

TRANSPORTATION REVENUE TRACKING REPORT

DEPARTMENT OF MOTOR VEHICLES

HIGHWAY MAINTENANCE & OPERATING AND TRANSPORTATION TRUST FUNDS STATE TAXES AND FEES (\$ Thousands)

Revenue Sources	FY 02 _1/ Forecast	September-01		Fiscal Year-To-Date				
		Revenue Collected	% Change Year Ago	Revenue Collected	Revenue Forecast	\$ Variance	% Change	
							Actual	Forecast
Motor Fuels Taxes _2/	\$790,905	\$64,497	17.8	\$137,432	\$163,215	(\$25,783)	(9.6)	7.4
Motor Vehicle Sales & Use Tax _3/	508,810	42,235	(2.1)	132,989	135,248	(2,259)	(1.3)	0.4
State Retail Sales Tax	415,600	32,722	2.3	98,470	102,287	(3,817)	0.7	4.6
Motor Vehicle Licenses	144,201	11,908	6.6	37,483	35,048	2,435	3.6	(3.2)
International Registration Plan	60,704	1,442	(61.2)	14,770	12,229	2,541	26.7	4.9
Priority Transportation Fund	27,500	2,000	0.0	2,000	3,875	(1,875)	0.0	
Interest Earnings	3,452	6	(30.2)	10	863	(853)	101.8	(251.5)
Miscellaneous _4/	14,907	2,356	8.7	5,906	3,259	2,647	10.8	(38.9)
Total State Taxes and Fees	\$1,966,079	\$157,167	6.9	\$429,060	\$456,023	(\$26,963)	(1.8)	4.3

_1/ November 2000 Forecast.

_2/ Includes the road tax and applicable aviation taxes.

_3/ Includes applicable rental tax.

_4/ Miscellaneous fees in the Highway Maintenance and Operating Fund.

Note: Due to rounding columns may not add up exactly

Bottom Line

The economic consequences of September 11, 2001 and a generally slowing economy are beginning to show up in this month's revenue numbers. Although the month of September showed some continued strength with 6.9 percent growth, the first quarter of the fiscal year shows negative growth of 1.8 percent. Motor Fuel tax revenues were strong for the month and some expected rebound in Motor Vehicle Sales and Use tax revenues is expected due to the offer of zero percent interest rates for new vehicle purchases. However, general expectations are for negative growth for the next quarter and positive growth beginning in the first quarter of 2002.

Motor Fuels Tax

Motor Fuel Tax revenues increased 17.8 percent for the month but are down 9.6 percent for the first quarter of the fiscal year. The strong monthly increase is due to individual decisions to drive to desired destinations instead of flying. The close of the airspace for three days forced that result on the public. Although revenues reflect this month's tax payments, gallons of taxable fuel correspond to two months previous. Retail prices that were starting to move downward helped increase July's taxable gallons by 7.6 percent over the same month last year. Continued lower prices should help to generate positive growth in this revenue source.

Motor Vehicle Sales and Use Tax

Motor Vehicle Sales and Use Tax revenues are down 2.1 percent for the month and down by 1.3 percent for the first quarter of fiscal year 2002. There can be little question that the tragic events of September stopped individuals from purchasing large ticket items such as new vehicles. That event plus the slowing general economy have forced manufacturers to offer zero percent interest rates on new vehicle purchases. That strategy appears to be bringing

customers back into the show room, but it remains to be seen how it will affect actual sales. New taxable titles for the month are down by 8.8 percent and down 4.0 percent on an YTD basis. Used taxable titles are down 4.6 percent for the month but still positive on an YTD basis by 0.6 percent.

State Retail Sales Tax

State Retail Sales Tax revenue is holding up fairly well at the present time. September revenues from Sales Taxes are up by 2.3 percent over the same month last year but only ahead on an YTD basis by 0.7 percent. Consumers are less likely to purchase large items during periods of economic decline, which results in higher unemployment, so this revenue source may dip into the negative growth range by next month.

Motor Vehicle Licenses

Motor Vehicle License revenues were up 6.6 percent for the month compared to September of last year. On an YTD basis, this revenue source is ahead by 3.6 percent. Total vehicle registrations were down 1.1 percent for the month but up by 0.8 percent for the first quarter. Continued strength in the number of two-year registrations is the driving force behind the increase in revenues. Consumers are responding to the increased incentive to register for two years and changing the behavior pattern FAO has observed over the past years.

Other Revenues

International Registration Plan (IRP) revenues were down by 61.2 percent for the month of September. But this revenue source is very volatile by nature. On an YTD basis, this revenue source is up 26.7 percent.

HIGHWAY MAINTENANCE AND OPERATING FUND (HMOF)

(\$ in Thousands)

Revenue Sources	September-01			Fiscal Year-To-Date				
	FY 02 _1/ Forecast	Revenue Collected	% Change Year Ago	Revenue Collected	Revenue Forecast	\$ Variance	% Change Actual	Forecast
Motor Fuels Taxes _2/	\$683,173	\$55,953	17.0	\$117,174	141,223	(\$24,049)	(10.7)	7.7
Motor Vehicle Sales and Use Tax	326,570	29,487	(1.2)	86,964	91,440	(4,476)	(0.9)	4.2
Motor Vehicle Licenses	125,218	10,682	8.1	32,890	30,108	2,782	4.0	(4.8)
International Registration Plan	60,704	1,442	(61.2)	14,770	12,229	2,541	26.7	4.9
Miscellaneous	<u>14,907</u>	<u>2,356</u>	<u>8.7</u>	<u>5,906</u>	<u>3,259</u>	<u>2,647</u>	<u>10.8</u>	<u>(38.9)</u>
Total State Taxes and Fees	\$1,210,572	\$99,921	6.9	\$257,705	\$278,259	(\$20,554)	(3.7)	4.0
Federal Grants and Contracts _3/	22,732	895	41.6	1,830	n/a	n/a	-29.1	n/a
Transfer to TTF _4/	<u>(28,711)</u>	<u>0</u>	#N/A	<u>(638)</u>	n/a	n/a	#N/A	n/a
Total HMOF	\$1,204,593	\$100,816	7.2	\$258,897	n/a	n/a	(3.9)	n/a

_1/ November 2000 Forecast.

_2/ Includes the road tax.

_3/ Revenues reflect prior period activity and are not a reliable measure of revenue or fiscal capacity of the State's program.

_4/ Current law provides for balances to be transferred to the Transportation Trust Fund (TTF).

Note: Due to rounding columns may not add up exactly.

TRANSPORTATION TRUST FUND

(\$ in Thousands)

Revenue Sources	September-01			Fiscal Year-To-Date				
	FY 02 _1/ Forecast	Revenue Collected	% Change Year Ago	Revenue Collected	Revenue Forecast	\$ Variance	% Change Actual	Forecast
Motor Fuels Taxes _2/	\$107,732	\$8,544	23.3	\$20,257	\$21,991	(\$1,734)	(2.8)	5.5
Motor Vehicle Sales and Use Tax _3/	182,240	12,749	(4.3)	\$46,025	43,809	2,216	(1.9)	(6.7)
Priority Transportation Fund	27,500	2,000	0	\$2,000	3,875	(1,875)	0.0	n/a
State Retail Sales Tax	415,600	32,722	2.3	\$98,470	102,287	(3,817)	0.7	4.6
Motor Vehicle Licenses	18,983	1,226	(4.9)	\$4,593	4,940	(347)	0.7	8.3
Interest Earnings	<u>\$3,452</u>	<u>6</u>	<u>(30.2)</u>	<u>\$10</u>	<u>863</u>	<u>(853)</u>	<u>101.8</u>	<u>(251.5)</u>
Total State Taxes and Fees	\$755,507	\$57,247	7.0	\$171,356	\$177,765	(\$6,409)	1.0	4.8
Federal Grants and Contracts _4/	936,383	108,929	150.3	286,676	n/a	n/a	148.4	n/a
Local Contributions _5/	31,907	6,811	100.9	12,087	n/a	n/a	64.0	n/a
Toll and Other Revenues _6/	64,621	6,800	17.1	19,384	n/a	n/a	-17.7	n/a
Transfers from HMOF	<u>28,711</u>	<u>0</u>	#N/A	<u>0</u>	n/a	n/a	<u>(45.1)</u>	n/a
Total TTF	\$1,817,129	\$179,787	69.2	\$489,503	n/a	n/a	117.4	n/a

TOTAL TRANSPORTATION FUNDS

Total HMOF & TTF Revenues	<u>\$3,021,722</u>	<u>\$280,602</u>	<u>40.1</u>	<u>\$748,399</u>	<u>n/a</u>	<u>n/a</u>	<u>27.8</u>	<u>n/a</u>
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_1/ November 2000 Forecast.

_2/ Includes road and aviation fuel taxes.

_3/ Includes applicable rental tax.

_4/ Revenues reflect prior period activity and are not a reliable measure of revenue or the fiscal capacity of the State's program.

_5/ Local government contributions are received on a cost-share basis as provided by law.

Hybrid SUVs are in the Near Future

Part 1 of 2

Recently, automakers have been under fire for the poor fuel efficiency of their SUV lines. For over a year, gasoline prices have stayed fairly high, making the SUV an expensive vehicle because it is extremely inefficient. However, their reputation as “gas guzzlers” has not seemed to affect their sales performance. In 1980 a Department of Energy study showed that fuel economy ranked second on the list of a vehicle buyer’s priorities, however currently fuel economy does not seem to be as important since it has dropped to fifteenth on the priorities list. Currently, the US activity in the Middle East could lead to increased uncertainty in oil supply, leading to a possible change in vehicle buyer’s priorities.

The popularity of the SUV seems to come from the cargo space, ample passenger room for the growing family or the active youth and the perceived safety as a result of its size and weight. The stylish body design of today’s SUV has breached the generation gaps that were typical in past years. The modern-day family vehicle is going to go through some changes that will hopefully change their inefficient reputation. The introduction of the hybrid electric vehicle (HEV) has been a testing ground for consumer preferences. The “big three”: Ford, GM, and DaimlerChrysler, have confirmed that they are individually designing their own hybrid electric sport utility vehicles to be released in the near future.

How does the HEV work? The HEV has both a conventional engine and an electric motor. The conventional engine is most efficient on the highway where there is a minimal amount to stopping and going. The electric motor can handle the stop and go city driving. The electric motor captures regenerative braking power and stores this energy. When the vehicle reaches a moderate speed (normally about 40 miles per hour) the conventional engine starts and takes over. The vehicle is started by first turning the ignition key, which starts the vehicle’s computer. In order to engage the electric motor, the accelerator needs to be pressed and then the electric motor will spin and drive the car. The

vehicle functions like this until a moderate speed is reached, the computer determines that the conventional engine is needed and it automatically starts and drives the vehicle. This process will allow the conventional engine to run only when it is the most efficient, therefore using less gasoline.

The SUV market can greatly benefit from the hybrid drive system described above. A typical HEV sport utility could average as much as forty miles per gallon in the city and thirty-seven miles per gallon on the highway. The HEV can go up to three times farther than a conventional engine on the same amount of gasoline. There is an area of the debate that looks at the electric-only vehicles. The electric-only vehicles have not been meeting the needs of the consumers because there is an issue about vehicle range. For instance, the Honda EV Plus was cancelled after only one year of production, which amounted to 300 units because consumers were unwilling to spend \$60,000 on a vehicle that could be outrun by a \$10,000 vehicle that had twice the room and four times the range.

In the SUV market, it has been asked whether the HEV should be a gasoline or a diesel. It is the design of the diesel engine that makes it more efficient than the gasoline engine. Diesel engines have a higher torque output at lower speeds than the gasoline engine. However, diesel engines have relatively slower acceleration characteristics. The design of the HEV is that the electric motor propels the vehicle when the diesel engine is at its least efficient point. The design of the diesel HEV would have a combined power level that is ten to thirty percent higher than that of the conventional vehicle. Therefore, the diesel engine provides more power than the gasoline engine, which is important when it comes to the SUV market.

Next month, we will go into more detail about Ford, GM and DaimlerChrysler’s plans for the HEV market, in particular the Ford Escape and Explorer, Chevy Silverado, and the Dodge Durango.

**Key Revenue Indicator Tracking Report
September-01**

Key Indicator	FY 2001 Total	FY 2002 Forecast*	Month			Year-to-Date		% Annual Growth	
			FY 2002	FY 2001	% Change	FY 2002	FY 2001	% Change	Required By Forecast
Net Taxable Gallons (000's) Jul-01	4,746,431	4,596,020	407,354	378,739	7.6	407,354	378,739	7.6	(3.2)
Total Taxable Vehicle Sales (000's)	16,052,879	16,618,133	1,329,923	1,393,735	(4.6)	14,340,062	14,327,810	0.3	3.5
New Taxable Vehicle Sales (000's)	8,984,267	9,158,863	750,479	800,236	(6.2)	2,418,892	2,458,728	(1.6)	1.9
Used Taxable Vehicle Sales (000's)	7,068,613	7,459,270	579,444	593,499	(2.4)	1,921,169	1,869,082	2.8	5.5
Total Taxable Titles	1,564,701	1,566,590	125,928	133,555	(5.7)	414,848	417,301	(0.6)	0.1
New Taxable Titles	397,904	390,420	32,479	35,604	(8.8)	106,966	111,396	(4.0)	(1.9)
Used Taxable Titles	1,166,797	1,176,170	93,449	97,951	(4.6)	307,882	305,905	0.6	0.8
Average Price All Motor Vehicles	\$10,253	\$10,606	\$10,561	\$10,436	1.2	\$10,499	\$10,371	1.2	3.4
Average Price New Vehicles	22,579	23,459	23,107	22,476	2.8	22,614	22,072	2.5	3.9
Average Price Used Vehicles	6,058	6,342	6,201	6,059	2.3	6,240	6,110	2.1	4.7
Total Vehicle Registrations	5,877,617	6,033,080	469,622	474,738	(1.1)	1,508,771	1,496,068	0.8	2.6
One-Year Registrations	5,016,212	5,235,080	395,688	408,285	(3.1)	1,273,549	1,280,287	(0.5)	4.4
Two-Year Registrations	861,405	798,000	73,934	66,453	11.3	235,222	215,781	9.0	(7.4)

Twelve Month Rolling Average¹

September-01

Revenue Source ²	From 10-00 to 9-01	From 10-99 to 9-00	Percent Difference
	(\$Thousands)		
Motor Fuels Tax	\$63,634	\$64,469	-1.29%
Motor Fuels Tax ³	\$62,639	\$63,258	-0.98%
Aviation	\$140	\$136	2.48%
Road Tax	\$856	\$1,075	-20.38%
Vehicle Sales Tax	\$41,725	\$42,095	-0.88%
Vehicle Sales Tax	\$41,188	\$41,548	-0.86%
Rental Tax	\$537	\$547	-1.82%
Retail Sales Tax	\$32,346	\$31,487	2.73%
Motor Vehicle License	\$12,366	\$11,901	3.91%
IRP	\$4,517	\$4,313	4.74%
*October 2000 Forecast			
1 Of Selected Revenue Sources			
2 Includes HMOF and TTF			
3 Includes Clean Special Fuels Tax Revenues			