

COMMONWEALTH TRANSPORTATION FUND REVENUE REPORT

July 2021

Summary

Commonwealth Transportation Fund (CTF) revenues increased by 14.0 percent in July. Much of this growth can be attributed to comparisons with last year's economic shutdown due to the pandemic.

Motor Fuels Tax

Motor fuels taxes grew by 24.4 percent in July.

U.S. regular gasoline retail prices averaged \$2.78 per gallon (gal) in 1H21, compared with an average of \$2.20/gal in 1H20. In June, monthly retail gasoline prices averaged \$3.06/gal, the first time the monthly average was more than \$3.00/gal since October U.S. Energy Information Administration | Short-Term Energy Outlook July 2021 2 2014 (in nominal terms). We forecast regular-grade gasoline prices to average \$2.92/gal in 2H21 and \$2.74/gal for all of 2022.

Motor Vehicle Sales and Use Tax

Motor vehicle sales tax collections increased by 22.0 percent in July driven by strong growth in motor vehicle sales.

Limited new-vehicle inventories pushed wholesale used-vehicle prices to incredible levels over the past few months. All-time highs in used-vehicle prices were reached once again in June. Wholesale used prices were up a not seasonally adjusted 37% since the start of the year and over 40% from last June. Nevertheless, growth appears to have slowed significantly in June compared with the remarkable gains in the spring. This is a signal that used-vehicle prices are nearing their peak.

It has been the best of times and the worst of times for dealerships. High used-vehicle prices and no incentives needed for new vehicles have sent profits skyward. However, they continue to have to fight for inventory. Dealerships have opted for creative strategies to entice owners of cars and trucks into their showrooms. Whether it be mailers with a price they will pay already listed, billboards on highways, or traditional media commercials, car dealerships have remained creative to be able to get inventory.

The struggle for new inventory despite having to pay higher prices is because dealerships still need people walking through the door to capitalize on other profit

streams. Dealerships profit through service departments and finance and insurance channels. Additionally, repeat business is an important source of revenue. If you don't have a vehicle to sell to a prospective customer this time they likely won't be back when they or their family need to purchase their next vehicle.

Luckily for car dealers, and buyers, inventory levels have likely bottomed. Domestic production volumes have risen in both April and May from March lows. Additionally, slowing sales are taking fewer vehicles off the lots each month. Finally, May Bureau of Labor Statistics labor market data show an auto manufacturing employment increase, a signal of fewer plant closures despite the continued dire headlines.

Still, supply constraints will not be a rubber band that will spring back once a trough is reached. The downward pressure on vehicle sales from inventory shortages will be felt the rest of the year. We expect more than 700,000 fewer vehicles to be sold compared to a counterfactual with similar macroeconomic conditions and no supply constraints.

Total new-vehicle sales are now forecast to end the year less than 17 million units for the first time since December. Risks to this forecast are weighted to the downside. Supply chain concerns have not yet been alleviated. Despite some signs of a turnaround, any hiccup in the supply chain will send an already-exposed industry into even worse straits. Additionally, already realized higher prices for automotive transportation may price some buyers out, pushing them back to public transportation or to hold on to their older vehicle for the time being.

State Retail Sales Tax

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

Motor Vehicle Licenses

Motor vehicle registration fee collections declined by 39.8 percent in July.

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	July			Year-To-Date			% Annual Growth Required By Estimate
			FY 2022	FY 2021	% Change	FY 2022	FY 2021	% Change	
Motor Fuel Taxes	\$1,287,700	18.69	\$61,416	\$49,368	24.4	\$61,416	\$49,368	24.4	25.3
Insurance Premiums Tax	180,657	2.62	7,244	7,117	1.8	7,244	7,117	1.8	(0.4)
Motor Vehicle Sales and Use Tax	939,200	13.63	115,688	94,820	22.0	115,688	94,820	22.0	(18.0)
State Sales and Use Tax	1,214,700	17.63	66,513	63,099	5.4	66,513	63,099	5.4	(3.9)
Motor Vehicle License Fees	202,900	2.95	11,993	19,906	(39.8)	11,993	19,906	(39.8)	(16.1)
Highway Use Fee	46,600	0.68	4,540	4,181	8.6	4,540	4,181	8.6	9.2
International Registration Plan	73,900	1.07	5,708	1,205	373.7	5,708	1,205	373.7	(39.1)
Recordation Tax	57,000	0.83	7,585	6,666	13.8	7,585	6,666	13.8	(31.9)
Interest Earnings	12,531	0.18	0	0	-	0	0	-	111.0
Misc. Taxes, Fees, and Revenues	17,300	0.25	1,611	1,373	17.3	1,611	1,373	17.3	(12.6)
Total State Taxes and Fees	\$4,032,488	58.53	\$282,298	\$247,735	14.0	\$282,298	\$247,735	14.0	(2.4)

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)

		As a %	July			Year-To-Date			% Annual
Revenue	FY 2022	of Total			%			%	Growth
	Estimate	Fund	FY 2022	FY 2021	Change	FY 2022	FY 2021	Change	Required
									By Est
COMMONWEALTH TRANSPORTATION FUND									
Motor Vehicle Fuels Taxes									
(Includes Aviation & Road Taxes)	\$1,287,700	18.69	\$61,416	\$49,368	24.4	\$61,416	\$49,368	24.4	25.3
Motor Vehicle Sales and Use Tax									
(Includes Rental Tax)	939,200	13.63	115,688	94,820	22.0	115,688	94,820	22.0	(18.0)
State Sales and Use Tax	1,214,700	17.63	66,513	63,099	5.4	66,513	63,099	5.4	(3.9)
Motor Vehicle License Fees	202,900	2.95	11,993	19,906	(39.8)	11,993	19,906	(39.8)	(16.1)
Highway Use Fee	46,600	0.68	4,540	4,181	8.6	4,540	4,181	8.6	9.2
International Registration Plan	73,900	1.07	5,708	1,205	373.7	5,708	1,205	373.7	(39.1)
Insurance Premiums Tax	180,657	2.62	7,244	7,117	1.8	7,244	7,117	1.8	(0.4)
Recordation Tax	57,000	0.83	7,585	6,666	13.8	7,585	6,666	13.8	(31.9)
Total Commonwealth Transportation Fund	\$4,002,657	58.10	\$280,687	\$246,362	13.9	\$280,687	\$246,362	13.9	(2.6)
HIGHWAY MAINTENANCE AND OPERATING FUND									
Misc. Taxes, Fees, and Revenues	\$17,300	0.25	\$1,611	\$1,373	17.3	\$1,611	\$1,373	17.3	(12.6)
Other Miscellaneous Revenues	388,187	5.63	55,409	22,330	148.1	55,409	22,330	148.1	18.4
Federal Grants and Contracts	0	0.00	583	842	(30.8)	583	842	(30.8)	(100.0)
Transfer (to) / from Transportation Trust Fund	108,704	1.58	0	0	-	0	0	-	(30.8)
Total Highway Maintenance and Operating Fund	\$514,191	7.46	\$57,603	\$24,545	134.7	\$57,603	\$24,545	134.7	(1.2)
TRANSPORTATION TRUST FUND									
Interest Earnings	\$12,531	0.18	\$0	\$0	-	\$0	\$0	-	111.0
Federal Grants and Contracts	1,279,944	18.58	108,811	96,140	13.2	108,811	96,140	13.2	29.5
Receipts from Cities/Counties	833,369	12.10	43,699	1,921	#	43,699	1,921	#	(11.4)
Toll Revenues	70,354	1.02	1,750	1,131	54.7	1,750	1,131	54.7	171.3
Miscellaneous Revenues	285,256	4.14	30,115	19,288	56.1	30,115	19,288	56.1	4.9
Transfer (to) / from Highway Maintenance and Operating Fund	(108,704)	(1.58)	0	0	-	0	0	-	30.8
Total Transportation Trust Fund	\$2,372,750	34.44	\$184,375	\$118,480	55.6	\$184,375	\$118,480	55.6	14.3
TOTAL COMMONWEALTH TRANSPORTATION FUND, HIGHWAY MAINTENANCE AND OPERATING FUND, AND TRANSPORTATION TRUST FUND									
	\$6,889,598	100.00	\$522,665	\$389,387	34.2	\$522,665	\$389,387	34.2	2.8

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