Annual Report on Initiatives for Outsourcing, Privatization and Downsizing within VDOT

HB 5063 (Special Session I, 2006)

Report to the General Assembly of Virginia

Virginia Department of Transportation
1401 East Broad Street
Richmond, Virginia 23219

November 2009

COMMONWEALTH of VIRGINIA

DEPARTMENT OF TRANSPORTATION
1401 EAST BROAD STREET
RICHMOND, VIRGINIA 23219-2000

David S. Ekern, P.E.
COMMISSIONER

November 30, 2009

The Honorable Timothy M. Kaine
Members of the General Assembly

Dear Governor Kaine and Members of the General Assembly:

Chapter 7 of the Acts of Assembly of 2006, Special Session I requires the Commonwealth Transportation Commissioner to report annually on all actions and initiatives of the Virginia Department of Transportation (VDOT) in the preceding and current fiscal year that involved outsourcing, downsizing and privatization.

The attached report documents that VDOT's expenditures in fiscal year 2009 totaled $3.32 billion. VDOT spent 74% ($2.46 billion) either with private sector vendors ($2.01 billion) or in transfer payments ($0.45 billion). When debt service payments ($0.28 billion) are included, VDOT's external expenditures represent 83% of the FY 2009 total.

Since July 1, 2002, VDOT has downsized by approximately 2,025 people. Pursuant to Item 462.05 of the Appropriation Act, the Department is currently implementing a plan to reduce classified staffing to no more than 7500 by July 1, 2010.

The state is in a period of financial downturn unlike anything VDOT has experienced in decades. State and federal revenues are projected to be $4.6 billion less over the next six years. VDOT will need to cut an additional $136 million from current spending levels in FY2010. VDOT is addressing revenue reductions in a proactive long-term (6 year) framework.

Attached is a copy of the report for your review. If you have questions or need additional information, please let me know.

Sincerely,

David S. Ekern

David S. Ekern, P. E.
Commissioner

Attachment

cc: The Honorable Pierce R. Homer

PREFACE

The Virginia Department of Transportation (VDOT) is required to report annually on its outsourcing, privatization, and downsizing activity and on efforts for maximizing the generation of revenue from existing assets of the Department.

This report has been created pursuant to:

> *The Commonwealth Transportation Commissioner shall annually report in writing to the General Assembly, no later than November 30 of each year, on all actions and initiatives of the Virginia Department of Transportation in the preceding fiscal year that involved outsourcing, privatization, and downsizing. Further, the Commissioner shall provide, in writing to the General Assembly, detailed and specific plans for outsourcing, privatization, and downsizing in the current fiscal year, including, but not limited to, appropriate asset management and intelligent transportation system functions and services. Such report shall include a description of efforts that have been made, are under way, or are to be undertaken for maximizing the generation of revenue from existing assets of the Department of Transportation, including but not limited to real estate, and increasing the role of the private sector and public-private partnerships in the leasing of real estate and other assets in the development of highway projects.*
>
> Chapter 7 of the Acts of Assembly of 2006, Special Session I

The Virginia Department of Transportation (VDOT) is on a journey of innovation and improvement. Continuing to face sharply declining revenues, VDOT remains focused on developing the best possible roadway system, business priorities and workforce organization to fulfill its mission:

> *The Department will plan, deliver, operate and maintain a transportation system that is safe, enables the easy movement of people and goods, enhances the economy, and improves the quality of life.*

VDOT has three key areas of focus:

- The Six Year Program
  - Focus on safety, pavements and bridges
  - Ensure maintenance and operations
  - Delivering projects on-time and on-budget, with high quality
- The Organization and Staffing
  - Re-organization to provide focused service delivery
  - Elimination of redundant services and functions
  - Being flexible and accountable
- Services and Programs
  - Changing the way VDOT uses the private sector
  - Reduction and consolidation based on objective methodology
  - Retaining public responsibility where it should

The key catalyst for change at VDOT is the “Blueprint.” VDOT’s Blueprint has set goals to guide staffing reductions and streamlining. The Blueprint will maintain adequate staffing levels to preserve our emergency response capabilities, retain the agency’s core competencies and eliminate or consolidate redundant functions.

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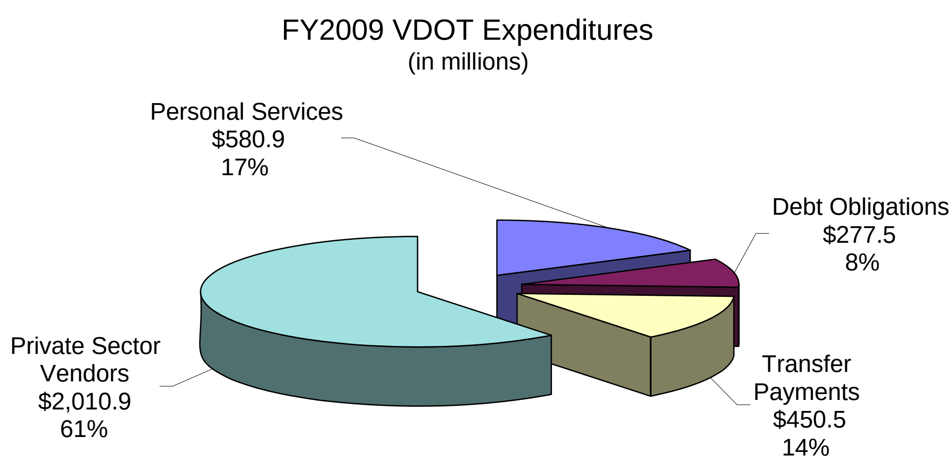
EXECUTIVE SUMMARY

The Virginia Department of Transportation's (VDOT or The Department) FY2009 expenditures totaled $3.32 billion. The Department spent $2.46 billion, or 74% of those expenditures externally: $2.01 billion with private sector vendors (61%), and another $0.45 billion in transfer payments (14%). When debt obligations are included, VDOT's total external expenditures in FY2009 comprised 83%, or $2.74 billion of the $3.32 billion. Figure A below reflects the breakdown of expenditures.

Figure A: Breakdown of FY2009 VDOT Expenditures by Department of Accounts Category



The Department continues to expand outsourcing, privatizing, or downsizing where supported by good business practices. Highlights of activities in these areas include:

Table 1.0: Highlights of FY2009 and FY2010 Outsourcing, Privatization and Downsizing Activity

	FY2009	**FY2010**
Outsourcing	▪ 100% of Interstate Maintenance outsourced by April 2009, ahead of July 2009 schedule.	▪ Plans for outsourcing management, maintenance, inspections and operations of the Woodrow Wilson Bridge (WWB) have begun through a request for proposal (RFP). The RFP covers a portion of I-495 (4 miles in VA currently under contract) and the WWB under joint agreement with Maryland. The expected award date is late 2010 and will be managed by VDOT.

Table 1.0: Highlights of FY2009 and FY2010 Outsourcing, Privatization and Downsizing Activity (cont)

	FY2009	FY2010
Privatizing	▪ Advertized sp? Solicitation for Proposal on Downtown/Midtown/Martin Luther King PPTA project. ▪ Initiated construction of Airport Connector Road on Route 895 PPTA project.	▪ Negotiating Interim Agreement with Elizabeth River Crossings, Inc. for Downtown/Midtown/Martin Luther King PPTA project.
Downsizing	▪ Reduced VDOT positions to 8,167 from 8,472 full time employees.	▪ Reduce VDOT positions to 7,500 from 8,167 full time employees by July 2010. ▪ Completed transfer of Dulles Toll Road to Metropolitan Washington Airports Authority on October 1, 2009. This affected the transfer of 43 full time employees.

The cost to complete this study was $8,867.

SECTION 1: OUTSOURCING

Outsourcing is defined as a method of contracting with the private sector to provide a service or good. The government retains ownership and control over operations. VDOT relies on contracting to deliver its transportation program. VDOT lets contracts at the statewide, regional, district and local levels. Due to the number and variety of contracts, this report summarizes VDOT's outsourcing using Department of Accounts (DOA) account code categories.

VDOT employs nine categories of account codes to define its expenditures (See Table 2.0 below). Each expenditure category includes some charges to private sector vendors, but seven main categories encompass the majority of outsourced expenditures (in bold).

Table 2.0: VDOT Expenditures by Department of Accounts Code, Expenditures and Percent

Code	Expenditure Category[1]	FY 2009 Expenditures (in millions)	FY 2009 Percent of Total
1100	Personal Services	$580.9	17%
1200	**Contractual Services**	**$785.4**	**24%**
1300	**Supplies & Materials**	**$110.0**	**3%**
1400	**Transfer Payments**	**$450.5**	**14%**
1500	**Continuous Charges**	**$68.3**	**2%**
2100	**Property & Improvements**	**$128.2**	**4%**
2200	**Equipment**	**$53.8**	**2%**
2300*	**Plant & Improvements**	**$865.2**	**26%**
3100	Obligations	$277.5	8%
All	Total	$3,319.8	100%

* "Plant" in accounting terms typically means physical facilities and infrastructure. This category includes construction expenditures for bridges, highways and buildings.

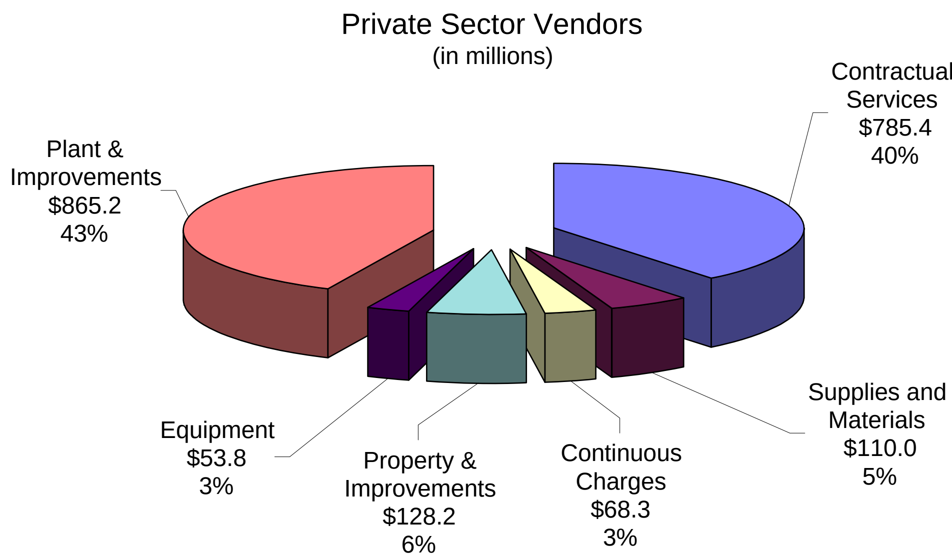
VDOT recorded expenditures of $3.32 billion in FY2009, a decrease of $0.15 billion from FY2008. Of that total, VDOT spent 74% ($2.46 billion) either with private sector vendors ($2.01 billion) or in transfer payments ($0.45 billion). When debt service payments ($0.28 billion) are included, VDOT's external expenditures represent 83% of the FY 2009 total.

FY2009 Expenditures with Private Vendors

VDOT spent $2.01 billion in FY2009 with private sector vendors. These expenditures are charged to six account categories as defined by the DOA: Contractual Services, Supplies & Materials, Continuous Charges, Property & Improvements, Equipment, and Plant & Improvements. A detailed definition for each category, explanation of specific charge sub-categories, and breakdown of expenditures is displayed in Appendix A: *Breakdown of Categories of VDOT's FY2009 Private Sector Spending*. Figure B displays each category relative to VDOT total private sector vendor contracts.

[1] Appendix A includes expanded definitions of Department of Accounts Categories.

Figure B: Breakdown of Expenditures Private Sector Vendors



VDOT increased its total expenditures with private sector vendors from $2.00 billion in FY2008 to $2.01 billion in 2009. This represents an increase of 0.5% since FY2008.

In addition to this overview of private sector spending, VDOT has tracked specific activity related to outsourcing initiatives. These activities are presented below.

Highway Maintenance

VDOT maintains and operates the state system of highways by combining engineering practices and analysis with sound business practices to achieve cost-effective outcomes. The highway maintenance budget absorbs a large portion of total Department spending each year. In FY2009, maintenance expenditures (both VDOT and VDOT payments to localities) comprised approximately 47% or $1.57 billion of the $3.32 billion spent.

VDOT has entered into contracts with the private sector to deliver many maintenance and operations related projects and services. In FY2009, $918 million of VDOT's maintenance expenditures of $1.23 billion, or 75% of these expenditures, were paid to the private sector. Of the $918 million in payments to the private sector, $545 million or 59% were delivered directly through private contracts, while $373 million or 41% were paid to vendors for supplies, materials, fuel and non-contracted services that support maintenance and operations. VDOT also provided $339 million in payments to counties and cities to support maintenance expenditures by localities.

Interstate Maintenance

Chapter 782 of the Acts of Assembly of 2006 requires all interstate maintenance to be outsourced by July 2009. As of April 2009, 100% of the maintenance of the interstate system was outsourced. A primary tool to achieve this legislative mandate is Turnkey Asset Maintenance Services (TAMS).

TAMS contractors are responsible for ordinary interstate maintenance such as roadway surface repair, drainage repair, guardrail repairs, roadside work (mowing, litter removal), incident management, snow removal and emergency response. A "Request for Proposal" to address a portion of I-495 (4 miles in VA currently under contract) and the WWB under joint agreement is underway. It will be managed by VDOT and has an expected award start date in late 2010.

Examples of ongoing maintenance and operations by private contract outside the TAMS system include:

- Pavement resurfacing;
- Bridge painting, deck repair and replacement, superstructure and substructure repair;
- Bridge inspection;
- Guardrail upgrades and replacements; and
- Signals, electronic sign installations, mowing, and roadside maintenance.

Partnerships with Localities and the Urban Construction Initiative

VDOT negotiates and authorizes localities to assume full control of their roads, where localities prefer to assume this responsibility. VDOT has several programs that enable localities to administer all or a part of their construction and maintenance programs.

VDOT has partnered with Stafford and James City Counties to develop a model and guidebook that provide tools to counties interested in pursuing devolution. James City County passed a resolution to accept certain responsibilities for their secondary system, but subsequently decided to defer further negotiations based on the uncertainty of transportation funding. More information on devolution options can be found at http://www.virginiadot.org/business/LAD_devolution.asp.

The General Assembly has given cities and towns the option to take greater control of their construction dollars through initiatives such as the Urban Construction Initiative (First Cities). This initiative enables localities to administer their entire construction program.

To date, ten municipalities have taken responsibility for their entire construction program by joining the Urban Construction Initiative (First Cities). No localities have expressed interest to join the initiative in FY 2010.

Item 458 D. of Chapter 879 of the Acts of Assembly of 2008 states that for any city or town that assumes responsibility for its construction program as outlined in § 33.1-23.3 D, *Code of Virginia*, the matching highway fund requirement contained in § 33.1-44, *Code of Virginia*, shall be waived for all new projects approved on or after July 1, 2005. This provision eliminates the requirement that cities or towns match 2% of highway construction funding with local funding, once the municipality assumes responsibility for their construction program. More information can be found at http://www.virginiadot.org/business/local-assistance-firstCities.asp

SECTION 2: PRIVATIZATION

Privatization is defined as a method of contracting with the private sector to provide a service or good. At VDOT, outsourcing can occur either through traditional contracting with private vendors or through the Public Private Transportation Act process.

Public Private Transportation Act

The Public Private Transportation Act of 1995 (PPTA) is the legislative framework enabling VDOT to enter into agreements authorizing private entities to develop and/or operate transportation facilities. VDOT has several PPTA initiatives to contract with companies for operation of service facilities.

Table 3.0: Active PPTA Projects under Contract

Project	District	Estimated Dollar Value (in billions)	Comments
I-495 Hot Lanes Capital Beltway Express LLC will construct, manage, maintain and operate four High Occupancy Toll (HOT) lanes to 14 miles of the Capital Beltway. HOV 3, motorcycles, carpoolers, and buses will have free HOT lane access.	Northern Virginia	$3.00 (Construction, operations & maintenance (O&M))	Contract Executed December 19, 2007. Project currently under construction with an anticipated 2012 completion. VDOT contract obligations are approximately $550 million in construction phase.
Coalfields Expressway (CFX) Alpha Natural Resources is currently constructing the Hawks Nest segment of CFX, approximately 2 miles of earthwork to prepare rough grade of road.	Bristol	$0.09 (VDOT retains future O&M and pays $10 million for construction)	Anticipated completion of 2 miles of rough grade in 2012. Approximately $2.5 billion needed to complete remaining 50 miles of highway-coal synergy project.
Route 28 Development of 10 interchanges and roadway widening along the Route 28 Corridor between I-66 in Fairfax County and Route 7 in Loudoun County.	Northern Virginia	$0.30 (VDOT retains future O&M)	Contractor is completing final 2 interchanges. Completion scheduled for October 2011.

Table 3.0: Active PPTA Projects under Contract (cont)

Project	District	Estimated Dollar Value (in billions)	Comments
Route 58 Corridor Widen from 2-lanes to 4-lanes along segments of route 58 between Stuart and Hillsville in the Salem District	Salem	\$0.08 (VDOT retains future O&M)	Phase 1 – Meadows of Dan completed in 2005. Phase 2- Hillsville Bypass currently under construction. Estimated completion date November 2011.
Route 895 Concession agreement with Transurban to manage, maintain, operate, and collect tolls on Pocahontas Parkway, and construct the Airport Connector.	Richmond	\$0.55	Concession agreement signed in 2006 and Airport Connector construction began in 2008. Estimated completion date May 2011.

Table 4.0: PPTA Active Proposals

Project	District	Estimated Dollar Value (in billions)	Comments
I-95/395 Hot Lanes Develop and operate new high occupancy toll (HOT) lanes on the I-95/395 corridor from Northern Virginia to the Fredericksburg district.	Fredericksburg / Northern Virginia	$1.50	Flour-Transurban considering options to improve financial feasibility. Current contract obligations under the interim agreement approximately $30 to $50 million.
U.S. Route 460 Development and/or operation of the new U.S. Route 460 from I-295 in Petersburg to Route 58 in Suffolk.	Hampton Roads, Richmond	$2.00	Evaluating financial feasibility.
Downtown Tunnel/Midtown Tunnel/Martin Luther King Blvd Extension (MLK) Development and operation of a new two-lane tunnel parallel to the existing Midtown Tunnel and extending the MLK from London Boulevard to Interstate 264 (I-264), with an interchange at High Street. Maintenance and operation of the entire facility.	Hampton Roads	$1.60	Proposal submitted September 29, 2008. Currently negotiating interim agreement.

SECTION 3: DOWNSIZING

The state is in a period of financial downturn unlike anything experienced in decades. State and federal transportation revenues are projected to be $4.6 billion less over the next six years. VDOT will need to cut an additional $136 million from current spending levels in FY2010. It is clear the downturn will require structural changes in the Virginia transportation business. VDOT is implementing a permanent "Blueprint" to deliver transportation services with fewer funds. Item 462.05 of Chapter 781 of the 2009 Acts of Assembly enacted the Blueprint initiative.

VDOT's Blueprint

The blueprint has three major components:

- The Six-Year Program
- Organization and Staffing
- Services and Programs

The Six-Year Program

VDOT continues to work with the Commonwealth Transportation Board (CTB) to reduce the size of the six-year improvement program, given revenue projections through 2015.

As VDOT implements these revisions, the construction plan will continue to:

- Emphasize safety, reconstruction and bridge replacement projects.
- Finish current projects before adding new ones.
- Maximize the use of federal aid on eligible projects.
- Look to public-private partnerships to drive capacity improvements.

Organization and Staffing

VDOT continues to get smaller. Reorganization and re-alignment, along with attrition, retirements and a critical hiring process have resulted in reductions in overall strength. Consolidation of organizational units, as well as elimination of redundant functions, will lead VDOT to further staff reductions. Faced with harsh economic realities, VDOT has no choice but to adapt its organization and workforce to meet the situation.

Since July 1, 2002, VDOT has downsized by approximately 2,025 people. In late 2008, VDOT eliminated vacant positions and developed a blueprint for further reductions in response to lower expected revenues in 2008 and over the next six years. VDOT is pursuing further position reductions, while retaining an employment level which addresses core responsibilities and emergency response capabilities.

VDOT's blueprint has set goals to guide staffing reductions and streamlining. VDOT is:

- Maintaining adequate staffing levels to preserve our emergency response capability.
    - Traffic Operations Centers (TOCs) with emergency operations call centers will remain open and operational 24/7/365.
    - VDOT has reduced the number of TOCs from 6 to 5.

- Retaining the agency's core competencies.
    - Streamlining the purpose, form, function, location and staffing of VDOT residencies.
    - Retaining core customer service points of contact through the introduction of a customer call center, but reducing the number of residencies by 30% and reducing layers of supervision.
- Eliminating or consolidating redundant functions.
    - Reducing central office divisions by 30%.
    - Reducing equipment repair facilities by 40%.

<u>VDOT's Staffing Implementation Plans</u>

- (July 1, 2002 to July 1, 2009) Staff reduced from 10,192 to 8,167 (2,025 fewer employees).
- VDOT implemented a hiring freeze in FY2009, with limited exemptions for critical vacancies.
    - Classified vacancies have been reduced by 1,000.
    - Wage and Temporary Vacancies have been reduced by 450.
- VDOT has set the following staff reduction targets for FY2010.
    - Classified staff reductions to 7,500.
    - Field and Central Office Senior Management reduced by 20%. The ramifications will not be known until the Human Resources processes are complete in spring of 2010 (to include layoff process, substitutions, etc.).
    - Central Office classified staff reductions from 1,300 to 1,000.

Services and Programs

VDOT is:

- Prioritizing services to maximize safety and customer service.
- Ensuring that VDOT does not lose emergency response capability.
- Maximizing the use of federal funds.
- Eliminating, reducing, or consolidating services and contracts performed by both private-sector partners and VDOT personnel.

VDOT has started the following service reductions with implementation of its blueprint. For example:

- Reducing the reserve fund for major emergencies by $75 million over the next six years to help minimize the impact on district budgets.
- Evaluating VDOT's Jamestown-Scotland Ferry service, and making operational and service changes to save $7.8 million over the next six years.
- Reducing rest area operations to save $54 million over the next six years.
- Evaluating new statewide service levels for maintenance operations to cut spending.
- Prioritizing services from centerline to the right-of-way edge.

SECTION 4: REVENUE GENERATION FROM VDOT ASSETS

VDOT generates revenue from the Department's assets where prudent, and where consistent with the VDOT mission to plan, deliver, operate and maintain a transportation system that is safe, enables easy movement of people and goods, enhances the economy and improves Virginians' quality of life.

Right-of-Way Land Sales

VDOT offers highway right-of-way properties for sale that were previously purchased but are no longer needed. VDOT offers any properties suitable for independent development to the public via the VDOT Web site and by advertising locally. Properties not suitable for independent development are offered for sale to owners of adjoining land. In FY2009, VDOT conveyed 63 deeds comprising 77.3 acres and received $0.9 million in revenues.

Tenant Revenues on Right-of-Way Property

When VDOT determines that property purchased for highway right-of-way will be needed in the future, but not the near future, VDOT leases such land and improvements. For example, if funding for a highway construction project is delayed, VDOT will seek tenants for any houses on the associated right-of-way properties. In FY2009, VDOT collected $1.1 million from the lease of right-of-way land and improvements.

Table 5.0: Tenant Revenues on Right-of-Way Property

District	Number of Leases	Revenue FY2009
Bristol	5	$18,356
Salem	6	$20,300
Lynchburg	0	0
Richmond	1	$3,329
Hampton Roads	7	$95,037
Fredericksburg	3	$30*
Culpeper	38	$481,968
Staunton	0	0
Northern Virginia	3	$518,786
Total	**63**	**$1,137,806**

*Annual Payments on three agreements for signs @ $10 ea.

Cell Tower Leases at VDOT Sites

VDOT leases sites for cell towers at the request of telecommunications companies where alternatives are not commercially available. Cell tower revenue in FY2009 was $4.2 million; the FY2010 projection is $4.5 million.

TAMS Leases of VDOT Facilities

On an as requested basis, VDOT began leasing facilities in October 2007 to TAMS vendors for the duration of a maintenance contract. TAMS leases yielded approximately $1.2 million in FY2009 revenues.

Interstate Rest Area Vending Machines
Vending revenues are collected at those Interstate Rest Areas with vending shelters. This is accomplished through a contract with Business Opportunities for the Blind (BOB) and the VDOT Maintenance Division. VDOT and BOB generally share the commissions equally. The exception to this is for new vending shelters when VDOT has not yet recovered its costs; in that case VDOT receives a higher than normal share of the commissions (approximately 75%:25%) until VDOT recoups its costs. VDOT's vending machine revenue at Interstate Rest Areas amounted to $1.0 million in FY2009. Future vending revenues are expected to decrease as a result of closing 19 Interstate Rest Areas/Welcome Centers.

Land Development Impact Studies
VDOT also recoups partial costs incurred in providing services to local governments and land developers. As authorized by Chapter 527 of the 2006 Acts of Assembly, VDOT can charge a fee (up to $1,000) to recoup costs associated with reviewing land development impact studies. In FY2009, VDOT collected $130,250 in these fees.

Table 6.0: Summary of FY2009 VDOT Revenues

Source	**FY2008 Revenue** *(in millions)*
Right of Way Land Sales	$0.9
Tenant Revenues on Right of Way Property	$1.1
Cell Tower Leases at VDOT Sites	$4.2
TAMS Leases of VDOT Facilities	$1.2
Interstate Rest Area Vending Machines	$1.0
Land Development Impact Studies	$0.1
Total	**$8.5**

APPENDIX A: BREAKDOWN OF CATEGORIES OF FY2009 PRIVATE SECTOR SPENDING

VDOT's private sector spending is comprised of the following six categories: Contractual Services; Supplies and Materials; Continuous Charges; Property & Improvements; Equipment and Plant & Improvements. Note that VDOT's construction expenditures are captured in the category of Plant & Improvements. The tables below provide a further breakdown of charges using more detailed DOA sub-category account codes.

Contractual Services

DOA defines contractual services as expenditures for communication services, employee development services, health services, management and informational services, repair and maintenance services, support services, technical services and transportation services.

Table A-1: Contractual Services Expenditures

Account Code 1200	Contractual Services Description	FY2009 Expenditures (in millions)	Percent of Category Total
1210	Communications Service	$17.3	2%
1220	Employee Development Service	$4.7	1%
1230	Health Service	$0.5	0%
1240	Management and Informational Services	$88.6	11%
1250	Repair and Maintenance Services	$427.5	55%
1260	Support Service	$210.0	27%
1270	Technical Services	$34.2	4%
1280	Transportation Services	$3.3	0%
1290	Other Contractual Services or Refunds	-$0.7	0%
All	**Total**	**$785.4**	**100%**

Communications services and technical services include services provided by Virginia Information Technologies Agency (VITA). Management and information services include audit and fiscal services. Repair and maintenance services include custodial services, as well as outsourced highway repair and maintenance services such as guardrail repair, mowing, ditch cleaning and sign maintenance. Support service expenditures include all outsourced design work, toll collection labor, and other skilled temporary labor services.

Supplies and Materials

DOA defines supplies and materials as expenditures for administrative supplies, energy supplies, manufacturing and merchandising supplies, medical and laboratory supplies, repair and maintenance supplies, residential supplies and specified use supplies.

Table A-2: Supplies and Materials Expenditures

Account Code 1300	Supplies and Materials Description	FY2009 Expenditures (in millions)	Percent of Category Total
1310	Administrative Supplies	$2.2	2%
1320	Energy Supplies	$27.8	25%
1330	Manufacturing and Merchandising Supplies	$1.5	1%
1340	Medical and Laboratory Supplies	$0.4	0%
1350	Repair and Maintenance Supplies	$65.8	61%
1360	Residential Supplies	$0.2	0%
1370	Specific Use Supplies	$13.4	12%
1390	Other Supplies and Materials	-$1.3	-1%
All	**Total**	**$110.0**	**100%**

Supplies and materials may include any building, custodial, electrical, mechanical, or vehicle supplies as well as coal, gas, gasoline, oil and steam used by the Department. It also includes road repair and maintenance items such as stone, sand and line paint. Specific use supplies include emergency materials such as salt and abrasives.

Continuous Charges
DOA defines continuous charges as expenditures for insurance-fixed assets, insurance-operations, capital and operating lease payments, installment purchase and service charges.

Table A-3: Continuous Charges Expenditures

Account Code 1500	Continuous Charges Description	FY2009 Expenditures (in millions)	Percent of Category Total
1510	Insurance-Fixed Assets	$1.3	2%
1520	Capital Lease Payments	$8.4	12%
1530	Operating Lease Payments	$17.6	26%
1540	Service Charges	$25.4	37%
1550	Insurance-Operations	$15.4	23%
1560	Installment Purchases	$0.1	0%
1570	Payments for State Employee Health Insurance Programs	$0.0	0%
1590	Other Continuous Charges	$0.1	0%
All	**Total**	**$68.3**	**100%**

Service Charges include utility related charges such as electricity, refuse, water and sewer payments.

Property and Improvements
DOA defines property and improvements as expenditures for property and improvements acquisition, natural resources acquisition and site development.

Table A-4: Property and Improvements Expenditures

Account Code 2100	Property and Improvements Description	FY2009 Expenditures (in millions)	Percent of Category Total
2110	Acquisition of Property and Improvements	$124.3	97%
2120	Natural Resources	-$0.3	0%
2130	Site Development	$4.3	3%
2190	Other Property and Improvements	-$0.1	0%
All	**Total**	**$128.2**	**100%**

Equipment
DOA defines equipment as expenditures for computers, educational equipment, cultural equipment, electronic, photographic, medical, laboratory, motorized, office, specific use and stationary equipment.

Table A-5: Equipment Expenditures

Account Code 2200	Equipment Description	FY2009 Expenditures (in millions)	Percent of Category Total
2210	Computer Hardware and Software	$3.2	6%
2220	Educational and Cultural Equipment	$0.3	1%
2230	Electronic and Photographic Equipment	$7.6	14%
2240	Medical and Laboratory Equipment	$0.3	1%
2250	Motorized Equipment	$32.3	60%
2260	Office Equipment	$1.3	2%
2270	Specific Use Equipment	$6.9	13%
2280	Stationary Equipment	$1.7	3%
2290	Other Equipment	$0.2	0%
All	**Total**	**$53.8**	**100%**

Plant and Improvements

DOA defines this category as expenditures for acquisition and construction of plant and improvements. These are VDOT's outsourced highway construction expenditures.

Table A-6: Plant and Improvements Expenditures

Account Code 2200	Plant and Improvements Description	FY2009 Expenditures (in millions)	Percent of Category Total
2310	Acquisition of Plant and Improvements	$0.0	0%
2320	Construction of Plant and Improvements	$865.0	100%
2390	Other Plant and Improvements	$0.2	0%
All	**Total**	**$865.2**	**100%**

Expenditures within this group include road and bridge construction.