

COMMONWEALTH TRANSPORTATION FUND REVENUE REPORT August 2021

Summary

Commonwealth Transportation Fund (CTF) revenues increased by 27.8 percent in August. Much of this growth can be attributed to comparisons with last year's economic shutdown due to the pandemic.

Motor Fuels Tax

Motor fuels taxes grew by 65.4 percent in August.

U.S. regular gasoline retail prices averaged \$3.14 per gallon (gal) in July, the highest monthly average price since October 2014. Recent gasoline price increases reflect rising crude oil prices and rising wholesale gasoline margins, amid relatively low gasoline inventories. We expect that prices will average \$3.12/gal in August before falling to \$2.82/gal, on average, in 4Q21. The expected drop in retail gasoline prices reflects our forecast that gasoline margins will decline from elevated levels, as is typical in the United States during the second half of the year.

Motor Vehicle Sales and Use Tax

Motor vehicle sales tax collections increased by 29.9 percent in August driven by strong growth in motor vehicle sales.

Limited production has also meant limited inventories. June inventory levels fell to all-time lows for the fifth month in a row. June inventories were 210,000 units. This is less than half of those available in June 2020 after virtually no vehicle production in the previous two months. Moreover, it is less than one-third of the 698,000 units available in June 2019, a period with more traditional supply/demand dynamics.

Constrained new-vehicle inventories caused dealerships to stock up on used vehicles to keep products available for potential customers. Dealerships make profits from income streams such as service centers, finance and insurance as much as on the sale of vehicles. Additionally, they are heavily reliant on repeat business. All of this presses dealerships to keep lots stocked.

In an attempt to have something to show potential customers, inventory-crunched dealerships pushed wholesale used-vehicle prices to all-time highs in April and May. The

tides have likely changed, as prices pulled back somewhat in June and July. Assuming there are no more black swan events, it appears used-vehicle prices have peaked. Still, looking back at the past 16 months, it is tough to remember what color swans are supposed to be.

The number of new vehicles sold will be stuck in neutral the remainder of the year. Supply constraints held back sales the past two months as the economy reopened in earnest. These same supply constraints will ease but remain the largest headwind facing the market over the next six months.

Concurrently, the demand side of the market appears to be cooling. As prices have risen, the quantity demanded at equilibrium has lowered. Moreover, real household incomes have declined as inflation has far exceeded wage growth over the past few months. All of this is against the backdrop of a fourth wave of infections caused by the COVID-19 Delta variant.

State Retail Sales Tax

The transportation portion of the state retail sales tax increased by 12.7 percent in August.

Motor Vehicle Licenses

Motor vehicle registration fee collections declined by 1.0 percent in August.

Commonwealth of Virginia/Department of Accounts
Commonwealth Transportation Fund
Summary Statement of Selected Revenue Estimates & Collections
For the Fiscal Years 2021 and 2022
(Dollars in Thousands)

Revenue	FY 2022 Estimate	As a % of Total Fund	August			Year-To-Date			% Annual Growth Required By Estimate
			FY 2022	FY 2021	% Change	FY 2022	FY 2021	% Change	
Motor Fuel Taxes	\$1,287,700	18.69	\$101,898	\$61,616	65.4	\$163,314	\$110,983	47.2	25.3
Insurance Premiums Tax	180,657	2.62	12,654	9,081	39.3	19,898	16,198	22.8	(0.4)
Motor Vehicle Sales and Use Tax	939,200	13.63	114,146	87,864	29.9	229,834	182,684	25.8	(18.0)
State Sales and Use Tax	1,214,700	17.63	113,989	101,170	12.7	180,501	164,269	9.9	(3.9)
Motor Vehicle License Fees	202,900	2.95	24,442	24,699	(1.0)	36,435	44,606	(18.3)	(16.1)
Highway Use Fee	46,600	0.68	5,115	3,520	45.3	9,655	7,700	25.4	9.2
International Registration Plan	73,900	1.07	7,740	8,008	(3.3)	13,448	9,213	46.0	(39.1)
Recordation Tax	57,000	0.83	7,318	6,779	8.0	14,902	13,445	10.8	(31.9)
Interest Earnings	12,531	0.18	41	33	24.2	41	33	24.2	111.0
Misc. Taxes, Fees, and Revenues	17,300	0.25	1,465	1,496	(2.1)	3,076	2,869	7.2	(12.6)
Total State Taxes and Fees	\$4,032,488	58.53	\$388,808	\$304,266	27.8	\$671,104	\$552,000	21.6	(2.4)

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 2021 and 2022
(Dollars in Thousands)**

Revenue	FY 2022 Estimate	As a % of Total Fund	August			Year-To-Date			% Annual Growth Required By Est
			FY 2022	FY 2021	% Change	FY 2022	FY 2021	% Change	
COMMONWEALTH TRANSPORTATION FUND									
Motor Vehicle Fuels Taxes (Includes Aviation & Road Taxes)	\$1,287,700	18.69	\$101,898	\$61,616	65.4	\$163,314	\$110,983	47.2	25.3
Motor Vehicle Sales and Use Tax (Includes Rental Tax)	939,200	13.63	114,146	87,864	29.9	229,834	182,684	25.8	(18.0)
State Sales and Use Tax	1,214,700	17.63	113,989	101,170	12.7	180,501	164,269	9.9	(3.9)
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Insurance Premiums Tax	180,657	2.62	12,654	9,081	39.3	19,898	16,198	22.8	(0.4)
Recordation Tax	57,000	0.83	7,318	6,779	8.0	14,902	13,445	10.8	(31.9)
Total Commonwealth Transportation Fund	\$4,002,657	58.10	\$387,302	\$302,737	27.9	\$667,987	\$549,098	21.7	(2.6)
HIGHWAY MAINTENANCE AND OPERATING FUND									
Misc. Taxes, Fees, and Revenues	\$17,300	0.25	\$1,465	\$1,496	(2.1)	\$3,076	\$2,869	7.2	(12.6)
Other Miscellaneous Revenues	388,187	5.63	80,465	63,378	27.0	135,872	85,708	58.5	18.4
Federal Grants and Contracts	0	0.00	506	2,534	(80.0)	1,089	3,376	(67.7)	(100.0)
Transfer (to) / from Transportation Trust Fund	108,704	1.58	0	0	-	0	0	-	(30.8)
Total Highway Maintenance and Operating Fund	\$514,191	7.46	\$82,436	\$67,408	22.3	\$140,037	\$91,953	52.3	(1.2)
TRANSPORTATION TRUST FUND									
Interest Earnings	\$12,531	0.18	\$41	\$33	24.2	\$41	\$33	24.2	111.0
Federal Grants and Contracts	1,279,944	18.58	148,267	96,008	54.4	257,079	192,148	33.8	29.5
Receipts from Cities/Counties	833,369	12.10	46,674	49,292	(5.3)	90,373	51,213	76.5	(11.4)
Toll Revenues	70,354	1.02	2,012	1,363	47.6	3,761	2,494	50.8	171.3
Miscellaneous Revenues	285,256	4.14	49,060	34,508	42.2	79,175	53,796	47.2	4.9
Transfer (to) / from Highway Maintenance and Operating Fund	(108,704)	(1.58)	0	0	-	0	0	-	30.8
Total Transportation Trust Fund	\$2,372,750	34.44	\$246,054	\$181,204	35.8	\$430,429	\$299,684	43.6	14.3
TOTAL COMMONWEALTH TRANSPORTATION FUND, HIGHWAY MAINTENANCE AND OPERATING FUND, AND TRANSPORTATION TRUST FUND									
	\$6,889,598	100.00	\$715,792	\$551,349	29.8	\$1,238,453	\$940,735	31.6	2.8

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