

COMMONWEALTH TRANSPORTATION FUND REVENUE REPORT

April 2008

Summary

Revenue collections increased by 0.9 percent in April, and on a year-to-date basis, growth is up 4.1 percent, ahead of the 4.0 percent annual target. Most of the annual gain in the Commonwealth Transportation Fund is attributable to the \$10 increase in the registration fee. Adjusting for this rate increase, year-to-date growth would be 0.8 percent.

Motor Fuels Tax (including PTF Fuels Tax Revenue)

Motor Fuels Tax collections declined by 0.1 percent in April. Annual collections through the first ten months of fiscal year 2008 are up 2.4 percent.

The Energy Information Administration projects regular-grade motor gasoline retail prices, which averaged \$2.81 per gallon in 2007, to average \$3.52 per gallon this year, up 16 cents from last month's *Outlook*. The motor gasoline price is expected to average \$3.66 over this summer (April through September). These projections reflect an assumption of a sizable narrowing of refiner gasoline margins from last year, attributable to weakness in gasoline demand and growth in ethanol supply. In 2009, regular-grade gasoline retail prices are projected to average \$3.44 per gallon, 20 cents higher than in the previous *Outlook*.

Diesel fuel retail prices in 2008 are projected to average \$3.94 per gallon, up from \$2.88 per gallon last year. This reflects global strength in diesel demand that is contributing to a widening of the margin between diesel prices and crude oil costs since last year. Retail diesel prices are projected to average \$3.67 per gallon in 2009.

Motor Vehicle Sales and Use Tax

Collections in this source dropped by 3.3 percent in April. Year-to-date growth is down 5.6 percent. It is increasingly likely that this source will suffer its first year-over-year decline in collections since fiscal year 1991.

Nationally, vehicle sales are taking a beating. The annualized seasonally adjusted rate fell to 15.1 million units. The average for the quarter was 15.25 million units. This low pace was last seen 10 years ago. There was a one month dip in 2005 but this followed the employee discounts for everyone marketing push. It is unlikely that sales will improve in coming months. Consumer spending on vehicles is falling victim to the weak housing market, particularly declining home equity, falling consumer confidence amid concerns that the economy is now in recession and that the labor market could weaken further, and rising energy prices.

State Retail Sales Tax

The transportation portion of retail sales tax declined by 5.6 percent in April. Collections in this source are up 0.8 percent in fiscal year 2008.

Motor Vehicle Licenses

Motor vehicle registration fee collections increased by 44.1 percent in April. Collections of \$21.7 million include \$6.6 million attributable to the motor vehicle license fee increase. Adjusting for the registration fee increase, this month's collections were up 0.4 percent from last year.