

COMMONWEALTH TRANSPORTATION FUND REVENUE REPORT November 2022

Summary

Commonwealth Transportation Fund (CTF) revenues increased by 5.4 percent in November

Motor Fuels Tax

Motor fuels taxes increased by 22.9 percent in November.

After falling for three straight months, U.S. retail gasoline prices increased in October. We expect gasoline prices to resume their decline in November, as refiners increase production to meet distillate demand and gasoline inventories begin increasing. Rising gasoline production contributes to inventory builds in our forecast that will return gasoline stocks to levels within the five-year range by early 2023. The U.S. average retail price in our forecast falls from \$3.82/gal in October 2022 to \$3.60/gal in February 2023, with the largest price decrease on the West Coast. Following this decrease, we expect U.S. retail gasoline prices to remain relatively flat for the rest of 2023.

Motor Vehicle Sales and Use Tax

Motor vehicle sales tax collections increased by 0.3 percent.

After showing some upward momentum in October, U.S. vehicle sales declined in November. The seasonally adjusted annualized rate for U.S. vehicle sales came in at 14.1 million in the previous month. Despite materials and supply-chain challenges, global vehicle production continues to improve. Nevertheless, rising unaffordability, partly because of higher financing costs on auto loans, is moderating consumer demand for new vehicles in the U.S.

U.S. consumers are beginning to hesitate under rising new-vehicle costs. In October, not seasonally adjusted average transaction prices grew by 3.8% year over year, the second consecutive single-digit growth rate this year and the slowest pace in more than a year. Year-over-year growth of not seasonally adjusted average transaction prices for new vehicles has exhibited a downward trend since this summer. This is not surprising given that the period of cooling price growth coincides with the Federal Reserve's interest rate hikes throughout the second half of this year, which has added upward pressure on new vehicles' financing costs on top of record-high new-vehicle prices. However, despite the record-high monthly payments, people still need cars and the demand for new ones

continues to outstrip the available supply.

Dealerships are also taking note of moderating consumer demand for new vehicles. Vehicle discounts, the price cut dealerships offer customers on new-vehicle purchases, rose for the first time this year in October by nearly 3%. Although small, the increase in vehicle discounts reflects shifting behavior for retailers who have had little reason to offer incentives in the recent past to woo consumers into their stores. Still, incentives offered at dealerships continue to be below historical levels. In October, vehicle discounts were down 47% from a year-ago basis, despite an improvement of 9% from September.

State Retail Sales Tax

The transportation portion of the state retail sales tax increased by 5.4 percent in November.

Motor Vehicle Licenses

Motor vehicle registration fee collections declined by 42.3 percent in November.

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	November			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	\$135,851	\$110,552	22.9	\$614,266	\$503,943	21.9	11.2
Insurance Premiums Tax	202,496	2.40	6,616	7,084	(6.6)	180,550	167,601	7.7	12.1
Motor Vehicle Sales and Use Tax	1,198,000	14.23	96,708	96,434	0.3	530,299	537,114	(1.3)	(4.1)
State Sales and Use Tax	1,349,200	16.03	122,128	115,916	5.4	604,339	526,098	14.9	(1.4)
Motor Vehicle License Fees	236,600	2.81	5,731	9,933	(42.3)	76,805	89,568	(14.2)	2.4
Highway Use Fee	59,700	0.71	4,532	4,269	6.2	25,598	22,648	13.0	11.0
International Registration Plan	124,200	1.47	9,251	14,650	(36.9)	37,321	42,533	(12.3)	4.6
Recordation Tax	81,000	0.96	4,117	6,316	(34.8)	25,187	35,652	(29.4)	(0.7)
Interest Earnings	5,700	0.07	26	18	44.4	1,832	753	143.3	234.9
Misc. Taxes, Fees, and Revenues	17,200	0.20	2,072	2,064	0.4	8,547	9,163	(6.7)	(19.1)
Total State Taxes and Fees	<u>\$4,705,996</u>	<u>55.88</u>	<u>\$387,032</u>	<u>\$367,236</u>	<u>5.4</u>	<u>\$2,104,744</u>	<u>\$1,935,073</u>	<u>8.8</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	November			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	\$135,851	\$110,552	22.9	\$614,266	\$503,943	21.9	11.2
Motor Vehicle Sales and Use Tax (Includes Rental Tax)	1,198,000	14.23	96,708	96,434	0.3	530,299	537,114	(1.3)	(4.1)
State Sales and Use Tax	1,349,200	16.03	122,128	115,916	5.4	604,339	526,098	14.9	(1.4)
Motor Vehicle License Fees	236,600	2.81	5,731	9,933	(42.3)	76,805	89,568	(14.2)	2.4
Highway Use Fee	59,700	0.71	4,532	4,269	6.2	25,598	22,648	13.0	11.0
International Registration Plan	124,200	1.47	9,251	14,650	(36.9)	37,321	42,533	(12.3)	4.6
Insurance Premiums Tax	202,496	2.40	6,616	7,084	(6.6)	180,550	167,601	7.7	12.1
Recordation Tax	81,000	0.96	4,117	6,316	(34.8)	25,187	35,652	(29.4)	(0.7)
Total Commonwealth Transportation Fund	\$4,683,096	55.61	\$384,934	\$365,154	5.4	\$2,094,365	\$1,925,157	8.8	2.4
HIGHWAY MAINTENANCE AND OPERATING FUND									
Misc. Taxes, Fees, and Revenues	\$17,200	0.20	\$2,072	\$2,064	0.4	\$8,547	\$9,163	(6.7)	(19.1)
Other Miscellaneous Revenues	553,272	6.58	2,187	40,069	(94.5)	501,140	297,480	68.5	29.7
Federal Grants and Contracts	0	0.00	2,269	548	314.1	9,715	3,124	211.0	(100.0)
Transfer (to) / from Transportation Trust Fund	63,329	0.75	0	(201,969)	100.0	0	(151,969)	100.0	127.0
Total Highway Maintenance and Operating Fund	\$633,801	7.53	\$6,528	(\$159,288)	104.1	\$519,402	\$157,798	229.2	178.3
TRANSPORTATION TRUST FUND									
Interest Earnings	\$5,700	0.07	\$26	\$18	44.4	\$1,832	\$753	143.3	234.9
Federal Grants and Contracts	1,746,997	20.74	105,147	88,468	18.9	1,065,094	807,330	31.9	35.7
Receipts from Cities/Counties	1,002,622	11.90	16,557	69,989	(76.3)	149,691	297,028	(49.6)	49.1
Toll Revenues	73,840	0.88	2,951	2,344	25.9	14,366	10,642	35.0	107.2
Miscellaneous Revenues	338,311	4.02	19,750	9,223	114.1	181,345	281,172	(35.5)	(16.8)
Transfer (to) / from Highway Maintenance and Operating Fund	(63,329)	(0.75)	0	201,969	(100.0)	0	151,969	(100.0)	(127.0)
Total Transportation Trust Fund	\$3,104,141	36.86	\$144,431	\$372,011	(61.2)	\$1,412,328	\$1,548,894	(8.8)	17.7
TOTAL COMMONWEALTH TRANSPORTATION FUND, HIGHWAY MAINTENANCE AND OPERATING FUND, AND TRANSPORTATION TRUST FUND									
	\$8,421,038	100.00	\$535,893	\$577,877	(7.3)	\$4,026,095	\$3,631,849	10.9	13.2

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