



COMMONWEALTH of VIRGINIA

DEPARTMENT OF TRANSPORTATION
1401 EAST BROAD STREET
RICHMOND, VIRGINIA 23219-2000

David S. Ekern, P.E.
COMMISSIONER

November 30, 2006

The Honorable John H. Chichester
Chairman, Senate Finance Committee
Virginia State Senate
P.O. Box 904
Fredericksburg, Virginia 22404-0904

The Honorable Martin E. Williams
Chairman, Senate Transportation Committee
Virginia State Senate
P.O. Box 1096
Newport News, Virginia 23601

The Honorable Vincent F. Callahan, Jr.
Chairman, House Appropriations Committee
Virginia House of Delegates
P.O. Box 1173
McLean, Virginia 22101

The Honorable Leo C. Wardrup, Jr.
Chairman, House Transportation Committee
Virginia House of Delegates
P.O. Box 5266
Virginia Beach, Virginia 23471

Dear Gentlemen:

The Virginia Department of Transportation (VDOT) was directed through Item 443 D of the 2006 Appropriation Act to develop a report detailing the status of the Coalfields Expressway and the Coalfields Connector. The report includes four sections – background, project and estimates, project financing, and updates on available resources. In addition, the report shall include the schedules for each phase of the project, including any EISs required under NEPA because of changes in the Expressway's route.

The Coalfields Expressway is a planned, multi-state, limited access facility on new alignment. The proposed highway extends from Pound, Virginia, 116-miles northeast to Beckley, West Virginia. As proposed, Virginia's Coalfields Expressway project (CFX), designated as U.S. Route 121, travels approximately 51-miles through southwestern Virginia in Wise, Dickenson and Buchanan counties. Ultimately, the CFX will link with the planned West Virginia Coalfields Expressway at the state line, east of Slate, Virginia.

The Honorable John H. Chichester
The Honorable Martin E. Williams
The Honorable Vincent F. Callahan, Jr.
The Honorable Leo C. Wardrup, Jr.
November 30, 2006

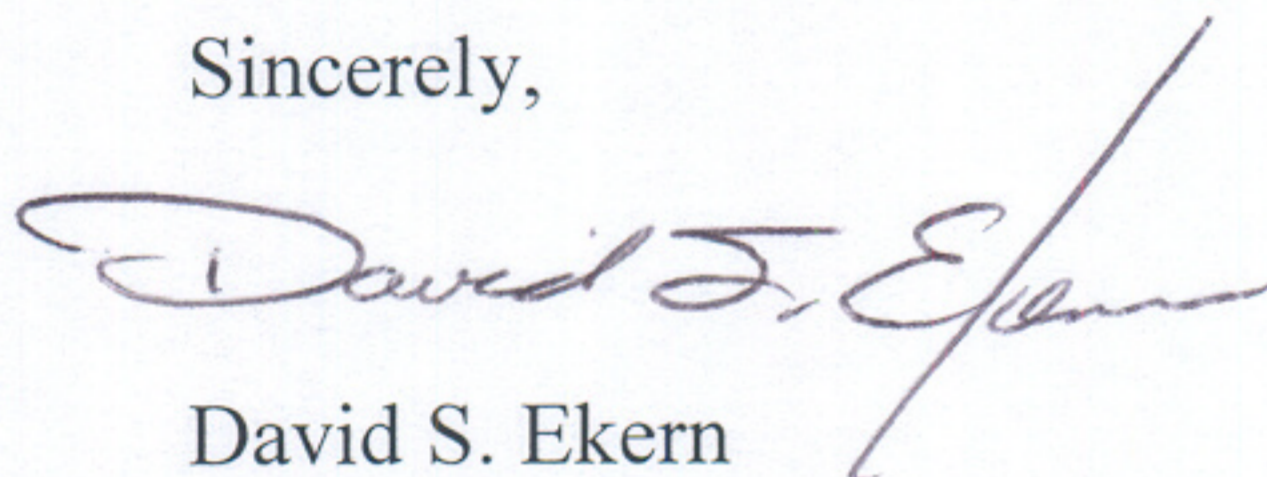
Page 2

The Route 460 Connector is a proposed four-lane rural principle arterial highway that continues the goal of improving transportation in the region by providing a link between U.S. Route 460 improvements in Kentucky and Virginia's CFX. As proposed, it will extend 5.2-miles from the state line near the Breaks Interstate Park to a point of intersection with the proposed CFX.

Per a comprehensive agreement signed in accordance with the Public-Private Transportation Act of 1995 (PPTA), the total estimated cost for the CFX is approximately \$2.5 billion (2005 estimate). During the 2003 Session of the General Assembly, Governor Warner submitted amendments to Chapters 533 and 560 of the Acts of the Assembly requiring that VDOT prepare a plan of finance for any project valued at \$100 million or more. The enclosed finance plan identifies \$372 million in revenue or allocation to fund the Project. In accordance with this legislative requirement, this document is prepared as the Initial Financial Plan for the CFX, Route 460 Connector and Corridor Q Projects (the Project).

The attached financial plan will define the methodology, resources, and time schedule of the work completed and remaining to finish the Project. If you have questions or need additional information, please let me know.

Sincerely,



David S. Ekern

Attachment

cc: The Honorable Pierce R. Homer

**COALFIELDS EXPRESSWAY, ROUTE 460 CONNECTOR
AND CORRIDOR Q PROJECTS
INITIAL FINANCIAL PLAN**

TABLE OF CONTENTS

EXECUTIVE SUMMARY	v
SECTION 1 – BACKGROUND	1
Coalfields Expressway.....	1
Route 460 Connector.....	3
Corridor Q.....	4
Project History.....	5
Current Activities.....	7
Project Implementation Schedule.....	8
Project Website.....	9
SECTION 2 – PROJECT COST ESTIMATE	10
Cost Estimating Methodology.....	10
Total Project Cost Summary.....	11
Actual Cost Compared to Project Cost Estimate.....	11
SECTION 3 – PROJECT FINANCING	12
Financing the Project.....	12
Six-Year Improvement Program Funding.....	12
Other Funding Sources.....	16
Funding Shortfall.....	17
SECTION 4 – UPDATES AND RESOURCES	18
Future Updates.....	18
Staff Resources.....	18

**COALFIELDS EXPRESSWAY, ROUTE 460 CONNECTOR
AND CORRIDOR Q PROJECTS
INITIAL FINANCIAL PLAN**

**COALFIELDS EXPRESSWAY, ROUTE 460 CONNECTOR
AND CORRIDOR Q PROJECTS
INITIAL FINANCIAL PLAN**

EXECUTIVE SUMMARY

The Virginia Department of Transportation (VDOT) was directed through Item 443 D of the 2006 Appropriation Act to develop a report detailing the status of the Coalfields Expressway and the Coalfields Connector that includes a financial plan for completing each phase of the project identifying the cost of each phase and the source of revenue to pay for said costs, separately and together. In addition, the report shall include the schedules for each phase of the project, including any EISs required under NEPA because of changes in the Expressway's route.

The Coalfields Expressway is a planned, multi-state, limited access facility on new alignment. The proposed highway extends from Pound, Virginia, 116-miles northeast to Beckley, West Virginia. As proposed, Virginia's Coalfields Expressway project (CFX), designated as U.S. Route 121, travels approximately 51-miles through southwestern Virginia in Wise, Dickenson and Buchanan counties. Ultimately, the CFX will link with the planned West Virginia Coalfields Expressway at the state line, east of Slate, Virginia.

The Route 460 Connector is a proposed four-lane rural principle arterial highway that continues the goal of improving transportation in the region by providing a link between U.S. Route 460 improvements in Kentucky and Virginia's CFX. As proposed, it will extend 5.2-miles from the state line near the Breaks Interstate Park to a point of intersection with the proposed CFX.

Appalachian Development Highway System (ADHS) Corridor Q is also located in southwestern Virginia, and shares a portion of its alignment with the CFX and the Route 460 Connector. Congress established the Appalachian Regional Commission (ARC) in 1965 to foster and promote economic and social development in the Appalachian Region. Congress established the ADHS as the centerpiece of ARC's economic and social development programs. Corridor Q extends 127.5-miles northeast from the state line near the Breaks Interstate Park to Interstate 81 near Christiansburg, Virginia.

Per a comprehensive agreement signed in accordance with the Public-Private Transportation Act of 1995 (PPTA) the total estimated cost for the CFX is approximately \$2.5 billion (2005 estimate). During the 2003 Session of the General Assembly, Governor Warner submitted amendments to Chapters 533 and 560 requiring that VDOT prepare a plan of finance for any project valued at \$100 million or more. Specifically, § 33.1-12 of the *Code of Virginia* concerning the powers and duties of the Commonwealth Transportation Board was amended to include the following: *For transportation construction projects valued in excess of \$100 million, the Commonwealth Transportation Board shall require that a financial plan be prepared. This plan shall include, but not be limited to, the following: (i) a complete cost estimate for all major project elements; (ii) an implementation plan with the project schedule and cost-to-complete information presented for each year; (iii) identified revenues by funding source available each year to meet project costs; and (iv) a detailed cash-flow analysis for each year of the proposed project.* In accordance with the aforementioned legislative requirement, this document is prepared as the Initial Financial Plan for the CFX, Route 460 Connector and Corridor Q Projects (the Project).

**COALFIELDS EXPRESSWAY, ROUTE 460 CONNECTOR
AND CORRIDOR Q PROJECTS
INITIAL FINANCIAL PLAN**

This financial plan will define the methodology, resources, and time schedule of the work completed and remaining to finish the Project, and includes the following topics:

Background

- Provides a description of the Project and the Project's history
- Explains the current Project activities
- Presents the Project's Implementation Schedule

Project Cost Estimate

- Identifies key cost components
- Explains the cost estimating methodology
- Identifies actual cost incurred and projected expenditures by fiscal year

Project Financing

- Identifies and discusses current and planned funding sources
- Describes the State's commitment to fund the remainder of the Project

These topics form the Project's Initial Financial Plan. This plan demonstrates and outlines VDOT's commitment to sound financial planning and providing the resources needed to complete the Project by the established schedule.

**COALFIELDS EXPRESSWAY, ROUTE 460 CONNECTOR
AND CORRIDOR Q PROJECTS
INITIAL FINANCIAL PLAN**

Section 1 – Background

Coalfields Expressway

The Coalfields Expressway is a planned, multi-state, limited access facility on new alignment. As proposed, it will extend 116-miles northeast from Pound, Virginia, to Beckley, West Virginia. The Federal Highway Administration (FHWA) approved the Final Environmental Impact Statement (EIS) for West Virginia's portion of the Coalfields Expressway in November 1999 and issued a Record of Decision (ROD) in January 2000. The EIS for Virginia's CFX was approved in September 2001 and a ROD was issued in November 2001.

In August 2000, following an extensive study of the environmental, economic, engineering, traffic and right-of-way impacts, Virginia's Commonwealth Transportation Board (CTB) selected the current CFX alignment. The preliminary alignment received unanimous support from county and local governments as well as the region's planning districts and economic development authority during the location study process (Exhibit 1).

The FHWA approved the preliminary alignment in November 2001 based on VDOT's final EIS. The document detailed the purpose and need for the highway as well as the environmental and technical aspects of the selected route.

The CFX will not only provide a modern, safe and efficient highway through the Coalfields region of southwestern Virginia, but the new road is expected to be an economic lifeline for a region experiencing double-digit unemployment and a declining population. It is expected that the entire multi-state Appalachian region should see a boost in commerce and tourism as a result of the CFX. Designated as part of the national highway system, the new road will link Interstates 64 and 77 in West Virginia with interstates in Kentucky and Tennessee via U.S. Route 23.

In Virginia, the CFX will extend approximately 51-miles, from U.S. Route 23 near Pound, Virginia, to the Stateline, east of Slate, Virginia (see Exhibit 2). This facility will greatly improve access into and through Buchanan, Dickenson, and Wise Counties, an area of southwest Virginia historically known for its coal mining. Virginia's proposed Route 460 Connector Project will ultimately connect U.S. Route 460 in Kentucky with the CFX.

Under provisions of Virginia's Public-Private Transportation Act (PPTA), VDOT entered into a comprehensive agreement in January 2002 with Kellogg, Brown & Root, Inc., Houston, Texas (KBR), to design and build the CFX as a public-private partnership. The intent of the PPTA is to encourage public/private ventures to design and build transportation projects in a more timely or less costly fashion. The PPTA process allows for greater flexibility in contracting between public and private entities. KBR completed preliminary design and engineering for CFX Section A in 2005.

**COALFIELDS EXPRESSWAY, ROUTE 460 CONNECTOR
AND CORRIDOR Q PROJECTS
INITIAL FINANCIAL PLAN**

In December 2005, VDOT, along with its private sector partner KBR, moved to advance the CFX Project with Pioneer Group, Inc. (Pioneer), and Alpha Natural Resources LLC (Alpha), a subsidiary of Alpha Natural Resources, Inc. In January 2006, Alpha and Pioneer, two coal companies from southwestern Virginia, entered into an agreement with VDOT to assume KBR's obligations to further develop the CFX. Preliminary development activities with the two coal companies will explore the feasibility of using revenue from marketable coal reserves to offset total cost of the CFX. Excess mine spoils not required for roadway construction could be disposed in such a manner as to provide large tracts of land adjacent to the CFX, enabling future economic development.

In June 2005, FHWA rescinded its further support of the Special Experimental Project 14 (SEP-14) Work Plan to advance the project under the PPTA contract with KBR.

The format of any future agreement shall be subject to a Finding of Public Interest (FOPI) and appropriate authorizations. In addition, the parties will need to work with the FHWA for the use of federal funds on the Project.

VDOT's preliminary cost estimate for the CFX is \$2.5 billion. This is a broad working cost estimate, without the benefit of final design information.

NEPA requirements cannot be determined until the exact location of the roadway alignment is determined. It is anticipated that this will be known by June 2007.

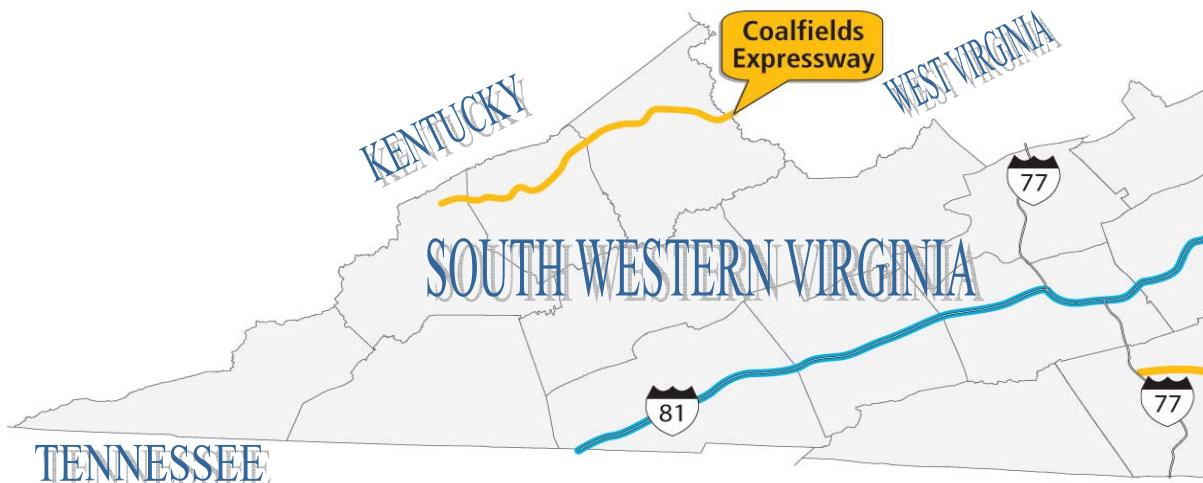


EXHIBIT 1 - CTB SELETED ALIGNMENT FOR CFX

**COALFIELDS EXPRESSWAY, ROUTE 460 CONNECTOR
AND CORRIDOR Q PROJECTS
INITIAL FINANCIAL PLAN**

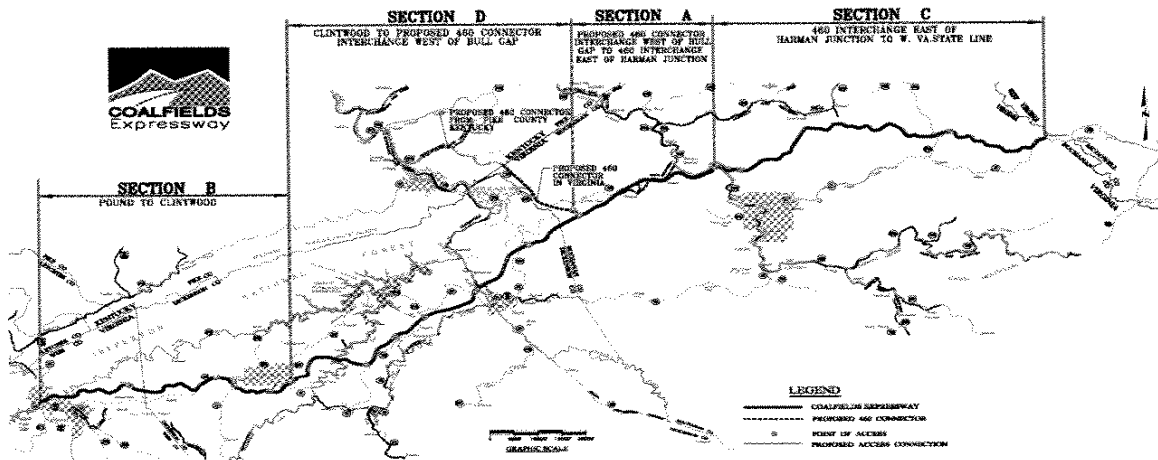


EXHIBIT 2 - COALFIELDS EXPRESSWAY MAP

Route 460 Connector

The Route 460 Connector is a proposed four-lane, median divided, limited access highway on new alignment. The Route 460 Connector continues the goal of improving transportation in the region by providing a link between U.S. Route 460 improvements in Kentucky and the CFX in Virginia. As proposed, it will extend approximately 5.2-miles from the state line near the Breaks Interstate Park to a point of intersection with the proposed CFX. The goals for development of the Route 460 Connector are aligned with the goals for CFX, which are to reverse the current population and employment decline in the coal producing region, stimulate economic development, open the region to tourism and improve the local transportation network throughout the region. This Project will be designed in accordance with American Association of State Highway and Transportation Officials (AASHTO) guidelines and specifications.

The FHWA issued a Finding of No Significant Impact (FONSI) for Kentucky's U.S. Route 460 improvements (which will connect to Virginia's Route 460 Connector) in January 1999, and issued a FONSI for the Route 460 Connector in March 2002. Kentucky's U.S. Route 460 improvements begin at U.S. Route 23 near Yeager, Kentucky, and terminates at the state line near the Breaks Interstate Park (see Exhibit 3).

The first construction phase of the Route 460 Connector Project is approximately 1.2-miles in length and will connect U.S. Route 460 at the Stateline to Virginia State Route 80. VDOT's preliminary cost estimate for the entire 5.2-mile roadway connecting U.S. Route 460 to the CFX is \$241 million (2006 estimate).

**COALFIELDS EXPRESSWAY, ROUTE 460 CONNECTOR
AND CORRIDOR Q PROJECTS
INITIAL FINANCIAL PLAN**

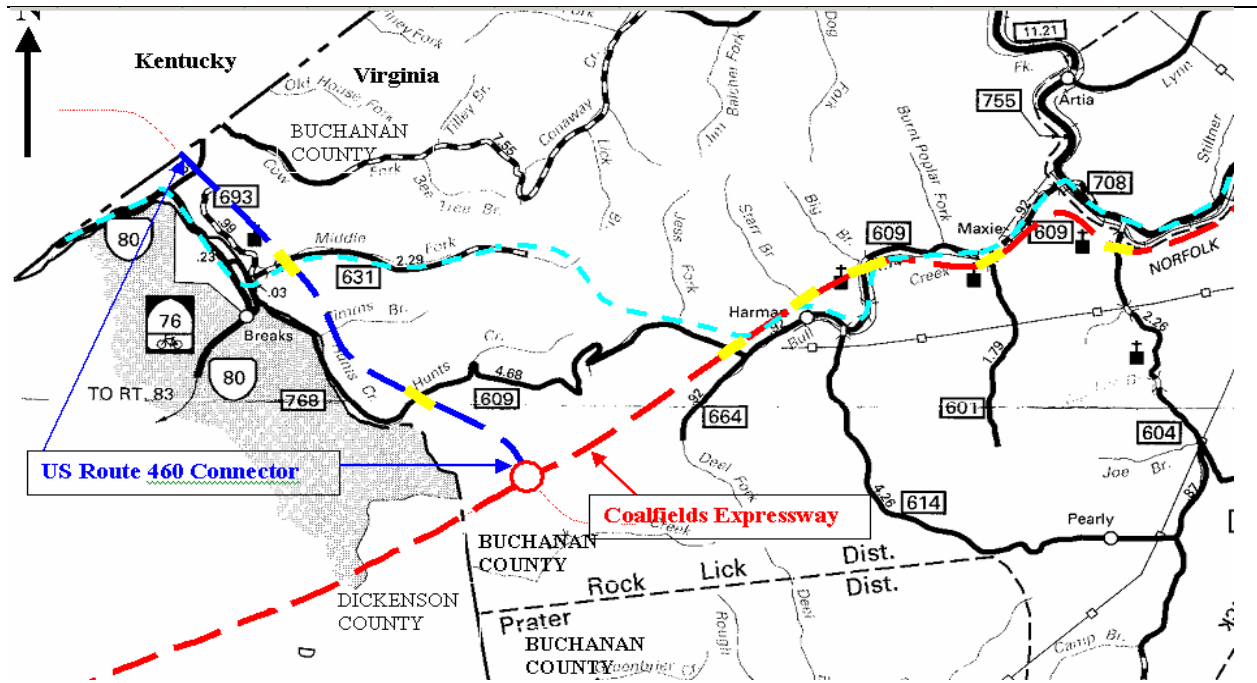


EXHIBIT 3 - ROUTE 460 CONNECTOR MAP

Corridor Q

ADHS Corridor Q, shares a portion of the approved alignment with both the CFX and Route 460 Connector. Approximately 5.5-miles of this shared alignment coincides with proposed CFX Section A (see Exhibit 2). CFX Section A begins at a point along the current CFX alignment near Bull Gap and travels northeast to a point of intersection with U.S. Route 460 near Harmon Junction. Approximately 5.2-miles of the Corridor Q alignment coincide with the Route 460 Connector, linking the CFX to U.S. Route 460. Federal ARC funds have been awarded to the portion of the Corridor Q alignment that overlaps the CFX and Route 460 Connector.

FHWA serves in an oversight capacity for ARC and will make recommendations to ARC regarding design issues related to the Project. This project will be designed in accordance with AASHTO guidelines and specifications.

**COALFIELDS EXPRESSWAY, ROUTE 460 CONNECTOR
AND CORRIDOR Q PROJECTS
INITIAL FINANCIAL PLAN**

Project History

Coalfields Expressway

The following is a brief chronology on the creation of the CFX:

1995

CFX designated as a Congressional High Priority Corridor needed to improve access to and economic development in Wise, Dickenson and Buchanan counties, improve connectivity to West Virginia, Kentucky and Interstates 77 and 64.

December 1999

VDOT received one unsolicited proposal and one competing proposal for design-build-financing of CFX.

April 2000

CTB approved concept of KBR proposal and invited submittal of a detail proposal.

August 2000

CTB approves CFX alignment.

May 2001

FHWA approved use of Special Experimental Project 14 (SEP-14).

September 2001

VDOT and KBR initiated negotiations for a comprehensive agreement (CA).

January 2002

VDOT and KBR executed an agreement to develop the CFX. Scope of work (SOW) - 60% design for approximately 51-miles at cost of \$78 million;

September 2002

CA Amendment 1 by VDOT and KBR. Reduced SOW to 100% design for CFX Section A at cost of \$31.6 million.

June 2005

FHWA SEP-14 designation rescinded.

January 2006

VDOT, KBR, Alpha Natural Resources, LLC and Pioneer Group entered into assignment and assumption agreement.

**COALFIELDS EXPRESSWAY, ROUTE 460 CONNECTOR
AND CORRIDOR Q PROJECTS
INITIAL FINANCIAL PLAN**

July 2006

Alpha and Pioneer submitted a proposal to evaluate the feasibility of a Coal Mining/Highway Construction Synergy Project to build the CFX. The evaluation will consider the use of excess material from mining activities for roadbed construction. Revenue from marketable coal reserves would be considered to off-set project costs and reduce the amount of public dollars needed to complete the CFX.

Route 460 Connector

August 2000

The Route 460 Connector to the CFX Project evolved from the CFX location study. The CTB approved a build alternative location in August of 2000. Kentucky Transportation Cabinet (KYTC) has studied, approved and begun construction on upgrades for U.S. Route 460 with connections into Virginia in the vicinity of the Breaks Interstate Park. Ultimately the Route 460 Connector will connect to both the U.S. Route 460 improvements in Kentucky and the CFX build alternative.

Late 2000

In 2000, the CTB authorized a preliminary engineering study for the purpose of determining a preferred alignment for the Route 460 Connector. The purpose of the Route 460 Connector study report and Environmental Assessment was to identify, evaluate and determine the preferred highway corridor between U.S. Route 460 in Kentucky and the CFX. A range of options were reviewed, including no build, transportation system management and build alternatives.

Early 2001

In early 2001, three preliminary alignments were studied for feasibility. The results of the study showed that due to cost and construction constraints, only one alternative was feasible to carry forward for consideration.

August 2001

In August of 2001, Virginia and Kentucky signed the Kentucky/Virginia Interstate Agreement, which laid the ground work for Kentucky to construct a tie-in ramp into Virginia in the event that construction of Virginia's Route 460 Connector was not underway by the time Kentucky was constructing the last leg of their U.S. Route 460 corridor in the vicinity of the Breaks Interstate Park.

July 2002

Preliminary engineering funding was authorized in July of 2002 for the Route 460 Connector. By mid-2003, the majority of the surveying was completed and initial design was underway. Completion of final design has been delayed due to a lack of funding, but is moving forward with Phase I, a proposed 1.2-mile roadway connecting U.S. Route 460 at the state line to Virginia Route 80 near the entrance to the Breaks Interstate Park. This construction project will provide new, improved access to the park and will honor Virginia's commitment to Kentucky.

**COALFIELDS EXPRESSWAY, ROUTE 460 CONNECTOR
AND CORRIDOR Q PROJECTS
INITIAL FINANCIAL PLAN**

A public hearing is scheduled for March 2007 with a target advertisement date of September 2009. VDOT has been working very closely with the KYTC in designing and scheduling the Route 460 Connector.

Concurrence has been received from FHWA that VDOT may complete a re-evaluation of the existing Environmental Assessment (EA) to address the changes in project scope. The actual writing of the re-evaluation will take approximately four to six weeks; however, completion of a Phase I Archaeological Survey for those sections outside the original study corridor will be required in addition to an updated noise study. The Archaeological Survey and noise study should take approximately three to four months to complete and can run concurrently. Preliminary plans depicting line and grade and construction limits should be completed by October 2006. Total time for completion of studies is estimated to be four to six months from receipt of plans.

Current Activities

Coalfields Expressway

In April 2006, the Governor awarded a \$2 million Transportation Partnership Opportunity Fund (TPOF) grant to advance preliminary activities for the Project. Alpha and Pioneer are currently conducting a coal-synergy feasibility study to evaluate potential CFX alignments that would maximize revenues from marketable coal reserves.

Route 460 Connector

Currently, the Route 460 Connector Project is in the preliminary engineering phase to design Phase I of the Connector. A public hearing for Phase I of the Project (Kentucky state line to Virginia State Route 80) is currently scheduled for March 2007. After the public hearing and the necessary approvals have been obtained, the Project will move into the right-of-way acquisition phase, currently scheduled for September 2007. It is anticipated that right-of-way acquisitions will take approximately 24 months. Advertisement for construction is currently planned for September 2009 and completion is anticipated in the fall of 2011.

**COALFIELDS EXPRESSWAY, ROUTE 460 CONNECTOR
AND CORRIDOR Q PROJECTS
INITIAL FINANCIAL PLAN**

Project Implementation Schedule

**Coalfields Expressway, Route 460 Connector and Corridor Q Improvement Project
Project Implementation Schedule**

Coalfields Expressway – Subject to Sufficient Funding

The proposed schedule is contingent upon funding, successful completion of an initial, limited feasibility study, and subsequent negotiation of an agreement with the coal companies to design and construct the highway.

Coalfields Expressway

Activity	Start Date	Completion Date
Preliminary Development Activities	October 2006	June 2007
VDOT Evaluation	July 2007	August 2007
Agreement Development and Execution	September 2007	December 2007
Final Design & Construction	July 2008	December 2022

Route 460 Connector

Activity	Start Date	Completion Date
PE Authorization	July 2002	July 2002
Public Hearing	November 2006	May 2007
Authorize Right-of-Way Funds	September 2007	September 2007
Advertisement for construction	August 2009	September 2009
Construction	September 2009	September 2011

**COALFIELDS EXPRESSWAY, ROUTE 460 CONNECTOR
AND CORRIDOR Q PROJECTS
INITIAL FINANCIAL PLAN**

Coalfields Expressway Website

Additional information on VDOT's Coalfields Expressway Project can be found on VDOT's Project website at <http://www.virginiadot.org/projects/const-project.asp?ID=9>.

- Project Overview
- Route
- Environmental
- Economics
- Safety
- Press
- Resource
- Contacts
- Maps

Information on West Virginia's portion of the Coalfields Expressway Corridor can be found on the Project's website at <http://www.coalfieldsexpressway.com>.

**COALFIELDS EXPRESSWAY, ROUTE 460 CONNECTOR
AND CORRIDOR Q PROJECTS
INITIAL FINANCIAL PLAN**

Section 2 – Project Cost Estimate

State Project Number	Engineering	Right of Way	Utilities	Construction	Total
Coalfields Expressway 0121-013-101 UPC 64726, 64145, 14810, 80666	**	**	**	**	\$2,500,000,000
Coalfields Connector 0460-013-120 UPC 64144	\$14,756,000	\$11,036,100	\$84,000	\$215,784,000	\$241,660,100
Totals	**	**	**	**	\$2,741,660,100

** The \$2.5 billion cost estimate for the CFX is in 2005 dollars and based on the KBR pricing for CFX Section A and then extrapolated taking into account the total 51-miles and the potential cost savings of a combined coal recovery-highway project. The cost estimates for engineering, right-of-way, utilities and construction are subject to change based on results from feasibility studies currently being performed by the coal companies and VDOT.

Cost Estimating Methodology

Coalfields Expressway

The preliminary cost estimate for the CFX was developed by VDOT based on the design and construction date provided by KBR for CFX Section A. VDOT extrapolated the cost estimate to consider the total length of the entire 51-mile corridor, and adjusted the estimate to consider the potential cost savings of a combined coal recovery-highway project. The cost estimate is shown in 2005 dollars.

This estimate is subject to change based on results of feasibility studies performed by Alpha, Pioneer, and VDOT. At this time there are significant factors such as the pricing for the coal reserves, permitting, and uncertainty concerning a potential realignment of sections of the corridor, that make it impractical to prepare a more detailed cost estimate at this time.

Route 460 Connector

The cost estimate for the Route 460 Connector was developed using VDOT's Project Cost Estimating System (PCES). Field review and expert advice was used to update and revise the original PCES estimate. Experts from VDOT's Environmental, Right-of-Way, Traffic and

**COALFIELDS EXPRESSWAY, ROUTE 460 CONNECTOR
AND CORRIDOR Q PROJECTS
INITIAL FINANCIAL PLAN**

Utility sections provided input into the process. This estimate includes anticipated design, right-of-way and construction costs for the entire 5.2-mile Connector.

Total Project Cost Summary

The project cost summary will be used to outline cost increases and the additional funding needed to cover those increases in future reports.

Actual Cost Compared to Project Cost Estimate

The following table depicts the estimated project cost compared to actual expenditures as of July 31, 2006. This chart demonstrates that the Project is funded for costs incurred to date.

Project Cost Schedule

State Project Number	Original Estimate	Current Estimate	Expended Thru July 2006	Balance To Complete
Coalfields Expressway 0121-013-101 UPC 64726, 64145, 14810, 80666		\$2,500,000,000	\$39,202,240	\$2,460,797,760
Coalfields Connector 0460-013-120 UPC 64144	\$211,156,700	\$241,660,100	\$ 5,199,020	\$236,461,080
Corridor Q 0460-961-101 UPC 72507			\$0	

**COALFIELDS EXPRESSWAY, ROUTE 460 CONNECTOR
AND CORRIDOR Q PROJECTS
INITIAL FINANCIAL PLAN**

Section 3 – Project Financing

Financing the Project

At this time, the CFX is eligible for Appalachian Funds where the proposed alignment coincides with Corridor Q (CFX Section A). The Route 460 Connector Project shares its alignment with Corridor Q and is eligible for Appalachian Funds as well as the other funding sources noted below.

Based on the current cost estimate for the Route 460 Connector, funds are available to design and build Phase I, the section currently in design.

Six-Year Improvement Program Funding (“SYIP”)

Virginia’s highway construction program has reduced significantly because of declining revenues, rising costs and increased maintenance needs.

Federal Sources

Formula – Bristol Minimum Guarantee: The FY2007 SYIP provides a projected \$841,353 in Bristol District’s Primary Formula – Minimum Guarantee allocations. This includes \$241,352 in FY2009 and \$600,001 in FY2010.

Formula – Bristol STP: The FY2007 SYIP provides \$1,082,549 in Bristol District’s Primary Formula – Surface Transportation Program allocations. This includes \$259,620 allocated to date and projected allocations of \$772,863 in FY2008, \$46,385 in FY2009 and \$3,681 in FY2010.

Formula – Bristol STP converted from IM: The FY2007 SYIP provides \$580,799 in Bristol District’s Primary Formula – STP converted from IM. This includes \$72,229 allocated to date and projected of \$223,706 in FY2010 and \$284,864 in FY2011.

TEA-21 High Priority: TEA-21 High Priority is project specific funding, which was dedicated in the federal authorization Transportation Equity Act for the 21st Century (TEA-21). The Project received \$6,057,000 in TEA-21 High Priority funding.

Appalachian Funds: The Appalachian Development Act of 1965 authorized the construction of the Appalachian Development Highway System (ADHS) to generate economic development in isolated areas, supplement the interstate system, connect Appalachia to the interstate system and provide access to areas within the region as well as markets in the rest of the nation. The funding is distributed between 13 states. Virginia’s current percentage of the Appalachian Funding is 7%. SAFETEA-LU extended the provisions of how ARC funding can be used and Virginia is evaluating financial alternatives to maximize this funding for the Corridor. The FY2007 SYIP provides \$306,767,718 in Appalachian Funds. This includes \$144,593,888 to date and projected of \$32,434,766 every year from FY2008 through FY2012.

**COALFIELDS EXPRESSWAY, ROUTE 460 CONNECTOR
AND CORRIDOR Q PROJECTS
INITIAL FINANCIAL PLAN**

Federal Demonstration Funds: Demonstration funds are federal earmarks for specific projects. The FY2007 SYIP provides \$4,296,642 in Federal Demonstration Funds.

Minimum Guarantee: The funding is discretionary and utilized statewide. The FY2007 SYIP provides \$8,000,000 in Minimum Guarantee funds. This includes projected amounts of \$3,000,000 in FY2011 and \$5,000,000 in FY2012.

Non-Interstate National Highway System (NHS): The funding is only allowed on designated NHS routes. The FY2007 SYIP provides \$6,801,855 in Non-Interstate NHS funding. This includes \$5,806,400 to date and projected amounts of \$328,960 in FY2008 and \$666,495 in FY2012.

SAFETEA-LU – High Priority Projects – Flexible: The funding is project specific unless needed on another High Priority Project within Virginia. The FY2007 SYIP provides \$10,227,120 in SAFETEA-LU – High Priority Projects – Flexible. This includes \$6,147,120 to date and projected amounts of \$2,040,000 in FY2008 and \$2,040,000 in FY2009.

State Sources

Formula – Bristol Other State Match: The non-federal share needed for federal funding such as Federal Demonstration Funds, Appalachian Funds and TEA-21 High Priority. The FY2007 SYIP currently provides \$9,151,475 in Formula – Bristol Other State Match.

Formula – Bristol State Funds: The FY2007 SYIP currently provides \$6,730,989 in Formula – Bristol State Funds.

Formula – Bristol State Match Required: The non-federal share needed for formula federal funding such as Formula – Minimum Guarantee, Formula – STP and Formula – STP converted from IM. The FY2007 SYIP provides \$626,176 in Formula – Bristol State Match Required. This includes \$82,962 to date and projected amounts of \$193,216 in FY2008, \$71,934 in FY2009, \$206,848 in FY2010 and \$71,216 in FY2011.

Priority Transportation Funds (PTF) - The Priority Transportation Fund (PTF) was established under the Virginia Transportation Act of 2000 (VTA 2000). On Coalfields, PTF is used as match for the \$8,000,000 in discretionary Minimum Guarantee funds. \$2,000,000 in PTF funding is currently allocated to the Project (thru FY 2007).

Federal Highway Reimbursement Anticipation Notes (FRANs) - FRANs represent a mechanism by which federal highway reimbursements serve as the expected source of repayment and security for bonds (notes) issued to fund qualifying transportation projects. The VTA 2000 authorized the CTB to issue FRANs to finance specific projects statewide. A total of \$5,144,000 in FRANs is allocated to the Project in the SYIP.

**COALFIELDS EXPRESSWAY, ROUTE 460 CONNECTOR
AND CORRIDOR Q PROJECTS
INITIAL FINANCIAL PLAN**

State Match for Non-Interstate NHS: The non-federal share for the federal Non-Interstate NHS funding. The FY2007 SYIP provides \$1,700,464 in State Match for Non-Interstate NHS. This includes \$1,451,600 to date and projected amounts of \$82,240 in FY2008 and \$166,624 in FY2012.

State Match for SAFETEA-LU – High Priority Projects – Flexible: The non-federal share for the federal SAFETEA-LU – High Priority Projects – Flexible funding. The FY2007 SYIP provides \$2,556,780. This includes \$639,195 to date and projected funding of \$639,195 from FY2008 through F2010.

The following table presents a summary of the FY2007 SYIP funding by fiscal year.

**COALFIELDS EXPRESSWAY, ROUTE 460 CONNECTOR
AND CORRIDOR Q PROJECTS
INITIAL FINANCIAL PLAN**

Coalfields Expressway, U. S. Route 460 Connector and Corridor Q Project Summary of Funding by Source
Provided by the FY2007 Six-Year Improvement Program
UPC 64726, 64145, 14810, 80666, 64144 and 72507

Source	Thru FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	Total
FEDERAL FUNDS							
Formula – Bristol Minimum Guarantee	0	0	\$241,352	\$600,001	0	0	\$841,353
Formula – Bristol STP	\$ 259,620	\$ 772,863	\$ 46,385	\$ 3,681	0	0	\$1,082,549
Formula – Bristol STP converted from IM	\$ 72,229	0	0	\$223,706	\$284,864	0	\$580,799
TEA-21 High Priority	\$ 6,057,000	0	0	0	0	0	\$6,057,000
Appalachian Funds	\$144,593,888	\$ 32,434,766	\$32,434,766	\$32,434,766	\$32,434,766	\$32,434,766	\$306,767,718
Federal Demonstration Funds	\$ 4,296,642	0	0	0	0	0	\$4,296,642
Minimum Guarantee	0	0	0	0	\$3,000,000	\$5,000,000	\$8,000,000
Non-Interstate NHS	\$ 5,806,400	\$328,960	0	0	0	\$666,495	\$6,801,855
SAFETEA-LU: High Priority Projects - Flexible	\$ 6,147,120	\$ 2,040,000	\$ 2,040,000	0	0	0	\$10,227,120
Total Federal Allocations	\$167,232,899	\$35,576,589	\$34,762,503	\$33,262,154	\$35,719,630	\$38,101,261	\$344,655,036
STATE FUNDS							
Formula – Bristol Other State Match	\$9,151,475	0	0	0	0	0	\$9,151,475
Formula – Bristol State Funds	\$6,730,989	0	0	0	0	0	\$6,730,989
Formula – Bristol State Match Required	\$82,962	\$193,216	\$71,934	\$206,848	\$71,216	0	\$626,176
Priority Transportation Funds	\$2,000,000	0	0	0	0	0	\$2,000,000
FRANs	\$5,144,000	0	0	0	0	0	\$5,144,000
State Match for Non-Interstate NHS	\$1,451,600	\$82,240	0	0	0	\$166,624	\$1,700,464
State Match for SAFETEA-LU: High Priority Projects - Flexible	\$639,195	\$639,195	\$639,195	\$639,195	0	0	\$2,556,780
Total State Allocations	\$25,200,221	\$914,651	\$711,129	\$846,043	\$ 71,216	\$166,624	\$27,909,884
TOTAL ALLOCATIONS	\$192,433,120	\$36,491,240	\$35,473,632	\$34,108,197	\$35,790,846	\$38,267,885	\$372,564,920
Less Cumulative Expenditures as of July 31, 2006	\$44,401,261	0	0	0	0	0	\$44,401,261
TOTAL AVAILABLE AND PROJECTED ALLOCATIONS	\$148,031,859	\$36,491,240	\$35,473,632	\$34,108,197	\$35,790,846	\$38,267,885	\$328,163,659

**COALFIELDS EXPRESSWAY, ROUTE 460 CONNECTOR
AND CORRIDOR Q PROJECTS
INITIAL FINANCIAL PLAN**

Other Funding Sources

Transportation Partnership Opportunity Fund (TPOF)—The TPOF was created in the FY2005 legislation to award financial assistance in the form of a revolving loan or a grant. The Governor awarded a \$2,000,000 grant on 04/28/06 for the CFX Project.

**COALFIELDS EXPRESSWAY, ROUTE 460 CONNECTOR
AND CORRIDOR Q PROJECTS
INITIAL FINANCIAL PLAN**

Funding Shortfall

The current funding shortfalls include matching funds, which are needed as the non-federal share to the federal funding provided by the Federal Government. The following table shows the current shortfall for matching funds:

Coalfields Expressway, Route 460 Connector and Corridor Q Non-Federal Share Shortfall by Source
Provided by the FY2007 Six-Year Improvement Program
UPC 64726, 64145, 14810, 80666, 64144 and 72507

Source	Thru FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	Total
FEDERAL FUNDS							
TEA-21 High Priority	\$ 1,514,250	0	0	0	0	0	\$ 1,514,250
Appalachian Funds	\$28,071,159	\$ 8,108,692	\$ 8,108,692	\$ 8,108,692	\$ 8,108,692	\$ 8,108,692	\$68,614,619
Total Non-Federal Share Needed	\$29,585,409	\$ 8,108,692	\$ 8,108,692	\$ 8,108,692	\$ 8,108,692	\$ 8,108,692	\$70,128,869

Unless the matching funds are provided in the future, the federal funding sources shown above cannot be authorized for use on the Project. Furthermore, federal funds are not presently authorized for the Coalfields Expressway Project following FHWA's termination of the project under its SEP-14 program. As noted above, FHWA will consider future participation in the development of the project pending a suitable proposal to complete the project.

To date the project is estimated at \$2.741 billion and available funding to the project is \$372 million with a total shortfall of \$2.369 billion which includes the \$70 million in matching funds.

Section 4 – Updates and Resources

Future Updates

Any required adjustments to the cost estimate will be computed in a manner consistent with the methodology established in the Initial Financial Plan. The Initial Financial Plan will be updated each year.

Internally, VDOT will continue to monitor the Project and issue monthly progress reports that update the status of work underway and help to prevent or identify potential issues early.

Staff Resources

Barbara W. Reese
Chief Financial Officer
(804) 786-5128

Malcolm T. Kerley, PE
Chief Engineer
(804) 786-4798

Deborah E. Brown
Director, Innovative Finance & Revenue
Operations
(804) 786-9847

Julie Smith, PMP
Coalfields Project Manager
(276) 935-1600

Jennifer L. Rasnick
Project Finance Specialist
(804) 786-8157

Jeff Powell, PE, PMP
Constructability Engineer
(276) 642-2482

Dennis Harris, PE
Senior Transportation Engineer, Bristol
(276) 669-9910

Alan E. Saunders, PE
Program Manager
(804) 692-1630