

Transportation Revenue Forecast Council

March 2015 Transportation Economic and Revenue Forecasts

Volume I: Summary

Washington Transportation Economic and Revenue Forecast March 2015 Forecast

Summary Report (Volume I)

Transportation Forecast Summary	3
Forecast Overview	3
Economic Variables Forecast	7
Motor Fuel Price Forecast	16
Motor Vehicle Fuel Tax Forecast	22
Motor Vehicle Revenue (Licenses, Permits and Fees)	25
Driver Related Revenues Forecasts	28
Other Transportation Related Revenue Forecasts	32
Vehicle Sales And Use Tax	32
Rental Car Sales Tax	33
Business and Other Revenues	33
Aeronautics Taxes and Fees	34
Aviation Fuel	34
Ferry Ridership and Revenue	35
Toll Revenue	39
Federal Funds Revenue	49
Forecast Contacts	56
Appendix	57

Forecast Tables (Volume II)

Motor Vehicle Fuel	3
Motor Vehicle Related Revenue Forecast (Licenses, Permits and Fees)	19
Driver Related Revenue Forecasts	37
Other Transportation Related Revenue Forecasts	46
Vehicle Sales and Use Tax	48
Rental Car Tax	48
Business and Other Revenue	48
Aeronautics Taxes and Fees	48
Washington State Ferries Ridership and Revenue Forecast	55
Toll Operations and Revenue Forecasts	60
Federal Funds Forecast	67

Forecast Confidence Intervals and Related Data (Volume III)

Motor Vehicle Fuel Revenue and LPF Forecast Confidence Bands	3
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Alternate Forecast Scenarios (Volume IV)

Alternate Ferry Forecast	3
Alternate Federal Funds Forecast	13

Preface

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

Transportation Forecast Summary

Forecast Overview

Here are key conclusions from the March 2015 transportation revenue forecast.

- March 2015 transportation forecast of revenues: \$4.666 billion for the current biennium which represents an increase of 7.7% over the prior 2011-13 biennium of \$4.33 billion.
- Overall transportation revenue has an upward revision forecast to forecast in the current biennium (up \$15.5 million) with the largest share of the increase in March being higher fuel tax revenue and truck and passenger car license fees and the only forecasts being down minimally are the aircraft fuel tax and business related revenue forecast. All major transportation taxes and fee revenues are up from the last forecast in the current biennium.
- For the 10-year forecast horizon, total revenues are projected to be \$24.53 billion, which is up by \$252 million (1%) from November due to higher fuel tax revenue, licenses, permits and fees, driver related fees, rental car and new vehicle sales tax.
- New projections of real personal income are higher and employment projections also have minor revisions upward from the last forecast in terms of growth rates. Inflation is also down, due to lower fuel prices since the last forecast. The current forecast for average annual retail gas and diesel price forecasts are lower than November's forecast all throughout the forecast horizon. The current B5 biodiesel prices for ferries are also down from the last forecast.
- The primary reason for the change in fuel tax revenue in the current year has been higher gas tax collections than forecasted and diesel tax collections have come in lower than the last forecast. Gas tax collections have been up in total by \$2.6 million in the last four months compared to forecast. In addition, real gas prices are down from last quarter's projections and employment forecasts are up a little. These changes positively impacted gas tax revenue projections. The March gas tax forecast is up \$4.9 million in the current biennium and up \$15.7 million next biennium. Diesel tax collections have been down \$1.88 million over the past four months. As a result, the diesel fuel tax revenue forecast has been reduced by \$1.2 million in the current biennium and down \$7.4 million next biennium. The current overall fuel tax revenue forecast is up \$3.7 million in the current biennium and \$8.3 million next biennium. Over the next ten years, the fuel tax revenue is up \$120.4 million or 1% from November's forecast.
- Licenses, permits and fee (LPF) revenue are also up significantly forecast to forecast by \$8 million, in the current biennium due to strong passenger car and truck fee revenue collections. In the next biennium, the revenues are up by \$35 million. Over the 10 year forecast period, LPF revenue is up \$90.9 million (1.7%) over last forecast.
- The baseline ferry revenue estimates are up minimally by \$1.88 million compared to November in the current biennium and the revision upward continues throughout the forecast horizon.
- Toll forecasts for TNB, Hot lanes and SR 520 have not changed in this March forecast.
- The federal revenue forecast is up in the short term because of an updated forecast of the Highway Trust Fund. This new HTF forecast is slightly more optimistic so the required reductions in 2016 are smaller.

In FY 2010, transportation revenues were \$2.018 billion which was a decline of 1% over the prior fiscal year as the economy struggled from the recession. In FY 2011, transportation revenues increased slightly to \$2.06 billion or 2.3% growth year over year. In FY 2012, transportation revenues were also up minimally to \$2.10 billion or 1.9% annual increase. In FY 2013, transportation revenues were \$2.23 billion, which represents an annual increase of 6%. In fiscal year 2014, transportation revenues were \$2.291 billion, which was 2.7% growth year over year. In the current fiscal year, transportation revenues are estimated at \$2.37 billion which is 3.7% year-over-year growth and 0.3% adjustment upward from the November forecast. Overall during the 10-year horizon, transportation revenues are projected to be \$24.28 billion and \$12.5 million more than projections in November with an average annual growth rate of 1% each year.

Figure 1 Total Transportation Revenues Comparison
March 2015 vs. November 2014 forecasts
millions of dollars

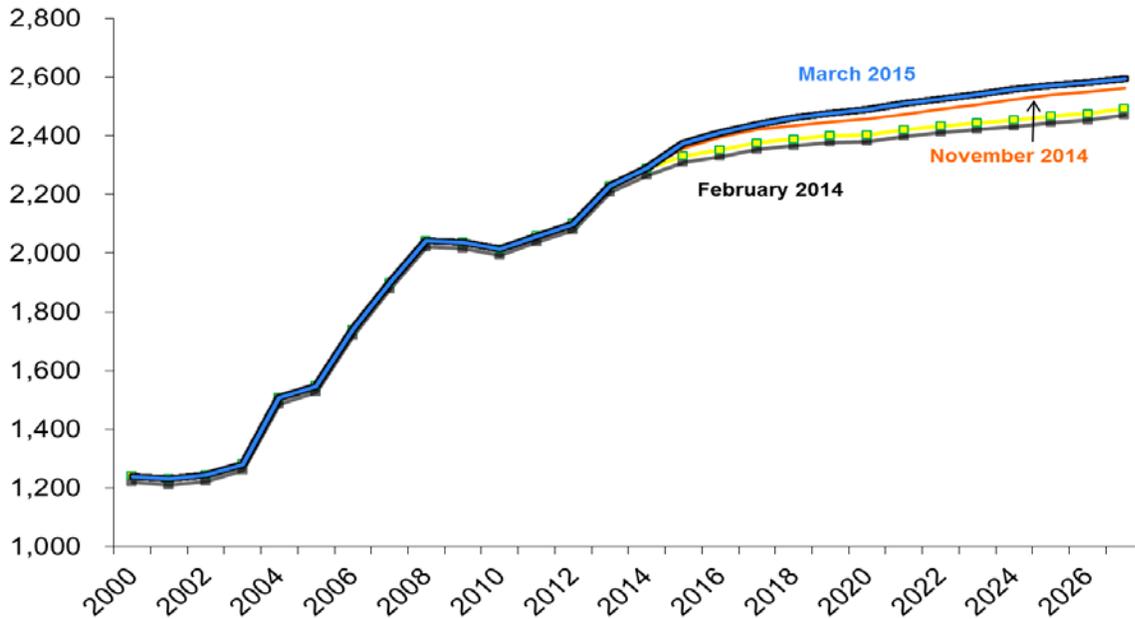
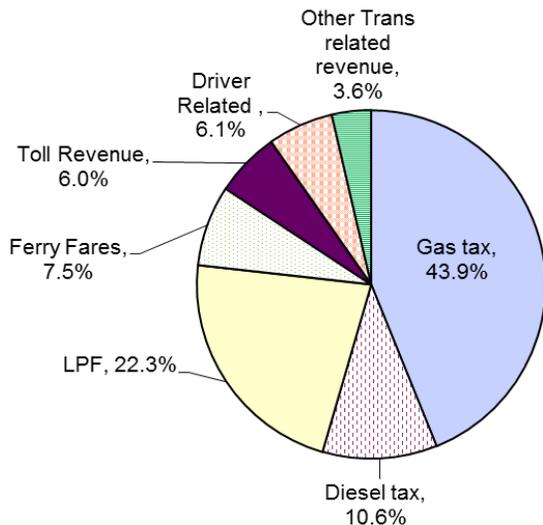


Figure 2 Revenue by Source
2013-15 biennium (\$4.666 billion)



Washington's transportation revenues come from numerous taxes, fees, permits, tolls, and other revenues. Revenues forecasted each quarter include the sources contained in Figure 2. This pie graph reveals the anticipated share of each state revenue source to the total transportation revenues for the 2013-15 biennium, (\$4.666 billion). Gasoline fuel taxes comprise the largest share at 44%. With the addition of diesel fuel taxes, all motor vehicle fuel taxes comprise 54.5% of all revenues. Licenses, permits, and fee revenues comprise the second largest share at 22%. The largest three revenue sources are projected to consist of 76.5% of revenues in the 2013-15 biennium. The remaining 23.5% consists of ferry fares, toll revenue, driver related revenue and other transportation related revenue.

**Figure 3 Forecast to Forecast Biennium Comparison of All Transportation Revenues
March 2015 forecast - 10 year period**

Forecast to Forecast Comparison for Transportation Revenues and Distributions 10-Year Period									
March 2015* millions of dollars									
	Current Biennium						10-Year Period		
	2013-2015			2015-2017			(2013-2023)		
	Forecast Mar-15	Chg from Nov-14	Percent Change	Forecast Mar-15	Chg from Nov-14	Percent Change	Forecast Mar-15	Chg from Nov-14	Percent Change
Sources of Transportation Revenue									
Motor Vehicle Fuel Tax Collections	2,543.42	3.70	0.15%	2,592.13	8.33	0.32%	13,081.51	120.44	0.93%
Licenses, Permits and Fees *	1,038.70	7.99	0.78%	1,109.39	17.59	1.61%	5,597.39	90.89	1.65%
Ferry Revenue†	349.54	1.88	0.54%	364.71	5.19	1.44%	1,858.34	16.72	0.91%
Toll Revenue §	279.77	0.00	0.00%	315.38	0.00	0.00%	1,645.97	0.00	0.00%
Aviation Revenues ‡	5.86	(0.02)	-0.28%	6.14	(0.02)	-0.33%	31.06	(0.12)	-0.39%
Rental Car Tax	56.14	0.27	0.49%	60.69	1.08	1.82%	314.07	4.47	1.45%
Vehicle Sales Tax	77.14	0.65	0.85%	85.46	2.80	3.39%	442.72	13.19	3.07%
Driver-Related Fees*	284.59	1.13	0.40%	289.46	0.18	0.06%	1,419.24	7.47	0.53%
Business/Other Revenues **	30.80	(0.11)	-0.36%	29.34	(0.23)	-0.77%	142.40	(1.01)	-0.70%
Total Revenues	4,665.96	15.49	0.33%	4,852.69	34.93	0.72%	24,532.71	252.05	1.04%
Distribution of Revenue									
Motor Fuel Tax Refunds and Transfers	137.95	2.09	1.54%	143.66	(0.50)	-0.35%	740.79	4.02	0.55%
State Uses									
Motor Vehicle Account (108)	1,118.72	4.72	0.42%	1,146.40	7.89	0.69%	5,776.11	62.86	1.10%
Transportation 2003 (Nickel) Account (550)	395.37	0.29	0.07%	402.70	2.15	0.54%	2,031.74	20.03	1.00%
Transportation 2005 Partnership Account (09H)	584.30	0.40	0.07%	594.73	2.90	0.49%	2,997.68	30.35	1.02%
Multimodal Account (218)	272.57	2.18	0.80%	291.94	6.55	2.29%	1,510.11	31.16	2.11%
Special Category C Account (215)	47.80	0.01	0.02%	48.59	0.18	0.37%	245.03	2.29	0.94%
Puget Sound Capital Construction Account (099)	34.78	0.01	0.02%	35.36	0.13	0.37%	178.28	1.67	0.94%
Puget Sound Ferry Operations Account (109)	401.44	2.11	0.53%	417.12	5.54	1.35%	2,123.41	20.07	0.95%
Capital Vessel Replacement Account (18J)	17.49	(0.32)	-1.78%	44.87	(1.92)	-4.11%	175.90	(6.79)	-3.71%
Tacoma Narrows Bridge Account (511)	136.38	0.00	0.00%	150.55	0.00	0.00%	767.23	0.00	0.00%
High Occupancy Toll Lanes Account (09F)^	2.57	0.00	0.00%	0.00	0.00	0.00%	2.57	0.00	0.00%
SR 520 Corridor Account (16J)	131.39	0.00	0.00%	154.29	0.00	0.00%	822.55	0.00	0.00%
SR 520 Corridor Civil Penalties Account (17P)	9.43	0.00	0.00%	10.54	0.00	0.00%	53.62	0.00	0.00%
Aeronautics Account (039)	5.86	(0.02)	-0.28%	6.14	(0.02)	-0.33%	31.06	(0.12)	-0.39%
State Patrol Highway Account (081)	350.38	2.37	0.68%	367.52	7.90	2.20%	1,881.28	37.96	2.06%
Highway/Motorcycle Safety Accts. (106 & 082)	250.50	1.38	0.56%	253.66	(0.96)	-0.38%	1,238.58	3.32	0.27%
School Zone Safety Account (780)	1.08	(0.16)	-13.02%	0.88	(0.32)	-26.85%	4.59	(1.45)	-24.01%
Other accounts (201, 06T, 097, 09E, 216, 07C)	16.56	0.06	0.37%	17.17	0.20	1.16%	87.50	0.94	1.09%
Ignition Interlock Devices Revolving Acct 14V	4.18	0.34	8.91%	6.32	2.35	59.33%	29.45	9.75	49.52%
Multiuse Roadway Safety Account Collections-571	0.05	0.00	1.09%	0.09	0.00	1.53%	0.45	0.01	1.49%
Total for State Use	3,780.79	13.37	0.35%	3,948.77	32.56	0.83%	19,956.69	212.05	1.07%
Local Uses									
Cities	183.31	0.03	0.02%	186.35	0.69	0.37%	939.71	8.80	0.94%
Counties	302.19	(0.05)	-0.02%	307.83	1.20	0.39%	1,553.11	14.62	0.95%
Transportation Improvement Board (112 & 144)	195.86	0.03	0.02%	199.12	0.73	0.37%	1,004.44	9.40	0.94%
County Road Administration Board (102 & 186)	65.85	0.01	0.02%	66.95	0.25	0.37%	337.97	3.16	0.94%
Total for Local Use	747.21	0.03	0.00%	760.26	2.87	0.38%	3,835.23	35.98	0.95%
Total Distribution of Revenue	4,665.96	15.49	0.33%	4,852.69	34.93	0.72%	24,532.71	252.05	1.04%

† Ferry Fares plus non-farebox revenue

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

* These transportation revenues had new fees or higher fees adopted by the 2012, 2013 and 2014 Legislatures.

§ 167 HOT lanes is a pilot program that is currently scheduled to sunset June 30, 2015

As Figure 3 indicates, in the current biennium, March's transportation revenues are projected at \$4.666 billion. This forecast is up some by \$15.5 million or 0.3% from the last forecast. In the current biennium, most all revenue sources are up from the November forecast except for very minor revisions downward in aviation and

business related forecasts. The rise in transportation revenue sources for this March forecast are due to higher fuel tax collections, license, permits and fee revenue, rental car and vehicle sales taxes and ferry revenue. Fuel taxes are up by \$3.7 million; licenses, permits and fee collections are up by \$7.99 million; rental car revenue is up by \$0.27 million and vehicle sales tax revenue by \$0.65 million in the current biennium. In the next biennium, transportation revenues are also up overall by \$34.9 million or 0.7%. Again the same primary revenue sources are up next biennium forecast to forecast along with driver-related fees and ferry revenue. Over the 10-year forecast horizon (2013-2023), the revenue forecast for March is \$24.53 billion which is up \$252 million or 1% from the November forecast.

**Figure 4 Forecast to Baseline Biennium Comparison of All Transportation Revenues
March 2015 forecast - 10 year period**

Forecast to Baseline Comparison for Transportation Revenues and Distributions 10-Year Period									
March 2015• millions of dollars									
	Current Biennium			2015-2017			10-Year Period		
	Forecast	Chg from	Percent	Forecast	Chg from	Percent	Forecast	Chg from	Percent
	Mar-15	Baseline ¥	Change	Mar-15	Baseline ¥	Change	Mar-15	Baseline ¥	Change
Sources of Transportation Revenue									
Motor Vehicle Fuel Tax Collections	2,543.42	12.25	0.48%	2,592.13	47.33	1.86%	13,081.51	380.54	3.00%
Licenses, Permits and Fees *	1,038.70	29.29	2.90%	1,109.39	76.83	7.44%	5,597.39	318.12	6.03%
Ferry Revenue†	349.54	6.69	1.95%	364.71	8.79	2.47%	1,858.34	39.27	2.16%
Toll Revenue §	279.77	(12.81)	-4.38%	315.38	(16.04)	-4.84%	1,645.97	(87.22)	-5.03%
Aviation Revenues ‡	5.86	(0.09)	-1.54%	6.14	(0.06)	-0.95%	31.06	(0.18)	-0.59%
Rental Car Tax	56.14	3.29	6.22%	60.69	4.96	8.91%	314.07	21.56	7.37%
Vehicle Sales Tax	77.14	3.00	4.05%	85.46	6.38	8.07%	442.72	30.97	7.52%
Driver-Related Fees*	284.59	1.77	0.62%	289.46	(6.17)	-2.09%	1,419.24	(14.75)	-1.03%
Business/Other Revenues ±	30.80	4.27	16.08%	29.34	3.98	15.68%	142.40	12.68	9.78%
Total Revenues	4,665.96	47.65	1.03%	4,852.69	126.01	2.67%	24,532.71	700.99	2.94%
Distribution of Revenue									
Motor Fuel Tax Refunds and Transfers	137.95	(0.54)	-0.39%	143.66	(0.23)	-0.16%	740.79	2.13	0.29%
State Uses									
Motor Vehicle Account (108)	1,118.72	14.93	1.35%	1,146.40	35.17	3.17%	5,776.11	189.31	3.39%
Transportation 2003 (Nickel) Account (550)	395.37	1.12	0.28%	402.70	6.18	1.56%	2,031.74	48.60	2.45%
Transportation 2005 Partnership Account (09H)	584.30	3.21	0.55%	594.73	11.86	2.04%	2,997.68	91.18	3.14%
Multimodal Account (218)	272.57	9.86	3.75%	291.94	16.26	5.90%	1,510.11	78.65	5.49%
Special Category C Account (215)	47.80	0.21	0.45%	48.59	0.91	1.91%	245.03	7.42	3.12%
Puget Sound Capital Construction Account (099)	34.78	0.16	0.45%	35.36	0.66	1.91%	178.28	5.40	3.12%
Puget Sound Ferry Operations Account (109)	401.44	7.52	1.91%	417.12	9.86	2.42%	2,123.41	48.01	2.31%
Capital Vessel Replacement Account (18J)	17.49	9.92	0.00%	44.87	36.96	467.66%	175.90	135.31	333.33%
Tacoma Narrows Bridge Account (511)	136.38	(2.00)	-1.45%	150.55	(2.58)	-1.68%	767.23	(28.45)	-3.58%
High Occupancy Toll Lanes Account (09F)*	2.57	(0.08)	0.00%	0.00	0.00	0.00%	2.57	(0.08)	100.00%
SR 520 Corridor Account (16J)	131.39	(1.84)	-1.38%	154.29	(5.68)	-3.55%	822.55	(20.75)	-2.46%
SR 520 Corridor Civil Penalties Account (17P)	9.43	(8.88)	-48.48%	10.54	(7.77)	-42.46%	53.62	(37.93)	-41.43%
Aeronautics Account (039)	5.86	(0.09)	-1.54%	6.14	(0.06)	-0.95%	31.06	(0.18)	-0.59%
State Patrol Highway Account (081)	350.38	7.84	2.29%	367.52	13.58	3.84%	1,881.28	67.57	3.73%
Highway/Motorcycle Safety Accts. (106 & 082)	250.50	2.23	0.90%	253.66	(6.70)	-2.57%	1,238.58	(16.25)	-1.29%
School Zone Safety Account (780)	1.08	(0.10)	-8.34%	0.88	(0.29)	-25.09%	4.59	(1.27)	-21.73%
Other accounts (201, 06T, 097, 09E, 216, 07C)	16.56	0.22	1.33%	17.17	0.45	2.71%	87.50	2.35	2.75%
Ignition Interlock Device Revolving Acct 14V	4.18	0.36	9.44%	6.32	2.50	65.27%	29.45	10.34	54.12%
Multise Roadway Safety Account Collections-571	0.05	0.05	41.67%	0.05	(0.07)	-61.51%	0.39	(0.32)	-45.46%
Total for State Use	3,780.79	44.58	1.19%	3,948.77	111.32	2.90%	19,956.69	579.23	2.99%
Local Uses									
Cities	183.31	0.82	0.45%	186.35	3.49	1.91%	939.71	28.47	3.12%
Counties	302.19	1.63	0.54%	307.83	6.44	2.14%	1,553.11	49.84	3.32%
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Total for Local Use	747.21	3.61	0.49%	760.26	14.92	2.00%	3,835.23	119.62	3.22%
Total Distribution of Revenue	4,665.96	47.65	1.03%	4,852.69	126.01	2.67%	24,532.71	700.99	2.94%

¥ Baseline is the Feb 2014 forecast.

† Ferry Fares plus non-farebox revenue

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

* These transportation revenues had new fees or higher fees adopted by the 2012, 2013 and 2014 Legislatures.

§ 167 HOT lanes is a pilot program that is currently scheduled to sunset June 30, 2015

Figure 4 compares the current November forecast with the baseline forecast (February 2014) used for setting WSDOT's 2013-15 biennium budget. In the current biennium, the new forecast is up from the baseline forecast by \$47.65 million. The fuel tax and licenses, permits and fee revenue had the biggest gains from the February 2014 forecast at \$12.3 million or 0.5% and \$29.3million or 2.9% respectively. The large increase in revenue is due to the incorporation of some new fees in this forecast which were not current law in February 2014. Next biennium, the revenue difference from the baseline forecast is much larger at \$126 million or 2.7%. Over the next ten years, the current forecast is up \$701 million or nearly 3% over the baseline due to legislative changes and upward revisions in forecasts.

Economic Variables Forecast

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

**Figure 5 Annual Percentage Change (%) in Select Economic Variables
March 2015 forecast**

Fiscal Year	WA Personal Income	Annual Population	US General Prices (IPDC)	US Oil & Gas Price Index	US Fuel Efficiency (MPG)	Nominal Consumer Sales on New Vehicles
2010	-2.5	1.0	1.0	3.1	-0.9	10.8
2011	2.9	1.0	1.8	18.2	1.4	11.8
2012	3.8	1.0	2.4	13.8	1.1	13.5
2013	3.6	1.1	1.4	0.5	1.0	9.4
2014	1.9	1.3	1.3	-2.4	1.3	4.5
2015	3.9	1.4	0.8	-25.5	1.6	6.8
2016	3.9	1.4	1.2	-17.6	1.8	3.4
2017	4.4	1.3	1.7	20.8	1.9	9.4
2018	4.2	1.3	1.7	10.6	1.8	7.5
2019	3.5	1.1	1.8	10.7	1.8	2.9
2020	2.0	1.0	1.8	7.2	1.9	1.4
2021	1.8	1.0	2.1	8.6	1.9	1.0
2022	2.7	1.0	2.0	5.6	1.9	1.9
2023	2.8	1.0	2.0	4.6	1.9	2.3
2024	2.8	1.0	2.0	4.4	2.0	1.9
2025	2.8	1.0	2.0	4.6	2.1	2.6
2026	2.9	1.0	2.0	2.9	2.1	2.9
2027	2.9	1.0	1.9	1.6	2.1	3.3

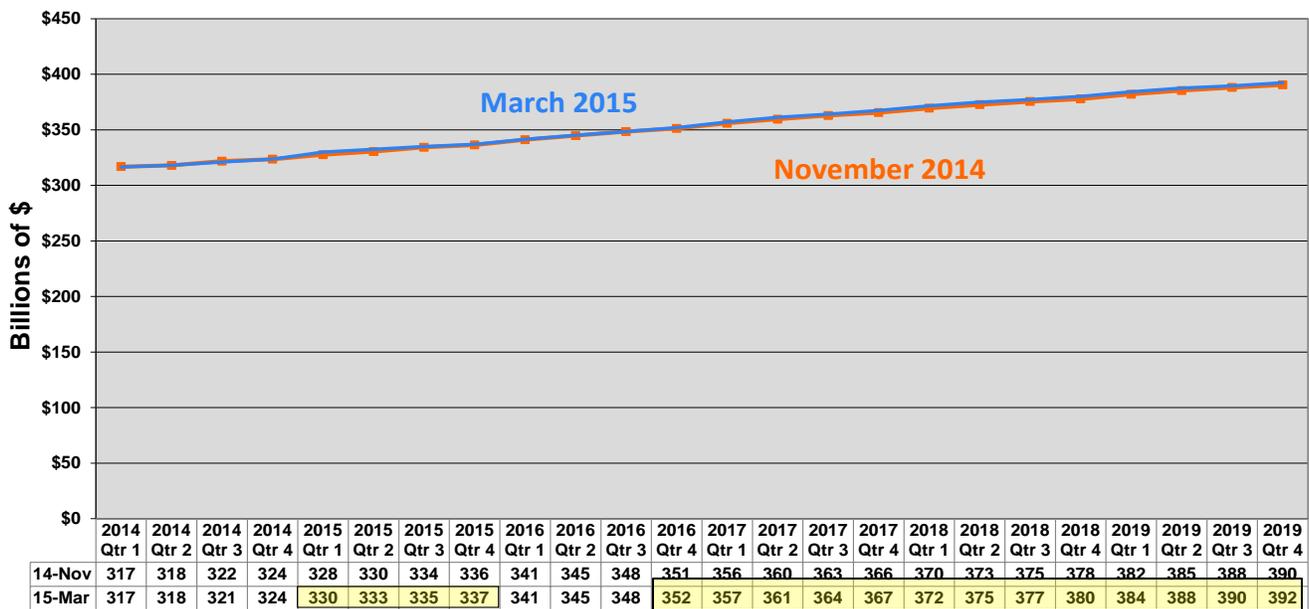
Source: Washington Economic and Revenue Forecast Council, Washington Office of Financial Management, February 2015 Global Insight forecast adjusted for Blue Chip average GDP growth rates and NYMEX crude oil prices

WA Personal Income

The forecast of Washington real personal income is projected by the Washington Economic and Revenue Forecast Council (ERFC) based on the February 2015 Global Insight forecast, February 2015 Blue Chip average US GDP growth rates, NYMEX fuel prices, and other forecasted economic variables in the near term through FY 2019. Washington real personal income in FY 2012 averaged \$298 billion. This was a year-over-year increase of 3.8%. For FY 2013, Washington real personal income was \$308.7 billion, with a year-over-year growth rate of 3.6%. In FY 2014, real personal income was higher at \$314.6 billion with an annual growth of 1.9%. In the current fiscal year, this March forecast has personal income at \$326.8 billion and the annual growth rate at 3.9% which is a revision upward of 0.3% from the last forecast. This March 2015 forecast

predicts Washington real personal income to be slightly higher than the last forecast in the near-term and in the long-term horizon, see Figure 6. In the first quarter of 2015, real personal income is anticipated to be \$330 billion which is higher than \$328 billion projected last forecast. Next fiscal year, Washington’s personal income growth rate is anticipated to be 3.9% which is down slightly from 4.1% growth anticipated in the November forecast. The average growth rate in fiscal years 2015-2018 is 4.1% which is slightly above the four year average from last quarter. In FY 2019, Washington real person income is anticipated to be \$382 billion with an annual growth rate of 3.5% which is higher growth rate than predicted in November at 3.1%. The annual growth rate in real personal income in fiscal year 2020 is anticipated to be 3.1% which is a combination of ERFC annual growth and OFM’s 2015 long-term real personal income forecast which is higher than the 2% growth predicted in November. In FY 2022-2025, OFM’s new 2015 long-term forecast of real personal income annual growth is slightly higher than last year’s long-term forecast. The growth rate is anticipated to be between 2.7% and 2.8%. In the last two years of the forecast horizon, the new long-term personal income growth rates are slightly higher at 2.9% instead of 2.7% in the last projection see Figure 7.

Figure 6 Comparison of Quarterly Washington Real Personal Income March 2015 vs. November 2014



Source: Washington Economic and Revenue Forecast Council (February 2015 economic variables) and 2015 OFM long-term personal income forecast

WA Population

The March 2015 forecast includes the final 2014 OFM population projections which was the same forecast as the draft 2014 population forecast released in November.

In FY 2012, the driver age population was 5.238 million with an annual growth rate of 1.0%. The driver age population increased to 5.297 million in FY 2013, representing a 1.1% annual growth from the prior year. The FY 2014 driver age population is 5.367 million, which is 1.3% annual growth. In fiscal year 2015, the population forecast is 5.442 million with an annual growth of 1.4%. In subsequent years, the annual population growth rate starts at 1.4% and falls slowly each year so by the last year of the forecast horizon the annual growth rate is 0.99%. The average annual growth rate in population between FY 2015 and 2027 is 1.12%.

Driver net in migration has also been rising annually since FY 2012 when it was 146,482. In FY 2013, driver in-migration rose 2% to 149,521 and in FY 2014, it rose 9.7% year-over-year to 163,995, which is the highest annual net in-migration total since we began tracking this statistic in 1983. This March 2015 forecast of

in-migration has a projection of 175,000 in FY 2015, which is an annual growth of 6.7%. This March forecast has a revised upward sloping long-term trend for in-migration instead of a flat forecast of in-migration in the future.

Figure 7 Forecast Comparison of Annual Growth Rates for Washington Real Personal Income March 2015 vs. November 2014

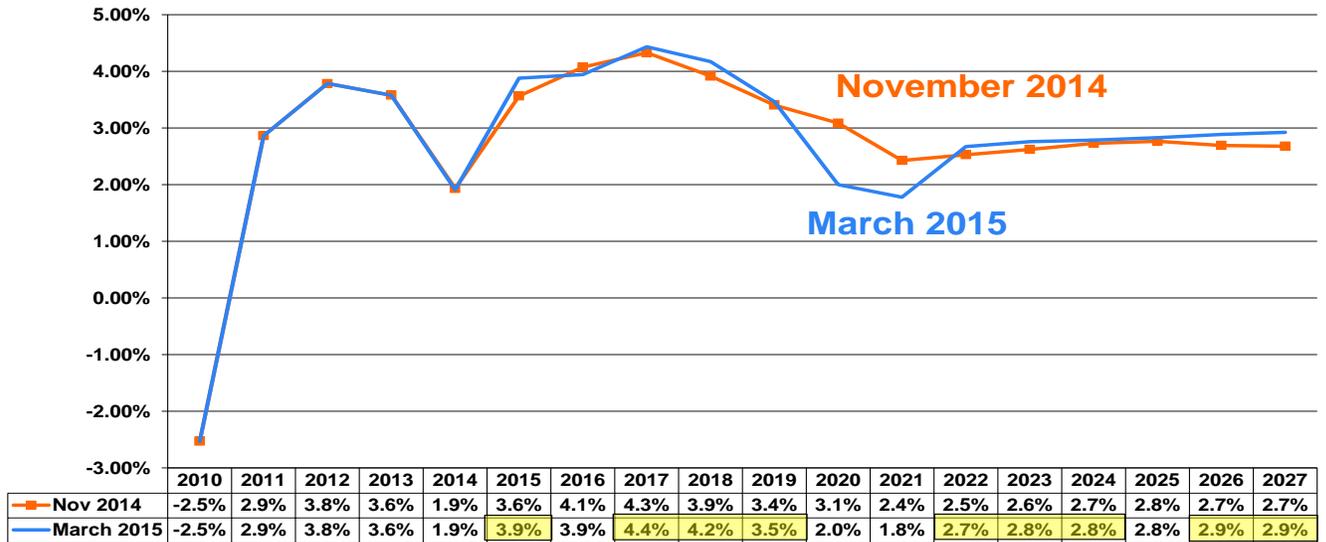
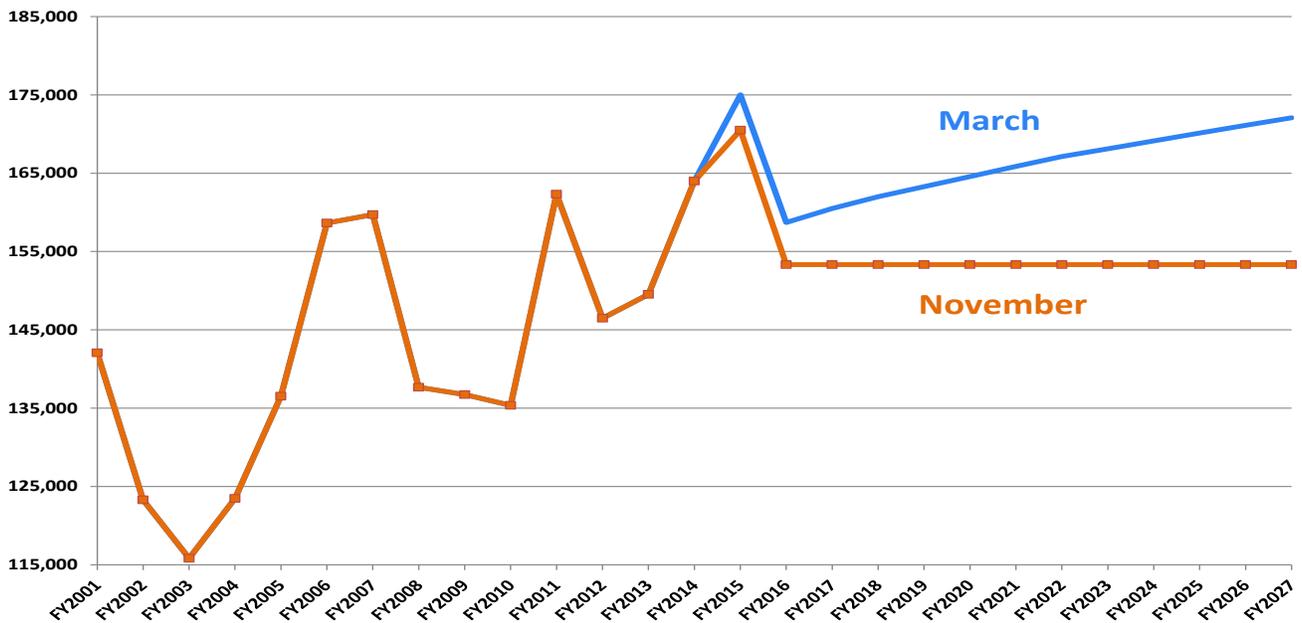
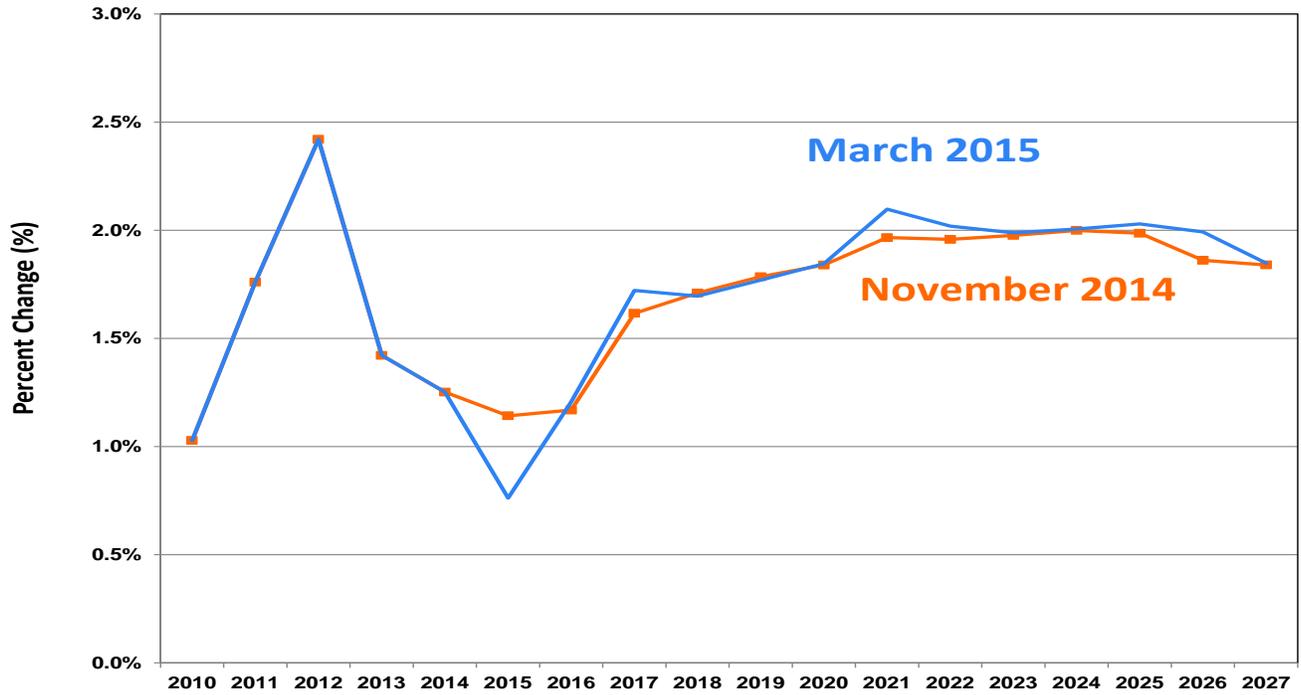


Figure 8 Forecast Comparison of Driver In Migration: March 2015 vs. November 2014



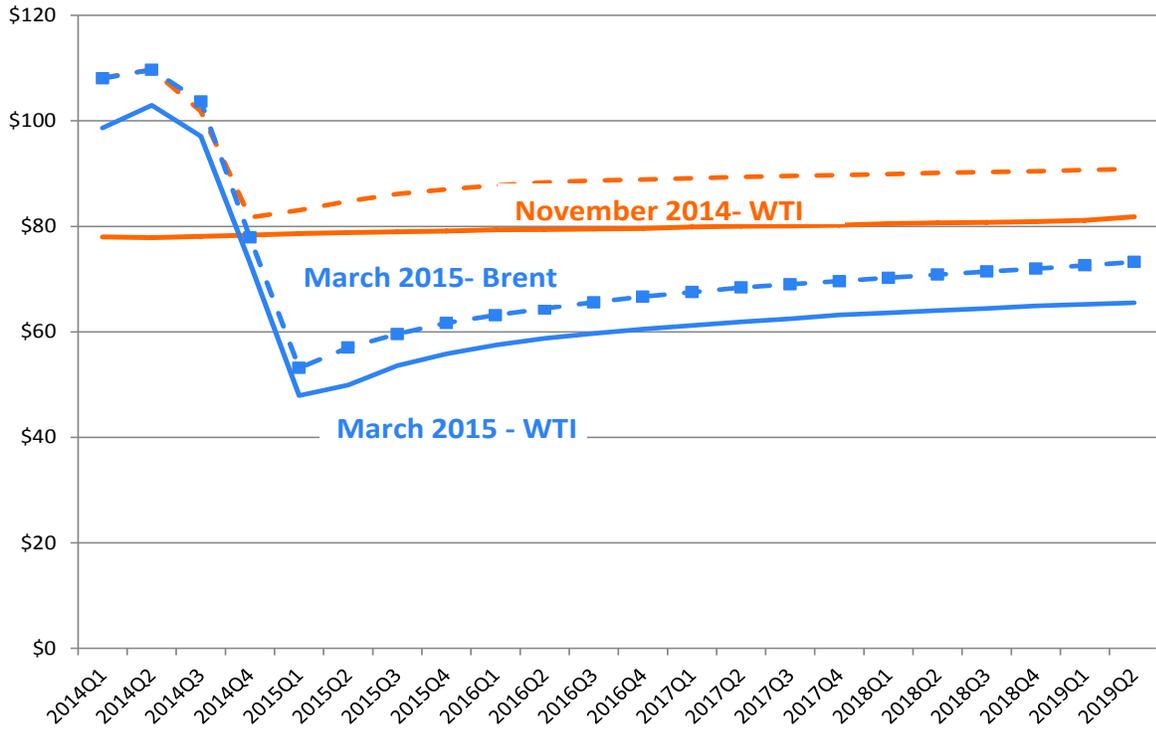
Source: Washington Economic and Revenue Forecast Council (February 2015 economic variables) and 2015 long-term personal income forecast

Figure 9 Inflation Forecast Comparison – Annual Percent Change in U.S. Implicit Price Deflator for Personal Consumption March 2015 vs. November 2014



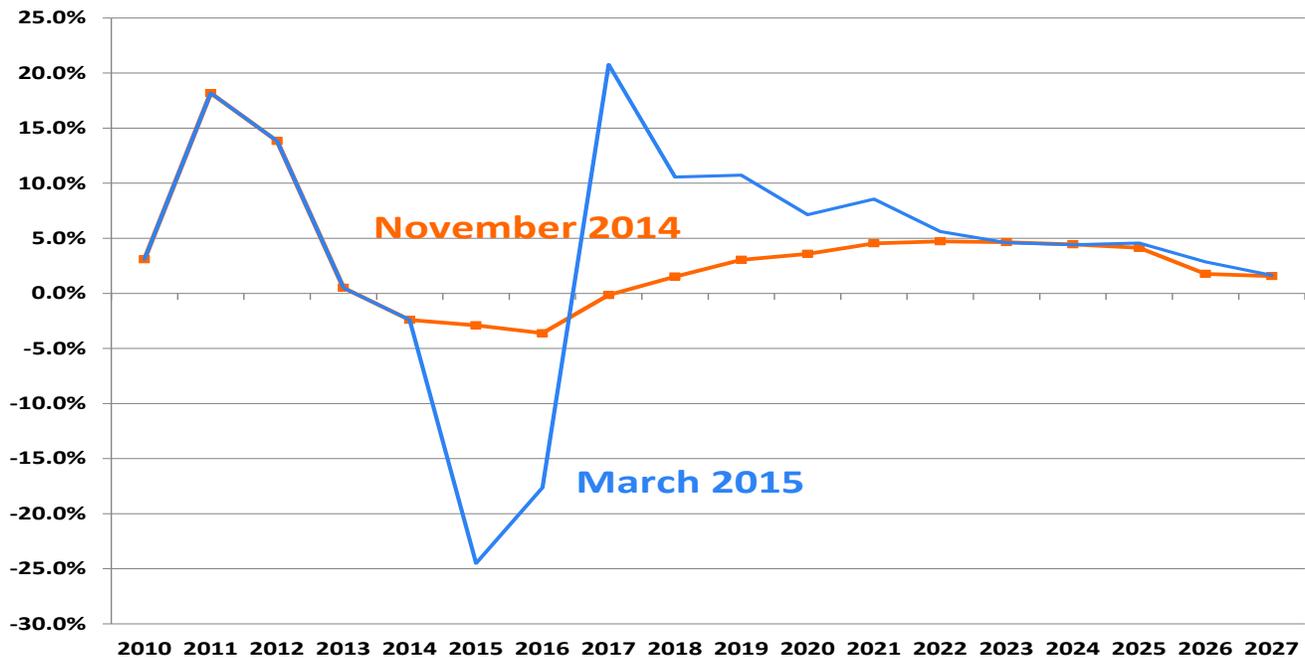
Source: Washington Economic and Revenue Forecast Council and February 2015 Global Insight forecast

Figure 10 NYMEX WTI and Brent Crude Oil Price Comparison and Price Spread Since January 2014



Source: November 2014 and March 2015 NYMEX future prices – WTI and Brent crude oil prices

**Figure 11 Global Insight Oil/Gas Price Index Forecasts: Growth Rate Comparison
March 2015 vs. November 2014**



Source: February 2015 Global Insight forecast

U.S. Inflation

For the U.S. inflation rate forecast, we use the Economic and Revenue Forecast Council through FY 2019 and Global Insight’s February 2015 projection of the implicit price deflator (IPDC) for 2020 and beyond (Figure 8). In 2012, the U.S. inflation rate, as measured by the change in the IPDC, was 2.9%. In FY 2013, inflation fell to 1.7%. In FY 2014, the inflation forecast fell slightly to 1.25%. In FY 2015, the current forecast shows an annual increase in inflation of 0.8% which is much lower than 1.2% projected last quarter in November. The drop in inflation in the current fiscal year is due to much lower oil prices than anticipated last quarter. In FY 2016, the current forecast shows an annual increase in inflation of 1.2%, which is the same as last quarter’s forecast. After FY 2016, the current forecast projects rising inflation to 2.1% by FY 2021, which is slightly higher than November’s forecast. For the remainder of the forecast horizon, inflation rates remain the same or gradually fall year over year to 1.85% by FY 2027 (see Figure 9).

Crude Oil NYMEX Futures Prices

The March 2015 and November 2014 U.S. crude oil NYMEX futures prices for both Brent and West Texas Intermediate (WTI) and the price spread are revealed in Figure 10. Last quarter’s futures prices were higher than the current March 2015 future prices for both Brent and WTI, all throughout the future period. In recent months, Brent and WTI futures prices have gotten closer reflecting the actual WTI and Brent crude oil prices getting closer as both crude oil prices dropped significantly in the first quarter of 2015. In the fourth quarter of 2014, the Brent and WTI average prices were at \$78 and \$73 per barrel respectively and by the next quarter, Brent and WTI prices had fallen 38.5% to \$48 per barrel and 27% to \$53 per barrel respectively. Right now the difference between Brent and WTI prices is only minimal at \$5 per barrel. Over time, the difference between the two crude oil price futures grows slightly so by the second quarter of 2019, the Brent and WTI futures prices are at \$73 and \$65 per barrel respectively, for a difference of \$8 per barrel. The reason for the disparity in WTI and Brent crude oil prices in the future is because the March futures prices for WTI are showing little growth where the futures prices for Brent has a little more growth in the near-term.

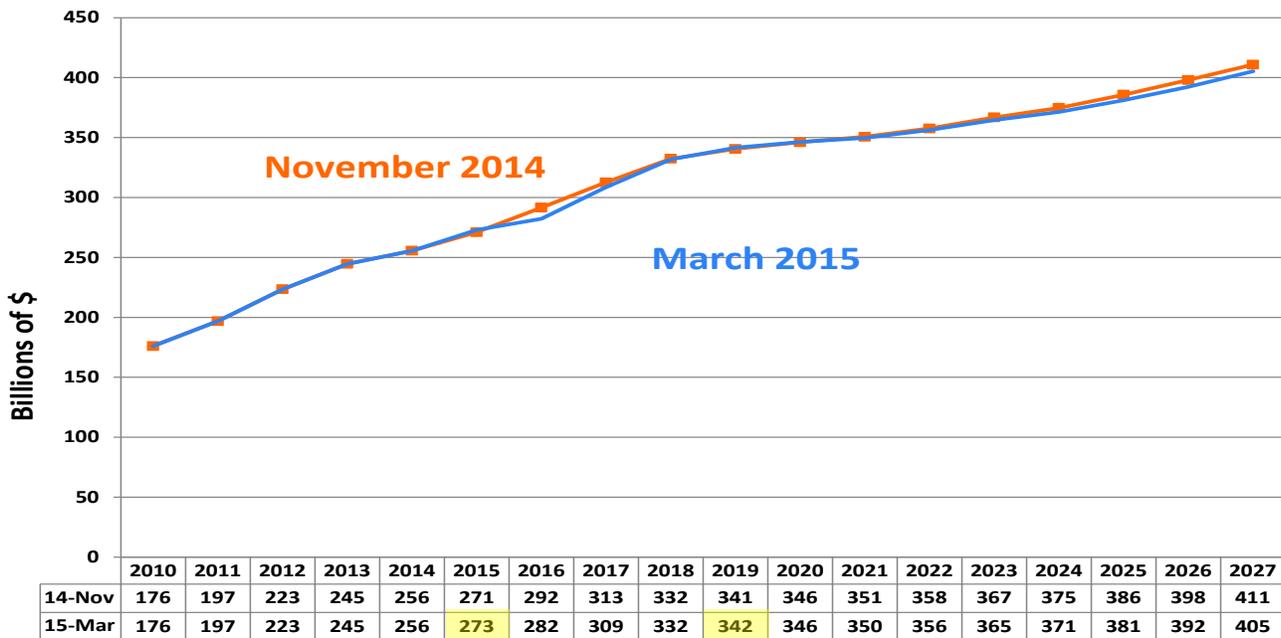
U.S. Petroleum Products Price Index

The annual year over year change in the U.S. petroleum products price index was 18% for FY 2011. In FY 2012, the price index grew by 13.8%, year-over-year. In FY 2013 the annual growth for the U.S. petroleum products price index was 0.5%. In FY 2014, the US petroleum price index declined by 2.4%. In FY 2015, the March forecast of this index is now projected to decline significantly by 24.5% which is a much larger decline than anticipated in November with an annual decrease anticipated of 2.9%. In FY 2016, the petroleum products price index is also predicted to fall annually by 17.6% instead of -3.6% projected in November. In FY 2017, the petroleum products price index is predicted to rise by 21% year over year which is a sharp change from last quarter's annual projection of -0.15%. From FY 2018 and throughout the rest of the forecast horizon, the petroleum products price index growth rates are expected to be positive. In FY 2018 and 2019, the annual growth rate in the price index is expected to be 10.6% and 10.7% respectively. Then for the rest of the forecast horizon, the growth in the index is positive but is slowing from 10% annual growth. By FY 2027, the oil price index annual growth is predicted at 1.6% (see Figure 11).

U.S. Fuel Efficiency (MPG)

The U.S. on-road fuel efficiency variable for the March 2015 forecast is unchanged from the November forecast. Previous forecasts have incorporated the effects of the 2012 Obama administration fuel efficiency standards for passenger cars and light trucks in model years 2017 and beyond. The US on-highway fleet fuel efficiency variable in 2013 and 2014 was 20.5 and 20.8 miles per gallon respectively for the entire US fleet of light vehicles. In the current fiscal year, the November 2014 fuel efficiency projection for the US fleet is 21.1 miles per gallon, which is an annual increase of 1.6% which is the same projection as last quarter. The fuel efficiency of the US fleet grows slowly over time and by the end of the forecast horizon the US on-highway vehicle fuel efficiency is projected to increase to 26.53 miles per gallon, which represents approx. 2% annual growth rate.

**Figure 12 Global Insight Annual US Consumer Spending on Motor Vehicles
March 2015 vs. November 2014**



Source: February 2015 Global Insight forecast

U.S. Consumer Spending on New Motor Vehicles

Consumer spending on new motor vehicles throughout the U.S. has been recovering with 10.8% and 11.8% year-over-year growth in FY 2010 and 2011 respectively. In FY 2012, the recovery for light vehicle sales picked up even more with an annual growth rate of 13.5%. In fiscal year 2013, consumer spending on new vehicles grew year over year by 9.5%. In fiscal year 2014, consumer spending on new vehicles grew year over year by 4.5%. In fiscal year 2015, consumer spending on new vehicles is expected to grow at 6.0% instead of 7.5%, which is lower than last quarter's projection. In general, this March 2015 forecast is predicting slightly lower levels of consumer spending on new motor vehicles than in November in the current fiscal year and in 2019 and 2020. Then beginning in fiscal year 2021 and throughout the rest of the forecast horizon, the new March forecast is slightly lower than the previous forecasted growth rates. This current forecast has the highest growth rate of 9.4% in FY 2017 instead of 2016 as predicted in last quarter's forecast. After the highest annual growth rate in FY 2017, the annual growth rates of consumer sales on new vehicles are anticipated to decline in FY 2018 to 7.5% and then increase again to 2.9% in FY 2019. In years after FY 2019, the annual growth rates falls further and the annual growth rates in remaining years stabilize, averaging 2.2%, which is slightly lower than last quarter's average of 2.4% over the same time period.

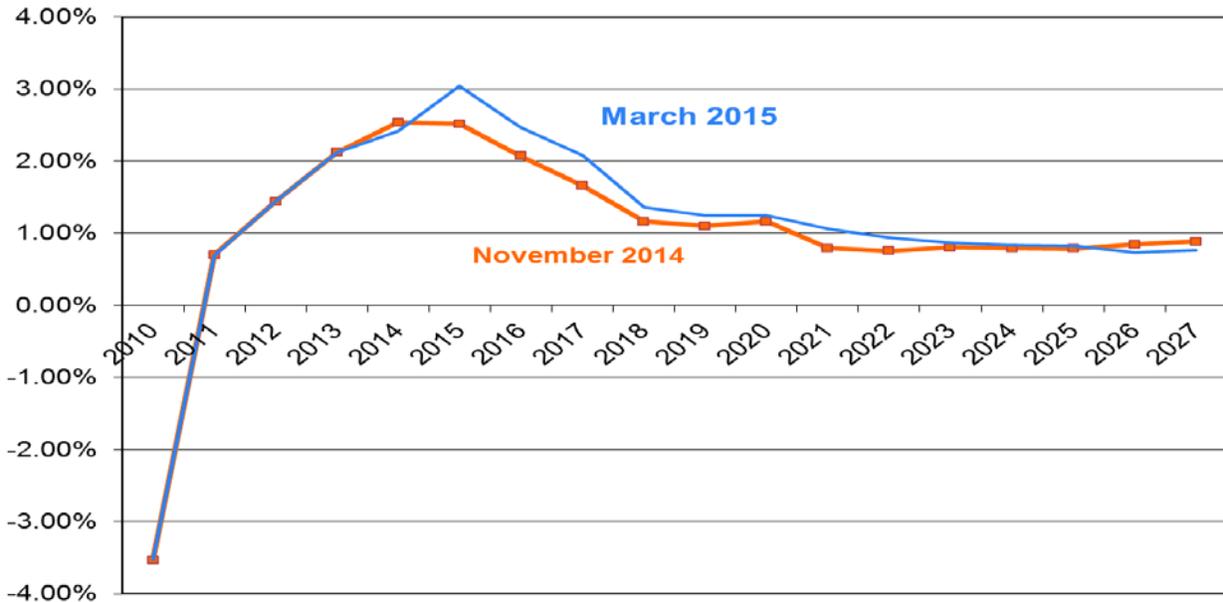
WA Total Non-Farm Employment, Employment in the Trade, Transportation and Utilities and Retail Trade Sectors

This March forecast has only minor upward revisions in the levels of Washington employment from the November forecast. The recovery in Washington's economy picked up in FY 2012 with non-agricultural employment growing by 1.4%; employment in the trade, transportation, and utilities sectors growing at 2.0%; and Washington retail employment growing at 1.8%. In FY 2013, year-over-year growth in non-ag. employment continued to grow at 2.1%. In fiscal year 2014, the non-ag. employment rate annual growth rose a little to 2.4%. In the current fiscal year, the annual growth rate for non-ag. employment is 3% as opposed to 2.5% growth expected in the last forecast. In fiscal years FY 2016-2022, the annual growth rates for non-ag. employment falls every year from 3% to 0.77% which is the same trend as the last forecast. The economic growth in Washington's non-ag. employment, in subsequent years beyond FY 2019, is based on OFM's 2015 long-term employment projections, which have been revised since the forecast (see Figure 14).

Figure 13 Annual Growth Rates (%) Washington Employment Forecasts March 2015

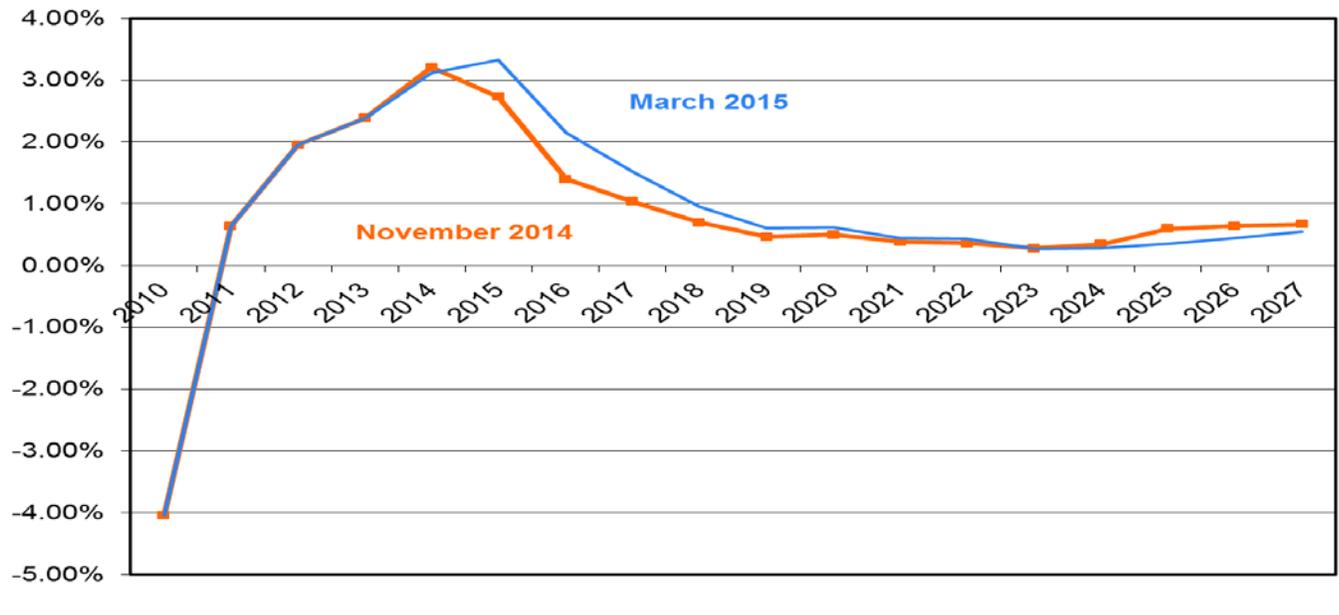
Fiscal Year	WA Non-ag. employment	WA Trade, Transportation and Utilities Employment	WA Retail Trade Employment
2010	-3.5	-4.0	-3.3
2011	0.7	0.6	0.8
2012	1.4	2.0	1.8
2013	2.1	2.4	2.8
2014	2.4	3.1	3.4
2015	3.0	3.3	3.8
2016	2.5	2.2	2.0
2017	2.1	1.5	0.8
2018	1.4	1.0	0.4
2019	1.2	0.6	0.0
2020	1.2	0.6	0.5
2021	1.1	0.5	0.6
2022	0.9	0.4	0.4
2023	0.9	0.3	0.2
2024	0.8	0.3	0.2
2025	0.8	0.4	0.4
2026	0.7	0.4	0.5
2027	0.8	0.6	0.6

**Figure 14 Washington Nonfarm Payroll Employment Forecasts of Annual Growth Rates
March 2015 vs. November 2014**



Source: February 2015 ERFC and OFM/ESD 2014 long-term Washington non-ag. employment forecast

**Figure 15 Washington Nonfarm Payroll Employment – Trade, Transportation and Utilities Sectors (TTU)
Forecasts of Annual Growth Rates March 2015 vs. November 2014**



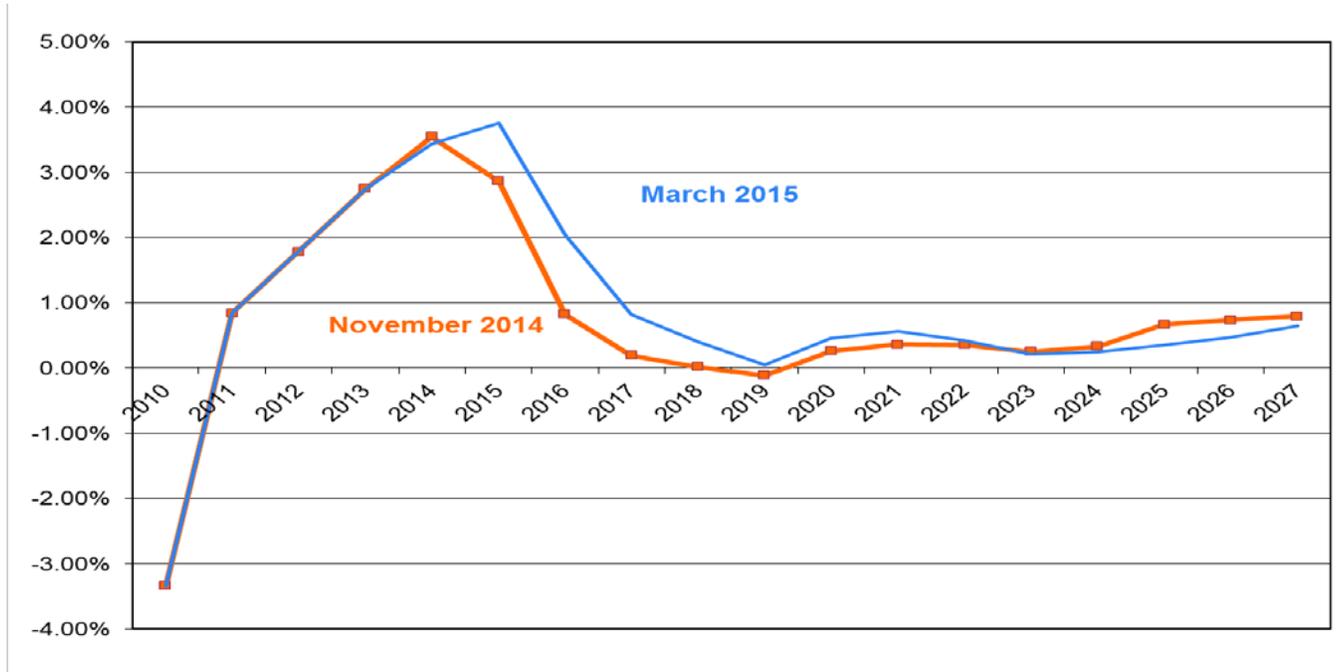
Source: February 2015 ERFC and OFM/ESD long-term Washington TTU employment forecast

Washington’s employment in the trade, transportation, and utilities (TTU) sectors follows similar trends as the overall non-farm employment trends. In FY 2012, this industry grew by 2% year-over-year. In FY 2013, the trade, transportation, and utilities employment sector grew slightly faster at 2.4%. In FY 2014, employment in the trade, transportation, and utilities sector was 3.1%, which is faster growth than non-ag. employment growth at 2.4%. In FY 2015, this industry’s employment is anticipated to continue growing at 3.3% which is higher than

2.7% year-over-year expected in November. In FY 2016, the growth rate in this employment sector is higher than the last projection at a year over year growth of 2.1% as opposed to 1.4% in November. Then in FY 2017, Washington employment growth rates in the trade, transportation, and utilities sectors is anticipated to grow at 1.5% higher than last quarter's forecast. Then employment in the trade, transportation, and utilities sector growth rate steadily slows annually to a rate of 0.3% by FY 2023, which is the same as anticipated in November. In subsequent years after FY 2019, the TTU employment growth rates are dependent on the updated 2015 OFM long-term forecast which has changed slightly from the last forecast. The 2015 OFM long-term annual growth rates are projected to be 0.6% as opposed to 0.3% in the last forecast for FY 2020 and 0.45% and 0.43% as opposed to 0.36% in the last forecast for FY 2021 and 2022. The annual growth rate falls a little to 0.3% in FY 2023 and 2024, this is nearly the same as last forecast. In fiscal years 2025 - 2027, annual growth rates rise to 0.55% which is slightly lower than last projections growth rates which rose to 0.67% (see Figure 15).

Washington's employment in the retail trade sector in this forecast also follows similar trends as employment in the non-agricultural and trade, transportation, and utilities industries; however, projections are more optimistic in the near-term and minor changes to the long-term outlook for this industry sector. The retail employment sector grew by 1.8% year-over-year in FY 2012. In FY 2013, the retail trade employment grew even more by 2.75%. In FY 2014, retail employment growth was 3.4%. In FY 2015, the current retail employment projection has been raised to a year over year growth of 3.75% as opposed to 2.9% anticipated in November. In FY 2016, the retail employment annual growth forecast is higher at 2% compared to 0.8% projected in November. In FY 2017, the annual growth rate is predicted to be 0.8% as opposed to 0.2% anticipated in the November forecast. In FY 2018 and 2019, the annual growth drops a little to 0.4% and then 0.04% but this growth is slightly higher than last forecast at 0.0% and -0.1% respectively. In FY 2020 and beyond, the retail employment projections are based on OFM's 2015 employment projections, which have minor modifications from last quarter. The new long-term annual growth rate averages 0.4% as opposed to 0.5% anticipated in the previous forecast (see Figure 16).

Figure 16 Washington Nonfarm Payroll Employment – Retail Trade Sector Forecasts of Annual Growth Rates March 2015 vs. November 2014



Source: February 2015 ERFC and OFM/ESD long-term Washington retail trade employment forecast

Motor Fuel Price Forecast

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

The March 2015 forecast for crude oil prices is lower than the last forecast in the current fiscal year and all throughout the forecast horizon from November. The same is true for the current retail gas and diesel price forecasts as they are also down from the November forecast in both the near- and long-term. Annual adjusted ferry B5 biodiesel prices are also down from the November forecast.

Source of data for the forecast

For the Washington retail price of gasoline, actual fuel prices are collected from the Energy Information Administration's (EIA) survey of retail prices for regular gasoline in the state. For the retail price of diesel, the actual prices are collected from AAA's weekly publication of retail prices for diesel in Washington. The actual ferry B5 biodiesel prices are reported by the Washington State Ferries (WSF). In the short term (through calendar year 2015), the retail gas price forecasts are based on the growth in the national retail gas price forecast by EIA. The diesel and biodiesel diesel prices are projected based on the growth in national diesel prices from the Energy Information Agency (EIA) monthly projections. Beyond calendar year 2016, the fuel price projections are based on March's Global Insight national gas price forecast for Washington's gas price forecast and the producer price index (PPI) projections for refined petroleum products for the retail diesel and biodiesel price forecasts.

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

U.S. crude oil price trend

U.S. prices of West Texas Intermediate Crude (WTI) oil averaged \$95 per barrel in FY 2012. In fiscal year 2013, crude oil prices averaged \$92.16 per barrel. In FY 2014, WTI crude oil prices came in at \$101.3 per barrel. In the last quarter of calendar year 2014, the crude oil price forecast finished lower at \$73.2 per barrel. In the future, this March crude oil price forecast is lower than in November. This March crude oil price forecast declines in FY 2015 with an average WTI price forecast of \$66.5 per barrel forecast as opposed to the \$82.8 per barrel predicted four months ago. In this current forecast, like prior forecasts, WTI crude oil prices are expected to remain low in FY 2016 and in this forecast WTI prices are anticipated to decline slightly further to \$62.9 per barrel instead of an average of \$77.8 per barrel projected in November. Beginning in FY 2017, WTI crude oil prices are projected to rise back to \$70 per barrel as opposed to \$85 per barrel in the last forecast. In this current forecast, WTI does not exceed \$100 per barrel until FY 2021 when it hits \$102 per barrel. Then the forecast grows over the course of the forecast horizon. By FY 2027, the WTI price forecast is projected at \$152 per barrel in this March forecast which is nearly identical maximum prices as in November.

Washington retail gasoline price trend

March's Washington retail gasoline prices are projected to be lower than the November retail gas price forecast all throughout the forecast horizon except for the last two years. This current forecast is also lower than the February 2014 baseline price forecast in FY 2015-2018 but then for the remainder of the forecast horizon the current price forecast for retail gas grows faster and higher than the February 2014 forecast, see Figure 16. In FY 2013, the Washington average retail gas price was \$3.73 per gallon. In FY 2014, the Washington average retail gas price was \$3.61 per gallon. This represents a year-over-year decline of 3.2%. In FY 2015, the Washington retail gas price is expected to decrease 16% year-over-year to \$3.03 per gallon, \$0.33 or 9.6% lower than anticipated in the November forecast. In FY 2016, this current forecast anticipates prices to decrease again to \$2.89 per gallon, which is 9.6% lower than expected last quarter. The March forecast of retail gas prices remains low in FY 2017 at \$3.07 per gallon which is \$0.20 per gallon less than last forecast. In FY 2018, retail gas prices are anticipated to rise to \$3.26 per gallon which is still sizably lower than the November forecast. The rise in gas prices hits more than \$4 per gallon in FY 2022 which is one year later than the last forecast. By the end of the forecast horizon, retail gas prices are anticipated to reach \$5.11 per gallon in this March forecast.

Washington retail diesel price trend

This March forecast of retail diesel prices is lower than the last forecast throughout the forecast horizon, see Figure 18. The decline in retail diesel prices in recent months and the current fiscal year is similar to the retail gas price drop. After the current fiscal year, the March retail diesel price follows the last forecast. The same price trend is seen as in November 2014 until FY 2020 and then the annual growth rates in March become faster than last quarter so the March retail diesel price forecast catches up with November projections of retail diesel prices. Washington's retail price of diesel was an average \$3.02 per gallon in FY 2010. It increased 23% to \$3.71 per gallon in FY 2011. In FY 2012, the average diesel price was \$4.20 per gallon, or 13% higher than the prior year. In FY 2013, the retail diesel price dropped slightly to \$4.10 per gallon. In FY 2014, the retail diesel price was \$4.01 per gallon, a year over year decline of 2.2%. In the current fiscal year, the March retail diesel price forecast is projected to be 8.2% lower at \$3.40 per gallon as opposed to the November forecasted price of \$3.70 per gallon. In FY 2016, retail diesel prices are expected to fall further to \$3.17 per gallon as opposed to \$3.55 per gallon last quarter and then diesel prices start to rise again. The current projection of retail diesel prices stay below the November forecast throughout the forecast horizon except for the last two years. By FY 2025, the current projection of retail diesel prices is nearly the same as in November. March's retail diesel price forecast in the long-term is much higher than predicted in February 2014. Currently by the end of forecast horizon, retail diesel prices are anticipated to be \$6.15 per gallon which is 35% higher than projections in February 2014.

The price differential between retail gas and diesel was 9 cents on average in FY 2010 and it grew to 40 cents by FY 2014. In the current fiscal year, the retail gas and diesel price differential is projected to drop a little to \$0.37 per gallon. In FY 2016 and 2017, the price differential declines a little to \$0.28 per gallon \$0.26 per gallon respectively. Beginning in FY 2018, the price differential is projected to grow from \$0.33 per gallon to \$1.04 per gallon by the end of the forecast horizon.

Figure 17 Forecast of UNADJUSTED Washington Retail Gasoline Prices, Regular
February, November and March 2015

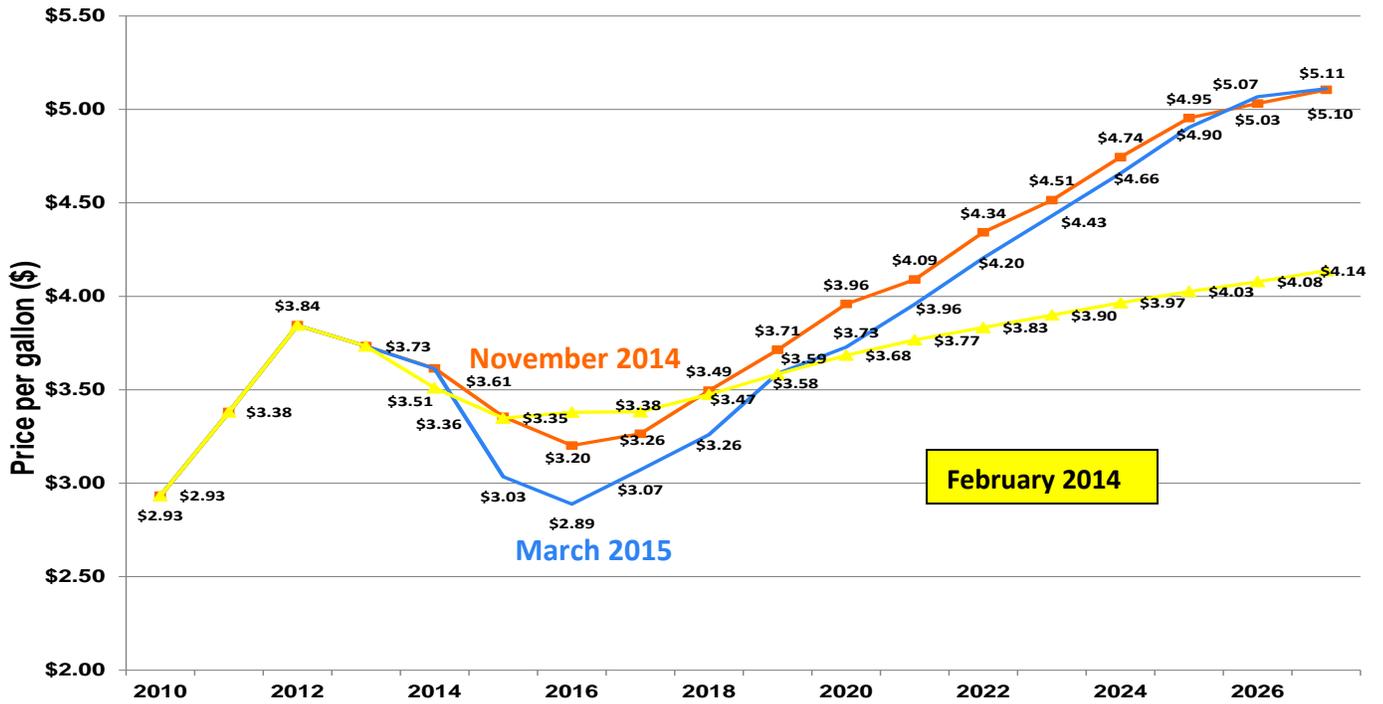
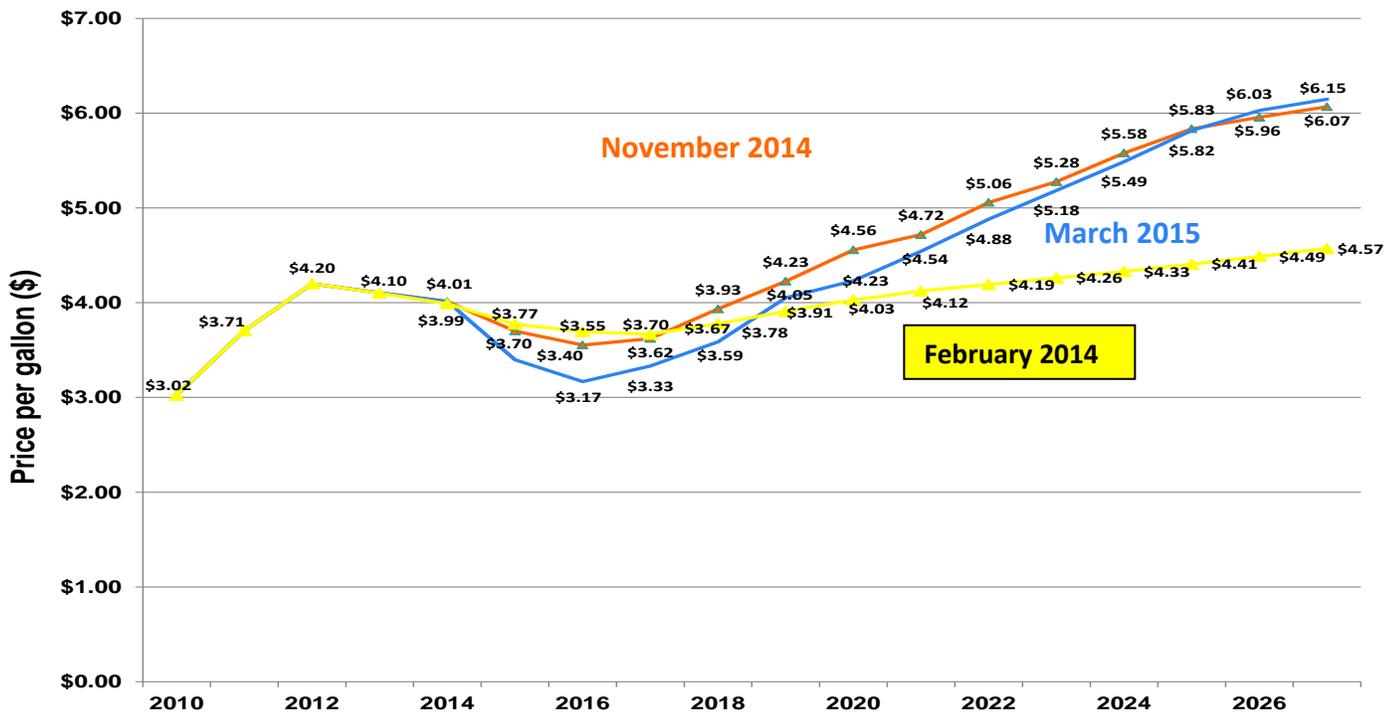


Figure 18 Forecast of UNADJUSTED Washington Retail Diesel Prices
February, November and March 2015



**Figure 19 Near-term UNADJUSTED BASELINE Quarterly Fuel Prices:
March 2015**

Fiscal Year Quarter	Crude Oil Price (\$/barrel)	WA Retail Gasoline Price (\$/gal)	WA Retail Diesel Price (\$/gal)
2013: Q3	105.84	3.79	4.03
2013: Q4	97.34	3.38	3.99
2014: Q1	98.75	3.41	3.99
2014: Q2	103.35	3.87	4.03
FY 2014	101.32	3.61	4.01
2014: Q3	97.78	3.86	4.04
2014: Q4	73.16	3.11	3.68
2015: Q1	47.93	2.43	2.95
2015: Q2	47.00	2.75	2.93
FY 2015	66.47	3.03	3.40
2015: Q3	53.00	2.73	2.92
2015: Q4	60.67	2.72	3.11
2016: Q1	67.00	2.89	3.25
2016: Q2	71.00	3.21	3.39
FY 2016	62.92	2.89	3.17
2016: Q3	71.67	3.18	3.39
2016: Q4	70.33	2.93	3.37
2017: Q1	69.24	2.99	3.28
2017: Q2	69.56	3.18	3.28
FY 2017	70.20	3.07	3.33

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

In March 2015, the West Texas Intermediate (WTI) crude oil price forecasts for FY 2015 differed by approximately 1.4%, or \$63.48 - \$70.6 per barrel. The five surveyed forecasting entities, EIA, NYMEX, Global Insight, Consensus Economics, and Moody's Economy.com had forecasts with WTI crude oil price forecasts which averaged \$67.4 per barrel for FY 2015. WSDOT's baseline fuel price forecasts use the Energy Information Administration (EIA) forecasts in the near-term through calendar year 2016 and then use the growth rates from Global Insight forecasts for subsequent years. The projected price forecasts for crude oil in FY 2015 ranged from \$63.5 per barrel by Global Insight to \$70.6 per barrel by Consensus Economics with the average being \$67.4 per barrel. The forecast for WTI crude oil in FY 2016 ranged from \$50.6 per barrel by Global Insight to \$75 per barrel by Moody's Economy.com with the average being \$62.3 per barrel. The average forecast for WTI crude oil in FY 2017 ranged from \$60.8 per barrel by NYMEX to \$81.6 per barrel by Economy.com with the average being \$70.5 per barrel. Figure 20 reveals that the WSDOT baseline WTI price forecast had the smallest price differential, at -1%, in fiscal year 2016.

**Figure 20 Near-term Annual WTI Crude Oil Price Forecasts – 5 Different Forecast Comparisons:
March 2015**

Dollars per barrel

Fiscal Year	WSDOT (EIA/GI)	NYMEX	Global Insight	Economy.com	Consensus Economics	5 Entity Avg	% Diff Lowest	% Diff Highest	% Diff Average
2015	\$66.47	\$67.02	\$63.48	\$69.56	\$70.61	\$67.43	-4.50%	6.22%	1.44%
2016	\$62.92	\$56.41	\$50.59	\$75.05	\$66.51	\$62.30	-19.59%	19.28%	-0.99%
2017	\$70.20	\$60.83	\$65.85	\$81.63	\$73.83	\$70.47	-13.35%	16.28%	-0.38%

Figure 21 Near-term Average Adjusted Quarterly Fuel Prices and B5 Biodiesel Prices and Unadjusted B99 Biodiesel Prices Used for Budgeting Purposes: March 2015

Fiscal Year Quarter	Adjusted WA Retail Gasoline Price (\$/gal)	Adjusted WA Retail Diesel Price (\$/gal)	Adjusted B5 Biodiesel Price (\$/gal)	Unadjusted B99 Biodiesel price
2013: Q3	3.79	4.03	3.18	4.93
2013: Q4	3.38	3.99	3.13	4.77
2014: Q1	3.41	3.99	3.12	4.89
2014: Q2	3.87	4.03	3.19	4.35
FY 2014	3.61	4.01	3.15	4.74
2014: Q3	3.86	4.04	3.14	4.20
2014: Q4	3.11	3.68	2.56	3.95
2015: Q1	2.46	2.99	2.06	3.95
2015: Q2	2.79	2.97	2.05	3.94
FY 2015	3.06	3.43	2.45	4.01
2015: Q3	2.70	2.89	2.00	3.93
2015: Q4	2.70	3.07	2.13	4.18
2016: Q1	2.86	3.22	2.23	4.38
2016: Q2	3.18	3.36	2.32	4.57
FY 2016	2.86	3.14	2.17	4.26
2016: Q3	3.19	3.40	2.35	4.57
2016: Q4	2.95	3.38	2.34	4.54
2017: Q1	3.00	3.29	2.28	4.42
2017: Q2	3.20	3.29	2.28	4.42
FY 2017	3.08	3.34	2.31	4.49

WSDOT applies the five forecast entity average adjustment to the baseline March 2015 retail gasoline, diesel, and B5 biodiesel prices. The fuel prices listed in Figure 21 will be used to estimate the future costs to WSDOT agency's 2013-15 and 2015-17 biennium budgets for gas, diesel and biodiesel fuel purchases for fiscal years 2015 through 2017. The latest adjusted forecast requires a 1.4% increase in the baseline fuel prices for retail gas, diesel and B5 biodiesel prices for the remaining months of FY 2015 and -1% decrease for FY 2016. In FY 2017 baseline fuel prices are adjusted upward by 0.4%. This is one of the smallest adjustments of a quarterly baseline fuel price forecast reflecting similar opinions about the future growth in WTI crude oil prices. B99 biodiesel prices are not adjusted each year due to B99 biodiesel prices being based on different feedstock prices rather than crude oil prices.

Washington ferries B5 biodiesel fuel price trend

The trend in Washington's ferry (WSF) B5 biodiesel price is similar to retail diesel price. The reported B5 biodiesel price includes the markup costs ferries must pay, delivery fees, and various taxes, including sales taxes. Washington state ferries began receiving a sales tax exemption on their biodiesel fuel purchases on July 1, 2013 and this has been incorporated into the baseline B5 biodiesel price forecast. The ferries B5 unadjusted biodiesel price averaged \$3.53 per gallon in FY 2012. In FY 2013, the B5 biodiesel price declined a little to \$3.51 per gallon. In FY 2014, B5 biodiesel prices did not include the roughly 10% sales tax cost so the average annual B5 biodiesel price with markup fell to \$3.15 per gallon. In FY 2015, the adjusted B5 biodiesel price is anticipated to be even lower at \$2.45 per gallon, lower than the \$2.80 per gallon projected in November. In FY 2016-17, the current forecast of adjusted B5 prices is projected to remain low and be lower than last forecast in FY 2016 and 2017 with projections of \$2.17 and \$2.31 per gallon respectively as opposed to \$2.80 and \$2.75 per gallon last quarter

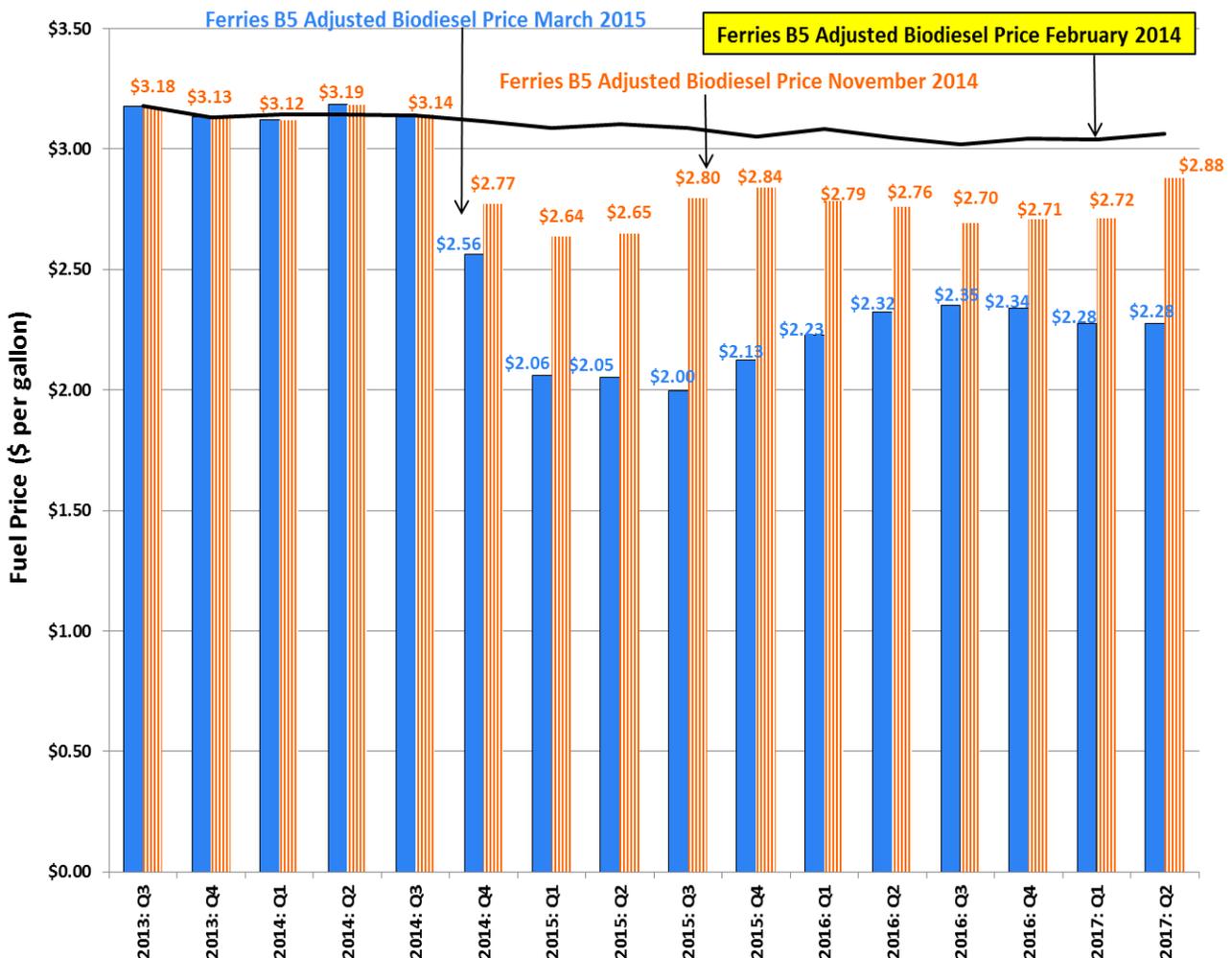
The March adjusted B5 biodiesel price forecast is much lower than last quarter's forecast. In the fourth quarter of 2014 and first quarter of 2015, the B5 biodiesel prices were \$2.56 per gallon and \$2.06 per gallon respectively as opposed to \$2.77 per gallon and \$2.64 per gallon in the November forecast. The fourth quarter of 2014 and first quarter of 2015 actual prices came in lower than the November 2014 forecast and well below the February 2014 forecast (used for budgeting purposes). Figure 22 provides a chart comparing the quarterly

B5 biodiesel price projections, current, last and February forecasts, for the 2013-15 and next biennium. The chart reveals that this March forecast of B5 prices is a substantial drop in prices from not only the February 2014 B5 adjusted price forecast but also the November 2014 adjusted B5 price forecast.

B99 Biodiesel fuel price trend

The latest monthly OPIS B99 biodiesel price without RIN, markup, delivery and tax costs in Tacoma begins this B99 price forecast. The biodiesel price forecasts are based on the retail diesel price future growth with adjustments made to eventually have a regular diesel and biodiesel price differential of roughly 12%, which is the average price differential seen over the last 5 years. The B99 biodiesel price forecasts used for non-WSF WSDOT purchases had an actual B99 markup averaging \$4.95 per gallon in FY 2012. For FY 2013, B99 biodiesel actual price rose a little to \$4.98 per gallon. In FY 2014, the B99 price declined year-over-year by 4.8% to \$4.74 per gallon. Opposite to the trends of the other fuel price forecasts, the B99 March forecast is higher than last quarter's forecast throughout the forecast horizon. In FY 2015, the average annual B99 price is expected to decline some to \$4.01 per gallon but this is a higher price projection than in November at \$3.86 per gallon. In FY 2016, the B99 forecast predicts a slight increase to \$4.26 per gallon which is opposed to the November forecast which had B99 biodiesel price falling further to \$3.71 per gallon. Finally in FY 2017, B99 is expected to increase some to \$4.49 per gallon which is 19% higher than the last forecast at \$3.78 per gallon.

Figure 22 Quarterly Ferries B5 Biodiesel Prices Used for Budgeting the 2013-15 and 2015-17 Biennia February (Baseline) vs. November vs. March 2015 Forecast Comparison



Motor Vehicle Fuel Tax Forecast

Motor vehicle tax collections for gasoline and diesel consumption during the four months spanning November 2014 to February 2015 totaled \$416.942 million or \$0.683 million (0.16%) more than the \$416.260 million forecasted in November 2014. For nine months between June 2014 through February 2015, the variance in actual fuel tax collections totaled a positive \$3.930 million (0.41%) compared to forecasted revenues.

From November 2014 to February 2015 **gasoline** tax collections totaled \$336.028 million or 0.77% (\$2.566 million) higher than forecasted in November:

- November collections tallied \$87.35 million, \$0.78 million less than forecasted;
- December collections tallied \$83.14 million, \$2.30 million higher than forecasted;
- January 2015 collections totaled \$84.62 million, \$0.579 million greater than forecasted; and
- February collections equaled \$80.92 million, \$0.461 million higher than forecasted.

From November 2014 to February 2015 **diesel** tax collections totaled \$80.91 million or 2.27% (\$1.883 million) lower than November 2014's forecast:

- November collections equaled \$23.36 million, \$0.988 million less than forecasted;
- December collections totaled \$19.82 million, \$0.429 million more than forecasted;
- January 2015 collections equaled \$18.75 million, \$0.270 million less than forecasted; and
- February collections tallied \$18.99 million, \$1.055 million less than forecasted.

Gross motor vehicle fuel tax revenue projections equal \$2.543 billion for the 2013-15 biennium, 2.2% or \$55.57 million more than actual revenues from the 2011-13 biennium. Gross motor vehicle fuel tax revenues for the current biennium are projected to be \$3.70 billion or 0.15% more than forecasted in November. The overall increase in motor vehicle fuel tax revenue for the 10-year period ending in the 2021-23 biennium totals \$120.44 million or 0.93% above the November revenue forecast. The primary reasons for **higher** fuel tax revenues compared to the November forecast include:

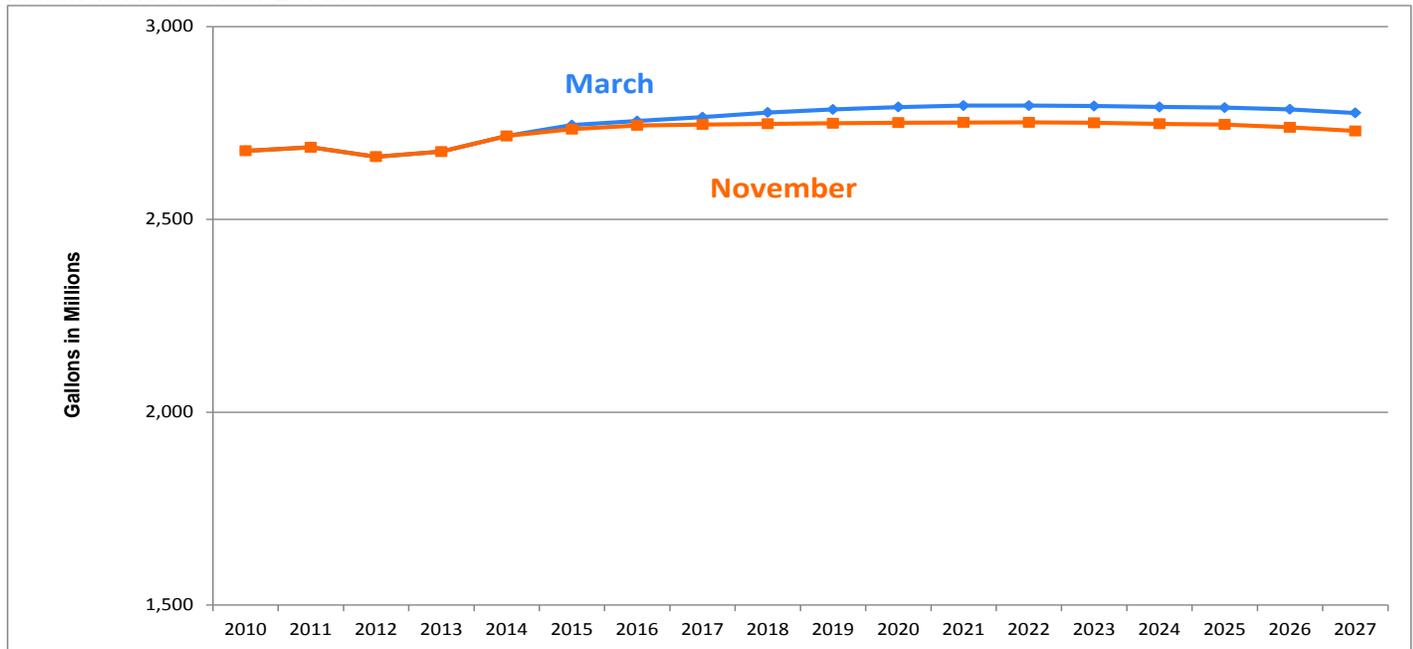
- Higher near-term tax collections in FY2015 for gasoline
- Higher Washington non-agricultural employment
- Lower gasoline prices throughout the forecast horizon

Trends in gasoline consumption and tax revenue

In FY 2013, gasoline consumption totaled 2,676 million gallons, a 0.5% increase from FY 2012. In FY 2014 gasoline consumption grew to 2,716 million gallons, a 1.5% increase over FY 2013. Figure 22 shows the forecast to forecast comparison of projected gasoline consumption. In the current fiscal year, gasoline consumption is projected to grow to 2,746 million gallons or 1.1% increase over the prior year and 0.4% higher than the last forecast. Throughout the remainder of the forecast horizon (2015 to 2027), the March gasoline consumption is anticipated to grow an average 0.12% higher than forecasted in November. The annual growth for gasoline is nearly flat with a long-term average annual growth rate of 0.106% in this March 2015 forecast.

In the current biennium, gasoline tax revenue is projected to \$2.047 billion, an increase of \$4.9 million or 0.24% since the November 2014 forecast. By the 2015-17 biennium, gasoline tax revenue increases to \$2.075 billion, up by \$15.7 million or 0.76% from the November forecast. Gross gasoline tax revenue projections are up \$121.030 million or 1.18% from the November forecast for the 10-year forecast horizon.

**Figure 23 Gasoline Motor Fuel Consumption Forecast Comparison
March vs. November 2014 forecast**



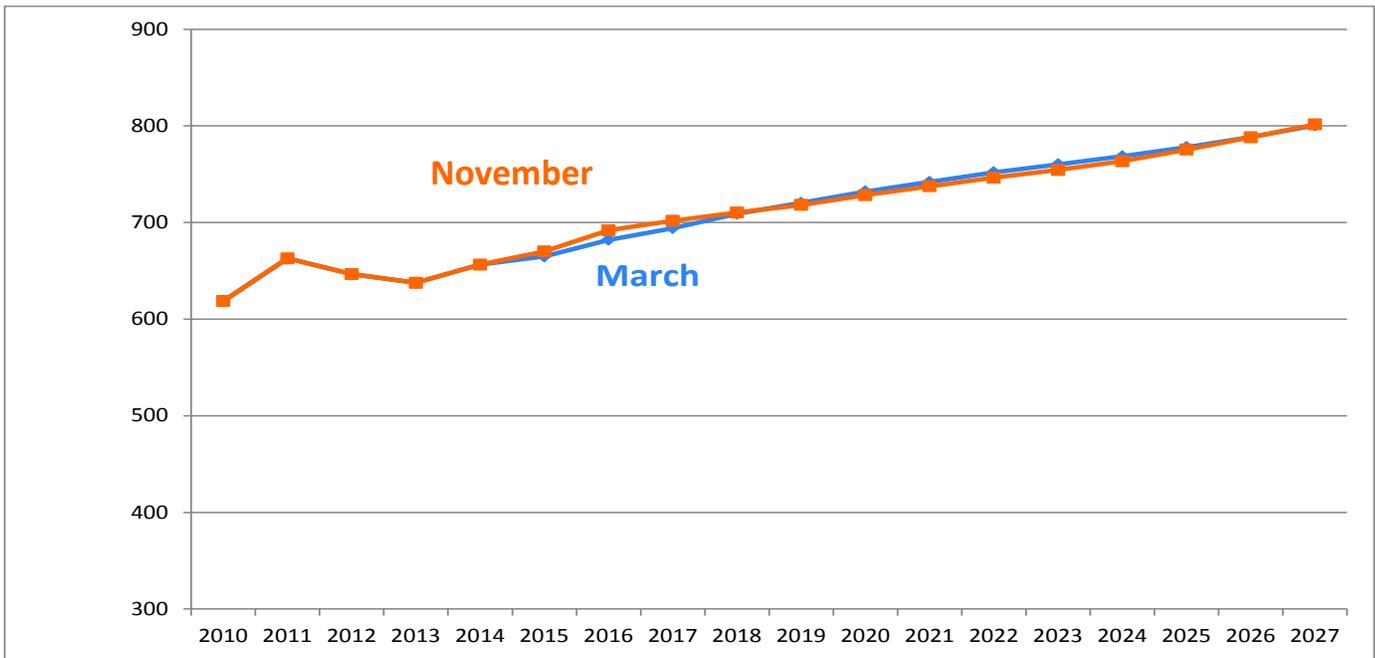
Trends in diesel consumption and tax revenue

- In FY 2013, diesel consumption equaled 638 million gallons, a decline of 1.4% from FY 2012 gallons.
- In FY 2014, diesel consumption totaled 656 million gallons, an increase of 3.0% over consumption in FY 2013 gallons and the highest positive growth since FY 2011.
- Figure 24 shows the forecast to forecast comparison of projected diesel consumption.

In the current fiscal year, diesel consumption is projected to grow to 665 million gallons or 1.3% increase over the prior year and -0.8% lower than the last forecast. Over the forecast horizon from 2015-2027, diesel consumption will grow annually 1.56% on average, higher than November’s 1.50% average annual growth. Overall, on average from FY 2015-2027, forecasted consumption of diesel is up from the last forecast on average 0.6%.

Diesel tax revenue is projected to be \$496.143 million in the 2013-15 biennium, \$1.219 million less than the \$497.362 million from the prior forecast. In the 2015-17 biennium, diesel tax revenues are projected at \$516.644 million, a decrease of 1.41% or \$7.381 million lower than the November forecast. In the 2017-19 biennium, diesel tax revenue increases to \$536.766 million, \$0.589 million or 0.10% more than November’s \$536.228 million. The reason for the short-term decrease in diesel consumption and revenue compared to November’s forecast is lower total actuals in FY2015. The longer-term increase in revenues and consumption are due to higher levels in trade, transportation and utilities employment.

Figure 24 Diesel Fuel Consumption Forecast Comparison: March vs. November 2014



Motor fuel tax refunds

Non-highway and tribal refunds of gasoline and diesel fuel are accounted for in the motor vehicle fuel tax forecast. These refunds simply reduce net motor fuel tax distributions. In the current biennium, gasoline tax non-highway refunds are up \$1.2 million or 7.34% and diesel tax non-highway refunds are also up 4.09% or \$1.083 million.

This March forecast includes actual monthly tribal fuel tax refunds for the first 9 months in the current fiscal year. Annual refund projections are unchanged compared to November 2014's forecast due to tribal refunds tracking the forecast fairly closely. The long-term tribal refund growth rates were based on an examination of fiscal year 2014 refunds by tribe and size of refunds by station. This analysis was performed first in the September 2014 forecast and we have not revised the outer year growth rates for tribal refunds in subsequent forecasts. At this time the March forecast, like the November forecast assumes no Yakama tribe tribal fuel tax refunds in the baseline forecast.

Primary reasons for the change in the March 2015 forecast gallons and revenues

- Gas tax revenue collections for the past four months totaled \$2.57 million or 0.77% above projected collections from the November 2014 forecast. For the past four months diesel tax collections have been lower than forecasted by \$1.88 million. Combined, all fuel tax collections were \$0.683 million (0.16%) higher than the last forecast.
- Higher than expected gas consumption actuals in 2015 and higher Washington non-agricultural employment compared to the November forecast provided higher growth rates for the gasoline consumption and revenue forecasts. Also, lower forecasted gasoline prices throughout the forecast horizon increased projected revenues.
- Diesel tax revenues are down in March compared to November because of lower consumption actuals than expected in FY2015 which lowers consumption and revenues through the 2015-17 biennium. Higher employment projections for trade, transportation and utilities employment in Washington throughout the remainder of the forecast horizon pushed revenues slightly up from the November forecast.

- Overall, in the current biennium, gross fuel tax revenues increase \$3.70 million or (0.15%) from the last forecast and increase from the prior forecast in all remaining biennia as well. Over the 10-year forecast period, fuel tax collections grow by 0.93% or \$120.439 million when compared to November's forecast.

**Figure 25 Short-term Motor Fuel Tax Forecast – By Month of Collection
March 2015**

millions of dollars

	FY 2014	FY 2015	2013-15 Biennium	FY 2016	FY 2017	2015-17 Biennium
Gasoline Taxes	\$1,016.6	\$1,030.7	\$2,047.3	\$1,035.2	\$1,040.3	\$2,075.5
Special Fuel Taxes	245.8	250.3	496.1	256.3	260.4	516.6
Total Fuel Revenue	1,262.4	1,281.0	2,543.4	1,291.4	1,300.7	2,592.1
% Change from Prior Forecast	0.0%	0.15%	0.15%	0.18%	0.47%	0.32%

Motor Vehicle Revenue (Licenses, Permits, and Fees)

Background

Vehicle related forecasts fall into two main categories: motor vehicle registrations and license plate-related fees. This forecast has a variety of small fees but the majority of the revenue is from registration-based fees. There are five main economic drivers for the vehicle licenses, permits, and fees (LPF) forecast: Washington population and net migration, Washington real personal income, Washington - U.S. real income share, Washington Retail Employment, and U.S. sales of light vehicles.

Washington State collected over \$938 million from vehicle licenses, permits, and fees (LPFs) in the 2011-13 biennium. The forecast for the current biennium is \$1.039 billion, an increase of \$101 million over the 2011-13 biennium. In the March 2015 LPF forecast, compared to the forecast released in November for the current biennium, LPF revenue is up \$7.99 million, or 0.78% from the previous estimate of \$1.031 billion.

Trends in vehicle registrations

The passenger car forecast for 2015 is up over the November forecast. Registrations started slowly in the first two months of the fiscal year but have rebounded. From 2015 through 2019, the annual growth rate ranges from almost 4% in the current year to 2.15% by 2019. After 2020, the year-over-year growth rate is just under 1.2%. The forecast to forecast change is about 1.4% in the near term and rises to 1.6% in 2019, and the growth remains at that level throughout the rest of the forecast horizon.

Truck registrations started 2015 slowly, however, registrations have been strong in the most recent months. For 2015, we are looking at a 2.8% growth rate over 2014, while the out years will see about 0.3% year-over-year growth in the truck fleet. The forecast to forecast change ranges from 1.5 to 2% above the previous forecast.

Trends in LPF revenue

As previously stated, Washington State collected over \$938 million from vehicle licenses, permits, and fees (LPFs) in the 2011-13 biennium. For 2011-2013, passenger vehicles (\$30 vehicles) brought in \$297 million, while trucks brought in \$346 million. In the current biennium, revenue from \$30 vehicles is expected to be \$310 million, \$2.8 million more than the forecast in November. Truck revenue is anticipated to bring in \$358 million, \$2.7 million more than the previous forecast. The difference in \$30 revenue from the previous forecast reflects strong registrations in all categories of \$30 vehicles. The increase in truck revenue is due higher registrations of trucks, and possibly some higher weight vehicles. Overall licenses, permits and fee revenue is higher than the

last forecast in the current and all future biennia. The growth in projections increases over time. In the next biennium, licenses, permits and fee revenue is higher than the last forecast by \$17.3 million and by the last biennium, 2025-27, the revenue is up by \$21.8 million over the last forecast.

Figure 26 Passenger Car Comparison
March 2015 vs. November 2014
millions of vehicles

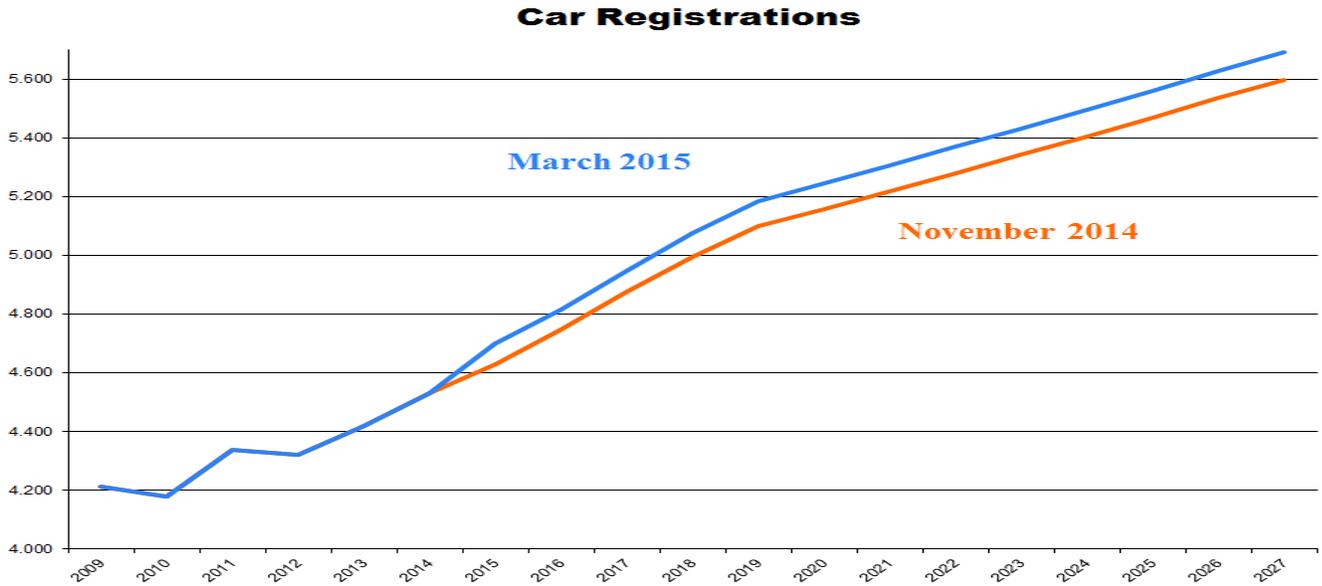
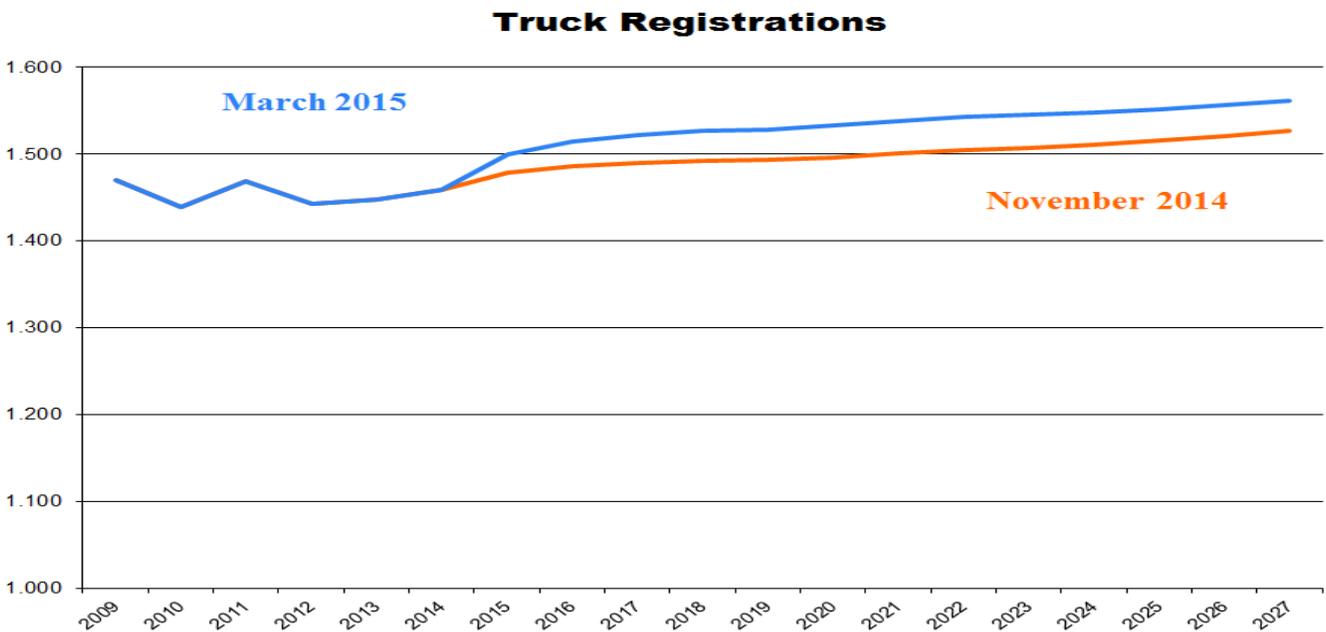


Figure 27 Truck Comparison
March 2015 vs. November 2014
millions of vehicles



The title fee forecast is projected to be about \$64.3 million FY2013-15, about \$228,000 or 0.4% higher than prior forecast. It is also higher for FY2015-17 by \$764,600 or 1.2% and continues about 1.4% higher throughout the forecast horizon reflecting revisions to both the original and other title transactions forecasts. The overall forecast revision is attributable to strong driver in-migration and new vehicle sales.

The vehicle original Issue plate forecast is a relatively new forecast with fees imposed as of October 1, 2012. In recent months, the strong driver in-migration and better than expected new vehicle sales have resulted in more first-time plate issuances. This forecast for FY2013-15 is \$25.4 million, about \$451,100 (+1.8%) higher. It is higher for FY2015-17 by \$919,000 (+3.5%).

The license plate replacement forecast is projected to be \$32.1 million for the current biennium, minimally lower by \$339,700 (-1%); it is about .3% higher in the out years. The requirement for Change of Owner plate replacement was effective January 1, 2015 per 2ESSB 5785 (2014). Change of Owner plate replacement forecast is based on historical title transfer transactions for selected vehicle use classes and grows by population ages 16-75. The forecast of plate replacement issues for FY2015 reflects the final 6 months of periodic plate replacement and the first 6 months of change of owner plate replacement. Due to the legislative change regarding plate replacement requirements, this forecast no longer depicts a cyclical pattern resulting from the implementation of periodic (7-year) plate replacements.

The forecast change in the current biennium is due to a combination of somewhat lower plate replacements and somewhat higher 'voluntary' plate replacements. As it relates to future biennia, the forecast of change of ownership plate replacement is unchanged from the previous forecast, but the forecast of 'voluntary' replacement plates is somewhat higher throughout the forecast horizon. 'Voluntary' plate replacement is estimated at around 17% of the total plate replacements.

Quick Titles continue to grow. As of January this year, there are 90 locations which can issue them, compared to 37 a year ago. This forecast incorporates the higher year to date actual as well as updating the GI light vehicle projections, resulting in about 18% forecast to forecast change throughout the forecast horizon.

Ferry Services Fee is a new forecast with title service fees (\$12) and registration service fees (\$5) imposed by E2SHB 1129 (2014) effective January 1, 2015). This forecast was revised lower for title related service fees with a data revision regarding who process certain type of transactions. The total Ferry Service fees are forecasted at \$9.95 million FY 2013-15 (-\$388,540 or -3.7%). On average, the total Ferry Service fees are forecasted at \$31 million per biennium (FY 2015-27), with title service fees (\$12) at \$14 million and registration service fees (\$5) at \$16.97 million.

Primary reasons for the forecast changes

- Forecasted passenger vehicle registrations for FY 2015 are up from the previous forecast and this drives significant growth in basic license fee revenue from November projections.
- Future year passenger car forecasts are up from the previous forecast,
- Forecasted truck registrations are up from the previous forecast.
- Overall, LPF revenues are up \$7.9 million in the current biennium compared to the last forecast.
- In the next biennium, LPF revenues are up \$17.6 million from the last forecast and this growth from the last forecast grows over the forecast horizon.
-

**Figure 28 Short-term Motor Vehicle Related Revenue (Licenses, Permits and Fees)
March 2015**

millions of dollars (totals do not add due to rounding)

	FY 2014	FY 2015	2013-15 Biennium	FY 2016	FY 2017	2015-17 Biennium
Basic \$30 License Fee	\$151.8	\$158.1	\$309.9	\$161.7	\$165.9	\$327.6
Combined License Fee	176.6	181.6	358.2	183.4	184.2	367.6
All Other Fees	176.7	193.9	370.6	206.4	207.8	414.2
Total LPF Revenue	\$505.1	\$533.6	\$1,038.7	\$551.5	\$557.9	\$1,109.4
% Change from Prior Fct	0.00	1.52	0.78	1.53	1.71	1.61

Driver Related Revenue Forecasts

The March 2015 forecast of driver related revenue projected by the Department of Licensing includes the following revenues: driver license fees (including commercial driver licenses, enhanced driver licenses, and temporary restricted licenses), ID card fees, driver exam application fees, copies of records, motorcycle operator fees, ignition interlock fees, and other miscellaneous fees. The miscellaneous fees include vehicle filing fees, limousine licenses, fines and forfeitures, and driver school instructor license fees. These driver-related fees are deposited into the Highway Safety Fund (HSF), Motorcycle Safety Education Account (MSEA), the State Patrol Highway Account (SPHA), and Ignition Interlock Revolving Account (IIRA).

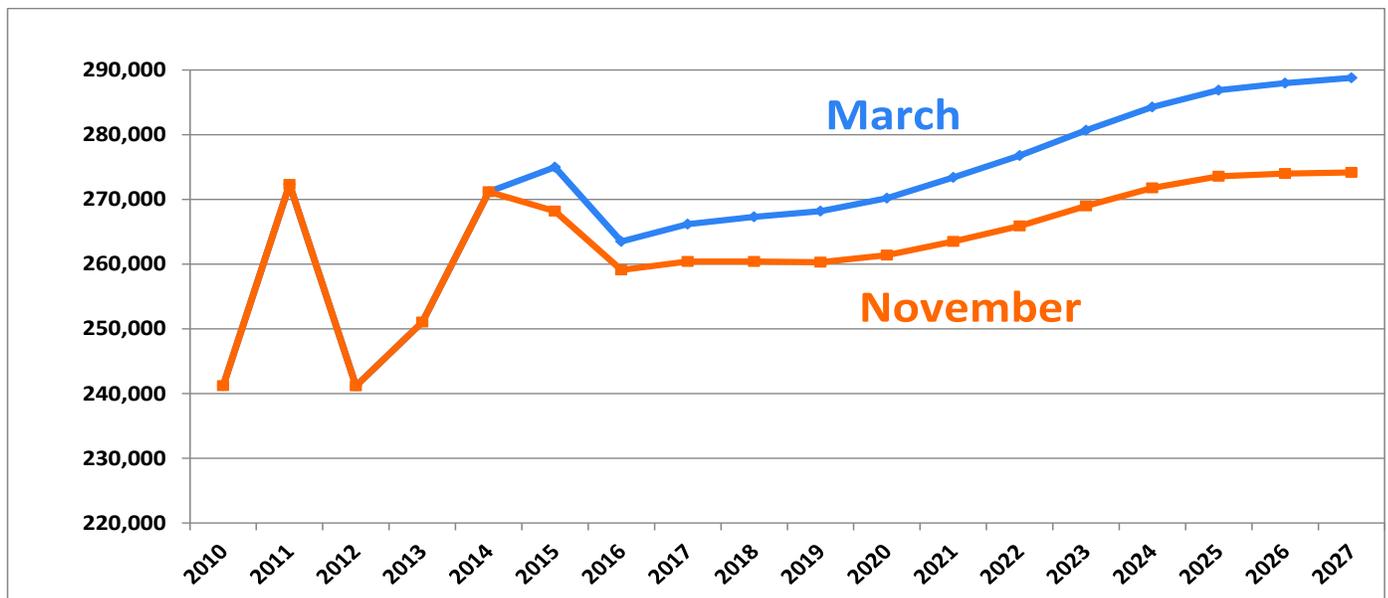
All driver-related revenue for FY13-15 biennium is forecast at \$284.6 million, about \$1.1 million (or +.4%) higher than the prior forecast. Revenue for FY15-17 is projected to be \$289.5 million, about \$0.2 million (+.1%) higher from the prior forecast.

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

Trends in Licenses, ID Cards, Exams, and Abstracts of Driver Records

Originals

Figure 29 Driver License Originals March 2015 vs November 2014

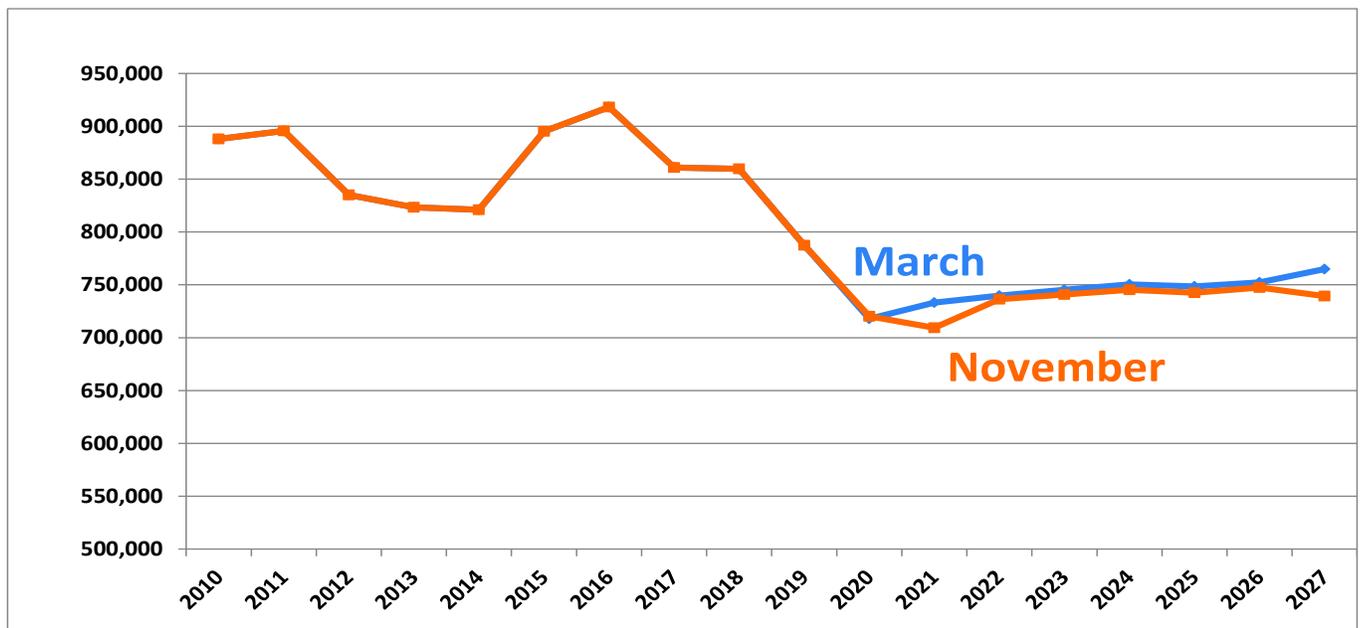


The forecast is driven by ERFC's non-agricultural employment, OFM population 16-18, and drivers coming from out of WA. Driver in-migration is in historical highs for some time. With that in mind, the original driver licenses forecast is revised up by an average 3.7% throughout the forecast horizon (Figure 29). A similar pattern holds for Driver Examinations and Learning Permits.

Renewals

The forecast is unchanged until FY2021 when the higher forecast for originals will result in higher renewals six years out (Figure 30)

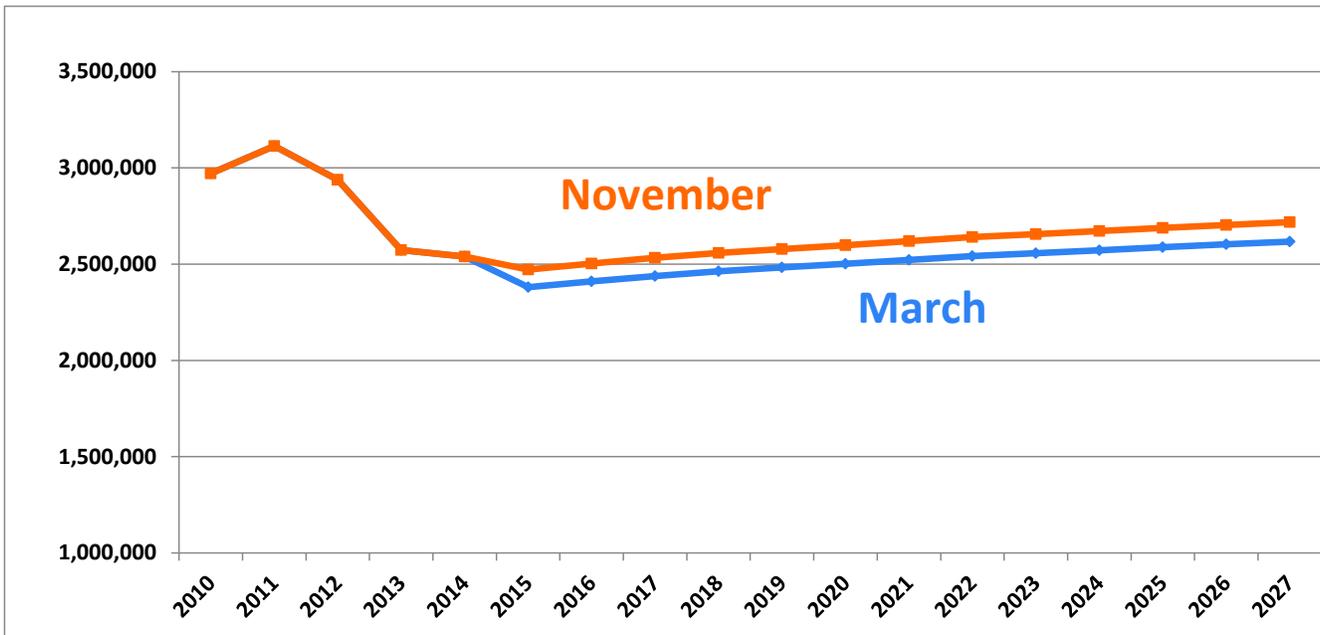
Figure 30 Driver License Renewals and Extension March 2015 vs November 2014



Abstracts of Driver Records (ADR)

FY2015 year-to-date ADR sales have come in with new historical lows regardless of strong driver-in migration and strong vehicle sales, see Figure 31. The steady decline may be attributable to a few things: 1) the switch from monthly batch request to on-line real time request for commercial data brokers made pre-purchasing (likely a little bit over-purchasing) unnecessary; 2) Six years of experience with driver monitoring data mining probably enabled brokers to request full fee ADR more strategically to reduce costs; 3) the fee increase effective October 2013. The outlook is revised down by about -3.7% throughout the forecast horizon.

Figure 31 Sales of ADR, March 2015 vs November 2014



Identicards

Public Assistance ID Cards (PA IDs) continue to grow at the expense of full fee paying ID cards (\$5.00 each vs. \$54 starting August 2014). When ID fee increased in FY13, PA IDs saw an eight fold increase (from a historical average of 600+ a year to 6,000+). After a four-fold increase to 24,200 in FY14, FY15 to date calls for another 27% increase to total 38,900. Future years are revised up similarly. At the same time, the full fee paying ID cards are reduced by -10% for FY15 and about -3% throughout the forecast horizon.

Enhanced Driver Licenses/IDs (EDL/EID)

In recent months EDL/EID issuances have come in stronger than expected. There are several explanations. 1) strong driver-in migration from out of the state; 2) high volume issuances five years ago in the months around the 2010 Vancouver Winter Olympics are renewing; 3) discovery of underreporting of enhancement one year ahead of regular driver renew cycle. The March forecast of EDL/EDI issuances is revised up 17% for FY15, 15% for FY16, and an average of 8.1% in the out years.

Reissues

There are two components for reissues: reinstatement for non-DUI offenses (\$75 each) and DUI reinstatement (\$150 each). For non-DUI component, this forecast removes an earlier assumption of 10% increase as a result of a legislation impact, which has not materialized. Also transactions for both DUI and non-DUI have come in less than expected.

Trends in Driver Related Revenue

Highway Safety Fund

Total Highway Safety Fund (HSF) revenue for the FY13-15 biennium is projected to be \$244.3 million, about +\$1.6 million (+.6%) higher than the prior forecast, due primarily to strong in migration. For the FY15-17 biennium this fund is projected to be \$246.9 million, about -\$954,800 (or -.4%) lower than the prior forecast, due primarily to downward revisions in the ADR fee revenue, driver license reissues, and full-fee paying ID cards.

State Patrol Highway Account

The State Patrol Highway Account receives \$6.50 for each sale of an Abstract of Driver Record (ADR). This revenue stream is still declining slowly. Following prior forecast's -1% reduction, the March forecast is revised down again by about -3.7% a year throughout the forecast horizon, with total revenue for the current biennium expected to be \$32.0 million, down about \$598,000 (-1.9%). Revenue for the next biennium is revised to \$31.6 million, down about \$1.2 million (-3.7%). Similar downward revision is projected in the outer biennia as well.

Motorcycle Safety Education Account Trends

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

- motorcycle license original and renewal endorsements
- motorcycle instruction permits
- motorcycle endorsement application fees.

Motorcycle original endorsements have been coming in stronger in FY2015 despite a small drop in FY15 real gas prices since the November forecast; thereafter originals follow the real gas price trend from the increased FY15 estimate. Renewal/extensions transactions are tracking somewhat lower and the realized per renewal/extension fee is also lower than previously assumed (\$26.77 vs. \$29). As a result, current biennium revenue is expected to be \$4.2 million, down about \$199,800 (-4.6%). Future biennia revenue projections are little changed.

Ignition Interlock Device Revolving Account

This forecast is revised up significantly due to a discovery of under billing (about 4,800 IID holders per month). The result is about 17% increase in billable total for FY15 and 59% increase for the out years. On the other hand, we noted a somewhat declining realized per IID fee over the years, with the latest being \$18.78 vs the full fee of \$20. Compared to prior the prior forecast, revenue for the current biennium is revised up by about \$341,000 (+8.9%) to \$4.2 million and about \$1.17 million (+59%) in the out years.

Primary reasons for the forecast changes

Primary reasons for the change in driver related revenue are:

- Strong in-migration, resulting in more driver learning permits, driver exams, as well as first time driver license issuances;
- Correction of previous under-billing of drivers subject to paying the monthly Ignition Interlock Device fee;
- Continuing growth in public assistance ID demand at the expense of full fee paying IDs;
- Significantly lower than expected ADR (abstract of driver records) requests from commercial data brokers.

**Figure 32 Short-term Driver Related Revenue Forecasts
March 2015**

millions of dollars

Driver Related Revenue	FY 2014	FY 2015	2013-15 Biennium	FY 2016	FY 2017	2015-17 Biennium
Total Highway Safety Fund	\$117.8	\$126.5	\$244.3	\$124.6	\$122.4	\$247.0
Drivers License Fees	96.9	105.9	202.8	103.8	101.4	205.2
Copies of Record Fees	17.9	17.6	35.5	17.8	18.0	35.7
Other smaller misc. Fees	3.0	3.0	6.0	3.0	3.0	6.0
Total Motorcycle Safety Education Account	2.0	2.1	4.1	2.4	2.3	4.7
Total State Patrol Account	16.5	15.5	32.0	15.7	15.9	31.5
Total Ignition Interlock Device Revolving Account	1.8	2.4	4.2	3.2	3.2	6.3
Total Driver Related Revenue	\$138.2	\$146.4	\$284.6	\$145.7	\$143.7	\$289.5
Percent change from prior forecast	0.0%	0.8%	0.4%	0.0%	0.1%	0.1%

Other Transportation Related Revenue Forecast

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

Vehicle Sales and Use Tax

Total spending on new US light vehicles was \$272 billion in FY 2009 and this represented a decline of 33% from the FY 2008 sales level. In FY 2010, spending on new US light vehicles grew to \$301 billion which represented a 10.9% annual growth. In FY 2011, spending on light vehicles grew 16% from FY 2010. In FY 2012, US spending on light vehicle sales also grew 13.7% to \$402 billion. In FY 2013, US spending on light vehicle sales was \$448 billion; an increase of 11% year over year. In FY 2014, US spending on light vehicles was \$480 billion; an increase of 7.2% year over year. In FY 2015, US spending on light vehicles is projected to be \$521 billion; an annual increase of 8.5% and down 0.9% from the November forecast. The FY 2016 forecast for US spending on new motor vehicles is \$559 million or 7.4% annual increase which is up 1.0% from November. From FY 2017 through FY 2020, the new forecast is up from the last forecast but all remaining years' growth rate projections for new vehicle sales are down from the last 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 declined to \$54.4 million. In the 2011-13 biennium, the sales and use tax collections were \$46.7 million. In the current biennium, sales and use taxes are projected at \$76.49 million which is up 1.7% from past forecast. Actual tax collections in FY 2014 came in at \$36.93 million. In the last three months, sales and use tax collections came in above forecast: sales taxes were higher by \$404,000 and use taxes were up by \$58,000. In the 2015-17 biennium, the sales and use tax collections are projected to be \$85.46 million which is 3.4% or \$2.8 million more than the past forecast. Revenues in the 2017-19 biennium are up 3.6% and revenues from the 2019-21 biennium are also up from the last forecast by 3.6%. The primary reason for the higher forecast is the most recent actuals have come in higher than previously forecasted.

Rental Car Sales Tax

The rental car sales tax collections were \$44.5 and \$46.7 million in the 2009-11 and 2011-13 biennia. In the current biennium, rental car sales tax is anticipated to be \$56.14 million and up \$0.3 million or 0.5% from the November forecast. Actuals since the last forecast have been higher than projected: up \$223,000 (3.0%). In the 2015-17 biennium, revenues are projected to be \$60.69 million which is an increase of 1.8% from the prior forecast. The primary reason for the change in the forecast is due to higher actuals since the November forecast. The change from the prior forecast decreases slightly over time so by the last biennium of the current forecast of rental car sales tax is \$0.7 million higher, a 1.0% increase from the November forecast. Over the 10-year forecast horizon, the rental car tax is anticipated to bring in \$2.2 million more than the last forecast.

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

Each biennium the sale of property revenue category has a unique set of properties available to be sold, making biennium to biennium comparisons difficult. Revenue from sale of property for 2013-15 is projected to be \$11.4 million. The 2013-15 biennium total DOT business related revenues are projected to be \$18.3 million which is no change from the November forecast. Projections for the 2015-17 business related revenues are anticipated to be \$16.9 million, also no change from the previous forecast. The outer biennia reflects minor revenue adjustments which are due to incorporating new forecasts for inflation.

The School zone fine for the Washington Traffic Safety Commission was first added to the March 2013 forecast. The fee is assessed for traffic violations in school zones and the revenue from the fee is deposited into the School Zone Safety Account. The revenue from this fine varies greatly from month to month. In 2011-13, the revenue for fines assessed in school zones was \$1.6 million. In the 2013-15 biennium, the revenue from school zone fines is anticipated to be \$1.07 million, which is a decline from the November forecast.

State Patrol Highway Account miscellaneous revenue consists of ACCESS fees (fees charged for usage of our statewide law enforcement telecommunications system), Breathalyzer Test fines, DUI Cost Reimbursement, and Terminal Safety Inspection fees. Revenue for Commercial Vehicle Penalties and Communication Tower Site Leases was added to the forecast in March 2013.

Highway Safety Account revenue consists of certification and calibration fees charged to ignition interlock manufacturers, technicians, providers, and persons required to install an ignition interlock device in all vehicles owned or operated by that person. This revenue source was incorporated into the forecast first in March 2012. Revenue estimates have been updated using the past year's actuals.

The March 2015 WSP business related revenue forecast for the current biennium is \$11.5 million, which is up slightly from the prior quarter estimates. Based on current collections, Breath Test Fees are projected to increase \$49,000 per year beginning in FY 2015. WSP Access fees had a minor change this forecast due to incorporating the latest OFM population forecast and making it consistent with WSDOT access fee forecast. All revenue has been updated for actuals to date. In March 2013, the WSP added two new fees; the Commercial Vehicle Penalties and Communication Tower Site Leases. In the current biennium, these new fee revenues are projected at \$564,984 and \$756,409 respectively. The terminal safety inspection fee revenue is forecasted at \$2.6 million. The same trend continues in the next biennium with the total fee revenue estimated at \$11.5 million for the 2015-17 Biennium. The forecast remains nearly the same each biennia thereafter with the last biennium forecast for WSP business related revenue at \$11.8 million.

Aeronautics Taxes and Fees

The aeronautics tax forecast includes excise, registrations and fuel taxes as well as transfers. The aviation fuel tax is the largest component of the aeronautics tax forecast. The aeronautics tax collections were \$5.7 million in the 2007-09 biennium. In the 2009-11 biennium, the aeronautics account tax collections were \$5.8 million and the revenue was \$6.4 million in the 2011-13 biennium. In the 2013-15 biennium, the aeronautics account revenue is anticipated to be \$5.86 million, which is slightly lower than last forecast at \$5.88 million projected. Aviation excise, dealers licenses and registration fees are unchanged from last quarter's projections. The only change in the aviation related forecast besides the aircraft fuel tax is the motor vehicle fuel tax transfer which is \$1,200 higher in the current biennia than last forecast due to higher fuel consumption and tax projections in March.

In the 2011-13 biennium, the aircraft registrations, excise and dealers' taxes, which are a small portion of the total aeronautics revenue, were \$1.43 million. In the current biennium, the aircraft registrations, excise and dealers' taxes as well as the fuel tax transfer are anticipated to be \$1.48 million. The motor vehicle fuel tax transfer of \$573,517 is up \$1,200 from November due to slightly higher motor vehicle fuel tax projections in the current biennium. In the 2015-17 biennium, the aeronautics transfer from the motor vehicle fund is projected to be \$580,600, which is up \$4,200 from the last forecast. The difference in the transfer of motor vehicle fuel taxes rises throughout the forecast horizon so by the last biennium the motor vehicle transfer is up \$10,900 from the last forecast. This trend is consistent with the fuel tax forecast. In the current biennium, aircraft excise taxes are anticipated to be \$700,559 and in the next biennium, aircraft excise tax increase slightly to \$708,100. This is no change from the last forecast. Ten percent of the excise tax goes to the aeronautics account and the rest goes to the state general fund.

Aviation Fuel Tax

Aviation fuel taxes came in at \$5.5 million in the 2011-13 biennium. The aviation fuel tax forecast in March is a minor change from last quarter's forecast. This forecast model has been updated with both the FAA General Aviation Fuel Consumption forecast and OFM long-term manufacturing employment forecast. The aviation fuel tax forecast is lower primarily due to the lower FAA General Aviation Fuel Consumption forecast. FY 2013-15 is minimally lower by -\$17,900 or -0.36% with actual revenue collections year to date.

Primary reasons for the forecast changes

- Vehicle sales and use tax revenue is up in the current biennium since the last forecast due to updated actual collections. Total sales and use tax revenue is up by \$0.65 million or 0.9% from the last forecast this biennium. In subsequent years, the forecast is up from the last forecast.
- Rental car tax revenue is up \$0.27 million, 0.5%, in the current biennium due to higher collections in recent months than anticipated. In subsequent biennia after 2013-15 biennium, the change in the rental car tax revenue is also higher by an average of 1.5% each biennia from last quarter projections.
- WSDOT Business and other miscellaneous revenue has nearly no change in the current biennium but is down slightly -0.02% or \$3.2 thousand in the 2015-17 biennium due to inflation. Future biennia forecasts are also down slightly as well from the last forecast due to inflation.
- The school zone fines forecast was reduced in this current biennium by \$161,000 as well as all subsequent biennia due to collections not coming in as anticipated.
- WSP business related revenue is up slightly in March due an anticipated increase in Breath Test fees and adding in the most recent OFM population forecast.
- The changes in the aeronautics account is a small decrease in the aviation fuel tax projections and an increase in the motor vehicle fund transfer to the aeronautics account due to fuel taxes being higher than last quarter.
- In the current biennium, total business related revenues are projected at \$170.5 million, which is up \$0.8 million or 0.5% from the last forecast.
- In the next biennium, total business related revenues are projected at \$182.3 million, which is \$3.6 million or 2% higher than last forecast. The majority of the increase is due to higher rental car and vehicle sales and use tax revenue.

**Figure 33 Short-term Other Transportation Related Revenue
March 2015**

millions of dollars

	FY 2014	FY 2015	2013-15 Biennium	FY 2016	FY 2017	2015-17 Biennium
Rental Car Sales Tax	\$26.8	\$29.3	\$56.1	\$30.0	\$30.7	\$60.7
Vehicle Sales & Use Tax	36.9	40.2	77.1	42.1	43.4	85.5
DOT Business/Other Rev	8.9	9.4	18.3	8.5	8.5	17.0
WSP Business/Other Rev	5.8	5.7	11.5	5.7	5.7	11.4
WA Traffic Safety Comm.	0.6	0.4	1.0	0.4	0.4	0.8
Aeronautics Taxes/Fees	3.2	3.3	6.5	3.4	3.4	6.8
Total Other Transportation Related Revenue	\$82.2	\$88.3	\$170.5	\$90.0	\$91.0	\$182.2
% Change from Prior Fcst	0.0%	0.8%	0.4%	1.8%	0.9%	2.0%

Ferry Ridership and Revenue

Ferry Fare Ridership and Revenue Forecasting Process

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

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

The March 2015 Baseline Forecast incorporates actual ridership counts and fare revenue collections through February 2015. The March Baseline Forecast includes the tariff changes adopted by the Washington State Transportation Commission. These include a 2.0% increase for passengers and a 3.0% increase for vehicles on October 1, 2013, and a 2.0% increase for passengers and a 2.5% increase for vehicles on May 1, 2014. The October 2013 tariff revisions also included a reduction to youth fares, resulting in a discount rate of 50%, which brings it into alignment with the senior citizen discount. The March Baseline Forecast scenario excludes any future fare revisions beyond the May 1, 2014 increase.

The March 2015 ridership demand forecasts reflect the latest updated demographic and economic variable forecasts provided by the State and commercial sources. Overall, the March ridership forecasts range from 0.9% higher in FY 2015 to 0.3% lower in FY 2027, compared to November. Forecasts for all measures of employment have been revised upward over the forecast horizon, increasing the ridership forecasts relative to previous levels. The forecast for real personal income has been revised slightly higher in the near term through FY 2019 and then lower thereafter. This moves the ridership forecasts a bit higher initially and lower subsequently in a similar pattern. The inflation projections are largely unchanged with only very minor revisions, and their effects on real fares, and thus the ridership forecasts, are immaterial.

Real gasoline prices have been revised substantially downward (30-40% lower) for FY 2015-16, after which they begin to rise but remain below their November forecast levels through FY 2020. This puts significant upward pressure on the vehicle ridership forecasts in the early years, whereas slightly higher real gas prices after FY 2020 reduce the vehicle forecasts in the latter years. The sizeable effect of lower real gas prices on the near term vehicle forecasts was manually graduated for FY 2015-17 to better align it with the historical response to a similar price drop in FY 2009.

While the overall state population forecasts have not changed since November, the March forecasts incorporate updated projections for the working age population indices used to forecast commuter passenger and commuter vehicle ridership. The population indices are derived from data for Kitsap, San Juan, and Island counties by age group, weighted based on ridership levels for routes associated with the specific counties. Based on the new working age population projections, the indices have been revised generally lower over the forecast horizon. Noteworthy are the decreases in FY 2015 and FY 2016, and subsequent decreases that expand substantially in magnitude beyond FY 2021. The revised working age population indices contribute downward pressure on the commuter fare categories of ferry ridership.

Trends in Passenger Fare Ferry Ridership

FY 2010 passenger ferry ridership reached 12,453,226, or 1.0% less than in FY 2009. Actual passenger ridership for FY 2011 was 12,242,320, or 1.7% lower than FY 2010, and includes a database correction prior to which foot passengers on the Mukilteo-Clinton route were double-counted. FY 2012 passenger ridership came in at 12,236,081, or 0.1% lower than the previous year. FY 2013 passenger ridership came in at 12,350,126, or 0.9% higher than the previous year. FY 2014 closed out with passenger ridership of 12,696,936, or 2.8% higher than the previous year.

For FY 2015, passenger ridership is expected to be 12,947,000, a 1.2% increase from the prior forecast, and a year-over-year increase of 2.0%. For the rest of the forecast horizon, the passenger ridership projections range from 0.9% higher in FY 2016 to 0.3% lower by FY 2027, compared to the November Forecast.

Trends in Vehicle/Driver Fare Ferry Ridership

Vehicle/ driver ridership was 10,134,311 in FY 2010, or 2.2% higher than in FY 2009. In FY 2011, vehicle/driver ridership came in at 9,968,973, 1.6% lower than in FY 2010. For FY 2012, vehicle/driver ridership was 9,983,059, 0.1% higher than the previous year. For FY 2013, vehicle/driver ridership came in at 10,045,043, which represents a predicted year-over-year increase of 0.6% from FY 2013. FY 2014 finished with vehicle/driver ridership of 10,154,905, a year-over-year increase of 1.1%.

For FY 2015, vehicle/driver ridership is expected to be 10,353,000, a 0.5% increase from the prior forecast, and a year-over-year increase of 2.0%. For the rest of the forecast horizon, the vehicle/driver ridership projections range from 2.0% higher in FY 2016 to 0.3% lower by FY 2027, compared to the November Forecast.

Overall Trends in Ferry Ridership

Total ferry ridership in FY 2010 and FY 2011 was 22,587,537 and 22,211,293 respectively, with the FY 2011 value representing a year-over-year decrease of 1.7%. In FY 2012, total ridership was 22,219,140, which represents less than one-tenth of one percent annual growth from FY 2011. For FY 2013, total ridership came in at 22,395,169, for a year-over-year increase of 0.8%.

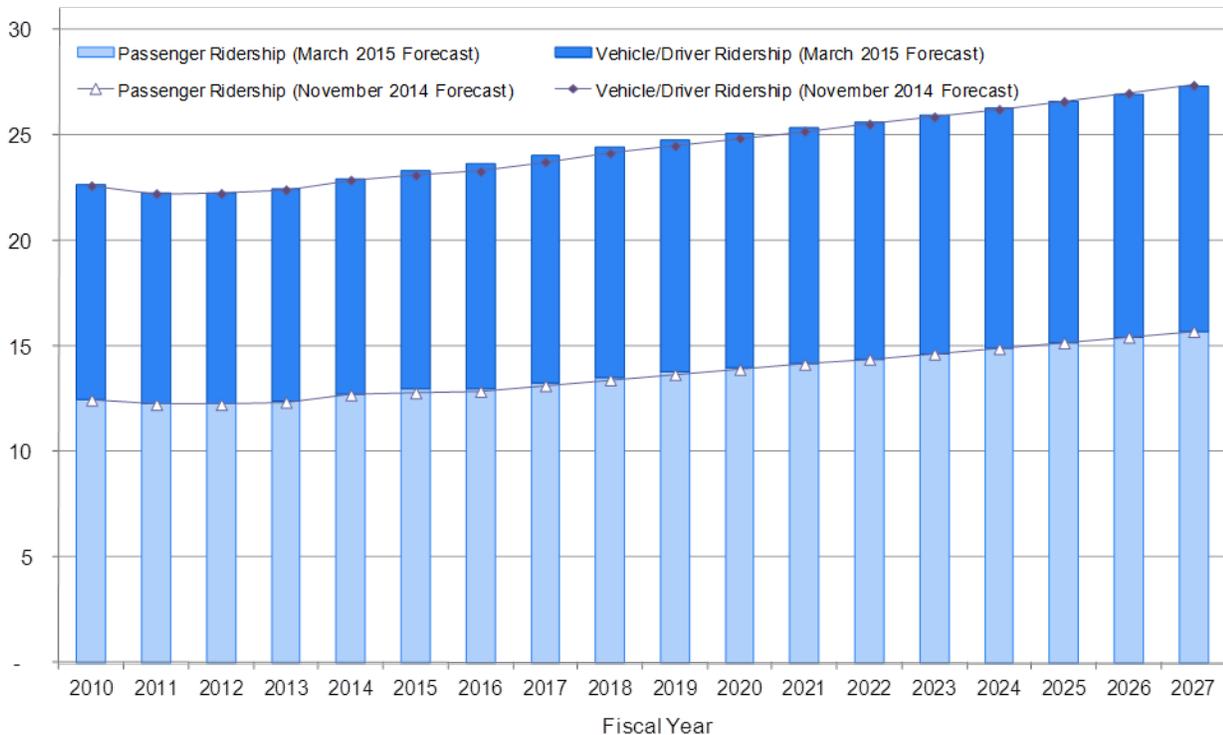
Collectively, total ridership for the months of November 2014 through February 2015 came in 0.5% higher than projected and overall ridership for FY 2015 is projected to exceed the November Forecast value by 0.9%.

For the rest of the forecast horizon, projected overall ridership ranges from 1.4% higher in FY 2016 to 0.3% lower in FY 2027, compared to the November forecast.

Figure 34 illustrates the trends and changes from the prior forecast for passengers, vehicles/drivers and total ferry ridership over the forecast horizon.

**Figure 34 Comparison of Ferry Passenger and Vehicle Ridership
March 2015 and November 2014 Baseline**

Millions of Riders



* FY 2015 includes actual ridership through February 2015.

Trends in Ferry Revenue

The March 2014 ferry revenue projections for the Baseline Forecast include the projected effects of the aforementioned October 2013 and May 2014 tariff revisions plus the reduction in youth fares. In the 2007-09 biennium, ferry farebox and miscellaneous revenues totaled \$300 million, with fare revenue comprising \$292.9 million of that amount. For the 2009-11 biennium, total fare and miscellaneous revenues increased by less than 0.5% over the previous biennium to \$300.7 million, with farebox revenue representing \$294.5 million of the total. For the 2011-13 biennium, total fare and miscellaneous revenues came in at \$324.1 million, which is 7.8% more than the previous biennium. Of this amount, farebox revenue represented \$317.1 million.

The sum of fare and capital surcharge revenue projected for the 2013-15 biennium, which includes actual collections through February 2015, total \$342.3 million, or 0.6% higher than in November. Of this total, nearly \$334.8 million represents regular fare revenues, an increase of \$1.9 million, or 0.6%. The remaining \$7.5 million represents the capital surcharge receipts, which are 0.9% higher than projected in November.

Compared to November, the current Baseline Forecast for fare revenue is anticipated to range from 1.5% higher for the 2015-17 biennium to 0.1% higher for the 2025-27 biennium.

Ferry Capital Surcharge Revenue

The ferry capital surcharge of \$0.25 per fare sold was implemented in October 2011 and is included in the Baseline Forecast as noted above. For FY 2015, the March forecast for capital surcharge revenue is \$3.88 million, which is \$0.07 million or 1.9% more than the November projection, compared with a 1.1% increase in base fare revenue. The upward adjustment to capital surcharge revenue reflects actual values that have come in higher than forecasted in November, in part due to an accounting correction that now captures the equivalent capital surcharge for a small share of ferry pass users that opted to use their monthly passenger pass on an ORCA regional fare card that was previously getting booked as regular fare revenue.

Ferry Miscellaneous Revenue

WSF's miscellaneous revenue forecasts are based on FY 2014 actual revenues received after fiscal year end. Fiscal Year 2015 revenue data is primarily from concession and services vendor projections, while only a small number of contracted service projections were developed by Operations Managers based on past fiscal year performance and to avoid overestimating projections. Note that the miscellaneous revenues for FY 2014 have been revised slightly downward by \$46,000 to reflect an accounting correction to actual revenues received for most categories of vessel and shoreside sources.

Changes in miscellaneous revenue reflect the combination of higher concession revenue with the elimination of internet Wi-Fi revenues as the current contractor departs at the end of their contract. Because the revenues are low and due to a desire to continue internet access for our customers, WSF may not collect future revenues to continue this service. The investment cost for a new Wi-Fi vendor for our vessels and terminals is extensive and Wi-Fi is a customer service that is increasingly provided free of charge.

Primary Reasons for the Forecast Changes

- Total forecasted ferry ridership is slightly higher over most of the forecast horizon, primarily the result of significant reduction in real gas prices through FY 2020 and higher employment forecasts in every year. Only the forecast values for FY 2026 and FY 2027 are lower than November in the Baseline Forecast.
- Ferry fare revenues for the March Baseline Forecast are also slightly higher over the forecast horizon. The percentage increases in revenue in most years slightly exceed those of ridership. This is primarily due to larger forecast increases in the higher fare vehicle categories due to the lower projected real gas prices.
- Miscellaneous revenue forecasts are generally slightly lower overall due to decreases in vessel non-fare revenues.

Figure 35 Short-term Ferry Revenue March 2015 Baseline

Millions of Dollars

	FY 2014	FY 2015	2013-15 Biennium	FY 2016	FY 2017	2015-17 Biennium
Farebox Revenue	163.78	170.97	334.74	173.23	175.82	349.05
Capital Surcharge Revenue	3.66	3.88	7.54	3.95	4.01	7.96
Misc. Ferry Revenue	3.58	3.67	7.25	3.79	3.91	7.70
Total Ferry Revenue	171.02	178.52	349.54	180.97	183.74	364.71
% Change from Prior Forecast	0.0%	1.1%	0.5%	1.6%	1.3%	1.4%

Toll Revenue

The Toll Traffic and Revenue forecast for March 2015 is unchanged from November 2014 for all three tolled facilities.

The Tacoma Narrows Bridge (TNB) revenue forecast reflects actual toll collections through FY 2014. In 2013 two consecutive toll rate increases were adopted by the Washington Transportation Commission. The first toll rate increase began on July 1, 2013. The toll rates for 2-axle vehicles were \$4.25, \$5.25 and \$6.25 for GoodToGo (GTG), cash and Pay by Mail (PBM), respectively. The second toll rate increase took place on July 1, 2014; the toll rates for 2-axle vehicles increased to \$4.50 for GTG, \$5.50 for cash and \$6.50 for PBM. Trucks pay by axle.

The SR 167 HOT lanes pilot program revenue forecast reflects actual toll collections starting in May 2008 through September 2013. In 2013 legislative action (SSB 5024), SR 167 HOT lanes pilot program was extended to end of fiscal year 2015. Toll rates are set to maximize traffic flow while managing demands to maintain acceptable operating speed on the HOT lanes.

The current forecast for SR 520 is based on the Washington State Transportation Commission's adopted 2.5% annual toll-rate increase as of July 1, 2014. In addition, the Commission implemented nickel-rounding for all toll rates (weekday and weekend). In FY 2017, weekday toll rates are assumed to increase by 15% on average. Beyond FY 2017, no further rate increases have been assumed. In the current fiscal year, two-axle vehicles traveling on weekdays pay peak tolls of \$3.80 for GTG and \$5.40 for PBM, respectively. During weekends the peak GTG and PBM toll rates are \$2.35 and \$4.00, respectively. Vehicles with more than two axles incur an additional toll.

The Pay By Plate (PBP) toll rate will be the GTG rate plus a \$0.25 fee. PBM customers who open a short-term account in order to pay prior to receiving a toll bill will receive a \$0.50 discount off of the PBM rate. Legislative action in 2011 created the PBM payment method in which tolls may be paid after using a toll facility with the customer identified for receiving a toll bill by mail via a photo of their license plate. The same legislative action introduced alternative toll enforcement, the Civil Penalty process administered by WSDOT. Failure to pay a toll detected through the photo toll system after 80 days and two invoices will set in motion the civil penalty process by issuing a Notice of Civil Penalty (NOCP). The civil penalty is \$40 plus the original toll amount and associated fees. The customer is liable for a civil penalty of \$40 per toll transaction, plus the original toll amount per transaction, and a \$5 rebilling fee per invoice. Transponder sales for FY2009 through FY2014 include actual revenues from the sales of transponders and disabling shields.

Trends in Tacoma Narrows Bridge traffic and toll revenue

Traffic

The 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%. Between 2010 and 2013, TNB traffic volume had been falling. In FY 2011, the TNB traffic volume was 14.06 million, a year over year decrease of 1.4%. In FY 2012, the TNB traffic volume was 14.07 million, a year over year decrease of 0.02%. In FY 2013, the TNB traffic volume was 13.85 million which represents a year over year decline of 1.5%. TNB traffic volume in FY 2014 was 13.96 million which represents an annual growth of 0.9%

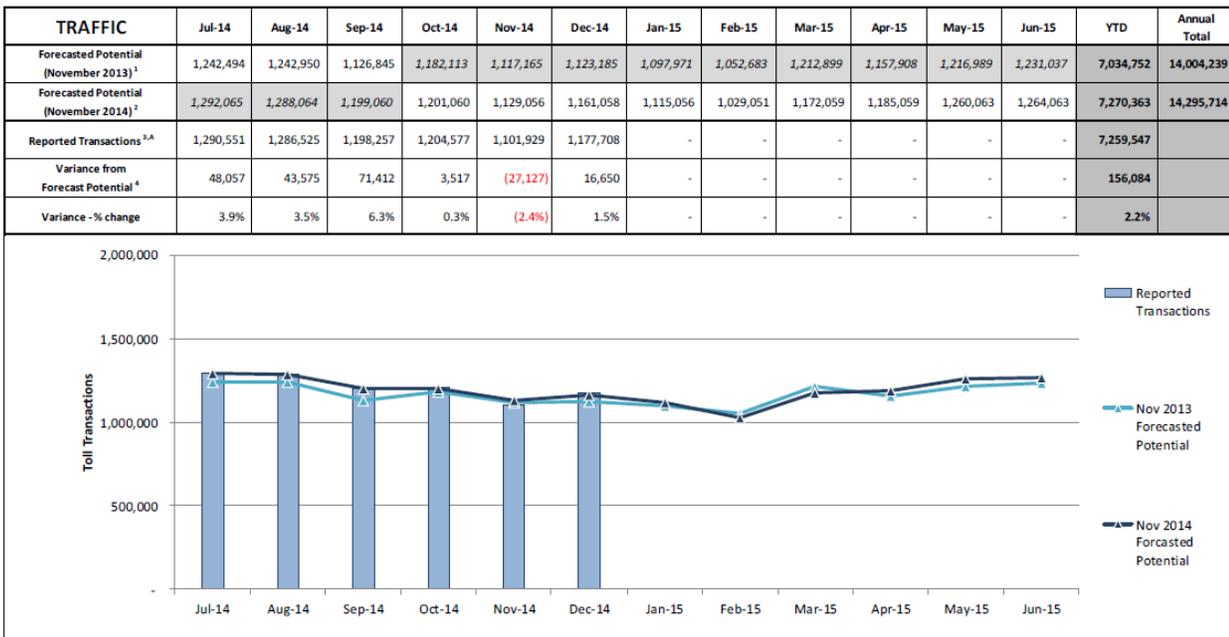
Stantec developed a new TNB trendline forecast model beginning November 2014 forecast. Beginning with FY 2014 as a base year, a trendline forecast was created utilizing a spreadsheet model segregated by payment type and vehicle class as outlined above. Long term growth rates were developed through review of the socio-economic forecasts (PSRC local economic forecast of population and employment) and trends in payment types over the past few years were analyzed to determine the percentage of Good To Go! Pass, manual and image-based toll transactions This model assumed traffic over the next five years will roughly mirror

transportation analysis zones (TAZ)-areas' population and employment growth at 1.9 percent, before decreasing to 1.25 percent from 2020 to 2025 and 1.0 percent from 2026 to 2030.

. In FY 2015, TNB traffic volume is anticipated to grow year over year by 2.4% to 14.3 million. In FY 2016 and 2017, the TNB traffic volume is expected to grow by 2.3% and 2.0% respectively. Then the annual growth rate in TNB traffic declines to 1.7% and 1.5% in fiscal years 2018 and 2019, respectively. In FY 2020, the annual growth rate in TNB traffic maintains at 1.5%, but then it oscillates between 1.2% and 1.3% for the next five years and then the TNB traffic annual growth rate falls to 1% for the remaining two years of the forecast horizon. Year-by-year adjustments were made to reflect a dampening of growth over time. Barring an unforeseen economic event (e.g. another recession), it is assumed these long-term growth rates will remain consistent. Short term adjustments will be made based on ongoing review of transaction and revenue data and assumptions regarding payment type splits and vehicle class data will be adjusted accordingly.

Since the November 2014 forecast, TNB monthly traffic has been coming in close to actuals. Traffic came in under forecast by 0.15% for the first six months of fiscal year 2015.

Figure 36 FY 2015 TNB Monthly Traffic Volume Compared to November 2013 and 2014 Forecasts vs. Actuals



Gross Potential and Adjusted TNB Toll Revenue

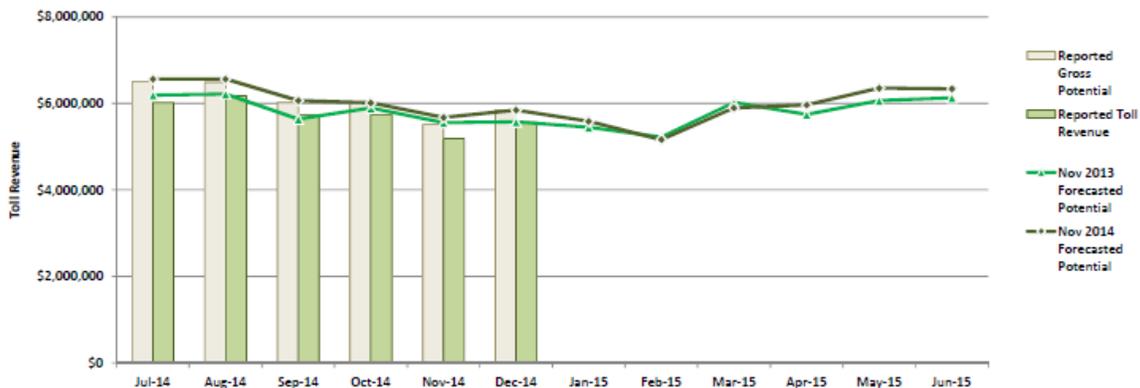
The gross toll revenue potential is the amount of revenue WSDOT expects to receive given the varying toll rates by payment type and type of vehicle and the number of transactions in those categories. The gross toll revenue potential in fiscal year 2014 was \$66.65 million. This gross toll revenue potential consisted of an estimated \$39.07 million in *Good To Go!* revenue, \$9.86 million in other payment types like Pay by Plate, Pay By Mail and Short Term Accounts and \$17.73 million in Cash in fiscal year 2014. In the November and subsequent March 2015 forecasts, the gross toll revenue potential forecast for FY 2015 is \$72.02 million which is 8% annual growth. In FY 2016, the TNB gross revenue potential is \$73.66 million, which assumes no toll rate increase and an annual growth of 2.3%. In FY 2017, the TNB gross revenue potential is anticipated to be \$75.18 million, assuming no toll rate increase and an annual growth of 2% for gross revenue. In FY 2018 and beyond, the annual growth in gross revenue potential slows to 1.8% and then declines further to 1% by the end of the forecast horizon.

The difference between the gross toll revenue potential and the adjusted toll revenue is the toll revenue not recognized, unpaid toll revenue, Pay By Plate \$0.25 fee with CIP \$0.50 discounts. TNB adjusted gross toll revenue for the 2007-09 biennium was \$73.1 million. The 2009-11 biennium adjusted toll revenue increased to \$89.8 million which is a 23% increase over the prior biennium. In the 2011-13 biennium, TNB adjusted gross toll revenue was \$102.8 million, 14% increase over the last biennium. In the 2013-15 biennium, TNB adjusted revenue forecast is anticipated to be \$132.03 million. This adjusted revenue forecast for TNB for the current fiscal year is \$68.89 million. Next biennium, the adjusted toll revenue is \$142.14 million which is a 7.7% growth biennium to biennium. In the 2017-19 biennium, the adjusted toll revenue is projected to be \$147.04 million, which is a 3% biennium growth. In the 2019-21 biennium, the adjusted toll revenue is expected to grow to \$151.13 million or 2.8% biennium to biennium growth. Future biennium growth is anticipated to be a little less than 3%.

Figure 37 reveals monthly TNB gross potential and adjusted revenues for FY 2015 versus the reported actuals. For gross revenue potential, the first six months of fiscal year 2015 has seen actuals come in close to the November 2014 forecast (-0.9%). The same is true for the adjusted TNB toll revenue which has also come in close to the November 2014 forecast during the first six months of FY 2015.

Figure 37 FY 2015 TNB Gross Potential and Adjusted Toll Revenue Compared to November 2013 and 2014 Forecasts vs. Actuals

REVENUE	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	YTD	Annual Total
Forecasted Potential (November 2013) ¹	\$6,192,985	\$6,217,036	\$5,638,958	\$5,897,197	\$5,557,174	\$5,576,064	\$5,446,363	\$5,221,191	\$6,017,371	\$5,744,281	\$6,062,884	\$6,124,928	\$35,079,414	\$69,696,432
Forecasted Potential (November 2014) ²	\$6,562,452	\$6,559,450	\$6,066,419	\$6,016,420	\$5,674,395	\$5,846,406	\$5,584,390	\$5,160,360	\$5,891,410	\$5,965,415	\$6,356,440	\$6,336,442	\$36,725,542	\$72,019,999
Forecasted Gross Potential ³	\$6,192,985	\$6,217,036	\$5,638,958	\$6,016,420	\$5,674,395	\$5,846,406	\$5,584,390	\$5,160,360	\$5,891,410	\$5,965,415	\$6,356,440	\$6,336,442	\$35,586,200	\$70,880,657
Reported Gross Potential ⁴	\$6,496,847	\$6,489,230	\$6,020,851	\$6,018,004	\$5,508,964	\$5,848,662	-	-	-	-	-	-	\$36,382,558	
Variance From Forecasted Gross Potential	\$303,862	\$272,194	\$381,893	\$1,584	(\$165,431)	\$2,256	-	-	-	-	-	-	\$796,358	
Variance - % Change	4.9%	4.4%	6.8%	0.0%	(2.9%)	0.0%	-	-	-	-	-	-	2.2%	
Forecasted Adjusted ⁵	\$6,143,365	\$6,167,223	\$5,593,777	\$5,754,778	\$5,427,627	\$5,592,158	\$5,341,537	\$4,935,947	\$5,635,205	\$5,705,992	\$6,080,012	\$6,060,883	\$34,678,928	\$68,438,503
Reported Toll Revenue ^{6A}	\$6,013,436	\$6,169,873	\$5,728,594	\$5,733,372	\$5,179,488	\$5,561,499	-	-	-	-	-	-	\$34,386,262	
Variance From Adjusted Forecast ^{6B}	(\$129,929)	\$2,650	\$134,817	(\$21,407)	(\$248,139)	(\$30,659)	-	-	-	-	-	-	(\$292,667)	
Variance - % Change	(2.1%)	0.0%	2.4%	(0.4%)	(4.6%)	(0.5%)	-	-	-	-	-	-	(0.8%)	



- Notes:**
- 1 Data is based upon the TRFC November 2013 Forecast adjusted for non-revenue transactions. The remaining months of the forecast, italicized and gray highlight are for information purposes.
 - 2 The data is based upon the TRFC November 2014 Forecast adjusted for non-revenue transactions.
 - 3 The Forecasted Gross Potential data comes from the November 2013 monthly forecasted potential revenue for July through September and the November 2014 monthly forecasted potential revenue for October through June.
 - 4 The Reported Gross Potential data comes from the TCS/AVI report, ICRS/VPS report, and WSDOT's accounting system and is subject to change pending fiscal period closeout.
 - 5 The Forecasted Adjusted Gross Toll Revenue reflects adjustments for Pay By Plate Fees, less Short-term Account Discounts and Toll Revenue Not Recognized. November 2013 TRFC is used for July, August and September; November 2014 TRFC for remaining months.
 - 6 The variance is a comparison between Reported Toll Revenue and the Forecasted Adjusted Gross Toll Revenue.
- A Backlogged Financial Reconciliations** - On February 13, 2011, WSDOT transitioned tolling customer service center operations to a new vendor - Electronic Transaction Consultants Corporation (ETCC). During the transition, the ETCC system encountered problems in the accuracy and timeliness of recording revenue and other accounting transactions. WSDOT and ETCC have investigated and corrected accounting records for known discrepancies. At this time, ETCC has not completed key reconciliations which ensure timely and accurate processing of financial transactions and accurate system reporting. Upon completion of these reconciliations, any discrepancies identified will be addressed and necessary correcting adjustments will be made.
- B Reports in the Subsidiary Accounting System for Tolling** - After the close of the fiscal year, WSDOT determined, through independent audits, that the tolling subsidiary accounting system for WSDOT, which is managed by a contracted service organization, contained weaknesses in internal control requiring revision to existing procedures and protocols. The results of the audit findings provide concern to WSDOT, and we will take appropriate actions to remediate the issues. WSDOT will aggressively pursue actions by our contracted service provider to remediate deficiencies identified through these independent audits, as we are committed to the highest standard of transactional and financial accountability for the citizens of Washington State.

Beginning in 2012, violations were replaced by civil penalties. Fines and fees violations revenue for the 2007-09 biennium was \$1.06 million of which \$1.01 million was violations revenue. In the 2009-11 biennium fees remained flat, and violation revenue was \$1.08 million. In the 2011-13 biennium, violations revenue was \$0.15 million. In FY 2014, violations revenue came in totaling \$8,894. In the current fiscal year, violations revenue is anticipated to be nothing.

In FY 2014, TNB *Good To Go!* and short-term (CIP) discounts came in at \$212,503. In the current biennium, *Good To Go!* Pay By Plate fees less short-term account discounts are anticipated to be \$0.44 million. These fees grow in the future at the same rate as traffic volume.

The TNB late payment, non-sufficient funds fees, statement fees and transaction fees came in at \$0.47 million for the 2011-13 biennium. In the current biennium, the fee revenue is anticipated to be \$0.64 million. In fiscal year 2014, fee revenue came in at \$0.34 million. In this current forecast, these fees are anticipated to be \$0.30 million for FY 2015. In the future, these fees are grown off the change in Pay By Mail traffic volume in the future. Future fee revenue in the next biennium is projected at \$0.65 million.

Actual miscellaneous revenues from interest, liquidated damages and other miscellaneous revenue items such as real estate rent are included in miscellaneous revenue. In FY2013, miscellaneous revenue was \$0.51 million and the 2011-13 biennium had \$2.25 million in miscellaneous revenue. In fiscal year 2014, miscellaneous revenues was \$371,376. In fiscal year 2015, miscellaneous revenues is anticipated to be \$0. This miscellaneous revenue source will certainly be higher than \$0 but it is difficult to predict.

Civil penalty revenue is a function of the pay by mail transaction estimate. TNB civil penalty revenue in FY 2013 was \$3.83 million, which includes both cash and receivables. For the 2011-13 biennium, civil penalty revenue was \$4.31 million, which included both cash and receivables. Then TNB civil penalty revenue for FY 2014 came in much lower at -\$0.65 million which included both cash and receivables. Civil penalty revenue had large accounting adjustments resulting negative revenue in FY 2014. In fiscal year 2015, civil penalty revenue is anticipated to be \$3.43 million. The current biennium projection for civil penalties is \$2.78 million. TNB civil penalty revenue is anticipated to be \$3.57 million in FY 2016 and \$3.79 million in FY 2017. After FY 2017, the growth in this revenue is in line with the growth of Pay By Mail transactions throughout the remainder of the forecast horizon.

Total revenue from all transponders and shield sales was \$1.4 million in the 2007-09 biennium and \$1.27 million in the 2009-2011 biennium. In the 2011-13 biennium, TNB transponder sales revenue was \$0.66 million. Transponder sales revenue in FY 2013 was \$0.307 million and \$0.306 million in FY 2014 for TNB. This March forecast anticipates \$0.25 million in transponder revenue in FY 2015. Then in outer years, the forecasted sales will be allocated to the new facilities as well, decreasing TNB's portion. In the current biennium, TNB transponder sales are anticipated to be \$0.54 million. In the 2015-17 biennium, TNB transponder sales revenue is anticipated to be \$0.40 million.

Total adjusted gross TNB revenue including all fines and fees was \$110.6 million in the 2011-13 biennium. In the current biennium, total adjusted gross TNB revenue is anticipated to be \$136.4 million. In the next biennium, TNB adjusted gross total TNB revenue is projected at \$150.5 million.

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 represented a 31.5% growth year over year from FY 2009. In FY 2011, traffic volume was 640,115 vehicles which were 25.3% higher than in FY 2010. Legislation in 2011 and 2013 extended the 167 HOT lanes pilot program to the end of FY 2015. In FY 2012 the traffic volume increased by 31% to 841,154 and the following year, FY 2013, traffic volume increased by 22.5% to 1.033 million. In FY 2014, the HOT lanes traffic volume increased to 1.135 million which was a 9.9% annual growth. The FY 2015 traffic volume is projected to be 1.12 million in the current forecast. Since the November 2014 forecast, SR 167 traffic has come in well above forecast, more than 10% above forecast. This has been the trend for every month except for November 2014, see Figure 38.

Revenue from HOT lanes' tolls, sales and fees in FY 2009 was \$0.47 million and HOT lanes total revenue in FY 2010 was \$0.53 million, which represents a 12% increase annually. In FY 2011, HOT lanes revenue increased to \$0.72 million; \$1.13 million in FY 2012; \$1.19 million in FY 2013 and \$1.22 million in FY 2014. HOT lanes toll revenue has been growly strongly. In FY 2011-13, the toll revenue was \$2.12 million and total revenue was \$2.32 million. In the FY 2013-2015 biennium toll revenue is projected to grow to \$2.48 million an increase of \$0.36 million or 16.8% biennium to biennium. Under current law, the program ends June 30, 2015. Note that in the last month of FY 2014, there was a large accounting adjustment downward of HOT lanes revenue to reflect revenue in accounts that may not be paying the toll which lowered the current biennium forecast for HOT lanes.

In the 2011-2013 biennium, transponder and shield sales on SR 167 was \$58,801. In the 2013-2015 biennium transponder revenue is anticipated to be \$73,770. In fiscal year 2014, HOT lanes transponder revenue was \$37,771. Fees revenue, includes only statement fee revenue, and has actuals through FY 2014. In FY 2013, fee revenue was \$3,595 and in fiscal year 2014, fee revenue came in at \$3,730. In the 2011-13 biennium, fee revenue was \$6,026 and it is anticipated to be slightly higher at \$7,730 in the current biennium. Miscellaneous revenue was \$0.13 million in the 2011-13 biennium. In the current biennium, miscellaneous revenue is anticipated to be \$8,865. In fiscal year 2014, liquidated damages were \$5,651 and HOT lanes interest was \$163 so the total miscellaneous revenue was \$5,865.

Figure 38 FY 2015 SR 167 Traffic Compared to November 2013 and 2014 Forecasts

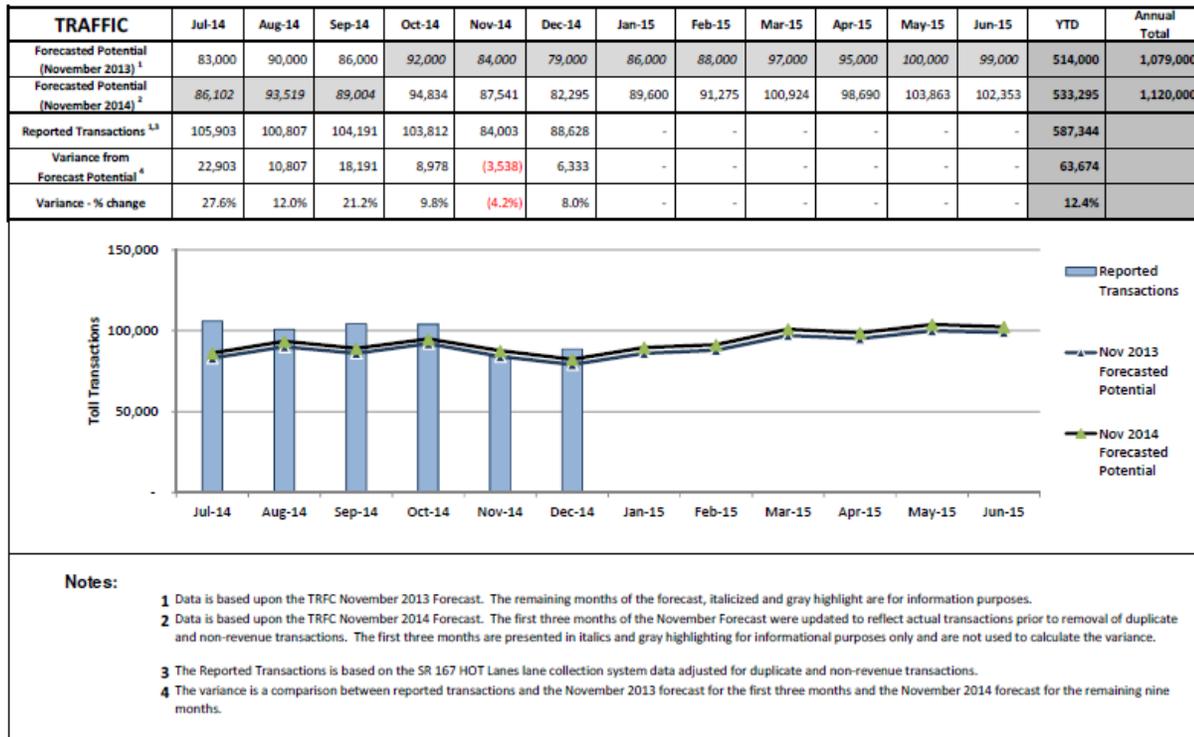
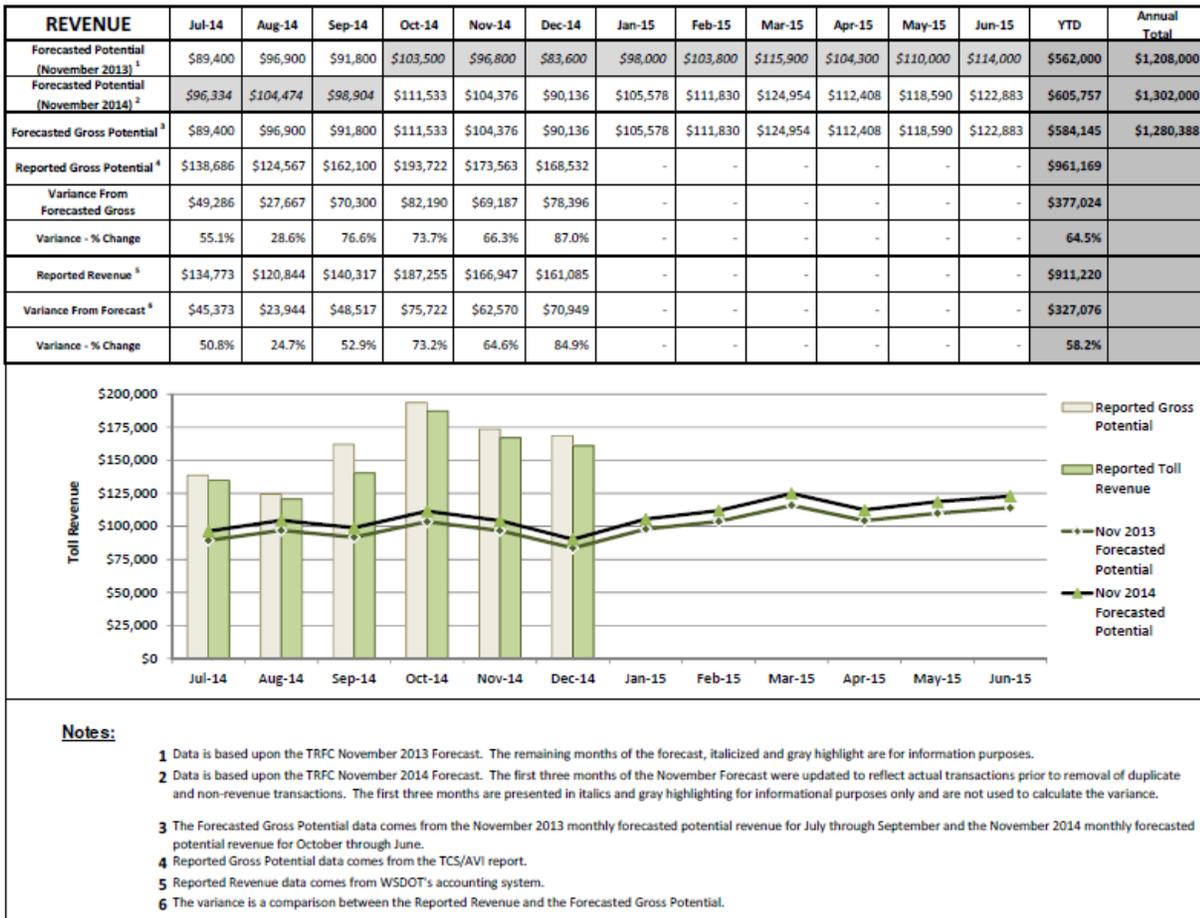


Figure 38 reveals the monthly traffic forecast for the November 2014 and November 2013 forecasts versus the actual reported traffic for SR 167 HOT lanes. The table and chart reveal that actual traffic has come in consistently over forecast for most months during the first six months of FY 2015. Figure 39 shows the monthly gross revenue potential from the November 2014 and November 2013 forecasts compared to the actual reported revenue. This table also indicates that revenue is coming in well above forecast for SR 167 HOT lanes during the first six months of FY 2015.

Figure 39 FY 2015 SR 167 Gross Revenue Potential and Adjusted Revenue Compared to November 2013 and 2014 Forecasts



Trends in SR 520 Bridge Toll Lanes Traffic and Revenue

Traffic

Tolling on the SR 520 bridge commenced on December 29, 2011. FY 2012 and FY 2013 represent start-up years in which the amount listed under Toll Revenue Not Recognized & Unpaid Toll Revenue are cumulatively higher than what is anticipated in going forward. This is due to several reasons, including removal of non-revenue vehicle transactions, delays in processing some toll bills (unbilled and deferred revenue), a toll bill quality assurance program that held back the delivery of NOCP notices on some transactions, and inclusion of amounts that may yet be collected. In the forecast years, the line Toll Revenue Not Recognized & Unpaid Toll Revenue is limited to amounts not collected within 80 days of travel, and tolls later recovered through the NOCP process are listed in the line titled Recovered Toll Revenue.

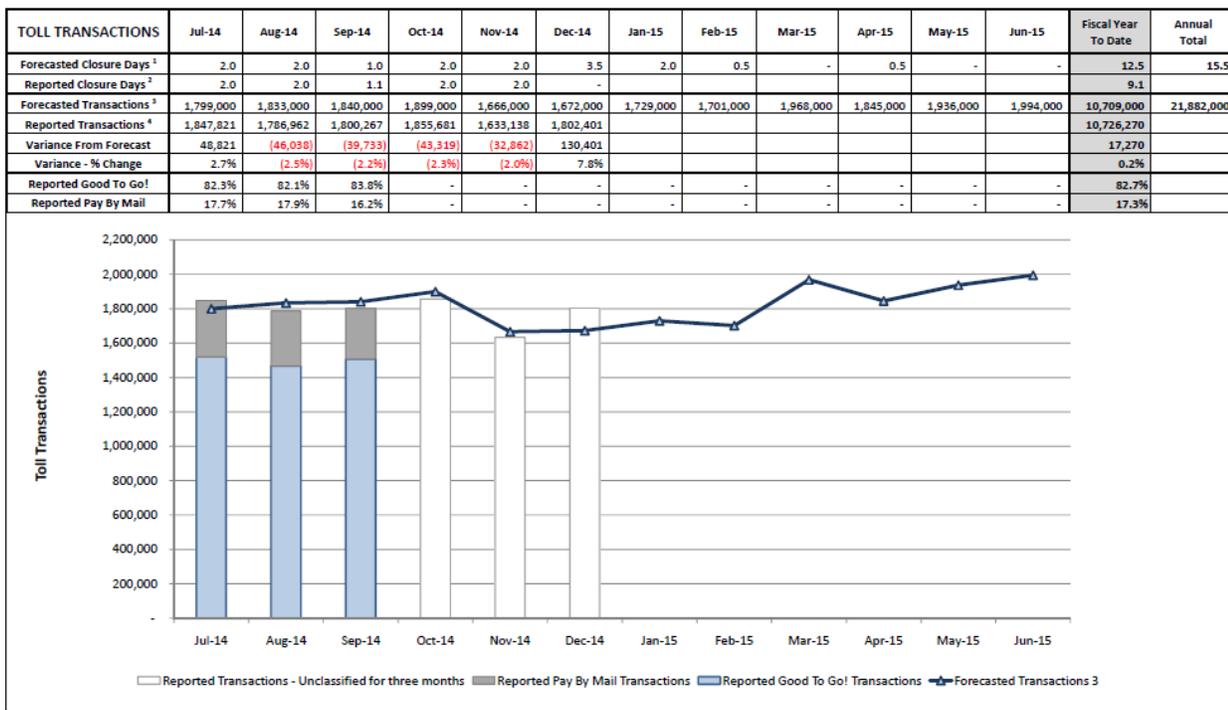
The current forecast is based on independent economic forecasts of population and employment. These forecasts were updated in August 2014 to reflect current economic conditions, updated regional forecasts, projected development in Seattle and Eastside King County communities, and current market conditions, such as office occupancy rates and housing unit absorption trends. The analysis followed methods similar to those used in the prior economic forecast in 2013. .

This forecast is based on November 2014 SR 520 Investment Grade Traffic and Revenue projections. The November as well as the March 2015 forecasts include actual traffic and revenue for FY 2014. There were 9.6 million toll trips taken in FY 2012 from the opening day of December 29, 2011 through June 30, 2012. In FY

2013, total toll traffic was 20.2 million trips and in FY 2014, toll traffic was 21.0 million. In FY 2014, *Good To Go!* account usage was 84% of total toll trips and the rest were Pay By Mail. In the current forecast, the number of toll trips is anticipated to increase to 21.9 million in FY 2015 and 23.2 million for FY 2016. This corresponds to an annual traffic growth rate of approximately 4.4% in 2015 and 5.9% in 2016. After an assumed weekday rate increase of approximately 15% in FY 2017, the expected toll traffic volume growth rate is projected to slow down to about 4.3% for one year. From FY 2018 through 2027, average traffic is expected to grow at a variable but declining rate from approximately 3% to 4% annually to 1.6% by FY 2027. Throughout the remainder of the forecast horizon, the growth rate declines to well below 1% annually.

As shown on Figure 40, SR 520 actual traffic volume has been tracking the November forecast quite well in FY 2015. Over the past six months, overall traffic has come in above forecast by 17,270 or 0.2% above the last forecast. In December 2014, the forecasted closure days didn't happen and the traffic came in well above forecast by 130,401 transactions or 7.8% above forecast which was the biggest variance of the first six months of FY 2015.

Figure 40 Comparison of SR520 Monthly Traffic Volume – November 2014 Forecast vs. Reported Performance



- Notes:**
- 1 Planned weekend construction related closures as preliminarily scheduled by WSDOT - Projected Closures from Project Office.
 - 2 Actual weekend construction related closures as observed during the month.
 - 3 Values based on CDM Smith November 2014 Forecast.
 - 4 Reported values are based on total monthly transactions adjusted for non-revenue and duplicate transactions. Values may be subject to change with final audited reports.

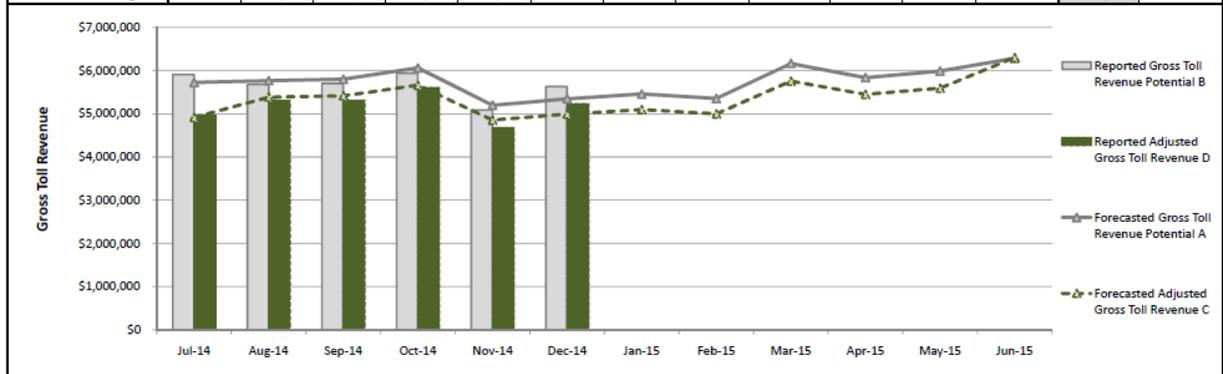
Gross Potential and Adjusted SR 520 Toll Revenue

SR 520 gross toll revenue potential was \$61.3 million in FY 2013 and it grew 5.4% to \$64.59 million in FY 2014. In FY 2015, the November and March forecasts for gross toll revenue potential is \$69.0 million, representing a 6.8% annual growth.. The mix of SR 520 revenue by payment method anticipates 78.7% *Good To Go!* Revenue and 21.3% Pay By Mail and Pay By Plate in FY 2015., he Pay By Mail revenue is forecasted to be \$14.73 million. It is anticipated that the gross toll revenue potential for SR 520 is going to be \$133.6 million for the 2013-15 biennium. In the 2015-17 biennium, gross toll revenue potential is anticipated to be \$158.6 million which is 18.7% biennia to biennia growth rate.

Figure 41 reveals how the gross toll revenue potential has been coming in compared to actuals during the first six months of FY 2015. Like with traffic, the gross revenue potential for SR 520 has been coming in close to forecast. In December 2014 is the one month in which the gross revenue potential came in significantly over the forecast by 5.3%. Overall for all six months, gross revenue potential has been tracking the November forecast within 0.1%.

Figure 41 Comparison of SR520 Monthly Gross Toll Revenue Potential and Adjusted Revenue – November 2014 Forecast vs. Reported Performance

GROSS TOLL REVENUE	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Fiscal Year To Date	Annual Total
Forecasted Closure Days ¹	2.0	2.0	1.0	2.0	2.0	3.5	2.0	0.5	-	0.5	-	-	12.5	15.5
Reported Closure Days ²	2.0	2.0	1.1	2.0	2.0	-							9.1	
Forecasted Potential ^A	\$5,725,000	\$5,769,000	\$5,802,000	\$6,063,000	\$5,199,000	\$5,346,000	\$5,459,000	\$5,354,000	\$6,165,000	\$5,838,000	\$5,990,000	\$6,285,000	\$33,904,000	\$68,995,000
Reported Potential ^B	\$5,911,949	\$5,681,322	\$5,701,029	\$5,940,019	\$5,089,202	\$5,631,332							\$33,954,852	
Variance From Forecast	\$186,949	(\$87,678)	(\$100,971)	(\$122,981)	(\$109,798)	\$285,332							\$50,852	
Variance - % change	3.3%	(1.5%)	(1.7%)	(2.0%)	(2.1%)	5.3%							0.1%	
Forecasted Adjusted ^{C,D}	\$4,915,314	\$5,387,000	\$5,417,000	\$5,661,000	\$4,854,000	\$4,992,000	\$5,098,000	\$4,999,000	\$5,756,000	\$5,451,000	\$5,592,000	\$6,300,686	\$31,226,314	\$64,423,000
Reported Adjusted ^E	\$4,961,388	\$5,308,963	\$5,308,762	\$5,607,737	\$4,674,862	\$5,233,513							\$31,095,225	
Variance From Forecast	\$46,074	(\$78,037)	(\$108,238)	(\$53,263)	(\$179,138)	\$241,513							(\$131,089)	
Variance - % change	0.9%	(1.4%)	(2.0%)	(0.9%)	(3.7%)	4.8%							(0.4%)	



- Notes:**
- 1 Planned weekend construction related closures as preliminarily scheduled by WSDOT - uniformly distributed over each quarter.
 - 2 Actual weekend construction related closures as observed during the month.
 - A Values based on CDM Smith November 2014 Forecast, reflects potential revenue if the correct toll were collected from every vehicle, before fee and discount adjustments.
 - B Reported gross toll revenue potential values coincide with CDM Smith gross toll revenue forecasts. Values exclude duplicate transactions and toll revenue associated to non-revenue transactions. Additional adjustments are incorporated to reflect the toll rate the customer intended to pay, consistent with the values provided in the forecast. For example a Good To Go! customer who intended to pay the account based rate but has an invalid credit card associated to the account and is charged the Pay By Mail rate is reflected as a Good To Go! transaction and the incremental Pay By Mail fee has been excluded.
 - C Values based on Parsons Brinkerhoff November 2014 Forecast. Adjusted gross toll revenue equals the gross toll revenue potential after the following forecast adjustments:
 - a) \$0.50 short-term account discounts for non-account customers who self-initiate payment without waiting to receive a bill
 - b) \$0.25 per transaction fee charged for pre-paid Good To Go! Pay By Plate transactions
 - c) Revenue not recognized; associated with unreadable license plates, or when a vehicle owner with a readable license plate cannot be identified
 - d) Unpaid toll revenue; associated with non-payment of toll bills within 80 days and two invoices
 - D July value includes an adjustment of \$430,000 to account for extended closing of the prior fiscal year. The July reduction is directly offset by a June increase to tie to annual forecast values.
 - E Reported adjusted gross toll revenue is calculated using adjustments as referenced in footnote C above, and correspond to "tolling revenue" values provided in WSDOT financial statements.

One of the main differences between gross toll revenue potential and adjusted gross toll revenue is accounting for toll revenue not recognized. In FY 2012, the six month period had \$1.74 million in revenue leakage. In FY 2013 and 2014, SR 520 revenue not recognized was \$6.53 million and \$4.95 million respectively. Revenue leakage in the SR 520 November 2014 and March forecasts is anticipated to be \$5.38 million for the current fiscal year. In future years, the estimate for revenue leakage for SR 520 is anticipated to range from 6% to 8% of total gross toll revenue potential which is between \$5.75 million and growing to \$6.8 million per year by 2027.

After accounting for Pay By Plate fees, short term account discounts, free trip incentives and revenue leakage, Adjusted Gross Toll Revenue from tolling SR 520 during six months of FY 2012 was \$26.1 million and \$55.44 million in FY 2013. Adjusted gross toll revenue was \$81.5 million for the 2011-2013 biennium. In the current biennium, SR 520 Adjusted Gross Toll Revenue is anticipated to be \$124.9 million. In the 2015-17 biennium, Adjusted Gross Toll revenue is anticipated to be \$148.2 million. Throughout the remainder of the forecast horizon (through FY 2027), gross toll revenue potential and adjusted toll revenue are growing over time. This growth is due to both growth in traffic as well as annual toll rate increases embedded in the current law forecast. This SR 520 forecast assumes a 2.5% annual toll rate increase and a larger toll rate increase in FY 2017 when bridge construction is anticipated to be finished. .

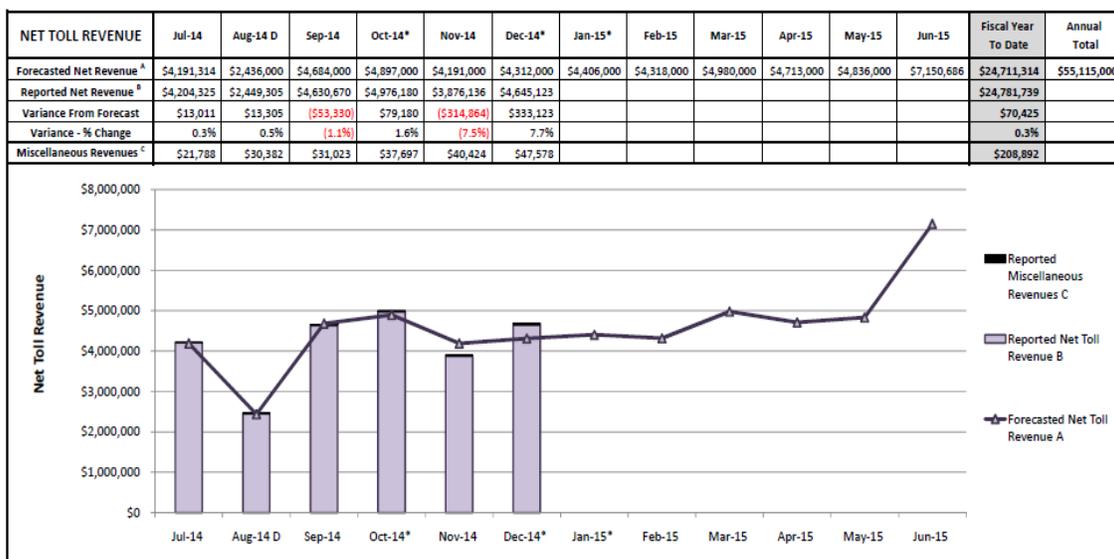
Figure 41 reveals that the adjusted toll revenue has come in slightly under forecast for the first six months of FY 2015 by \$131,089 or 0.4% under forecast.

Actual transponder sales revenues in FY 2012 and 2013 exceeded costs and net transponder revenue was included within the Net Toll Revenue Pledged for Debt Service. Actual transponder revenue for SR 520 was \$1.79 million in the 2011-13 biennium. In the current biennium, transponder sales are anticipated to be lower at \$1.08 million. Transponder revenue for the 2015-17 biennium is anticipated to be \$953,000. Transponder revenue in the subsequent biennia is forecast to be down by more than 30%. These decrease are due to sharing of system-wide transponder revenue across two additional toll facilities (SR 99 and I-405) starting in FY 2018, combined with partially offsetting higher average revenue per transponder sold due to the release of new, higher-priced Flex Pass switchable transponders.

Net Toll Revenue Pledged for Debt Service was \$68.24 million in the 2011-13 biennium and is anticipated to grow to \$106.25 million in the current biennium. In FY 2014, net toll revenue came in at \$51.14 million which was 8.8% above the prior year. In FY 2015, net toll revenue is anticipated to be \$55.12 million, which is 7.8% annual growth. In the next biennium, net toll revenue is projected to be \$121.43 million, which is a 14% increase over the current biennium. The difference between the adjusted gross toll revenue and fees and the net toll revenue pledged for debt service is the operations and maintenance expenditures. Operations and maintenance (O&M) expenditures include credit card fees, facility O&M costs, toll collection O&M costs, bridge insurance premiums, and transponder inventory costs. O&M cost projections for the 2013-15 biennium total \$24.72 million. For the 2015-17 biennium, O&M costs are anticipated to be \$32.86 million. They decrease thereafter to 2.2% lower by FY 2027.

For the first six months of FY 2015, net toll revenue for SR 520 has been tracking the November forecast very well, see Figure 42. The variance from the last forecast has been \$70,425 or 0.3% with the December 2014 variance being the largest with actual reported revenue coming in 7.7% above forecast.

Figure 42 Comparison of SR520 Monthly Net Toll Revenue– November 2014 Forecast vs. Reported Performance



Notes:
A Values based on Parsons Brinckerhoff November 2014 Forecast. Monthly amounts are prior to adjustments for payment of deferred sales tax, debt service, periodic facility repair & replacement costs, and periodic toll equipment and customer service center repair & replacement costs. Miscellaneous pledged revenue values are not forecasted.
B Reported net toll revenue values are prior to adjustments for payment of deferred sales tax, debt service, periodic facility repair & replacement costs and periodic toll equipment and customer service center repair & replacement costs. Miscellaneous pledged revenue values are excluded and provided separately.
C Miscellaneous revenues are pledged and include the following: sale of right of way excess, recovery of prior biennium expenditures, cash over & short amounts, liquidated damages, interest earned in state route 520 corridor account, cost of investment activities, and Washington State Treasurer deposit interest.
D Annual insurance premium incurred in both the forecasted and reported O&M costs used to calculate monthly net revenue.
* Adjustments; Oct. credit card fees revised down by \$9.6 k; Dec. credit card fees revised down by \$36.6 k; Jan. credit card fees revised higher to counter Q2 2015 downward adjustment of \$46k

Miscellaneous pledged revenue, primarily consisting of contractual damages and interest earnings, was \$2.23 million for the 2011-13 biennium and amounted to \$0.21 million in FY 2014. Due to the unanticipated continuation of contractual damages and uncertainty in project account balances to calculate interest earnings, miscellaneous pledged revenue and other miscellaneous non-pledged revenue are not provided in the forecast. Civil penalty revenues were \$11.5 million in the 2011-13 biennium and \$4.46 million in the FY 2014 reported values.

For the March 2015 forecast, forecast values for civil penalty revenue are tied to the forecast for transactions that go unpaid after 80 days in similar manner as recovered toll revenue and late payment fees. Of the delinquent toll bill transactions unpaid after 80 days for which notices of civil penalty are mailed, tolls are assumed to be recovered for 20% of these civil penalty transactions. Civil penalty revenues are assumed to be recovered from 95% of the total civil penalty transactions from which tolls are recovered (with 5% dismissed or remaining unpaid). For each transaction in which a civil penalty is collected, it is assumed that \$0.75 of every \$1.00 owed will be recovered, or an average of \$30 for each \$40 civil penalty. In the current biennium, civil penalty revenue is anticipated to be \$9.4 million.

Trends in Total Adjusted Toll Revenue

In the 2007-09 biennium, the Total Toll Revenue and Fees from tolled facilities (TNB and SR 167) was \$76.9 million and increased to \$93.2 million in the 2009-11 biennium. In 2011-13 the SR 520 toll facility was added to the forecast, increasing the Total Toll Revenue and Fees in 2011-13 through the forecast horizon. The Total Toll Revenue and Fees collected in 2011-13 was \$213.4 million for the three tolled facilities. In FY 2013-15 and FY 2015-17 the Total Toll Revenue and Fees is projected to be \$280.4 million and \$316.8 million, respectively. Over the next 10 years of the forecast horizon, total Toll Revenue and Fees are anticipated to be \$1.65 billion.

Figure 43 Short-term Toll Facility Revenue - March 2015

millions of dollars

	FY 2014	FY 2015	2013-15 Biennium	FY 2016	FY 2017	2015-17 Biennium
Tacoma Narrows Bridge						
Adj Toll Revenue & Fees	\$63.48	\$69.19	\$132.67	\$70.72	\$72.07	\$142.79
Transponder Sales	0.31	0.25	0.56	0.19	0.21	0.40
Violations	0.00	0.00	0.00	0.00	0.00	0.00
Civil Penalties	-0.65	3.43	2.78	3.57	3.79	7.36
Misc. Revenue	0.37	0.0	0.37	0.0	0.0	0.0
SR 167 HOT Lane						
Toll Revenue	\$1.18	\$1.30	\$2.48			
Transponder Sales	0.038	0.036	0.074			
Fees & Misc Rev.	0.006	0.003	.009			
SR 520 Bridge						
Adj Gross Toll Revenue	\$60.50	\$64.42	\$124.92	\$69.45	\$78.79	\$148.24
Other Fees	1.92	3.25	5.17	2.49	2.61	5.10
Misc. Pledge Revenue	0.21	0.00	0.21	0.00	0.00	0.00
Transponder Sales	0.50	0.58	1.08	0.50	0.45	0.95
Civil Pnlty & Misc Rev.	4.46	4.97	9.43	5.17	5.37	10.54
Total Toll Facility Revenue						
Total Toll Revenue & Fees	\$132.33	\$147.44	\$279.77	\$152.09	\$163.28	\$315.37
% Change from Prior Fct	0%	0%	0%	0%	0%	0%

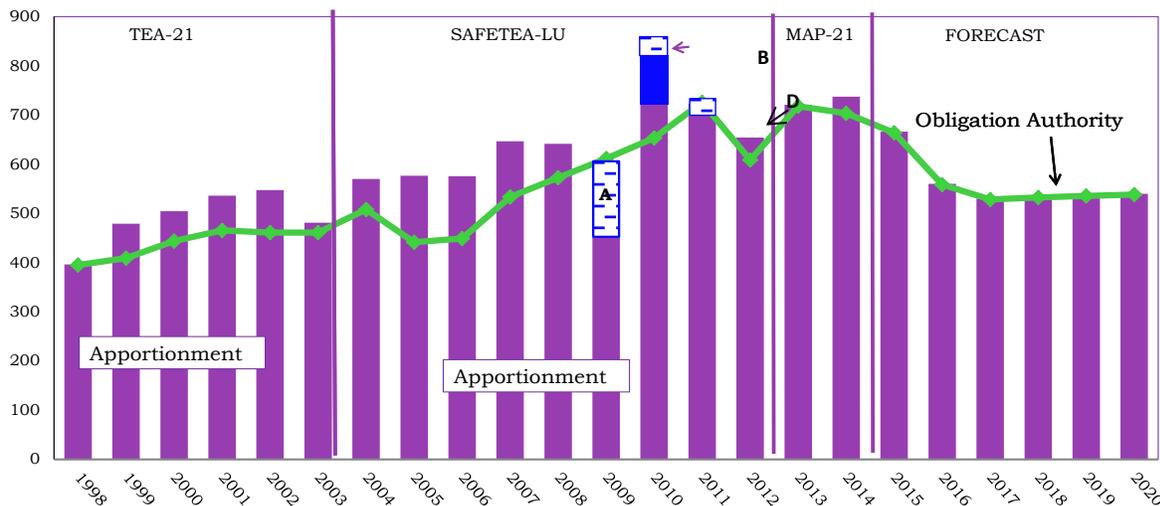
Federal Funds Revenue

Federal Funding History

After state funds, the largest source of transportation revenue is federal funds. The Federal Funds forecast contains the formula funds distributed by the Federal Highway Administration (FHWA) to Washington State Department of Transportation for highway purposes. Federal funds reported in this forecast are based on federal fiscal year (FFY) which begins on October 1. The March 2013 and subsequent federal forecasts are based on the Moving Ahead for Progress in the 21st Century Act (MAP-21).

Figure 44 describes the amount of federal apportionment and obligation authority to Washington State since 1998 with the inclusion of the March 2015 forecast of federal funds through FY 2020. This sixteen year historical period includes multiple federal transportation acts. First, the Transportation Equity Act for the 21st Century (TEA-21) was enacted on September 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, and Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). In that original legislation, the program was due to end in 2009. In the final year of SAFETEA-LU, a mandatory rescission was imposed. Washington State's portion of this rescission was \$148 million. For the next three years, the SAFETEA-LU federal program was extended through multiple continuing resolutions. 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 \$37.5 million and a 2011 rescission of which Washington share was \$44.0 million.

Figure 44 Federal Apportionment and Obligation Authority (OA) to Washington (millions of dollars) - Federal Fiscal Years 1998-2020 with the March 2015 Forecast



A - \$148 Million 2009 Rescission

C- Restoration of \$148 Million 2009 Rescission in 2010

B- \$38 Million 2010 Rescission

D - \$44 Million 2011 Rescission

Source: FHWA apportionment and obligation authority notices and TRFC March 2015 federal funds forecast

MAP-21

On July 6, 2012, President Obama signed into law, P.L. 112-141, the Moving Ahead for Progress in the 21st Century (MAP-21). This new law reauthorizes the federal surface transportation policy and program at the Congressional Budget Office's baseline level equal to current funding levels (FFY 2012) plus inflation which equals \$105 billion for two years (FFY 2013 and 2014). This bill did not significantly alter total funding from the previous authorization (SAFETEA-LU). MAP-21 funding levels are the basis for setting this long-term federal funds forecast of apportionment and obligation authority along with the latest CBO forecast of the Highway Trust

Fund. While the obligation authority to apportionment ratio varied from year to year in the past, overall it averaged 98% which is the same OA to apportionment ratio we are forecasting in MAP-21 and the out years.

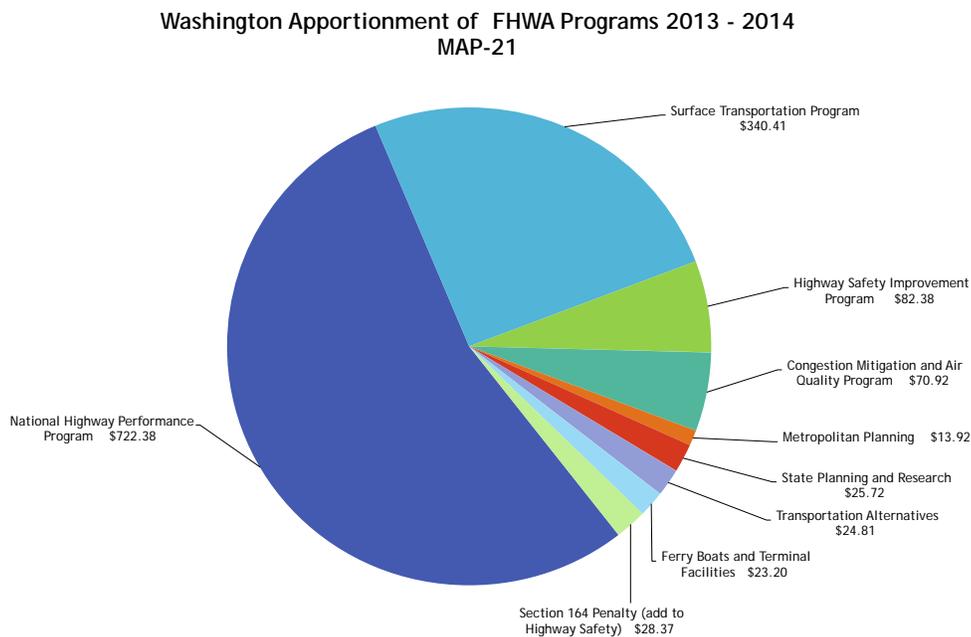
MAP-21 has the following five core programs:

- National Highway Performance Program
- Transportation Mobility Program
- National Freight Network Program
- Congestion Mitigation and Air Quality Improvement
- Highway Safety Improvement

The environmental review process was reformed in MAP-21 in an effort to speed up project development. MAP-21 funding levels for bicycle and pedestrian projects are reduced and consolidated into a broader program called “Transportation Alternatives” with half of this funding going to metropolitan planning organizations and the other half going to the state. In MAP-21, mainstream tolling is now easier to implement in regards to new highways and expansion and repairs to existing ones.

Over the two year MAP-21 period, the majority of Washington’s apportionment was spent on the National Highway Performance Program (\$722.38 million) and the Surface Transportation Program (\$340.41 million). The remaining MAP-21 programs got smaller distributions of the remaining apportionment. (Figure 45)

Figure 45 Washington Apportionment of FHWA Programs MAP-21 2013 – 2014



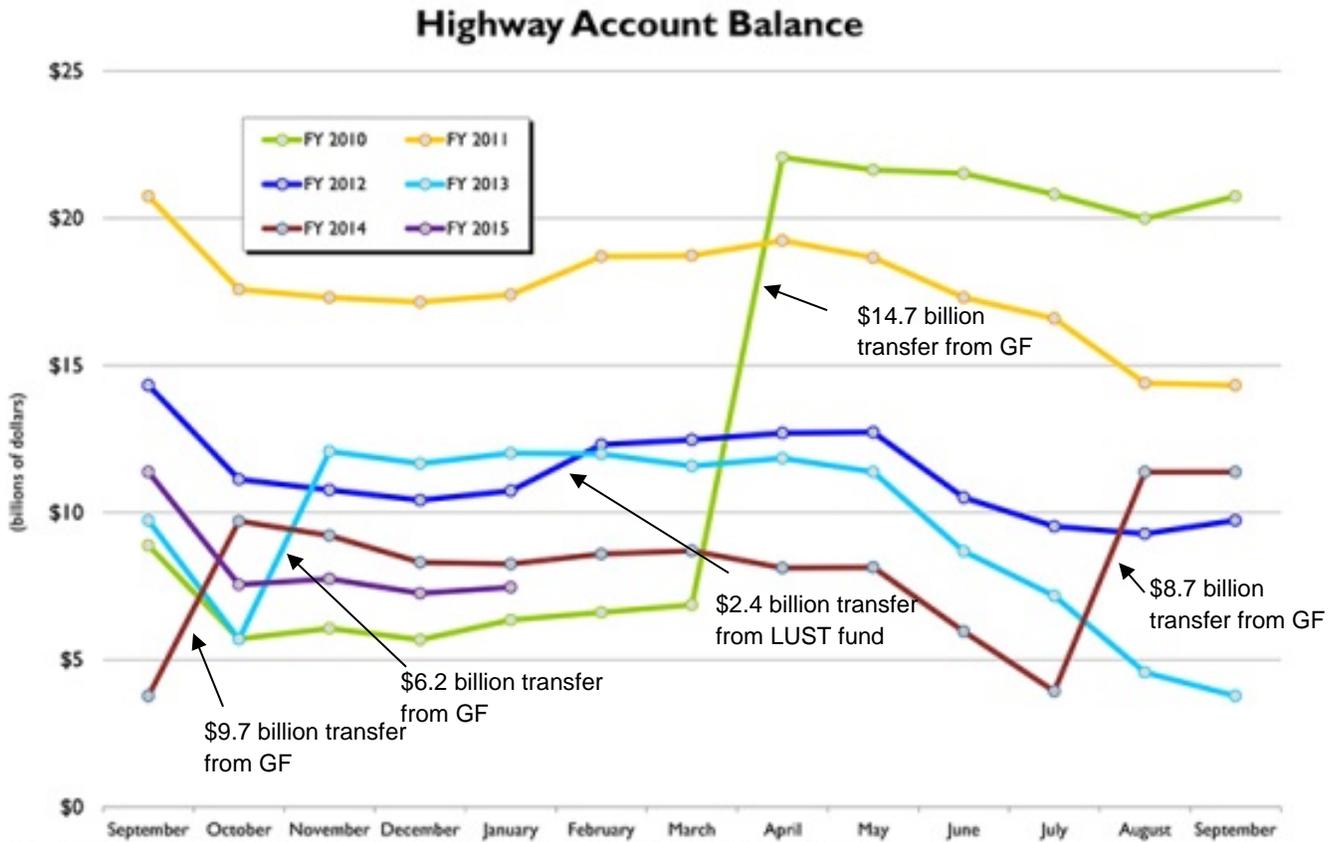
Highway Trust Fund

Funding for these MAP-21 programs comes from the Highway Trust Fund (HTF). The HTF is a federal transportation fund which receives money from the federal fuel tax of 18.3 cents per gallon on gasoline and 24.4 cents per gallon on diesel fuel and related excise taxes. The HTF currently has three accounts, the Highway Account which funds road construction, a smaller Mass Transit Account which supports mass transit and also a Leaking Underground Storage Tank Fund. The Highway Account of the HTF was established in 1956 to finance the United States Interstate highway System and certain other roads. The Highway Account of the HTF has struggled for years to remain solvent, ever since federal transportation spending started exceeding the dedicated taxes used to pay for it.

The HTF has been suffering from insolvency issues for the past five years. From FFY 2010 - 2015, Congress has transferred from the federal General Fund and the Leaking Underground Storage Tank fund \$41.72 billion into the HTF Highway Account to keep it afloat. (Figure 46)

The March 2015 federal funds forecast assumes the HTF funding is solvent through FFY 2015 and reduction in federal expenditures to states due to insufficient funds in the HTF does not begin until October 2015, the start of FFY 2016.

Figure 46 Monthly Federal Highway Trust Fund Account Balance
Federal Fiscal Years 2010-2015 *billions of dollars*



For FY 2010 includes \$14.7 billion transferred from the General Fund (GF) in April pursuant to Public Law (P.L.) 111-147.
 For FY 2012 includes \$2.4 billion transferred from the Leaking Underground Storage Tank (LUST) Trust Fund in August pursuant to P. L. 112-141.
 For FY 2013 includes \$6.2 billion transferred from the GF in November pursuant to P.L. 112-141, of which \$316.2 million was sequestered in August.
 For FY 2014 includes \$10.4 billion transferred from the GF in October pursuant to P.L. 112-121 less sequester of \$748.8 million. Also includes \$7.765 billion transferred from the GF and \$1 billion transferred from the LUST Trust Fund in August pursuant to P.L. 113-159

Continuing Resolution

On August 8, 2014 President Obama signed into law H.R. 5021, The Highway and Transportation Funding Act of 2014, a \$10.8 billion temporary funding bill for highway and transit construction. H.R. 5021 extends the programmatic authority and expenditure authority of the Highway Trust Fund through May 31, 2015. Additionally, H.R. 5021 transfers \$7.8 billion from the General Fund of the Treasury Department to the Highway Account of the Highway Trust Fund and \$2 billion to the Mass Transit Account of the Highway Trust Fund. H.R. 5021 also transfers \$1 billion in gas-tax-funded monies in the Leaking Underground Storage Tank Trust Fund to the Highway Trust Fund. Temporary money approved by Congress bought some time for the Highway Trust Fund, but the threat of a shortfall in 2015 remains a harsh reality according to the Congressional

Budget Office. The office projects that the highway balance will fall about \$2 billion short in 2015 and drop even lower without action by Congress to keep it afloat. Current law requires the trust fund to carry a minimum balance – projected at \$4 billion – to make sure it can pay for transportation projects as the expenditure requests come due. Those reserve funds keep enough cash in the fund to cover the hundreds of millions of dollars that are paid out each day while waiting for receipts from fuel taxes and other user fees that are transferred into the fund twice each month. Current law prohibits the fund from going into the red even though it's been close a few times in recent years.

Federal Funding – Short-term Forecast

H.R. 5021, The Highway and Transportation Funding Act of 2014 authorized federal apportionment to fund the five MAP-21 core formula programs through May 31, 2015. Federal apportionment is the funds distributed to states for obligation in an appropriation account. MAP-21 requires FHWA to divide the total federal apportionment among the states using an allocation process specified in law. The federal apportionment is then distributed between the state's core programs using formula calculation set in MAP-21.

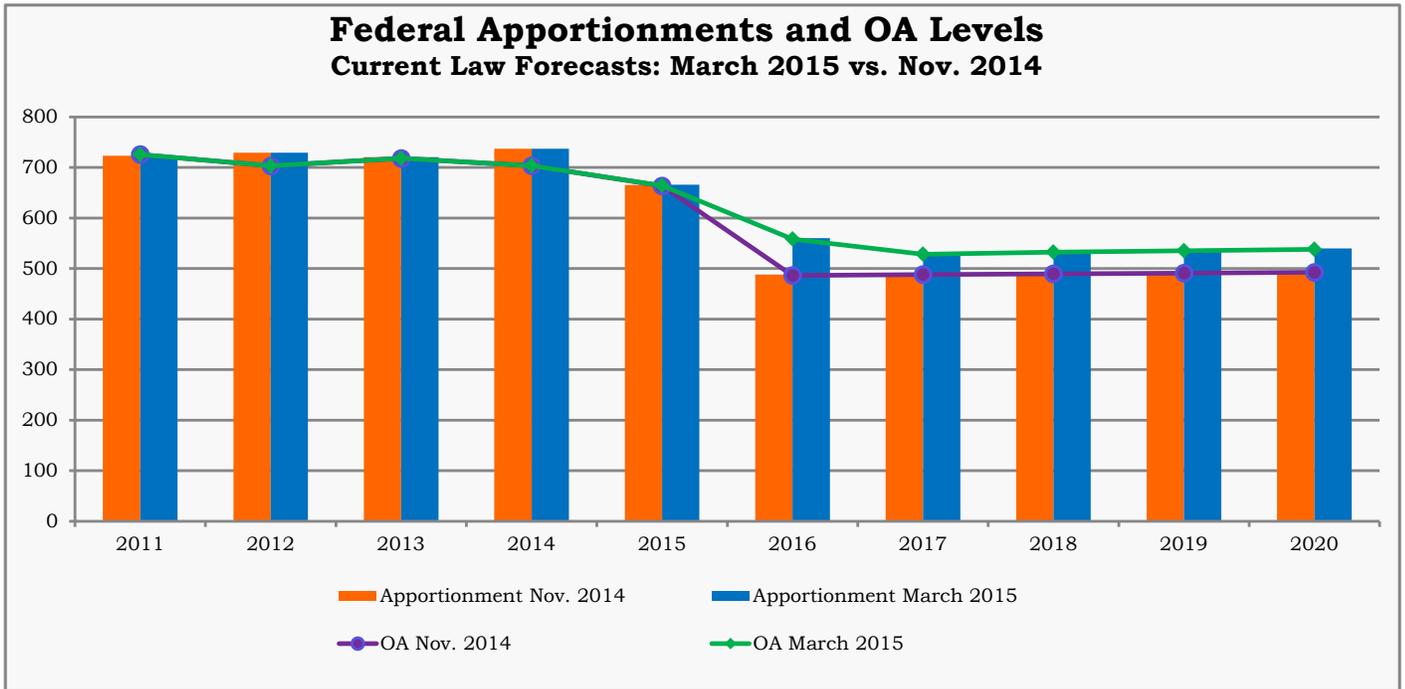
H.R. 5021 also establishes obligation authority of \$26.8 billion for the first 243 days of FFY 2015 for the purpose of limiting highway spending each year. Obligation authority is a limitation placed on Federal-aid highway and highway safety construction program obligations to act as a ceiling on the obligation of apportionment that can be made within a specified time period. These limits are imposed in order to control the highway program spending in response to economic and budgetary conditions.

The baseline March 2015 apportionment forecast shows actual apportionment distributions from FHWA for FFY 2013 totaling \$720.6 million dollars and FFY 2014 totaling \$737.1 million dollars.. This includes all the discretionary and allocated programs apportionment of \$62.12 million in FFY 2013 and \$61.0 million in FFY 2014. History indicates that Washington received 1.7% of national apportionment each year so that is our assumed percentage in future years for this March forecast.

Long-term Apportionment Forecast

The March 2015 baseline forecast for FFY 2015 is driven by Notice N4510.781 dated October 1, 2014. Notice N4510.778 transmits apportionment to the states for the period of October 1, 2014 through May 31, 2015 (243 days). The March 2014 baseline forecast annualizes the funding levels of Notice N4510.781 for the entire FFY 2015. The reason for the revisions in the Federal Forecast in FFY2016 & FFY2017 is a new revised Congressional Budget Office (CBO) Highway Trust Fund (HTF) forecast. The new March 2015 forecast from the CBO for the HTF still predicts the fund going negative in early FFY 2016 but with less of a reduction. This two year reduction in the March 2015 forecast is 21.3% which is a smaller reduction than what was assumed in the November forecast (26.7%). The reason primary reason for the change in the CBO's forecast is that FFY 2015 year-to-date outlays coming in at a pace that would have generated lower than anticipated fiscal year totals. In order to determine this reduction we calculate how much the FHWA would need to reduce national outlays from the HTF in order to keep the highway fund balance positive. In order to keep the HTF from going negative, a reduction in federal outlays and Washington's federal apportionment of 15.9% in FFY2016 and 5.4% in FFY2017 will need to be made. After FFY 2017, Washington's federal funding level will grow at the same rates as our state motor fuel consumption which is the same methodology as applied in prior forecasts.

Figure 47 Federal Apportionment and Obligation Authority (OA) to Washington (millions of dollars) March vs. November 2014 Forecasts



Source: FHWA apportionment and obligation authority notices and TRFC March and November 2014 federal funds forecast

The Washington MAP-21 Steering Committee reviewed the split of Federal Funds between the State and Local programs in October 2012. Figure 48 outlines the state and local splits for individual program distributions. These agreed upon splits to the program distributions are reflected in the March 2015 federal forecast which has not been modified since they were first incorporated into the September 2012 forecast.

Figure 48 Results from Washington State Map-21 Steering Committee Distribution Decisions – 2012

MAP-21 Program	State Split	Local Split
National Highway Performance Program (NHPP)	94%	6%
Surface Transportation Program (STP)	27%	73%
Highway Safety Improvement Program (HSIP)		
Highway Safety component of HSIP	30%	70%
Rail Crossing Safety component of (HSIP)	100%	0%
Congestion Mitigation and Air Quality (CMAQ)	0%	100%
Metropolitan Planning (MPO)	0%	100%
Statewide Planning and Research (SPR)	100%	0%
Transportation Alternatives (TA)		
Recreational Trails component of TA	100%	0%
Population Distribution component of TA	0%	100%
Any Program Distribution component of TA	0%	100%

Civil Penalties in Federal Forecast

In this March forecast, as well as in the prior seven forecasts, the apportionment level for Washington also includes an annual reduction due to civil penalties being imposed beginning in FFY 2010. The penalty is referred to as the “Minimum Penalties for Repeat Offenders for Driving While Intoxicated or Driving under the Influence” (23 USC, Section 164). In the current forecast, the civil penalties are shown as a \$14.2 million reduction in the National Highway Performance Program (MHPP). FHWA transfers this \$14.2 million into the Highway Safety program.

In July of 2014, the National Highway Traffic Safety Administration (NHTSA) reviewed Washington’s compliance with the requirements of 23U.S.C. section 164 and found Washington State to meet the requirements of the “Repeat Intoxicated Driver Laws” and is not subject to the Section 164 penalty beginning in FFY 2015.

Washington’s Obligation Authority (OA) Forecast

The FFY 2013 and 2014 federal funds have been reconciled to match actual Obligation Authority distributions from FHWA totaling \$717.9 million and \$703.3 million dollars. Washington received 1.6% of national Formula OA. After examining past years’ Washington OA compared to the national OA totals, it was found that once all OA, including unallocated programs and redistributed OA are accounted for, WSDOT’s total OA is slightly higher than 1.6%. All other years in the forecast horizon have Washington OA also set at 98% of apportionment which is consistent with the OA ratio set in Section 1101 and 1102 of H.R 4348 in MAP-21 legislation.

The current Obligation Authority for FFY2015 664.1 million which is 0.1% above the last forecast. Obligation Authority for federal fiscal years beyond 2015 is set based on 98% of apportionment each year which is consistent with the OA ratio set in Section 1101 and 1102 of H.R 4348 in MAP-21 legislation and our prior forecast assumptions.

Washington’s Ferry Boat and Terminal Program in MAP-21

MAP-21 created a Ferry Boat and Ferry Terminal Facilities formula program. MAP-21 turned the current competitive Ferry Boat Discretionary Program into a \$67 million a year nationwide formula program. This new program guarantees public ferry systems a set amount of annual federal ferry funding for the length of the 2 year bill. The ferry formula is based on 20% passenger count, 45% on vehicle counts and 35% on route miles. Washington’s ferry boat federal apportionment was \$3.9 million in FFY 2013 and \$21.8 million in FFY 2014. Actual FFY 2013 ferry formula funds came in \$7.5 million less than anticipated in the last forecast but FFY 2014 ferry formula funds came in \$9.9 million more than anticipated last quarter. This March forecast, like prior forecasts, assumes the continuation of the ferry boat funding throughout the forecast horizon. The ferry formula funds are anticipated to grow at the same rate as other federal funds.

Recent Changes in Federal Forecast

- This current FFY 2015 federal apportionment forecast is \$666.1 million which is higher than the past forecast by \$0.54 million.
- The obligation authority for FFY 2015 in the March forecast is \$664.1 million, higher than the last forecast by \$0.537 million.
- The current January 2015 forecast of the HTF by the Congressional Budget Office (CBO) predicts the fund going negative in early FFY 2016 and in order to keep the HTF from going negative, a one-year reduction total of 26.1% is necessary in FFY 2016.
- This current FFY 2016 federal apportionment forecast is \$492.3 million which is higher than the previous forecast by \$4.4 million.

- The obligation authority for FFY 2016 in the March 2015 forecast is \$490.8 million which is higher than the November forecast by \$4.4 million.
- The increase in federal funds from the last forecast grows slightly throughout the forecast horizon.

**Figure 49 Washington’s portion of Federal Highway Funds by Federal Fiscal Year
March 2015**

Millions of dollars

	FFY 2014	FF 2015	FY 2016	FY 2017
WA Statewide Apportionment of FHWA Programs	737.1	666.1	560.2	530.0
% Change from Prior Fcst	10.7%	0.1%	14.8%	8.2%
Obligation Authority	703.1	664.1	558.5	528.3
% Change from Prior Fcst	5.9%	0.1%	14.8%	8.2%

Forecast Contacts

Washington State Department of Transportation unless otherwise noted

Economic Variables and Fuel Price Forecast

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Motor Fuel Tax Revenue Forecast

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Motor Vehicle Licenses, Permits & Fees Revenue Forecast

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Driver Related Revenue Forecasts

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Other Transportation Related Revenue Forecast

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Washington State Ferries Ridership and Revenue Forecast

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Toll Operations Traffic and Revenue

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Federal Funds Forecast

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Appendix

Graphs and Tables Related to the March 2015 Forecast
Including distribution of revenues to the major accounts

Figure 50 Forecast to Forecast Biennium Comparison of All Transportation Revenues
March 2015 forecast - 16 year period

millions of dollars

Forecast to Forecast Comparison for Transportation Revenues and Distributions 16-Year Period									
March 2015• millions of dollars									
	Current Biennium			2015-2017			16-Year Period		
	2013-2015			(2011-2027)					
	Forecast	Chg from	Percent	Forecast	Chg from	Percent	Forecast	Chg from	Percent
	Mar-15	Nov-14	Change	Mar-15	Nov-14	Change	Mar-15	Nov-14	Change
Sources of Transportation Revenue									
Motor Vehicle Fuel Tax Collections	2,543.42	3.70	0.15%	2,592.13	8.33	0.32%	20,931.45	198.32	0.96%
Licenses, Permits and Fees *	1,038.70	7.99	0.78%	1,109.39	17.59	1.61%	8,927.21	135.06	1.54%
Ferry Revenue†	349.54	1.88	0.54%	364.71	5.19	1.44%	2,982.01	18.26	0.62%
Toll Revenue §	279.77	0.00	0.00%	315.38	0.00	0.00%	2,623.09	(0.00)	0.00%
Aviation Revenues ‡	5.86	(0.02)	-0.28%	6.14	(0.02)	-0.33%	50.42	(0.13)	-0.25%
Rental Car Tax	56.14	0.27	0.49%	60.69	1.08	1.82%	503.69	6.08	1.22%
Vehicle Sales Tax	77.14	0.65	0.85%	85.46	2.80	3.39%	709.46	19.77	2.87%
Driver-Related Fees*	284.59	1.13	0.40%	289.46	0.18	0.06%	2,228.13	15.38	0.70%
Business/Other Revenues‡*	30.80	(0.11)	-0.36%	29.34	(0.23)	-0.77%	222.22	(1.43)	-0.64%
Total Revenues	4,665.96	15.49	0.33%	4,852.69	34.93	0.72%	39,177.68	391.31	1.01%
Distribution of Revenue									
Motor Fuel Tax Refunds and Transfers	137.95	2.09	1.54%	143.66	(0.50)	-0.35%	1,215.31	5.14	0.43%
State Uses									
Motor Vehicle Account (108)	1,118.72	4.72	0.42%	1,146.40	7.89	0.69%	9,224.61	97.22	1.07%
Transportation 2003 (Nickel) Account (550)	395.37	0.29	0.07%	402.70	2.15	0.54%	3,221.92	32.66	1.02%
Transportation 2005 Partnership Account (09H)	584.30	0.40	0.07%	594.73	2.90	0.49%	4,788.33	49.83	1.05%
Multimodal Account (218)	272.57	2.18	0.80%	291.94	6.55	2.29%	2,426.58	46.06	1.93%
Special Category C Account (215)	47.80	0.01	0.02%	48.59	0.18	0.37%	391.37	3.83	0.99%
Puget Sound Capital Construction Account (099)	34.78	0.01	0.02%	35.36	0.13	0.37%	284.76	2.79	0.99%
Puget Sound Ferry Operations Account (109)	401.44	2.11	0.53%	417.12	5.54	1.35%	3,406.55	23.74	0.70%
Capital Vessel Replacement Account (18J)	17.49	(0.32)	-1.78%	44.87	(1.92)	-4.11%	260.44	(9.78)	-3.62%
Tacoma Narrows Bridge Account (511)	136.38	0.00	0.00%	150.55	0.00	0.00%	1,217.55	(0.00)	0.00%
High Occupancy Toll Lanes Account (09F)^	2.57	0.00	0.00%	0.00	0.00	0.00%	4.89	0.00	0.00%
SR 520 Corridor Account (16J)	131.39	0.00	0.00%	154.29	0.00	0.00%	1,311.85	0.00	0.00%
SR 520 Corridor Civil Penalties Account (17P)	9.43	0.00	0.00%	10.54	0.00	0.00%	88.80	0.00	0.00%
Aeronautics Account (039)	5.86	(0.02)	-0.28%	6.14	(0.02)	-0.33%	50.42	(0.13)	-0.25%
State Patrol Highway Account (081)	350.38	2.37	0.68%	367.52	7.90	2.20%	3,024.14	56.90	1.92%
Highway/Motorcycle Safety Accts. (106 & 082)	250.50	1.38	0.56%	253.66	(0.96)	-0.38%	1,939.60	9.14	0.47%
School Zone Safety Account (780)	1.08	(0.16)	-13.02%	0.88	(0.32)	-26.85%	7.97	(2.09)	-20.80%
Other accounts (201, 06T, 097, 09E, 216, 07C)	16.56	0.06	0.37%	17.17	0.20	1.16%	140.78	1.42	1.02%
Ignition Interlock Devices Revolving Acct 14V	4.18	0.34	8.91%	6.32	2.35	59.33%	44.61	14.46	47.96%
Multiuse Roadway Safety Account Collections-571	0.05	0.00	1.09%	0.09	0.00	1.53%	0.67	0.01	1.57%
Total for State Use	3,780.79	13.37	0.35%	3,948.77	32.56	0.83%	31,835.18	326.05	1.03%
Local Uses									
Cities	183.31	0.03	0.02%	186.35	0.69	0.37%	1,500.92	14.69	0.99%
Counties	302.19	(0.05)	-0.02%	307.83	1.20	0.39%	2,481.39	24.46	1.00%
Transportation Improvement Board (112 & 144)	195.86	0.03	0.02%	199.12	0.73	0.37%	1,604.69	15.70	0.99%
County Road Administration Board (102 & 253)	65.85	0.01	0.02%	66.95	0.25	0.37%	540.19	5.28	0.99%
Total for Local Use	747.21	0.03	0.00%	760.26	2.87	0.38%	6,127.19	60.13	0.99%
Total Distribution of Revenue	4,665.96	15.49	0.33%	4,852.69	34.93	0.72%	39,177.68	391.31	1.01%

† Ferry Fares plus non-farebox revenue

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

* These transportation revenues had new fees or higher fees adopted by the 2012, 2013 and 2014 Legislatures.

§ 167 HOT lanes is a pilot program that is currently scheduled to sunset June 30, 2015

Figure 51 Forecast to Baseline Biennium Comparison of All Transportation Revenues
March 2015 forecast - 16 year period
millions of dollars

Forecast to Baseline Comparison for Transportation Revenues and Distributions 16-Year Period									
March 2015• millions of dollars									
	2013-2015			Current Biennium 2015-2017			16-Year Period (2011-2027)		
	Forecast Mar-15	Chg from Baseline ¥	Percent Change	Forecast Mar-15	Chg from Baseline ¥	Percent Change	Forecast Mar-15	Chg from Baseline ¥	Percent Change
Sources of Transportation Revenue									
Motor Vehicle Fuel Tax Collections	2,543.42	12.25	0.48%	2,592.13	47.33	1.86%	20,931.45	668.75	3.30%
Licenses, Permits and Fees *	1,038.70	29.29	2.90%	1,109.39	76.83	7.44%	8,927.21	469.33	5.55%
Ferry Revenue†	349.54	6.69	1.95%	364.71	8.79	2.47%	2,982.01	51.20	1.75%
Toll Revenue ‡	279.77	(12.81)	-4.38%	315.38	(16.04)	-4.84%	2,623.09	(119.25)	-4.35%
Aviation Revenues †	5.86	(0.09)	-1.54%	6.14	(0.06)	-0.95%	50.42	(0.21)	-0.42%
Rental Car Tax	56.14	3.29	6.22%	60.69	4.96	8.91%	503.69	28.54	6.01%
Vehicle Sales Tax	77.14	3.00	4.05%	85.46	6.38	8.07%	709.46	46.62	7.03%
Driver-Related Fees*	284.59	1.77	0.62%	289.46	(6.17)	-2.09%	2,228.13	(13.81)	-0.62%
Business/Other Revenues ‡	30.80	4.27	16.08%	29.34	3.98	15.68%	222.22	16.10	7.81%
Total Revenues	4,665.96	47.65	1.03%	4,852.69	126.01	2.67%	39,177.68	1,147.28	3.02%
Distribution of Revenue									
Motor Fuel Tax Refunds and Transfers	137.95	(0.54)	-0.39%	143.66	(0.23)	-0.16%	1,215.31	5.08	0.42%
State Uses									
Motor Vehicle Account (108)	1,118.72	14.93	1.35%	1,146.40	35.17	3.17%	9,224.61	310.08	3.48%
Transportation 2003 (Nickel) Account (550)	395.37	1.12	0.28%	402.70	6.18	1.56%	3,221.92	84.06	2.68%
Transportation 2005 Partnership Account (09H)	584.30	3.21	0.55%	594.73	11.86	2.04%	4,788.33	157.82	3.41%
Multimodal Account (218)	272.57	9.86	3.75%	291.94	16.26	5.90%	2,426.58	114.66	4.96%
Special Category C Account (215)	47.80	0.21	0.45%	48.59	0.91	1.91%	391.37	13.05	3.45%
Puget Sound Capital Construction Account (099)	34.78	0.16	0.45%	35.36	0.66	1.91%	284.76	9.49	3.45%
Puget Sound Ferry Operations Account (109)	401.44	7.52	1.91%	417.12	9.86	2.42%	3,406.55	65.94	1.97%
Capital Vessel Replacement Account (18J)	17.49	9.92	131.06%	44.87	36.96	467.66%	260.44	195.72	302.40%
Tacoma Narrows Bridge Account (511)	136.38	(2.00)	-1.45%	150.55	(2.58)	-1.68%	1,217.55	(41.99)	-3.33%
High Occupancy Toll Lanes Account (09F)*	2.57	(0.08)	-3.19%	0.00	0.00	0.00%	4.89	(0.11)	0.00%
SR 520 Corridor Account (16J)	131.39	(1.84)	-1.38%	154.29	(5.68)	-3.55%	1,311.85	(31.82)	-2.37%
SR 520 Corridor Civil Penalties Account (17P)	9.43	(8.88)	-48.48%	10.54	(7.77)	-42.46%	88.80	(45.33)	-33.79%
Aeronautics Account (039)	5.86	(0.09)	-1.54%	6.14	(0.06)	-0.95%	50.42	(0.21)	-0.42%
State Patrol Highway Account (081)	350.38	7.84	2.29%	367.52	13.58	3.84%	3,024.14	98.06	3.35%
Highway/Motorcycle Safety Accts. (106 & 082)	250.50	2.23	0.90%	253.66	(6.70)	-2.57%	1,939.60	(15.32)	-0.78%
School Zone Safety Account (780)	1.08	(0.10)	-8.34%	0.88	(0.29)	-25.09%	7.97	(1.80)	-18.41%
Other accounts (201, 06T, 09T, 09E, 216, 07C)	16.56	0.22	1.33%	17.17	0.45	2.71%	140.78	3.51	2.56%
Ignition Interlock Device Revolving Acct 14V	4.18	0.36	9.44%	6.32	2.50	65.27%	44.61	15.25	51.94%
Multiuse Roadway Safety Account Collections-571	0.05	0.05	41.67%	0.05	(0.07)	-61.51%	0.61	(0.51)	-45.70%
Total for State Use	3,780.79	44.58	1.19%	3,948.77	111.32	2.90%	31,835.18	931.05	3.01%
Local Uses									
Cities	183.31	0.82	0.45%	186.35	3.49	1.91%	1,500.92	50.03	3.45%
Counties	302.19	1.63	0.54%	307.83	6.44	2.14%	2,481.39	88.29	3.69%
Transportation Improvement Board (112 & 144)	195.86	0.87	0.45%	199.12	3.73	1.91%	1,604.69	54.15	3.49%
County Road Administration Board (102 & 186)	65.85	0.29	0.45%	66.95	1.26	1.91%	540.19	18.67	3.58%
Total for Local Use	747.21	3.61	0.49%	760.26	14.92	2.00%	6,127.19	211.14	3.57%
Total Distribution of Revenue	4,665.96	47.65	1.03%	4,852.69	126.01	2.67%	39,177.68	1,147.28	3.02%

¥ Baseline is the Feb 2014 forecast.

† Ferry Fares plus non-farebox revenue

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

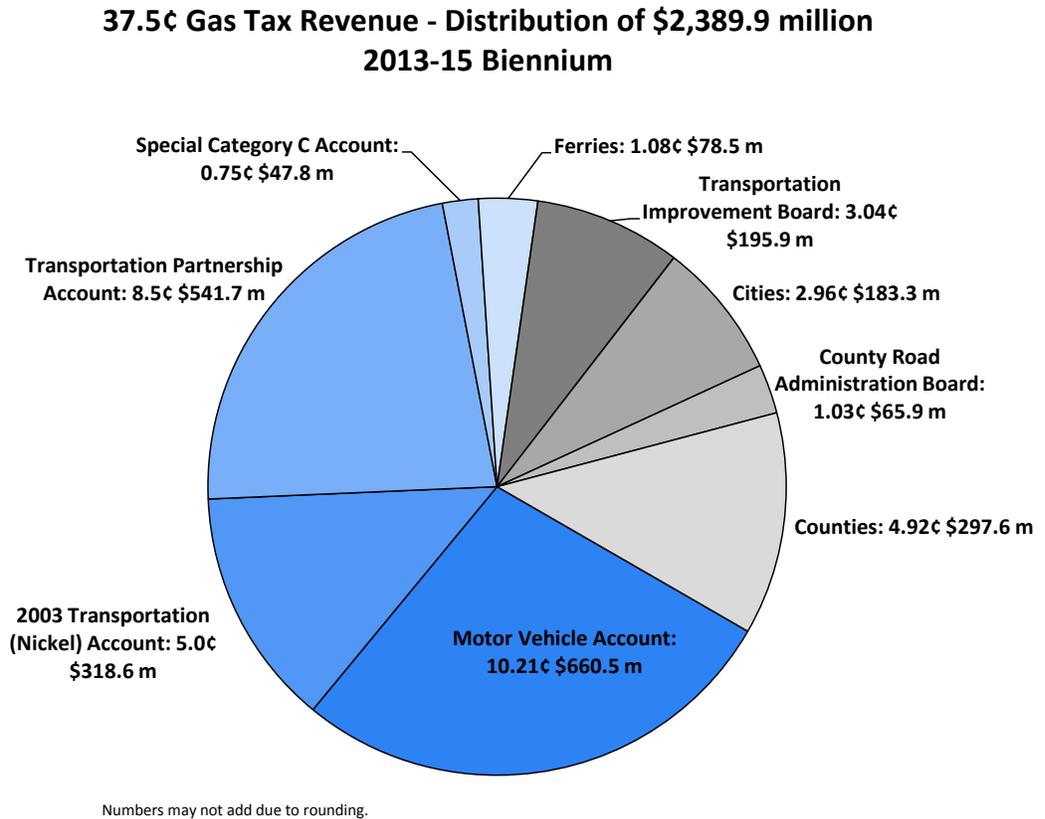
* These transportation revenues had new fees or higher fees adopted by the 2012, 2013 and 2014 Legislatures.

§ 167 HOT lanes is a pilot program that is currently scheduled to sunset June 30, 2015

Motor Fuel Tax Revenue for Distribution

The pie chart below shows the statutory distribution of funds to the various jurisdictions based on the March 2015 fuel tax revenue forecast for the 2013-2015 biennium.

Figure 52 Fuel Tax Revenue for Statutory Distribution



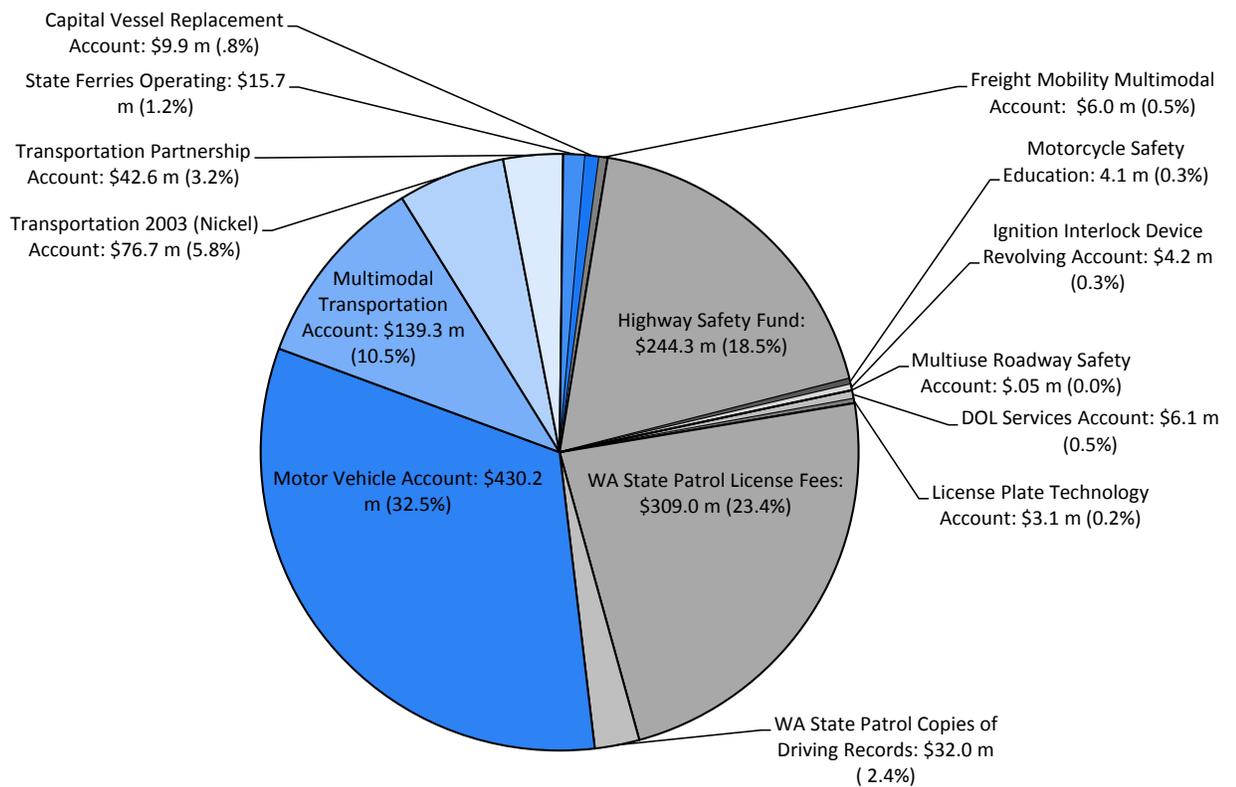
Gas Tax Revenue Distribution is Based on the March 2015 Transportation Revenue Forecast

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 March 2015 Licenses, Permits and Fees revenue forecast for the 2013-2015 biennium.

Figure 53 License Permits and Fees Revenue for Distribution (Both Motor Vehicle & Driver Related)

**Licenses, Permits, and Fees \$1,323.2 million
(Includes Driver Related and Vehicle Related Fees)
2013-15 Biennium**



**Based on the
March 2015 Transportation Revenue Forecast**

Impact to Transportation Accounts

Figure 54 Motor Vehicle Account Revenue March 2014 Forecast

Motor Vehicle Account Revenue <i>dollars in millions</i>	2013-15		2015-17		10-Year Period (2013-2023)	
	Forecast Mar 15	Chg from Nov 14	Forecast Mar 15	Chg from Nov 14	Forecast Mar 15	Chg from Nov 14
Revenues						
Gross Fuel Tax Collections (Gas & Diesel)	2,543.4	3.7	2,592.1	8.3	13,081.5	120.4
Licenses, Permits, & Fees	428.9	3.5	443.9	5.6	2,245.9	29.9
Business-Related Revenue	18.3	0.0	17.0	(0.0)	79.8	(0.0)
Total	2,990.6	7.2	3,053.0	13.9	15,407.3	150.3
Distribution						
Refunds-Regular	138.0	2.1	143.7	(0.5)	740.8	4.0
Fuel Tax Distributions for Local Uses ¹	747.2	0.0	760.3	2.9	3,835.2	36.0
Fuel Tax Distributions for State Uses ²	986.7	0.3	1,002.7	3.7	5,055.9	47.5
Total	1,871.9	2.4	1,906.6	6.1	9,631.9	87.5
Net Revenue	1,118.7	4.7	1,146.4	7.9	5,775.4	62.9

Miscellaneous revenue does not include ending cash balances carried forward from the prior biennium.

¹These 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.

²These amounts include distributions to the Nickel, Transportation Partnership, WSF and Special Category C accounts.

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 55 Transportation 2003 (Nickel) Account Revenue Forecast

Transportation 2003 (Nickel) Account <i>dollars in millions</i>	2013-15		2015-17		10-Year Period (2013-2023)	
	Forecast Mar 15	Chg from Nov 14	Forecast Mar 15	Chg from Nov 14	Forecast Mar 15	Chg from Nov 14
Revenue						
5¢ Gas Tax	318.6	0.1	323.9	1.2	1,633.5	15.3
Licenses, Permits and Fees	76.7	0.2	78.8	1.0	398.2	4.7
Total	395.4	0.3	402.7	2.2	2,031.7	20.0

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 56 Transportation Partnership Account Revenue Forecast

Transportation Partnership Account <i>dollars in millions</i>	2013-15		2015-17		10-Year Period (2013-2023)	
	Forecast Mar 15	Chg from Nov 14	Forecast Mar 15	Chg from Nov 14	Forecast Mar 15	Chg from Nov 14
Revenue						
5¢ Gas Tax	526.1	0.0	541.7	0.1	2,777.0	26.0
Licenses, Permits and Fees	41.3	0.0	42.6	0.3	220.7	4.4
Total	567.4	0.0	584.3	0.4	2,997.7	30.4

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 57 Washington State Ferry Accounts Revenue Forecast

Washington State Ferries Accounts <i>dollars in millions</i>	2013-15		2015-17		10-Year Period (2013-2023)	
	Forecast Mar 15	Chg from Nov 14	Forecast Mar 15	Chg from Nov 14	Forecast Mar 15	Chg from Nov 14
Revenue						
Puget Sound Ferry Op. Acct. (109)						
Ferry Fares	334.7	1.9	349.1	5.0	1,778.4	16.8
Concessions & Other Revenue	7.3	(0.1)	7.7	0.1	39.3	(0.4)
Fuel Tax	43.8	0.2	44.1	0.2	222.1	2.2
Licenses, Permits and Fees	15.7	0.1	16.3	0.3	83.6	1.5
Subtotal	401.4	2.1	417.1	5.5	2,123.4	20.1
Capital Vessel Replacement Account (18J)	17.5	(0.3)	44.9	0.1	175.9	(6.8)
Ferry Capital Surcharge	7.5	0.1	8.0	0.1	40.6	0.4
Title Service fee & Reg. Service fee	9.9	(0.4)	36.9	(2.0)	135.3	(7.2)
Puget Sound Cap. Const. Acct. (099) Fuel Tax	34.8	0.0	35.4	0.1	178.3	1.7
Total	436.2	2.1	452.5	5.7	2,301.7	21.7

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. Revenues deposited into the ferry accounts are used for operating costs and capital construction projects. The ferry operating account (109) consists of ferry fares, concession and other revenue, fuel tax allocations and licenses, permits and fee distributions. The revenues used for capital construction are different than the ferry operating account revenues. There are two revenue sources being deposited into the vessel replacement account (18J): the \$0.25 ferry fare surcharge and certain title and vehicle registration service fees established in 2014 legislation E2SHB 1129.

Figure 58 Multimodal Transportation Account Revenue Forecast

Multimodal Account <i>dollars in millions</i>	2011-13		2013-15		10-Year Period (2013-2023)	
	Forecast Mar 15	Chg from Nov 14	Forecast Mar 15	Chg from Nov 14	Forecast Mar 15	Chg from Nov 14
Revenue						
Licenses, Permits and Fees	130.2	0.0	139.3	1.3	753.3	13.5
Rental Car Tax	46.7	0.0	56.1	0.3	314.1	4.5
Vehicle Sales Tax	63.3	0.0	77.1	0.7	442.7	13.2
Total	240.2	0.0	272.6	2.2	1,510.1	31.2

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.

Figure 59 Aeronautics Account Revenue Forecast

Aeronautics Account <i>dollars in thousands</i>	2013-15		2015-17		10-Year Period (2013-2023)	
	Forecast Mar 15	Chg from Nov 14	Forecast Mar 15	Chg from Nov 14	Forecast Mar 15	Chg from Nov 14
Revenue						
Aircraft Dealer License Fees	5.6	0.0	5.6	0.1	28.0	0.2
Aircraft Excise Tax	700.6	0.0	708.1	0.0	3,578.6	0.0
Aircraft Fuel Tax	5,010.6	(17.9)	5,274.7	(24.7)	26,708.4	(156.3)
Aeronautics Transfer (from MV Fund)	573.5	1.2	580.6	4.2	2,914.7	33.4
Aircraft Registrations	205.0	0.0	207.4	0.0	1,049.0	0.0
Total	6,495.3	(16.7)	6,776.4	(20.4)	34,278.7	(122.7)

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 60 Toll Revenue Forecast

Tolling Accounts <i>dollars in millions</i>	2013-15		2015-17		10-Year Period (2013-2023)	
	Forecast Mar 15	Chg from Nov 14	Forecast Mar 15	Chg from Nov 14	Forecast Mar 15	Chg from Nov 14
Revenue						
Tacoma Narrows Bridge Account						
Toll Revenues and Fees	132.7	0.0	142.8	0.0	1,052.4	0.0
Transponder Sales/ Shield Sales	0.6	0.0	0.4	0.0	2.7	0.0
Violations	0.0	0.0	0.0	0.0	0.0	0.0
Civil Penalties	2.8	0.0	7.4	0.0	51.4	0.0
Misc. Revenues	0.4	0.0	0.0	0.0	0.0	0.0
Subtotal Tacoma Narrows Bridge	136.4	0.0	150.5	0.0	1,106.6	0.0
HOT Lanes Operations Account ^						
Toll Revenues	2.5	0.0	0.0	0.0	2.5	0.0
Transponder Sales/ Shield Sales	0.1	0.0	0.0	0.0	0.1	0.0
Fees	0.0	0.0	0.0	0.0	0.0	0.0
Misc. Revenues	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal HOT Lanes Operations	2.6	0.0	0.0	0.0	2.6	0.0
SR 520 Bridge						
Toll Revenues and Fees	129.9	0.0	153.3	0.0	1,220.4	0.0
Transponder Sales/ Shield Sales	1.1	0.0	1.0	0.0	5.7	0.0
Civil Penalties	9.4	0.0	10.5	0.0	77.3	0.0
Misc. Revenues	0.4	0.0	0.0	0.0	0.4	0.0
Subtotal SR 520 Bridge	140.4	0.0	164.8	0.0	1,303.5	0.0
Total Tolling Revenues	279.4	0.0	315.4	0.0	2,412.6	0.0

Currently there are three tolled corridors in Washington, The Tacoma Narrows Bridge, SR 520 Bridge and State Route 167 HOT Lanes which has variable tolling rates. Toll collections, transponder sales, violations, and fines and fees are deposited into the Tacoma Narrows Bridge, 520 Bridge or the HOT Lanes Operations Account. The SR-167 HOT Lanes is a pilot project, currently set to end in June 30, 2015.

Figure 61 Washington State Patrol, Highway Safety & Motorcycle Safety Education Accounts Revenue Forecast

Highway Safety/Motorcycle Safety/WSP <i>dollars in millions</i>	Current Biennium 2013-15		2015-17		10-Year Period (2013-2023)	
	Forecast Mar 15	Chg from Nov 14	Forecast Mar 15	Chg from Nov 14	Forecast Mar 15	Chg from Nov 14
Revenue						
Highway Safety						
Driver License Fees	202.8	2.0	205.2	(0.0)	993.7	8.3
Copies of Records	35.5	(0.5)	35.7	(1.0)	182.0	(5.0)
Other and Miscellaneous	6.0	(0.0)	6.0	0.1	30.6	0.3
Subtotal	244.3	1.6	247.0	(1.0)	1,206.2	3.5
Motorcycle Safety Permits/Endorsements	4.1	(0.2)	4.7	(0.0)	22.1	(0.2)
State Patrol Copies of Records / LPF/Business Related	350.4	2.4	367.5	7.9	1,881.3	38.0
Subtotal	354.5	2.2	372.2	7.9	1,903.4	37.8
Total	598.8	3.7	619.1	6.9	3,109.6	41.3

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

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

Figure 62 School Zone Safety Account Revenue Forecast

School Zone Safety Account <i>dollars in millions</i>	2013-15		2015-17		10-Year Period (2013-2023)	
	Forecast Mar 15	Chg from Nov 14	Forecast Mar 15	Chg from Nov 14	Forecast Mar 15	Chg from Nov 14
Revenue						
School Zone Fines	1.1	(0.2)	0.9	(0.3)	4.6	(1.4)
Total	1.1	(0.2)	0.9	(0.3)	4.6	(1.4)

Revenues for this account come from fines for speeding violations in school zones. This account serves as a repository for fines assessed against persons speeding in school/playground speed zones. Funds in this account are available for use by community organizations to improve safety near school zones.

Figure 63 Multiuse Road Safety Account Revenue Forecast

Multiuse Roadway Safety Account Collections <i>dollars in millions</i>	2013-15		2015-17		10-Year Period (2013-2023)	
	Forecast	Chg from	Forecast	Chg from	Forecast	Chg from
	Mar 15	Nov 14	Mar 15	Nov 14	Mar 15	Nov 14
Revenue						
License Permit and Fees	0.0	0.00	0.1	0.00	0.4	0.01
Total	0.0	0.00	0.1	0.00	0.4	0.01

The Multiuse Roadway Safety Account was established through 2013 legislation (ESHB 1632). Revenues for this account come from vehicle license fees. The law established a new on-road declaration for wheeled all-terrain vehicles to be used on-road with a new \$12 fee going to the Multiuse Roadway Safety Account. Expenditures may be used only for grants administered by DOT to: counties to perform safety engineering analysis of mixed vehicle use on any road within a county, local governments to provide funding for signs, the state patrol or local law enforcement for purposes of defraying the costs of enforcement of this act, and law enforcement to investigate accidents involving wheeled all-terrain vehicles.