions, the most current estimates available at the time of writing, WYDOT highway revenues from federal and state sources are expected to be \$573 million for the year. Approximately 85 percent of these funds are for road construction and maintenance. Figure 1.2 shows the year’s funding by source. Although the percent of total highway

funding WYDOT receives from the federal government varies over time, for FFY '08, 44 percent came from federal sources.

Figure 1.2



Source: LSO analysis of WYDOT data

Road type affects federal funding eligibility

Federal funding comes through many programs.

The current federal transportation law, known as the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users, or SAFETEA-LU, has over 140 associated funding programs. Since FFY '01, WYDOT has received funding through 29 of the SAFETEA-LU programs (see Appendix D for more detail). Generally, the funding associated with a federal highway program is designated for a specific road type such as interstate, or for one or more specific purposes, such as safety or bridge projects.

Several classification systems are used to identify and categorize roads, the most visible and familiar of which are the U.S. and state highway designations on maps and road signs. However, the distinction between U.S. and state highways no longer has a direct relationship to traffic patterns, road function, or federal funding eligibility. At present, two distinct methods of categorizing roads determine federal funding: whether a road is on the National Highway System (NHS), and what its functional classification is.

Most traffic on the state system is on NHS roads.

National Highway System The NHS is the system of highways, including the interstates, that the federal government has identified as important for national or regional economic purposes or defense purposes. These highways are the primary focus of federal funding and they carry the majority of Wyoming's traffic. In 2006, about 70 percent of the state system's passenger traffic and over 90 percent of its heavy truck traffic was on NHS highways. About half the roads in the state system are on the NHS.

A road's functional classification indicates funding eligibility.

Functional classification Functional classification defines how a road connects and serves a region, and the role it plays in providing access and mobility. A road's functional classification is an indication of what federal funding WYDOT has available for improvements. Functional classifications currently in use are:

- **Principal arterials** include interstate and non-interstate highways and other major roadways serving high-speed, long-distance travel. They provide limited or no access to adjacent property. Examples are: I-80, U.S. 191 north of Rock Springs, and WYO 59 between Gillette and Douglas.
- **Minor arterials** also provide high-speed travel, but allow somewhat more property access than principal arterials. Examples include: U.S. 191 south of Rock Springs, and WYO 59 north of Gillette.
- **Collectors** are for both through traffic and access to adjacent land. There are two categories: major and minor collectors. Examples of major collectors are: WYO 130 west of Laramie, and U.S. 14 between Gillette and Sheridan. Examples of minor collectors are: WYO 91 south of Douglas, and WYO 352 north of Cora.
- **Local roads** facilitate travel over relatively short distances and primarily provide access to property. Examples include: U.S. 87 south of Banner, and WYO 77 through Shirley Basin.

Federal programs are targeted at specific road types

In FFY '07, almost two-thirds of WYDOT's federal highway funding came through three programs (for amounts, see Appendix D): the Interstate Maintenance, National Highway System, and Surface Transportation (STP) programs. STP is made up of many sub-programs; half of its funding is flexible and can be used on most roads, except minor collectors and local roads. Figure 1.3 shows eligibility by functional classification for these programs.

Figure 1.3

Federal funding programs

Functional classification	WYDOT miles	Federal funding available			
		Interstate Maintenance	National Highway System	Surface Transportation Program	Other programs, depending on project
Principal arterials	Interstate: 914	x	x	x	x
	Other NHS: 2,038		x	x	x
	Off NHS: 146			x	x
Minor arterials	Off NHS: 1,029			x	x
Major collectors	Off NHS: 2,208			x	x
Minor collectors	Off NHS: 266				x
Local roads	Off NHS: 243				x
Percent of WYDOT miles eligible		13%	43%	93%	NA
Percent of WYDOT's federal funding in FFY '07		23%	22%	12%	43%

Source: LSO analysis of WYDOT data and FHWA program information

Restrictions on how these program funds can be spent are complex. For example, Figure 1.3 also shows that in FFY '07, the largest portion of Wyoming's federal funding was Interstate Maintenance, but it was only available for the smallest portion (13 percent) of miles for which WYDOT is responsible. By contrast, the flexible STP funds, which can be used on 93 percent of road miles, provided the least funding of the three programs (12 percent).

Wyoming must match federal funds.

Most federal highway funding programs require a state match, the amount of which varies by program. For the three major programs, Wyoming's match is 10 percent or less. WYDOT is a pay-as-you-go agency, meaning for projects with federal funding, it pays the costs of a project and is reimbursed later. Unlike some other states such as Colorado, Wyoming has not used bonds and loans to finance highway projects.

Not all WYDOT funding is included in the state budget***WYDOT operates on the federal fiscal year.***

WYDOT's budget process differs from other state agencies. Because of its traditionally heavy reliance on federal funding, the agency operates on a federal fiscal year, October through September. Budgeting responsibility is statutorily split between the Legislature and the Transportation Commission.

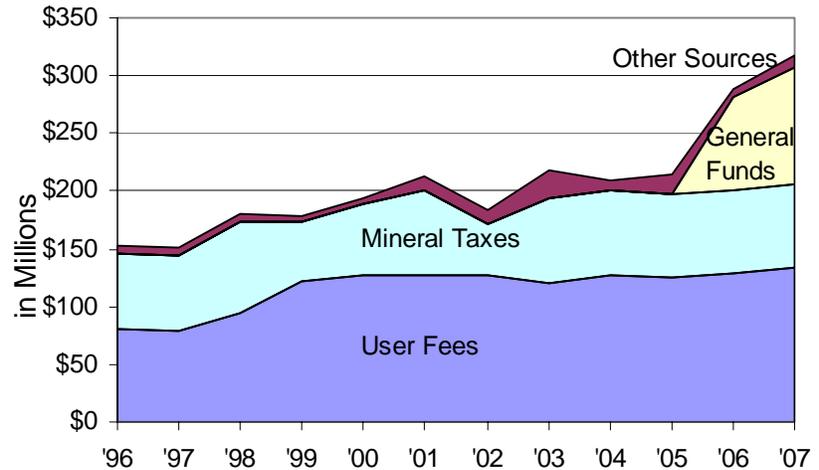
Historically, the Transportation Commission budgeted for highways, while the Legislature budgeted for the Highway Patrol, Aeronautics, administration, and administrative services including driver's licenses. Under this arrangement, highway funding was not included in the state's biennial budget, nor was it reviewed by the Legislature. With recent General Fund appropriations, the Legislature has begun approving a budget for part of WYDOT's highway funding.

State funding comes from several sources

State funding comes from mineral severance and royalties, user fees such as gas and diesel taxes, and legislatively-appropriated General Funds. Figure 1.4 shows the amount of state funding from these sources.

Figure 1.4

**State funding for highways by source
FFY '96-'07**



Source: LSO Analysis of WYDOT data

Over 40 percent of WYDOT's state funding is from user fees.

User fees WYDOT receives proceeds from several types of user fees, such as fuel tax, vehicle registration, commercial vehicle fees, and driver's license fees. According to the Wyoming Constitution, user fees must go to highway-related purposes (see Appendix A). A legislative increase in gas and diesel taxes to 14 cents per gallon, one cent of which goes to the leaking underground fuel storage tanks program, increased 1999 highway user fee revenues by \$27 million.

Mineral taxes Mineral funding is flexible, with its use not limited to designated purposes such as highway construction. In 2001 the Legislature de-earmarked mineral severance and royalty funding. For WYDOT, this caused a drop in mineral revenues in 2002, the year following de-earmarking. Nevertheless since 2003, mineral revenues, though flat, have been reliable at just over \$73 million per year.

General Funds Although General Funds make up one of WYDOT's larger revenue sources for highways in FY '08, these funds for highways are a recent addition to the mix. They are also one of WYDOT's most flexible funding sources, as they can be used for any type of work on any type of road for which WYDOT

is responsible. The Legislature's appropriation of General Funds has helped to offset losses due to de-earmarking.

WYDOT faces challenges

WYDOT will continue to face several financial challenges, which is why the agency began requesting state General Funds. Some of the challenges include high inflation, rising traffic volumes, and declining road conditions. Also, in the future reauthorization of the federal transportation law may result in flat or declining federal funding for Wyoming. All of these factors affect WYDOT's ability to maintain the state highway system at its current level.

In 2006, construction price inflation was 41 percent.

Construction price inflation Although WYDOT's highway funding has increased 37 percent since FFY '01, this increase has not kept pace with construction-related inflation. WYDOT has experienced sharply increasing costs for labor and materials: in 2006 alone, according to the Federal Highway Administration, inflation was 41 percent. High inflation reduces the number of projects WYDOT can do each year, even if it receives relatively stable increases in funding.

Traffic volumes Vehicle traffic levels in general are increasing across the state, but this is particularly true of trucks and heavy equipment. Truck traffic on I-80 increased 54 percent between 1994 and 2004, and WYDOT estimates it will at least double and possibly triple by 2020. Traffic levels on other corridors also have gone up, with some areas of the state seeing significant increases in traffic. In Sublette County, for example, daily truck miles traveled increased 97 percent between 1994 and 2004 (see Appendix E for traffic volumes by county).

Fewer roads are in good or excellent condition.

Road conditions According to WYDOT, as of 2006, 49 percent of road pavement was in good to excellent condition. This is a drop from 2002, when 57 percent of Wyoming road pavement was good to excellent. WYDOT attributes the decline to growing truck traffic which hastens road deterioration, and inflation which diminishes the agency's purchasing power.

Federal funding may decline in the future.

Reauthorization of the federal transportation law Reauthorization of the federal transportation law in 2009 could result in less federal funding for WYDOT. Transportation experts are anticipating a contentious battle to pass the next bill, as well as changes in its focus and funding priorities. Also, according to a 2007 report by the Congressional Budget Office, expenditures from the federal Highway Trust Fund, the source of federal funding, are greater than revenues. At the end of FFY '09, the federal Highway Trust Fund is projected to have a negative balance.

Report organization

This report covers projects WYDOT has funded with General Funds, how the agency selected them, and its plans regarding future projects. Chapter 2 describes characteristics of the General Fund projects. Chapter 3 summarizes the process of selecting General Fund projects, which is part of WYDOT's overall process for selecting projects. Chapter 4 points to the need for a system-level perspective in decision-making as WYDOT moves to a new asset management system.