

## COMMONWEALTH TRANSPORTATION FUND REVENUE REPORT May 2023

### Summary

Commonwealth Transportation Fund (CTF) revenues increased by 0.8 percent in May

### Motor Fuels Tax

Motor fuels taxes increased by 2.8 percent in May.

Following the OPEC+ announcement on June 4 to extend crude oil production cuts through 2024, we forecast global oil inventories to fall slightly in each of the next five quarters. We expect these draws will put some upward pressure on crude oil prices, notably in late-2023 and early-2024. We forecast the Brent crude oil spot price will average \$79 per barrel (b) in the second half of 2023 (2H23) and \$84/b in 2024.

### Motor Vehicle Sales and Use Tax

Motor vehicle sales tax collections increased by 4.9 percent.

Following two consecutive months of decline, new-vehicles sales rose sharply in April. Last month, vehicle sales increased 7.2 percent on a monthly basis. In addition, year-over-year sales grew 11.4 percent, the fastest pace since October. This year, new-vehicle sales have averaged 15.4 million SAAR, which is a marked improvement from the same time last year when vehicle sales were depressed because of a lack of car supply.

Production of new vehicles continues to improve, a trend that has been in place since mid-2022. During the first quarter, auto production in the U.S. improved further as well. Year over year, the production of light autos and trucks rose by nearly 11 percent in the first quarter, and the first-quarter vehicle rollout was the strongest since the start of the 2020 pandemic. However, quarter over quarter, production numbers declined 2 percent, and U.S. light-vehicle production in the first three months of the year was still down 7.3 percent compared with the same period in 2019. Elsewhere, German auto production is also recovering. In the first quarter, domestic vehicle production in Germany was the highest in nearly four years. In addition, the German auto industry is also increasing production of electric vehicles to accommodate the rising demand. Indeed, Germany's auto industry association, VDA, expects the number of electric vehicles produced in the country to increase 50 percent to more than 1 million in 2023. Some Japanese carmakers are also faring well. Toyota's vehicle sales rose to an all-time high recently amid increased semiconductor chip availability and a lack of logistical headwinds.

Higher production levels are also increasing inventories in the U.S. In March, seasonally adjusted inventory levels rose 18 percent and jumped to their highest level since August 2021. Higher inventory levels also mean that new vehicles remain on dealership lots longer compared with the last several years, when a low supply of vehicles resulted in preselling a majority of new vehicles. While it is still true that dealerships continue to presell a large part of their inventory because of pent-up consumer demand, the average time spent on the dealership lot continues to trend higher.

Despite near-record-high not seasonally adjusted transaction prices and higher interest rates, consumer demand for new vehicles is showing signs of resiliency. Whereas not seasonally adjusted average transaction prices are trending lower since last winter, that is largely attributed to a rising availability of new vehicles rather than stunting consumer demand. If consumer demand was collapsing, we should witness declining new-vehicle sales given that interest rates have continued to rise for nearly a year alongside elevated average transaction prices. However, so far consumers are still willing to purchase new vehicles despite concerns regarding unaffordability. To woo new customers to their lots, dealerships continue to increase vehicle discounts even though they remain low compared with their pre-pandemic average. Consistent demand and low incentives are also keeping dealership profits elevated; however, they are lower today compared with last year.

### State Retail Sales Tax

The transportation portion of the state retail sales tax declined by 8.9 percent in May.

### Motor Vehicle Licenses

Motor vehicle registration fee collections increased by 0.1 percent in May.

**Commonwealth of Virginia/Department of Accounts**  
**Commonwealth Transportation Fund**  
**Summary Statement of Selected Revenue Estimates & Collections**  
**For the Fiscal Years 2022 and 2023**  
(Dollars in Thousands)

Revenue	FY 2023 Estimate	As a % of Total Fund	May			Year-To-Date			% Annual Growth Required By Estimate
			FY 2023	FY 2022	% Change	FY 2023	FY 2022	% Change	
<b>Motor Fuel Taxes</b>	\$1,431,900	17.00	\$120,144	\$116,862	2.8	\$1,325,558	\$1,174,339	12.9	11.2
<b>Insurance Premiums Tax</b>	202,496	2.40	0	0	-	202,496	180,657	12.1	12.1
<b>Motor Vehicle Sales and Use Tax</b>	1,198,000	14.23	108,300	103,217	4.9	1,143,563	1,139,849	0.3	(4.1)
<b>State Sales and Use Tax</b>	1,349,200	16.03	111,336	122,174	(8.9)	1,297,580	1,223,717	6.0	(1.4)
<b>Motor Vehicle License Fees</b>	236,600	2.81	21,480	21,449	0.1	182,065	211,097	(13.8)	2.4
<b>Highway Use Fee</b>	59,700	0.71	5,742	4,338	32.4	53,097	49,271	7.8	11.0
<b>International Registration Plan</b>	124,200	1.47	21,430	14,707	45.7	110,740	112,047	(1.2)	4.6
<b>Recordation Tax</b>	81,000	0.96	4,886	7,521	(35.0)	47,561	74,892	(36.5)	(0.7)
<b>Interest Earnings</b>	5,700	0.07	29	1	#	12,418	1,700	630.5	234.9
<b>Misc. Taxes, Fees, and Revenues</b>	17,200	0.20	1,982	2,080	(4.7)	18,232	20,088	(9.2)	(19.1)
<b>Total State Taxes and Fees</b>	<u>\$4,705,996</u>	<u>55.88</u>	<u>\$395,329</u>	<u>\$392,349</u>	<u>0.8</u>	<u>\$4,393,310</u>	<u>\$4,187,657</u>	<u>4.9</u>	<u>2.4</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 2022 and 2023  
(Dollars in Thousands)**

Revenue	FY 2023 Estimate	As a % of Total Fund	May			Year-To-Date			% Annual Growth Required By Est
			FY 2023	FY 2022	% Change	FY 2023	FY 2022	% Change	
<b>COMMONWEALTH TRANSPORTATION FUND</b>									
Motor Vehicle Fuels Taxes (Includes Aviation & Road Taxes)	\$1,431,900	17.00	\$120,144	\$116,862	2.8	\$1,325,558	\$1,174,339	12.9	11.2
Motor Vehicle Sales and Use Tax (Includes Rental Tax)	1,198,000	14.23	108,300	103,217	4.9	1,143,563	1,139,849	0.3	(4.1)
State Sales and Use Tax	1,349,200	16.03	111,336	122,174	(8.9)	1,297,580	1,223,717	6.0	(1.4)
Motor Vehicle License Fees	236,600	2.81	21,480	21,449	0.1	182,065	211,097	(13.8)	2.4
Highway Use Fee	59,700	0.71	5,742	4,338	32.4	53,097	49,271	7.8	11.0
International Registration Plan	124,200	1.47	21,430	14,707	45.7	110,740	112,047	(1.2)	4.6
Insurance Premiums Tax	202,496	2.40	0	0	-	202,496	180,657	12.1	12.1
Recordation Tax	81,000	0.96	4,886	7,521	(35.0)	47,561	74,892	(36.5)	(0.7)
<b>Total Commonwealth Transportation Fund</b>	<b>\$4,683,096</b>	<b>55.61</b>	<b>\$393,318</b>	<b>\$390,268</b>	<b>0.8</b>	<b>\$4,362,660</b>	<b>\$4,165,869</b>	<b>4.7</b>	<b>2.4</b>
<b>HIGHWAY MAINTENANCE AND OPERATING FUND</b>									
Misc. Taxes, Fees, and Revenues	\$17,200	0.20	\$1,982	\$2,080	(4.7)	\$18,232	\$20,088	(9.2)	(19.1)
Other Miscellaneous Revenues	553,272	6.58	3,609	(1,312)	375.1	572,761	419,687	36.5	29.7
Federal Grants and Contracts	0	0.00	2,448	2,387	2.6	22,957	12,818	79.1	(100.0)
Transfer (to) / from Transportation Trust Fund	63,329	0.75	0	0	-	45,000	(201,969)	122.3	127.0
<b>Total Highway Maintenance and Operating Fund</b>	<b>\$633,801</b>	<b>7.53</b>	<b>\$8,039</b>	<b>\$3,155</b>	<b>154.8</b>	<b>\$658,950</b>	<b>\$250,624</b>	<b>162.9</b>	<b>178.3</b>
<b>TRANSPORTATION TRUST FUND</b>									
Interest Earnings	\$5,700	0.07	\$29	\$1	#	\$12,418	\$1,700	630.5	234.9
Federal Grants and Contracts	1,746,997	20.74	86,330	41,723	106.9	1,405,962	1,232,179	14.1	35.7
Receipts from Cities/Counties	1,002,622	11.90	63,453	46,859	35.4	392,955	619,592	(36.6)	49.1
Toll Revenues	73,840	0.88	4,350	2,838	53.3	53,543	32,780	63.3	107.2
Miscellaneous Revenues	338,311	4.02	37,191	8,652	329.9	238,247	379,382	(37.2)	(16.8)
Transfer (to) / from Highway Maintenance and Operating Fund	(63,329)	(0.75)	0	0	-	(45,000)	201,969	(122.3)	(127.0)
<b>Total Transportation Trust Fund</b>	<b>\$3,104,141</b>	<b>36.86</b>	<b>\$191,353</b>	<b>\$100,073</b>	<b>91.2</b>	<b>\$2,058,125</b>	<b>\$2,467,602</b>	<b>(16.6)</b>	<b>17.7</b>
<b>TOTAL COMMONWEALTH TRANSPORTATION FUND, HIGHWAY MAINTENANCE AND OPERATING FUND, AND TRANSPORTATION TRUST FUND</b>									
	<b>\$8,421,038</b>	<b>100.00</b>	<b>\$592,710</b>	<b>\$493,496</b>	<b>20.1</b>	<b>\$7,079,735</b>	<b>\$6,884,095</b>	<b>2.8</b>	<b>13.2</b>

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