

## **COMMONWEALTH TRANSPORTATION FUND REVENUE REPORT**

### **June 2021**

#### Summary

Commonwealth Transportation Fund (CTF) revenues increased by 38.8 percent in June. 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 86.4 percent in June due to the July 1 increase in the motor fuels tax.

We expect U.S. gasoline consumption will average 9.1 million barrels per day (b/d) this summer (April–September), which is 1.3 million b/d more than last summer but still more than 0.4 million b/d less than summer 2019. Weekly consumption data reflect the Colonial Pipeline outage and subsequent increase in gasoline demand, but consumption both before and after this event indicate more gasoline demand than we had previously forecast. Our latest forecast also reflects IHS Markit's increased employment forecast. We expect U.S. gasoline consumption to average 8.7 million b/d in for all of 2021 and 9.0 million b/d in 2022

#### Motor Vehicle Sales and Use Tax

Motor vehicle sales tax collections increased by 40.7 percent in June, mainly due to the comparison with last year's pandemic lockdown but also driven by strong growth in motor vehicle sales.

New-vehicle sales came back down to Earth in May. Weighed down by increasingly tight supply, the new-auto market cooled significantly from the record-breaking April numbers. The stimulus-juiced sales rates from March and April likely pulled a few sales forward that would have been stretched out over the summer months. Decreased direct federal payments lower disposable incomes that could be used for vehicle purchases. This trend will continue in the coming months, as incomes will be dinged with the ending of extra unemployment benefits for half the states in June and July and the remaining states in September.

Despite these considerable headwinds, new-vehicle sales were still able to post 17 million annualized units in May. This is well above the recessionary period of 2020 and slightly below 2019 rates. Moreover, the not seasonally adjusted numbers look

considerably better with more sales occurring in May than April. Demand for vehicles remains strong, but inventory continues to tighten and there does not look to be much reprieve in the coming months.

The inventory issue appears to be worse than initially expected due to the shortage of semiconductor microchips. Inventory-to-sales ratios reached an all-time low last month. The inventory shortage is confirmed by the largest nonpandemic-related drop in North American vehicle production on record. More than one-third of new vehicles that are sold are now off the lot in less than 10 days. This is likely to persist with many dealerships selling vehicles prior to receiving the shipment.

The limited supply of new vehicles has pushed wholesale used-vehicle prices higher once again in May. Dealerships looking for anything to offer customers have bid up prices at auctions to once unimaginable levels. Outside of limited new-vehicle supply, dealerships are also limited on lease returns. Lease contracts that expire are considerably more likely to be bought by the customer compared with during normal times given the rise in vehicle valuations.

Driven by continued low supply and high demand, wholesale used-vehicle prices have risen by 32% since the start of the year and are 51% higher than in May 2019. Passenger cars have appreciated faster than trucks and SUVs in 2021, with wholesale passenger cars increasing at 36%, compared with 30% for larger used vehicles. As manufacturers have prioritized their most profitable vehicles, many new sedans have been left off production lines, pushing car drivers into the used market.

### State Retail Sales Tax

The transportation portion of the state retail sales tax increased by 21.2 percent in June.

### Motor Vehicle Licenses

Motor vehicle registration fee collections declined by 13.2 percent in June.

**Commonwealth of Virginia/Department of Accounts**  
**Commonwealth Transportation Fund**  
**Summary Statement of Selected Revenue Estimates & Collections**  
**For the Fiscal Years 2020 and 2021**  
**(Dollars in Thousands)**

Revenue	FY 2021 Estimate	As a % of Total Fund	June			Year-To-Date			% Annual Growth Required By Estimate
			FY 2021	FY 2020	% Change	FY 2021	FY 2020	% Change	
Motor Fuel Taxes	\$1,020,400	14.76	\$134,457	\$72,138	86.4	\$1,027,881	\$866,317	18.6	17.8
Insurance Premiums Tax (a)	181,382	2.62	0	0	-	181,382	183,558	(1.2)	(1.2)
Motor Vehicle Sales and Use Tax	967,100	13.98	116,576	82,862	40.7	1,144,968	993,324	15.3	(2.6)
State Sales and Use Tax	1,180,000	17.06	169,443	139,765	21.2	1,264,050	1,123,439	12.5	5.0
Motor Vehicle License Fees	209,700	3.03	27,063	31,172	(13.2)	241,718	272,151	(11.2)	(22.9)
Highway Use Fee (b)	38,000	0.55	4,375	0	-	42,672	0	-	-
International Registration Plan	71,000	1.03	16,281	7,158	127.5	121,399	70,419	72.4	0.8
Recordation Tax	67,100	0.97	7,867	6,007	31.0	83,760	59,670	40.4	12.5
Interest Earnings	10,100	0.15	438	4,256	(89.7)	5,938	19,289	(69.2)	(47.6)
Misc. Taxes, Fees, and Revenues	17,300	0.25	1,747	1,286	35.8	19,787	18,114	9.2	(4.5)
<b>Total State Taxes and Fees</b>	<b>\$3,762,082</b>	<b>54.40</b>	<b>\$478,247</b>	<b>\$344,644</b>	<b>38.8</b>	<b>\$4,133,555</b>	<b>\$3,606,281</b>	<b>14.6</b>	<b>4.3</b>

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

(a) This line has been renamed from "Priority Transportation Fund (PTF)" to "Insurance Premiums Tax."

(b) This line item was effective July 1, 2020. Since there were no collections for this line item during Fiscal Year 2020, the Monthly and Year-To-Date % Change columns do not provide comparable data.

Commonwealth of Virginia/Department of Accounts  
Commonwealth Transportation Fund  
Statement of Revenue Estimates & Collections  
For the Fiscal Years 2020 and 2021  
(Dollars in Thousands)

		As a %	June			Year-To-Date			% Annual
Revenue	FY 2021	of Total			%			%	Growth
	Estimate	Fund	FY 2021	FY 2020	Change	FY 2021	FY 2020	Change	Required
									By Est
COMMONWEALTH TRANSPORTATION FUND (a)									
Motor Vehicle Fuels Taxes (Includes Aviation & Road Taxes)	\$1,020,400	14.76	\$134,457	\$72,138	86.4	\$1,027,881	\$866,317	18.6	17.8
Motor Vehicle Sales and Use Tax (Includes Rental Tax)	967,100	13.98	116,576	82,862	40.7	1,144,968	993,324	15.3	(2.6)
State Sales and Use Tax	1,180,000	17.06	169,443	139,765	21.2	1,264,050	1,123,439	12.5	5.0
Motor Vehicle License Fees	209,700	3.03	27,063	31,172	(13.2)	241,718	272,151	(11.2)	(22.9)
Highway Use Fee (b)	38,000	0.55	4,375	0	-	42,672	0	-	-
International Registration Plan	71,000	1.03	16,281	7,158	127.5	121,399	70,419	72.4	0.8
Insurance Premiums Tax (c)	181,382	2.62	0	0	-	181,382	183,558	(1.2)	(1.2)
Recordation Tax	67,100	0.97	7,867	6,007	31.0	83,760	59,670	40.4	12.5
Total Commonwealth Transportation Fund	\$3,734,682	54.00	\$476,062	339,102	40.4	\$4,107,830	3,568,878	15.1	4.6
HIGHWAY MAINTENANCE AND OPERATING FUND									
Misc. Taxes, Fees, and Revenues	\$17,300	0.25	\$1,747	\$1,286	35.8	\$19,787	\$18,114	9.2	(4.5)
Other Miscellaneous Revenues (c)	319,665	4.62	2,734	6,094	(55.1)	327,799	399,531	(18.0)	(20.0)
Federal Grants and Contracts	0	0.00	539	2,531	(78.7)	15,924	28,501	(44.1)	(100.0)
Transfer (to) / from Transportation Trust Fund	157,134	2.27	107,134	0	-	157,134	110,864	41.7	41.7
Total Highway Maintenance and Operating Fund	\$494,099	7.14	\$112,154	\$9,911	#	\$520,644	\$557,010	(6.5)	(11.3)
TRANSPORTATION TRUST FUND									
Interest Earnings	\$10,100	0.15	\$438	\$4,256	(89.7)	\$5,938	\$19,289	(69.2)	(47.6)
Federal Grants and Contracts	1,153,281	16.68	38,125	51,481	(25.9)	988,744	1,129,372	(12.5)	2.1
Receipts from Cities/Counties	1,473,970	21.31	104,138	32,509	220.3	940,407	365,282	157.4	303.5
Toll Revenues	31,833	0.46	2,067	1,298	59.2	25,929	37,604	(31.0)	(15.3)
Miscellaneous Revenues	175,000	2.53	43,227	74,748	(42.2)	271,845	335,061	(18.9)	(47.8)
Transfer (to) / from Highway Maintenance and Operating Fund	(157,134)	(2.27)	(107,134)	0	-	(157,134)	(110,864)	(41.7)	(41.7)
Total Transportation Trust Fund	\$2,687,050	38.86	\$80,861	\$164,292	(50.8)	\$2,075,729	\$1,775,744	16.9	51.3
TOTAL COMMONWEALTH TRANSPORTATION FUND, HIGHWAY MAINTENANCE AND OPERATING FUND, AND TRANSPORTATION TRUST FUND									
	\$6,915,831	100.00	\$669,077	\$513,305	30.3	\$6,704,203	\$5,901,632	13.6	17.2

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

- (a) Significant structural changes in the treatment of major revenue sources were made in Chapters 1230 and 1275, 2020 Virginia Acts of Assembly. Effective July 1, 2020, these revenues are deposited to the Commonwealth Transportation Fund. In order to provide comparable data, the amounts previously reported in the Highway Maintenance and Operating Fund and the Transportation Trust Fund have been reclassified to the Commonwealth Transportation Fund in the FY 2020 monthly and year-to-date amounts.
- (b) This line item was effective July 1, 2020. Since there were no collections for this line item during Fiscal Year 2020, the Monthly and Year-To-Date % Change columns do not provide comparable data.
- (c) These lines have been renamed from "Priority Transportation Fund (PTF)" and "Miscellaneous Revenues" to "Insurance Premiums Tax" and "Other Miscellaneous Revenues," respectively.