

COMMONWEALTH TRANSPORTATION FUND REVENUE REPORT

October 2008

Summary

Commonwealth Transportation Fund (CTF) revenues declined by 12.1 percent in October and are up 6.5 percent year-to-date. However, adjusting for the new revenue streams resulting from House Bill 3202 (2007), base CTF collections are down 9.3 percent through the first four months of fiscal year 2009.

Motor Fuels Tax

Motor fuels tax collections declined by 7.8 percent in October and are down 3.6 percent on an annual basis.

Consumption of all petroleum products is projected to decline substantially in 2008, driven down by the increase in prices and by a weakening economy during the second half of the year. Total domestic petroleum consumption is projected to average 19.6 million bbl/d in 2008, down 1.1 million bbl/d, or 5.4 percent, from the 2007. This marks the first time since 1980 that annual total petroleum consumption is expected to decline by more than 1 million bbl/d.

Regular grade gasoline prices averaged \$2.22 per gallon on November 10, down substantially from their July 14 peak of \$4.11 per gallon. They are projected to average \$2.37 per gallon in 2009, almost \$1.20 per gallon below that projected in the previous month. On-highway diesel fuel retail prices are projected to average \$2.73 per gallon in 2009, down \$1.08 from the 2008 average. Future price levels will primarily depend on the magnitude and duration of the economic downturn as well as OPEC and non-OPEC behavior. The current expectation of future oil prices assumes that the OPEC production cut may limit, but not reverse, the recent sharp fall in oil prices. Oil prices are expected to remain relatively flat, averaging \$60 to \$65 per barrel throughout 2009. The condition of the global economy is expected to remain the most important factor driving world oil prices.

Motor Vehicle Sales and Use Tax

Motor vehicle sales tax collections fell by 31.8 percent in October, the sixth consecutive double-digit monthly decline. October's decline was the largest monthly decline since the change in the motor vehicle sales tax rate in 1986. Year-to-date, collections are down 19.8 percent. The year-to-date decline in motor vehicle sales tax is significantly worse than that seen during the fiscal year 1991 recession.

Vehicle sales have been sliding all year and the erosion in October was particularly alarming. Sales per household could be at a record low. Conditions will not improve for auto manufacturers until credit markets loosen up. However, even once credit markets unfreeze a bit, sales will continue to be constrained by weak consumer credit conditions and the deteriorating employment situation. Employment is expected to decline until the fourth quarter of 2009 and the unemployment rate is not expected to peak until early 2010, close to 8%. Meanwhile, auto lenders will remain reluctant about extending loans to borrowers with less than stellar credit. Auto sales are not expected to rebound to 16 million units until 2011. But, by that time, the U.S. auto industry is likely to look considerably different than it does today. Moreover, the ranks of auto dealers will contract considerably; hundreds of dealerships have already succumbed to the difficult climate this year.

State Retail Sales Tax

The transportation portion of the state retail sales tax fell by 3.2 percent in October.

Motor Vehicle Licenses

Motor vehicle registration fee collections declined by 6.1 percent in October.

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 Estimate	As a % of Total Fund	October			Year-To-Date			% Annual Growth Required By Estimate
			FY 2009	FY 2008	% Change	FY 2009	FY 2008	% Change	
Motor Fuel Taxes	\$817,900	22.83	\$70,747	\$76,710	(7.8)	\$226,564	\$234,952	(3.6)	(5.2)
Priority Transportation Fund (PTF) (a)	152,300	4.25	4,059	2,000	103.0	111,823	4,000	#	-
Motor Vehicle Sales and Use Tax	500,500	13.97	36,552	53,625	(31.8)	170,383	212,471	(19.8)	(12.7)
State Sales and Use Tax	524,800	14.65	43,148	44,566	(3.2)	175,551	178,400	(1.6)	0.0
Motor Vehicle License Fees	239,200	6.68	19,790	21,070	(6.1)	83,947	83,679	0.3	(1.2)
International Registration Plan	68,800	1.92	2,315	2,560	(9.6)	13,261	26,030	(49.1)	(7.2)
Recordation Tax (b)	41,400	1.16	2,915	0	-	12,508	0	-	-
Interest Earnings	30,700	0.86	10,741	15,630	(31.3)	10,808	15,745	(31.4)	(50.6)
Misc. Taxes, Fees, and Revenues	13,200	0.37	1,183	1,548	(23.6)	4,605	5,098	(9.7)	(11.4)
Total State Taxes and Fees	\$2,388,800	66.69	\$191,450	\$217,709	(12.1)	\$809,450	\$760,375	6.5	0.6

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	October			Year-To-Date			% Annual Growth Required By Est
			FY 2009	FY 2008	% Change	FY 2009	FY 2008	% Change	
HIGHWAY MAINTENANCE AND OPERATING FUND:									
Motor Fuel Taxes (Includes Road Tax)	\$703,300	19.63	\$58,702	\$66,598	(11.9)	\$193,756	\$200,365	(3.3)	(5.0)
Motor Vehicle Sales and Use Tax	304,700	8.50	22,265	33,317	(33.2)	103,821	132,371	(21.6)	(14.2)
Motor Vehicle License Fees	218,500	6.10	18,017	19,176	(6.0)	76,396	76,607	(0.3)	(1.0)
International Registration Plan	68,800	1.92	2,315	2,560	(9.6)	13,261	26,030	(49.1)	(7.2)
Recordation Tax (1 cent) (a)	13,800	0.39	972	0	-	4,169	0	-	-
Misc. Taxes, Fees, and Revenues	13,200	0.37	1,183	1,548	(23.6)	4,605	5,098	(9.7)	(11.4)
Total State Taxes and Fees	\$1,322,300	36.91	\$103,454	\$123,199	(16.0)	\$396,008	\$440,471	(10.1)	(5.9)
Other Revenues:									
Federal Grants and Contracts	\$0	0.00	\$1,013	\$2,049	(50.6)	\$8,327	\$5,948	40.0	(100.0)
Miscellaneous Revenues	19,605	0.55	1,400	2,040	(31.4)	5,994	5,787	3.6	16.3
Transfer (to) / from Transportation Trust Fund	384,970	10.75	0	0	-	220,000	200,000	10.0	45.0
Total Highway Maintenance and Operating Fund	\$1,726,875	48.21	\$105,867	\$127,288	(16.8)	\$630,329	\$652,206	(3.4)	0.6
TRANSPORTATION TRUST FUND:									
Motor Fuel Taxes (Includes Aviation & Road Taxes)	\$114,600	3.20	\$12,045	\$10,112	19.1	\$32,808	\$34,587	(5.1)	(6.3)
PTF Motor Fuels	20,000	0.56	2,000	2,000	0.0	4,000	4,000	0.0	0.0
PTF Insurance Premiums Tax (a)	132,300	3.69	2,059	0	-	107,823	0	-	-
Motor Vehicle Sales and Use Tax (Includes Rental Tax)	195,800	5.47	14,287	20,308	(29.6)	66,562	80,100	(16.9)	(10.2)
State Sales and Use Tax	524,800	14.65	43,148	44,566	(3.2)	175,551	178,400	(1.6)	0.0
Motor Vehicle License Fees	20,700	0.58	1,773	1,894	(6.4)	7,551	7,072	6.8	(3.0)
Recordation Tax (2 cents) (a)	27,600	0.77	1,943	0	-	8,339	0	-	-
Interest Earnings	30,700	0.86	10,741	15,630	(31.3)	10,808	15,745	(31.4)	(50.6)
Total State Taxes and Fees	\$1,066,500	29.78	\$87,996	\$94,510	(6.9)	\$413,442	\$319,904	29.2	10.1
Other Revenues:									
Federal Grants and Contracts	\$938,474	26.20	\$61,430	\$71,873	(14.5)	\$271,911	\$303,319	(10.4)	9.7
Receipts from Cities/Counties	97,299	2.71	12,157	4,269	184.8	22,052	27,016	(18.4)	114.4
Toll Revenues (Includes Route 28)	106,041	2.96	8,020	12,318	(34.9)	27,092	40,094	(32.4)	(18.3)
Miscellaneous Revenues	31,806	0.89	1,394	1,094	27.4	5,389	4,358	23.7	115.1
Total Other Revenues	\$1,173,620	32.76	\$83,001	\$89,554	(7.3)	\$326,444	\$374,787	(12.9)	12.2
Transfer (to) / from Highway Maintenance and Operating Fund	(\$384,970)	(10.75)	\$0	\$0	-	(\$220,000)	(\$200,000)	(10.0)	(45.0)
Total Transportation Trust Fund	\$1,855,150	51.79	\$170,997	\$184,064	(7.1)	\$519,886	\$494,691	5.1	6.1
TOTAL HIGHWAY MAINTENANCE AND OPERATING AND TRANSPORTATION TRUST FUND									
	\$3,582,025	100.00	\$276,864	\$311,352	(11.1)	\$1,150,215	\$1,146,897	0.3	3.4

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.