

COMMONWEALTH TRANSPORTATION FUND REVENUE REPORT October 2021

Summary

Commonwealth Transportation Fund (CTF) revenues increased by 22.5 percent in October. 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 38.8 percent in October.

Brent crude oil spot prices averaged \$84 per barrel (b) in October, up \$9/b from September and up \$43/b from October 2020. Crude oil prices have risen over the past year as result of steady draws on global oil inventories, which averaged 1.9 million barrels per day (b/d) during the first three quarters of 2021. In addition to sustained inventory draws, prices increased after OPEC+ announced in early October—and reaffirmed on November 4—that the group would keep current production targets unchanged. We expect Brent prices will remain near current levels for the rest of 2021, averaging \$82/b in the fourth quarter of 2021. In 2022, we expect that growth in production from OPEC+, U.S. tight oil, and other non-OPEC countries will outpace slowing growth in global oil consumption and contribute to Brent prices declining from current levels to an annual average of \$72/b.

Motor Vehicle Sales and Use Tax

Motor vehicle sales tax collections increased by 13.6 percent.

New-vehicle prices have pushed upward right along with used vehicles. Transaction prices for new vehicles have increased at the fastest rate on record in the past few months, pushing the Cox Automotive/Moody's Analytics Affordability index to the least affordable level on record. The trend has been exacerbated by the lowest rate of vehicle incentives on record. Additionally, larger and more expensive vehicles are the most likely to be produced using the available chips. These vehicles generate substantially more profit per unit, incentivizing their production compared with smaller, less-expensive vehicles cars and compact SUVs. Cars as a proportion of total light vehicles sold in October were 19.9 percent compared with 25 percent prior to the pandemic. This loss in market share is happening despite headwinds from elevated fuel prices.

A lack of semiconductors has continued to weaken U.S. auto inventory and production

numbers. Seasonally adjusted new-auto inventories reached another new low of 76,000 vehicles. This is compared with the long-run average of more than 750,000 units of inventory. Domestic auto production does not offer much in the way of solace. U.S. manufacturers rolled off the line a seasonally adjusted 125,000 new vehicles in September. This marked the lowest September production on record and was 36.4% below the previous record low in September 2020.

Record-low auto production numbers are a bad sign for when the market will turn. Moody's Analytics is forecasting the market to normalize in the third quarter of 2022. However, the path to normalization is expected to be gradual. Despite the slight uptick in the rate of sales in October, there remains significant downside risk to the forecast. If supply contracts further, as it appears to be doing, the fourth quarter will not be a step toward normalization but rather a side step, or worse yet a step back. Given the expected gradual return of semiconductor chips rather than a flip of a switch, a gradual return to normal remains the most likely path back. Given the state of leading indicators such as inventories and production, the timing of market normalization remains in as precarious of a position as it has been all year.

State Retail Sales Tax

The transportation portion of the state retail sales tax increased by 12.5 percent in October.

Motor Vehicle Licenses

Motor vehicle registration fee collections increased by 100.7 percent in October.

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	October			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	\$117,164	\$84,421	38.8	\$393,392	\$291,577	34.9	25.3
Insurance Premiums Tax	180,657	2.62	7,729	5,496	40.6	160,517	150,061	7.0	(0.4)
Motor Vehicle Sales and Use Tax	939,200	13.63	102,810	90,533	13.6	440,680	367,841	19.8	(18.0)
State Sales and Use Tax	1,214,700	17.63	115,294	102,452	12.5	410,182	365,381	12.3	(3.9)
Motor Vehicle License Fees	202,900	2.95	21,152	10,539	100.7	79,635	79,223	0.5	(16.1)
Highway Use Fee	46,600	0.68	4,206	3,171	32.6	18,380	14,598	25.9	9.2
International Registration Plan	73,900	1.07	6,988	7,417	(5.8)	27,883	25,575	9.0	(39.1)
Recordation Tax	57,000	0.83	7,007	7,402	(5.3)	29,335	27,838	5.4	(31.9)
Interest Earnings	12,531	0.18	684	1,543	(55.7)	735	1,600	(54.1)	111.0
Misc. Taxes, Fees, and Revenues	17,300	0.25	2,175	1,515	43.6	7,099	6,247	13.6	(12.6)
Total State Taxes and Fees	<u>\$4,032,488</u>	<u>58.53</u>	<u>\$385,209</u>	<u>\$314,489</u>	<u>22.5</u>	<u>\$1,567,838</u>	<u>\$1,329,941</u>	<u>17.9</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 2021 and 2022
(Dollars in Thousands)**

Revenue	FY 2022 Estimate	As a % of Total Fund	October			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	\$117,164	\$84,421	38.8	\$393,392	\$291,577	34.9	25.3
Motor Vehicle Sales and Use Tax (Includes Rental Tax)	939,200	13.63	102,810	90,533	13.6	440,680	367,841	19.8	(18.0)
State Sales and Use Tax	1,214,700	17.63	115,294	102,452	12.5	410,182	365,381	12.3	(3.9)
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International Registration Plan	73,900	1.07	6,988	7,417	(5.8)	27,883	25,575	9.0	(39.1)
Insurance Premiums Tax	180,657	2.62	7,729	5,496	40.6	160,517	150,061	7.0	(0.4)
Recordation Tax	57,000	0.83	7,007	7,402	(5.3)	29,335	27,838	5.4	(31.9)
Total Commonwealth Transportation Fund	\$4,002,657	58.10	\$382,350	\$311,431	22.8	\$1,560,004	\$1,322,094	18.0	(2.6)
HIGHWAY MAINTENANCE AND OPERATING FUND									
Misc. Taxes, Fees, and Revenues	\$17,300	0.25	\$2,175	\$1,515	43.6	\$7,099	\$6,247	13.6	(12.6)
Other Miscellaneous Revenues	388,187	5.63	103,000	53,416	92.8	257,411	292,710	(12.1)	18.4
Federal Grants and Contracts	0	0.00	712	2,698	(73.6)	2,576	8,482	(69.6)	(100.0)
Transfer (to) / from Transportation Trust Fund	108,704	1.58	50,000	0	-	50,000	0	-	(30.8)
Total Highway Maintenance and Operating Fund	\$514,191	7.46	\$155,887	\$57,629	170.5	\$317,086	\$307,439	3.1	(1.2)
TRANSPORTATION TRUST FUND									
Interest Earnings	\$12,531	0.18	\$684	\$1,543	(55.7)	\$735	\$1,600	(54.1)	111.0
Federal Grants and Contracts	1,279,944	18.58	191,464	129,015	48.4	718,862	592,590	21.3	29.5
Receipts from Cities/Counties	833,369	12.10	71,145	241,075	(70.5)	227,039	316,071	(28.2)	(11.4)
Toll Revenues	70,354	1.02	2,478	1,799	37.7	8,298	5,759	44.1	171.3
Miscellaneous Revenues	285,256	4.14	30,704	29,427	4.3	271,949	139,544	94.9	4.9
Transfer (to) / from Highway Maintenance and Operating Fund	(108,704)	(1.58)	(50,000)	0	-	(50,000)	0	-	30.8
Total Transportation Trust Fund	\$2,372,750	34.44	\$246,475	\$402,859	(38.8)	\$1,176,883	\$1,055,564	11.5	14.3
TOTAL COMMONWEALTH TRANSPORTATION FUND, HIGHWAY MAINTENANCE AND OPERATING FUND, AND TRANSPORTATION TRUST FUND									
	\$6,889,598	100.00	\$784,712	\$771,919	1.7	\$3,053,973	\$2,685,097	13.7	2.8

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