Transportation Revenue Forecast Council

June 2010 Transportation Economic and Revenue Forecasts

<u>FINAL</u>

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Toll Section Revised 7-1-2010

Volume I: Summary Document

Washington Transportation
Economic and Revenue Forecast
June 2010 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 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 June 2010 transportation revenue forecast.

- June 2010 transportation forecast of revenues: $4.1 billion for the current biennium which represents a decrease of 0.4% over the prior 2007-09 biennium. This decrease in transportation revenue represents Washington's weak recovery from the recent recession as revenues are recovering slower than anticipated.
- Overall transportation revenue is down 1.6% in the current biennium ($65.5 million) with the largest share of the decline being a decline in motor fuel tax collections at $42.5 million. All other revenues sources were also down in the current biennium except for the aviation fuel tax forecast. For the entire 16-year forecast horizon, transportation revenues are down slightly 1.5% or $597.4 million from the February forecast.
- The June forecast shows a decline in revenues from the prior forecast for all years in the forecast horizon. The current fiscal year showed a decline of 1.4% and the largest decline in revenue is seen in FY 2011 at 1.7% of total transportation revenues over the prior forecast.
- New projections of near-term real personal income growth rates are higher in June than the prior forecast but OFM's 2010 long-term real personal income growth rates are lower than the previous year. This change caused some transportation revenues to be slightly higher in the near-term but lower in the long-term. Diesel prices are higher throughout the forecast and gas prices are also higher in the long-term than the prior forecast. The state of the economy is showing improved economic signals but some drivers are not improving as anticipated.
- The primary reason for the loss in fuel taxes in the current year has been the decline in gas and diesel consumption as tax collections have come in below forecast by $18.4 million or 4.5% in the past four months. For FY 2010, gasoline consumption declined 0.4% and diesel consumption decreased 4.8% over the prior year.
- In the 2009-11 biennium, the vehicle licenses, permits and fee forecast has declined by nearly 1% from the last forecast due to lower truck registrations than anticipated in the last forecast. In subsequent biennia, the vehicle licenses, permits and fees revenue forecast is also down slightly due to lower FY 2010 registrations and lower real personal income growth rates.
- Ferry revenue is down $750,000 (0.3%) in the current biennium from the prior forecast and down $6.4 million in the 2011-13 biennium. Over the entire 16-year forecast horizon, ferry revenue is down $81.8 million (2.8%) over the February 2010 forecast.
- Toll revenue is down 3.7% or $4.0 million in the current biennium over the prior forecast. Over the entire 16 year forecast horizon, toll revenue is up slightly by $6.6 million (0.53%).

In FY 2010, transportation revenues are projected to be $4.01 billion which is a decline of 1.1% over the prior fiscal year as the economy struggles from the recession. Higher gas prices as well as lower long-term personal income projections have decreased future biennia fuel tax projections.

Figure 1 Total Transportation Revenues Comparison
June 2010 forecast vs. February 2010 forecast
millions of dollars

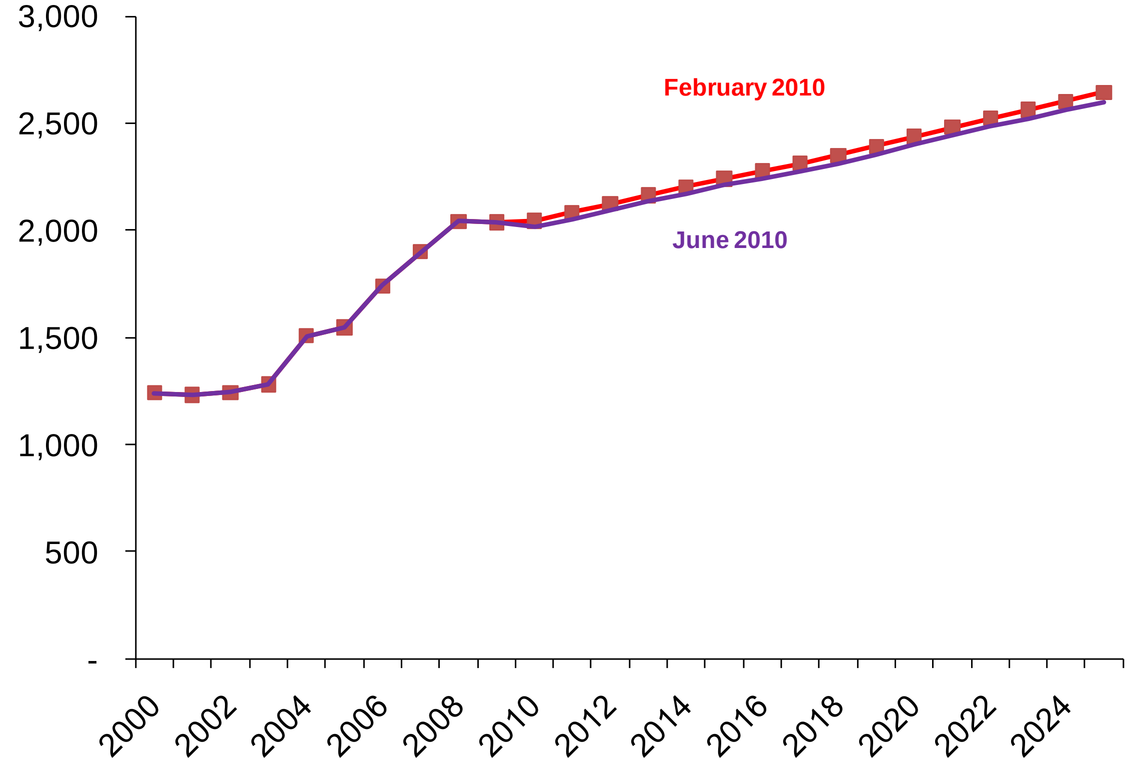
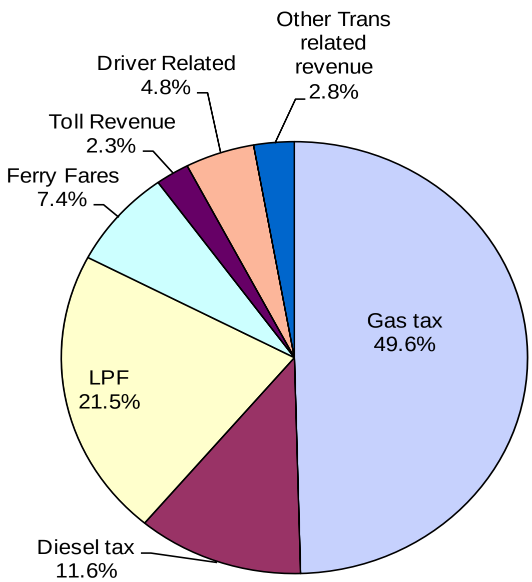


Figure 2 Revenue by Source
June 2010 forecast for 2009-11 biennium ($4.064 billion)



Washington's state transportation revenues come from numerous taxes, fees, permits, tolls, other revenues. Washington's transportation revenues forecasted each quarter include the revenue sources contained in Figure 2. This pie graph reveals the share of each state revenue source to the total transportation revenues forecasted ($4.064 billion) in June 2010 for the 2009-11 biennium. Gasoline fuel taxes comprise the share of all transportation revenue at 49.6% of all transportation revenue in the 2009-11 biennium. With the addition of diesel fuel taxes, all motor vehicle fuel taxes comprise 61.2% of all transportation revenues. Licenses, permits and fee revenues comprise the second largest share at 21.5% of all transportation revenues in the 2009-11 biennium. The largest three revenue sources (gasoline and diesel fuel taxes and licenses, permits and fees) are projected to consist of 82.7% of state transportation revenues in the 2009-11 biennium. The remaining 17.3% consists of ferry fares, toll revenue, driver related revenue and other transportation related revenue.

As Figure 3 indicates, in the current biennium, transportation revenues are down $65.5 million or 1.6% of $4.06 billion projected of total transportation revenues in June. The largest decline in revenues has been due to lower fuel taxes at $42.5 million or 65% of the decline. Over the entire 16-year forecast horizon (2011-2027), the transportation revenue forecast for June 2010 is down slightly 1.6% or $597.4 million over the February 2010 forecast.

Figure 3 Forecast to Forecast Biennium Comparison of All Transportation Revenues
June 2010 forecast - *millions of dollars*

Forecast to Forecast Comparison for Transportation Revenues and Distributions
Figure 3
June 2010• *millions of dollars*

	Current Biennium 2009-2011			2011-2013			16-Year Period (2011-2027)		
	Forecast Jun-10	Chg from Feb-10	Percent Change	Forecast Jun-10	Chg from Feb-10	Percent Change	Forecast Jun-10	Chg from Feb-10	Percent Change
Sources of Transportation Revenue									
Motor Vehicle Fuel Tax Collections	2,484.95	(42.53)	-1.68%	2,554.28	(43.56)	-1.68%	23,037.98	(411.17)	-1.75%
Licenses, Permits and Fees	874.41	(8.48)	-0.96%	920.54	(4.30)	-0.46%	8,154.90	(43.80)	-0.53%
Ferry Revenue†	300.06	(0.75)	-0.25%	316.29	(6.40)	-1.98%	2,861.81	(81.82)	-2.78%
Toll Revenue	94.77	(4.01)	-4.06%	103.71	(1.58)	-1.50%	947.40	6.23	0.66%
Aviation Revenues	5.52	0.53	10.53%	5.94	0.94	18.80%	49.89	6.63	15.32%
Rental Car Tax	43.14	(0.67)	-1.52%	47.73	(0.93)	-1.92%	540.65	(12.25)	-2.22%
Vehicle Sales Tax	56.74	(1.58)	-2.71%	66.39	(3.11)	-4.48%	720.67	(13.62)	-1.86%
Driver-Related Fees	195.63	(0.16)	-0.08%	199.73	(0.58)	-0.29%	1,715.91	(32.11)	-1.84%
Business/Other Revenues	8.61	(7.87)	-47.77%	13.43	(1.25)	-8.48%	100.19	(15.46)	-13.37%
Total Revenues	**4,063.81**	**(65.52)**	**-1.59%**	**4,228.04**	**(60.77)**	**-1.42%**	**38,129.40**	**(597.39)**	**-1.54%**
Distribution of Revenue									
Motor Fuel Tax Refunds and Transfers	117.26	(3.43)	-2.84%	126.14	(3.49)	-2.69%	1,183.59	(44.51)	-3.62%
State Uses									
Motor Vehicle Account (108)	1,035.51	(26.24)	-2.47%	1,078.19	(16.60)	-1.52%	9,613.33	(149.97)	-1.54%
Transportation 2003 (Nickel) Account (550)	345.31	(4.72)	-1.35%	355.18	(5.21)	-1.45%	3,183.29	(50.80)	-1.57%
Transportation 2005 Partnership Account (09H)	572.26	(9.14)	-1.57%	586.86	(9.67)	-1.62%	5,277.29	(88.97)	-1.66%
Multimodal Account (218)	223.93	(2.04)	-0.90%	245.26	(2.97)	-1.20%	2,426.31	(17.91)	-0.73%
Special Category C Account (215)	47.00	(0.74)	-1.55%	48.14	(0.79)	-1.61%	433.15	(7.29)	-1.66%
Puget Sound Capital Construction Account (099)	34.19	(0.54)	-1.55%	35.02	(0.57)	-1.61%	315.16	(5.31)	-1.66%
Puget Sound Ferry Operations Account (109)	358.00	(1.55)	-0.43%	376.05	(7.17)	-1.87%	3,400.49	(89.00)	-2.55%
Tacoma Narrows Bridge Account (511)*	93.70	(3.64)	-3.74%	103.23	(1.06)	-1.01%	946.91	6.75	0.72%
High Occupancy Toll Lanes Account (09F)*	1.07	(0.37)	-25.39%	0.48	(0.52)	-51.99%	0.48	(0.52)	-51.99%
Aeronautics Account (039)	5.52	0.53	10.53%	5.94	0.94	18.80%	49.89	6.63	15.32%
State Patrol Highway Account (081)	316.33	(1.73)	-0.54%	332.88	(0.53)	-0.16%	2,966.31	(7.19)	-0.24%
Highway/Motorcycle Safety Accts. (106 & 082)	163.09	(0.53)	-0.32%	166.45	(0.25)	-0.15%	1,430.08	(29.40)	-2.01%
Other accounts (201, 06T, 097, 09E, 216, 07C)	15.89	(0.01)	-0.04%	16.34	0.05	0.31%	139.49	0.44	0.31%
Ignition Interlock Deviuces Revolving Acct 14V	2.05	0.28	15.83%	1.35	(0.34)	-20.05%	10.80	(2.71)	-20.05%
Total for State Use	**3,213.86**	**(50.45)**	**-1.55%**	**3,351.37**	**(44.70)**	**-1.32%**	**30,192.98**	**(432.55)**	**-1.41%**
Local Uses									
Cities	180.24	(2.84)	-1.55%	184.61	(3.03)	-1.61%	1,661.16	(27.97)	-1.66%
Counties	295.11	(4.75)	-1.58%	302.34	(5.22)	-1.70%	2,719.51	(49.68)	-1.79%
Transportation Improvement Board (112 & 144)	192.58	(3.03)	-1.55%	197.25	(3.24)	-1.61%	1,774.93	(29.89)	-1.66%
County Road Administration Board (102 & 186)	64.75	(1.02)	-1.55%	66.32	(1.09)	-1.61%	596.78	(10.05)	-1.66%
Total for Local Use	**732.69**	**(11.64)**	**-1.56%**	**750.53**	**(12.57)**	**-1.65%**	**6,752.38**	**(117.59)**	**-1.71%**
Total Distribution of Revenue	**4,063.81**	**(65.52)**	**-1.59%**	**4,228.04**	**(60.77)**	**-1.42%**	**38,128.96**	**(597.36)**	**-1.54%**

+ Fares plus non-farebox revenue
^ 2007–09 is the first biennium to include Tacoma Narrows Bridge toll revenue; November 2008 was the first forecast to include HOT Lanes toll revenue; March 2009 is the first forecast to include revenue from transponder sales, violation fines and fees

Typically, we include another table which compares the new forecast to the baseline forecast but since the February 2010 forecast is the baseline forecast, Figure 3 meets both of those objectives.

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, oil price index, fuel efficiency, US sales of light vehicles and Washington driver in-migration.

WA Personal Income
For fiscal year 2009, Washington's personal income came in lower than the prior year by -1%. The June 2010 forecast of Washington personal income is forecasted by the Washington Economic and Revenue Forecast Council (ERFC), based on the **May 2010** Global Insight forecast, May Blue Chip average US GDP growth rates, NYMEX fuel prices and other forecasted economic variables. In the current forecast, the annual percent change in Washington personal income is -0.1% for FY 2010 versus the last forecast at 0.1%. This forecast sets the current year projection of Washington personal income at nearly a no change from last year with only a very slight decrease projected. For FY 2011, the current forecast increases from FY 2010 at 4.1% versus the February 2010 forecast which projects a 3.6% growth. For FY 2012, the current forecast increases from FY 2011 at 4.1% versus the February 2010 forecast which projects a 3.8% growth. In the near-term, this current forecast of Washington personal income is more optimistic on the economy than previous forecasts. Beginning in FY 2013, the current forecast of Washington personal income is below the February forecast. In FY 2013, Washington personal income is projected at 4% which is 7% below the prior projection of 4.3% and in FY 2014, the current projection is 3.7% year over year growth versus 3.8% in the prior forecast. The June 2010 forecast is the first one with the new 2010 long-term personal income projections by OFM. The revised ERFC forecast of personal income growth for fiscal years 2015 thru 2019 is 3.1% versus 3.4% in last year's long-term personal income forecast by OFM. The new OFM long-term personal income growth rates for the remaining years beyond FY 2019 is 2.9% versus 3.1% last year. Figure 5 illustrates that the current year's projection of Washington personal income is below the February forecast and FY 2011 and 2012 have higher annual growth rates than past forecasts. For the remaining fiscal years of the forecast horizon, the current growth rates of Washington personal income are below the prior forecast.

On a quarterly basis, the June 2010 Washington personal income forecast is $259 billion for the second quarter of 2010 which is nearly the same as the previous forecast of $260 billion. The third and fourth quarter personal income levels are the same as last forecast. Beginning in first quarter of 2011, the current forecast for Washington personal income is at least as high as and typically higher than the prior forecast consistently throughout the period that ERFC projects Washington personal income. In the long-term, OFM's new 2010 personal income forecast is slightly below their prior year's forecast as described above.

WA Population
In November 2009, OFM released their 2009 long-term statewide population forecast. These estimates have not been revised since the last forecast. In FY 2010, the statewide population forecast is 1.1% annual growth and 1.4% in FY 2011. In fiscal years 2012-2014, the population forecast growth rate is 1.3% and it declines to 1.2% in FY 2015-2019. Beginning in FY 2020, the current population estimates are 1.1% for four years and it declines to 1% by 2024 for the remainder of the forecast horizon.

WA Driver In-Migration
Washington's projected growth of new drivers in the state, year over year, is -2.2% for FY 2010 which represents a smaller decline than the last forecast at -6.6%. This revision upward is due to in-driver counts coming in higher than projected in February. In FY 2011, the in-migration of drivers is projected to rise by 5.5% as opposed to 3.5% in February due to the higher actual in-drivers in this current fiscal year. By FY 2012, the June 2010 forecast of Washington driver in-migration is projected to be 2.8% as opposed to 3.7% in the February forecast due to higher previous forecasts.

Figure 6 compares the June 2010 and February 2010 forecasts of Washington state driver in-migration population up to FY 2020. The June 2010 driver in-migration forecast is slightly above the last forecast in the near-term but nearly identical to the last forecast beginning in FY 2015 and beyond.

U.S. Inflation

The U.S. inflation rate forecast is from Global Insight's May 2010 projection. The current forecast of U.S. inflation rate as measured by the implicit price deflator (IPD) is nearly the same as the February forecast through FY 2013. Beginning in FY 2014 and beyond, the current forecast is slightly above the February forecast. For FY 2010, the inflation rate is 1.1%, the same as the prior forecast. In FY 2011, the inflation rate is 1.5%, also the same as the prior forecast. In FY 2012, the inflation rate is up to 1.7% which is just slightly lower than the last forecast at 1.8%. In FY 2013, the inflation forecast growly slowly to 1.9%. Then beginning in FY 2014, the current forecast for inflation grows to 2.1% where in the last forecast, the inflation projection fell to 1.6%. This is the first major deviation in this current June forecast from the February forecast. For the remainder of the forecast horizon, the inflation rates projected in the current forecast remains at 2% until FY 2019 and then begins to fall a little to as low as 1.6% in FY 2022 and stays there for two years and rises again to 1.8% by the end of the forecast horizon. This trend is very similar to the prior forecast.

U.S. Oil and Gas Price Index

The June 2010 Global Insight forecast for U.S. oil and gasoline price index has increased since the last forecast, see Figure 9. The more recent price data reveals that the fuel price index has grew 5.5% between the fourth quarter of 2009 and the first quarter of 2010. In contrast, the prior forecast projected a decline of 4.8% between the fourth quarter 2009 and the first quarter of 2010. The growth rate currently projected between the first and second quarter of 2010 is -8.7%. The annual year over year change in this fuel price index is 1.9% versus 0.6% in the February forecast for FY 2010 which represents slightly higher fuel prices in the current year than anticipated in February. In FY 2011, the growth in the US fuel price index is 4.2% which represents a 30% increase in the annual growth rate from the last forecast of 3.2%. In FY 2012, the growth rate in the US fuel price index is 9.8% which is an 18% increase over the 8.3% projection in the February forecast. This reveals that fuel prices are currently projected to increase faster in the near-term than anticipated in the last forecast and on an annual basis the price index is higher in June throughout the forecast horizon than in February, see Figure 9. In the long-term, the current forecast of the oil price index growth rates begin to fall starting in FY 2017 and go negative for four years and then rise again slightly to as high as 1.8% annually.

U.S. Fuel Efficiency (MPG)

U.S. Fuel Efficiency variable for the June forecast has not changed from the February 2010 variable. This is because Global Insight has already incorporated the Obama administration's new fuel efficiency standards. The fuel efficiency variable estimates that in 2010, the fuel efficiency is 20.4 miles per gallon and it will grow to 29 miles per gallon by 2025, representing 42% growth over that time period.

U.S. Consumer Spending on New Motor Vehicles

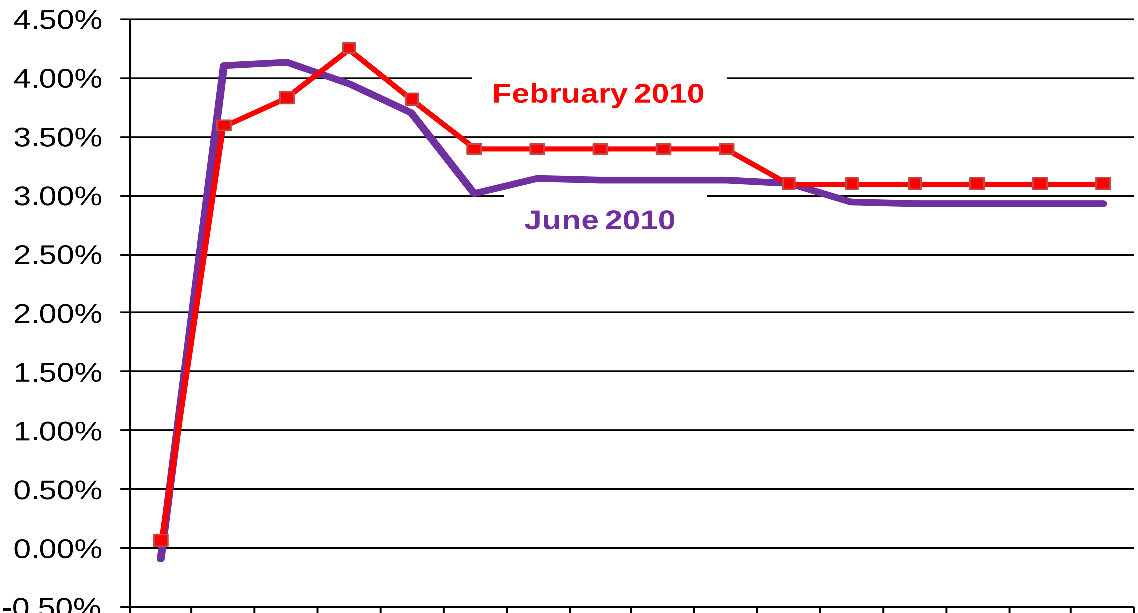
Consumer spending on new motor vehicles throughout the U.S. has declined significantly in recent years, 21% in FY 2008 and 12% in FY 2009. In 2010, Global Insight's current projection of sales of light vehicles has improved since the last forecast to an annual growth rate of 16.1% versus 4.3% rate projected in the February forecast. The big recovery in auto sales is projected to occur in FY 2011. Current projections are for consumer spending on new motor vehicles to increase by 19% which is nearly identical to the last forecast growth rate. In FY 2012, the recovery for light vehicle sales continues with a 14.3% growth rate, which is quite a bit higher growth rate than projected last forecast at 5.5%. Overall, this forecast is more optimistic about new motor vehicle sales in the near-term than the prior forecast.

Figure 4 Annual Percentage Change (%) in Select Economic Variables
June 2010 forecast

Fiscal Year	WA Personal Income	Annual Population	U.S. General Prices (IPD)	U.S. Oil & Gas Price Index	U.S. Fuel Efficiency (MPG)	Nominal Consumer Sales on New Motor Vehicles	WA Driver In-Migration
2008	3.6	1.2	3.3	20.8	0.1	-20.9	-13.8
2009	-1.0	1.0	1.6	-17.1	0.7	-11.9	-0.7
2010	-0.1	1.1	1.1	1.9	1.1	16.1	-2.2
2011	4.1	1.4	1.5	4.2	1.6	19.0	5.5
2012	4.1	1.3	1.7	9.8	1.9	14.3	2.8
2013	4.0	1.3	1.9	3.9	2.2	-0.4	-1.3
2014	3.7	1.3	2.1	2.7	2.4	2.6	-0.7
2015	3.0	1.2	2.0	2.7	2.6	15.1	-0.5
2016	3.1	1.2	2.0	3.0	2.6	4.0	-0.4
2017	3.1	1.2	2.0	2.1	2.6	-4.0	-0.4
2018	3.1	1.2	2.0	1.5	2.5	-3.8	-0.3
2019	3.1	1.2	2.0	0.5	2.4	-0.7	-0.2
2020	3.1	1.1	1.9	-0.7	2.4	3.9	-0.2
2021	2.9	1.1	1.8	-0.9	2.4	3.2	-0.2
2022	2.9	1.1	1.6	-0.5	2.5	2.7	-0.1
2023	2.9	1.1	1.6	-0.2	2.6	1.6	-0.1
2024	2.9	1.0	1.7	1.0	2.6	1.2	-0.1
2025	2.9	1.0	1.8	2.1	2.6	1.1	-0.1
2026	2.9	1.0	1.8	1.9	2.6	0.7	-0.1
2027	2.9	1.0	1.8	2.0	2.6	1.4	0.0

Source: Washington Economic and Revenue Forecast Council, Washington Office of Financial Management, January and May 2010 Global Insight forecast adjusted for Blue Chip average GDP growth rates and NYMEX crude oil prices

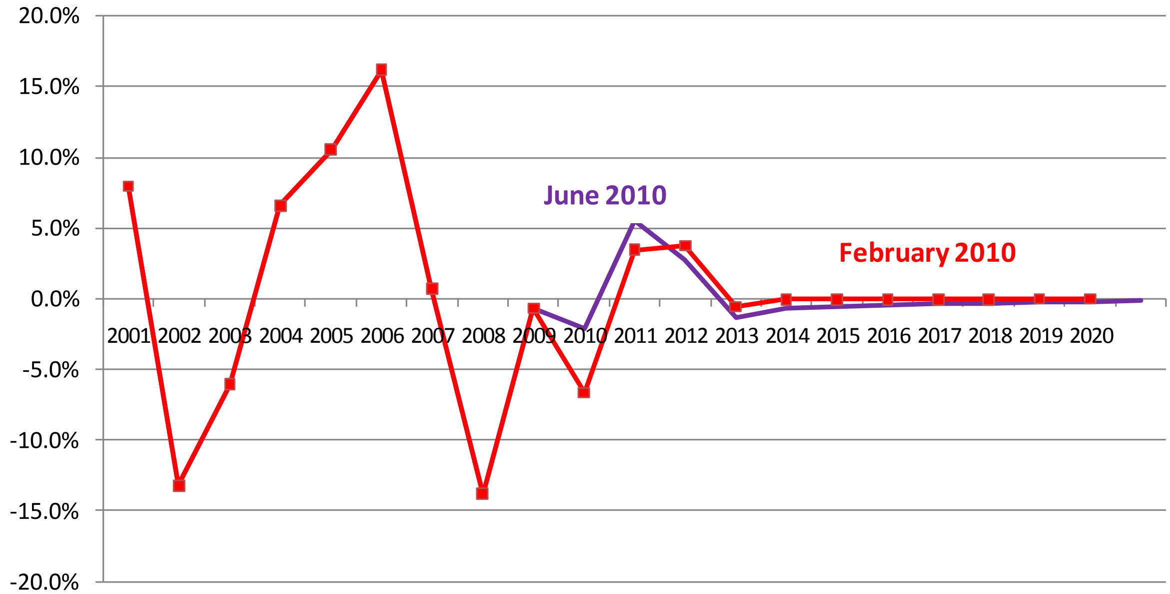
Figure 5 Comparison of Annual Growth Rates for Washington Real Personal Income
June vs. February 2010 forecast
billions of dollars



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Jun-10	-0.1%	4.1%	4.1%	4.0%	3.7%	3.0%	3.1%	3.1%	3.1%	3.1%	3.1%	2.9%	2.9%	2.9%	2.9%	2.9%
Feb. 2010	0.1%	3.6%	3.8%	4.3%	3.8%	3.4%	3.4%	3.4%	3.4%	3.4%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%

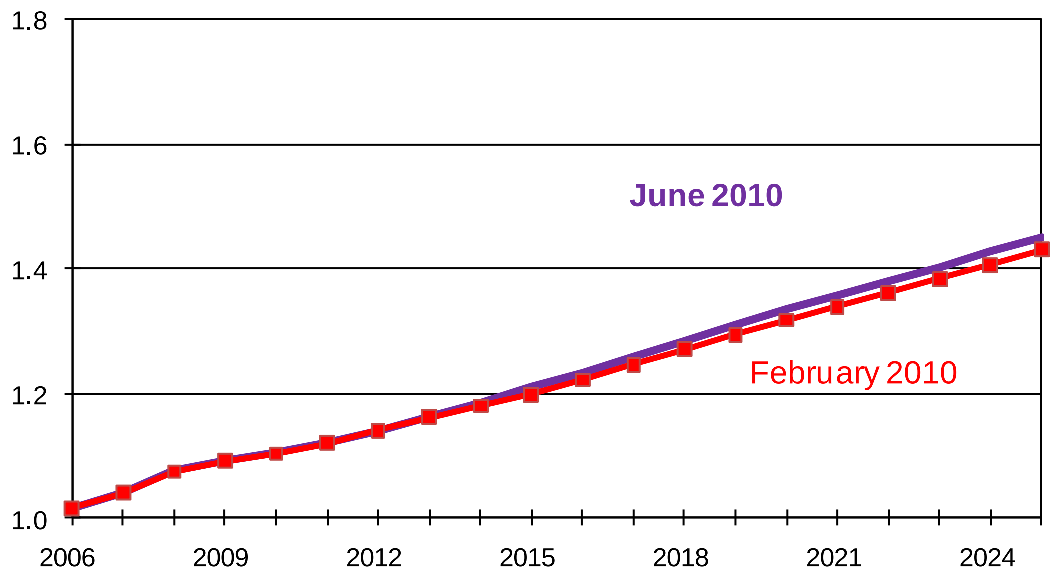
Source: Washington Economic and Revenue Forecast Council and OFM

Figure 6 Comparison of Annual Growth Rates for In–Driver Population Forecast – Age 18 and Over June vs. February 2010 forecast



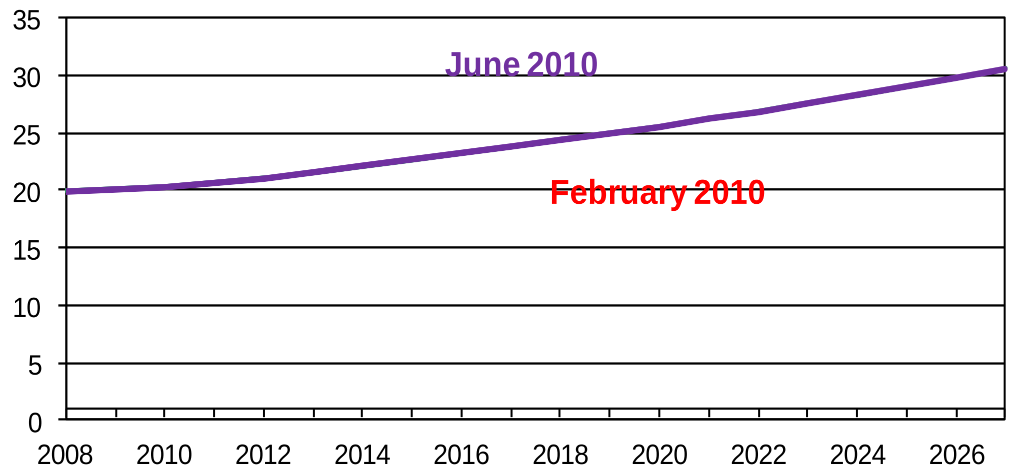
Source: Washington Office of Financial Management

Figure 7 Inflation Comparison – U.S. Implicit Price Deflator for Personal Consumption June vs. February 2010 forecast
base year 2005 = 1.00 for both forecasts



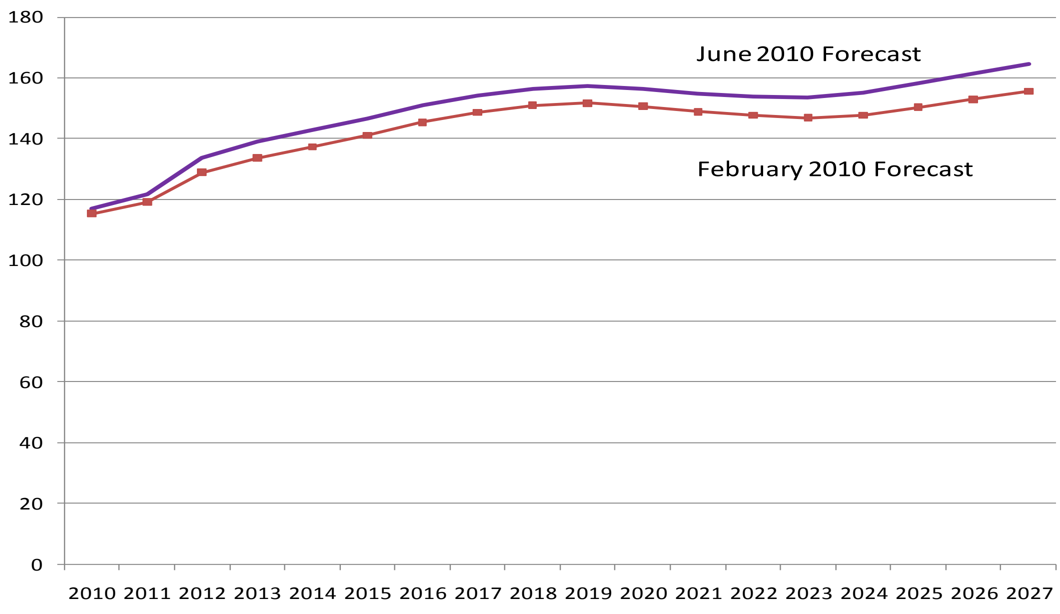
Source: Washington Economic and Revenue Forecast Council and May 2010 Global Insight forecast

Figure 8 U.S. Light Duty Vehicle Fleet Efficiency Comparison
June vs. February 2010 forecast
miles per gallon



Source: May 2010 Global Insight forecast

Figure 9 Global Insight Oil/Gas Price Index
June vs. February 2010 forecast



Source: June 2010 Global Insight forecast

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. 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 without taxes.

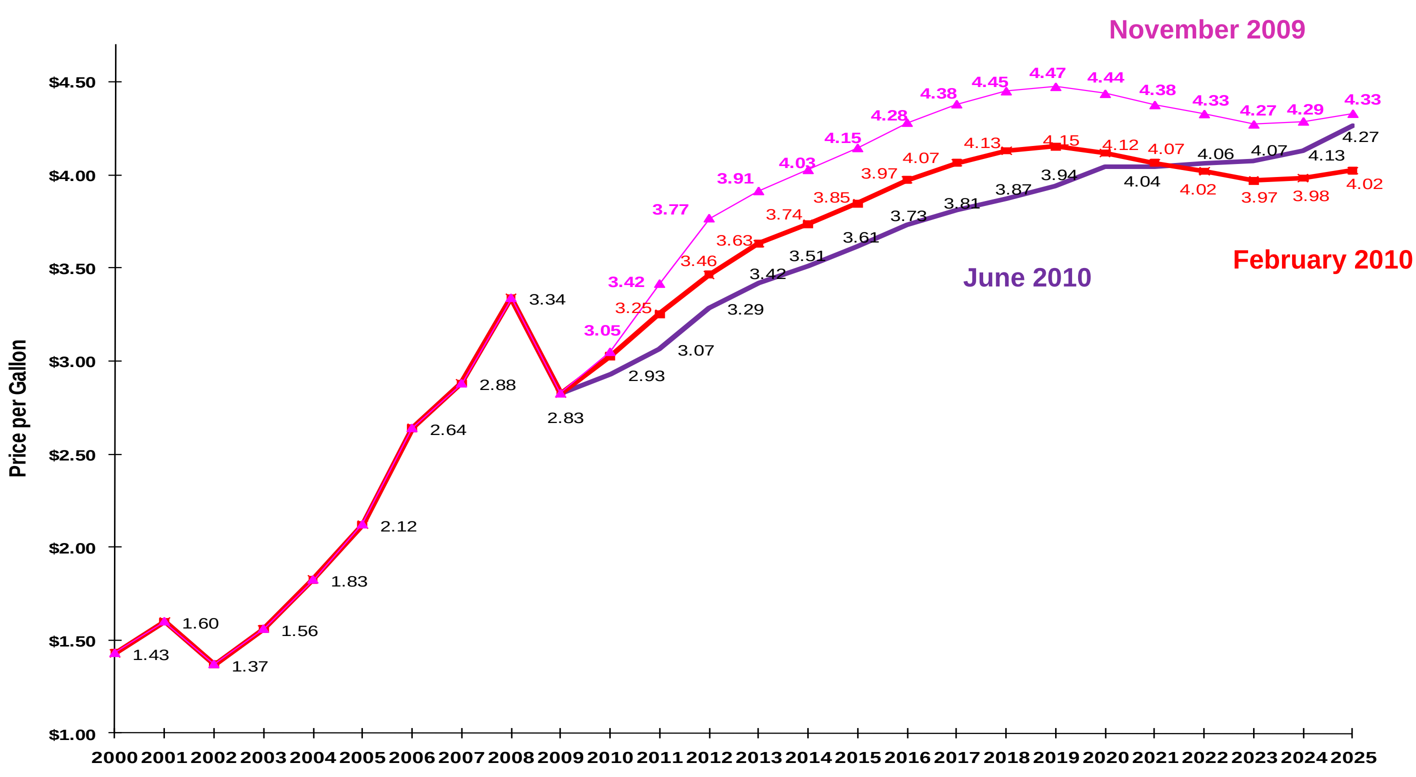
The June 2010 fuel price forecasts are down from the February 2010 forecast throughout most of the forecast horizon.

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, the fuel price forecasts are based on the Energy Information Agency (EIA) projections. In the long-term beyond calendar year 2011, the fuel price projections are based on Global Insight's oil and fuel prices and the producer price index (PPI) for petroleum products projections from June 2010 forecast.

U.S. crude oil price trend
U.S. crude oil prices of West Texas Intermediate Crude (WTI) are currently projected to be $75.2 per barrel on average in FY 2010 which is the same as the estimate in February. Recent weekly prices of crude oil have been fairly volatile but on average the overall annual price has had no change from the last forecast in the current fiscal year. The projection for fiscal year 2011 is $80 per barrel and this represents a 6% increase in crude oil prices over fiscal year 2010. In the long-term, crude oil prices are expected to hit over $100 per barrel beginning in FY 2016, which is two years earlier than the prior forecast. Crude oil prices are not projected to drop below $100 per barrel throughout the forecast horizon. The long-term forecast for crude oil prices grows to a high point of $107.5 per barrel in FY 2019 and then prices are projected to decline slightly to a low of $101 per barrel in FY 2023.

Washington retail price of gasoline trend
Washington retail price of gasoline is projected to be down slightly over the prior forecast for the current fiscal year. In recent months, projections of retail gas prices have been reasonably accurate. Retail gas prices in Washington are now projected at $2.93 per gallon versus $3.03 per gallon in February on average in Washington for FY 2010. In FY 2011 retail gasoline prices in Washington are projected to be $3.07 per gallon, which is 5.5% lower than February's gas price forecast of $3.25 per gallon. In the long-term, gasoline prices are expected to be below the February projections thru FY 2021. Thereafter, the

Figure 10 Forecast of Washington Retail Gasoline Prices, All Grades
June vs. February 2010 and November 2009 forecasts



June forecast projections are slightly higher than the February forecast. In the last forecast, Washington's retail gasoline prices were projected to hit $4 per gallon beginning in FY 2017, but this June forecast projects retail gas prices to reach $4 per gallon three years later, in FY2020. This June 2010 Washington retail gas price is projected to hit a peak price of $4.49 in FY 2026 which is 31 cents or 7% higher than the highest price in the last forecast of $4.18 in FY 2026.

Washington retail price of diesel trend

Washington's retail price of diesel is projected to average $3.04 in FY 2010 which is 1% higher than projected in the last forecast of $3.00 per gallon. Figure 10 reveals the retail and wholesale diesel prices in this current forecast versus the prior forecast in February. The June forecast for all diesel prices is higher than the last forecast throughout the forecast horizon which is a contrast to the trend in retail gas prices this forecast cycle. The price differential between retail gas and diesel has been declining in prior forecasts but in this forecast, retail diesel prices are projected to be above retail gas prices by 11 cents in FY 2010. Retail diesel prices are expected to grow faster than gasoline prices in the near-term, causing the diesel and gas price differential to expand. In FY 2011, on average, retail diesel price is projected at $3.43 and there is a 36 cent price differential projected between retail gas and diesel prices. Over time, the differential between retail gas and diesel is expected to continue to grow to as much as 47 cents by FY 2018. Then the price differential begins to slowly decline again. Retail diesel prices are anticipated to reach $4.00 per gallon beginning in FY 2015, which is 5 years sooner than retail gasoline prices are forecasted.

Washington wholesale price of WSF diesel fuel trend

The trend in Washington's wholesale price of diesel is similar to the trend of the retail price of diesel as seen in the following Figure 10. Washington's wholesale price of diesel, excluding fuel taxes, which is a forecast to estimate the diesel cost to Washington State Ferries has also increased 8 cents or 3% to $2.40 per gallon for FY 2010 as opposed to $2.32 per gallon in February. In FY 2011, the wholesale price of diesel is expected to increase to $2.77 per gallon which is 11% higher than projected in February.

Figure 11 Forecast of Washington Retail and Wholesale Diesel Prices, June vs. February 2010 forecasts

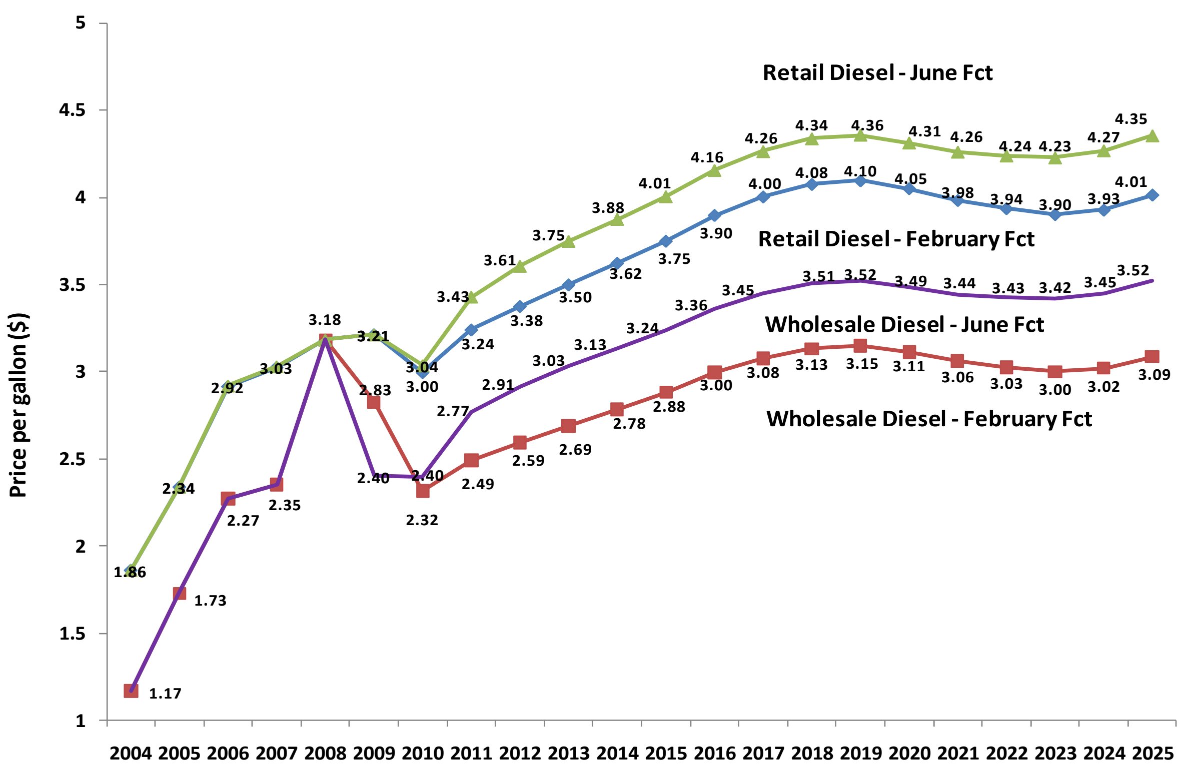


Figure 12 Near-term Quarterly Fuel Prices
June 2010 forecast

Fiscal Year Quarter	Crude Oil Price ($/barrel)	WA Retail Gasoline Price ($/gal)	WA Retail Diesel Price ($/gal)	Ex-tax Wholesale Diesel Price ($/gal)	Biodiesel Price with tax ($/gal)	Biodiesel Price Ex tax ($/gal)
2009: Q3	68.31	2.90	2.83	2.17	3.73	3.11
2009: Q4	76.06	2.86	2.92	2.30	3.92	3.30
2010: Q1	78.64	2.92	3.05	2.41	4.10	3.48
2010: Q2	78.01	3.03	3.35	2.71	4.30	3.68
FY 2010	75.26	2.93	3.04	2.40	4.01	3.39
2010: Q3	78.00	3.00	3.32	2.68	4.23	3.61
2010: Q4	80.33	2.96	3.37	2.72	4.30	3.68
2011: Q1	81.00	3.06	3.46	2.79	4.41	3.79
2011: Q2	82.00	3.25	3.58	2.89	4.38	3.76
FY 2011	80.33	3.07	3.43	2.77	4.33	3.71
2011: Q3	83.00	3.28	3.59	2.91	4.29	3.67
2011: Q4	84.00	3.12	3.55	2.87	4.33	3.71
2012: Q1	87.67	3.15	3.62	2.93	4.42	3.79
2012: Q2	88.66	3.60	3.66	2.96	4.46	3.82
FY 2012	85.83	3.29	3.61	2.91	4.37	3.75

Figure 13 Near- and Long-term Annual Fuel Price
June 2010 forecast

Fiscal Year	Crude Oil Prices ($/barrel)	WA Retail Gasoline Price ($/gal)	WA Retail Diesel Price ($/gal)	Ex-tax Wholesale Diesel Price ($/gal)	Biodiesel Price with tax ($/gal)	Biodiesel Price Ex tax ($/gal)
2008	97.03	3.34	3.76	2.90	3.80	3.18
2009	69.69	2.83	3.21	2.40	4.68	4.06
2010	75.26	2.93	3.04	2.40	4.01	3.39
2011	80.33	3.07	3.43	2.77	4.33	3.71
2012	85.83	3.29	3.61	2.91	4.37	3.75
2013	91.16	3.42	3.75	3.03	4.43	3.82
2014	94.62	3.51	3.88	3.13	4.58	3.96
2015	98.17	3.61	4.01	3.24	4.74	4.12
2016	102.30	3.73	4.16	3.36	4.92	4.30
2017	105.20	3.81	4.26	3.45	5.04	4.42
2018	107.08	3.87	4.34	3.51	5.13	4.51
2019	107.46	3.94	4.36	3.52	5.16	4.54
2020	105.92	4.04	4.31	3.49	5.10	4.48
2021	103.86	4.04	4.26	3.44	5.04	4.42
2022	102.33	4.06	4.24	3.43	5.01	4.39
2023	101.13	4.07	4.23	3.42	5.00	4.38
2024	101.67	4.13	4.27	3.45	5.05	4.43
2025	103.99	4.27	4.35	3.52	5.15	4.53
2026	106.11	4.40	4.43	3.58	5.25	4.63
2027	108.16	4.49	4.52	3.65	5.35	4.73

Biodiesel price trend
The forecast of the retail price of biodiesel is based on surveys found in the EIA Clean Cities Alternative Fuel Price Reports, www.eere.energy.gov/afdc/price_report.html as well as OPIS biodiesel prices for Tacoma, Washington. The EIA reports are conducted quarterly and include West regional biodiesel prices. The Washington biodiesel price forecast is for B99/B100. According to the latest survey in January 2010, the West biodiesel price B99/B100 was more than 16% above the reported West coast regular diesel price. In examining the price differential between biodiesel and regular diesel over a longer time period, an average price differential of 18% was determined. This percentage was used as the long-term

price differential between the WA retail diesel prices versus biodiesel prices in Washington. To begin the new B99/B100 biodiesel forecast, the forecast incorporates actual Washington state biodiesel prices (Tacoma, Washington) reported by OPIS for Washington state General Administration.

Comparison of several current U.S. crude oil price forecasts
In June 2010, the West Texas Intermediate (WTI) crude oil price forecasts are quite close for the annual average price for FY 2010. The four surveyed forecasting entities, EIA, NYMEX, Global Insight and Economy.com, all had forecasts for crude oil price of approximately $75 per barrel on average for FY 2010. WSDOT uses the Energy Information Administration (EIA) forecasts in the near-term thru FY 2011 and then it uses Global Insight forecasts for subsequent years. The average forecast for crude oil in FY 2011, ranged from $76 from NYMEX future prices to $83.2 per barrel from Economy.com with the average being $78.9 per barrel. The average forecast for crude oil in FY 2012, ranged from $80 from NYMEX future prices to $89.5 per barrel from Economy.com with the average being $85.6 per barrel. The average forecast for crude oil in FY 2013, ranged from $82.5 from NYMEX future prices to $91.2 per barrel from Global Insight with the average being $88.5 per barrel. Figure 14 reveals that future crude oil prices from NYMEX for years 2011-13 are consistently the lowest estimate of future crude oil prices and Economy.com forecasts are typically the highest each year except for FY 2013 when Global Insight has the highest crude oil price forecast at $91.2 per barrel.

Figure 14 Near-term Annual Crude Oil Price Forecasts – 4 Forecast Entity Comparison
June 2010 forecast
Dollars per barrel

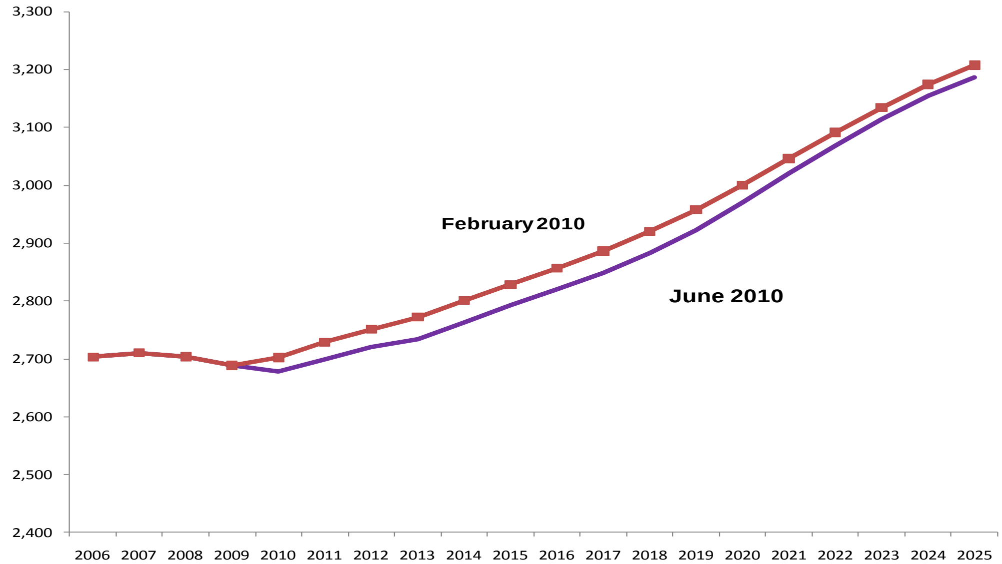
Fiscal Year	WSDOT (EIA)	NYMEX	Global Insight	Economy .com	Average	WSDOT % Difference Lowest	WSDOT % Difference Highest	WSDOT % Difference Average
2010	$75.3	$74.9	$74.7	$75.3	$75.1	0.8%	0%	-0.3%
2011	$80.3	$76.0	$76.4	$83.2	$78.9	-5.4%	3.6%	-1.7%
2012	$85.8	$80.4	$86.5	$89.5	$85.6	-6.4%	4.3%	-0.2%
2013	$91.2	$82.5	$91.2	$89.2	$88.5	-9.6%	0%	-3.0%

Motor Vehicle Fuel Tax Forecast

The June 2010 gross motor vehicle fuel tax projection for the 2009-11 biennium is $2.48 billion which is a slight decrease of 0.4% from the 2007-09 biennium. Since the February 2010 forecast, diesel fuel tax collections came in under forecast for the current fiscal year by $9.1 million and gasoline tax collections came in under forecast by $9.3 million as well. Overall, the current fiscal year actual gross motor vehicle fuel tax collections came in 4.5% below the February forecast for four months. Total motor fuel tax revenue projections are down $42.5 million from the prior forecast in the current biennium. Motor fuel tax revenues for the 2011–13 biennium are projected to be approximately $2.55 billion, which is less than the prior forecast by 1.7% or approximately $43.6 million. The overall reduction in motor fuel tax revenue for the 16-year period ending in 2025-27 biennium is down $411 million when compared to the February 2010 revenue forecast.

Trends in gasoline consumption and tax revenue
The June 2010 forecast for gasoline consumption is 2,678 million gallons for FY 2010 which is a -0.4% increase over the FY 2009 consumption level. The June gasoline consumption level for FY 2010 has been reduced 0.9% over the February gasoline consumption projection. In FY 2011, gasoline consumption is projected to be 0.8% higher than in FY 2010, which is a 1% reduction from the February forecast. Figure 15 shows the forecast to forecast comparison of projected gasoline gallons consumed.

Figure 15 Gasoline Motor Fuel Consumption Comparison
June vs. February 2010 forecast
millions of gallons

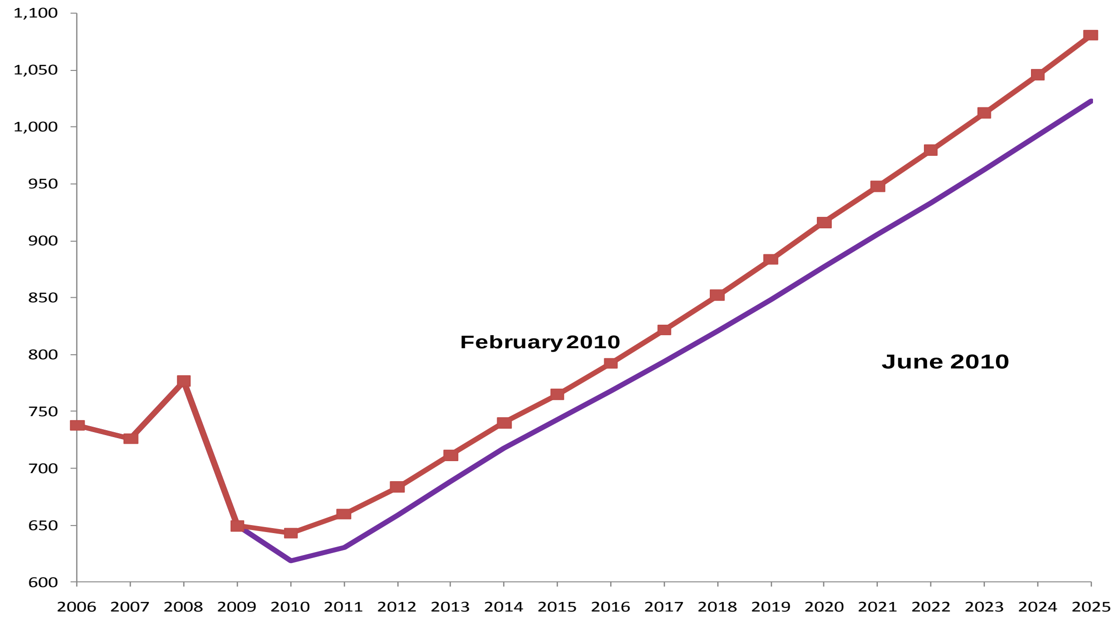


In FY 2012, gasoline consumption is projected to also increase gradually 0.8% over the prior year. The year over year percentage change in gasoline consumption in the June 2010 forecast gradually rises to as high as 1.7% by FY 2021 and then falls again to 1% by FY 2025 and remains at 1%. For fiscal years, FY 2013-2027, the annual percentage change in gas consumption will be 1.2% on average which represents the long-term historical average for growth rates of gasoline consumption seen in the state. These current annual grow rates for gasoline consumption are similar to the growth rates from the previous forecast with slight revisions downward in the near-term. Overall, the forecast is down a little more than one percent over the February forecast until FY 2021 and then the difference between forecasts falls to a little less than 1% through the remainder of the forecast horizon.

Trends in diesel consumption and tax revenue
The fiscal year 2009 diesel consumption was 650 million gallons which represented a year over year decline of 16.4%. The June 2010 forecast for diesel consumption is 619 million gallons for FY 2010 which is a 4.8% decrease over the FY 2009 consumption level. The June diesel consumption level for FY 2010 has been reduced by 3.8% over the February diesel consumption projection. In FY 2011, diesel consumption is projected to rise 1.9% increase over FY 2010, which is a 4.5% reduction from the prior forecast. In the near term (FY 2012-2014), the annual growth rates have increased slightly from the last forecast due to higher personal income growth in the near-term with this forecast. The growth rates in the long-term have declined due to lower OFM long-term growth rates in 2010. Generally, in fiscal years beyond FY 2014, the outer year annual growth rates for diesel consumption are projected to be 3.6% and then decline to as low as 3.1% in FY 2022 and beyond. Diesel consumption is not expected to return to the high 2008 consumption level of 777 million gallons until FY 2017.

Diesel tax collections are down $21.1 million (4.3%) over the February forecast for the 2009-11 biennium for total tax collections of $469.7 million. This was the result of tax collections coming in less than forecast for the months of February-May. In all four months, diesel tax collections came in below forecast by $9.1 million which is 11.6% reduction from forecasts in February. Diesel tax revenue is projected to be $507.2 million in the 2011-13 biennium which is a decrease of $17.8 million or 3.4% over the prior forecast. In the 2013-15 biennium, diesel tax revenue is expected to be $549.4 million which is below the last forecast of $17 million as well. In the outer biennia, the decline in revenue starts to grow further as it reflects the lower projections in long-term personal income so the difference between the current and February forecasts grows to as high as $48 million by the 2025-2027 biennium which is a 5.6% decline.

Figure 16 Diesel Motor Fuel Consumption Comparison
June vs. February 2010 forecast
millions of gallons



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 forecast of non-highway gas funds are projected to be $10.5 million which is down slightly $190,000 or 1.8% over the last forecast and $40.7 million for special fuel which is down $6.5 million or 13% from the prior forecast in the 2009-11 biennium. Beyond the current biennium, non-highway refunds are expected to be down minimally for gas non-highway refunds and down significantly for special fuel refunds. Special fuel non-highway refunds are down due to lower actual claims in the current fiscal year than projected and the outer year forecast was changed to reflect the lower 2010 actual level of refunds. The forecast to forecast reduction in non-highway special fuel refunds grows over time to a high of $12.8 million in the 2025-2027 biennia.

In recent months, tax collection reports for gasoline and special fuel tax tribal refunds have come in above forecast. One reason for this result is that estimating the recent changes in the tribal compact agreements is difficult since that is no history yet of actual tribal refunds from those tribes once the type of compact has been changed. The current forecast for the 2009-11 biennium gas tribal refunds is projected to be $36.3 million which is a $2.9 million increase over the last forecast due to incorporating higher actual refunds in the later part of FY 2010 and adjusting the starting point for tribal refunds for subsequent fiscal years. In subsequent biennium, gasoline tribal tax refunds are projected to be more than 8% higher or approximately $3 million per biennium higher than the previous projections. The special fuel tax tribal refunds are forecasted at $3.38 million in the 2009-11 biennium which is an increase of 37% or approximately $1 million over the last forecast. In subsequent biennia, special fuel tribal tax refunds are projected to be up 37% or a little less than $1 million per biennia as well from the February forecast.

Primary reasons for the forecast changes

- Total fuel tax collections have come in under forecast for the past four months by an average of 4.5% over these months. The lower tax collections in FY 2010 has reduced the
- The oil and gas price index used in the gasoline consumption forecast model is projected to be nearly the same in FY 2010 as the prior forecast. In the remaining fiscal years throughout the forecast horizon, the June forecast for the oil and gas price index is higher than the February forecast. The slightly higher fuel prices are expected to reduce gasoline tax collections more than anticipated in prior forecast in the long-term. The fuel price index divided by the implicit price

deflator is projected to increase for most of the forecast horizon due to the nearly no change in the growth of inflation and slightly higher fuel prices over the last forecast.

- Washington's real personal income growth rates in this June forecast are slightly lower in the current fiscal year and higher in the near term until FY 2013 from the February forecast projections due to changes in the Office of Forecast Council estimates. OFM's 2010 long-term personal income projections are lower than last year so that has a negative impact on diesel tax collections in the long-term.
- End result is lower gasoline and diesel tax projections in the current biennium and higher growth rates in the near-term for diesel but slower long-term growth rates in diesel due to lower OFM personal income growth. Both gas and diesel tax collections in recent months have lowered the current fiscal year projections and subsequent outer year projections. Higher fuel prices in future years have also contributed to lowered gasoline tax collections in the future.
- Future fuel tax reduction in the 2009-11 biennium is $42.5 million, primarily due to a decline in tax collections and lower growth rate projections in the near term for gasoline. In the 2011-13 biennium, gasoline and diesel tax projections are each down, approximately $25.7 million for gasoline tax collections and more than $17.8 million for diesel tax collections.

Figure 17 Short-term Motor Fuel Tax Forecast – By Month of Collection
June 2010 forecast
millions of dollars

	FY 2010	FY 2011	2009-11 Biennium	FY 2012	FY 2013	2011-13 Biennium
Gasoline Taxes	**$1,002.3**	**$1,012.9**	**$2,015.2**	**$1,020.7**	**$1,026.3**	**$2,047.0**
Special Fuel Taxes	**232.5**	**237.2**	**469.7**	**248.1**	**259.1**	**507.2**
Total Fuel Revenue	**$1,234.8**	**$1,250.1**	**$2,484.9**	**$1,268.8**	**$1,285.4**	**$2,554.2**
% Change from Prior Fcst	-1.6%	-1.7%	**-1.7%**	-1.6%	-1.7%	**-1.7%**

Motor Vehicle Revenue (Licenses, Permits, and Fees)

The 2007-09 biennium licenses, permits, and fees (LPF) collections were $896 million which is higher than the current projections for total LPF revenue in the 2009-11 biennium, which is $874 million. The forecast for Motor Vehicle Revenue from licenses, permits, and fees is down from the February estimate of $883 million. The June 2010 estimate for 2009-11 is down $8.5 million (0.96%) from the prior forecast. In the upcoming 2011-13 biennium, revenue projections are down $4.3 million (0.46%) from the prior forecast. The primary reason for the lower forecast is that actual truck registrations and revenue are coming in much lower than projected in the last forecast.

Trends in vehicle registrations
In the current biennium and beyond, this forecast assumes year to year growth rates for 2010 which are essentially flat at -0.3% for passenger cars but substantially down for trucks at -2.13%. This forecast, as well as the previous three forecasts, assumes a U shaped recovery from the current recession for cars. The recession is deeper and sharper for trucks, and the recovery will be steeper, creating a V shaped recovery. In FY 2011, the growth in passenger vehicles is forecasted at 2.58% and truck growth is forecasted to be 1.92%. In FY 2012 and 2013, vehicle forecasts reflect the growth of personal income, which are slightly higher than the last forecast. While in 2014 and beyond, the forecast growth rates mirror population growth. The long-term population growth rates have not changed from the last forecast. The June 2010 forecast for passenger car and truck registrations is down 0.2% for FY 2010 and is 2.4% above last year in FY 2011. Overall, the current forecast of passenger cars is quite close and only slightly above the last forecast; see Figure 15 below. In contrast, due to lower truck registrations than projected over the past four months, truck registrations are down significantly in the current fiscal year which lowers the starting level and sets the trend for truck registrations throughout the entire forecast horizon; see Figure 19 for the truck registrations graphical comparison.

Figure 18 Passenger Car Comparison
June vs. February 2010 forecast
millions of vehicles

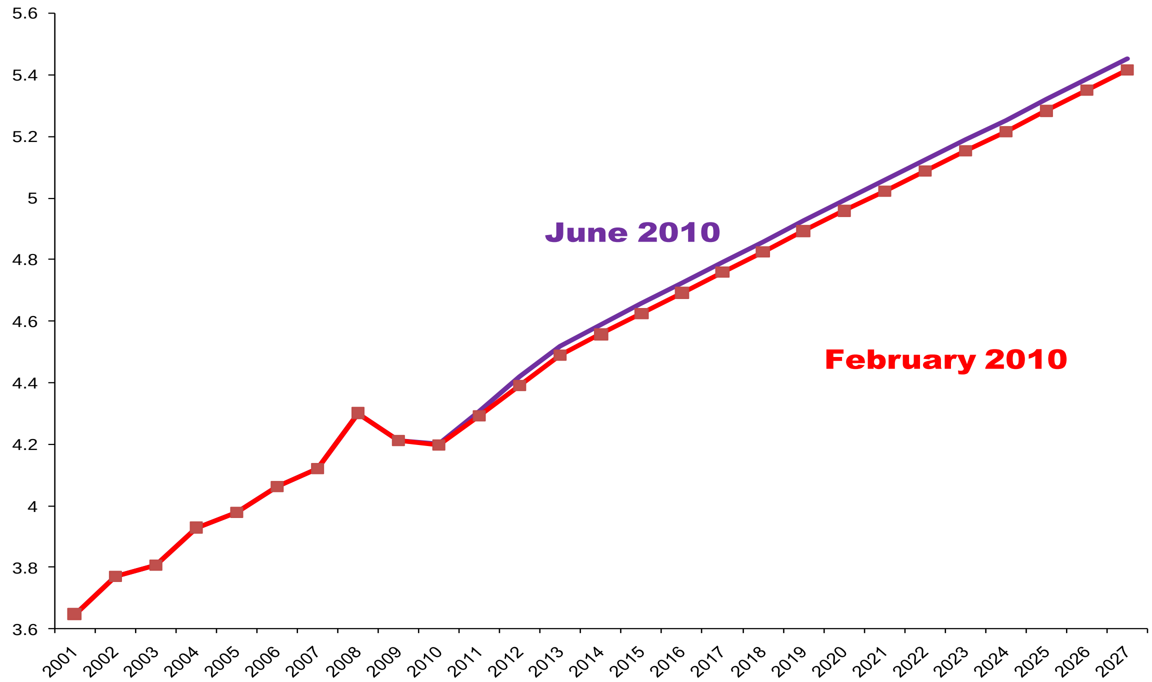
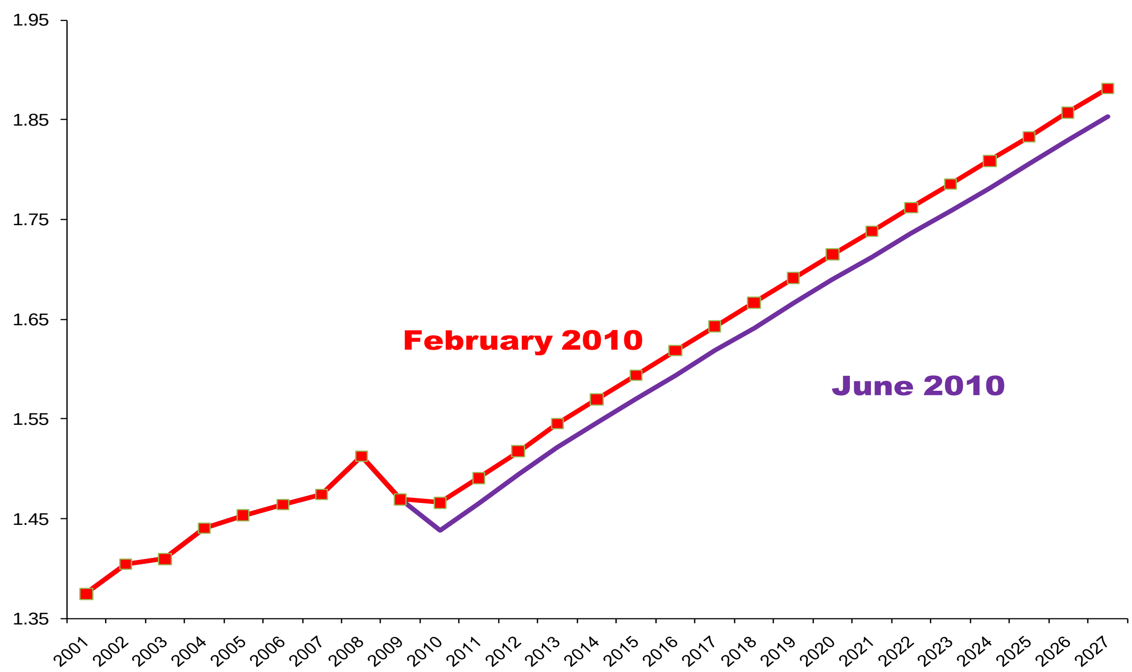


Figure 19 Truck Comparison
June vs. February 2010 forecast
millions of vehicles



Trends in LPF revenue
The LPF 2007-09 biennium revenues came in at $896 million which is above the June 2010 projection for the 2009-11 biennium at $874 million. The current 2009-11 biennium LPF forecast has been decreased for vehicles paying the $30 basic fee by $78,500 (-0.03%) and decreased for combined license fee vehicles (trucks) by $8.2 million (-2.41%) from the last forecast. Total LPF revenues are down $8.5 million for the current biennium. LPF revenues are down by $4.3 million in the 2011-13 biennium, decreasing from $4.5 to $6.7 million in the outer biennia of the forecast horizon. In the early years of the forecast, revenue growth is governed by higher personal income predicted in 2013 and 2014.

Passenger vehicle registration revenue is up in the out-biennia by $1.2 million (0.36%) over the prior forecast due to higher rates of personal income growth incorporated in the short-term. Combined license fee (CLF) vehicle revenues are down throughout the forecast due to lower actuals in the current fiscal year.

Passenger and motor home weight fees are up over the prior forecast. These changes are related to higher passenger car and motor home registrations.

License plate reflectivity and license plate replacement fees are also up over the prior forecast. These plate related revenues are up by $144,000 (0.36%) in the 2011-13 biennium over the previous forecast. These changes are related to the anticipated rebound of light vehicle sales in the near term (FY 2010-15) and slightly higher plate replacements.

In addition, title fees and dealer temporary permits are also up over the prior forecast. These vehicle sales related revenues are up by $877,000 (2.73%) in the 2011-13 biennium over the previous forecast. These changes are related to the projected increases in Washington – U.S. Real Income Share and light vehicle sales in the near term.

Trip permit and admin fee surcharges and vehicle inspection fees will be down significantly due to lower truck registrations in the current biennium.

Primary reasons for the forecast changes

- Actual passenger vehicle registrations were down slightly and truck registrations down significantly over previous projections leading to revisions in tax revenues.
- The Economic and Revenue Forecast Council projection of Washington personal income is higher, which raises the passenger car and truck registration forecasts in the near term. While this causes a slight increase in basic license fee registrations, the personal income increase and subsequent growth in trucks takes longer to materialize, which lowers the revenue forecast.
- The passenger vehicle weight fees are increased in conjunction with the increased passenger car $30 basic registrations.

Figure 20 Short-term Motor Vehicle Related Revenue (Licenses, Permits and Fees)
June 2010 forecast
millions of dollars

	FY 2010	FY 2011	2009-11 Biennium	FY 2012	FY 2013	2011-13 Biennium
Basic $30 License Fee	**$140.4**	**$144.0**	**$284.4**	**$147.6**	**$150.8**	**$298.4**
Combined License Fee	**164.0**	**167.6**	**331.6**	**171.3**	**174.4**	**345.7**
All Other Fees	**126.5**	**131.9**	**258.4**	**136.2**	**140.2**	**276.4**
Total LPF Revenue	**$430.9**	**$443.5**	**$874.4**	**$455.1**	**$465.4**	**$920.5**
% Change from Prior Fcst	-1.2%	-0.7%	**-1.0%**	-0.5%	-0.5%	**-0.5%**

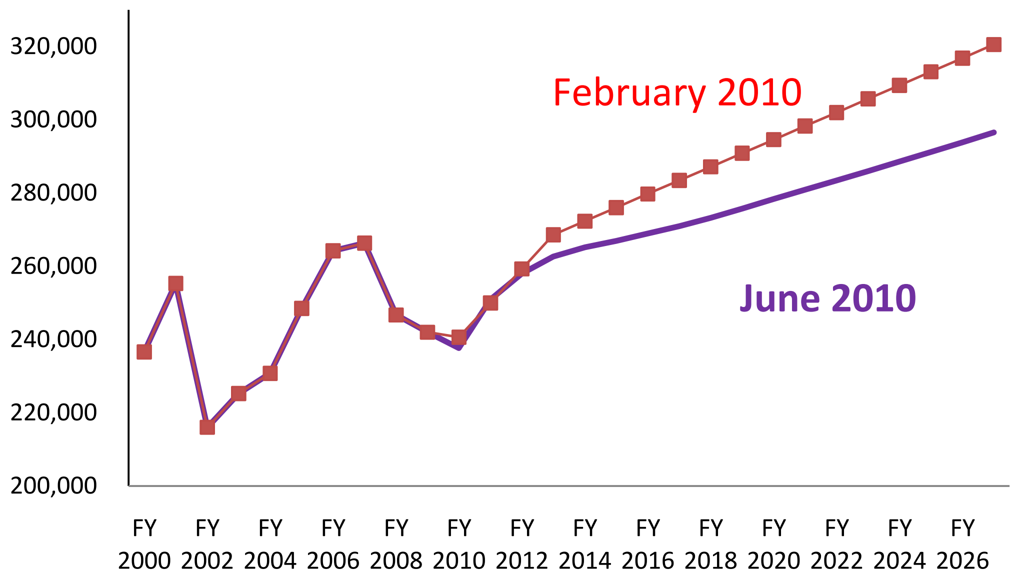
Driver Related Revenue Forecasts

The June 2010 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, 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 (ILRA). All driver-related revenue totaled $195.6 million in the FY2009-11 biennium, down $0.16 million from prior forecast. In the FY2011-13 biennium, the June 2010 forecast of driver related revenue is $199.73 million, a reduction of -0.58 million from 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

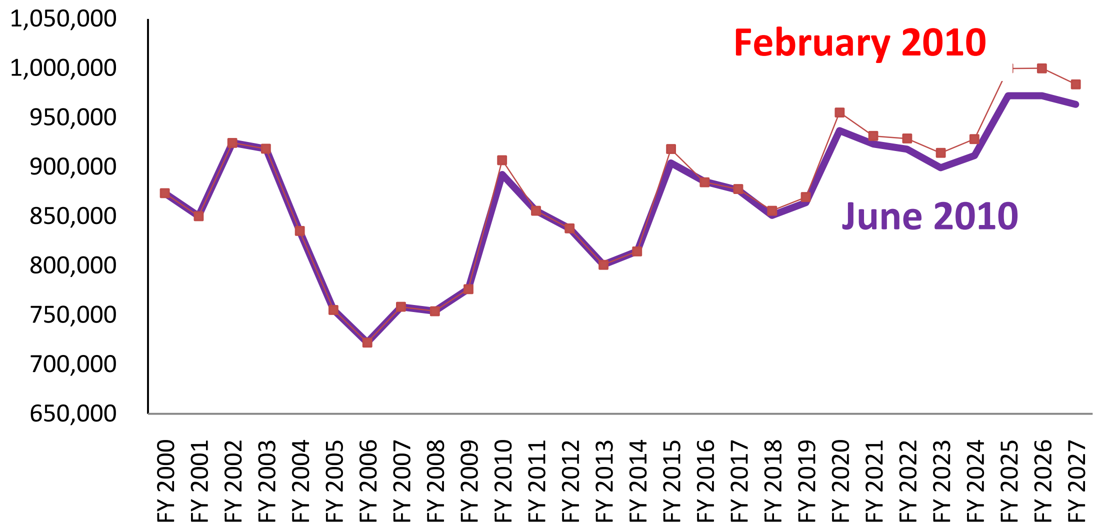
Figure 21 Driver License Originals June versus February 2010



Forecast of **original driver licenses** for FY10 is revised lower by -1.2% from prior forecast due to less than expected actual in recent months. FY10 is projected to end -1.8% lower than FY09, back to a level last seen ten years ago. FY11 and FY 12 levels remain relatively unchanged from February due to a combination of revision upward in driver-in migration and revision downward in non-farm employment. The downward revision from FY13 and beyond (between -2% and -7%) is the result of incorporating OFM's long term non-farm employment, which is revised down from prior forecast.

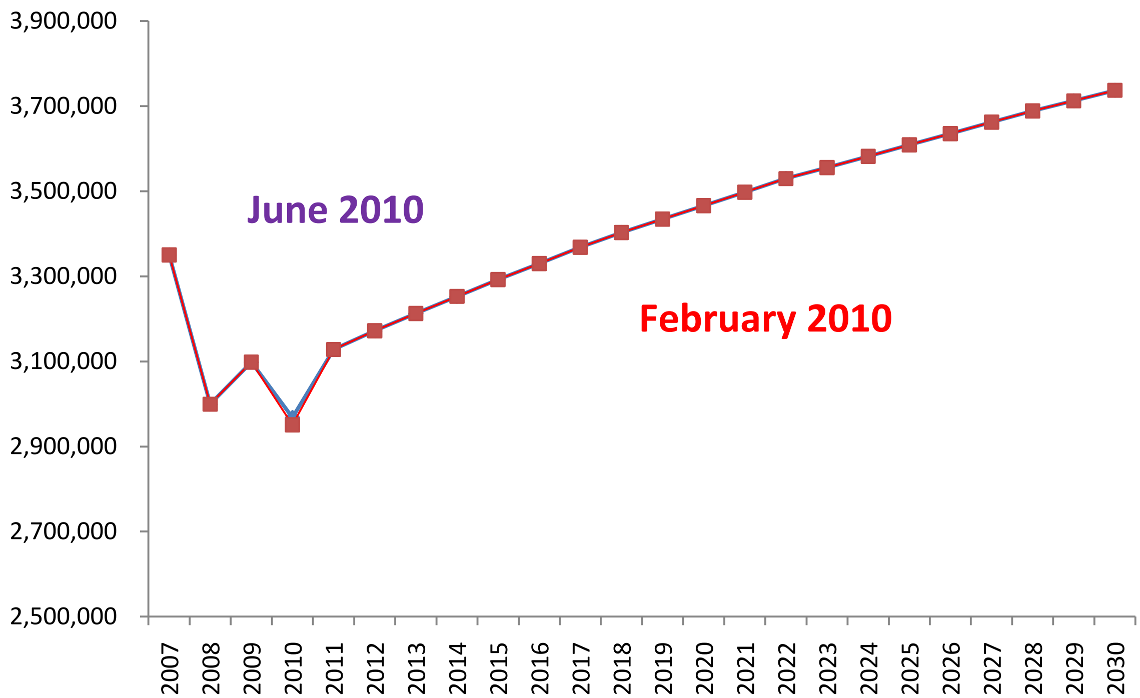
FY 2010 **driver license renewal** volume is expected to end 15% higher than FY09, due to a combination of cycle effect and recession. However, forecast to forecast change is -1.6% lower, reflecting a correction of data reporting error. This correction has an echoing effect every five years out in the forecast horizon.

Figure 22 Driver License Renewals June versus February 2010



Sales of **Abstracts of Driver Record (ADR)** since February have come close to forecast.   June forecast is unchanged other than incorporating actual through May, which results in FY 2010 being 0.6% higher.

Figure 23 Sales of Abstract of Driver Records (ADR) June versus February 2010



Trends in Driver Related Revenue

<u>Highway Safety Fund</u>

The largest source of revenue in the Highway Safety Fund is driver license fees. This June projection of driver license fees for the FY10 is -$1.08 million (-1.39%) from the February forecast, almost all of which is due to reporting error. For the 2011-13 biennium, driver license fee revenue is projected to be down slightly by about -$230,000 (-0.1%) over the February forecast. FY13-15 and future biennium are projected to be between -1.2% to -4.2% lower than prior forecast, primarily the result of incorporating non-farm employment outlook.

Revenue from the copies of record fee is tracking close to prior forecast and is projected to be slightly ($86,000, or 0.2%) higher for the FY09 -11 biennium in this forecast. Forecast for future biennia remain the same as in the prior forecast.

Other changes in the June projections of the Highway Safety Fund revenue are due to lower than expected misc. revenue collections, particularly lower penalty fees and lower driving school instructor license issuances.

State Patrol Highway Account

The State Patrol Highway Account receives $5 of each sale of ADR. In the FY09-11 biennium, the SPHA account is projected to receive $30.4 million, which is a slight increase of $86,000 (.2%) over the prior forecast. Future biennia projections are the same as in 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 and motorcycle examination fees. Revenue in the Motorcycle Safety Education account for FY10-11 is up by $85,700 (2.1%) over the last forecast. The reason for the change was due to higher than expected renewals. FY2011 and FY2012 are little changed but out years are somewhat lower due to lower nonagricultural employment forecast. FY15 would also be lower if not for the echoing effect of the upward revision in FY10.

Ignition Interlock Device Revolving Account

The Ignition Interlock Device Revolving Account is revised upwards for 2010 and 2011. The forecast estimates future monthly revenue as the average of collections since April of 2009. The monthly average in January was $70,390; in May the average was $84,273

January 1, 2011 SHB 2742 becomes effective and has a major impact upon the revenue stream. Currently, those on deferred prosecution for a DUI are required by statute to obtain an ignition interlock license (ILL) and have the device installed upon their vehicle for 24 months on the average. The passed legislation repeals the mandate. The legislation will allow those with a DUI not related to alcohol, or those with a previous conviction for vehicle assault or vehicle homicide, to also apply for the ILL. The number of new IIL eligible individual is estimated to be 80% of those on deferred prosecution and most of them will only need the device for three (3) months. As a result, the new population only generates 16% of the revenue of the deferred prosecution population. The effect of the loss of the deferred prosecution population will stabilize in December 2012, two years after the legislation takes effect.

Primary reasons for the forecast changes

- The downward revision to Highway Safety Fund Revenue is the result of 1) incorporating OFM's non-farm employment which shows a more moderate growth in out years and 2) correcting a reporting error (double counting) for driver license renewals.
- The upward revision for FY10-11 Motorcycle Safety Education account revenue is due to higher than expected renewals and the downward revision in out years follows the lower long term original driver license forecast.

Figure 24 Short-term Driver Related Revenue Forecasts
June 2010 forecast
(millions of dollars)

	FY 2010	FY 2011	2009-11 Biennium	FY 2012	FY 2013	2011-13 Biennium
Total Highway Safety Fund	**$78.4**	**$80.6**	**$159.0**	**$81.2**	**$80.9**	**$162.1**
Drivers License Fees	$60.3	$61.9	$122.3	$62.3	$61.7	$124.0
Copies of Record Fees	$15.9	$16.7	$32.6	$16.9	$17.1	$34.0
Other smaller misc. Fees	$2.1	$2.1	$4.1	$2.1	$2.1	$4.2
Total Motorcycle Safety Education Account	**$2.1**	**$2.0**	**$4.1**	**$2.1**	**$2.3**	**$4.3**
Total State Patrol Account	**$14.8**	**$15.6**	**$30.5**	**$15.9**	**$16.1**	**$31.9**
Total Ignition Interlock Device Revolving Account	**$1.1**	**$0.9**	**$2.1**	**$0.7**	**$0.7**	**$1.4**
Total Driver Related Revenue	**$96.4**	**$99.2**	**$195.6**	**$99.9**	**$99.9**	**$199.7**
Percent change from prior	-0.7%	0.6%	**-0.1%**	0.0%	-0.6%	**-0.3%**

Other Transportation Related Revenue Forecast

The 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 forecast of consumer spending on new US light vehicles is $157 billion for FY 2009 and this represents a decline of 28% from the FY 2008 sales level. This June 2010 forecast of consumer spending on new US light vehicles for FY 2010 is expected to increase to $175.4 billion which is a 12% annual growth. This June 2010 forecast of US light vehicles has increased from the prior forecast. In FY 2011, the growth in consumer spending on light vehicles is projected to be 18% which is down from the prior forecast, 1.5%. In FY 2012, the growth in the US light vehicle sales is projected to increase by 17% which is a decline of3% 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 is projected to decrease to $56.7 million by 9.5%, over the prior biennium. The June 2010 forecast is down by $1.6 million from the February forecast for the 2009-11 biennium. In the 2011-13 biennium, the sales and use tax collections are projected to be down by $3.1 million or 4.5% over the past forecast. Revenues for the remaining biennia are also down from the prior forecast but by a declining percentage so by the last biennia, the decline in revenue in the June forecast was down less than $1 million and 0.8% from the last forecast. The primary reason for the change in the forecast is due to weakness in the initial part of the recovery.

Rental Car Sales Tax

The forecast for rental car sales was $46.97 million for the 2007-09 biennium and the revenue source is expected to decrease to $43.1 million in the 2009-11 biennium. This corresponds to a biennial decline of 8.2%. This June 2010 forecast for the 2009-11 biennium projects a decrease of1.5% or $700,000 over the February forecast. In the 2011-13 biennium, the rental car tax is projected to be $47.7 million which is an increase of $4.6 million or 10.7%. In the 2013-15 biennium, revenues are projected to be $53.5 million and $5.8 million over the prior biennium’s forecast. The primary reason for the change in the forecast is due to slightly weaker growth in the early part of the recovery.

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 2007-09 biennium was $14.5 million. The June 2010 Motor Vehicle Account Business and other revenue tax collections for the 2009-11 biennium are currently projected to be $7.3 million, a 55.6% decrease from the previous forecast. This significant decrease is due to several factors. Property sale projections have been impacted due to current market conditions. Sale of property this biennium is closely mirroring private sector sales with sales running approximately 20% of available inventory. Prior contract sales have also been impacted due to foreclosures, several completed and several in the process of being foreclosed. Currently five contract sales are impacted by the foreclosure process. Additionally, two properties, the Dryden Pit and the Serene Lake properties sales have been moved to the 2011-13 biennium, reducing the current biennium forecast by $4.86 million. The Dryden Pit valuation has been reduced to $850,000.

In addition to the decline in sale of property, the 2010 Enacted Supplemental Budget directs the $1.3 million dollars for Washington State Patrol services (ACCESS Fees) previously deposited into the Motor Vehicle Account to be deposited into the General Fund for the 2009-11 biennium.

Other business related revenues have been adjusted to reflect actual collections, which for the most part are coming in under original projections.

Aeronautics Taxes and Fees

The aeronautics tax forecast includes both excise and fuel taxes as well as transfers. The aeronautics tax collections were $5.7 million in the 2007-09 biennium. In this June 2010 forecast, the aircraft registrations, excise and dealers' taxes are essentially not changed from the prior forecast. In the 2009-11 biennium, the aircraft registrations, excise and dealers' taxes are forecasted to be $716,300. Ten percent of the excise tax goes to the aeronautics account and the rest goes to the state general fund. The aeronautics transfers from the motor vehicle fund are also part of this forecast and are down from the prior forecast. The aviation fuel tax is the largest component of this aeronautics tax forecast.

The forecast of aviation fuel tax collections in the 2009-11 biennium is $4.7 million, which is 6.6% higher the 2007-09 biennium collections of $4.4 million. The current aviation fuel tax forecast for 2009-11 biennium is higher than the prior forecast by $530,790 or 12.7%. In the 2011-13 biennium, the forecast of aviation fuel tax is higher than the prior forecast by $946,630 or 22.69% and continues to be somewhat higher throughout the forecast horizon. These changes are related to the methodology change effective with this forecast, which incorporates the FAA's general aviation fuel consumption forecast. The higher actuals than projections for FY 2010 support this methodological change.

Primary reasons for the forecast changes

- Vehicle sales tax revenue declined in the current biennium due to weakness in new car sales
- Rental car revenue declined in the current biennium due to slightly weaker growth than anticipated.
- Business and other miscellaneous revenue down significantly in the current biennium due to lower property sales than projected.
- Aeronautics revenue is up in the current biennium due to actual collections coming in above forecast and a major change in the aviation consumption forecast model methodology.

Figure 25 Short-term Other Transportation Related Revenue
June 2010 forecast
millions of dollars

	FY 2010	FY 2011	2009-11 Biennium	FY 2012	FY 2013	2011-13 Biennium
Rental Car Sales Tax	**$21.6**	**$21.6**	**$43.2**	**$23.1**	**$24.6**	**$47.7**
Vehicle Sales & Use Tax	**26.9**	**29.8**	**56.7**	**32.1**	**34.3**	**66.4**
Business/Other Rev	**4.1**	**4.5**	**8.6**	**6.7**	**6.7**	**15.4**
Aeronautics Taxes/Fees	**3.0**	**3.0**	**6.0**	**3.1**	**3.3**	**6.4**
Total Other Transportation Related Revenue	**$55.6**	**$58.9**	**$114.5**	**$65.0**	**$68.9**	**$135.9**
% Change from Prior Fcst	-5.8%	-9.8%	**-7.9%**	-3.3%	-2.8%	**-1.6%**

Ferry Revenue

Trends in Passenger Fare Ferry Ridership

FY 2009 passenger ferry ridership reached 12,572,700 which was a decline of 2.5% from the FY 2008 ridership level. Based on Scenario 1, which included the 2.5% fare increase in October 2009 but assumes no further fare increases, the June 2010 Washington State Ferries passenger ridership demand forecast for FY 2010 is projected to be 12,508,400. This is 0.3% higher than the previous forecast, and represents a decrease of -0.5% from FY 2009.

For FY 2011, ferry passenger ridership is expected to be 12,719,700, virtually unchanged from the prior forecast, and which represents a year over year increase of 1.7%. In FY 2012, ferry passenger ridership is expected to be 13,228,400, an increase from the prior forecast of 0.3%, and which represents annual growth of 4.0%. For the remainder of the forecast horizon, the passenger ridership projections are lower than the prior forecast by -0.4% initially in FY 2013 to as much as -3.1% by FY 2017.

Trends in Vehicle/Driver Fare Ferry Ridership

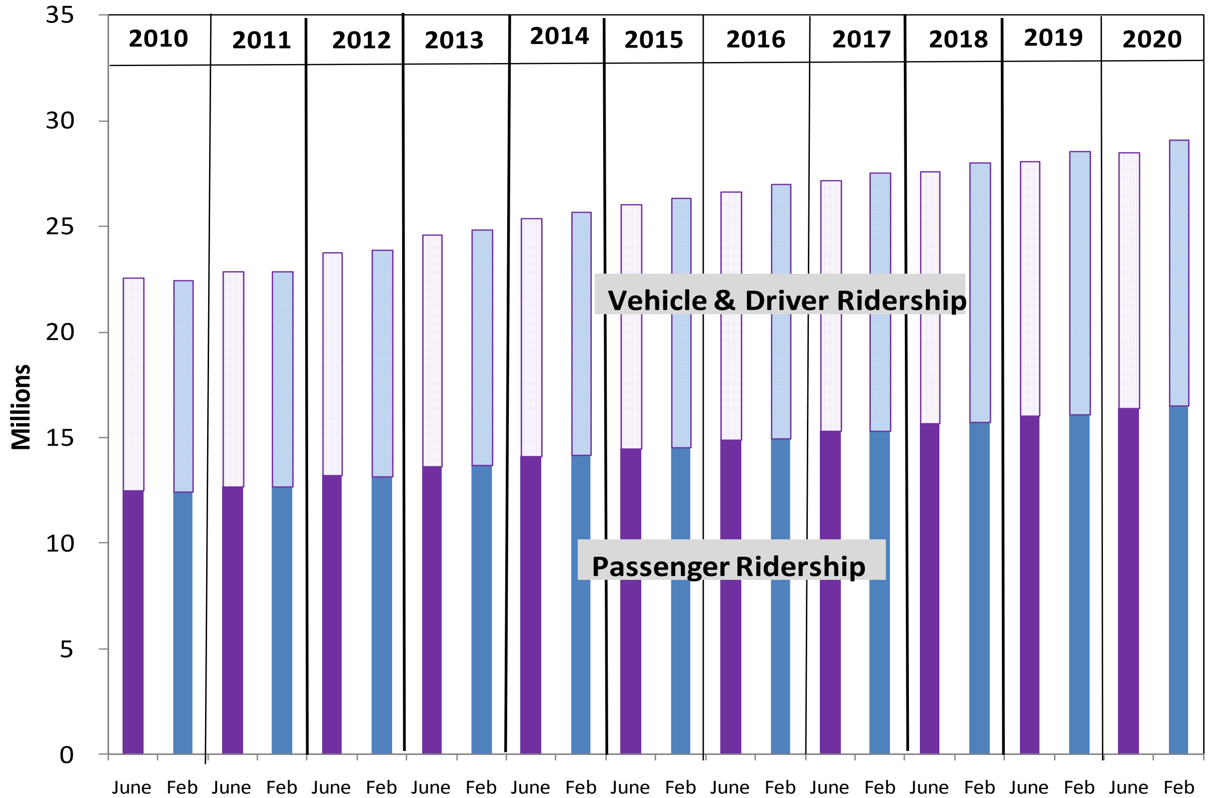
Vehicle/driver ridership was 9,904,800 in FY 2009, which was a decline of 4.7% from the FY 2008 ridership level. Based on Scenario 1, which included the 2.5% fare increase in October 2009 but assumes no further fare increases, the current vehicle/driver ridership forecast for FY 2010 is projected to be 10,080,400. This is 0.9% higher than the previous forecast and represents an increase of 1.8% from FY 2009.

For FY 2011, vehicle/driver ridership is anticipated to be 10,136,100 or -0.6% lower than the prior forecast, which represents annual growth of 0.6%. In FY 2012, this June 2010 forecast for vehicle/driver ridership is revised to be 10,579,400, a reduction from the February forecast by -1.1% and which represents annual growth of 4.4%. Over the remainder of the forecast horizon, the vehicle/driver ridership projections are lower than anticipated in February by -1.6% in FY 2013 to as much as -3.6% in the final years of the forecast period.

Overall Trends in Ferry Ridership

Total ferry ridership is expected to finish off FY 2010 about 0.6% higher than predicted in February. Under Scenario 1, this makes the projection for the 2009-11 biennium nearly 0.2% higher than the February forecast, even though the FY 2011 value is anticipated to be -0.2% lower. For the rest of the forecast horizon, projected ridership ranges from -0.4% lower in FY 2012 to 3.2% lower in FY 2027, relative to the February projections. The following chart illustrates the trends and changes from the prior forecast for passengers, vehicles/drivers and total ferry ridership over the forecast horizon.

Figure 26 Comparison of Ferry Passenger and Vehicle Ridership: June 2010 and February 2009 Forecasts
millions



Trends in Ferry Revenue

For the June 2010 ferry revenue projections, the baseline ferry fare forecast scenario will be that with no further fare increases (Scenario 1). For the 2007-09 biennium, ferry farebox and miscellaneous revenue was $300 million, with fare revenue comprising $292.9 million of that total. Total fare revenue is anticipated to dip slightly by -0.2% over last biennium to $292.8 million in the 2009-11 biennium. The projected revenues of $292.8 million for the current biennium represent a decrease of -0.2% or $0.7 million over the February forecast. In the 2011-13 biennium, revenues are projected to be lower by 2.2% or $6.8 million compared with February due to the changes in the economic forecast variables, including lower employment levels and higher gas prices. Then in all remaining biennia, this current forecast is lower than the last forecast. In 2013-15 and 2015-17 biennia, total ferry revenue is projected to be lower by approximately $8.1 million and $9.3 million, respectively. In the 2017-19 biennium and all subsequent biennia, total ferry revenue is lower than projected in February.

In the 2009-11 biennium, miscellaneous ferry revenue is projected to be -0.3% lower than projected in February. Thereafter, miscellaneous revenue is expected to be 5 to 6% higher each biennium. The increases comprise approximately 13% average increases in terminal revenue and -10% decreases in average vessel non-fare revenue per biennium.

One component of the miscellaneous ferry revenue that increased was the other non-fare revenue (terminal) by 3% in the current biennium over the last forecast and approximately 13% in the subsequent biennia. The reason for this increase was because the advertizing revenue is anticipated to grow at a faster rate than previously projected. In contrast, the vessel non-fare revenue declined in the current biennium by 7.4% and subsequent biennia by 10%. The reason for the vessel non-fare revenue decline is due to vendor construction credits to replace equipment and general overall reduction of anticipated revenues from on-board galley service.

Primary reasons for the forecast changes

- The primary reasons for the change in fare ridership and revenue in the current biennium were lower employment projections and higher real gas prices relative to February.
- Relative to the February forecast, ridership is up in FY 2010 more than it is down in FY 2011 in part due to higher than expected actual ridership and collections to-date in FY 2010. However, the FY 2011 decrease is entirely composed of higher fare vehicle/driver ridership predicated upon higher gas prices. This contributes to a reduction in 2009-11 biennium revenue of -0.3% despite an increase in biennium ridership of 0.2%.
- Ferry miscellaneous revenue is down .2% from the last forecast due to a decrease in vessel non-fare revenues

Figure 27 Short-term Ferry Revenue
June 2010 forecast
Millions of dollars

	FY 2010	FY 2011	2009-11 Biennium	FY 2012	FY 2013	2011-13 Biennium
Farebox Revenue	**$146.9**	**$145.9**	**$292.8**	**$151.4**	**$156.4**	**$307.8**
WSF Misc. Revenue	**3.3**	**4.0**	**7.3**	**4.2**	**4.3**	**8.5**
Total Ferry Revenue	**$150.2**	**$149.9**	**$300.1**	**$155.6**	**$160.7**	**$316.3**
% Change from Prior Fcst	1.0%	-1.4%	**-0.2%**	-1.8%	-2.2%	**-2.0%**

Toll Revenue

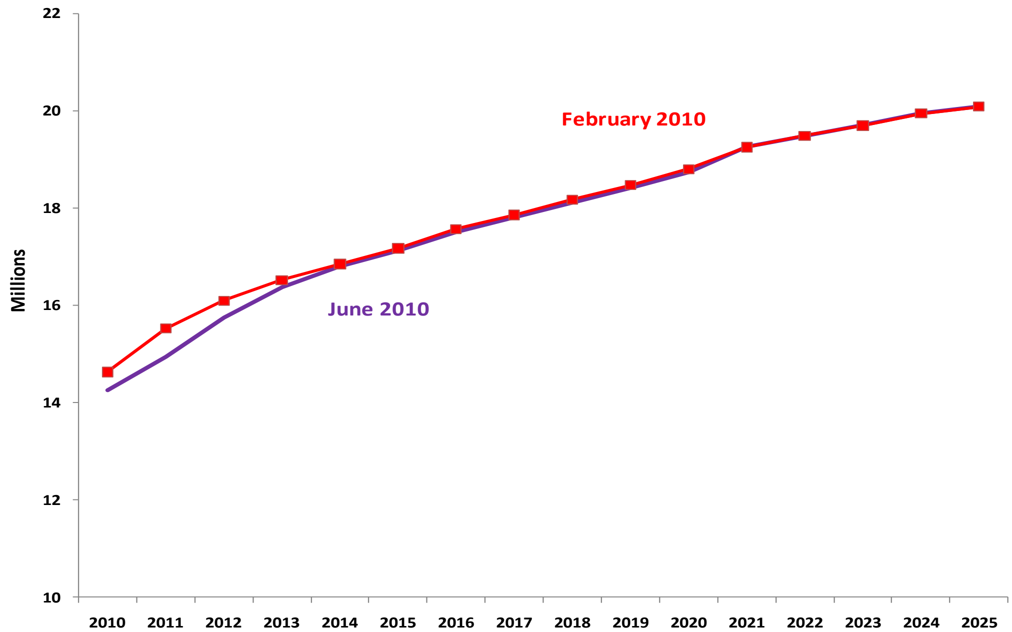
In the June 2010 forecast, current year total toll revenue is projected at $46.6 million with the biggest difference being a decrease in toll revenue projections of $1.5 million from the last forecast. In the toll revenue baseline forecast, no new future toll rate increases are included so toll rates are assumed to remain at $4.00 for cash and $2.75 for electronic toll collection (ETC). Toll collection for the Tacoma Narrows Bridge began on July 16, 2007. From July 16, 2007 to June 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 and $4.00/cash per 2-axle vehicle.

The SR 167 HOT lanes revenue forecast reflects actual toll collections starting May 2008 through May 2010. SR 167 HOT lanes are a pilot program and are due to expire at the end of April 2012. Toll rates are set to maximize traffic flow while managing demands to maintain acceptable operating speed on the HOT lanes. In this June forecast, the traffic projection model for HOT lanes has been modified to reflect the actual usage of these lanes as well as more recent local demographics. The previous February transactions and toll revenues reflected the growth in toll paying traffic from the traffic and toll revenue analysis conducted in 2005 and 2007. The June traffic and revenue estimates incorporate the latest traffic demand model and revised growth estimates.

In previous forecasts for the fines and fees revenue, projections included violation penalties (for TNB only) and Customer Service Center administration fees. Legislation passed in 2010, ESSB 6499, impacts the way violation fees can be collected. This change in law allows TNB tolls to be paid after using a toll facility via a photo toll that identifies a vehicle by its license plate and failure to pay a toll is a civil penalty with a fine of $40, plus the original toll amount and associated fees.

Sales include revenues from the sales of transformers and disabling shields. FY10 and beyond growth is based on annual traffic growth. Administration fees are assumed to remain flat.

**Figure 28 Comparison of TNB Traffic Volume:
June 2010 and February 2010 Forecasts**



decrease from the prior forecast by 2.5%. In FY 2011, traffic volume is expected to increase to 14.95 million which is a year over year growth rate of 4.8% which is a downward revision of 3.7% from the prior forecast. Traffic growth in FY 2012 is projected to be 15.76 million which is a year over year growth rate of

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, this June 2010 forecast of traffic volume is projected at 14.26 million which is an increase over the FY 2009 traffic volume year over year by 2.5% and this growth rate is a 5.4% and 2.1% lower than the February forecast. In the remaining fiscal years, the TNB traffic volume is slightly lower than the last forecast through FY 2020 and the June forecast remains the same as the prior forecast in the remaining years of the forecast horizon.

Total TNB toll revenue for the 2007-09 biennium was $73.98 million and the 2009-11 biennium forecast is projected to be $91.14 million which is an increase of $17.16 million or 23.2% over the last biennium. In the 2011-13 biennium, this June 2010 forecast of toll revenue is projected at $99.61 million which is a decrease of $1.47 million or 1.46% from the February forecast. All future biennia beyond 2011-13 represent a minor reduction in the revenue forecast from the February forecast.

The 2010 law change in ESSB 6499 impacts the current forecast for violation fees as well as adds a new civil penalty fee. Fines and fees violations revenue for the 2007-09 biennium was $1.06 million. The current biennium forecast for violation fees is $926,000 which is down from the prior forecast by $490,100. In the current fiscal year, actual violation fees are down from February projections. It is projected that in FY 2011, violations revenue will only be 66% of the violations revenue collected in FY 2010. Beginning in the 2011-13 biennium, the violations revenue is anticipated to be $0 as additional revenue is projected to be collected as civil penalties. The TNB civil penalties revenue is projected to begin partially in fiscal year 2011 and is anticipated to be $151,600. The first complete year of civil penalties revenue will be fiscal year 2012 and the revenue is projected to be $735,000. Beginning in 2013-15 biennium, civil penalties revenue is anticipated to bring in approximately $3 million per biennium over the forecast horizon. In the outer biennia, this projected increase in civil penalties revenue is greater than the estimated loss in violations revenue projected in prior forecasts.

The June forecast for administrative fees is projected at $207,400 per biennium over the entire forecast horizon and this is the same estimate as the prior forecast.

Sales revenue of transponders and shield sales was $1.4 million in the 2007-09 biennium and these sales are projected to decrease to $1.27 million in the 2009-11 biennium. This is represents a downward reduction of 3.69% from the prior forecast.

Total revenue on the Tacoma Narrows Bridge is projected to be $93.7 million in the 2009-11 biennium which is a decrease of $3.6 million or 3.7% over the prior forecast. In the 2011-13 biennium, total TNB revenue is projected to be $103.2 million which is a decrease of $1.06 million or 1% over the prior forecast.

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 is expected to increase to 506,000 which represents a 31% growth year over year from FY 2009. The FY 2010 traffic growth rate in this current forecast is a no change forecast. FY 2010 monthly average revenue is close to actual monthly average revenue for HOT lanes. In FY 2011, traffic volume is projected to be 546,000 vehicles which equates to a year over year growth rate of 7.9%. This is a decline of 20.5% over the prior forecast. This projected decline is due to significant modifications to the HOT lanes traffic forecast model. In FY 2012, traffic volume is projected to be 473,000 which is 13.4% lower than FY 2011 traffic volume and a decrease of 37.8% from the past forecast.

Revenue from HOT lanes' tolls, sales and fees in FY 2009 was $513,917 and total HOT lanes total revenue is projected at $1.07 million in the 2009-11 biennium which is an decrease of 25.4% from the February forecast. Toll revenue from HOT lanes is projected at $919,000 in the current biennium which is a decrease of $335,000 or 26.7% from the February forecast. In addition, HOT lane transponder and shield sales are down, $30,800 which is a decrease of 21% from the prior forecast.

Trends in Total Toll Revenue
Total revenue (toll, fines and fees and transponder revenue) was $76.9 million in the 2007-09 biennium and is projected to increase to $94.8 million in the 2009-11 biennium which is a decrease of $4 million over the prior forecast. In the 2011-13 biennium, the total revenue is projected to be $103.7 million which is a decline of $1.6 million or 1.5% from the February forecast.

Primary reasons for the forecast changes
- This forecast is the first forecast to include the new civil penalties revenue
- In the June forecast for TNB, the key economic variables have been updated with recent projections. The primary drivers of the total toll revenues in this current forecast are real personal income, unemployment and employment.
- In the current biennium, the TNB traffic volume and toll revenue have been lowered due to the impacts of the national economic recession and traffic volume falling short of prior projections in recent months.
- TNB miscellaneous revenues declined from the last forecast due to the decline in demand.
- HOT lanes traffic and revenue estimates have been updated from the February forecast and significant modifications have been made to the HOT lane traffic model.
- In the June HOT lanes forecast, both, traffic and revenue decline due to these significant model adjustments.
- The violations fee revenue has been lowered by $490,100 in the current biennium to better reflect actual fee collections in recent months and lower projections of these fees due to the new civil penalties.
- Civil penalties revenue projections have been included beginning partially in fiscal year 2011 and all remaining years in the forecast horizon. The projected increase in civil penalties revenue each biennium is anticipated to be larger than the reduced forecasted of violations revenue resulting in an increase in overall revenue over the forecast horizon.

Figure 29 Short-term Toll Facility Revenue
June 2010 forecast
millions of dollars

	FY 2010	FY 2011	2009-11 Biennium	FY 2012	FY 2013	2011-13 Biennium
Tacoma Narrows Bridge						
Toll Revenue	$ 44.68	$ 46.46	$ 91.14	$ 48.87	$ 50.74	$ 99.61
Fines and Fees	$ 0.66	$ 0.47	$ 1.13	$ 0.10	$ 0.10	$ 0.20
Civil Penalty Fines	$ 0.00	$ 0.15	$ 0.15	$ 0.74	$ 1.27	$ 2.01
Sales	$ 0.62	$ 0.65	$ 1.27	$ 0.69	$ 0.72	$ 1.41
SR 167 HOT Lane						
Toll Revenue	$ 0.48	$ 0.48	$ 0.92	$ 0.41	-	$ 0.41
Fines and Fees	$ 0.00	$ 0.00	$ 0.00	$ 0.00	-	$ 0.00
Sales	$ 0.07	$ 0.08	$ 0.15	$ 0.07	-	$ 0.07
Total Toll Facility Revenue						
Total	**$ 46.51**	**$ 48.29**	**$ 94.80**	**$ 50.88**	**$52.83**	**$ 103.71**
% Change from Prior Fcst	-3.74%	-4.62%	**-4.19%**	-3.05%	0.14%	**-1.48%**

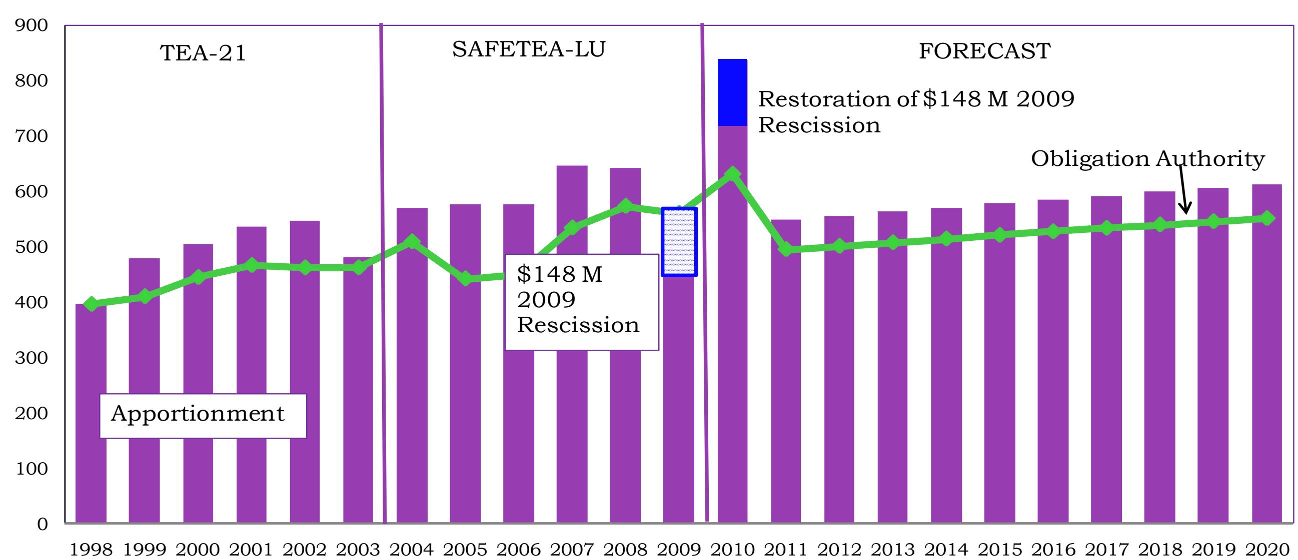
Federal Funds

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 30 describes the amount of federal apportionment and obligation authority to Washington State since 1998 with the inclusion of the June 2010 forecast of federal funds. This time period includes the

Figure 30 Federal Apportionment and Obligation Authority (OA) to Washington (millions of dollars): Federal Fiscal Years 1998-2020 with the June 2010 Forecast



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. In 2010, the 2009 rescission was restored adding back $148 million to Washington.

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 2005-2009. Furthermore, actual account receipts were lower than had been estimates 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 $13 billion in 2010 from the General Fund of the Treasury to the HTF in order to pay for obligated transportation projects.

Washington's Federal Apportionment Forecast

The June 2010 forecast for Washington's apportionment of Federal Highway Trust Fund receipts includes the Federal Highway Administration for 2005 through 2009 form the basis of the federal funds forecast, updated with Federal Highway Administration notices as they are received. June's apportionment forecast for FFY 2010 is based on the most current continuing resolution notice N4510.723, dated April 20, 2010. The federal funding level for FFY 2010 includes the restoration of the 2009 rescission amount of $148 million. The June total federal apportionment is $837 million for FFY 2010 which is 91% higher than projected in the February forecast at $439 million. The February forecast did not assume the restoration of the 2009 rescission and it forecasted a 20% decline in federal funding from FFY 2009 pre-rescission level.

The apportionment forecast for FFY 2011 is based the first three months of the federal fiscal year (October –December 2010) being funded per notice N4510.723 and the remaining 9 months projected at 80% of the average monthly funding level of the base FFY 2010 pre-restored rescission apportioned level of $651 million. June's FFY 2011 forecast is $549 million which is 2.1% above the February 2010 forecast of $538 million. June's forecast is higher due to the higher federal funding level for three months in the April 2010 notice. The year over year reduction in federal funding of 34% between FFY 2010 and FFY 2011 includes both the one-time restoration of the 2009 rescission and the uncertain nature of the funding in the Highway Trust Fund. The apportionment forecast for FFY 2012 assumes a year over year growth rate of 1.5% and then annually the growth rates decline to 1% over the course of the forecast horizon. In this June forecast, the apportionment level for Washington also includes an $11 million reduction due to civil penalties being imposed beginning in FFY 2010.

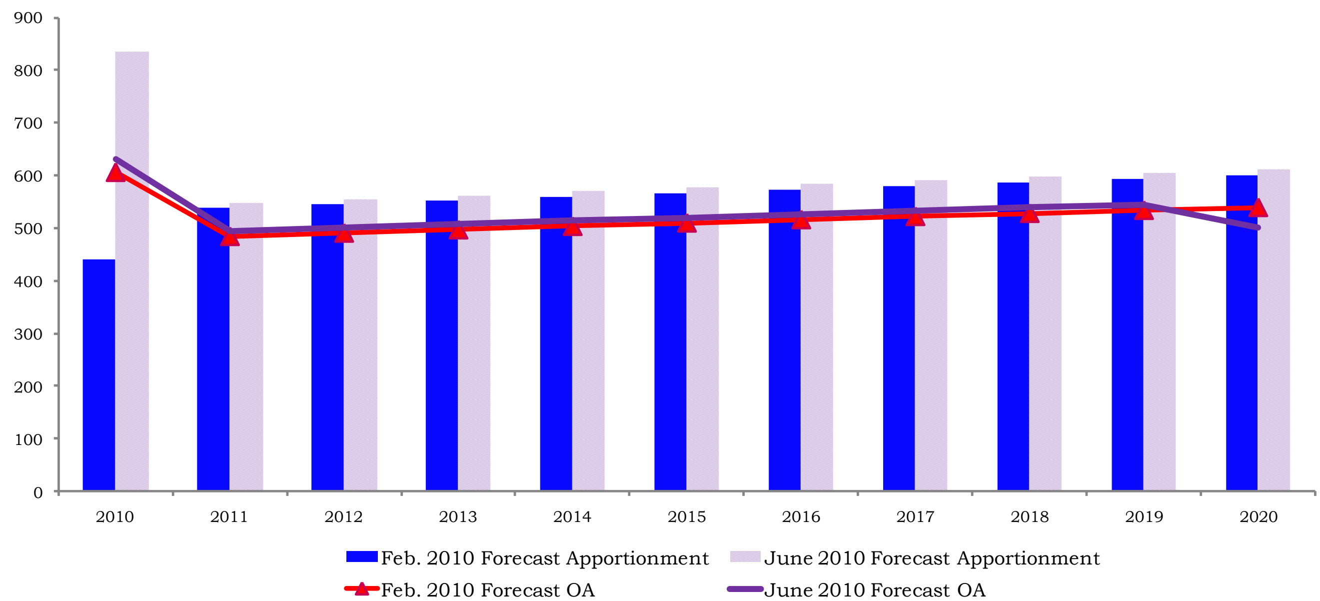
Washington's Obligation Authority Forecast

The obligation authority forecast for FFY2010 is based on notice N4520.205, dated April 30, 2010. Connecting the federal forecast to this new federal notice resulted in a slight upward revision in FFY 2010 OA level from the February forecast. The OA level in FFY 2010 did not increase substantially (4.1%) from the prior forecast as opposed to the apportionment level increasing 91%. The obligation authority forecast for FFY2011 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. The OA levels in FFY2011 and beyond did not change much at all from the previous forecast.

Allocations of SAFETEA-LU Funds

The forecasts of the transportation structure for FFY 2010 through 2027 will 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 forecast maintains the same state and local splits for the 2009-2011 legislative sessions. Earmarked high priority projects and discretionary authorizations reflect the projects listed in the SAFETEA-LU transportation authorization bill and other subsequent legislation.

Figure 31 Federal Apportionment and Obligation Authority (OA) to Washington (millions of dollars): February vs. June 2010 Forecast Comparison Federal Fiscal Years 2010-20



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 allows 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 million per year in lower federal funding. Washington is one of 13 states which receive this penalty.

Recent Changes in Federal Forecast

- In the last forecast, the federal obligation authority for FFY 2010 exceeded the federal apportionment level.
- The new addition to the federal funds forecast for June for FFY 2010 is including the impacts from recent federal continuing resolutions for FFY 2010. This increased the FFY 2010 apportionment level by 91% from the prior forecast. The February federal funds forecast was based on continuing resolution notice N4510.715 dated February 13, 2009 and no restoration of the 2009 rescission.
- Per notice 4510.723, civil penalties of $11 million per year are now being imposed by the federal government due to Washington's law being more lenient than federal law. This explains the approximately 2% difference in federal funding in federal fiscal years 2012 and beyond.

Figure 32 Washington's portion of Federal Highway Funds by Federal Fiscal Year June 2010 forecast

millions of dollars

	FFY 2010	FFY 2011	FF 2012	FY 2013
WA Statewide Apportionment of FHWA Programs	**$837.2**	**$549.2**	**$555.8**	**$562.9**
% Change from Prior Fcst	90.5%	2.1%	2.0%	2.0%
Obligation Authority	**$630.6**	**$494.3**	**$500.2**	**$506.6**
% Change from Prior Fcst	4.1%	2.1%	2.0%	2.0%

Forecast Contacts

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Economic Variables and Fuel Price Forecast

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Motor Fuel Tax Revenue Forecast

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Motor Vehicle Licenses, Permits & Fees Revenue Forecast

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Driver Related Revenue Forecasts

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Washington State Ferries Ridership and Revenue Forecast

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Vehicle Miles Traveled Forecast

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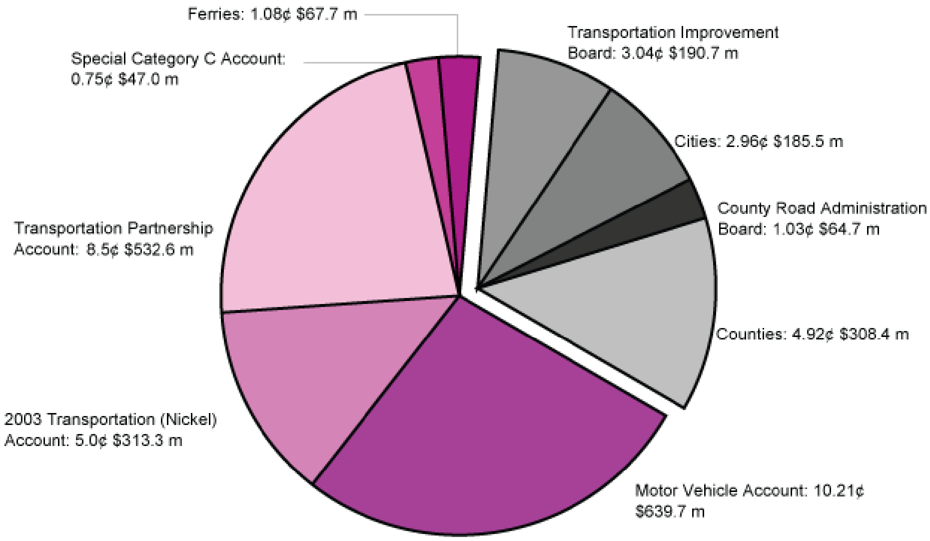
Appendix

Graphs and Tables Related to the June 2010 Forecast
Including distribution of revenues to the major accounts

Motor Fuel Tax Revenue for Distribution

The pie chart below shows the statutory distribution of funds to the various jurisdictions based on the June 2010 fuel tax revenue forecast for the 2009-2011biennium.

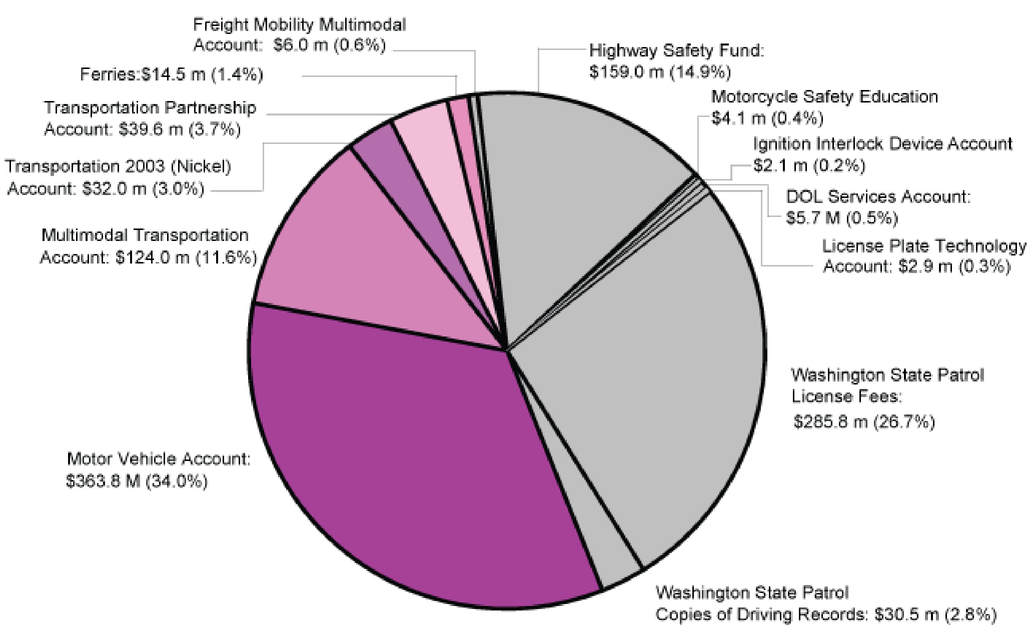
Figure 33 Fuel Tax Revenue for Statutory Distribution
2009–11 • $2,349.85 million



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 June 2010 Licenses, Permits and Fees revenue forecast for the 2009-2011biennium.

Figure 34 License Permits and Fees Revenue for Statutory Distribution
2009–11 $874.41 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 35 Motor Vehicle Account Revenue *dollars in millions*	2009-11		2011-13		16-Year Period (2011-2027)	
	Forecast Jun 10	Chg from Feb 10	Forecast Jun 10	Chg from Feb 10	Forecast Jun 10	Chg from Feb 10
Revenues						
Gross Fuel Tax Collections (Gas & Diesel)	2,485	(42.5)	2,554	(43.6)	23,038	357.0
Licenses, Permits, & Fees	363	(6.2)	381	(4.2)	3,360	(36.1)
Business-Related Revenue	9	(7.9)	13	(1.2)	100	(15.5)
Total	**2,856**	**(56.6)**	**2,949**	**(49.0)**	**26,498**	**305.4**
Distribution						
Refunds-Regular	117	(3.4)	126	(3.5)	1,184	(44.5)
Fuel Tax Distributions for Local Uses[1]	733	(11.6)	751	(12.6)	6,752	(117.6)
Fuel Tax Distributions for State Uses[2]	971	(15.3)	994	(16.3)	8,949	(150.7)
Total	**1,821**	**(30.4)**	**1,871**	**(32.4)**	**16,885**	**(312.8)**
Net Revenue	**1,036**	**(26.2)**	**1,078**	**(16.6)**	**9,613**	**618.1**

Components may not add due to rounding.
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 36 Transportation 2003 (Nickel) Account *dollars in millions*	2009-11		2011-13		16-Year Period (2011-2027)	
	Forecast Jun 10	Chg from Feb 10	Forecast Jun 10	Chg from Feb 10	Forecast Jun 10	Chg from Feb 10
Revenue						
5¢ Gas Tax	313	(4.9)	321	(5.3)	2,888	(48.6)
Licenses, Permits and Fees	32	0.2	34	0.1	296	(2.2)
Total	**345**	**(4.7)**	**355**	**(5.2)**	**3,183**	**(50.8)**

Components may not add due to rounding.

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 37 Transportation Partnership Account *dollars in millions*	2009-11		2011-13		16-Year Period (2011-2027)	
	Forecast Jun 10	Chg from Feb 10	Forecast Jun 10	Chg from Feb 10	Forecast Jun 10	Chg from Feb 10
Revenue						
5¢ Gas Tax	533	(8.4)	546	(9.0)	4,909	(82.7)
Licenses, Permits and Fees	40	(0.8)	41	(0.7)	368	(6.3)
Total	**572**	**(9.1)**	**587**	**(9.7)**	**5,277**	**(89.0)**

Components may not add due to rounding.

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 38 Washington State Ferries Accounts *dollars in millions*	2009-11		2011-13		16-Year Period (2011-2027)	
	Forecast Jun 10	Chg from Feb 10	Forecast Jun 10	Chg from Feb 10	Forecast Jun 10	Chg from Feb 10
Revenue						
Puget Sound Ferry Op. Acct. (109)						
Ferry Fares	293	(0.7)	308	(6.8)	2,773	(86.6)
Concessions & Other Revenue	7	(0.0)	8	0.4	89	4.7
Fuel Tax	43	(0.7)	45	(0.7)	403	(6.8)
Licenses, Permits and Fees	14	(0.1)	15	(0.0)	135	(0.4)
Subtotal	**358**	**(1.6)**	**376**	**(7.2)**	**3,400**	**(89.0)**
Puget Sound Cap. Const. Acct. (099) Fuel Tax	34	(0.5)	35	(0.6)	315	(5.3)
Total	**392**	**(2.1)**	**411**	**(7.7)**	**3,716**	**(94.3)**

Components may not add due to rounding.

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 39 Multimodal Account *dollars in millions*	2009-11		2011-13		16-Year Period (2011-2027)	
	Forecast Jun 10	Chg from Feb 10	Forecast Jun 10	Chg from Feb 10	Forecast Jun 10	Chg from Feb 10
Revenue						
Licenses, Permits and Fees	124.0	0.2	131.1	1.1	1,165.0	8.0
Rental Car Tax	43.1	(0.7)	47.7	(0.9)	540.7	(12.3)
Vehicle Sales Tax	56.7	(1.6)	66.4	(3.1)	720.7	(13.6)
Total	**223.9**	**(2.0)**	**245.3**	**(3.0)**	**2,426.3**	**(17.9)**

Components may not add due to rounding.

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 40 Aeronautics Account *dollars in thousands*	2009-11		2011-13		16-Year Period (2011-2027)	
	Forecast Jun 10	Chg from Feb 10	Forecast Jun 10	Chg from Feb 10	Forecast Jun 10	Chg from Feb 10
Revenue						
Aircraft Dealer License Fees	8.1	0.0	8.1	0.0	64.8	0.0
Aircraft Excise Tax	52.7	0.0	54.9	0.0	448.0	0.0
Aircraft Fuel Tax	4,708.8	530.8	5,118.1	946.6	42,861.7	6,675.7
Aeronautics Transfer (from MV Fund)	565.3	(5.4)	572.8	(7.1)	4,984.3	(49.5)
Aircraft Registrations	180.9	0.0	183.5	0.0	1,532.4	0.0
Total	**5,515.8**	**525.4**	**5,937.4**	**939.5**	**49,891.2**	**6,626.2**

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 41 Tolling Accounts *dollars in millions*	2009-11		2011-13		16-Year Period (2011-2027)	
	Forecast Jun 10	Chg from Feb 10	Forecast Jun 10	Chg from Feb 10	Forecast Jun 10	Chg from Feb 10
Revenue						
Tacoma Narrows Bridge Account						
Toll Revenues	91.1	(3.3)	99.6	(1.5)	907.0	(4.2)
Transponder Sales	1.3	(0.0)	1.4	(0.0)	12.9	(0.2)
Violations	0.9	(0.5)	0.0	(1.5)	0.0	(14.1)
Civil Penalties	0.2	0.2	2.0	2.0	25.3	25.3
Fees	0.2	0.0	0.2	0.0	1.7	0.0
Subtotal Tacoma Narrows Bridge	**93.7**	**(3.6)**	**103.2**	**(1.1)**	**946.9**	**6.8**
HOT Lanes Operations Account ^						
Toll Revenues	0.9	(0.3)	0.4	(0.5)	0.4	(0.5)
Transponder Sales	0.1	(0.0)	0.1	(0.0)	0.1	(0.0)
Fees	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal HOT Lanes Operations	1.1	(0.4)	0.5	(0.5)	0.5	(0.5)
Total Tolling Revenues	**94.8**	**(4.0)**	**103.7**	**(1.6)**	**947.4**	**6.2**

^ HOT Lanes pilot program expires at the end of April 2012

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. 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
- Miscellaneous
- Copies of records
- Motorcycle permits and endorsements
- Motor vehicle filing fees

Figure 42 Highway Safety/Motorcycle Safety/WSP *dollars in millions*	2009-11		Current Biennium 2011-13		16-Year Period (2011-2027)	
	Forecast Jun 10	Chg from Feb 10	Forecast Jun 10	Chg from Feb 10	Forecast Jun 10	Chg from Feb 10
Revenue						
Highway Safety						
Driver License Fees	122	(0.6)	124	(0.1)	1,062	(27.4)
Copies of Records	33	0.1	34	0.0	293	0.0
Motor Vehicle Filing Fees	0	0.0	0	0.0	0	0.0
Other and Miscellaneous	4.1	0.1	4	(0.2)	35	(1.4)
Subtotal	**159**	**(0.3)**	**162**	**(0.2)**	**1,390**	**(28.8)**
Motorcycle Safety Permits/Endorsements	4	0.1	4	(0.0)	40	(0.6)
State Patrol Copies of Records (ADR) / LPF	316	(1.7)	333	(0.5)	2,966	(7.2)
Subtotal	**320**	**(1.6)**	**337**	**(0.5)**	**3,007**	**(7.8)**
Total	**479**	**(2.0)**	**499**	**(0.8)**	**4,396**	**(36.6)**

Components may not add due to rounding.