Transportation Revenue Forecast Council

February 2012 Transportation Economic and Revenue Forecasts

Volume I: Summary Document

Washington Transportation
Economic and Revenue Forecast
February 2012 Forecast

Summary Report (Volume I)

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Preface

Washington law mandates the preparation and adoption of economic and revenue forecasts. The organizations primarily responsible for revenue forecasts are the Economic and Revenue Forecast Council and the Office of Financial Management. The Office of Financial Management has the statutory responsibility to prepare and adopt those forecasts not made by the Economic and Revenue Forecast Council (RCW 43.88.020). The Office of Financial Management carries out its forecast responsibilities for transportation revenues through the Transportation Revenue Forecast Council. Each quarter, technical staff of the Department of Licensing, Department of Transportation and the Office of Forecast Council, produces forecasts. The revenue forecasts agreed upon by the Transportation Revenue Forecast Council members become the official estimated revenues under RCW 43.88.020 21.

Transportation Forecast Summary

Forecast Overview

Here are key conclusions from the February 2012 transportation revenue forecast.

- February 2012 transportation forecast of revenues: $4.264 billion for the current biennium which represents an increase of 4.6% over the prior 2009-11 biennium of $4.075 billion.
- Overall transportation revenue is up 0.2% forecast to forecast in the current biennium ($8.5 million) with the largest share of the change being higher gas tax collections, vehicle sales tax, ferry revenue and licenses, permits and fees. Even though total transportation revenues are up by $8.5 million over the last forecast, motor fuel tax refunds are up by more, $12.5 million, therefore the net transportation revenues are actually down by $4 million in the current biennium.
- For the 10-year forecast horizon, total revenues are projected to be $22.7 billion which is higher by $132.8 million (0.6%) from November due to stronger economic projections in the near-term and higher collections in recent months than projected for certain revenue sources.
- New January projections of near-term real personal income and non-farm employment growth rates are up from the last forecast. 2012 OFM long-term personal income and employment forecasts are lower than the last forecast. These economic variable adjustments caused transportation revenues to be higher in the near-term and lower in the long-term. The current forecast for average retail gas, diesel and wholesale diesel price forecasts are lower than in November throughout the forecast.
- The primary reason for the change in fuel taxes in the current year has been higher gas tax collections than anticipated while diesel tax collections have been lower than projected. For the current biennium, gasoline and diesel taxes have been revised up from the November forecast and revenues are $2.519 billion in total. This fuel revenue forecast is higher by $5.2 million (0.2%) but motor fuel tax refunds are also up by $12.5 million due to recent large diesel export activities. The current fuel tax collections are down by $7.3 million from the prior forecast.
- In the current biennium, the vehicle licenses, permits and fee forecast is $901.6 million which is up minimally by $1.2 million from the last forecast. Over the 10-year forecast horizon, the vehicle licenses, permits and fees revenue forecast are projected to be up $14.1 million or 0.3%.
- Vehicle sales tax revenue is projected to be $60.9 million in the current biennium and this is up $2.5 million (4.3%) from the last forecast.
- Base ferry revenue is projected at $320.9 million and is higher due to stronger economic variables. This forecast is slightly up over past projections for the 2011-13 biennium by $1.5 million or 0.5%.
- Toll revenue is estimated at $186 million in the current biennium and this is down $1.3 million from November. This reduction reflects the inclusion of Customer Initiated discount incentives for opening Good To Go accounts which have been included in the Investment Grade Study and subsequent financial plans but this is the first time the discounts are in the baseline toll forecast.

In FY 2010, transportation revenues were $2.014 billion which was a decline of 1% over the prior fiscal year as the economy struggled from the recession. In FY 2011, transportation revenues were $2.06 billion or 2.3% growth over FY 2010. In FY 2012, transportation revenues are projected at $2.1 billion which is up slightly from the November forecast. Overall during the 10-year horizon, transportation revenues are projected to be $22.67 billion with an average growth rate of 1.4% each year.

Figure 1 Total Transportation Revenues Comparison
February 2012 vs November and March 2011 forecasts
millions of dollars

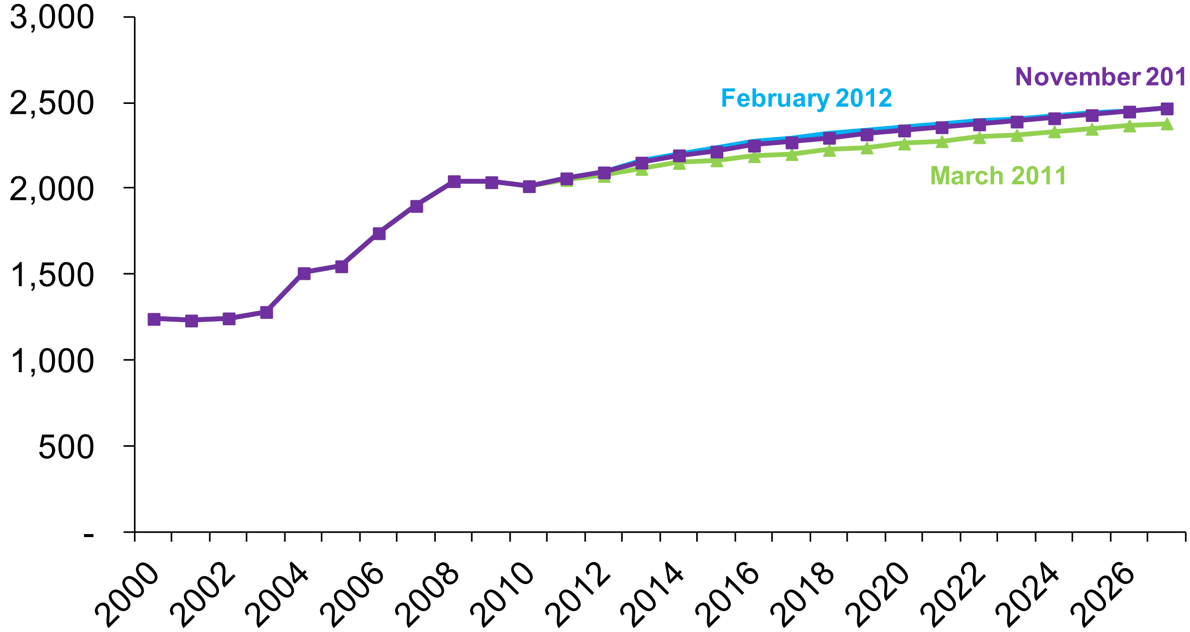
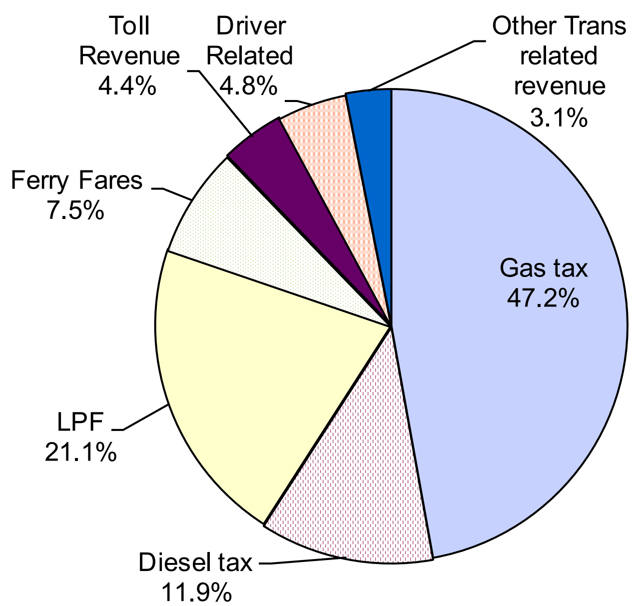


Figure 2 Revenue by Source
2011-13 biennium ($4.264 billion)



Washington's state transportation revenues come from numerous taxes, fees, permits, tolls, other revenues. Washington's revenues forecasted each quarter include the sources contained in Figure 2. This pie graph reveals the anticipated share of each state revenue source to the total transportation revenues for 2011-13 biennium, ($4.264 billion). Gasoline fuel taxes comprise the largest share of all transportation revenue at 47.2% of all revenue in the 2011-13 biennium. With the addition of diesel fuel taxes, all motor vehicle fuel taxes comprise 11.9% of all transportation revenues. Licenses, permits and fee revenues comprise the second largest share at 21% of all transportation revenues in the 2011-13 biennium. The largest three revenue sources (gasoline and diesel fuel taxes and licenses, permits and fees) are projected to consist of 80.1% of revenues in the 2011-13 biennium. The remaining 19.9% consists of ferry fares, toll revenue, driver related revenue and other transportation related revenue.

As Figure 3 indicates, in the current biennium, February transportation revenues are projected at $4.264 billion and this forecast is slightly up from the last forecast by $8.5 million or 0.2% from November. The largest increase in revenues has been in motor fuel taxes by $5.2 million and the second largest is $2.5 million from higher vehicle sales tax revenue. Ferry revenue was also up by $1.5 million in the current biennium. Over the 10-year forecast horizon (2011-2021), the revenue forecast for February 2012 is $22.67 billion up $132.8 million or 0.6% from the November forecast.

Figure 3 Forecast to Forecast Biennium Comparison of All Transportation Revenues
February 2012 forecast - 10 year period *millions of dollars*

Forecast to Forecast Comparison for Transportation Revenues and Distributions 10-Year Period
February 2012 • millions of dollars

	Current Biennium 2011-2013			2013-2015			10-Year Period (2011-2021)		
	Forecast Feb-12	Chg from Nov-11	Percent Change	Forecast Feb-12	Chg from Nov-11	Percent Change	Forecast Feb-12	Chg from Nov-11	Percent Change
Sources of Transportation Revenue									
Motor Vehicle Fuel Tax Collections	2,519.5	5.2	0.2%	2,576.8	16.6	0.6%	12,979.6	99.9	0.8%
Licenses, Permits and Fees	901.6	1.2	0.1%	927.5	0.6	0.1%	4,766.6	14.1	0.3%
Ferry Revenue†	320.9	1.5	0.5%	337.7	2.1	0.6%	1,774.2	6.2	0.4%
Toll Revenue §	186.3	(1.3)	-0.7%	249.6	0.4	0.2%	1,328.7	2.0	0.2%
Aviation Revenues ‡	5.9	(0.0)	-0.8%	6.1	(0.1)	-1.0%	30.8	(0.1)	-0.3%
Rental Car Tax	48.0	(0.4)	-0.7%	51.3	(0.3)	-0.5%	273.3	(0.4)	-0.1%
Vehicle Sales Tax	60.9	2.5	4.3%	68.2	2.7	4.1%	372.7	13.9	3.9%
Driver-Related Fees	203.3	(0.3)	-0.1%	206.6	(0.9)	-0.4%	1,053.2	(3.5)	-0.3%
Business/Other Revenues ‡	17.5	0.1	0.5%	18.3	0.1	0.6%	93.3	0.7	0.7%
Total Revenues	**4,264.0**	**8.5**	**0.2%**	**4,442.0**	**21.3**	**0.5%**	**22,672.3**	**132.8**	**0.6%**
Distribution of Revenue									
Motor Fuel Tax Refunds and Transfers	**151.9**	**12.5**	**9.0%**	**143.9**	**(0.7)**	**-0.5%**	**766.2**	**9.5**	1.3%
State Uses									
Motor Vehicle Account (108)	1,051.4	(0.1)	0.0%	1,075.0	3.9	0.4%	5,441.3	26.1	0.5%
Transportation 2003 (Nickel) Account (550)	345.9	(1.3)	-0.4%	356.0	1.6	0.4%	1,790.6	9.0	0.5%
Transportation 2005 Partnership Account (09H)	572.5	(1.8)	-0.3%	588.8	3.6	0.6%	2,961.5	20.1	0.7%
Multimodal Account (218)	236.7	1.9	0.8%	253.1	3.6	1.4%	1,331.7	20.2	1.5%
Special Category C Account (215)	47.0	(0.2)	-0.3%	48.3	0.3	0.7%	242.5	1.8	0.7%
Puget Sound Capital Construction Account (099)	34.2	(0.1)	-0.3%	35.1	0.2	0.7%	176.4	1.3	0.7%
Puget Sound Ferry Operations Account (109)	372.9	1.3	0.4%	390.1	2.5	0.6%	2,038.4	8.2	0.4%
Capital Vessel Replacement Account (18J)	6.4	0.0	0.0%	7.9	0.1	0.0%	40.4	0.1	0.0%
Tacoma Narrows Bridge Account (511)	94.8	0.5	0.5%	102.8	0.9	0.8%	543.9	5.5	1.0%
High Occupancy Toll Lanes Account (09F)*	1.6	0.1	7.8%	0.0	0.0	0.0%	1.6	0.1	7.8%
SR 520 Corridor Account (16J)	85.8	(2.1)	0.0%	139.5	(1.1)	-0.8%	751.2	(6.4)	-0.8%
SR 520 Corridor Civil Penalties Account (17P)	4.1	0.3	0.0%	7.4	0.6	9.2%	32.0	2.9	9.9%
Aeronautics Account (039)	5.9	(0.0)	-0.8%	6.1	(0.1)	-1.0%	30.8	(0.1)	-0.3%
State Patrol Highway Account (081)	332.2	(0.1)	0.0%	343.5	1.6	0.5%	1,766.5	8.9	0.5%
Highway/Motorcycle Safety Accts. (106 & 082)	170.2	0.5	0.3%	172.6	(0.2)	-0.1%	880.3	0.1	0.0%
Other accounts (201, 06T, 097, 09E, 216, 07C)	16.1	(0.0)	-0.1%	16.5	0.1	0.5%	83.7	0.4	0.5%
Ignition Interlock Devices Revolving Acct 14V	2.4	(0.5)	-17.7%	2.4	(0.5)	-17.7%	12.4	(2.7)	-17.7%
Total for State Use	**3,380.0**	**(1.7)**	**-0.1%**	**3,545.0**	**17.1**	**0.5%**	**18,125.2**	**95.5**	**0.5%**
Local Uses									
Cities	180.1	(0.6)	-0.3%	185.3	1.2	0.7%	930.0	6.8	0.7%
Counties	294.9	(0.9)	-0.3%	303.4	2.0	0.7%	1,523.2	11.3	0.7%
Transportation Improvement Board (112 & 144)	192.4	(0.6)	-0.3%	197.9	1.3	0.7%	993.6	7.3	0.7%
County Road Administration Board (102 & 186)	64.7	(0.2)	-0.3%	66.6	0.4	0.7%	334.1	2.4	0.7%
Total for Local Use	**732.1**	**(2.3)**	**-0.3%**	**753.1**	**5.0**	**0.7%**	**3,780.9**	**27.8**	**0.7%**
Total Distribution of Revenue	**4,264.0**	**8.5**	**0.2%**	**4,442.0**	**21.3**	**0.5%**	**22,672.3**	**132.8**	**0.6%**

† Ferry Fares plus non-farebox and capital surcharge revenue
‡ Aviation Revenues and Business/Other Revenues net of amounts transferred to General Fund
§ Pay by Mail Revenue, certain fees and incentives are new to the February 2012 forecast and the November 2011 forecast has been adjusted to include them
¥ WSP Business Related Revenues are new to the February 2012 forecast and the November 2011 forecast has been adjusted to include them

The reason for the recent forecast changes is due primarily to stronger economic variable projections and monthly actuals coming in higher than projected. This net forecast change after refunds in the current biennium is actually a loss of $4 million from the last forecast due to motor fuel refunds coming in $12.6 million higher than the last projection. See the Appendix for 16 year forecast period tables.

Figure 4 indicates the forecast to baseline comparison for the next ten year outlook. In the current biennium, February's forecast is up by $75.7 million from the March forecast with the inclusion of the SR 520 toll revenue forecast but the current forecast is down by $14.3 million without the new SR 520 toll revenue forecast from March. The 10-year transportation revenue forecast for February 2012 is $22.67 billion which is up $777.8 million or 3.6% from the March 2011 forecast due primarily to the inclusion of the SR520 toll revenue forecast in June. Without the SR 520 toll revenue, this current forecast would be down $5.4 million from the March baseline forecast.

Figure 4 Forecast to Baseline Biennium Comparison of All Transportation Revenues
February 2012 forecast - 10 year period *millions of dollars*

Forecast to Baseline Comparison for Transportation Revenues and Distributions 10-Year Period
February 2012 • millions of dollars

	Current Biennium 2011-2013			2013-2015			10-Year Period (2011-2021)		
	Forecast Feb-12	Chg from Baseline ¥	Percent Change	Forecast Feb-12	Chg from Baseline ¥	Percent Change	Forecast Feb-12	Chg from Baseline ¥	Percent Change
Sources of Transportation Revenue									
Motor Vehicle Fuel Tax Collections	2,519.5	(11.9)	-0.5%	2,576.8	(6.7)	-0.3%	12,979.6	15.9	0.1%
Licenses, Permits and Fees	901.6	(13.4)	-1.5%	927.5	(17.3)	-1.8%	4,766.6	(79.9)	-1.6%
Ferry Revenue†	320.9	8.2	2.6%	337.7	7.1	2.2%	1,774.2	50.8	3.0%
Toll Revenue §	186.3	85.9	85.6%	249.6	141.9	131.9%	1,328.7	775.2	140.1%
Aviation Revenues ‡	5.9	(0.0)	-0.2%	6.1	0.0	0.7%	30.8	0.5	1.7%
Rental Car Tax	48.0	(0.5)	-1.0%	51.3	(1.8)	-3.3%	273.3	(11.9)	-4.2%
Vehicle Sales Tax	60.9	0.5	0.8%	68.2	(1.0)	-1.4%	372.7	(5.5)	-1.4%
Driver-Related Fees	203.3	(0.7)	-0.4%	206.6	(1.8)	-0.9%	1,053.2	(5.2)	-0.5%
Business/Other Revenues ±	17.5	7.5	74.8%	18.3	7.5	69.5%	93.3	37.8	68.0%
Total Revenues	**4,264.0**	**75.7**	**1.8%**	**4,442.0**	**128.1**	**3.0%**	**22,672.3**	**777.8**	**3.6%**
Distribution of Revenue									
Motor Fuel Tax Refunds and Transfers	**151.9**	**23.9**	**18.7%**	**143.9**	**4.3**	**3.1%**	766.2	**50.5**	**7.1%**
State Uses									
Motor Vehicle Account (108)	1,051.4	(12.9)	-1.2%	1,075.0	(10.9)	-1.0%	5,441.3	(47.9)	-0.9%
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Special Category C Account (215)	47.0	(0.7)	-1.6%	48.3	(0.2)	-0.5%	242.5	(0.7)	-0.3%
Puget Sound Capital Construction Account (099)	34.2	(0.5)	-1.6%	35.1	(0.2)	-0.5%	176.4	(0.5)	-0.3%
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High Occupancy Toll Lanes Account (09F)*	1.6	1.1	203.6%	0.0	0.0	0.0%	1.6	1.1	203.6%
SR 520 Corridor Account (16J)	85.8	85.8	0.0%	139.5	139.5	100.0%	751.2	751.2	100.0%
SR 520 Corridor Civil Penalties Account (17P)	4.1	4.1	0.0%	7.4	7.4	100.0%	32.0	32.0	100.0%
Aeronautics Account (039)	5.9	(0.0)	-0.2%	6.1	0.0	0.7%	30.8	0.5	1.7%
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Ignition Interlock Device Revolving Acct 14V	2.4	0.7	43.1%	2.4	0.8	46.0%	12.4	4.1	49.4%
Total for State Use	**3,380.0**	**63.3**	**1.9%**	**3,545.0**	**127.7**	**3.7%**	**18,125.2**	**738.4**	**4.2%**
Local Uses									
Cities	180.1	(2.8)	-1.6%	185.3	(1.0)	-0.5%	930.0	(2.8)	-0.3%
Counties	294.9	(4.6)	-1.5%	303.4	(1.5)	-0.5%	1,523.2	(4.5)	-0.3%
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County Road Administration Board (102 & 186)	64.7	(1.0)	-1.6%	66.6	(0.3)	-0.5%	334.1	(1.0)	-0.3%
Total for Local Use	**732.1**	**(11.5)**	**-1.6%**	**753.1**	**(3.9)**	**-0.5%**	**3,780.9**	**(11.2)**	**-0.3%**
Total Distribution of Revenue	**4,264.0**	**75.7**	**1.8%**	**4,442.0**	**128.1**	**3.0%**	**22,672.3**	**777.8**	**3.6%**
Total Distribution of Revenue less SR 520 revenue ¤	**4,174.0**	**(14.3)**	**-0.3%**	**4,295.2**	**(18.7)**	**-0.4%**	**21,889.2**	**(5.4)**	**0.0%**

† Ferry Fares plus non-farebox and capital surcharge revenue
‡ Aviation Revenues and Business/Other Revenues net of amounts transferred to General Fund.
§ Pay by Mail Revenue, certain fees and incentives are new to the February 2012 forecast and the November 2011 forecast has been adjusted to include them
¤ Excludes SR 520 Bridge Revenues
¥ Baseline Forecast is the March 2011 forecast

Economic Variables Forecast

Several economic variables are used in forecasting Washington's transportation revenues each quarter. Key economic variables include the following: Washington personal income, population, inflation, employment, oil price index, fuel efficiency, US sales of light vehicles and Washington driver in-migration.

WA Personal Income

The forecast of Washington real personal income is projected by the Washington Economic and Revenue Forecast Council (ERFC), based on the October Global Insight forecast, October Blue Chip average US GDP growth rates, NYMEX fuel prices and other forecasted economic variables in the near term. The February 2012 forecast of Washington personal income was extended out 2 more years to FY 2014 and FY 2015. The February 2012 Washington personal income projections from ERFC are slightly lower in FY 2012 at 1.1% than in November at 1.2%. For FY 2013, the same trend is apparent with the new ERFC projections being lower at 1.8% versus November's projection of 2.4% annual growth in FY 2013. Then the February 2012 Washington personal income projections from ERFC for FY 2014 and FY 2015 are much higher than OFM's long-term personal income forecast used in November. In FY 2014 and 2015, current ERFC annual growth rates for real personal income is 3.6% and 3.5% respectively as opposed to 3% in November. For 2012, current real personal income projection is only a minor change, $265 billion versus $266 billion in the November forecast due to actual economic variables for Washington coming in close to expectations. In FY 2013, Washington real personal income is projected at $270 billion versus $272 billion in the November forecast. The new ERFC projections of the Washington personal income level remain nearly the same as previously for FY 2014 and FY 2015 at $279.5 billion and $289.3 billion versus $280.3 billion and $288.8 billion. Even though the growth rates are higher for personal income in FY 2014 and 2015, the total amount of Washington personal income projected is slightly less in FY 2014 but slightly more in FY 2015 due to ERFC projections being higher than OFM's long-term projections.

The February 2012 forecast uses OFM's new 2012 long-term personal income projections. These long-term projections are lower than last year's projections. The 2012 OFM forecast of personal income growth for fiscal years 2016 thru 2020 is on average 2.8% as opposed to 3.2% and for the remaining years beyond FY 2020 the personal income growth rate also averaged 2.8% versus 3.0% previously estimated. These new long-term growth rates are lower in the long-term than the prior year's projections. Figure 7 reveals the change in the annual growth rates for Washington personal income from 2010 through 2027. As the graph reveals, in the long-term this new forecast has lower projections from FY 2016 and beyond throughout the entire forecast horizon. Figure 6 illustrates the current short-term quarterly projections of Washington real personal income. The February 2012 Washington personal income forecast is $267 billion for the first quarter of 2012 which is up from the previous forecast by 0.8%. For the second quarter of 2012, this forecast is down 1% from the previous forecast. The current forecast is down from the last forecast beginning the second quarter 2012 and extending for the next four quarters.

WA Population

In the February 2012 forecast, the population projections will be the same as last quarter. OFM released their 2011 long-term statewide population forecast before the November forecast since OFM releases the long-term population forecast once a year in November. For FY 2011, the driver age statewide population forecast was 5.373 million which represented a 0.85% annual growth. The current driver age population is projected to be 5.42 million with an annual growth rate for FY 2012 of 0.9% annually. The current projection for population growth rate in FY 2013 is up year over year to 2.1%. In fiscal years 2014 - 2027, the 2011 population forecast growth rates are slowly declining from 1.2% to 0.95%.

WA Driver In-Migration

In 2010, Washington's new drivers in the state declined year over year by 1%, Figure 8. In FY 2011, the actual increase of in-migration of drivers was 19.9%. In FY 2012, the February 2012 forecast of Washington driver in-migration is projected to decline -8.4% and this is a smaller decline than in the November forecast of -9.9%. In FY 2013, the February 2012 and November forecast annual decline is the same -1.6%. The same trend occurs in FY 2014 because the current forecast for in-migration of drivers is

-1.9% but this is larger than the decline projected in November at -1.5%. This change in the near-term is due to better economic conditions. This is a very minor change from the previous forecast.

U.S. Inflation

The U.S. inflation rate forecast is from Global Insight's January 2012 projection of the implicit price deflator (IPDC), (Figure 9). In 2012, the U.S. inflation rate as measured by the change in the IPDC is 2.3% which is slightly higher than the November forecast of 2.1%. In the near-term forecasts of inflation rates have risen, in FY 2013 inflation is projected to be 1.9% as opposed to 1.1% in the last forecast. In FY 2014, the inflation forecast is projected to be 2.0% which is slightly higher than projected in November at 1.9%. Then in FY 2015, the current forecast shows an annual increase in inflation of 2.4% which is again slightly higher than the prior forecast at 2.2%; in FY 2016, the current forecast is up to 2.5% as opposed to 1.9% in the last forecast. For the remainder of the forecast horizon, the inflation rates are between 1.7% and 2.0% which is real similar to last forecast.

U.S. Petroleum Products Price Index

The January 2012 Global Insight forecast for U.S. petroleum products price index has decreased in the current fiscal year since the last forecast, see Figure 10. The annual year over year change in this fuel price index was 18% for FY 2011. In FY 2012, the growth rate in the US fuel price index is projected to be 10%, twice as high as the November prediction. In fiscal years 2013 and 2014, the forecast of the index

Figure 5 Annual Percentage Change (%) in Select Economic Variables
February 2012 forecast

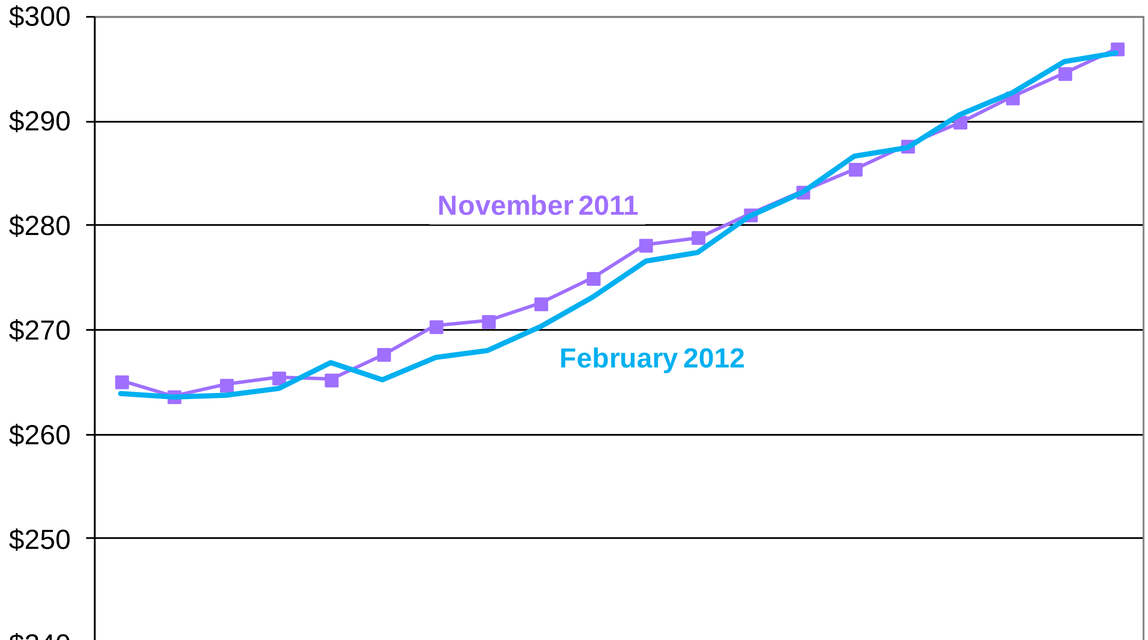
Fiscal Year	WA Personal Income	Annual Population	US General Prices (IPDC)	US Oil & Gas Price Index	US Fuel Efficiency (MPG)	WA non-farm Employ -ment	Nominal Consumer Sales on New Vehicles	WA Driver In-Migration
2010	-2.5	1.0	1.3	3.2	0.1	-4.0	10.0	-1.0
2011	3.0	1.0	1.8	17.8	0.4	0.5	10.5	19.9
2012	1.1	1.0	2.3	10.0	0.8	1.7	8.2	-8.4
2013	1.8	1.0	1.9	2.0	0.9	1.8	5.5	-1.6
2014	3.6	1.1	2.0	1.9	1.1	2.0	5.7	-1.9
2015	3.5	1.2	2.4	-0.8	1.3	1.9	9.8	-1.3
2016	2.9	1.2	2.5	-0.3	1.5	1.8	11.8	-1.4
2017	2.6	1.2	1.9	-1.0	1.6	1.3	5.8	-1.2
2018	2.8	1.2	1.8	-3.8	1.7	1.1	0.2	-0.8
2019	2.9	1.1	1.8	-2.0	1.7	0.9	0.1	-0.5
2020	2.8	1.1	1.7	-3.7	1.8	0.9	2.2	-0.3
2021	2.8	1.1	1.8	-0.6	1.9	1.0	0.6	-0.1
2022	2.7	1.0	2.0	6.3	1.9	0.8	1.2	-0.2
2023	2.8	1.0	1.9	4.2	2.2	0.7	2.4	-0.1
2024	3.0	1.0	1.9	3.6	2.2	0.8	2.0	-0.1
2025	2.9	1.1	1.9	3.2	2.2	0.9	2.5	0.2
2026	2.9	1.0	1.9	3.1	2.2	1.0	2.2	-0.03
2027	2.8	1.0	1.9	3.1	2.2	1.1	2.2	-0.02

Source: Washington Economic and Revenue Forecast Council, Washington Office of Financial Management, January 2012 Global Insight forecast adjusted for Blue Chip average GDP growth rates and NYMEX crude oil prices

is approximately 2% each year, which is consistent with the last forecast which also averaged 2% for those two years. In FY2015, the current forecast of the price index is -0.8% which is considerably lower at is 3.3% which mirrors the last forecast. In the next six years, 2016-21, the annual percentage growth rates of this index is negative each year ranging from 0% and -3.8% and very close to the November forecast. The annual percentage change in the oil price index turns positive beginning FY 2022 throughout the rest of the forecast horizon. By FY 2026, the price index annual growth is 3.1%.

U.S. Fuel Efficiency (MPG)
U.S. Fuel Efficiency variable for the February 2012 forecast has been modified to incorporate the new 2011 Obama administration fuel efficiency standards for passenger cars and light trucks in model year 2017 and beyond and also the modeling assumptions for the effective fuel economy rate has been incorporated in this latest Global Insight forecast. The on-highway fleet fuel efficiency variable in 2011 was 20.3 miles per gallon for the entire US fleet of light vehicles which is no change from the last forecast. In the current fiscal year, the February 2012 fuel efficiency for the US fleet is 20.5 miles per gallon which is consistent with last forecast. In February and November, the vehicle on-highway fuel efficiency has been projected to grow to 26.7 miles per gallon by FY 2027 so no change in this variable.

Figure 6 Comparison of Quarterly Washington Real Personal Income
February 2012 vs November 2011
billions of dollars



	2011 Qtr 1	2011 Qtr 2	2011 Qtr 3	2011 Qtr 4	2012 Qtr 1	2012 Qtr 2	2012 Qtr 3	2012 Qtr 4	2013 Qtr 1	2013 Qtr 2	2013 Qtr 3	2013 Qtr 4	2014 Qtr 1	2014 Qtr 2	2014 Qtr 3	2014 Qtr 4	2015 Qtr 1	2015 Qtr 2	2015 Qtr 3	2015 Qtr 4
Nov-11	265	264	265	265	265	268	270	271	273	275	278	279	281	283	285	288	290	292	295	297
Feb-12	264	264	264	264	267	265	267	268	270	273	277	277	281	283	287	287	291	293	296	297

Source: Washington Economic and Revenue Forecast Council (January 2012 economic variables) and 2012 OFM long-term personal income forecast

WA Total Non-Farm Employment and Employment in the Trade, Transportation and Utilities Sectors
Washington total non-farm employment declined 4% year over year in FY 2010 and only grew 0.5% year over year in FY 2011. The recovery in the economy is expected to pick up in FY 2012 to 1.7% which is higher than projected in November at 1%. In FY 2013, this February forecast predicts year over year growth in non-ag. employment of 1.8% as opposed to 1.6% from the November forecast. This reflects a faster than anticipated recovery in employment in the next two years. In FY 2014 and 2015, the ERFC growth rates for non-ag. employment is anticipated to be 2% and 1.9% respectively, slightly higher than

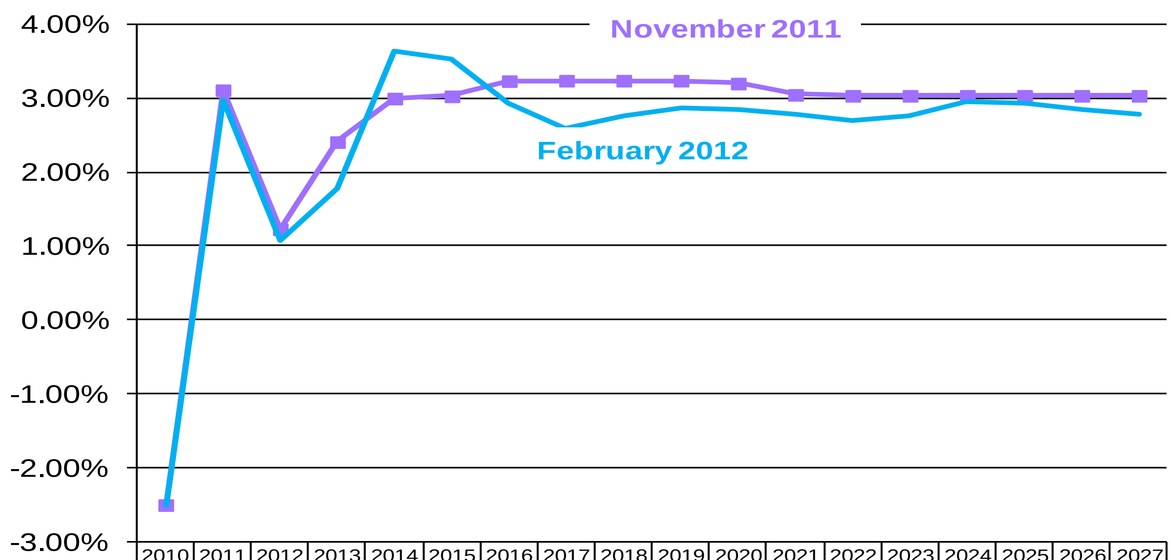
the prior forecast with 1.6% in FY 2015. The economic growth in Washington employment in subsequent years is based on OFM's long-term employment projections and the growth rate slows in subsequent years. Beginning in FY 2016, Washington employment is forecasted to grow at 1.0% which is slightly lower than in the November forecast average for this period at 1.4%.

Washington's employment in the trade, transportation and utilities sectors follows similar trends with the overall non-farm employment trends. In FY 2011, this industry grew by 0.8% year over year. In the current fiscal year, the trade, transportation and utilities sectors are anticipated to grow faster at 2.8% annually which is quicker than the overall non-farm employment growth rate of 1.7% for that same year. In FY 2013, growth rates in this employment sector are also expected to pick up to 2.3% which is still higher than anticipated in November at 2.1%. The new ERFC projections for the trade, transportation and utilities employment sector in FY 2014 and 2015 is anticipated to be 1.9% and 1.3% respectively as opposed to 2% and 1.5% in November. Then in FY 2016 and beyond, Washington employment growth rates in the trade, transportation and utilities sectors are anticipated to be 0.5% on average with the new OFM long-term forecast. This is slightly lower OFM projections than anticipated last year with the long-term average growth previously for this sector at 0.7%.

U.S. Consumer Spending on New Motor Vehicles

Consumer spending on new motor vehicles throughout the U.S. has been recovering with a 10% growth year over year in FY 2010 and 10.5% annual growth in new vehicle sales in FY 2011. In FY 2012, the recovery for light vehicle sales has picked up over the past few months with a projected 8.2% growth rate, which is much higher projection than last forecast at 2.6%. In fiscal years 2013 and 2014, the consumer spending on new vehicles is anticipated to grow by 5.5% and 5.7% respectively instead of 8.9% and 6.7% respectively in November so we anticipate more vehicle sales in the current year and less in the following two years than the last forecast. By FY 2015 and 2016, consumer spending is projected to take off again with annual growth rates of 9.8% and 11.8% as opposed to 7.4% and 13.1% anticipated in November.

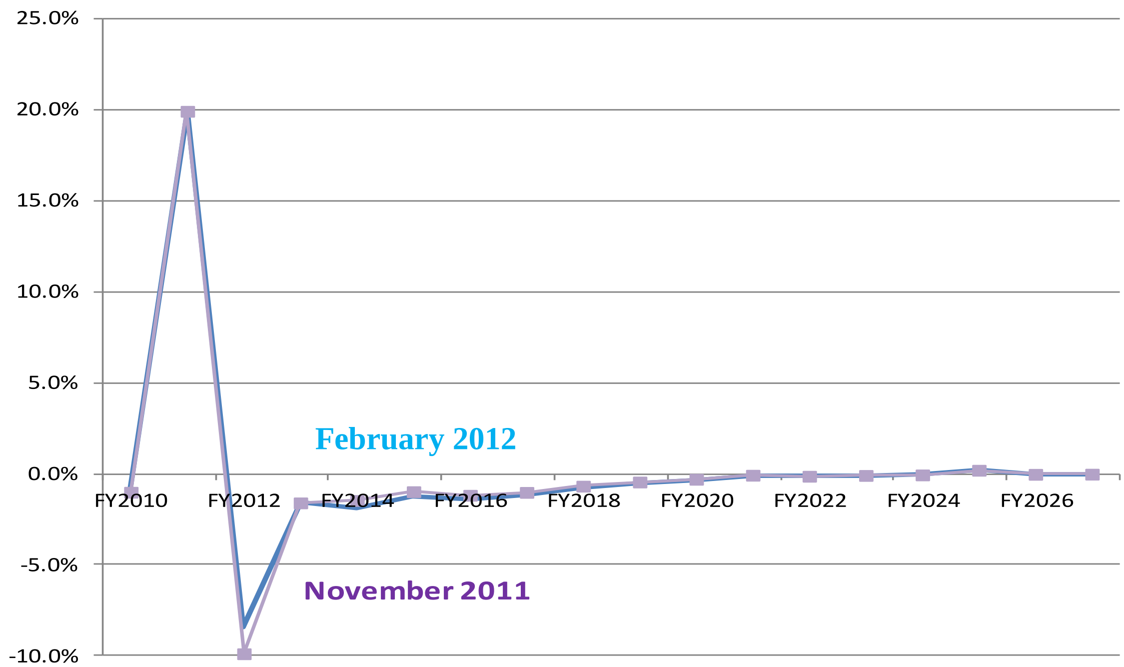
Figure 7 Forecast Comparison of Annual Growth Rates for Washington Real Personal Income February 2012 vs. November 2011



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
1-Nov	-2.5	3.1%	1.2%	2.4%	3.0%	3.0%	3.2%	3.2%	3.2%	3.2%	3.2%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Feb-12	-2.5	3.0%	1.1%	1.8%	3.6%	3.5%	2.9%	2.6%	2.8%	2.9%	2.8%	2.8%	2.7%	2.8%	3.0%	2.9%	2.9%	2.8%

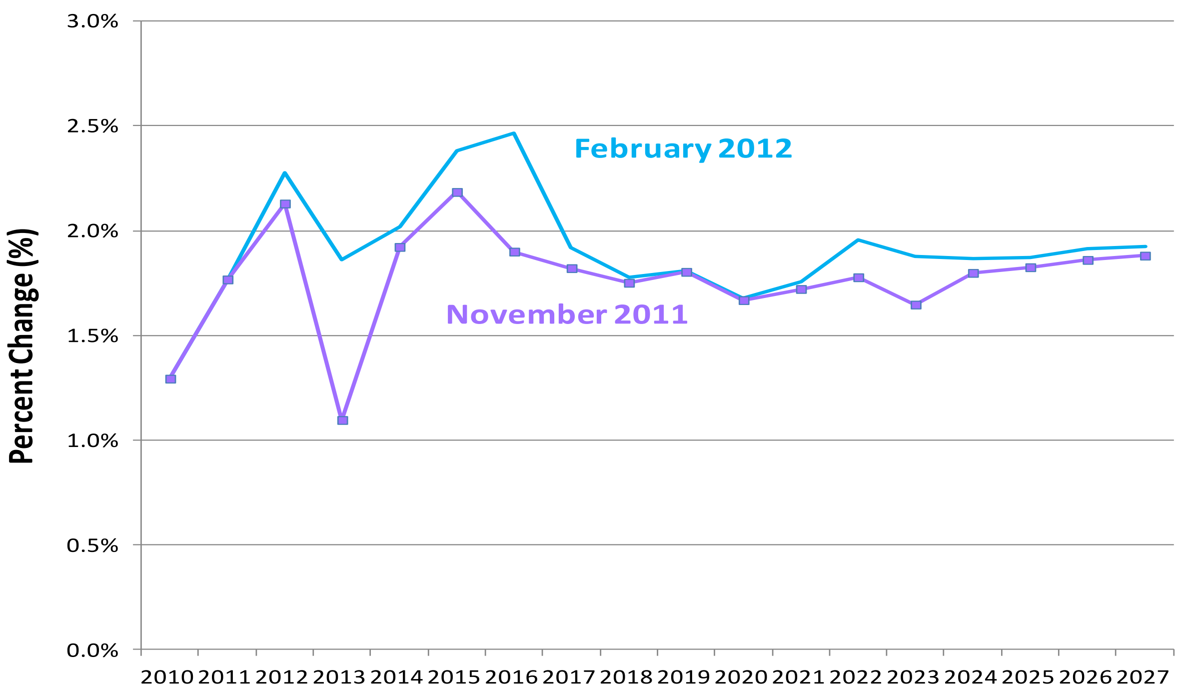
Source: Washington Economic and Revenue Forecast Council (January 2012 economic variables) and 2012 OFM long-term personal income growth rates

Figure 8 Forecast Comparison of Annual Growth Rates for Driver In Population – February 2012 vs. November 2011



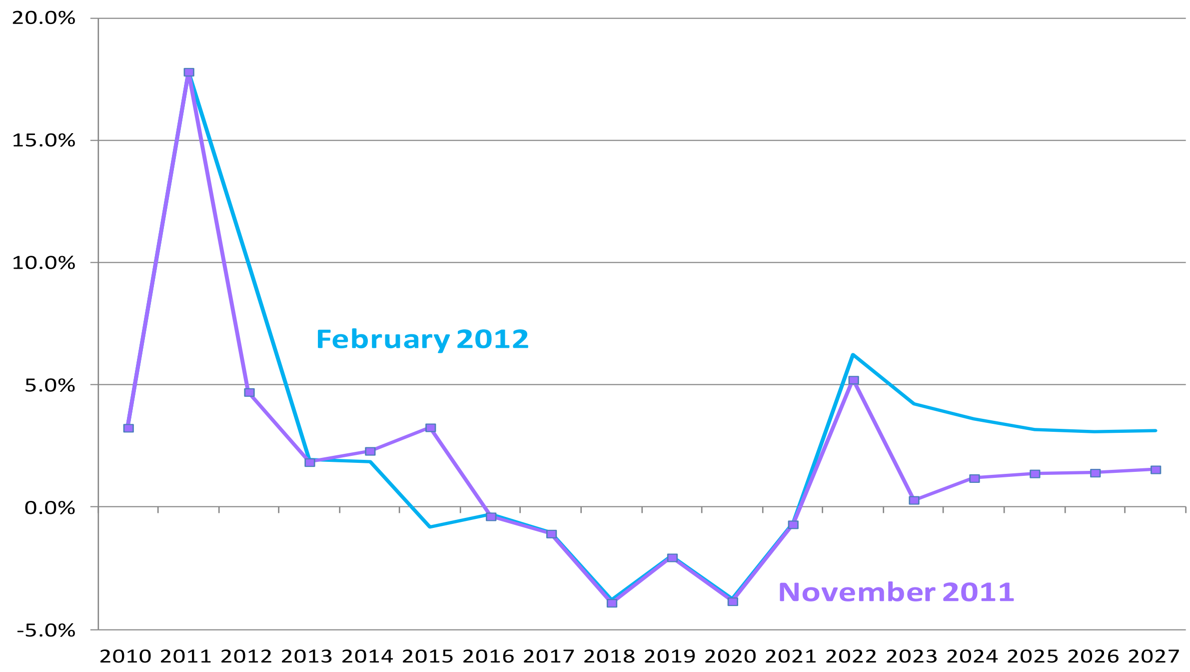
Source: Washington Office of Financial Management

Figure 9 Inflation Forecast Comparison – Annual Percent Change in U.S. Implicit Price Deflator for Personal Consumption February 2012 vs. November 2011



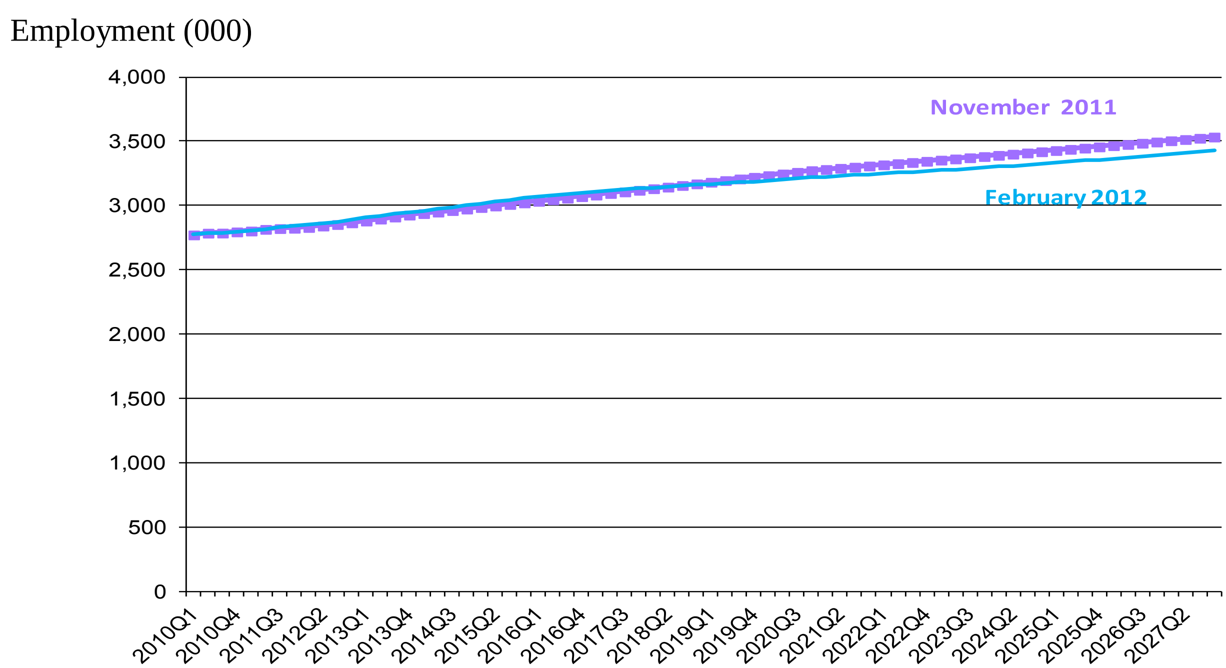
Source: Washington Economic and Revenue Forecast Council and January 2012 Global Insight forecast

Figure 10 Global Insight Oil/Gas Price Index Forecasts: Growth Rate Comparison February 2012 vs. November 2011



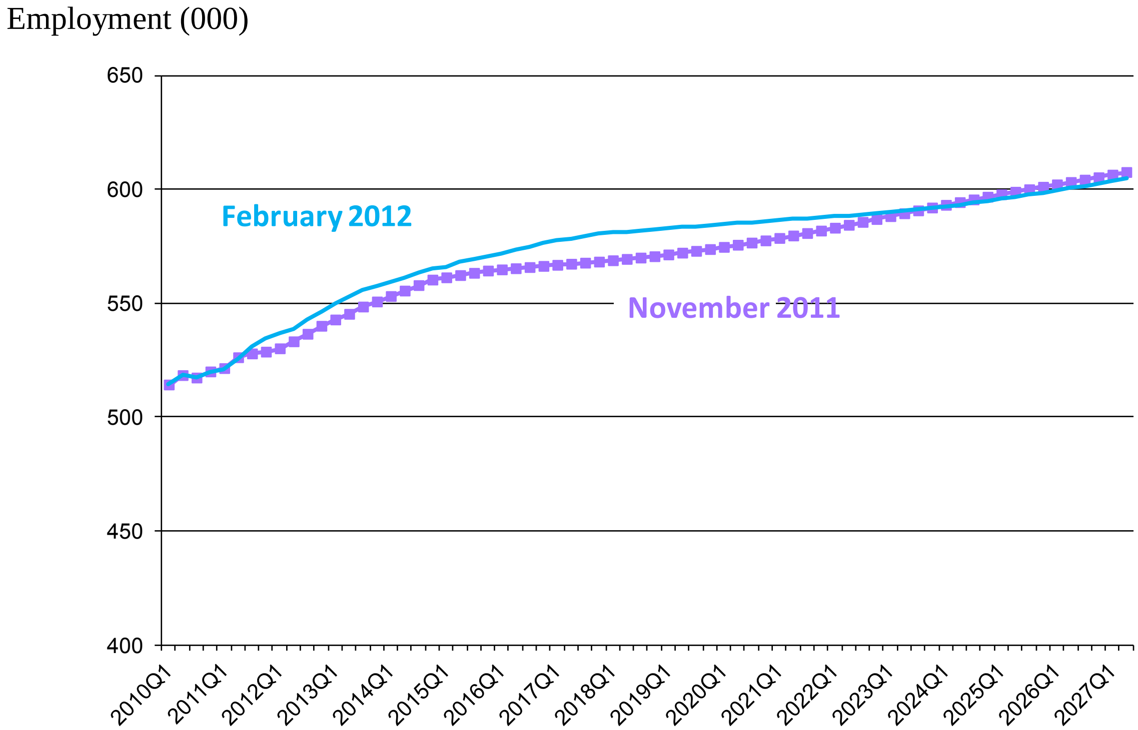
Source: January 2012 Global Insight forecast

Figure 11 Washington Nonfarm Payroll Employment Forecasts: February 2012 vs. November 2011



Source: January 2012 ERFC and OFM/ESD long-term non-ag. employment forecast

Figure 12 Washington Nonfarm Payroll Employment – Trade, Transportation and Utilities Sectors (TTU) Forecasts: February 2012 vs. November 2011



Source: January 2012 ERFC and OFM/ESD long-term Washington TTU employment forecast

Motor Fuel Price Forecast

Washington's transportation revenues are affected by fuel prices. In particular, gasoline tax collections are negatively related with the price of gasoline. In addition, the Washington State Department of Transportation budget is heavily impacted by changes in fuel prices. Therefore, projections of fuel prices are made quarterly to assist in the near and long-term budgeting process for WSDOT. The price forecast includes the following fuel price projections: U.S. West Texas crude oil, Washington retail prices of gasoline, diesel and biodiesel and wholesale prices of diesel and biodiesel with and without taxes.

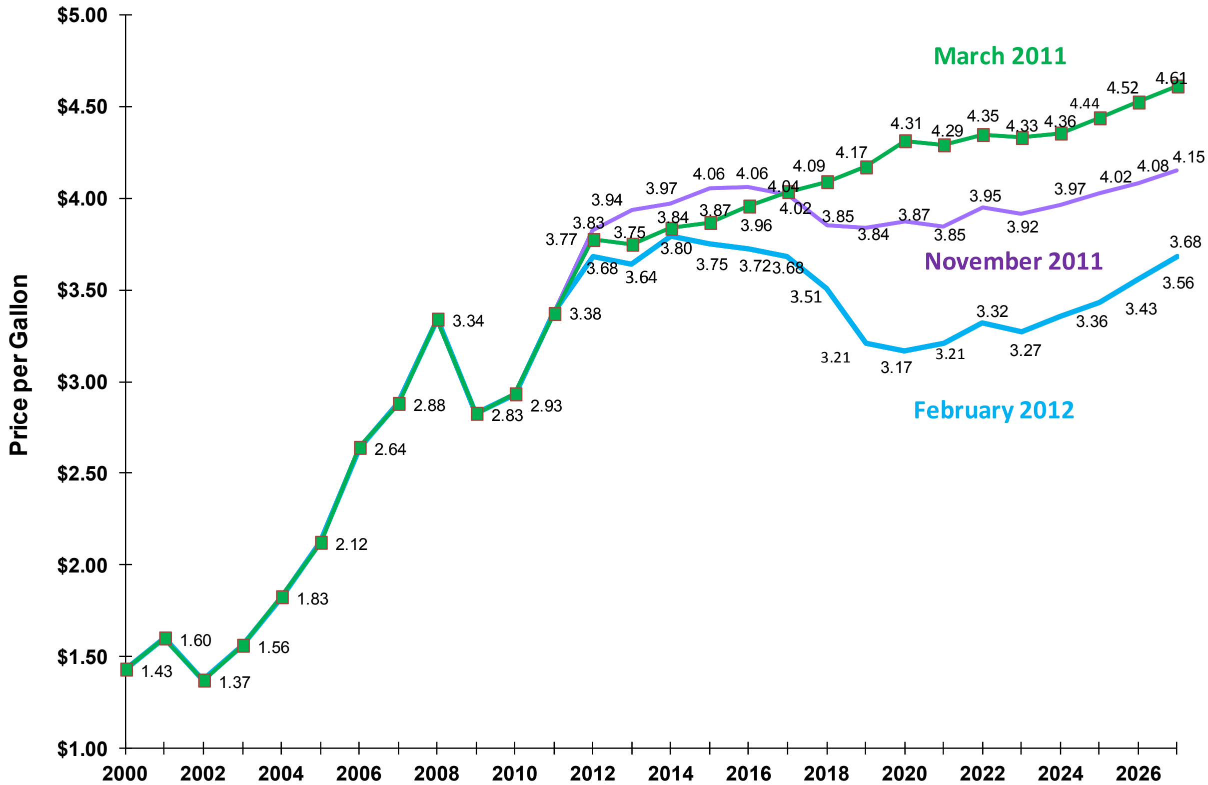
The February 2012 forecast for crude oil prices is up from the last forecast. In contrast, the current retail gas, diesel and wholesale diesel price forecasts are down from the November forecast throughout most of the forecast except for in FY 2012, retail diesel prices are up from last projections. All current fuel price forecasts are down from the March 2011 forecast.

Source of data for forecast

For the Washington retail price of gasoline, the actual fuel prices are collected from the Energy Information Administration (EIA) survey of retail prices for all grades of gasoline in the state. For the retail price of diesel, the actual prices are collected from AAA's weekly publication of retail prices for diesel in Washington. The actual wholesale diesel prices are reported by the Washington State Ferries. In the short term (thorough calendar year 2013), the fuel price forecasts are based on the Energy Information Agency (EIA) projections. In the long-term beyond calendar year 2013, the fuel price projections are based on Global Insight's national gas price forecast for the Washington gas price forecast and the producer price index (PPI) for refined petroleum products projections for the various diesel price forecasts from February 2012 forecast.

U.S. crude oil price trend
U.S. crude oil prices of West Texas Intermediate Crude (WTI) were $75.2 per barrel on average in FY 2010. Crude oil prices on average in fiscal year 2011 rose to $89.24 per barrel representing a 19% increase in crude oil prices over fiscal year 2010. In fiscal year 2012, crude oil prices are expected to average $95.95 per barrel which is 7.5% higher than last year's average. Quarterly crude oil prices are expected to hit the $100 per barrel mark beginning first quarter of 2012 which is a year sooner than predicted in the November. Starting in FY 2013, annual WTI crude oil prices are projected to be slightly above $100 per barrel and continue between $100 and $114 per barrel until FY 2019 when crude oil prices fall slightly below $100 per barrel for three years. Beginning in FY 2022, crude oil prices rise again above $100 per barrel and remain there for the remainder of the forecast horizon. The stronger crude oil prices are due to concerns over worldwide supply restrictions and stronger US economic recovery.

Figure 13 Forecast of Washington Retail Gasoline Prices, Regular
February 2012 vs. November vs. March 2011 forecasts

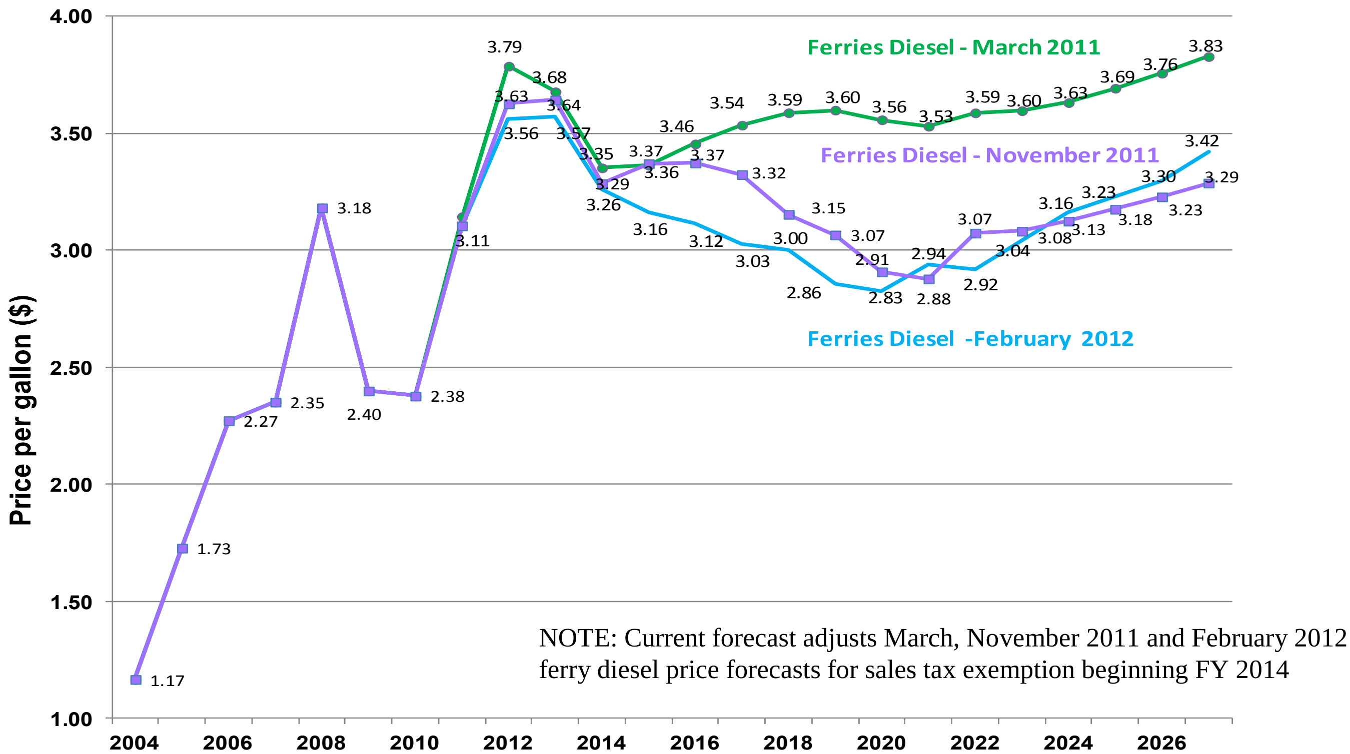


Washington retail gasoline price trend
Washington retail price of gasoline is projected to be lower than the November forecast throughout the forecast horizon. In recent months, projections of retail gas prices have overstated recent increases. In prior forecasts, Washington retail gas prices have been projected to grow to $4.00 per gallon by FY 2014 or FY 2016 but this current annual retail gas price forecast never reaches an average price of $4.00 per gallon. In addition, the current price forecast falls much further in the future than past forecasts. This current forecast reflects that gas prices have been lower than prior projections in recent months so near-term projections are lower. Supplies of gasoline have continued to be excess which puts a dampening impact on prices.

Washington retail gas prices on average were $2.93 per gallon in FY 2010 and they rose to $3.38 per gallon in FY 2011. In FY 2012, Washington average retail gas price is currently projected to rise again to $3.68 per gallon or roughly 8.9% and this current projection is lower than the average price of $3.83 per gallon forecasted in November. In FY 2013, Washington average retail gas price is currently projected to fall slightly year over year by $0.04 to $3.64 per gallon which is 8% lower than the average price of $3.94 per gallon forecasted in November. Throughout the forecast horizon, the February forecast is always lower than the November and March forecasts as shown in Figure 13.

Washington retail diesel price trend
Washington's retail price of diesel was on average $3.02 in FY 2010 and it increased 23% to $3.71 per gallon in FY 2011. In FY 2012, the February 2012 forecast for diesel prices is anticipated to be $4.06 per gallon or 0.9% lower than $4.10 per gallon anticipated in the last forecast. In FY 2013, the current forecast projects retail diesel prices falling again to $3.99 per gallon, a decline of 2.7% year over year, and lower than in November at $4.07 per gallon. The price differential between retail gas and diesel was just 9 cents on average in FY 2010 but it grew to 33 cents on average in FY 2011. Over time, the price differential between retail gas and diesel is expected to grow until by FY 2025 when the retail gas and diesel price differential is anticipated to be at a maximum of 49 cents per gallon.

Figure 14 Washington Ferries Non-Hedged Diesel Prices, February 2012, November vs. March 2011 forecasts



Washington ferries diesel fuel price trend
The trend in Washington's ferry price of diesel is similar to the trend of the retail price of diesel. Washington's ferry price of diesel is the non-hedged diesel cost to Washington State Ferries and it includes the markup costs ferries must pay, delivery fees and various taxes including sales taxes. Washington state ferries will be receiving a sales tax exemption on their fuel purchases beginning July 1, 2013 and this has been incorporated into the baseline non-hedged diesel price forecast. The ferries non-hedged diesel price on average was $2.38 per gallon in FY 2010. In FY 2011, the diesel price rose to $3.11 per gallon. Ferries non-hedged diesel prices are projected to increase further to $3.56 per gallon in FY 2012 and $3.57 per gallon in FY 2013 which are both lower projections than in November which averaged $3.635 per gallon. For the most part, the new February forecast is lower than previous forecasts throughout the forecast horizon. In the near-term, the February, November and March price forecasts are all quite close but by FY 2015, the February forecast starts to fall further away from the

other two prior forecasts. Beginning in FY 2014, the ferries projected diesel price is lower by 10% due to not paying sales taxes on fuel purchases. Future ferry diesel price projections fall as low as $2.83 per gallon by FY 2020.

Figure 15 Near-term Quarterly Fuel Prices
February 2012 forecast

Fiscal Year Quarter	Crude Oil Price ($/barrel)	WA Retail Gasoline Price ($/gal)	WA Retail Diesel Price ($/gal)	Ferry Diesel Price ($/gal)	B99 Biodiesel Price with taxes ($/gal)	B99 Biodiesel Price without taxes ($/gal)	B5 Biodiesel Price with taxes($/gal)
2010: Q3	76.12	3.05	3.24	2.59			
2010: Q4	85.10	3.10	3.48	2.85			
2011: Q1	93.50	3.44	3.78	3.29			
2011: Q2	102.23	3.93	4.32	3.70			
FY 2011	89.24	3.38	3.71	3.11			
2011: Q3	89.72	3.83	4.11	3.53			
2011: Q4	93.99	3.66	4.13	3.56	5.42	4.94	3.44
2012: Q1	100.09	3.55	3.99	3.58	5.46	4.98	3.38
2012: Q2	100.00	3.68	4.01	3.59	5.43	4.95	3.40
FY 2012	95.95	3.68	4.06	3.56	5.44	4.96	3.42
2012: Q3	100.50	3.70	4.02	3.60	5.43	4.95	3.40
2012: Q4	101.00	3.58	3.95	3.53	5.31	4.84	3.34
2013: Q1	102.00	3.57	3.94	3.53	5.29	4.82	3.34
2013: Q2	103.00	3.73	4.06	3.63	5.42	4.94	3.43
FY 2013	101.63	3.64	3.99	3.57	5.36	4.89	3.38

Figure 16 Near- and Long-term Annual Fuel Price
February 2012 forecast

Fiscal Year	Crude Oil Price ($/barrel)	WA Retail Gasoline Price ($/gal)	WA Retail Diesel Price ($/gal)	Ferry Diesel Price ($/gal)	B99 Biodiesel Price with taxes ($/gal)	B99 Biodiesel Price without taxes ($/gal)	B5 Biodiesel Price with taxes($/gal)
2010	75.20	2.93	3.02	2.38			
2011	89.24	3.38	3.71	3.11			
2012	95.95	3.68	4.06	3.56	5.44	5.01	3.42
2013	101.63	3.64	3.99	3.57	5.36	4.89	3.38
2014	110.75	3.80	4.05	3.26	4.94	4.87	3.16
2015	113.73	3.75	3.96	3.16	4.83	4.76	3.10
2016	112.09	3.72	3.92	3.12	4.76	4.70	3.09
2017	110.08	3.68	3.87	3.03	4.68	4.61	3.07
2018	103.42	3.51	3.76	3.00	4.54	4.47	3.02
2019	99.86	3.21	3.73	2.86	4.49	4.42	3.04
2020	93.69	3.17	3.54	2.83	4.25	4.19	2.93
2021	92.47	3.21	3.51	2.94	4.19	4.13	2.95
2022	100.85	3.32	3.65	2.92	4.35	4.28	3.12
2023	100.37	3.27	3.62	3.04	4.30	4.24	3.16
2024	100.05	3.36	3.77	3.16	4.47	4.41	3.30
2025	101.61	3.43	3.92	3.23	4.64	4.57	3.44
2026	103.22	3.56	4.01	3.30	4.71	4.65	3.53
2027	104.88	3.68	4.09	3.42	4.80	4.73	3.62

Biodiesel price trends
The forecasts of biodiesel now include a base B99 biodiesel price and another B99 price forecast for ferries which includes their markup, delivery and tax costs included in the price as well as a forecast of B5 biodiesel prices with markups, delivery and fees. This change in the biodiesel prices being forecasted resulted because WSDOT learned that actual purchases of biodiesel were of the B99 and B5 blends not B100. This forecast will better mirror WSDOT purchases of biodiesel. The prices of biodiesel, B99 and B5, are based on Washington State ferries reported purchases of biodiesel with the markup, delivery and other tax costs included. To begin the B99 and B5 biodiesel forecast, the forecast incorporates the latest monthly average Washington state biodiesel prices (Tacoma, Washington) reported by OPIS for Washington state General Administration. The latest ferries biodiesel price forecast adjusts the OPIS prices for the markup, delivery and taxes paid. The biodiesel price forecast is based on the retail diesel price forecast future growth with adjustments made to eventually have a regular diesel and biodiesel price differential of roughly 15% which is an average price differential seen over a longer period of time. The actual biodiesel B99 and B5 prices have been rising recently in the most part because the federal $1 per gallon biodiesel blenders' tax credit expired at the end of December 2011 causing prices to rise for blended biodiesel.

Comparison of several current U.S. crude oil price forecasts
In February 2012, the West Texas Intermediate (WTI) crude oil price forecasts for FY 2012 differed minimally by approximately -0.61% on average; $89.6 - $98.34 per barrel. The five surveyed forecasting entities, EIA, NYMEX, Global Insight, Consensus Economics and Moody's Economy.com, had forecasts with crude oil price forecasts which averaged $95.36 per barrel for FY 2012. WSDOT baseline fuel price forecasts uses the Energy Information Administration (EIA) forecasts in the near-term thru calendar year 2013 and then uses the growth rates from Global Insight forecasts for subsequent years for the baseline fuel price projections. The projected price forecasts for crude oil in FY 2013, ranged from $101.6 per barrel from WSDOT to $106 per barrel by Economy.com and the average being $103 per barrel. The average forecast for WTI crude oil in FY 2014, ranged from $99 per barrel by NYMEX to $106.8 per barrel by Global Insight with the average being $104.7 per barrel. Figure 17 reveals that NYMEX oil prices were the lowest price forecast or most conservative estimates in FY 2014 and projections by Economy.com were the highest for FY 2013 and in 2014 WSDOT had the highest price forecast.

Figure 17 Near-term Annual Crude Oil Price Forecasts – 5 Different Forecast Comparisons February 2012 forecast
Dollars per barrel

Fiscal Year	WSDOT (EIA/GI)	NYMEX	Global Insight	Economy.com	Consensus Economics	5 Entity Avg	% Diff Lowest	% Diff Highest	% Diff Average
2012	$95.95	$95.69	$89.58	$97.25	$98.34	$95.36	-6.64%	2.49%	-0.61%
2013	$101.63	$101.83	$104.02	$105.99	$102.90	$103.27	0.00%	4.29%	1.62%
2014	$110.75	$99.32	$103.70	$106.77	$102.90	$104.69	-10.32%	0.00%	-5.47%

WSDOT applies the five forecast entity average adjustment to the baseline February 2012 retail gasoline, diesel and wholesale diesel prices. These fuel prices listed in Figure 18 will be used to estimate the future costs to the agency's budget for gas and diesel fuel. The February 2012 forecast for adjusted gas prices is $3.67 per gallon which is an decrease from the prior forecast of 5% and adjusted retail diesel prices are projected at $4.05 per gallon or 2.1% lower than the last forecast at $4.14 per gallon and ferries diesel prices are anticipated to average $3.55 per gallon or 3% less than anticipated in November. In FY 2013, retail gas prices are estimated to be $3.70 per gallon or 4.7% lower than in November; retail diesel prices are projected at $4.05 per gallon or 1% lower than the last forecast at $4.01 per gallon and ferries diesel prices are estimated to be $3.63 per gallon or 1% higher than the prior forecast projection of $3.59 per gallon.

Figure 18 Near-term Average Adjusted Quarterly Fuel Prices Used for Budgeting Purposes February 2012 forecast and Percent Change from Prior Forecast

Fiscal Year Quarter	Adjusted WA Retail Gasoline Price ($/gal)	Adjusted WA Retail Diesel Price ($/gal)	Adjusted Ferry Diesel Price ($/gal)	% Chg Prior Forecast Retail Gas Price	% Chg Prior Forecast Retail Diesel Price	% Chg Prior Forecast Ferry Diesel Price
2011: Q3	3.83	4.11	3.53	0.00%	0.00%	0.00%
2011: Q4	3.66	4.13	3.56	-4.87%	-1.50%	-5.40%
2012: Q1	3.53	3.97	3.55	-7.55%	-2.94%	-2.89%
2012: Q2	3.66	3.99	3.57	-7.55%	-4.15%	-4.29%
FY 2012	**3.67**	**4.05**	**3.55**	**-4.96%**	**-2.16%**	**-3.01%**
2012: Q3	3.76	4.08	3.65	-2.02%	1.53%	1.50%
2012: Q4	3.63	4.01	3.59	-2.06%	1.78%	1.70%
2013: Q1	3.63	4.01	3.59	-3.53%	-0.61%	-0.66%
2013: Q2	3.79	4.12	3.69	-10.44%	1.77%	1.66%
FY 2013	**3.70**	**4.05**	**3.63**	**-4.69%**	**1.12%**	**1.05%**

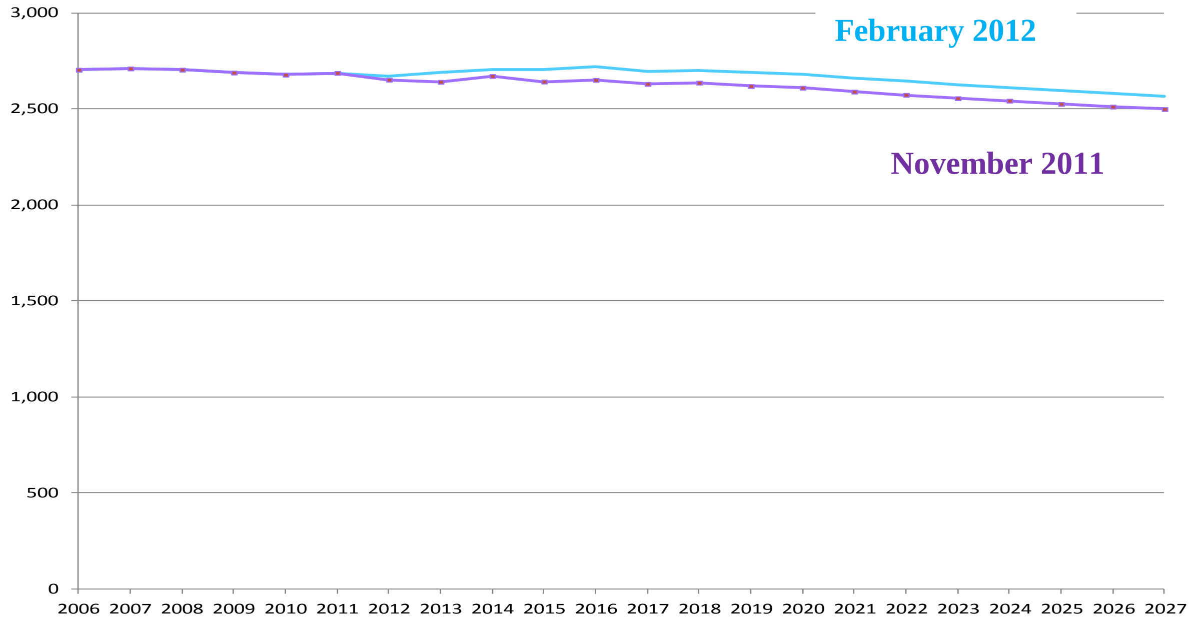
Motor Vehicle Fuel Tax Forecast

The gross motor vehicle fuel tax was $2.489 billion for the 2009-11 biennium which is a slight increase of 0.1% from the 2007-09 biennium. Since the November 2011 forecast, gas tax collections came in above forecast in all three months by $6.6 million. November collections were $1 million above forecast and December collections were $1.2 million ahead of projections and January collections were $4.4 million above of November forecast. Diesel tax collections came in under the last forecast for the past three months by a total of $7.2 million or -11%. November diesel tax collections were down $3.2 million, December diesel tax collections were down $1.8 million and January tax collections were also down by $2.3 million. All motor fuel tax collections came in $0.7 million or 0.3% below forecast for the past three months combined.

Total motor fuel tax revenue projections are $2.52 billion which is 1.2% higher than in the 2009-11 biennium. Gross motor fuel tax revenues for the 2011–13 biennium are projected to be approximately $5.15 million (0.2%) above the prior forecast. The overall increase in motor fuel tax revenue for the 10-year period ending in 2019-21 biennium is 0.8% or $100 million compared to the November 2011 revenue forecast. The primary reason for the increase in fuel tax revenues from the last forecast is stronger economic variables like non-agricultural and trade, transportation and utilities employment projections in the near-term and lower fuel prices which create higher gas consumption projections which are larger than the slower diesel consumption forecast this quarter.

Trends in gasoline consumption and tax revenue
Gasoline consumption was 2,678 million gallons for FY 2010 which was a decrease of 0.4% over the FY 2009 consumption level. For FY 2011, gasoline consumption was 2,687 million gallons which is an annual increase of 0.3%. In FY 2012, gasoline consumption is projected to be 2,668 million gallons which corresponds to a year over year decline of 0.7% from consumption in FY 2011, which is a higher growth rate than the November forecast by 0.6%. Figure 19 shows the forecast to forecast comparison of projected gasoline gallons consumed. In FY 2013, gasoline consumption is projected to be 2,687 million gallons, 1.8% higher than the last forecast. Throughout the remainder of the forecast horizon, gas

Figure 19 Gasoline Motor Fuel Consumption Comparison
February 2012 vs. November 2011 forecast
millions of gallons



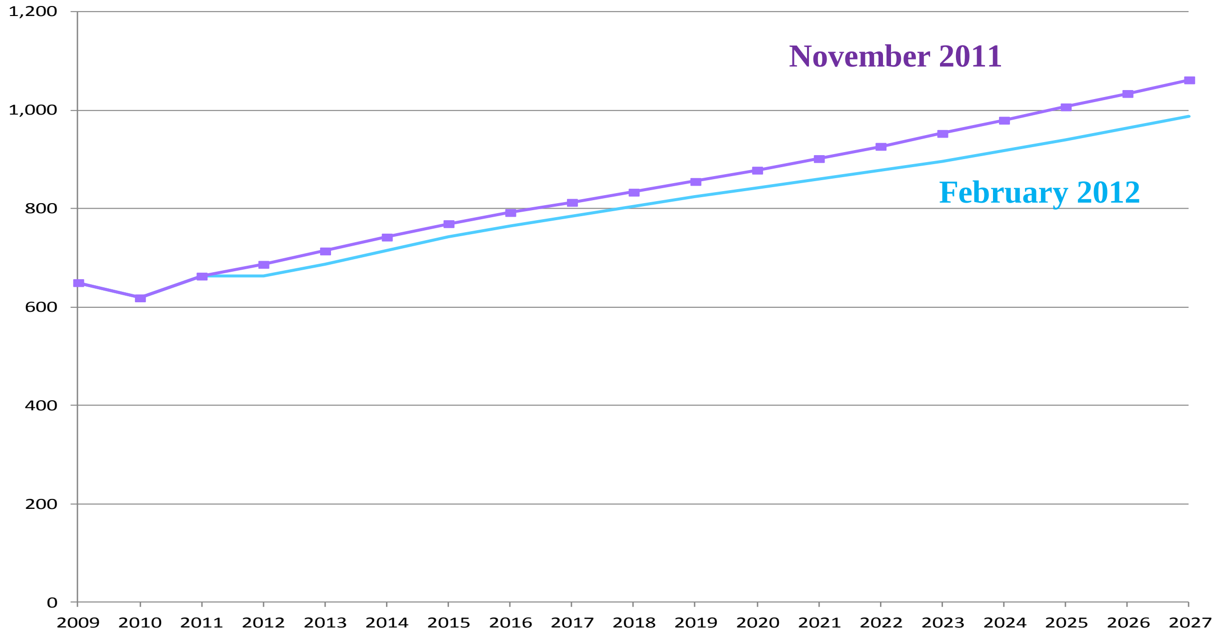
consumption is anticipated to be higher than in November due to forecasts of key economic variables like employment being higher and gas prices being lower thus adding growth to gas consumption in the near-term and long-term. The year over year percentage change in gasoline consumption in the February 2012 forecast has the same flat trend with the slight decline beginning FY 2017 and continuing throughout the rest of the forecast horizon. The long-term average annual growth rate (FY 2012-2027) for gas consumption is -0.3% in this February 2012 forecast as opposed to -0.5% average annual growth estimated in the November forecast. The overall trend in this forecast is a slightly up over the previous forecast.

In the current biennium, gas tax revenue is projected to be $2,011 million which is a revision upward of $24.68 million or (1.2%) from the last forecast. By the 2013-15 biennium, the gas tax revenue rises slightly to $2,029 million and was up $37.1 million (1.9%) from the prior forecast. This biennia increase from the prior forecast continues to grow to as much as 2.8% or $53.7 million by the 2021-23 biennium. After that, the increase over the last forecast decline slightly to 2.6% by the last biennia. Overall, the gas tax revenue forecast is up approximately $213.3 million over the November forecast for the 10 year forecast horizon and $368.8 million over the 16 year forecast period beginning in FY 2012 and ending in FY 2027. All fuel tax revenue is not up by as much as gas tax revenue due to opposite trend in diesel consumption from gas consumption. Therefore, the February 2012 10-year forecast for all motor fuel taxes is nearly $13 billion and is up $100 million from the November forecast and $113 million (0.3%) over the 16-year forecast horizon.

Trends in diesel consumption and tax revenue
Fiscal year 2009 diesel consumption was 650 million gallons which represented a year over year decline of 16.4%. In FY 2010, diesel consumption was 619 million gallons which was also a 4.8% decrease over the prior year diesel consumption level. In FY 2011, diesel consumption was 663 million gallons which is a year over year increase of 7.2%. In FY 2012, diesel consumption is projected to be 663 million gallons which is a no change annually from FY 2011 and this is a downward revision of 3.5% from the November forecast of 663 million gallons. In FY 2013 and 2014, the annual growth rates of diesel consumption are projected at 3.8% and 4% each year respectively which is down 3.6% each year from November projections. This downward revision in the diesel consumption forecast is due to lower diesel tax collections than projected in recent months and higher non-highway refunds in the current fiscal year from large export refund activity. Diesel consumption is not expected to exceed its high 2008 consumption

level of 777 million gallons until FY 2017. Over the forecast horizon, diesel consumption is expected to grow annually on average by approximately 2.5%.

Figure 20 Diesel Fuel Consumption Forecast Comparison
February 2012 vs. November 2011



Diesel tax collections are projected at $508 million and down $19.5 million (3.7%) over the November forecast for the 2011-13 biennium. This was the result of tax collections coming in lower than projected for the past three months: November through January. Diesel tax revenue is projected to be $548 million in the 2013-15 biennium which is down by $20.5 million over the prior forecast. In the 2015-17 biennium, diesel tax revenue is expected to be $582.4 million which is down from the last forecast by $20.8 million. In the 2017-19 biennium, diesel tax revenue is expected to be $612 million which is lower than the last forecast by $22.8 million or 3.6%. This revenue loss from the last forecast continues to grow over the remainder of the forecast horizon so by the last biennium, diesel tax revenue is down $54.3 million or 6.9%. The major reasons for the diesel consumption and revenue changes in February are due to continued lower actuals and stronger projections for Washington personal income and Washington trade, transportation and utilities sector employment in the near term but they do not off-set the lower starting point after the current fiscal year. In the long-term, the personal income and trade transportation and utilities employment projections are lower causing diesel tax revenue projections to fall further throughout the forecast horizon.

Motor fuel tax refunds
Non-highway and tribal refunds for gasoline and diesel fuel are accounted for in the motor fuel tax forecast. These refunds reduce net motor fuel tax distributions. The current biennium forecast of non-highway gas tax funds is projected to be significantly higher, in particular diesel taxes, by $12.5 million or 8.96%. The fuel tax refund increase is due primarily to a one time increase of $10.3 million due to new fuel exporter activity since the November forecast.

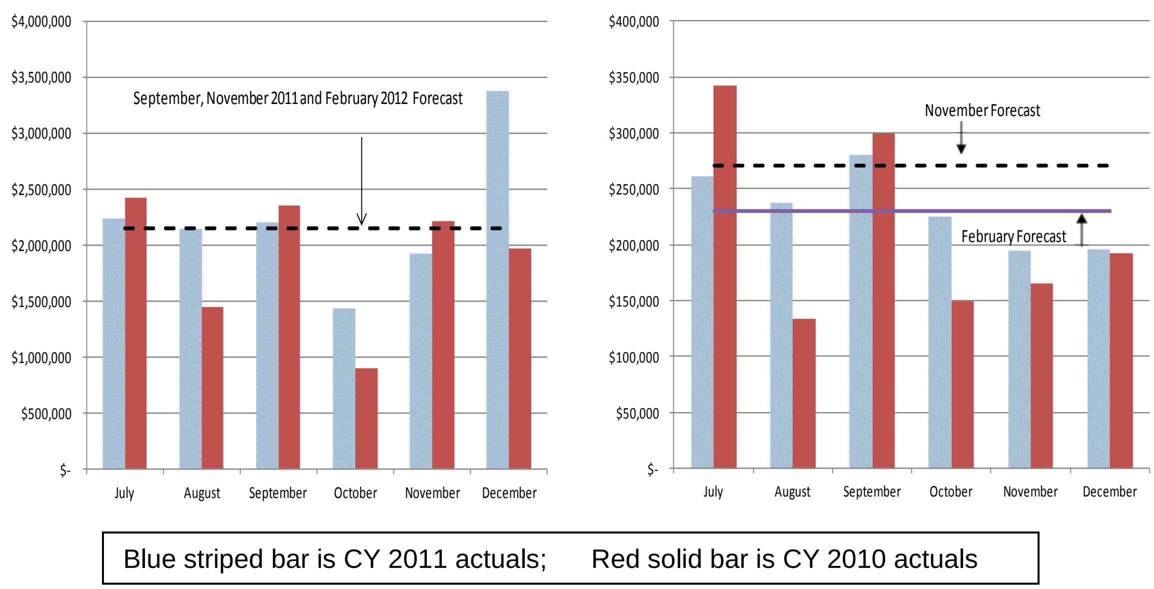
In November, the special fuel tax non-highway refunds were forecasted at $41.4 million which was an upward revision of $9.6 million or 30% from the prior forecast in the 2011-13 biennium. Again in February, the special fuel tax non-highway refunds are increased by 25% or $10.3 million. The reason for the upward revision in non-highway diesel refunds in February was due to having a large refund amount in

December due to one company exporting fuel which is captured in this refund amount. In addition, the Department of Licensing has notified WSDOT of other refund claims for exported gallons to be coming in the next few months from this same unlicensed exporter. At this time, it is known that this unlicensed exporter has filed a total of $10 million in export fuel tax refund claims. It is also anticipated in the forecast for this fiscal year that there are three months of additional refund claims that will be filed for this company. It is anticipated that this company will have a total of $14.26 million in fuel tax claims.

Beyond the current biennium, gasoline and diesel non-highway refunds grow at the same rate gross gasoline and diesel. Therefore, beginning in the 2013-15 biennium, gas tax non highway refunds are projected to be up 1.8% or $179,400 and diesel tax non-highway refunds are projected to be down $1.33 million or 3.61% based on the lower special fuel tax revenue. In the 2015-17 biennium, non-highway gas tax refunds are up $247,800 or 2.5% while special fuel non-highway refunds are projected to be lower by $1.35 million (3.5%) from the last forecast. This reduction percentage of the special fuel tax non-highway refunds from the last forecast grows over the forecast horizon.

Figure 21 Gas and Diesel Tribal Fuel Tax Refunds ($) Monthly for FY 2011 & 2012 with November and February 2012 Monthly Average Forecast for FY 2012

Monthly Gas Tribal Refunds (July – December 2011) Monthly Diesel Tribal Refunds (July – December)



The 2009-11 biennium gas tribal refunds were $41 million which was based on month of distribution. In the 2011-13 biennium, gasoline tribal tax refunds are projected at $56.1 million which is a slight modification upward from the November and September forecasts. Subsequent biennia projections remain the same as the prior forecasts as this current adjustment was due to having unusually large tribal refund payment beyond projections in November.

The special fuel tax tribal refunds were $3.9 million in the 2009-11 biennium. For the 2011-13 biennia, special fuel tribal tax refunds are projected to be $6.4 million which is slightly lower than $6.8 million projected for the biennium in November and September. This is due to having lower actual refunds than projected in the last three months. Figure 21 reveals the monthly average tribal fuel tax refunds for the first 6 months of the fiscal year for FY 2011 and 2012. This figure reveals that the monthly actual tribal refunds have been tracking the September and subsequent similar forecasts well.

Primary reasons for the forecast changes

- Overall, total fuel tax collections have come in close to forecast for the past three months. Gas tax collections have come in above forecast by $6.6 million but diesel tax collections have come under forecast for the past three months by $7.2 million so overall, fuel tax collections came in minimally below the November projections by $ 0.7 million.
- In the near-term, the February retail gasoline prices are down from the last forecast which brings up the forecast in the near-term and in the long-term, the current fuel prices are lower and this results in expansionary fuel consumption. Fuel efficiency did not change from the last projection.
- Washington's real personal income growth rates in this February forecast is down slightly in the near-term but up in FY 2014 and 2015 due to using the Washington Economic and Revenue Forecast Council projections for two additional years. In the long-term, OFM's projection of real personal income was lower causing diesel consumption projections to be decreased.
- Washington's non-farm and trade, transportation and utilities employment projections have been slightly stronger in the near-term and after FY 2015, the change in the non-farm and trade, transportation and utilities employment projections are only slightly lower than the last forecast.
- Overall, in the current biennium, gross fuel tax revenues are up $5.15 million (0.2%) but net fuel tax revenues are down $7.3 million (-0.3%) due to the large export and tribal fuel tax refund activities. In the 2013-15 biennium, gross fuel tax revenue is up $16.6 million (0.65%) and net fuel taxes are also up by $17 million and gross revenue is up throughout the remainder of the forecast horizon except for the last biennia in which gross fuel tax is down $4.68 million.
- Future non-highway fuel tax refunds are higher this forecast than last due to large diesel export refunds and gas tribal refunds. In the current biennium, total non-highway and tribal fuel tax refunds were increased $12.5 million from November. This change was made to the current fiscal year and it was not extended to subsequent fiscal years. There were only minor changes to the diesel and gas non-highway refunds in subsequent biennia which mirrored the current changes in gross fuel consumption projections since the forecast in November.

Figure 22 Short-term Motor Fuel Tax Forecast – By Month of Collection
February 2012 forecast
millions of dollars

	FY 2012	FY 2013	2011-13 Biennium	FY 2014	FY 2015	2013-15 Biennium
Gasoline Taxes	$1,003.1	$1,008.2	$2,011.3	$1,013.5	$1,015.3	$2,028.8
Special Fuel Taxes	249.3	258.9	508.2	269.1	278.9	548.0
Total Fuel Revenue	$1,252.4	$1,267.1	$2,519.5	$1,282.6	$1,294.2	$2,576.8
% Change from Prior Fcst	-0.2%	0.6%	0.2%	0.2%	1%	0.6%

Motor Vehicle Revenue (Licenses, Permits, and Fees)

Vehicle related forecasts fall into two main categories: motor vehicle registrations and license plate related fees. This forecast has a variety of small fees but the majority of the revenue is from registration based fees. There are four main economic drivers for the vehicle licenses, permits and fees (LPFs) forecast: Washington population and net migration, Washington personal income, Washington - U.S. real income share and U.S. sales of light vehicles. Washington State collected almost $873 million from vehicle licenses, permits, and fees (LPFs) in the 2009-11 biennium. This appears to be the low point for this revenue source and revenues will be picking up, biennium over biennium. The forecast for revenue from licenses, permits, and fees in the 2011-2013 biennium is projected at $901.6 million, which is $29 million more than the previous biennium.

For February compared to November, the February LPF forecast is up $1.2 million (0.13%) from the November estimate of $900 million. There are several reasons for these changes. Actual vehicle revenues are up in the current biennium. A higher personal income in the short run with no change in population and population growth forecasts in the long run will increase revenue in the vehicle categories.

Trends in vehicle registrations

This forecast, as well as the previous six forecasts, assumes a U-shaped recovery from the 2009-2010 recession for cars. By 2011, passenger car registrations returned to and exceeded the previous high water mark established in 2008. Registrations for 2012 are coming in at about the same level as 2011. The recession was deeper and sharper for trucks. Like cars, truck registrations did recover in 2011 from the low point in 2010. Unlike cars, it will take trucks two to three more years to return to the 2008 high. Truck registrations for 2012 should be about a half of a percent higher than 2011. In the current biennium and beyond, the February 2012 forecast assumes year to year growth rates for 2012 of 0.7% for passenger cars and for trucks at 0.5%. In FYs 2013, 2014, and 2015 vehicle forecasts reflect the shift from using population growth to personal income growth rates. The February 2012 forecast for passenger car registrations is down 0.5% for FY 2013 and is up 0.5% from the last forecast for FY 2014. Trucks registrations are down 0.17% in 2012, 0.46% in 2013, and 0.1% in 2014 from the last forecast. By 2015 and beyond, the truck forecast is about 0.03% higher than in the previous forecast. In 2016 and beyond, the forecast growth rates mirror Washington population growth from the prior forecast.

Figure 23 Passenger Car Comparison
February 2012 vs. November 2011 forecast
millions of vehicles

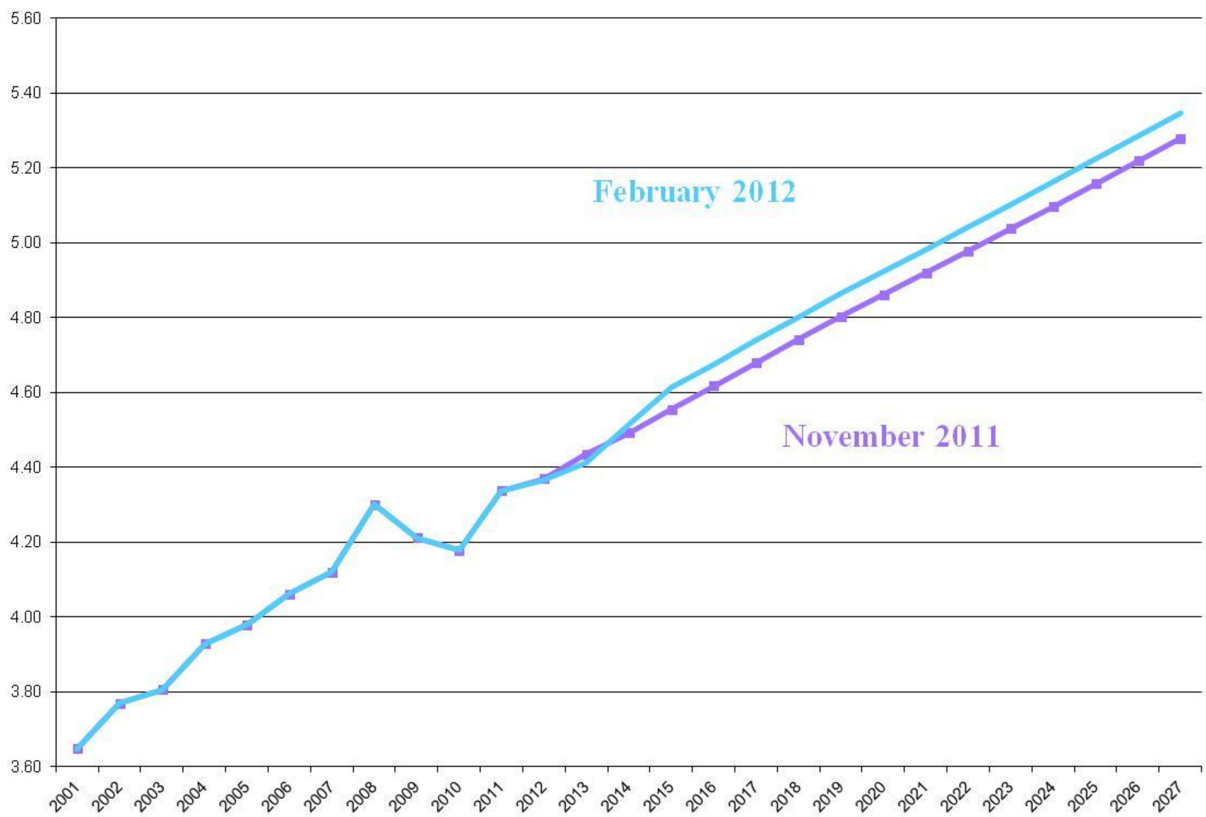
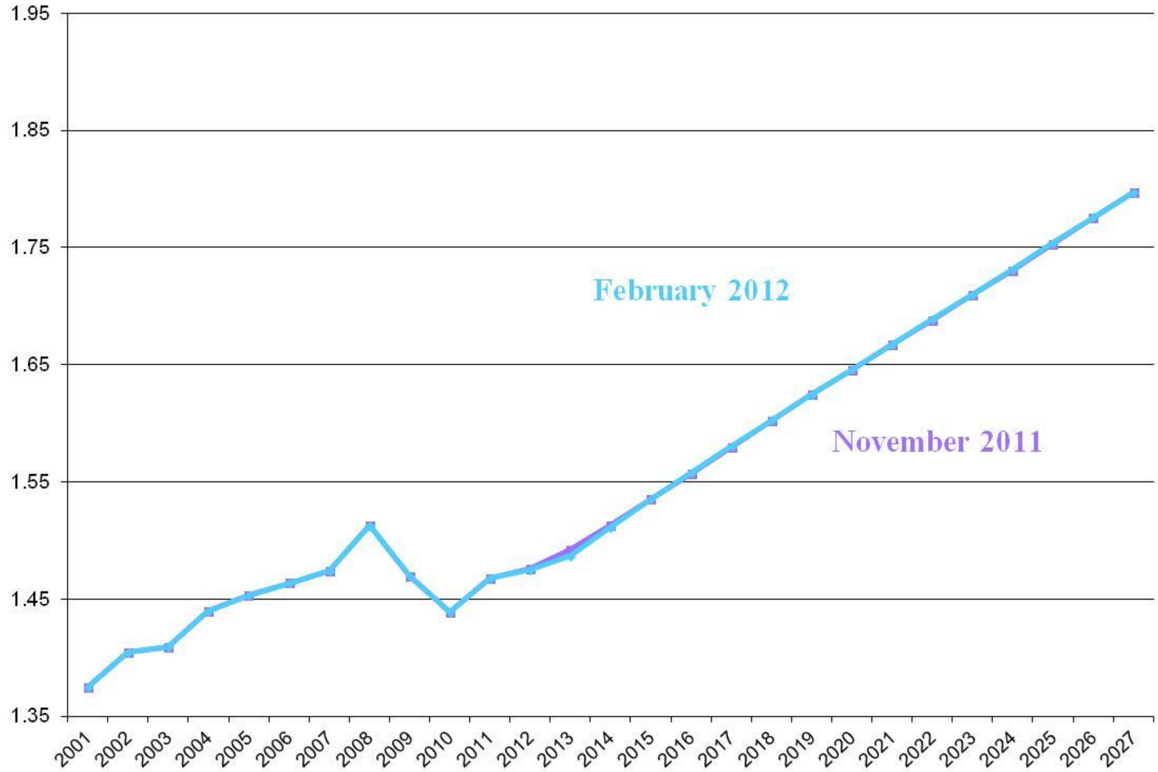


Figure 24 Truck Comparison
February 2012 vs. November 2011 forecast
millions of vehicles



Trends in LPF revenue
As previously stated, Washington State collected almost $873 million from vehicle licenses, permits, and fees (LPFs) in the 2009-11 biennium while the 2011-13 biennium should be about $902 million. The 2009-2011 biennium appears to be the low point for this revenue source and revenues will pick up, biennium over biennium.

For the 2009-2011 biennium, vehicles paying the $30 basic fees brought in $284 million while trucks garnered $330 million. For 2011-2013, passenger cars ($30 vehicles) should bring in $294 million, which is $500,000 (0.17%) higher than we forecasted in November. Trucks should earn $338 million or about $1.4 million (0.42%) higher than forecasted in November. These increases in forecasted revenues to date are due to actual revenue being slightly higher than previously forecasted in some categories of passenger vehicles. In December, the big month for truck fleet registrations, revenue came in much higher than expected, representing a return of heavier commercial vehicles to Washington State fleets.

Passenger weight fees were $106 million for 2009-2011. In the next biennium, weight fees will be higher, at $109 million, but are still lower than forecasted in November by $305,000 (0.28%). Actual motor home weight fees came in at $10 million in 2009-2011. These fees will be slightly lower at $9.9 million in the next biennium. The February forecast for motor home weight fees is higher by $173,000 (1.79%).

The license plate replacement fees are revised lower than the previous forecast by $226.3 thousand (-0.77%) in the 2011-2013 Biennium. License plate reflectivity fees are also revised lower by $99.3 thousand (-0.93%) for this period. The plate reflectivity and replacement fees are lower than the previous forecast by $2.89 million (-7%) in the 2013-2015 Biennium. This reduction is due to non-economic reasons in that the forecast of mandatory replacement plates was rebased with the improved CY 2011 report. The forecast-to-forecast changes reflect this non-economic change throughout the forecast horizon.

Title fees are lower in the 2011-13 Biennium by $360.4 thousand (-1.71%) due to the reduction in the forecast of Long-term Washington Non-Farm Employment (OFM). Title transactions and fee distributions have been updated with current data. The resulting change in the forecast and revenue distribution to the Multimodal Account is a decrease of $67.7 thousand (-1.15%) and to the Nickel Account a decrease of $286.9 thousand (-1.93%). The dealer temporary permits are only slightly lower than the prior forecast in the 2011-13 Biennium by $20.8 thousand (-0.23%) due to lower than anticipated transactions in recent months. These vehicle sales related revenues are down by $381.2 thousand (-1.27%) in the 2011-2013 Biennium over the previous forecast.

There is a new revenue stream starting FY12 from vehicle quick titles ($50.00 each, per SHB 1046). The vehicle quick title forecast is lower than the prior forecast in the 2011-13 Biennium by $3.9 thousand (-0.87%) due to lower than anticipated transactions.

Primary reasons for the forecast changes

- Actual passenger vehicle registrations and truck registrations are down in FY 2012 due to lower personal income and income growth rates.
- The Economic and Revenue Forecast Council projections of Washington personal income growth rates were down in the first two years of the forecast, but increase sharply in the second two years. OFM's forecast of population which impacts the passenger car and truck registration forecasts beyond 2016 is unchanged.
- There was a revision of the license plate replacement fee forecast this February due to receiving new actual data.
- Overall, LPF revenues are up $1.17 million compared to the last forecast in the current biennium. The basic license fee and combined license fees were both up over the last forecast causing the largest part of the positive impact of the LPF forecast to forecast overall impact.

Figure 25 Short-term Motor Vehicle Related Revenue (Licenses, Permits and Fees)
February 2012 forecast
millions of dollars (totals do not add due to rounding)

	FY 2012	FY 2013	2011-13 Biennium	FY 2014	FY 2015	2013-15 Biennium
Basic $30 License Fee	**$146.8**	**$147.4**	**$294.2**	**$150.7**	**$153.9**	**$304.6**
Combined License Fee	**169.3**	**168.6**	**337.9**	**171.4**	**174.1**	**345.5**
All Other Fees	**133.4**	**136.1**	**269.5**	**137.7**	**139.6**	**277.4**
Total LPF Revenue	**$449.5**	**$452.1**	**$901.6**	**$459.8**	**$467.6**	**$927.5**
% Change from Prior Fcst	0.08%	-0.05%	**0.13%**	-0.02%	0.25%	**0.06%**

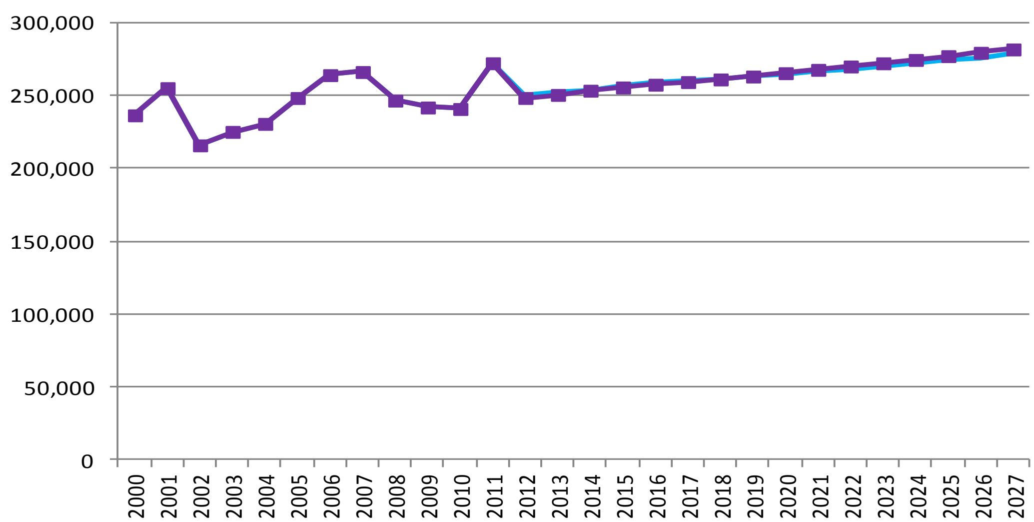
Driver Related Revenue Forecasts

The February 2012 forecast of driver related revenue projected by the Department of Licensing includes the following revenues: driver license fees, copies of records, motorcycle operator fees, ignition interlock fees, and other miscellaneous fees. The miscellaneous fees include vehicle filing fees, limousine licenses, fines and forfeitures, and driver school instructor license fees. These driver-related fees are deposited into the Highway Safety Fund (HSF), Motorcycle Safety Education Account (MSEA), the State Patrol Highway Account (SPHA), and Ignition Interlock Revolving Account (IIRA). All driver-related revenue is projected to be $203.3 million for the 2011-2013 Biennium, about $266 thousand (-0.1%) lower from the prior forecast. In the 2013-2015 Biennium, the February forecast of driver related revenue is $206.6 million, a drop of about $866 thousand (-0.4%) from the prior forecast. It is important to note that most of the driver related revenue streams follow a five-year renewal cycle. Therefore, caution is advised in year over year comparisons.

Trends in Driver's Licenses and Abstracts of Driver Records

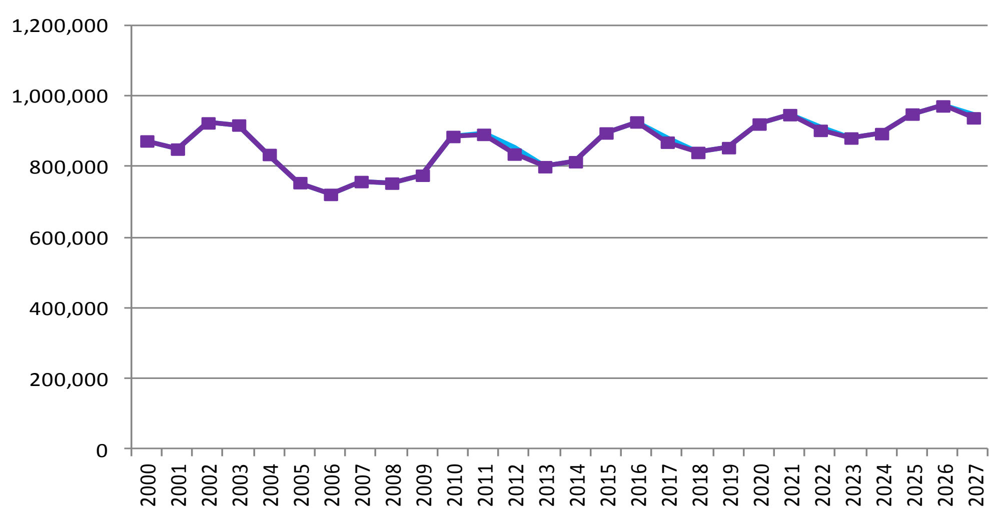
Original driver license issuances for the FY11-13 biennium are expected to be about .5% higher than the prior forecast, due to a near-term upward revision in OFM's driver-in forecast. FY14 through FY19 see an average of 0.2% revision up. From FY20 beyond, the forecast is revised down by an average of -0.8% following the lower long term non-farm employment forecast.

Figure 26 Driver License Originals February 2012 vs November 2011



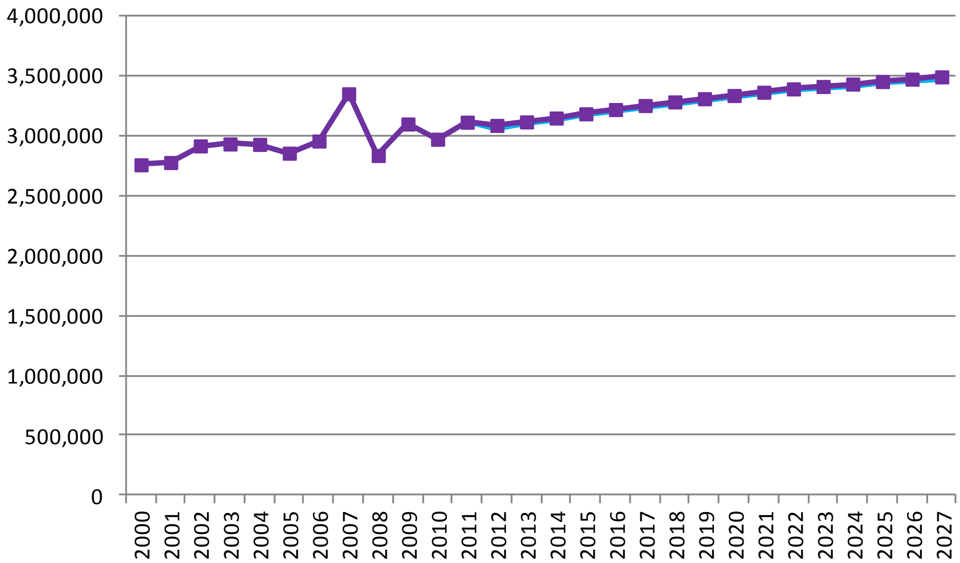
The Driver license renewal for FY12 is revised up by about 2% as actual renewals have come in higher than expected. The out years are essentially unchanged other than the fact that the effect of FY12 echoes out every five years.

Figure 27 Driver License Renewals February 2012 vs November 2011



Sales of Abstracts of Driver Record (ADR): This forecast is revised down by -1.1% for FY12 and -.5% for the out years. The revision simply reflects lower than expected actual since the last forecast.

Figure 28 Sales of ADR February 2012 vs November 2011



Trends in Driver Related Revenue

Highway Safety Fund

Total Highway Safety Fund revenue is projected to be $165.7 million, about $428 thousand higher (+0.3%) than the prior forecast.

Roughly 77% of the Highway Safety Fund (HSF) revenue comes from driver license fees. The 2011-2013 Biennium revenue is $127.9 million, up by about $450 thousand (+0.4%) due to higher than expected renewal transactions. However, the FY13-15 biennium is revised down by about -0.3% as a couple other revenue streams related to driver penalty and permits came in lower than expected.

The February projection for the abstract of driver records fee revenue is $33.2 million for the current biennium, about $305 thousand lower (-0.9%) than prior forecast; it is $33.9 million for the FY13-15 biennium, about $211 thousand (-0.6%) lower than prior forecast. There is a -0.6% downward revision of future biennia as well.

A few other Highway Safety Fund revenue streams (selected motor vehicle filing fees, limousine license fees, driving school, fines and forfeitures, and misc. revenue) make up a little over $2 million a year. The February forecast projects a revision upward by about $282 thousand (6.5%) for FY2011-13, and about 8% in the out years. This revision is primarily the result of fee increases in Limousine Licenses that take effect February 2012. The fee for a limousine carrier business license goes up from $40 to $350 and the fee for a limousine vehicle license goes up from $25 to $75. This fee increases were authorized by SSB 5502 (2011 session) and determined administratively by DOL. The limousine license revenue was not part of Highway Safety Account until this fiscal year.

State Patrol Highway Account

The State Patrol Highway Account receives $5 for each sale of an Abstract of Driver Record (ADR). This forecast is revised downward by -1% for FY12 and -0.5% per year throughout the forecast horizon due lower than expected sales to date. FY11-13 revenue is projected to be about $30.7 million, a reduction of about $246 thousand (-0.8%) from prior forecast. Revenue for FY13-15 is projected to be about $31.5 million, a drop of about $158 thousand (-0.5%) from prior forecast.

Motorcycle Safety Education Account Trends

The Motorcycle Safety Education Account (MSEA) receives revenue from the following sources:

- motorcycle license endorsements
- motorcycle instruction permits
- motorcycle examination fees.

Renewal endorsements have come in better than expected, resulting in upward revision for FY12 revenue by about 3%. This upward revision echoes out every five years with diminishing impact.

Ignition Interlock Device Revolving Account

The Ignition Interlock Device Revolving Account revenue is projected to be about $2.4 million for the current biennium, down about $510 thousand (-17%) from prior forecast. Future biennia are also down proportionally due to rebasing. This is a relatively new revenue stream with insufficient observations to develop econometric models. The forecast is based on observed average to date with population growth in the out years.

Primary reasons for the forecast changes

The downward revision for driver related revenue is attributable to:

- lower long term non-farm employment forecasts from OFM;
- lower sales of driver abstracts; and
- lower than expected revenue in driver penalty related transactions.

Figure 29 Short-term Driver Related Revenue Forecasts February 2012
(millions of dollars)

	FY 2012	FY 2013	2011-13 Biennium	FY 2014	FY 2015	2013-15 Biennium
Total Highway Safety Fund	**$83.1**	**$82.5**	**$165.7**	**$83.3**	**$84.5**	**$167.8**
Drivers License Fees	$64.4	$63.4	$127.9	$63.9	$65.0	$128.9
Copies of Record Fees	$16.5	$16.7	$33.2	$16.9	$17.1	$34.0
Other smaller misc. Fees	$2.3	$2.4	$4.7	$2.5	$2.5	$4.9
Total Motorcycle Safety Education Account	**$2.2**	**$2.3**	**$4.5**	**$2.5**	**$2.4**	**$4.9**
Total State Patrol Account	**$15.3**	**$15.5**	**$30.8**	**$15.7**	**$15.8**	**$31.5**
Total Ignition Interlock Device Revolving Account	**$1.2**	**$1.2**	**$2.4**	**$1.2**	**$1.2**	**$2.4**
Total Driver Related Revenue	**$101.8**	**$101.5**	**$203.3**	**$102.6**	**$104.0**	**$206.6**
Percent change from prior forecast	0.1%	-0.3%	**-0.1%**	-0.4%	-0.4%	**-0.4%**

Other Transportation Related Revenue Forecast

This category of transportation related revenue forecasts consist of four primary components: vehicle sales and use taxes, rental car sales taxes, business and other revenue and aeronautics revenue.

Vehicle Sales and Use Tax
The consumer spending on new US light vehicles was $157 billion in FY 2009 and this represented a decline of 28% from the FY 2008 sales level. In FY 2010, consumer spending on new US light vehicles grew to $175 billion which represented an 11.5% annual growth. In FY 2011, consumer spending on light vehicles is up 10.9% from FY 2010. In FY 2012, the growth in the US spending on light vehicle sales is projected to be $198 billion; an increase of 2.6% year over year and this is a reduction of -5.9% from the prior forecast. In FY 2013, the growth in the US spending on light vehicle sales is projected to be $215 billion; an increase of 8.4% year over year and this is a reduction of -7.3% from the prior forecast.

The actual vehicle sales and use tax collections in the 2007–09 biennium was $62.7 million, and the sales and use tax collections in the 2009-11 biennium decreased to $54.4 million. In the 2011-13 biennium, the sales and use tax collections are projected to grow to $60.9 million which is a 4.3% increase of $2.5 million from the past forecast. Actual tax collections have come in $1.0 million higher than forecast but economic variables have weakened. In the 2013-15 biennium, the sales and use tax collections are projected to grow to $68.2 million which is a 4.1% increase of $2.7 million from the past forecast. Revenues after the 2013-15 biennia increase by approximately 3.8% initially and it slows to a 1.8% increase from the November forecast by the 2025-27 biennium.

Rental Car Sales Tax
The forecast for rental car sales was $46.97 million for the 2007-09 biennium and it decreased to $44.5 million in the 2009-11 biennium. In the 2011-13 biennium, the rental car tax is projected to be $48.0 million which is a decrease of $0.4 million or -0.7% from the November forecast. Actuals since the last forecast have been below projections by $0.1 million. In the 2013-15 biennium, revenues are projected to be $51.3 million which is a -0.5% revision of $0.3 million from the prior forecast. The primary reason for the change in the forecast is due to the collection experience to date. Changes to economic variables related to this forecast were generally positive, although the rate of decline in the unemployment rate was slower in the near term.

Business and Other Revenue
The business and other revenue category includes the following revenue sources:

- Sales of property
- WSP and DOT services and publications and documents
- Filing fees and legal services
- Property management
- Other revenues

Motor Vehicle Account business and other revenue tax collections for the 2009-11 biennium was $12.6 million. Each biennium this revenue category has a unique set of properties available to be sold, making biennium to biennium comparisons difficult. The February 2011-13 biennium forecast is projected to be $10.4 million, a slight increase of 1.5% or $154.4 thousand increase from the prior forecast due to updated data for ACCESS fees. The 2013-15 biennium total business related revenues are projected to be up slightly by 1.6% or $172.4 thousand from the November forecast.

State Patrol Highway Account miscellaneous revenue consists of ACCESS fees (fees charged for usage of our statewide law enforcement telecommunications system), Breathalyzer Test fines, DUI Cost Reimbursement, and Terminal Safety Inspection fees. The February forecast is the first time these fees and fines have been incorporated into the transportation revenue forecast. The miscellaneous revenue collections for the 2009-11 biennium were $6.8 million. The February 2011-13 biennium forecast is $7.1 million, down 0.82% or $58,600 from prior estimates primarily due to an estimated decrease in Breathalyzer Test fines. This decrease is partially offset by a projected increase in ACCESS fee revenue. Data from the Administrative Office of the Courts shows a 2% increase in court cases where the Breathalyzer Test fine is not assessed. Data is not available on court cases where the fine is reduced. The 2013-15 biennium State Patrol Highway Account revenues are projected to be down by 0.79% or $56,400 from prior estimates. The reason for the change is the same as for the 2011-13 biennium.

Aeronautics Taxes and Fees
The aeronautics tax forecast includes excise, registrations and fuel taxes as well as transfers. The aeronautics tax collections were $5.7 million in the 2007-09 biennium. In the 2009-11 biennium, the aeronautics tax collections were $5.8 million and the revenue is projected to increase in the current biennium to $5.9 million which is a minor decrease of $46,900 from November. In the 2011-13 biennium, the aircraft registrations, excise and dealers' taxes are a small portion of the total aeronautics revenue at $748,500 which is a negative change of $32,400 from the last forecast. Ten percent of the excise tax goes to the aeronautics account and the rest goes to the state general fund. The aeronautics transfer from the motor vehicle fund is also part of this forecast and is projected to be $564,300 which is an upward revision of $8,600 or 1.55% from the prior forecast for the current biennium. In subsequent biennia, the aeronautics transfer from the motor vehicle fund is $567,900 up by $10,000 or approx.1.8% from the last forecast. The aviation fuel tax is the largest component of this aeronautics tax forecast.

Aviation Fuel Tax
The aviation fuel tax forecast is slightly lower than the November forecast in the 2011-13 Biennium by $40.5 thousand (-0.8%). This forecast was updated with the Washington Manufacturing Employment Forecast (OFM), which is slightly lower in the near term. Revenues to date for FY 2011-13 are substantially higher than anticipated, but it is suspected that about $2 million of this revenue will be refunded as export fuel. However, the timing of refunds may be outside of FY 2012 and occur during FY 2013. We are hopeful that more information will be available about any refund requests ahead of the next forecast in June 2012.

Primary reasons for the forecast changes

- Vehicle sales and use tax revenue are up in the current biennium by $2.5 million due to higher actual coming in even with weaker projections of consumer spending on new motor vehicles.
- Rental car revenue is down by $0.4 million in the current biennium and the slight decline continues through the 2015-2017 biennium.
- WSDOT Business and other miscellaneous revenue is $10.4 million in the current biennium and it has been revised 1.5% by $154,400 from November due to WSP Access fee actual collections. Future biennia estimates have been revised upward to reflect higher population forecasts.
- WSP Business and other miscellaneous revenue is a new category of TRFC revenue in this February forecast. This revenue forecast consists of 4 main fees which are deposited into the WSP account totaling $7.1 million in the 2011-13 biennium. These fees are expected to remain at between $7.0 and $7.3 million per biennium throughout the forecast horizon.
- Aircraft fuel tax revenue has decreased from the last forecast in the current and future biennia. Actuals have been coming in greater than November projections but a large majority of this revenue may be refunded in the future.
- Aircraft registrations and excise taxes are down slightly with actuals coming in lower than projections in the current fiscal year. As a result, aircraft registration fees and excise taxes going into the aeronautics account are down from the November forecast and this continues throughout the forecast horizon.
- In the current biennium, total other transportation related revenue is projected to be $132.9 million and up slightly 1.7% or $2.2 million from the last forecast.
- In the 2013-15 biennium, the revenues are projected to be $144.4 million and this forecast is a slight revision up of $2.5 million from the November forecast. In future biennia beyond 2013-15 biennia, business related revenues are up by approximately 2.0% from the prior forecast.

Figure 30 Short-term Other Transportation Related Revenue
February 2012 forecast
millions of dollars

	FY 2012	FY 2013	2011-13 Biennium	FY 2014	FY 2015	2013-15 Biennium
Rental Car Sales Tax	$23.6	$24.4	**$48.0**	$25.2	$26.1	**$51.3**
Vehicle Sales & Use Tax	29.6	31.3	**60.9**	33.1	35.0	**68.1**
DOT Business/Other Rev	5.2	5.2	**10.4**	5.6	5.6	**11.2**
WSP Business/Other Rev	3.5	3.6	**7.1**	3.5	3.6	**7.1**
Aeronautics Taxes/Fees	3.2	3.2	**6.4**	3.3	3.3	**6.6**
Total Other Transportation Related Revenue	$65.1	$67.7	**$132.8**	$70.7	$73.6	**$144.3**
% Change from Prior Fcst	7.6%	7.4%	**7.5%**	7.0%	7.1%	**7.1%**

Ferry Ridership and Revenue

Ferry Fare Ridership and Revenue Forecasting Process

The fare revenue and ridership forecasts for Washington State Ferries are completed in four stages applying to six fare categories. The six fare categories are:

- Passenger full-fares
- Passenger discounted (commuter) fares
- Passenger other discounted fares (e.g., senior fare, youth fare)
- Vehicle / driver full-fares
- Vehicle / driver discounted (commuter) fares
- Vehicle / driver other (oversize and miscellaneous discounted) fares

The February 2012 forecast includes actual ridership counts and revenue collections through December 2011. Like the past forecasts, the February 2012 forecast incorporates a 2.5% increase on October 1, 2011; a 3.0% increase on May 1, 2012; new, lower fares for small vehicles under 14 feet in length; and fare revisions to other vehicle fares to offset the loss of revenue on small vehicles. Similarly, the February forecast also includes the new $0.25 capital program surcharge per fare sold as authorized in ESSB 5742 and approved by the Washington State Transportation Commission on August 24, 2011. Finally, the February Baseline Forecast scenario documented herein excludes any subsequent future fare increases beyond May 2012.

Passenger and vehicle/driver “frequent user” or commuter fare ridership, for which fares are pre-sold as a multi-ride discount, have been steadily declining since FY 2000 for a variety of reasons. Commuter passenger fares have increased by over 120% and vehicle/driver commuter fares have increased over 90% since FY 2000.[1] After accounting for inflation, the passenger and vehicle/driver commuter fare increases amount to nearly 75% and 50%, respectively, in real terms. At the same time, employment opportunities on the Kitsap Peninsula have increased while the populations of Vashon, Bainbridge, and south/central Whidbey Islands have aged, shifting a greater share of the islands’ populations to retirement age. Telecommuting in the region has also become more prevalent in the past decade. A change in commuter fare media in 2007 has also affected the types of customers that use the discounted fares. All of these factors have contributed to the declining trend in passenger and vehicle/driver commuter ridership over the past decade. Over time, the forecast models eventually adapt to changing regional trends which are not reflected in the state-wide economic and demographic input projections.

[1] Based on the central sound frequent user discounted fare for Seattle-Bremerton, Seattle-Bainbridge, and Edmonds-Kingston.

Trends in Passenger Fare Ferry Ridership

FY 2009 passenger ferry ridership reached 12,572,707, which was a decline of 2.5% from the FY 2008 ridership level. Similarly, FY 2010 passenger ferry ridership was 12,453,226, or 1.0% less than in FY 2009. Actual passenger ridership for FY 2011 came in at 12,369,167, 0.7% lower than in the previous year. For FY 2012, the baseline ferry passenger ridership forecast is expected to be 12,619,000 which is 1.9% higher than projected in November and represents an annual increase of 2.0%. In FY 2013, ferry passenger ridership is expected to be 12,386,000, a 1.1% increase from the prior forecast, and which represents a year-over-year decrease of 1.8%.

The reason for the change in passenger ridership for the 2011-2013 biennium relative to the November forecast is due to several factors. Actual passenger ridership for October, November, and December 2011 came in 5.3% higher than expected, which combined with higher near term employment projections, helps to boost the FY 2012 projections. This is somewhat offset by a reduced projection for FY 2013 attributable to lower real personal income , resulting in a net increase in projected passenger ridership for the 2011-2013 biennium of 1.5%.

Compared with the prior forecast for the rest of the horizon, the passenger ridership projections are 0.7% higher in FY 2014, reach 1.3% higher by FY 2016, and end up 2.4% lower by FY 2027.

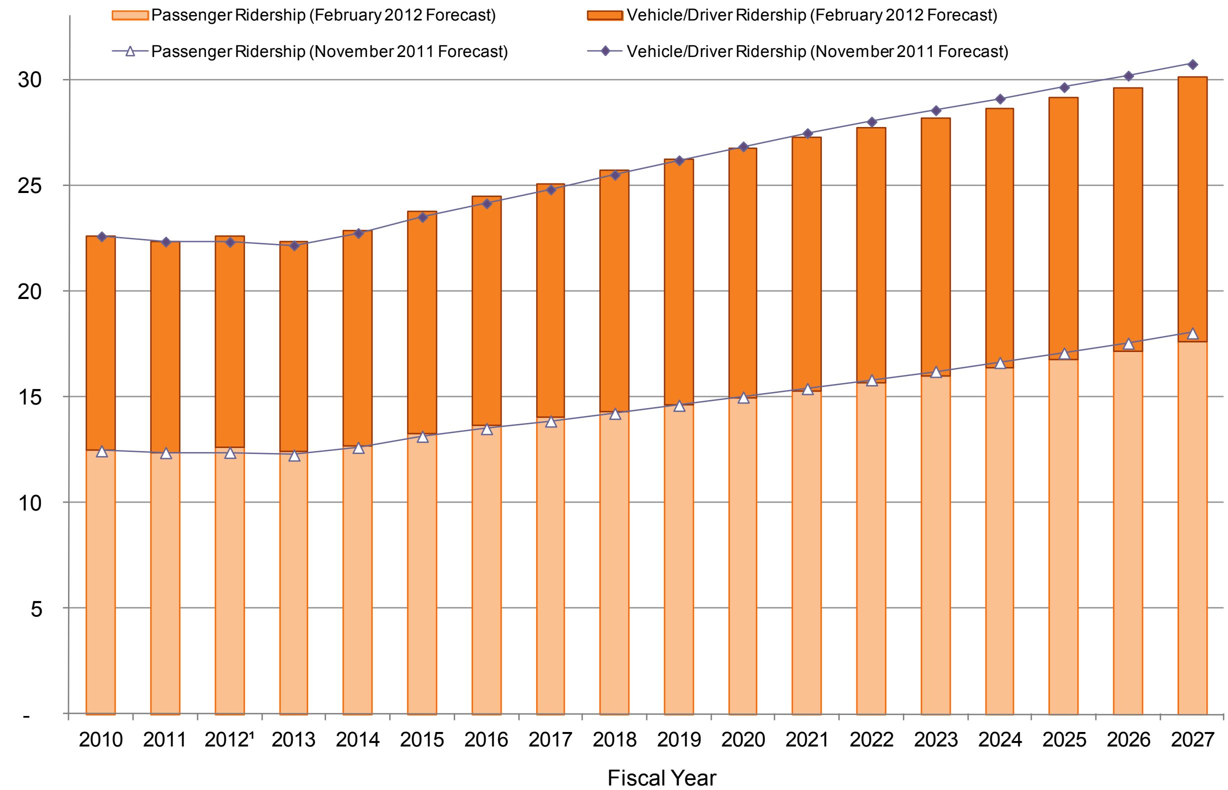
Trends in Vehicle/Driver Fare Ferry Ridership

Vehicle/driver ridership was 9,904,766 in FY 2009, which was a decline of 4.7% from the FY 2008 level. Subsequently, vehicle/driver ridership was 10,134,311 in FY 2010, or 2.3% higher than in FY 2009. This increase for FY 2010 comes despite the dampening effects of the October 2009 2.5% fare increase. Actual vehicle/driver ridership for FY 2011 came in at 9,968,632, 1.6% lower than in FY 2010. For FY 2012, the baseline vehicle/driver ridership forecast is anticipated to be 10,001,000, which is 0.6% higher than the prior forecast, and represents a year-over-year increase of 0.3%. In FY 2013, the current Baseline Forecast for vehicle/driver ridership is revised to 9,950,000, or 0.4% higher than the November forecast, though it represents a year-over-year decline of 0.5% from FY 2012.

Actual vehicle/driver ridership for October, November, and December 2011 came in 2.1% higher than expected in the November forecast, which combined with higher near term employment projections, helps to boost the FY 2012 projections. Upward revisions in the employment forecasts more than offset higher real gas prices and lower real personal income to yield a net increase in projected vehicle/driver ridership of 1.5% for the 2011-2013 biennium.

For the remainder of the forecast horizon, the vehicle/driver ridership projections range from 1.5% higher in FY 2016 to 1.5% lower by FY 2024, compared with the prior forecast. The lower projections in the latter half of the forecast horizon are attributable to lower employment and real personal income projections combined with higher real gas prices.

Figure 31 Comparison of Ferry Passenger and Vehicle Ridership: February 2012 and November 2011 Baseline Forecasts
Millions of Riders



[1] FY 2012 ridership includes actual values through December 2011.

Overall Trends in Ferry Ridership

Total ferry ridership in FY 2010 and FY 2011 was 22,587,537 and 22,338,000 respectively, which represents a year-over-year decrease of 1.1%. Under the Baseline Forecast, the projections for FY 2012 and FY 2013 are 22,620,000 and 22,336,000, or 1.3% and 0.8% higher, respectively, than anticipated in November. For the rest of the forecast horizon, projected overall ridership ranges from 1.4% higher in FY 2016 to 2.0% lower by FY 2027, relative to the November values. The latest actual ridership for October, November, and December 2011 combined came in 3.8% higher than projected in November. Figure 31 illustrates the trends and changes from the prior forecast for passengers, vehicles/drivers and total ferry ridership over the forecast horizon.

Trends in Ferry Revenue

The February 2012 ferry revenue projections for the Baseline Forecast include the projected effects of the aforementioned October 1, 2011 2.5% fare increase and $0.25 capital fare surcharge, plus a second increase of 3.0% on May 1, 2012. In the 2007-09 biennium, ferry farebox and miscellaneous revenues totaled $300 million, with fare revenue comprising $292.9 million of that amount. For the 2009-11 biennium, total fare and miscellaneous revenues increased by less than 0.5% over the previous biennium to $300.7 million, with fare revenue representing $294.5 million of the total.

The current forecast for non-agricultural employment has been revised upward through FY 2018, and then downward thereafter, compared to the prior forecast. The forecast for trade, transportation, and utilities employment follows a similar trend, but takes few years longer before it drops below the November forecast. The combination of these helps to increase ridership and fare revenues in the early half of the forecast horizon, despite the dampening effects of lower real personal income and higher real gas prices. However, by FY 2020, the outlook for real personal income, employment, and real gas prices combine to lower the overall ridership and revenue projections, relative to the November forecast.

Collectively, actual fare collections including capital surcharge revenue for October, November, and December are higher than the prior forecast projections by about $0.17 million or 0.5%. Timing differences between the collection of prepaid fare media revenue and the occurrence of ridership may account for the revenue percentage increase being lower than the ridership increase for these three months.

In the 2011-2013 biennium, farebox collections under the Baseline Forecast are projected to be 0.6% higher or $1.9 million higher than projected in November for a total of $314.5 million. Of this total, $308.1 million represent fare revenues and $6.4 million represent the capital surcharge receipts. Compared to November, the current Baseline Forecast for revenue in the 2013-2015 and subsequent biennia is anticipated to range from 1.2% higher for the 2015-2017 biennium to 1.4% lower for the 2025-2027 biennium.

Ferry Capital Surcharge Revenue

The ferry capital surcharge of $0.25 per fare sold enacted in ESSB5742 was adopted by the Washington State Transportation Commission, and as a result, is now included in the Baseline Forecast. The ferry capital surcharge is anticipated to generate $2.6 million in FY 2012 and $3.8 million in FY 2013 in surcharge revenue for capital projects, which is essentially the same as the previous forecast. The ferry capital surcharge is anticipated to increase over time with growth in ridership.

Ferry Miscellaneous Revenue

WSF’s miscellaneous revenue forecast captures the most recent patterns of actual data. The projections for both vessel non-farebox revenue (galley, duty free, and Wi-Fi) and terminal non-farebox revenue (vending, shoreside restaurants and concessions, parking lots and advertising) are lower than projected. In the near term, this is due to recent actual revenue collections coming in below previous forecasted values. Longer term, this is the result the lower ridership projections beyond FY 2019. Collectively, the forecast for miscellaneous revenues has been revised downward by 6.1% for the current biennium. Thereafter, the changes in WSF’s miscellaneous revenue forecasts range from 2.5% to 6.0% lower over the forecast horizon.

Primary Reasons for the Forecast Changes

- In the near term, higher projected employment, combined with an increasing trend in recent actual ridership, generally offset the downward impacts of higher and more volatile real gas prices and lower real personal income to yield higher ridership and revenue projections.
- Longer term, all of the economic and demographic projections collectively dampen the ridership and revenue forecasts
- Ferry miscellaneous revenue projections reflect the downward trend in recent revenue receipts in the short term and follow the downward ridership trend in the longer term.

Figure 32 Short-term Ferry Revenue
February 2012 Baseline Forecast
Millions of Dollars

	FY 2012	FY 2013	2011-13 Biennium	FY 2014	FY 2015	2013-15 Biennium
Farebox Revenue	$152.17	$155.93	$308.10	$159.02	$163.87	$322.89
Capital Surcharge Revenue	2.59	3.78	6.37	3.87	4.01	7.87
Misc. Ferry Revenue	3.13	3.30	6.44	3.40	3.56	6.96
Total Ferry Revenue	**$157.89**	**$163.02**	**$320.90**	**$166.29**	**$171.44**	**$337.73**
% Change from Prior Forecast	0.3%	0.6%	0.5%	0.4%	0.9%	0.6%

Toll Revenue

FY 2011 TNB total toll revenue was $44,048,899 which is a decrease of $622,911 or 2.9% from the prior fiscal year of $45,352,938 million.

In the toll revenue baseline forecast, at Tacoma Narrows Bridge, no new future toll rate increases are included so toll rates are assumed to remain at $4.00 for cash and $2.75 for electronic toll collection (ETC**).** The new statewide customer service center was certified and photo tolling was introduced on December 2, 2011. Due to the costs associated with different types of toll payments users who do not use account-based transaction and pay by mail (PBM) will pay an additional $1.50 per transaction. Toll collection for the Tacoma Narrows Bridge began on July 16, 2007. From July 16, 2007 to September 30, 2008, the tolls were $1.75/ETC per 2-axle vehicle and $3.00/cash per 2-axle vehicle with per axle proportional tolls for multi-axle vehicles. Discounted rates apply for multi-axle vehicles with ETC. Toll rates for FY09 and all future fiscal years are $2.75/ETC per 2-axle vehicle $4.00/cash per 2-axle vehicle and $5.50/PBM per 2-axle.

The SR 167 HOT lanes revenue forecast reflects actual toll collections starting May 2008 through December 2011. Per 2011 legislative action SR 167 HOT lanes pilot program was extended to June 30, 2013. Toll rates are set to maximize traffic flow while managing demands to maintain acceptable operating speed on the HOT lanes. The traffic projection model for HOT lanes was modified in November 2010 to reflect the actual usage of these lanes as well as more recent local demographics.

SR 520 Bridge February revenue forecast reflects toll rates approved by the Transportation Commission and set to maximize traffic flow varying by time of the day, day of week and vehicle type. Maximum toll rates for two-axle vehicles using *GoodToGo Pass* for peak period weekday rates are $3.50 each way. Maximum peak weekend rate is $2.20 each way. Customers who do not use an account based transaction will pay an additional $1.50/transaction. Trucks will pay by axle. This February 2012 forecast like previous forecasts also includes a 2.5% annual increase in toll rates through FY 2016. Then the forecast assumes a one- time 15% toll rate increase in FY 2017. Finally, the forecast assumes no further increases in tolls in the remainder of the forecast horizon.

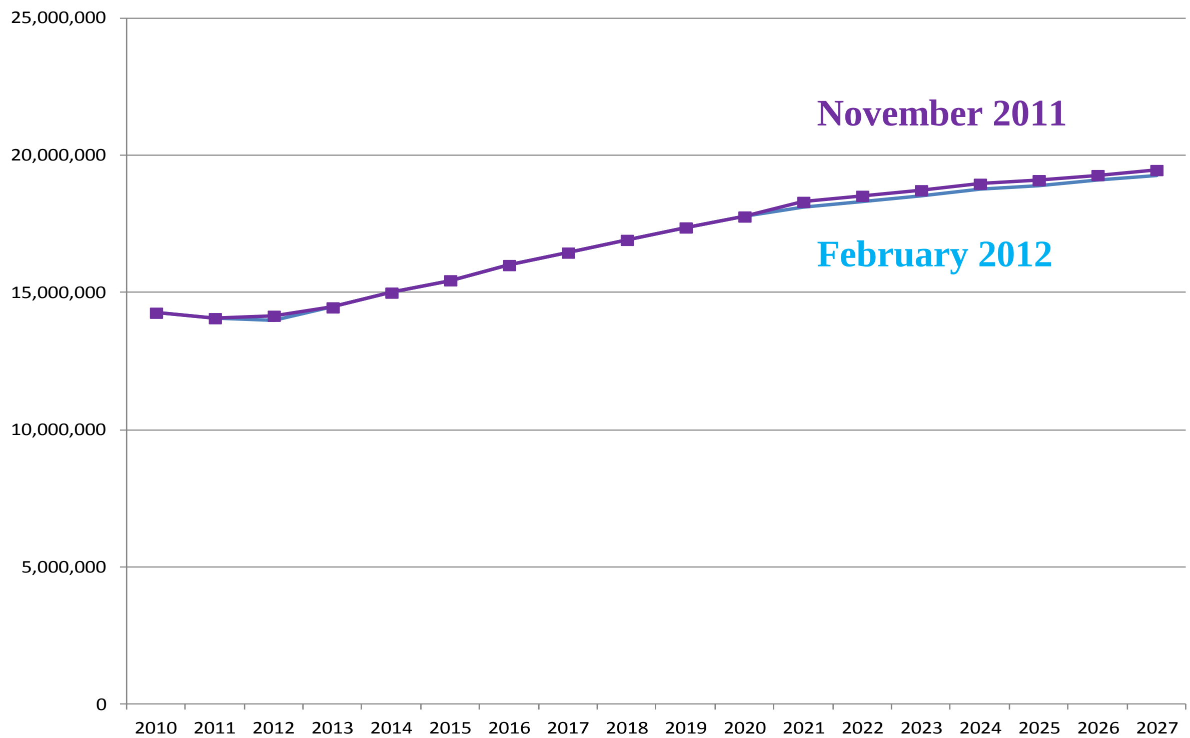
Per 2011 legislative action tolls may be paid after using a toll facility via a photo toll that identifies a vehicle by its license plate. The same legislative action introduces alternative toll enforcement, the Civil Penalty process administered by WSDOT. Failure to pay a toll detected through a photo toll system will set in motion the civil penalty process by issuing a Notice of Civil Penalty (NOCP). Civil penalty fine is $40, plus the original toll amount. The fines and fees revenue projections include violation penalties (for TNB only) and Customer Service Center administration fees.

Sales for FY2009 through FY2011 include revenues from the sales of transponders and disabling shields. In FY 2012 and beyond, transponder growth is based on annual traffic growth. In the current forecast, the projection for administration fees at TNB reflects the actual distributions of fees between 167 HOT lanes and TNB. Future projections of administrative fees include customer service center administration fees, additional $5.00/1.4 transactions late fee and $0.25/transaction fee on pay-by-plate transactions.

Trends in Tacoma Narrows Bridge traffic and toll revenue

The Tacoma Narrows Bridge (TNB) average daily traffic grew minimally in FY 2009 by 0.2% to 13.91 million from FY 2008. In FY 2010, the TNB traffic volume was 14.26 million which represents a year over year increase in traffic volume of 2.5%. In FY 2011, the TNB traffic volume was 14.06 million which is a year over year decrease of 1.4%. In FY 2012, the TNB traffic volume is anticipated to be 14 million which is a year over year decrease of 0.5%, which is lower than the prior forecast by 1.1%. This is due to actual traffic counts coming in less than anticipated over the past few months. In FY 2013, the TNB traffic volume is anticipated to be 14.5 million which is a year over year increase of 3.3%, and this represents no change from the prior forecast. The forecast for FY 2014 predicts a 10.6% annual growth in TNB traffic volume and this is the same assumption made in the last forecast in November. For fiscal years 2014 through 2020, the traffic volume forecast for TNB is identical to the November projections. Starting in fiscal year 2021, the year over year growth for TNB traffic is reduced by 1% from the November forecast and this 1% decline continues throughout the remainder of the forecast horizon. This is due to slower long-term non-agricultural employment and Washington personal income in February versus the previous OFM economic projections in November.

Figure 33 Comparison of TNB Traffic Volume: February 2012 and November 2011 Forecasts



TNB toll revenue for the 2007-09 biennium was $73.1 million. The 2009-11 biennium toll revenue increased to $89.4 million which is a 22% increase over the prior biennium. In this February forecast, pay by mail (PBM) and pre-paid & cash revenues are incorporated into the baseline forecast and pay by mail revenue is new revenue for the baseline forecast as it was an alternative forecast in November 2011 Volume IV. In the 2011-13 biennium, this February 2012 forecast of toll revenue is projected at $91.6 million with $5 million of that forecast being due to PBM and $86.6 million due to prepaid and cash toll revenue. The 2011-13 biennium PBM forecast is down $2.1 million from the November alternative forecast due to new assumptions about the percentage of customers using PBM and these new assumptions are consistent with a new toll revenue study. Due to the lowering of the assumptions of the customers using PBM, there is a corresponding increase in prepaid and cash customers in the current biennium of $2.2 million increase in cash customers. Overall, the February 2012 TNB toll revenue forecast is up by $0.13 million or 0.14% from the prior forecast. In the 2013-2015 biennium, the projected toll revenue is $97.8 million, which is $0.16 million or 0.17% lower than the November forecast. Near term biennia revenue forecasts are 0.1-0.2% lower than the November forecast. Starting in the 2021-2023 biennium, long term biennia revenue forecasts are 1-2% lower than the November forecast due to lower traffic volume projections. This decline reflects weaker long term non-farm employment forecast.

Beginning in 2012, violations will be phased out and replaced by civil penalties. Fines and fees violations revenue for the 2007-09 biennium was $1.06 million of which $1.01 million was violations revenue. In the 2009-11 biennium fees remained flat, and violation revenue was $1.08 million. In the February forecast violations revenue is lower by $0.1 million or 29.3% from the November forecast. The decline is due to the losses suffered during the statewide customer service center difficulties in January. February 2012 forecast of violations revenue is based on the last quarter statements and booked revenues.

Civil penalty revenue is a function of the pay by mail transaction estimate. The lag between civil penalty and PBM collection is 90-120 days. The 2011-13 biennium current civil penalties estimate is down $0.4 million or 29.3% from the November forecast due to the lowering of the pay by mail forecast. In the 2011-13 biennium, when TNB civil penalty revenue collection will start, the violations revenue is anticipated to be $0.24 million and the civil penalties revenue is projected to be $1.12 million. In the 2013-15 biennium, civil penalties revenue is anticipated to bring in $2.25 million per biennium and grow to $3.2 million by the end of 2025-27 biennium. The TNB civil penalties forecast is down from the November forecast in not only the current but all subsequent biennia.

In the November forecast, fees revenue is projected at $0.21 million in the current biennium. The new February forecast for toll fees increased by 391% to $1.1 million. This increase is due to the addition of two new fees: (1) $5.00 late fee on the second statement and (2) $0.25/transaction fee on pay by plate transactions. These fees were not included in prior forecasts.

Total revenue from all transponders and shield sales was $1.4 million in the 2007-09 biennium and $1.27 million in the 2009-2011 biennium. TNB transponders sales forecast in the current biennium is based on the quarterly statement and it is projected at $0.71 million which is 7.87% increase from the last forecast. This change is due to having higher TNB allocated transponder revenue than anticipated. Starting in the 2013-15 biennium through 2025-2027 the transponder sales is higher than anticipated in November and the growth is based on traffic volume.

The total Tacoma Narrows Bridge revenue in the 2011-2013 biennium is 0.48% higher than in the November forecast. TNB revenue is up over the last forecast each biennia until 2021-23 when the forecast to forecast change turn negative. The change from the last forecast is minimal throughout the remainder of the forecast horizon.

Trends in SR 167 High Occupancy Toll Lanes Traffic and Revenue
The traffic volume on the SR 167 HOT lanes was 386,000 vehicles in FY 2009. Traffic volume in FY 2010 increased to 510,969 which represents 31.5% growth year over year from FY 2009. In FY 2011, traffic volume was 640,115 vehicles which is 25.3% higher than in FY 2010. Legislation in 2011 extended the 167 HOT lanes pilot program to the end of FY 2013. The current traffic volume forecast for FY 2012 is 759,000 representing a 15% increase from the 661,000 transactions projected in the November forecast. Traffic volume is estimated to grow to 786,000 by the end of FY 2013. The increase in traffic volume is due to higher actual traffic on HOT lanes in the past few months.

Revenue from HOT lanes' tolls, sales and fees in FY 2009 was $471,256 and HOT lanes total revenue in FY 2010 was $527,292 which represents a 12% increase annually. For the 2009-2011 biennium, HOT lanes total revenue is $1.25 million, and the total revenue is projected at $1.59 million in the FY 2011-2013 biennium, which is an increase of 7.77% or $0.1 million from the November forecast.

In 2011-2013 biennium, the current revenue forecast of transponder and shield sales on SR 167 is $41,000, which is a 42.2% decline from the November forecast. Sales of transponder shields will be phased down in FY 2012 and 2013. Transponder revenue allocated to HOT lanes is down by $30 thousand in the current biennia. Fees revenue is $4,000 in the current biennium which is 185% higher than in the November forecast. The November fees revenue was a forecast and the current fees revenue estimate is based on incorporating actual revenue from the quarterly statement.

Trends in SR 520 Bridge Toll Lanes Traffic and Revenue
The SR 520 bridge tolling commenced on December 29, 2011.

The traffic and toll revenue forecast is based on Wilbur Smith Associates (WSA) *Investment Grade Analysis dated on August 29, 2011.* It is assumed that toll traffic and revenue will ramp up during the first two years of operations. At the SR 520 Bridge tolling facility the expected average daily traffic is 8.66

million in FY 2012. It will increase to 18.97 million and 20.97 million in FY 2013 and FY2014, respectively. After construction of the bridge is finished in FY 2017, the expected traffic volume is projected to fall by 1.4% due to a one-time significant toll rate increase. Starting FY 2018 through 2027 average traffic volume growth is expected to be 3%.

February toll revenue forecast is revised to include both pay by mail and pre-paid cash revenues contributing to the total toll revenue. This is the first baseline toll revenue forecast to include the PBM toll revenue forecast but it was previously included in other financial plans and documents. PBM toll revenue is defined in the WSA report. The pre-paid toll revenue is the same as the November forecast except for the inclusion of an one-time free trip discount and the permanent self initiated payment incentives.

Toll revenue from the SR 520 Bridge tolling facility is expected to be $23.8 million in FY 2012 and it is expected to increase to $64.0 million by 2014 and further increase to $70.1 million by 2015 and exceed $81.0 million by 2017. These revenue growth assumptions are based on the increases in traffic volume and toll rate over the same time. The FY2017 revenue projection is based on a 15% hike in toll rates. There are no planned toll rate increases after FY2017. Toll revenue will be close to $100 million by FY 2024 and grow roughly 3% per year for the remainder of the forecast horizon.
In the February forecast, in the 2011-2013 biennium the total 520 toll revenue is $80.4 million or 2.23% lower than the November forecast. The reduction in SR 520 Prepaid Toll Revenue reflects the inclusion of Customer Initiated discount incentives for opening Good To Go accounts. Both of these items have been included in the Investment Grade Study and subsequent financial plans but were not included in prior adopted forecasts.

Estimated transponder sales are $3.3 million in the 2011-2013 biennium, expected to increase to $2.25 million in the 2013-2015 biennium and increase to $3.0 million through the forecast horizon. Transponder sales revenue remains the same as in the November forecast.

In the February forecast, civil penalty revenue includes the $40 penalty and the tolls collected through civil penalties. The expected civil penalty revenue is $0.5 million in FY2012; it increases to $3.6 million in FY2013 and peaks at $3.7 million in FY2014. The $3.1 million dollar variance between FY2012 and FY2013 civil penalty revenues is due to an estimated 120 days lag to accommodate the civil penalty process and collect recovered toll revenues, fees and civil penalty. Starting FY2014 through FY2027, civil penalty revenues expected to decrease to $3.0 million. In the February forecast, in the 2011-2013 biennium, the civil penalty revenue is $4.1 million or $0.3 million higher than in November forecast. The civil penalty forecast is higher because it now includes the tolls recovered with the civil penalty ($40) that used to be included in the 520 fee revenue category. The civil penalty revenue peaks in the 2026-2027 biennium when it exceeds $6 million and this is a $0.6 million or 11.1% increase over the November forecast.

In the February forecast, the 520 fee revenue in FY2012 is $0.65 million; it increases to $1.55 million by FY2015 and gradually decreases to $1.35 million by FY2027. In the February forecast, in the 2011-2013 biennium, the fees revenue is $2.1 million, or $0.3 million lower than in the November forecast. Fee revenue is down an equivalent amount as the rise in the civil penalty revenue forecast due to the movement of the toll revenue recovered through civil penalty process to civil penalty revenue. Fees revenue peaks in the 2017-2019 biennium at $3 million, which is $0.66 million or 17.9% decrease from the November forecast.

In the 2011-2013 biennium the total SR520 revenue is 2.03% lower than it was in the November forecast. The one-time incentive and the incentive for the self-initiated payment contribute to the toll revenue decrease. After the 2011-2013 biennium, the negative contribution of self-initiated payment caused the 520 toll revenue forecast to be lower in the subsequent biennia. By the 2025-2027 biennium, the fee revenue decrease from the November forecast is projected to be down 0.18%.

Trends in Total Toll Revenue
Total revenue (toll, fines and fees and transponder/shields sales) was $76.9 million in the 2007-09 biennium and increased to $93.2 million in the 2009-11 biennium. Starting in the 2011-13 biennium and

beyond, this February forecast of total toll revenue is $186.3 million which is a decrease by $1.3 million or 0.67%. Following the startup of the 520 bridge tolling facility, the total revenue is projected to increase to $249.6million and $280.7million in FY 2013-15 and FY 2015-2017 biennia. Over the forecast horizon, total toll revenue is expected to exceed $346 million by the FY 2026-2027 biennium.

Primary reasons for the forecast changes

- In the February forecast economic impacts were left unchanged in the short term. TNB traffic volume declined because the number of transactions was revised to include the revised transactions for July through December 2011 and January 2012 and the change in ramp up assumptions for PBM. Long term transactions followed the non-farm employment forecast and adjusted the transaction forecast downward starting 2021 through 2030.
- TNB toll revenue forecast is higher in the 2011-2013 biennium than it was anticipated in the November forecast because pre-paid and cash revenue increased and HOT lanes transactions and toll revenue increased from the November forecast. SR 520 toll traffic volume is unchanged.
- Current TNB near term revenue increased over the last forecast by $0.45 million or 0.48% in 2011-2013 biennium and $0.86 million or 0.84% in 2013-2015 biennium.
- HOT lane revenue forecast in 2011-2013 biennium is $1.59 million, which is a 7.77% increase from the November forecast. This increase is due to the increase in traffic.
- The SR 520 toll forecast for February is a decrease from the last forecast due to reduction in SR 520 Prepaid Toll Revenue. This reduction reflects the inclusion of Customer Initiated discount incentives for opening Good To Go accounts. Both of these items have been included in the Investment Grade Study and subsequent financial plans but were not included in prior baseline adopted forecasts.

Figure 34 Short-term Toll Facility Revenue
February 2012 forecast
millions of dollars

	FY 2012	FY 2013	2011-13 Biennium	FY 2014	FY 2015	2013-15 Biennium
Tacoma Narrows Bridge						
Total Toll Revenue	**$45.0**	**$46.6**	**$91.6**	**$48.2**	**$49.6**	**$97.8**
Transponder Sales	0.3	0.4	0.7	0.4	0.4	0.8
Violations	0.2	0.1	0.2	0.0	0.0	0.0
Civil Penalties	0.3	0.8	1.1	1.1	1.2	2.3
Fees	0.3	0.8	**1.1**	**0.9**	**1.0**	**1.9**
SR 167 HOT Lane						
Toll Revenue	**0.8**	**0.8**	**1.5**	**0**	**0**	**0**
Transponder Sales	**0.0**	**0.0**	**0.0**	**0**	**0**	**0**
Fees	**0.0**	**0.0**	**0.0**	**0**	**0**	**0**
SR 520 Bridge						
Total Toll Revenue	**23.8**	**56.6**	**80.4**	**64.0**	**70.1**	**134.1**
Transponder Sales	**2.0**	**1.3**	**3.3**	**1.1**	**1.1**	**2.3**
Civil Penalties	**.5**	**3.6**	**4.1**	**3.7**	**3.7**	**7.4**
Fees	**.6**	**1.5**	**2.1**	**1.5**	**1.6**	**3.1**
Total Toll Facility Revenue						
Total	**$73.9**	**$112.4**	**$186.3**	**$120.9**	**$128.6**	**$249.6**
% Change from Prior Fcst	-0.59%	1.66%	**0.75%**	1.64%	1.84%	**1.74%**

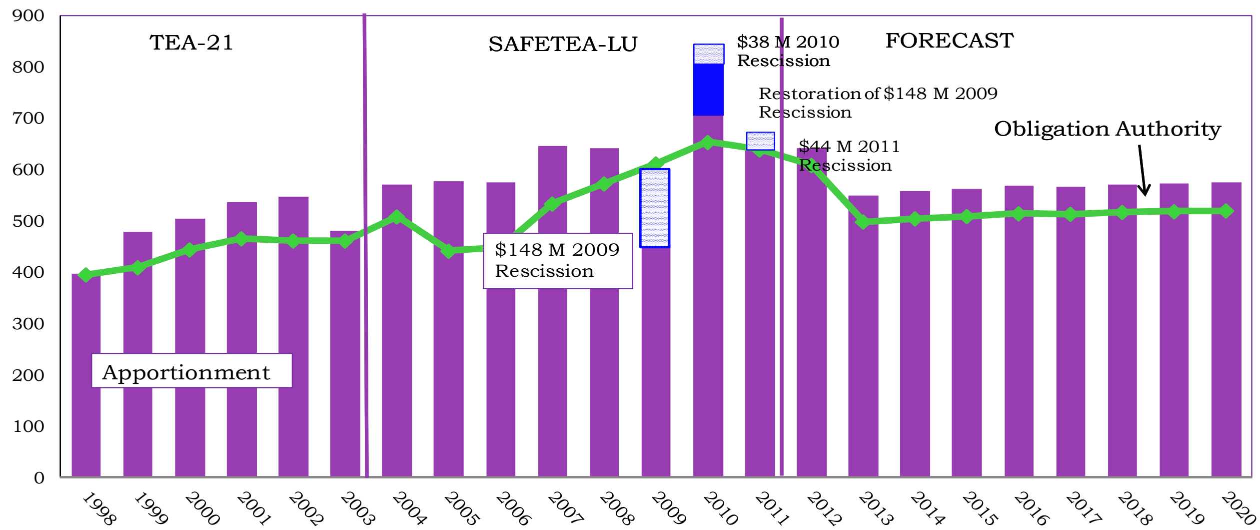
Federal Funds

After state funds, the largest source of transportation revenue is federal funds. The Federal Funds forecast contains the programmatic funds distributed by the Federal Highway Administration (FHWA). Federal funds reported in this forecast are based on federal fiscal year (FFY) which begins on October 1.

Federal apportionment is the funds distributed to states for obligation in an appropriation account. The distribution makes amounts available on the basis of specified time periods, programs, activities, projects, objects, or combinations thereof. Obligation authority is a limitation placed on Federal-aid highway and highway safety construction program obligations to act as a ceiling on the obligation of contract authority that can be made within a specified time period. These limits are imposed in order to control the highway program spending in response to economic and budgetary conditions.

Figure 35 describes the amount of federal apportionment and obligation authority to Washington State since 1998 with the inclusion of the February 2012 forecast of federal funds through FY 2020. This time period includes the Transportation Equity Act for the 21st Century (TEA-21) which was enacted on June 9, 1998 for a 6-year period thru 2003. As the graph reveals, in the last year of TEA-21, Washington's federal apportionment was lower than the previous four years due to a mandatory rescission of more than 30% in 2003. The next federal transportation package passed was the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). In that original SAFETEA-LU legislation, the program was due to end in 2009. In the final year of SAFETEA-LU, 2009, a mandatory rescission was imposed of which $148 million was Washington State's portion. Since 2009, the SAFETEA-LU federal program has been extended through continuing resolutions and in 2010; the 2009 rescission was restored adding back $148 million to Washington. Since that restoration of the 2009 rescission, Congress imposed a 2010 rescission of which Washington share was $38 million. The federal funds estimates included multiple continuing resolutions including HR 662 passed by Congress on March 4, 2011 which extended SAFETEA-LU until September 30, 2011 and continuing resolution H.J. Resolution 44 passed by Congress on March 2, 2011 which kept federal funding for FFY2011 at $687 million for Washington state. The federal funds forecast for FFY 2012 is based on HR 2887, public law 112-30 passed by Congress on September 16, 2011 extending SAFTEA-LU until March 31, 2012.

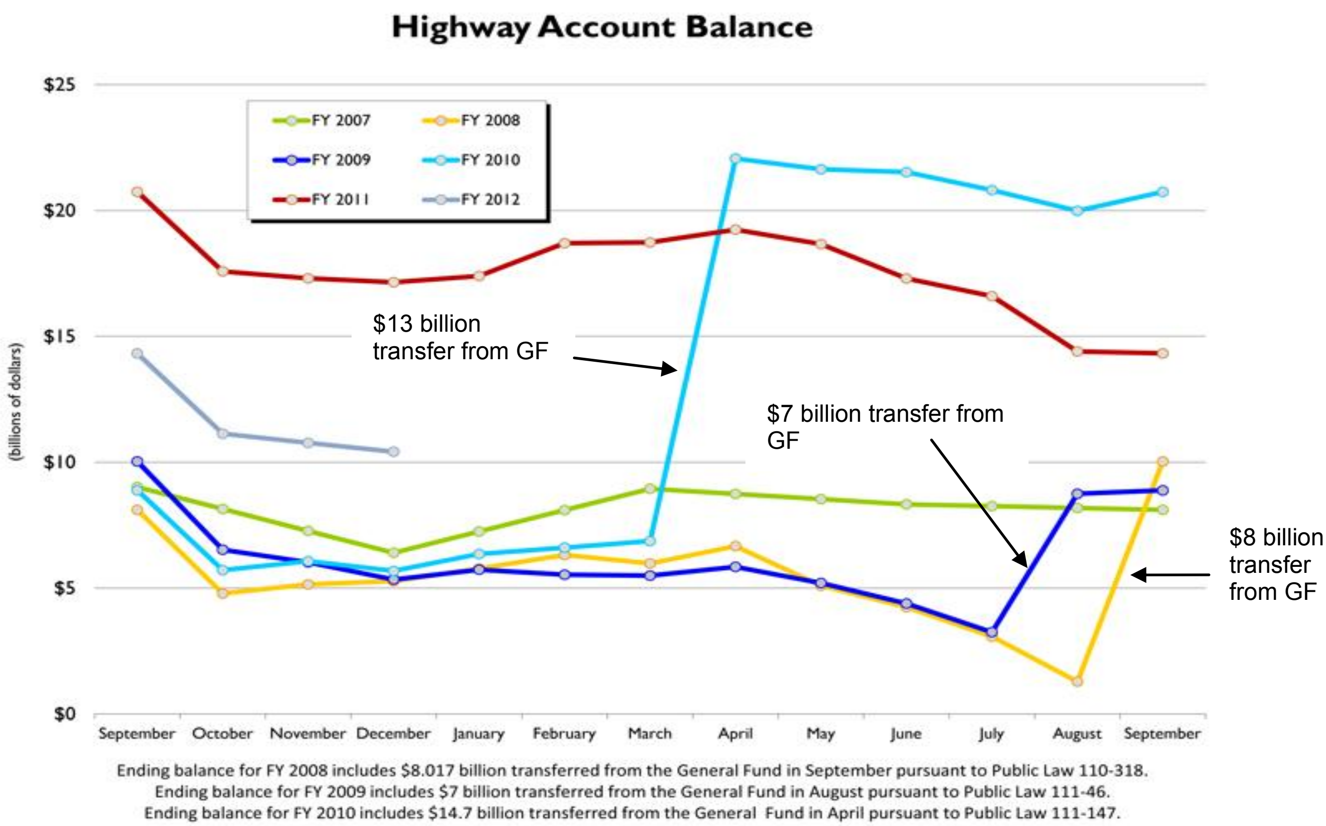
Figure 35 Federal Apportionment and Obligation Authority (OA) to Washington (millions of dollars) - Federal Fiscal Years 1998-2020 with the February 2012 Forecast



Source: FHWA apportionment and obligation authority notices and TRFC February 2012 federal funds forecast

The federal Highway Account within the Highway Trust Fund (HTF) is the principal means for funding federal highway programs. Estimated outlays from the Highway Account under SAFETEA-LU exceeded estimated receipts for federal fiscal years 2005-2011. Furthermore, actual account receipts were lower than had been estimated and the account balance dropped more rapidly than anticipated, approaching zero in August 2008. Congress subsequently approved legislation in September 2008 to appropriate $8 billion from the General Fund of the Treasury to replenish the highway account. Again in 2009, Congress also transferred $7 billion and $14.7 billion ($13 billion to the highway account and $1.7 to the mass transit account) in 2010 from the General Fund of the Treasury to the HTF in order to pay for obligated transportation projects.

Figure 36 Monthly Federal Highway Trust Fund Account Balance (billions of dollars): 2006-2012

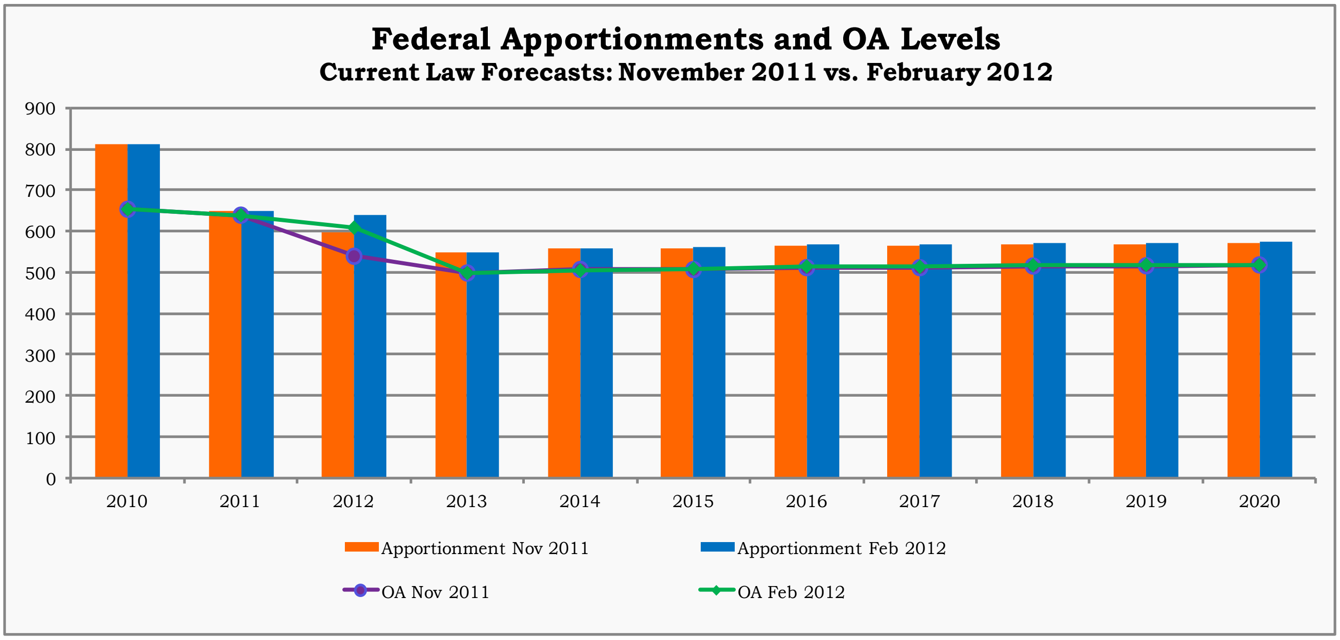


Washington's Federal Apportionment Forecast

The February 2012 forecast for Washington's apportionment of Federal Highway Trust Fund receipts includes the 2005 through 2011 Federal Highway Administration funding as the basis of the future federal funds, updated with Federal Highway Administration notices as they are received. For FFY2010, the federal funding level included the restoration of the 2009 rescission amount of $148 million and a new rescission based on notice N4510.729 dated August 10, 2010. The total nationwide rescission was $2.2 billion; Washington's share was $37.5 million. The FFY 2010 federal funding also included a one-time general fund distribution of $11.9 million (notice N4510.719 dated February 12, 2010) to the Federal Highway Trust Fund. Total WA federal apportionment was $812 million for FFY 2010. The federal apportionment for FFY 2011 was based on HR 1473, Public Law 112-10 which continues federal funding for FFY 2011 at $648 million including a rescission of unobligated balances of $2.5 billion nationally of which our Washington state portion if $44 million. In FFY 2012, the February 2012 federal forecast is $640.6 million based partially on a continuing resolution per HR 2887, public law 112-30 dated

September 16, 2011 which extends SAFTEA-LU for 6 months. In addition, this forecast extends funding at the same level as the first six months of FFY 2012. The February forecast for FFY 2012 is a slight modification upward by $44.2 million more than in November. The apportionment forecast for FFY 2013 assumes a 20% reduction from FFY 2011, pre-rescission level, due to the uncertain nature of the funding in the Highway Trust Fund and again this is consistent with past forecasts and past methodology. Starting in FFY 2014, this forecast assumes year over year growth rates which mirror Washington State February 2012 TRFC fuel consumption forecast growth rates over the forecast horizon. In this February forecast as well as in the prior five forecasts, the apportionment level for Washington also includes an annual reduction due to civil penalties being imposed beginning in FFY 2010. In the current forecast, the civil penalties are shown as an equal reduction to the programs Interstate Maintenance (IM), National Highway System (NHS) and Surface Transportation Program (STP) which is a change from the last forecast.

Figure 37 Federal Apportionment and Obligation Authority (OA) to Washington (millions of dollars): February 2012 vs November 2011 Forecast Comparison Federal Fiscal Years 2010-20



Source: FHWA apportionment and obligation authority notices and TRFC February 2012 federal funds forecast

Washington's Obligation Authority Forecast

Obligation authority for FFY 2011 is from the Notice N4520-208 dated May 5, 2011 and was $638 million. Obligation authority then falls in FFY 2012 to $539 million which is 15.6% lower than FFY2011 due to inclusion of notice N4520.210. Obligation authority for FFY2012 in the February 2012 federal forecast is $608.6 million based partially on a continuing resolution per Notice N4520.215 dated December 23, 2011 which extends obligation authority for 6 months. In addition, this forecast extends funding at the same level as the first six months of FFY 2012. The obligation authority forecast for FFY 2013 and beyond is set at 90% of apportionment forecasted for each year, which is consistent with the average obligation authority to apportionment ratio throughout SAFETEA-LU.

Allocations of Post SAFETEA-LU Funds

The forecasts of the transportation structure for FFY 2011 through 2027 are projected to remain the same as under the SAFETEA-LU program until a new Surface Transportation Package is passed. State and local splits of SAFETEA-LU program funds rely on agreements reached with the Legislature, Governor's office, and other interested parties. The state and local splits were updated in the September 2010 forecast to better reflect current program structure and programming requests but have not been revised since that forecast. Earmarked high priority projects and discretionary authorizations reflect the projects listed in the SAFETEA-LU transportation authorization bill and other subsequent legislation.

Civil Penalties in Federal Forecast

Federal law requires states to impose specific penalties in the case of repeat DUI offenders and if that requirement is not met, penalties can be imposed. In 2010, Washington passed legislation (HB 2742) which allowed the state to use ignition interlocks for repeat DUI offenders and gives judges' the discretion to impose a home alcohol sanction. Washington's new law is more flexible than the federal government allows so beginning in FFY 2010 federal penalties are now being imposed. The cost to Washington State DOT is $11 - $12 million per year in lower federal funding. Washington is one of 13 states which receive this penalty. In the November 2011 forecast this $11 million penalty is shown as a reduction to the Interstate Maintenance program, the National Highway Systems program and the Surface Transportation Program equally which is a change from prior forecasts.

Recent Changes in Federal Forecast

- The February 2012 federal apportionment forecast for FFY 2011 was $691 million and $640.6 million for FFY 2012 which is $44.2 million higher than in November's forecast.
- The latest legislation, HR 2887, public law 112-30 dated September 16, 2011, has been incorporated into this forecast as well as the November forecast.
- The February 2012 Federal Appropriations forecast for FFY 2013 is $549.8 million, the same as the November 2011 forecast with a 20% reduction from FFY 2011 funding level. This is consistent with the November 2011 forecast.

Figure 38 Washington's portion of Federal Highway Funds by Federal Fiscal Year February 2012 forecast

Millions of dollars

	FFY 2012	FFY 2013	FF 2014	FY 2015
WA Statewide Apportionment of FHWA Programs	**640.6**	**549.8**	**556.7**	**561.7**
% Change from Prior Fcst	7.4%	0.0%	-0.5%	0.5%
Obligation Authority	**608.6**	**498.3**	**504.5**	**509.0**
% Change from Prior Fcst	12.9%	0.0%	-0.5%	0.5%

Forecast Contacts

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Appendix

Graphs and Tables Related to the February 2012 Forecast
Including distribution of revenues to the major accounts

Figure 39 Forecast to Forecast Biennium Comparison of All Transportation Revenues February 2012 forecast - 16 year period *millions of dollars*

Forecast to Forecast Comparison for Transportation Revenues and Distributions 16-Year Period

February 2012• millions of dollars

	Current Biennium 2011-2013			2013-2015			16-Year Period (2011-2027)		
	Forecast Feb-12	Chg from Nov-11	Percent Change	Forecast Feb-12	Chg from Nov-11	Percent Change	Forecast Feb-12	Chg from Nov-11	Percent Change
Sources of Transportation Revenue									
Motor Vehicle Fuel Tax Collections	2,519.5	5.2	0.2%	2,576.8	16.6	0.6%	20,933.4	113.0	0.5%
Licenses, Permits and Fees	901.6	1.2	0.1%	927.5	0.6	0.1%	7,936.6	30.3	0.4%
Ferry Revenue†	320.9	1.5	0.5%	337.7	2.1	0.6%	2,988.6	(9.9)	-0.3%
Toll Revenue §	186.3	(1.3)	-0.7%	249.6	0.4	0.2%	2,337.6	(0.2)	0.0%
Aviation Revenues ‡	5.9	(0.0)	-0.8%	6.1	(0.1)	-1.0%	50.2	0.2	0.4%
Rental Car Tax	48.0	(0.4)	-0.7%	51.3	(0.3)	-0.5%	477.3	(0.0)	0.0%
Vehicle Sales Tax	60.9	2.5	4.3%	68.2	2.7	4.1%	649.0	20.3	3.2%
Driver-Related Fees	203.3	(0.3)	-0.1%	206.6	(0.9)	-0.4%	1,719.4	(7.9)	-0.5%
Business/Other Revenues ¥	17.5	0.1	0.5%	18.3	0.1	0.6%	155.0	1.3	0.8%
Total Revenues	**4,264.0**	**8.5**	**0.2%**	**4,442.0**	**21.3**	**0.5%**	**37,247.0**	**147.1**	**0.4%**
Distribution of Revenue									
Motor Fuel Tax Refunds and Transfers	**151.9**	**12.5**	**9.0%**	**143.9**	**(0.7)**	**-0.5%**	**1,286.2**	**3.0**	**0.2%**
State Uses									
Motor Vehicle Account (108)	1,051.4	(0.1)	0.0%	1,075.0	3.9	0.4%	8,865.4	34.7	0.4%
Transportation 2003 (Nickel) Account (550)	345.9	(1.3)	-0.4%	356.0	1.6	0.4%	2,887.1	9.5	0.3%
Transportation 2005 Partnership Account (09H)	572.5	(1.8)	-0.3%	588.8	3.6	0.6%	4,776.2	24.8	0.5%
Multimodal Account (218)	236.7	1.9	0.8%	253.1	3.6	1.4%	2,268.3	32.9	1.5%
Special Category C Account (215)	47.0	(0.2)	-0.3%	48.3	0.3	0.7%	390.0	2.2	0.6%
Puget Sound Capital Construction Account (099)	34.2	(0.1)	-0.3%	35.1	0.2	0.7%	283.8	1.6	0.6%
Puget Sound Ferry Operations Account (109)	372.9	1.3	0.4%	390.1	2.5	0.6%	3,415.0	(6.6)	-0.2%
Capital Vessel Replacement Account (18J)	6.4	0.0	0.0%	7.9	0.1	100.0%	69.3	(0.3)	100.0%
Tacoma Narrows Bridge Account (511)	94.8	0.5	0.5%	102.8	0.9	0.8%	917.3	4.4	0.5%
High Occupancy Toll Lanes Account (09F)*	1.6	0.1	7.8%	0.0	0.0	0.0%	1.6	0.1	7.8%
SR 520 Corridor Account (16J)	85.8	(2.1)	0.0%	139.5	(1.1)	-0.8%	1,368.0	(9.5)	-0.7%
SR 520 Corridor Civil Penalties Account (17P)	4.1	0.3	0.0%	7.4	0.6	9.2%	50.7	4.7	10.2%
Aeronautics Account (039)	5.9	(0.0)	-0.8%	6.1	(0.1)	-1.0%	50.2	0.2	0.4%
State Patrol Highway Account (081)	332.2	(0.1)	0.0%	343.5	1.6	0.5%	2,943.0	17.0	0.6%
Highway/Motorcycle Safety Accts. (106 & 082)	170.2	0.5	0.3%	172.6	(0.2)	-0.1%	1,435.6	(2.1)	-0.1%
Other accounts (201, 06T, 097, 09E, 216, 07C)	16.1	(0.0)	-0.1%	16.5	0.1	0.5%	137.3	0.8	0.6%
Ignition Interlock Devices Revolving Acct 14V	2.4	(0.5)	-17.7%	2.4	(0.5)	-17.7%	20.4	(4.4)	-17.7%
Total for State Use	**3,380.0**	**(1.7)**	**-0.1%**	**3,545.0**	**17.1**	**0.5%**	**29,879.1**	**109.8**	**0.4%**
Local Uses									
Cities	180.1	(0.6)	-0.3%	185.3	1.2	0.7%	1,495.8	8.4	0.6%
Counties	294.9	(0.9)	-0.3%	303.4	2.0	0.7%	2,450.4	14.0	0.6%
Transportation Improvement Board (112 & 144)	192.4	(0.6)	-0.3%	197.9	1.3	0.7%	1,598.2	8.9	0.6%
County Road Administration Board (102 & 186)	64.7	(0.2)	-0.3%	66.6	0.4	0.7%	537.4	3.0	0.6%
Total for Local Use	**732.1**	**(2.3)**	**-0.3%**	**753.1**	**5.0**	**0.7%**	**6,081.7**	**34.3**	**0.6%**
Total Distribution of Revenue	**4,264.0**	**8.5**	**0.2%**	**4,442.0**	**21.3**	**0.5%**	**37,247.0**	**147.1**	**0.4%**

† Ferry Fares plus non-farebox and capital surcharge revenue

‡ Aviation Revenues and Business/Other Revenues net of amounts transferred to General Fund

§ Pay by Mail Revenue, certain fees and incentives are new to the February 2012 forecast and the November 2011 forecast has been adjusted to include them

¥ WSP Business Related Revenues are new to the February 2012 forecast and the November 2011 forecast has been adjusted to include them

Figure 40 Forecast to Baseline Biennium Comparison of All Transportation Revenues February 2012 forecast - 16 year period *millions of dollars*

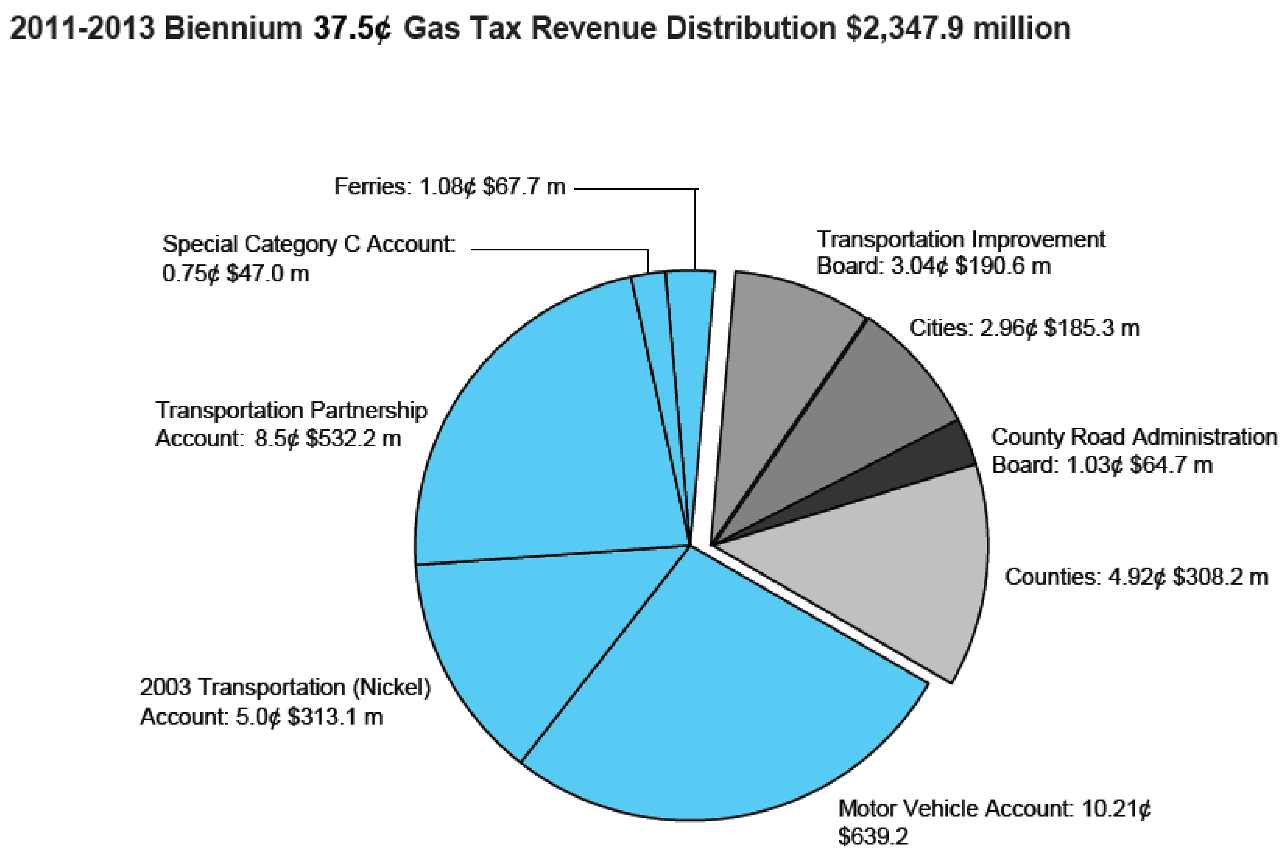
Forecast to Baseline Comparison for Transportation Revenues and Distributions 16-Year Period *February 2012 • millions of dollars*	Current Biennium 2011-2013			2013-2015			16-Year Period (2011-2027)		
	Forecast Feb-12	Chg from Baseline ¥	Percent Change	Forecast Feb-12	Chg from Baseline ¥	Percent Change	Forecast Feb-12	Chg from Baseline ¥	Percent Change
Sources of Transportation Revenue									
Motor Vehicle Fuel Tax Collections	2,519.5	(11.9)	-0.5%	2,576.8	(6.7)	-0.3%	20,933.4	(61.2)	-0.3%
Licenses, Permits and Fees	901.6	(13.4)	-1.5%	927.5	(17.3)	-1.8%	7,936.6	(142.4)	-1.8%
Ferry Revenue†	320.9	8.2	2.6%	337.7	7.1	2.2%	2,988.6	96.2	3.3%
Toll Revenue §	186.3	85.9	85.6%	249.6	141.9	131.9%	2,337.6	1,412.0	152.5%
Aviation Revenues ‡	5.9	(0.0)	-0.2%	6.1	0.0	0.7%	50.2	1.2	2.5%
Rental Car Tax	48.0	(0.5)	-1.0%	51.3	(1.8)	-3.3%	477.3	(25.1)	-5.0%
Vehicle Sales Tax	60.9	0.5	0.8%	68.2	(1.0)	-1.4%	649.0	(13.1)	-2.0%
Driver-Related Fees	203.3	(0.7)	-0.4%	206.6	(1.8)	-0.9%	1,719.4	(16.1)	-0.9%
Business/Other Revenues ±	17.5	7.5	74.8%	18.3	7.5	69.5%	155.0	60.8	64.6%
Total Revenues	**4,264.0**	**75.7**	**1.8%**	**4,442.0**	**128.1**	**3.0%**	**37,247.0**	**1,312.4**	**3.7%**
Distribution of Revenue									
Motor Fuel Tax Refunds and Transfers	**151.9**	**23.9**	**18.7%**	143.9	**4.3**	**3.1%**	1,286.2	**81.0**	**6.7%**
State Uses									
Motor Vehicle Account (108)	1,051.4	(12.9)	-1.2%	1,075.0	(10.9)	-1.0%	8,865.4	(106.9)	-1.2%
Transportation 2003 (Nickel) Account (550)	345.9	(6.5)	-1.8%	356.0	(3.5)	-1.0%	2,887.1	(29.4)	-1.0%
Transportation 2005 Partnership Account (09H)	572.5	(9.7)	-1.7%	588.8	(4.3)	-0.7%	4,776.2	(45.4)	-0.9%
Multimodal Account (218)	236.7	(2.2)	-0.9%	253.1	(3.6)	-1.4%	2,268.3	(47.6)	-2.1%
Special Category C Account (215)	47.0	(0.7)	-1.6%	48.3	(0.2)	-0.5%	390.0	(2.8)	-0.7%
Puget Sound Capital Construction Account (099)	34.2	(0.5)	-1.6%	35.1	(0.2)	-0.5%	283.8	(2.1)	-0.7%
Puget Sound Ferry Operations Account (109)	372.9	0.9	0.3%	390.1	(1.1)	-0.3%	3,415.0	22.3	0.7%
Capital Vessel Replacement Account (18J)	6.4	6.4	0.0%	7.9	7.9	100.0%	69.3	69.3	100.0%
Tacoma Narrows Bridge Account (511)	94.8	(5.1)	-5.1%	102.8	(4.9)	-4.5%	917.3	(7.8)	-0.8%
High Occupancy Toll Lanes Account (09F)*	1.6	1.1	203.6%	0.0	0.0	0.0%	1.6	1.1	203.6%
SR 520 Corridor Account (16J)	85.8	85.8	0.0%	139.5	139.5	100.0%	1,368.0	1,368.0	100.0%
SR 520 Corridor Civil Penalties Account (17P)	4.1	4.1	0.0%	7.4	7.4	100.0%	50.7	50.7	100.0%
Aeronautics Account (039)	5.9	(0.0)	-0.2%	6.1	0.0	0.7%	50.2	1.2	2.5%
State Patrol Highway Account (081)	332.2	2.8	0.9%	343.5	2.9	0.8%	2,943.0	14.9	0.5%
Highway/Motorcycle Safety Accts. (106 & 082)	170.2	(0.7)	-0.4%	172.6	(1.8)	-1.0%	1,435.6	(15.5)	-1.1%
Other accounts (201, 06T, 097, 09E, 216, 07C)	16.1	(0.2)	-1.0%	16.5	(0.1)	-0.7%	137.3	(1.7)	-1.2%
Ignition Interlock Device Revolving Acct 14V	2.4	0.7	43.1%	2.4	0.8	46.0%	20.4	7.2	54.1%
Total for State Use	**3,380.0**	**63.3**	**1.9%**	**3,545.0**	**127.7**	**3.7%**	**29,879.1**	**1,275.6**	**4.5%**
Local Uses									
Cities	180.1	(2.8)	-1.6%	185.3	(1.0)	-0.5%	1,495.8	(10.9)	-0.7%
Counties	294.9	(4.6)	-1.5%	303.4	(1.5)	-0.5%	2,450.4	(17.8)	-0.7%
Transportation Improvement Board (112 & 144)	192.4	(3.0)	-1.6%	197.9	(1.0)	-0.5%	1,598.2	(11.6)	-0.7%
County Road Administration Board (102 & 186)	64.7	(1.0)	-1.6%	66.6	(0.3)	-0.5%	537.4	(3.9)	-0.7%
Total for Local Use	**732.1**	**(11.5)**	**-1.6%**	**753.1**	**(3.9)**	**-0.5%**	**6,081.7**	**(44.2)**	**-0.7%**
Total Distribution of Revenue	**4,264.0**	**75.7**	**1.8%**	**4,442.0**	**128.1**	**3.0%**	**37,247.0**	**1,312.4**	**3.7%**
Total Distribution of Revenue less SR 520 revenue ¤	**4,174.0**	**(14.3)**	**-0.3%**	**4,295.2**	**(18.7)**	**-0.4%**	**35,828.3**	**(106.3)**	**-0.3%**

† Ferry Fares plus non-farebox and capital surcharge revenue
‡ Aviation Revenues and Business/Other Revenues net of amounts transferred to General Fund.
§ Pay by Mail Revenue, Certain Fees and Incentives are new to the February 2012 forecast and the November 2011 forecast has been adjusted to include them
± WSP Business Related Revenues are new to the February 2012 forecast and the November 2011 forecast has been adjusted to include them
¤ Excludes SR 520 Bridge Revenues
¥ Baseline Forecast is the March 2011 forecast

Motor Fuel Tax Revenue for Distribution

The pie chart below shows the statutory distribution of funds to the various jurisdictions based on the February 2012 fuel tax revenue forecast for the 2011-2013 biennium.

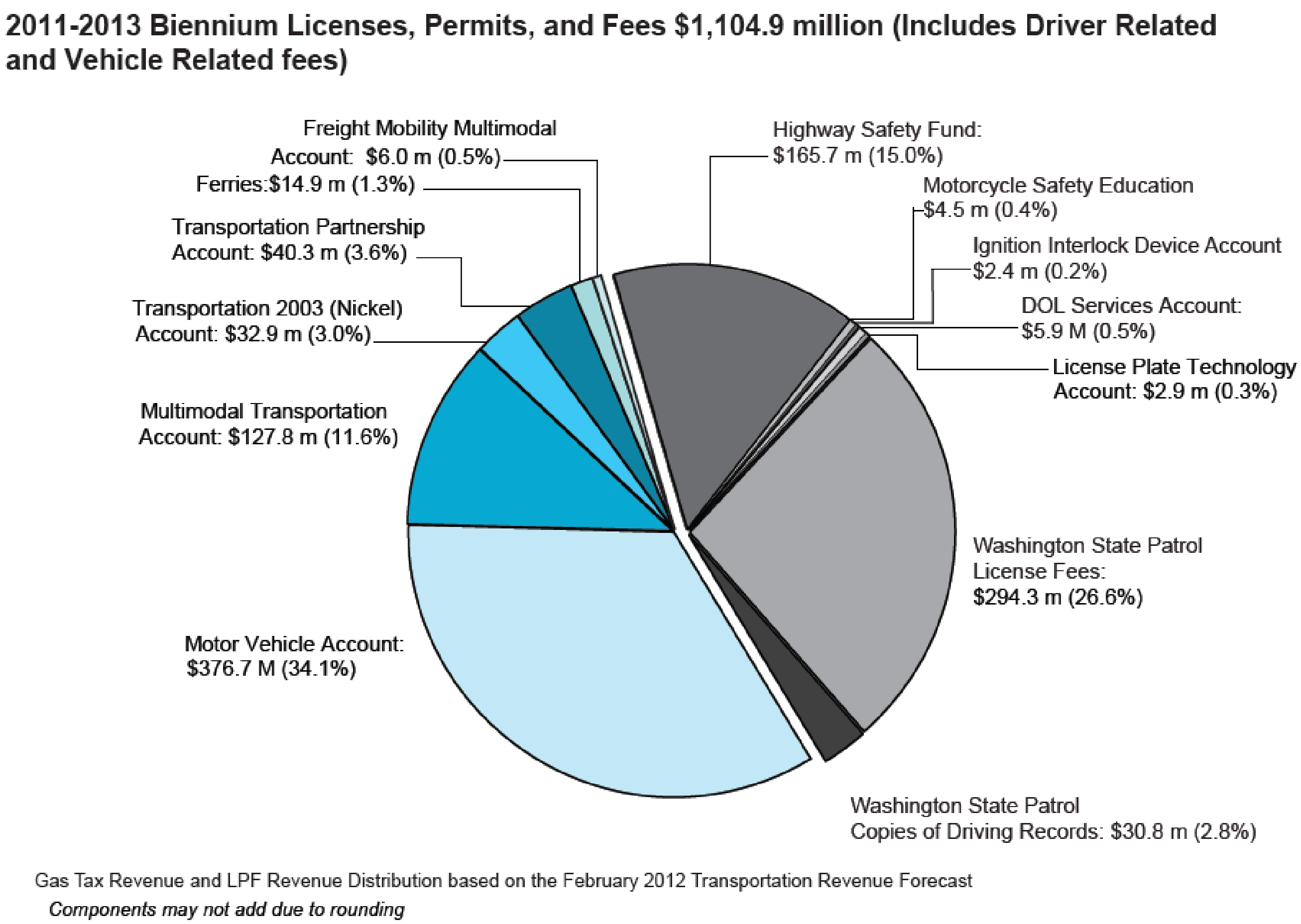
Figure 41 Fuel Tax Revenue for Statutory Distribution
2011–13 biennium - $2,347.9 million



Licenses, Permits, and Fees Revenue for Distribution (Both Motor Vehicle and Driver Related)

The pie chart below shows the statutory distribution of funds to the various jurisdictions based on the February 2012 Licenses, Permits and Fees revenue forecast for the 2011-2013 biennium.

Figure 42 License Permits and Fees Revenue for Distribution (Both Motor Vehicle & Driver Related) 2011–13 biennium - $1.104.9 million



Impact to Transportation Accounts

Motor Vehicle Account Revenue Forecast and Distributions

Many of the forecasted revenues are deposited into the Motor Vehicle Account—the largest transportation account. Initially all fuel tax revenues and all business-related revenues are deposited into this account. Net revenues that remain after statutory distributions are subject to 18th Amendment restrictions.

Figure 43 Motor Vehicle Account Revenue *dollars in millions*	2011-13		2013-15		10-Year Period (2011-2021)	
	Forecast Feb 12	Chg from Nov 11	Forecast Feb 12	Chg from Nov 11	Forecast Feb 12	Chg from Nov 11
Revenues						
Gross Fuel Tax Collections (Gas & Diesel)	2,519.5	5.2	2,576.8	16.6	13,102.6	108.6
Licenses, Permits, & Fees	375.4	1.6	381.8	(2.0)	2,008.1	(1.9)
Business-Related Revenue	17.5	0.1	18.3	0.1	96.4	0.8
Total	**2,912.4**	**6.9**	**2,977.0**	**14.7**	**15,207.0**	**107.4**
Distribution						
Refunds-Regular	151.9	12.5	143.9	(0.7)	782.2	(4.6)
Fuel Tax Distributions for Local Uses[1]	732.1	(2.3)	753.1	5.0	3,814.9	35.1
Fuel Tax Distributions for State Uses[2]	969.9	(3.1)	997.7	6.6	5,054.3	46.3
Total	**1,853.9**	**7.0**	**1,894.8**	**10.8**	**9,651.3**	**76.7**
Net Revenue	**1,058.5**	**(0.2)**	**1,082.2**	**3.9**	**5,555.7**	**30.7**

Miscellaneous revenue does not include ending cash balances carried forward from the prior biennium.
[1] These amounts include distributions to Cities and Counties and to State Agencies that expend funds for the benefit of local jurisdictions, i.e. the Transportation Improvement Board and the County Road Administration Board.
[2] These amounts include distributions to the Nickel, Transportation Partnership, WSF and Special Category C accounts.

Transportation 2003 (Nickel) Account Revenue Forecast

In 2003, the legislature established the Transportation 2003 (Nickel) Account in the state treasury to be the repository of the “nickel” fuel tax increase, and increases in various vehicle licenses, permits, and fees. Since fuel tax receipts are deposited into this account, uses are restricted to highway purposes in accordance with the 18th Amendment to the Washington State Constitution. The “Nickel” Account was established to provide funding for a specific list of highway and ferry projects. The majority of the projects are bond financed and by 2015 the revenues in this account will be almost fully leveraged for debt service.

Figure 44 Transportation 2003 (Nickel) Account *dollars in millions*	2011-13		2013-15		10-Year Period (2011-2021)	
	Forecast Feb 12	Chg from Nov 11	Forecast Feb 12	Chg from Nov 11	Forecast Feb 12	Chg from Nov 11
Revenue						
5¢ Gas Tax	313.1	(1.0)	322.0	2.1	1,631.0	14.9
Licenses, Permits and Fees	32.9	(0.3)	33.9	(0.6)	178.0	(3.2)
Total	**345.9**	**(1.3)**	**356.0**	**1.6**	**1,809.1**	**11.7**

Transportation Partnership Account Revenue Forecast

In 2005, the legislature established the Transportation Partnership Account in the state treasury to be the repository of the state portion of the new 9.5¢ fuel tax increases that took effect between July 1, 2005, and July 1, 2008. The tax revenues support bond sales for specific highway projects adopted by the legislature. Like fuel tax receipts in the Nickel and Motor Vehicle accounts, these funds are protected by the 18th Amendment to the State Constitution and can be used only for highway purposes.

Figure 45 Transportation Partnership Account *dollars in millions*	2011-13		2013-15		10-Year Period (2011-2021)	
	Forecast Feb 12	Chg from Nov 11	Forecast Feb 12	Chg from Nov 11	Forecast Feb 12	Chg from Nov 11
Revenue						
5¢ Gas Tax	532.2	(1.7)	547.4	3.6	2,772.8	25.4
Licenses, Permits and Fees	40.3	(0.1)	41.4	(0.0)	219.4	0.1
Total	**572.5**	**(1.8)**	**588.8**	**3.6**	**2,992.1**	**25.5**

Washington State Ferry Accounts Revenue Forecast

Revenues deposited into the ferry accounts are used for operating costs and capital construction projects. Since Washington State Ferries are considered part of the Washington highway system, funds that are restricted to highway use can be deposited into ferry accounts.

Figure 46 Washington State Ferries Accounts *dollars in millions*	2011-13		2013-15		10-Year Period (2011-2021)	
	Forecast Feb 12	Chg from Nov 11	Forecast Feb 12	Chg from Nov 11	Forecast Feb 12	Chg from Nov 11
Revenue						
Puget Sound Ferry Op. Acct. (109)						
Ferry Fares	314.5	1.9	330.8	2.4	1,807.6	2.2
Concessions & Other Revenue	6.4	(0.4)	7.0	(0.3)	41.6	(1.6)
Fuel Tax	43.5	(0.1)	44.8	0.3	227.8	2.1
Licenses, Permits and Fees	14.9	0.0	15.4	0.1	81.5	0.6
Subtotal	**379.3**	**1.3**	**397.9**	**2.5**	**2,158.5**	**3.4**
Capital Vessel Replacement Account (18J)	6.4	(2.1)	7.9	0.1	40.4	0.1
Total	**6.4**	**(2.3)**	**52.7**	**0.4**	**268.2**	**2.2**
Puget Sound Cap. Const. Acct. (099) Fuel Tax	34.2	(0.1)	35.1	0.2	178.0	1.6
Total	**413.5**	**1.2**	**433.1**	**2.8**	**2,336.5**	**5.0**

Multimodal Transportation Account Revenue Forecast

Revenues deposited into the Multimodal Transportation Account are not subject to 18th Amendment restrictions and may be used for both highway and non-highway purposes. Tax revenues deposited in the Multimodal Account are from the rental car tax (5.9 percent), sales tax on new and used vehicles (0.3 percent), $2.00 of a $3.00 vehicle registration filing fee, vehicle weight fees imposed in 2005 legislation, and other miscellaneous filing fees. Only those motor vehicle filing fees collected by the Department of Licensing and not by county subagents are deposited in the Multimodal Account.

The Office of the Forecast Council prepares the state rental car tax forecast and the vehicle sales tax forecast. The rental car forecast methodology is based on the assumption that the level of vehicle rental is tied to the overall level of economic activity in Washington. An econometric model is used to estimate future rental car tax receipts based upon the forecast of Washington state personal income prepared by the Office of the Forecast Council as well as past seasonal variations in receipts. The sales tax forecast is also prepared by the Office of the Forecast Council and is based upon an econometric model relating to vehicle sales in Washington.

Figure 47 **Multimodal Account** *dollars in millions*	**2011-13**		**2013-15**		**10-Year Period (2011-2021)**	
	Forecast Feb 12	**Chg from Nov 11**	**Forecast Feb 12**	**Chg from Nov 11**	**Forecast Feb 12**	**Chg from Nov 11**
Revenue						
Licenses, Permits and Fees	127.8	(0.2)	133.6	1.2	706.4	8.8
Rental Car Tax	48.0	(0.4)	51.3	(0.3)	290.0	0.3
Vehicle Sales Tax	60.9	2.5	68.2	2.7	400.6	14.0
Total	**236.7**	**1.9**	**253.1**	**3.6**	**1,397.0**	**23.1**

Aeronautics Account Revenue Forecast

Revenues deposited into the Aeronautics Account consist of aircraft fuel tax, aircraft excise tax, aircraft dealer license fees, and the aircraft excise tax. Forecasts of aviation revenues are prepared by the Department of Transportation and the Department of Licensing.

The most significant component of the Aeronautics Account is the aircraft fuel tax forecast. This forecast is a function of three factors: the tax rate, the gallons of fuel delivered, and the gallons of fuel refunded. Aviation fuel consumption is projected based primarily on the annual FAA's general aviation fuel consumption forecast.

Figure 48 **Aeronautics Account** *dollars in thousands*	**2011-13**		**2013-15**		**10-Year Period (2011-2021)**	
	Forecast Feb 12	**Chg from Nov 11**	**Forecast Feb 12**	**Chg from Nov 11**	**Forecast Feb 12**	**Chg from Nov 11**
Revenue						
Aircraft Dealer License Fees	8.0	0.0	8.0	0.0	40.0	0.0
Aircraft Excise Tax	570.4	(19.4)	577.1	(19.6)	2,951.7	(99.7)
Aircraft Fuel Tax	5,087.5	(40.5)	5,272.9	(53.9)	27,353.7	35.4
Aeronautics Transfer (from MV Fund)	564.3	8.6	567.9	10.0	2,816.0	67.6
Aircraft Registrations	170.1	(13.0)	172.1	(13.0)	880.5	(65.0)
Total	**6,400.3**	**(64.3)**	**6,598.0**	**(76.5)**	**34,041.9**	**(61.7)**

Toll Revenue Forecast

Currently there are two tolled corridors in Washington, The Tacoma Narrows Bridge and State Route 167 HOT Lanes which has variable tolling rates. Toll collections, transponder sales, violations, and fines and fees are deposited into either the Tacoma Narrows Bridge Account, or the HOT Lanes Operations Account. The SR-167 HOT Lanes is a pilot project, currently set to end in May 2012.

Figure 49 Tolling Accounts *dollars in millions*	2011-13		2013-15		10-Year Period (2011-2021)	
	Forecast Feb 12	Chg from Nov 11	Forecast Feb 12	Chg from Nov 11	Forecast Feb 12	Chg from Nov 11
Revenue						
Tacoma Narrows Bridge Account						
Toll Revenues§	91.6	0.1	97.8	(0.2)	517.3	(1.7)
Transponder Sales/ Shield Sales	0.7	0.1	0.8	0.1	4.0	0.3
Violations	0.2	(0.1)	0.0	0.0	0.2	(0.1)
Civil Penalties	1.1	(0.5)	2.3	(0.7)	12.2	(2.1)
Fees	1.1	0.8	1.9	1.7	10.1	9.1
Subtotal Tacoma Narrows Bridge	**94.8**	**0.5**	**102.8**	**0.9**	**543.9**	**5.5**
HOT Lanes Operations Account ^						
Toll Revenues	1.5	0.1	0.0	0.0	1.5	n/a
Transponder Sales/ Shield Sales	0.0	(0.0)	0.0	0.0	0.0	n/a
Fees	0.0	0.0	0.0	0.0	0.0	n/a
Subtotal HOT Lanes Operations	**1.6**	**0.1**	**0.0**	**0.0**	**n/a**	**n/a**
SR 520 Bridge						
Toll Revenues§	80.4	(1.8)	134.1	(0.4)	723.9	(3.6)
Transponder Sales/ Shield Sales	3.3	0.0	2.3	0.0	13.0	0.0
Civil Penalties	4.1	0.3	7.4	0.6	32.0	2.9
Fees	2.1	(0.3)	3.1	(0.6)	14.3	(2.9)
Subtotal SR 520 Bridge	**89.9**	**(1.8)**	**146.8**	**(0.4)**	**783.2**	**(3.6)**
Total Tolling Revenues	**186.3**	**(1.3)**	**249.6**	**0.4**	**1,327.1**	**1.9**

^ HOT Lanes pilot program expires at the end of April 2013
§ Pay by Mail Revenue, Certain Fees and Incentives are new to the February 2012 forecast and the November 2011 forecast has been adjusted to include them.

Washington State Patrol, Highway Safety & Motorcycle Safety Education Accounts Revenue Forecast

Forecasts of revenues for the Washington State Patrol (WSP), Highway Safety Account and the Motorcycle Safety Education Account are prepared by the Department of Licensing and the Washington State Patrol. These accounts are supported primarily from driver licensing related revenue. Forecasts include estimates of the following revenue sources.

- Revenues derived from interest on contracts
- Commercial driver training
- Driver's license fees
- Business Related Revenues for WSP
- Copies of records
- Motorcycle permits and endorsements
- Motor vehicle filing fees
- Other Miscellanous

Figure 50 Highway Safety/Motorcycle Safety/WSP *dollars in millions*	2011-13		Current Biennium 2013-15		10-Year Period (2011-2021)	
	Forecast Feb 12	Chg from Nov 11	Forecast Feb 12	Chg from Nov 11	Forecast Feb 12	Chg from Nov 11
Revenue						
Highway Safety						
Driver License Fees	127.8	0.5	128.9	(0.4)	665.4	(1.9)
Copies of Records	33.2	(0.3)	34.0	(0.2)	176.4	(1.1)
Other and Miscellaneous	4.7	(0.3)	4.9	0.4	25.7	2.1
Subtotal	**165.7**	**(0.1)**	**167.8**	**(0.2)**	**867.4**	**(0.9)**
Motorcycle Safety Permits/Endorsements	4.5	0.1	4.9	0.0	25.0	0.1
State Patrol Copies of Records / LPF/Business Related ¥	332.2	(0.1)	343.5	1.6	1,816.8	11.7
Subtotal	**336.7**	**(0.1)**	**348.3**	**1.6**	**1,841.8**	**11.8**
Total	**502.3**	**(0.2)**	**516.1**	**1.4**	**2,709.3**	**10.9**

¥ WSP Business Related Revenues are new to the February 2012 forecast and the November 2011 forecast has been adjusted to include them.