

## COMMONWEALTH TRANSPORTATION FUND REVENUE REPORT April 2022

### Summary

Commonwealth Transportation Fund (CTF) revenues increased by 8.8 percent in April, driven by strong growth in motor fuels and retail sales tax collections

### Motor Fuels Tax

Motor fuels taxes grew by 16.9 percent in April.

We expect the Brent price will average \$107/b in 2Q22 and \$103/b in the second half of 2022 (2H22). We expect the average price to fall to \$97/b in 2023. However, this price forecast is highly uncertain. Actual price outcomes will largely depend on the degree to which existing sanctions imposed on Russia, any potential future sanctions, and independent corporate actions affect Russia's oil production or the sale of Russia's oil in the global market. We completed this outlook on May 5, therefore it does not include an EU ban on oil imports from Russia. However, the bans being reported at the time of writing would likely contribute to tighter oil balances and higher oil prices than our current forecast. In addition, the degree to which other oil producers respond to current oil prices and the effects macroeconomic developments might have on global oil demand will be important for oil price formation in the coming months. We reduced Russia's oil production in this month's forecast compared with our April forecast, and we now expect oil markets to be mostly balanced from 2Q22 through the end of 2023. Because oil inventories are currently low, we expect downward oil price pressures will be limited and market conditions will exist for significant price volatility.

### Motor Vehicle Sales and Use Tax

Motor vehicle sales tax collections declined by 4.9 percent.

Limited auto production and subsequently depressed inventories continue to support elevated prices for both new and used vehicles. Used-vehicle prices remain up more than 20% year over year and more than 100% compared with the pandemic-induced slump of April 2020. New-vehicle prices have not risen as quickly, but transaction prices are up almost 20% over the past two years. This does not account for the drop in vehicle incentives and rising interest rates, which put the rise in new-vehicle payments above 30% over the past two years.

Increased prices and interest rates have led to less-affordable vehicles for the average consumer. According to the Cox Automotive/Moody's Analytics Vehicle Affordability Index, it takes 43 weeks of pre-tax median family income to afford a new vehicle. This is up from 34 weeks prior to the pandemic.

Affordability will be further strained by rising interest rates. In March, the Federal Reserve lifted its target rate for the first time since the pandemic began and has signaled it will be raising rates aggressively the remainder of the year to control inflation. If rates rise at the expected pace, then auto interest rates will be at decade-long highs by the end of the year.

Rising interest rates are a feature, not a bug, of the coming months. The Fed is intentionally slowing economic growth to cool the rise in prices. If the Fed were to allow inflation to continue at the current pace, this could lead to a stagflation scenario where the unemployment rate is rising and high inflation does not abate.

The slowdown in economic growth will decrease the base level of demand for new and used vehicles. Still, any slowing of growth across the wider economy is not likely to depress new-vehicle sales for the remainder of 2022 beyond our current outlook. Supply will continue to be the reason sales are not able to get much above the 15 million mark. Additionally, pent-up demand from the past two years remains. Because of constrained production, many people who have wanted to purchase a vehicle have not been able to do so and will continue to look for vehicles even as economic growth slows. In spite of pent-up demand, limited vehicle supply will keep new-vehicle sales below 15.5 million units sold in 2022. New-vehicle sales will fail to come back to an SAAR of 17 million units before 2023. Risks to this forecast weigh to the downside.

### State Retail Sales Tax

The transportation portion of the state retail sales tax increased by 7.8 percent in April.

### Motor Vehicle Licenses

Motor vehicle registration fee collections fell by 38.5 percent in April.

**Commonwealth of Virginia/Department of Accounts**  
**Commonwealth Transportation Fund**  
**Summary Statement of Selected Revenue Estimates & Collections**  
**For the Fiscal Years 2021 and 2022**  
(Dollars in Thousands)

Revenue	FY 2022 Estimate	As a % of Total Fund	April			Year-To-Date			% Annual Growth Required By Estimate
			FY 2022	FY 2021	% Change	FY 2022	FY 2021	% Change	
<b>Motor Fuel Taxes</b>	\$1,352,600	17.76	\$96,474	\$82,517	16.9	\$1,057,477	\$806,146	31.2	31.6
<b>Insurance Premiums Tax</b>	180,657	2.37	0	0	-	180,657	181,382	(0.4)	(0.4)
<b>Motor Vehicle Sales and Use Tax</b>	1,214,700	15.95	103,924	109,302	(4.9)	1,036,632	922,696	12.3	6.1
<b>State Sales and Use Tax</b>	1,411,500	18.53	125,634	116,570	7.8	1,101,543	982,123	12.2	11.7
<b>Motor Vehicle License Fees</b>	234,800	3.08	22,240	16,052	38.5	189,648	192,137	(1.3)	(2.9)
<b>Highway Use Fee</b>	52,400	0.69	4,697	3,739	25.6	44,933	34,815	29.1	22.8
<b>International Registration Plan</b>	124,300	1.63	16,190	13,990	15.7	97,340	88,670	9.8	2.4
<b>Recordation Tax</b>	88,800	1.17	6,803	7,419	(8.3)	67,370	68,866	(2.2)	6.0
<b>Interest Earnings</b>	12,531	0.16	268	1,308	(79.5)	1,699	5,485	(69.0)	111.0
<b>Misc. Taxes, Fees, and Revenues</b>	17,200	0.23	2,392	(2,935)	181.5	18,008	16,354	10.1	(13.1)
<b>Total State Taxes and Fees</b>	<u>\$4,689,488</u>	<u>61.57</u>	<u>\$378,622</u>	<u>\$347,962</u>	<u>8.8</u>	<u>\$3,795,307</u>	<u>\$3,298,674</u>	<u>15.1</u>	<u>13.4</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 2021 and 2022  
(Dollars in Thousands)**

Revenue	FY 2022 Estimate	As a % of Total Fund	April			Year-To-Date			% Annual Growth Required By Est
			FY 2022	FY 2021	% Change	FY 2022	FY 2021	% Change	
<b>COMMONWEALTH TRANSPORTATION FUND</b>									
Motor Vehicle Fuels Taxes (Includes Aviation & Road Taxes)	\$1,352,600	17.76	\$96,474	\$82,517	16.9	\$1,057,477	\$806,146	31.2	31.6
Motor Vehicle Sales and Use Tax (Includes Rental Tax)	1,214,700	15.95	103,924	109,302	(4.9)	1,036,632	922,696	12.3	6.1
State Sales and Use Tax	1,411,500	18.53	125,634	116,570	7.8	1,101,543	982,123	12.2	11.7
Motor Vehicle License Fees	234,800	3.08	22,240	16,052	38.5	189,648	192,137	(1.3)	(2.9)
Highway Use Fee	52,400	0.69	4,697	3,739	25.6	44,933	34,815	29.1	22.8
International Registration Plan	124,300	1.63	16,190	13,990	15.7	97,340	88,670	9.8	2.4
Insurance Premiums Tax	180,657	2.37	0	0	-	180,657	181,382	(0.4)	(0.4)
Recordation Tax	88,800	1.17	6,803	7,419	(8.3)	67,370	68,866	(2.2)	6.0
<b>Total Commonwealth Transportation Fund</b>	<b>\$4,659,757</b>	<b>61.18</b>	<b>\$375,962</b>	<b>\$349,589</b>	<b>7.5</b>	<b>\$3,775,600</b>	<b>\$3,276,835</b>	<b>15.2</b>	<b>13.4</b>
<b>HIGHWAY MAINTENANCE AND OPERATING FUND</b>									
Misc. Taxes, Fees, and Revenues	\$17,200	0.23	\$2,392	(\$2,935)	181.5	\$18,008	\$16,354	10.1	(13.1)
Other Miscellaneous Revenues	405,487	5.32	3,698	4,015	(7.9)	420,999	323,821	30.0	23.7
Federal Grants and Contracts	0	0.00	4,145	578	617.1	10,431	14,909	(30.0)	(100.0)
Transfer (to) / from Transportation Trust Fund	(57,514)	(0.76)	0	0	-	(201,969)	50,000	(503.9)	(136.6)
<b>Total Highway Maintenance and Operating Fund</b>	<b>\$365,173</b>	<b>4.79</b>	<b>\$10,235</b>	<b>\$1,658</b>	<b>517.3</b>	<b>\$247,469</b>	<b>\$405,084</b>	<b>(38.9)</b>	<b>(29.9)</b>
<b>TRANSPORTATION TRUST FUND</b>									
Interest Earnings	\$12,531	0.16	\$268	\$1,308	(79.5)	\$1,699	\$5,485	(69.0)	111.0
Federal Grants and Contracts	1,279,944	16.80	39,836	35,069	13.6	1,190,457	910,731	30.7	29.5
Receipts from Cities/Counties	833,369	10.95	56,445	55,576	1.6	572,733	772,030	(25.8)	(11.4)
Toll Revenues	70,354	0.92	10,979	9,956	10.3	29,942	22,253	34.6	171.3
Miscellaneous Revenues	338,119	4.44	6,329	8,807	(28.1)	370,730	186,514	98.8	24.4
Transfer (to) / from Highway Maintenance and Operating Fund	57,514	0.76	0	0	-	201,969	(50,000)	503.9	136.6
<b>Total Transportation Trust Fund</b>	<b>\$2,591,831</b>	<b>34.03</b>	<b>\$113,857</b>	<b>\$110,716</b>	<b>2.8</b>	<b>\$2,367,530</b>	<b>\$1,847,013</b>	<b>28.2</b>	<b>24.9</b>
<b>TOTAL COMMONWEALTH TRANSPORTATION FUND, HIGHWAY MAINTENANCE AND OPERATING FUND, AND TRANSPORTATION TRUST FUND</b>									
	<b>\$7,616,761</b>	<b>100.00</b>	<b>\$500,054</b>	<b>\$461,963</b>	<b>8.2</b>	<b>\$6,390,599</b>	<b>\$5,528,932</b>	<b>15.6</b>	<b>13.6</b>

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