COMMONWEALTH of VIRGINIA
Office of the
SECRETARY of TRANSPORTATION

Crossover Needs and Options to Mitigate Impact on New Construction Funds

October 2026

VIRGINIA DEPARTMENT of Aviation

DMV Virginia Department of Motor Vehicles

MVDB

Office of INTERMODAL Planning and Investment

THE PORT OF VIRGINIA

VIRGINIA PASSENGER RAIL AUTHORITY

DRPT VIRGINIA DEPARTMENT OF RAIL AND PUBLIC TRANSPORTATION

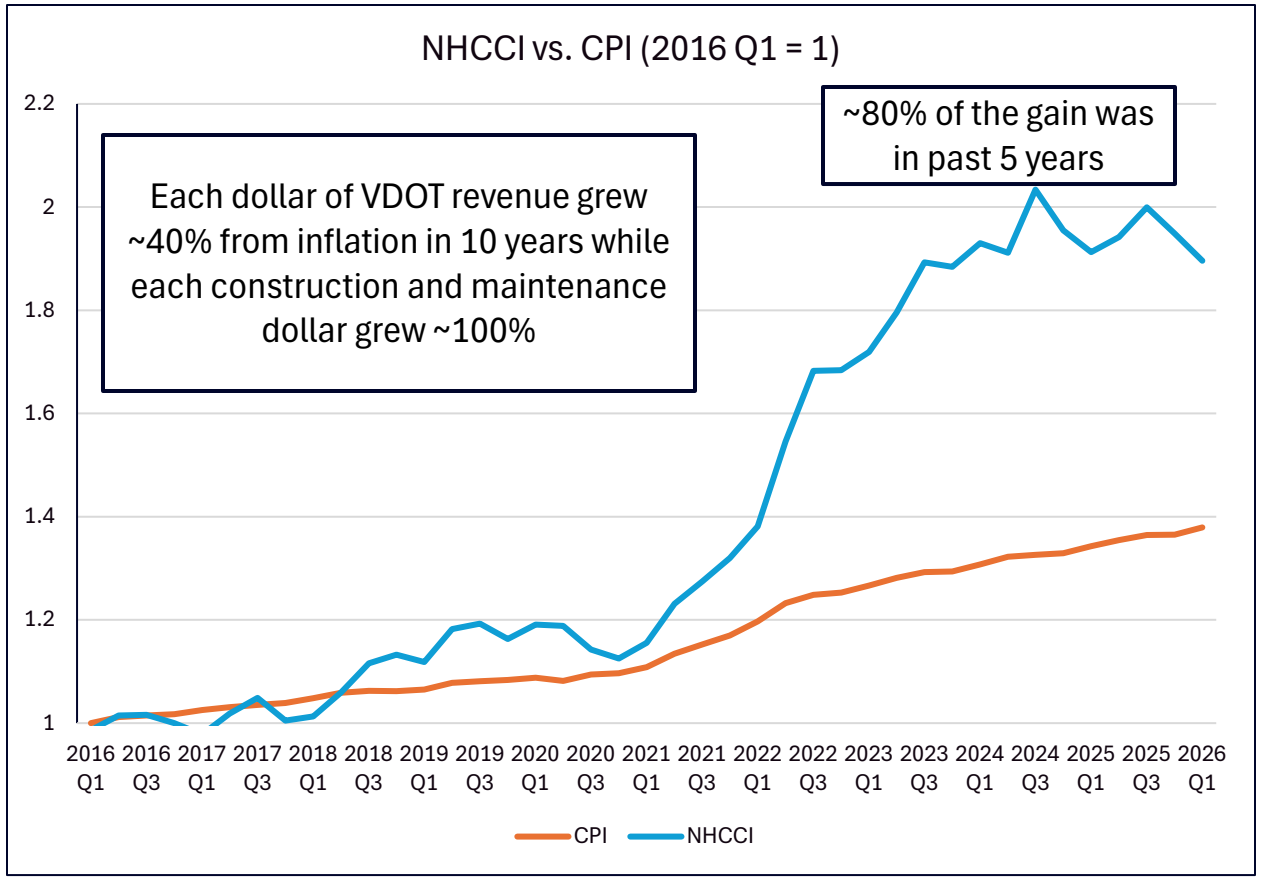
VIRGINIA SPACEPORT AUTHORITY

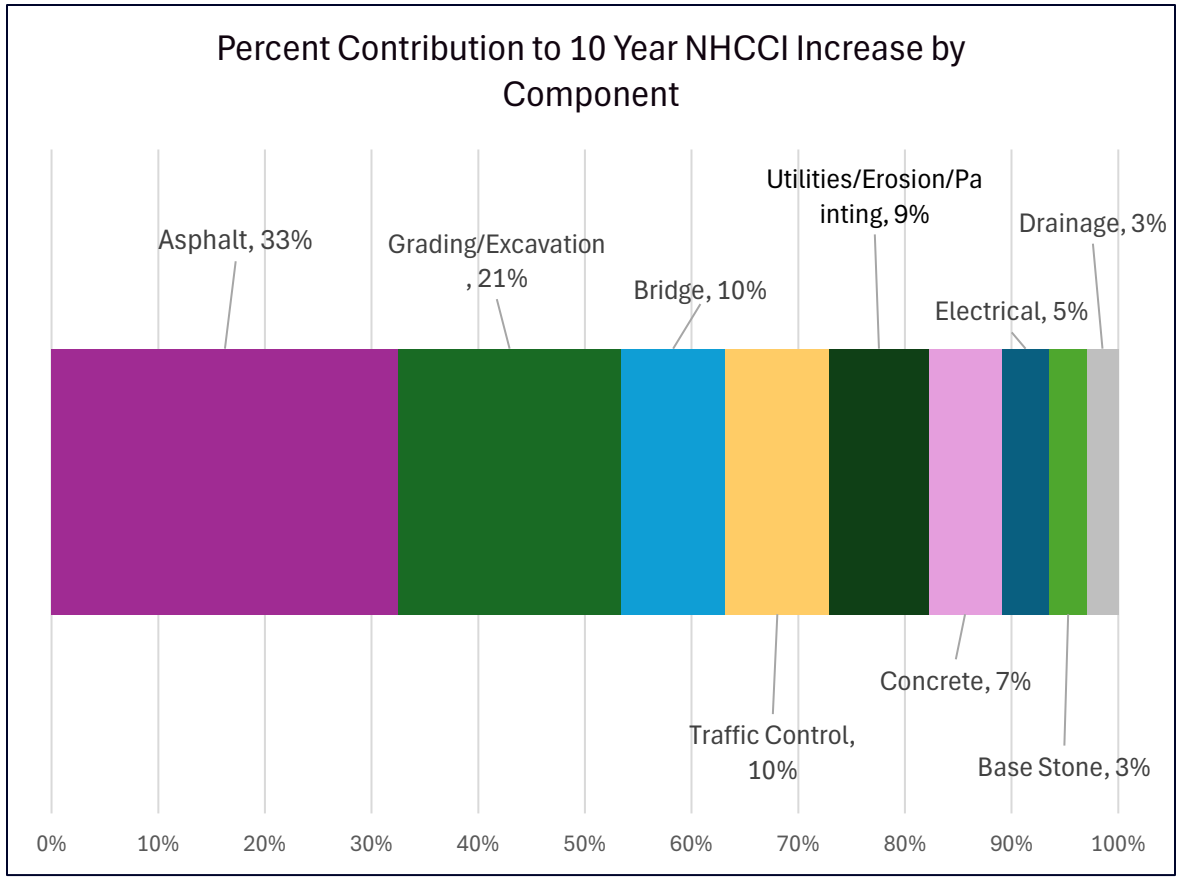
VDOT Virginia Department of Transportation

Goals for this Presentation

- **Today we will review how we got to this decision point:**
  - **Construction and maintenance costs have spiked in the last 6 years.**
  - **This would have caused a resource crunch no matter what.**
  - **The impacts of the crunch weren't fully studied or explained before.**
  - **Now that we know more, we need to adjust our funding to avoid**
    - A) Degraded pavements with exponential growth in paving costs in a few years
    - B) Significant cuts to the construction program
- **Today we will outline the recommended "crossover" to avoid (A) and recommended actions the board can take to mitigate (B)**
- **Board action is needed in December to allow release of SMART SCALE base funding.**

Construction & Maintenance Costs have Doubled in Past 10 years Due to Spiking NHCCI





NHCCI and component data: https://www.fhwa.dot.gov/policy/otps/nhcci/

Virginia is a Maintenance First State

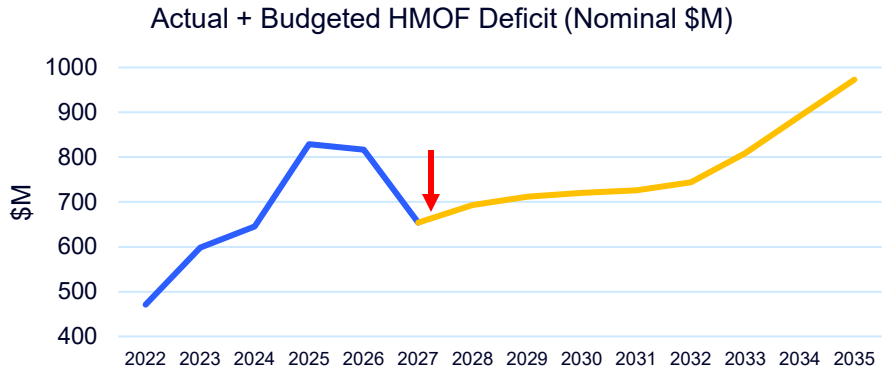
VA Code requires the Board to set aside funds for adequate maintenance before funding construction

- 33.2-358 A The Board shall allocate each year from all funds made available for highway purposes such amount as it deems reasonable and necessary for the maintenance of roads within the Interstate System, the primary state highway system, and the secondary state highway system and for city and town street maintenance payments

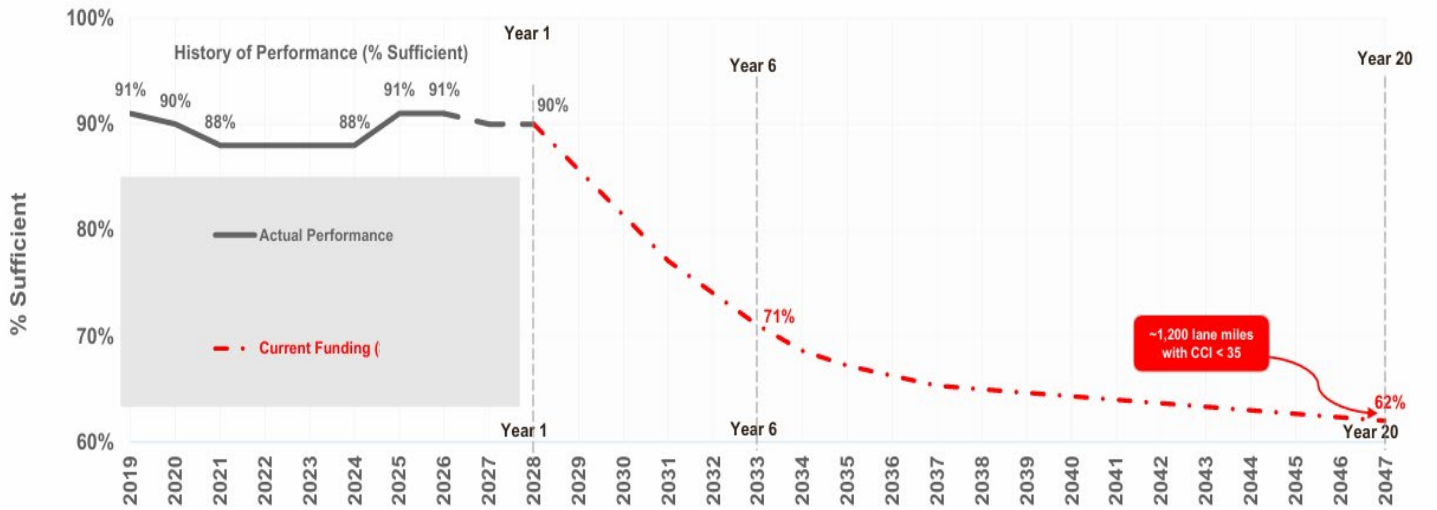
The Appropriation Act establishes maintenance and operations of existing assets as the top priority

- Item 420 A.1 The maintenance of existing transportation assets to ensure the safety of the public shall be the first priority in budgeting, allocation, and spending. The highway share of the Transportation Trust Fund shall be used for highway maintenance and operation purposes prior to its availability for new development, acquisition, and construction

Pavement / Routine Maintenance History (2022-2026) and Plan (2027-2031) per Last Adopted CTF Budget



← Chart from September CTB meeting showing decrease in crossover for maintenance budgeted for remainder of SYIP (and continued for 2 years)



← Chart from July CTB meeting showing decrease in Interstate pavement condition if the budget shown above is used.

Policy Considerations

The Secretary recommends that the Board adopt a policy to

1. Re-baseline pavement and bridge conditions every 4 years, and report on findings to CTB.
2. Re-baseline must forecast impact of current CTF budget funding levels out at least 20 years on pavement and bridge conditions.
3. Reduction in pavement and bridge maintenance spending over 5% YoY must by accompanied by a description of anticipated impact on conditions.

VDOT Takes and Will Continue To Develop Approaches to Maximize Efficiency of These Dollars

Pillar 1 – Contract Optimization

Opportunities to bundle work activities to get better fees from contractors (reduces mobilization, admin, etc. costs)

Pillar 2 – Technical Innovation

VTRC Pavement lab researching how to achieve better performance and reduce mix costs

Pillar 3 – Pro-active Sufficient Condition

Bridges – we used to do "worst first." That's more expensive so we changed in 2019. Ditto approach to keeping high targets for pavements, pipes, etc.

Pillar 4 – Asset Management

Improvement in schedules through routine maintenance cycling, sensing advancement

(see today's presentation)

How Much Do we Need for VDOT Pavements?

- **Roads falling into disrepair is an economic and safety liability.**
- **VDOT and SOT recommend keeping existing targets as it is cheaper over time.**
- SGR budget contributes to these targets too.
- Gap to budget is $239M/year in 2028.
- **SOT recommends keeping the paving budget for 2027 (no increase) then increasing by $239M from 2028 onwards.**

	Current Performance % Sufficiency	Avg Cost / Year (2028 – 2048) in $2026	Predicted Performance through 2048
Interstate – Keep at Current Performance	91%	$165M	91%
Primaries - Keep to CTB Targets	82% (75% for low volume)	$330M	82% (75% for low volume)
Secondaries – Keep to CTB Targets	82% (60% for low volume)	$344M	82% (60% for low volume)
Total/Year		$839M	
Delta to Prior Budget		**$239M**	

How Much Do we Need for Bridges?

- Bridge costs follow NCCHI growth too. Initial VDOT ask was an extra $109M/yr to keep meeting current targets.
- The IIJA infused money into bridge repair and maintenance. The Federal Surface Reauthorization Act seems likely to continue that bridge money to states.
- **VDOT and SOT recommend maintaining current bridge budgets, and assuming the federal bridge program continues**.
- This will lead to some degradation in succficiency for Primary and Secondaries.
- If the federal reauthorization does not extend the bridge program, we will revisit this.

	Current CTB Target Sufficiency (Current actuals)	Avg Cost / Year (2028 – 2050) $2026	Sufficiency expected by 2032	Sufficiency expected by 2048
Interstate – Keep at Current Performance	>97% (97%)	$179M	99%	99%
Primaries - Keep to CTB Targets	>93% (97%)	$216M	97%	95%
Secondaries – Reduce targets	>90% (97%)	$90M	92%	91% (degrades after that)
Total/Year		$530M		
Delta to Budget (assuming Federal Bridge program)		**$0**		

How Much Should be Budgeted for Locals?

- The prior costs only apply to VDOT-maintained roads.
- Local governments have experienced the same cost pressures and need to have maintenance payments increased.
- **SOT recommends a pro-rata increase to locality maintenance payments in FY2028 and beyond based on the increase to the VDOT new construction crossover.**
- This estimate has been updated from last month's presentation to cover all localities. Increase of $20M.

	$M
Estimated increase to locality maintenance payments	~$70M
Delta to Budget	**~$70**

Impact of Increased Crossover with No Mitigating Actions

	Reduction in 8 year unallocated (new projects) compared to current budget	
HPP	↓57%	Reduction in first 4 years leaves insufficient funds to cover allocated - must shuffle funds/delay projects This is the SMART SCALE R7 and R8 reduction compared to current SYIP. The reduction compared to R5/R6 is 62%.
DGP (State portion, incl. unpaved)	↓58%	Reduction in first 4 years leaves insufficient funds to cover allocated - must shuffle funds/delay projects This is the SMART SCALE R7 and R8 reduction. The reduction compared to R5/R6 is 62%. The final difference for each district will vary due to supplemental DGP funds.
IOEP	↓44%	Reduction in first 1 year leaves insufficient funds to cover allocated - must shuffle funds/delay projects
VHSIP	↓37%	
ALL 4 PROGRAMS	**↓49%**	

Recommended Approach to Mitigate Increased Crossover

Utilize flexible funding sources to address cuts during the six-year programming window

- Use $230M Priority Transportation Fund to bolster VHSIP (~$130M) and DGP (~$100M) for R7/R8
- Use $300M GARVEE bonds to bolster HPP (~$200M) and DGP (~$100M) for R7 and R8
  - Final split of GARVEE, PTF to various funds will be based on project eligibility and will be updated.
- Redirect $705M from Nov ‘25 action for priority projects and provide alternative pathways for funding for those projects. These redirected funds will be distributed across all programs per formula, and are sufficient to avoid delays on existing committed projects.

Reminder – What are GARVEE and PTF?

- **PTF** is a fund to service transportation debt.
- It can be applied to support any project the CTB selects.
- We are recommending sweeping this through the current six-year window (with a small reserve for unexpected costs).

- **GARVEE** Bonds are debt backed by Virginia's federal formula funds.
- They are very affordable debt.
- They can be applied to federally eligible projects, in an approved CIP/meeting a VTrans need (more flexible).
- Virginia has a revolving authorization of GARVEE bonds.

Redirect $705M from Priority Projects to Alternate Funding Sources

- In November 2025, the board allocated ~$715 of GARVEE and PTF to a list of projects recommended by the administration.
  - ~$10M of this money has been spent so only ~$705M is available.
- SOT Recommends using narrowly constrained funding pools for ~$555M of these projects (see table next slide). This is a smarter way to use available capital funds.
- The remaining 6 projects we could not find a narrower pool of funds to support. We recommend the board vote to submit them to Round 7 of Smart Scale to compete.

Resubmitting to R7

- 5 of 6 projects were already scored for R6
- Locality can choose not to have a project resubmitted.
- These projects will not count against local/district caps.
- State agencies will do rescoring work to the greatest extent possible.

Redirect $705M from Priority Projects

Project Name	Amount funded ($M)	VDOT District	Locality	Alternate Funding Source	R6 SS Score - State Rank
Falmouth Bridge replacements	$73.8	Fredericks.	City of Fredericksburg	Use “waiver” clause for SGR	
Long Bridge	$40.0	Northern Virginia	Arlington County / Washington, DC	CMAQ	
I-81 S Curves - Realignment between Exit 166 and Exit 168	$269.0	Salem	Botetourt County	I81 Corridor Fund	
Route 220 Section 5 - Improvements from just south of Marrowbone Circle to the US-58 Westbound Ramps	$55.0	Salem	Henry County	RT58 Funds	
Intersection of Route 220 and Route 87 (Morehead Avenue)	$35.0	Salem	Henry County	RT58 Funds	0.69 - 230
US 11 (Main Street) Corridor	$17.2	Bristol	Town of Abingdon	RT58 Funds	2.93 - 104
Short Pump Area - I64/Gayton Road Diverging Diamond Interchange	$34.2	Richmond	Henrico County	I64 IOEP	3.1 - 96
I395 Shirlington Rotary & S Glebe Rd Interchange	$31.5	Northern Virginia	Arlington County / City of Alexandria	IOEP - Other	3.33 - 91
Route 288 Southbound Hard Shoulder Running Lane	$67.0	Richmond	Goochland County	R7	3.72 - 83
Business 17 (Lee Highway) Corridor Safety	$20.4	Culpeper	Town of Warrenton	R7	3.84 - 81
Route 294 (Prince William Parkway) Corridor	$21.4	Northern Virginia	Prince William County	R7	3.54 - 85
E. Parham Road Improvements - I-95 to Cleveland St	$10.4	Richmond	Henrico County	R7	3.1 - 97
B Port of Virginia Interchange / Commerce Road Streetscape	$16.1	Richmond	City of Richmond	R7	3.06 - 98
Meadowville Bridge / Intersection	$24.3	Richmond	Chesterfield County	R7	

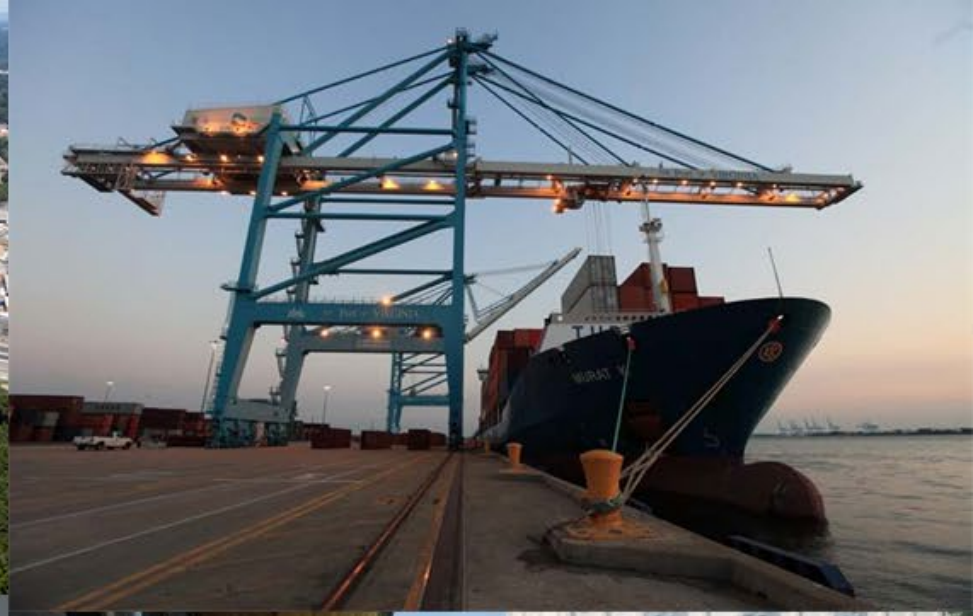
Impact with Mitigation Options

	Reduction in 8-year unallocated (new projects) – WITH RECOMMENDATIONS	
HPP	↓25%	This is impact to SS R7 and R8, HPP compared to budget. It is an ~17.5% reduction from R5/6 (in nominal dollars).
DGP (state portion)	↓26%	This is impact to SS R7 and R8, DGP. Because of supplemental district funds, the impact will be less in some districts.
IOEP	↓32%	
VHSIP	↓13%	Our goal is to have the least impact to VHSIP
All 4	**↓25%**	**Down from 49%**

Actions required in December (summary)

1. Adopt recommended pavement and bridge targets
2. Increase baseline crossover for FY28-32
3. Redirect GARVEE and PTF funds from 'Priority Projects' to HPP, DGP, IOEP and VHSIP projects
4. Provide new funding source for 8 projects where a more restrictive program can fund projects, including waiver clause in SGR
5. Add remaining six projects to SS R7 (allowing locality ability to opt out)
6. Allocate additional GARVEE and PTF to HPP, DGP, VHSIP projects







Passes
BROAD/MAIN

