The Revenue Estimating Conference met on August 4, 2023, to consider the forecast of revenues flowing into the State Transportation Trust Fund (STTF). Absent the transfer from General Revenue in FY 2022-23, revenues for the 2022-23 fiscal year came in nearly 2.1 percent above the prior estimate. Beginning with the estimates for FY 2023-24, overall revenues to the STTF during the work program period ending in FY 2028-29 were increased by $507.9 million or about 1.7 percent. The revised estimates address the changes enacted during the 2023 Legislative Session which have now been embedded in the old and new forecasts. The most notable change involves delaying the implementation of the natural gas fuel tax from January 1, 2024 to January 1, 2026.

For revenues from fuel taxes, the overall forecast was shaped by recent developments in all of the following: changing consumption patterns of motor fuel and other fuels (diesel, aviation and off-highway fuel); projected fuel tax rates; technological advancements in fuel efficiency; and aviation fuel refund activity. The revenue projection for all types of fuel was increased by $388.0 million or 2.0 percent over the entire work program. Within this total, collections from the Highway Fuel Sales Tax and SCETS fuel tax were increased by $376.1 million for the work program period. Further adding to the net increase, the forecasts for Off-Highway Fuel Tax and Natural Gas Fuel Tax were increased by $17.4 million and $0.1 million, respectively. Likewise, the forecast for Aviation fuel Tax was increased by $4.9 million. Moving in the opposite direction, expected collections from the Fuel Use Tax were reduced by -$10.5 million. A fallout of some of the other forecast changes, the Local Option Distribution over the work program was increased by $2.0 million or approximately 0.7 percent over the prior forecast.

Finally, the forecast for the Rental Car Surcharge was not changed relative to the previous estimate. The prior forecast already reflected disruptions in the car leasing market related to high interest rates, the increased use of alternatives to rental cars such as ride sharing services, destination-provided shuttles, and the greater availability of remote work options.

The forecasts for motor vehicle license and registration-related fees were previously adopted by the Highway Safety Licenses and Fees Conference held July 31, 2023. In this work program period, receipts to the STTF from motor vehicle related licenses and fees were increased by $117.9 million or 1.3 percent over the entire work program. Motor Vehicle Licenses are up $133.4 million, Initial Registrations are down -$12.0 million, Title Fees are up $5.7 million, and Motor Carrier Compliance Penalties are down by -$9.2 million over the work program period.

A separate discussion was held regarding the impact on transportation funding from the emerging electric vehicle environment. As owners increasingly turn to electric vehicles, gas tax collections will face continuing downward pressure and, in so doing, reduce the state’s primary funding stream for transportation. See separate handout for details.