

COMMONWEALTH TRANSPORTATION FUND REVENUE REPORT July 2023

Summary

Commonwealth Transportation Fund (CTF) revenues were flat in July.

Motor Fuels Tax

Motor fuels taxes declined by 13.8 percent in July.

We forecast that the Brent crude oil spot price will average \$78 per barrel (b) in July. Crude oil prices gradually increase throughout our forecast, reaching about \$80/b in 4Q23 and averaging about \$84/b in 2024 because we expect that global oil inventories will decline over the next five quarters.

Motor Vehicle Sales and Use Tax

Motor vehicle sales tax collections increased by 2.2 percent.

As inventory levels rise and cars spend more time on lots, dealerships have been consistent in offering better discounts. Through May, manufacturer discounts on new light vehicles are 10 percent higher from the prior year. These discounts are still far below the pre-pandemic trend as dealerships continue to sell a good number of vehicles before they even arrive physically in their lots. With pent-up demand keeping up, these dealerships do not yet have a good reason to offer bigger promotions.

Used-vehicle prices have declined further in recent months but remain considerably above the pre-pandemic average. In May, used-vehicle prices declined further by 7 percent year over year. With new-vehicle prices elevated, consumers have made use of their used vehicles for trade-ins to help lower transaction prices. While this cushion still exists, used-vehicle prices are past their peak.

New-vehicle sales will continue to improve in the coming months, but there are risks to the outlook. Higher interest rates will surely dent some demand in the near term. Further, should the labor market deteriorate and economic activity slows markedly in the second half of this year, the impact on new-vehicle sales will be significant. We expect that the labor market will cool in the coming months and the economy will escape a recession. This will help put a floor under new-vehicle sales. Still, sales volumes are not expected to reach their pre-pandemic levels this year.

State Retail Sales Tax

The transportation portion of the state retail sales tax increased by 8.2 percent in July.

Motor Vehicle Licenses

Motor vehicle registration fee collections fell by 13.8 percent in July.

Commonwealth of Virginia/Department of Accounts
Commonwealth Transportation Fund
Summary Statement of Selected Revenue Estimates & Collections
For the Fiscal Years 2023 and 2024
(Dollars in Thousands)

Revenue	FY 2024 Estimate	As a % of Total Fund	July			Year-To-Date			% Annual Growth Required By Estimate
			FY 2024	FY 2023	% Change	FY 2024	FY 2023	% Change	
Motor Fuel Taxes	\$1,452,200	18.83	\$106,335	\$123,370	(13.8)	\$106,335	\$123,370	(13.8)	(1.4)
Insurance Premiums Tax	217,791	2.82	14,651	13,419	9.2	14,651	13,419	9.2	7.6
Motor Vehicle Sales and Use Tax	1,163,000	15.08	111,050	108,658	2.2	111,050	108,658	2.2	(7.9)
State Sales and Use Tax	1,313,900	17.05	117,275	108,412	8.2	117,275	108,412	8.2	(7.3)
Motor Vehicle License Fees	240,300	3.12	21,924	25,435	(13.8)	21,924	25,435	(13.8)	22.3
Highway Use Fee	62,700	0.81	5,881	5,805	1.3	5,881	5,805	1.3	7.3
International Registration Plan	122,600	1.59	14,274	4,624	208.7	14,274	4,624	208.7	6.5
Recordation Tax	81,000	1.05	4,373	6,120	(28.5)	4,373	6,120	(28.5)	53.9
Interest Earnings	5,700	0.07	0	0	-	0	0	-	(73.1)
Misc. Taxes, Fees, and Revenues	17,200	0.22	1,486	1,427	4.1	1,486	1,427	4.1	(13.1)
Total State Taxes and Fees	<u>\$4,676,391</u>	<u>60.64</u>	<u>\$397,249</u>	<u>\$397,270</u>	<u>0.0</u>	<u>\$397,249</u>	<u>\$397,270</u>	<u>0.0</u>	<u>(2.9)</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 2023 and 2024
(Dollars in Thousands)**

Revenue	FY 2024 Estimate	As a % of Total Fund	July			Year-To-Date			% Annual Growth Required By Est
			FY 2024	FY 2023	% Change	FY 2024	FY 2023	% Change	
COMMONWEALTH TRANSPORTATION FUND									
Motor Vehicle Fuels Taxes (Includes Aviation & Road Taxes)	\$1,452,200	18.83	\$106,335	\$123,370	(13.8)	\$106,335	\$123,370	(13.8)	(1.4)
Motor Vehicle Sales and Use Tax (Includes Rental Tax)	1,163,000	15.08	111,050	108,658	2.2	111,050	108,658	2.2	(7.9)
State Sales and Use Tax	1,313,900	17.05	117,275	108,412	8.2	117,275	108,412	8.2	(7.3)
Motor Vehicle License Fees	240,300	3.12	21,924	25,435	(13.8)	21,924	25,435	(13.8)	22.3
Highway Use Fee	62,700	0.81	5,881	5,805	1.3	5,881	5,805	1.3	7.3
International Registration Plan	122,600	1.59	14,274	4,624	208.7	14,274	4,624	208.7	6.5
Insurance Premiums Tax	217,791	2.82	14,651	13,419	9.2	14,651	13,419	9.2	7.6
Recordation Tax	81,000	1.05	4,373	6,120	(28.5)	4,373	6,120	(28.5)	53.9
Total Commonwealth Transportation Fund	\$4,653,491	60.35	\$395,763	\$395,843	0.0	\$395,763	\$395,843	0.0	(2.6)
HIGHWAY MAINTENANCE AND OPERATING FUND									
Misc. Taxes, Fees, and Revenues	\$17,200	0.22	\$1,486	\$1,427	4.1	\$1,486	\$1,427	4.1	(13.1)
Other Miscellaneous Revenues	271,103	3.52	108,880	2,261	#	108,880	2,261	#	(53.2)
Federal Grants and Contracts	0	0.00	2,629	512	413.5	2,629	512	413.5	(100.0)
Transfer (to) / from Transportation Trust Fund	363,025	4.71	0	0	-	0	0	-	419.0
Total Highway Maintenance and Operating Fund	\$651,328	8.45	\$112,995	\$4,200	#	\$112,995	\$4,200	#	(6.2)
TRANSPORTATION TRUST FUND									
Interest Earnings	\$5,700	0.07	\$0	\$0	-	\$0	\$0	-	(73.1)
Federal Grants and Contracts	1,577,002	20.45	171,373	49,737	244.6	171,373	49,737	244.6	6.0
Receipts from Cities/Counties	784,754	10.18	52,524	39,460	33.1	52,524	39,460	33.1	69.0
Toll Revenues	82,294	1.07	3,152	2,174	45.0	3,152	2,174	45.0	40.4
Miscellaneous Revenues	319,225	4.14	17,052	17,560	(2.9)	17,052	17,560	(2.9)	19.0
Transfer (to) / from Highway Maintenance and Operating Fund	(363,025)	(4.71)	0	0	-	0	0	-	(419.0)
Total Transportation Trust Fund	\$2,405,950	31.20	\$244,101	\$108,931	124.1	\$244,101	\$108,931	124.1	7.9
TOTAL COMMONWEALTH TRANSPORTATION FUND, HIGHWAY MAINTENANCE AND OPERATING FUND, AND TRANSPORTATION TRUST FUND									
	\$7,710,769	100.00	\$752,859	\$508,974	47.9	\$752,859	\$508,974	47.9	0.1

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