COMMONWEALTH of VIRGINIA
Office of the
SECRETARY of TRANSPORTATION

Pavement and Bridge Funding Recommendations

Dr. Laura Schewel, Deputy Secretary of Transportation

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

Overview and Purpose

- Maintenance costs have gone up significantly in the past years and will continue to rise.
- VDOT has created strategies on how to most cost-effectively maintain acceptable quality in the system, presented by Commissioner Brich in prior meetings (and today).
- **Virginia is a maintenance-first state –** the CTB "crosses over" funds from construction to maintenance each year to meet maintenance needs.
- Impacts of addressing maintenance will feel more substantial than is typical due to previous action in 2025 to reduce funding for pavement maintenance for 5 of 6 years in the FY26 programming window.
- This presentation shares SOT's recommendation for pavement and bridge investments, and outlines the impacts if we fund the maintenance gap fully with crossover funds. **They are significant**.
- In October, we will outline some impact-mitigation strategies. These **two** presentations will prepare the CTB to vote on pavement and bridge targets, and the crossover strategy at the December meeting.

For Reference: Relevant Code Language

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

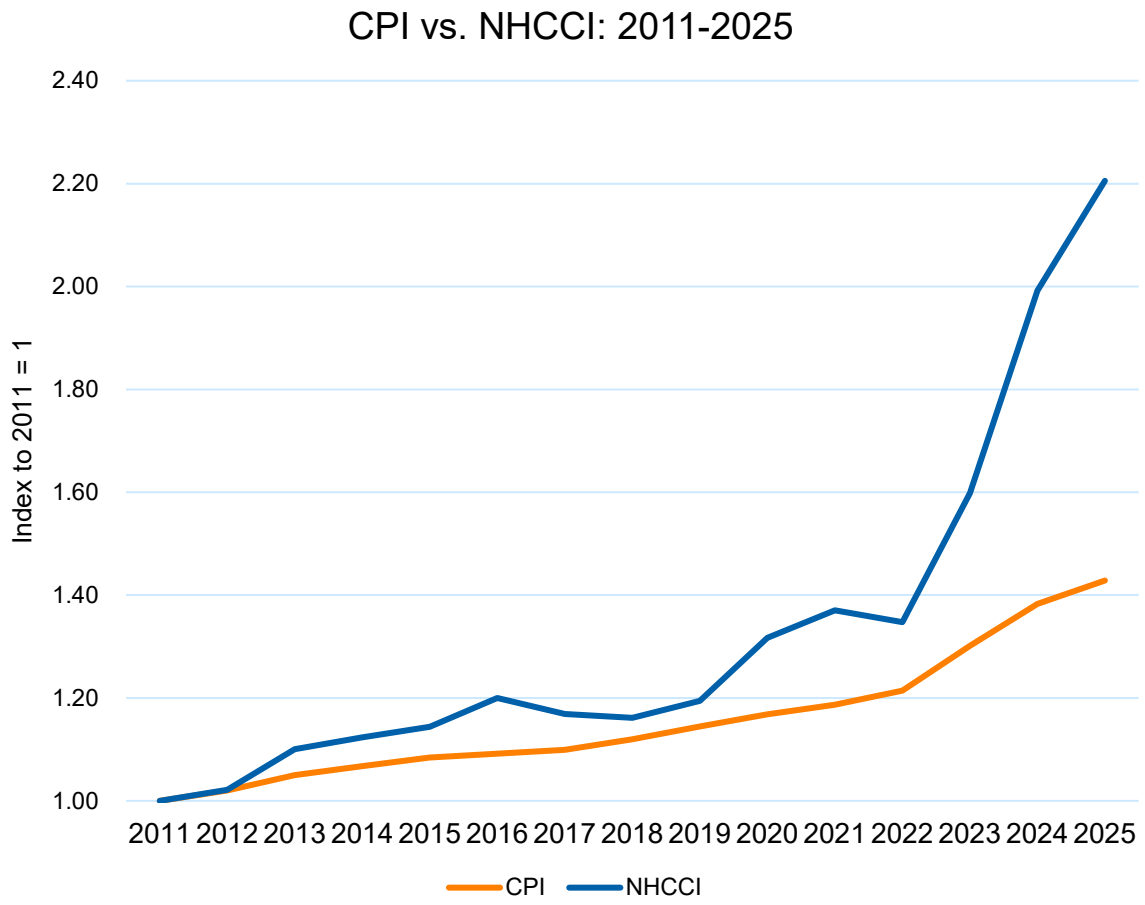
- Item 420 A.1 The maintenance of existing transportation assets to ensure the safety of the public shall be the first priority in budgeting, allocation, and spending. The highway share of the Transportation Trust Fund shall be used for highway maintenance and operation purposes prior to its availability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

For Reference: Crossover required flow of funds

- **HMOF has required transfers from the highway share of the Transportation Trust Fund (TTF), referred to as "Crossover"**
  - This directly reduces the funds available for the 5 formula construction programs
    - *State of Good Repair Program (SGR) – 30%
    - Interstate Operations and Enhancement Program (IOEP) – 20%
    - High-Priority Projects Program (HPP) – 20%
    - Highway Construction District Grant Program (DGP) – 20%
    - Virginia Highway Safety Improvement Program (VHSIP) – 10%

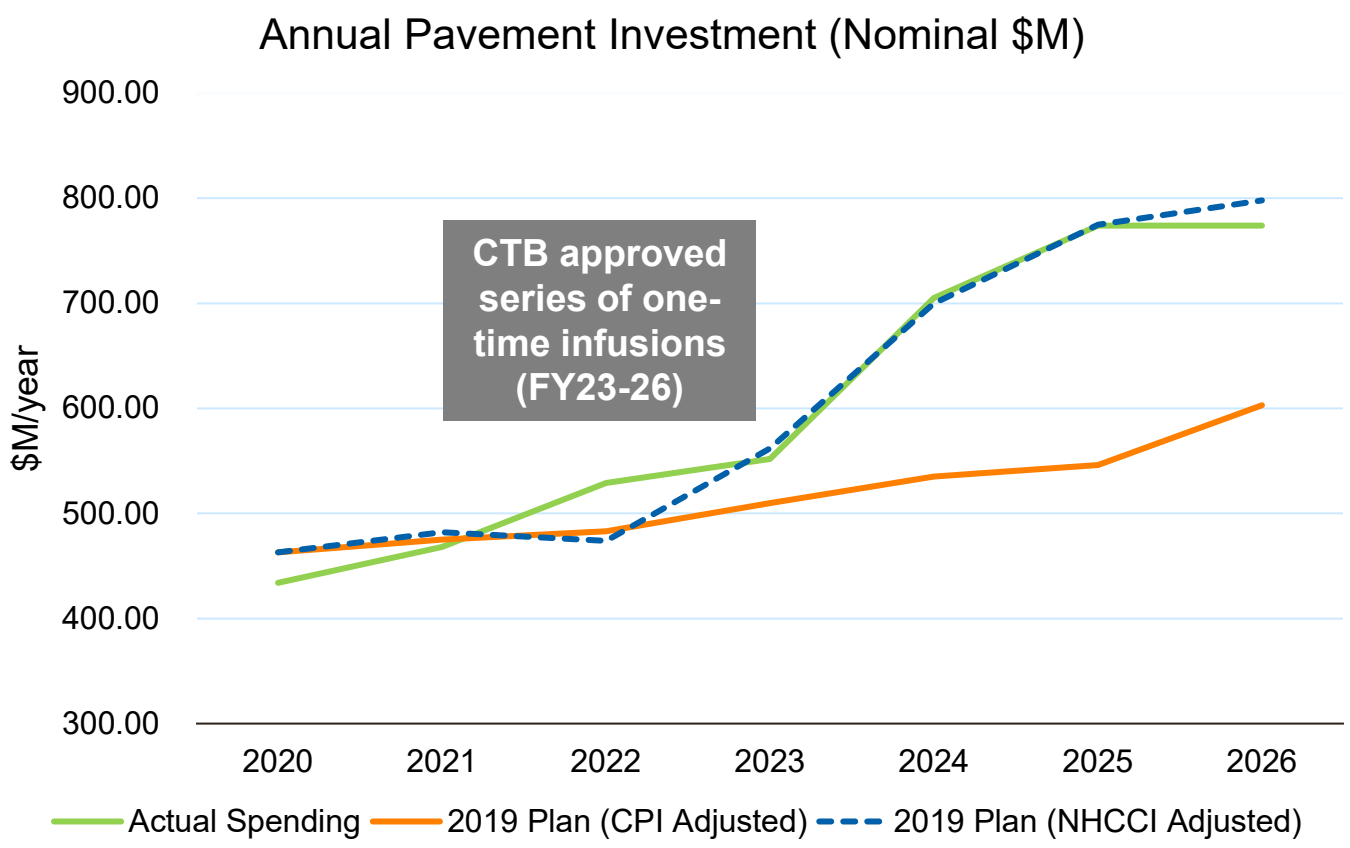
*this fund contributes to capital repair work.

Reminder: Inflation and Construction Costs Pre-2020, Post-2020



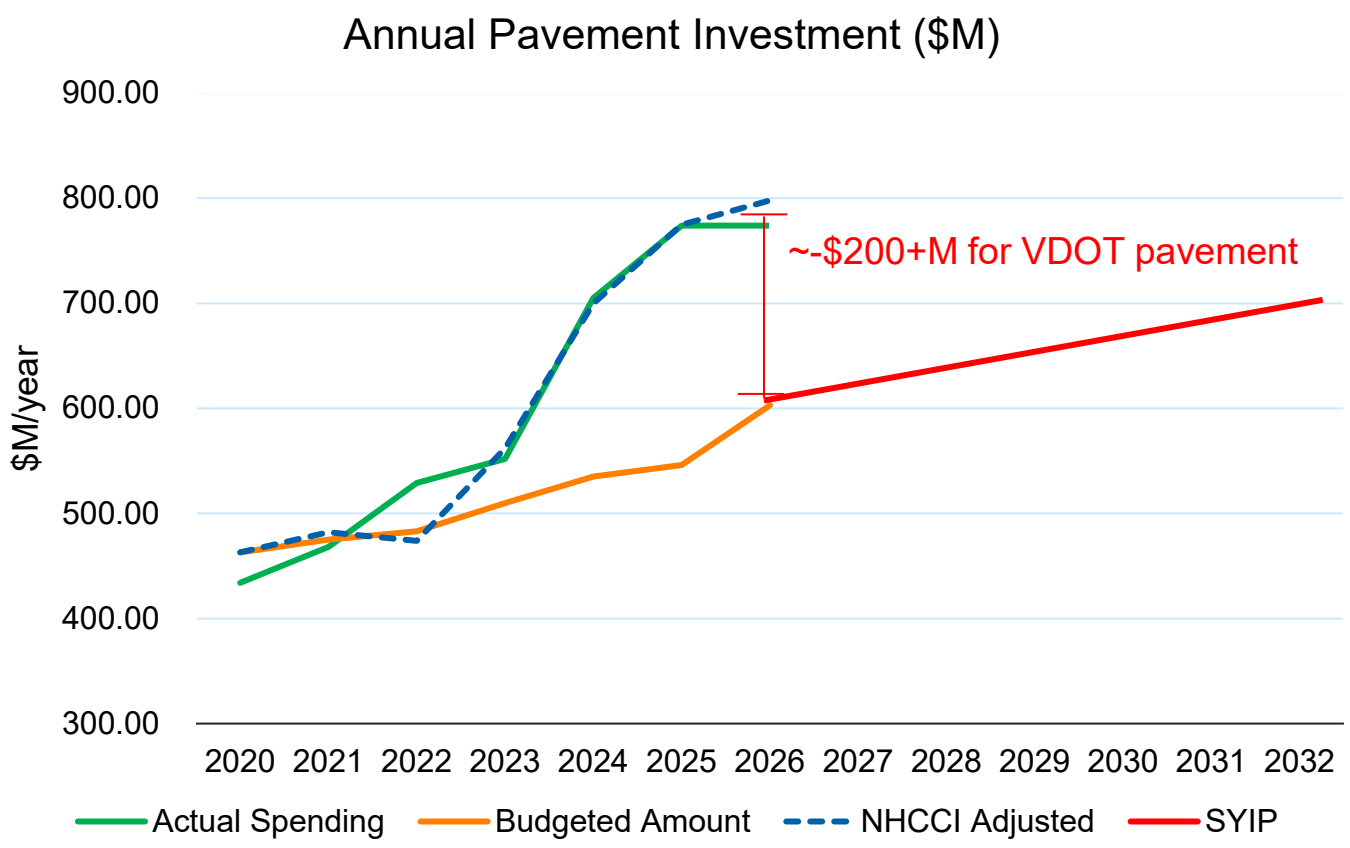
- The National Highway Construction Cost Index (NHCCI), published by FHWA, measures change over time in the prices paid for roadway construction materials and services.
- 2011- 2019 (and before), it tended to experience about the same inflation as the Consumer Price Index (CPI).
- From 2020-2026, the two diverged significantly.
- Gas tax rate was set by law at 26.2 cents per gallon in 2022 and indexed to CPI. **This means VDOT's revenues from the gas tax have risen much less sharply than their costs in the past 6 years.**

Pavement Investment 2020 to 2026



- Starting in 2022, to maintain pavement standards, pavement investment exceeded budget as costs rose.
- The CTB made a series of one-time infusions (taking money from the annual construction budget via crossover) to pavement to cover the gap.
- The increase almost exactly tracks with growth rate in NHCCI.

Pavement Investment Beyond 2026



- The existing SYIP did not assume this level of crossover continues after 2026 (it assumed ~$200M/year less in crossover for pavement than in the prior few years).
- In addition, a reduction of ~$40M in crossover for local maintenance programs was budgeted after 2026.
- Most of these funds were allocated to construction project through FY30.

How Much Do we Need for 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.
- 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**.
- 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 base M&O budget.**
- This estimate will be updated.

	$M
Estimated increase to locality maintenance payments	~$50M
Delta to Budget	**~$50**

Preliminary 2026 Comprehensive Review Re-baseline Findings – Potential Impacts

To increase M&O base by $290M/year, we need to crossover $290M from the "new construction" programs – or $415M total

(millions)	FY2028*	FY2029*	FY2030*	FY2031*	FY2032*	FY2033*
SGR	-$124.5	-$127.7	-$131.0	-$134.4	-$137.9	-$141.4
HPP	-$83.0	-$85.1	-$87.3	-$89.6	-$91.9	-$94.3
DGP	-$83.0	-$85.1	-$87.3	-$89.6	-$91.9	-$94.3
IOEP	-$83.0	-$85.1	-$87.3	-$89.6	-$91.9	-$94.3
VHSIP	-$41.5	-$42.6	-$43.7	-$44.8	-$46.0	-$47.1
TOTAL	**-$415.0**	**-$425.7**	**-$436.7**	**-$448.0**	**-$459.6**	**-$471.5**

*** Subject to change based on updated revenue assumptions**

Impact on Estimated Value of SMART SCALE Round 7 + 8*

Program	Est. Round 7 and Round 8	Round 5 and Round 6	Delta	% Difference
HPP	$356.5	$941.6	($585.1)	(62%)
DGP (statewide)	$356.5	$941.6	($585.1)	(62%)
Supplemental DGP	$650.5	$895.2	($244.7)	(27%)
TOTAL	$1,363.6	$2,778.3	($1,414.7)	(51%)

*Figures in millions, rounded, and subject to change based on updated revenue assumptions and distribution factors

Impact on Estimated Value of DGP for Rounds 7 + 8*

District	Est Rd 7 and Rd 8	Suppm'tal DGP	Total	Rd5 and Rd6 (all)	Delta	% Diff
Bristol	$9.7	$82.4	$92.1	$156.2	($64.1)	(41%)
Culpeper	$12.6	$116.5	$129.0	$187.2	($58.2)	(31%)
F'burg	$34.1	$96.2	$130.3	$195.4	($65.1)	(33%)
HR	$91.6	$50.1	$141.7	$240.9	($99.2)	(41%)
Lynchburg	$21.9	$113.0	$135.0	$205.1	($70.1)	(34%)
NOVA	$81.9	$0.0	$81.9	$216.7	($134.8)	(62%)
Richmond	$62.0	$99.6	$161.5	$224.1	($62.6)	(28%)
Salem	$22.0	$68.9	$90.8	$183.5	($92.7)	(51%)
Staunton	$23.7	$23.7	$44.6	$158.6	($114.0)	(72%)
Total	**$356.5**	**$650.5**	**$1,007.0**	**$1,767.7**	**($760.7)**	**(43%)**

*Figures in millions, rounded, and subject to change based on updated revenue assumptions and distribution factors

Next Steps

- This is the worst-case outcome for addressing pavement needs in terms of impact to construction programs
- SOT will evaluate options to mitigate these impacts
- **Options for consideration will be presented at the October Board meeting**
  - This will only include items under the control of the Board
- **Board will vote in December** on (i) updated pavement and bridge targets and (ii) crossover strategy and mitigation options that are under CTB control.