Transportation Revenue Forecast Council

June 2011 Transportation Economic and Revenue Forecasts

Volume I: Summary Document

Washington Transportation
Economic and Revenue Forecast
June 2011 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 2011 transportation revenue forecast.

- June 2011 transportation forecast of revenues: $4.072 billion for the current biennium which represents a decrease of -0.17% over the prior 2007-09 biennium.
- Overall transportation revenue is up 0.3% in the current biennium ($10.2 million) with the largest share of the increase being higher diesel fuel tax collections. All other revenue sources are up slightly in the current biennium, except for licenses, permits and fees and ferry revenue.
- Beginning next biennium, this June forecast is the first time to include SR 520 toll revenue. Future forecasts will incorporate the actual starting date for SR 520 toll revenue.
- In the upcoming 2011-13 biennium, total transportation revenues are up $131.6 million almost exclusively due to the inclusion of the SR 520 toll revenue forecast. Without the changes in toll revenue in June, transportation revenues would have been $5.6 million (0.1%) higher than in March.
- For the entire 16-year forecast horizon, total revenues are up 4.4% from the March forecast again due to the inclusion of SR 520 toll revenue. The changes in non-toll transportation revenue over the 16 year horizon would still have been up minimally by 0.2% or $80.7 million.
- New May projections of near-term real personal income are down slightly from the last forecast but non-farm employment growth rates are down slightly in June from the prior forecast. These economic variable adjustments caused some transportation revenues to be lower in the near-term and throughout the forecast horizon. In the current fiscal year, on average retail gas and diesel price forecasts are up minimally from the prior forecast but the projections of retail gas prices have increased faster. Wholesale diesel prices are up minimally from prior projections for FY 2011.
- The primary reason for the change in fuel taxes in the current year has been the higher than anticipated diesel tax collections since the last forecast. For the current biennium, gasoline and diesel consumption have been revised upward from the March forecast and revenues are $2,492.3 million in total: $2,008.8 million for gas tax collections and $483.5 million for diesel tax collections. This is higher by $12.4 million or 0.5% from the prior forecast.
- In the 2009-11 biennium, the vehicle licenses, permits and fee forecast is down by $3.6 million or 0.4% from the last forecast due to lower truck revenue projections. In subsequent biennia, the vehicle licenses, permits and fees revenue forecast is also down slightly about 0.2%.
- Baseline total ferry revenue is $300.3 million and is a no change forecast in the current biennium from the prior forecast and it is down $5 million (1.7%) in the 2011-13 biennium. Over the entire 16-year forecast horizon, ferry revenue is down $29.4 million (1%) over the March 2011 forecast.
- Toll revenue is $93.9 million in the current biennium and this did not changed from March. In the future biennia, the toll revenue forecast includes the addition of the SR 520 bridge tolls.

In FY 2010, transportation revenues were $2.014 billion which was a decline of 1% over the prior fiscal year as the economy struggled from the recession. In FY 2011, transportation revenues are projected at $2.06 billion or 2.3% over FY 2010. This is an increase in total transportation revenue of 0.5% from the March forecast. Overall during the entire 16-year forecast horizon, transportation revenues are projected to grow on average 1.2% each year.

Figure 1 Total Transportation Revenues Comparison
June vs March 2011 forecasts
millions of dollars

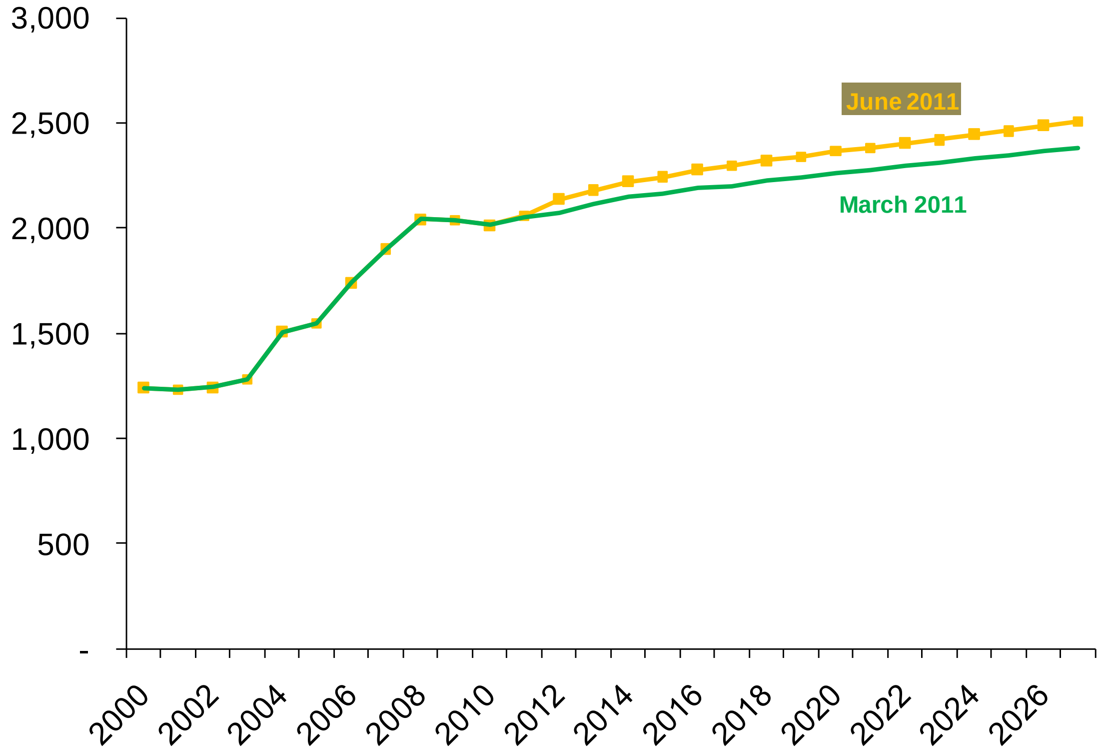
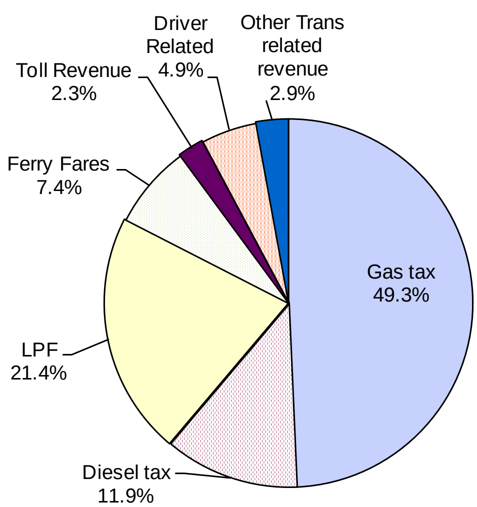


Figure 2 Revenue by Source
2009-11 biennium ($4.072 billion)



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 for 2009-11 biennium, ($4.072 billion) in June 2011. Gasoline fuel taxes comprise the share of all transportation revenue at 49.3% 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 21.4% 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 82.6% of state transportation revenues in the 2009-11 biennium. The remaining 17.4% consists of ferry fares, toll revenue, driver related revenue and other transportation related revenue.

In this June 2011 forecast, the forecast to forecast and forecast to baseline are the same since the March 2011 forecast is the current baseline forecast. As Figure 3 indicates, in the current biennium, transportation revenues are up since the last forecast by $10.2 million or 0.3% of $4.072 billion projected of total transportation revenues in June. The largest increase in revenues has been due to higher diesel and gas tax revenue at $12.4 million. Over the entire 16-year forecast horizon (2011-2027), the transportation revenue forecast for June 2011 is $37.5 billion up $1,674.8 million or 4.4% from the March 2011 forecast due primarily to the additional of the SR 520 toll revenue. If the June forecast had not included the change in toll revenue, forecast to forecast change would have been minor. In the next

Figure 3 Forecast to Forecast Biennium Comparison of All Transportation Revenues
June 2011 forecast - 16 year period *millions of dollars*

Forecast to Forecast Comparison for Transportation Revenues and Distributions **16-Year Period**
June 2011• millions of dollars

	Current Biennium 2009-2011			2011-2013			16-Year Period (2011-2027)		
	Forecast Jun-11	Chg from Mar-11	Percent Change	Forecast Jun-11	Chg from Mar-11	Percent Change	Forecast Jun-11	Chg from Mar-11	Percent Change
Sources of Transportation Revenue									
Motor Vehicle Fuel Tax Collections	2,492.3	12.4	0.5%	2,541.8	10.4	0.4%	21,100.0	105.4	0.5%
Licenses, Permits and Fees	870.3	(3.6)	-0.4%	911.7	(3.3)	-0.4%	8,065.1	(13.9)	-0.2%
Ferry Revenue†	300.3	(0.1)	0.0%	307.5	(5.2)	-1.7%	2,862.9	(29.4)	-1.0%
Toll Revenue §	93.9	0.0	0.0%	227.1	126.7	126.3%	2,420.3	1,494.7	161.5%
Aviation Revenues ‡	4.9	0.0	0.1%	5.9	0.0	0.2%	49.1	0.1	0.2%
Rental Car Tax	44.5	0.3	0.8%	49.0	0.5	1.1%	501.9	(0.5)	-0.1%
Vehicle Sales Tax	54.4	0.3	0.6%	61.2	0.8	1.3%	668.9	6.8	1.0%
Driver-Related Fees	200.6	0.8	0.4%	205.5	1.4	0.7%	1,745.9	10.5	0.6%
Business/Other Revenues ¥	11.1	0.1	0.8%	10.1	0.1	1.1%	95.1	0.9	1.0%
Total Revenues	**4,072.3**	**10.2**	**0.3%**	**4,319.9**	**131.6**	**3.1%**	**37,509.3**	**1,574.6**	**4.4%**
Distribution of Revenue									
Motor Fuel Tax Refunds and Transfers	**116.9**	**1.8**	**1.6%**	**129.1**	**1.1**	**0.9%**	**1,216.1**	**10.9**	**0.9%**
State Uses									
Motor Vehicle Account (108)	1,038.4	3.7	0.4%	1,065.0	0.7	0.1%	8,992.8	20.5	0.2%
Transportation 2003 (Nickel) Account (550)	346.6	0.7	0.2%	353.4	1.0	0.3%	2,928.5	12.0	0.4%
Transportation 2005 Partnership Account (09H)	574.7	1.3	0.2%	584.0	1.9	0.3%	4,840.9	19.4	0.4%
Multimodal Account (218)	222.3	0.6	0.3%	239.9	1.0	0.4%	2,320.4	4.4	0.2%
Special Category C Account (215)	47.2	0.2	0.4%	47.9	0.2	0.4%	394.8	1.9	0.5%
Puget Sound Capital Construction Account (099)	34.3	0.1	0.4%	34.9	0.1	0.4%	287.2	1.4	0.5%
Puget Sound Ferry Operations Account (109)	358.3	(0.0)	0.0%	367.0	(5.0)	-1.3%	3,364.8	(27.9)	-0.8%
Tacoma Narrows Bridge Account (511)	92.7	0.0	0.0%	99.8	0.0	0.0%	925.1	0.0	0.0%
High Occupancy Toll Lanes Account (09F)*	1.2	0.0	0.0%	1.3	0.8	144.6%	1.3	0.8	144.6%
SR 520 Corridor Account (16J)	0.0	0.0	0.0%	120.6	120.6	100.0%	1,446.4	1,446.4	100.0%
SR 520 Corridor Civil Penalities Account (17P)	0.0	0.0	0.0%	5.4	5.4	100.0%	47.5	47.5	100.0%
Aeronautics Account (039)	5.5	0.0	0.1%	5.9	0.0	0.2%	49.1	0.1	0.2%
State Patrol Highway Account (081)	312.6	(1.9)	-0.6%	328.9	(0.4)	-0.1%	2,926.2	(1.8)	-0.1%
Highway/Motorcycle Safety Accts. (106 & 082)	167.6	0.6	0.3%	172.1	1.2	0.7%	1,460.2	9.0	0.6%
Other accounts (201, 06T, 097, 09E, 216, 07C)	15.8	(0.0)	-0.1%	16.3	(0.0)	-0.2%	138.8	(0.2)	-0.1%
Ignition Interlock Deviuces Revolving Acct 14V	2.5	0.1	4.5%	1.7	0.1	3.4%	13.7	0.4	3.4%
Total for State Use	**3,219.7**	**5.3**	**0.2%**	**3,444.0**	**127.4**	**3.8%**	**30,137.6**	**1,534.1**	**5.4%**
Local Uses									
Cities	181.0	0.8	0.4%	183.7	0.8	0.4%	1,513.9	7.3	0.5%
Counties	296.3	1.3	0.4%	300.8	1.2	0.4%	2,480.1	11.9	0.5%
Transportation Improvement Board (112 & 144)	193.4	0.8	0.4%	196.3	0.8	0.4%	1,617.6	7.8	0.5%
County Road Administration Board (102 & 186)	65.0	0.3	0.4%	66.0	0.3	0.4%	543.9	2.6	0.5%
Total for Local Use	**735.7**	**3.1**	**0.4%**	**746.8**	**3.1**	**0.4%**	**6,155.6**	**29.6**	**0.5%**
Total Distribution of Revenue	**4,072.3**	**10.2**	**0.3%**	**4,319.9**	**131.6**	**3.1%**	**37,509.3**	**1,574.6**	**4.4%**
Total Distribution of Revenue less SR 520 revenue ¤	**4,072.3**	**10.2**	**0.3%**	**4,193.9**	**5.6**	**0.1%**	**36,015.3**	**80.7**	**0.2%**

† Ferry Fares plus non-farebox revenue
‡ Aviation Revenues and Business/Other Revenues net of amounts transferred to General Fund.
§ June 2011 forecast is the first forecast to include SR 520 toll revenue; SR 167 Hot Lanes account will expire at the end of 2011-13 biennium
¤ Excludes SR 520 Toll Revenues

biennium, the June total transportation revenue without the SR 520 toll revenue is estimated at $4.194 billion which is $6.8 million or 0.1% above the last forecast Over the 16 year forecast horizon, the current projection is $80.7 million above the March forecast due to higher diesel tax collections.

Figure 4 indicates the forecast to forecast comparison for the next ten year outlook. Between 2011-2021, the transportation revenue forecast for June 2011 is $22.8 billion which is up $881.7 million or 4% from the March 2011 forecast due primarily to the additional of SR 520 toll revenue collections. Non-toll transportation revenues are anticipated to grow minimally by $37.6 million or 0.2% over the last forecast during the 10 year forecast horizon.

Figure 4 Forecast to Forecast Biennium Comparison of All Transportation Revenues
June 2011 forecast - 10 year period *millions of dollars*

Forecast to Forecast Comparison for Transportation Revenues and Distributions 10-Year Period
June 2011• *millions of dollars*

	Current Biennium 2009-2011			2011-2013			10-Year Period (2011-2021)		
	Forecast Jun-11	Chg from Mar-11	Percent Change	Forecast Jun-11	Chg from Mar-11	Percent Change	Forecast Jun-11	Chg from Mar-11	Percent Change
Sources of Transportation Revenue									
Motor Vehicle Fuel Tax Collections	2,492.3	12.4	0.5%	2,541.8	10.4	0.4%	13,018.7	55.0	0.4%
Licenses, Permits and Fees	870.3	(3.6)	-0.4%	911.7	(3.3)	-0.4%	4,833.9	(12.6)	-0.3%
Ferry Revenue†	300.3	(0.1)	0.0%	307.5	(5.2)	-1.7%	1,705.0	(18.4)	-1.1%
Toll Revenue §	93.9	0.0	0.0%	227.1	126.7	126.3%	1,398.3	844.9	152.7%
Aviation Revenues ‡	4.9	0.0	0.1%	5.9	0.0	0.2%	30.4	0.1	0.2%
Rental Car Tax	44.5	0.3	0.8%	49.0	0.5	1.1%	285.9	0.7	0.3%
Vehicle Sales Tax	54.4	0.3	0.6%	61.2	0.8	1.3%	382.3	4.2	1.1%
Driver-Related Fees	200.6	0.8	0.4%	205.5	1.4	0.7%	1,065.7	7.2	0.7%
Business/Other Revenues ‡	11.1	0.1	0.8%	10.1	0.1	1.1%	56.1	0.6	1.1%
Total Revenues	**4,072.3**	**10.2**	**0.3%**	**4,319.9**	**131.6**	**3.1%**	**22,776.3**	**881.7**	**4.0%**
Distribution of Revenue									
Motor Fuel Tax Refunds and Transfers	116.9	1.8	1.6%	129.1	1.1	0.9%	721.5	5.8	0.8%
State Uses									
Motor Vehicle Account (108)	1,039.0	3.7	0.4%	1,065.0	0.7	0.1%	5,496.3	7.0	0.1%
Transportation 2003 (Nickel) Account (550)	346.6	0.7	0.2%	353.4	1.0	0.3%	1,808.4	6.0	0.3%
Transportation 2005 Partnership Account (09H)	574.7	1.3	0.2%	584.0	1.9	0.3%	2,987.0	9.8	0.3%
Multimodal Account (218)	222.3	0.6	0.3%	239.9	1.0	0.4%	1,357.3	3.5	0.3%
Special Category C Account (215)	47.2	0.2	0.4%	47.9	0.2	0.4%	244.2	1.0	0.4%
Puget Sound Capital Construction Account (099)	34.3	0.1	0.4%	34.9	0.1	0.4%	177.7	0.7	0.4%
Puget Sound Ferry Operations Account (109)	358.3	(0.0)	0.0%	367.0	(5.0)	-1.3%	2,012.0	(17.6)	-0.9%
Tacoma Narrows Bridge Account (511)	92.7	0.0	0.0%	99.8	0.0	0.0%	552.9	0.0	0.0%
High Occupancy Toll Lanes Account (09F)*	1.2	0.0	0.0%	1.3	0.8	144.6%	1.3	0.8	144.6%
SR 520 Corridor Account (16J)	0.0	0.0	0.0%	120.6	120.6	100.0%	813.5	813.5	100.0%
SR 520 Corridor Civil Penalities Account (17P)	0.0	0.0	0.0%	5.4	5.4	100.0%	29.7	29.7	100.0%
Aeronautics Account (039)	5.5	0.0	0.1%	5.9	0.0	0.2%	30.4	0.1	0.2%
State Patrol Highway Account (081)	312.6	(1.9)	-0.6%	328.9	(0.4)	-0.1%	1,751.0	(1.3)	-0.1%
Highway/Motorcycle Safety Accts. (106 & 082)	167.6	0.6	0.3%	172.1	1.2	0.7%	891.4	6.1	0.7%
Other accounts (201, 06T, 097, 09E, 216, 07C)	15.8	(0.0)	-0.1%	16.3	(0.0)	-0.2%	84.4	(0.1)	-0.1%
Ignition Interlock Deviuces Revolving Acct 14V	2.5	0.1	4.5%	1.7	0.1	3.4%	8.6	0.3	3.4%
Total for State Use	**3,220.3**	**5.3**	**0.2%**	**3,444.0**	**127.4**	**3.8%**	**18,246.0**	**859.3**	**4.9%**
Local Uses									
Cities	181.0	0.8	0.4%	183.7	0.8	0.4%	936.6	3.9	0.4%
Counties	296.3	1.3	0.4%	300.8	1.2	0.4%	1,534.0	6.3	0.4%
Transportation Improvement Board (112 & 144)	193.4	0.8	0.4%	196.3	0.8	0.4%	1,000.7	4.1	0.4%
County Road Administration Board (102 & 186)	65.0	0.3	0.4%	66.0	0.3	0.4%	336.5	1.4	0.4%
Total for Local Use	**735.7**	**3.1**	**0.4%**	**746.8**	**3.1**	**0.4%**	**3,807.8**	**15.7**	**0.4%**
Total Distribution of Revenue	**4,072.8**	**10.2**	**0.3%**	**4,319.9**	**131.6**	**3.1%**	**22,775.3**	**880.7**	**4.0%**
Total Distribution of Revenue less SR 520 revenue ¤	**4,072.8**	**10.2**	**0.3%**	**4,193.9**	**5.6**	**0.1%**	**21,932.2**	**37.6**	**0.2%**

† Ferry Fares plus non-farebox revenue
‡ Aviation Revenues and Business/Other Revenues net of amounts transferred to General Fund.
§ June 2011 forecast is the first forecast to include SR 520 toll revenue; SR 167 Hot Lanes account will expire at the end of 2011-13 biennium
¤ Excludes SR 520 Toll Revenues

Economic Variables Forecast

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

WA Personal Income

The forecast of Washington personal income is projected by the Washington Economic and Revenue Forecast Council (ERFC), based on the May Global Insight forecast, May Blue Chip average US GDP growth rates, NYMEX fuel prices and other forecasted economic variables in the near term. The June 2011 forecast of Washington personal income had minor revisions to history as well as new projections. The June 2011 forecast of Washington personal income is slightly down due to ERFC lower projections of personal income in 2012 and 2013. Figure 5 illustrates that the current quarterly projections of Washington real personal income for 2011 being 2.7% growth versus 2.8% in the March forecast due to the less optimistic economic outlook for Washington in recent months.

In fiscal year 2010, Washington's real personal income came in at $261.2 billion which was lower than the prior year by 0.7%. On a quarterly basis, the June 2011 Washington personal income forecast is $270.8 billion for the second quarter of 2011 which is 0.1% lower than the previous forecast of $270.7 billion. In FY 2011, the annual growth rate in real personal income is up only slightly. The annual growth rate in FY 2012 is 2.7% which is lower than the last forecast of 3.2% versus. In FY 2013, the current forecast of Washington real personal income is 3.4% versus the March forecast of 3.5% so the forecast is only slightly lower. The June 2011 forecast uses OFM's 2011 long-term personal income projections which changed from the March forecast based on 2011 long-term personal income projections. The 2011 OFM forecast of personal income growth for fiscal years 2015 thru 2020 is 3.2% and for the remaining years beyond FY 2020 the personal income growth rate is 3.0%. These new long-term growth rates are slightly higher in the long-term than the prior year's projections. Figure 6 reveals the change in the annual growth rates for Washington personal income. For fiscal years FY 2011-13 the current annual growth rates are lower than the past forecast but FY 2014 is slightly higher than the last forecast representing a delay in the economic recovery. For the remaining years of the forecast horizon after FY 2015, the current growth rates of Washington personal income are slightly higher due to changes in long-term income growth.

WA Population

In November 2010, OFM released the 2010 long-term statewide population forecast. These population estimates were first incorporated into the November 2010 forecast. For FY 2011, the 2010 statewide population forecast is 1.3% annual growth. The 2010 population growth rate in FY 2012 is forecasted to be 1.3% annually. Yet, the 2010 population growth rate for FY 2013 is up year over year to 1.4%. In fiscal years 2014 - 2024, the 2010 population forecast growth rates are slowly declining from 1.3% to 1.1%.

WA Driver In-Migration

In 2010, Washington's new drivers in the state declined year over year by 1%, Figure 8. In FY 2011, the in-migration of drivers is projected to increase to 20% as opposed to 23.7% in the March forecast due to lower actual in-drivers in the state than anticipated in the past forecast. By FY 2012, the June 2011 forecast of Washington driver in-migration is projected to decline to -3% as opposed to -4.4% in the March forecast. This change is due to lower projections in the current fiscal year and slightly higher projections in the next fiscal year so the overall change between 2011 and 2013 in total in-drivers is close between the June and March forecasts.

U.S. Inflation

The U.S. inflation rate forecast is from Global Insight's May 2011 projection of the implicit price deflator (IPDC), (Figure 9). In 2011, the current forecast of the U.S. inflation rate as measured by the change in the IPDC is up to 1.6% which is 23% higher than the March forecast of 1.3%.In the near-term forecasts of inflation rates have risen dramatically due to higher fuel and food prices but the core elements of inflation have remained fairly constant. In FY 2012, the inflation rate is also up to 2.1%; 43% higher than the last forecast at 1.47%. In FY 2013, the inflation forecast is projected to grow by 1.4% which is 12.5% slower than the previous forecast of 1.6%. Then in FY 2014, the current forecast matches the prior forecast at 1.9%; in FY 2015, the current forecast is up slightly at 2.2% growth versus 2.1% in the last forecast. For the remainder of the forecast horizon, the inflation rates, are between 2% and as low as 1.6% in FY 2023.

U.S. Petroleum Products Price Index
The May 2011 Global Insight forecast for U.S. petroleum products price index has increased significantly in the current fiscal year since the last forecast, see Figure 10. The annual year over year change in this fuel price index is 18% for FY 2011 as opposed to 11.8% in the last forecast. In FY 2012, the growth rate in the US fuel price index is projected to be 10.9% which is 91% higher than the March forecast for the petroleum products index at 5.7%. In FY2013, the current forecast of the petroleum products price index growth rate is 3.7% as opposed to 2.7% in the last forecast. In the next four years, 2014-17, the annual percentage growth rates of this index are smaller than in March. The annual percentage change in the oil price index goes negative in FY 2020 but then turns positive again in the following year. Finally by FY 2027, the petroleum products price index annual growth rate reaches 1.4%.

Figure 5 Annual Percentage Change (%) in Select Economic Variables
June 2011 forecast

Fiscal Year	WA Personal Income	Annual Population	US General Prices (IPDC)	US Oil & Gas Price Index	US Fuel Efficiency (MPG)	WA non-farm Employ -ment	Nominal Consumer Sales on New Vehicles	WA Driver In-Migration
2010	-0.7	1.3	1.3	3.3	0.6	-4.0	7.3	-1.0
2011	2.7	1.3	1.6	17.9	0.9	0.5	14.8	20.2
2012	2.7	1.4	2.1	10.9	1.3	1.8	6.9	-3.4
2013	3.4	1.4	1.4	3.7	1.4	2.4	5.8	-3.3
2014	3.7	1.3	1.9	1.9	1.5	2.4	4.6	-3.5
2015	3.0	1.3	2.2	0.3	1.6	1.7	13.1	-2.3
2016	3.2	1.3	2.0	2.3	1.7	1.6	9.5	-1.5
2017	3.2	1.3	2.0	1.8	1.9	1.6	-1.7	-1.1
2018	3.2	1.2	2.0	1.0	2.0	1.6	-1.6	-0.8
2019	3.2	1.2	1.9	0.7	2.0	1.6	1.6	-0.6
2020	3.2	1.2	1.8	-1.1	2.1	1.6	1.8	-0.4
2021	3.0	1.1	1.8	0.1	2.2	1.5	0.9	-0.3
2022	3.0	1.1	1.7	1.0	2.3	1.1	2.0	-0.2
2023	3.0	1.1	1.6	0.2	2.2	1.1	2.9	-0.1
2024	3.0	1.1	1.8	0.7	2.2	1.1	1.9	-0.1
2025	3.0	1.1	1.9	1.3	2.2	1.1	2.2	-0.1
2026	3.0	1.1	1.9	1.3	2.2	1.1	1.8	-0.05
2027	3.0	1.1	1.9	1.4	2.2	1.1	1.8	-0.03

Source: Washington Economic and Revenue Forecast Council, Washington Office of Financial Management, May 2011 Global Insight forecast adjusted for Blue Chip average GDP growth rates and NYMEX crude oil prices

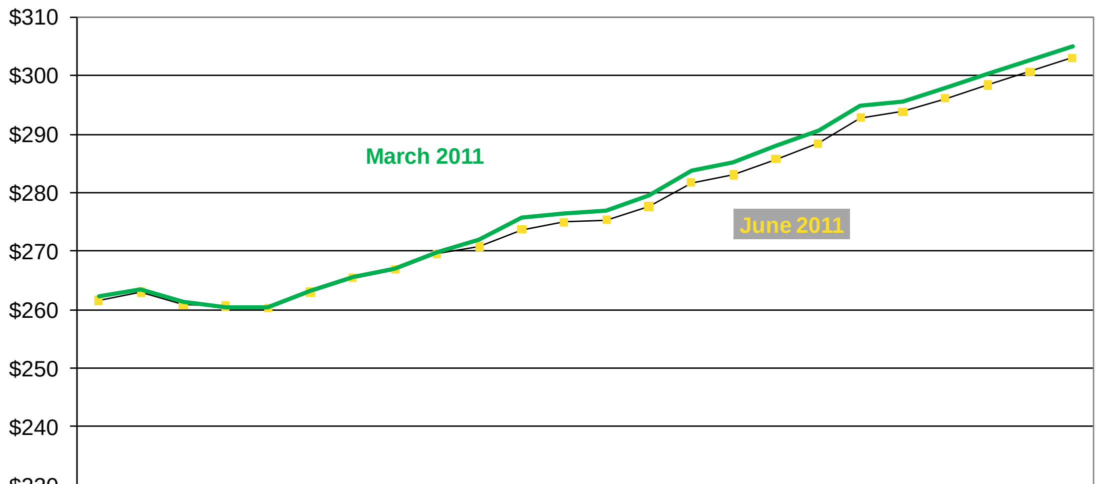
U.S. Fuel Efficiency (MPG)
U.S. Fuel Efficiency variable for the June 2011 forecast has remained the same as the March 2011 forecast by Global Insight. The fuel efficiency variable estimate in 2011 is assumed to be 20.4 miles per gallon for the entire US fleet of light vehicles which is no change from the last forecast. The vehicle fuel efficiency is projected to grow to 27.8 miles per gallon by 2027. The long-term forecast in fuel efficiency represents 32% growth between 2011 and 2027.

WA Total Non-Farm Employment and Employment in the Trade, Transportation and Utilities Sectors
Washington total non-farm employment declined 4% year over year in FY 2010. In this June forecast, Washington employment is projected to increase year over year by 0.5% in FY 2011. This is a minor revision upward from the March forecast of 0.1%. The recovery in the economy is expected to pick up in FY 2012 and FY 2013 with year over year growth rates in employment of 1.8% and 2.4% respectively but these projections are lower than previously anticipated at 2.2% and 2.8% from the March forecast. This reflects a slower than anticipated recovery in employment in the next two years. In FY 2014, the growth rate for employment is also anticipated to be 2.4% which is the same as the prior forecast. The economic growth in Washington employment in subsequent years is based on OFM's long-term employment projections and the growth rate slows in subsequent years. In FY 2015, Washington employment is forecasted to grow at 1.7% which is slightly below 1.9%. In subsequent years, this current forecast has slightly higher growth rates for non-ag. employment than the last forecast but the projected growth rates are still continuing to decline to as low as 1.1% by FY 2022.

Washington's employment in the trade, transportation and utilities sectors follows similar trends with the overall non-farm employment trends. In FY 2011, this industry category is anticipated to grow by 0.9% as opposed to 0.6% anticipated in March. In the current fiscal year, the trade, transportation and utilities sectors are anticipated to grow slightly faster than the overall non-farm employment. In FY 2012, and 2013, growth rates in this employment sector are also expected to pick up and grow at 2.4% and 2.9% respectively which are slower than anticipated in the last forecast at 2.8% and 3.2%.

U.S. Consumer Spending on New Motor Vehicles
Consumer spending on new motor vehicles throughout the U.S. has declined significantly in recent years, -11% in FY 2009 and some recovery has been made at 7% growth in FY 2010. 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 14.8% which nearly the same as the last projection of 14.7%. In FY 2012, the recovery for light vehicle sales continues with 6.9% growth rate, which is a lower projection than before at 8.5%. In fiscal years 2013 and 2014, the consumer spending on new vehicles is anticipated to be up 5.8% and 4.6% respectively which is more optimistic than the last forecast of 5% and 3.7%. By FY 2015, consumer spending is projected to spike again annually to 13% as opposed to 14% anticipated in March.

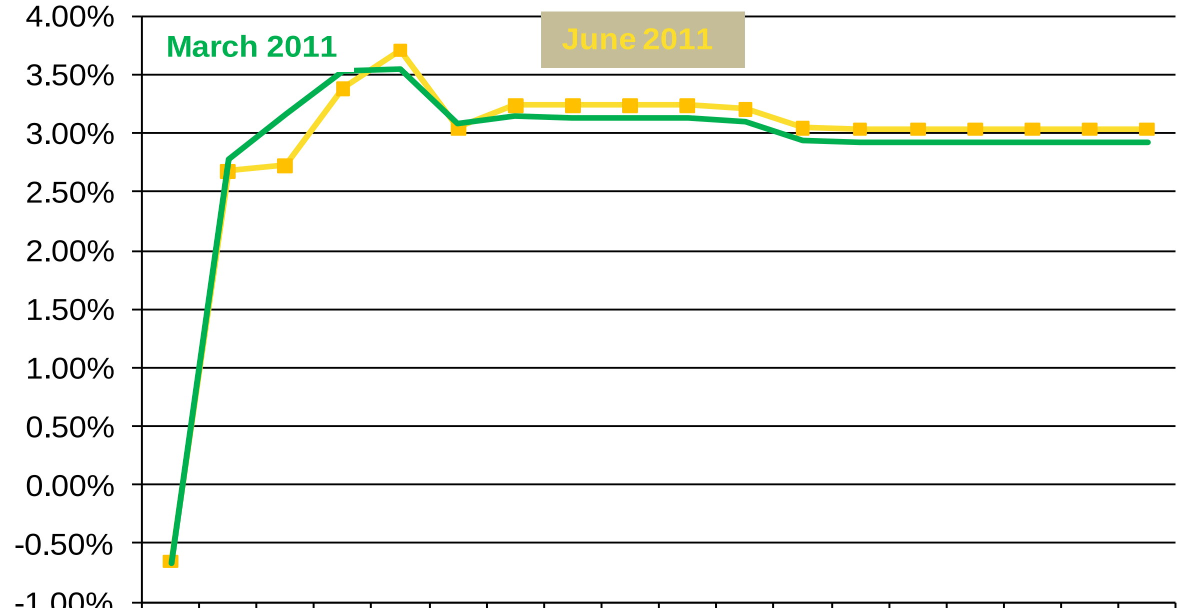
Figure 6 Comparison of Quarterly Washington Real Personal Income
June vs. March 2011
billions of dollars



	2009 Qtr 1	2009 Qtr 2	2009 Qtr 3	2009 Qtr 4	2010 Qtr 1	2010 Qtr 2	2010 Qtr 3	2010 Qtr 4	2011 Qtr 1	2011 Qtr 2	2011 Qtr 3	2011 Qtr 4	2012 Qtr 1	2012 Qtr 2	2012 Qtr 3	2012 Qtr 4	2013 Qtr 1	2013 Qtr 2	2013 Qtr 3	2013 Qtr 4	2014 Qtr 1	2014 Qtr 2	2014 Qtr 3	2014 Qtr 4
Jun-11	262	263	261	261	260	263	265	267	270	271	274	275	275	278	282	283	286	288	293	294	296	298	301	303
Mar-11	262	263	261	260	260	263	266	267	270	272	276	276	277	280	284	285	288	291	295	296	298	300	303	305

Source: Washington Economic and Revenue Forecast Council (May economic variables) and 2011 OFM long-term personal income forecast

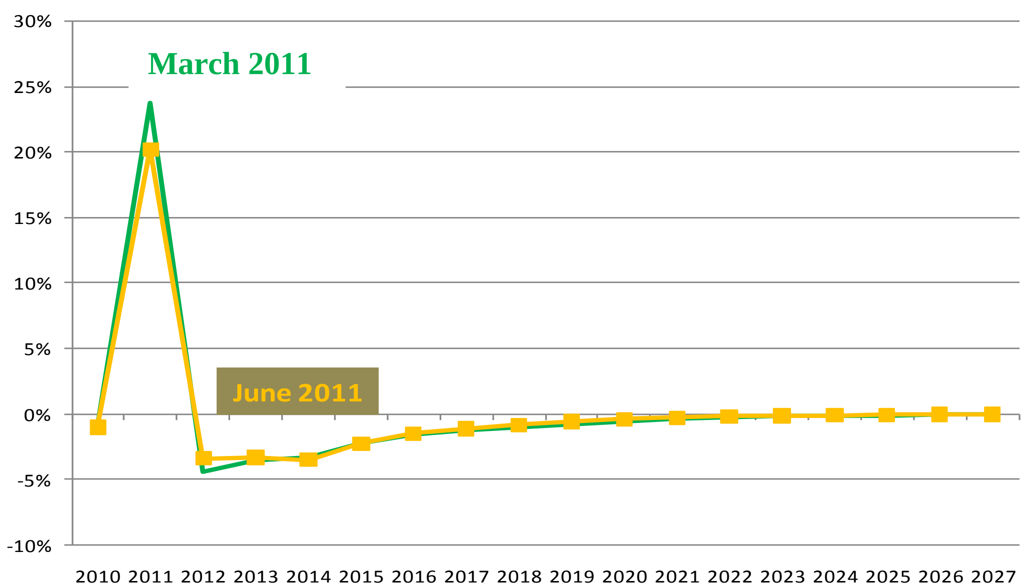
Figure 7 Forecast Comparison of Annual Growth Rates for Washington Real Personal Income June vs. March 2011



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
1-Jun	-0.7	2.7%	2.7%	3.4%	3.7%	3.0%	3.2%	3.2%	3.2%	3.2%	3.2%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Mar-11	-0.7	2.8%	3.2%	3.5%	3.5%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%

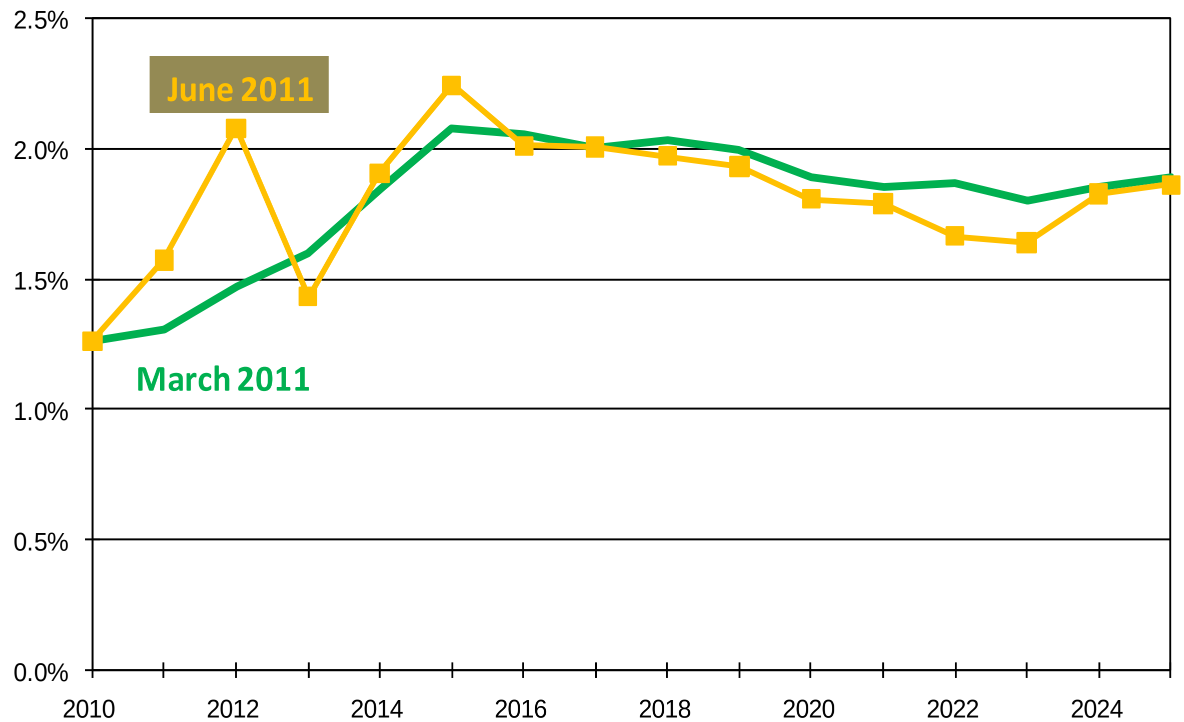
Source: Washington Economic and Revenue Forecast Council and 2010 and 2011 OFM long-term personal income growth rates

Figure 8 Forecast Comparison of 2009 and 2010 Annual Growth Rates for Driver In Population – June vs. March 2011



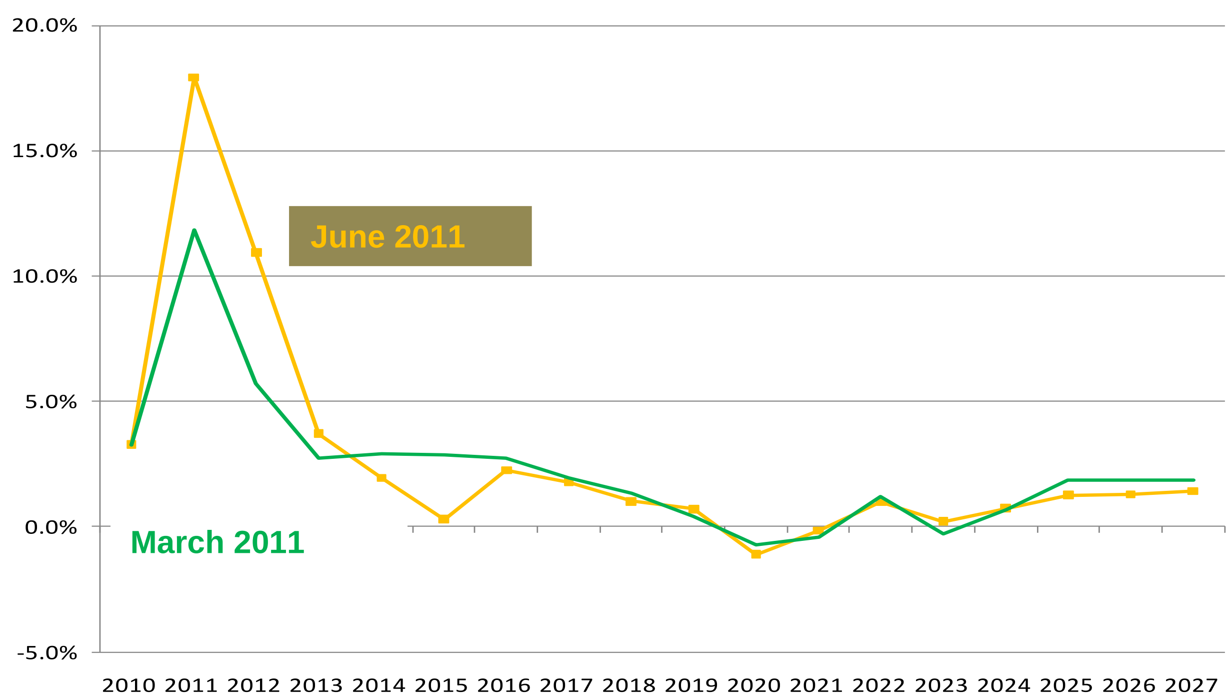
Source: Washington Office of Financial Management

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



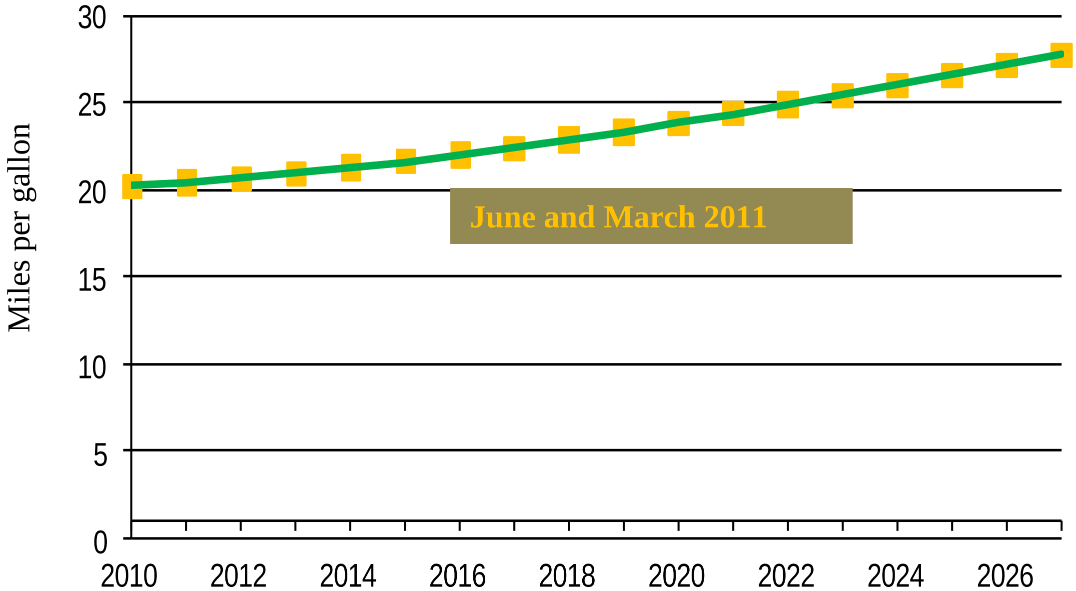
Source: Washington Economic and Revenue Forecast Council and May 2011 Global Insight forecast

Figure 10 Global Insight Oil/Gas Price Index Forecasts: Growth Rate Comparison June vs. March 2011



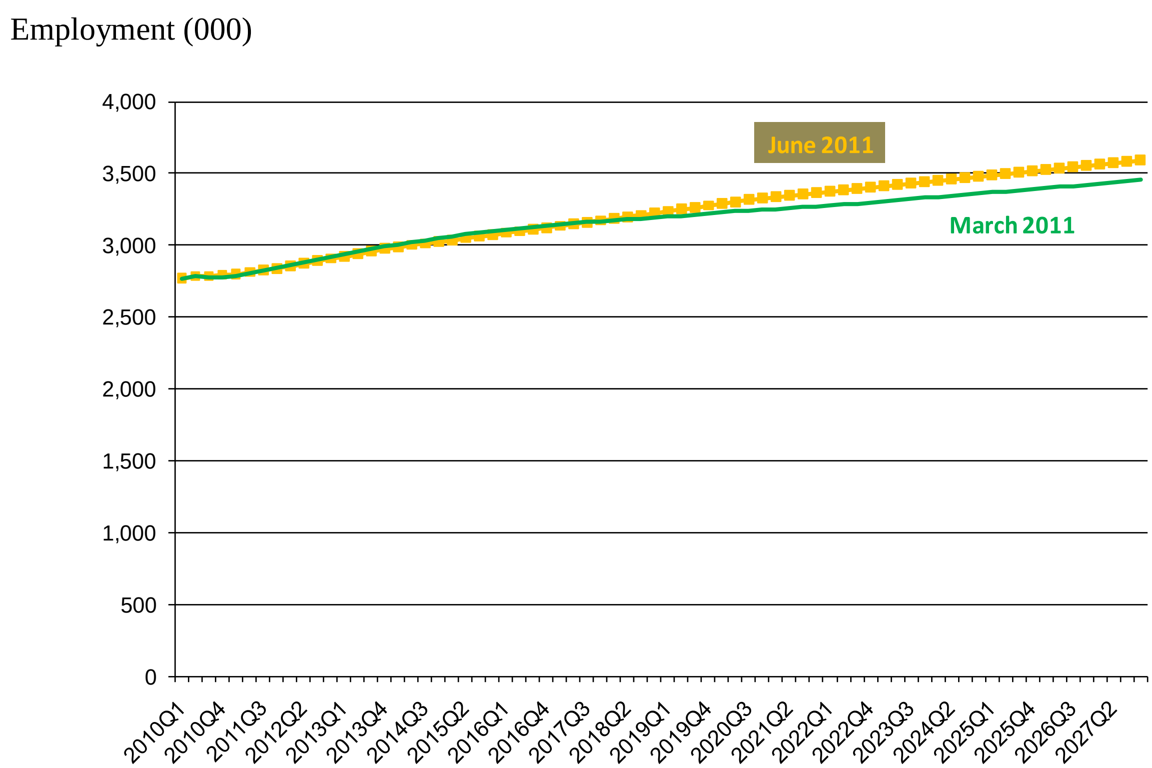
Source: May 2011 Global Insight forecast

Figure 11 US Average Fuel Efficiency: June vs. March 2011



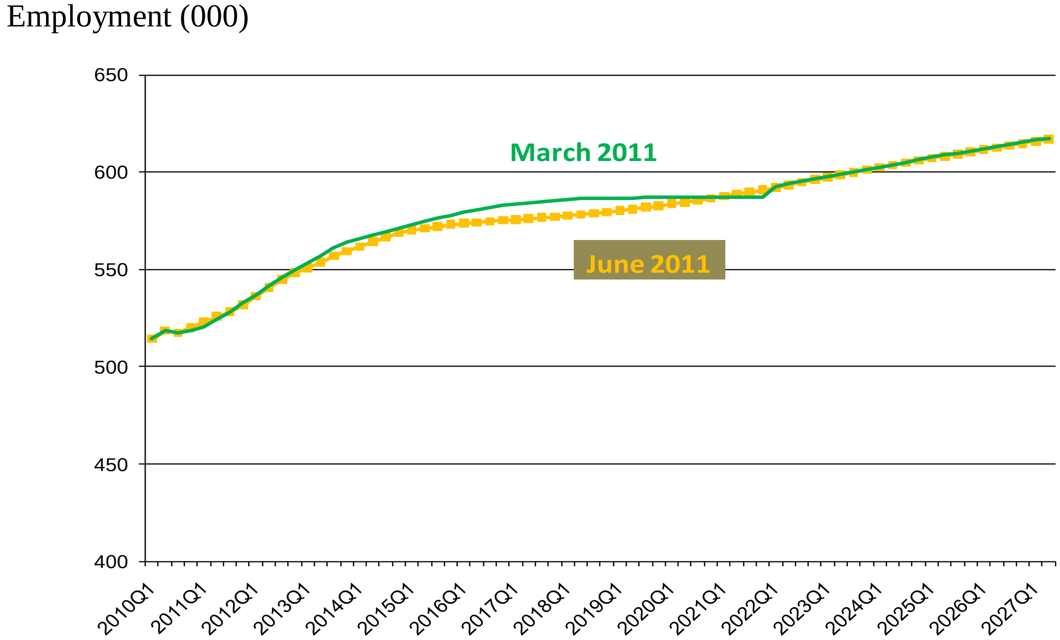
Source: May 2011 Global Insight US average fuel efficiency

Figure 12 Washington Nonfarm Payroll Employment Forecasts: June vs. March 2011



Source: May 2011 ERFC and Global Insight national employment forecast

Figure 13 Washington Nonfarm Payroll Employment – Trade, Transportation and Utilities Sectors (TTU) Forecasts: June vs. March 2011



Source: May 2011 ERFC and Global Insight national employment forecast

Motor Fuel Price Forecast

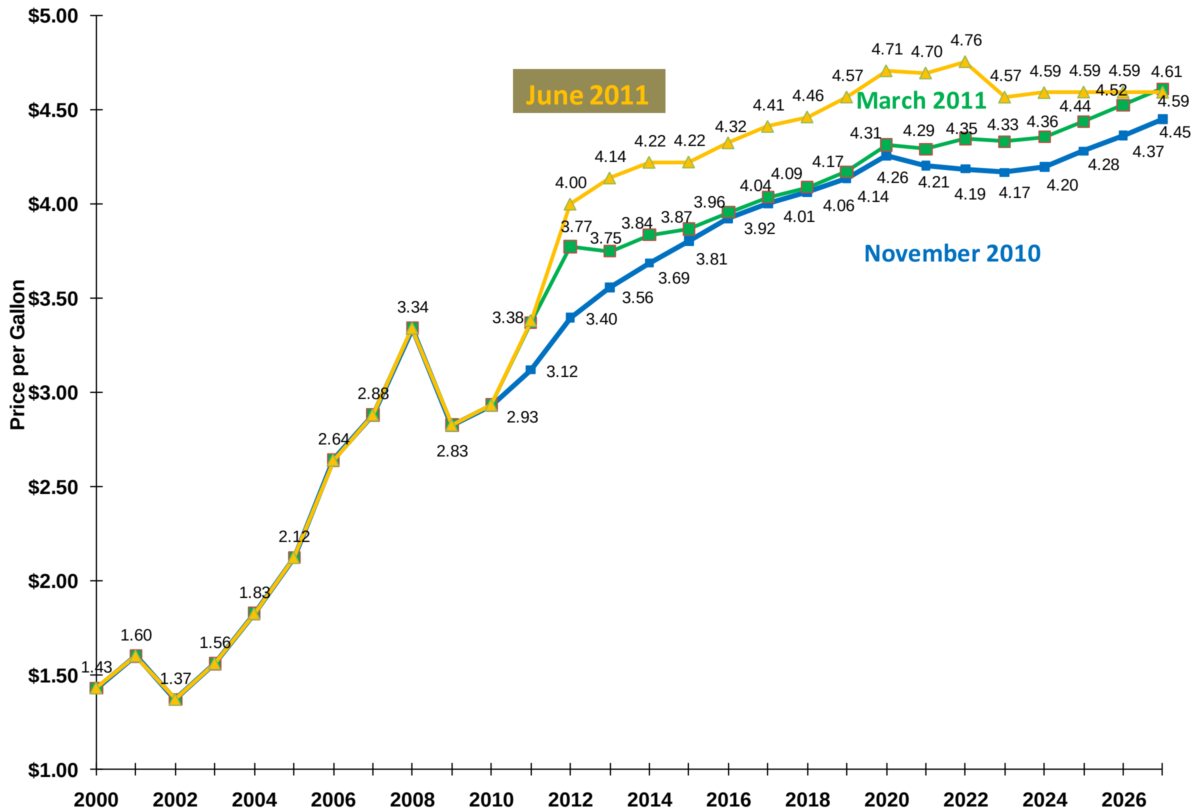
Washington's transportation revenues are affected by fuel prices. In particular, gasoline tax collections are negatively related with the price of gasoline. In addition, the Washington State Department of Transportation budget is heavily impacted by changes in fuel prices. Therefore, projections of fuel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

The June 2011 gas and diesel price forecasts are up from the March 2011 forecast throughout the forecast horizon. The June 2011 fuel price forecasts are also higher than the November 2010 forecast for all years of the forecast horizon. Like in March 2011, both gas and diesel price forecasts reveal a sharp run up in prices in 2011 making the two fuel price forecasts quite close in the current and near-term. Then the current gas price forecast rises slightly faster in FY 2012 and beyond. This current forecast for gasoline hits $4.00 per gallon sooner in FY 2012. The wholesale diesel price forecast remains nearly the same as the March forecast until FY 2014 when it grows slightly higher than previously anticipated.

Source of data for forecast

For the Washington retail price of gasoline, the actual fuel prices are collected from the Energy Information Administration (EIA) survey of retail prices for all grades of gasoline in the state. For the retail price of diesel, the actual prices are collected from AAA's weekly publication of retail prices for diesel in Washington. The actual wholesale diesel prices are reported by the Washington State Ferries. In the short term (thorough calendar year 2012), the fuel price forecasts are based on the Energy Information Agency (EIA) projections. In the long-term beyond calendar year 2012, the fuel price projections are based on Global Insight's national gas price forecast for the gas price forecast and the producer price index (PPI) for petroleum products projections for the diesel price forecasts from June 2011 forecast.

Figure 14 Forecast of Washington Retail Gasoline Prices, All Grades
June vs. March 2011 vs. November 2010 forecasts



U.S. crude oil price trend
U.S. crude oil prices of West Texas Intermediate Crude (WTI) were $75.2 per barrel on average in FY 2010. The projection for fiscal year 2011 is $91.62 per barrel which is the same as the projection in March. This represents a 22% increase in crude oil prices over fiscal year 2010. In the long-term, quarterly crude oil prices are expected to hit over $100 per barrel beginning second quarter of 2011. From 2012, crude oil prices are projected to increase to $107 per barrel and the projected price in FY 2013 was nearly the same. In FY 2014, crude oil price forecast is expected to increase to $109.9 and $112.9 per barrel by FY 2015. The long-term forecast for crude oil prices reaches the high point of $128.1 per barrel in FY 2027.

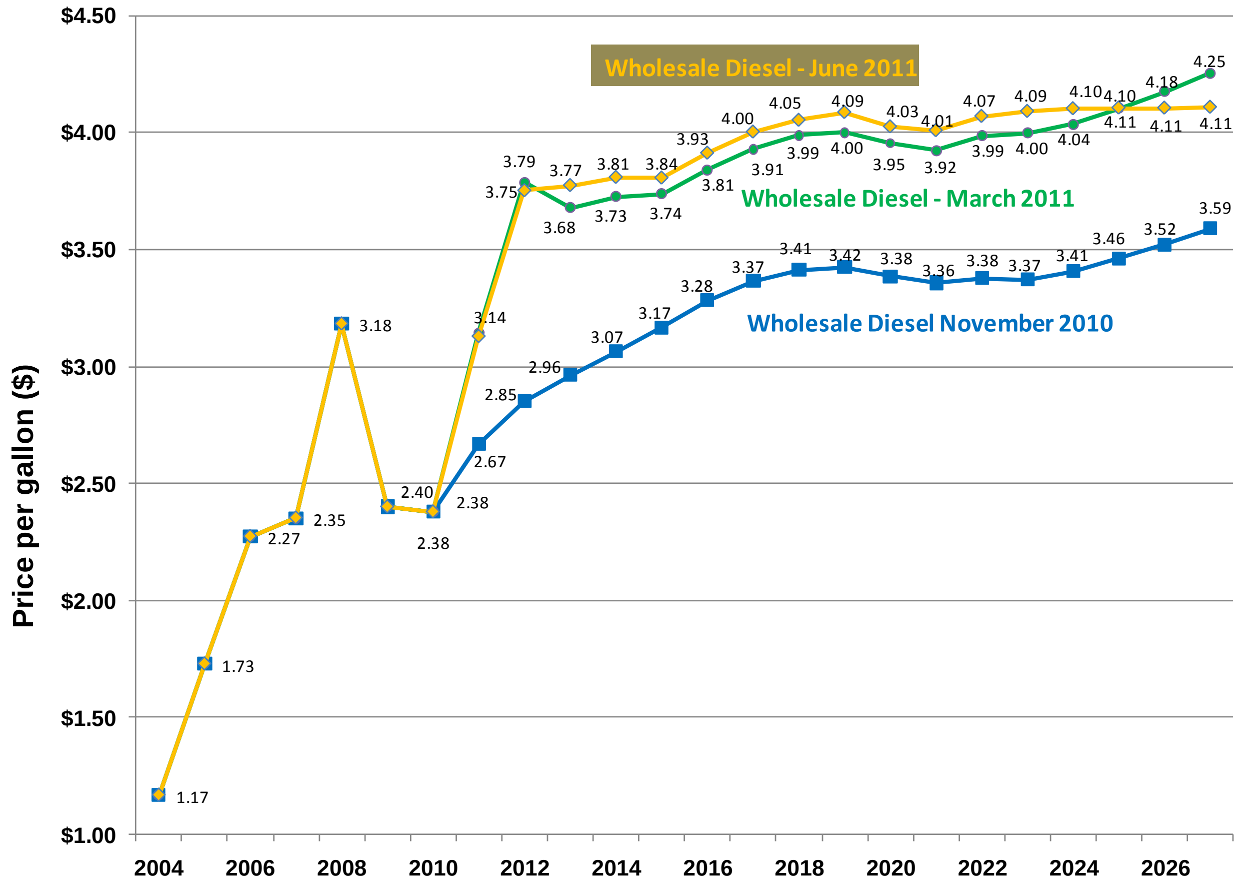
Washington retail price of gasoline trend
Washington retail price of gasoline is projected to be higher than the March forecast throughout the forecast. In recent months, projections of retail gas prices have underestimated recent increases. Washington retail gas prices on average in FY 2010 were $2.93 per gallon. In FY 2011, Washington average retail gas price is currently projected to be up to $3.38 per gallon which is nearly the same as $3.37 per gallon forecasted in March. In subsequent years the June forecast is higher than the March forecast and the November projected retail gasoline prices are below the June forecast for FY 2016-2018. The June forecast retail gas prices reach $4.00/gallon by second quarter of 2012 which is sooner than previously anticipated. In the long-term, the June gasoline prices are expected to remain above the March projections in all fiscal years except for FY 2027. This June 2011 Washington gas price is projected to hit a high of $4.76 per gallon in FY 2022 which is a level not projected in March or November.

Washington retail price of diesel trend
Washington's retail price of diesel was on average $3.02 in FY 2010. The June FY 2011 forecast for all retail diesel prices is $3.72 per gallon which is nearly the same as the March forecast. In FY 2012, the June forecast for diesel prices is anticipated to be $4.36 per gallon which is higher by $0.03 per gallon as opposed to $4.33 per gallon in the last forecast. The price differential between retail gas and diesel was

just 9 cents on average in FY 2010. In FY 2011, the price differential between retail gas and diesel grows significantly to $0.35 per gallon. Over time, the differential between retail gas and diesel is expected to decline and by FY 2020 – FY 2022 retail gas prices are projected to be higher than retail diesel prices. Then the retail gas and diesel price differential begins to grow again to roughly $0.19 per gallon.

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 15. Washington's wholesale price of diesel, excluding fuel taxes, is the diesel cost to Washington State Ferries, and on average it was $2.38 per gallon in FY 2010. In FY 2011, the wholesale price of diesel has been rising and is expected to increase to $3.13 per gallon which is nearly the same as $3.14 per gallon which was projected in March. Wholesale diesel prices are anticipated to grow to $3.77 per gallon on average in FY 2012 as opposed to $3.68 per gallon forecasted in March. In the long-term, the June forecast of wholesale diesel prices continues to be above the March 2011 forecast until FY 2025.

Figure 15 Washington Wholesale Diesel Prices, June vs. March 2011 vs. November 2010 forecasts



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 April 2011, the West biodiesel price B99/B100 was slightly less than the reported West coast regular diesel price. In examining the price differential between biodiesel and regular diesel over a longer time period, an average retail diesel and gas price differential of roughly 17% 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. This June biodiesel price forecast is lower than the March forecast with the current estimate being $5.31 per gallon which is lower by $0.04 per gallon than FY 2011. In FY 2012, the B100 biodiesel price is expected to increase to $5.60 per gallon.

Figure 16 Near-term Quarterly Fuel Prices
June 2011 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)
2010: Q3	76.12	3.05	3.24	2.59	4.83	4.21
2010: Q4	85.10	3.10	3.48	2.85	5.23	4.61
2011: Q1	96.44	3.40	3.78	3.29	5.37	4.75
2011: Q2	108.83	3.98	4.37	3.79	5.83	5.21
FY 2011	91.62	3.38	3.72	3.13	5.31	4.69
2011: Q3	108.00	4.00	4.36	3.75	5.75	5.13
2011: Q4	107.50	3.97	4.32	3.72	5.63	5.01
2012: Q1	107.00	3.99	4.36	3.74	5.54	4.92
2012: Q2	106.00	4.04	4.41	3.79	5.49	4.87
FY 2012	107.13	4.00	4.36	3.75	5.60	4.98
2012: Q3	107.00	4.03	4.41	3.79	5.38	4.76
2012: Q4	108.00	4.00	4.36	3.75	5.23	4.61
2013: Q1	107.33	4.00	4.38	3.77	5.16	4.54
2013: Q2	108.08	4.52	4.41	3.79	5.11	4.49
FY 2013	107.60	4.14	4.39	3.77	5.22	4.60

Figure 17 Near- and Long-term Annual Fuel Price
June 2011 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	75.20	2.93	3.02	2.38	3.99	3.37
2011	91.62	3.38	3.72	3.13	5.31	4.69
2012	107.13	4.00	4.36	3.75	5.60	4.98
2013	107.60	4.14	4.39	3.77	5.22	4.60
2014	109.90	4.22	4.43	3.81	5.25	4.63
2015	112.94	4.22	4.43	3.81	5.24	4.62
2016	117.39	4.32	4.55	3.91	5.32	4.70
2017	120.28	4.41	4.66	4.00	5.44	4.82
2018	121.83	4.46	4.71	4.05	5.51	4.89
2019	122.82	4.57	4.75	4.09	5.56	4.94
2020	120.61	4.71	4.68	4.03	5.47	4.85
2021	119.93	4.70	4.66	4.01	5.45	4.83
2022	121.28	4.76	4.73	4.07	5.53	4.91
2023	120.67	4.57	4.76	4.09	5.56	4.94
2024	121.32	4.59	4.77	4.10	5.58	4.96
2025	123.53	4.59	4.78	4.11	5.58	4.96
2026	125.81	4.59	4.77	4.11	5.58	4.96
2027	128.14	4.59	4.78	4.11	5.59	4.97

Comparison of several current U.S. crude oil price forecasts
In June 2011, the West Texas Intermediate (WTI) crude oil price forecasts for FY 2011 differ by approximately 0.3% on average; $89.7 to $95.4 per barrel. The five surveyed forecasting entities, EIA, NYMEX, Global Insight, Consensus Economics and Moodys Economy.com, had forecasts with price forecasts ranging from WTI crude oil price for FY 2011 which averaged $91 per barrel. WSDOT uses the Energy Information Administration (EIA) forecasts in the near-term thru calendar year 2012 and then it uses the growth rates from Global Insight forecasts for subsequent years for the baseline fuel price projections. The projected price forecasts for crude oil in FY 2012, ranged from $101.32 per barrel by Moodys Economy.com to $107.13 per barrel by EIA / WSDOT with the average being $103.4 per barrel. The average forecast for WTI crude oil in FY 2013, ranged from $99.7 per barrel by Economy.com to $107.6 per barrel from EIA / WSDOT with the average being $104.17 per barrel. Figure 18 reveals that projections by Economy.com for crude oil prices were lowest in years 2012 and 2013.

Figure 18 Near-term Annual Crude Oil Price Forecasts – 5 Different Forecast Comparisons June 2011 forecast
Dollars per barrel

Fiscal Year	WSDOT (EIA)	NYMEX	Global Insight	Economy. com	Consensus Economics	5 Entity Avg	% Diff Lowest	% Diff Highest	% Diff Average
2011	$91.62	$89.69	$89.97	$90.02	$95.38	$91.33	-2.11%	-1.75%	-0.31%
2012	$107.13	$102.79	$102.56	$101.32	$103.17	$103.39	-4.05%	-5.42%	-3.49%
2013	$107.60	$104.09	$106.66	$99.69	$102.81	$104.17	-3.26%	-0.87%	-3.19%

For budgeting purposes, WSDOT is applying the five forecast entity average adjustment to its baseline June 2011 retail gasoline, diesel and wholesale diesel prices. These fuel prices listed in Figure 19 will be used to estimate the future costs to the agency's budget for gas and diesel fuel. The June forecast for adjusted fuel prices is higher by 10% for gas prices and 5% and 3% for retail and wholesale diesel prices respectively in fiscal year 2012 from the March forecast. In FY 2013, retail gas prices are up by 10% and retail and wholesale diesel prices are up by 4% and 2% respectively from the prior forecast projections.

Figure 19 Near-term Average Adjusted Quarterly Fuel Prices Used for Budgeting Purposes June 2011 forecast and Percent Change from Prior Forecast

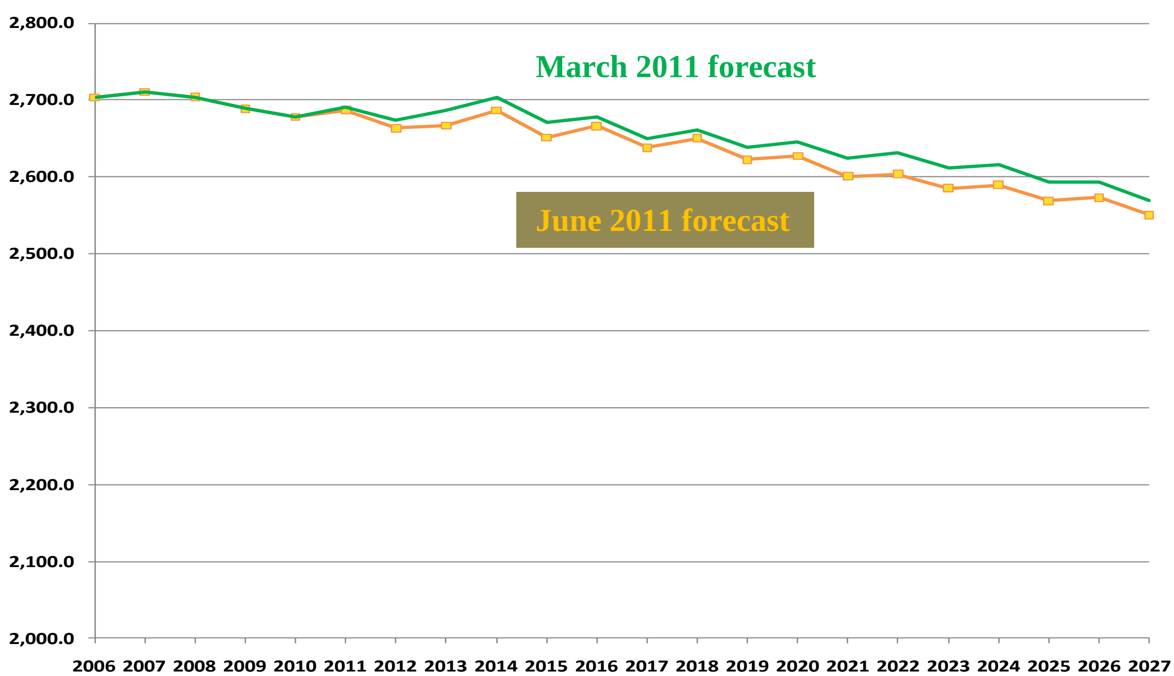
Fiscal Year Quarter	Adjusted WA Retail Gasoline Price ($/gal)	Adjusted WA Retail Diesel Price ($/gal)	Adjusted Ex-tax Wholesale Diesel Price ($/gal)	% Chg Prior Forecast Retail Gas Price	% Chg Prior Forecast Retail Diesel Price	% Chg Prior Forecast Wholesale Diesel Price
2010: Q3	$3.05	$3.24	$2.59	0.00%	0.00%	0.00%
2010: Q4	$3.10	$3.48	$2.85	0.00%	0.00%	0.00%
2011: Q1	$3.40	$3.78	$3.29	-0.37%	-1.52%	-0.95%
2011: Q2	$3.98	$4.37	$3.79	4.08%	2.32%	1.61%
FY 2011	**$3.38**	**$3.72**	**$3.13**	**1.07%**	**0.27%**	**0.23%**
2011: Q3	$3.86	$4.21	$3.62	8.44%	4.79%	3.19%
2011: Q4	$3.83	$3.17	$3.59	12.58%	5.60%	3.65%
2012: Q1	$3.85	$4.20	$3.61	11.04%	4.30%	2.38%
2012: Q2	$3.90	$4.26	$3.66	9.45%	5.15%	3.43%
FY 2012	**$3.86**	**$4.21**	**$3.62**	**10.35%**	**4.96%**	**3.16%**
2012: Q3	$3.90	$4.27	$3.67	6.40%	2.57%	0.79%
2012: Q4	$3.87	$4.23	$3.63	11.27%	4.34%	2.63%
2013: Q1	$3.87	$4.24	$3.65	11.19%	4.68%	2.97%
2013: Q2	$4.38	$4.27	$3.67	10.82%	4.29%	2.73%
FY 2013	**$4.01**	**$4.25**	**$3.65**	**10.06%**	**3.96%**	**2.27%**

Motor Vehicle Fuel Tax Forecast

The June 2011 gross motor vehicle fuel tax projection for the 2009-11 biennium is $2.492 billion which is a slight increase of 0.1% from the 2007-09 biennium. Since the March 2011 forecast, gas tax collections came in under forecast for two of the three months: March collections were down by $0.6 million; April collections down by $1.4 million; May collections up by $0.5 million; Opposite to gas tax collections, diesel tax collections came in very strong since the last forecast all three months. March diesel tax collections were up $0.7 million; April collections were significantly up over forecast by $7.7 million; May diesel tax collections were also up $4.6 million; and the three month combined total for diesel was up $13.0 million over forecast. Overall for all months combined, the actual gross motor vehicle fuel tax collections came in above forecast by $11.6 million or 3.9% of those monthly projections. Total motor fuel tax revenue projections are up $12.4 million (0.5%) from the prior forecast in the current biennium. Gross motor fuel tax revenues for the 2011–13 biennium are projected to be approximately $2.541 billion, which is 0.4% above the prior forecast by $10.4 million. The overall increase in motor fuel tax revenue for the 16-year period ending in 2025-27 biennium is 6.4% or $105.4 million when compared to the March 2011 revenue forecast. The primary reason for the significant increase in revenues from the last forecast is the higher actuals for diesel in the last few months.

Trends in gasoline consumption and tax revenue
Gasoline consumption was 2,678 million gallons for FY 2010 which was a decrease of 0.4% over the FY 2009 consumption level. For FY 2011, the June gasoline consumption projection is 2,687 million gallons which is below the March forecast by 0.15%. Year over year, this gas consumption level corresponds to a 0.3% growth over FY 2010. In FY 2012, gasoline consumption is projected to be down 0.9% from consumption in FY 2011, which is 0.4% below the March forecast. Figure 20 shows the forecast to forecast comparison of projected gasoline gallons consumed. Throughout the forecast horizon, gas consumption is anticipated to be less in June than in March due to higher gas prices, lower actual collections and employment projections in the near-term.

Figure 20 Gasoline Motor Fuel Consumption Comparison
June vs. March 2011 forecast
millions of gallons

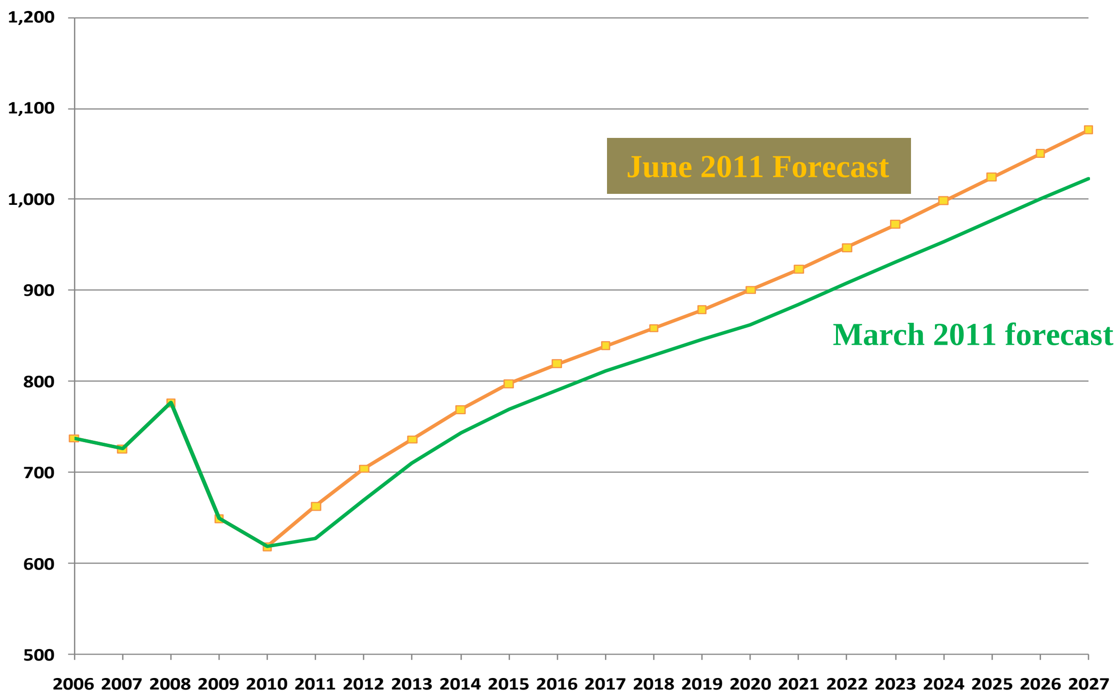


In FY 2013, gasoline consumption is projected to be up by 0.1% over the prior year. The year over year percentage change in gasoline consumption in the June 2011 forecast has the same shape as the previous two forecasts which looks like small stair steps with a slow decline. The overall trend in the forecast is a gradual reduction. The biggest projected year over year decrease is in fiscal year 2014 at 0.7% and the largest annual decrease is in FY 2015 at 1.3%. These current annual grow rates for gasoline consumption are slower than the growth rates from the March forecast by as much as 1.1% in FY 2022 and as little as 0.4% in years 2012 and 2016-2018.

In the current biennium, gas tax revenue is down $1.8 million from the last forecast. In the 2011-13 biennium, the drop in gas tax revenue from the March forecast is $11.68 million or -0.6%. By the 2013-15 biennium, the gas tax revenue is down $13.94 million from the prior forecast. This biennia decline from the prior forecast drops to 0.44% by the 2015-17 biennium and results in a reduction of $8.7 million. Overall, the gas tax revenue forecast is down approximately $60.9 million over the March forecast for the 10 year forecast horizon and $114.6 million over the 16 year forecast period beginning in FY 2012 and ending in FY 2027. The primary reason for the decline in gas tax collections is due to lower actual collections and lower near-term employment projections and higher fuel prices.

Trends in diesel consumption and tax revenue
Fiscal year 2009 diesel consumption was 650 million gallons which represented a year over year decline of 16.4%. In FY 2010, diesel consumption was 619 million gallons which was also a 4.8% decrease over the prior year diesel consumption level. The June projection of diesel consumption in FY 2011 is 663 million gallons which is a year over year increase of 7.2% and an increase of 5% over the March diesel consumption projection. In FY 2012, diesel consumption is projected to be 704 million or 6.3% above FY 2011, which is a decline of 5.1% from the prior forecast. In FY 2013 and 2014, the annual growth rates of diesel consumption are projected at 4.5% each year which is approximately 3.5% higher than the last forecast due to higher diesel tax collections. Diesel consumption is not expected to exceed its high 2008 consumption level of 777 million gallons until FY 2015.Over the long-term, diesel consumption is expected to grow annually by approximately 2.5%.

Figure 21 Diesel Fuel Consumption Forecast Comparison
June vs. March 2011



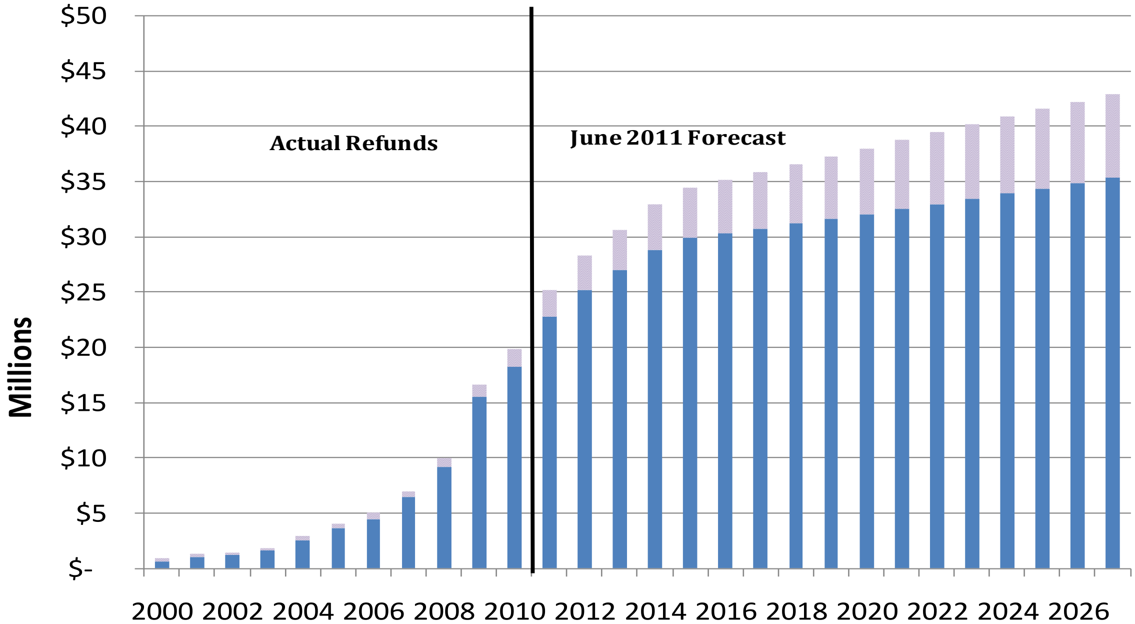
Diesel tax collections are up $14.2 million (3%) over the March forecast for the 2009-11 biennium for total tax collections of $483.5 million. This was the result of tax collections coming in higher than projected for three months: March through May, by $13 million. Diesel tax revenue is projected to be $542.35 million in the 2011-13 biennium which is an increase of $22.1 million over the prior forecast. In the 2013-15 biennium, diesel tax revenue is expected to be $589.27 million which is higher than the last forecast by $20.51 million. In the 2015-17 biennium, diesel tax revenue is expected to be $623.32 million which is higher than the last forecast by $21.2 million or 3.5%. In the subsequent biennia, the increase in diesel tax collections over the prior forecast grows. By the 2025-27 biennium, diesel tax collections are projected to be above the March forecast by $39.3 million or 5%. The major reasons for the diesel consumption and revenue changes in June are due to higher actuals and higher projections in the long term for Washington personal income and employment.

Motor fuel tax refunds
Non-highway and tribal refunds for gasoline and diesel fuel are accounted for in the motor fuel tax forecast. These refunds reduce net motor fuel tax distributions. The current biennium forecast of non-highway gas funds are projected to be $8.4 million which is down $0.28 million from the last forecast and $36.8 million for special fuel which is an increase of $1.6 million or 4.5% from the prior forecast in the 2009-11 biennium. The reason for the large reduction in non-highway gas is due to the reduction in gross gas consumption. The opposite is true for special fuel as non-highway diesel refunds are up over the last forecast consistent with the change in gross special fuel consumption in FY 2011. Beyond the current biennium, gasoline non-highway refunds are expected to be down at the same rate as the gross gas tax revenue. Special fuel non-highway refunds are also projected to up at the same rate as gross diesel tax revenue is higher.

In recent months, tax collection reports for gasoline and special fuel tax tribal refunds have come in much higher than last year and above forecast. The current forecast for gas tribal refunds in the 2009-11 biennium is projected to be $41.1 million which is above the last forecast by $0.45 million due to refunds coming in slightly above projections. In the 2011-13 biennium, gasoline tribal tax refunds are projected at $52.3 million which is a no change forecast from March. Subsequent biennia projections are also up year over year because the tribal fuel tax refund forecasts have been modified to include a base growth rate in existing stations' refunds and the addition of new tribal fueling stations. The special fuel tax tribal refunds are forecasted at $3.9 million in the 2009-11 biennium which is nearly the same as estimated in March. For the 2011-13 biennia, special fuel tribal tax refunds are projected to be $6.7 million which is the same projection as in March. In subsequent biennia, special fuel tribal refunds are forecasted to be up year over year due to growth in the existing filling stations' sales and addition of new tribal stations.

Figure 22 reveals the growth in tribal fuel tax refunds since 2000 along with the June 2011 forecast for tribal refunds. The chart reveals that gasoline and diesel tribal fuel tax refunds have increased year over year since 2000 when total fuel tax tribal refunds were less than $1 million. Between FY 2010 and 2011, gas and diesel tax tribal refunds have increased 27% to more than $28 million. In fiscal year 2012, tribal fuel tax refunds are projected to grow by 13% and the annual growth rate begins to gradually decline to 2% by FY 2016 and remains at 2% growth rate for the remainder of the forecast horizon for tribal refunds.

Figure 22 Gas and Diesel Tribal Fuel Tax Refunds ($) Since 2000 With June 2011 Forecast



Bottom blue bar: gas tribal refunds

Purple striped upper box: special fuel tribal refunds

Primary reasons for the forecast changes

- Total fuel tax collections have come in above forecast for the past three months. Gas tax collections have even come below forecast by$1.5 million but diesel tax collections have come in very strong for the last three months being $13 million above forecast so overall, fuel tax collections came in above March projections by $11.6 million.
- Throughout the forecast horizon, the June gasoline prices are higher than the last forecast beginning in the current fiscal year and in the long-term gasoline prices grow to higher prices than anticipated in March 2011.
- Washington's real personal income growth rates in this June forecast are down in the near-term but up in the long-term from the March 2011 forecast projections due to changes in the Office of Forecast Council and OFM's long-term personal income estimates. The higher Washington personal income projection, in the long-term, raised the diesel consumption projections.
- Washington's non-farm employment projections have been reduced in the near-term but the long-term growth rates are more optimistic which brings down both the gas and diesel consumption in the near-term but raises the forecast in the long-term.
- End result in the current forecast is higher gasoline and diesel tax projections ($12.5 million) in the current biennia. In subsequent biennia gasoline, projections are also down but diesel projections grow by more so overall fuel tax revenue is growing throughout the forecast horizon.
- Future fuel tax tribal refunds are up slightly in the current fiscal year but the forecast for future biennia remains the same as in March 2011.

Figure 23 Short-term Motor Fuel Tax Forecast – By Month of Collection
March 2011 forecast
millions of dollars

	FY 2010	FY 2011	2009-11 Biennium	FY 2012	FY 2013	2011-13 Biennium
Gasoline Taxes	**$1,001.4**	**$1,007.4**	**$2,008.8**	**$998.8**	**$1,000.6**	**$1,999.5**
Special Fuel Taxes	**232.4**	**251.1**	**483.5**	**265.2**	**277.2**	**542.3**
Total Fuel Revenue	**$1,233.8**	**$1,258.5**	**$2,492.3**	**$1,264.0**	**$1,277.8**	**$2,541.8**
% Change from Prior Fcst	0%	1.1%	**0.5%**	0.8%	0.2%	**0.4%**

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 of $870 million for the 2009-11 biennium. The forecast for revenue from licenses, permits, and fees is down from the March estimate of $873.9 million. The June 2011 estimate for 2009-11 is down $3.6 (0.41%) from the prior forecast. In the upcoming 2011-13 biennium, revenue projections are down $3.3 million (0.36%) from the prior forecast. The primary reasons for the forecast change are lower actual truck registrations than previously forecasted and lower personal income than projected in the near-term forecast than last projected.

Trends in vehicle registrations

This forecast, as well as the previous six forecasts, assumes a U-shaped recovery from the current recession for cars. The recession was deeper and sharper for trucks, and the recovery has slowed, however, the truck recession is still V-shaped. In the current biennium and beyond, the June 2011 forecast assumes year to year growth rates for 2011 of 2.98% for passenger cars and for trucks at 1.48%. In FY 2012 and 2013, vehicle forecasts reflect the slower growth of personal income, than in the last forecast in the near term. In 2014 and beyond, the forecast growth rates mirror Washington population growth which has not changed from the prior forecast. The June 2011 forecast for passenger car and truck registrations is up 0.11% for FY 2011 and is 0.12% below last forecast for FY 2012.

Figure 24 Passenger Car Comparison
June vs. March 2011 forecast
millions of vehicles

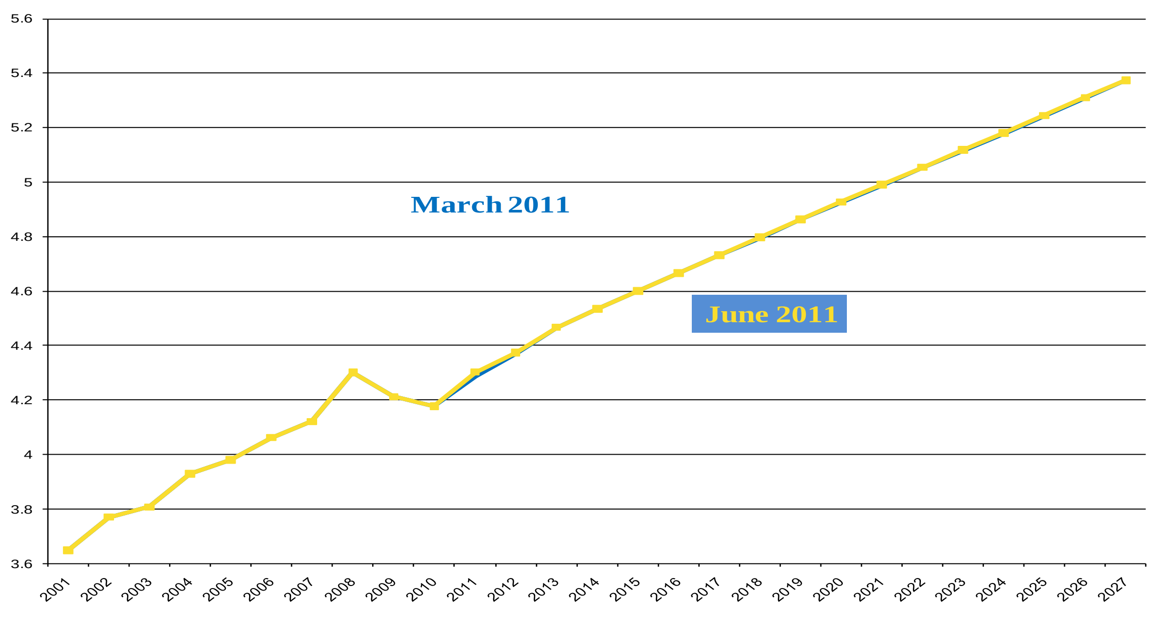
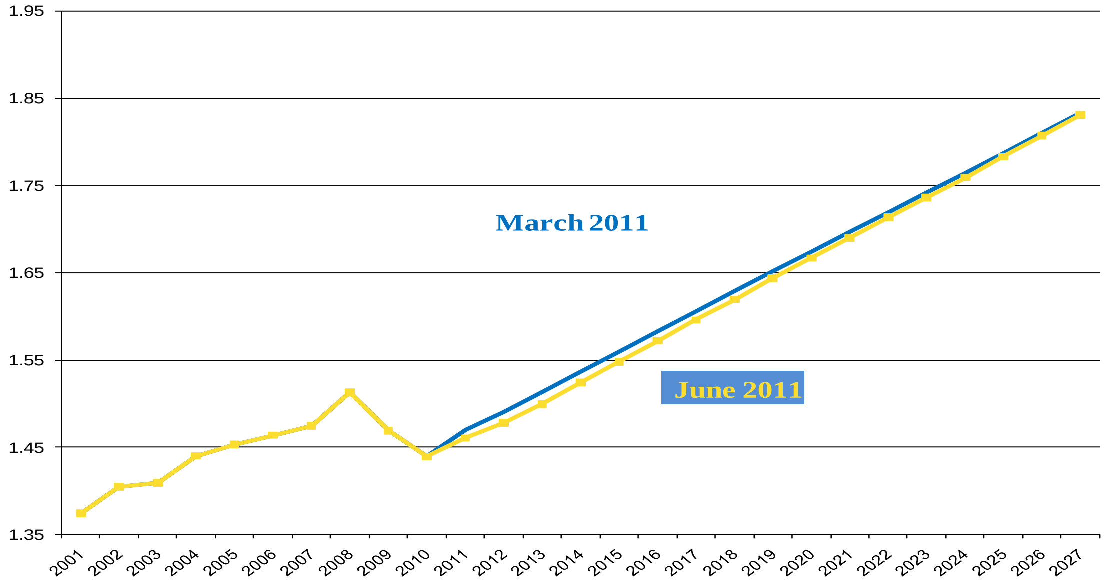


Figure 25 Truck Comparison
June vs. March 2011 forecast
millions of vehicles



Trends in LPF revenue
The LPF 2007-09 biennium revenues came in at $896 million, which is above the June 2011 projection for the 2009-11 biennium of $870 million. The current 2009-11 biennium LPF forecast has increased slightly for vehicles paying the $30 basic fee by $505 thousand (0.18%) and decreased for trucks by $3.9 million (1.16%) from the last forecast. The decrease in revenue is due to actual registrations coming in lower than expected in the previous forecast. Total LPF revenues are down $3.5 million for the current biennium. LPF revenues are down by $3.3 million in the 2011-13 biennium, and decline $1 to $3 million in the outer biennia of the forecast horizon.

Passenger vehicle registration revenue is slightly higher than the previous forecast, while truck fee revenue is about $3.9 million below the prior forecast in the current biennium and $2 to $3 million below per biennium throughout the forecast horizon due to lower vehicle registration projections.

Passenger weight fees are slightly above the prior forecast, reflecting slightly better passenger vehicle expectations, while motor home weight fees are below the prior forecast, reflecting the continuing decline in motor home registrations.

License plate reflectivity fees are revised slightly lower than the previous forecast by $80.5 thousand (0.8%). The license plate replacement fees are revised slightly higher than the previous forecast by $206.7 thousand (0.8%) in the 2009-2011 Biennium. The plate reflectivity and replacement fees are lower than the previous forecast by $381.7 thousand (0.9%) in the 2011-2013 Biennium. The forecast still anticipates a rebound of light vehicle sales in the near term. The forecast-to-forecast changes for Fiscal Years 2012-2016 reflect that expectation, just slightly lower than the previous forecast.

Title fees are lower in the 2009-11 Biennium by $281.4 thousand (1.4%) and title fee distributions have been updated with current revenue trends. The resulting change in the forecast and updated distribution to the Multimodal Account was a decrease of $50.9 thousand (0.9%) and to the Nickel Account a decrease of $229.9 thousand (1.6%). The dealer temporary permits are also down over the prior forecast. These vehicle sales related revenues are down by $93.0 thousand (1.2%) in the 2011-2013 Biennium over the previous forecast. These changes are related to the combination of a projected lower Washington – U.S. Real Income Share with a slightly lower light vehicle sales projection in the near term.

There is a new revenue stream starting FY12 from vehicle quick titles ($50.00 each, per SHB 1046). At this point, we expect to see about $143 thousand for FY12 and about $330 thousand a year for the near term.

Primary reasons for the forecast changes

- Actual passenger vehicle registrations were up and truck registrations were down leading to minor revisions in tax revenues.
- The Economic and Revenue Forecast Council projections of Washington personal income growth rates were slightly lower in near-term which decreased the passenger car and truck registration forecasts.
- Overall, LPF revenues are down compared to the last forecast. There were a few LPF revenues which were slightly higher but not enough to surpass the decline in other revenues.

Figure 26 Short-term Motor Vehicle Related Revenue (Licenses, Permits and Fees)
June 2011 forecast
millions of dollars

	FY 2010	FY 2011	2009-11 Biennium	FY 2012	FY 2013	2011-13 Biennium
Basic $30 License Fee	**$139.4**	**$143.7**	**$283.1**	**146.1**	**149.1**	**295.2**
Combined License Fee	**164.8**	**168.3**	**333.1**	**170.7**	**173.2**	**343.9**
All Other Fees	**126.4**	**127.8**	**254.2**	**133.9**	**138.7**	**272.6**
Total LPF Revenue	**$430.6**	**439.8**	**870.4**	**450.7**	**461.0**	**911.7**
% Change from Prior Fcst	0%	-0.1%	**-0.41%**	-0.4%	-0.3%	**-0.36%**

Driver Related Revenue Forecasts

The June 2011 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 (IIRA). All driver-related revenue collected (with actual through May 2011) totals approximately $200.6 million in the 2009-2011 Biennium, up .4% from the prior forecast. In the 2011-2013 Biennium, the June 2011 forecast of driver related revenue is $205.5 million, an increase of $1.4 million (.7%) from the prior forecast.

It is important to note that most of the driver related revenue streams follow a five-year renewal cycle. Therefore, caution is advised in year over year comparisons.

Trends in Driver's Licenses and Abstracts of Driver Records

Original driver license issuances continued to exceed expectations from the prior forecast. As a matter of fact, each month of the current fiscal year we see higher originals than the same month prior year (see chart below). As a result, we expect this activity to end FY11 about 11% higher than the prior year, which is a 2.1% forecast-to-forecast change. However, due to a downward revision in OFM's driver-in forecast and non-farm employment forecast, FY12 is projected to be 2.3% lower than FY11 level. FY13 through FY16 are also revised slightly lower than prior forecast by an average of .5%. The remaining out-years are essentially unchanged.

Figure 27 Driver License Originals June 2011 vs. March 2011

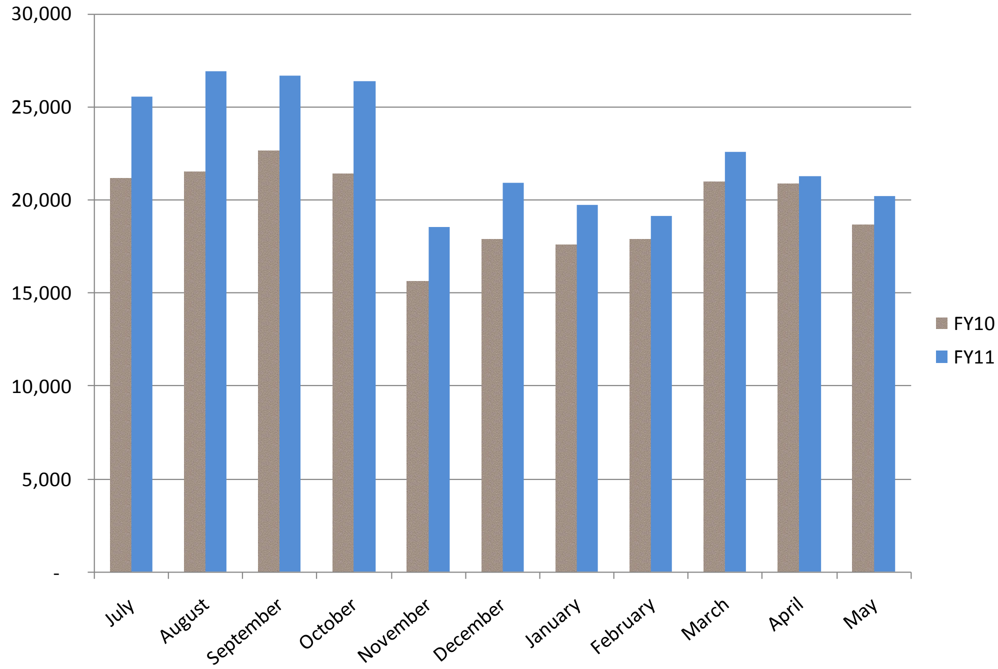
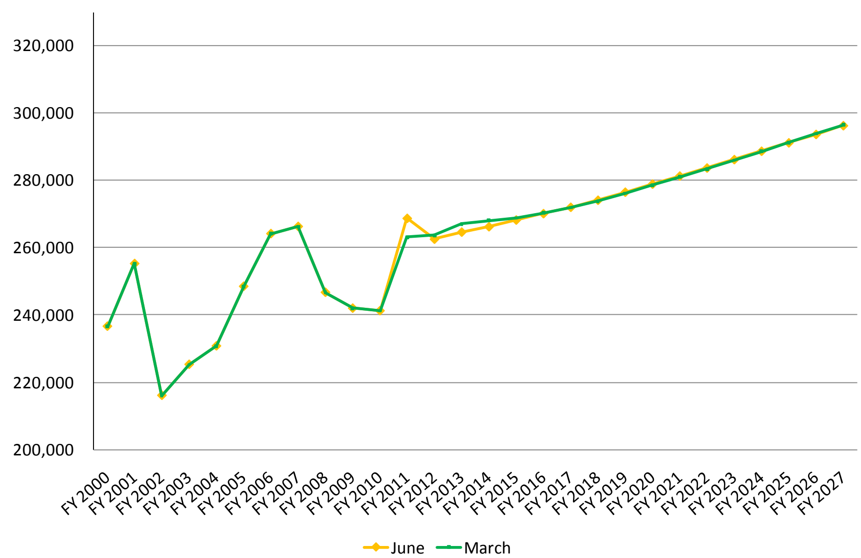
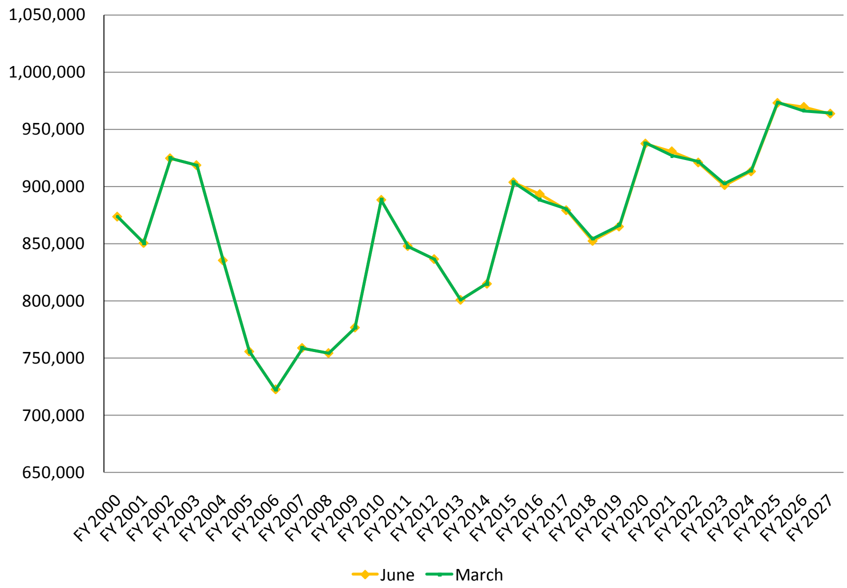


Figure 28 Driver License Originals June 2011 vs. March 2011



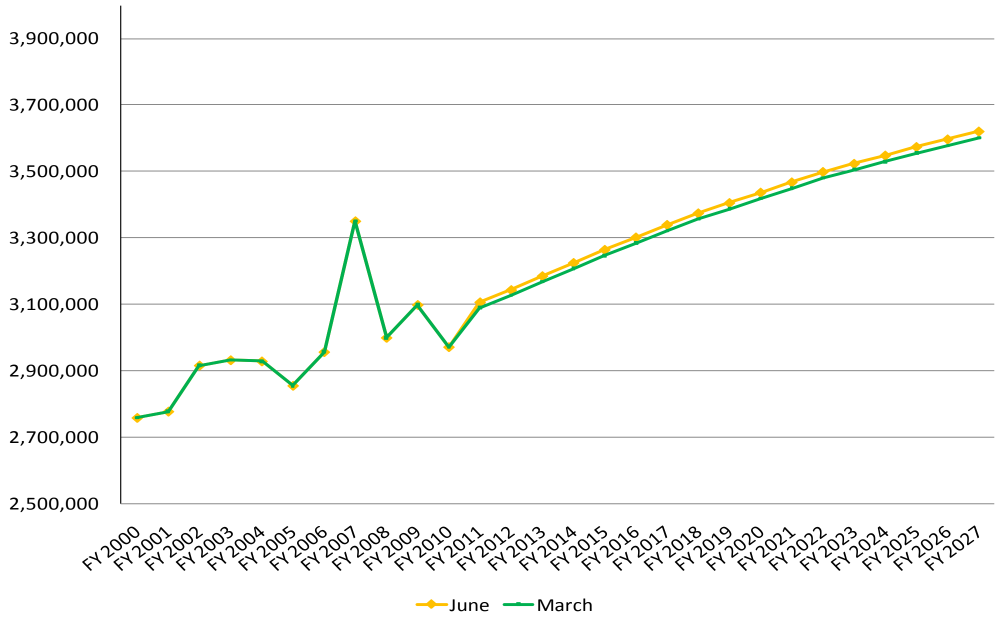
The **Driver license renewal** forecast is tracking very close to prior forecast, with only 0.1 % increase for FY 2011 and no change through FY2015. With the exception of the five-year cycle effect for the FY11 increase in originals, which translate to higher than prior forecast renewals in FY16, FY21, and FY26, renewals are slightly lower than prior forecast, due to a slight downward revision of original licenses in the near term as discussed above.

Figure 29 Driver License Renewals June 2011 vs. March 2011



Sales of **Abstracts of Driver Record (ADR):** This forecast is tracking close. There is a 0.5% revision up throughout the forecast horizon as a result of slightly higher than expected collections to date.

Figure 30 Sales of ADR June 2011 vs. March 2011



Trends in Driver Related Revenue

<u>Highway Safety Fund</u>

Total Highway Safety Fund revenue is projected to be about $163.4 million for the current biennium and $167.7 million for the next. This is a slight increase (0.3% and 0.7% respectively) compared to the March forecast.

Roughly 77% of the Highway Safety Fund (HSF) revenue comes from driver license fees. Current biennium collections of driver license fee revenues are expected to be about $126.3 million, about $339,000 (.5 %) higher than the prior forecast, primarily due to higher than expected original driver license issuances. The 2011-2013 Biennium revenue is revised upwards by $819,000 (0.65%), due to legislative change in CDL fees (from $30.00 to $61.00, effective July 2011). The impact would have been higher had not the original driver license fees been revised downward due to OFM's revisions to driver-in migration and employment. Taken all changes into considerations, total driver license fees average 0.5% forecast-to-forecast increase in the out years, with the exception of FY15, FY20, and FY25 where there is a slight revision down due to the five-year renewal cycle effect. As driver license projections also impact several other smaller revenue streams, total HSF revenue is up by about $0.5 million for Fiscal Year 2011 and approximately $1.2 million for Fiscal Years 2012-2013 compared to March forecast.

Revenue from the **abstract of driver records fee** is projected to be $165,000 (1%) higher for FY2011, due entirely to better than expected collections to date. A 0.6% revision up is expected from next biennium and throughout the forecast horizon.

A few other Highway Safety Fund revenue streams (motor vehicle filing fees, driving school, fines and forfeitures, and misc. revenue) make up a little over $2 million a year. The June forecast projects a revision upward by 1.4 % for Fiscal Year 2011, and about 4% for the next biennium, due primarily to better than expected filing fee revenue coming from increased DOL on-line motor vehicle renewal transactions.

<u>State Patrol Highway Account</u>

The State Patrol Highway Account receives $5 for each sale of an Abstract of Driver Record (ADR). This forecast is tracking pretty close at about $32 million per biennium in the near term. FY11 is expected to close at $85,000 or 0.5% above March forecast. This slight revision up is carried out throughout the forecast horizon.

<u>Motorcycle Safety Education Account Trends</u>

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

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

Revenue in the Motorcycle Safety Education account for Fiscal Year 2011 is up by about $28,000 (+1.3%) over the prior forecast, with similar echoing effect every five years out. Otherwise, this forecast is about 0.1% lower following the slightly reduced forecast for driver original licenses.

Ignition Interlock Device Revolving Account

The Ignition Interlock Device Revolving Account is revised upwards for Fiscal Year 2011 by about $109,000 (or 8.7%) and the rest of the forecast horizon is up by about 3%.

This is a relatively new program and revenue stream, the forecast estimates future monthly revenue as the average of collections since the inception of the program in April of 2009. With the implementation of SHB 2742 as of January 2011, lower revenue expectations were factored in forecasts. To date collections have come in higher than the lowered expectations. We are giving it more time to discern a pattern in these activities.

Primary reasons for the forecast changes

- There is a downward outlook for original driver license issuances due to a less optimistic forecast in employment and driver-in migration. However, a fee increase in Commercial Driver Licenses from $30 to $61 (HB1229, 2011 session), effective FY12 more than offsets the would-be revenue loss in driver originals.
- In the current biennium, tax collections have been coming in near or above forecast so overall driver related revenues are slightly higher than in June by 0.4%. In future biennia, driver related revenues are also up minimally from the last forecast.

Figure 31 Short-term Driver Related Revenue Forecasts
June 2011 forecast
(millions of dollars)

	FY 2010	FY 2011	2009-11 Biennium	FY 2012	FY 2013	2011-13 Biennium
Total Highway Safety Fund	**$79.3**	**$84.1**	**$163.4**	**$84.0**	**$83.7**	**$167.7**
Drivers License Fees	$61.3	$65.0	$126.4	$64.9	$64.4	$129.4
Copies of Record Fees	$15.8	$17.0	$32.8	$16.9	$17.1	$34.0
Other smaller misc. Fees	$2.1	$2.1	$4.2	$2.2	$2.2	$4.4
Total Motorcycle Safety Education Account	**$2.1**	**$2.1**	**$4.2**	**$2.1**	**$2.3**	**$4.4**
Total State Patrol Account	**$15.0**	**$15.5**	**$30.5**	**$15.7**	**$15.9**	**$31.7**
Total Ignition Interlock Device Revolving Account	**$1.2**	**$1.4**	**$2.5**	**$0.9**	**$0.9**	**$1.7**
Total Driver Related Revenue	**$97.5**	**$103.1**	**$200.6**	**$102.7**	**$102.8**	**$205.5**
% change from prior forecast	0%	1%	0%	1%	1%	1%

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. In FY 2010, consumer spending on new US light vehicles grew to $174.2 billion which represented a 12% annual growth. In FY 2011, consumer spending on light vehicles is projected to be up 10.6% from FY 2010. Spending is up from the prior forecast 0.4%. In FY 2012, the growth in the US spending on light vehicle sales is projected to increase by 12.1% and the level is up 1.5% 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 drop to $54.4 million (-13.3%) decline over the prior biennium. The June 2011 forecast has increased by $0.314 million (0.6%) from the March forecast for the 2009-11 biennium. This is due to actual collections coming in $312.4 thousand higher than anticipated in March. In the 2011-13 biennium, the sales and use tax collections are projected to also increase by $0.803 million or 1.3% over the past forecast. Revenues after the 2013-15 biennia are higher from the prior forecast but by a small percentage so by the last biennia, the change in revenue in the June forecast is $0.972 million or 1.0% from the last forecast. The primary reason for the change in this forecast is due to higher actuals to date and a higher national forecast of consumer spending on motor vehicles.

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 5.3% to $44.46 million in the 2009-11 biennium. This June 2011 forecast for the 2009-11 biennium projects an increase of 0.8% or $0.331 million over the March forecast. This increase in revenue is due to actual collections coming in $391.9 thousand higher than anticipated in March. In the 2011-13 biennium, the rental car tax is projected to be $49.02 million which is an increase of $0.514 million or 1.1% from the March forecast. In the 2013-15 biennium, revenues are projected to be $53.26 million and $4.24 million higher from the prior biennium's forecast. The primary reason for the change in this forecast is due to higher actual to data, and a lower forecast of personal income and a higher unemployment rate forecast in the future.

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 business related revenue in the 2009-11 biennium is projected to be $12.4 million which represents a decline of $2.0 million from the prior biennium. The June 2009-11 biennium forecast increased slightly from the prior forecast due to a minor increase in actual collections to date. The 2011-13 biennium total business related revenues are projected to be $10.1 million, $112 thousand higher or 1.12% increase from the prior forecast.

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 2011 forecast, the aircraft registrations, excise and dealers' taxes are up slightly from the prior forecast due to the inclusion of actual registrations and revenue. In the 2009-11 biennium, the aircraft registrations, excise and dealers' taxes are forecasted to be $749,500. Ten percent of the excise tax goes to the aeronautics account and the rest goes to the state general fund. The aeronautics transfer from the motor vehicle fund is also part of this forecast and is down slightly to $564,200 from the prior forecast in the current biennium. In subsequent biennia, the aeronautics transfer from the motor vehicle fund is slightly lower from the last forecast due to lower motor fuel consumption projections. The aviation fuel tax is the largest component of this aeronautics tax forecast.
The aeronautics fuel tax forecast includes both excise and fuel taxes as well as transfers. The aeronautics tax collections were $5.7 million in the 2007-2009 biennium. In this June 2011 forecast, the aircraft registrations, excise and dealers' taxes are essentially not changed from the prior forecast. In the 2009-2011 Biennium, the aircraft registrations, excise and dealers' taxes are forecasted to be $749,900.

Ten % 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 current aviation fuel tax forecast for the 2009-2011 Biennium is unchanged from the March forecast. There are considerable unanticipated aviation fuel tax revenues to date which we anticipate will be requested for refund shortly as the fuel in question is for export. This forecast assumes a large aviation fuel tax refund to be applied to FY 2011 aeronautics account revenues. However, in the event that this does not occur, the refund amount is likely to be applied against FY 2012. If the refund is applied against FY 2012, that year's revenues would be projected to be zero given the large refund revenue involved.

Primary reasons for the forecast changes

- Vehicle sales and use tax revenue are up in the current biennium by $0.3 million due to higher collections in recent months and the new forecast is higher for the next two biennia due to higher national forecast of consumer spending on light vehicles.
- Rental car revenue is also up $0.3 million in the current and next biennium due to higher actuals.
- Business and other miscellaneous revenue is $12.4 million in the current biennium and it increased by $0.09 million from the last forecast. In the 2011-13 biennium, the revenues are $6.4 million and this forecast increased by $0.1 million. In future biennia beyond 2011-13, business related revenues are up from the prior forecast.
- Aircraft fuel tax revenue is not changed from the last forecast in the current and future biennia due to uncertainty regarding a potential large aviation fuel tax refund. Other revenue components of the aeronautics taxes/fee forecast are up slightly due to higher actual than anticipated.

Figure 32 Short-term Other Transportation Related Revenue
June 2011 forecast
millions of dollars

	FY 2010	FY 2011	2009-11 Biennium	FY 2012	FY 2013	2011-13 Biennium
Rental Car Sales Tax	**$21.5**	**$23.0**	**$44.5**	**$24.0**	**$25.0**	**$49.0**
Vehicle Sales & Use Tax	**26.6**	**27.7**	**54.3**	**29.5**	**31.7**	**61.2**
Business/Other Rev	**4.1**	**8.3**	**12.4**	**5.1**	**5.1**	**10.2**
Aeronautics Taxes/Fees	**3.2**	**2.8**	**6.0**	**3.2**	**3.3**	**6.5**
Total Other Transportation Related Revenue	**$55.7**	**$61.8**	**$117.5**	**$61.8**	**$65.1**	**$126.9**
% Change from Prior Fcst	0%	**1.3%**	**0.7%**	1.1%	1.1%	**1.1%**

Ferry Ridership and Revenue

Ferry Fare Ridership and Revenue Forecasting Process

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

- Passenger full-fares
- Passenger discounted (commuter) fares
- Passenger other discounted fares (e.g., senior fare, youth fare)
- Vehicle / driver full-fares
- Vehicle / driver discounted (commuter) fares
- Oversize vehicle / driver fares

The June 2011 forecast includes actual ridership counts through April 2011 and revenue collections through May 2011. The actual ridership and revenue data reflect the losses due to the recent Mukilteo-Clinton service reductions associated with terminal construction that was completed earlier this year. The June 2011 forecast reflects the 2.5% fare increase that was implemented January 1, 2011; however the Baseline Forecast scenario excludes any subsequent future fare increases. In addition, the Baseline Forecast excludes the new capital surcharge enacted in ESSB 5742, as the Washington State Transportation Commission has not yet adopted the tariff changes.

Passenger and vehicle/driver "frequent user" or commuter fare ridership, for which fares are pre-sold as a multi-ride discount, have been steadily declining since FY 2000 for a variety of reasons. Commuter passenger fares have increased 118% and vehicle/driver commuter fares have increased 84% since FY 2000.[1] After accounting for inflation, the passenger and vehicle/driver commuter fare increases amount to 73% and 46%, respectively, in real terms. At the same time, employment opportunities on the Kitsap Peninsula have increased while the populations of Vashon, Bainbridge, and south/central Whidbey Islands have aged, shifting a greater share of the islands' populations to retirement age. Telecommuting in the region has also become more prevalent in the past decade. A change in commuter fare media in 2007 has also affected the types of customers that use the discounted fares. All of these factors have contributed to the declining trend in passenger and vehicle/driver commuter ridership over the past decade.

In light of these trends, an initial review of the ferry passenger and vehicle/driver commuter forecast models was made for the March 2011 forecast, and a few model modifications were made to better capture the above mentioned effects. No further changes to the commuter ridership models have been made for June. Additional analysis of passenger and vehicle/driver commuter patronage trends is anticipated over the next several months, including research on newly available 2010 Census results in the Puget Sound Region. Depending on whether or not the declining trend in commuter fare ridership continues, additional forecasting changes may be warranted in September or November.

Trends in Passenger Fare Ferry Ridership

FY 2009 passenger ferry ridership reached 12,572,707 which was a decline of 2.5% from the FY 2008 ridership level. Similarly, FY 2010 passenger ferry ridership was 12,453,226, or 1.0% less than in FY 2009. In addition to the general recessionary economic conditions that have flattened ridership growth, the October 2009 2.5% fare increase contributed to the 1.0% decline in FY 2010 passenger ridership relative to FY 2009. Actual passenger ridership for February, March, and April 2011 came in 2.2% lower, 0.7% lower, and 5.0% higher, respectively, relative to the March projections.

For FY 2011, ferry passenger ridership is expected to be 12,284,000 under the Baseline Forecast (Scenario 1), which assumes no future fare increases. As rounded to the nearest thousand, this is unchanged from the prior forecast, and represents a year-over-year decrease of nearly 1.4%. In FY 2012, ferry passenger ridership is expected to be 12,510,000, a 0.1% increase from the prior forecast, and which represents annual growth of 1.8%. For the remainder of the forecast horizon, the passenger ridership projections range from 0.4% less in FY 2014 to 2.0% higher by FY 2027, compared with the prior forecast.

Trends in Vehicle/Driver Fare Ferry Ridership

Vehicle/driver ridership was 9,904,766 in FY 2009, which was a decline of 4.7% from the FY 2008 level. Subsequently, vehicle/driver ridership was 10,134,311 in FY 2010, or 2.3% higher than in FY 2009. This increase for FY 2010 comes despite the dampening effects of the October 2009 2.5% fare increase, and exceeded recent expectations. Actual vehicle/driver ridership for February, March, and April 2011 came in 4.2% lower, 0.2% higher, and 1.0% lower, respectively, than forecasted in March.

For FY 2011, vehicle/driver ridership is anticipated to be 9,931,000 under the Baseline Forecast (Scenario #1), which assumes no future fare increases. This is about 0.7% lower than the prior forecast,

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

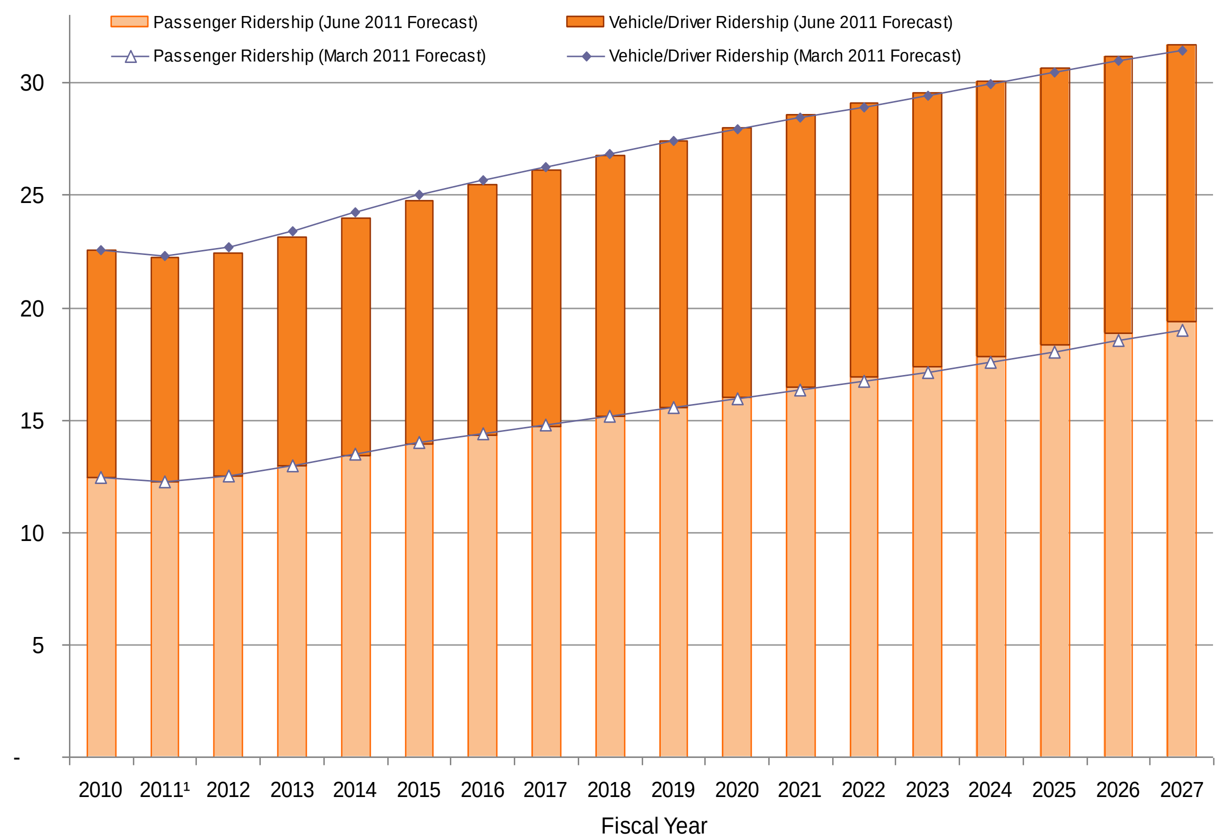
and also represents a year-over-year decrease of 2.0%. In FY 2012, the current Baseline Forecast for vehicle/driver ridership is revised to be 9,937,000, or 2.2% reduction from the March forecast, and represents a year-over-year increase of 0.1% from FY 2011. From FY 2013 to FY 2020, the distance between the current and previous vehicle/driver ridership projections narrows to the point where the June Forecast is 0.1% less than the March Forecast. Starting in FY 2022, the June to March forecast differential widens, with June 0.9% lower than March by the end of the forecast horizon in FY 2027.

Overall Trends in Ferry Ridership

Total ferry ridership finished off FY 2010 at 22,587,537 and is projected to be 22,215,000 for FY 2011, which is a year-over-year decrease of 1.6%. Under the Baseline Forecast (Scenario #1), the projection for the 2009-11 biennium is about 0.1% lower than than anticipated in March. For the rest of the forecast horizon, projected overall ridership ranges from 1.1% lower in FY 2014 to 0.8% higher in FY 2027, relative to the March values.

Figure 33 illustrates the trends and changes from the prior forecast for passengers, vehicles/drivers and total ferry ridership over the forecast horizon.

Figure 33 Comparison of Ferry Passenger and Vehicle Ridership:
June and March 2011 Baseline Forecasts
Millions of Riders



[1] FY 2011 ridership values include actual data through January 2011.

Trends in Ferry Revenue

The June 2011 ferry revenue projections for the Baseline Forecast (Scenario #1) assume no changes to the current fares. In the 2007-09 biennium, ferry farebox and miscellaneous revenues totaled $300.0 million, with fare revenue comprising $292.9 million of that amount. For the 2009-11 biennium, total fare and miscellaneous revenues are anticipated to increase by 0.1% over the previous biennium to $300.3 million, with fare revenue representing $294.2 million of the total. The current biennium projection of $300.3 million is -0.04% or $0.13 million lower than in March.

Employment and real personal income trends are initially lower but eventually recover and end up a bit higher than in March. When combined with higher real gas prices over the forecast horizon, these factors collectively contribute to the lower fare revenue projections in June 2011 relative to March 2011. Even though June passenger ridership is trending higher than March beyond FY 2019, the decrease in higher fare vehicle traffic, especially in the oversize vehicle category, has a more than offsetting impact on projected revenues in the outer forecast years.

Collectively, actual fare revenues for March, April, and May of FY 2011 are ahead of the March projection by about $0.4 million or 1.2%, with the fiscal year as a whole expected to come in 0.2% higher than anticipated in the prior forecast.

Actual fare revenue for the month of March 2011 exceeded the previous projection by about $0.05 million, whereas April fare revenue came in about $0.24 million lower, and finally, for May 2011, collections came in about $0.6 million higher than projected back in March.

In the 2011-13 biennium, revenues under the Baseline Forecast are projected to be 1.7% or $5.2 million less than projected in March, for a total of $307.5 million, of which $301.2 million represent fare revenues. The current Baseline Forecast for revenue in the 2013-15 and subsequent biennia is anticipated to range from 1.2% to 0.2% less than in March, due to the near term downward revisions to employment and real personal income, combined with the higher real price of gas throughout the forecast horizon.

Ferry Capital Surcharge Revenue

The ferry capital surcharge enacted in ESSB5742 has not yet been adopted by the Washington State Transportation Commission, and as a result, is not included in the Baseline Forecast. However, an alternative forecast scenario will be available to present the ridership impacts and additional revenue that this surcharge will generate.

Ferry Miscellaneous Revenue

WSF's miscellaneous revenue forecast captures the most recent patterns of actual data. Revenues from on-board vessel galley service have come in lower than previously forecasted, such that the forecast has been revised downward about 15%. Revenues from advertising and other sources attributed to the terminals rather than the vessels have come in about 8% lower than previously forecasted. Overall, the reduction in WSF's miscellaneous revenue forecasts range from 10% to 11% lower after the current biennium.

Primary Reasons for the Forecast Changes

- A key reason for the change in June's Baseline Forecast for ferry ridership and fare revenue in the current biennium — as well as throughout the forecast period — can be linked to the lower employment and real personal income forecasts in the early years of the forecast horizon.
- Higher real gas prices throughout the forecast horizon also contribute to the downward trend in overall revenue by suppressing the higher fare vehicle ridership demand. By the outer years of the forecast horizon, higher than previously projected employment and, to a lesser extent, real personal income help to lift passenger ridership projections above the March Forecast levels but are not sufficient to offset the revenue impacts from the higher real gas prices.
- The three most recent monthly ferry fare revenue collections have collectively come in 1.2% higher than forecasted in March, which has contributed to the revisions in the June forecast for the current biennium.
- Ferry miscellaneous revenue projections reflect declines in actual collections for both onboard galley revenues and advertising revenues (accounted for at the terminals).

Figure 34 Short-term Ferry Revenue
June 2011 Baseline Forecast
Millions of Dollars

	FY 2010	FY 2011	2009-11 Biennium	TY 2012	FY 2013	2011-13 Biennium
Farebox Revenue	**147.01**	**147.15**	**294.16**	**148.51**	**152.69**	**301.2**
Misc. Ferry Revenue	**3.13**	**3.06**	**6.19**	**3.12**	**3.23**	**6.35**
Total Ferry Revenue	**150.14**	**150.21**	**300.35**	**151.63**	**155.92**	**307.55**
% Change from Prior Forecast	0.0%	-0.1%	0.0%	-1.7%	-1.6%	-1.7%

Toll Revenue

FY 2010 total toll revenue was $47.21 million which is an increase of 2.8% from the prior fiscal year of $45.9 million.

In the toll revenue baseline forecast, at Tacoma Narrows Bridge, no new future toll rate increases are included so toll rates are assumed to remain at $4.00 for cash and $2.75 for electronic toll collection (ETC). 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 January 2011. Per legislative action SR 167 HOT lanes pilot program was extended beyond the previous term to June 30, 2013. Toll rates are set to maximize traffic flow while managing demands to maintain acceptable operating speed on the HOT lanes. The traffic projection model for HOT lanes was modified in June 2010 to reflect the actual usage of these lanes as well as more recent local demographics.

SR 520 Bridge revenue forecast serves as a preliminary estimate due to the uncertainty surrounding the actual beginning of tolling on the bridge. It reflects the toll traffic and revenue projections of the SR *520 Bridge Investment Grade Traffic and Revenue Study*. Toll rates are set to maximize traffic flow vary by time of the day, day of week and vehicle type. Maximum toll rates for two-axle vehicles using *GoodToGo Pass* for peak period weekday rates are $3.50 each way. Maximum peak weekend rate is $2.20 each way. Trucks will pay by axle. These are the current toll rates approved by the Commission. This June forecast also includes a 2.5% annual increase in toll rates through FY 2016. Then the forecast assumes a one- time 15% toll rate increase in FY 2017. Finally, the forecast assumes no further increases in tolls in the remainder of the forecast horizon.

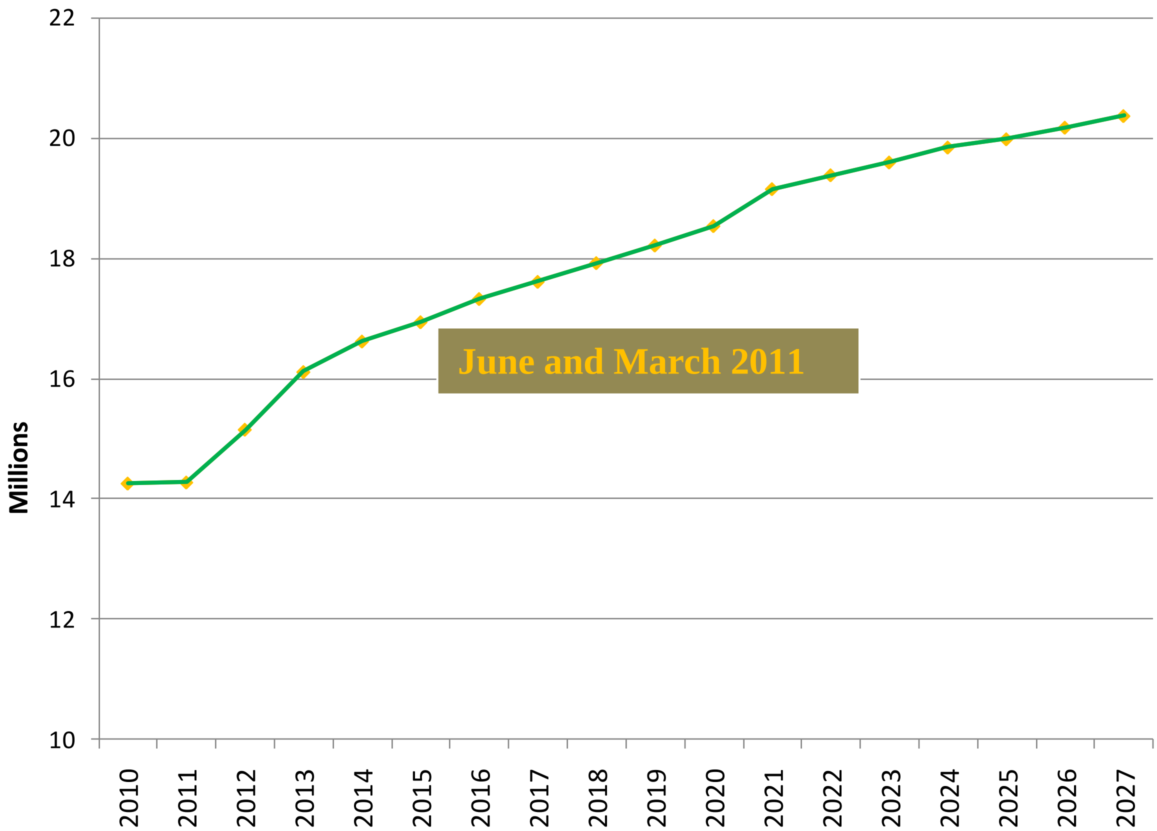
Per 2011 legislative action tolls may be paid after using a toll facility via a photo toll that identifies a vehicle by its license plate. The same legislative action introduces alternative toll enforcement, the Notice of Civil Penalty process administered by WSDOT. Failure to pay a toll detected through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

Sales for FY2009 through FY2011 include revenues from the sales of transponders and disabling shields. Starting FY2011 in February, sales revenues from transponders and transponder disabling devices decrease due to a decrease of transponders cost. Now, transponders cost between $5 and $12 with most transponders being sold at $5 each. In FY 2012 and beyond, transponder growth is based on annual traffic growth. In the June 2011 forecast, the forecast for administration fees at TNB reflects the September and November 2010 redistribution of fees between 167 HOT lanes and TNB. All future projections of administrative fees remain flat.

In February 2011, electronic toll processing migrated to a new vendor. WSDOT determined that the toll revenue for February through May may be understated and/or does not reflect the actual month in which transaction occurred. Therefore, traffic counts may be understated. The issue is being investigated. As a result, TNB and SR 167 HOT lanes traffic and revenue data are unchanged from the March forecast.

Trends in Tacoma Narrows Bridge traffic and toll revenue
The Tacoma Narrows Bridge (TNB) average daily traffic grew minimally in FY 2009 by 0.2% to 13.91 million from FY 2008. In FY 2010, the TNB traffic volume was 14.26 million which represents a year over year increase in traffic volume of 2.5%. In FY 2011, the TNB traffic volume is projected to be 14.28 million which is a year over year growth rate of 0.1 % and a no change from the March forecast. New traffic volume counts have not been incorporated into the June forecast due to lack of traffic and revenue data. Consequently, traffic volume growth still reflects the March economic forecast. TNB traffic volume remains the same as the prior forecast.

Figure 35 Comparison of TNB Traffic Volume:
June and March 2011 Forecasts



TNB toll revenue for the 2007-09 biennium was $73.1 million and the 2009-11 biennium forecast is projected to be $90.22 million which is no change from the March forecast. In the 2011-13 biennium, this June 2011 forecast of toll revenue is projected at $97.03 million with no change from the last forecast. All future biennia forecasts are also no change from the March forecast.

Beginning in 2011, violations will be phased out and replaced by civil penalties. Fines and fees violations revenue for the 2007-09 biennium was $1.06 million of which $1.01 million was violations revenue. The current biennium forecast for violation fees is $1.13 million which is no change from the prior forecast.

In the 2011-13 biennium when TNB civil penalty revenue collection starts, the violations revenue anticipated to be $0. In FY2012 civil penalties revenue is projected to be the same as it was in the March forecast. Beginning in 2011-13 biennium, civil penalties revenue is anticipated to bring in over $2.00 million per biennium and grow over time to $3.60 million by the 2025-27 biennium. For the TNB civil penalties forecast for 2011-13 and all subsequent biennia, the current forecast remains the same as the prior forecast.

The June forecast for administrative fees remains the same as in the prior forecast.

Total revenue from all transponders and shield sales was $1.4 million in the 2007-09 biennium and these sales are projected to decline to reflect the decrease in transponder cost in the 2009-11 biennium. This current forecast of $1.25 million for the 2009-11 biennium represents no change from 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 increased to 510,969 which represents 31.5% growth year over year from FY 2009. In FY 2011, traffic volume is projected to be 610,000 vehicles which are 19.4% higher than the FY 2010 traffic volume and no change over the past forecast. Legislation in 2011 extended the 167 HOT lanes pilot program to the end of FY 2013. Consequently March traffic volume for FY 2012 increased from 521,000 to 629,000 for the June forecast. Traffic volume is estimated to increase to 650,000 by the end of FY 2013.

Revenue from HOT lanes' tolls, sales and fees in FY 2009 was $471,256 and HOT lanes total revenue in FY 2010 was $527,293 which represents a 12% increase annually. For the current biennium, HOT lanes total revenue is projected at $1.19 million, total toll revenue is projected at $1.28 million in the FY 2011-2013 biennium, which is a change from the March forecast. This change is the result of legislative action that extended the pilot program to June 30, 2013.

In 2011-2013 biennium, the current revenue forecast of transponder and shield sales on SR 167 decreased from $22,000 to $ $11,000. The decrease is due to a decrease in transponder cost. Sales of transponder shields will discontinue. FY 2012 and beyond transponder growth is based on annual traffic growth. Fees are unchanged compared to March forecast.

Trends in SR 520 Bridge Toll Lanes Traffic and Revenue
This June 2011 forecast is the first forecast to include toll revenue for the SR 520 bridge. The following traffic and toll revenue forecast is based on Wilbur Smith Associates *Investment Grade Analysis dated on April 18, 2011.* This forecast assumes the tolling of the existing bridge will start at the beginning of the 2011-13 biennium.

It is assumed that toll traffic and revenue will ramp up during the first two years of operations. At the SR 520 Bridge tolling facility the expected average daily traffic is 17.14 million in FY 2012. It will increase to 19.78 million and 21.75 million in FY 2013 and FY2014, respectively. After construction of the bridge is finished in FY 2017, the expected traffic volume is projected to fall by 0.8% due to a one-time significant toll rate increase. Starting FY 2018 through 2027 average traffic volume growth is expected to be around 3%.

Toll revenue from the SR 520 Bridge tolling facility is expected to be $50.11 million in FY 2012 and increase to $66.7 million by 2014 and further increase to $72.58 million by 2015 and exceed $84 million by 2017. These revenue growth assumptions are based on not only increases in traffic volume but also toll rate increases over this time period. The FY 2017 revenue projection is based on a 15% hike in toll rates. There are no planned toll rate increases after FY2017. Toll revenue will be over $100 million by FY 2024 and grow roughly 3% per year for the remainder of the forecast horizon.

Estimated transponder sales are close to $8 million in the FY 2011-2013 biennium, expected to decrease to $3.36 million in the second biennium and level off around $4.5 million through the FY2026-2027 biennium.

The expected civil penalty revenue is $2.00 million in FY 2012, it increases to $3.3 million in FY2013. The close to $1.3 million dollar variance between FY2012 and FY2013 civil penalty revenues is due to an estimated 120 days lag to accommodate the civil penalty process and collect recovered toll revenues, fees and civil penalty. Starting FY2014 through 2027, civil penalty revenues expected to decrease to $3 million per year.

In the June forecast, fee revenue in FY2012 is $1.5 million and it gradually decreases to $1.7 million by FY2027.

Total collected toll revenue is projected to exceed $136 million in 2011-13, and it will increase to $164 million and 188 million in FY2013-15 and FY2015-2017 biennia. The expected total toll revenue is over $236 million by the FY2026-2027 biennium.

Trends in Total Toll Revenue

Total revenue (toll, fines and fees and transponder/shields sales) was $76.9 million in the 2007-09 biennium and is projected to increase to $93.9 million in the 2009-11 biennium which is no change from the prior forecast. Starting in the 2011-13 biennium and beyond, this June forecast of total toll revenue is significantly higher due to the inclusion of the toll revenues on the SR 520 bridge. Following the startup of the 520 bridge tolling facility, the total revenue is projected to increase to $227 million and $261 million in FY2011-13 and FY2013-2015 biennia. Over the forecast horizon, total toll revenue is expected to grow to over $352 million by the FY2026-2027 biennium

Primary reasons for the forecast changes

- Overall TNB toll revenue forecast for the June forecast is no change from the March forecast, In February, electronic toll processing migrated to a new vendor. The next quarterly forecast will incorporate the new monthly traffic volume actuals for TNB and SR 167 Hot lanes. Overall HOT lane revenue forecast in 2009-2011 biennium is $1.19 million, which is no change from the March forecast. Per legislative action SR 167 HOT lanes pilot program was extended to June 30, 2013, consequently the toll revenue increased to $1.1 million in the FY2011-2013 biennium which includes a full biennium of revenue.
- The SR 520 tolling facility June forecast is a preliminary estimate due to the uncertainty of the actual timing of beginning tolling on the 520 bridge. The expected overall toll revenue on the new SR 520 tolling facility is $126 million in FY2011-2013 and it will gradually increase to $226 million by FY2026-2027.

Figure 36 Short-term Toll Facility Revenue
June 2011 forecast
millions of dollars

	FY 2010	FY 2011	2009-11 Biennium	FY 2012	FY 2013	2011-13 Biennium
Tacoma Narrows Bridge						
Toll Revenue	**$ 45.35**	**$44.87**	**$90.22**	**$47.07**	**$49.96**	**$97.03**
Fines and Fees	**0.70**	**0.65**	**1.35**	**0.11**	**0.11**	**0.22**
Civil Penalty Fines	**0.00**	**0.00**	**0.00**	**0.74**	**1.27**	**2.01**
Sales	**0.63**	**0.48**	**1.11**	**0.28**	**0.30**	**0.58**
SR 167 HOT Lane						
Toll Revenue	**$ 0.45**	**$0.59**	**$1.04**	**$0.62**	**$0.64**	**$1.26**
Fines and Fees	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Sales	**0.08**	**0.07**	**0.15**	**0.01**	**0.01**	**0.02**
SR 520 Bridge						
Toll Revenue	**$0.00**	**$0.00**	**$0.00**	**$50.11**	**$59.24**	**$119.26**
Fines and Fees	**0.00**	**0.00**	**0.00**	**1.48**	**1.82**	**3.30**
Civil Penalty Fines	**0.00**	**0.00**	**0.00**	**2.06**	**3.31**	**5.37**
Sales	**0.00**	**0.00**	**0.00**	**6.35**	**1.62**	**7.97**
Total Toll Facility Revenue						
Total	**47.21**	**46.66**	**93.87**	**108.82**	**118.28**	**227.10**
% Change from Prior Fcst	0.0%	0.0%%	**0.00%**	123.36%	129.05%	**126.29%**

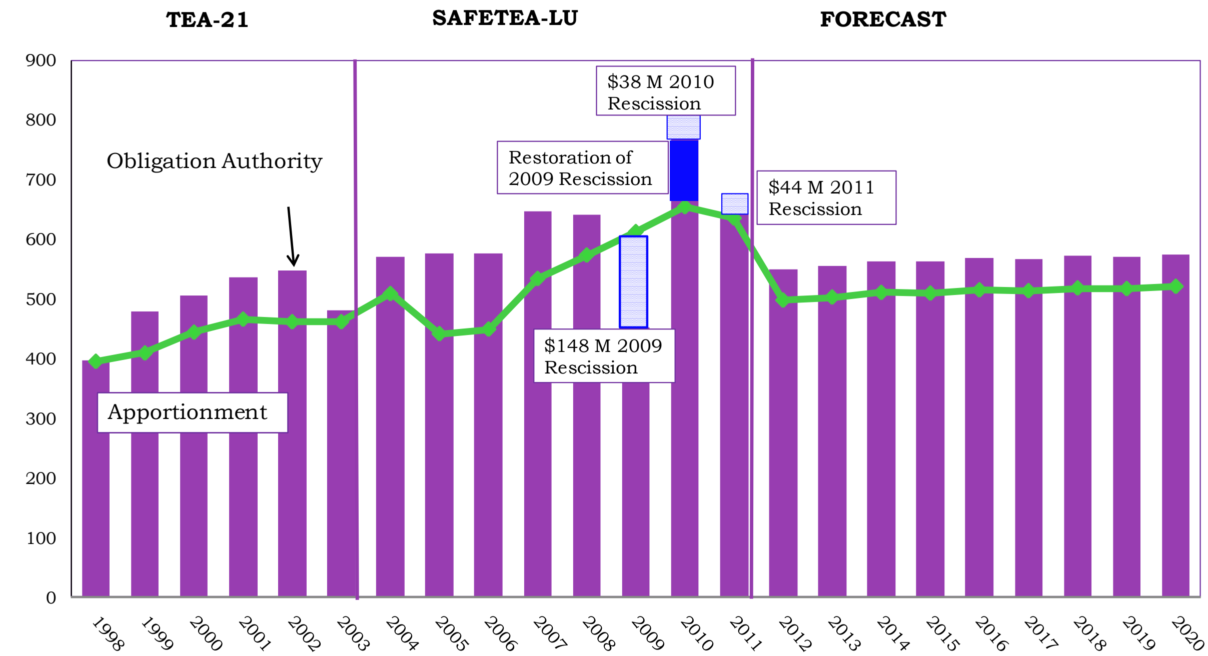
Federal Funds

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.

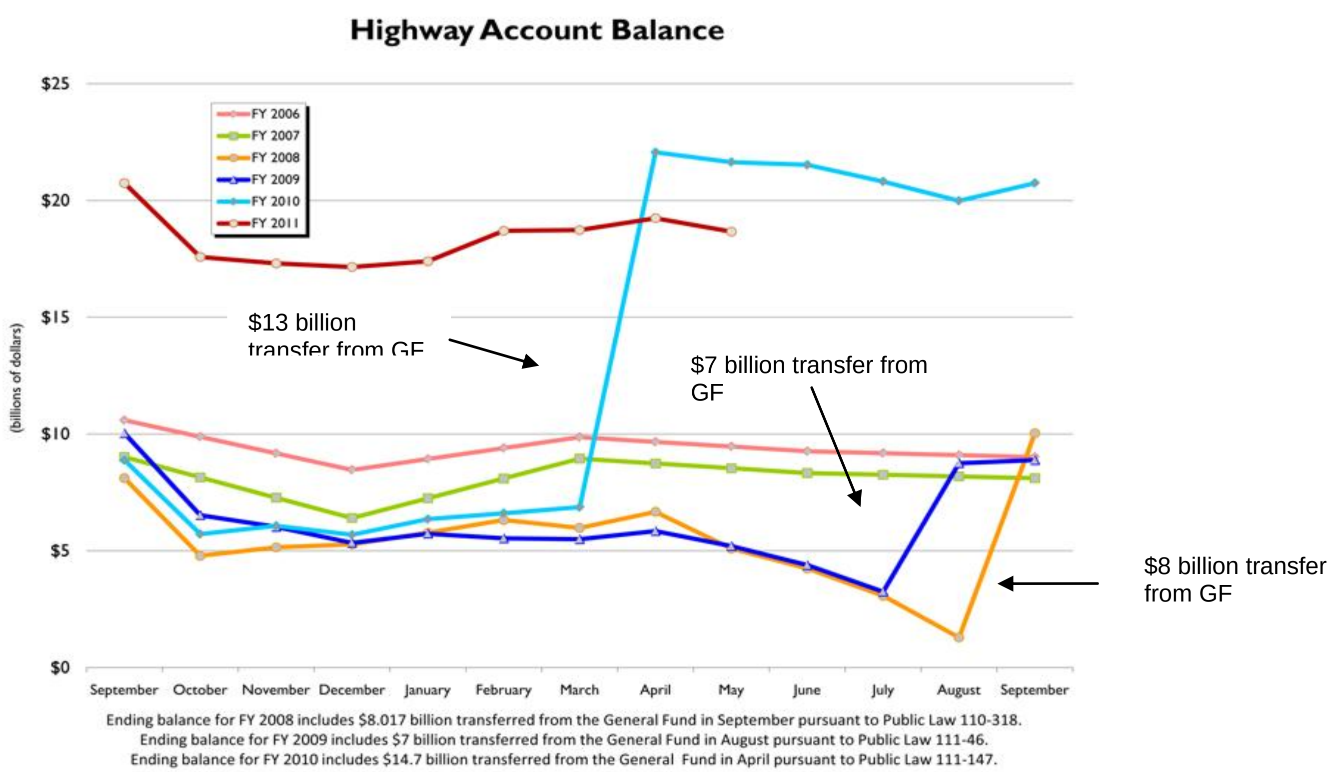
Figure 36 describes the amount of federal apportionment and obligation authority to Washington State since 1998 with the inclusion of the June 2011 forecast of federal funds through FY 2020. This time period includes the Transportation Equity Act for the 21st Century (TEA-21) which was enacted on June 9, 1998 for a 6-year period thru 2003. As the graph reveals, in the last year of TEA-21, Washington's federal apportionment was lower than the previous four years due to a mandatory rescission of more than 30% in 2003. The next federal transportation package passed was the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). In that original SAFETEA-LU legislation, the program was due to end in 2009. In the final year of SAFETEA-LU, 2009, a mandatory rescission was imposed of which $148 million was Washington State's portion. Since 2009, the SAFETEA-LU federal program has been extended through continuing resolutions and in 2010, the 2009 rescission was restored adding back $148 million to Washington. Since that restoration of the 2009 rescission, Congress imposed a 2010 rescission of which Washington share was $38 million. The June 2011 federal funds forecast includes HR 662 passed by Congress on March 4, 2011 SAFETEA-LU until September 30, 2011 and continuing resolution H.J. Resolution 44 passed by Congress on March 2, 2011 which continues federal funding for FFY2011 at $687 million for Washington state.

Figure 37 Federal Apportionment and Obligation Authority (OA) to Washington (millions of dollars)- Federal Fiscal Years 1998-2020 with the June 2011 Forecast



Source: FHWA apportionment and obligation authority notices and TRFC June 2011 federal funds forecast

Figure 38 Monthly Federal Highway Trust Fund Account Balance (billions of dollars): 2006-2011



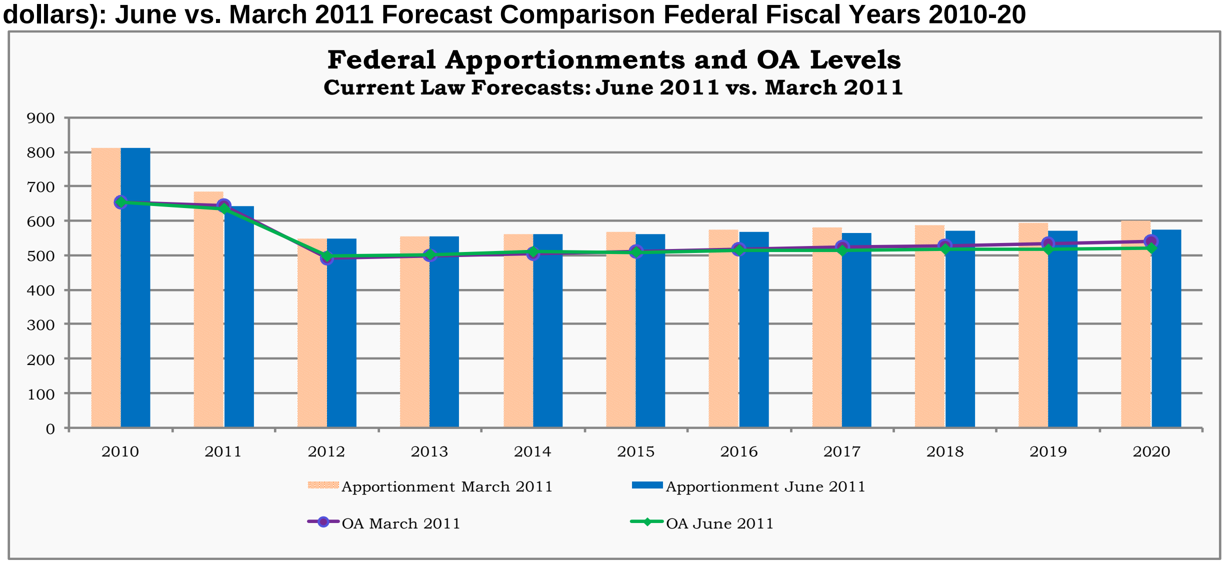
The federal Highway Account within the Highway Trust Fund (HTF) is the principal means for funding federal highway programs. Estimated outlays from the Highway Account under SAFETEA-LU exceeded estimated receipts for federal fiscal years 2005-2011. Furthermore, actual account receipts were lower than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

Washington's Federal Apportionment Forecast

The June 2011 forecast for Washington's apportionment of Federal Highway Trust Fund receipts includes the 2005 through 2010 Federal Highway Administration funding as the basis of the federal funds forecast, updated with Federal Highway Administration notices as they are received. For FFY2010, the federal funding level included the restoration of the 2009 rescission amount of $148 million and a new rescission based on notice N4510.729 dated August 10, 2010. The total nationwide rescission was $2.2 billion, Washington's share was $37.5 million. The FFY 2010 federal funding also included a one-time general fund distribution of $11.9 million (notice N4510.719 dated February 12, 2010) to the Federal Highway Trust Fund. Total WA federal apportionment was $812 million for FFY 2010.

The June 2011 forecast of Washington apportionment has only minor changes in the forecast from prior three forecasts. The federal apportionment forecast for FFY 2011 is based on HR 1473, Public Law 112-10 which funds the federal government until September 30, 2011 and continues federal funding for FFY2011 at $643 million including a rescission of unobligated balances of $2.5 billion nationally of which our Washington state portion if $44 million. Therefore, the June 2011 federal forecast of $643 million is $44 million less than the March forecast due entirely to the new rescission. The apportionment forecast for FFY 2012 assumes a 20% reduction from FFY 2011, pre-rescission level, due to the uncertain nature of the funding in the Highway Trust Fund. This is the same methodology adopted in prior forecasts. The apportionment forecast for FFY 2013 assumes a year over year growth rate that mirrors the Washington State June 2011 TRFC fuel consumption forecast growth rates over the forecast horizon. In this June forecast as well as in the prior four forecasts, the apportionment level for Washington also includes an annual reduction due to civil penalties being imposed beginning in FFY 2010. In the current forecast, the civil penalties are shown as an equal reduction to the programs Interstate Maintenance (IM), National Highway System (NHS) and Surface Transportation Program (STP) which is a change from the last forecast.

Figure 39 Federal Apportionment and Obligation Authority (OA) to Washington (millions of dollars): June vs. March 2011 Forecast Comparison Federal Fiscal Years 2010-20



Source: FHWA apportionment and obligation authority notices and TRFC June 2011 federal funds forecast

Washington's Obligation Authority Forecast
Obligation authority for FFY 2011 is provided by Notice N4520-208 dated May 5, 2011 The current forecast of OA in FFY 2011 is $634 million which is a reduction of $9 million from the March forecasted value. Obligation authority then falls in FFY 2012 to $497 million due to assuming a decline in federal apportionment between FFY 2011 and FFY 2012. The obligation authority forecast for FFY 2012 and beyond is set at 90% of apportionment forecasted for each year, which is consistent with the average obligation authority to apportionment ratio throughout SAFETEA-LU.

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

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

Recent Changes in Federal Forecast

- The June 2011 federal apportionment forecast for FFY 2011 is $643 million or $44 million less than March's forecast due to the new rescission of unobligated balances.
- The latest legislation, HR 1473, has been incorporated into this forecast but no new long-term federal transportation funding legislation has been adopted to alter assumptions in the forecast.

Figure 40 Washington's portion of Federal Highway Funds by Federal Fiscal Year
June 2011 forecast
Millions of dollars

	FFY 2010	FFY 2011	FF 2012	FY 2013
WA Statewide Apportionment of FHWA Programs	**$811.6**	**$686.3**	**$548.7**	**$554.4**
% Change from Prior Fcst	79.3%	-15.4%	-20.0%	1.03%
Obligation Authority	**$653.2**	**$634.3**	**$497.3**	**$502.4**
% Change from Prior Fcst	6.8%	-2.91%	-21.59%	1.02%

FFY 2011 includes non-rescinded total apportionment

Forecast Contacts

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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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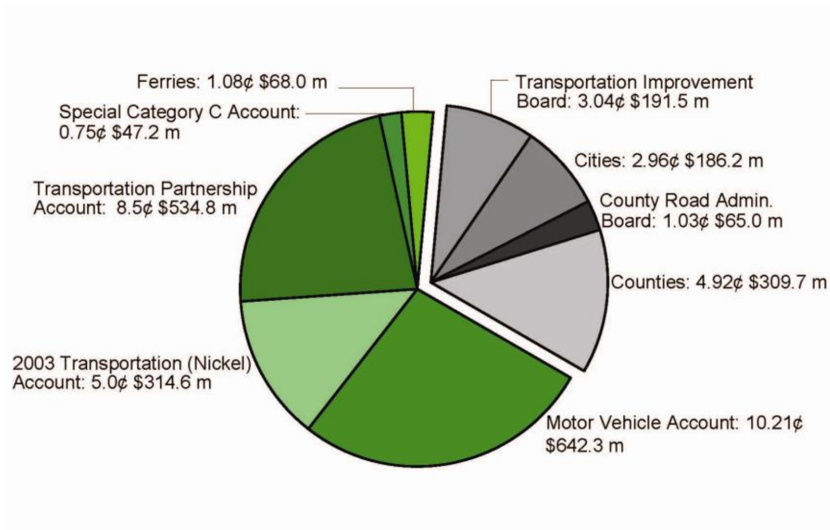
Appendix

Graphs and Tables Related to the June 2011 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 2011 fuel tax revenue forecast for the 2009-2011 biennium.

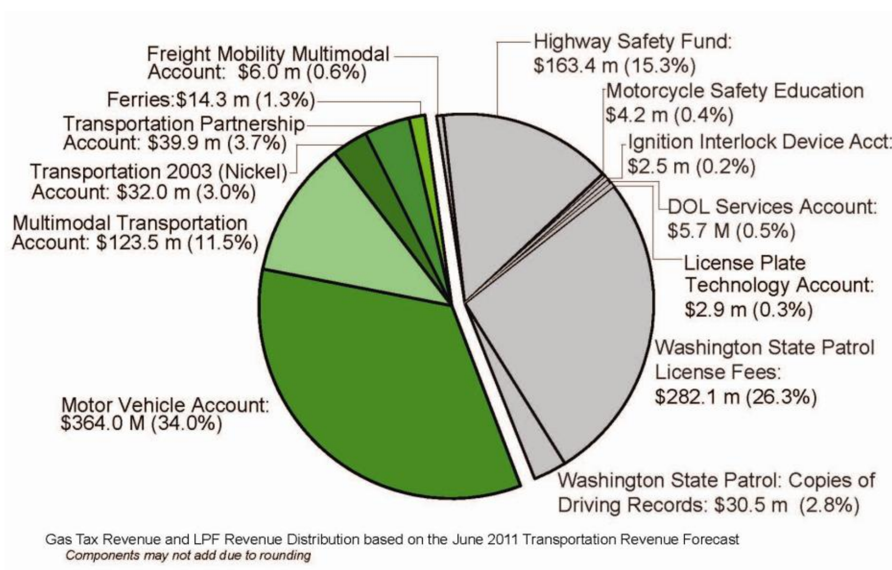
Figure 41 Fuel Tax Revenue for Statutory Distribution
2009–11 • $2,359.5 million



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

Figure 42 License Permits and Fees Revenue for Distribution (Both Motor Vehicle & Driver Related) 2009–11 $1,071.0 million



Impact to Transportation Accounts

Motor Vehicle Account Revenue Forecast and Distributions

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

Figure 43 **Motor Vehicle Account Revenue** *dollars in millions*	**2009-11**		**2011-13**		**16-Year Period (2011-2027)**	
	Forecast Jun 11	**Chg from Mar 11**	**Forecast Jun 11**	**Chg from Mar 11**	**Forecast Jun 11**	**Chg from Mar 11**
Revenues						
Gross Fuel Tax Collections (Gas & Diesel)	2,492.3	12.4	2,541.8	10.4	21,100.0	320.7
Licenses, Permits, & Fees	362.7	0.2	378.2	(1.6)	3,325.0	(5.9)
Business-Related Revenue	11.1	0.1	10.1	0.1	95.1	0.9
Total	**2,866.1**	**12.7**	**2,930.2**	**9.0**	**24,520.1**	**315.8**
Distribution						
Refunds-Regular	116.9	1.8	129.1	1.1	1,216.1	10.9
Fuel Tax Distributions for Local Uses[1]	735.7	3.1	746.8	3.1	6,155.6	29.6
Fuel Tax Distributions for State Uses[2]	974.6	4.1	989.3	4.1	8,155.6	39.4
Total	**1,827.1**	**9.0**	**1,865.2**	**8.3**	**15,527.3**	**80.0**
Net Revenue	**1,039.0**	**3.7**	**1,065.0**	**0.7**	**8,992.8**	**235.8**

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 44 **Transportation 2003 (Nickel) Account** *dollars in millions*	**2009-11**		**2011-13**		**16-Year Period (2011-2027)**	
	Forecast Jun 11	**Chg from Mar 11**	**Forecast Jun 11**	**Chg from Mar 11**	**Forecast Jun 11**	**Chg from Mar 11**
Revenue						
5¢ Gas Tax	314.6	1.3	319.3	1.3	2,631.7	12.7
Licenses, Permits and Fees	32.0	(0.7)	34.1	(0.3)	296.8	(0.7)
Total	**346.6**	**0.7**	**353.4**	**1.0**	**2,928.5**	**12.0**

Transportation Partnership Account Revenue Forecast

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

Figure 45 Transportation Partnership Account *dollars in millions*	2009-11		2011-13		16-Year Period (2011-2027)	
	Forecast Jun 11	Chg from Mar 11	Forecast Jun 11	Chg from Mar 11	Forecast Jun 11	Chg from Mar 11
Revenue						
5¢ Gas Tax	534.8	2.3	542.8	2.3	4,473.9	21.6
Licenses, Permits and Fees	39.9	(0.9)	41.2	(0.4)	367.0	(2.2)
Total	**574.7**	**1.3**	**584.0**	**1.9**	**4,840.9**	**19.4**

Washington State Ferry Accounts Revenue Forecast

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

Figure 46 Washington State Ferries Accounts *dollars in millions*	2009-11		2011-13		16-Year Period (2011-2027)	
	Forecast Jun 11	Chg from Mar 11	Forecast Jun 11	Chg from Mar 11	Forecast Jun 11	Chg from Mar 11
Revenue						
Puget Sound Ferry Op. Acct. (109)						
Ferry Fares	294.2	0.2	301.2	(4.4)	2,795.0	(21.4)
Concessions & Other Revenue	6.2	(0.4)	6.4	(0.7)	67.9	(8.1)
Fuel Tax	43.6	0.2	44.4	0.2	368.0	1.8
Licenses, Permits and Fees	14.3	(0.1)	15.0	(0.0)	133.9	(0.2)
Subtotal	**358.3**	**(0.0)**	**367.0**	**(5.0)**	**3,364.8**	**(27.9)**
Puget Sound Cap. Const. Acct. (099) Fuel Tax	34.3	0.1	34.9	0.1	287.2	1.4
Total	**392.6**	**0.1**	**401.8**	**(4.9)**	**3,652.0**	**(26.5)**

Multimodal Transportation Account Revenue Forecast

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

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

Figure 47 Multimodal Account *dollars in millions*	2009-11		2011-13		16-Year Period (2011-2027)	
	Forecast Jun 11	Chg from Mar 11	Forecast Jun 11	Chg from Mar 11	Forecast Jun 11	Chg from Mar 11
Revenue						
Licenses, Permits and Fees	123.5	(0.0)	129.6	(0.3)	1,149.5	(1.9)
Rental Car Tax	44.5	0.3	49.0	0.5	501.9	(0.5)
Vehicle Sales Tax	54.4	0.3	61.2	0.8	668.9	6.8
Total	**222.3**	**0.6**	**239.9**	**1.0**	**2,320.4**	**4.4**

Aeronautics Account Revenue Forecast

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

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

Figure 48 Aeronautics Account *dollars in thousands*	2009-11		2011-13		16-Year Period (2011-2027)	
	Forecast Jun 11	Chg from Mar 11	Forecast Jun 11	Chg from Mar 11	Forecast Jun 11	Chg from Mar 11
Revenue						
Aircraft Dealer License Fees	8.0	0.0	8.0	0.0	64.0	0.0
Aircraft Excise Tax	55.5	0.3	58.9	0.6	491.3	5.0
Aircraft Fuel Tax	4,653.2	0.0	5,086.6	0.0	42,486.9	0.0
Aeronautics Transfer (from MV Fund)	564.2	(0.6)	559.6	(3.2)	4,404.0	(31.9)
Aircraft Registrations	186.9	5.9	196.2	12.8	1,636.2	104.6
Total	**5,467.7**	**5.6**	**5,909.3**	**10.2**	**49,082.4**	**77.7**

Toll Revenue Forecast

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

Figure 49 Tolling Accounts *dollars in millions*	2009-11 Forecast Jun 11	2009-11 Chg from Mar 11	2011-13 Forecast Jun 11	2011-13 Chg from Mar 11	16-Year Period (2011-2027) Forecast Jun 11	16-Year Period (2011-2027) Chg from Mar 11
Revenue						
Tacoma Narrows Bridge Account						
Toll Revenues ^	90.2	0.0	97.0	0.0	892.6	0.0
Transponder Sales/ Shield Sales	1.1	0.0	0.6	0.0	5.4	0.0
Violations	1.1	0.0	0.0	0.0	0.0	0.0
Civil Penalties	0.0	0.0	2.0	0.0	25.3	0.0
Fees	0.2	0.0	0.2	0.0	1.7	0.0
Subtotal Tacoma Narrows Bridge	**92.7**	**0.0**	**99.8**	**0.0**	**925.1**	**0.0**
HOT Lanes Operations Account						
Toll Revenues	1.0	0.0	1.3	0.7	n/a	n/a
Transponder Sales/ Shield Sales	0.1	0.0	0.0	0.0	n/a	n/a
Fees	0.0	0.0	0.0	0.0	n/a	n/a
Subtotal HOT Lanes Operations	**1.2**	**0.0**	**1.3**	**0.8**	**n/a**	**n/a**
SR 520 Bridge §						
Toll Revenues ^	0.0	0.0	109.4	109.4	1,381.9	1,381.9
Transponder Sales/ Shield Sales	0.0	0.0	8.0	3.3	0.0	35.4
Violations	0.0	0.0	5.4	5.4	1,381.9	1,381.9
Civil Penalties	0.0	0.0	3.3	3.3	35.4	35.4
Fees	0.0	0.0	126.0	126.0	47.5	47.5
Subtotal SR 520 Bridge	**0.0**	**0.0**	**252.0**	**247.3**	**2,846.8**	**2,882.3**
Total Tolling Revenues	**93.9**	**0.0**	**353.1**	**248.1**	**3,771.9**	**2,882.3**

Civil penalties and violations forecast is not complete

§ June 2011 forecast is the first forecast to include SR 520 revenue

^ *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 50 **Highway Safety/Motorcycle Safety/WSP** *dollars in millions*	**2009-11**		**Current Biennium 2011-13**		**16-Year Period (2011-2027)**	
	Forecast Jun 11	**Chg from Mar 11**	**Forecast Jun 11**	**Chg from Mar 11**	**Forecast Jun 11**	**Chg from Mar 11**
Revenue						
Highway Safety						
Driver License Fees	126.4	0.3	129.4	0.8	1,090.2	5.7
Copies of Records	32.8	0.2	34.0	0.2	292.8	1.8
Other and Miscellaneous	4.2	(0.0)	4.3	0.2	36.7	1.4
Subtotal	**163.4**	**0.5**	**167.7**	**1.2**	**1,419.7**	**9.0**
Motorcycle Safety Permits/Endorsements	4.2	0.0	4.4	(0.0)	40.5	0.1
State Patrol Copies of Records (ADR) / LPF	312.6	(1.9)	328.9	(0.4)	2,926.2	(1.8)
Subtotal	**316.8**	**(1.9)**	**333.3**	**(0.5)**	**2,966.7**	**(1.7)**
Total	**480.2**	**(1.4)**	**501.0**	**0.8**	**4,386.4**	**7.2**