

COMMONWEALTH TRANSPORTATION FUND REVENUE REPORT December 2023

Summary

Commonwealth Transportation Fund (CTF) revenues increased by 8.4 percent in December, driven by motor fuels tax collections.

Motor Fuels Tax

Motor fuels taxes grew by 24.6 percent in December.

The U.S. average retail gasoline price is forecast to decline as gasoline inventories increase and gasoline crack spreads fall. U.S. gasoline prices are expected to average around \$3.40 per gallon (gal) in 2024 and \$3.20/gal in 2025, compared with an average of more than \$3.50/gal in 2023.

Motor Vehicle Sales and Use Tax

Motor vehicle sales tax collections had a marginal increase of 0.4 percent.

Pent-up demand is contributing heavily to vehicle sales. Updated data suggest that American consumers continue to hold nearly two-thirds of their excess savings built since the arrival of the pandemic. In addition, a resilient labor market with above-average wage growth is instilling confidence in consumers to make large purchases. As a result, consumers are using the extra financial cushion to purchase a new vehicle, setting up a new record for consumer spending on new vehicles for the month of November.

Still, evidence this year also suggests that new-vehicle sales have largely leveled off. This means there is a ceiling to the current consumer pent-up demand for new vehicles. Despite having the extra financial cushion, most consumers buying a vehicle today are likely doing so out of necessity. This is especially true if a prospective buyer is contemplating financing a new vehicle instead of paying cash or trading in a used vehicle to lower the financing amount.

With interest rates elevated, financing a new vehicle today is particularly painful. Auto lending rates on new loans can rise as high as 8% or more, making monthly payments painful for a new buyer. In addition, new-vehicle prices will make a prospective buyer rethink a purchase. These factors are weighing on new-vehicle demand.

In a recent Federal Reserve survey, banks are reporting weaker demand for auto loans

as well. The net percentage of domestic banks reporting stronger demand for auto loans has remained negative since the second half of last year. Banks are also tightening standards on auto lending to make sure that loans are increasingly given out to those buyers with strong credit ratings to pay back their loans. It is likely that high lending rates and elevated new-vehicle prices are keeping a sizable portion of prospective buyers from purchasing a vehicle, and this could partly explain why new-vehicle sales have yet to reach their pre-pandemic equilibrium sales volume.

State Retail Sales Tax

The transportation portion of the state retail sales tax fell by 8.3 percent in December.

Motor Vehicle Licenses

Motor vehicle registration fee collections declined by 13.8 percent in December.

Commonwealth of Virginia/Department of Accounts
Commonwealth Transportation Fund
Summary Statement of Selected Revenue Estimates & Collections
For the Fiscal Years 2023 and 2024
(Dollars in Thousands)

Revenue	FY 2024 Estimate	As a % of Total Fund	December			Year-To-Date			% Annual Growth Required By Estimate
			FY 2024	FY 2023	% Change	FY 2024	FY 2023	% Change	
Motor Fuel Taxes	\$1,538,200	19.51	\$140,322	\$112,663	24.6	\$757,197	\$726,928	4.2	4.5
Insurance Premiums Tax	217,791	2.76	33,008	21,936	50.5	217,791	202,486	7.6	7.6
Motor Vehicle Sales and Use Tax	1,234,400	15.66	97,649	97,215	0.4	637,701	627,515	1.6	(2.2)
State Sales and Use Tax	1,372,100	17.40	116,485	126,969	(8.3)	694,253	731,309	(5.1)	(3.1)
Motor Vehicle License Fees	225,600	2.86	16,039	18,600	(13.8)	107,657	95,405	12.8	14.8
Highway Use Fee	61,800	0.78	5,040	3,984	26.5	33,362	29,582	12.8	5.8
International Registration Plan	114,100	1.45	14,879	9,192	61.9	52,145	46,512	12.1	(0.9)
Recordation Tax	52,500	0.67	4,262	3,936	8.3	24,424	29,124	(16.1)	(0.3)
Interest Earnings	14,200	0.18	58	10	480.0	12,029	1,842	553.0	(33.0)
Misc. Taxes, Fees, and Revenues	18,600	0.24	1,499	1,455	3.0	9,502	10,002	(5.0)	(6.0)
Total State Taxes and Fees	<u>\$4,849,291</u>	<u>61.51</u>	<u>\$429,241</u>	<u>\$395,960</u>	<u>8.4</u>	<u>\$2,546,061</u>	<u>\$2,500,705</u>	<u>1.8</u>	<u>0.7</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 2023 and 2024
(Dollars in Thousands)**

Revenue	FY 2024 Estimate	As a % of Total Fund	December			Year-To-Date			% Annual Growth Required By Est
			FY 2024	FY 2023	% Change	FY 2024	FY 2023	% Change	
COMMONWEALTH TRANSPORTATION FUND									
Motor Vehicle Fuels Taxes (Includes Aviation & Road Taxes)	\$1,538,200	19.51	\$140,322	\$112,663	24.6	\$757,197	\$726,928	4.2	4.5
Motor Vehicle Sales and Use Tax (Includes Rental Tax)	1,234,400	15.66	97,649	97,215	0.4	637,701	627,515	1.6	(2.2)
State Sales and Use Tax	1,372,100	17.40	116,485	126,969	(8.3)	694,253	731,309	(5.1)	(3.1)
Motor Vehicle License Fees	225,600	2.86	16,039	18,600	(13.8)	107,657	95,405	12.8	14.8
Highway Use Fee	61,800	0.78	5,040	3,984	26.5	33,362	29,582	12.8	5.8
International Registration Plan	114,100	1.45	14,879	9,192	61.9	52,145	46,512	12.1	(0.9)
Insurance Premiums Tax	217,791	2.76	33,008	21,936	50.5	217,791	202,486	7.6	7.6
Recordation Tax	52,500	0.67	4,262	3,936	8.3	24,424	29,124	(16.1)	(0.3)
Total Commonwealth Transportation Fund	\$4,816,491	61.09	\$427,684	\$394,495	8.4	\$2,524,530	\$2,488,861	1.4	0.8
HIGHWAY MAINTENANCE AND OPERATING FUND									
Misc. Taxes, Fees, and Revenues	\$18,600	0.24	\$1,499	\$1,455	3.0	\$9,502	\$10,002	(5.0)	(6.0)
Other Miscellaneous Revenues	271,103	3.44	5,534	2,016	174.5	336,041	503,155	(33.2)	(53.2)
Federal Grants and Contracts	0	0.00	363	972	(62.7)	15,599	10,687	46.0	(100.0)
Transfer (to) / from Transportation Trust Fund	363,025	4.60	91,000	30,000	203.3	182,000	30,000	506.7	419.0
Total Highway Maintenance and Operating Fund	\$652,728	8.28	\$98,396	\$34,443	185.7	\$543,142	\$553,844	(1.9)	(6.0)
TRANSPORTATION TRUST FUND									
Interest Earnings	\$14,200	0.18	\$58	\$10	480.0	\$12,029	\$1,842	553.0	(33.0)
Federal Grants and Contracts	1,577,002	20.00	40,982	59,486	(31.1)	806,584	1,124,581	(28.3)	6.0
Receipts from Cities/Counties	784,754	9.95	53,624	16,031	234.5	307,969	165,722	85.8	69.0
Toll Revenues	82,294	1.05	3,751	3,066	22.3	30,358	17,432	74.2	40.4
Miscellaneous Revenues	319,225	4.05	3,563	1,315	171.0	173,744	182,660	(4.9)	19.0
Transfer (to) / from Highway Maintenance and Operating Fund	(363,025)	(4.60)	(91,000)	(30,000)	(203.3)	(182,000)	(30,000)	(506.7)	(419.0)
Total Transportation Trust Fund	\$2,414,450	30.63	\$10,978	\$49,908	(78.0)	\$1,148,684	\$1,462,237	(21.4)	8.2
TOTAL COMMONWEALTH TRANSPORTATION FUND, HIGHWAY MAINTENANCE AND OPERATING FUND, AND TRANSPORTATION TRUST FUND									
	\$7,883,669	100.00	\$537,058	\$478,846	12.2	\$4,216,356	\$4,504,942	(6.4)	2.4

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