The Revenue Outlook for the Commonwealth Transportation Fund

A Presentation to the Commonwealth Transportation Board

October 15, 2008

The August alternative forecast favored by half the members of GACRE calls for a three quarter recession…

- In the Virginia alternative low-growth forecast, a deeper housing recession, higher oil prices, and deteriorating conditions in financial markets result in a more protracted economic slowdown in Virginia.

  - Employment declines 0.6 percent in fiscal year 2009 and stagnates in fiscal year 2010, similar but still slightly better than the last recession.
    - The construction and financial activities sectors are expected to suffer significant declines in fiscal year 2009.
    - Gains in the service sector are expected to continue.

  - Both personal income and wages and salaries are over one-half a percentage point below the standard outlook for this fiscal year and next, increasing about 3.0 percent per year over the next two years.

Commonwealth Transportation Fund Revenue Collections (through September)

	Fiscal Year 2009 Collections	% Growth	% Forecast	Variance
Motor Fuels Tax (1)	$ 155.5	(1.5) %	(5.2) %	3.7 %
Motor Vehicle Sales Tax (2)	133.8	(15.7)	(12.7)	(3.0)
Motor Vehicle License Fee	64.2	2.5	(1.2)	3.7
Retail Sales Tax	132.4	(1.1)	0.0	(1.1)
Priority Transportation Fund (3)	107.8	#	#	#
All Other	24.3	(10.0)	2.0	(12.0)
Highway Maintenance Fund	**$ 292.6**	**(7.8) %**	**(5.9) %**	**(1.9) %**
Tranportation Trust Fund	**$ 325.4**	**44.4 %**	**10.1 %**	**34.3 %**
Total CTF	**$ 618.0**	**13.9 %**	**0.6 %**	**13.3 %**

Notes:

(1) Includes aviation and road tax

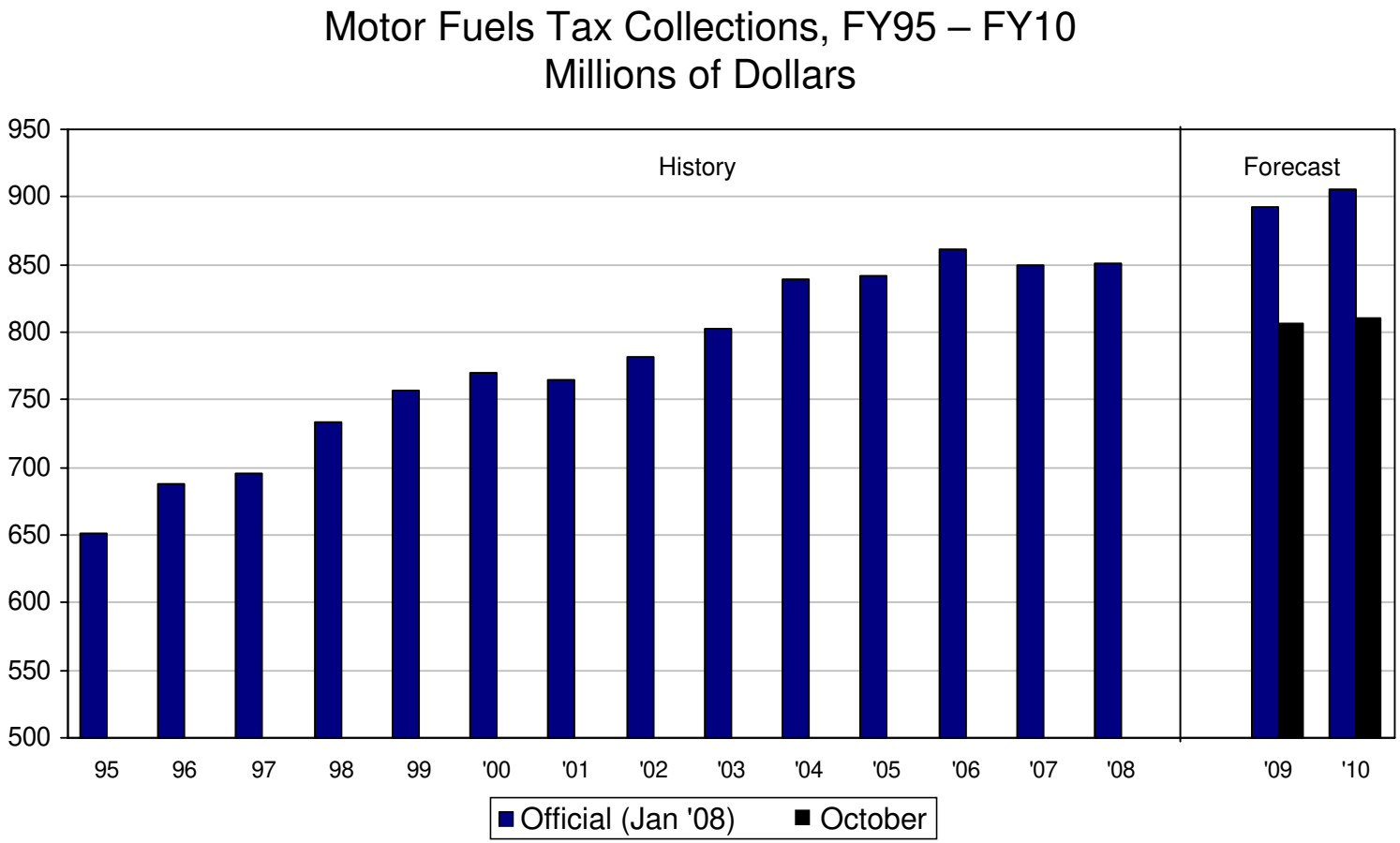
(2) Includes rental tax

(3) Includes motor fuels floor stock tax and insurance premiums tax

 # as there were no collections for insurance premiums tax in the CTF in fiscal year 2008, comparisons between fiscal year 2009 and 2008 may not be appropriate.

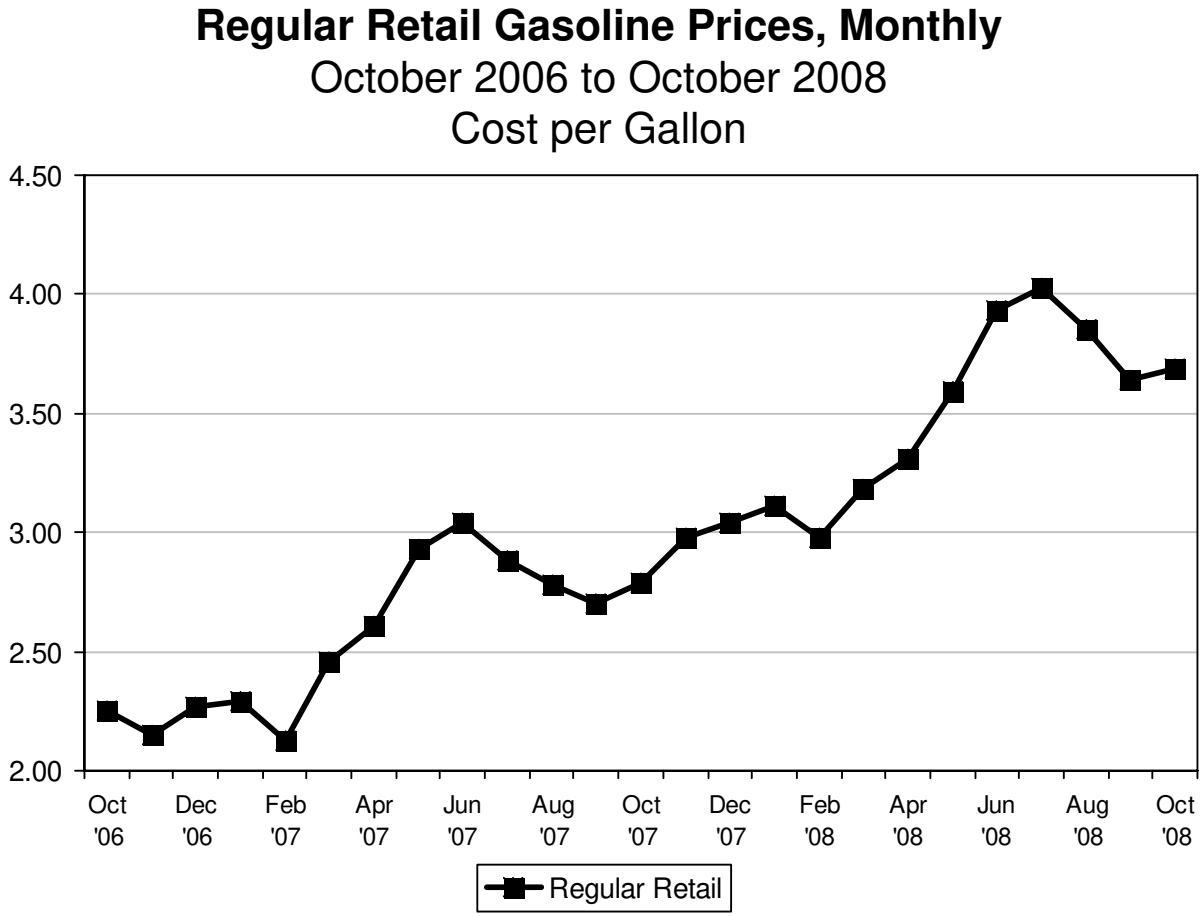
- Adjusting for the new revenue sources in FY09 (insurance premiums and recordation tax), total CTF collections are down 7.3 percent and TTF collections are down 5.4 percent through September as compared to the annual forecast declines of 6.7 percent and 6.4 percent, respectively.

Similar to the FY01 recession, motor fuel tax collections are expected to fall in FY09…



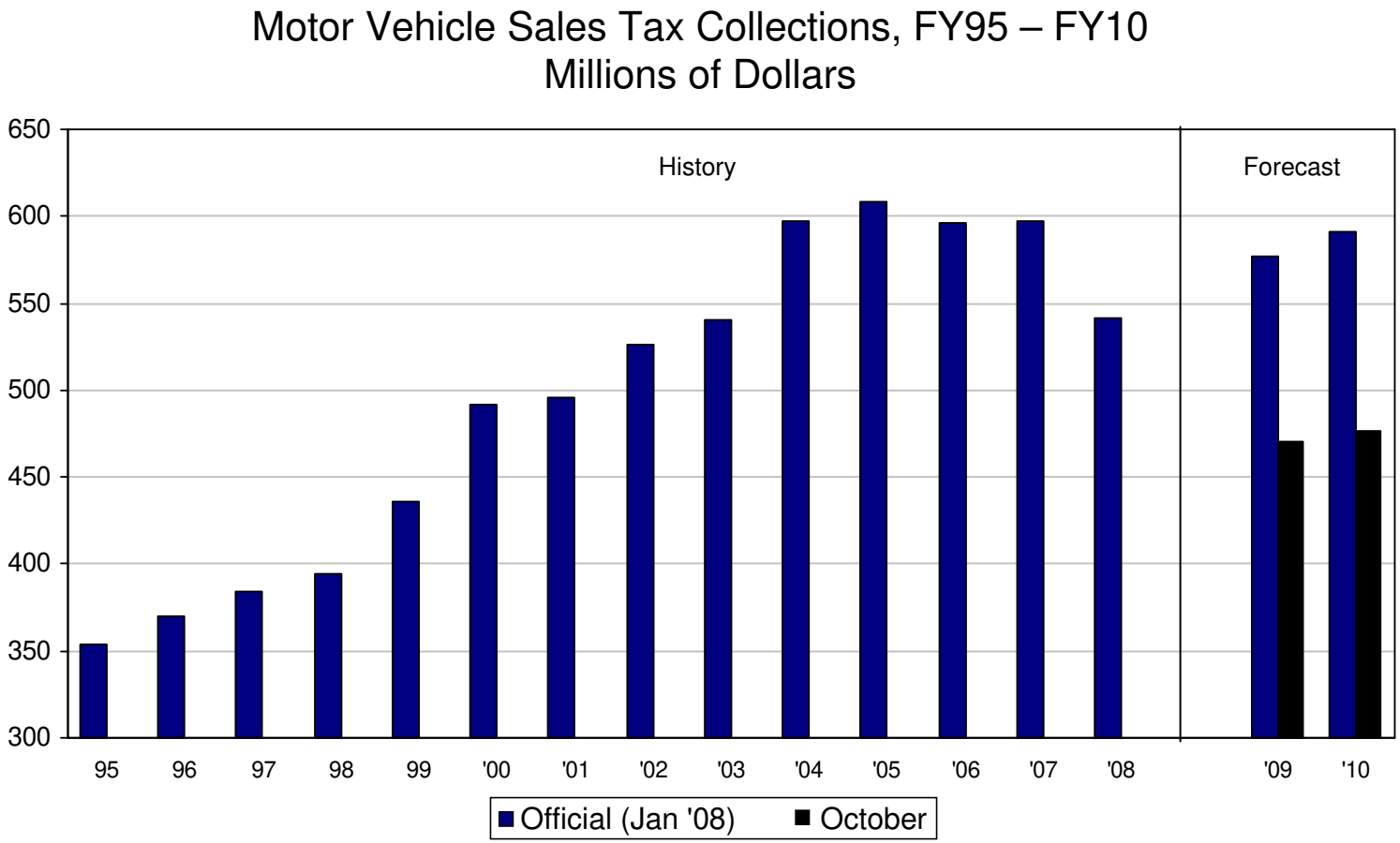
- However, unlike the FY01 recession, fuel prices are significantly higher and more volatile.

Gasoline prices are 65 percent higher than they were two years ago…



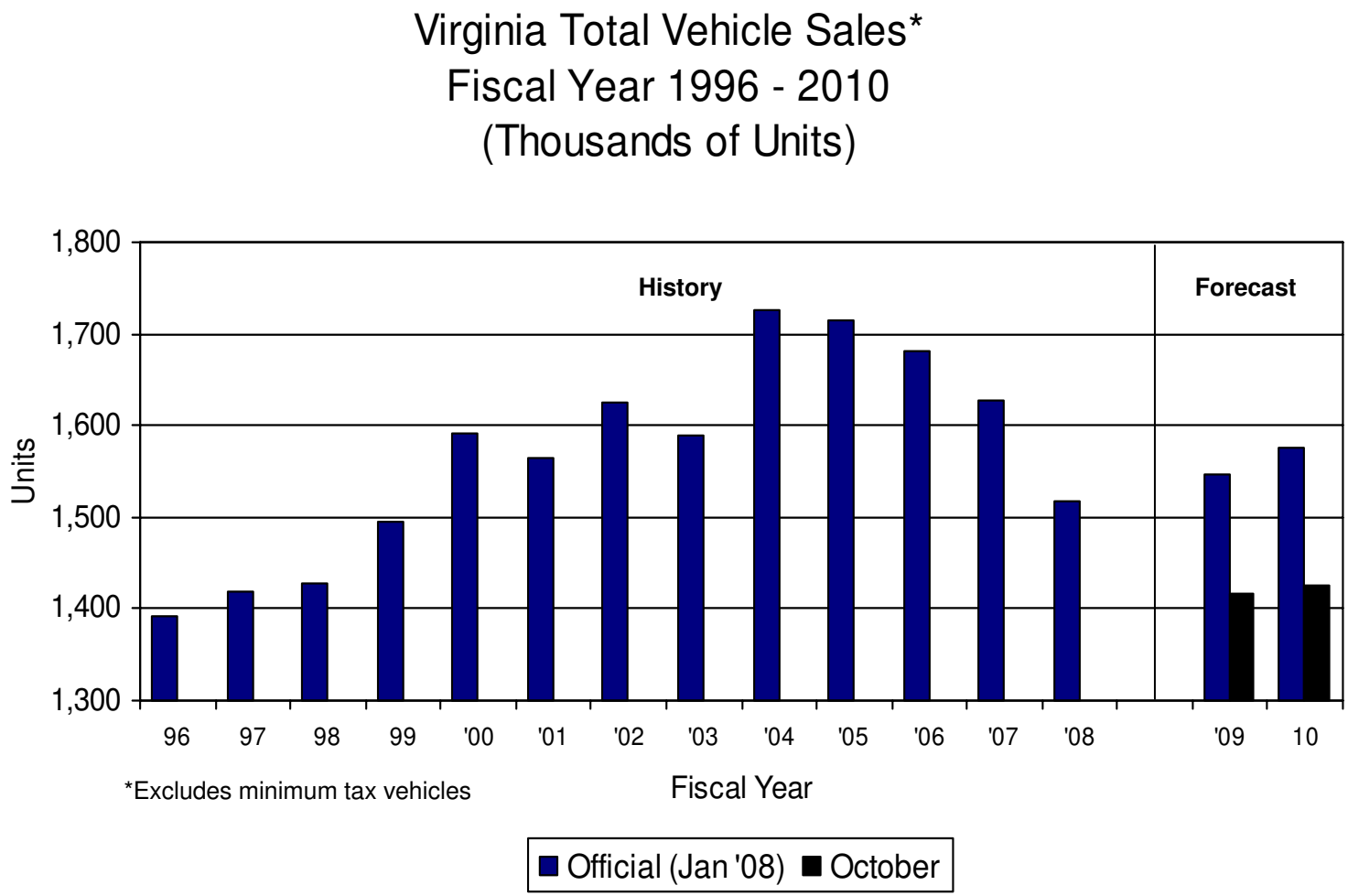
- Gasoline prices are expected to continue seasonal swings, surging in the spring and moderating in the fall.

Both the number of units sold and the average price are expected to fall in FY09…



- The pessimistic economic climate, tight credit conditions and high fuel costs lower motor vehicle sales tax collections to levels seen ten years ago.

Total vehicle sales in FY09 are expected to be 310,000 units less than the peak in FY04…



Summary of the October Forecast
Revenue Reductions

	FY09	FY10	FY11	FY12	FY13	FY14
Motor Fuels Tax	$ (86.1)	$ (95.4)	$ (104.7)	$ (111.8)	$ (114.5)	$ (103.4)
Priority Transportation Fund *	(7.2)	(14.9)	(16.3)	(14.6)	(13.8)	(13.1)
Motor Vehicle Sales Tax	(106.7)	(115.3)	(87.9)	(72.1)	(77.5)	(56.4)
Retail Sales Tax	(15.3)	(29.1)	(34.9)	(32.1)	(26.5)	(16.4)
Motor Vehicle License Fee	(19.0)	(21.3)	(17.7)	(15.0)	(13.0)	(13.5)
International Registration Fee	2.2	0.1	(2.1)	(4.2)	(6.4)	(8.6)
Recordation Tax (3 cents)	(4.5)	(8.6)	(8.0)	(7.8)	(7.9)	(8.7)
All Other	(9.2)	0.9	6.6	5.2	4.0	4.3
Highway Mainta\enance Fund	**$ (164.0)**	**(182.8)**	**(170.7)**	**(166.1)**	**(171.8)**	**(151.2)**
Transportation Trust Fund	**(81.8)**	**(100.8)**	**(94.4)**	**(86.3)**	**(83.8)**	**(64.6)**
Total CTF	**$ (245.8)**	**$ (283.6)**	**$ (265.0)**	**$ (252.4)**	**$ (255.6)**	**$ (215.8)**

The October forecast is based on the August 2008 Global Insight alternative outlook and the corresponding Virginia state forecast developed by the Department of Taxation and incorporates input from the GABE and the GACRE.

** The Priority Transportation Fund is primarily composed of General Fund transfers of insurance premiums tax.*

- Over the next six years, CTF collections are being reduced by a total of $1,518.2 million as compared to the official forecast.

Summary of the October Forecast Growth Rates

	FY09	FY10	FY11	FY12	FY13	FY14
Motor Fuels Tax	(5.2) %	0.5 %	1.6 %	1.5 %	2.3 %	2.2 %
Priority Transportation Fund *	661.5	(1.6)	5.2	4.8	4.6	4.6
Motor Vehicle Sales Tax	(13.2)	1.2	7.4	7.5	4.5	3.3
Retail Sales Tax	0.0	2.6	4.1	5.1	5.4	5.3
Motor Vehicle License Fee	(1.2)	1.1	1.8	1.7	1.4	0.2
International Registration Fee	(7.2)	0.0	0.0	0.0	0.0	0.0
Recordation Tax (3 cents)	n/a	0.0	0.0	0.0	0.0	0.0
All Other						
Highway Mainta\enance Fund	**(5.9)**	**0.7**	**2.9**	**2.9**	**2.6**	**2.0**
Transportation Trust Fund	**10.1**	**2.3**	**4.4**	**4.3**	**4.1**	**4.0**
Total CTF	**0.6 %**	**1.4 %**	**3.6 %**	**3.5 %**	**3.3 %**	**2.9 %**

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