

COMMONWEALTH TRANSPORTATION FUND REVENUE REPORT August 2022

Summary

Commonwealth Transportation Fund (CTF) revenues increased by 4.7 percent in August, driven by strong motor fuels tax collections.

Motor Fuels Tax

Motor fuels taxes increased by 18.0 percent in August.

The Brent crude oil spot price in our forecast averages \$98 per barrel (b) in the fourth quarter of 2022 (4Q22) and \$97/b in 2023. The possibility of petroleum supply disruptions and slower-than-expected crude oil production growth continues to create the potential for higher oil prices, while the possibility of slower-than-forecast economic growth creates the potential for lower prices.

Motor Vehicle Sales and Use Tax

Motor vehicle sales tax collections declined by 2.3 percent.

U.S. new-vehicle sales remain in distress. After two consecutive months of growth this summer, new-vehicle sales declined from the prior month. Structural factors such as the inventory shortage of new vehicles continue to play a key role in the imbalance between supply and demand. As a result, the SAAR remains well below the assumed market equilibrium.

Whereas inventory levels reported by the BEA have improved somewhat from earlier this year, they remain acutely depressed to meet strong consumer demand. On average, seasonally adjusted inventory levels in the first seven months of this year were nearly four times below the levels during the same period last year. To compare with the pre-pandemic era, average inventory levels were nearly nine times below the same period in 2019.

As a result of robust consumer demand coupled with supply shortages, more than half of new vehicles sold out within two weeks of arrival at dealerships in August, less than half the average number of days from August 2021. Unsurprisingly, transaction prices of new vehicles remain elevated. Despite rising financing rates, not seasonally adjusted transaction prices rose to a record high in July. Year over year, new-vehicle prices grew by nearly 12 percent in July, down 0.9 percent from the prior month.

August is usually a month when promotions and incentives increase as dealerships try to clear out older models to make space for new ones. However, the prevailing lack of equilibrium moved dealers to cut back on incentives last month. In August, the average price of a new-vehicle incentive was 57 percent below the same time last year.

State Retail Sales Tax

The transportation portion of the state retail sales tax increased by 7.1 percent in August.

Motor Vehicle Licenses

Motor vehicle registration fee collections fell by 37.8 percent in August.

Commonwealth of Virginia/Department of Accounts
Commonwealth Transportation Fund
Summary Statement of Selected Revenue Estimates & Collections
For the Fiscal Years 2022 and 2023
(Dollars in Thousands)

Revenue	FY 2023 Estimate	As a % of Total Fund	August			Year-To-Date			% Annual Growth Required By Estimate
			FY 2023	FY 2022	% Change	FY 2023	FY 2022	% Change	
Motor Fuel Taxes	\$1,431,900	17.00	\$120,194	\$101,898	18.0	\$243,565	\$163,314	49.1	11.2
Insurance Premiums Tax	202,496	2.40	10,904	12,654	(13.8)	24,322	19,898	22.2	12.1
Motor Vehicle Sales and Use Tax	1,198,000	14.23	111,537	114,146	(2.3)	220,195	229,834	(4.2)	(4.1)
State Sales and Use Tax	1,349,200	16.03	122,079	113,989	7.1	230,491	180,501	27.7	(1.4)
Motor Vehicle License Fees	236,600	2.81	15,212	24,442	(37.8)	40,647	36,435	11.6	2.4
Highway Use Fee	59,700	0.71	6,183	5,115	20.9	11,988	9,655	24.2	11.0
International Registration Plan	124,200	1.47	13,097	7,740	69.2	17,721	13,448	31.8	4.6
Recordation Tax	81,000	0.96	5,934	7,318	(18.9)	12,054	14,902	(19.1)	(0.7)
Interest Earnings	5,700	0.07	0	41	(100.0)	0	41	(100.0)	234.9
Misc. Taxes, Fees, and Revenues	17,200	0.20	1,755	1,465	19.8	3,182	3,076	3.4	(19.1)
Total State Taxes and Fees	<u>\$4,705,996</u>	<u>55.88</u>	<u>\$406,895</u>	<u>\$388,808</u>	<u>4.7</u>	<u>\$804,165</u>	<u>\$671,104</u>	<u>19.8</u>	<u>2.4</u>

Percentage is greater than or equal to 1,000%.

**Commonwealth of Virginia/Department of Accounts
Commonwealth Transportation Fund
Statement of Revenue Estimates & Collections
For the Fiscal Years 2022 and 2023
(Dollars in Thousands)**

Revenue	FY 2023 Estimate	As a % of Total Fund	August			Year-To-Date			% Annual Growth Required By Est
			FY 2023	FY 2022	% Change	FY 2023	FY 2022	% Change	
COMMONWEALTH TRANSPORTATION FUND									
Motor Vehicle Fuels Taxes (Includes Aviation & Road Taxes)	\$1,431,900	17.00	\$120,194	\$101,898	18.0	\$243,565	\$163,314	49.1	11.2
Motor Vehicle Sales and Use Tax (Includes Rental Tax)	1,198,000	14.23	111,537	114,146	(2.3)	220,195	229,834	(4.2)	(4.1)
State Sales and Use Tax	1,349,200	16.03	122,079	113,989	7.1	230,491	180,501	27.7	(1.4)
Motor Vehicle License Fees	236,600	2.81	15,212	24,442	(37.8)	40,647	36,435	11.6	2.4
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Insurance Premiums Tax	202,496	2.40	10,904	12,654	(13.8)	24,322	19,898	22.2	12.1
Recordation Tax	81,000	0.96	5,934	7,318	(18.9)	12,054	14,902	(19.1)	(0.7)
Total Commonwealth Transportation Fund	\$4,683,096	55.61	\$405,140	\$387,302	4.6	\$800,983	\$667,987	19.9	2.4
HIGHWAY MAINTENANCE AND OPERATING FUND									
Misc. Taxes, Fees, and Revenues	\$17,200	0.20	\$1,755	\$1,465	19.8	\$3,182	\$3,076	3.4	(19.1)
Other Miscellaneous Revenues	553,272	6.58	343,161	80,465	326.5	345,423	135,872	154.2	29.7
Federal Grants and Contracts	0	0.00	3,293	506	550.8	3,805	1,089	249.4	(100.0)
Transfer (to) / from Transportation Trust Fund	63,329	0.75	0	0	-	0	0	-	127.0
Total Highway Maintenance and Operating Fund	\$633,801	7.53	\$348,209	\$82,436	322.4	\$352,410	\$140,037	151.7	178.3
TRANSPORTATION TRUST FUND									
Interest Earnings	\$5,700	0.07	\$0	\$41	(100.0)	\$0	\$41	(100.0)	234.9
Federal Grants and Contracts	1,746,997	20.74	470,489	148,267	217.3	520,226	257,079	102.4	35.7
Receipts from Cities/Counties	1,002,622	11.90	62,427	46,674	33.8	101,887	90,373	12.7	49.1
Toll Revenues	73,840	0.88	2,582	2,012	28.3	4,756	3,761	26.5	107.2
Miscellaneous Revenues	338,311	4.02	39,095	49,060	(20.3)	56,654	79,175	(28.4)	(16.8)
Transfer (to) / from Highway Maintenance and Operating Fund	(63,329)	(0.75)	0	0	-	0	0	-	(127.0)
Total Transportation Trust Fund	\$3,104,141	36.86	\$574,593	\$246,054	133.5	\$683,523	\$430,429	58.8	17.7
TOTAL COMMONWEALTH TRANSPORTATION FUND, HIGHWAY MAINTENANCE AND OPERATING FUND, AND TRANSPORTATION TRUST FUND	\$8,421,038	100.00	\$1,327,942	\$715,792	85.5	\$1,836,916	\$1,238,453	48.3	13.2

Percentage is greater than or equal to 1,000%.