

September 12, 2007

Motor Fuels Tax Revenues

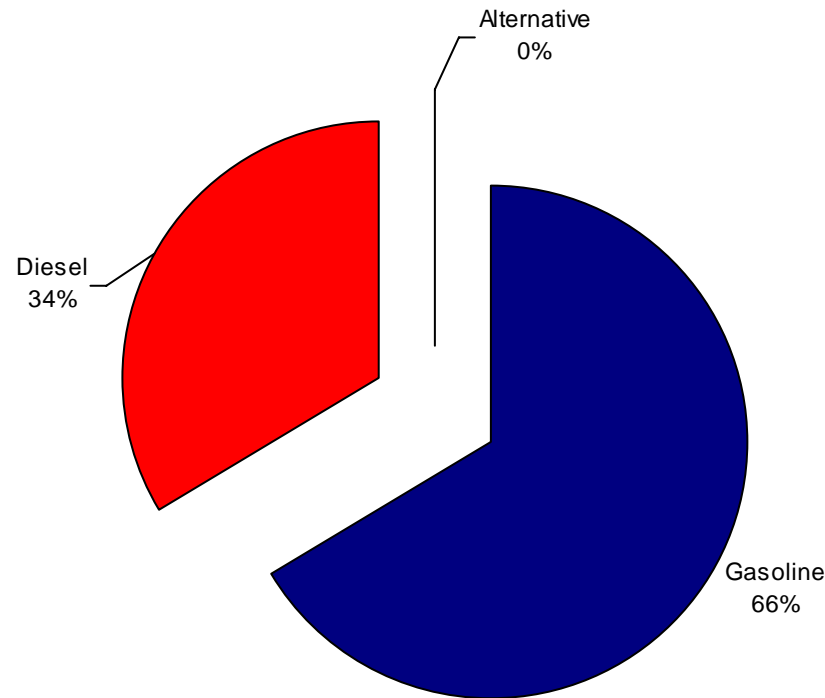
*A presentation to the joint subcommittee of the General Assembly
Fuel-efficient vehicles and transportation funding*



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Components of Virginia's motor fuels consumption...

Components of Motor Fuels Consumption -- FY07
Percent Share of Total



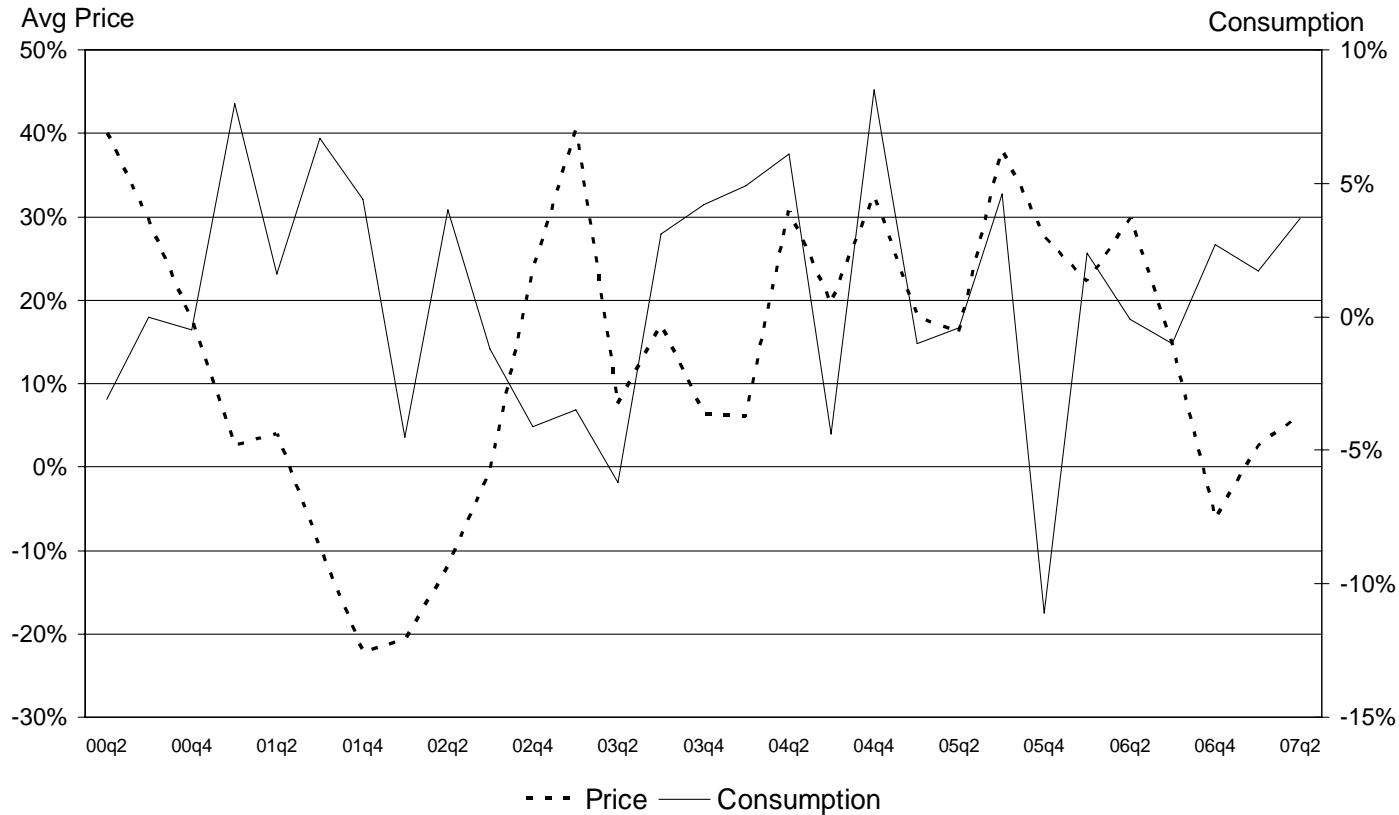
- Most diesel fuel consumption is by non-passenger carrying vehicles.

Virginia's motor fuel demand is impacted by many different parameters including...

- Population growth
 - Since 2000, Virginia has been on a trend toward slower growth.
- Economic growth
 - The demand for motor fuels, particularly diesel, is driven by economic activity.
 - The Commonwealth has begun the phase of decelerating growth in the economy.
- Fuel prices
 - Since January 2004, gasoline prices have increased 89%.
 - Retail motor fuel prices follow prices of crude oil. The Energy Information Administration estimates gasoline prices will steadily decline over the next decade.
- Vehicle mix and driving habits
 - There has been a broad, long-term, but gradual, movement to smaller vehicles.
 - Sales of large SUV's down 19% in 2005 and 26% in 2006.

The demand for gasoline is relatively inelastic over the short-term...

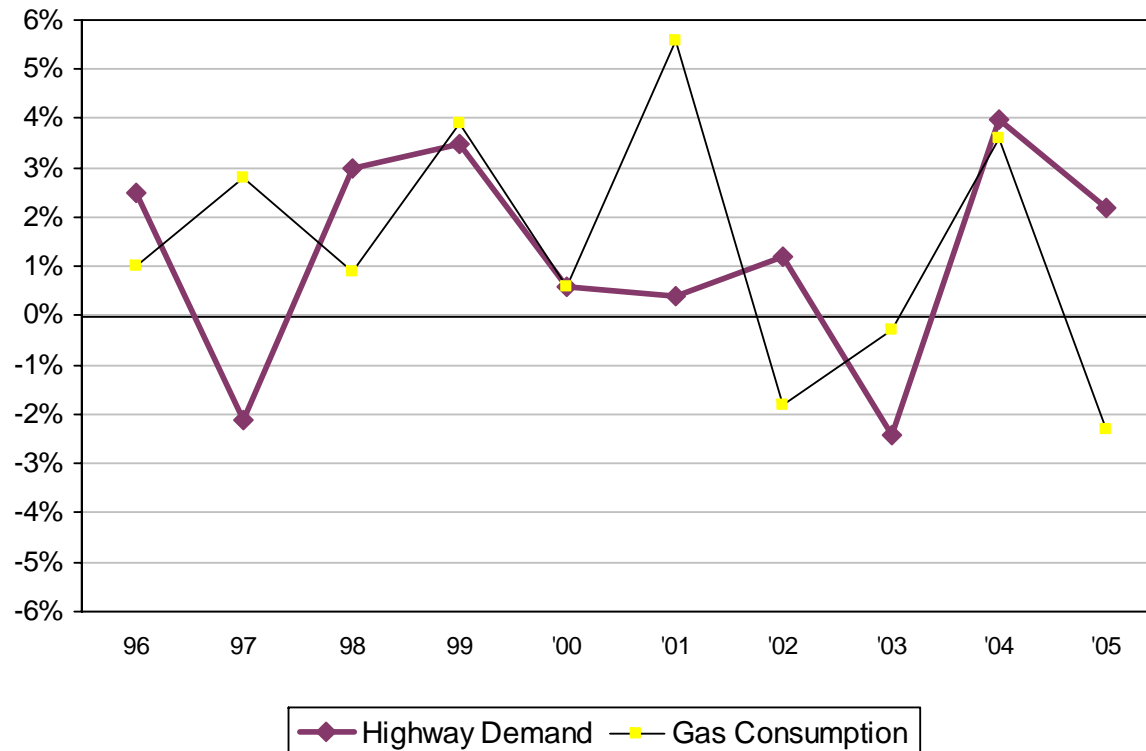
Growth in Avg Price of Gasoline/Consumption
2002q2 – 2007q2



- Research suggests it takes years for higher gas prices to meaningfully damp consumption. Prices would have to be considerably higher and stay high for a long time to significantly curb gasoline consumption.

Motor gasoline demand is generally correlated to highway demand...

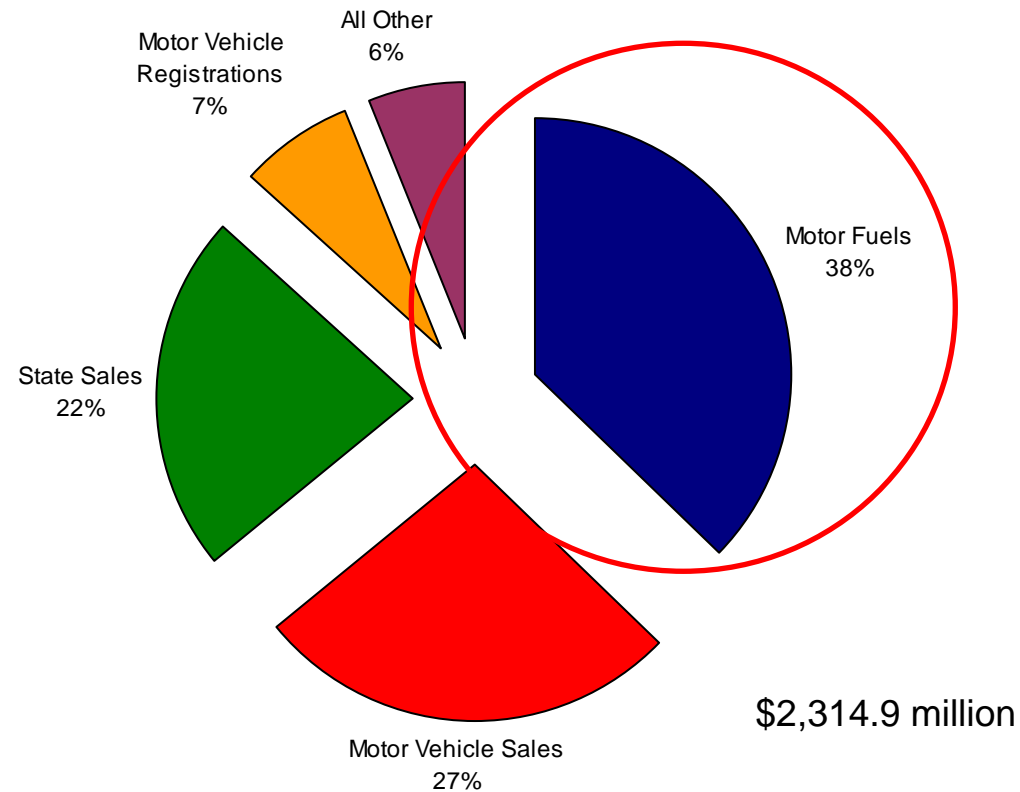
Growth in Highway Demand v. Gasoline Consumption, CY95-05



- Highway demand is the ratio of vehicle miles traveled (VMT) to average fuel efficiency.
- Over the last 10 years, VMT and gasoline consumption have averaged 1.5% average annual growth in Virginia.

Components of Commonwealth Transportation Fund Revenues...

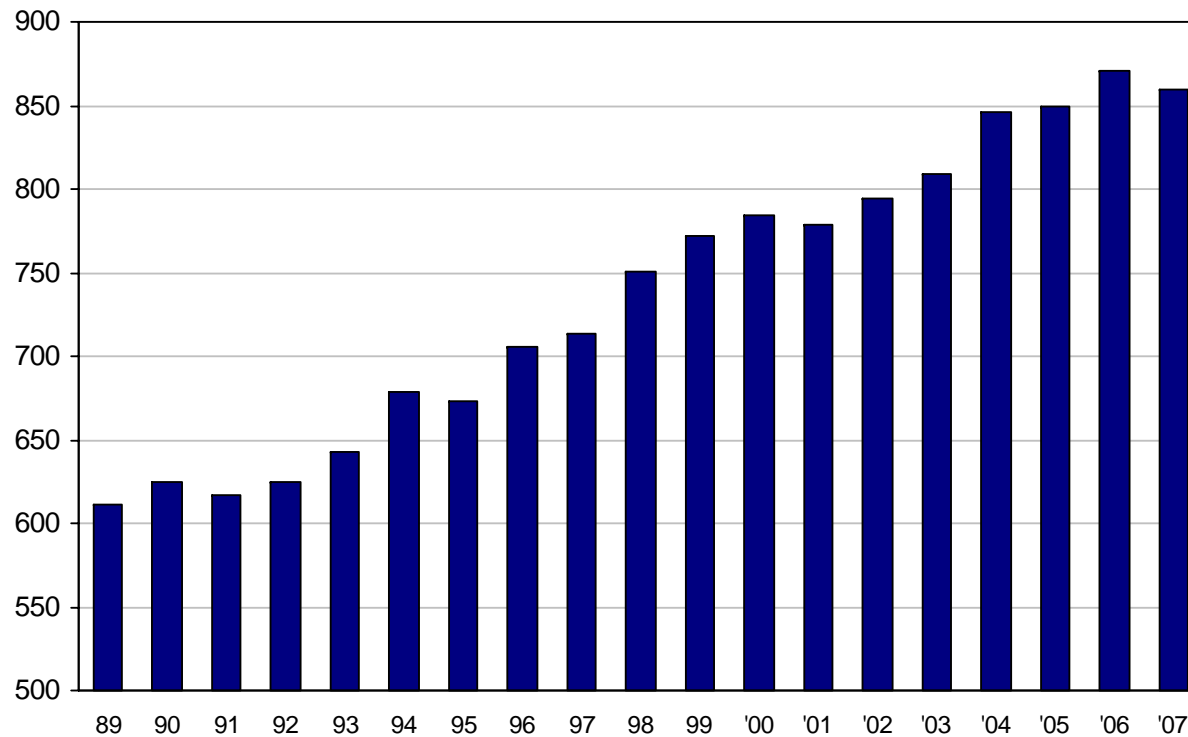
Components of CTF Revenues -- FY07
Percent Share of Total



- Motor fuels tax collections represented 38% of total CTF revenues in FY07.
 - Over the last 20 years, motor fuels tax collections have represented 44% of total CTF revenues on average. The share has steadily declined since FY98.

Motor Fuels Tax Collections Have Increased at a Steady Pace...

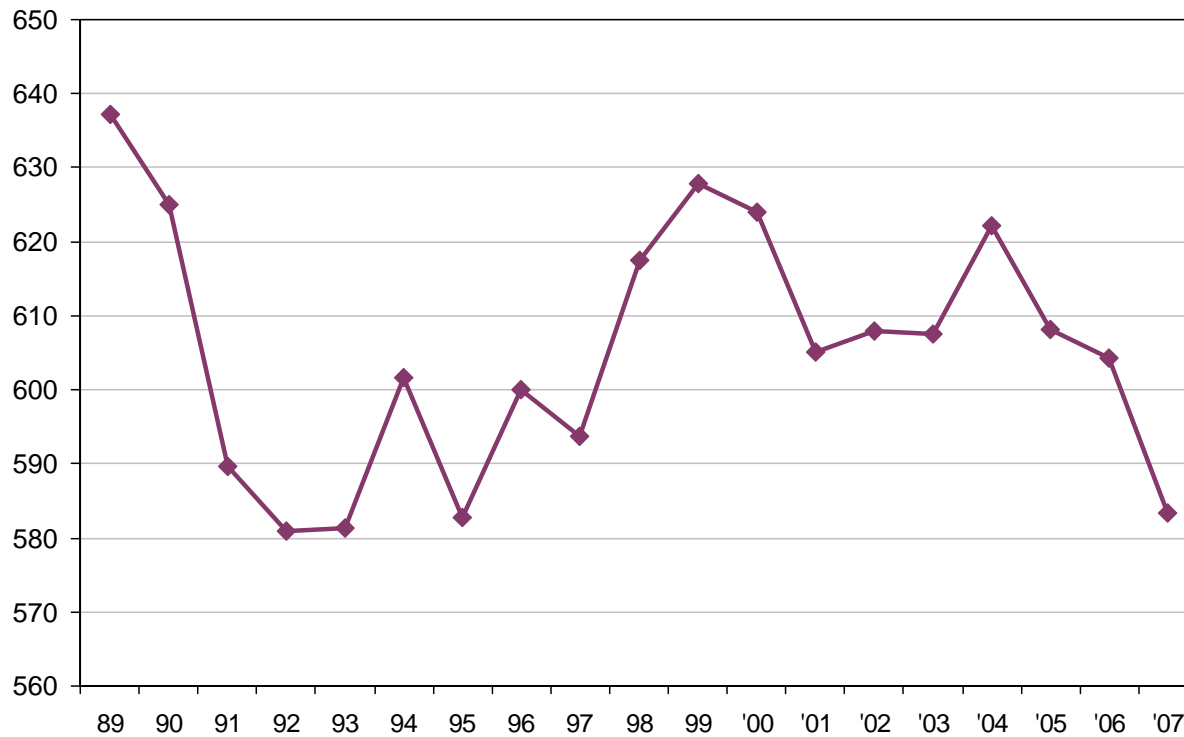
Motor Fuels Tax Collections, FY89-07
Millions of Dollars



- Since FY90, the average annual percent change in motor fuels tax collections is 1.9%. Over the last three years, the average annual growth has been 0.5%.

Adjusted for Inflation, Motor Fuels Tax Collections Are at Levels Seen in the Early 1990's...

Motor Fuels Tax Collections, FY89-07
Adjusted for Inflation – FY90=1.0
Millions of Dollars



- Adjusted for inflation, motor fuels tax collections have declined for three consecutive years.
- FY07 collections were 6.7% below the level recorded in FY90.

***The Official Forecast for Motor Fuels Tax Collections
Anticipates Trend Growth Over the Forecast Horizon...***

**August Interim CTF Revenue Forecast
Annual Percent Change**

	Actual FY07	Forecast						
		FY08	FY09	FY10	FY11	FY12	FY13	FY14
Motor Fuels Tax	-1.3	4.4	3.0	3.3	2.8	2.2	0.1	0.0
Total CTF State Taxes and Fees	0.8	7.4	13.1	3.4	2.4	2.4	1.1	0.5

- The transportation funding and reform included in HB 3202 drives the above-trend growth in CTF revenues in FY08 and FY09.

Long-term trends in motor fuel demand are difficult to predict...

- Energy prices
 - Crude oil prices estimated to be \$95 a barrel by 2030.
- Worldwide economic growth
- Technological advances
 - Sales of alternative vehicle technologies (including diesel) are expected to account for 28% of new light duty vehicle sales in 2030, up from 8% in 2005.
- Changes in weather patterns
- Geopolitical events