Transportation Revenue Forecast Council

November 2010 Transportation Economic and Revenue Forecasts

Adopted on 11-18-10

Volume I: Summary Document

Washington Transportation
Economic and Revenue Forecast
November 2010 Forecast

Summary Report (Volume I)

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Preface

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

Transportation Forecast Summary

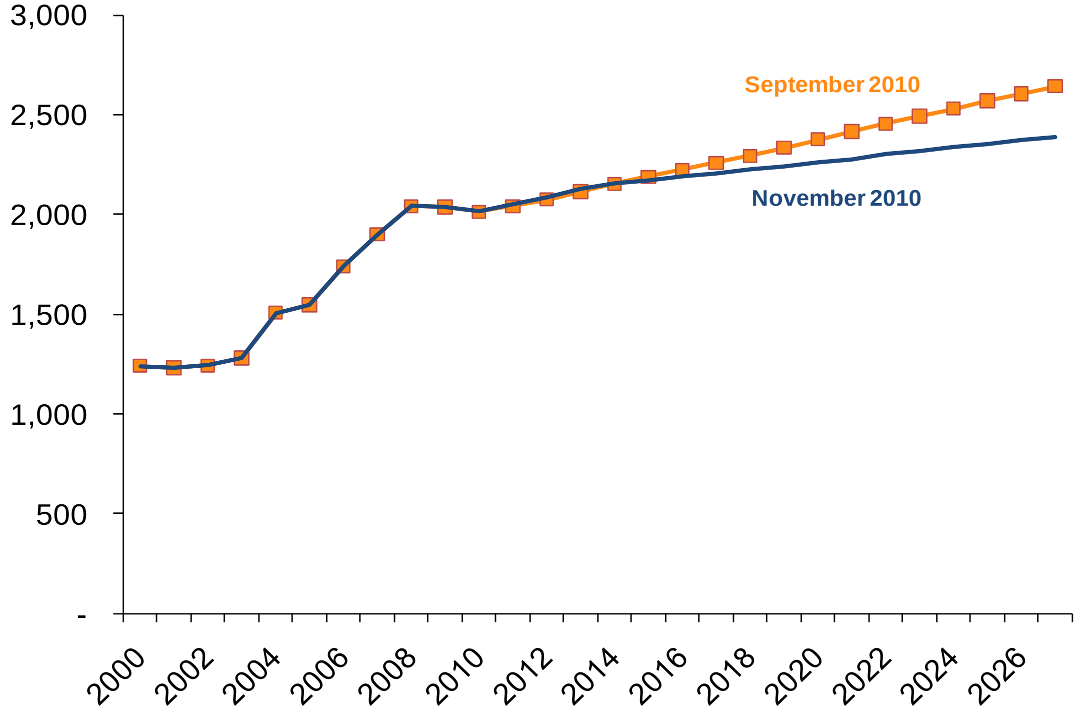
Forecast Overview

Here are key conclusions from the November 2010 transportation revenue forecast.

- November 2010 transportation revenue forecast: $4.06 billion for the current biennium which represents a decrease of 0.4% over the prior 2007-09 biennium. This decrease in transportation revenue represents a weak recovery from the recent recession as revenues are recovering slowly.
- Overall transportation revenue is up 0.2% in the current biennium ($8.3 million) with the largest share of the increase being LPF tax collections higher than anticipated which increased LPF revenues by $2.9 million. All other transportation revenues except for toll and aviation have revenues up from the last forecast in the current biennium. In the upcoming 2011-13 biennium, total transportation revenues are up $22.5 million. In the next biennium, all revenue sources are up except for vehicle sales taxes and business related revenues over the last forecast.
- For the entire 16-year forecast horizon, total revenues are down 4.6% or $1.7 billion from the September forecast. This reduction is primarily due to implementation of new fuel consumption models which lowered the gas tax revenue significantly in the long-term. With the exception of fuel tax revenues, rental car taxes and aviation revenues, all other transportation revenues grew over the 16-year forecast time horizon as compared to the last forecast.
- New projections of near-term real personal income, population and employment growth rates are slightly lower in September than the prior forecast. This change caused some transportation revenues to be lower in the near-term and throughout the forecast horizon. Gas price forecasts are up minimally from the prior forecast in the long-term and diesel prices are up slightly throughout the forecast than prior projections.
- The primary reason for the change in fuel taxes in the current year has been the change in tax collections since the last forecast. Diesel tax collections are up more than $2 million in the past two months since the last forecast. For FY 2011, gasoline consumption is not changed from September forecast but diesel consumption is anticipated to up $2.6 million or 0.6% from the prior forecast.
- In the 2009-11 biennium, the vehicle licenses, permits and fee forecast is up by 0.3% from the last forecast due to higher collections than anticipated. In subsequent biennia, the vehicle licenses, permits and fees revenue forecast is also up due to having a higher starting point for the forecast and only slightly lower population growth rates from 2010 OFM preliminary population forecasts.
- Total ferry revenue is up by $1.7 million (0.6%) in the current biennium from the prior forecast and 2.1% or $6.5 million in the 2011-13 biennium. Over the entire 16-year forecast horizon, ferry revenue is up $74.7 million (2.6%) over the September 2010 forecast. The ferry revenue increase from the last forecast is due primarily to the new 2.5% ferry fare increase enacted in November 2010.
- Toll revenue is down 0.2% or $0.2 million in the current biennium over the prior forecast. Over the entire 16 year forecast horizon, toll revenue is unchanged from the last forecast.

In FY 2010, transportation revenues were $2.014 billion which was a decline of 1% over the prior fiscal year as the economy struggles from the recession. In FY 2011, transportation revenues are projected to be $2.05 billion or 1.8% over FY 2010. This is a slight increase in total transportation revenue of 0.4% from the September forecast. Until FY 2015, the current transportation revenues are above the prior forecast. Modifications to fuel consumption forecast models as well as slightly weaker personal income, employment and population projections have reduced future biennia tax projections beginning FY 2015 thru the remainder of the forecast horizon. The revenue impact from the modifications to the fuel models grows over the forecast horizon. Overall during the 16-year forecast horizon (2012-27), transportation revenues are projected to grow from $2.09 billion to $2.39 billion, on average 0.9% each year.

Figure 1 Total Transportation Revenues Comparison
November vs. September 2010 forecast
millions of dollars



Washington's state transportation revenues come from numerous taxes, fees, permits, tolls, and other revenues. Washington's transportation revenues forecasted each quarter include the revenue sources contained in Figure 2. This pie graph reveals the share of each state revenue source to the total transportation revenues forecasted ($4.06 billion) in November 2010 for the 2009-11 biennium. Gasoline fuel taxes comprise the share of all transportation revenue at 49.6% of all transportation revenue in the 2009-11 biennium. With the addition of diesel fuel taxes, all motor vehicle fuel taxes comprise 61.2% of all transportation revenues. Licenses, permits and fee revenues comprise the second largest share at 21.5% of all transportation revenues in the 2009-11 biennium. The largest three revenue sources (gasoline and diesel fuel taxes and licenses, permits and fees) are projected to make up 82.7% of state transportation revenues in the 2009-11 biennium. The remaining 17.3% consists of ferry fares, toll revenue, driver related revenue and other transportation related revenue.

As Figure 3 indicates, in the current biennium, transportation revenues are up $8.3 million or 0.2% of $4.065 billion projected of total transportation revenues in November since the last forecast. The largest increase in revenues has been due to higher collections in LPF at $2.9 million or 35% of the increase. Over the entire 16-year forecast horizon (2011-2027), the transportation revenue forecast for November 2010 is down $1.72 billion or 4.6% from the September 2010 forecast due to motor fuel consumption forecast model changes which resulted in a reduction of $1.81 billion over the 16-year forecast horizon.

Figure 2 Revenue by Source
November 2010 forecast for 2009-11 biennium ($4.06 billion)

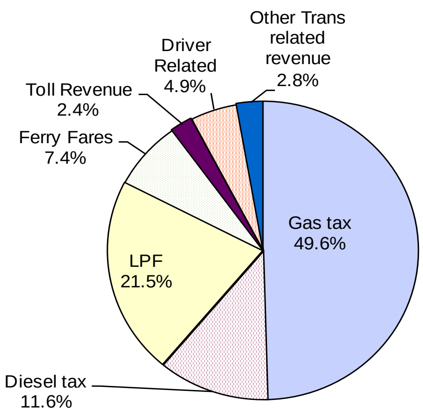


Figure 3 Forecast to Forecast Biennium Comparison of All Transportation Revenues
November 2010 forecast - *millions of dollars*

Forecast to Forecast Comparison for Transportation Revenues and Distributions
November 2010 • Millions of Dollars

	Current Biennium 2009-2011			2011-2013			16-Year Period (2011-2027)		
	Forecast Nov-10	Chg from Sep-10	Percent Change	Forecast Nov-10	Chg from Sep-10	Percent Change	Forecast Nov-10	Chg from Sep-10	Percent Change
Sources of Transportation Revenue									
Motor Vehicle Fuel Tax Collections	2,484.5	1.9	0.1%	2,549.6	11.9	0.5%	21,048.0	(1,809.7)	-7.9%
Licenses, Permits and Fees	873.0	2.9	0.3%	912.7	3.0	0.3%	8,072.5	8.6	0.1%
Ferry Revenue†	301.3	1.7	0.6%	317.9	6.5	2.1%	2,923.8	74.7	2.6%
Toll Revenue	95.8	(0.2)	-0.2%	104.3	0.0	0.0%	947.7	0.0	0.0%
Aviation Revenues ±	5.7	(0.0)	-0.1%	6.0	0.0	0.3%	49.8	(0.4)	-0.8%
Rental Car Tax	43.7	0.5	1.1%	47.4	0.0	0.0%	496.0	(5.2)	-1.0%
Vehicle Sales Tax	54.0	0.2	0.4%	60.6	(0.4)	-0.7%	666.4	0.4	0.1%
Driver-Related Fees	198.0	1.4	0.7%	201.9	1.5	0.8%	1,723.8	8.6	0.5%
Business/Other Revenues ±	7.4	0.0	0.0%	13.1	(0.0)	-0.1%	96.9	(0.2)	-0.2%
Total Revenues	**4,063.5**	**8.3**	**0.2%**	**4,213.5**	**22.5**	**0.5%**	**36,024.8**	**(1,723.3)**	**-4.6%**
Distribution of Revenue									
Motor Fuel Tax Refunds and Transfers	116.7	(1.5)	-1.3%	123.9	(2.4)	-1.9%	1,066.2	(111.1)	-9.4%
State Uses									
Motor Vehicle Account (108)	1,033.1	2.9	0.3%	1,073.9	3.9	0.4%	9,041.5	(491.7)	-5.2%
Transportation 2003 (Nickel) Account (550)	346.1	0.5	0.2%	354.9	2.0	0.6%	2,938.0	(222.0)	-7.0%
Transportation 2005 Partnership Account (09H)	573.3	1.5	0.3%	586.5	3.6	0.6%	4,857.9	(378.6)	-7.2%
Multimodal Account (218)	221.8	0.9	0.4%	238.0	0.4	0.2%	2,314.4	(0.1)	0.0%
Special Category C Account (215)	47.0	0.1	0.1%	48.1	0.3	0.6%	396.2	(33.5)	-7.8%
Puget Sound Capital Construction Account (099)	34.2	0.0	0.1%	35.0	0.2	0.6%	288.3	(24.4)	-7.8%
Puget Sound Ferry Operations Account (109)	359.2	1.7	0.5%	377.5	6.9	1.9%	3,426.9	43.7	1.3%
Tacoma Narrows Bridge Account (511)*	94.6	(0.2)	-0.2%	103.8	0.0	0.0%	947.2	0.0	0.0%
High Occupancy Toll Lanes Account (09F)*	1.2	0.1	4.5%	0.5	0.0	9.7%	0.5	0.0	9.7%
Aeronautics Account (039)	5.7	(0.0)	-0.1%	6.0	0.0	0.3%	49.8	(0.4)	-0.8%
State Patrol Highway Account (081)	314.3	(0.0)	0.0%	328.6	1.3	0.4%	2,926.8	4.5	0.2%
Highway/Motorcycle Safety Accts. (106 & 082)	165.5	1.3	0.8%	169.2	1.5	0.9%	1,442.5	8.4	0.6%
Other accounts (201, 06T, 097, 09E, 216, 07C)	15.9	0.0	0.3%	16.3	0.1	0.6%	138.7	0.6	0.4%
Ignition Interlock Deviuces Revolving Acct 14V	2.3	0.1	5.5%	1.6	0.1	7.3%	12.4	0.8	7.3%
Total for State Use	**3,214.0**	**8.9**	**0.3%**	**3,339.8**	**20.2**	**0.6%**	**28,781.0**	**(1,093.3)**	**-3.7%**
Local Uses									
Cities	180.3	0.2	0.1%	184.5	1.1	0.6%	1,519.4	(128.4)	-7.8%
Counties	295.1	0.4	0.1%	302.0	1.9	0.6%	2,488.9	(208.1)	-7.7%
Transportation Improvement Board (112 & 144)	192.6	0.2	0.1%	197.1	1.2	0.6%	1,623.5	(137.2)	-7.8%
County Road Administration Board (102 & 186)	64.8	0.1	0.1%	66.3	0.4	0.6%	545.9	(46.1)	-7.8%
Total for Local Use	**732.8**	**0.9**	**0.1%**	**749.8**	**4.6**	**0.6%**	**6,177.6**	**(519.8)**	**-7.8%**
Total Distribution of Revenue	**4,063.5**	**8.3**	**0.2%**	**4,213.5**	**22.5**	**0.5%**	**36,024.8**	**(1,723.3)**	**-4.6%**

+ Fares plus non-farebox revenue ; ^ 2007–09 is the first biennium to include Tacoma Narrows Bridge toll revenue; November 2008 was the first forecast to include HOT Lanes toll revenue; March 2009 was the first forecast to include revenue from transponder sales, violation fines and fees; ± Aviation Revenues and Business / Other Revenues net of amount transferred to General Fund

Figure 4 reveals the change in forecasts since the baseline supplement 2010 budget forecast in February 2010. In the current biennium, transportation revenues are down $65.2 million or 1.6% from the February baseline forecast. The November forecast is down $2.7 billion or 7.0% from the February 2010 forecast over the entire 16 year forecast horizon. Motor fuel tax collections are down the most over the 16 year horizon at $2.4 billion. Some revenues, toll and aviation revenues, are up over the forecast horizon from the February forecast.

Figure 4 Forecast to Baseline (February 2010) Biennium Comparison of All Transportation Revenues - November 2010 forecast - *millions of dollars*

Forecast to Baseline Comparison for Transportation Revenues and Distributions

November 2010 • *millions of dollars*

	Current Biennium 2009-2011			2011-2013			16-Year Period (2011-2027)		
	Forecast Nov-10	Chg from Baseline *	Percent Change	Forecast Nov-10	Chg from Baseline *	Percent Change	Forecast Nov-10	Chg from Baseline *	Percent Change
Sources of Transportation Revenue									
Motor Vehicle Fuel Tax Collections	2,484.5	(42.9)	-1.7%	2,549.6	(48.3)	-1.9%	21,048.0	(2,401.2)	-10.2%
Licenses, Permits and Fees	873.0	(9.9)	-1.1%	912.7	(12.1)	-1.3%	8,072.5	(126.2)	-1.5%
Ferry Revenue†	301.3	0.5	0.2%	317.9	(4.8)	-1.5%	2,923.8	(19.8)	-0.7%
Toll Revenue	95.8	(3.0)	-3.0%	104.3	(1.0)	-0.9%	947.7	6.7	0.7%
Aviation Revenues ±	5.7	0.7	15.0%	6.0	1.0	20.0%	49.8	6.5	15.1%
Rental Car Tax	43.7	(0.1)	-0.2%	47.4	(1.2)	-2.5%	496.0	(57.0)	-10.3%
Vehicle Sales Tax	54.0	(4.3)	-7.4%	60.6	(8.9)	-12.8%	666.4	(67.9)	-9.2%
Driver-Related Fees	198.0	2.2	1.1%	201.9	1.5	0.8%	1,723.8	(24.3)	-1.4%
Business/Other Revenues ±	7.4	(9.1)	-55.3%	13.1	(1.6)	-11.0%	96.9	(18.7)	-16.2%
Total Revenues	**4,063.5**	**(65.9)**	**-1.6%**	**4,213.5**	**(75.3)**	**-1.8%**	**36,024.8**	**(2,701.8)**	**-7.0%**
Distribution of Revenue									
Motor Fuel Tax Refunds and Transfers	116.7	(4.0)	-3.3%	123.9	(5.8)	-4.4%	1,066.2	(161.9)	-13.2%
State Uses									
Motor Vehicle Account (108)	1,033.1	(28.7)	-2.7%	1,073.9	(20.9)	-1.9%	9,041.5	(721.8)	-7.4%
Transportation 2003 (Nickel) Account (550)	346.1	(4.0)	-1.1%	354.9	(5.5)	-1.5%	2,938.0	(296.1)	-9.2%
Transportation 2005 Partnership Account (09H)	573.3	(8.1)	-1.4%	586.5	(10.0)	-1.7%	4,857.9	(508.3)	-9.5%
Multimodal Account (218)	221.8	(4.2)	-1.9%	238.0	(10.3)	-4.1%	2,314.4	(129.8)	-5.3%
Special Category C Account (215)	47.0	(0.7)	-1.5%	48.1	(0.8)	-1.7%	396.2	(44.3)	-10.0%
Puget Sound Capital Construction Account (099)	34.2	(0.5)	-1.5%	35.0	(0.6)	-1.7%	288.3	(32.2)	-10.0%
Puget Sound Ferry Operations Account (109)	359.2	(0.4)	-0.1%	377.5	(5.7)	-1.5%	3,426.9	(62.6)	-1.8%
Tacoma Narrows Bridge Account (511)*	94.6	(2.7)	-2.8%	103.8	(0.5)	-0.5%	947.2	7.2	0.8%
High Occupancy Toll Lanes Account (09F)*	1.2	(0.3)	-19.0%	0.5	(0.5)	-47.2%	0.5	(0.5)	-47.2%
Aeronautics Account (039)	5.7	0.7	15.0%	6.0	1.0	20.0%	49.8	6.5	15.1%
State Patrol Highway Account (081)	314.3	(3.8)	-1.2%	328.6	(4.8)	-1.4%	2,926.8	(46.7)	-1.6%
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Other accounts (201, 06T, 097, 09E, 216, 07C)	15.9	(0.0)	-0.3%	16.3	(0.0)	-0.1%	138.7	(0.4)	-0.3%
Ignition Interlock Device Revolving Acct 14V	2.3	0.5	100.0%	1.6	(0.1)	100.0%	12.4	(1.1)	100.0%
Total for State Use	**3,214.0**	**(50.3)**	**-1.5%**	**3,339.8**	**(56.3)**	**-1.7%**	**28,781.0**	**(1,847.1)**	**-6.0%**
Local Uses									
Cities	180.3	(2.8)	-1.5%	184.5	(3.2)	-1.7%	1,519.4	(169.7)	-10.0%
Counties	295.1	(4.7)	-1.6%	302.0	(5.5)	-1.8%	2,488.9	(280.3)	-10.1%
Transportation Improvement Board (112 & 144)	192.6	(3.0)	-1.5%	197.1	(3.4)	-1.7%	1,623.5	(181.4)	-10.0%
County Road Administration Board (102 & 186)	64.8	(1.0)	-1.5%	66.3	(1.1)	-1.7%	545.9	(61.0)	-10.0%
Total for Local Use	**732.8**	**(11.5)**	**-1.5%**	**749.8**	**(13.3)**	**-1.7%**	**6,177.6**	**(692.4)**	**-10.1%**
Total Distribution of Revenue	**4,063.5**	**(65.9)**	**-1.6%**	**4,213.5**	**(75.3)**	**-1.8%**	**36,024.8**	**(2,701.4)**	**-7.0%**

+ Fares plus non-farebox revenue ; ^ 2007–09 is the first biennium to include Tacoma Narrows Bridge toll revenue; November 2008 was the first forecast to include HOT Lanes toll revenue; March 2009 is the first forecast to include revenue from transponder sales, violation fines and fees; ± Aviation Revenues and Business / Other Revenues net of amount transferred to General Fund

Economic Variables Forecast

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

WA Personal Income
The forecast of Washington personal income is projected by the Washington Economic and Revenue Forecast Council (ERFC), based on the October Global Insight forecast, October Blue Chip average US GDP growth rates, NYMEX fuel prices and other forecasted economic variables in the near term. The November forecast of Washington personal income had revisions to history as well as new projections. The November revisions to Washington personal income history is due to ERFC adding additional property income (dividends, interest and rent) to personal income which raised the 2009 and 2010 history. Figure 6 illustrates that the current quarterly projections of Washington real personal income being above the September forecast due to the recent revisions of the history of Washington real personal income.

In fiscal year 2010, Washington's real personal income came in at $261.4 billion which was lower than the prior year by 0.7%. This was slight modification upward from the September forecast which had a year over year change for FY 2010 of -1%. On a quarterly basis, the November 2010 Washington personal income forecast is $265 billion for the fourth quarter of 2010 which is 1% higher than the previous forecast of $262 billion. In FY 2011, the annual growth rate in real personal income is projected to be 1.8% annual growth as compared to 2.4% projected in September. This current forecast is a minor revision downward in the growth rates of Washington real personal income. This revision reflects a slightly less optimistic view of the economic recovery for Washington State in 2011. For FY 2012, the current forecast increases from FY 2011 by 2.8% versus the September 2010 forecast which projected a 3.2% growth. In FY 2013, the current forecast of Washington real personal income is 3.8% from the September forecast of 4.1%. The November 2010 forecast uses OFM's 2010 long-term personal income projections which did not change from the September forecast. The 2010 OFM forecast of personal income growth for fiscal years 2015 thru 2020 is 3.1% and for the remaining years beyond FY 2020 the personal income growth rate is 2.9%. Figure 7 reveals the change in the annual growth rates for Washington personal income. For fiscal years FY 2011-13 the current annual growth rates are lower than past forecast. For the remaining fiscal years of the forecast horizon, the current growth rates of Washington personal income are the same as prior forecasts due to OFM's long-term income growth remaining unchanged.

WA Population
In November 2010, OFM released the preliminary 2010 long-term statewide population forecast. These population estimates are new in this recent forecast but only reflect a minor downward revision to the 2009 population estimates, Figure 8. For FY 2011, the 2009 and 2010 statewide population forecast are nearly the same at 1.3% annual growth. The 2010 population growth rate in FY 2012 has been revised downward from 1.45% to 1.27% annually. Yet, the 2010 population growth rate for FY 2013 has been pushed up slightly to 1.4% from 1.36%. In fiscal years 2014 - 2016, the 2009 and 2010 population forecast growth rates are the same. From fiscal years 2017 and beyond, the 2010 population growth rates declined slightly each year compared to the 2009 population growth rates.

WA Driver In-Migration
In 2010, Washington's new drivers in the state declined year over year by 1%, Figure 9. In FY 2011, the in-migration of drivers is projected to increase to 16.2% as opposed to 12.2% in the September forecast due to stronger actual in driver counts than anticipated in the past forecast. By FY 2012, the November 2010 forecast of Washington driver in-migration is projected to be slightly lower at -2.1% as opposed to -1.4% in the September forecast due to slightly higher projections in the current fiscal year projections.

U.S. Inflation
The U.S. inflation rate forecast is from Global Insight's October 2010 projection of the implicit price deflator (IPDC), (Figure 10). The current forecast of the U.S. inflation rate as measured by the change in the IPDC is 1.5% slightly higher the September forecast of 1.3% for the current fiscal year. In FY 2012, the inflation rate is the same at 1.5% which is above the last forecast at 1.4%. In FY 2013, the inflation forecast is projected to grow to 1.6% as opposed to the previously forecast of 1.7%. Then beginning in FY 2014, the current forecast for inflation grows to 1.8%; in the last forecast the inflation was projected at 1.9%. For the remainder of the forecast horizon, the inflation rates, projected in the current forecast, remain at slightly below or the same as the prior forecast.

U.S. Oil and Gas Price Index
The October 2010 Global Insight forecast for U.S. petroleum products price index has only minor adjustments since the last forecast, see Figure 11. The annual year over year change in this fuel price index was 3.3% for FY 2010. In FY 2011, the growth in the US fuel price index is projected at 4.7% which is nearly the same as the September forecast, only minimally higher. In FY 2012, the growth rate in the US fuel price index is 8.3% which is just a minor adjustment downward from the September forecast of the change in the petroleum products index. In the long-term, the current forecast of the oil price index growth rates is the same as the last forecast. The change in the oil price index begins to fall starting in FY 2020 and continues until FY 2024 when it starts to grow again at 1.9% annually for fiscal years 2025-2027.

Figure 5 Annual Percentage Change (%) in Select Economic Variables November 2010 forecast

Fiscal Year	WA Personal Income	Annual Population	US General Prices (IPDC)	US Oil & Gas Price Index	US Fuel Efficiency (MPG)	WA Employ -ment	Nominal Consumer Sales on New Vehicles	WA Driver In-Migration
2008	4.3	1.2	3.3	19.3	20.0	2.2	-20.7	-13.8
2009	0.4	1.0	1.5	-16.9	20.1	-2.0	-10.6	-0.7
2010	-0.7	1.1	1.3	3.3	20.4	-3.9	8.3	-1.0
2011	1.8	1.4	1.5	4.7	20.7	0.3	18.8	16.2
2012	2.8	1.3	1.5	8.3	21.1	2.3	16.5	-2.1
2013	3.8	1.3	1.6	3.8	21.5	3.2	1.2	-2.9
2014	3.6	1.3	1.8	2.6	22.1	2.5	2.0	-2.2
2015	3.1	1.2	2.0	2.6	22.6	1.7	14.8	-1.6
2016	3.1	1.2	2.0	2.9	23.2	1.4	6.5	-0.9
2017	3.1	1.2	2.0	2.0	23.8	1.2	-2.2	-1.0
2018	3.1	1.2	2.0	1.4	24.4	1.0	-1.2	-1.0
2019	3.1	1.2	2.0	0.4	25.0	0.9	1.7	-0.7
2020	3.1	1.1	1.9	-0.8	25.6	0.9	3.3	-0.5
2021	2.9	1.1	1.8	-0.6	26.2	0.8	3.9	-0.4
2022	2.9	1.1	1.8	-0.1	26.8	0.9	2.6	-0.3
2023	2.9	1.1	1.8	-0.4	27.3	0.9	1.9	-0.2
2024	2.9	1.0	1.9	0.7	27.9	0.9	1.9	-0.1
2025	2.9	1.0	1.9	1.9	28.3	0.9	1.8	-0.1
2026	2.9	1.0	1.3	1.9	28.8	0.9	1.3	-0.1
2027	2.9	1.0	1.5	1.9	29.2	0.9	1.8	0.0

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

U.S. Fuel Efficiency (MPG)

U.S. Fuel Efficiency variable for the November forecast has not changed from the September 2010 forecast. The fuel efficiency variable estimate in 2011 is assumed to be 21 miles per gallon for the entire US fleet of light vehicles. The vehicle fuel efficiency will grow to 29 miles per gallon by 2027, representing 38% growth over that time period.

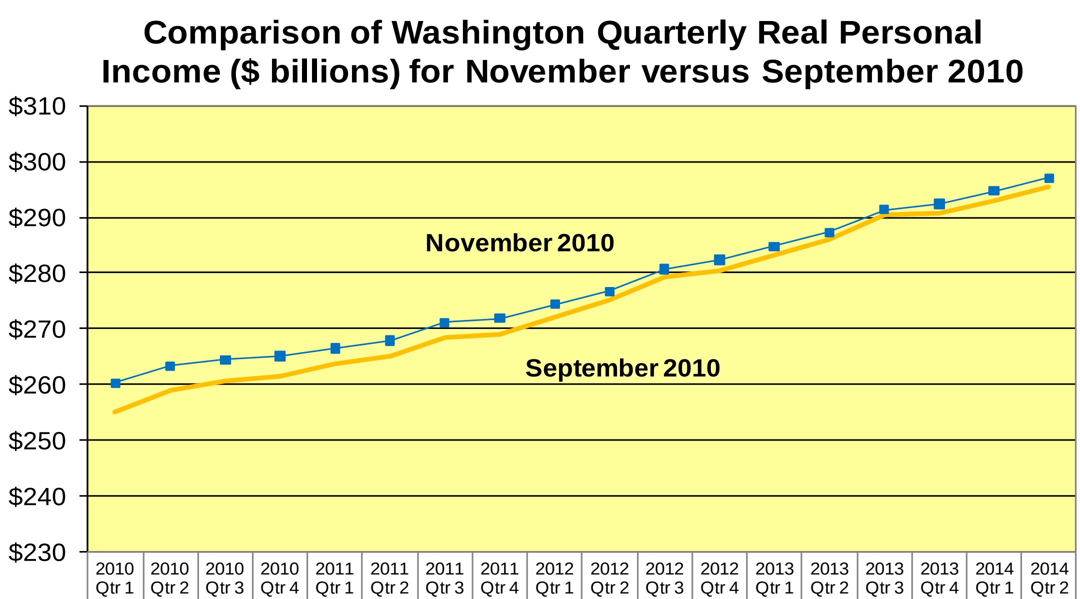
WA Total Non-Farm Employment

Washington total non-farm employment declined 3.9% year over year in FY 2010. In this November forecast, Washington employment is projected to increase year over year by 0.2% in FY 2011. This is a slight revision downward from the September forecast of 0.3%. The recovery in the economy is expected to pick up in FY 2012 and FY 2013 with year over year growth rates in employment of 2.2% and 3.0% respectively instead of 2.3% and 3.2% from the September forecast. This is a minor revision downward from the last forecast reflecting the slow recovery from the recession. The economic growth in Washington employment slows in subsequent years. In FY 2014, Washington employment is forecasted to grow at 2.3%; in FY 2015, employment is expected to grow at 1.6%; in FY 2016, employment is projected to grow at 1.3%. Beginning in FY 2017, employment is projected to grow by1.2% which is the same grow rate as projected in the last forecast. This current employment forecast is less optimistic than the last forecast until FY 2017 when the current forecast matches the last forecast. In all subsequent years, Washington employment is projected to be between 0.8% and 1%.

U.S. Consumer Spending on New Motor Vehicles

Consumer spending on new motor vehicles throughout the U.S. has declined significantly in recent years, -11% in FY 2009 and increased 8% in FY 2010. The big recovery in auto sales is projected to occur in FY 2011. Current projections are for consumer spending on new motor vehicles to increase by 19% which is nearly the same as the last forecasted growth rate of 20%. In FY 2012, the recovery for light vehicle sales continues with a 16.5% growth rate, which is a higher growth rate than projected last forecast at 13.8%. In fiscal years 2013 and 2014, the consumer spending on new vehicles is anticipated to be moderate at 1-2% but by FY 2015, consumer spending is projected to spike year or year to 14.8%.

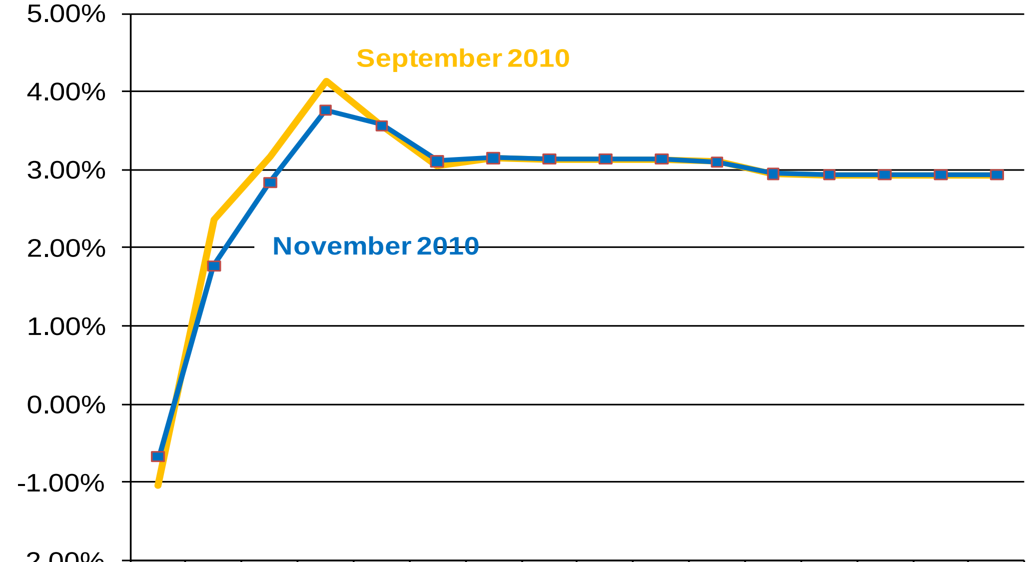
Figure 6 Comparison of Quarterly Washington Real Personal Income
November vs. September 2010 forecast
billions of dollars



	2010 Qtr 1	2010 Qtr 2	2010 Qtr 3	2010 Qtr 4	2011 Qtr 1	2011 Qtr 2	2011 Qtr 3	2011 Qtr 4	2012 Qtr 1	2012 Qtr 2	2012 Qtr 3	2012 Qtr 4	2013 Qtr 1	2013 Qtr 2	2013 Qtr 3	2013 Qtr 4	2014 Qtr 1	2014 Qtr 2
Sep-10	255	259	261	262	264	265	268	269	272	275	279	281	283	286	290	291	293	295
Nov-10	260	263	264	265	266	268	271	272	274	277	281	282	285	287	291	292	295	297

Source: Washington Economic and Revenue Forecast Council and OFM

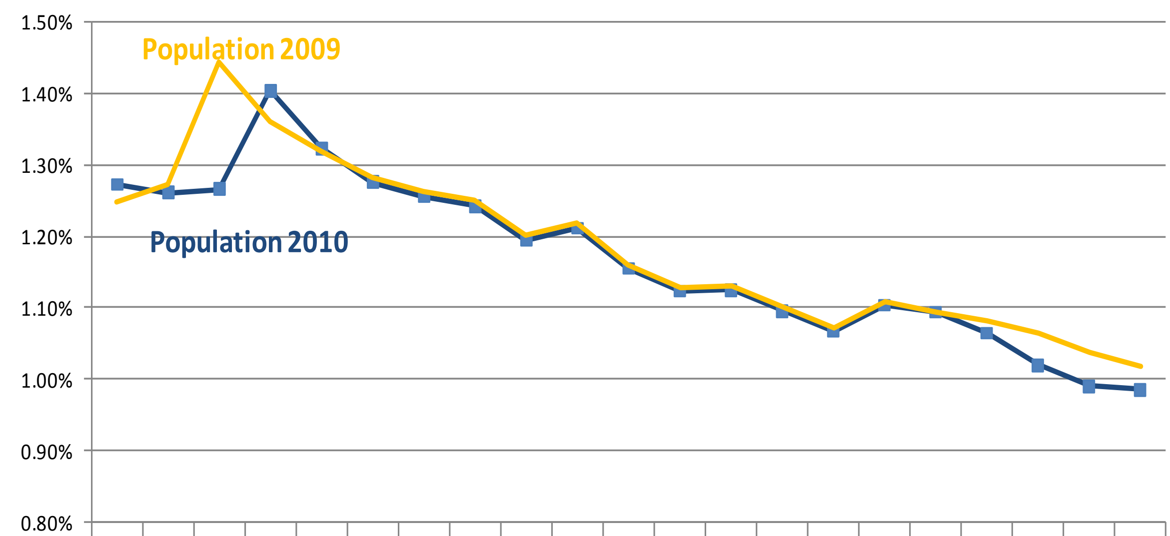
Figure 7 Forecast Comparison of Annual Growth Rates for Washington Real Personal Income November vs. September 2010



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Sep-10	-1.0%	2.4%	3.2%	4.1%	3.6%	3.0%	3.1%	3.1%	3.1%	3.1%	3.1%	2.9%	2.9%	2.9%	2.9%	2.9%
1-Nov	-0.7%	1.8%	2.8%	3.8%	3.6%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	2.9%	2.9%	2.9%	2.9%	2.9%

Source: Washington Economic and Revenue Forecast Council and OFM

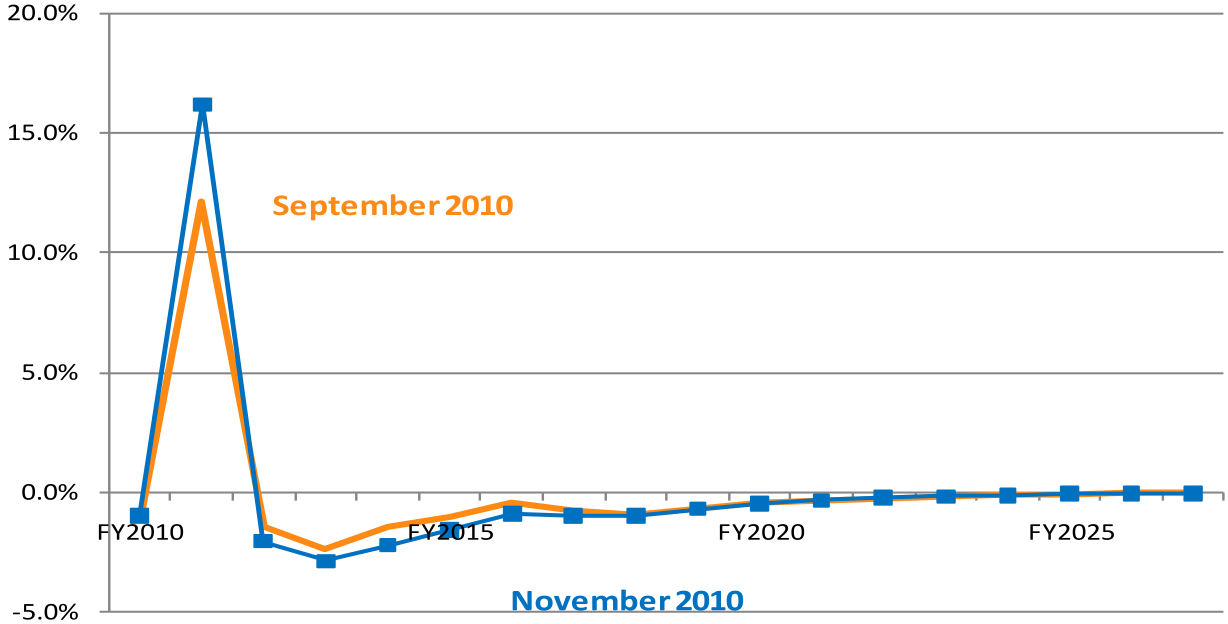
Figure 8 Forecast Comparison of 2009 and 2010 Annual Growth Rates(%) for Driver Age Population– Age 18 and Over



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
pop2010	1.27	1.26	1.27	1.40	1.32	1.28	1.26	1.24	1.19	1.21	1.15	1.12	1.13	1.10	1.07	1.10	1.09	1.06	1.02	0.99	0.99
pop2009	1.25	1.27	1.45	1.36	1.32	1.28	1.26	1.25	1.20	1.22	1.16	1.13	1.13	1.10	1.07	1.11	1.09	1.08	1.06	1.04	1.02

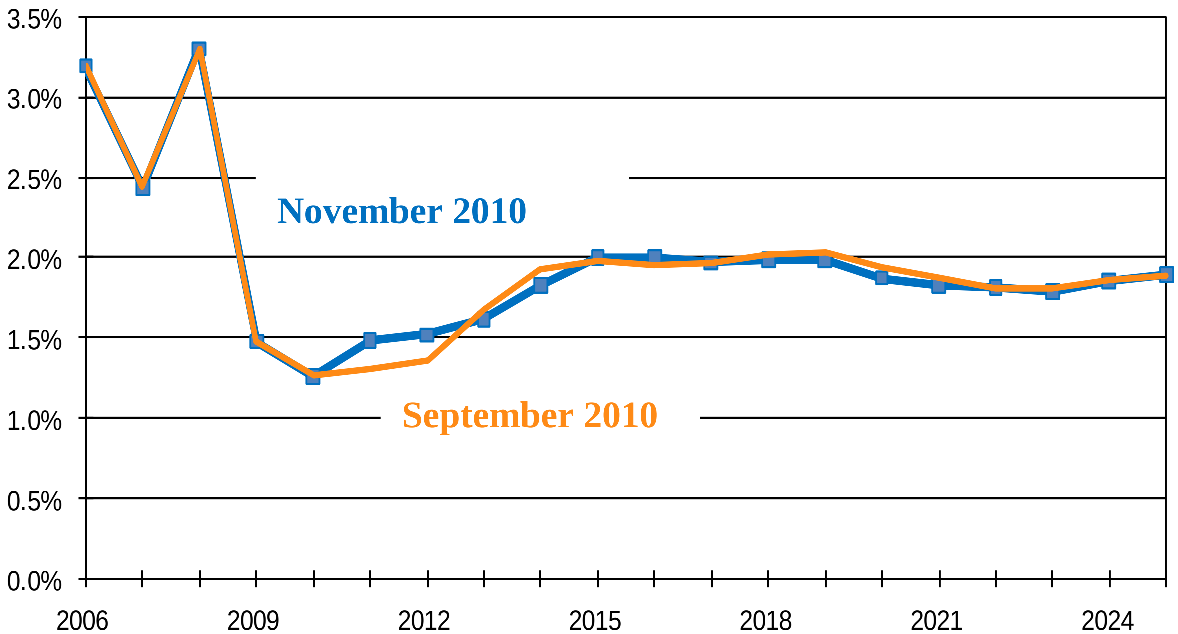
Source: OFM 2009 and 2010 Long-term Population Forecasts

Figure 9 Forecast Comparison of 2009 and 2010 Annual Growth Rates for Driver In Population – November vs. September 2010



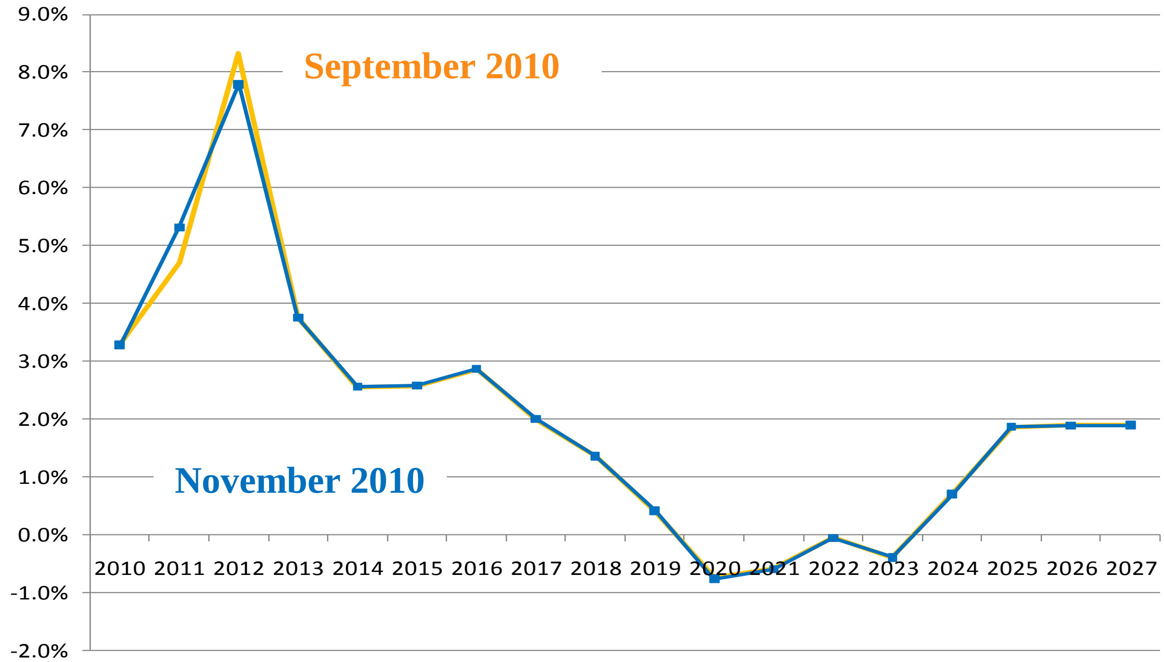
Source: Washington Office of Financial Management

Figure 10 Inflation Forecast Comparison – Annual Percent Change in U.S. Implicit Price Deflator for Personal Consumption November vs. September 2010



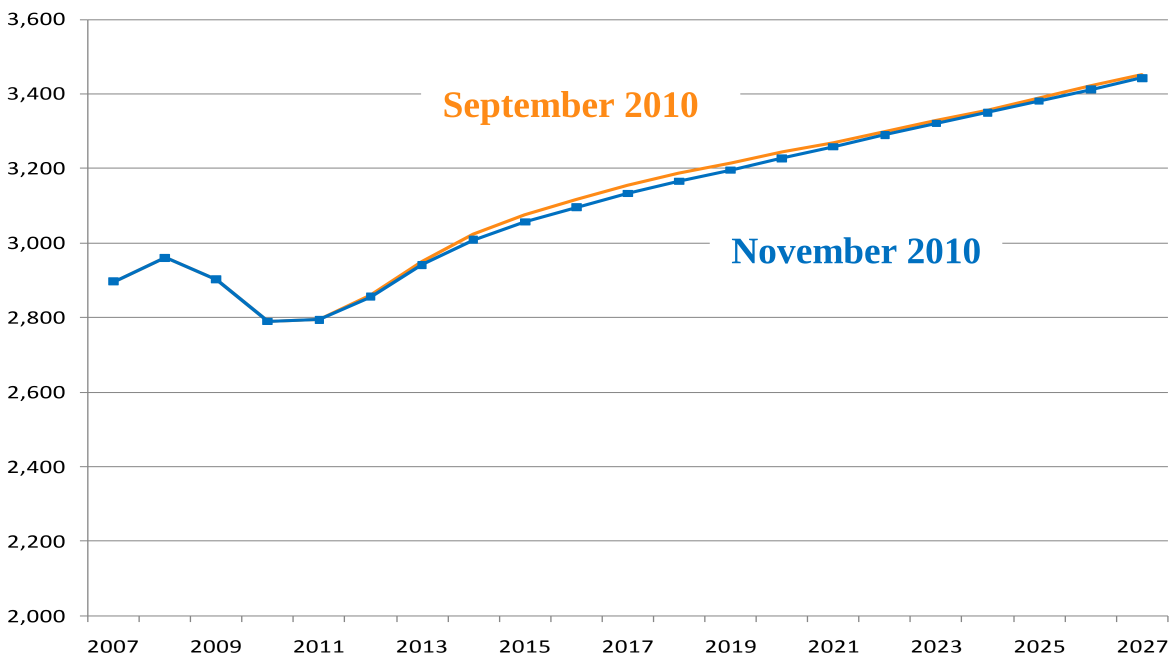
Source: Washington Economic and Revenue Forecast Council and October 2010 Global Insight forecast

Figure 11 Global Insight Oil/Gas Price Index Forecasts: Growth Rate Comparison November vs. September 2010



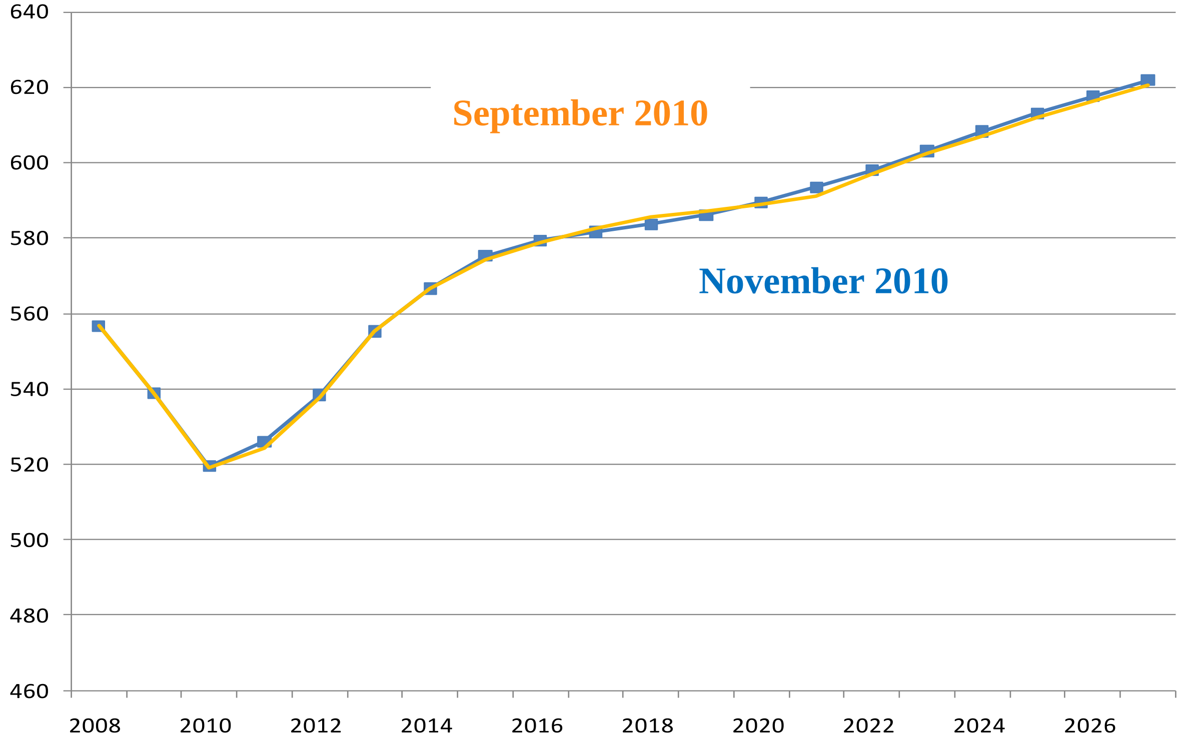
Source: October 2010 Global Insight forecast

Figure 12 Washington Nonfarm Payroll Employment Forecasts: November vs. September 2010



Source: October ERFC and Global Insight national employment forecast

Figure 13 Washington Nonfarm Payroll Employment – Trade, Transportation and Utilities Sectors (TTU) Forecasts: November vs. September 2010



Source: October ERFC and Global Insight national employment forecast

Motor Fuel Price Forecast

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

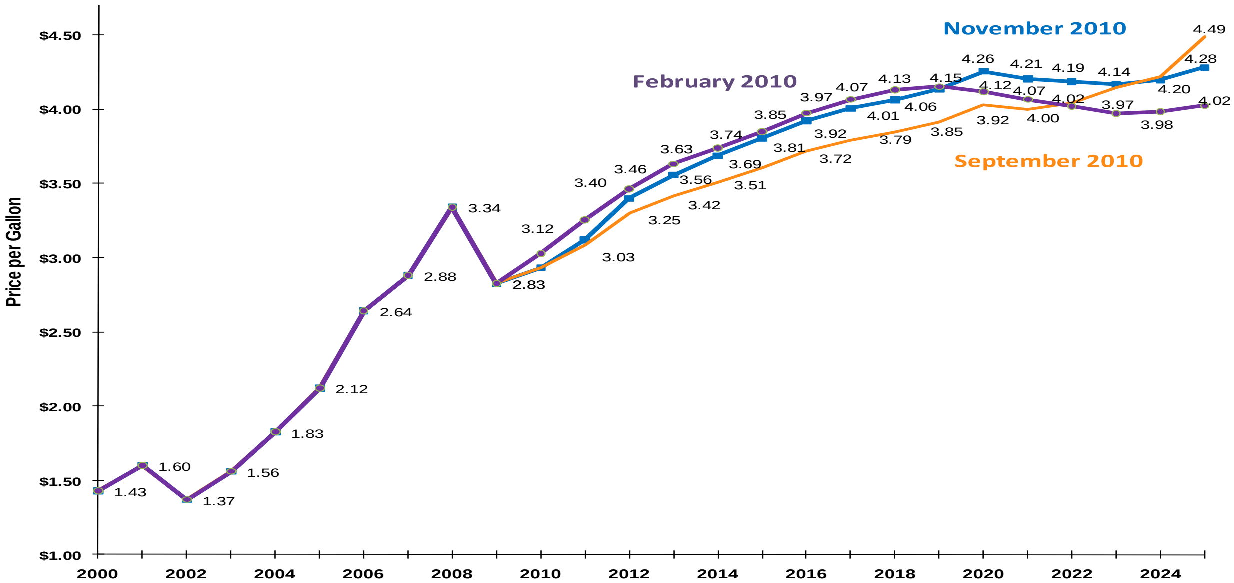
The November 2010 diesel price forecasts are nearly the same as the September 2010 forecast until FY 2012 when the November forecast is nearly the same as the February 2010 forecast of fuel prices. The February and November fuel price forecast are above the September forecast until FY 2024. Then the current gas price forecast is flatter than the last forecast and the maximum fuel price for gasoline is $4.28 versus the September projections which continue an upward trend in fuel prices and hits $4.49 per gallon.

Source of data for forecast

For the Washington retail price of gasoline, the actual fuel prices are collected from the Energy Information Administration (EIA) survey of retail prices for all grades of gasoline in the state. For the retail price of diesel, the actual prices are collected from AAA's weekly publication of retail prices for diesel in Washington. The actual wholesale diesel prices are reported by the Washington State Ferries. In the short term (thru calendar year 2011), the fuel price forecasts are based on the Energy Information Agency (EIA) projections. In the long-term beyond calendar year 2011, the fuel price projections are based on Global Insight's national gas price forecast for the gas price forecast and the producer price index (PPI) for petroleum products projections for the diesel price forecasts from November 2010 forecast.

U.S. crude oil price trend
U.S. crude oil prices of West Texas Intermediate Crude (WTI) were $75.2 per barrel on average in FY 2010. The projection for fiscal year 2011 is $81.6 per barrel which is slightly higher than the $78 per barrel projected in the last forecast. This represents a 6% increase in crude oil prices over fiscal year 2010. In the long-term, crude oil prices are expected to hit over $100 per barrel beginning in FY 2016, which is the same year as in the last forecast. Crude oil prices are not projected to drop below $100 per barrel throughout the forecast horizon. The long-term forecast for crude oil prices grows to a high point of $110 per barrel in FY 2027.

Figure 14 Forecast of Washington Retail Gasoline Prices, All Grades
November, September vs. February 2010 forecasts



Washington retail price of gasoline trend
Washington retail price of gasoline is projected to be nearly the same as the September forecast for the current and subsequent fiscal years until FY 2022. In recent months, projections of retail gas prices have been reasonably accurate. Retail gas price in Washington in FY 2010 was $2.93 per gallon on average. In FY 2011, Washington retail gas price is currently projected to be up minimally to $3.12 per gallon as opposed to $3.09 per gallon forecasted in September. In subsequent years, the November forecast is above the September but nearly identical to the February projected retail gasoline prices in Washington until FY 2019. The November retail gas price forecast reaches $4.00/gallon by FY 2017 which is sooner than the September forecast which hit $4.00 per gallon beginning FY 2021. In the long-term, the November gasoline prices are expected to be flatter and below the September projections in fiscal years 2024 and beyond. The November 2010 Washington retail gas price is not projected to hit as high a peak price of $4.49 in FY 2025 as September projections. The current gas price forecast for FY 2025 is $4.28 which is 21 cents lower than the highest price in the last forecast.

Washington retail price of diesel trend
Washington's retail price of diesel was on average $3.02 in FY 2010. The November forecast for all retail diesel prices is slightly lower than the September forecast in FY2011. In FY 2011, the retail price of diesel is estimated to be $3.36 per gallon as opposed to $3.38 per gallon in the last forecast. In FY 2012 and beyond, the November forecast for diesel prices is slightly higher throughout the rest of the forecast horizon. Higher retail diesel prices in the future are due to increased demand projections for diesel. The price differential between retail gas and diesel was just 9 cents on average in FY 2010. In FY 2011, the price differential between retail gas and diesel grows to 24 cents. Over time, the differential between retail gas and diesel is expected to continue to hover at around 24 cents by FY 2018. Then the price differential begins to slowly decline again.

Washington wholesale price of WSF diesel fuel trend

The trend in Washington's wholesale price of diesel is similar to the trend of the retail price of diesel as seen in the following Figure 15. Washington's wholesale price of diesel, excluding fuel taxes, which is the diesel cost to Washington State Ferries was on average $2.38 per gallon in FY 2010. In FY 2011, the wholesale price of diesel is expected to increase to $2.67 per gallon as opposed to $2.69 per gallon which was projected in September. Wholesale diesel prices are anticipated to grow some to $2.85 per gallon on average in FY 2012 as opposed to $2.83 per gallon forecasted in September. In the long-term, the November forecast of wholesale diesel prices is slightly higher than in September.

Figure 15 Forecast of Washington Wholesale Diesel Prices, November, September vs. February 2010 forecasts

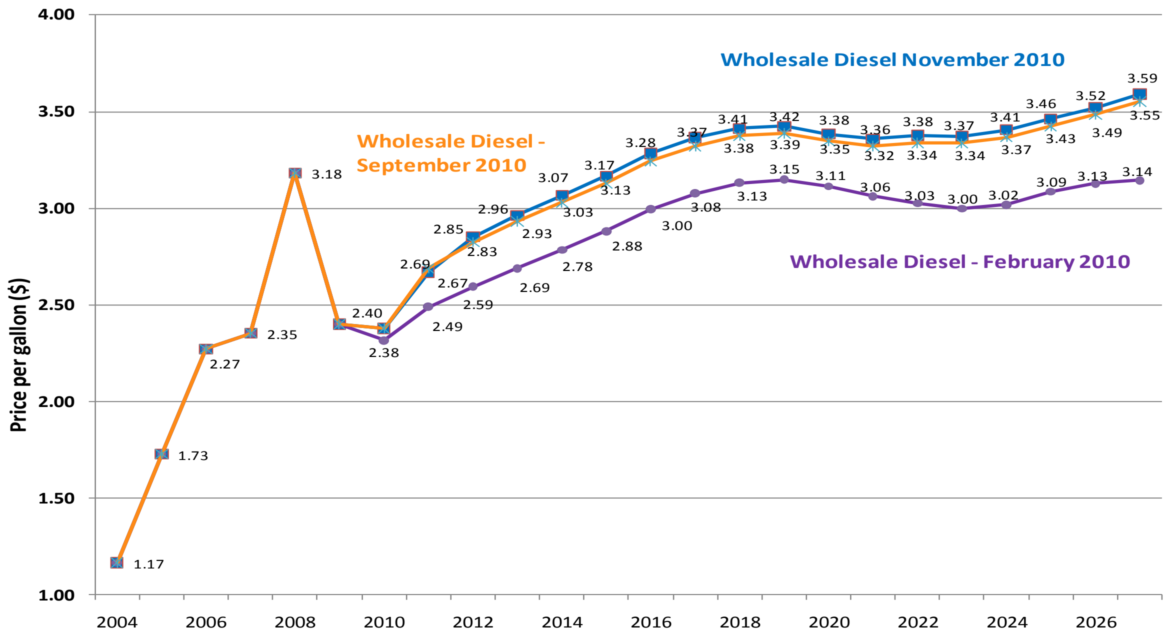


Figure 16 Near-term Quarterly Fuel Prices
November 2010 forecast

Fiscal Year Quarter	Crude Oil Price ($/barrel)	WA Retail Gasoline Price ($/gal)	WA Retail Diesel Price ($/gal)	Ex-tax Wholesale Diesel Price ($/gal)	Biodiesel Price with tax ($/gal)	Biodiesel Price Ex tax ($/gal)
2009: Q3	68.31	2.90	2.83	2.17	3.73	3.11
2009: Q4	76.06	2.86	2.92	2.30	3.92	3.30
2010: Q1	78.64	2.92	3.05	2.41	3.82	3.20
2010: Q2	77.79	3.05	3.30	2.63	4.10	3.48
FY 2010	75.20	2.93	3.02	2.38	3.89	3.27
2010: Q3	76.12	2.94	3.14	2.50	4.29	3.67
2010: Q4	82.63	3.07	3.35	2.66	4.83	4.21
2011: Q1	83.00	3.15	3.41	2.71	5.28	4.66
2011: Q2	84.67	3.32	3.54	2.81	5.30	4.68
FY 2011	81.61	3.12	3.36	2.67	4.92	4.30
2011: Q3	86.00	3.37	3.57	2.84	5.38	4.76
2011: Q4	87.00	3.22	3.54	2.81	5.28	4.66
2012: Q1	87.67	3.27	3.61	2.87	5.07	4.45
2012: Q2	88.66	3.74	3.64	2.89	5.02	4.40
FY 2012	87.33	3.40	3.59	2.85	5.19	4.57

Figure 17 Near- and Long-term Annual Fuel Price
November 2010 forecast

Fiscal Year	Crude Oil Prices ($/barrel)	WA Retail Gasoline Price ($/gal)	WA Retail Diesel Price ($/gal)	Ex-tax Wholesale Diesel Price ($/gal)	Biodiesel Price with tax ($/gal)	Biodiesel Price Ex tax ($/gal)
2008	97.03	3.34	3.76	2.90	3.80	3.18
2009	69.69	2.83	3.21	2.40	4.68	4.06
2010	75.20	2.93	3.02	2.38	3.89	3.27
2011	81.61	3.12	3.36	2.67	4.92	4.30
2012	87.33	3.40	3.59	2.85	5.19	4.57
2013	91.16	3.56	3.73	2.96	4.96	4.34
2014	94.62	3.69	3.86	3.07	5.05	4.43
2015	98.17	3.81	3.98	3.17	5.12	4.50
2016	102.30	3.92	4.13	3.28	5.19	4.57
2017	105.20	4.01	4.23	3.37	5.21	4.59
2018	107.08	4.06	4.29	3.41	5.17	4.55
2019	107.46	4.14	4.31	3.42	5.09	4.48
2020	105.92	4.26	4.26	3.38	5.04	4.42
2021	104.56	4.21	4.23	3.36	5.00	4.38
2022	104.18	4.19	4.25	3.38	5.02	4.41
2023	103.29	4.17	4.24	3.37	5.02	4.40
2024	103.78	4.20	4.29	3.41	5.07	4.45
2025	105.75	4.28	4.36	3.46	5.15	4.53
2026	107.77	4.37	4.43	3.52	5.24	4.62
2027	109.84	4.45	4.52	3.59	5.34	4.72

Biodiesel price trend
The forecast of the retail price of biodiesel is based on surveys found in the EIA Clean Cities Alternative Fuel Price Reports, www.eere.energy.gov/afdc/price_report.html as well as OPIS biodiesel prices for Tacoma, Washington. The EIA reports are conducted quarterly and include West regional biodiesel prices. The Washington biodiesel price forecast is for B99/B100. According to the latest survey in July 2010, the West biodiesel price B99/B100 was more than 21% above the reported West coast regular diesel price. In examining the price differential between biodiesel and regular diesel over a longer time period, an average price differential of 17% was determined. This percentage was used as the long-term price differential between the WA retail diesel prices versus biodiesel prices in Washington. To begin the new B99/B100 biodiesel forecast, the forecast incorporates actual Washington state biodiesel prices (Tacoma, Washington) reported by OPIS for Washington state General Administration. This November biodiesel price forecast is close to the September forecast with this current estimate being $4.92 per gallon which is higher by $0.58 in FY 2011. In FY 2012, the B100 biodiesel price is expected to up again to $5.19 per gallon.

Comparison of several current U.S. crude oil price forecasts
In November 2010, the West Texas Intermediate (WTI) crude oil price forecasts for FY 2011 differ by approximately 5m $78.4 per barrel to $82.3 per barrel. The five surveyed forecasting entities, EIA, NYMEX, Global Insight, Consensus Economics and Economy.com, had forecasts for % with price forecasts ranging fro WTI crude oil price for FY 2011 which averaged $80.6 per barrel. WSDOT uses the Energy Information Administration (EIA) forecasts in the near-term thru calendar year 2011 and then it uses the growth rates from Global Insight forecasts for subsequent years for the baseline fuel price projections. The projected price forecasts for crude oil in FY 2012, ranged from $85.5 per barrel by Consensus Economic Forecasts future prices to $87.9 per barrel from Economy.com with the average being $87 per barrel. The average forecast for crude oil in FY 2013, ranged from $88.25 per barrel by Consensus Economics future prices to $91.2 per barrel from Global Insight with the average being $91.2 per barrel. Figure 18 reveals that future NYMEX crude oil prices for years 2011-13 are consistently the lowest estimate of future crude oil prices than the other four forecasting entities. Economy.com forecasts

were typically the highest price forecasts each year except for FY 2013 when Global Insight had the highest crude oil price projection.

Figure 18 Near-term Annual Crude Oil Price Forecasts – 5 Different Forecast Comparison November 2010 forecast

Dollars per barrel

Fiscal Year	WSDOT (EIA)	NYMEX	Global Insight	Economy. com	Consensus Economics	5 Entity Average	% Difference Lowest	% Difference Highest	% Difference Average
2011	$81.61	$82.32	$78.44	$79.48	$81.18	$80.60	0.9%	-2.6%	-1.2%
2012	$87.33	$87.53	$86.50	$87.87	$85.51	$86.95	0.2%	0.6%	-0.4%
2013	$91.16	$88.76	$91.16	$88.59	$88.25	$89.58	-2.6%	0%	-1.7%

For budgeting purposes, WSDOT is applying the five forecast entity average adjustment to its baseline November retail gasoline and diesel prices and wholesale diesel prices. These fuel prices listed in Figure 19 below will be used in WSDOT's 2011 Supplemental and the 2011-13 Biennium budget to estimate the future cost to the agency of gas and diesel fuel. The November forecast for adjusted fuel prices is down 3.9% for wholesale and retail diesel prices and 2.2% in retail gas prices in the current fiscal year from the September forecast. In FY 2012, retail gas prices are up 2.3% and retail and wholesale diesel prices are up 0.3% from the prior forecast projections. In FY 2013, the growth in prices over the prior forecast is up again 5% in retail gas prices and 2% in wholesale and retail diesel prices over the prior forecast.

Figure 19 Near-term Average Adjusted Quarterly Fuel Prices Used for Budgeting Purposes November 2010 forecast and Percent Change from Prior Forecast

Fiscal Year Quarter	Adjusted WA Retail Gasoline Price ($/gal)	Adjusted WA Retail Diesel Price ($/gal)	Adjusted Ex-tax Wholesale Diesel Price ($/gal)	% Chg Prior Forecast Retail Gas Price	% Chg Prior Forecast Retail Diesel Price	% Chg Prior Forecast Wholesale Diesel Price
2010: Q3	$2.90	$3.10	$2.47	-5.93%	-7.05%	-7.05%
2010: Q4	$3.03	$3.31	$2.63	-0.09%	-2.35%	-2.35%
2011: Q1	$3.11	$3.36	$2.67	-0.86%	-3.28%	-3.28%
2011: Q2	$3.28	$3.49	$2.78	-1.79%	-2.98%	-2.98%
FY 2011	**$3.08**	**$3.32**	**$2.64**	**-2.16%**	**-3.88%**	**-3.88%**
2011: Q3	$3.35	$3.55	$2.82	1.40%	-0.05%	-0.05%
2011: Q4	$3.21	$3.52	$2.80	1.92%	0.41%	0.41%
2012: Q1	$3.26	$3.59	$2.86	2.77%	0.43%	0.43%
2012: Q2	$3.72	$3.62	$2.88	3.04%	0.41%	0.41%
FY 2012	**$3.38**	**$3.57**	**$2.84**	**2.30%**	**0.30%**	**0.30%**
2012: Q3	$3.48	$3.61	$2.87	4.91%	2.03%	2.03%
2012: Q4	$3.33	$3.65	$2.90	4.05%	2.03%	2.03%
2013: Q1	$3.35	$3.69	$2.93	5.43%	2.04%	2.04%
2013: Q2	$3.82	$3.72	$2.95	5.68%	1.98%	1.98%
FY 2013	**$3.50**	**$3.67**	**$2.91**	**5.04%**	**2.02%**	**2.02%**

Motor Vehicle Fuel Tax Forecast

The November 2010 gross motor vehicle fuel tax projection for the 2009-11 biennium is $2.48 billion which is a slight decrease of 0.28% from the 2007-09 biennium. Since the September 2010 forecast, diesel fuel tax collections came in above forecast for two straight months: September collections up by $0.4 million and October collections up by $2.3 million. Gasoline tax collections came in above forecast by $1 million for September but fell below projections by $1.4 million in October. Overall, the actual gross motor vehicle fuel tax collections came in above the September forecast for September and October combined by $2.3 million. Total motor fuel tax revenue projections are up $1.87 million from the prior forecast in the current biennium. Motor fuel tax revenues for the 2011–13 biennium are projected to be approximately $2.55 billion, which is above the prior forecast by 0.47% or approximately $11.9 million. The overall reduction in motor fuel tax revenue for the 16-year period ending in 2025-27 biennium is 4.8% or $1.8 billion when compared to the September 2010 revenue forecast. The primary reason for the significant decline in revenues from the last forecast is the new gas and diesel models which are implemented in this forecast.

A 2010 fuel consumption work group examined new methodologies for forecasting fuel consumption. The new forecasting process includes running both quarterly and annual gasoline and diesel consumption forecast models. The quarterly fuel consumption models are utilized to set the consumption growth rate through FY 2013 and the annual forecast models predict the growth rates beyond FY 2013. The new quarterly gasoline consumption model utilizes Washington non-farm employment and a composite variable of Washington retail gas prices and US average fuel efficiency as explanatory variables in the model along with lagged autoregressive terms. The new annual gasoline consumption model has a slightly different function form from the quarterly gas consumption model but it includes the same variables as the quarterly gas consumption model with the inclusion of population. The quarterly and annual diesel consumption models utilize Washington employment in the trade, transportation and utilities sectors as well as Washington personal income as explanatory variables in the forecast models along with lagged autoregressive terms. For further details on the old and new fuel consumption forecast models as well as other regression models considered during this forecast review process, see the November 2010 Report titled “Statewide Fuel Consumption Forecast Models.”

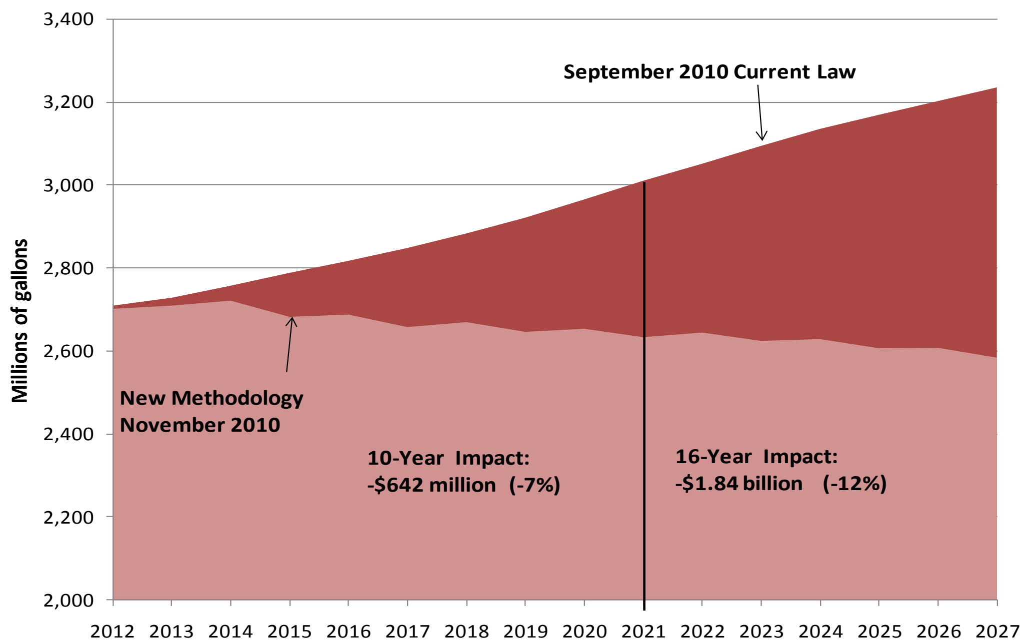
Trends in gasoline consumption and tax revenue

Gasoline consumption was 2,678 million gallons for FY 2010 which was a decrease of 0.4% over the FY 2009 consumption level. The November forecast incorporates the new quarterly and annual gasoline consumption model projections. For FY 2011, the November gasoline consumption level is nearly the same as the September forecast at 0.8% over FY 2010 which is only a 1 million gallon reduction from the prior forecast, reflecting the slightly lower actuals than projected in September for the past two months. In FY 2012, gasoline consumption is projected to be 0.1% higher than in FY 2011, which is a reduction of 0.3% from the September forecast. Figure 20 shows the forecast to forecast comparison of projected gasoline gallons consumed. Over the long-term, the new gas consumption model flattens the consumption projections.

In FY 2013, gasoline consumption is projected to also increase gradually by 0.3% over the prior year. The year over year percentage change in gasoline consumption in the November 2010 forecast is essentially flat with a small decline. The overall trend in the forecast is gradual reduction. Due to the functional form of the new gasoline models, the projected growth rates for gasoline consumption are all less than 1.5% positive or negative. The biggest projected year over year increase is in the current fiscal year at 0.8% and the largest annual decrease is -1.4% in FY 2015. These current annual grow rates for gasoline consumption are significantly lower than the growth rates from the previous model’s forecasts. The difference between the new gas model projections and the old gas consumption model grows over time.

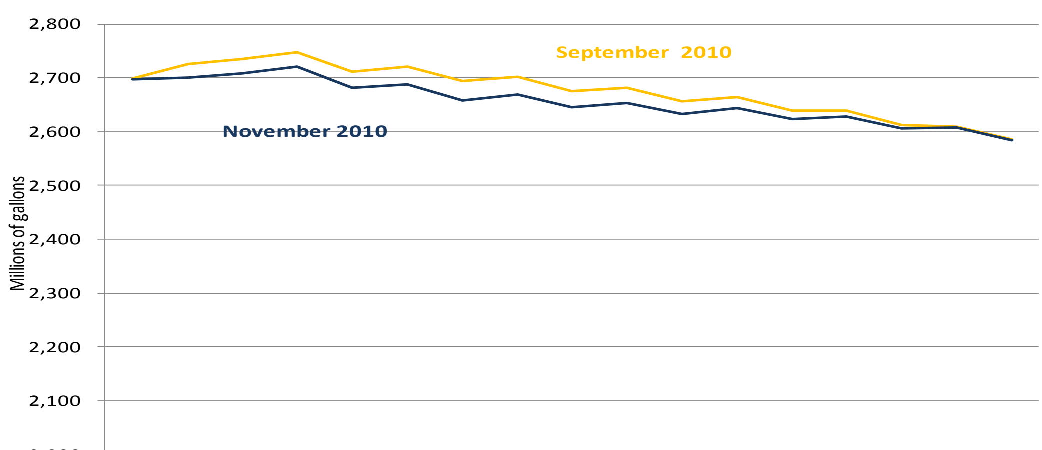
In the 2011-13 biennium, the reduction in gas tax revenue from the prior forecast is $11.7 million or -0.6%. By the 2013-15 biennium, the gas tax revenue is down $57.4 million from the prior forecast. This biennia reduction from the prior forecast grows to 19.5% by the 2025-27 biennium and results in a reduction of $470.7 million. Overall, the gas tax revenue forecast is down approximately $1.85 billion over the September forecast for the 16 year forecast period beginning in FY 2012 and ending in FY 2027.

Figure 20 Gasoline Motor Fuel Consumption Comparison (Old versus New Model) November vs. September 2010 forecast
millions of gallons



The new gasoline consumption model is the primary reason for the change in projections. If the new model was run with both September and November economic variables, the difference between the projections would be minor. Figure 21 illustrates the difference between the new gas consumption model estimates under differing economic variables. The November projections of employment are weaker and gasoline prices are higher than forecasted in September therefore, gasoline consumption projections are below those estimated in September.

Figure 21 Gasoline Motor Fuel Consumption Forecast Comparison (Both New Models) November vs. September 2010
millions of gallons



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Sep-10	2,699	2,726	2,736	2,747	2,712	2,722	2,694	2,702	2,676	2,681	2,657	2,664	2,639	2,640	2,612	2,609	2,586
Nov-10	2,698	2,701	2,709	2,721	2,682	2,687	2,657	2,669	2,646	2,653	2,633	2,644	2,624	2,628	2,606	2,607	2,584

Trends in diesel consumption and tax revenue
Fiscal year 2009 diesel consumption was 650 million gallons which represented a year over year decline of 16.4%. In FY 2010, diesel consumption was 619 million gallons which was also a 4.8% decrease over the prior year diesel consumption level. The November projection of diesel consumption in FY 2011 is 631 million gallons which is an increase of 0.8% over the September diesel consumption projection. In FY 2012, diesel consumption is projected to be 671 million or 6.3% above FY 2011, which is a 3.8% higher than the prior forecast. In FY 2013 and 2014, the annual growth rates of diesel consumption are projected at 5.9% and 4% respectively which was approximately 5.5% higher than the last forecast due to diesel consumption forecast model changes and higher actual in the current fiscal year increasing the starting point for this forecast's projections. Even though diesel consumption is up over the last forecast initially, by FY 2021, diesel consumption is slightly down over the prior forecast. This is due to the weaker projections of Washington personal income and employment in the long-term. Diesel consumption is not expected to return to the high 2008 consumption level of 777 million gallons until FY 2016, which is two years sooner than projected in September with the old diesel consumption forecast models.

Diesel tax collections are up $2.6 million (0.6%) over the September forecast for the 2009-11 biennium for total tax collections of $470.4 million. This was the result of tax collections coming in above forecast for the month of September and October. Combined for the two months, diesel tax collections came in above forecast by $2.7 million. Diesel tax revenue is projected to be $520.1 million in the 2011-13 biennium which is an increase of $23.6 million or 4.8% above the prior forecast. In the 2013-15 biennium, diesel tax revenue is expected to be $565.1 million which is above the last forecast as well by $28.9 million. In the subsequent biennia until 2017-19, the increase in diesel tax collections over the prior forecast declines. By the 2019-21 biennium, diesel tax collections are projected to be below the September forecast by $417,900. Then in subsequent biennia, the decline in diesel tax collections compared to the prior forecast grows. By the last biennium, 2025-27, diesel tax collections are $26.3 million, or 3.4%, below the old model's projections in September. As is the case with the gas consumption and revenue forecasts, the major reason for the change in the diesel consumption and revenue forecasts in November is due to the diesel consumption model changes.

Figure 22 Diesel Motor Fuel Consumption Comparison (Old versus New Model)
November vs. September 2010 forecast
millions of gallons

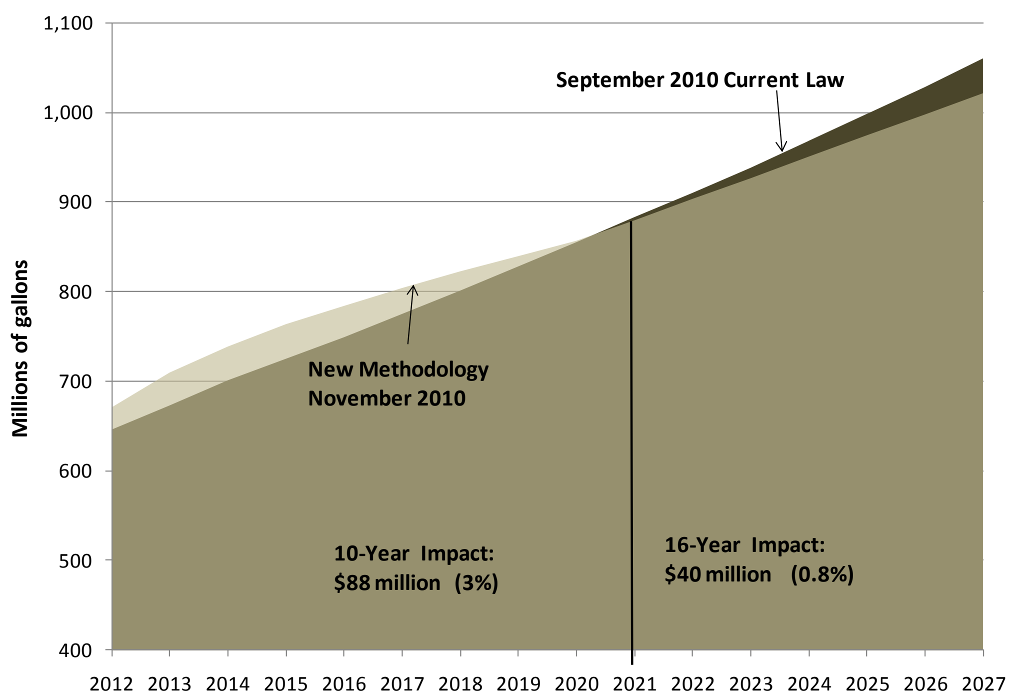
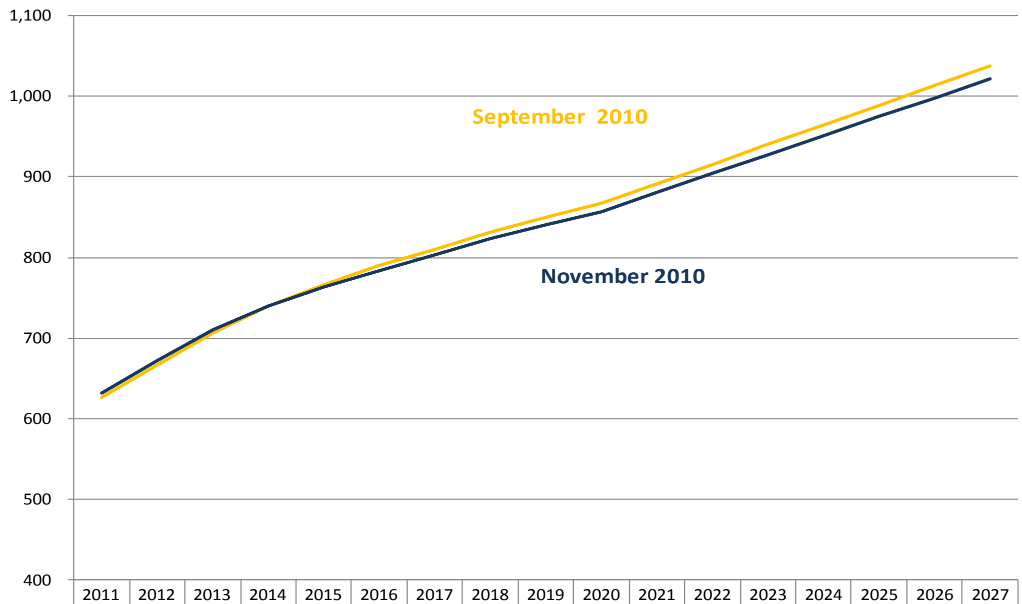


Figure 23 Diesel Motor Fuel Consumption Forecast Comparison (Both New Models)
November vs. September 2010
millions of gallons



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Sep-10	626	666	706	740	766	790	811	831	849	868	891	916	940	964	989	1,01	1,03
Nov-10	631	671	710	739	764	784	804	823	840	857	880	904	927	951	975	998	1022

Figure 24 Combined Motor Fuel Consumption Forecast Comparison
November vs. September 2010
millions of gallons

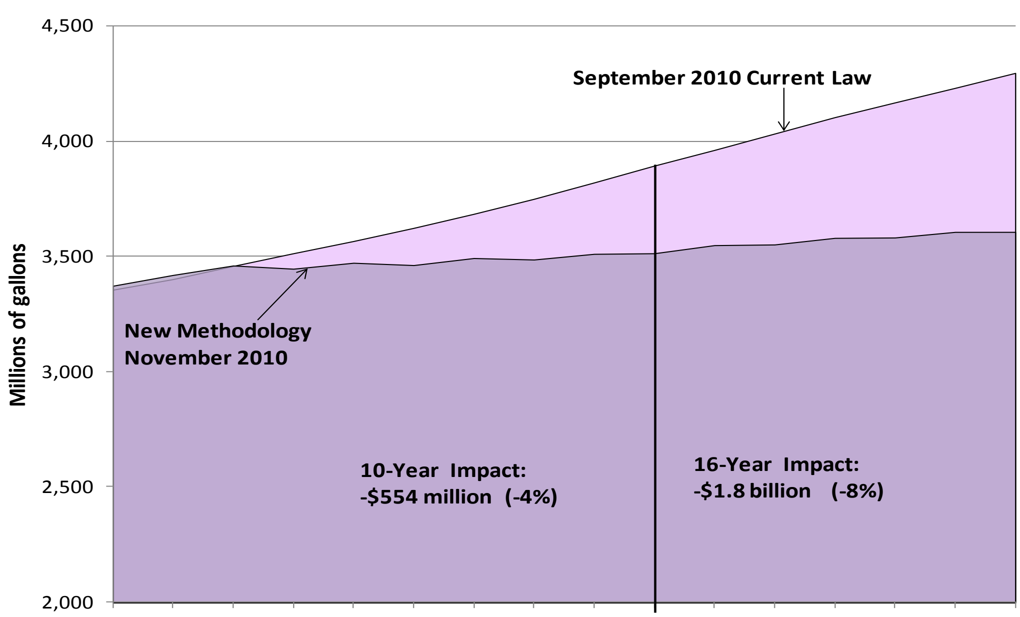


Figure 24 illustrates the overall impacts of both new fuel consumption models compared to the September forecast with the old forecasting methodology. This combined consumption graph looks very similar to the gas model comparison graph, Figure 20. The combined overall reduction in fuel gallons and revenue is slightly smaller than the gas consumption impacts. The 10-year revenue impact between the November and September motor fuel tax revenue is a reduction of $540 million or 4% and the 16-year impact is $1.79 billion or 8%.

Motor fuel tax refunds

Non-highway and tribal refunds for gasoline and diesel fuel are accounted for in the motor fuel tax forecast. These refunds reduce net motor fuel tax distributions. The current biennium forecast of non-highway gas funds are projected to be $10.17 million which is nearly no change from the last forecast and $37.1 million for special fuel which is a reduction of $1.5 million or 3.9% from the prior forecast in the 2009-11 biennium. The reason for the large drop in non-highway special fuel refunds is because the special fuel tax refund rate that was previously assumed was lowered in this November forecast to better reflect actual non-highway refunds. Beyond the current biennium, gasoline non-highway refunds are expected to be grow at the same rate as the gross gas tax revenue. Special fuel non-highway refunds also grows at the same rate as gross diesel tax revenue but in this forecast there is also the impact from the special fuel tax refund rate being lowered to reflect the 2010 actual level of non-highway special fuel tax refunds. The forecast to forecast reduction in non-highway special fuel refunds grows over time to $7.4 million by the 2025-2027 biennia.

In recent months, tax collection reports for gasoline and special fuel tax tribal refunds have come in close to forecast, overall for the past two months since the September forecast. The current forecast for gas tribal refunds in the 2009-11 biennium is projected to be $39.3 million which is the same as the last forecast due to actual refunds coming in close to projections. In the 2011-13 biennium, gasoline tribal tax refunds are projected to increase to $42.1 million which is a slight reduction of $594,700 from the prior forecast. Subsequent biennia projections are also down slightly from the September forecast because gross fuel consumption is down in the future. The special fuel tax tribal refunds are forecasted at $3.4 million in the 2009-11 biennium which is nearly the same as estimated in September. In the 2011-13 biennia, special fuel tribal tax refunds are projected to be up slightly by $157,300 or 4.5% due to higher fuel consumption in the biennium than projected in September. In subsequent biennia, special fuel tribal refunds are forecasted to be down over the prior forecast due to lower model projections of gross fuel consumed in November versus the September model forecasts.

Primary reasons for the forecast changes

- Total fuel tax collections have come in slightly above forecast for the past two months. Gas tax collections have even come within $400,000 of forecast and diesel tax collections came in above forecast by $2.7 million so overall, fuel tax collections came in $2.3 million above prior forecasts.
- Throughout the forecast horizon, the November gasoline prices are slightly above the last forecast beginning in FY 2013. Then, after FY 2025, the current gasoline price projections flatten and are slightly below the September price forecast.
- Washington's real personal income growth rates in this November forecast are lower in the current fiscal year and near term until FY 2013 from the September forecast projections due to changes in the Office of Forecast Council estimates. OFM's 2010 long-term personal income projections have not been changed since the last forecast. The reduced Washington personal income projection, in the near-term, lowers diesel consumption projections.
- Washington's non-farm employment projections have also been lowered in the near-term which reduces both the gas and diesel consumption model estimates.
- End result in the current forecast is lower gasoline tax projections in the current and subsequent biennia due to implementation of the new gas tax forecast model and lower economic variables.
- Diesel tax projections are up in the current and future biennia until the 2019-21 biennium due to higher actual in recent months and the new diesel consumption model projections being higher than the old model. After the 2019-21 biennium, the current diesel tax collections are below the last forecast.
- Future fuel tax projection for the 2009-11 biennium is $2.48 billion which is higher by $1.87 million from the last forecast, primarily due to changes in tax collections over the past two months. In the 2011-13 biennium, combined gasoline and diesel tax projections are up approximately $11.9

million from the September forecast. This is due to diesel tax projections being up $23.6 million while gasoline tax collections are down $11.7 million from the prior forecast. Over the 16 year forecast horizon, fuel tax revenues are down $1.81 billion or 4.8% of total projected revenues.

Figure 25 Short-term Motor Fuel Tax Forecast – By Month of Collection
November 2010 forecast
millions of dollars

	FY 2010	FY 2011	2009-11 Biennium	FY 2012	FY 2013	2011-13 Biennium
Gasoline Taxes	**$1,001.4**	**$1,012.7**	**$2,014.1**	**$1,013.2**	**$1,016.3**	**$2,029.5**
Special Fuel Taxes	**232.4**	**238.0**	**470.4**	**252.8**	**267.3**	**520.1**
Total Fuel Revenue	**$1,233.8**	**$1,250.7**	**$2,484.5**	**$1,266.0**	**$1,283.6**	**$2,549.6**
% Change from Prior Fcst	0%	0.15%	**0.08%**	0.5%	0.5%	**0.5%**

Motor Vehicle Revenue (Licenses, Permits, and Fees)

The 2007-09 biennium licenses, permits, and fees (LPF) collections were $896 million which is higher than the current projections of $873 million for the 2009-11 biennium. The forecast for revenue from licenses, permits, and fees is up slightly from the September estimate of $870 million. The November 2010 estimate for 2009-11 is up $3 million (0.33%) from the prior forecast. In the upcoming 2011-13 biennium, revenue projections are up $3 million (0.33%) from the prior forecast. The primary reasons for the forecast change are higher registrations than previously forecasted, revised lower Washington real personal income growth rates, and slower population growth than projected in the last forecast.

Trends in vehicle registrations
This forecast, as well as the previous four forecasts, assumes a U shaped recovery from the current recession for cars. The recession is deeper and sharper for trucks, and the recovery has been slowed, creating a U shaped recovery for trucks as well. In the current biennium and beyond, the November forecast assumes year to year growth rates for 2011 of 1.8% for passenger cars and for trucks at 1.4%. In FY 2012 and 2013, vehicle forecasts reflect the slower growth of personal income, than in the last forecast. In 2014 and beyond, the forecast growth rates mirror Washington population growth. The November 2010 forecast for passenger car and truck registrations is up 0.3% for FY 2011 and is 0.1% above last forecast in FY 2012.

Figure 26 Passenger Car Comparison
November vs. September 2010 forecast
millions of vehicles

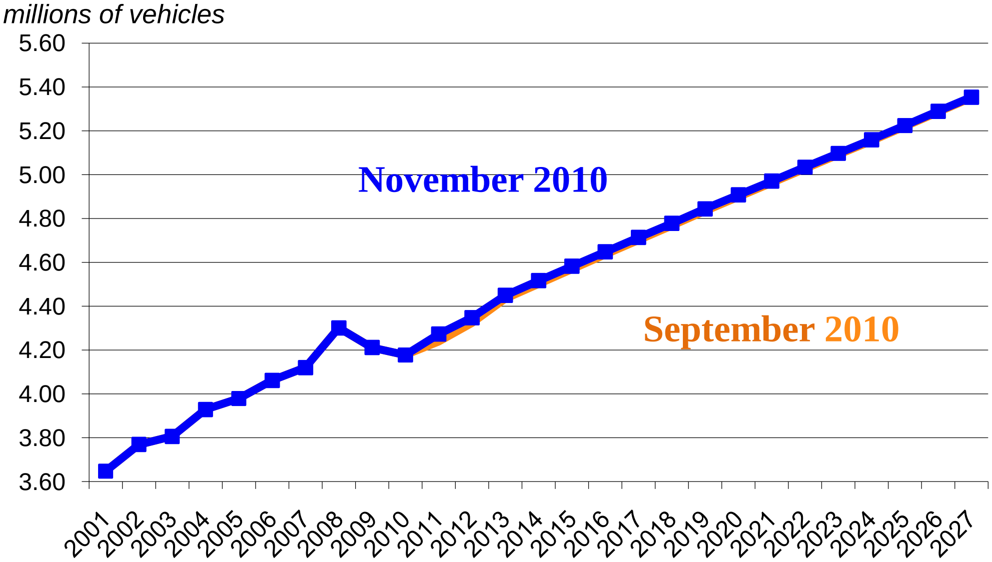
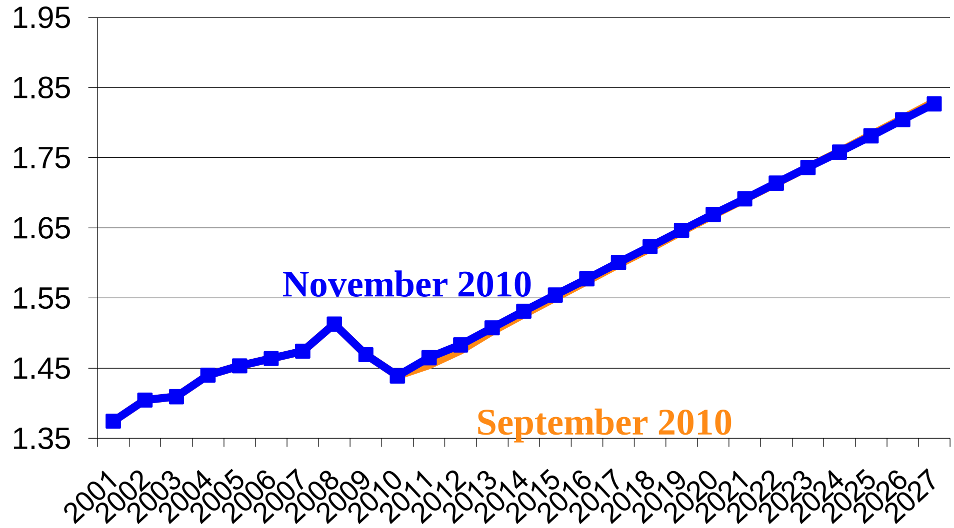


Figure 27 Truck Comparison
November vs. September 2010 forecast
millions of vehicles



Trends in LPF revenue

The LPF 2007-09 biennium revenues came in at $896 million which is above the November 2010 projection for the 2009-11 biennium of $873 million. The current 2009-11 biennium LPF forecast has increased for vehicles paying the $30 basic fee by $1.1 million (0.4%) and increased for combined license fee vehicles (trucks) by $1.3 million (0.4%) from the last forecast. The increase in revenue is due to actual registrations coming in higher than the previous forecast. Total LPF revenues are up $3 million for the current biennium. LPF revenues are up by $3 million in the 2011-13 biennium, up from $1 million to $2million in the outer biennia of the forecast horizon, however the forecast is down slightly in the last two biennia due to lower population estimates. In the early years of the forecast, revenue growth is governed by lower personal income and slower growth rates predicted in 2012 and 2013.

Passenger vehicle registration revenue is unchanged from the prior forecast horizon due to lower rates of population growth incorporated in the long-term. Combined license fee (CLF) vehicle revenues are unchanged throughout the forecast also due to lower population projections in this forecast.

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

License plate reflectivity and license plate replacement fees are revised slightly down by $95.0 thousand (-0.27%) in the 2009-2011 Biennium over the previous forecast. These plate-related forecasts are down slightly ($80.4 thousand or -0.20%) in the 2011-2013 Biennium over the previous forecast. The forecast still anticipates a rebound of light vehicle sales in the near term (Fiscal Years 2011-2015). However, the forecast-to-forecast changes for Fiscal Years 2012-2016 are related to the slightly lowered expectations of light vehicle sales during the rebound and a lower Washington – U.S. Real Income Share.

In addition, title fees and dealer temporary permits are down slightly over the prior forecast. These vehicle sales related revenues are down by $141.9 thousand (-1.43%) in the 2011-2013 Biennium over the previous forecast. These changes are related to the projected lower Washington – U.S. Real Income Share and light vehicle sales in the near term.

Primary reasons for the forecast changes

- Actual passenger vehicle registrations and truck registrations were up leading to slight revisions in tax revenues.

- The Economic and Revenue Forecast Council projection of Washington personal income growth rates slightly lower, which decreases the passenger car and truck registration forecasts in the long term.
- OFM's 2010 long-term population forecast revision from 2009 population projections are slightly lower than prior forecasts.

Figure 28 Short-term Motor Vehicle Related Revenue (Licenses, Permits and Fees) November 2010 forecast
millions of dollars

	FY 2010	FY 2011	2009-11 Biennium	FY 2012	FY 2013	2011-13 Biennium
Basic $30 License Fee	**$139.4**	**$142.8**	**$282.2**	**$145.3**	**$148.6**	**$293.9**
Combined License Fee	**164.8**	**168.5**	**333.3**	**171.4**	**174.2**	**345.6**
All Other Fees	**126.4**	**131.1**	**257.5**	**134.6**	**138.7**	**273.3**
Total LPF Revenue	**$430.6**	**$442.4**	**$873.0**	**$451.3**	**$461.5**	**$912.8**
% Change from Prior Fcst	0%	0.65%	**0.33%**	0.4%	0.26%	**0.33%**

Driver Related Revenue Forecasts

The November 2010 forecast of driver related revenue projected by the Department of Licensing includes the following revenues: driver license fees, copies of records, motorcycle operator fees, ignition interlock fees, and other miscellaneous fees. The miscellaneous fees include vehicle filing fees, fines and forfeitures, and driver school instructor license fees. These driver-related fees are deposited into the Highway Safety Fund (HSF), Motorcycle Safety Education Account (MSEA), the State Patrol Highway Account (SPHA), and Ignition Interlock Revolving Account (ILRA). All actual driver-related revenue collected (to date) totals approximately $198 million in the 2009-2011 Biennium, up $1.4 million from the prior forecast. In the 2011-2013 Biennium, the November 2010 forecast of driver related revenue is $201.9 million - an increase of $1.5 million from the prior forecast.

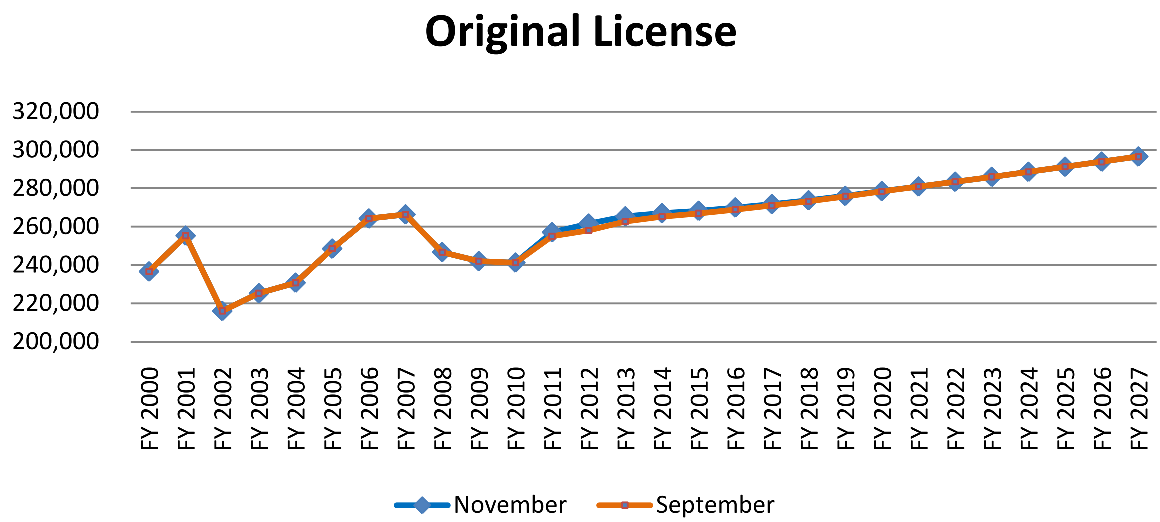
It is important to note that most of the driver related revenue streams follow a five-year renewal cycle. Therefore, caution is advised in year over year comparisons.

Trends in Driver's Licenses and Abstracts of Driver Records

The Department of Licensing has been observing a higher than previous year's original driver license issuances trending for some months. Each month in Fiscal Year 2011 is consistently higher (averaging 4,800 or 22 percent) more than the same month from a year ago. OFM's forecast driver (in- migration) has been revised up in the near term.

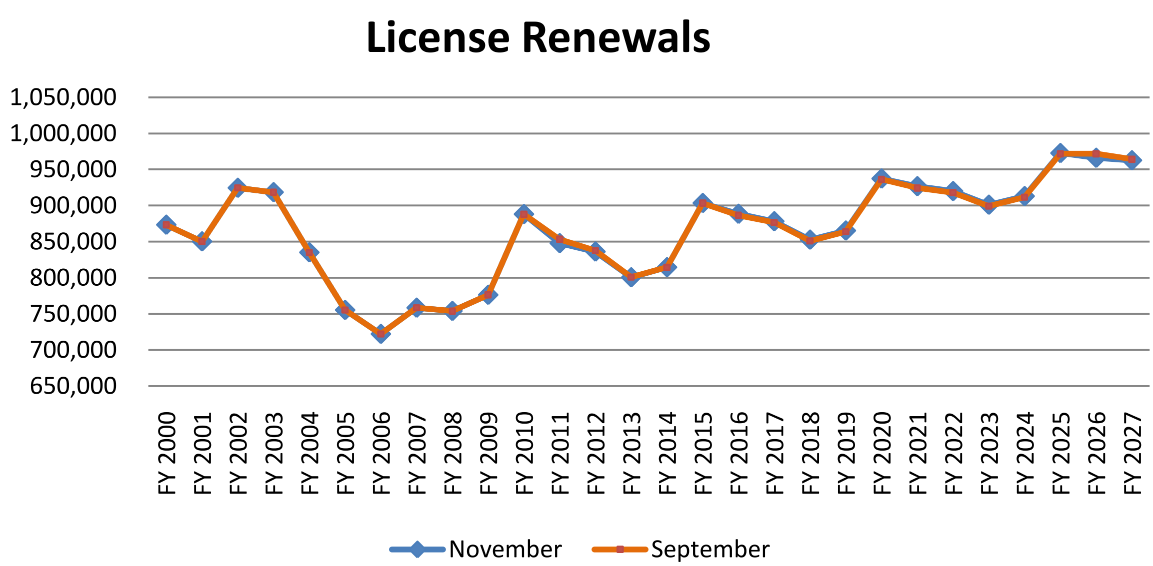
In September DOL raised the **original driver license** forecast by 1.6 percent for Fiscal Year 2011 and is raising it another 0.8 percent in the November forecast. The forecast for Fiscal Year 2012 and 2013 is also revised up by 1.4 percent and 1.0 percent respectively. The revision up resonates through Fiscal Year 2019. Further out the forecast is unchanged.

Figure 29: Driver License Originals November 2010 v. September 2010



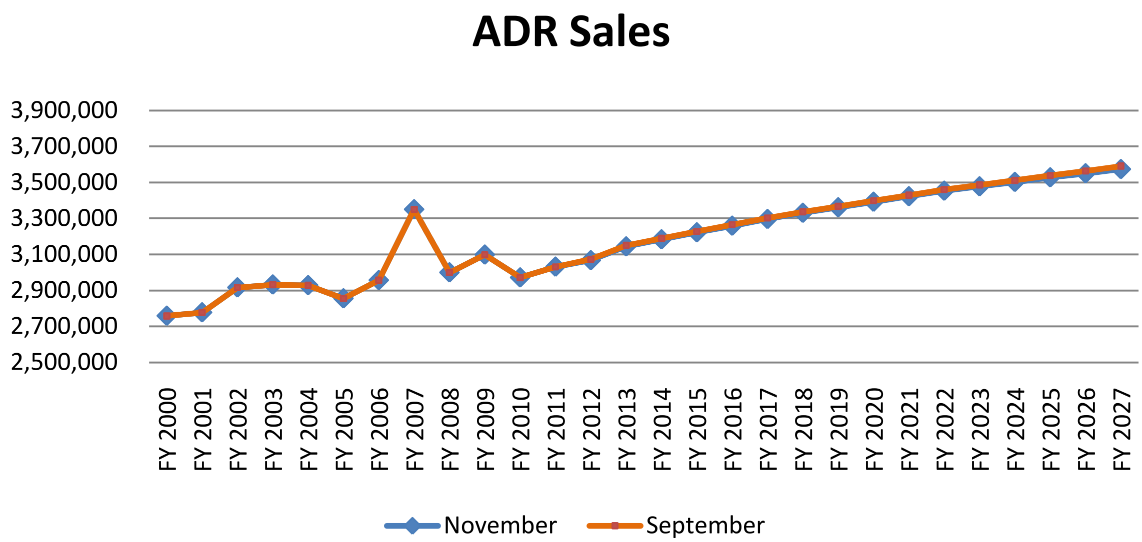
The **Driver license renewal** forecast is revised lower by -0.6 percent for the current biennium based on actual collections to date. Projections for the out years remain essentially unchanged from the prior forecast.

Figure 30: Driver License Renewals November 2010 v. September 2010



Sales of **Abstracts of Driver Record (ADR)** Following OFM's new population (age 16-75) forecast, this forecast is revised lower from about -0.2 percent per year in the near term to about -0.4 percent toward the end of the forecast horizon. However, actual collections to date call for little change to Fiscal Year 2011, which projects just about 450 more records to be sold.

Figure 31: Sales of ADR, November 2010 v. September 2010



Trends in Driver Related Revenue

Highway Safety Fund

The largest source of revenue in the Highway Safety Fund (HSF) is driver license fees. Current biennium collections are expected to be about $680,000 (1.08 percent) higher than the September forecast, primarily due to recent higher driver in-migration. The 2011-2013 Biennium revenue is revised upwards by $970,000 (0.8 percent). The gain in total driver license fees levels off in out years. As driver license projections also impact several other smaller revenue streams, total HSF revenue is up approximately $1.2 million for Fiscal Year 2011 and approximately $1.4 million for Fiscal Years 2012-2013 compared to the prior forecast.

Revenue from the copies of records fee is tracking close to forecast for the current biennium. However, following a slightly lower OFM population forecast, revenue projections for out years is revised lower by about -0.2 percent (about -$30,000 per year) in the near term to about -0.4 percent (about $70,000 per year) toward the end of the forecast horizon.

Aside from sales of driver abstracts, with revenue of $10 for each abstract split between the Highway Safety Fund (HSF) and State Patrol Highway Account (SPHA), the HSF also receives revenue from DOL's Driver Monitoring Program (with 6 cents for each monitored driving record). There is a correction of reporting error discovered since last forecast: $269,000 (or 35 percent) of monitoring fee revenue which should have been reported for Fiscal Year 2010 that was reported in Fiscal Year 2011. This data correction also results in a corresponding annual revision up in monitoring fee revenue projections.

A few other Highway Safety Fund revenue streams (motor vehicle filing fees, driving school, fines and forfeitures, and misc. revenue) make up a little over $2 million a year. The November forecast projects a slight revision downward for Fiscal Year 2011, Fiscal Year 2012, and Fiscal Year 2013 largely due to reduced collections to date in motor vehicle filing fees and driving school license fees.

State Patrol Highway Account

The State Patrol Highway Account receives $5 for each sale of ADR. Current biennium revenue is expected to be on target at approximately $30.1 million while future biennia are revised slightly less (between -0.2 percent to -0.04 percent) than the prior forecast, due to a slight revision down in OFM's latest population forecast. Year over year, however, revenue is still expected to increase at the growth rate of driving age population.

Motorcycle Safety Education Account Trends

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

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

Revenue in the Motorcycle Safety Education account for Fiscal Year 2011 is up by about $40,000 (or 2 percent) over the September forecast, with a similar effect every five years out due to the cycle effect. Fiscal Years 2012-2013 are also up by about $13,000 (0.3 percent), again reflecting a higher driver in migration in the near term.

Ignition Interlock Device Revolving Account

The Ignition Interlock Device Revolving Account is revised upwards for Fiscal Year 2011 by about $119,000 (or 12 percent). As this is a relatively new program and revenue stream, this forecast estimates future monthly revenue as the average of collections since the inception of the program in April of 2009. So far, the monthly average has been going up, hence the higher forecast to forecast revision.

Primary reasons for the forecast changes

- The upward revision to Highway Safety Fund Revenue is the result of 1) increases in original driver license issuances in recent months and 2) incorporating OFM's most recent forecast of drivers moving into Washington.
- The downward revision to State Patrol Highway Account (ADR sales) from FY12 onward is the result of OFM's slightly lower population forecast.

Figure 32: Short-term Driver Related Revenue Forecasts
November 2010 forecast
(millions of dollars)

	FY 2010	FY 2011	2009-11 Biennium	FY 2012	FY 2013	2011-13 Biennium
Total Highway Safety Fund	**$79.2**	**$82.2**	**$161.4**	**$82.5**	**$82.4**	**$164.9**
Drivers License Fees	$61.3	$63.6	$124.9	$63.9	$63.5	$127.4
Copies of Record Fees	$15.8	$16.5	$32.3	$16.5	$16.9	$33.4
Other smaller misc. Fees	$2.1	$2.0	$4.1	$2.1	$2.3	$4.4
Total Motorcycle Safety Education Account	**$2.1**	**$2.0**	**$4.1**	**$15.3**	**$15.7**	**$31.0**
Total State Patrol Account	**$15.0**	**$15.2**	**$30.2**	**$15.3**	**$15.7**	**$31.0**
Total Ignition Interlock Device Revolving Account	**$1.2**	**$1.1**	**$2.3**	**$0.8**	**$0.8**	**$1.6**
Total Driver Related Revenue	**$97.5**	**$100.5**	**$198.0**	**$100.7**	**$101.2**	**$201.9**
Percent change from prior	0%	1%	**1%**	1%	1%	**1%**

Other Transportation Related Revenue Forecast

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

Vehicle Sales and Use Tax
The forecast of consumer spending on new US light vehicles is $157 billion for FY 2009 and this represents a decline of 28% from the FY 2008 sales level. In FY 2010, consumer spending on new US light vehicles grew to $175.4 billion which represents a 12% annual growth. In FY 2011, consumer spending on light vehicles is projected to be up 4.1%. Spending is down from the prior forecast 7.2%. In FY 2012, the growth in the US spending on light vehicle sales is projected to increase by 22.8% although the level is down 5.5% from the prior forecast.

The actual vehicle sales and use tax collections in the 2007–09 biennium was $62.7 million, and the sales and use tax collections in the 2009-11 biennium is projected to decrease to $54.0 million a 13.9% decrease over the prior biennium. The November 2010 forecast has increased by $ 0.2 million from the September forecast for the 2009-11 biennium. This is due to actual collections coming in higher than anticipated in September. In the 2011-13 biennium, the sales and use tax collections are projected to be down by $0.4 million or 0.7% over the past forecast. Revenues after the 2013-15 biennia are above the prior forecast but by a small percentage so by the last biennia, the increase in revenue in the November forecast is $0.2 million or 0.2% from the last forecast. The primary reason for the change in this forecast is due to the new national forecast on consumer spending on new and used light vehicles.

Rental Car Sales Tax
The forecast for rental car sales was $46.97 million for the 2007-09 biennium and the revenue source is expected to decrease 6.9% to $43.7 million in the 2009-11 biennium. This November 2010 forecast for the 2009-11 biennium projects an increase of 1.1% or $0.5 million over the September forecast. This increase in revenue is due to actual collections coming in stronger than anticipated in September. In the 2011-13 biennium, the rental car tax is projected to be $47.4 million which is an increase of $0.02 million or 0.04%. In the 2013-15 biennium, revenues are projected to be $52.0 million and $4.5 million up from the prior biennium's forecast. The primary reason for the change in this forecast is due to higher long-term unemployment rate in Washington.

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

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

Motor Vehicle Account business and other revenue tax collections for the 2007-09 biennium was $14.5 million. The business related revenue in the 2009-11 biennium is projected to be $8.6 million which represents a decline of 40% or $6.0 million from the prior biennium due to lower anticipated sales of property in the current biennium. This November 2009-11 biennium forecast is a no change forecast from the prior forecast due to actuals coming in close to prior projections. The 2011-13 biennium total business related revenues are $13.0 million, down $0.16 million or -0.13% from the prior forecast. This reduction is due to updated population forecasts which negatively impacted this forecast.

Aeronautics Taxes and Fees
The aeronautics tax forecast includes both excise and fuel taxes as well as transfers. The aeronautics tax collections were $5.7 million in the 2007-09 biennium. In this November 2010 forecast, the aircraft registrations, excise and dealers' taxes are essentially not changed from the prior forecast. In the 2009-11 biennium, the aircraft registrations, excise and dealers' taxes are forecasted to be $716,200. Ten percent of the excise tax goes to the aeronautics account and the rest goes to the state general fund. The aeronautics transfer from the motor vehicle fund is also part of this forecast and is up $100 from the prior forecast in the current biennium. In subsequent biennia, the aeronautics transfer from the motor vehicle fund is down from the last forecast due to motor fuel consumption forecast model revisions. The aviation fuel tax is the largest component of this aeronautics tax forecast.

The current aviation fuel tax forecast for the 2009-2011 Biennium is tracking close (only slightly lower than the prior forecast by $3,900 or 0.08%). In the 2011-2013 Biennium, the forecast of aviation fuel tax is higher than the prior forecast by $18,800 or 0.36% and continues to be slightly higher throughout the forecast horizon. These changes are related to an updated long-term forecast of Washington's employment in manufacturing. The revenue collections to date are tracking well with this forecast and tend to support the forecast methodology change effective with the June 2010 forecast. The current forecast for taxable Aviation Fuel still does show an overall decrease for Fiscal Year 2011 when compared with Fiscal Year 2010 because the new forecast model treats the increase for Fiscal Year 2010 as an anomaly.

Primary reasons for the forecast changes

- Vehicle sales and use tax revenue are up in the current biennium due to higher collections in recent months and the new forecast is down for the next two biennia due to lower national sales of light vehicles.
- Rental car revenue is up in the current and next biennium due to higher actuals than anticipated in September but in the subsequent biennia, revenues are down due to higher unemployment rates in the long-term.
- Business and other miscellaneous revenue is unchanged in the current biennium from the last forecast. In future biennia, business related revenues are down approximately 0.13% from the prior forecast due to incorporating new forecasts of population and inflation.
- Aircraft fuel tax revenue is nearly unchanged from the last forecast in the current biennium. In 2011-13 and subsequent biennia, the current forecast is up slightly from the prior forecast. The forecast of aeronautics transfer from the motor fuel taxes is down in most biennium due to the reduction in motor fuel consumption in this forecast. Other revenue components of the aeronautics taxes/fee forecast remain unchanged from the prior forecast.

Figure 33 Short-term Other Transportation Related Revenue
November 2010 forecast
millions of dollars

	FY 2010	FY 2011	2009-11 Biennium	FY 2012	FY 2013	2011-13 Biennium
Rental Car Sales Tax	**$21.5**	**$22.2**	**$43.7**	**$23.2**	**$24.3**	**$47.5**
Vehicle Sales & Use Tax	**26.9**	**27.4**	**54.3**	**29.2**	**31.4**	**60.6**
Business/Other Rev	**4.1**	**4.6**	**8.7**	**6.5**	**6.5**	**13.0**
Aeronautics Taxes/Fees	**3.2**	**3.0**	**6.2**	**3.2**	**3.3**	**6.5**
Total Other Transportation Related Revenue	**$55.7**	**$57.2**	**$112.9**	**$62.1**	**$65.5**	**$127.6**
% Change from Prior Fcst	0%	**1.1%**	**0.5%**	0%	-0.4%	**-0.2%**

Ferry Ridership and Revenue

Ferry Fare Ridership and Revenue Forecasting Process

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

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

The November 2010 forecast includes actual ridership counts and revenue collections through October 2010. In addition, the forecast also reflects reduced Mukilteo-Clinton service due to terminal construction closures over three weekends in the late winter / early spring of 2011. The November 2010 forecast also includes a 2.5% fare increase beginning January 1, 2011, as approved by the Washington State Transportation Commission on November 15, 2010.

Trends in Passenger Fare Ferry Ridership

FY 2009 passenger ferry ridership reached 12,572,707 which was a decline of 2.5% from the FY 2008 ridership level. Similarly, FY 2010 passenger ferry ridership was 12,453,226, or 1.0% less than in FY 2009. In addition to the general recessionary economic conditions that have flattened ridership growth, the October 2009 2.5% fare increase contributed to the 1.0% decline in FY 2010 passenger ridership relative to FY 2009. Actual passenger ridership for July 2010 came in 1.4% higher than forecasted in June. Actual passenger ridership for August, September and October 2010 came in 2.0%, 0.9%, and 2.2% lower, respectively, than forecasted in September.

For FY 2011, ferry passenger ridership is expected to be 12,532,000 under the Baseline Forecast (Scenario #1), which assumes a 2.5% fare increase on January 1, 2011, and no fare increases thereafter. This is about 0.6% lower than the prior forecast, and represents a year-over-year increase of 0.6%. In FY 2012, ferry passenger ridership is expected to be 12,934,000, a decrease from the prior forecast of 1.1%, and which represents annual growth of 3.2%. For the remainder of the forecast horizon, the passenger ridership projections are lower than the prior forecast by 1.1% initially in FY 2013, and tapering off to 0.6% lower by the end of the forecast horizon.

The decrease in the passenger ridership forecast for November relative to September is primarily attributable to an adopted 2.5% fare increase on January 1, 2011 that was not part of the Baseline Forecast in September. The fare increase accounts for about a 1% decline in the passenger ridership forecast. Absent the fare increase, ridership projections for the 2015-17 biennium and beyond would have been higher than in September, due to an upward revision in the forecast for real personal income.

Trends in Vehicle/Driver Fare Ferry Ridership

Vehicle/driver ridership was 9,904,800 in FY 2009, which was a decline of 4.7% from the FY 2008 level. Subsequently, vehicle/driver ridership was 10,134,311 in FY 2010, or 2.3% higher than in FY 2009. This increase for FY 2010 comes despite the dampening effects of the October 2009 2.5% fare increase, and exceeded recent expectations. Actual vehicle/driver ridership for July 2010 came in 1.0% than forecasted in June. Actual ridership for August, September and October 2010 came in 0.3%, 0.0% and 0.2% higher, respectively, than forecasted in September.

For FY 2011, vehicle/driver ridership is anticipated to be 10,028,000 under the Baseline Forecast (Scenario #1), which assumes a 2.5% fare increase on January 1, 2011, and no fare increases thereafter. This is about 0.2% less than the prior forecast, and also represents a year-over-year decrease of 1.0%. In FY 2012, the current Baseline Forecast for vehicle/driver ridership is revised to be 10,306,000, or a 0.7% reduction from the September forecast, and which represents a year-over-year increase of 2.8% from FY 2011. For the remainder of the 2011-13 biennium and the subsequent 2013-15 biennium, vehicle/driver ridership projections remain slightly lower than anticipated in September. Starting with the 2015-17 biennium and continuing through the 2023-25 biennium, vehicle/driver ridership projections trend slightly higher than projected in September, before declining a bit at the very end of the forecast horizon.

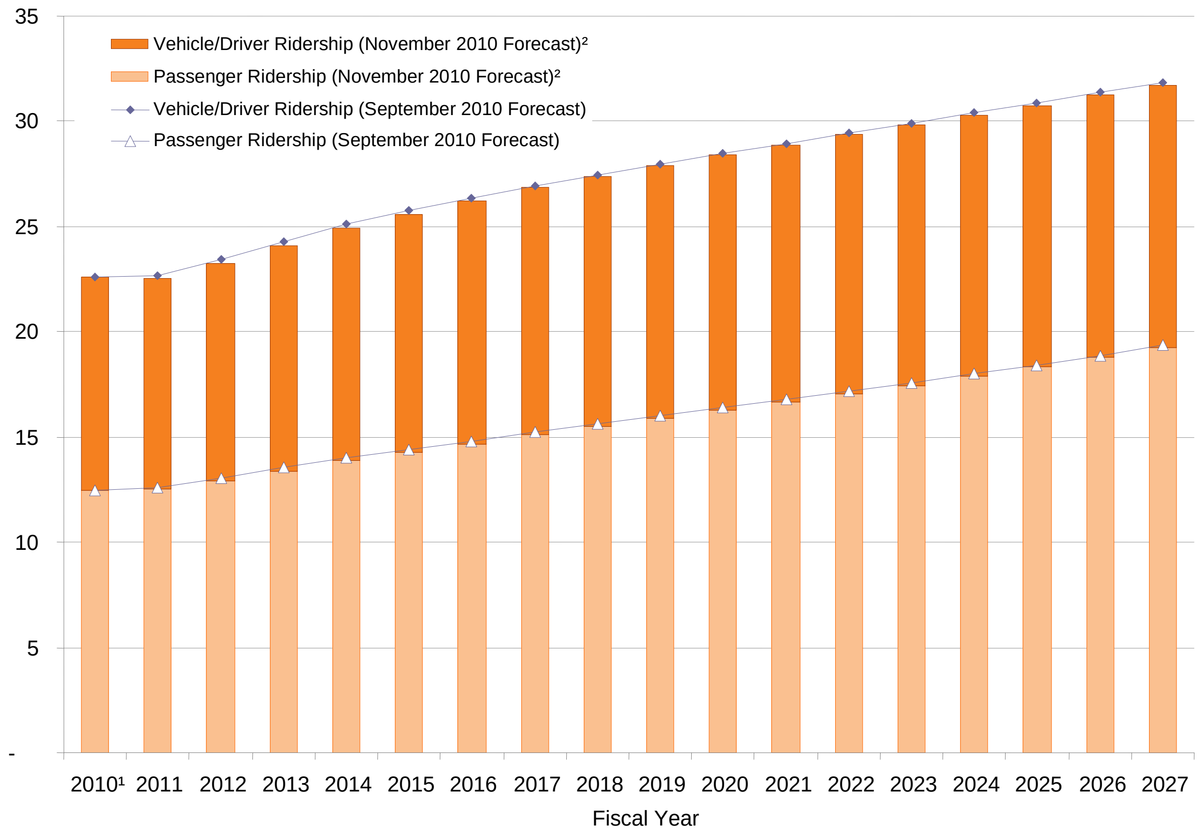
The initial decrease in the vehicle/driver ridership forecast for November relative to September is primarily attributable to an adopted 2.5% fare increase on January 1, 2011 that was not part of the Baseline Forecast in September. Absent other factors, the fare increase accounts for about a 0.8% decline in the vehicle/driver unconstrained demand forecast, that is before accounting for vessel capacity constraints. Changes in the economic variable projections have an almost negligible downward impact on vehicular demand. The increases to vehicle/driver ridership in the middle years of the forecast period are attributable to a combination of “unserved” vehicle traffic resulting from vessel capacity constraints absorbing the small decline in the unconstrained demand forecast, and upward revisions to the estimated room for traffic growth on some routes prior to reaching vessel capacity constraints.

Overall Trends in Ferry Ridership

Total ferry ridership finished off FY 2010 at 22,587,537, or virtually unchanged from the September forecast. Under the Baseline Forecast (Scenario #1), this makes the projection for the 2009-11 biennium about 0.2% lower than anticipated in September. For the rest of the forecast horizon, projected overall ridership ranges from 0.9% lower in FY 2012 to 0.2% lower in FY 2022 relative to the September values.

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: November and September 2010 Baseline Forecasts
Millions of Riders



[1] Values for FY 2010 represent actual data. [2] The November Forecast ridership data includes the impact of a 2.5% fare increase on January 1, 2010.

Trends in Ferry Revenue

The November 2010 ferry revenue projections for the Baseline Forecast (Scenario #1) assume no changes to the current fares. In the 2007-09 biennium, ferry farebox and miscellaneous revenues totaled $300 million, with fare revenue comprising $292.9 million of that amount. For the 2009-11 biennium, total fare and miscellaneous revenues are anticipated to increase by 0.6% over the previous biennium to $301.3 million, with fare revenue representing $294.6 million of the total. The current biennium projection of $301.3 million is 0.6% or $1.7 million higher than in September.

The incorporation of a January 1, 2011 fare increase into the Baseline Forecast is the key contributor to the higher fare revenue projections. In addition, actual fare revenue for the month of October exceeded the September projection by about $400,000, and actual fare revenue in September matched the prior forecast.

In the 2011-13 biennium, revenues under the Baseline Forecast are projected to increase by 2.1%, or $6.5 million to a total of $317.9 million, of which $310.3 million represent fare revenues. The current Baseline Forecast for revenue in the 2013-15 and subsequent biennia is anticipated to be higher than in September, due to the higher fares and the aforementioned factors contributing to higher vehicle/driver ridership.

The current forecast for miscellaneous ferry revenue has declined slightly, amounting to 0.3% or $20,000 in the 2009-11 biennium, remains lower through 2013-15, and then turns slightly higher thereafter. The various vendors contributing to the miscellaneous revenues predicted no changes to the revenue forecasts they provided in September. As such, the relatively minor revisions to the miscellaneous fare revenue projections are due entirely to changes in ridership in the November 2010 forecast relative to the June 2010 forecast (the September miscellaneous revenue forecast was based on June ridership projections), and to revisions in the forecast for inflation.

Primary Reasons for the Forecast Changes

- The primary reason for the change in November's Baseline Forecast for ferry ridership and fare revenue in the current biennium — as well as throughout the forecast period — is the inclusion of a January 1, 2011 fare increase not included in the September forecast.
- Updates and refinements to the assessment of current vessel space utilization by route have resulted in more headroom for ridership growth before reaching quarterly vessel space limits. By the middle of the current decade, this results in a small increase to the projections for the vehicle ridership that can be served, despite a lack of growth in the unconstrained vehicle ridership demand.
- Absent the above factors, the net effect on the ridership projections of the changes to the economic variables is negligible at about 0.1% over the forecast horizon.
- Ferry miscellaneous revenue projections reflect only the minor changes in ridership and projected inflation.

Figure 35 Short-term Ferry Revenue
November 2010 Baseline Forecast
Millions of Dollars

	FY 2010	FY 2011	2009-11 Biennium	FY 2012	FY 2013	2011-13 Biennium
Farebox Revenue	**$ 147.01**	**$147.59**	**$294.60**	**$152.47**	**$157.87**	**$310.34**
Misc. Ferry Revenue	**$ 3.12**	**3.60**	**6.72**	**3.71**	**3.87**	**7.58**
Total Ferry Revenue	**$ 150.13**	**$151.19**	**$301.32**	**$156.18**	**$161.74**	**$317.92**
% Change from Prior Forecast	0%	1.1%	0.6%	1.9%	2.3%	2.1%

Toll Revenue

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

In the toll revenue baseline forecast, at Tacoma Narrows Bridge, no new future toll rate increases are included so toll rates are assumed to remain at $4.00 for cash and $2.75 for electronic toll collection (ETC). Toll collection for the Tacoma Narrows Bridge began on July 16, 2007. From July 16, 2007 to June 30, 2008, the tolls were $1.75/ETC per 2-axle vehicle and $3.00/cash per 2-axle vehicle with per axle proportional tolls for multi-axle vehicles. Discounted rates apply for multi-axle vehicles with ETC.

Toll rates for FY09 and all future fiscal years are $2.75/ETC per 2-axle vehicle and $4.00/cash per 2-axle vehicle.

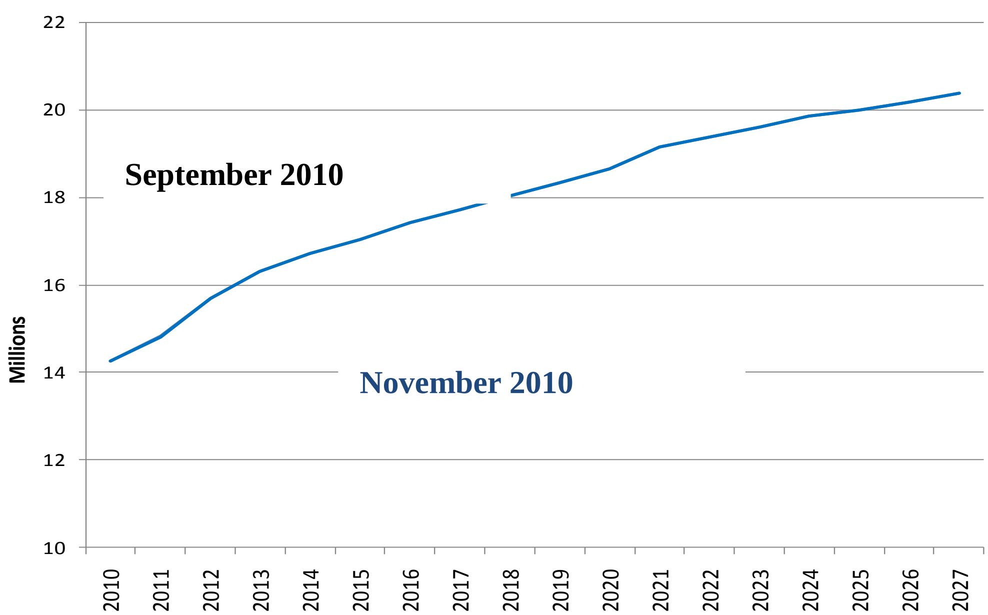
The SR 167 HOT lanes revenue forecast reflects actual toll collections starting May 2008 through October 2010. SR 167 HOT lanes are a pilot program and are due to expire in early May 2012. Toll rates are set to maximize traffic flow while managing demands to maintain acceptable operating speed on the HOT lanes. The traffic projection model for HOT lanes was modified in June to reflect the actual usage of these lanes as well as more recent local demographics. Prior forecasts of transactions and toll revenues reflected the growth in toll paying traffic from the traffic and toll revenue analysis conducted in 2005, 2007 and 2010. The November traffic and revenue estimates have been updated for new monthly actual traffic and revenue.

The fines and fees revenue projections include violation penalties (for TNB only) and Customer Service Center administration fees. **Legislation passed in 2010, ESSB 6499**, impacts the way violation fees can be collected. The new legislation allows tolls to be paid after using a toll facility via a photo toll that identifies a vehicle by its license plate. Failure to pay a toll detected through a photo toll system is a civil penalty to be issued by DOT with a fine of $40, plus the original toll amount and associated fees.

Sales include revenues from the sales of transformers and disabling shields. FY 2011 and beyond growth is based on annual traffic growth. In the November forecast, the forecast for administration fees at TNB reflect the September redistribution of fees between 167 HOT lanes and TNB. All future projections of administrative fees remain flat.

Trends in Tacoma Narrows Bridge traffic and toll revenue
The Tacoma Narrows Bridge (TNB) average daily traffic grew minimally in FY 2009 by 0.2% to 13.91 million from FY 2008. In FY 2010, the TNB traffic volume was 14.26 million which represents a year over year increase in traffic volume of 2.5%. In FY 2011, the TNB traffic volume is projected to be 14.80 million which is a year over year growth rate of 3.8% and a decrease of 0.3% over the September forecast. In fiscal years 2013 through 2027, the TNB traffic volume remains the same as the September forecast.

Figure 36 Comparison of TNB Traffic Volume:
November 2010 and September 2010 Forecasts



TNB toll revenue for the 2007-09 biennium was $73.1 million and the 2009-11 biennium forecast is projected to be $92.0 million which is a decrease of $0.25 million or 0.27% from the September forecast. In the 2011-13 biennium, this November 2010 forecast of toll revenue is projected at $100.1 million which is no change from the September forecast. All future biennia forecasts are unchanged and remain the same as in the September forecast.

The 2010 law change in ESSB 6499 impacts the current forecast for violation fees and adds a new civil penalty fee. Fines and fees violations revenue for the 2007-09 biennium was $1.06 million of which $1.01 million was violations revenue. The current biennium forecast for violation fees is $1.1 million which is an increase from the prior forecast by $0.17 million or 17.53%. In the current fiscal year, actual violation fees are up from September projections due to the extension of the violations process, given that the start up of the civil penalty process is delayed three months. In the 2011-13 biennium when civil penalty revenue collection starts, the violations revenue anticipated to be $0. In FY2012 civil penalties revenue is projected to be $0.74 million, which is the same as the September forecast. Beginning in 2011-13 biennium, civil penalties revenue is anticipated to bring in over $ 2.01 million per biennium and grow over time to $3.6 million by the 2025-27 biennium. In the outer biennia, this projected increase in civil penalties revenue is expected to compensate for the loss in violations revenue. For the civil penalties forecast for 2011-13 and all subsequent biennia, the current forecast remains the same as the prior forecast.

The November forecast for administrative fees is projected at $0.21 million per biennium over the entire forecast horizon and this is no change from the prior forecast.

Total revenue from all transponders and shield sales was $1.4 million in the 2007-09 biennium and these sales are projected to grow to $1.44 million in the 2009-11 biennium. This current forecast represents an increase of 0.03% from the prior forecast. In the 2011-13 biennium, sales revenue of transponders and shield sales is forecasted to increase to $1.48 million which is 0.2% higher than the prior forecast.

Trends in SR 167 High Occupancy Toll Lanes Traffic and Revenue
The traffic volume on the SR 167 HOT lanes was 386,000 vehicles in FY 2009. Traffic volume in FY 2010 increased to 510,969 which represents 31.5% growth year over year from FY 2009. In FY 2011, traffic volume is projected to be 576,000 which is 12.7% higher than the FY 2010 traffic volume and 2.7% increase over the past forecast. This change in the traffic volume forecast for HOT lanes is due to seeing higher traffic volume than anticipated in the last few months.

Revenue from HOT lanes' tolls, sales and fees in FY 2009 was $471,256 and HOT lanes total revenue in FY 2010 was $527,293 which represents a 12% increase year over year. For the current biennium, HOT lanes total revenue is projected at $1.17 million, toll revenue is projected at $1.0 million, which is an increase of $0.05 million or 5% from the September forecast and revenue from transponder and shield sales increased to $0.16 million which is an increase of 1.4% from the prior forecast. Fees are unchanged in the November forecast compared to September forecast.

Trends in Total Toll Revenue
Total revenue (toll, fines and fees and transponder/shields sales) was $76.9 million in the 2007-09 biennium and is projected to increase to $95.8 million in the 2009-11 biennium which is a decrease of $0.18 million over the prior forecast. The decrease in toll revenue is due to slightly weaker economic conditions in the short term. In the 2011-13 biennium, the total revenue is projected to be $104.3 million which is a change of $0.05 million or 0.05 % from the September forecast. Starting in the 2013-15 biennium through 2025-27 total revenue is projected to be unchanged from the September forecast.

Primary reasons for the forecast changes

- Overall TNB toll revenue forecast is $92 million, which is lower by $0.25 million or 0.27% in the current biennium over the prior forecast. This decrease is due to the slightly weaker economic outlook in 2011. Starting in 2011-13 through 2025-27 the anticipated toll revenue is unchanged from the September forecast.
- In the current biennium forecast TNB violations revenue increases to $1.13 million or 17.53% from the last forecast due to the three month extension of the existing violations process.

Collection of civil penalty revenue is delayed until the beginning of fiscal year 2012. The civil penalty revenue forecast for the 2011-13 is $2.0 million, unchanged from the September forecast.

- HOT lanes traffic and revenue estimates have been updated to reflect the October transactions and revenues. Overall HOT lane revenue forecast is $1.17 million, which is an increase of $0.05 million or 4.5% over the September forecast. This increase in toll revenue is due to the concurrent increases in the traffic volume and average toll rate.

Figure 37 Short-term Toll Facility Revenue
November 2010 forecast
millions of dollars

	FY 2010	FY 2011	2009-11 Biennium	FY 2012	FY 2013	2011-13 Biennium
Tacoma Narrows Bridge						
Toll Revenue	**$ 45.35**	**46.64**	**91.99**	**49.14**	**51.00**	**100.14**
Fines and Fees	**$ 0.70**	**0.65**	**1.35**	**0.11**	**0.11**	**0.22**
Civil Penalty Fines	**$ 0.00**	**0.00**	**0.00**	**0.74**	**1.27**	**2.01**
Sales	**$ 0.63**	**0.65**	**1.28**	**0.69**	**0.72**	**1.41**
SR 167 HOT Lane						
Toll Revenue	**$ 0.45**	**0.55**	**1.00**	**0.46**	**-**	**0.46**
Fines and Fees	**$ 0.00**	**0.00**	**0.00**	**0.00**	**-**	**0.00**
Sales	**$ 0.08**	**0.09**	**0.17**	**0.07**	**-**	**0.07**
Total Toll Facility Revenue						
Total	**$ 47.21**	**48.58**	**95.79**	**51.21**	**53.10**	**104.31**
% Change from Prior Fcst	0.0%	-0.4%	**-0.2%**	0.1%	0.0%	**0.0%**

Federal Funds

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

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

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

Figure 38: Federal Apportionment and Obligation Authority (OA) to Washington (millions of dollars)- Federal Fiscal Years 1998-2020 with the November 2010 Forecast

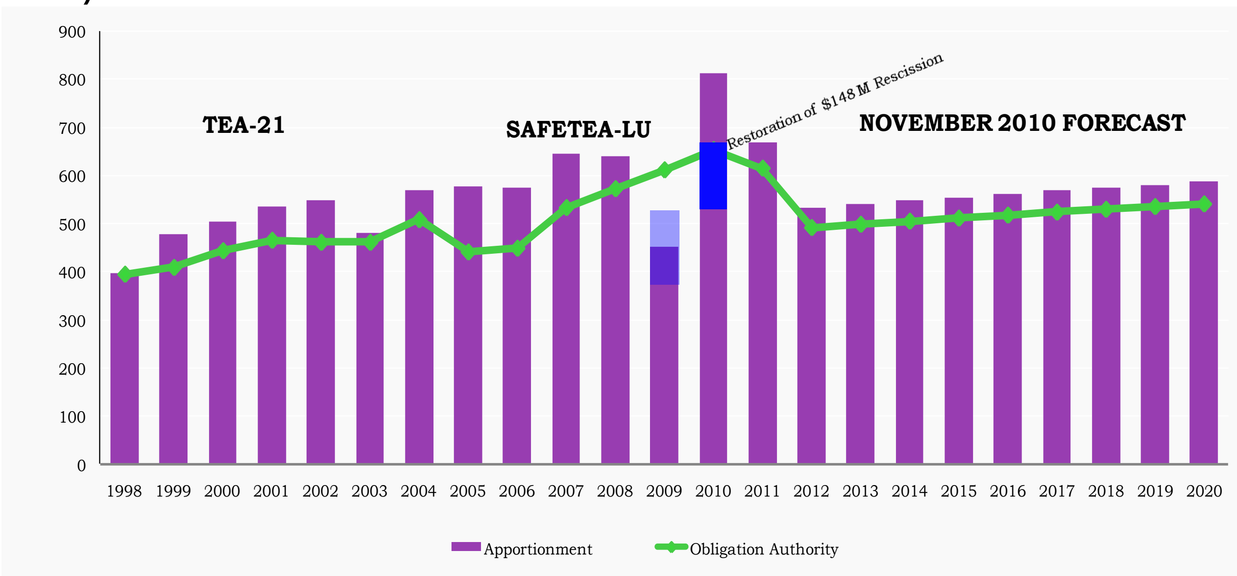
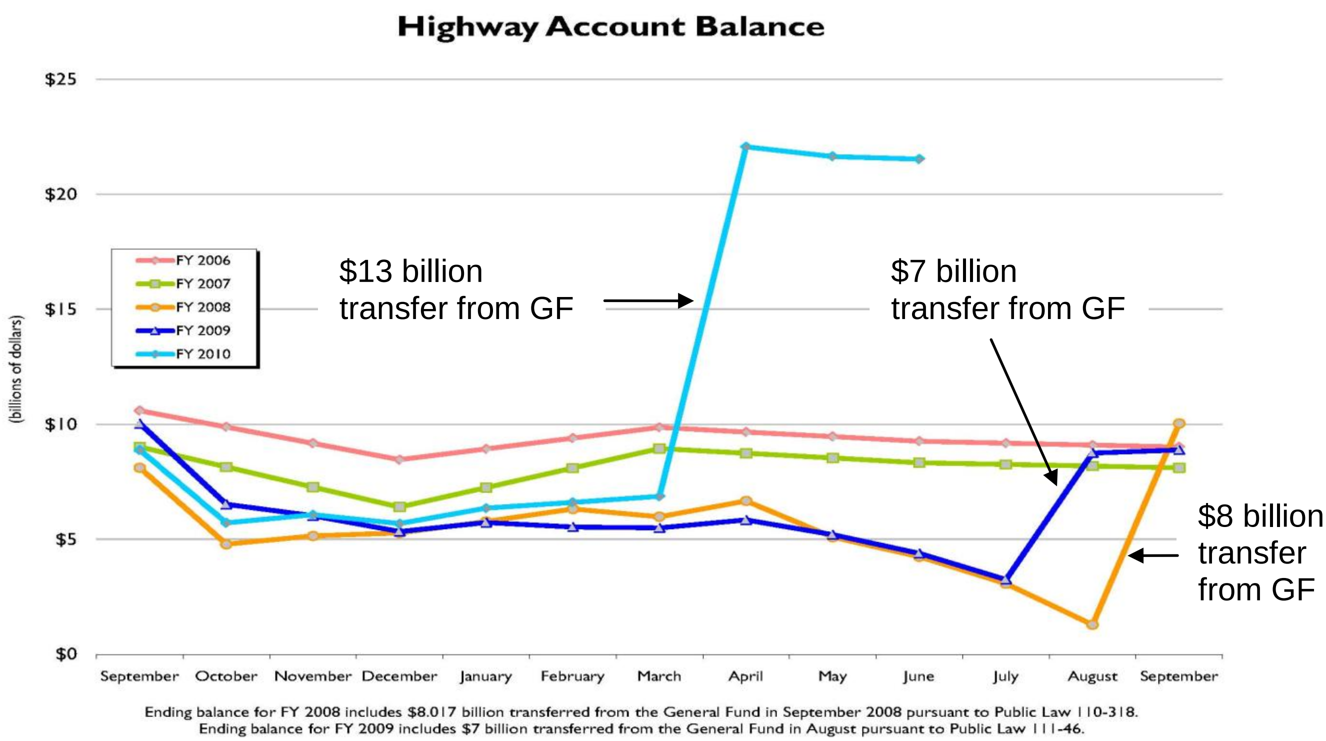


Figure 39 Monthly Federal Highway Trust Fund Account Balance (billions of dollars): 2006-2010



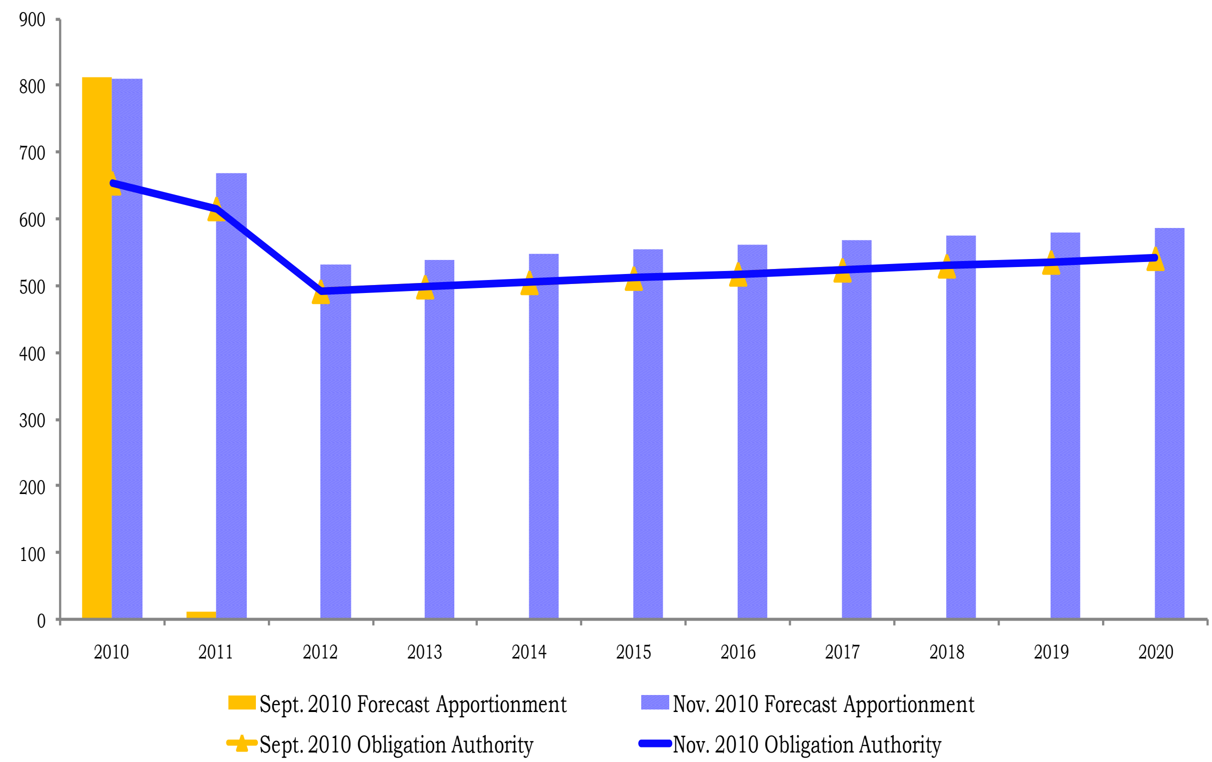
The federal Highway Account within the Highway Trust Fund (HTF) is the principal means for funding federal highway programs. Estimated outlays from the Highway Account under SAFETEA-LU exceeded estimated receipts for federal fiscal years 2005-2009. Furthermore, actual account receipts were lower than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

Washington's Federal Apportionment Forecast

The November 2010 forecast for Washington's apportionment of Federal Highway Trust Fund receipts includes the Federal Highway Administration for 2005 through 2010 form the basis of the federal funds forecast, updated with Federal Highway Administration notices as they are received. November's forecast of Washington apportionment is essentially a no change forecast from September. November's apportionment for FFY 2010 is based on the current continuing resolution notice N4510.723, dated April 20, 2010. The federal funding level for FFY 2010 includes the restoration of the 2009 rescission amount of $148 million and a new rescission based on notice N4510.729 dated August 10, 2010. The total nationwide rescission was $2.2 billion, Washington's share being $37.5 million. The November forecast for FFY 2010 also includes a one-time general fund distribution of $11.9 million (notice N4510.719 dated February 12, 2010). The November total federal apportionment is $812 million for FFY 2010 which is identical to the previous forecast.

The apportionment forecast for FFY 2011 is based the Presidents funding proposal for 2011 dated February 3, 2010. November's FFY 2011 forecast is $670 million which is the same as the September forecast. FFY 2011 federal funding forecast was based on the President's funding proposal because it was the most conservative of three transportation funding proposals being considered. The apportionment forecast for FFY 2012 assumes a 20% reduction from FFY 2011 due to the uncertain nature of the funding in the Highway Trust Fund. This is the same methodology adopted in prior forecasts. The apportionment forecast for FFY 2013 assumes a year over year growth rate of 1.5% and then annually the growth rates decline to 1% over the course of the forecast horizon. In this November forecast as well as in the September and June forecasts, the apportionment level for Washington also includes an annual $11 million reduction due to civil penalties being imposed beginning in FFY 2010.

Figure 40 Federal Apportionment and Obligation Authority (OA) to Washington (millions of dollars): November vs. September 2010 Forecast Comparison Federal Fiscal Years 2010-20



Washington's Obligation Authority Forecast

The obligation authority forecast for FFY 2010 is based on notice N4520.205, dated April 30, 2010. The current OA like the federal apportionment forecast is a no change forecast from the September forecast. The obligation authority forecast for FFY 2011 and beyond is set at 90% of apportionment forecasted for each year, which is consistent with the average obligation authority to apportionment ratio throughout SAFETEA-LU. The current forecast of OA in FFY 2011 is $615 million and OA falls in FFY 2012 to $492 million due to assuming a 20% decline in federal apportionment between FFY 2011 and FFY 2012. In all forecast years, the current OA level did not change from the previous forecast.

Allocations of SAFETEA-LU Funds

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

Civil Penalties in Federal Forecast

Federal law requires states to impose specific penalties in the case of repeat DUI offenders and if that requirement is not met, penalties can be imposed. In 2010, Washington passed legislation (HB 2742) which allowed the state to use ignition interlocks for repeat DUI offenders and gives judges' the discretion to impose a home alcohol sanction. Washington's new law is more flexible than the federal government allows so beginning in FFY 2010 federal penalties are now being imposed. The cost to Washington State DOT is $11 million per year in lower federal funding. Washington is one of 13 states which receive this penalty. In the June 2010 forecast this $11 million penalty was first shown as a reduction to the Interstate Maintenance program and this same treatment has been in place for the current and past forecasts.

Recent Changes in Federal Forecast

- The November forecast is essentially a no change forecast from September due to the fact that state transportation funding is based on a federal continuing resolution that expires on December 30, 2010.
- There has not been any new federal transportation funding legislation since the September forecast to alter past assumptions.

Figure 41 Washington's portion of Federal Highway Funds by Federal Fiscal Year November 2010 forecast
Millions of dollars

	FFY 2010	FFY 2011	FF 2012	FY 2013
WA Statewide Apportionment of FHWA Programs	**$811.6**	**$669.7**	**$532.8**	**$540.4**
% Change from Prior Fcst	0%	0%	0%	0%
Obligation Authority	**$653.2**	**$615.1**	**$491.9**	**$498.7**
% Change from Prior Fcst	0%	0%	0%	0%

Forecast Contacts

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Economic Variables and Fuel Price Forecast

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Motor Fuel Tax Revenue Forecast

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Motor Vehicle Licenses, Permits & Fees Revenue Forecast

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Driver Related Revenue Forecasts

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Federal Funds Forecast

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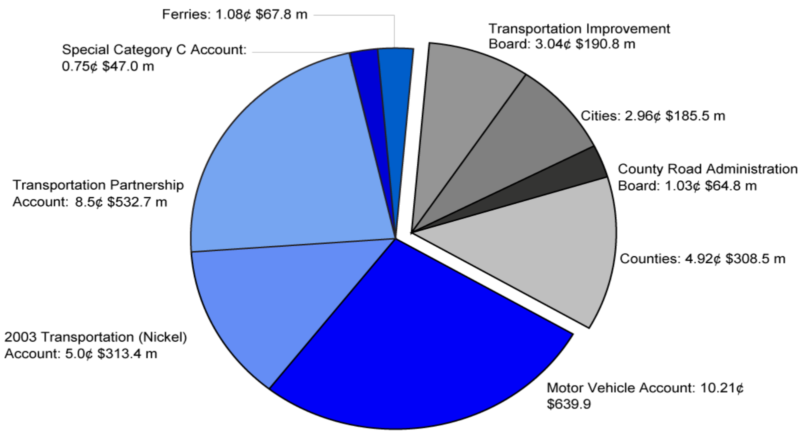
Appendix

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

Motor Fuel Tax Revenue for Distribution

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

Figure 42 Fuel Tax Revenue for Statutory Distribution
2009–11 • $2,350.31 million

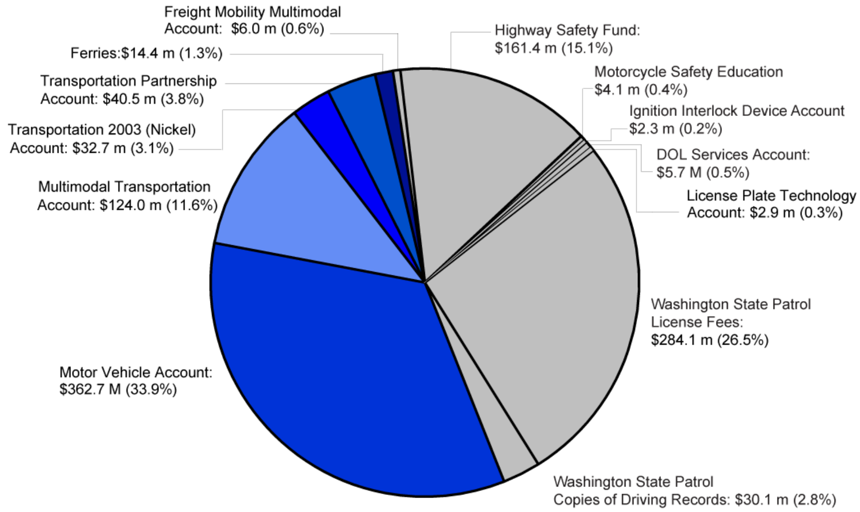


Fuel Tax Revenue Distribution based on the November 2010 Transportation Revenue Forecast
Components may not add due to rounding

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

Figure 43 License Permits and Fees Revenue for Distribution (Both Motor Vehicle & Driver Related) 2009–11 $1,071.0 million



LPF and Driver Related Revenue Distribution based on the November 2010 Transportation Revenue Forecast
Components may not add due to rounding

Impact to Transportation Accounts

Motor Vehicle Account Revenue Forecast and Distributions

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

Figure 44 Motor Vehicle Account Revenue *dollars in millions*	2009-11		2011-13		16-Year Period (2011-2027)	
	Forecast Nov 10	Chg from Sep 10	Forecast Nov 10	Chg from Sep 10	Forecast Nov 10	Chg from Sep 10
Revenues						
Gross Fuel Tax Collections (Gas & Diesel)	2,484.5	1.9	2,549.6	11.9	21,048.0	(1,090.3)
Licenses, Permits, & Fees	361.4	1.6	378.4	0.5	3,325.4	(4.2)
Business-Related Revenue	7.4	0.0	13.1	(0.0)	96.9	(0.2)
Total	**2,853.3**	**3.4**	**2,941.0**	**12.3**	**24,470.3**	**(1,094.7)**
Distribution						
Refunds-Regular	116.6	(1.6)	123.9	(2.4)	1,066.2	(111.1)
Fuel Tax Distributions for Local Uses[1]	732.9	1.0	749.8	4.6	6,177.6	(519.8)
Fuel Tax Distributions for State Uses[2]	970.9	1.3	993.4	6.1	8,185.0	(691.6)
Total	**1,820.5**	**0.8**	**1,867.1**	**8.4**	**15,428.8**	**(1,322.5)**
Net Revenue	**1,032.8**	**2.7**	**1,073.9**	**3.9**	**9,041.5**	**227.8**

Components may not add due to rounding.

Transportation 2003 (Nickel) Account Revenue Forecast

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

Figure 45 Transportation 2003 (Nickel) Account *dollars in millions*	2009-11		2011-13		16-Year Period (2011-2027)	
	Forecast Nov 10	Chg from Sep 10	Forecast Nov 10	Chg from Sep 10	Forecast Nov 10	Chg from Sep 10
Revenue						
5¢ Gas Tax	313.4	0.4	320.6	2.0	2,641.2	(223.1)
Licenses, Permits and Fees	32.7	0.2	34.2	(0.0)	296.7	1.2
Total	**346.1**	**0.6**	**354.9**	**2.0**	**2,938.0**	**(222.0)**

Components may not add due to rounding.

Transportation Partnership Account Revenue Forecast

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

Figure 46 Transportation Partnership Account *dollars in millions*	2009-11		2011-13		16-Year Period (2011-2027)	
	Forecast Nov 10	Chg from Sep 10	Forecast Nov 10	Chg from Sep 10	Forecast Nov 10	Chg from Sep 10
Revenue						
5¢ Gas Tax	532.8	0.7	545.1	3.4	4,490.0	(379.3)
Licenses, Permits and Fees	40.5	0.9	41.4	0.2	367.9	0.7
Total	**573.3**	**1.6**	**586.5**	**3.6**	**4,857.9**	**(378.6)**

Components may not add due to rounding.

Washington State Ferry Accounts Revenue Forecast

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

Figure 47 Washington State Ferries Accounts *dollars in millions*	2009-11		2011-13		16-Year Period (2011-2027)	
	Forecast Nov 10	Chg from Sep 10	Forecast Nov 10	Chg from Sep 10	Forecast Nov 10	Chg from Sep 10
Revenue						
Puget Sound Ferry Op. Acct. (109)						
Ferry Fares	294.6	1.7	310.3	6.6	2,843.5	74.0
Concessions & Other Revenue	6.7	(0.0)	7.6	(0.1)	80.3	0.6
Fuel Tax	43.5	0.1	44.5	0.3	369.3	(31.3)
Licenses, Permits and Fees	14.4	(0.0)	15.0	0.1	133.8	0.4
Subtotal	**359.2**	**1.7**	**377.5**	**6.9**	**3,426.9**	**43.7**
Puget Sound Cap. Const. Acct. (099) Fuel Tax	34.2	0.0	35.0	0.2	288.3	(24.4)
Total	**393.4**	**1.8**	**412.5**	**7.1**	**3,715.1**	**19.4**

Components may not add due to rounding.

Multimodal Transportation Account Revenue Forecast

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

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

Figure 48 Multimodal Account *dollars in millions*	2009-11		2011-13		16-Year Period (2011-2027)	
	Forecast Nov 10	Chg from Sep 10	Forecast Nov 10	Chg from Sep 10	Forecast Nov 10	Chg from Sep 10
Revenue						
Licenses, Permits and Fees	124.0	0.3	129.9	0.8	1,152.1	4.7
Rental Car Tax	43.7	0.5	47.4	0.0	496.0	(5.2)
Vehicle Sales Tax	54.0	0.2	60.6	(0.4)	666.4	0.4
Total	**221.8**	**0.9**	**238.0**	**0.4**	**2,314.4**	**(0.1)**

Components may not add due to rounding.

Aeronautics Account Revenue Forecast

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

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

Figure 49 Aeronautics Account *dollars in thousands*	2009-11		2011-13		16-Year Period (2011-2027)	
	Forecast Nov 10	Chg from Sep 10	Forecast Nov 10	Chg from Sep 10	Forecast Nov 10	Chg from Sep 10
Revenue						
Aircraft Dealer License Fees	8.0	0.0	8.0	0.0	64.0	0.0
Aircraft Excise Tax	52.7	0.0	54.9	0.0	448.0	0.0
Aircraft Fuel Tax	4,930.8	(3.9)	5,179.3	18.8	43,291.1	123.6
Aeronautics Transfer (from MV Fund)	565.5	0.1	568.0	(3.1)	4,457.6	(511.8)
Aircraft Registrations	180.9	0.0	183.5	0.0	1,532.4	0.0
Total	**5,737.9**	**(3.8)**	**5,993.7**	**15.7**	**49,793.1**	**(388.2)**

Components may not add due to rounding.

Toll Revenue Forecast

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

Figure 50 Tolling Accounts *dollars in millions*	2009-11 Forecast Nov 10	2009-11 Chg from Sep 10	2011-13 Forecast Nov 10	2011-13 Chg from Sep 10	16-Year Period (2011-2027) Forecast Nov 10	16-Year Period (2011-2027) Chg from Sep 10
Revenue						
Tacoma Narrows Bridge Account						
Toll Revenues	92.0	(0.2)	100.1	0.0	907.2	0.0
Transponder Sales	1.3	(0.0)	1.4	0.0	13.0	0.0
Violations	1.1	0.2	0.0	0.0	0.0	0.0
Civil Penalties	0.0	(0.2)	2.0	0.0	25.3	0.0
Fees	0.2	0.0	0.2	0.0	1.7	0.0
Subtotal Tacoma Narrows Bridge	**94.6**	**(0.2)**	**103.8**	**0.0**	**947.2**	**0.0**
HOT Lanes Operations Account						
Toll Revenues	1.0	0.0	0.5	0.0	n/a	n/a
Transponder Sales	0.2	0.0	0.1	0.0	n/a	n/a
Fees	0.0	0.0	0.0	0.0	n/a	n/a
Subtotal HOT Lanes Operations	1.2	0.1	0.5	0.0	n/a	n/a
Total Tolling Revenues	**95.8**	**(0.2)**	**104.3**	**0.0**	**947.2**	**0.0**

^ HOT Lanes pilot program expires in May 2012

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

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

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

Figure 51 Highway Safety/Motorcycle Safety/WSP *dollars in millions*	2009-11 Forecast Nov 10	2009-11 Chg from Sep 10	Current Biennium 2011-13 Forecast Nov 10	Current Biennium 2011-13 Chg from Sep 10	16-Year Period (2011-2027) Forecast Nov 10	16-Year Period (2011-2027) Chg from Sep 10
Revenue						
Highway Safety						
Driver License Fees	125.0	0.7	127.4	1.0	1,078.6	4.0
Copies of Records	32.3	0.5	33.3	0.5	288.6	4.2
Other and Miscellaneous	4.1	0.0	4.1	(0.0)	35.0	0.0
Subtotal	**161.4**	**1.2**	**164.9**	**1.5**	**1,402.2**	**8.3**
Motorcycle Safety Permits/Endorsements	4.1	0.0	4.4	0.0	40.3	0.2
State Patrol Copies of Records (ADR) / LPF	314.3	(0.0)	328.6	1.3	2,926.8	4.5
Subtotal	**318.4**	**0.0**	**333.0**	**1.3**	**2,967.1**	**4.7**
Total	**479.8**	**1.3**	**497.9**	**2.7**	**4,369.3**	**13.0**

Components may not add due to rounding.

Figure 52
Forecast to Forecast Comparison for Transportation Revenues and Distributions 10-Year Period
November 2010• *millions of dollars*

	Current Biennium 2009-2011			2011-2013			10-Year Period (2011-2021)			
	Forecast Nov-10	Chg from Sep-10	Percent Change	Forecast Nov-10	Chg from Sep-10	Percent Change	Forecast Nov-10	Forecast Sep-10	Chg from Sep-10	Percent Change
Sources of Transportation Revenue										
Motor Vehicle Fuel Tax Collections	2,484.5	1.9	0.1%	2,549.6	11.9	0.5%	12,993.2	13,546.8	(553.6)	-4.1%
Licenses, Permits and Fees	873.0	2.9	0.3%	912.7	3.0	0.3%	4,839.8	4,830.5	9.3	0.2%
Ferry Revenue†	301.3	1.7	0.6%	317.9	6.5	2.1%	1,749.4	1,705.0	44.4	2.6%
Toll Revenue	95.8	(0.2)	-0.2%	104.3	0.0	0.0%	567.4	567.3	0.0	0.0%
Aviation Revenues ‡	5.7	(0.0)	-0.1%	6.0	0.0	0.3%	30.8	30.9	(0.1)	-0.3%
Rental Car Tax	43.7	0.5	1.1%	47.4	0.0	0.0%	280.6	283.9	(3.3)	-1.2%
Vehicle Sales Tax	54.0	0.2	0.4%	60.6	(0.4)	-0.7%	379.5	379.8	(0.3)	-0.1%
Driver-Related Fees	198.0	1.4	0.7%	201.9	1.5	0.8%	1,050.6	1,044.6	6.0	0.6%
Business/Other Revenues ‡	7.4	0.0	0.0%	13.1	(0.0)	-0.1%	58.4	58.6	(0.1)	-0.2%
Total Revenues	**4,063.5**	**8.3**	**0.2%**	**4,213.5**	**22.5**	**0.5%**	**21,949.7**	**22,447.4**	**(497.7)**	**-2.2%**
Distribution of Revenue										
Motor Fuel Tax Refunds and Transfers	116.7	(1.5)	-1.3%	123.9	(2.4)	-1.9%	646.7	688.6	(41.9)	-6.1%
State Uses										
Motor Vehicle Account (108)	1,033.1	2.9	0.3%	1,073.9	3.9	0.4%	5,525.6	5,678.6	(153.0)	-2.7%
Transportation 2003 (Nickel) Account (550)	346.1	0.5	0.2%	354.9	2.0	0.6%	1,813.0	1,878.4	(65.4)	-3.5%
Transportation 2005 Partnership Account (09H)	573.3	1.5	0.3%	586.5	3.6	0.6%	2,995.4	3,107.4	(112.0)	-3.6%
Multimodal Account (218)	221.8	0.9	0.4%	238.0	0.4	0.2%	1,350.5	1,350.8	(0.3)	0.0%
Special Category C Account (215)	47.0	0.1	0.1%	48.1	0.3	0.6%	244.9	254.8	(9.9)	-3.9%
Puget Sound Capital Construction Account (099)	34.2	0.0	0.1%	35.0	0.2	0.6%	178.2	185.4	(7.2)	-3.9%
Puget Sound Ferry Operations Account (109)	359.2	1.7	0.5%	377.5	6.9	1.9%	2,057.1	2,021.6	35.5	1.8%
Tacoma Narrows Bridge Account (511)*	94.6	(0.2)	-0.2%	103.8	0.0	0.0%	566.8	566.8	0.0	0.0%
High Occupancy Toll Lanes Account (09F)*	1.2	0.1	4.5%	0.5	0.0	9.7%	0.5	0.5	0.0	9.7%
Aeronautics Account (039)	5.7	(0.0)	-0.1%	6.0	0.0	0.3%	30.8	30.9	(0.1)	-0.3%
State Patrol Highway Account (081)	314.3	(0.0)	0.0%	328.6	1.3	0.4%	1,750.6	1,746.3	4.3	0.2%
Highway/Motorcycle Safety Accts. (106 & 082)	165.5	1.3	0.8%	169.2	1.5	0.9%	879.5	873.7	5.8	0.7%
Other accounts (201, 06T, 097, 09E, 216, 07C)	15.9	0.0	0.3%	16.3	0.1	0.6%	84.4	84.0	0.4	0.5%
Ignition Interlock Deviuces Revolving Acct 14V	2.3	0.1	5.5%	1.6	0.1	7.3%	7.8	7.2	0.5	7.3%
Total for State Use	**3,214.0**	**8.9**	**0.3%**	**3,339.8**	**20.2**	**0.6%**	**17,485.0**	**17,786.4**	**(301.4)**	**-1.7%**
Local Uses										
Cities	180.3	0.2	0.1%	184.5	1.1	0.6%	939.1	977.2	(38.1)	-3.9%
Counties	295.1	0.4	0.1%	302.0	1.9	0.6%	1,538.1	1,599.9	(61.8)	-3.9%
Transportation Improvement Board (112 & 144)	192.6	0.2	0.1%	197.1	1.2	0.6%	1,003.4	1,044.2	(40.7)	-3.9%
County Road Administration Board (102 & 186)	64.8	0.1	0.1%	66.3	0.4	0.6%	337.4	351.1	(13.7)	-3.9%
Total for Local Use	**732.8**	**0.9**	**0.1%**	**749.8**	**4.6**	**0.6%**	**3,818.0**	**3,972.4**	**(154.4)**	**-3.9%**
Total Distribution of Revenue	**4,063.5**	**8.3**	**0.2%**	**4,213.5**	**22.5**	**0.5%**	**21,949.7**	**22,447.4**	**(497.7)**	**-2.2%**

+ Fares plus non-farebox revenue ; ^ 2007–09 is the first biennium to include Tacoma Narrows Bridge toll revenue; November 2008 was the first forecast to include HOT Lanes toll revenue; March 2009 was the first forecast to include revenue from transponder sales, violation fines and fees; ± Aviation Revenues and Business / Other Revenues net of amount transferred to General Fund

Figure 53
Forecast to Baseline Comparison for Transportation Revenues and Distributions 10-Year Period
November 2010 • *millions of dollars*

	Current Biennium 2009-2011			2011-2013			10-Year Period (2011-2021)		
	Forecast Nov-10	Chg from Baseline *	Percent Change	Forecast Nov-10	Chg from Baseline *	Percent Change	Forecast Nov-10	Chg from Baseline *	Percent Change
Sources of Transportation Revenue									
Motor Vehicle Fuel Tax Collections	2,484.5	(42.9)	-1.7%	2,549.6	(48.3)	-1.9%	12,993.2	(878.2)	-6.3%
Licenses, Permits and Fees	873.0	(9.9)	-1.1%	912.7	(12.1)	-1.3%	4,839.8	(70.0)	-1.4%
Ferry Revenue†	301.3	0.5	0.2%	317.9	(4.8)	-1.5%	1,749.4	(15.3)	-0.9%
Toll Revenue	95.8	(3.0)	-3.0%	104.3	(1.0)	-0.9%	567.4	3.3	0.6%
Aviation Revenues ±	5.7	0.7	15.0%	6.0	1.0	20.0%	30.8	4.8	18.4%
Rental Car Tax	43.7	(0.1)	-0.2%	47.4	(1.2)	-2.5%	280.6	(23.0)	-7.6%
Vehicle Sales Tax	54.0	(4.3)	-7.4%	60.6	(8.9)	-12.8%	379.5	(38.3)	-9.2%
Driver-Related Fees	198.0	2.2	1.1%	201.9	1.5	0.8%	1,050.6	(6.4)	-0.6%
Business/Other Revenues ±	7.4	(9.1)	-55.3%	13.1	(1.6)	-11.0%	58.4	(15.2)	-20.6%
Total Revenues	**4,063.5**	**(65.9)**	**-1.6%**	**4,213.5**	**(75.3)**	**-1.8%**	**21,949.7**	**(1,038.3)**	**-4.5%**
Distribution of Revenue									
Motor Fuel Tax Refunds and Transfers	116.7	(4.0)	-3.3%	123.9	(5.8)	-4.4%	646.7	(65.9)	-9.3%
State Uses									
Motor Vehicle Account (108)	1,033.1	(28.7)	-2.7%	1,073.9	(20.9)	-1.9%	5,525.6	(289.5)	-5.0%
Transportation 2003 (Nickel) Account (550)	346.1	(4.0)	-1.1%	354.9	(5.5)	-1.5%	1,813.0	(106.0)	-5.5%
Transportation 2005 Partnership Account (09H)	573.3	(8.1)	-1.4%	586.5	(10.0)	-1.7%	2,995.4	(184.1)	-5.8%
Multimodal Account (218)	221.8	(4.2)	-1.9%	238.0	(10.3)	-4.1%	1,350.5	(63.2)	-4.5%
Special Category C Account (215)	47.0	(0.7)	-1.5%	48.1	(0.8)	-1.7%	244.9	(15.9)	-6.1%
Puget Sound Capital Construction Account (099)	34.2	(0.5)	-1.5%	35.0	(0.6)	-1.7%	178.2	(11.6)	-6.1%
Puget Sound Ferry Operations Account (109)	359.2	(0.4)	-0.1%	377.5	(5.7)	-1.5%	2,057.1	(31.2)	-1.5%
Tacoma Narrows Bridge Account (511)*	94.6	(2.7)	-2.8%	103.8	(0.5)	-0.5%	566.8	3.8	0.7%
High Occupancy Toll Lanes Account (09F)*	1.2	(0.3)	-19.0%	0.5	(0.5)	-47.2%	0.5	(0.5)	-47.2%
Aeronautics Account (039)	5.7	0.7	15.0%	6.0	1.0	20.0%	30.8	4.8	18.4%
State Patrol Highway Account (081)	314.3	(3.8)	-1.2%	328.6	(4.8)	-1.4%	1,750.6	(26.4)	-1.5%
Highway/Motorcycle Safety Accts. (106 & 082)	165.5	1.9	1.2%	169.2	2.5	1.5%	879.5	(2.0)	-0.2%
Other accounts (201, 06T, 097, 09E, 216, 07C)	15.9	(0.0)	-0.3%	16.3	(0.0)	-0.1%	84.4	(0.2)	-0.2%
Ignition Interlock Device Revolving Acct 14V	2.3	0.5	100.0%	1.6	(0.1)	100.0%	7.8	(0.7)	100.0%
Total for State Use	**3,214.0**	**(50.3)**	**-1.5%**	**3,339.8**	**(56.3)**	**-1.7%**	**17,485.0**	**(722.6)**	**-4.0%**
Local Uses									
Cities	180.3	(2.8)	-1.5%	184.5	(3.2)	-1.7%	939.1	(61.0)	-6.1%
Counties	295.1	(4.7)	-1.6%	302.0	(5.5)	-1.8%	1,538.1	(101.6)	-6.2%
Transportation Improvement Board (112 & 144)	192.6	(3.0)	-1.5%	197.1	(3.4)	-1.7%	1,003.4	(65.2)	-6.1%
County Road Administration Board (102 & 186)	64.8	(1.0)	-1.5%	66.3	(1.1)	-1.7%	337.4	(21.9)	-6.1%
Total for Local Use	**732.8**	**(11.5)**	**-1.5%**	**749.8**	**(13.3)**	**-1.7%**	**3,818.0**	**(249.7)**	**-6.1%**
Total Distribution of Revenue	**4,063.5**	**(65.9)**	**-1.6%**	**4,213.5**	**(75.3)**	**-1.8%**	**21,949.7**	**(1,038.3)**	**-4.5%**

+ Fares plus non-farebox revenue ; ^ 2007–09 is the first biennium to include Tacoma Narrows Bridge toll revenue; November 2008 was the first forecast to include HOT Lanes toll revenue; March 2009 is the first forecast to include revenue from transponder sales, violation fines and fees; ± Aviation Revenues and Business / Other Revenues net of amount transferred to General Fund