

I-81 Corridor Finance Update

Laura Farmer

- Chief Financial Officer

Ben Mannell

- TMPD Acting Director

December 13, 2024

Legislative Background

- **Chapters 837 and 846 (HB 2718 and SB 1716, 2019 Session)**
 - Created the Interstate 81 Corridor Improvement Program and Fund
 - Provided new transportation revenues to support the interstate highways and specifically I-81
- **Chapters 1230 and 1275 (HB 1414 and SB 890, 2020 Session)**
 - Authorized the sale and issuance of bonds with an aggregate principal amount not to exceed \$1 billion
 - Changed the localities contributing to fuel tax revenue for I-81 Fund to those through which I-81 passes or cities wholly encompassed by a county through which I-81 passes
 - Provided allocated funding through the Interstate Operations and Enhancement Program (IOEP)

Legislative Background

- **Code of Virginia, Section 33.2-214. E.**

The Commonwealth Transportation Board shall only include a project or program wholly or partially funded from the Interstate Operations and Enhancement Program (IOEP) if the allocation of funds from IOEP and other funding committed to such a project or program is within the six-year horizon of the SYIP, sufficient to complete the project or program.

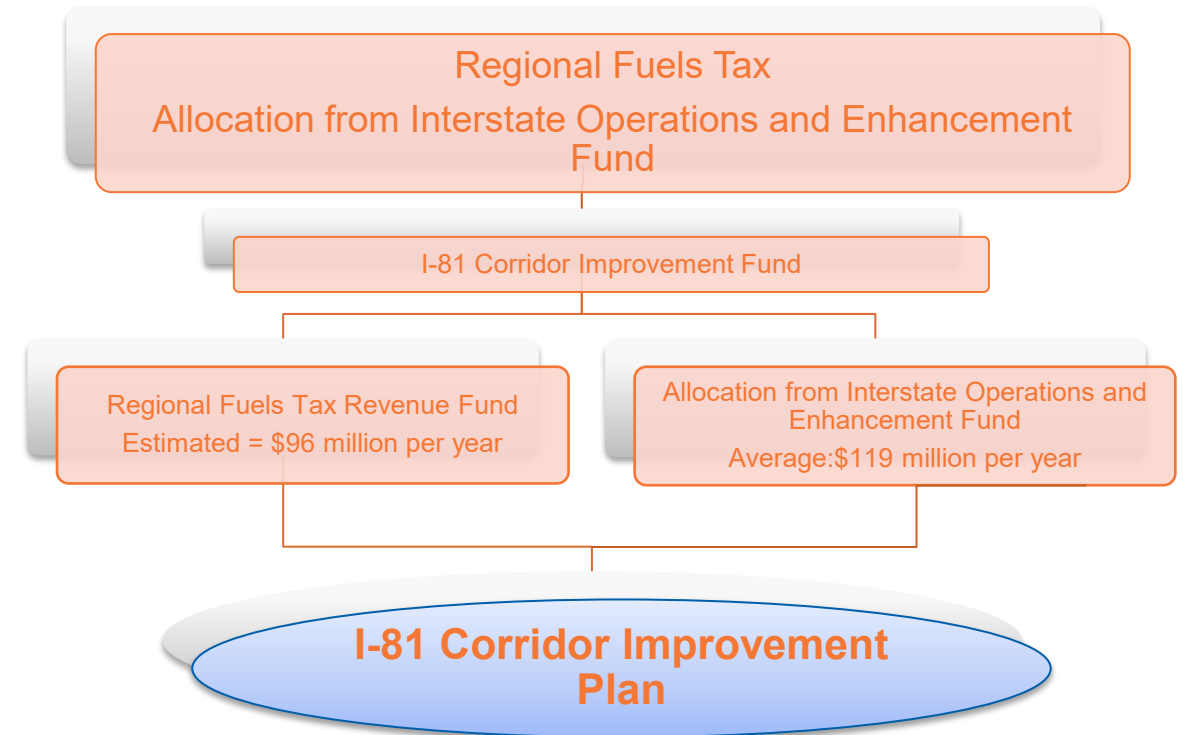
- **With the long-term dedicated funding source and financial plan, flexibility has been provided to the I-81 Corridor Improvement Program (CIP)**

- **Chapter 2 Budget Bill (HB 6001, 2024 Special Session I)**

- Allows the Commonwealth Transportation Board to advance preliminary engineering and right-of-way activities prior to full funding for construction for projects in the Program as adopted by the Board
 - Anticipated funding for the construction portion of the project must be planned for within the subsequent three years after the Six-Year Improvement Program
 - Report on all projects advanced in this manner to the Chairs of the House Appropriations, House Transportation, Senate Finance and Appropriations, and Senate Transportation Committees

Funding Sources and Structure

- **Dedicated funding for the I-81 Program is deposited in the I-81 Corridor Improvement Fund and includes:**
 - Regional Fuels Tax along the I-81 Corridor
 - Share of statewide revenues from allocation of the IOEP
- **Regional Fuels Tax**
 - July 1, 2019 through June 30, 2020, additional 2.1% tax on gasoline and diesel sold by a distributor to a retail dealer
 - Effective July 1, 2020, changed to a per gallon rate subject to annual CPI-U adjustment
 - Current tax rate as of July 1, 2024: 9.0 cents/gallon gasoline; 9.1 cents/gallon diesel
 - Can be leveraged for debt service and paygo
- **Allocation from IOEP**
 - I-81 receives allocation equal to ratio of Vehicle Miles Traveled (VMT) on I-81 by vehicles Class 6 or higher to total VMT on all Interstate highways
 - Can provide funding only for paygo



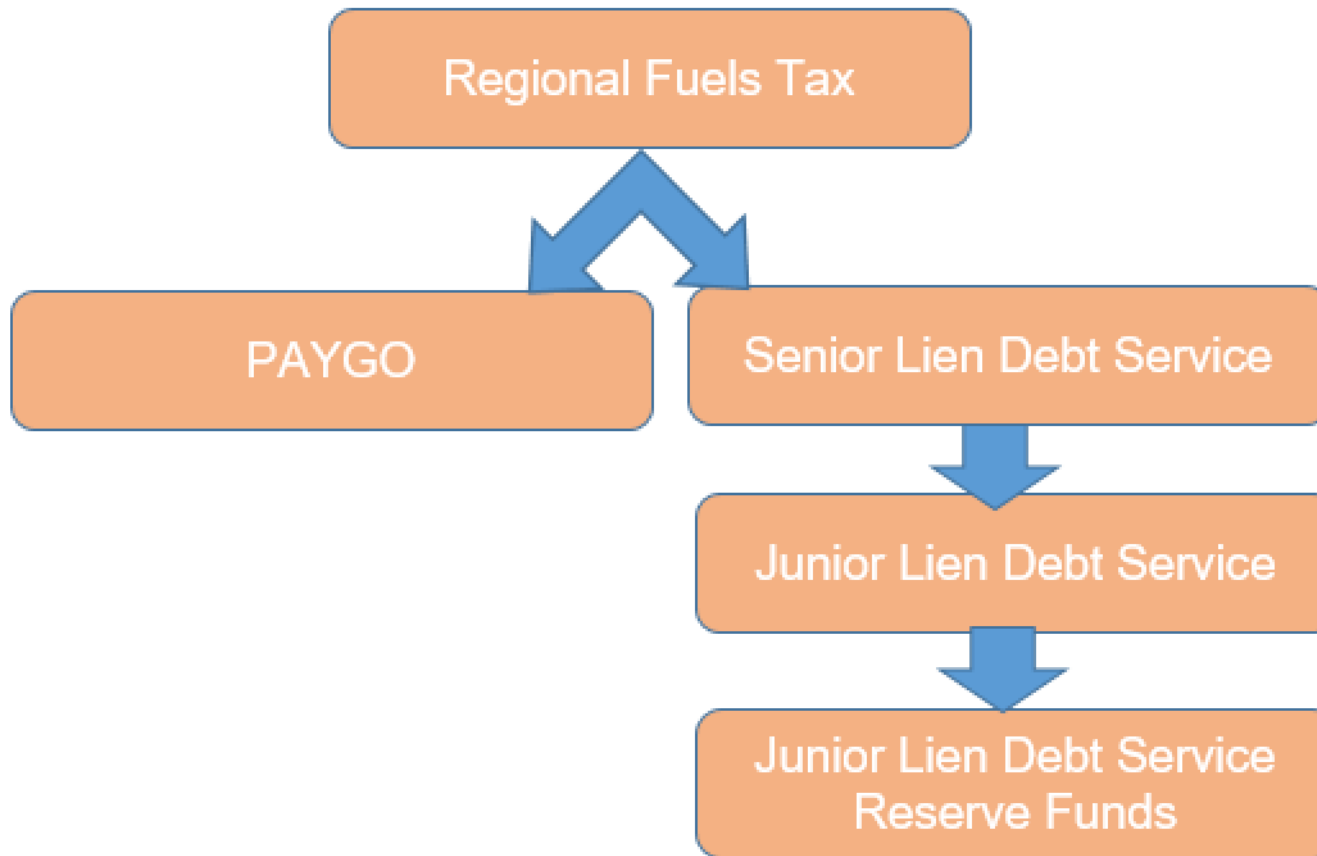
Historical Truck VMT for Interstate 81

- I-81 receives allocation equal to ratio of Vehicle Miles Traveled (VMT) on I-81 by vehicles Class 6 or higher to total VMT on all Interstate highways**

Applicable Fiscal Year	I-81 Share of Truck VMT
2022	43.7%
2023	43.5%
2024	43.7%
2025	43.9%

**VMT data is provided in December each year providing data for the previous calendar year to inform assumptions for the subsequent fiscal year*

Planned Use of Regional Fuels Tax



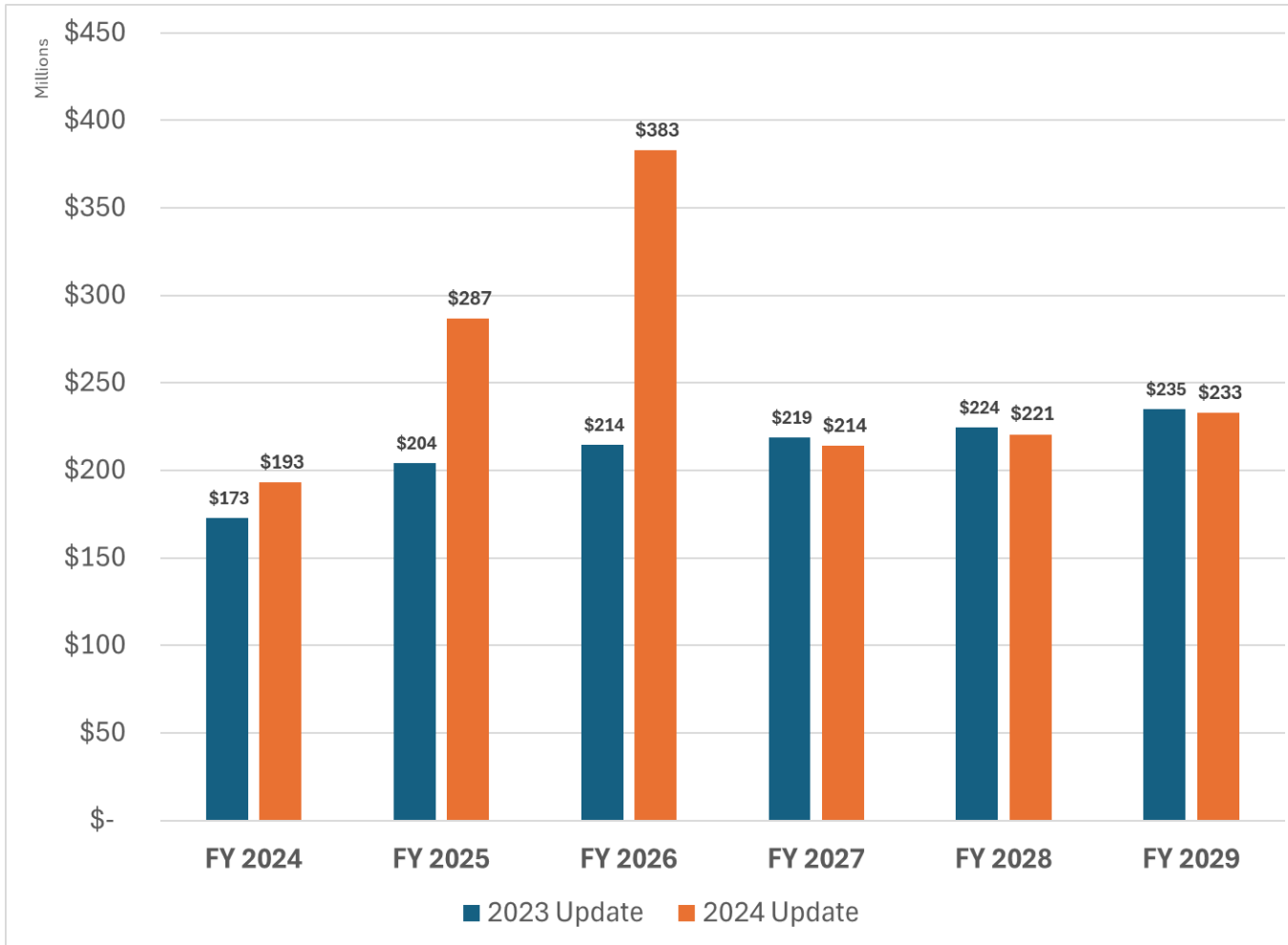
Debt service for the program can only be supported by the regional fuels tax collections

Additional Funding

- **Chapter 2 Budget Bill (HB 6001, 2024 Special Session I)**
 - Provided \$70 million of General Fund from the first year (FY 2025) to support the advancement of projects in the Interstate 81 Corridor
- **Federal Earmark**
 - Provided \$42 million from Highway Infrastructure Programs (HIP) Community Project Grant for I-81 Corridor Improvements
- **General Fund Surplus from FY 2024**
 - To provide \$175 million to support continue advancement of projects in the Interstate 81 Corridor
 - Subject to appropriation during the 2025 General Assembly Session

Total of \$287 million of directed funding to Interstate 81

Impact of Additional Funding



Comparison to 2023 Committee Update

Earmarked funds provide for additional infusions in FY 2025 and 2026, allowing projects to advance sooner

FY 2026 amount includes \$175 million in General Fund, subject to appropriation

Revenue and Expenditures to Date

Interstate 81 Improvement Fund (in millions) Activity through June 30, 2024

Sources	Actuals Through FY 2024
Regional Fuels Tax	\$380.3
Interstate Operations and Enhancement Program Allocation (State and Federal)	354.8
Other Sources Prior to FY 2021/Other	29.3
Interest Income	29.9
Total	\$794.3
Bonds/TIFIA Loan	199.4
Total	\$993.7

Activity	Total
Expenditures	
Pay-Go Project Expenditures	\$207.8
Bond / TIFIA Fund Project Expenditures	116.9
Debt Service	12.3
Financing Costs	1.2
Total	\$338.3
Balance Remaining	
Fund Balance	\$562.9
Bond Balance	0.0
Federal IOEP Balance	10.1
TIFIA Balance	82.6
Total Available	\$655.6
Expenditures and Balance Remaining Total	\$993.9

Totals differ due to rounding

Sources – Revenue Performance and Projections

Sources	Actuals Through FY 2024	FY 2025*	FY 2026**	FY 2027	FY 2028	FY 2029	FY 2030	Total
Regional Fuels Tax	\$380.3	\$90.2	\$93.2	\$95.2	\$97.3	\$99.5	\$101.6	\$957.3
Interstate Operations and Enhancement Program Allocation	354.8	84.5	114.7	118.7	123.2	133.3	138.5	1,067.7
Other Sources Prior to FY 2021/Other	29.3	112.0	175.0	-	-	-	-	316.3
Prior Year Revenue Adjustment	-	-	-	-	-	-	-	-
Interest Income	29.9	-	-	-	-	-	-	29.9
Total	\$794.3	\$286.7	\$382.9	\$213.9	\$220.5	\$232.8	\$240.1	\$2,371.2
Planned Debt for Construction	199.4	199.4	-	334.2	-	-	266.9	1,000.0
Total	\$993.7	\$486.1	\$382.9	\$548.1	\$220.5	\$232.8	\$507.0	\$3,371.2

Estimate Sources:

Regional Fuels Tax estimate provided by the Virginia Department of Taxation, December 2023

Interstate Operations and Enhancement Program, Commonwealth Transportation Fund Six-Year Financial Plan, June 2024

**FY 2025 Other Sources is the General Fund commitment and the federal Highway Infrastructure Programs Community Project Grant*

***FY 2026 Other Sources is the FY 2024 General Fund Surplus dedicated to I-81 (subject to future appropriation)*

Uses - Support I-81 Corridor Improvement Program

Uses (in millions)	Through FY 2024*	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	TOTAL
Debt Service	\$12.3	\$5.3	\$14.0	\$9.7	\$25.2	\$22.9	\$22.9	\$112.3
Funding Available for Construction	780.7	280.1	367.1	202.4	193.9	208.5	216.8	2,249.5
Administration and Financing Costs	1.2	1.3	1.8	1.8	1.4	1.4	0.4	9.3
Total	\$794.3	\$286.7	\$382.9	\$213.9	\$220.5	\$232.8	\$240.1	\$2,371.2
Planned Debt to support Construction	199.4	199.4	-	334.2	-	-	266.9	1,000.0
Total with Planned Debt	\$993.7	\$486.1	\$382.9	\$548.1	\$220.5	\$232.8	\$507.0	\$3,371.2

*As of June 30, 2024; unaudited

FY 2026 Funding available for Construction includes the FY 2024 General Fund Surplus dedicated to I-81 (subject to future appropriation)

I-81 Corridor Program – Project Costs

- **The estimated cost of all improvements totals \$3.6 billion, with projects funded through 2035 (based on the current revenue assumptions and debt model)**
 - **Based on recommendations from the Advisory Committee, the CTB added the Southbound MM 137-128 Widening to the I-81 CIP to advance with Northbound and prioritized the remaining planned widening segments on corridor in December 2023**
 - **CTB supported adding the remaining two projects in the original prioritized list in the following order, when revenue assumptions support their inclusion:**
 - UPC 116281 Widen to 3 lanes northbound and southbound from MM 312 to MM 318 (Winchester)
 - UPC 116196 Add northbound lane from MM 116 to MM 128 (Christiansburg)

This prioritization was recommended to prevent a continuous work zone for 21 miles for a period of 4 to 5 years

Project Status in SYIP – I-81 Corridor Plan

- **Because of the flexibility provided by Chapter 2 (2024 Special Session I), the two remaining candidate projects were added to the current SYIP funding PE and RW activities:**
 - **UPC 116196 Add northbound lane from MM 116 to MM 128 (Christiansburg, current estimate: \$459 million)**
 - **UPC 116281 Widen to 3 lanes northbound and southbound from MM 312 to MM 318 (Winchester, current estimate: \$480 million)**
- **Current revenue projections can support funding the completion of the current I-81 program by 2035 with some residual funds**
 - **Construction schedules for the remaining widenings may extend beyond the 2035 horizon**

Debt Issuance Plan

- The I-81 Regional Fuels Tax revenues will support all debt issued
- Will not impact debt capacity of the Commonwealth
- Mixture of municipal bonds and Transportation Infrastructure Financing Innovation Act (TIFIA) loans over the life of the program

	2021 Bonds	2022 TIFIA Loans	Future Financings	Total
Funded Costs (in millions)				
Senior Lien Bonds	\$101.9	\$ -	\$ -	\$101.9
Senior Lien Rural TIFIA Loan	-	14.9	214.9	229.8
Junior Lien Regular TIFIA Loan	-	82.6	585.7	668.3
Total	\$101.9	\$97.5	\$800.6	\$1,000.0

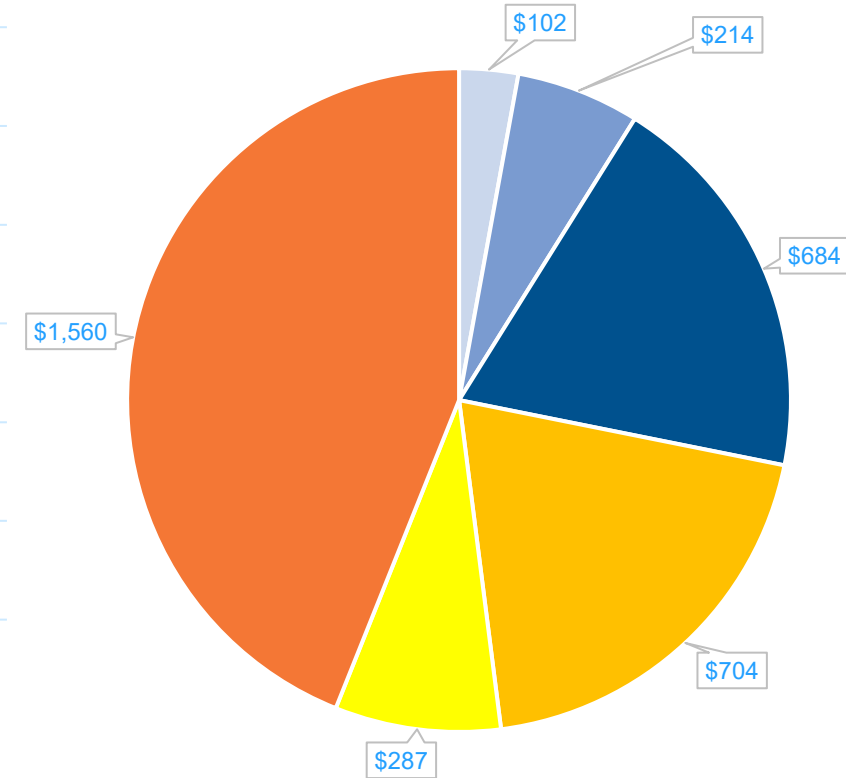
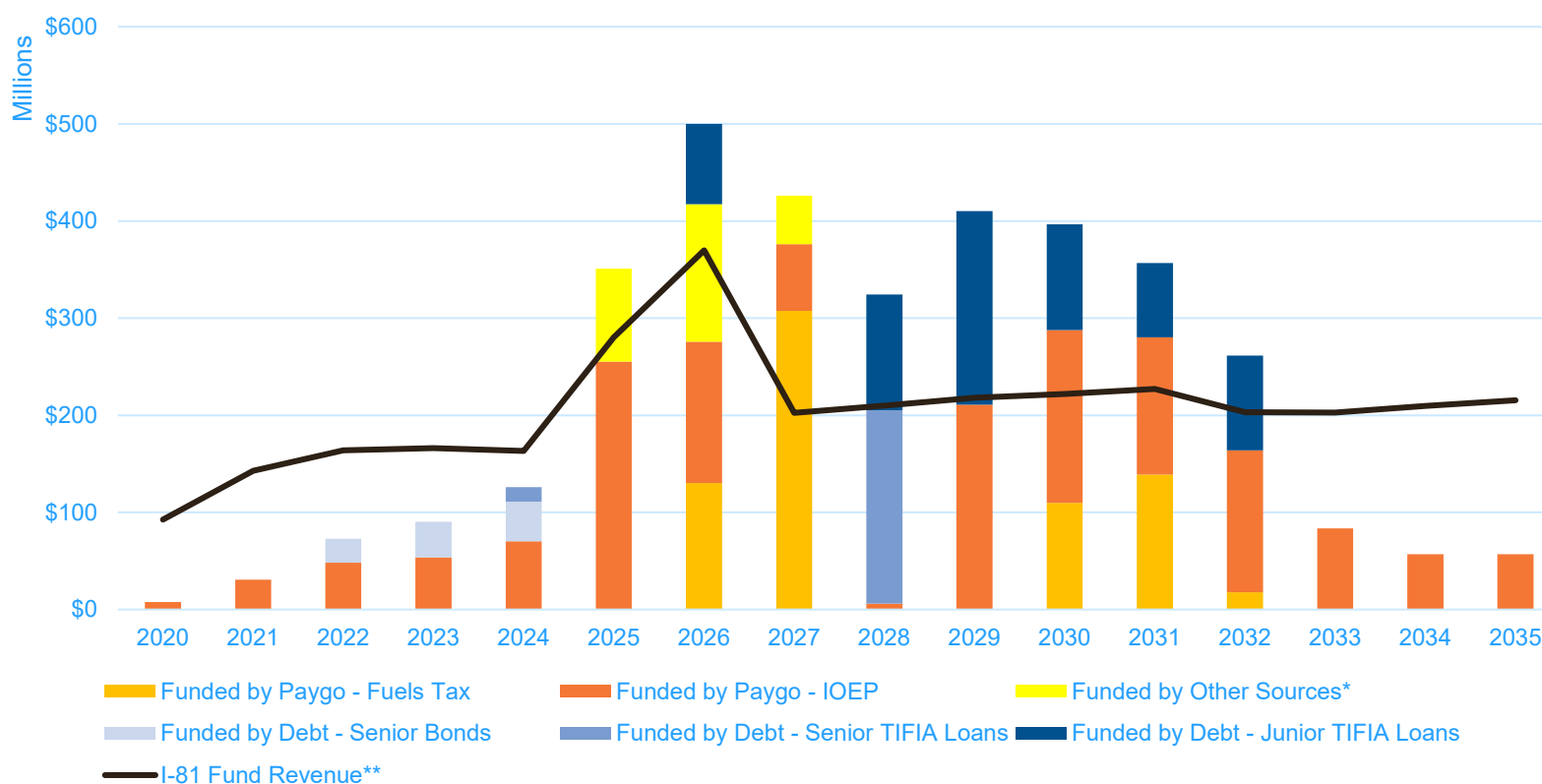
Preliminary, Subject to change, based on latest model

Debt authorization of \$1 billion, last TIFIA loan planned for 2032 in current assumptions

Extended Financial Outlook for I-81 Program

Preliminary Funding by Year and Source

- The current I-81 Program of \$3.6 billion is fully funded by a mix of IOEP and fuels tax pay-go as well as multi-lien fuels tax debt



* including \$42 million Federal Earmark, \$70 million General Fund appropriated in FY 2025, and \$175 million General Fund Surplus dedicated to I-81 (subject to future appropriation)

** net of financing payments

Potential Additional Candidate Projects

- **The 2018 CIP identified 106 projects for consideration—64 projects were prioritized for funding**
- **Five additional candidate projects were identified beyond the original 64—these were the most complex, highest risk segments of the remaining capital projects from the CIP**
- **CTB took action to add one of the additional candidate projects to the SYIP—southbound widening between Exits 137 to 128; this resulted in a \$70M cost savings on the delivery of that project as well as avoiding the creation of a bottleneck**

Funding Plan for Additional Candidate Projects

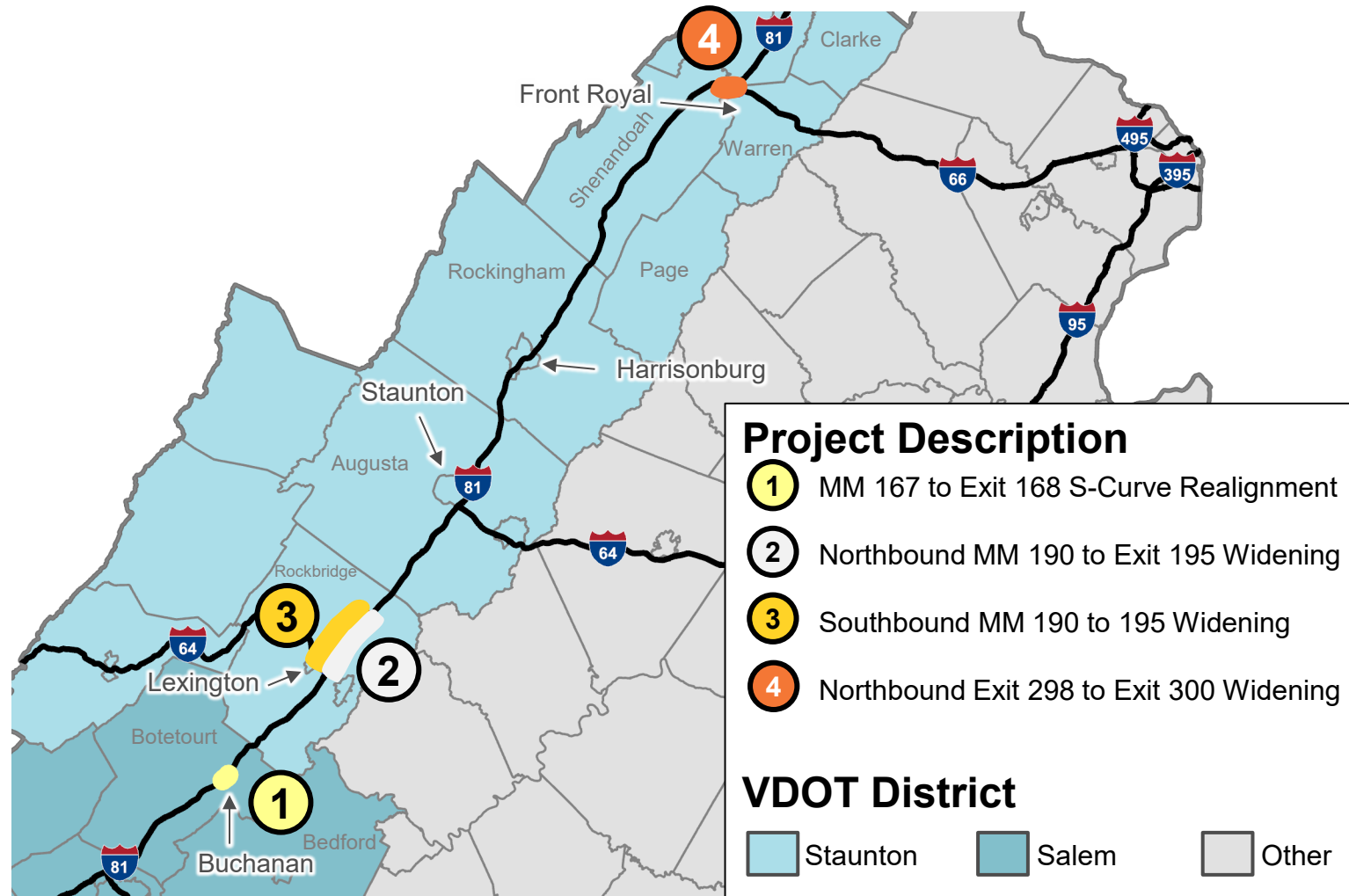
- The existing I-81 Program of 65 projects totaling \$3.6 billion should be fully funded by FY 2035
- After funding the existing Program scope, there are residual I-81 Fund revenues that can advance the additional candidate projects
- Four Additional Candidate Projects from the CIP have been identified, and their current cost estimates in 2024 dollars are \$656 million

Project	District	Description	2024 Estimate Midpoint (in millions)
1	Staunton	NB Widening MM 190-195	\$110.0
2	Staunton	SB Widening MM 190-195	172.0
3	Staunton	NB Widening MM 298-300	100.0
4	Salem	NB/SB S-Curves MM 167-168	274.0
Total Cost			\$656.0

- Not advancing the candidate projects could incur inflation costs of \$20 million and growing per annum*

* Assumes an annual 3.0% inflation rate

Project Map – Additional Candidate Projects



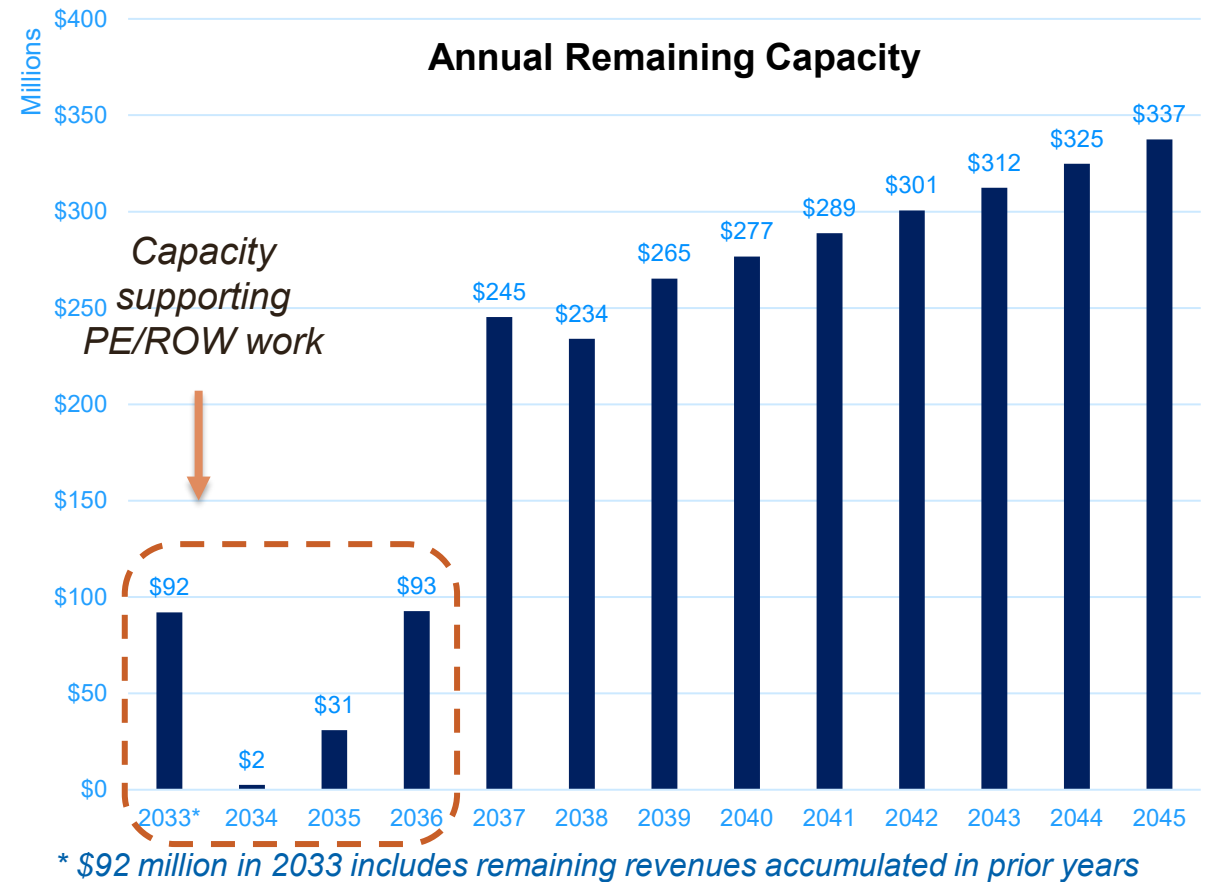
Additional Candidate Projects Advanced Schedules

- The preliminary analysis indicates that the residual revenues can support implementing the Four Additional Candidate Projects to complete in mid 2030s
- There could be multiple combinations of when each of the Four Additional Candidate Projects can be completed. Below is an example:

Project	District	Description	Example Schedule	
			Completion	Cost (in millions)
1	Staunton	NB Widening MM 190-195	FY 2036	\$146.3
2	Staunton	SB Widening MM 190-195	FY 2036	228.8
3	Staunton	NB Widening MM 298-300	FY 2034	125.4
4	Salem	NB/SB S-Curves MM 167-168	FY 2036	364.4
Total Cost				\$864.9

Remaining Capacity

- After funding the existing I-81 Program and the Four Additional Candidate Projects, there are remaining revenue capacities starting FY 2033 to support more projects
- PE and ROW work could be implemented from FY 2033 to FY 2036, while construction can commence in FY 2038 when a greater amount of annual revenues become available



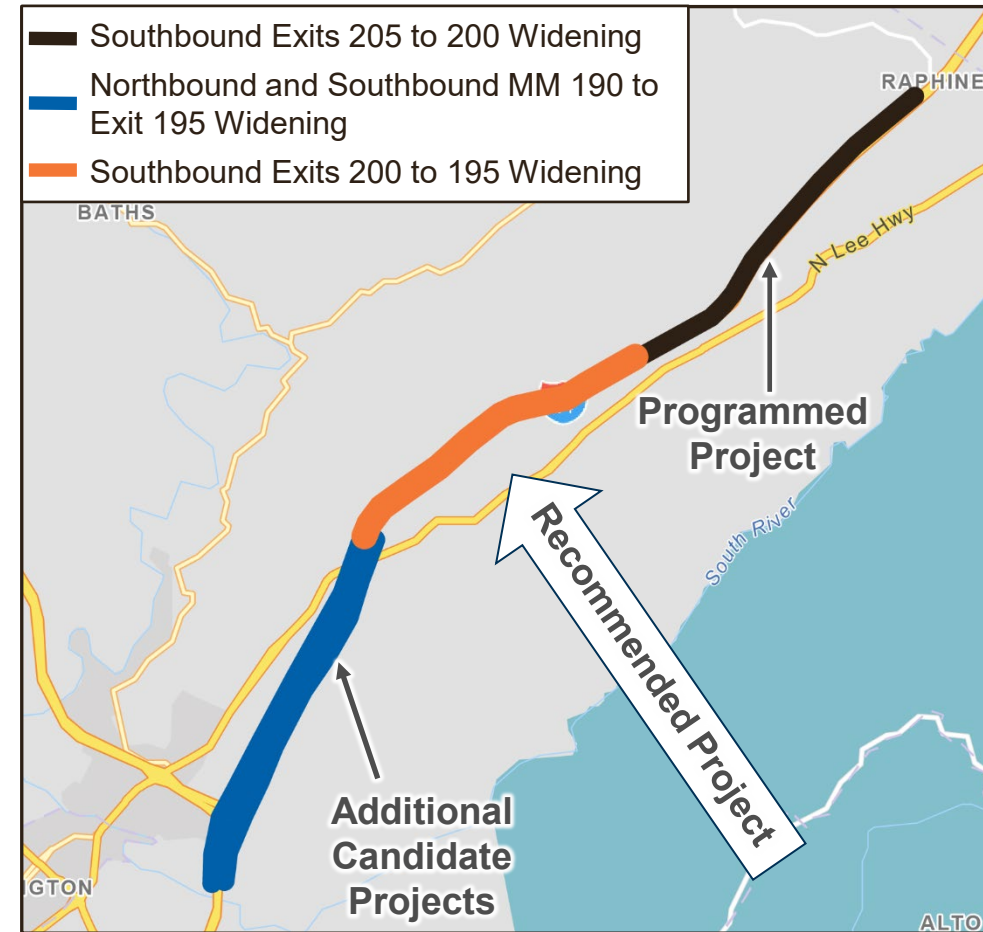
Planning for Further Improvements on Interstate 81

Recommended Project

- Reviewed remaining 2018 CIP projects and identified recommended project
- Addresses safety and “gap”
- Opportunity to include this project with existing project(s) to achieve economy of scale and reduce costs

Description	Direction	Range*	
Widening Exit 200 to Exit 195	Southbound	\$176.0 M	\$195.0 M

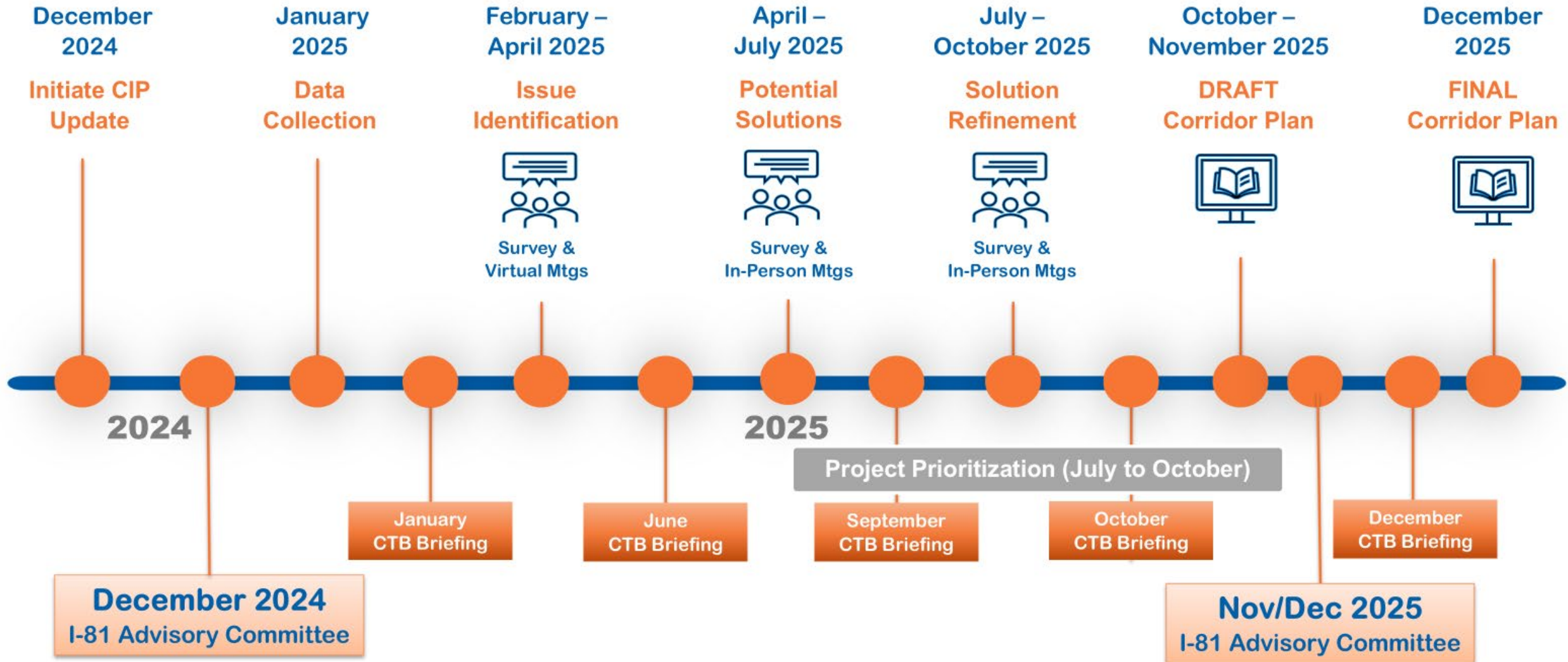
* Estimates are in uninflated 2024 dollars



Update to Corridor Improvement Plan

- **Current financial outlook allows for additional projects for inclusion in the program**
- **New tranche of I-81 projects to be added to the program need to be identified**
- **Remaining 36 projects from the original CIP will be re-evaluated in the update**
- **Corridor Improvement Plan update to begin in 2025**
- **CIP update will include:**
 - **Problem identification**
 - **Potential solutions identification**
 - **Recommended priorities**
 - **Public outreach**
 - **I-81 Advisory Committee briefings**
 - **CTB briefings**

Tentative CIP Schedule: November 2024 – December 2025



Public Outreach Anticipated

Virtual Meetings and Surveys

- Supporting issue identification
- All in-person meetings will include a virtual component

In-Person Public Meetings (8: 2 sets of 4 meetings)

- Supporting potential project solutions (4) and project refinement and prioritization (4)
- Locations: Bristol, Salem, and Staunton (north and south)

Five CTB Briefings

Two Advisory Committee Briefings

Recommendations and Next Steps

- **I-81 Advisory Committee recommendations:**
 - **Move forward with advancing the last five 2018 CIP projects to the Six-Year Improvement Program as funding becomes available**

Project	District	Description
1	Staunton	NB Widening MM 190-195
2	Staunton	SB Widening MM 190-195
3	Staunton	NB Widening MM 298-300
4	Salem	NB/SB S-Curves MM 167-168
5	Staunton	SB Widening MM 195-200

- **Initiate update of the next I-81 CIP in accordance with the Code of Virginia § 33.2-3604**

Summary

- **Updates to project estimates (to reflect market conditions), refined project scoping, and debt assumptions extended delivery of the original program of projects**
- **Revenue and allocations that support Interstate 81 Improvements continue to remain strong to support project delivery**
- **Capacity for additional projects will begin to be available from the program's current funding sources sooner, as a result of recent infusions**