

COMMONWEALTH TRANSPORTATION FUND REVENUE REPORT

February 2024

Summary

Commonwealth Transportation Fund (CTF) revenues increased 5.7 percent in February, driven by motor fuels tax collections.

Motor Fuels Tax

Motor fuels taxes grew by 20.2 percent in February.

The U.S. average retail gasoline price will average about \$3.50 per gallon (gal) this year, almost 20 cents/gal higher on an annual average basis in 2024, driven by higher crude oil prices. Although still lower than 2023 over the course of the year, nominal gasoline prices from May through July are expected to exceed prices for those same months in 2023.

Motor Vehicle Sales and Use Tax

Motor vehicle sales tax collections increased by 2.7 percent.

The year 2024 has begun with a modest performance in U.S. new light-vehicle sales, marking the lowest figures since December 2022. The January dip, particularly in new light-truck sales, can largely be attributed to the typical post-holiday moderation in consumer spending. This comes after a robust December spurred by substantial discounts, as dealerships aimed to clear the surplus inventory of older models.

Despite these fluctuations, consumer demand for new vehicles remains sturdy. The impact of higher interest rates and above-average monthly payments has yet to significantly dampen consumer enthusiasm for new vehicles, and it is improbable that 2024 will diverge from this pattern. In fact, the year could witness a shift toward a buyer's market in the auto industry.

This optimism is underpinned by several factors. First and foremost, new vehicle production continues to gain momentum. In 2023, the U.S. saw an average of 10.4 million new light vehicles produced in SAAR, the highest since the pandemic onset and just shy of 2019 levels. Improvements in supply chains and chip availability have enabled automakers to restore new-vehicle supply to near pre-pandemic levels, effectively meeting pent-up consumer demand.

With the rise in new-vehicle production, inventory levels have also seen a significant

increase. In December, seasonally adjusted inventory levels reached their peak since May 2021. Remarkably, the past year was the first since the onset of the pandemic where inventory levels increased every month. This surge in inventories has led to a higher inventory-to-sales ratio, which climbed to 1.28 in December, suggesting that new-vehicle supply is exceeding demand. The ratio exceeded 1 for the first time since May 2021 last September. As inventory levels continue to grow, dealerships will likely be compelled to reduce selling prices above MSRPs. The swift improvement in inventory levels and the growing availability of new vehicles are also contributing to a decrease in not seasonally adjusted average transaction prices. After reaching a high in 2022, average transaction prices began a downward trend last year, in line with the rise in new-vehicle production. This trend is predicted to persist in 2024 as inventory levels are expected to climb even further in the near term.

State Retail Sales Tax

The transportation portion of the state retail sales tax fell by 1.0 percent in February.

Motor Vehicle Licenses

Motor vehicle registration fee collections declined by 18.0 percent in February.

Commonwealth of Virginia/Department of Accounts
Commonwealth Transportation Fund
Summary Statement of Selected Revenue Estimates & Collections
For the Fiscal Years 2023 and 2024
(Dollars in Thousands)

Revenue	FY 2024 Estimate	As a % of Total Fund	February			Year-To-Date			% Annual Growth Required By Estimate
			FY 2024	FY 2023	% Change	FY 2024	FY 2023	% Change	
Motor Fuel Taxes	\$1,538,200	19.51	\$121,279	\$100,931	20.2	\$1,006,886	\$960,925	4.8	4.5
Insurance Premiums Tax	217,791	2.76	0	0	-	217,791	202,496	7.6	7.6
Motor Vehicle Sales and Use Tax	1,234,400	15.66	97,097	94,538	2.7	844,148	826,931	2.1	(2.2)
State Sales and Use Tax	1,372,100	17.40	98,768	99,721	(1.0)	921,485	971,974	(5.2)	(3.1)
Motor Vehicle License Fees	225,600	2.86	16,720	20,386	(18.0)	143,370	138,132	3.8	14.8
Highway Use Fee	61,800	0.78	5,551	4,501	23.3	44,886	39,691	13.1	5.8
International Registration Plan	114,100	1.45	6,808	7,869	(13.5)	68,117	66,056	3.1	(0.9)
Recordation Tax	52,500	0.67	3,523	2,841	24.0	31,381	34,816	(9.9)	(0.3)
Interest Earnings	14,200	0.18	59	30	96.7	24,132	5,569	333.3	(33.0)
Misc. Taxes, Fees, and Revenues	18,600	0.24	1,519	1,639	(7.3)	12,504	12,940	(3.4)	(6.0)
Total State Taxes and Fees	<u>\$4,849,291</u>	<u>61.51</u>	<u>\$351,324</u>	<u>\$332,456</u>	<u>5.7</u>	<u>\$3,314,700</u>	<u>\$3,259,530</u>	<u>1.7</u>	<u>0.7</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 2023 and 2024
(Dollars in Thousands)**

Revenue	FY 2024 Estimate	As a % of Total Fund	February			Year-To-Date			% Annual Growth Required By Est
			FY 2024	FY 2023	% Change	FY 2024	FY 2023	% Change	
COMMONWEALTH TRANSPORTATION FUND									
Motor Vehicle Fuels Taxes (Includes Aviation & Road Taxes)	\$1,538,200	19.51	\$121,279	\$100,931	20.2	\$1,006,886	\$960,925	4.8	4.5
Motor Vehicle Sales and Use Tax (Includes Rental Tax)	1,234,400	15.66	97,097	94,538	2.7	844,148	826,931	2.1	(2.2)
State Sales and Use Tax	1,372,100	17.40	98,768	99,721	(1.0)	921,485	971,974	(5.2)	(3.1)
Motor Vehicle License Fees	225,600	2.86	16,720	20,386	(18.0)	143,370	138,132	3.8	14.8
Highway Use Fee	61,800	0.78	5,551	4,501	23.3	44,886	39,691	13.1	5.8
International Registration Plan	114,100	1.45	6,808	7,869	(13.5)	68,117	66,056	3.1	(0.9)
Insurance Premiums Tax	217,791	2.76	0	0	-	217,791	202,496	7.6	7.6
Recordation Tax	52,500	0.67	3,523	2,841	24.0	31,381	34,816	(9.9)	(0.3)
Total Commonwealth Transportation Fund	\$4,816,491	61.09	\$349,746	\$330,787	5.7	\$3,278,064	\$3,241,021	1.1	0.8
HIGHWAY MAINTENANCE AND OPERATING FUND									
Misc. Taxes, Fees, and Revenues	\$18,600	0.24	\$1,519	\$1,639	(7.3)	\$12,504	\$12,940	(3.4)	(6.0)
Other Miscellaneous Revenues	271,103	3.44	3,370	2,813	19.8	344,383	557,994	(38.3)	(53.2)
Federal Grants and Contracts	0	0.00	2,566	3,141	(18.3)	23,485	17,249	36.2	(100.0)
Transfer (to) / from Transportation Trust Fund	363,025	4.60	0	0	-	182,000	30,000	506.7	419.0
Total Highway Maintenance and Operating Fund	\$652,728	8.28	\$7,455	\$7,593	(1.8)	\$562,372	\$618,183	(9.0)	(6.0)
TRANSPORTATION TRUST FUND									
Interest Earnings	\$14,200	0.18	\$59	\$30	96.7	\$24,132	\$5,569	333.3	(33.0)
Federal Grants and Contracts	1,577,002	20.00	46,621	29,331	58.9	931,099	1,187,153	(21.6)	6.0
Receipts from Cities/Counties	784,754	9.95	115,927	51,971	123.1	433,396	249,469	73.7	69.0
Toll Revenues	82,294	1.05	5,065	3,264	55.2	38,376	33,245	15.4	40.4
Miscellaneous Revenues	319,225	4.05	5,552	3,056	81.7	187,581	190,454	(1.5)	19.0
Transfer (to) / from Highway Maintenance and Operating Fund	(363,025)	(4.60)	0	0	-	(182,000)	(30,000)	(506.7)	(419.0)
Total Transportation Trust Fund	\$2,414,450	30.63	\$173,224	\$87,652	97.6	\$1,432,584	\$1,635,890	(12.4)	8.2
TOTAL COMMONWEALTH TRANSPORTATION FUND, HIGHWAY MAINTENANCE AND OPERATING FUND, AND TRANSPORTATION TRUST FUND									
	\$7,883,669	100.00	\$530,425	\$426,032	24.5	\$5,273,020	\$5,495,094	(4.0)	2.4

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