

COMMONWEALTH TRANSPORTATION FUND REVENUE REPORT December 2021

Summary

Commonwealth Transportation Fund (CTF) revenues increased by 4.6 percent in December.

Motor Fuels Tax

Motor fuels taxes grew by 22.8 percent in December.

Based on forecasts that use the IHS Markit macroeconomic model, it is estimated that U.S. GDP increased 5.7 percent in 2021 and that it will rise by 4.3 percent in 2022 and by 2.8 percent in 2023. In addition to macroeconomic uncertainties, uncertainty about winter weather and consumer energy demand also present a wide range of potential outcomes for energy consumption. Supply uncertainty in the forecast stems from uncertainty about OPEC+ production decisions and the rate at which U.S. oil and natural gas producers will increase drilling.

Motor Vehicle Sales and Use Tax

Motor vehicle sales tax collections increased by 8.7 percent.

Uncertainty around if and when prices will come back down is top of mind for many people, causing owners to keep their cars for longer than ever. Owners are choosing to have cars repaired rather than try their luck finding a new car or paying unrecognizably high prices for a used vehicle. This is good news for mechanics and body shops, but not great news for vehicle manufacturers. Manufacturers are expected to lose more than \$100 billion in revenues this year because of lost production and sales.

Manufacturers remain optimistic that the semiconductor shortage will improve throughout the early part of 2022. GM has cited that it had all of its factories up and running starting November 1. However, many are not at full capacity, as production across North America remains well below average. October had the second-lowest non-pandemic-related number of units produced in the U.S. on record, second only to September. Further, production increased by 40% from September to October, showing just how few vehicles are rolling off U.S. assembly lines.

As expected, two months of near all-time low production dragged inventories down as well. The seasonally adjusted level of inventories on U.S. lots is 62,000. This is compared

with the long-run average of more than 1 million and the average over the past five years of 652,000. A glimmer of hope for inventories came from the not seasonally adjusted numbers, which increased for the first time in eight months.

Given the high level of uncertainty surrounding semiconductor chips and other potential supply-chain disruptions, the outlook for new-vehicle sales is fraught with risks. Expectations are for markets to normalize in the second half of 2022 with monthly new-vehicle sales reaching 17 million SAAR by the end of the year. However, risks remain weighted to the downside. Further supply-chain disruptions and the Omicron variant of COVID-19 could both derail any recovery in new-vehicle sales into late 2022 or even 2023. Still, strong economic fundamentals, pent-up demand, and auto manufacturers working closely with chip manufacturers are being counted on to end the drought of new-vehicle sales in the second half of next year.

State Retail Sales Tax

The transportation portion of the state retail sales tax increased by 15.0 percent in December.

Motor Vehicle Licenses

Motor vehicle registration fee collections declined by 11.1 percent in December.

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	December			Year-To-Date			% Annual Growth Required By Estimate
			FY 2022	FY 2021	% Change	FY 2022	FY 2021	% Change	
Motor Fuel Taxes	\$1,352,600	18.25	\$113,287	\$92,275	22.8	\$617,230	\$473,432	30.4	31.6
Insurance Premiums Tax	180,657	2.44	13,055	27,318	(52.2)	180,657	181,382	(0.4)	(0.4)
Motor Vehicle Sales and Use Tax	1,214,700	16.39	96,977	89,212	8.7	634,091	543,059	16.8	6.1
State Sales and Use Tax	1,290,200	17.41	118,484	103,011	15.0	644,583	567,027	13.7	2.1
Motor Vehicle License Fees	234,800	3.17	19,419	21,833	(11.1)	108,987	119,862	(9.1)	(2.9)
Highway Use Fee	52,400	0.71	3,961	3,255	21.7	26,610	20,775	28.1	22.8
International Registration Plan	124,300	1.68	4,449	15,238	(70.8)	46,982	48,674	(3.5)	2.4
Recordation Tax	81,000	1.09	7,589	7,872	(3.6)	43,240	42,181	2.5	(3.3)
Interest Earnings	5,700	0.08	6	31	(80.6)	759	1,659	(54.2)	(4.0)
Misc. Taxes, Fees, and Revenues	17,200	0.22	1,066	1,517	(29.7)	10,229	9,293	10.1	(13.1)
Total State Taxes and Fees	<u>\$4,553,557</u>	<u>61.44</u>	<u>\$378,293</u>	<u>\$361,562</u>	<u>4.6</u>	<u>\$2,313,368</u>	<u>\$2,007,344</u>	<u>15.2</u>	<u>10.2</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	December			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	18.25	\$113,287	\$92,275	22.8	\$617,230	\$473,432	30.4	31.6
Motor Vehicle Sales and Use Tax (Includes Rental Tax)	1,214,700	16.39	96,977	89,212	8.7	634,091	543,059	16.8	6.1
State Sales and Use Tax	1,290,200	17.41	118,484	103,011	15.0	644,583	567,027	13.7	2.1
Motor Vehicle License Fees	234,800	3.17	19,419	21,833	(11.1)	108,987	119,862	(9.1)	(2.9)
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International Registration Plan	124,300	1.68	4,449	15,238	(70.8)	46,982	48,674	(3.5)	2.4
Insurance Premiums Tax	180,657	2.44	13,055	27,318	(52.2)	180,657	181,382	(0.4)	(0.4)
Recordation Tax	81,000	1.09	7,589	7,872	(3.6)	43,240	42,181	2.5	(3.3)
Total Commonwealth Transportation Fund	\$4,530,657	61.14	\$377,221	\$360,014	4.8	\$2,302,380	\$1,996,392	15.3	10.3
HIGHWAY MAINTENANCE AND OPERATING FUND									
Misc. Taxes, Fees, and Revenues	\$17,200	0.22	\$1,066	\$1,517	(29.7)	\$10,229	\$9,293	10.1	(13.1)
Other Miscellaneous Revenues	388,187	5.24	2,053	1,848	11.1	299,533	305,394	(1.9)	18.4
Federal Grants and Contracts	0	0.00	346	807	(57.1)	3,470	10,783	(67.8)	(100.0)
Transfer (to) / from Transportation Trust Fund	108,704	1.47	0	50,000	(100.0)	(151,969)	50,000	(403.9)	(30.8)
Total Highway Maintenance and Operating Fund	\$514,091	6.93	\$3,465	\$54,172	(93.6)	\$161,263	\$375,470	(57.1)	(1.3)
TRANSPORTATION TRUST FUND									
Interest Earnings	\$5,700	0.08	\$6	\$31	(80.6)	\$759	\$1,659	(54.2)	(4.0)
Federal Grants and Contracts	1,279,944	17.27	82,258	49,283	66.9	889,588	689,418	29.0	29.5
Receipts from Cities/Counties	833,369	11.25	50,750	72,861	(30.3)	347,778	547,639	(36.5)	(11.4)
Toll Revenues	70,354	0.95	2,227	1,319	68.8	12,869	8,423	52.8	171.3
Miscellaneous Revenues	285,256	3.85	3,002	13,282	(77.4)	284,173	164,716	72.5	4.9
Transfer (to) / from Highway Maintenance and Operating Fund	(108,704)	(1.47)	0	(50,000)	100.0	151,969	(50,000)	403.9	30.8
Total Transportation Trust Fund	\$2,365,919	31.93	\$138,243	\$86,776	59.3	\$1,687,136	\$1,361,855	23.9	14.0
TOTAL COMMONWEALTH TRANSPORTATION FUND, HIGHWAY MAINTENANCE AND OPERATING FUND, AND TRANSPORTATION TRUST FUND									
	\$7,410,667	100.00	\$518,929	\$500,962	3.6	\$4,150,779	\$3,733,717	11.2	10.5

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