

COMMONWEALTH TRANSPORTATION FUND REVENUE REPORT November 2023

Summary

Commonwealth Transportation Fund (CTF) revenues fell by 6.2 percent in November.

Motor Fuels Tax

Motor fuels taxes were down by 8.8 percent in November.

The forecast for the Brent crude oil spot price will increase from an average of \$78 per barrel (b) in December to an average of \$84/b in the first half of 2024, partly driven by recently announced OPEC+ production cuts. Despite the announced cuts, the forecast for the Brent price is lowered in 2024. The Brent spot price is expected to average \$83/b next year, down from the forecast of \$93/b in last month's Short-Term Energy Outlook.

Motor Vehicle Sales and Use Tax

Motor vehicle sales tax collections decreased by 5.2 percent.

Much like the broader economy, U.S. consumer demand for new vehicles is proving resilient this year. Despite the monthly ups and downs, new-vehicle sales in the U.S. have averaged 15.5 million units SAAR year to date through October. This is measurably higher than the same time last year, when only 13.7 million units SAAR were sold throughout the U.S.

In normal times, an economic downturn is usually preceded by a period of exuberance. Consumers tend to overspend and businesses overhire. The last downturn caused by the pandemic was different. Consumers did not overspend and businesses did not overhire, but an intentional shutdown of the economy tanked spending and crippled supply chains. The auto industry was not spared by this as well. Although consumers were still willing to purchase new vehicles, they were unable to do so, as automakers were unable to make sufficient cars to sell. The lack of new-vehicle supply caused their prices to skyrocket, pushing many prospective buyers to postpone buying a new vehicle in the last several years.

But as the economy reopened and supply chains came back on-line, new-vehicle production has also increased. The increased availability of new vehicles has thus resulted in pent-up demand, particularly since the start of 2023. This pent-up demand for vehicles is such that, despite elevated auto lending rates and not seasonally adjusted

average transaction prices, consumers are still willing to purchase a new vehicle. A healthy labor market is certainly contributing to sustained new-vehicle sales this year, but so is above-average wage growth in the economy. In addition, unlike the previous downturns, U.S. consumers are in better financial shape today. Households still hold more than two-thirds of excess savings accumulated since the pandemic, and this is also likely aiding them in being able to purchase new vehicles when prices are at near-record highs. Still, new-vehicle sales are not yet back to the perceived equilibrium number of 17 million SAAR, and that is likely because high lending rates and vehicle prices are keeping a portion of prospective consumers from buying a new vehicle today.

Given the progress made, U.S. new-vehicle sales will end 2023 on a high note. Rising vehicle production will continue to satiate pent-up consumer demand for new vehicles in the near term. However, higher interest rates will ensure that new-vehicle sales remain below their long-term equilibrium until 2025 at the earliest. The baseline also assumes a relatively healthy labor market, which will keep up consumer demand for new vehicles. Steadily rising inventory levels will narrow the gap between vehicle demand and supply, thereby slowing growth in average transaction prices.

State Retail Sales Tax

The transportation portion of the state retail sales tax fell by 7.1 percent in November.

Motor Vehicle Licenses

Motor vehicle registration fee collections increased by 163.1 percent in November.

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	November			Year-To-Date			% Annual Growth Required By Estimate
			FY 2024	FY 2023	% Change	FY 2024	FY 2023	% Change	
Motor Fuel Taxes	\$1,572,700	20.12	\$123,905	\$135,851	(8.8)	\$616,875	\$614,266	0.4	6.8
Insurance Premiums Tax	217,791	2.79	6,225	6,616	(5.9)	184,782	180,550	2.3	7.6
Motor Vehicle Sales and Use Tax	1,130,100	14.46	91,636	96,708	(5.2)	540,052	530,299	1.8	(10.5)
State Sales and Use Tax	1,388,200	17.76	113,417	122,128	(7.1)	577,768	604,339	(4.4)	(2.0)
Motor Vehicle License Fees	218,400	2.79	15,081	5,731	163.1	91,618	76,805	19.3	11.1
Highway Use Fee	64,400	0.82	4,993	4,532	10.2	28,322	25,598	10.6	10.2
International Registration Plan	118,200	1.51	2,885	9,251	(68.8)	37,266	37,321	(0.1)	2.7
Recordation Tax	52,400	0.67	3,400	4,117	(17.4)	20,163	25,187	(19.9)	(0.5)
Interest Earnings	3,200	0.04	65	26	150.0	11,971	1,832	553.4	(84.9)
Misc. Taxes, Fees, and Revenues	17,600	0.23	1,475	2,072	(28.8)	8,003	8,547	(6.4)	(11.1)
Total State Taxes and Fees	<u>\$4,782,991</u>	<u>61.19</u>	<u>\$363,082</u>	<u>\$387,032</u>	<u>(6.2)</u>	<u>\$2,116,820</u>	<u>\$2,104,744</u>	<u>0.6</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	November			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)	\$1,572,700	20.12	\$123,905	\$135,851	(8.8)	\$616,875	\$614,266	0.4	6.8
Motor Vehicle Sales and Use Tax (Includes Rental Tax)	1,130,100	14.46	91,636	96,708	(5.2)	540,052	530,299	1.8	(10.5)
State Sales and Use Tax	1,388,200	17.76	113,417	122,128	(7.1)	577,768	604,339	(4.4)	(2.0)
Motor Vehicle License Fees	218,400	2.79	15,081	5,731	163.1	91,618	76,805	19.3	11.1
Highway Use Fee	64,400	0.82	4,993	4,532	10.2	28,322	25,598	10.6	10.2
International Registration Plan	118,200	1.51	2,885	9,251	(68.8)	37,266	37,321	(0.1)	2.7
Insurance Premiums Tax	217,791	2.79	6,225	6,616	(5.9)	184,782	180,550	2.3	7.6
Recordation Tax	52,400	0.67	3,400	4,117	(17.4)	20,163	25,187	(19.9)	(0.5)
Total Commonwealth Transportation Fund	\$4,762,191	60.92	\$361,542	\$384,934	(6.1)	\$2,096,846	\$2,094,365	0.1	(0.3)
HIGHWAY MAINTENANCE AND OPERATING FUND									
Misc. Taxes, Fees, and Revenues	\$17,600	0.23	\$1,475	\$2,072	(28.8)	\$8,003	\$8,547	(6.4)	(11.1)
Other Miscellaneous Revenues	271,103	3.47	2,198	2,187	0.5	330,507	501,140	(34.0)	(53.2)
Federal Grants and Contracts	0	0.00	3,169	2,269	39.7	15,235	9,715	56.8	(100.0)
Transfer (to) / from Transportation Trust Fund	363,025	4.64	0	0	-	91,000	0	-	419.0
Total Highway Maintenance and Operating Fund	\$651,728	8.34	\$6,842	\$6,528	4.8	\$444,745	\$519,402	(14.4)	(6.1)
TRANSPORTATION TRUST FUND									
Interest Earnings	\$3,200	0.04	\$65	\$26	150.0	\$11,971	\$1,832	553.4	(84.9)
Federal Grants and Contracts	1,577,002	20.17	40,058	105,147	(61.9)	765,602	1,065,094	(28.1)	6.0
Receipts from Cities/Counties	784,754	10.04	57,619	16,557	248.0	254,344	149,691	69.9	69.0
Toll Revenues	82,294	1.05	4,120	2,951	39.6	26,607	14,366	85.2	40.4
Miscellaneous Revenues	319,225	4.08	2,576	19,750	(87.0)	170,181	181,345	(6.2)	19.0
Transfer (to) / from Highway Maintenance and Operating Fund	(363,025)	(4.64)	0	0	-	(91,000)	0	-	(419.0)
Total Transportation Trust Fund	\$2,403,450	30.74	\$104,438	\$144,431	(27.7)	\$1,137,705	\$1,412,328	(19.4)	7.7
TOTAL COMMONWEALTH TRANSPORTATION FUND, HIGHWAY MAINTENANCE AND OPERATING FUND, AND TRANSPORTATION TRUST FUND									
	\$7,817,369	100.00	\$472,822	\$535,893	(11.8)	\$3,679,296	\$4,026,095	(8.6)	1.5

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