

Transportation Revenue Forecast Council

February 2016 Transportation Economic and Revenue Forecasts

Volume I: Summary

Washington Transportation Economic and Revenue Forecast February 2016 Forecast

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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, Washington State Patrol and the Office of Forecast Council produce forecasts. The revenue forecasts agreed upon by the Transportation Revenue Forecast Council members become the official estimated revenues under RCW 43.88.020 21.

February 2016 Transportation Forecast Overview

Forecast Overview

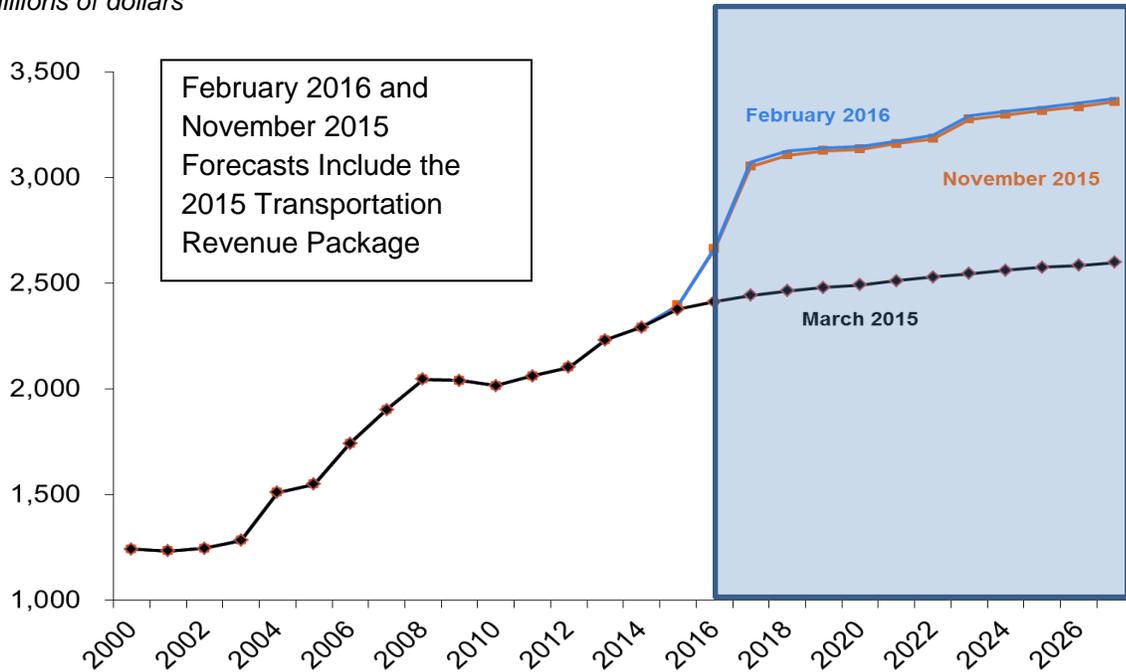
Here are key conclusions from the February 2016 transportation revenue forecast.

- February 2016 transportation forecast of revenues: \$5.737 billion for the current biennium which represents an increase of 22% over the prior 2013-15 biennium of \$4.69 billion. The February forecast includes the revenue from the 2015 transportation revenue package, 2ESSB 5987.
- Overall transportation revenue has an upward revision forecast to forecast in the current biennium, up \$23.9 million, with the largest share of the increase in fuel taxes, vehicle sales tax and licenses, permits and fee revenue. Next biennium, overall transportation revenues will be \$6.266 billion which is up \$37.4 million or 0.6% over the last forecast with \$27 million of the increase being due to higher motor vehicle fuel tax revenue.
- For the 10-year forecast horizon, total revenues are projected to be \$31.45 billion, which is up by \$152 million (0.49%) from November due primarily to higher fuel tax revenues, driver related revenue and licenses, permits and fee revenue. Rental car tax is the only revenue sources down from the last forecast.
- New projections of real personal income are minor revisions up in FY 2016 and down in FY 2017-2019 from the last forecast in terms of growth rates. Employment projections are up in FY 2016 and 2017 and down in FY 2018 and 2019. Inflation is also down some. The current forecast for average annual retail gas and diesel price forecasts are lower than November's forecast all throughout the forecast horizon for retail gas prices but diesel prices are only down for the next couple years compared to the last forecast. The current B5 biodiesel prices for ferries are lower than the last forecast and the baseline March forecast all throughout the forecast horizon.
- The primary reason for the change in fuel tax revenue has been fuel tax collections coming in close to forecast and slightly more than expected. Gas taxes have been \$0.8 million higher in the last three months compared to forecast. In addition, real gas prices are down even further from last quarter's projections and employment forecasts are down slightly in the long-term. The current fuel tax forecast is up \$16.3 million or 0.5% in the current biennium and up even more next biennium by \$26.5 million.
- Licenses, permits and fee (LPF) revenue are up forecast to forecast by \$5.4 million in the current biennium, even with slightly lower projections of passenger vehicles and trucks. In the next biennium, the revenues are also anticipated to be up slightly by \$3.2 million forecast to forecast. Over the 10 year forecast period, LPF revenue is up \$20.8 million (0.29%) over last forecast with the largest share of the increase being higher weight based registration (truck) fees, Quick titles and passenger vehicle basic \$30 license fee and weight fees which contributed to the majority of the LPF increase in the long-term.
- The February federal forecast incorporates the new federal FAST Act which brings in new revenue over the last forecast. In the current biennium, the new federal forecast is above the last forecast by \$70 million.

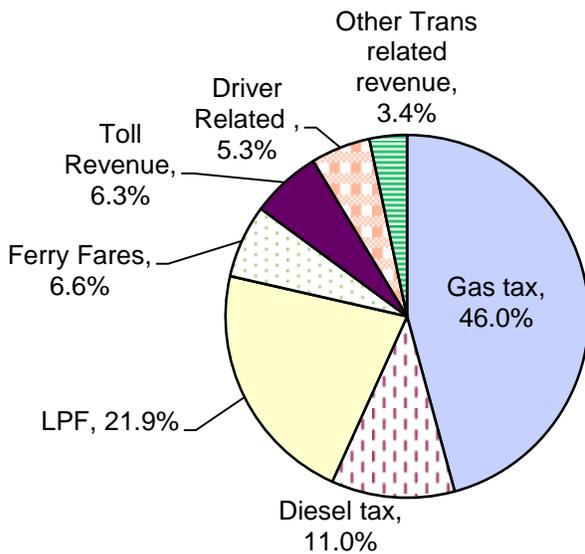
In fiscal year 2014, transportation revenues were \$2.291 billion, which was 2.7% growth year over year. In fiscal year 2015, transportation revenues were \$2.394 billion which represented a 4.5% year-over-year growth. In the current fiscal year, transportation revenues are anticipated to be \$2.666 billion, which are an 11.4% annual increase and 0.2% upward revision from the last forecast. The 2015 transportation revenue package begins in FY 2016 and that explains a large portion of the annual increase between FY 2015 and 2016. Overall during the 10-year horizon, transportation revenues are projected to be \$31.45 billion and \$152 million or 0.49% above the projections in November with an average annual growth rate of 3% each year.

**Figure 1 Total Transportation Revenues Comparison
February 2016 vs. November vs. March 2015 forecasts**

millions of dollars



**Figure 2 Revenue by Source
2015-17 biennium (\$5.74 billion)**



Washington's transportation revenues come from numerous taxes, fees, permits, tolls, and other revenues. 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 the 2015-17 biennium, (\$5.73 billion). Gasoline fuel taxes comprise the largest share at 46%. With the addition of diesel fuel taxes, all motor vehicle fuel taxes comprise 57% of all revenues. Licenses, permits, and fee revenues comprise the second largest share at 22%. The largest three revenue sources are projected to consist of 79% of revenues in the 2015-17 biennium. The remaining 21% consists of ferry fares, toll revenue, driver related revenue and other transportation related revenue.

Figure 3 Forecast to Forecast Biennium Comparison of All Transportation Revenues February 2016 forecast - 10 year period

Forecast to Forecast Comparison for Transportation Revenues and Distributions 10-Year Period									
February 2016• millions of dollars									
	Current Biennium			2017-2019			10-Year Period		
	2015-2017			2017-2019			(2016-2025)		
	Forecast Feb-16	Chg from Nov-15	Percent Change	Forecast Feb-16	Chg from Nov-15	Percent Change	Forecast Feb-16	Chg from Nov-15	Percent Change
Sources of Transportation Revenue									
Motor Vehicle Fuel Tax Collections	3,256.51	16.34	0.50%	3,561.95	26.54	0.75%	17,640.79	90.16	0.51%
Licenses, Permits and Fees	1,250.89	5.35	0.43%	1,431.60	3.18	0.22%	7,282.40	20.82	0.29%
Ferry Revenue [†]	375.18	0.92	0.25%	385.45	0.99	0.26%	1,953.75	0.28	0.01%
Toll Revenue [§]	358.43	0.00	0.00%	387.53	0.00	0.00%	2,030.49	0.00	0.00%
Aviation Revenues [‡]	5.81	0.00	0.05%	6.95	0.01	0.07%	33.95	0.02	0.07%
Rental Car Tax	62.20	(0.58)	-0.92%	64.93	(0.65)	-0.99%	336.40	(3.19)	-0.94%
Vehicle Sales Tax	90.89	1.12	1.24%	96.35	1.03	1.08%	499.35	5.15	1.04%
Driver-Related Fees	304.72	0.42	0.14%	299.95	5.94	2.02%	1,523.81	36.98	2.49%
Business/Other Revenues [‡]	32.56	0.35	1.10%	31.27	0.35	1.12%	150.63	1.70	1.14%
Total Revenues	5,737.20	23.92	0.42%	6,265.98	37.39	0.60%	31,451.58	151.93	0.49%
Distribution of Revenue									
Motor Fuel Tax Refunds and Transfers	182.73	(7.44)	-3.91%	205.37	0.66	0.32%	1,039.16	(5.50)	-0.53%
State Uses									
Motor Vehicle Account (108)	1,239.23	6.94	0.56%	1,273.51	14.16	1.12%	6,329.66	33.70	0.54%
Transportation 2003 (Nickel) Account (550)	413.24	3.25	0.79%	423.45	2.47	0.59%	2,122.98	11.29	0.53%
Transportation 2005 Partnership Account (09H)	610.30	4.86	0.80%	627.90	3.65	0.59%	3,149.02	16.07	0.51%
Connecting Washington Account (20H)	537.11	5.54	1.04%	802.05	4.59	0.58%	3,774.37	21.27	0.57%
Multimodal Account (218)	384.74	0.56	0.14%	490.89	(0.87)	-0.18%	2,624.94	6.07	0.23%
Special Category C Account (215)	49.50	0.40	0.82%	50.55	0.29	0.58%	253.54	1.39	0.55%
Puget Sound Capital Construction Account (099)	36.02	0.29	0.82%	36.78	0.21	0.58%	184.47	1.01	0.55%
Puget Sound Ferry Operations Account (109)	430.45	1.68	0.39%	441.93	1.23	0.28%	2,237.84	2.06	0.09%
Capital Vessel Replacement Account (18J)	42.19	0.21	0.50%	36.42	(0.26)	-0.70%	187.00	(1.33)	-0.70%
Tacoma Narrows Bridge Account (511)	169.02	0.00	0.00%	181.92	0.00	0.00%	924.33	0.00	0.00%
High Occupancy Toll Lanes Account (09F) [^]	3.73	0.00	0.00%	0.00	0.00	0.00%	3.73	0.00	0.00%
SR 520 Corridor Account (16J)	156.85	0.00	0.00%	167.88	0.00	0.00%	895.27	0.00	0.00%
SR 520 Corridor Civil Penalties Account (17P)	14.89	0.00	0.00%	15.67	0.00	0.00%	83.14	0.00	0.00%
Interstate 405 Express Toll Lanes Operations (595)	13.94	0.00	0.00%	22.06	0.00	0.00%	124.02	0.00	0.00%
Aeronautics Account (039)	5.81	0.00	0.05%	6.95	0.01	0.07%	33.95	0.02	0.07%
State Patrol Highway Account (081)	379.09	0.22	0.06%	401.93	(0.44)	-0.11%	2,043.77	1.08	0.05%
Highway/Motorcycle Safety Accts. (106 & 082)	270.24	1.30	0.48%	264.83	6.66	2.58%	1,345.82	40.82	3.13%
School Zone Safety Account (780)	1.10	0.00	0.00%	1.10	0.00	0.00%	5.50	0.00	0.00%
Other accounts (201, 06T, 097, 09E, 216, 07C)	17.08	0.03	0.15%	17.39	(0.01)	-0.07%	88.77	0.20	0.23%
Ignition Interlock Devices Revolving Acct 14V	6.92	0.28	4.25%	6.92	0.47	7.21%	34.62	2.14	6.60%
Multiuse Roadway Safety Account Collections-571	0.10	0.00	0.00%	0.10	0.00	0.00%	0.53	0.00	0.02%
Total for State Use	4,781.44	25.55	0.54%	5,270.12	32.17	0.61%	26,446.72	135.80	0.52%
Local Uses									
Cities	189.85	1.54	0.82%	193.86	1.11	0.58%	972.33	5.34	0.55%
Counties	312.01	2.04	0.66%	319.52	1.78	0.56%	1,603.17	8.26	0.52%
Transportation Improvement Board (112 & 144)	202.91	1.66	0.83%	207.30	1.23	0.60%	1,039.91	5.91	0.57%
County Road Administration Board (102 & 186)	68.26	0.57	0.85%	69.80	0.44	0.64%	350.30	2.12	0.61%
Total for Local Use	773.03	5.80	0.76%	790.48	4.56	0.58%	3,965.71	21.63	0.55%
Total Distribution of Revenue	5,737.20	23.92	0.42%	6,265.98	37.39	0.60%	31,451.58	151.93	0.49%

[†] Ferry Fares plus non-farebox revenue

[‡] Aviation Revenues and Business/Other Revenues net of amounts transferred to General Fund in the June forecast.

[§] 167 HOT lanes is a pilot program that is currently scheduled to sunset June 30, 2017 and I-405 Express Toll Lanes forecast is first introduced in the November 2015 forecast

As Figure 3 indicates, in the current biennium, February's transportation revenues are projected at \$5.74 billion and up \$24 million or 0.4% above the last projections. Fuel tax collections are up by \$16.3 million or 0.5% higher than the November forecast in the current biennium. Next biennium's transportation revenues are anticipated to grow to \$6.265 billion and up from the last forecast by \$37.4 million or 0.6%. Over the 10-year forecast horizon (2016-2025), the revenue forecast for February is up by \$152 million or 0.49% from the last forecast. The change in transportation revenue for this forecast is due primarily to higher fuel taxes, driver related revenue, licenses permits and fee revenue and vehicle sales and use tax revenue.

**Figure 4 Forecast to Baseline Biennium Comparison of All Transportation Revenues
February 2016 forecast - 10 year period**

Forecast to Baseline Comparison for Transportation Revenues and Distributions 10-Year Period									
February 2016• millions of dollars									
	Current Biennium			2017-2019			10-Year Period		
	2015-2017			2017-2019			(2016-2025)		
	Forecast Feb-16	Chg from Baseline ¥	Percent Change	Forecast Feb-16	Chg from Baseline ¥	Percent Change	Forecast Feb-16	Chg from Baseline ¥	Percent Change
Sources of Transportation Revenue									
Motor Vehicle Fuel Tax Collections	3,256.51	664.38	25.63%	3,561.95	935.19	35.60%	17,640.79	4,435.66	33.59%
Licenses, Permits and Fees	1,250.89	141.50	12.75%	1,431.60	299.64	26.47%	7,282.40	1,556.08	27.17%
Ferry Revenue†	375.18	10.48	2.87%	385.45	11.20	2.99%	1,953.75	56.44	2.97%
Toll Revenue §	358.43	43.05	13.65%	387.53	51.25	15.24%	2,030.49	300.63	17.38%
Aviation Revenues ‡	5.81	(0.33)	-5.30%	6.95	0.67	10.74%	33.95	2.34	7.40%
Rental Car Tax	62.20	1.51	2.49%	64.93	1.60	2.52%	336.40	10.34	3.17%
Vehicle Sales Tax	90.89	5.43	6.35%	96.35	6.52	7.26%	499.35	36.89	7.98%
Driver-Related Fees	304.72	15.27	5.27%	299.95	16.57	5.85%	1,523.81	102.92	7.24%
Business/Other Revenues ±	32.56	3.22	10.99%	31.27	2.15	7.38%	150.63	12.30	8.89%
Total Revenues	5,737.20	884.51	18.23%	6,265.98	1,324.80	26.81%	31,451.58	6,513.61	26.12%
Distribution of Revenue									
Motor Fuel Tax Refunds and Transfers	182.73	39.07	27.19%	205.37	56.61	38.05%	1,039.16	279.02	36.71%
State Uses									
Motor Vehicle Account (108)	1,239.23	92.83	8.10%	1,273.51	111.71	9.61%	6,329.66	493.44	8.45%
Transportation 2003 (Nickel) Account (550)	413.24	10.55	2.62%	423.45	15.49	3.80%	2,122.98	72.56	3.54%
Transportation 2005 Partnership Account (09H)	610.30	15.57	2.62%	627.90	25.95	4.31%	3,149.02	125.94	4.17%
Connecting Washington Account (20H)	537.11	537.11	100.00%	802.05	802.05	100.00%	3,774.37	3,774.37	100.00%
Multimodal Account (218)	384.74	92.80	31.79%	490.89	185.39	60.68%	2,624.94	1,062.78	68.03%
Special Category C Account (215)	49.50	0.91	1.88%	50.55	1.35	2.75%	253.54	6.48	2.62%
Puget Sound Capital Construction Account (099)	36.02	0.66	1.88%	36.78	0.98	2.75%	184.47	4.71	2.62%
Puget Sound Ferry Operations Account (109)	430.45	13.33	3.20%	441.93	14.49	3.39%	2,237.84	73.46	3.39%
Capital Vessel Replacement Account (18J)	42.19	(2.68)	-5.97%	36.42	(1.84)	-4.82%	187.00	(9.42)	-4.80%
Tacoma Narrows Bridge Account (511)	169.02	18.47	12.27%	181.92	25.99	16.66%	924.33	129.37	16.27%
High Occupancy Toll Lanes Account (09F)	3.73	3.73	100.00%	0.00	0.00	0.00%	3.73	3.73	100.00%
SR 520 Corridor Account (16J)	156.85	2.55	1.66%	167.88	(1.51)	-0.89%	895.27	16.00	1.82%
SR 520 Corridor Civil Penalties Account (17P)	14.89	4.35	41.30%	15.67	4.72	43.08%	83.14	27.51	49.44%
Interstate 405 Express Toll Lanes Operations (595)	13.94	13.94	100.00%	22.06	22.06	100.00%	124.02	124.02	100.00%
Aeronautics Account (039)	5.81	(0.33)	-5.30%	6.95	0.67	10.74%	33.95	2.34	7.40%
State Patrol Highway Account (081)	379.09	11.57	3.15%	401.93	21.92	5.77%	2,043.77	117.52	6.10%
Highway/Motorcycle Safety Accts. (106 & 082)	270.24	16.58	6.54%	264.83	17.87	7.24%	1,345.82	108.92	8.81%
School Zone Safety Account (780)	1.10	0.22	25.22%	1.10	0.22	25.22%	5.50	1.11	25.22%
Other accounts (201, 06T, 097, 09E, 216, 07C)	17.08	(0.10)	-0.56%	17.39	(0.24)	-1.33%	88.77	(0.37)	-0.42%
Ignition Interlock Device Revolving Acct 14V	6.92	0.60	9.56%	6.92	0.60	9.57%	34.62	3.02	9.57%
Multiuse Roadway Safety Account Collections-571	0.04	(0.00)	-4.54%	0.10	0.01	12.18%	0.46	0.02	3.50%
Total for State Use	4,781.44	832.67	21.09%	5,270.12	1,247.87	31.02%	26,446.72	6,137.48	30.22%
Local Uses									
Cities	189.85	3.50	1.88%	193.86	5.18	2.75%	972.33	24.84	2.62%
Counties	312.01	4.18	1.36%	319.52	7.56	2.42%	1,603.17	35.93	2.29%
Transportation Improvement Board (112 & 144)	202.91	3.79	1.90%	207.30	5.63	2.79%	1,039.91	26.98	2.66%
County Road Administration Board (102 & 186)	68.26	1.31	1.95%	69.80	1.95	2.88%	350.30	9.36	2.74%
Total for Local Use	773.03	12.77	1.68%	790.48	20.33	2.64%	3,965.71	97.11	2.51%
Total Distribution of Revenue	5,737.20	884.51	18.23%	6,265.98	1,324.80	26.81%	31,451.58	6,513.61	26.12%

¥ Baseline is the March 2015 forecast.

† Ferry Fares plus non-farebox revenue

‡ Aviation Revenues and Business/Other Revenues net of amounts transferred to General Fund in the June baseline forecast.

§ 167 HOT lanes is a pilot program due to sunset June 30, 2017 and I-405 Express Toll Lanes forecast was first brought into the November 2015 forecast

Since the March 2015 forecast was the baseline forecast on which the 2015-17 biennium budget was based, the current forecast compared to the March 2015, baseline is reported in Figure 4. The February forecast is above the March baseline forecast by \$884.5 million, 18%, in the current biennium. In next biennium, the February forecast is above the March forecast by \$1.325 billion or 26.8%. Over the next 10 years, the current forecast is anticipated to be \$31.44 billion which is \$6.51 billion or 26% above the baseline forecast. These increases from the March baseline forecast is due to the adoption of the 2015 Transportation revenue package, higher toll and ferry fare increases and new toll revenue forecasts.

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, driver-in population, inflation, employment, oil price index, fuel efficiency, US sales of new light vehicles and various employment sectors.

**Figure 5 Annual Percentage Change (%) in Select Economic Variables
February 2016 Forecast**

Fiscal Year	WA Personal Income	Annual Driver Age Population	Driver-In Population	US General Prices (IPDC)	US Oil & Gas Price Index	US Fuel Efficiency (MPG)	Nominal Consumer Sales on New Vehicles	WA Non-ag. employment	WA Trade, Transportation and Utilities Employment	WA Retail Trade Employment
2010	-2.4%	1.0%	-1.0%	1.0%	3.1%	-0.9%	10.8%	-3.5%	-4.0%	-3.3%
2011	3.0%	1.0%	19.9%	1.8%	18.2%	1.4%	11.8%	0.7%	0.6%	0.8%
2012	3.7%	1.0%	-9.8%	2.4%	13.9%	1.1%	13.7%	1.4%	2.0%	1.8%
2013	3.0%	1.1%	2.1%	1.5%	0.5%	1.0%	9.2%	2.1%	2.4%	2.8%
2014	1.6%	1.4%	9.7%	1.4%	-2.4%	1.3%	4.6%	2.5%	3.2%	3.7%
2015	5.2%	1.5%	10.2%	0.8%	-17.6%	1.6%	6.5%	2.9%	3.4%	3.4%
2016	4.4%	1.5%	5.1%	0.5%	-22.1%	1.8%	3.4%	2.3%	2.8%	3.7%
2017	3.0%	1.4%	-8.9%	1.3%	6.7%	1.9%	6.4%	1.4%	1.3%	1.2%
2018	3.3%	1.3%	1.0%	1.7%	10.2%	1.8%	6.3%	1.3%	0.7%	0.1%
2019	3.2%	1.3%	0.9%	1.8%	9.4%	1.8%	3.8%	1.2%	0.5%	0.0%
2020	3.0%	1.2%	0.9%	1.7%	6.2%	1.9%	2.2%	1.2%	0.5%	0.1%
2021	3.0%	1.1%	0.8%	1.7%	6.3%	1.9%	0.4%	1.1%	0.2%	-0.2%
2022	2.8%	1.1%	0.8%	1.8%	7.5%	1.9%	2.6%	1.1%	0.3%	0.0%
2023	2.8%	1.1%	0.6%	2.2%	9.6%	1.9%	1.9%	0.9%	0.3%	0.2%
2024	2.8%	1.1%	0.6%	2.3%	8.2%	2.0%	1.9%	0.8%	0.3%	0.2%
2025	2.8%	1.1%	0.6%	2.2%	5.4%	2.0%	1.7%	0.8%	0.4%	0.4%
2026	2.9%	1.1%	0.6%	2.1%	3.2%	2.1%	2.3%	0.7%	0.4%	0.5%
2027	2.9%	1.1%	0.6%	2.1%	2.2%	2.1%	2.8%	0.8%	0.5%	0.6%

**Figure 6 Changes in Select Economic Variables from Last Forecast
February 2016 Forecast**

Fiscal Year	WA Personal Income	Annual Driver Age Population	Driver-In Population	US General Prices (IPDC)	US Oil & Gas Price Index	US Fuel Efficiency (MPG)	Nominal Consumer Sales on New Vehicles	WA Non-ag. employment	WA Trade, Transportation and Utilities Employment	WA Retail Trade Employment
2016	▲	▬	▲	▼	▼	▬	▼	▬	▲	▲
2017	▼	▬	▼	▼	▲	▬	▼	▬	▲	▲
2018	▼	▬	▬	▼	▲	▬	▲	▼	▼	▼
2019	▼	▬	▬	▬	▼	▬	▲	▬	▼	▼
2020	▲	▬	▬	▬	▲	▬	▲	▬	▬	▬
2021	▲	▬	▬	▼	▼	▬	▼	▬	▼	▼
2022	▬	▬	▬	▼	▲	▬	▲	▲	▼	▼
2023	▬	▬	▬	▬	▲	▬	▲	▬	▬	▬
2024	▬	▬	▬	▬	▲	▬	▬	▬	▬	▬
2025	▬	▬	▬	▬	▲	▬	▬	▬	▬	▬
2026	▬	▬	▬	▬	▲	▬	▼	▬	▬	▬
2027	▬	▬	▬	▬	▬	▬	▼	▬	▬	▬

▲	Percentage change is greater than 1%		
▲	Percentage change is less than 1% and greater than 0.1%		
▬	Percentage change is less than 0.1% and greater than -0.1%		
▼	Percentage change is greater than -0.1% and less than -1%		
▼	Percentage change is greater than -1%		

Motor Fuel Price Forecast

Washington's transportation revenues are affected by fuel prices. In particular, gasoline tax collections are negatively related to the price of gasoline and the WSDOT's 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 fuel price forecast includes the following fuel price projections: U.S. West Texas Intermediate crude oil (WTI) and Washington retail prices of gasoline, diesel, and biodiesel (B5 and B99).

Source of data for the forecast

For the Washington retail price of gasoline, actual fuel prices are collected from the Energy Information Administration's (EIA) survey of retail prices for regular 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 ferry B5 biodiesel prices are reported by the Washington State Ferries (WSF). In the short term (through calendar year 2017), the retail gas price forecasts are based on the growth in the national retail gas price forecast by EIA. The diesel and biodiesel diesel prices are projected based on the growth in national diesel prices from the Energy Information Agency (EIA) monthly projections. Beyond calendar year 2017, the fuel price projections are based on February's Global Insight national gas price forecast for Washington's gas price forecast and the producer price index (PPI) projections for refined petroleum products for the diesel and biodiesel price forecasts.

The forecasts of biodiesel prices include two different biodiesel prices: B5 and B99 without the renewable identification number (RIN). WSF currently purchases biodiesel as B5. WSDOT also purchases B99 biodiesel without RIN for vehicle fleet needs. WSDOT receives OPIS fuel prices with the latest prices for B5 and B99 biodiesel prices without RIN in Tacoma. The B99 prices represent those paid by other state entities' purchases of biodiesel in Tacoma. The B5 price is based on Washington State ferries' reported purchase price of biodiesel with the markup, delivery, and other tax costs included. The base for the price forecast for the B99 price without RIN for non-WSF purchases is the OPIS base price without markup, delivery, and tax costs.

Figure 7 Near-term UNADJUSTED BASELINE Quarterly Fuel Prices: February 2016

Fiscal Year Quarter	Crude Oil Price (\$/barrel)	WA Retail Gasoline Price (\$/gal)	WA Retail Diesel Price (\$/gal)
2015: Q3	46.42	2.97	3.00
2015: Q4	41.96	2.42	2.68
2016: Q1	33.06	2.19	2.35
2016: Q2	36.00	2.31	2.36
FY 2016	39.36	2.47	2.60
2016: Q3	39.00	2.35	2.44
2016: Q4	42.00	2.23	2.54
2017: Q1	44.00	2.26	2.62
2017: Q2	47.67	2.59	2.71
FY 2017	43.17	2.36	2.58
2017: Q3	52.00	2.65	2.81
2017: Q4	56.33	2.52	2.94
2018: Q1	61.03	2.74	3.14
2018: Q2	64.02	2.99	3.26
FY 2018	58.35	2.73	3.04
2018: Q3	67.00	3.00	3.38
2018: Q4	69.95	2.84	3.51
2019: Q1	72.90	3.03	3.63
2019: Q2	75.82	3.30	3.75
FY 2019	71.42	3.04	3.57

Figure 8 Forecast of UNADJUSTED Washington Retail Gasoline Prices, Regular February 2016, November, and March 2015

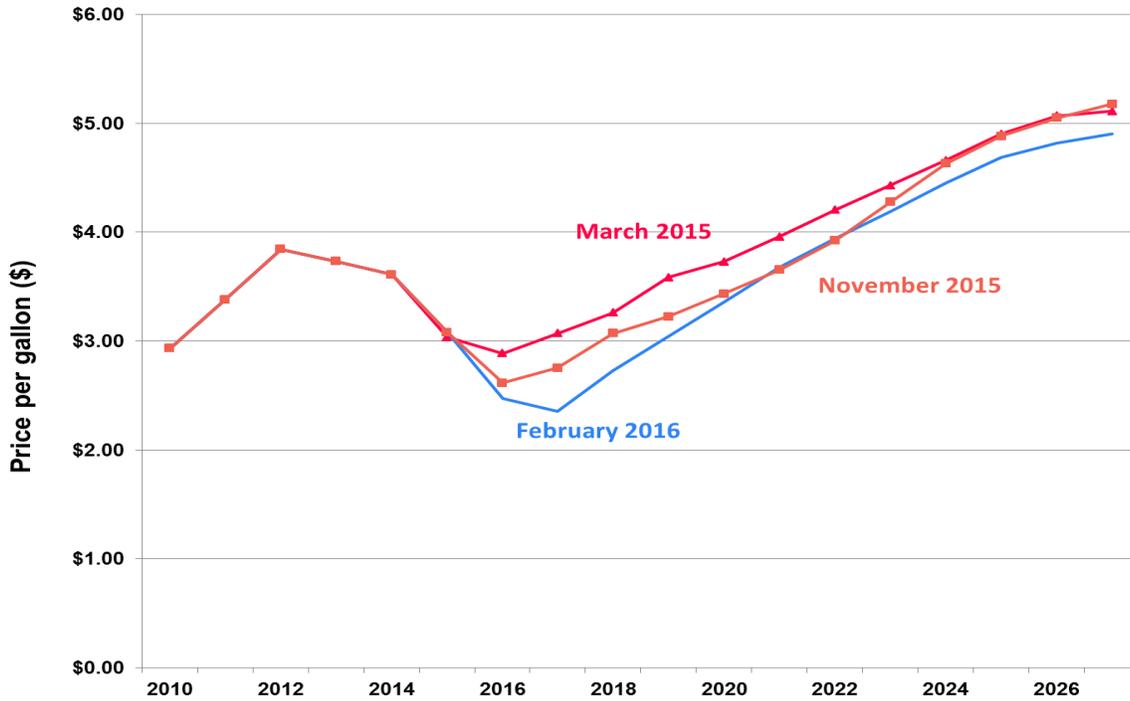
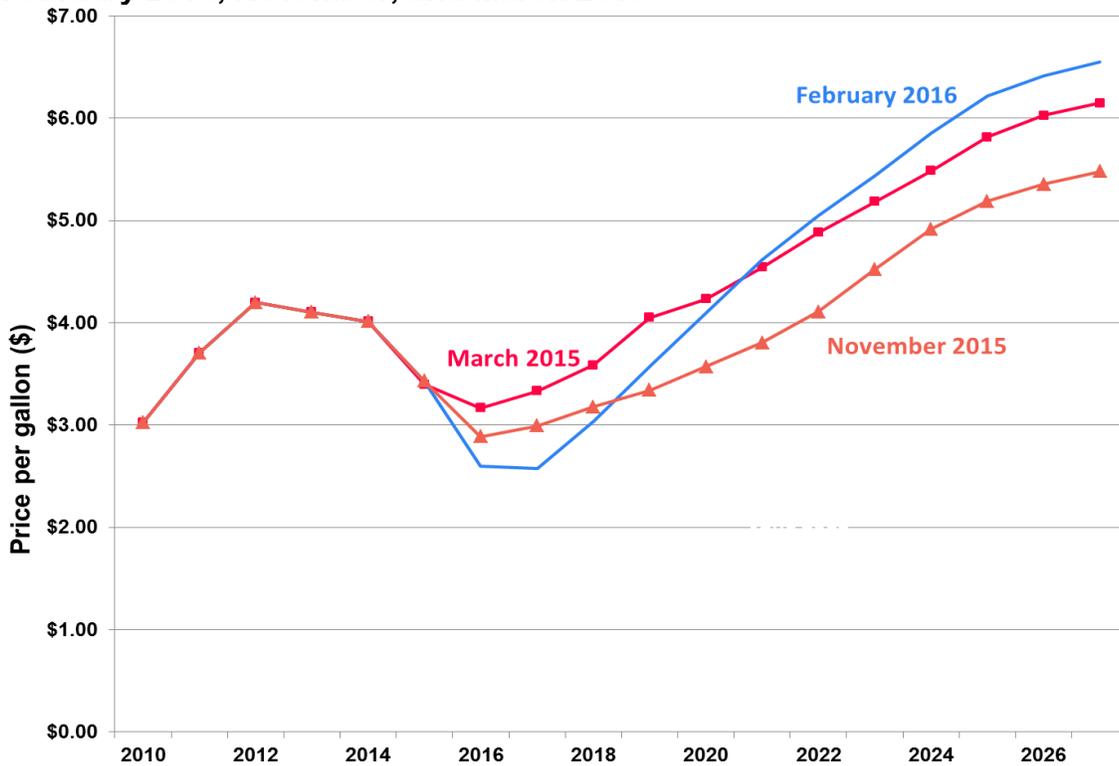


Figure 9 Forecast of UNADJUSTED Washington Retail Diesel Prices February 2016, November, and March 2015



Comparison of several current U.S. crude oil price forecasts

The WTI crude oil prices from five surveyed forecasting entities, EIA, NYMEX, Global Insight, Consensus Economics, and Moody's Economy.com were compared in this forecast. WSDOT's baseline fuel price forecasts use the Energy Information Administration (EIA) forecasts in the near-term through calendar year 2017 and then use the growth rates from Global Insight forecasts for subsequent years. The forecast for WTI crude oil in FY 2016 ranged from \$38.45 per barrel from NYMEX to \$45 per barrel by Consensus Economics with an average of \$40.6 per barrel. The forecast for WTI crude oil in FY 2017 ranged from \$41 per barrel by NYMEX to \$54 per barrel by Consensus Economics with the average being \$46.9 per barrel. The baseline crude oil price forecast in FY 2016 and 2017 was 3.1% and 8.5% below the 5 entity average. The average forecast for WTI crude oil in FY 2018 ranged from \$44.5 per barrel by NYMEX to \$64.5 per barrel by Economy.com with the average being \$56.2 per barrel. The baseline crude oil price forecast is anticipated to be 3.7% below the 5 entity average. The average forecast for WTI crude oil in FY 2019 ranged from \$46.6 per barrel by NYMEX to \$71.4 per barrel by Global Insight with the average being \$63.22 per barrel. The baseline crude oil price forecast for FY 2019 is anticipated to be above the 5 entity average by 11.5%. Figure 10 reveals the WSDOT baseline WTI price forecast compared to the other entity crude oil price forecasts.

Figure 10 Near-term Annual WTI Crude Oil Price Forecasts – 5 Different Forecast Comparisons: February 2016 Dollars per barrel

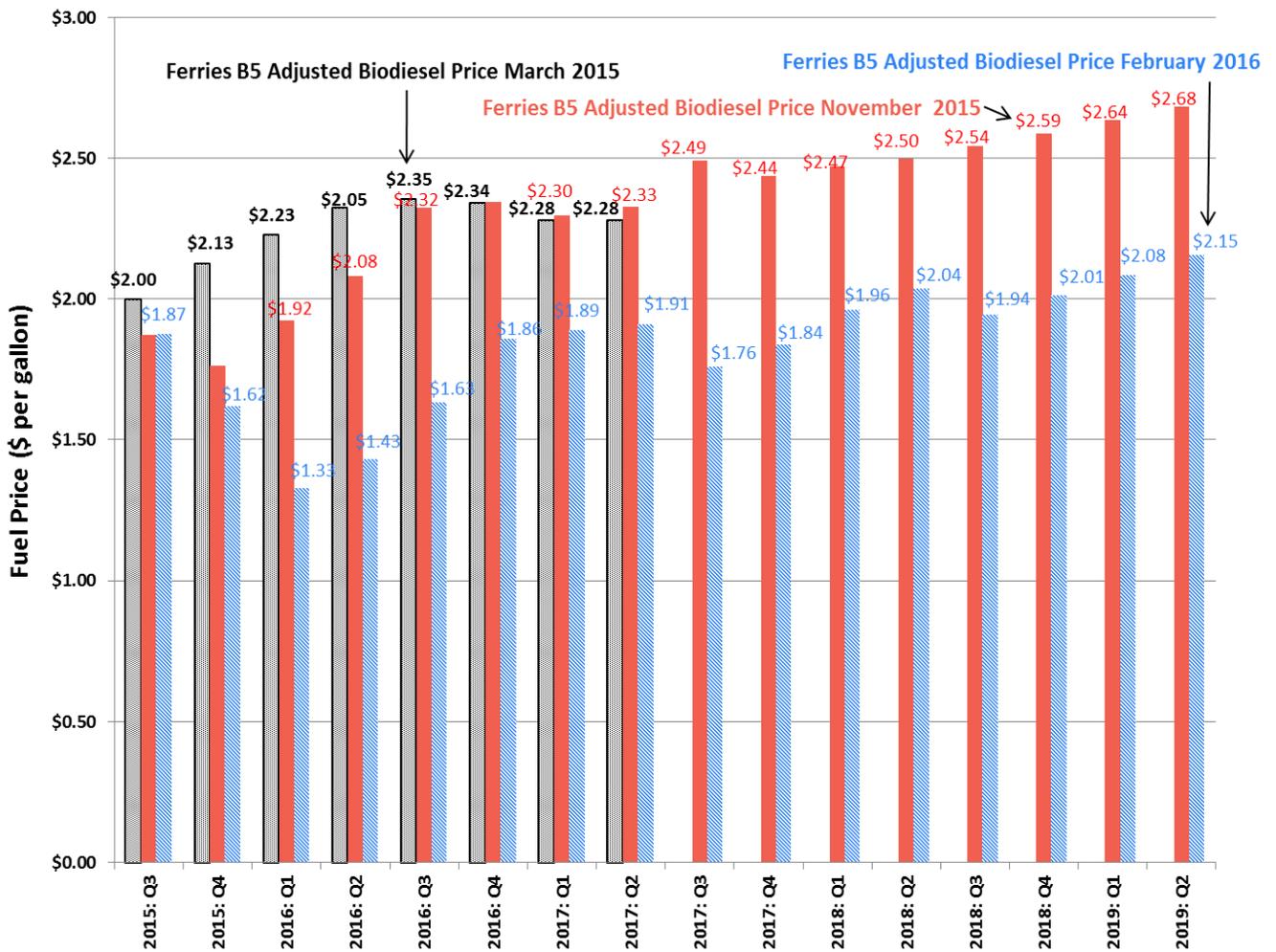
Fiscal Year	WSDOT (EIA/GI)	NYMEX	Global Insight	Economy.com	Consensus Economics	5 Entity Avg	% Diff Lowest	% Diff Highest	% Diff Average
2016	\$39.36	\$39.37	\$38.45	\$40.68	\$44.96	\$40.56	-2.31%	14.23%	3.06%
2017	\$43.17	\$41.08	\$44.14	\$52.16	\$53.73	\$46.85	-4.83%	24.46%	8.54%
2018	\$58.35	\$44.45	\$51.85	\$64.53	\$61.81	\$56.20	-23.81%	10.59%	-3.68%
2019	\$71.42	\$46.58	\$61.65	\$70.23	\$66.22	\$63.22	-34.78%	-1.66%	-11.48%

Figure 11 Near-term Average Adjusted Quarterly Fuel Prices and B5 Biodiesel Prices and Unadjusted B99 Biodiesel Prices Used for Budgeting Purposes: February 2016 Dollars per gallon

Fiscal Year Quarter	Adjusted WA Retail Gasoline Price (\$/gal)	Adjusted WA Retail Diesel Price (\$/gal)	Adjusted B5 Biodiesel Price (\$/gal)	Unadjusted B99 Biodiesel price
2015Q3	2.97	3.00	1.87	3.96
2015Q4	2.42	2.68	1.62	3.88
2016Q1	2.26	2.42	1.33	3.39
2016Q2	2.38	2.44	1.43	3.42
FY2016	2.51	2.64	1.56	3.66
2016Q3	2.55	2.64	1.63	3.52
2016Q4	2.42	2.76	1.86	3.68
2017Q1	2.45	2.84	1.89	3.78
2017Q2	2.81	2.95	1.91	3.92
FY2017	2.56	2.80	1.82	3.73
2017Q3	2.56	2.71	1.76	4.07
2017Q4	2.43	2.83	1.84	4.25
2018Q1	2.64	3.03	1.96	4.54
2018Q2	2.88	3.14	2.04	4.72
FY2018	2.62	2.93	1.90	4.39
2018Q3	2.66	3.00	1.94	4.89
2018Q4	2.51	3.10	2.01	5.07
2019Q1	2.68	3.21	2.08	5.25
2019Q2	2.92	3.32	2.15	5.43
FY2019	2.69	3.16	2.05	5.16

WSDOT applies the five forecast entity average adjustment to the baseline February 2016 retail gasoline, diesel, and B5 biodiesel prices. The fuel prices listed in Figure 11 will be used to estimate the future costs to WSDOT agency's 2015-17 and 2017-19 biennium budgets for gas, diesel and biodiesel fuel purchases for fiscal years 2016 through 2019. The latest adjusted forecast requires a 3.1% increase in the baseline fuel prices for retail gas, diesel and B5 biodiesel prices for the remaining months of FY 2016 and 8.5% upward adjustment to FY 2017. In FY 2018 baseline fuel prices are adjusted downward by 3.7% and in FY 2019 the baseline forecasts are adjusted downward by 11.5%.

Figure 12 Quarterly Ferries B5 Biodiesel Prices Used for Budgeting the 2015-17 and 2017-19 Biennia February 2016 vs. November vs. March 2015 Forecast Comparison



Motor Vehicle Fuel Tax Forecast

Overview

Motor vehicle tax collections for gasoline and diesel consumption for November 2015 through January 2016 came in close to forecast, within 0.2% or \$0.69 million. Gasoline tax collections were up overall by \$0.78 million or 0.3% and diesel was down minimally by 0.1%.

Gross motor vehicle fuel tax revenues for the 2015-2017 biennium are projected to be \$3.257 billion which is \$16.3 million or 0.5% higher than forecasted in November. The overall motor vehicle fuel tax revenue for the 10-year period beginning in the current biennium and ending in the 2023-25 biennium totals \$17.64 billion, which represents \$90.2 million or 0.5% more than the November revenue forecast.

Primary reasons for the change in the February 2016 forecast

- In the current biennium, gross gas tax collections are up by \$14.5 million or 0.56% and diesel tax collections are up \$1.8 million which is due to higher fuel tax collections in recent months, higher employment projections in the short-term and lower real gas prices. In future biennia, gas tax collections are up by \$24.4 million next biennium and that difference decreases a little over the forecast horizon.
- Diesel tax revenues are up in the current and next biennia compared to the November forecast but then diesel tax projections are down compared to November. This is due to lower long-term projections of trade, transportation and utilities employment. Overall, the forecast to forecast diesel tax change is minimal throughout the forecast horizon.
- Overall, in the current biennium, gross fuel tax revenues increase by \$16.3 million or (0.5%) from the last forecast. Over the 10-year forecast period, fuel tax collections are expected to grow by 0.5% or \$90.2 million when compared to November's forecast.

Motor Vehicle Revenue (Licenses, Permits, and Fees)

Overview

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 five main economic drivers for the vehicle licenses, permits, and fees (LPF) forecast: Washington population and net migration, Washington real personal income, Washington - U.S. real income share, Washington Retail Employment, and U.S. sales of light vehicles.

Washington State anticipates collecting over \$1.3 billion from vehicle licenses, permits, and fees (LPFs) in the 2015-2017 biennium, an increase of \$5.5 million (0.44%) compared to the forecast in November. For the next 10-year period, the LPF forecast is anticipated to be \$7.282 billion which is up \$20 million, or 0.3% from the previous estimate in November.

Primary reasons for the change in the February 2016 forecast

- Forecasted passenger vehicle registrations for FY 2016 are slightly higher from the previous forecast due to slightly higher registrations in the current fiscal year
- Forecasted passenger car registrations are slightly lower from the previous forecast for FY 2017 through 2020 due to lower forecasted personal income growth rates.
- Forecasted passenger car registrations increase from 2021 through the end of the forecast horizon due to higher personal income growth rates forecasted for 2021. In the long-term, this February forecast is higher than the last forecast by roughly \$3.5 million or 0.2% each biennium.
- Forecasted truck registrations are up from the previous forecast through 2020 due to higher retail employment projections. Truck revenue in the current biennium is up \$2.7 million or 0.7% from the last forecast and the change rises to \$3 million by the 2017-19 biennium.

- Forecasted truck registrations are slightly lower from 2021 through the remainder of the forecast horizon due to lower retail employment projections. Beginning in the 2021-23 biennium, truck revenue is down roughly \$2.2 million per biennium.
- Quick titles continue to exceed expectations and the forecast is revised up significantly (about 50%) throughout the forecast horizon.
- Electric vehicle and particularly plug-in hybrid vehicle renewal forecast is up significantly (about 7% in current biennium and 9% in future biennia) primarily due to updated and improved count of plug-in vehicle already in the system.
- Plate replacement forecast is down by about 3% throughout the forecast horizon due to lower than expected actual as well as improved classification of voluntary vs. mandatory replacements.

Driver Related Revenue Forecasts

Overview

The February 2016 forecast of driver related revenue projected by the Department of Licensing includes the following revenues: driver license fees (including commercial driver licenses, enhanced driver licenses, and temporary restricted licenses), ID card fees, driver exam application 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 for FY2015-17 biennium is forecast at **\$304.7 million, about \$0.4 million (or +0.1%) higher** than the prior forecast. Over the next ten year period (FY16-FY25), driver related revenue is anticipated to total **\$1,523.8 million, about \$37 million (+2.5%) higher** from the prior forecast.

It is important to note that many of the driver related revenue streams follow a five-year renewal cycle until FY2015 when it becomes a six-year cycle. Caution is advised in year over year comparisons.

Primary reasons for the change in the February 2016 forecast

- Increased demand for EDL-EID with Real ID requirements reported in the media in recent months;
- Continued strength in driver-in-migration, resulting in more driver learning permits, driver exams, as well as first time driver license issuances; and
- Lower than expected driver license reinstatements and continued weakness in ADR sales.

Other Transportation Related Revenue Forecast

Overview

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

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, Commercial Vehicle Penalties and Communication Tower Site Leases and Terminal Safety Inspection fees.

Washington State anticipates collecting over \$191.5 million from transportation related revenues in the 2015-2017 biennium, an increase of \$0.9 million compared to the forecast in November. For the next 10-year period, the transportation related revenue forecast is anticipated to be \$1,020 million which is up \$3.7 million, or 0.36% from the previous estimate in November.

Primary reasons for the change in the February 2016 forecast

- Vehicle sales and use tax revenue is up slightly by \$1.2 million or 1.2% in the current biennium since the last forecast due to updated actual collections. Despite a lower national forecast of US spending on light vehicles, new vehicle sales tax revenue is also up from the last forecast in future biennia by 1.0% on average.
- Rental car tax revenue is down \$0.58 million, 0.9%, in the current biennium despite slightly higher collections in recent months. In next biennium, the change in the rental car tax revenue is down 1.0% from November. In all future biennia, the rental car forecast is also down from the November forecast by 0.9% to 1.0% due to a generally weaker economic outlook.
- WSDOT Business and other miscellaneous revenue are nearly no change from the last forecast except for the addition of two new revenue sources: Access Permits and Outdoor Advertising. In prior forecasts, these two business related revenues were located in the licenses, permits and fee revenue forecast. The fees have just been moved from the LPF forecast to the business related forecast and have not changed since the November forecast.
- The school zone fines forecast remains the same in February as in November.
- WSP business related revenue in February has minimal change from the November forecast. One minor change in the February 2016 forecast is the average is adjusted to include the first six months of actual revenue received in the 2015-17 biennium. This adjustment results in an overall 3.08 percent increase in revenue over the November 2015 forecast.
- The aviation fuel tax forecast did not change in February from November. The aeronautics refunds have been raised in this February forecast to reflect higher fuel consumption and revenue which raised the refunds to the aeronautics account.
- The largest revenue source increasing in this February forecast for other transportation related revenue forecasts is the retail sales and use tax on motor vehicles.

Ferry Ridership and Revenue

Overview

For the current forecast, the ferry fare revenue and ridership forecasts for Washington State Ferries are completed in four stages applying to seven fare categories. The seven fare categories are:

- Passenger full fares
- Passenger frequent user discounted (commuter) fares
- Passenger other discounted fares (e.g., senior fare, youth fare)
- Auto / driver full fares
- Auto / driver frequent user discounted (commuter) fares
- Other vehicle / driver discounted (senior/disabled and motorcycle) fares
- Oversize vehicle / driver (over 22 feet in length) fares

Overall, the February Baseline Forecast ridership is 0.5% higher in the current biennium. For the rest of the forecast horizon, projected overall ridership ranges from 0.1% higher in FY 2018 to 0.3% lower in FY 2027, compared to the November forecast. Total fare and miscellaneous revenues forecasted for the 2015-17

biennium amount to \$367.0 million and is higher from the last forecast by 0.2%. Over the next 10 years, ferry total revenue will be \$1.95 billion which is lower than the last forecast by 0.2%.

The county-level population forecasts, including trends in the age distribution of the population for Kitsap, San Juan, and Island counties, have been updated for the working age population indices that contribute to the commuter fare ridership forecasts for passengers and vehicles.

Primary reasons for the change in the February 2016 forecast

- Total forecasted ferry riders for the February Baseline Forecast are up 0.5% in FY 2016 as a result of recent ridership trends. The trend continues for FY 2017-18 due to lower real gas prices, after which higher real fares and lower projections for working age ferry served populations begin to have an offsetting effect.
- FY 2016 ferry fare revenues for the November Baseline Forecast are down \$0.3 M or 0.2% from November. This is due to lower than expected vehicle ridership for November, December and January. While overall ridership was up, the increases were focused on passenger fares, and vehicle ridership with its substantially higher fares was slightly off the previous projections. For FY 2017-19, fare revenues are expected to be slightly higher than forecasted in November, in part due higher vehicle ridership from lower real gas prices as noted above. Thereafter, revenues range from no change in FY 2020 to 0.5% lower in FY 2027
- Miscellaneous revenue forecasts for the 2015-2017 biennium are up (+3.7) from November. By type, vessel non-fare revenues are up substantially (+15.7%) due to better than expected galley revenues, Other non-fare (terminal) revenues are down slightly, (-1.2%) due to a drop in advertising revenue. The June 2016 forecast will include revenue estimates from new vessel galley vendors.

Toll Revenue

Overview

Washington state has four tolled facilities and they are the following: Tacoma Narrows Bridge (TNB), SR 520 toll bridge, SR 167 HOT Lanes and I-405 HOT lanes. There are four types of toll payments in the state: (1) Good To Go! (GTG) account with a transponder pass, (2) Good To Go! (GTG) account using Pay by Plate (PBP) option; (3) Toll Booth payments (also called cash payments), and (4) Pay by Mail (PBM).

All tolled facilities' traffic and revenue forecasts will not be changed in this February 2016 forecast from the last forecast in November. Once the Washington State Transportation Commission or the Legislature adopts new toll policies, they will be incorporated into the TRFC toll section forecasts.

Featured Revenue Forecast

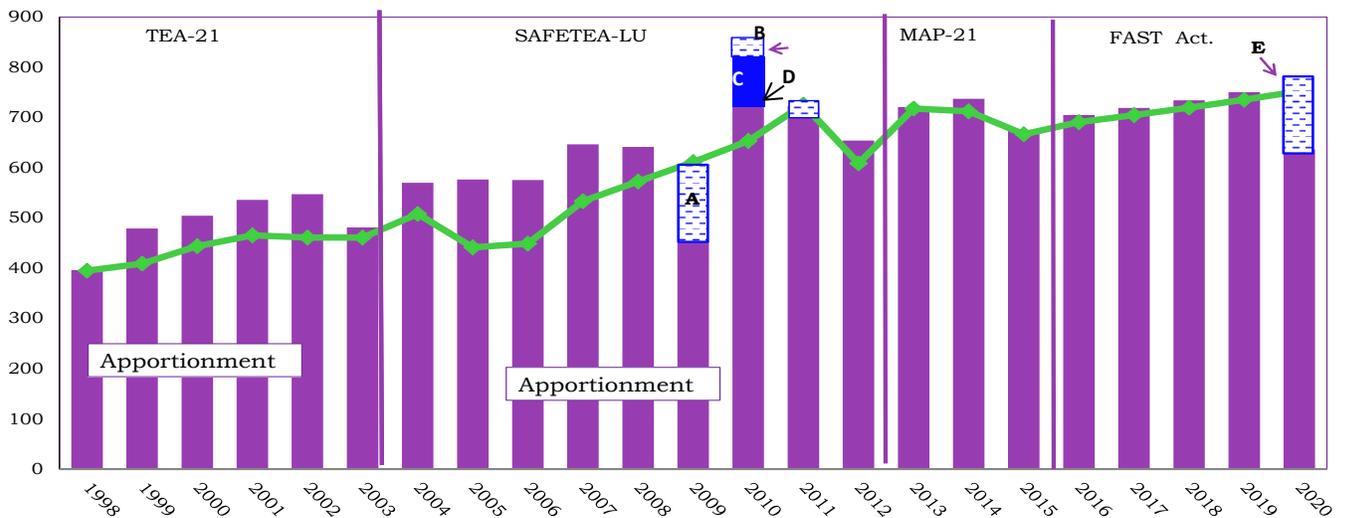
Federal Funds Revenue

Overview Federal Funding History

After state funds, the largest source of transportation revenue is federal funds. The Federal Funds forecast contains the formula funds distributed by the Federal Highway Administration (FHWA) to Washington State Department of Transportation for highway purposes. Federal funds reported in this forecast are based on federal fiscal year (FFY) which begins on October 1. The February 2016 and subsequent federal forecasts are based on the Fixing America's Surface Transportation (FAST) Act.

Figure 13 describes the amount of federal apportionment and obligation authority provided to Washington State since 1998 with the inclusion of the February 2016 forecast of federal funds through FFY 2020. This twenty-three year historical period includes multiple federal transportation acts. First, the Transportation Equity Act for the 21st Century (TEA-21) was enacted on November 9, 1998 for a 6-year period thru 2003. The next federal transportation package passed was the Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). In that original legislation, the program was scheduled to end in 2009. For the next three years, the SAFETEA-LU federal program was extended through multiple continuing resolutions. The next federal transportation package passed was the Moving Ahead for Progress in the 21st Century Act (MAP-21). This legislation was signed by President Obama on July 6 2012 and funded surface transportation programs for a 2-year period. After that initial two year period, for the next 14 months the MAP-21 federal program was extended through multiple continuing resolutions until President Obama signed the Fixing America's Surface Transportation Act (FAST Act) in December 2015.

Figure 13 Federal Apportionment and Obligation Authority (OA) to Washington (millions of dollars) - Federal Fiscal Years 1998-2020 with the February 2016 Forecast



A - \$148 Million 2009 Rescission
 B - \$38 Million 2010 Rescission

C - Restoration of \$148 Million 2009 Rescission in 2010
 D - \$44 Million 2011 Rescission
 E - \$131.7 Million 2020 Rescission

Source: FHWA apportionment and obligation authority notices and TRFC February 2016 federal funds forecast

FAST Act

On December 4, 2015, President Obama signed into law a new transportation reauthorization bill, Fixing America's Surface Transportation (FAST) Act, providing a five-year extension of the federal surface transportation programs. The FAST Act provides over \$305 billion of funding for Federal-aid transportation programs for federal fiscal years (FFY) 2016 through 2020. This new multiyear reauthorization bill comes after a string of five (5) short-term extensions of the previous transportation reauthorization, Moving Ahead for Progress in the 21st Century (MAP-21). This is the first highway bill enacted by Congress to last longer than two years since SAFETEA-LU.

The FAST Act Authorizes Increased Funding For Highway and Transit Programs. The FAST Act includes approximately \$305 billion of funding authorization for highway, transit, highway traffic safety, motor carrier safety and passenger rail programs through FFY 2020. Compared to FFY 2015 levels under MAP-21, the FAST Act provides a modest increase in the annual spending authority for each of the major highway areas.

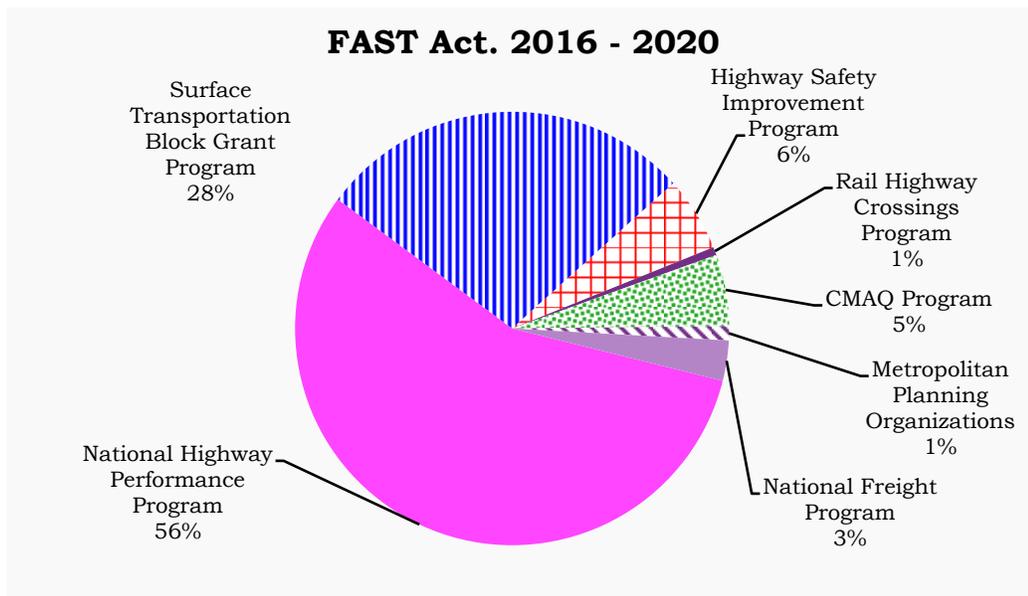
The FAST Act largely maintains the core formula programs of National Highway Performance Program (NHPP), Surface Transportation Program, Highway Safety Improvement Program (HSIP), Rail-Highway Crossing Program, Congestion Mitigation and Air Quality Program (CMAQ), Metropolitan Planning Organization Program (MPO), and the Statewide Planning & Research Program (SPR). The Recreation Trails program eligibility rules remain the same too.

The FAST Act also renamed the Surface Transportation Program to the Surface Transportation Block Grant Program (STBGP). The Act gradually increases the percentage of STBGP funds that are allocated by population from 51 percent in 2016 to 55 percent by 2020. The Transportation Alternatives Program (TAP) is folded into the STBGP and renamed as an STBGP Set-Aside.

Some new aspects of the FAST Act include a new formula and discretionary grant programs for highway, freight and transit programs. The creation of a new National Highway Freight Program (NHFP) is distributed to states by formula. In addition, a new discretionary program titled the Nationally Significant Freight and Highway Projects is established, funded at an average of \$900 million per year.

The FAST Act also includes a \$7.6 billion rescission of unobligated Federal-aid Highway contract authority in FY 2020.

Figure 14 Washington Apportionment of FHWA Programs FAST Act 2016 – 2020



Washington Apportionment Forecast

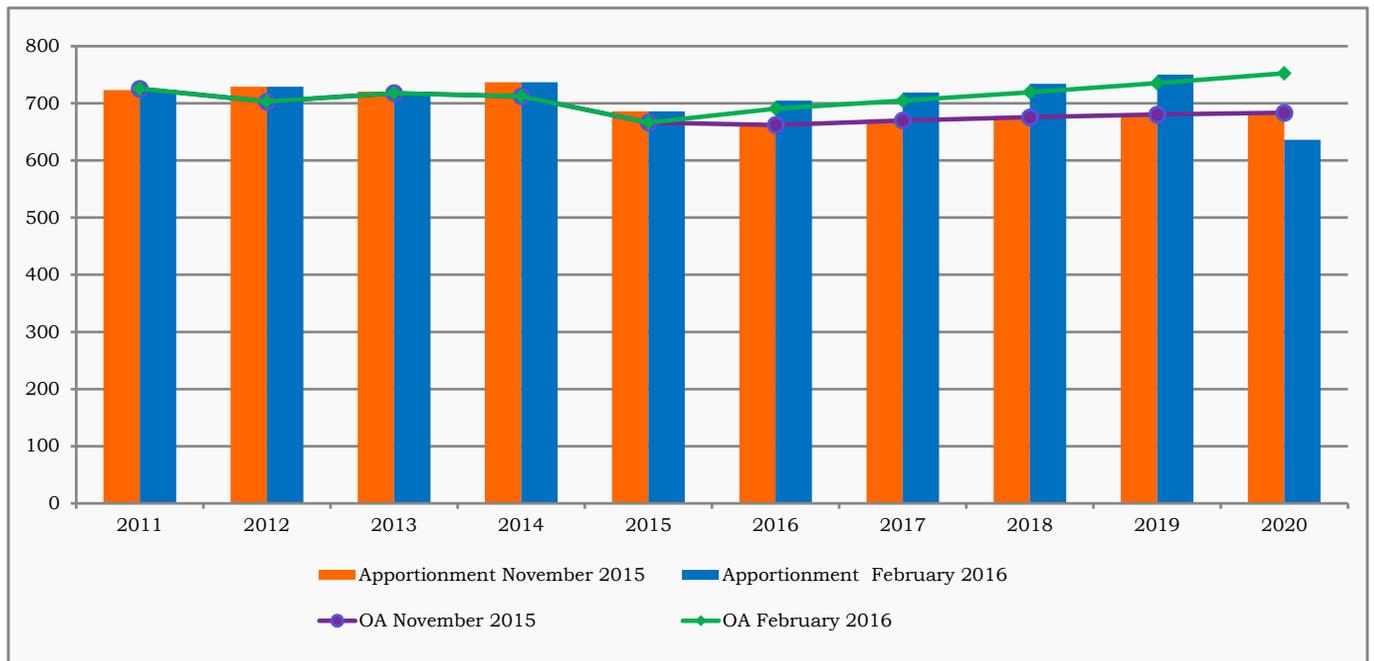
The February 2016 baseline apportionment forecast for FFY 2016 will be based on FHWA Notice N4510.802 dated January 8, 2016 which transmits the base apportionment and Notice N4510.803 which transmits the sequestration of exempt NHPP funds. The baseline apportionment forecast for FFY 2017 – FFY 2020 will be based on the FAST Act state by state program funds distribution tables produced by the Federal Highway Administration (FHWA) dated December 1, 2015. These distribution tables represent FHWA’s current interpretation of the FAST Act 5-year annual funding levels and program distributions. Future forecasts will be updated as official distribution notices are released by FHWA.

Figure 14 reveals, the largest core formula federal program is the National Highway Performance Program at 56 percent of all Washington’s apportionment and the Surface Transportation Block Grant Program is 28 percent of the total apportionment. The Highway Safety Improvement Program is 6 percent and CMAQ program is 5 percent of total apportionment. The new national freight program comprises 3% of total apportionment in Washington.

An estimate of the Washington State share of the FFY 2020 Rescission of unobligated Federal-aid Highway contract authority is included in this forecast which is estimated at \$131.7 million and the allocation of the rescission was based on historical rescission activity experienced by the state.

The February 2016 baseline forecast for years after FFY 2020 will be based on the February 2016 Washington State fuel consumption forecast growth rates grown off of pre-rescission 2020 apportionment levels. This assumption is consistent with past forecast practices and apportionment distributions from FHWA.

Figure 15 Federal Apportionment and Obligation Authority (OA) to Washington (millions of dollars) February 2016 vs. November 2015 Forecasts



Source: FHWA apportionment and obligation authority notices and TRFC November and Sept. 2015 federal funds forecast

Certain FAST Act programs require funds to be sub-allocated to MPOs and local governments; Washington has traditionally determined the allocation of federal funds above and beyond what’s required by federal law of a new transportation bill by engaging key partners until a consensus is reached. The Governor’s

office and the Office of Financial Management will convene a group in 2016 to discuss further state and local distributions of the FAST Act.

Until this official funding split decision is made, the Governor's office and the Office of Financial Management (OFM) have communicated with legislative transportation committee chairs about a short-term and long-term plan for allocating FAST Act money. For the remainder of the 2015-17 biennium, the current 66 -34 percent state/local split will remain for the core FHWA programs with the exception of the new freight program formula funds. The new split agreement from group discussion would then be recommended to the Governor and Legislature for the 2017-19 state biennial budget periods through the remainder of the FAST Act. Given the lack of new allocation splits before the adoption of the February 2016 forecast, this federal funds forecast shows the old MAP-21 state/local splits throughout the forecast horizon and will be updated once a new federal funds split agreement is reached.

Washington's Obligation Authority (OA) Forecast

Obligation authority (OA) is a limitation placed on Federal-aid highway and highway safety construction program obligations to act as a ceiling on the obligation of apportionment 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. Every year Washington State receives multiple types of OA. The majority of the OA received annually is the Core Program OA. Washington State also receives OA that is tied to other discretionary and allocated programs

In previous federal forecasts we have only shown total OA including the core program OA as well as all the other Discretionary and Allocated programs OA. In this February 2016 forecast, we are showing separating OA on different lines. The first OA line is for the core programs' OA only. The second OA line is the total OA which includes the OA received from Discretionary and Allocated programs.

The FFY 2013, 2014 and 2015 federal funds have been reconciled to match actual Obligation Authority distributions from FHWA totaling \$717.9 million, \$703.3 million and \$664.1 million dollars. After examining past years' Washington OA compared to the apportionment, it was found that once all OA, including unallocated programs and redistributed OA are accounted for. WSDOT's total OA is 98% of apportionment.

The current core formula OA forecast for FFY2016 is \$642.3 million and is based on Notice N4520.240 dated January 8, 2016. The total OA for this February 2016 forecast is \$690.8 million which is 4.3% higher than the last forecast. Obligation Authority for federal fiscal years beyond 2016 is assumed to be 98% of apportionment each year which is consistent with the apportionment to OA ratio set in Section 1101 and 1102 of H.R 4348 in MAP-21 legislation and our prior forecast assumptions.

Washington's Ferry Boat and Terminal Program in FAST Act

The FAST Act maintains the Ferry Boat and Terminal Program from MAP-21. The ferry funds formula is based on 35% passenger count, 35% on vehicle counts and 30% on route miles which is a slight revision to the formula used in MAP-21. Another change in the Ferry program from MAP-21 to the FAST Act is the allocation of ferry funds between the state run ferry system and locally operated ferry systems. In the FAST Act the following local governments will revive a portion of the ferry funding:

- Colville Confederated Tribes
- King County Ferry District
- Kitsap Transit
- Lake Chelan Ferry Company
- Pierce County Public Works Dept.
- Wahkiakum County
- Whatcom County Public Works Dept.

This new state / local distribution split will remain throughout the forecast horizon.

Primary reasons for the change in the February 2016 forecast

- The February 2016 federal forecast includes the FAST Act which is the new long term federal transportation funding bill which was signed into law by President Obama on December 4, 2015.
- The Fast Act has an annual funding level that is higher than the previous forecast which was based on MAP-21. This increased apportionment funding level starts at 6.1% higher in FFY 2016 to 12.0% more by the end of the forecast horizon in FFY 2027 than the November forecast.
- This current FFY 2016 total federal apportionment forecast is \$704.9 million which is 6.1% or \$40.5 million higher than the past forecast.
- The total obligation authority for FFY 2016 in the February forecast is \$690.8 million which is 4.3% or \$28.5 million higher than the last forecast.
- The current FFY 2017 federal apportionment forecast is \$719.1 million which is 7.0% or \$47.0 million higher than the previous forecast.
- The obligation authority forecast for FFY 2017 is \$704.7 million which is 5.2% or \$34.6 million higher than the previous forecast.
- FY 2020 apportionment forecast includes a one-time \$131.7 million rescission which is why FY 2020 apportionment is lower at \$636 million while OA is not rescinded so OA in FY 2020 is anticipated to be \$752.5 million.

**Figure 16 Washington’s portion of Federal Highway Funds by Federal Fiscal Year
February 2016**

Millions of dollars

	FF 2016	FY 2017	FY 2018	FY 2019	FY 2020
WA Statewide Apportionment	704.9	719.1	734.2	750.4	636.2
% Change from Prior Fcst	6.1%	7.0%	8.3%	9.9%	-7.2%
Obligation Authority	690.8	704.7	719.5	735.3	752.5
% Change from Prior Fcst	4.3%	5.2%	6.5%	8.1%	10.1%

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Economic Variables and Fuel Price Forecast

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Motor Fuel Tax Revenue Forecast

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Driver Related Revenue Forecasts

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Federal Funds Forecast

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Appendix

Table Related to the February 2016 Forecast

Impact to Select Transportation Accounts

Figure 17 2015 Transportation Revenue Package with Feb. 2016 Forecast Comparison

Transportation Revenue Bill - 2ESSB 5987 & SHB 1480 <i>dollars in millions</i>	2015-17		2017-19		10-Year Period (2016-2025)		
	Forecast Feb 16	Chg from Nov 15	Forecast Feb 16	Chg from Nov 15	Forecast Feb 16	Chg from Nov 15	Percent Change
Revenues							
Motor Vehicle Fuel Taxes Increase (7 cents 8/1/15 & 4.9 cents 7/1/16); Handling Loss Elimination and Increase in Off-highway Refunds by 11.9 cents	537.1	5.5	802.1	4.6	3,774.4	21.3	0.6%
Vehicles paying Weight-based Registration Fee (All Trucks)	37.1	2.4	74.4	4.1	378.5	15.7	4.3%
Vehicles paying Freight Project Fee (Trucks >10,000 lbs)	10.6	0.1	21.2	0.1	95.5	0.1	0.1%
Passenger Vehicle Weight Fees	87.0	(0.2)	179.5	(1.0)	1,016.8	1.6	0.2%
Intermittent-Use Trailers (\$187.50) *	7.2	-	30.0	-	58.0	-	0.0%
Plug-in Vehicle Renewal Fee (\$100)	0.3	0.1	0.7	0.3	3.1	1.2	64.7%
Electric/Plug-in Vehicle Renewal Fee (\$50)	1.2	0.1	1.5	0.1	8.3	0.7	8.9%
Title Service Fee \$12 (Vessels)	0.0	-	0.1	-	0.5	0.1	12.8%
Registration Service Fee \$5 (Vessels)	0.2	-	0.4	-	1.5	0.0	1.4%
Commercial Driver's License (CDL) Fees HIGHWAY SAFETY	1.4	-	2.7	-	12.2	-	0.0%
Enhanced Driver's License Fees (EDL/EID) HIGHWAY SAFETY	4.1	0.9	11.4	5.3	55.3	28.1	103.3%
DOL Report of Sale Fees	-	-	5.2	-	19.5	-	0.0%
Studded Tire Fee	0.2	-	1.0	-	4.3	-	0.0%
Total Revenues	686.5	8.9	1,130.1	13.6	5,427.9	68.7	1.3%
Distributions							
Motor Vehicle Fund (108)	35.3	1.6	84.9	2.8	340.5	10.6	3.2%
Transportation 2003 Nickel Account (550)	2.5	0.1	5.0	0.2	24.8	0.8	3.4%
Transportation Partnership Account (09H)	5.5	0.3	11.0	0.5	54.7	1.8	3.4%
Connecting Washington Account (20H)	537.1	5.5	802.1	4.6	3,774.4	21.3	0.6%
Puget Sound Ferry Operations Account (109)	0.7	0.0	1.6	0.1	7.1	0.2	3.1%
Capital Vessel Replacement Account (18J)	0.2	-	3.6	-	13.4	0.1	0.6%
Multimodal Transportation Account (218)	88.2	(0.2)	182.2	(0.8)	1,029.4	2.3	0.2%
License Plate Technology Account (06T)	-	-	0.1	-	0.5	-	0.0%
DOL Services Account (201)	-	-	0.3	-	1.1	-	0.0%
WSP Highway Account (081)	11.5	0.6	24.6	1.0	112.3	3.5	3.2%
Highway Safety Fund (106)	5.5	0.9	14.7	5.3	69.6	28.2	68.1%
Rural Arterial Trust Account (102)	0.0	(0.0)	0.0	(0.0)	0.0	(0.1)	-91.5%
Transportation Improvement Account (144)	0.0	-	0.0	-	0.1	-	0.0%
Total Distributions	686.5	8.9	1,130.1	13.6	5,427.9	68.7	1.3%
Transfers Out							
Transfers to Cities (Sunset June 2031)	(11.7)	-	(25.1)	-	(112.2)	-	0.0%
Transfer from Motor Vehicle Account	(5.5)	-	(11.7)	0.0	(52.3)	0.0	0.0%
Transfer from Multimodal Account	(6.2)	-	(13.4)	-	(59.8)	-	0.0%
Transfers to Counties (Sunset June 2031)	(11.7)	-	(25.1)	-	(112.2)	-	0.0%
Transfer from Motor Vehicle Account	(5.5)	-	(11.7)	0.0	(52.3)	0.0	0.0%
Transfer from Multimodal Account	(6.2)	-	(13.4)	-	(59.8)	-	0.0%
Total Transfers to Cities & Counties	(23.4)	-	(50.2)	-	(224.3)	-	0.0%
Transfer from Multimodal to General Fund for Sales Tax Exemption for electric and plug-in hybrid vehicles (Sunset July, 1 2019)	(7.4)	-	(9.3)	-	(17.1)	0.0	2.6%
Transfer from the Multimodal to General Fund - B&O/PUT Tax Credits for alternative fueled commercial vehicles (Sunset July 1, 2021)	(8.5)	-	(12.0)	-	(35.5)	-	20.3%
Transfer from Multimodal to General Fund - B&O Tax Credits for businesses with a commute trip reduction programs (July 1, 2017)	-	-	(5.5)	-	(17.9)	-	18.2%
Total Tax Credits and Cities/Counties Transfers Out	(39.3)	-	(77.0)	-	(294.8)	0.0	3.2%
Tax Credits Total Transfers from Multimodal Account	(15.9)	-	(26.8)	-	(70.5)	0.0	15.0%
Transfers In to Connecting Washington Account							
Transfers In from General Fund	-	-	-	-	83.0	-	0.0%
Net to Connecting Washington Account	537.1	5.5	802.1	4.6	3,857.3	21.3	0.6%
Overall Net Revenues After Transfers (In and Out)	647.2	8.9	1,053.1	13.6	5,216.1	68.7	1.2%

* Intermittent-Use trailer fee impact is the gross impact from the new trailer fee not the net impact

In 2015 lawmakers passed 2SSB 5987 which was the new 2015 Transportation Revenue package. The new revenue package has a variety of fee increases with the largest tax increase being from the motor fuel tax increase. The new legislation also authorized various transfers of funds and tax credits which are also listed in the table above.