



# COMMONWEALTH of VIRGINIA

## DEPARTMENT OF TRANSPORTATION

Stephen C. Brich, P.E.  
Commissioner

1401 East Broad Street  
Richmond, Virginia 23219

June 3, 2024

### MEMORANDUM

- TO:** District Engineers, District Project Development Engineers, District Maintenance Engineers, District Construction Engineers, District Planning and Investment Managers, and Central Office Division Administrators
- FROM:** Barton A. Thrasher, Chief Engineer  
E. Kevin Gregg, Chief of Maintenance and Operations  
Laura Farmer, Chief Financial Officer
- CC:** Deputy Chief Engineer, Infrastructure Investment Division Administrator, Asset Management Division Administrator, State Construction Engineer, State Location and Design Engineer, State Bridge Engineer, Transportation and Mobility Planning Division Administrator, Local Assistance Division Administrator, Right of Way Division Administrator, and State Cost Estimation Engineer
- RE:** **Addressing Inflation/Escalation on Projects to be Advertised for Construction in FY2025 and Future Year Assumptions**

On July 7, 2023, we provided specific guidance on project estimates for projects to be advertised for construction in FY2024 and beyond. This memo is the annual guidance related to the application of inflation/escalation to project estimates.

- **Actions Required by Districts**
  - **SYIP Projects to be Advertised in FY2025**
    - For projects to be advertised in FY2025 that have already been submitted to Construction Division for advertisement, no additional action is required at this time.
    - For projects to be advertised in FY2025 that have not yet been submitted for advertisement, no additional inflation/escalation should be applied. Projects scheduled for advertisement in FY2025 should have had their estimates updated in support of Six-Year Improvement Program (SYIP) development and in accordance with the July 7, 2023 memo. Staff should

be guided by current Department Memoranda (IIM-CEO-02) governing any required updates to unit costs when preparing final submission estimates.

○ **SYIP Projects to be Advertised in FY2026 and Beyond**

- As project development progresses on any project scheduled for Construction advertisement or start in FY2026 or beyond, please adhere to current Location & Design (L&D) and Project Management Office (IIM-PMO-3.7) guidance regarding the requirements and frequency for updating project estimates.
- Please see Appendix A of this guidance for updated FY2026 and beyond inflation/escalation factors to be used in all estimates, estimate tools, and estimate systems.
- The District's Final Submission Estimates for projects progressing to advertisement within six (6) months, will not include inflation for the period between Final Submission and Advertisement. There will be no Line Item in the AASHTOWare estimate to address inflation for these estimates.

○ **Maintenance and Operations Program Projects**

- The guidance provided in this memorandum is mandatory for all Maintenance and Operations Program Projects except pavement projects (e.g., CY2025).
- For CY2025 pavement projects, Districts must submit CY2025 pavement projects with the inflationary factor clearly identified. Construction Division will update the inflationary factor to the appropriate number upon submission.
- For all other project advertisements, districts should have updated project estimates prior to completing FY2025 budgeting and spend plan processes for FY2025 project advertisements. FY2026 and beyond project advertisements must follow this memo.

○ **All Projects – Age of Final Submission Estimate**

- As previously noted, any VDOT administered project submitted to Construction Division for advertisement with a final submission estimate prepared more than three (3) months prior to submission to Construction Division, will be returned for review and update.
  - The 3-month timeframe will be based on appropriate Tier 1/Tier 2 submission deadlines.
  - It is strongly recommended that staff share this guidance with Local partners to encourage similar practice on Locally

Administered Projects (LAPs) that require VDOT review prior to Construction Advertisement.

- **Action Required by Central Office Divisions**
  - **Update Inflation/Escalation Tables in Cost Estimate Workbook (CEWB) and the SMART Portal**
    - VDOT's Standard Inflation/Escalation Table provided in Appendix A will be incorporated into the Cost Estimate Workbook (CEWB) and posted to VDOT's external website.
    - The VDOT Standard Inflation/Escalation Table provided in Appendix A will be uploaded into the SMART Portal for use in future funding application cycles.
- **Funding Shortfalls:** When updating SYIP project estimates, if a project's estimate increases above available allocations for the project, please coordinate with your District Planning and Investment Manager (DPIM or their designee) and Infrastructure Investment Division (IID). Budget shortfalls will be reviewed and resolved based on applicable funding program(s) specific guidance.
  - For best practices on potential cost mitigation strategies acceptable within various funding programs, it is recommended that staff coordinate with IID and any applicable special program managers.
- **Locally Administered Projects (LAPs):** The guidance provided in this memorandum is mandatory for all VDOT-administered projects; it is also strongly recommended that all LAPs adhere to this guidance. Districts should reach out to localities on applicable projects and provide this guidance for careful consideration.
- **Potential Dashboard Impacts:** The L&D Division will continue to coordinate recommendations for re-baselining projects per normal re-baselining guidance and procedures as outlined in IIM-PMO-22 Change Management. It is expected that program-wide resets to estimate baselines will not be pursued moving forward.

**APPENDIX A.**

**INFLATION/ESCALATION TABLE EFFECTIVE FY2026 AND BEYOND**

<b>Fiscal Year</b>	<b>Percentage</b>	<b>Compounded Factor</b>
FY2026	6%	1.0600
FY2027	5%	1.1130
FY2028	5%	1.1687
FY2029	5%	1.2271
FY2030	5%	1.2884
FY2031	3%	1.3271
FY2032	3%	1.3669
FY2033	3%	1.4079
FY2034	3%	1.4501
FY2035	3%	1.4937