

COMMONWEALTH TRANSPORTATION FUND REVENUE REPORT February 2022

Summary

Commonwealth Transportation Fund (CTF) revenues increased by 2.7 percent in February.

Motor Fuels Tax

Motor fuels taxes grew by 26.7 percent in February.

The Brent price will average \$117/b in March, \$116/b in 2Q22, and \$102/b in the second half of 2022 (2H22). We expect the average price to fall to \$89/b in 2023. However, this price forecast is highly uncertain. Actual price outcomes will be dependent on the degree to which existing sanctions imposed on Russia, any potential future sanctions, and independent corporate actions affect Russia's oil production or the sale of Russia's oil in the global market. In addition, the degree to which other oil producers respond to current oil prices, as well as the effects macroeconomic developments might have on global oil demand, will be important for oil price formation. Although we reduced Russia's oil production in our forecast, we still expect that global oil inventories will build at an average rate of 0.5 million b/d from 2Q22 through the end of 2023, which we expect will put downward pressure on crude oil prices. However, if production disruptions—in Russia or elsewhere—are more than we forecast, resulting crude oil prices would be higher than our forecast

Motor Vehicle Sales and Use Tax

Motor vehicle sales tax collections declined by 11.5 percent.

The February step back in the SAAR of U.S. new-vehicle sales shows the auto market is far from healed. During periods of consistent supply and steady demand, the U.S. new-vehicle market should be selling a SAAR north of 17 million. Since the pandemic and subsequent lockdowns starting two years ago, the auto industry has been searching to find this equilibrium. First, the market was hit by a pullback in demand as fear and restrictions kept individuals at home, showrooms closed, and manufacturers shuttered. This shock has been followed by an unprecedented period of not producing enough vehicles to meet consumer demand.

The auto market's bumpy road may hit another pothole due to Russia's military assault on Ukraine. Although the relative importance pales in comparison to the horrific loss of

life that is being experienced in the invasion, there will likely be spillovers into the auto market. One definite spillover will be rising fuel prices. Oil prices have risen dramatically following the Russian mobilization and invasion of Ukraine. Higher oil prices traditionally provide a marginal shift in preferences to smaller, more fuel-efficient vehicles and cause a decrease in the number of miles driven. Given recent changes in preferences for propulsion types, higher gas prices this time around may nudge people toward electric vehicles and away from internal combustion engines altogether.

More concerning are spillovers in the strained supply chain. Russia and Ukraine make up almost half of all semiconductor-grade neon worldwide. Neon is an important component used in lasers for semiconductor chip production. A supply disruption from the military conflict would likely hit U.S. chip producers hardest because almost 90% of semiconductor-grade neon used in the U.S. is sourced from Ukraine and Russia.

Still, chipmakers from around the world and trade groups, including the Semiconductor Industry Association, have expressed minimal concern over a possible supply-chain disruption from the military assault. The industry claims to have significantly diversified suppliers after becoming aware of the possible bottleneck from Ukrainian neon following a dramatic rise in prices in 2014. Despite these reassurances, any risk to the fragile chip production process is a major concern. The longer the military assault goes on, the greater the risk to semiconductor and, thus, auto supply.

State Retail Sales Tax

The transportation portion of the state retail sales tax increased by 7.7 percent in February.

Motor Vehicle Licenses

Motor vehicle registration fee collections fell by 34.2 percent in February.

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	February			Year-To-Date			% Annual Growth Required By Estimate
			FY 2022	FY 2021	% Change	FY 2022	FY 2021	% Change	
Motor Fuel Taxes	\$1,352,600	17.76	\$103,948	\$82,019	26.7	\$847,616	\$641,029	32.2	31.6
Insurance Premiums Tax	180,657	2.37	0	0	-	180,657	181,382	(0.4)	(0.4)
Motor Vehicle Sales and Use Tax	1,214,700	15.95	72,943	82,392	(11.5)	803,476	714,033	12.5	6.1
State Sales and Use Tax	1,411,500	18.53	98,806	91,782	7.7	872,842	779,366	12.0	11.7
Motor Vehicle License Fees	234,800	3.08	12,555	19,068	(34.2)	141,553	148,709	(4.8)	(2.9)
Highway Use Fee	52,400	0.69	4,026	2,878	39.9	34,965	26,926	29.9	22.8
International Registration Plan	124,300	1.63	5,719	9,671	(40.9)	67,576	61,368	10.1	2.4
Recordation Tax	88,800	1.17	4,462	5,601	(20.3)	54,244	53,615	1.2	6.0
Interest Earnings	12,531	0.16	6	1,412	(99.6)	1,426	4,162	(65.7)	111.0
Misc. Taxes, Fees, and Revenues	17,200	0.23	1,842	1,457	26.4	13,504	12,115	11.5	(13.1)
Total State Taxes and Fees	<u>\$4,689,488</u>	<u>61.57</u>	<u>\$304,307</u>	<u>\$296,280</u>	<u>2.7</u>	<u>\$3,017,859</u>	<u>\$2,622,705</u>	<u>15.1</u>	<u>13.4</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	February			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)	\$1,352,600	17.76	\$103,948	\$82,019	26.7	\$847,616	\$641,029	32.2	31.6
Motor Vehicle Sales and Use Tax (Includes Rental Tax)	1,214,700	15.95	72,943	82,392	(11.5)	803,476	714,033	12.5	6.1
State Sales and Use Tax	1,411,500	18.53	98,806	91,782	7.7	872,842	779,366	12.0	11.7
Motor Vehicle License Fees	234,800	3.08	12,555	19,068	(34.2)	141,553	148,709	(4.8)	(2.9)
Highway Use Fee	52,400	0.69	4,026	2,878	39.9	34,965	26,926	29.9	22.8
International Registration Plan	124,300	1.63	5,719	9,671	(40.9)	67,576	61,368	10.1	2.4
Insurance Premiums Tax	180,657	2.37	0	0	-	180,657	181,382	(0.4)	(0.4)
Recordation Tax	88,800	1.17	4,462	5,601	(20.3)	54,244	53,615	1.2	6.0
Total Commonwealth Transportation Fund	\$4,659,757	61.18	\$302,459	\$293,411	3.1	\$3,002,929	\$2,606,428	15.2	13.4
HIGHWAY MAINTENANCE AND OPERATING FUND									
Misc. Taxes, Fees, and Revenues	\$17,200	0.23	\$1,842	\$1,457	26.4	\$13,504	\$12,115	11.5	(13.1)
Other Miscellaneous Revenues	405,487	5.32	17,112	4,744	260.7	412,079	312,622	31.8	23.7
Federal Grants and Contracts	0	0.00	1,500	1,238	21.2	5,316	14,245	(62.7)	(100.0)
Transfer (to) / from Transportation Trust Fund	(57,514)	(0.76)	0	0	-	(201,969)	50,000	(503.9)	(136.6)
Total Highway Maintenance and Operating Fund	\$365,173	4.79	\$20,454	\$7,439	175.0	\$228,930	\$388,982	(41.1)	(29.9)
TRANSPORTATION TRUST FUND									
Interest Earnings	\$12,531	0.16	\$6	\$1,412	(99.6)	\$1,426	\$4,162	(65.7)	111.0
Federal Grants and Contracts	1,279,944	16.80	27,932	37,800	(26.1)	1,024,773	765,488	33.9	29.5
Receipts from Cities/Counties	833,369	10.95	75,518	83,557	(9.6)	483,034	674,626	(28.4)	(11.4)
Toll Revenues	70,354	0.92	1,904	1,113	71.1	16,376	10,658	53.6	171.3
Miscellaneous Revenues	338,119	4.44	51,075	2,948	#	355,659	173,009	105.6	24.4
Transfer (to) / from Highway Maintenance and Operating Fund	57,514	0.76	0	0	-	201,969	(50,000)	503.9	136.6
Total Transportation Trust Fund	\$2,591,831	34.03	\$156,435	\$126,830	23.3	\$2,083,237	\$1,577,943	32.0	24.9
TOTAL COMMONWEALTH TRANSPORTATION FUND, HIGHWAY MAINTENANCE AND OPERATING FUND, AND TRANSPORTATION TRUST FUND									
	\$7,616,761	100.00	\$479,348	\$427,680	12.1	\$5,315,096	\$4,573,353	16.2	13.6

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