



Inflation / Escalation Update per July 2023 Department Memorandum

Who

- The below summarized changes in the SMART Portal impact District, Central Office, Consultant, and Applicant partners involved in the creation, submission, review, and validation of project funding application estimates in the SMART Portal.

What

- Per the Department Memorandum related to applying inflation / escalation to project estimates dated July 2023, the compounded factors in SMART Portal are being updated to reflect that the first year of inflation / escalation being applied to phase level costs in the Portal is Fiscal Year 2025.
- Estimates created in Spring 2023 (FY2023) on funding pre-applications used FY2024 as the first year of inflation / escalation applied. Now that we are in FY2024, when submitting, reviewing, and validating estimates please be mindful the Portal will apply inflation / escalation based on the phase schedule start date entered on the funding application.
- Below is an example of the type of cost change that many users will see once pre-applications are converted to full applications OR for any program where there is only a full application is illustrated below; this change reflects once the user updates, saves, or submits an application:

Example project – PE start August 2025 (FY2026), \$500,000 estimate (assumes allowances/contingencies already included)

CURRENT DYNAMIC

Estimated Created on Pre-App =	April 2023 (FY2023)	Years of Inflation / Escalation Applied = (3 years...FY24, 25, and 26)
Estimated Reviewed/Updated on Full App =	October 2023 (FY2024)	Years of Inflation / Escalation Applied = (3 years...FY24, 25, and 26)
Calculation = 500,000 x 1.08 = 540,000 x 1.05 = 567,000 x 1.05 = 595,350		

UPDATED DYNAMIC

Estimated Created on Pre-App =	April 2023 (FY2023)	Years of Inflation / Escalation Applied = (3 years...FY24, 25, and 26)
Estimated Reviewed/Updated on Full App =	October 2023 (FY2024)	Years of Inflation / Escalation Applied = (2 years...FY25 and 26)
Calculation* = 500,000 x 1.05 = 525,000 x 1.05 = 551,250		

*assumes no changes to "base cost" are made such as updating for current rates/unit prices


- This matches the latest version of the Cost Estimate Workbook (CEWB) released in July 2023 available on VDOT’s External website for download.
- Portal users should be prepared to update their phase costs based on these changes following all appropriate Department guidance with regard to the generation and review of estimates.

When




- This recently became effective in the latest version of SMART Portal for August 2023.
- Moving forward, for funding programs in the SMART Portal that have pre-applications, or when using the Pre-Scoping or CAM Modules, estimates created in the Spring of a calendar year will use a Version 1 of an inflation / escalation table that assumes Year 1 as the subsequent fiscal year. Once July 1 fiscal year crossover has occurred, and staff are creating, submitting, reviewing, and validating estimates within the Summer or Fall or the current fiscal year, Year 1 will slide the subsequent fiscal year.

Where

- This change will be reflected in the Delivery / Funding Pearl of each funding application in the SMART Portal
- Example:

 Delivery/Funding

Phase Estimate and Schedule

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Base Estimate	Risks/Contingency/Unknowns	Start Date	
\$444,000	10	2027-09-01	
Phase Estimate + Contingency + Inflation ⓘ			
\$641,122			
Phase Milestone		Phase Status	
RW (Right of Way and Easement Acquisition, Utility Relocation)		Not Started	
Base Estimate	Risks/Contingency/Unknowns	Start Date	
\$635,000	20	2028-09-01	
Phase Estimate + Contingency + Inflation ⓘ			
\$1,050,340			
Phase Milestone		Phase Status	
CN (Construction, Oversight, Contingencies)		Not Started	
Base Estimate	Risks/Contingency	Start Date	End Date
\$1,799,300	25	2029-09-01	2030-12-01
	CEI		
	12		
Phase Estimate + Contingency + CEI + Inflation ⓘ			
\$3,499,618			
Total Cost Estimate			
\$5,191,080			

Why

- This change is being made to account for a process nuance of submitting funding applications in the SMART Portal that has existed since inflation / escalation was first applied in the Portal in conjunction with Round 4 of SMART SCALE. Estimates have benefited from an “extra year” of inflation during the submission and review process. Given that Department guidance continues to provide that current planning level assumptions, rates, and/or unit prices, to the greatest extent possible based on the project information on-hand at a given timeframe, are used or considered when preparing and to eliminate the need to have multiple versions of the CEWB circulating around for funding application purposes vs active SYIP project purposes, this change was recommended to align systems and tools on the desired annual inflation / escalation update interval moving forward.

Additional Notes

- If users open a full application that has not yet been modified in any way or re-saved/submitted, these changes may not reflect in the estimate values....once a user modifies and re-saves a full app, these changes should reflect in the phase estimate values.
- This updated system approach will continue moving forward across future funding application cycles in the SMART Portal
- Estimates created or submitted for use on funding Pre-Applications are intended to support early review and collaboration on proposed project costs and should not be the last time an estimate is reviewed or updated on a project funding application during one of the many project identification processes VDOT employs.
- It is strongly recommended that District and CO staff supporting applicants throughout intake processes share this updated information with their applicant partners and be prepared to explain these changes if applicants see an automatic change in phase costs once full applications are created for applicant editing and submission.