

## COMMONWEALTH TRANSPORTATION FUND REVENUE REPORT August 2008

### Summary

Commonwealth Transportation Fund (CTF) revenues declined by 10.7 percent in August. Most of August's weakness was due to another strong decline in motor vehicle sales tax collections and a slow month in the volatile International Registration Program. Adjusting for the new revenue streams resulting from House Bill 3202 (2007), base CTF collections were down 14.1 percent for the month.

### Motor Fuels Tax

Motor fuels tax collections declined by 2.5 percent this August but are 3.4 percent ahead on last year on an annual basis.

WTI crude oil prices, which averaged \$72 per barrel in 2007, are projected to average \$116 per barrel in 2008 and \$126 per barrel in 2009. Regular-grade motor gasoline retail prices, which averaged \$2.81 per gallon in 2007, are projected to rise to an average of \$3.61 per gallon this year and \$3.88 per gallon in 2009. This forecast projects continuing weak gasoline margins because of the decline in gasoline consumption and growth in ethanol use.

Diesel fuel retail prices in 2008 are projected to average \$4.09 per gallon, up from \$2.88 per gallon in 2007, and increase to an average of \$4.26 per gallon in 2009. Diesel prices reflect continuing strength in demand, particularly in emerging global markets, which has significantly increased the margins between diesel prices and crude oil costs from their 2007 level.

### Motor Vehicle Sales and Use Tax

Motor vehicle sales tax collections fell by 22.3 percent in August, the fourth consecutive double-digit monthly decline. Year-to-date, collections are down 16.9 percent.

Nationally, vehicle sales are expected to remain weak through the remainder of the year, finishing 2008 at about 14 million units. Consumers still face a multitude of hurdles, including declining employment, weak growth of wages and salaries, and the ongoing deterioration of house prices and credit conditions. Furthermore, the reduced availability of credit will be a major obstacle to big-ticket purchases such as a new car. Most banks are tightening lending standards, while the Detroit Three are greatly scaling back the availability of leases through their financing arms.

### State Retail Sales Tax

The transportation portion of the state retail sales tax increased by 2.8 percent in August.

### Motor Vehicle Licenses

Motor vehicle registration fee collections declined by 11.4 percent in August due to two less business days this August compared to last year.

**Commonwealth of Virginia/Department of Accounts**  
**Highway Maintenance and Operating Fund and Transportation Trust Fund Revenues**  
**Summary Statement of Selected Revenue Estimates & Collections**  
**For the Fiscal Years 2008 and 2009**  
(Dollars in Thousands)

| Revenue                                | FY 2009<br>Estimate | As a %<br>of Total<br>Fund | August           |                  |               | Year-To-Date     |                  |              | % Annual<br>Growth<br>Required<br>By Estimate |
|--|---------------------|----------------------------|------------------|------------------|---------------|------------------|------------------|--------------|---|
|  |                     |                            | FY 2009          | FY 2008          | %<br>Change   | FY 2009          | FY 2008          | %<br>Change  |   |
| Motor Fuel Taxes                       | \$902,000           | 23.56                      | \$74,013         | \$75,907         | (2.5)         | \$82,583         | \$79,906         | 3.4          | 4.5   |
| Priority Transportation Fund (PTF) (a) | 159,500             | 4.17                       | 3,922            | 0                | -             | 7,682            | 0                | -            | -   |
| Motor Vehicle Sales and Use Tax        | 609,300             | 15.92                      | 44,089           | 56,761           | (22.3)        | 89,649           | 107,851          | (16.9)       | 6.3   |
| State Sales and Use Tax                | 540,100             | 14.11                      | 43,498           | 42,318           | 2.8           | 89,811           | 90,341           | (0.6)        | 2.9   |
| Motor Vehicle License Fees             | 258,200             | 6.75                       | 20,750           | 23,420           | (11.4)        | 43,517           | 43,640           | (0.3)        | 6.6   |
| International Registration Plan        | 66,600              | 1.74                       | 2,759            | 17,243           | (84.0)        | 8,298            | 20,992           | (60.5)       | (10.1)  |
| Recordation Tax (b)                    | 45,900              | 1.20                       | 3,456            | 0                | -             | 7,299            | 0                | -            | -   |
| Interest Earnings                      | 37,200              | 0.97                       | 31               | 32               | (3.1)         | 48               | 53               | (9.4)        | (40.1)  |
| Misc. Taxes, Fees, and Revenues        | 15,800              | 0.41                       | 1,183            | 1,248            | (5.2)         | 2,244            | 2,241            | 0.1          | 6.0   |
| <b>Total State Taxes and Fees</b>      | <b>\$2,634,600</b>  | <b>68.83</b>               | <b>\$193,701</b> | <b>\$216,929</b> | <b>(10.7)</b> | <b>\$331,131</b> | <b>\$345,024</b> | <b>(4.0)</b> | <b>11.0</b>                                   |

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

(a) A new revenue stream, Insurance Premiums Tax, is included in the Fiscal Year 2009 Transportation Trust Fund Revenue Forecast. As there were no collections for insurance premiums tax recorded in the Transportation Trust Fund during Fiscal Year 2008, a comparison of the total "Priority Transportation Fund (PTF)" between Fiscal Years 2008 and 2009 may not be appropriate. Refer to the "PTF Motor Fuels" and "PTF Insurance Premiums Tax" line items on page 5 for the detailed information pertaining to the "Priority Transportation Trust Fund (PTF)" line item.

(b) New revenue streams for Recordation Tax are included in the Fiscal Year 2009 Highway Maintenance and Operating Fund and the Transportation Trust Fund Revenue Estimates, respectively. As there were no collections for recordation taxes recorded in these funds during Fiscal Year 2008, a comparison between Fiscal Years 2008 and 2009 may not be appropriate. Refer to the "Recordation Tax (1 cent)" and "Recordation Tax (2 cents)" line items on page 5 for the detailed information pertaining to the "Recordation Tax" line item.

Commonwealth of Virginia/Department of Accounts  
Highway Maintenance and Operating Fund and Transportation Trust Fund Revenues  
Statement of Revenue Estimates & Collections  
For the Fiscal Years 2008 and 2009  
(Dollars in Thousands)

| Revenue  | FY 2009 Estimate   | As a % of Total Fund | August           |                  |               | Year-To-Date     |                  |               | % Annual Growth Required By Est |
|--|--------------------|----------------------|------------------|------------------|---------------|------------------|------------------|---------------|---------------------------------|
|  |                    |                      | FY 2009          | FY 2008          | % Change      | FY 2009          | FY 2008          | % Change      |                                 |
| <b>HIGHWAY MAINTENANCE AND OPERATING FUND:</b>                               |                    |                      |                  |                  |               |                  |                  |               |                                 |
| Motor Fuel Taxes (Includes Road Tax)   | \$777,800          | 20.32                | \$62,888         | \$66,575         | (5.5)         | \$70,513         | \$69,745         | 1.1           | 5.0                             |
| Motor Vehicle Sales and Use Tax  | 374,500            | 9.78                 | 26,715           | 34,866           | (23.4)        | 54,562           | 66,106           | (17.5)        | 5.5                             |
| Motor Vehicle License Fees   | 236,300            | 6.18                 | 18,916           | 21,587           | (12.4)        | 39,672           | 40,066           | (1.0)         | 7.0                             |
| International Registration Plan  | 66,600             | 1.74                 | 2,759            | 17,243           | (84.0)        | 8,298            | 20,992           | (60.5)        | (10.1)                          |
| Recordation Tax (1 cent) (a)   | 15,300             | 0.40                 | 1,152            | 0                | -             | 2,433            | 0                | -             | -                               |
| Misc. Taxes, Fees, and Revenues  | 15,800             | 0.41                 | 1,183            | 1,248            | (5.2)         | 2,244            | 2,241            | 0.1           | 6.0                             |
| <b>Total State Taxes and Fees</b>  | <b>\$1,486,300</b> | <b>38.83</b>         | <b>\$113,613</b> | <b>\$141,519</b> | <b>(19.7)</b> | <b>\$177,722</b> | <b>\$199,150</b> | <b>(10.8)</b> | <b>5.7</b>                      |
| <b>Other Revenues:</b>   |                    |                      |                  |                  |               |                  |                  |               |                                 |
| Federal Grants and Contracts   | \$0                | 0.00                 | \$2,148          | \$2,535          | (15.3)        | \$6,088          | \$3,140          | 93.9          | (100.0)                         |
| Miscellaneous Revenues   | 19,605             | 0.51                 | 2,247            | 1,294            | 73.6          | 2,929            | 2,809            | 4.3           | 16.3                            |
| Transfer (to) / from Transportation Trust Fund                               | 384,970            | 10.06                | 0                | 0                | -             | 100,000          | 100,000          | 0.0           | 45.0                            |
| <b>Total Highway Maintenance and Operating Fund</b>                          | <b>\$1,890,875</b> | <b>49.40</b>         | <b>\$118,008</b> | <b>\$145,348</b> | <b>(18.8)</b> | <b>\$286,739</b> | <b>\$305,099</b> | <b>(6.0)</b>  | <b>10.2</b>                     |
| <b>TRANSPORTATION TRUST FUND:</b>  |                    |                      |                  |                  |               |                  |                  |               |                                 |
| Motor Fuel Taxes (Includes Aviation & Road Taxes)                            | \$124,200          | 3.24                 | \$11,125         | \$9,332          | 19.2          | \$12,070         | \$10,161         | 18.8          | 1.5                             |
| PTF Motor Fuels  | 20,000             | 0.52                 | 0                | 0                | -             | 2,000            | 0                | -             | 0.0                             |
| PTF Insurance Premiums Tax (a)   | 139,500            | 3.65                 | 3,922            | 0                | -             | 5,682            | 0                | -             | -                               |
| Motor Vehicle Sales and Use Tax (Includes Rental Tax)                        | 234,800            | 6.14                 | 17,374           | 21,895           | (20.6)        | 35,087           | 41,745           | (15.9)        | 7.7                             |
| State Sales and Use Tax  | 540,100            | 14.11                | 43,498           | 42,318           | 2.8           | 89,811           | 90,341           | (0.6)         | 2.9                             |
| Motor Vehicle License Fees   | 21,900             | 0.57                 | 1,834            | 1,833            | 0.1           | 3,845            | 3,574            | 7.6           | 2.6                             |
| Recordation Tax (2 cents) (a)  | 30,600             | 0.80                 | 2,304            | 0                | -             | 4,866            | 0                | -             | -                               |
| Interest Earnings  | 37,200             | 0.97                 | 31               | 32               | (3.1)         | 48               | 53               | (9.4)         | (40.1)                          |
| <b>Total State Taxes and Fees</b>  | <b>\$1,148,300</b> | <b>30.00</b>         | <b>\$80,088</b>  | <b>\$75,410</b>  | <b>6.2</b>    | <b>\$153,409</b> | <b>\$145,874</b> | <b>5.2</b>    | <b>18.5</b>                     |
| <b>Other Revenues:</b>   |                    |                      |                  |                  |               |                  |                  |               |                                 |
| Federal Grants and Contracts   | \$938,474          | 24.52                | \$84,592         | \$82,828         | 2.1           | \$146,647        | \$169,109        | (13.3)        | 9.7                             |
| Receipts from Cities/Counties  | 97,299             | 2.54                 | 14,620           | 8,736            | 67.4          | 21,031           | 16,034           | 31.2          | 114.4                           |
| Toll Revenues (Includes Route 28)  | 106,041            | 2.77                 | 6,248            | 8,988            | (30.5)        | 12,682           | 16,649           | (23.8)        | (18.3)                          |
| Miscellaneous Revenues   | 31,806             | 0.83                 | 2,221            | 1,128            | 96.9          | 3,479            | 2,598            | 33.9          | 115.1                           |
| <b>Total Other Revenues</b>  | <b>\$1,173,620</b> | <b>30.66</b>         | <b>\$107,681</b> | <b>\$101,680</b> | <b>5.9</b>    | <b>\$183,839</b> | <b>\$204,390</b> | <b>(10.1)</b> | <b>12.2</b>                     |
| Transfer (to) / from Highway Maintenance and Operating Fund                  | (\$384,970)        | (10.06)              | \$0              | \$0              | -             | (\$100,000)      | (\$100,000)      | 0.0           | (45.0)                          |
| <b>Total Transportation Trust Fund</b>                                       | <b>\$1,936,950</b> | <b>50.60</b>         | <b>\$187,769</b> | <b>\$177,090</b> | <b>6.0</b>    | <b>\$237,248</b> | <b>\$250,264</b> | <b>(5.2)</b>  | <b>10.8</b>                     |
| <b>TOTAL HIGHWAY MAINTENANCE AND OPERATING AND TRANSPORTATION TRUST FUND</b> |                    |                      |                  |                  |               |                  |                  |               |                                 |
|  | <b>\$3,827,825</b> | <b>100.00</b>        | <b>\$305,777</b> | <b>\$322,438</b> | <b>(5.2)</b>  | <b>\$523,987</b> | <b>\$555,363</b> | <b>(5.6)</b>  | <b>10.5</b>                     |

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

(a) These line items were added to the Fiscal Year 2009 Revenue Forecast. Since there were no collections for these line items during Fiscal Year 2008, the Monthly and Year-To-Date % Change columns do not provide comparable data.