

COMMONWEALTH TRANSPORTATION FUND REVENUE REPORT June 2023

Summary

Commonwealth Transportation Fund (CTF) revenues increased by 4.4 percent in June and grew by 4.9 percent for fiscal year 2023.

Motor Fuels Tax

Motor fuels taxes increased by 29.2 percent in June.

Following the OPEC+ announcement on June 4 to extend crude oil production cuts through 2024, we forecast global oil inventories to fall slightly in each of the next five quarters. We expect these draws will put some upward pressure on crude oil prices, notably in late-2023 and early-2024. We forecast the Brent crude oil spot price will average \$79 per barrel (b) in the second half of 2023 (2H23) and \$84/b in 2024.

Motor Vehicle Sales and Use Tax

Motor vehicle sales tax collections increased by 8.9 percent.

May was another solid reading for U.S. light new-vehicle sales. Seasonally adjusted new-vehicle sales remained above 14.5 million for the fifth consecutive month and have averaged 15.4 million for the year. This is 11 percent higher than the same period a year before. Still, sales remain well below our expected equilibrium level of 17 million units per year.

The reason for the improvement over last year is pretty straightforward. There are more vehicles to buy. Driving past car dealerships, it is easy to see that the lots have cars now. This was not the case in May 2022. This has borne itself out in the numbers. Inventories of passenger cars reached a seasonally adjusted high in April not seen since July 2021, according to the BEA. Moreover, Cox Automotive reports that the days' supply of new-vehicle inventories were up 47 percent from the year before.

The increased inventory helps to meet some of the pent-up demand from potential buyers who have delayed purchases in recent years. However, the extent of this pent-up demand remains uncertain. Despite new-vehicle sales being well below equilibrium for three years, many people are driving their cars longer, putting more miles on older vehicles rather than getting a new one. This "driving-through" of demand has meant a surge in repair work and the continued aging of the U.S. fleet of vehicles.

Affordability concerns have also deterred buyers, as both new- and used-vehicle prices have reached record highs, compounded by rising interest rates. The Cox Automotive/Moody's Analytics New Vehicle Affordability Index indicates that purchasing an average new vehicle now takes more than 30 percent longer for a family earning the median income than before the pandemic.

Because of these affordability issues, many consumers are not planning to buy a vehicle in the near future. Data from The Conference Board reveal that the seasonally adjusted percentage of consumers planning to purchase a new vehicle within the next six months is 57 percent lower than in May 2019. Manufacturers have responded to this by increasing vehicle incentives, which have risen by 66 percent in the past seven months, although they remain 50 percent below pre-pandemic levels.

Despite positive trends in supply and new-vehicle incentives improving affordability, we expect the rest of the year to resemble the first five months. This projected lack of improvement in sales stems from deteriorating demand as the Federal Reserve intentionally slows the economy in response to high inflation levels. As GDP declines, we anticipate the labor market will continue its cooling trend from the past few months and eventually start to increase the unemployment rate in the second half of the year. This will further dampen consumer sentiment and hinder the new-vehicle market from reaching equilibrium.

State Retail Sales Tax

The transportation portion of the state retail sales tax declined by 17.7 percent in June.

Motor Vehicle Licenses

Motor vehicle registration fee collections fell by 27.4 percent in June.

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	June			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	\$146,846	\$113,651	29.2	\$1,472,404	\$1,287,990	14.3	11.2
Insurance Premiums Tax	202,496	2.40	0	0	-	202,496	180,657	12.1	12.1
Motor Vehicle Sales and Use Tax	1,198,000	14.23	118,900	109,182	8.9	1,262,463	1,249,031	1.1	(4.1)
State Sales and Use Tax	1,349,200	16.03	119,043	144,558	(17.7)	1,416,622	1,368,275	3.5	(1.4)
Motor Vehicle License Fees	236,600	2.81	14,499	19,965	(27.4)	196,564	231,062	(14.9)	2.4
Highway Use Fee	59,700	0.71	5,317	4,528	17.4	58,414	53,799	8.6	11.0
International Registration Plan	124,200	1.47	4,384	6,658	(34.2)	115,124	118,704	(3.0)	4.6
Recordation Tax	81,000	0.96	5,086	6,707	(24.2)	52,647	81,598	(35.5)	(0.7)
Interest Earnings	5,700	0.07	8,765	1	#	21,183	1,702	#	234.9
Misc. Taxes, Fees, and Revenues	17,200	0.20	1,565	1,171	33.6	19,797	21,260	(6.9)	(19.1)
Total State Taxes and Fees	<u>\$4,705,996</u>	<u>55.88</u>	<u>\$424,405</u>	<u>\$406,421</u>	<u>4.4</u>	<u>\$4,817,714</u>	<u>\$4,594,078</u>	<u>4.9</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 2022 and 2023
(Dollars in Thousands)**

Revenue	FY 2023 Estimate	As a % of Total Fund	June			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	\$146,846	\$113,651	29.2	\$1,472,404	\$1,287,990	14.3	11.2
Motor Vehicle Sales and Use Tax (Includes Rental Tax)	1,198,000	14.23	118,900	109,182	8.9	1,262,463	1,249,031	1.1	(4.1)
State Sales and Use Tax	1,349,200	16.03	119,043	144,558	(17.7)	1,416,622	1,368,275	3.5	(1.4)
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Highway Use Fee	59,700	0.71	5,317	4,528	17.4	58,414	53,799	8.6	11.0
International Registration Plan	124,200	1.47	4,384	6,658	(34.2)	115,124	118,704	(3.0)	4.6
Insurance Premiums Tax	202,496	2.40	0	0	-	202,496	180,657	12.1	12.1
Recordation Tax	81,000	0.96	5,086	6,707	(24.2)	52,647	81,598	(35.5)	(0.7)
Total Commonwealth Transportation Fund	\$4,683,096	55.61	\$414,075	\$405,249	2.2	\$4,776,734	\$4,571,116	4.5	2.4
HIGHWAY MAINTENANCE AND OPERATING FUND									
Misc. Taxes, Fees, and Revenues	\$17,200	0.20	\$1,565	\$1,171	33.6	\$19,797	\$21,260	(6.9)	(19.1)
Other Miscellaneous Revenues	553,272	6.58	6,609	6,909	(4.3)	579,369	426,596	35.8	29.7
Federal Grants and Contracts	0	0.00	2,316	1,562	48.3	25,273	14,380	75.8	(100.0)
Transfer (to) / from Transportation Trust Fund	63,329	0.75	24,952	(32,513)	176.7	69,952	(234,482)	129.8	127.0
Total Highway Maintenance and Operating Fund	\$633,801	7.53	\$35,442	(\$22,871)	255.0	\$694,391	\$227,754	204.9	178.3
TRANSPORTATION TRUST FUND									
Interest Earnings	\$5,700	0.07	\$8,765	\$1	#	\$21,183	\$1,702	#	234.9
Federal Grants and Contracts	1,746,997	20.74	82,358	54,796	50.3	1,488,320	1,286,975	15.6	35.7
Receipts from Cities/Counties	1,002,622	11.90	71,378	52,752	35.3	464,333	672,344	(30.9)	49.1
Toll Revenues	73,840	0.88	5,052	2,852	77.1	58,595	35,632	64.4	107.2
Miscellaneous Revenues	338,311	4.02	29,977	27,009	11.0	268,224	406,391	(34.0)	(16.8)
Transfer (to) / from Highway Maintenance and Operating Fund	(63,329)	(0.75)	(24,952)	32,513	(176.7)	(69,952)	234,482	(129.8)	(127.0)
Total Transportation Trust Fund	\$3,104,141	36.86	\$172,578	\$169,923	1.6	\$2,230,703	\$2,637,526	(15.4)	17.7
TOTAL COMMONWEALTH TRANSPORTATION FUND, HIGHWAY MAINTENANCE AND OPERATING FUND, AND TRANSPORTATION TRUST FUND									
	\$8,421,038	100.00	\$622,095	\$552,301	12.6	\$7,701,828	\$7,436,396	3.6	13.2

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