

COMMONWEALTH TRANSPORTATION FUND REVENUE REPORT May 2022

Summary

Commonwealth Transportation Fund (CTF) revenues increased by 10.0 percent in May, driven by strong growth in motor fuels and retail sales tax collections

Motor Fuels Tax

Motor fuels taxes grew by 33.9 percent in May.

The U.S. average retail price for regular grade gasoline averaged \$4.44 per gallon (gal) in May, and the average retail diesel price was \$5.57/gal. Rising prices for gasoline and diesel reflect refining margins for those products that are at or near record highs amid low inventory levels. We expect the gasoline wholesale margins (the difference between the wholesale gasoline price and Brent crude oil price) to fall from \$1.17/gal in May to average 81 cents/gal in 3Q22, and we expect retail gasoline prices to average \$4.27/gal in 3Q22. Diesel wholesale margins in the forecast fall from \$1.53/gal in May to \$1.07/gal in 3Q22, and retail diesel averages \$4.78/gal in 3Q22

Motor Vehicle Sales and Use Tax

Motor vehicle sales tax collections declined by 2.3 percent.

U.S. new-vehicle sales lost significant momentum in May. Despite assumptions of substantial pent-up demand for autos, unit sales remain well below equilibrium. New-vehicle production has shown nascent signs of normalization but has not yet fully come back across the globe, leaving available inventories severely limited. In addition to supply-side constraints, worries about demand are mounting. Price increases during the past two years have hampered affordability. Consumers that were already trying to stomach sky-high vehicle prices have been hit with more than two months of record-high gas prices and more than nine months of economywide inflation. Increased prices are sapping consumers' spending power. Inflation has consumers making, on average, an extra car payment per month in price increases. A car payment before the pandemic, at least.

On the brighter side, U.S. new-vehicle production increased to an SAAR of 10.6 million units in April, the highest SAAR since January 2021. If May can repeat April's output, this will signal U.S. production has returned to near-full capacity. The average monthly SAAR

of production in the U.S. in 2019 was 10.9 million, a mere 3% higher than the April reading.

The downside risks to this forecast are substantial. The Federal Reserve is trying to thread the needle to chill economic growth but not send the economy into a recession. Recently, the Fed's talk and target rate hike have tamed inflation expectations. However, some large public companies such as Microsoft have announced slowdowns in hiring and pared down earnings expectations. Cooling growth has pushed the probability of a recession to above 40 percent, higher than in February 2020. If an average recession does happen in the next six to 12 months, the recovery in new-vehicle sales to a market-equilibrium SAAR of 17 million would be delayed beyond 2023.

State Retail Sales Tax

The transportation portion of the state retail sales tax increased by 8.6 percent in May.

Motor Vehicle Licenses

Motor vehicle registration fee collections fell by 4.7 percent in May.

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	May			Year-To-Date			% Annual Growth Required By Estimate
			FY 2022	FY 2021	% Change	FY 2022	FY 2021	% Change	
Motor Fuel Taxes	\$1,352,600	17.76	\$116,862	\$87,278	33.9	\$1,174,339	\$893,424	31.4	31.6
Insurance Premiums Tax	180,657	2.37	0	0	-	180,657	181,382	(0.4)	(0.4)
Motor Vehicle Sales and Use Tax	1,214,700	15.95	103,217	105,697	(2.3)	1,139,849	1,028,394	10.8	6.1
State Sales and Use Tax	1,411,500	18.53	122,174	112,484	8.6	1,223,717	1,094,608	11.8	11.7
Motor Vehicle License Fees	234,800	3.08	21,449	22,518	(4.7)	211,097	214,655	(1.7)	(2.9)
Highway Use Fee	52,400	0.69	4,338	3,482	24.6	49,271	38,298	28.7	22.8
International Registration Plan	124,300	1.63	14,707	16,449	(10.6)	112,047	105,119	6.6	2.4
Recordation Tax	88,800	1.17	7,521	7,028	7.0	74,892	75,894	(1.3)	6.0
Interest Earnings	12,531	0.16	1	15	(93.3)	1,700	5,499	(69.1)	111.0
Misc. Taxes, Fees, and Revenues	17,200	0.23	2,080	1,686	23.4	20,088	18,040	11.4	(13.1)
Total State Taxes and Fees	<u>\$4,689,488</u>	<u>61.57</u>	<u>\$392,349</u>	<u>\$356,637</u>	<u>10.0</u>	<u>\$4,187,657</u>	<u>\$3,655,313</u>	<u>14.6</u>	<u>13.4</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 2021 and 2022
(Dollars in Thousands)**

Revenue	FY 2022 Estimate	As a % of Total Fund	May			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	17.76	\$116,862	\$87,278	33.9	\$1,174,339	\$893,424	31.4	31.6
Motor Vehicle Sales and Use Tax (Includes Rental Tax)	1,214,700	15.95	103,217	105,697	(2.3)	1,139,849	1,028,394	10.8	6.1
State Sales and Use Tax	1,411,500	18.53	122,174	112,484	8.6	1,223,717	1,094,608	11.8	11.7
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Highway Use Fee	52,400	0.69	4,338	3,482	24.6	49,271	38,298	28.7	22.8
International Registration Plan	124,300	1.63	14,707	16,449	(10.6)	112,047	105,119	6.6	2.4
Insurance Premiums Tax	180,657	2.37	0	0	-	180,657	181,382	(0.4)	(0.4)
Recordation Tax	88,800	1.17	7,521	7,028	7.0	74,892	75,894	(1.3)	6.0
Total Commonwealth Transportation Fund	\$4,659,757	61.18	\$390,268	\$354,936	10.0	\$4,165,869	\$3,631,774	14.7	13.4
HIGHWAY MAINTENANCE AND OPERATING FUND									
Misc. Taxes, Fees, and Revenues	\$17,200	0.23	\$2,080	\$1,686	23.4	\$20,088	\$18,040	11.4	(13.1)
Other Miscellaneous Revenues	405,487	5.32	(1,312)	1,244	(205.5)	419,687	325,065	29.1	23.7
Federal Grants and Contracts	0	0.00	2,387	476	401.5	12,818	15,385	(16.7)	(100.0)
Transfer (to) / from Transportation Trust Fund	(57,514)	(0.76)	0	0	-	(201,969)	50,000	(503.9)	(136.6)
Total Highway Maintenance and Operating Fund	\$365,173	4.79	\$3,155	\$3,406	(7.4)	\$250,624	\$408,490	(38.6)	(29.9)
TRANSPORTATION TRUST FUND									
Interest Earnings	\$12,531	0.16	\$1	\$15	(93.3)	\$1,700	\$5,499	(69.1)	111.0
Federal Grants and Contracts	1,279,944	16.80	41,723	39,889	4.6	1,232,179	950,619	29.6	29.5
Receipts from Cities/Counties	833,369	10.95	46,859	64,239	(27.1)	619,592	836,269	(25.9)	(11.4)
Toll Revenues	70,354	0.92	2,838	1,610	76.3	32,780	23,862	37.4	171.3
Miscellaneous Revenues	338,119	4.44	8,652	42,104	(79.5)	379,382	228,618	65.9	24.4
Transfer (to) / from Highway Maintenance and Operating Fund	57,514	0.76	0	0	-	201,969	(50,000)	503.9	136.6
Total Transportation Trust Fund	\$2,591,831	34.03	\$100,073	\$147,857	(32.3)	\$2,467,602	\$1,994,867	23.7	24.9
TOTAL COMMONWEALTH TRANSPORTATION FUND, HIGHWAY MAINTENANCE AND OPERATING FUND, AND TRANSPORTATION TRUST FUND									
	\$7,616,761	100.00	\$493,496	\$506,199	(2.5)	\$6,884,095	\$6,035,131	14.1	13.6

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