

COMMONWEALTH TRANSPORTATION FUND REVENUE REPORT June 2024

Summary

Commonwealth Transportation Fund (CTF) revenues fell by 12.9 percent in June, driven by strong declines in motor fuels and motor vehicle sales tax collections. For the fiscal year, collections were up 1.1 percent, slightly ahead of the official forecast of 0.7 percent growth.

Motor Fuels Tax

Motor fuels taxes were down 19.9 percent in June.

OPEC+ is expected to largely adhere to production targets announced on June 2. The announcement extends the additional voluntary production cuts by countries such as Saudi Arabia and Russia, which were set to expire at the end of June 2024, through September 2024. Beginning in October, these member countries plan to gradually phase out their production cuts monthly through the end of September 2025. In addition, the round of production cuts that OPEC+ participants announced in April 2023 and were set to expire at the end of 2024 were also extended through the end of 2025. Given the extension of these production cuts, our expectation is that OPEC+ crude oil production will follow these new targets until early 2025. At that time, some OPEC+ producers are expected to keep production below the targets to limit global oil inventory builds.

Motor Vehicle Sales and Use Tax

Motor vehicle sales tax collections declined by 27.7 percent in June.

The cyberattack on CDK Global in late June has measurably disrupted the U.S. auto industry, causing June's new light-vehicle sales figures to be unrepresentative of a typical month's performance. The attack, reportedly originating from Eastern Europe, crippled CDK Global's sales and client management systems, which are crucial for numerous dealership operations including record-keeping, parts ordering, financing, and customer relationship management.

This digital assault has affected an estimated 15,000 dealerships across the U.S., with disruptions lasting more than a week. The Anderson Economic Group projects that dealerships could face combined losses of up to \$1 billion due to operational disruptions. However, the long-term impact on auto dealerships is expected to be minimal for two key reasons: Vehicle sales are continuing, albeit at a slower pace. In addition, most sales that were delayed in June are likely to be realized in July once CDK Global resolves the

software issues.

The U.S. automotive industry is navigating a complex landscape of inventory management, pricing, and sales dynamics. While seasonally adjusted inventory levels have decreased nearly 7% since March for the first time since mid-2023, they remain comfortably above year-ago figures. The inventory-to-sales ratio has consistently exceeded 1 since September 2023, indicating that vehicle supply continues to outpace demand. However, current inventory levels are still significantly below pre-pandemic averages. This delicate balance, coupled with stabilized U.S. auto production and gradually increasing new-vehicle sales, suggests that new-vehicle prices may remain elevated longer than initially anticipated, particularly if inventory levels don't rebound to pre-pandemic norms in the coming years. This also partially explains why not seasonally adjusted average transaction costs are not declining as fast as they rose during the pandemic. The situation is further complicated by the rising costs of vehicle production, including higher labor wages and expensive new technologies, thereby adding a structural factor to elevated vehicle costs in recent years. These dynamics collectively pose challenges to achieving the assumed market equilibrium of 17 million SAAR for new light-vehicle sales, as adequate inventory levels are crucial for reducing prices and improving affordability.

State Retail Sales Tax

The transportation portion of the state retail sales tax increased by 1.7 percent in June.

Motor Vehicle Licenses

Motor vehicle registration fee collections fell by 24.3 percent in June.

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	June			Year-To-Date			% Annual Growth Required By Estimate
			FY 2024	FY 2023	% Change	FY 2024	FY 2023	% Change	
Motor Fuel Taxes	\$1,538,200	19.51	\$117,647	\$146,846	(19.9)	\$1,497,908	\$1,472,404	1.7	4.5
Insurance Premiums Tax	217,791	2.76	0	0	-	217,791	202,496	7.6	7.6
Motor Vehicle Sales and Use Tax	1,234,400	15.66	85,978	118,900	(27.7)	1,255,398	1,262,463	(0.6)	(2.2)
State Sales and Use Tax	1,372,100	17.40	121,011	119,043	1.7	1,377,114	1,416,622	(2.8)	(3.1)
Motor Vehicle License Fees	225,600	2.86	10,970	14,499	(24.3)	212,768	196,564	8.2	14.8
Highway Use Fee	61,800	0.78	5,930	5,317	11.5	71,017	58,414	21.6	5.8
International Registration Plan	114,100	1.45	3,816	4,384	(13.0)	113,777	115,124	(1.2)	(0.9)
Recordation Tax	52,500	0.67	4,992	5,086	(1.8)	50,875	52,647	(3.4)	(0.3)
Interest Earnings	14,200	0.18	16,344	8,765	86.5	54,202	21,183	155.9	(33.0)
Misc. Taxes, Fees, and Revenues	18,600	0.24	3,059	1,565	95.5	21,567	19,797	8.9	(6.0)
Total State Taxes and Fees	<u>\$4,849,291</u>	<u>61.51</u>	<u>\$369,747</u>	<u>\$424,405</u>	<u>(12.9)</u>	<u>\$4,872,417</u>	<u>\$4,817,714</u>	<u>1.1</u>	<u>0.7</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	June			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)	\$1,538,200	19.51	\$117,647	\$146,846	(19.9)	\$1,497,908	\$1,472,404	1.7	4.5
Motor Vehicle Sales and Use Tax (Includes Rental Tax)	1,234,400	15.66	85,978	118,900	(27.7)	1,255,398	1,262,463	(0.6)	(2.2)
State Sales and Use Tax	1,372,100	17.40	121,011	119,043	1.7	1,377,114	1,416,622	(2.8)	(3.1)
Motor Vehicle License Fees	225,600	2.86	10,970	14,499	(24.3)	212,768	196,564	8.2	14.8
Highway Use Fee	61,800	0.78	5,930	5,317	11.5	71,017	58,414	21.6	5.8
International Registration Plan	114,100	1.45	3,816	4,384	(13.0)	113,777	115,124	(1.2)	(0.9)
Insurance Premiums Tax	217,791	2.76	0	0	-	217,791	202,496	7.6	7.6
Recordation Tax	52,500	0.67	4,992	5,086	(1.8)	50,875	52,647	(3.4)	(0.3)
Total Commonwealth Transportation Fund	\$4,816,491	61.09	\$350,344	\$414,075	(15.4)	\$4,796,648	\$4,776,734	0.4	0.8
HIGHWAY MAINTENANCE AND OPERATING FUND									
Misc. Taxes, Fees, and Revenues	\$18,600	0.24	\$3,059	\$1,565	95.5	\$21,567	\$19,797	8.9	(6.0)
Other Miscellaneous Revenues	271,103	3.44	9,312	6,609	40.9	375,742	579,369	(35.1)	(53.2)
Federal Grants and Contracts	0	0.00	4,072	2,316	75.8	41,181	25,273	62.9	(100.0)
Transfer (to) / from Transportation Trust Fund	363,025	4.60	90,025	24,952	260.8	340,424	69,952	386.7	419.0
Total Highway Maintenance and Operating Fund	\$652,728	8.28	\$106,468	\$35,442	200.4	\$778,914	\$694,391	12.2	(6.0)
TRANSPORTATION TRUST FUND									
Interest Earnings	\$14,200	0.18	\$16,344	\$8,765	86.5	\$54,202	\$21,183	155.9	(33.0)
Federal Grants and Contracts	1,577,002	20.00	52,706	82,358	(36.0)	1,255,276	1,488,320	(15.7)	6.0
Receipts from Cities/Counties	784,754	9.95	69,030	71,378	(3.3)	646,876	464,333	39.3	69.0
Toll Revenues	82,294	1.05	4,685	5,052	(7.3)	67,324	58,595	14.9	40.4
Miscellaneous Revenues	319,225	4.05	44,518	29,977	48.5	278,647	268,224	3.9	19.0
Transfer (to) / from Highway Maintenance and Operating Fund	(363,025)	(4.60)	(90,025)	(24,952)	(260.8)	(340,424)	(69,952)	(386.7)	(419.0)
Total Transportation Trust Fund	\$2,414,450	30.63	\$97,258	\$172,578	(43.6)	\$1,961,901	\$2,230,703	(12.1)	8.2
TOTAL COMMONWEALTH TRANSPORTATION FUND, HIGHWAY MAINTENANCE AND OPERATING FUND, AND TRANSPORTATION TRUST FUND									
	\$7,883,669	100.00	\$554,070	\$622,095	(10.9)	\$7,537,463	\$7,701,828	(2.1)	2.4

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