Transportation Revenue Forecast Council

September 2012 Transportation Economic and Revenue Forecasts

Volume I: Summary

Washington Transportation
Economic and Revenue Forecast
September 2012 Forecast

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Preface

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

Transportation Forecast Summary

Forecast Overview

Here are key conclusions from the September 2012 transportation revenue forecast.

- September 2012 transportation forecast of revenues: $4.307 billion for the current biennium which represents an increase of 5.7% over the prior 2009-11 biennium of $4.074 billion.
- Overall transportation revenue is down 0.3% forecast to forecast in the current biennium ($11.4 million) with the largest share of the change in September from motor vehicle fuel taxes and driver related revenue. Licenses, permits, and fees revenue is also down in the current and future biennia.
- For the 10-year forecast horizon, total revenues are projected to be $23.2 billion, which is down by $99.4 million (0.4%) from June due to lower collections and consumption than anticipated in June.
- New projections of real personal income and employment growth rates are up from the last forecast. Washington Forecast Council personal income and employment forecasts are extended for two more years and are more optimistic than OFM's long-term projections. These new economic variable projections caused revenues to be higher. The current forecast for average retail gas, diesel and wholesale diesel price forecasts are down from the June forecast.
- The primary reason for the change in fuel taxes in the current year has been lower gas and diesel tax collections than anticipated. For the current biennium, gasoline and diesel revenue are down from the June forecast and revenues are $2.49 billion in total. This fuel revenue forecast is lower by $8.9 million (0.3%). Motor fuel tax refunds are also down by $1.7 million in the current biennium due to smaller special fuel refunds projections than anticipated in the last forecast.
- In the current biennium, the vehicle licenses, permits, and fee (LPF) forecast is $925.9 million, which is lower by $1.5 million over the last forecast. This is due to lower registrations than anticipated in June. In the next biennium, LPF revenues are down more $6.6 million from June with the primary reason being a revised truck forecast model. Over the 10-year forecast horizon, the vehicle LPF revenue forecast is projected to be $5.034 billion, down $46.6 million, or 0.9%.
- Vehicle sales tax revenue and rental car tax are up slightly in the current biennium but these revenues are down in future biennia with the change being minor compared to the last forecast.
- Base ferry revenue estimate is $324.2 million and is up minimally from last forecast due to more optimistic economic variables.
- Toll revenue is estimated at $202 million in the current biennium and this September forecast is up $0.9 million from June. The SR 520 toll revenue forecast is unchanged from the June forecast. The TNB and HOT lanes September forecasts are up $0.9 million from June in the current biennium.
- The September federal funds forecast includes the new federal transportation Act MAP-21 which increases federal obligation authority funds by $140 million per year for FFY 2013 and 2014.

In FY 2010, transportation revenues were $2.014 billion which was a decline of 1% over the prior fiscal year as the economy struggled from the recession. In FY 2011, transportation revenues were $2.06 billion or 2.3% growth over FY 2010. In FY 2012, transportation revenues are projected at $2.09 billion which is 1.7% annual increase and a minor revision downward of -0.07% from the June forecast. In FY 2013, transportation revenues are projected to be $2.21 billion, which represents an annual increase of 5.7% and a downward revision from June of 0.45%. Overall during the 10-year horizon, transportation revenues are projected to be $23.2 billion with an average growth rate of 1.6% each year.

Figure 1 Total Transportation Revenues Comparison
September vs June 2012 forecasts
millions of dollars

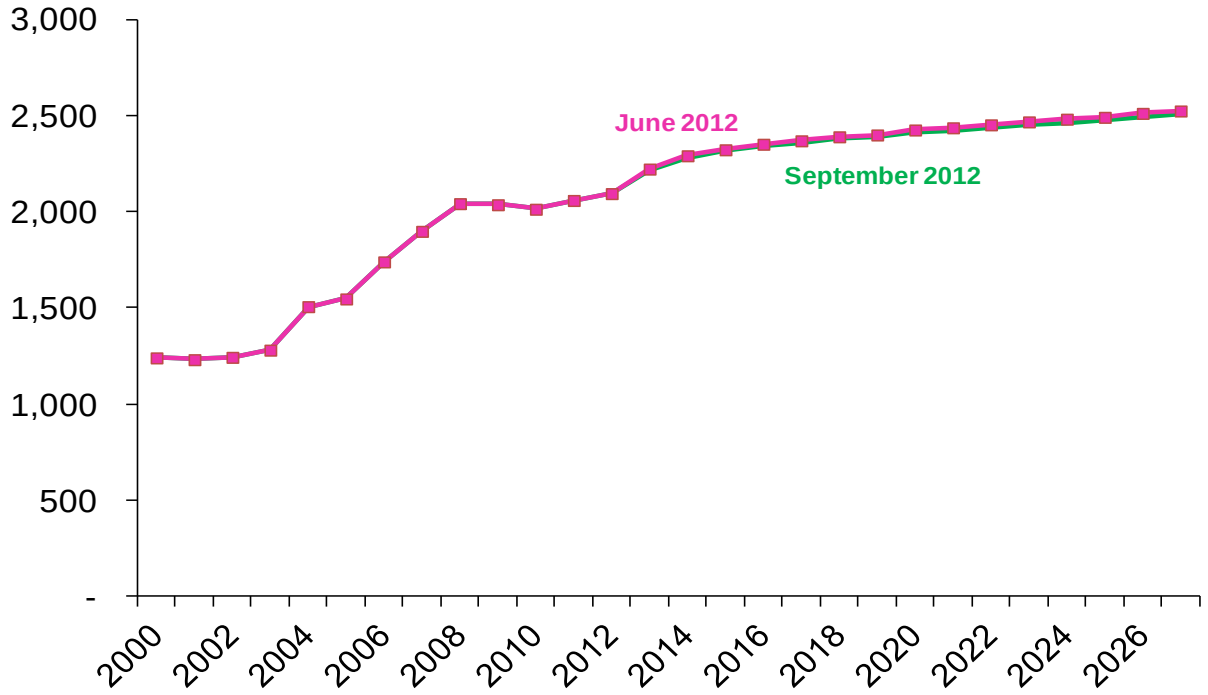
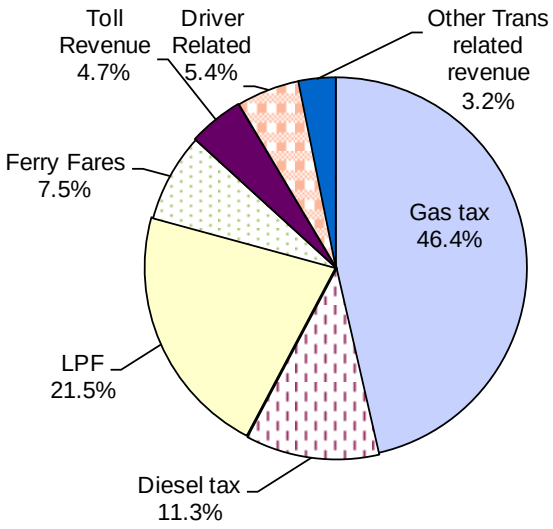


Figure 2 Revenue by Source
2011-13 biennium ($4.307 billion)



Washington's transportation revenues come from numerous taxes, fees, permits, tolls, and other revenues. Revenues forecasted each quarter include the sources contained in Figure 2. This pie graph reveals the anticipated share of each state revenue source to the total transportation revenues for 2011-13 biennium, ($4.3 billion). Gasoline fuel taxes comprise the largest share at 46.4%. With the addition of diesel fuel taxes, all motor vehicle fuel taxes comprise 57.7% of all revenues. Licenses, permits, and fee revenues comprise the second largest share at 21.5%. The largest three revenue sources are projected to consist of 79.2% of revenues in the 2011-13 biennium. The remaining 20.8% consists of ferry fares, toll revenue, driver related revenue and other transportation related revenue.

As Figure 3 indicates, in the current biennium, September transportation revenues are projected at $4.307 billion. This forecast is slightly down from the last forecast by $11.4 million or 0.3% from June. The growth in the September revenue forecast over the last forecast is primarily due to tax collections not meeting expectations. In the next biennium, total transportation revenues are anticipated to be $4.599 billion which is a biennium to biennium growth of 6.8% and down 0.4% from the June forecast by $16 million. Motor fuel taxes declined by $8.7 million and the license, permits, and fee revenue fell by $1.5 million from the June projections. Aviation, driver related fee revenue and business related revenues also declined from June projections. Toll and ferry revenue are up slightly from June in the current biennium.

Figure 3 Forecast to Forecast Biennium Comparison of All Transportation Revenues
September 2012 forecast - 10 year period *millions of dollars*

Forecast to Forecast Comparison for Transportation Revenues and Distributions 10-Year Period
September 2012 • millions of dollars

	Current Biennium 2011-2013			2013-2015			10-Year Period (2011-2021)		
	Forecast Sep-12	Chg from Jun-12	Percent Change	Forecast Sep-12	Chg from Jun-12	Percent Change	Forecast Sep-12	Chg from Jun-12	Percent Change
Sources of Transportation Revenue									
Motor Vehicle Fuel Tax Collections	2,487.1	(8.7)	-0.3%	2,530.4	(12.5)	-0.5%	12,677.8	(57.2)	-0.4%
Licenses, Permits and Fees *	925.9	(1.5)	-0.2%	991.7	(6.6)	-0.7%	5,034.4	(46.6)	-0.9%
Ferry Revenue†	324.2	3.5	1.1%	344.9	6.0	1.8%	1,797.0	24.1	1.4%
Toll Revenue	202.0	0.9	0.5%	275.0	2.0	0.7%	1,455.5	10.1	0.7%
Aviation Revenues ‡	6.7	(0.2)	-3.0%	6.5	0.3	5.5%	32.8	0.5	1.5%
Rental Car Tax	48.1	0.0	0.1%	51.3	(0.1)	-0.2%	273.2	(0.9)	-0.3%
Vehicle Sales Tax	61.6	0.0	0.0%	68.1	(0.8)	-1.2%	366.6	(8.3)	-2.2%
Driver-Related Fees*	232.0	(4.6)	-1.9%	310.8	(5.2)	-1.6%	1,470.4	(22.6)	-1.5%
Business/Other Revenues ‡*	19.9	(0.9)	-4.3%	20.9	0.6	2.9%	105.9	1.4	1.4%
Total Revenues	**4,307.4**	**(11.4)**	**-0.3%**	**4,599.6**	**(16.2)**	**-0.4%**	**23,213.5**	**(99.4)**	**-0.4%**
Distribution of Revenue									
Motor Fuel Tax Refunds and Transfers	**146.3**	**(1.7)**	**-1.2%**	**139.4**	**(3.2)**	**-2.2%**	**737.6**	**(16.7)**	-2.2%
State Uses									
Motor Vehicle Account (108)	1,056.7	(0.4)	0.0%	1,087.6	(3.8)	-0.3%	5,461.0	(31.2)	-0.6%
Transportation 2003 (Nickel) Account (550)	357.7	(1.1)	-0.3%	393.5	(2.2)	-0.6%	1,946.2	(11.5)	-0.6%
Transportation 2005 Partnership Account (09H)	567.1	(0.8)	-0.1%	579.0	(2.4)	-0.4%	2,894.4	(13.3)	-0.5%
Multimodal Account (218)	238.4	(0.5)	-0.2%	254.2	(1.7)	-0.7%	1,333.7	(8.5)	-0.6%
Special Category C Account (215)	46.5	(0.1)	-0.3%	47.5	(0.2)	-0.4%	237.0	(0.8)	-0.3%
Puget Sound Capital Construction Account (099)	33.8	(0.1)	-0.3%	34.5	(0.1)	-0.4%	172.5	(0.6)	-0.3%
Puget Sound Ferry Operations Account (109)	375.7	3.3	0.9%	396.3	5.6	1.4%	2,055.3	22.4	1.1%
Capital Vessel Replacement Account (18J)	6.3	0.1	0.0%	7.9	0.1	0.0%	40.5	0.4	0.0%
Tacoma Narrows Bridge Account (511)	107.7	0.9	0.8%	128.2	2.0	1.5%	667.9	10.1	1.5%
High Occupancy Toll Lanes Account (09F)^	2.1	0.1	2.6%	0.0	0.0	0.0%	2.1	0.1	2.6%
SR 520 Corridor Account (16J)	86.6	0.0	0.0%	139.5	0.0	0.0%	752.0	0.0	0.0%
SR 520 Corridor Civil Penalties Account (17P)	5.6	0.0	0.0%	7.4	0.0	0.0%	33.5	0.0	0.0%
Aeronautics Account (039)	6.7	(0.2)	-3.0%	6.5	0.3	5.5%	32.8	0.5	1.5%
State Patrol Highway Account (081)	329.2	(4.4)	-1.3%	346.7	(4.3)	-1.2%	1,775.8	(22.5)	-1.3%
Highway/Motorcycle Safety Accts. (106 & 082)	198.3	(4.3)	-2.1%	271.4	(3.3)	-1.2%	1,274.9	(14.5)	-1.1%
Other accounts (201, 06T, 097, 09E, 216, 07C)	16.0	(0.1)	-0.7%	16.4	(0.1)	-0.7%	83.4	(0.3)	-0.4%
Ignition Interlock Devices Revolving Acct 14V	2.6	0.0	0.3%	3.5	0.0	0.0%	16.6	0.0	0.0%
Total for State Use	**3,436.9**	**(7.6)**	**-0.2%**	**3,720.0**	**(10.0)**	**-0.3%**	**18,779.6**	**(69.9)**	**-0.4%**
Local Uses									
Cities	178.2	(0.5)	-0.3%	182.1	(0.7)	-0.4%	909.1	(3.2)	-0.3%
Counties	291.7	(0.8)	-0.3%	298.2	(1.2)	-0.4%	1,489.2	(5.2)	-0.3%
Transportation Improvement Board (112 & 144)	190.4	(0.5)	-0.3%	194.5	(0.8)	-0.4%	971.4	(3.4)	-0.3%
County Road Administration Board (102 & 186)	64.0	(0.2)	-0.3%	65.4	(0.3)	-0.4%	326.6	(1.1)	-0.3%
Total for Local Use	**724.2**	**(2.0)**	**-0.3%**	**740.2**	**(3.1)**	**-0.4%**	**3,696.3**	**(12.8)**	**-0.3%**
Total Distribution of Revenue	**4,307.4**	**(11.4)**	**-0.3%**	**4,599.6**	**(16.2)**	**-0.4%**	**23,213.5**	**(99.4)**	**-0.4%**

† Ferry Fares plus non-farebox revenue
‡ Aviation Revenues and Business/Other Revenues net of amounts transferred to General Fund.
* These transportation revenues had new fees or higher fees adoption by the 2012 Legislature.
^ 167 HOT lanes is a pilot program due to sunset September 30, 2013

In the next biennium, the same trends occur: fuel taxes are down $12.5 million, LPF revenues are down $6.6 million and driver related revenues are down $5 million from June. In the 2013-15 biennium, rental car and new vehicle car sales revenue are both also down over the last forecast. Over the 10-year forecast horizon (2012-2021), the revenue forecast for September 2012 is $23.2 billion which is lower by $99 million or 0.4% from the June forecast.

Figure 4 reveals the forecast to baseline comparison. The major difference between the baseline February 2012 forecast and the current September 2012 is the inclusion of 2012 legislative changes which increased and added several transportation fees. In the current biennium, total transportation revenues are up $43 million and in the 2013-15 biennium, transportation revenues are up $157.6 million from the baseline February 2012 forecast. Over the 10 year forecast horizon, revenues are up $541 million from the baseline forecast.

Figure 4 Forecast to Baseline (February 2012 Forecast) Comparison of All Transportation Revenues September 2012 forecast - 10 year period *millions of dollars*

Forecast to Baseline Comparison for Transportation Revenues and Distributions 10-Year Period

September 2012 • millions of dollars

	Current Biennium 2011-2013			2013-2015			10-Year Period (2011-2021)		
	Forecast Sep-12	Chg from Baseline ¥	Percent Change	Forecast Sep-12	Chg from Baseline ¥	Percent Change	Forecast Sep-12	Chg from Baseline ¥	Percent Change
Sources of Transportation Revenue									
Motor Vehicle Fuel Tax Collections	2,487.1	(32.4)	-1.3%	2,530.4	(46.4)	-1.8%	12,677.8	(301.8)	-2.3%
Licenses, Permits and Fees	925.9	24.2	2.7%	991.7	64.2	6.9%	5,034.4	267.8	5.6%
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Toll Revenue §	202.0	15.6	8.4%	275.0	25.4	10.2%	1,455.5	126.8	9.5%
Aviation Revenues ‡	6.7	0.8	13.2%	6.5	0.5	7.6%	32.8	2.0	6.3%
Rental Car Tax	48.1	0.1	0.2%	51.3	0.0	0.1%	273.2	(0.1)	0.0%
Vehicle Sales Tax	61.6	0.7	1.2%	68.1	(0.1)	-0.1%	366.6	(6.1)	-1.6%
Driver-Related Fees	232.0	28.7	14.1%	310.8	104.2	50.4%	1,470.4	417.1	39.6%
Business/Other Revenues ±	19.9	2.3	13.3%	20.9	2.6	14.1%	105.9	12.6	13.5%
Total Revenues	**4,307.4**	**43.3**	**1.0%**	**4,599.6**	**157.6**	**3.5%**	**23,213.5**	**541.1**	**2.4%**
Distribution of Revenue									
Motor Fuel Tax Refunds and Transfers	**146.3**	**(5.5)**	**-3.6%**	**139.4**	**(4.5)**	**-3.1%**	737.6	**(28.6)**	**-3.7%**
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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.

Figure 5 Annual Percentage Change (%) in Select Economic Variables
September 2012 forecast

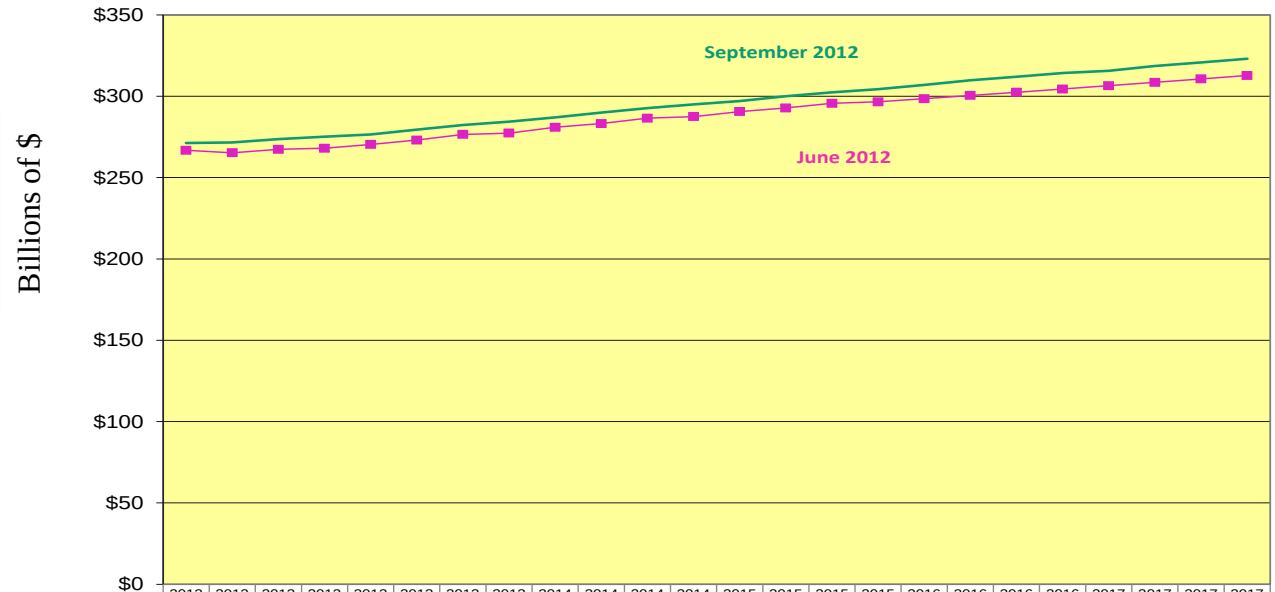
Fiscal Year	WA Personal Income	Annual Population	US General Prices (IPDC)	US Oil & Gas Price Index	US Fuel Efficiency (MPG)	WA non-farm Employ-ment	Nominal Consumer Sales on New Vehicles	WA Driver In-Migration
2010	-2.5	1.0	1.2	2.5	0.1	-4.0	10.0	-1.0
2011	3.0	1.0	1.8	17.7	0.4	0.6	10.1	19.9
2012	2.2	1.0	2.3	13.7	0.8	1.6	14.0	-9.8
2013	2.8	1.0	1.8	-7.9	0.9	1.9	5.7	-4.8
2014	3.5	1.1	1.9	-2.9	1.1	2.1	3.4	-0.6
2015	3.6	1.2	2.1	-3.3	1.3	2.1	6.6	-0.4
2016	3.3	1.2	2.1	-0.8	1.5	1.9	6.1	-0.8
2017	3.0	1.2	2.1	4.9	1.6	1.7	4.8	-0.7
2018	2.9	1.2	2.0	2.4	1.7	1.3	1.5	-0.5
2019	2.9	1.1	1.9	2.8	1.7	0.9	1.6	-0.3
2020	2.8	1.1	1.8	2.4	1.8	0.9	1.4	-0.2
2021	2.8	1.1	1.9	2.2	1.9	1.0	1.3	-0.1
2022	2.7	1.0	1.9	1.9	1.9	0.8	1.2	-0.2
2023	2.8	1.0	1.9	2.4	2.2	0.7	1.4	-0.1
2024	3.0	1.0	1.9	3.8	2.2	0.8	2.4	0.0
2025	2.9	1.1	1.9	3.4	2.2	0.9	2.0	0.2
2026	2.9	1.0	1.9	3.3	2.2	1.0	2.5	0.0
2027	2.8	1.0	1.9	3.4	2.2	1.1	2.0	0.0

Source: Washington Economic and Revenue Forecast Council, Washington Office of Financial Management, Aug. 2012 Global Insight forecast adjusted for Blue Chip average GDP growth rates and NYMEX crude oil prices

WA Personal Income
The forecast of Washington real personal income is projected by the Washington Economic and Revenue Forecast Council (ERFC), based on the Aug. Global Insight forecast, Aug. Blue Chip average US GDP growth rates, NYMEX fuel prices and other forecasted economic variables in the near term. The ERFC projections have been extended out 2 more years, through FY 2017. The September 2012 Washington personal income estimates from ERFC are up in FY 2012 to 2.2% from 1.5% in June. For 2012, current real personal income projection is an increase to $268.7 billion versus $266.8 billion in the prior forecast June. For FY 2013, the new ERFC projections have a slightly lower growth rate at 2.8% versus 3.0% in June's projection. Then in subsequent years of the ERFC projections, of 1.8% annual growth in FY 2013. In FY 2013, Washington real personal income is projected at $275 billion versus $270 billion in the June forecast. Then the September 2012 Washington personal income projections are up from last quarter's projections. For FY 2014 and FY 2015 annual growth rates of 3.5% and 3.6% respectively are projected as opposed to 3.5% and 3.1% in June. Personal income projections for FY 2014 and 2015 are $285.9 billion and $296.2 billion respectively. The new extended ERFC projections of the Washington personal

income level are higher than OFM's long term projections for FY 2016 and FY 2017. The annual growth rates for Washington's real personal income is 3.3% and 3.0% respectively as compared to 2.8% and 2.6% from OFM's long-term projections.

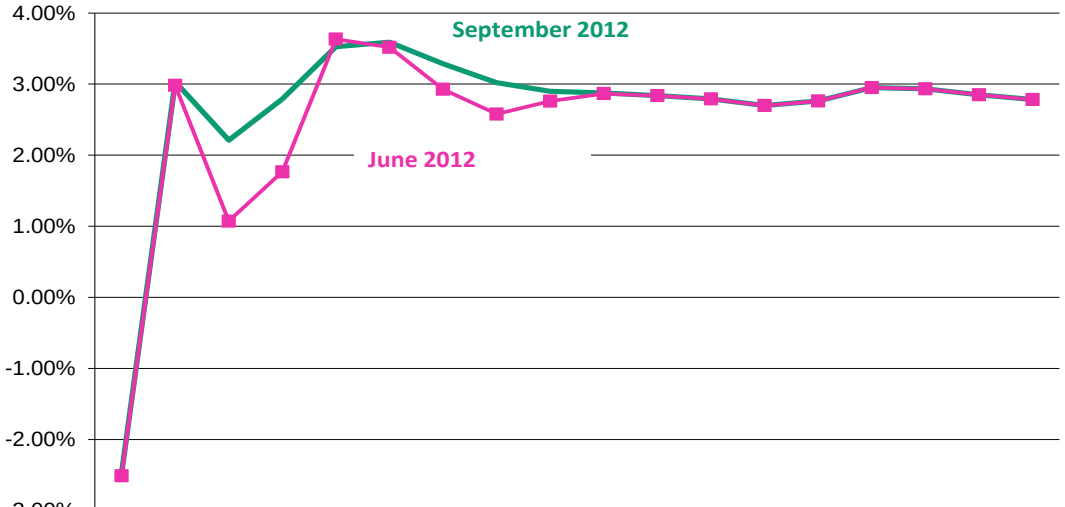
Figure 6 Comparison of Quarterly Washington Real Personal Income September vs June 2012



	2012 Qtr 1	2012 Qtr 2	2012 Qtr 3	2012 Qtr 4	2013 Qtr 1	2013 Qtr 2	2013 Qtr 3	2013 Qtr 4	2014 Qtr 1	2014 Qtr 2	2014 Qtr 3	2014 Qtr 4	2015 Qtr 1	2015 Qtr 2	2015 Qtr 3	2015 Qtr 4	2016 Qtr 1	2016 Qtr 2	2016 Qtr 3	2016 Qtr 4	2017 Qtr 1	2017 Qtr 2	2017 Qtr 3	2017 Qtr 4
Jun-12	266.7	265.2	267.3	268.0	270.3	273.0	276.5	277.3	280.9	283.2	286.5	287.4	290.5	292.7	295.6	296.5	298.5	300.4	302.4	304.4	306.5	308.5	310.6	312.7
Sep-12	271.3	271.6	273.6	275.1	276.4	279.4	282.3	284.3	287.0	289.9	292.7	294.9	297.0	299.9	302.4	304.3	306.9	309.8	312.0	314.3	315.7	318.5	320.8	323.1

Source: Washington Economic and Revenue Forecast Council (Aug. 2012 economic variables) and 2012 OFM long-term personal income forecast

Figure 7 Forecast Comparison of Annual Growth Rates for Washington Real Personal Income September vs. June 2012



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Sep-12	-2.5%	3.0%	2.2%	2.8%	3.5%	3.6%	3.3%	3.0%	2.9%	2.9%	2.8%	2.8%	2.7%	2.8%	3.0%	2.9%	2.9%	2.8%
Jun-12	-2.5%	3.0%	1.1%	1.8%	3.6%	3.5%	2.9%	2.6%	2.8%	2.9%	2.8%	2.8%	2.7%	2.8%	3.0%	2.9%	2.9%	2.8%

Source: Washington Economic and Revenue Forecast Council (Aug. 2012 economic variables) and 2012 OFM long-term personal income growth rates

The September 2012 forecast uses OFM's 2012 long-term personal income projections beginning in FY 2018. These long-term projections have not changed from the prior forecast. The 2012 OFM forecast of personal income growth for fiscal years 2016 thru 2020 is, on average, 2.8% and for the remaining years beyond FY 2020 the personal income growth rate also averaged 2.8%. Figure 6 reveals the change in the annual growth rates for Washington personal income from 2010 through 2027. As the graph reveals, in the long-term this new forecast has higher projections from FY 2016 and beyond throughout the entire forecast horizon. Figure 5 illustrates the current short-term quarterly projections of Washington real personal income. The September 2012 Washington personal income forecast is $273.6 billion for the third quarter of 2012 which is up from the previous forecast by 0.6%.

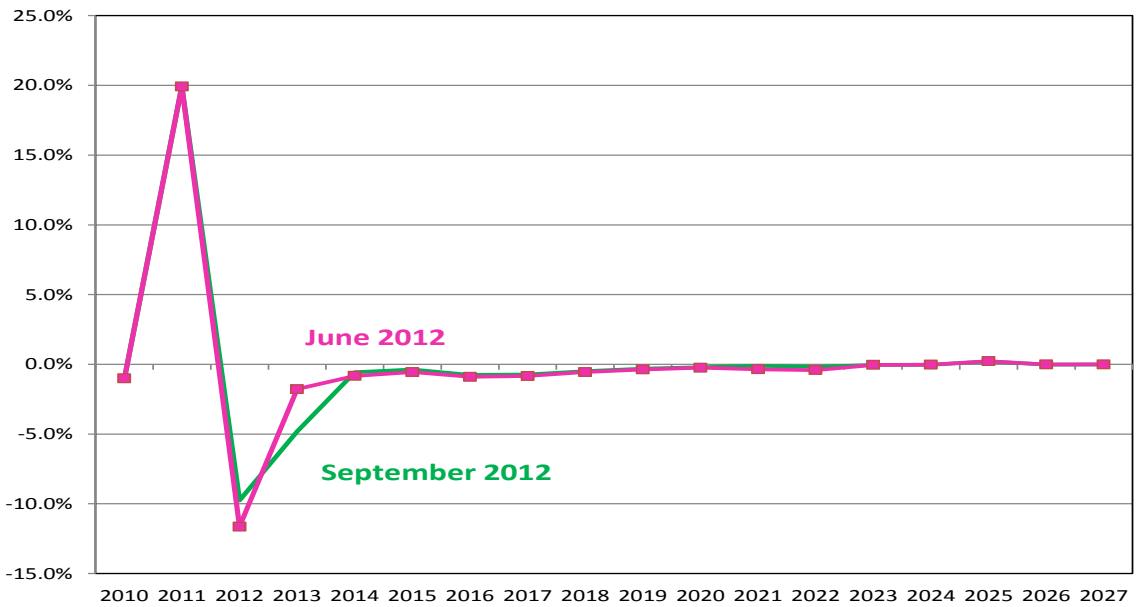
WA Population

In the September 2012 forecast, the population projections will be the same as last quarter. OFM released their 2011 long-term statewide population forecast for the November forecast once a year. For FY 2011, the driver age statewide population forecast was 5.373 million which represented a 0.85% annual growth. The current driver age population is projected to be 5.42 million with an annual growth rate for FY 2012 of 0.9% annually. The current projection for population growth rate in FY 2013 is up year over year to 2.1%. In fiscal years 2014 - 2027, the 2011 population forecast growth rates are slowly declining from 1.2% to 0.95%.

WA Driver In-Migration

The Washington in-driver forecast is used by the Department of Licensing for a number of driver related fee forecasts. In FY 2012, the September 2012 forecast of Washington driver in-migration is projected to decline by 9.8% but this is slightly revision upward from projections last quarter of -11.6%.a larger decline than predicted in the June forecast of 8.4%. In FY 2013, the September 2012 forecast annual decline is deeper at -4.8% as opposed to -1.8% in June's forecast. The trend reverses in FY 2014 because the current forecast for in-migration of drivers is -0.6% compared to -0.8% last quarter. This is a smaller decline than projected in June. This change in the near-term is due to having a smaller annual decline of in-drivers in fiscal year 2012 than expected. Then, this forecast projects fewer in-drivers in the current FY 2013. This is a very minor change from the previous forecast.

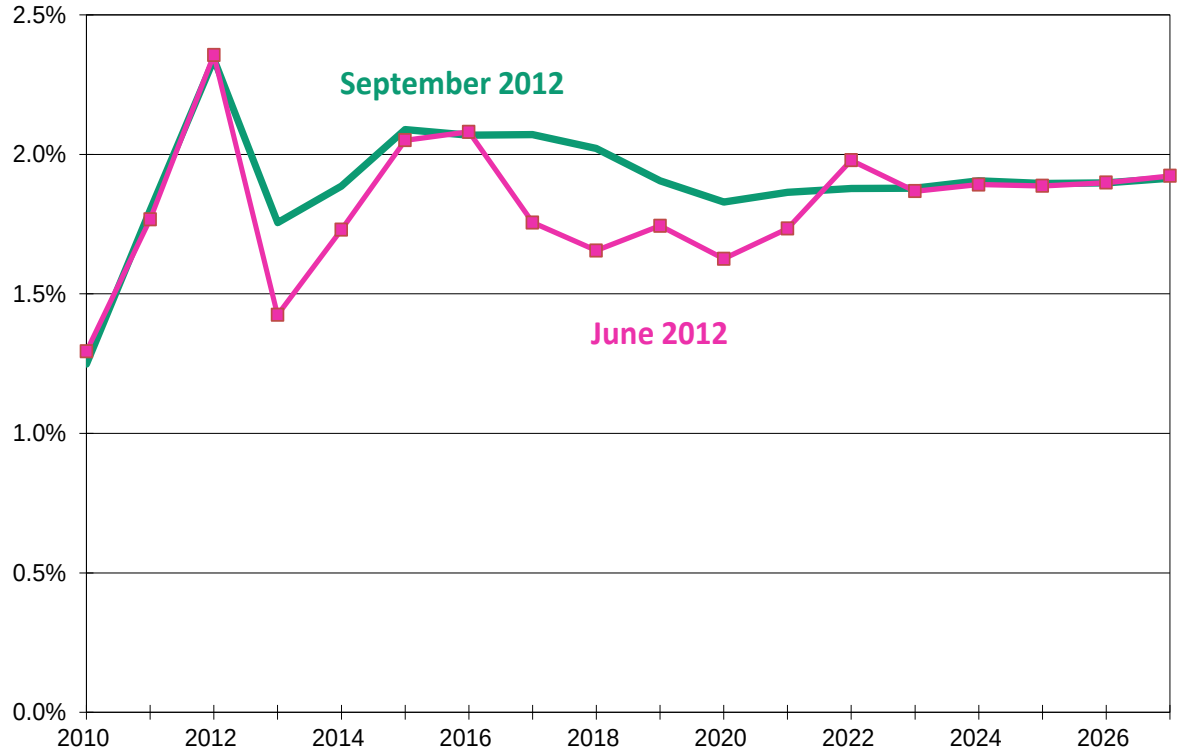
Figure 8 Forecast Comparison of Annual Growth Rates for Driver In Population – September vs. June 2012



Source: Washington Office of Financial Management

U.S. Inflation
The U.S. inflation rate forecast is from Global Insight's Aug. 2012 projection of the implicit price deflator (IPDC), (Figure 9). In 2012, the U.S. inflation rate as measured by the change in the IPDC is 2.3% which is slightly lower than the June forecast of 2.4%. In FY 2013, inflation is projected higher than prior projections at 1.8% as opposed to 1.4% in the last forecast. In FY 2014, the inflation forecast is projected to be up slightly to 1.9% which is slightly higher than projected in June at 1.7%. Then in FY 2015, the current forecast shows an annual increase in inflation of 2.1% which is the same growth rate as last quarter's projection; in FY 2016, the current forecast is also 2.1% consistent with the prior forecast. For the remainder of the forecast horizon, the inflation rates are between 1.8% and 2.1% which is slightly higher than the last forecast.

Figure 9 Inflation Forecast Comparison – Annual Percent Change in U.S. Implicit Price Deflator for Personal Consumption September vs. June 2012

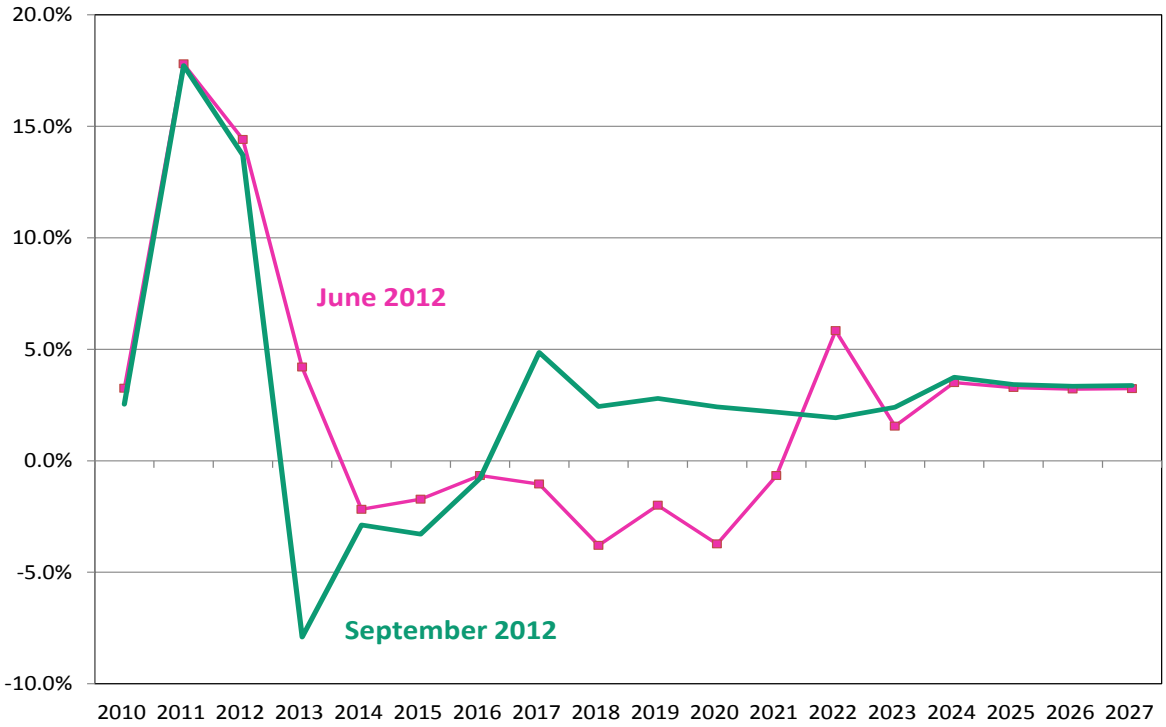


Source: Washington Economic and Revenue Forecast Council and August *2012 Global Insight forecast*

U.S. Petroleum Products Price Index
The Aug. 2012 Global Insight forecast for U.S. petroleum products price index decreased slightly in FY 2012 from June's forecast to an annual growth rate of 13.7% as opposed to an annual growth rate of 14%. In the current fiscal year, the projections for the oil price index declined to an annual growth rate of -7.9% as opposed to 4.2% in June. This change reflects the lower oil prices in recent months since May which lowered expectations of near-term price increases. In fiscal yearthe last forecast, (see Figure 10). The annual year over year change in this fuel price index was 18% for FY 2011. In FY 2012, the growth rate in the US fuel price index is projected to be 14.4%, more than 4 percentage points higher than the June prediction. In fiscal years 2013 and 2014, the forecast of the index is projected to be lower in FY 2013 at -2.9% as opposed to -2.2%. This current forecast projects continued decline in the oil price index through FY 2016 but then the forecast projects positive growth in the index in the future. In the prior forecast, the price index was anticipated to fall year-over-year from FY 2014-2021.In This is a similar trend with prior forecasts but now we anticipate negative annual growth one year sooner than in June forecast. This represents the anticipated increase in supply of oil which will drive down the price of

petroleum products in the next few years. The annual percentage change in the oil price index turns positive beginning FY 2022 throughout the long-term, this September forecast anticipates higher fuel prices than last quarter.

Figure 10 Global Insight Oil/Gas Price Index Forecasts: Growth Rate Comparison September vs. June 2012



Source: August 2012 Global Insight forecast

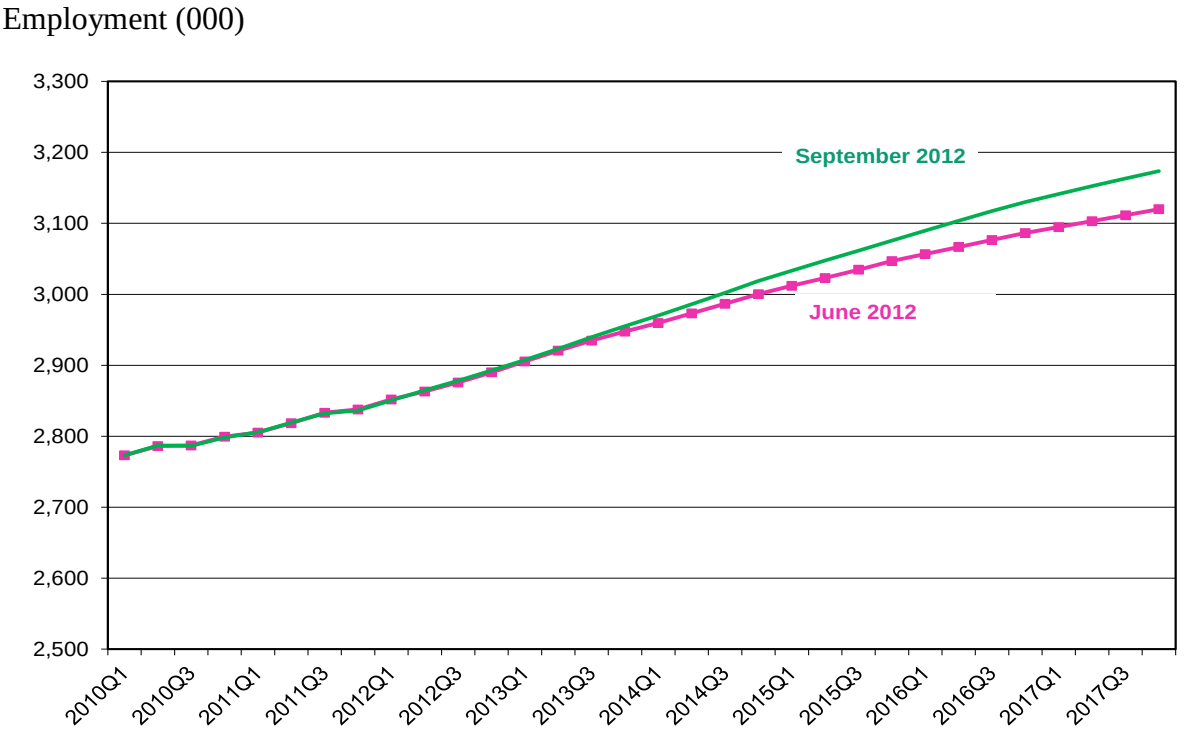
U.S. Fuel Efficiency (MPG)
U.S. Fuel Efficiency variable for the September 2012 forecast as well as several prior quarterly forecasts have incorporated the 2011 Obama administration fuel efficiency standards for passenger cars and light trucks in model year 2017 and beyond. The on-highway fleet fuel efficiency variable in 2011 was 20.3 miles per gallon for the entire US fleet of light vehicles which is no change from the last forecast. In the current fiscal year, the September 2012 fuel efficiency for the US fleet is 20.5 miles per gallon which is consistent with last forecast. In September and two prior forecasts, the vehicle on-highway fuel efficiency has been projected to grow to 26.7 miles per gallon by FY 2027 so no change in this variable. Recently, President Obama outlined a change to the fuel efficiency standards which would require even higher standards in the future. Those recent changes have not been incorporated into this September forecast.

WA Total Non-Farm Employment, Employment in the Trade, Transportation and Utilities and Retail Trade Sectors
The recovery in Washington's economy did pick up in FY 2012 which non-agricultural employment growing 1.6% which has not been adjusted since June.is slightly lower than projected in June at 1.7%. In FY 2013, this September forecast predicts year over year growth in non-ag. employment to be higher at 1.9% instead of 1.8% last quarter. In FY 2014 and 2015, the non-ag. Employment forecast has been brought up again to 2.1% each year as opposed to 1.9% and 1.8% respectively in June. which is the same annual growth as the June forecast. This reflects a more optimistic outlook on the employment recovery in the next three years than predicted last quarter. ERFC employment forecast has been extended two more years through FY 2017. In FY 2016 and 2017, the ERFC growth rates for non-ag. employment is anticipated to be 1.9% and 1.7% which is higher than OFM's long-term employment forecast outlook which anticipated growth rates of 1.5% and 1.3% respectively. The economic growth in

Washington employment in subsequent years is based on OFM's long-term employment projections and the growth rate slows in outer years. Beginning in FY 2018, Washington employment is forecasted to grow at less than 1%, 0.9%, and all remaining years of the June forecast horizon have an annual growth rate of roughly 1% which is the same long-term projections used in June.

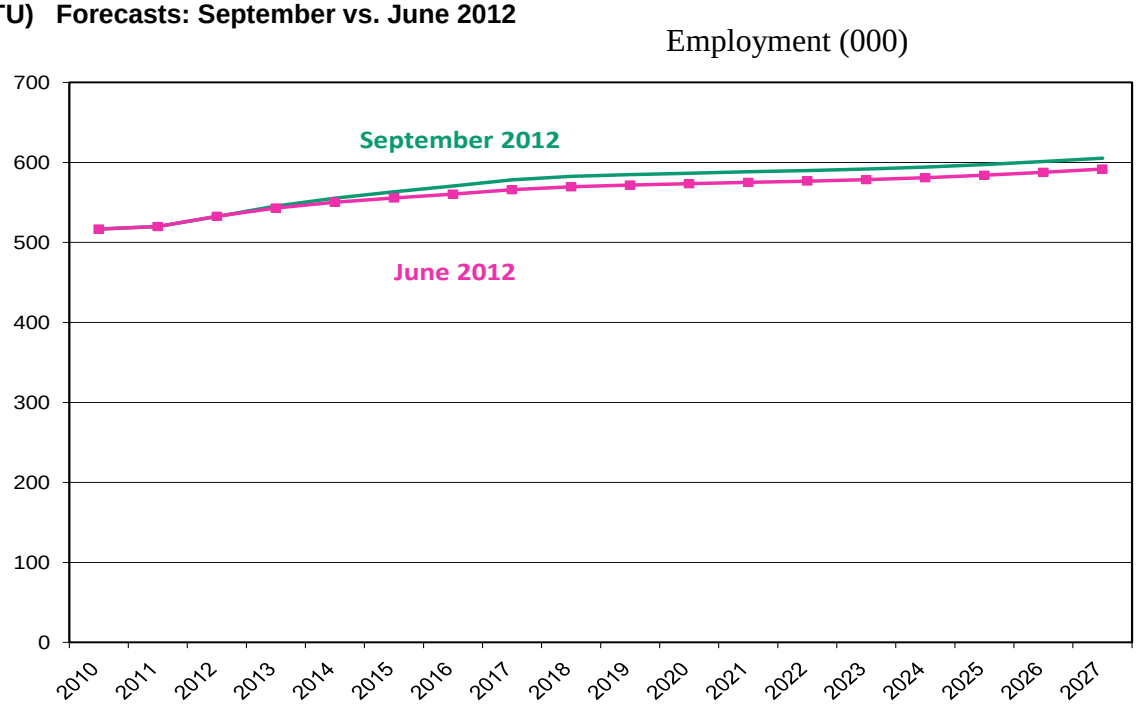
Washington's employment in the trade, transportation and utilities sectors follows similar trends with the overall non-farm employment trends. In FY 2012, this industry grew by 2.4% year over year, which is slightly lower than anticipated in June at 2.5%. In the current fiscal year, the trade, transportation andIn FY 2011, this industry grew by 0.6% year over year. In the current fiscal year, the trade, transportation and utilities sectors are anticipated to grow faster at 2.5% annually which is quicker than the overall non-farm employment growth rate of 1.6% for that same year. In FY 2013, growth rates in this employment sector are also expected to pick up to 1.9% which is lower than anticipated in June at 2.3%. The new ERFC projections for the trade, transportation and utilities employment sector in FY 2014 and 2015 is anticipated to be 1.4% and 0.9% respectively as opposed to 1.9% and 1.3% in June. Then in FY 2016 and beyond, Washington employment growth rates in the trade, transportation and utilities sectors are anticipated to be 0.5% on average with the new OFM long-term forecast. The OFM long-term annual growth rates have not changed since the last forecast.

Figure 11 Washington Nonfarm Payroll Employment Forecasts: September vs. June 2012



Source: August 2012 ERFC and OFM/ESD long-term non-ag. employment forecast

Figure 12 Washington Nonfarm Payroll Employment – Trade, Transportation and Utilities Sectors (TTU) Forecasts: September vs. June 2012



Source: August 2012 ERFC and OFM/ESD long-term Washington TTU employment forecast

U.S. Consumer Spending on New Motor Vehicles

Consumer spending on new motor vehicles throughout the U.S. has been recovering with a 10% growth year over year in FY 2010 and 10.1% annual growth in new vehicle sales in FY 2011. In FY 2012, the recovery for light vehicle sales picked up even more with an annual growth rate of 14%, which is slightly lower than the last forecast at15%. In fiscal years 2013 and 2014, consumer spending on new vehicles is anticipated to grow by 5.7% and 3.4% respectively which is higher than June's projections for FY 2013 by 0.7% but lower than June's projections for FY 2014 by 0.5%. Weinstead of 5.5% and 5.7% respectively in June so we anticipate more sales in the current year but fewer vehicle sales in the following year than the last forecast. By FY 2015 and 2016, consumer spending is projected to grow faster again with annual growth rates of 6.6% and 6.1% which are lower projections than anticipated in the prior forecast with 7.3% and 8.1% annual growth rates respectively.

Motor Fuel Price Forecast

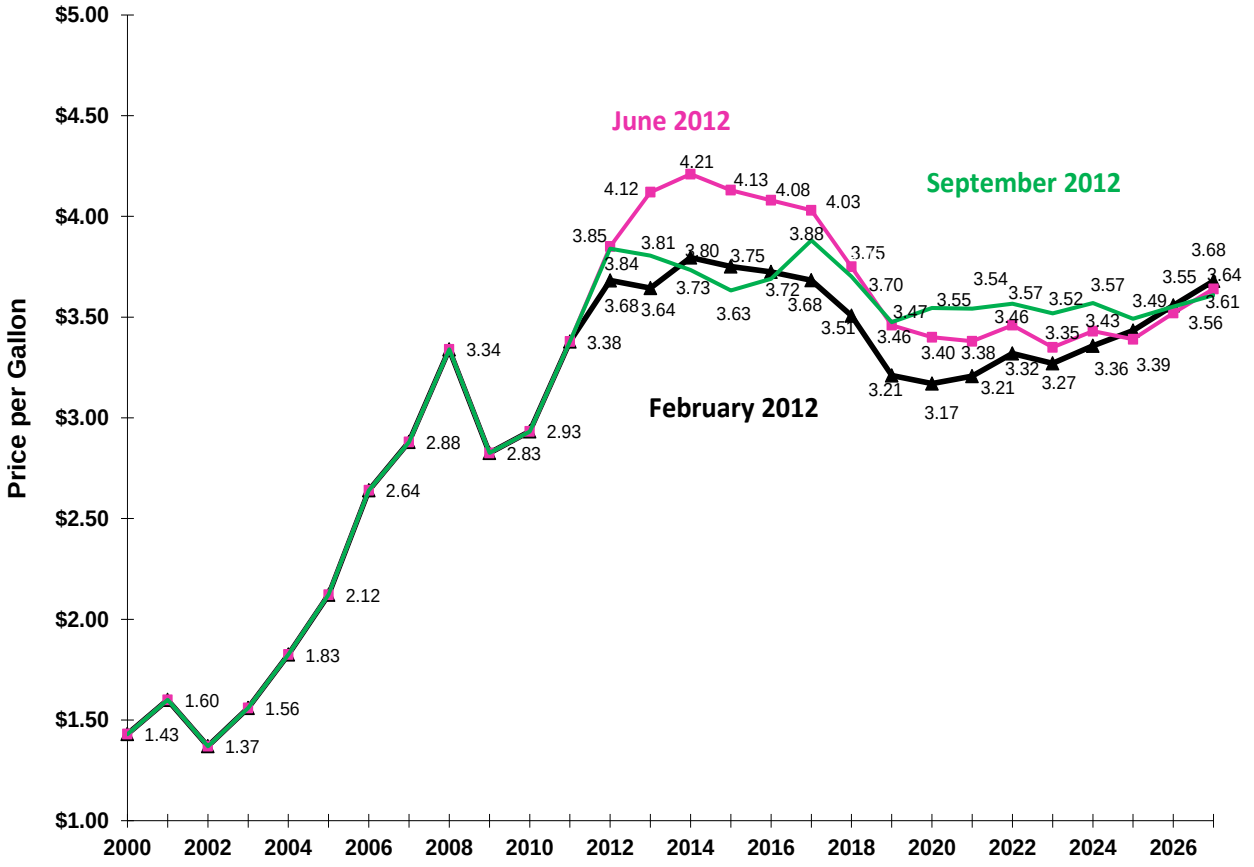
Washington's transportation revenues are affected by fuel prices. In particular, gasoline tax collections are negatively related with the price of gasoline. In addition, the Washington State Department of Transportation budget is heavily impacted by changes in fuel prices. Therefore, projections of fuel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

The September 2012 forecast for crude oil prices is down from the last forecast. In addition, the current retail gas and diesel and ferry diesel price forecasts are also down from the June forecast in the near-term and exceed the June forecast after FY 2017 for retail gas prices and after FY 2018 for ferry diesel prices. Retail and ferry diesel prices are lower in FY 2012 and 2013 from the last forecast. In FY 2013, ferry diesel prices are anticipated to rise to $3.75 per gallon from FY 2012 but then ferry diesel prices start to fall in 2014 due to having a sales tax exemption become law.

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 ferry diesel prices are reported by the Washington State Ferries (WSF). In the short term (thorough calendar year 2013), the fuel price forecasts are based on the Energy Information Agency (EIA) projections. In the long-term beyond calendar year 2013, the fuel price projections are based on September's Global Insight's national gas price forecast for Washington's gas price forecast and the producer price index (PPI) for refined petroleum products projections for the various diesel price forecasts.

U.S. crude oil price trend
U.S. crude oil prices of West Texas Intermediate Crude (WTI) were $95 per barrel on average in FY 2012. The actual WTI price for FY 2012 came in slightly below the June projection of $97.6 per barrel. In fiscal year 2013, crude oil prices are expected to average $92.6 per barrel which is 11% lower than last quarter's projection and 2.5% below last year's average. The weaker crude oil prices in the near-term are due to less concern over worldwide supply restrictions and weaker US and world economic recovery. Quarterly crude oil prices are expected to be below $100 per barrel until the fourth quarter of 2019. WTI annual average crude oil prices do not hit more than $100 per barrel until FY 2021. In FY 2014, annual WTI crude oil prices are projected to be about the same as in FY 2013 at $90 per barrel. This September crude oil price forecast dips in FY 2015 and 2016 and then rises again throughout the remainder of the forecast horizon. By the end of the forecast horizon, WTI crude oil prices are anticipated to be $118.9 per barrel.

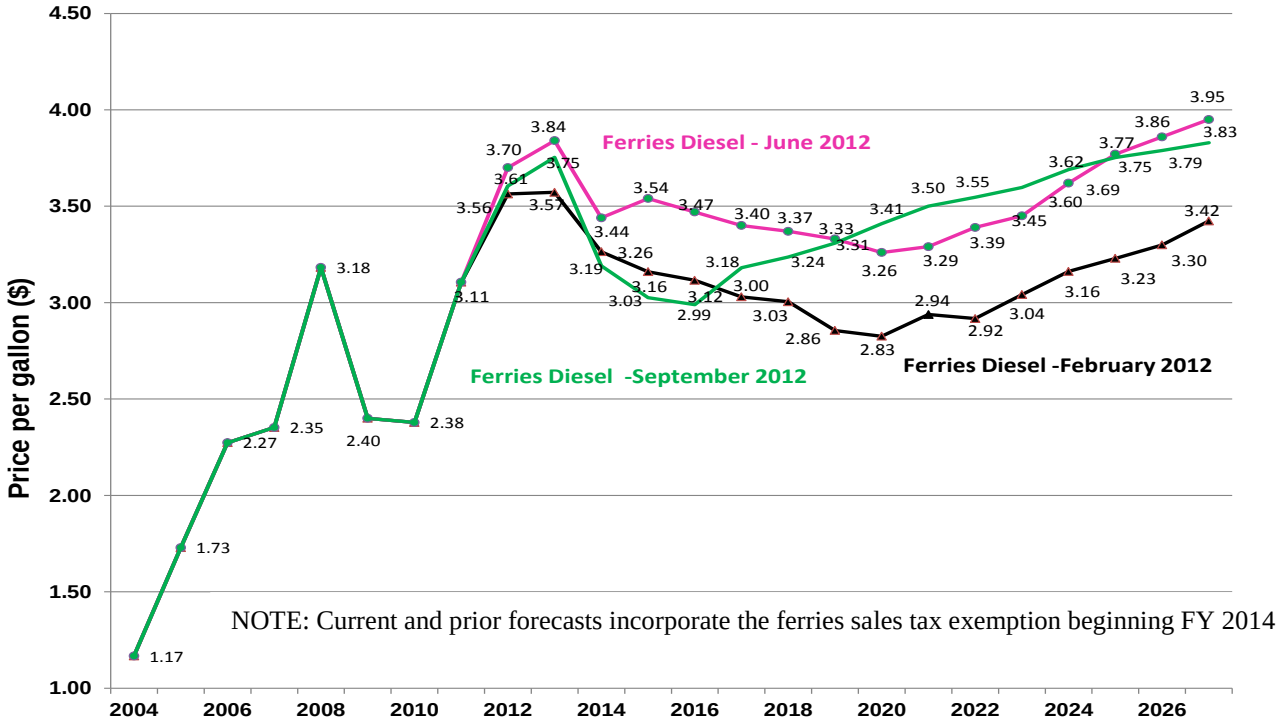
Figure 13 Forecast of Washington Retail Gasoline Prices, Regular: September vs June vs. February 2012 forecasts



Washington retail gasoline price trend
Washington retail gasoline prices are projected to be lower than the June forecast in the near-term until FY 2018 when the September retail gas price forecast exceeds the June forecast. In recent months, retail gas prices have come in under the June forecast. In August, gas prices started to rise due to a California refinery fire and supply shutdowns due to the Hurricane storms in the gulf area of the US. In the prior forecast, Washington retail gas price projections had prices rising to $4 per gallon in FY 2013 but this September forecast does not have any future annual average retail gas price above $4 per gallon throughout the forecast horizon. On a quarterly basis, this current forecast does have gas prices rising above $4 per gallon by the second quarter of 2016 and 2017 but it falls back below $4 per gallon in the subsequent quarters.

In FY 2012, Washington average retail gas price was to $3.84 per gallon or roughly the same as June's projection. In FY 2013, Washington average retail gas price is currently projected to decrease year over year by $0.03 to $3.81 per gallon which is 7.5% lower than the average price of $4.12 per gallon forecasted in June. In FY 2014, Washington retail gas prices are expected to decline further year over year to $3.73 per gallon as opposed to rising to $4.21 per gallon projected in June. This September forecast of retail gas prices is quite close to the February gas price projection.

Figure 14 Washington Ferries Non-Hedged Diesel Prices: September vs. June vs. September 2012 forecasts



Washington retail diesel price trend
Washington's retail price of diesel was on average $3.02 in FY 2010 and it increased 23% to $3.71 per gallon in FY 2011. In FY 2012, the September 2012 forecast for diesel prices is anticipated to be $4.20 per gallon or 0.7% lower than $4.23 per gallon anticipated in the last forecast. In FY 2013, the current forecast projects retail diesel prices to fall to $4.12 per gallon, a decrease of 1.9% year over year, and lower than in June at $4.36 per gallon. The price differential between retail gas and diesel was just 9 cents on average in FY 2010 and it grew to 33 cents on average in FY 2011. In FY 2012, the retail gas

Figure 15 Near-term Quarterly Fuel Prices:
September 2012 forecast

Fiscal Year Quarter	Crude Oil Price ($/barrel)	WA Retail Gasoline Price ($/gal)	WA Retail Diesel Price ($/gal)	Ferry Diesel Price ($/gal)	OPIS B99 Biodiesel Price without taxes ($/gal)	B5 Biodiesel Price with taxes($/gal)
2011: Q3	89.72	3.83	4.11	3.53	4.92	3.48
2011: Q4	93.99	3.66	4.13	3.56	4.84	3.44
2012: Q1	102.88	3.72	4.22	3.80	5.22	3.73
2012: Q2	93.42	4.15	4.34	3.54	4.84	3.47
FY 2012	95.00	3.84	4.20	3.61	4.95	3.53
2012: Q3	92.68	3.87	4.18	3.80	5.06	3.75
2012: Q4	93.67	3.85	4.21	3.84	4.93	3.80
2013: Q1	92.00	3.71	4.03	3.68	4.72	3.64
2013: Q2	92.00	3.80	4.05	3.69	4.73	3.65
FY 2013	92.59	3.81	4.12	3.75	4.86	3.71
2013: Q3	93.50	3.75	4.01	3.29	4.68	3.46
2013: Q4	93.00	3.57	3.89	3.19	4.55	3.36
2014: Q1	88.05	3.65	3.85	3.16	4.50	3.32
2014: Q2	86.32	3.96	3.80	3.12	4.44	3.28
FY 2014	90.22	3.73	3.89	3.19	4.55	3.35
2014: Q3	84.85	3.64	3.75	3.08	4.39	3.24
2014: Q4	83.82	3.44	3.70	3.04	4.33	3.20
2015: Q1	83.94	3.54	3.71	3.04	4.33	3.21
2015: Q2	79.79	3.91	3.58	2.94	4.19	3.10
FY 2015	83.10	3.63	3.69	3.03	4.31	3.19

Figure 16 Near- and Long-term Annual Fuel Price:
September 2012 forecast

Fiscal Year	Crude Oil Price ($/barrel)	WA Retail Gasoline Price ($/gal)	WA Retail Diesel Price ($/gal)	Ferry Diesel Price ($/gal)	OPIS B99 Biodiesel Price without taxes ($/gal)	B5 Biodiesel Price with taxes($/gal)
2010	75.20	2.93	3.02	2.38		
2011	89.24	3.38	3.71	3.11		
2012	95.00	3.84	4.20	3.61	4.95	3.53
2013	92.59	3.81	4.12	3.75	4.86	3.71
2014	90.22	3.73	3.89	3.19	4.55	3.35
2015	83.10	3.63	3.69	3.03	4.31	3.19
2016	81.85	3.69	3.64	2.99	4.18	3.16
2017	88.44	3.88	3.88	3.18	4.44	3.38
2018	91.89	3.70	3.94	3.24	4.51	3.46
2019	96.07	3.47	4.03	3.31	4.59	3.55
2020	99.70	3.55	4.15	3.41	4.72	3.68
2021	103.10	3.54	4.27	3.50	4.84	3.81
2022	106.13	3.57	4.32	3.55	4.89	3.89
2023	109.59	3.52	4.38	3.60	4.95	3.96
2024	112.49	3.57	4.50	3.69	5.07	4.09
2025	114.61	3.49	4.57	3.75	5.16	4.17
2026	116.77	3.55	4.62	3.79	5.21	4.23
2027	118.86	3.61	4.67	3.83	5.27	4.28

and diesel price differential grew to 36 cents per gallon. Over time, the price differential between retail gas and diesel is expected to fall and by FY 2016, retail diesel prices are expected to be below retail gas prices and remain below gas prices for a year. In FY 2017, retail diesel and gas prices are projected to be equal. By FY 2018, retail diesel prices are expected to be above retail gas prices and the price differential is expected to grow again to a high point of $1.04 per gallon by the end of the forecast horizon.

Washington ferries diesel fuel price trend

The trend in Washington's ferry price of diesel is similar to the trend of the retail diesel price. WSF diesel price used in this forecast, is the non-hedged diesel price paid by WSF and it includes the markup costs ferries must pay, delivery fees and various taxes including sales taxes. Washington state ferries will begin receiving a sales tax exemption on their fuel purchases beginning July 1, 2013 and this has been incorporated into the baseline non-hedged diesel price forecast. The ferries non-hedged diesel price on average was $2.38 per gallon in FY 2010. In FY 2011, the diesel price rose to $3.11 per gallon. Ferries non-hedged diesel prices are projected to increase further to $3.61 per gallon in FY 2012 and $3.75 per gallon in FY 2013 which are both lower projections than in June which averaged $3.70 and $3.84 per gallon. The new September forecast is lower than previous forecasts through FY 2020 and then the September forecast of WSF diesel prices rises above the June price projections. In the near-term, the September forecast is well below the June and even the February price forecasts but by FY 2017, the September forecast rises above the February fuel price forecast. Future ferry diesel price projections fall as low as $2.99 per gallon by FY 2016 which is lower than projections in June when the ferry diesel price was anticipated to decline to as low as $3.26 per gallon in FY 2020.

Biodiesel price trends

The forecasts of biodiesel prices include two different biodiesel prices: B99 without the renewable identification number (RIN) and B5. WSF currently purchases the majority of their biodiesel as B5 blended biodiesel. WSDOT purchases B99 biodiesel without RIN for our vehicle fleet needs. Washington General Administration Department (GA) publishes B99 biodiesel price without RIN in Tacoma and this represents the B99 prices paid by other state entities' purchases of biodiesel. The B5 price of biodiesel are based on Washington State ferries reported purchase price of biodiesel with the markup, delivery and other tax costs included. The base of the price forecast for the B99 price without RIN for non-WSF purchases is the OPIS base price without markup, delivery and tax costs reported on the GA web site.

To begin the ferries B5 biodiesel forecast, the forecast incorporates the latest WSF report purchase prices. The latest monthly OPIS B99 biodiesel price without RIN, markup, delivery and tax costs in Tacoma reported by OPIS on the GA web site begins this B99 price forecast. The biodiesel price forecasts are based on the retail diesel price forecast future growth with adjustments made to eventually have a regular diesel and biodiesel price differential of roughly 13% which is an average price differential seen over the last 4 years. This September forecast of ferries B5 price for FY 2012, has fallen 3.3% to $3.53 per gallon versus $3.65 per gallon last forecast. In FY 2013, biodiesel prices are projected to rise slightly to $3.71 per gallon (5% annual growth) which is lower growth than predicted last quarter at $3.86 per gallon.

The B99 biodiesel price forecasts used for non-WSF purchases have the opposite trend from B5 prices. In FY 2012, the actual B99 price without RIN and markup averaged $4.95 per gallon, which was $0.02 higher than projected in June. For FY 2013, September's OPIS B99 base biodiesel price forecast falls some to $4.86 per gallon versus $4.65 per gallon in the last forecast. For FY 2014, the OPIS B99 price forecast falls year–over-year by 2.2% to $4.55 per gallon. In the next two years, the average annual OPIS base B99 price is expected to decline further to $4.31 per gallon and $4.18 per gallon respectively. Then after FY 2016, B99 biodiesel prices are expected to rise throughout the remainder of the forecast horizon.

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

In September 2012, the West Texas Intermediate (WTI) crude oil price forecasts for FY 2012 differed minimally by approximately -0.11% on average; $95 - $98 per barrel. The five surveyed forecasting entities, EIA, NYMEX, Global Insight, Consensus Economics and Moody's Economy.com, had forecasts with crude oil price forecasts which averaged $95.62 per barrel for FY 2012. WSDOT baseline fuel price forecasts use the Energy Information Administration (EIA) forecasts in the near-term thru calendar year

2013 and then 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 2013, ranged from $89.2 per barrel by Global Insight to $101 per barrel by Consensus Economics with the average being $94.9 per barrel. The average forecast for WTI crude oil in FY 2014, ranged from $88.7 per barrel by NYMEX to $107.9 per barrel by Economy.com with the average being $98 per barrel. The average forecast for WTI crude oil in FY 2015, ranged from $83.1 per barrel by Global Insight to $112.8 per barrel by Economy.com with the average being $95.8 per barrel. Figure 17 reveals that NYMEX future oil prices were the lowest price estimates or most conservative in FY 2013 and FY 2014 with Global Insight being the lowest price forecast in FY 2015. Projections by Consensus Economics for FY 2012 and Economy.com projections were the highest for FY 2014 and 2015.

Figure 17 Near-term Annual Crude Oil Price Forecasts – 5 Different Forecast Comparisons: September 2012 forecast

Dollars per barrel

Fiscal Year	WSDOT (EIA/GI)	NYMEX	Global Insight	Economy.com	Consensus Economics	5 Entity Avg	% Diff Lowest	% Diff Highest	% Diff Average
2012	$95.00	$95.04	$95.04	$95.04	$98.01	$95.62	0.04%	3.17%	0.66%
2013	$92.59	$96.90	$89.23	$94.99	$100.90	$94.92	-3.63%	8.98%	2.52%
2014	$90.22	$96.73	$88.70	$107.89	$106.50	$98.01	-1.68%	19.59%	8.64%
2015	$83.10	$92.70	$83.10	$112.83	$107.20	$95.79	0%	35.78%	15.27%

WSDOT applies the five forecast entity average adjustment to the baseline September 2012 retail gasoline, diesel and wholesale diesel prices. These fuel prices listed in Figure 18 will be used to estimate the future costs to the agency's budget for gas and diesel fuel for fiscal years 2013-2015. The latest forecast is down from the June's adjusted forecast. The September 2012 forecast for FY 2013 adjusted gas prices is $3.90 per gallon which is a decrease from the prior forecast of nearly 5% and adjusted retail diesel prices are projected at $4.22 per gallon or 2.8% lower than the last forecast and WSF diesel prices

Figure 18 Near-term Average Adjusted Quarterly Fuel Prices Used for Budgeting Purposes: September 2012 forecast and Percent Change from Prior Forecast

Fiscal Year Quarter	Adjusted WA Retail Gasoline Price ($/gal)	Adjusted WA Retail Diesel Price ($/gal)	Adjusted Ferry Diesel Price ($/gal)	% Chg Prior Forecast Retail Gas Price	% Chg Prior Forecast Retail Diesel Price	% Chg Prior Forecast Ferry Diesel Price
2011: Q3	3.83	4.11	3.53	0.00%	0.00%	0.00%
2011: Q4	3.66	4.13	3.56	0.00%	0.00%	0.00%
2012: Q1	3.72	4.22	3.80	0.00%	0.00%	0.00%
2012: Q2	4.15	4.34	3.54	-1.08%	-2.55%	-9.78%
FY 2012	**3.84**	**4.20**	**3.61**	**-0.29%**	**-0.67%**	**-2.59%**
2012: Q3	3.97	4.28	3.90	-4.82%	-2.95%	0.30%
2012: Q4	3.95	4.32	3.94	-2.10%	-0.11%	3.39%
2013: Q1	3.80	4.14	3.77	-5.69%	-3.65%	-0.28%
2013: Q2	3.89	4.15	3.78	-6.45%	-4.44%	-1.09%
FY 2013	**3.90**	**4.22**	**3.85**	**-4.78%**	**-2.79%**	**0.58%**
2013: Q3	4.23	4.35	3.57	-3.63%	-0.98%	2.48%
2013: Q4	4.06	4.23	3.47	-4.26%	-1.11%	2.36%
2014: Q1	4.17	4.19	3.44	-5.00%	-4.71%	-1.37%
2014: Q2	4.56	4.13	3.39	-5.61%	-8.31%	-5.10%
FY 2014	**4.06**	**4.22**	**3.47**	**-4.65%**	**-3.82%**	**-0.45%**
2014: Q3	4.35	4.48	3.67	2.69%	-2.28%	1.14%
2014: Q4	4.10	4.42	3.63	2.81%	-2.53%	0.88%
2015: Q1	4.22	4.42	3.63	3.34%	-1.95%	1.49%
2015: Q2	4.66	4.28	3.51	4.14%	-4.80%	-1.47%
FY 2015	**4.34**	**4.40**	**3.61**	**12.55%**	**4.05%**	**-2.44%**

are anticipated to average $3.85 per gallon or 0.6% higher than anticipated in June. In FY 2014, retail gas prices are estimated to be $4.06 per gallon or 4.7% lower than in June; retail diesel prices are also projected down from June at $4.22 per gallon or 3.8% lower than the last forecast and ferries diesel prices are estimated to be $3.47 per gallon or 0.45% lower than the prior forecast projection. The fuel price forecasts for FY 2015 are up from June projections except for ferries diesel prices which are down. Retail gas prices are higher year over year to an average of $4.34 per gallon; retail diesel prices also rise annually to $4.40 per gallon and ferry diesel prices also rise year over year to $3.61 per gallon.

Motor Vehicle Fuel Tax Forecast

The gross motor vehicle fuel tax was $2.489 billion for the 2009-11 biennium which is a slight increase of 0.1% from the 2007-09 biennium. Since the June 2012 forecast, gas tax collections came below forecast combined for three months by $1.8 million. June and July collections were $0.1 million below forecast each month, very close to projections. In August gas tax collections came in under the June forecast by $1.6 million. For the three months combined, gas tax collections came in under forecast by $1.8 million.

For June through August, diesel tax collections came in below forecast by $4.5 million or 6.7% below expectations. In June diesel tax collection came in under forecast by $1.2 million; July diesel collections came in below forecast by $1.7 million and August diesel tax collections came in below projections by $1.5 million. For both gas and diesel combined for the three months since the June forecast, tax collections came in below forecast by $6.3 million or -1.9% for the past three months combined.

Total motor fuel tax revenue projections are $2.487 billion for the 2011-13 biennium which is 0.1% lower than in the 2009-11 biennium. Gross motor fuel tax revenues for the current biennium are projected to be approximately $8.67 million (0.35%) below the prior forecast. The overall decrease in motor fuel tax revenue for the 10-year period ending in 2019-21 biennium is 0.25% or $57 million compared to the June 2012 revenue forecast. The primary reason for the decrease in fuel tax revenues from the last forecast is weaker fuel tax collections.

Trends in gasoline consumption and tax revenue
Gasoline consumption was 2,678 million gallons for FY 2010 which was a decrease of 0.4% over the FY 2009 consumption level. For FY 2011, gasoline consumption was 2,687 million gallons which is an annual increase of 0.3%. In FY 2012, gasoline consumption is projected to be 2,663 million gallons which is the decline of 0.9% from FY 2011. Figure 19 shows the forecast to forecast comparison of projected gasoline gallons consumed. In FY 2013, gasoline consumption is projected to be 2,663 million gallons, 0.2% lower than the last forecast. Throughout the remainder of the forecast horizon, gas consumption is anticipated to be lower than in June due to lower actual consumption in recent months. The year over year percentage change in gasoline consumption in the September 2012 forecast has the same flat trend with the slight decline beginning FY 2015 and continuing throughout the rest of the forecast horizon. The long-term average annual growth rate (FY 2012-2027) for gas consumption is-0.4% in this September 2012 forecast which is nearly the same as June's projected average annual growth estimated. In general, the overall trend in gas consumption is a slight downward decline throughout the forecast horizon.

In the current biennium, gas tax revenue is projected to be $1,999 million which is a revision downward of $2.19 million or (0.11%) from the last forecast. By the 2013-15 biennium, the gas tax revenue rises slightly to $2,008 million and was down $2.3 million (0.12%) from the prior forecast. This biennia decrease from the prior forecast slowly declines and by the last biennia, the change from the last forecast is positive $6 million or 0.32%. Overall, the gas tax revenue forecast is down approximately $10.15 million over the June forecast for the 10 year forecast horizon and $0.67 million over the 16 year forecast period beginning in FY 2012 and ending in FY 2027. Essentially this September forecast is really close to the June forecast. Diesel fuel tax revenue is down by more than gas tax revenue and therefore, the September 2012 10-year forecast for all motor fuel taxes is down $57 million (0.4%) from the June forecast and $81.6 million (0.4%) over the 16-year forecast horizon.

Figure 19 Gasoline Motor Fuel Consumption Comparison: September vs. June 2012 forecast
millions of gallons

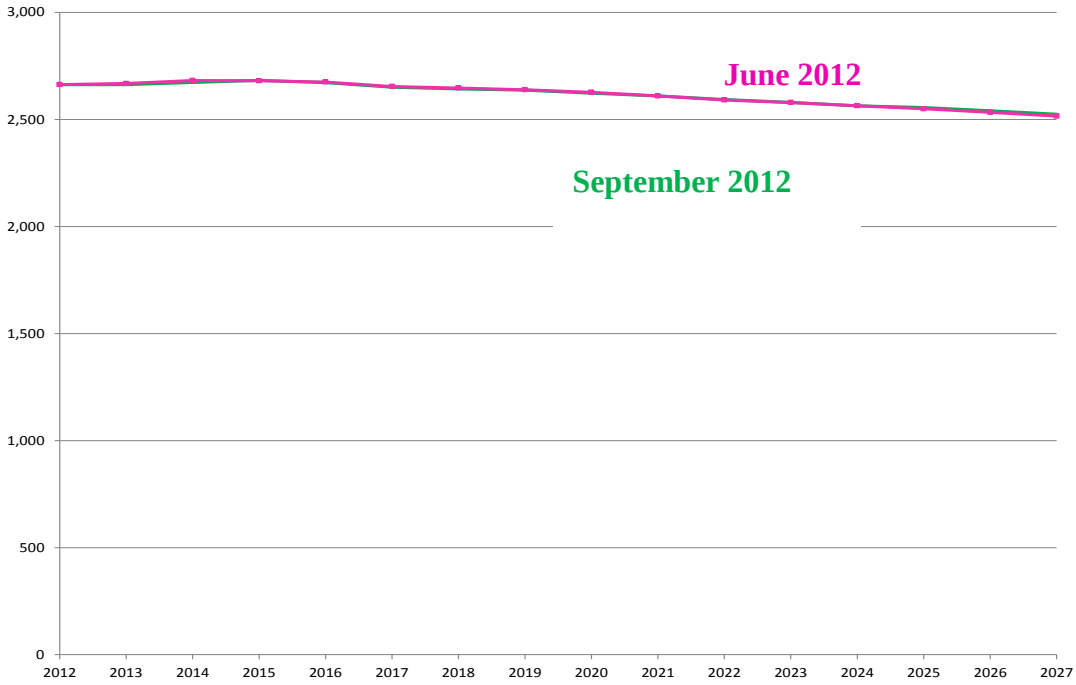
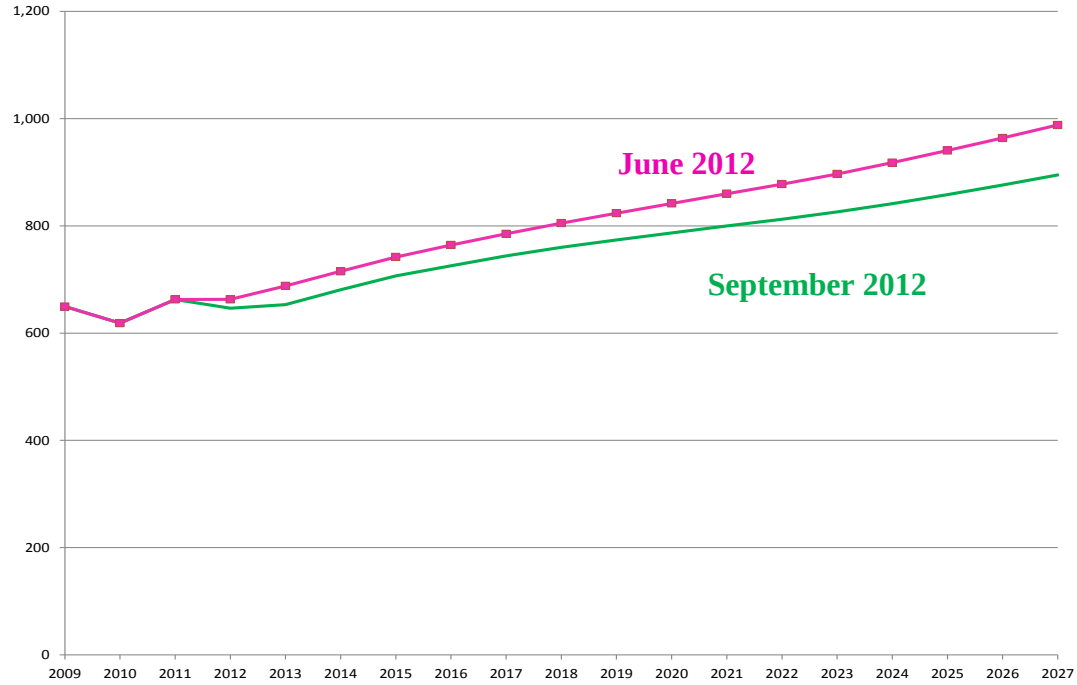


Figure 20 Diesel Fuel Consumption Forecast Comparison: September vs. June 2012
millions of gallons

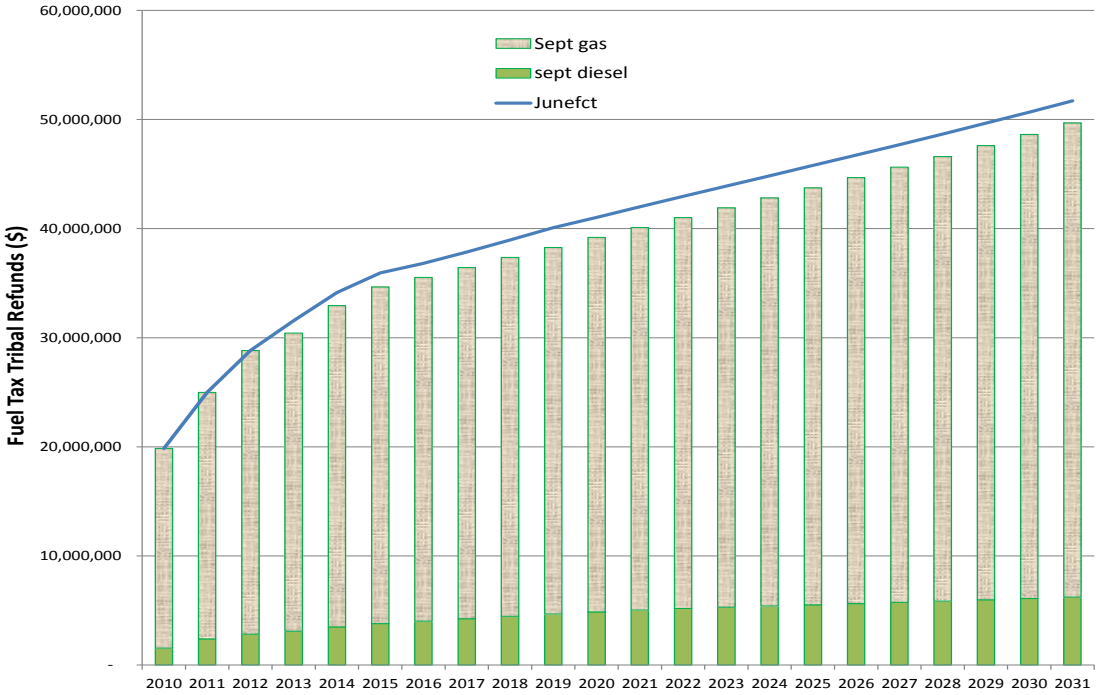


Trends in diesel consumption and tax revenue
Fiscal year 2009 diesel consumption was 650 million gallons which represented a year over year decline of 16.4%. In FY 2010, diesel consumption was 619 million gallons which was also a 4.8% decrease over the prior year diesel consumption level. In FY 2011, diesel consumption was 663 million gallons which is a year over year increase of 7.2%. In FY 2012, diesel consumption was 647 million gallons which is a year over year decline of 2.5%. In FY 2013 and 2014, the annual growth rates of diesel consumption are projected at 1% and 4% each year respectively which is down more than 2% each year from June projections. This downward revision in the diesel consumption forecast is due to lower diesel tax consumption than projected in recent months. Diesel consumption is not expected to exceed its high 2008 consumption level of 777 million gallons until FY 2020. Over the forecast horizon, diesel consumption is expected to grow annually on average by approximately 1.9% which is 0.1% lower than anticipated last quarter.

Diesel tax collections are projected at $488 million and down $6.5 million (1.3%) over the June forecast for the current biennium. This was the result of tax collections coming in lower than projected for recent months: June through August. Diesel tax revenue is projected to be $522 million in the 2013-15 biennium which is down by $10.2 million over the prior forecast. In the 2015-17 biennium, diesel tax revenue is expected to be up to $552 million which is down from the last forecast by $9.7 million. In the 2017-19 biennium, diesel tax revenue is expected to be $576.1 million which is lower than the last forecast by $10.2 million or 1.7%. This revenue loss from the last forecast remains nearly the same on a percentage basis throughout the forecast horizon so by the last biennium, diesel tax revenue is down $11.8 million or 1.7%. The major reasons for the diesel consumption and revenue changes in September are due mainly to continued lower actuals and the loss in diesel tax collections would have been even higher had it not been for the more optimistic outlook of key economic variables like Washington personal income and Washington trade, transportation and utilities sector employment off-setting some of the lower projections due to lower actual diesel consumption in the current fiscal year. In the long-term, the personal income and trade transportation and utilities employment growth rate projections have not changed from the June forecast except for the fact that the Office of Forecast Council projections are being incorporated into the long-term forecast through 2017 now, two more years than in the June forecast, which resulted in a more optimistic outlook on economic variables through 2017.

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 tax refunds are projected to be higher for gas taxes but lower for diesel taxes. Gas tax non-highway refunds are up by $0.02 million at the same time as diesel tax non-highway refunds are down by $1.7 million in the current biennium. For several quarterly forecasts, WSDOT has raised the projections on diesel non-highway refunds due to exporter activities resulting in diesel fuel tax refunds. This September forecast reflects the latest actual non-highway refunds which raised and lowered last quarter's projections for the current fiscal year for gas and diesel respectively. This September forecast of non-highway diesel tax refunds is an adjustment downward from past upward revisions to this forecast. In the future, non-highway refunds are growing at the same rate as gas and diesel consumption / gross revenue. Therefore, beginning in the 2013-15 biennium, gas tax non highway refunds are projected to be down 0.1% or $12,500 and diesel tax non-highway refunds are projected to be down $0.66 million or 1.9% based on the lower special fuel tax revenue. In the 2015-17 biennium, non-highway gas tax refunds are down $11,300 or 0.1% while special fuel non-highway refunds are projected to be lower by $0.63 million (1.7%) from the last forecast. This reduction percentage of the special fuel tax non-highway refunds from the last forecast grows over the forecast horizon.

Figure 21 Tribal Fuel Tax Refunds Forecast Comparison: September vs. June 2012



The 2009-11 biennium gas tribal refunds were $41 million, based on the month of distribution. In the 2011-13 biennium, gasoline tribal tax refunds are projected to be $53.3 million which is a slight (0.4%) modification upward ($0.2 million) from the June forecast. In June, the current biennium tribal gas tax forecast was modified upward due to larger tribal refund activity than projected and this current September upward revision is also reflecting higher tribal refunds than anticipated in last quarter's forecast. Subsequent biennia projections have been revised downward slightly in this September forecast due to incorporating another year's growth in tribal gas tax refunds in setting the long-term projection which is performed once a year.

The special fuel tax tribal refunds were $3.9 million in the 2009-11 biennium. For the 2011-13 biennia, special fuel tribal tax refunds are projected to be $5.9 million which is down 6.6% or $0.4 million projected for the biennium from June. This is change is due to having lower actual refunds than projected in recent months and revising the future projections from new FY 2012 data.

Primary reasons for the forecast changes

- Overall, total fuel tax collections have come in below forecast for the past three months. Gas tax collections have come in below forecast by $1.8 million and diesel tax collections have come in under forecast for the past three months by $4.5 million so overall, fuel tax collections came in below the June projections by $ 6.3 million or 1.9%.
- In the near-term, the September retail gasoline prices are down from the last forecast which brings up the forecast in the near-term and in the long-term, the current fuel prices are also lower until FY 2020 and this results in additional fuel consumption. Fuel efficiency did not change from the last projection.
- Washington's real personal income growth rates in this September forecast are up due to historical revisions of personal income and using 2 more years of ERFC projections. In the long-term, OFM's projection of real personal income has not changed.
- Washington's non-farm and trade, transportation and utilities employment projections have been revised higher in the near-term and for FY 2016 and 207 as ERFC projections are higher than OFM's projections. After FY 2017, the long term growth rates for non-farm and trade, transportation and utilities employment projections have not changed from the last forecast.

- Overall, in the current biennium, gross fuel tax revenues are down $8.9 million (0.35%) but net fuel tax revenues are down $6.9 million as overall motor fuel tax refunds are less than projected. In the 2013-15 biennium, gross fuel tax revenue is down $12.5 million (0.5%) and net fuel taxes are down by $9.33 million due to lower fuel tax tribal and non-highway refunds.
- Future non-highway gas tax refunds are up $0.2 million but special fuel tax non-highway refunds are down $1.7 million. Tribal gas and diesel tax refunds are both down in future biennia by 1.7% for gas and 17% for special fuel tax refunds in the 2013-15 biennium. All fuel tax refunds and transfers are down $1.745 million and $3.18 million from the last forecast in the current and 2013-15 biennium.

Figure 22 Short-term Motor Fuel Tax Forecast – By Month of Collection: September 2012 forecast

millions of dollars

	FY 2012	FY 2013	2011-13 Biennium	FY 2014	FY 2015	2013-15 Biennium
Gasoline Taxes	**$1,000.3**	**$998.9**	**$1,999.2**	**$1,002.8**	**$1,005.8**	**$2,008.6**
Special Fuel Taxes	**241.4**	**246.5**	**487.9**	**256.2**	**265.6**	**521.8**
Total Fuel Revenue	**$1,241.7**	**$1,245.4**	**$2,487.1**	**$1,259.0**	**$1,271.4**	**$2,530.4**
% Change from Prior Fcst	-0.1%	-0.6%	**-0.4%**	-0.7%	-0.3%	**-0.5%**

Motor Vehicle Revenue (Licenses, Permits, and Fees)

Vehicle related forecasts fall into two main categories: motor vehicle registrations and license plate related fees. This forecast has a variety of small fees but the majority of the revenue is from registration based fees. There are five main economic drivers for the vehicle licenses, permits, and fees (LPFs) forecast: Washington population and net migration, Washington personal income, Washington - U.S. real income share, Washington Retail Employment, and U.S. sales of light vehicles. Washington State collected almost $873 million from vehicle licenses, permits, and fees (LPFs) in the 2009-11 biennium. This appears to be the low point for this revenue source and revenues will be picking up, biennium over biennium. In the last forecast, new fees and increases in LPF revenue sources were incorporated into this forecast. This September forecast of revenue from licenses, permits, and fees in the 2011-2013 biennium is projected at $925.9 million, which is $52.9 million more than the previous biennium. The majority of this increase is due to increases in the Late Title Penalty Fee and the vehicle Title Fees, and two new fees: the Electric Vehicle Renewal Fee and the Original Plate Fee from 2012 legislation.

For the September 2012 forecast for the current biennium compared to June, the LPF forecast is down $1.5 million (0.16%) from the June estimate of $927.4 million.

Certain LPF revenue sources September forecast is slightly lower than the June forecast in the near term due to changes in the forecasts of U.S. Sales of Light Vehicles, and Washington – U.S. Real Income Share. The light vehicle sales forecast is somewhat lower for 2012-2014, but higher beginning in 2015 and continuing lower throughout the forecast horizon. The projected Washington – U.S. Real Income Share (Economic and Revenue Forecast Council) includes revision to FY 2009-2011 history and is somewhat higher beginning in 2012 and continuing higher throughout the forecast horizon.

Trends in vehicle registrations

This forecast, as well as the previous six forecasts, shows a U-shaped recovery from the 2009-2010 recession for cars. By 2011, passenger car registrations returned to and exceeded the previous high water mark established in 2008. Registrations for fiscal year 2012 finished slightly below 2011. The recession was deeper and sharper for trucks. Like cars, truck registrations did recover in 2011 from the low point in 2010. Unlike cars, it will take trucks two to three more years to return to the 2008 high. Truck registrations for 2012 were about 1.75% lower than 2011. In the current biennium and beyond, the September forecast assumes year to year growth rates for 2013 of just 1.74% to 2% for passenger cars

and for trucks at -0.8% climbing to just 0.85% growth in the out years. The September 2012 forecast for passenger car registrations is down 0.63% for FY 2014. In FY 2017 and beyond passenger car forecasts reflect the shift from using personal income growth to population growth rates. In FY2017 and beyond, the forecast growth rates mirror Washington population growth from the prior forecast. Trucks registrations are down 1.02% in 2012, 2.53% in 2013, and 2.85% in 2014 from the last forecast. By 2015 and beyond, the truck forecast annual growth ranges from 4.2% to 10% below the previous forecast. This is due to a change in forecast methodology for truck registrations, using Washington Retail Trade Employment as the primary predictor variable for this forecast model.

Figure 23 Passenger Car Comparison: September vs. June 2012 forecasts
millions of vehicles

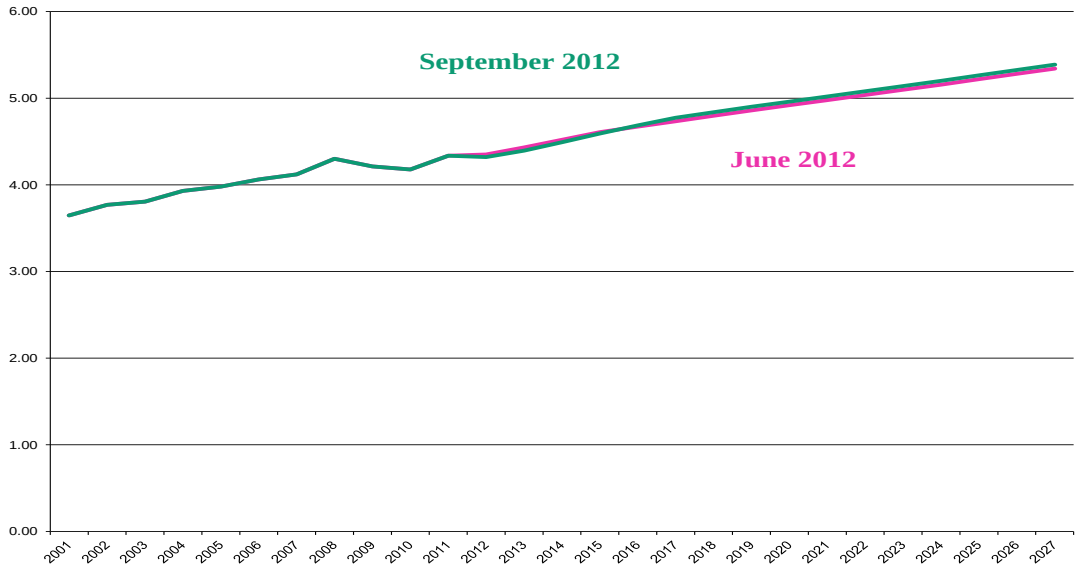
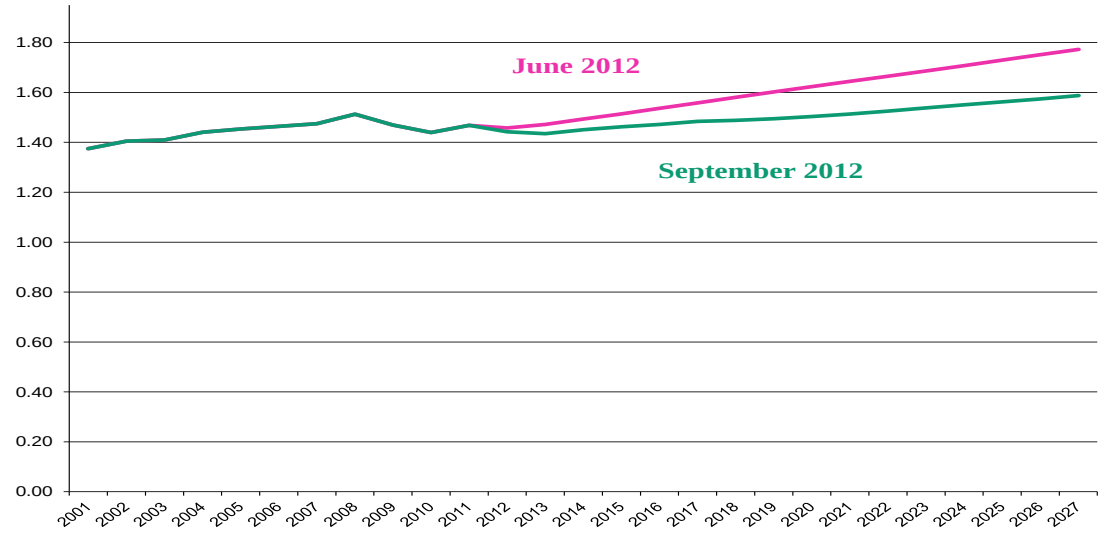


Figure 24 Truck Comparison: September vs. June 2012 forecasts
millions of vehicles



Trends in LPF revenue
As previously stated, Washington State collected almost $873 million from vehicle licenses, permits, and fees (LPFs) in the 2009-11 biennium while the 2011-13 biennium should be about $926 million. The 2009-2011 biennium appears to be the low point for this revenue source and revenues will pick up, biennium over biennium.

For the 2009-2011 biennium, vehicles paying the $30 basic fee brought in $284 million while trucks garnered $330 million. For 2011-2013, passenger cars ($30 vehicles) should bring in $293.2 million, which is $300 thousand (0.10%) less than we forecasted in June. Trucks should earn $339 million or about $572 thousand (0.17%) more than forecasted in June. These changes in forecasted revenues to date are due to actual revenue being lower than previously forecasted in some categories of passenger vehicles. The story for trucks is different. While the truck fleet registrations were lower, revenue came in slightly higher than expected, representing a return of heavier commercial vehicles and trailers to Washington State fleets.

Passenger weight fees were $106 million for 2009-2011. In the current biennium, weight fees will be up, at $108.9 million, less than forecasted in June by $200 thousand (0.18%). Actual motor home weight fees came in at $10 million in 2009-2011. These fees are anticipated to be $9.8 million and down by $132 thousand in the current biennium.

Both license plate reflectivity and replacement forecasts are lower in September than in June. The replacement plate issue forecast is based on plates due for replacement in the near term and the combination of replacements and original issues in the long term. The September forecast for replacement plate issues and plate reflectivity fee is down $379 thousand and $124 thousand from June in the current biennium. This replacement plate forecast is unchanged from FY 2013-2018 and then slightly higher beginning in FY 2019 and continuing throughout the forecast horizon.

The title fee forecast is slightly lower (FY 2011-13 $307 thousand or -0.85%) due to lower than anticipated title fee revenues to date and the revision to the Original Issue Plate Forecast. The dealer temporary permit forecast is also lower (FY 2011-13 -$362 thousand or -4.22%) due to lower than anticipated transactions. This reduction continued throughout the forecast horizon.

A couple LPF revenue sources came in higher in September than last forecast. The quick title fees forecast is slightly higher (FY 2011-13 $15 thousand or 3.04%) due to higher than anticipated transactions. Motor Vehicle Business Licenses forecast is slightly higher (FY 2011-13 $11 thousand or 0.34%) due to higher penalty assessment revenue for FY 2012. The fee increases included in EHB 2660 are effective October 1, 2012. The electric vehicle fee forecast is a new forecast with fees imposed by EHB 2660 effective February 1, 2013 and has FY 2011-13 forecasted at $69,200. This forecast is somewhat higher than the June forecast due to the addition of FY 2012 registrations for electric vehicles, which were much more than previously anticipated

Primary reasons for the forecast changes

- Actual passenger vehicle registrations were lower in FY 2012 than expected. Due to lower actuals in the near term passenger vehicle registrations will continue slightly lower until 2016. Due to higher forecasted growth rates for personal income in this forecast, passenger vehicle registrations will grower faster than previously forecasted after FY 2016.
- The Economic and Revenue Forecast Council projections of Washington personal income growth rates are up in this forecast and the increase is largest in FY 2016 and 2017 as personal income growth rates are higher than population. OFM's forecast of population which impacts the passenger car registration forecasts beyond 2017 is unchanged in this September forecast.
- Actual truck registrations were lower in FY 2012 than predicted. Due to changes in the truck registration forecast model using retail trade employment, the projections for truck registrations are lower than prior forecasts and remain fairly static in the long-term.

- Overall, LPF revenues are down $1.5 million compared to the last forecast in the current biennium. The basic license fee and combined license fees were essentially unchanged from the last forecast for the current biennium.

Figure 25 Short-term Motor Vehicle Related Revenue (Licenses, Permits and Fees): June 2012 forecast

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

	FY 2012	FY 2013	2011-13 Biennium	FY 2014	FY 2015	2013-15 Biennium
Basic $30 License Fee	**$146.7**	**$146.6**	**$293.3**	**$149.7**	**$152.9**	**$302.6**
Combined License Fee	**170.6**	**168.4**	**339.0**	**170.3**	**171.6**	**341.9**
All Other Fees	**132.9**	**160.7**	**293.6**	**172.2**	**174.9**	**347.1**
Total LPF Revenue	**$450.2**	**$475.7**	**$925.9**	**$492.2**	**$499.4**	**$991.6**
% Change from Prior Fcst	0.2%	-0.5%	**-0.2%**	-0.6%	-0.7%	**-0.7%**

Driver Related Revenue Forecasts

The September 2012 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, limousine licenses, fines and forfeitures, and driver school instructor license fees. These driver-related fees are deposited into the Highway Safety Fund (HSF), Motorcycle Safety Education Account (MSEA), the State Patrol Highway Account (SPHA), and Ignition Interlock Revolving Account (IIRA).

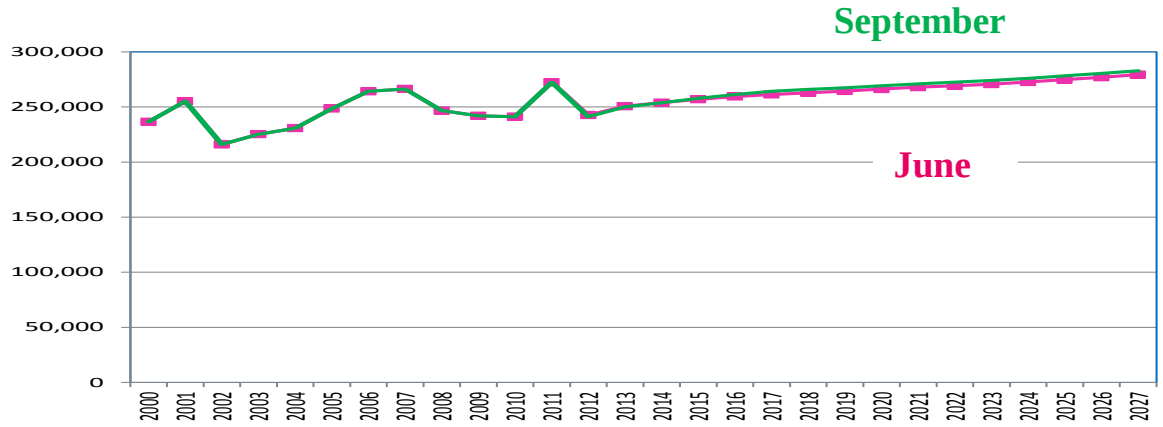
All driver-related revenue is projected to be $232.0 million for the 2011-2013 Biennium, about -4.6million (-1.9%) lower from the prior forecast. In the 2013-2015 Biennium, the September forecast of driver related revenue is $310.8 million, a reduction of about $5.1 million (-1.6%) from the prior forecast.

It is important to note that many of the driver related revenue streams follow a five-year renewal cycle until FY2014 when it becomes a six-year cycle. Caution is advised in year over year comparisons.

Trends in Driver's Licenses and Abstracts of Driver Records

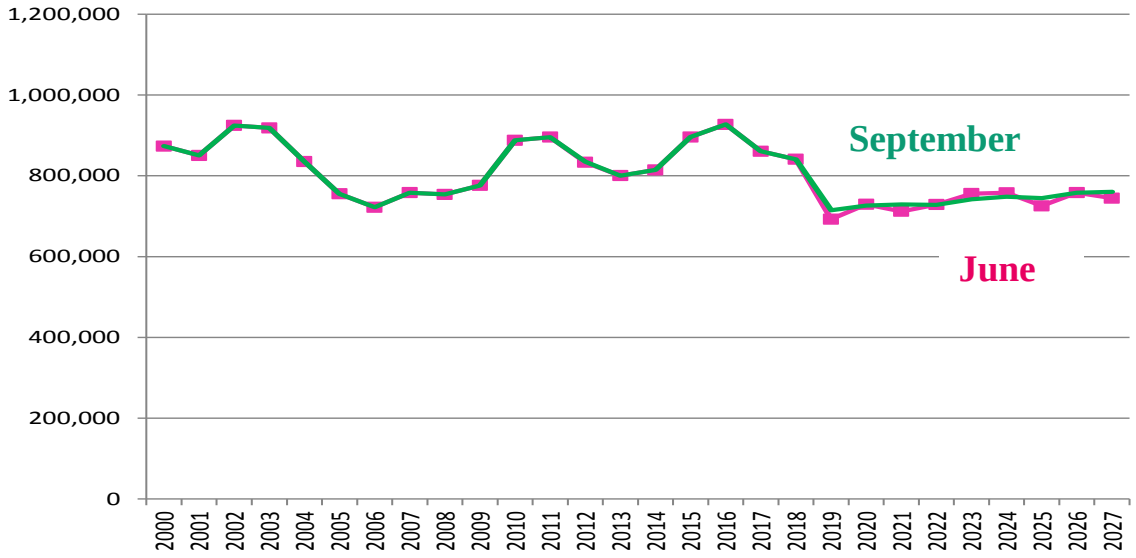
Original driver license issuances for the current biennium are revised down slightly by -0.4% reflecting OFM's downward revision to near term driver-in migration forecast and lower than anticipated actual through August. Future biennia are revised somewhat higher (averaging 1% in out years), following ERFC's increase in nonagricultural employment forecast.

Figure 26 Driver License Originals: September vs. June 2012



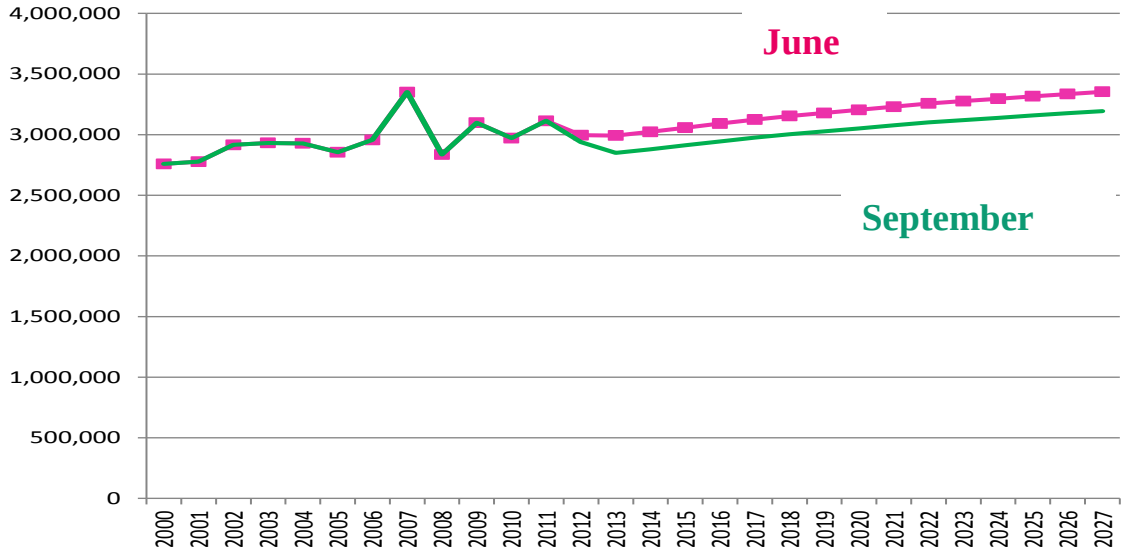
The Driver license renewal for the current biennium is little changed. Starting FY14, driver licenses will move to a six-year renewal cycle. During implementation years from FY14 through 2018, most driver license will renew for six-years. However, some of the renewals will be selected for "license extensions" of less than six years such that they will come in FY19 to renew their licenses for the full six year term. This implementation scheme is necessary to ensure FY19 does not become a workload or revenue void. The result of this implementation scheme is displayed in Figure C-2. By 2019, the renewal volume will average about 20% lower throughout the forecast horizon. It is important to note that renewals/extensions between FY14 through FY18 include variable lengths; therefore one is advised not to directly multiply the counts by the standard licensing fee to get to revenue estimates. The differences between September and June forecasts reflect some further workload smoothing in the current forecast.

Figure 27 Driver License Renewals: September vs. June 2012



Sales of Abstracts of Driver Record (ADR): Transaction volume for FY12 ended about -1.9% lower than expected in June. The most recent two months of actual sales in FY13 have also come in lower than expected. As a matter of fact, July actual was the lowest July collection in the last seven years and August collection was the second lowest August we've seen. The September forecast is therefore revised down by -4.75% in transaction volumes throughout the forecast horizon. One possible reason for the lower than expected volumes is that in recent months major data brokers have been transitioning ADR purchases from ftp channel to DOL's on-line tool. At this point, we are not sure if the observed reduction in sales is temporary due to process change, or permanent due to efficiency gains. This forecast still has a downward revision potential if the purchase channel change results in data brokers' efficiency.

Figure 28 Sales of ADR September vs. June 2012



Trends in Driver Related Revenue

Highway Safety Fund

Total Highway Safety Fund revenue for the current biennium is projected to be $193 million, about $3million lower (-1.5%) than the prior forecast. For the FY13-15 biennium, total revenue is projected to be $264 million, about $3.3 million lower (-1.26%) than the June forecast. This reduction is due largely to ADR sales drop discussed earlier and lower than expected driver exam activities.

Roughly 77% of the Highway Safety Fund (HSF) revenue comes from **driver license fees**. The 2011-2013 Biennium revenue is projected to be $154 million, down about $1.5 million (-.98%) from a data correction (of about -$800,000) and less than expected driver exam/applications. Driver fee related revenue for FY13-15 biennium is projected to be $218.5 million, down about $1.3 million (-.6%) from June forecast.

FY12 revenue from the sales of **abstract of driver records** came in about $223,000 lower (-1.3%) than expected. The two months of FY13 actual collections continued to be lower than expected. The September forecast for this revenue stream is revised down by about $1.5 million (-4.2%) for the current biennium, and about $2 million (-4.6%) in the outer biennia, although total revenue in FY13 and beyond will be higher than prior years due to fee increase effective October 2012.

A few other Highway Safety Fund revenue streams (selected motor vehicle filing fees, limousine license fees, driving school, fines and forfeitures, and misc. revenue) make up about $2.5 million a year. The September forecast is essentially unchanged for current biennium and slightly lower in the out years.

State Patrol Highway Account

With the ADR fee increasing from $10 to $13 starting October 2012, the State Patrol Highway Account will receive $6.50 (up from $5.00) for each sale of an Abstract of Driver Record (ADR). However, ADR

sales volumes have been lower than expected in recent months, resulting in lower sales projection by about -4.75% throughout the forecast horizon. This reduction translates into about $1.4M less revenue for the current biennium and $1.8M less for the FY13-15 biennium, although total revenue for FY 13 is about $2.3M higher due to the fee increase and about $5.8M higher for the next biennium.

Motorcycle Safety Education Account Trends

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

- motorcycle license original and renewal endorsements
- motorcycle instruction permits
- motorcycle examination fees.

The Motorcycle Safety Education Account's revenue for FY 12 ended about $95,000 lower (-4.2%). Revenue for the current biennium is revised down by about $112,000 (-2.4%). However, due to an upward revision to renewal rate based on recent model reviews, future biennia revenue are revised up by about $100,000 through FY2019 and about $400,000 further out, in terms of forecast to forecast change. Note the 22% year over year growth in FY14 revenue is due largely to onetime extension transactions to smooth the field operation workload in transitioning driver licenses and related endorsements from five-year to six-year terms.

Ignition Interlock Device Revolving Account

The Ignition Interlock Device Revolving Account revenue is projected to be about $2.56 million for the current biennium, only .3% higher than prior forecast. There is no forecast to forecast change in future years but it is worth noting that we assumed a 23% growth in FY13 revenue due to legislation 2SHB2443, which is expected to result in more individuals subject to the Ignition Interlock Device fee payments. This is a relatively new revenue stream with insufficient observations to develop sophisticated models. The forecast is based on observed average to date.

Primary reasons for the forecast changes

Primarily reason for the change in driver related revenue are:

- The drop in ADR sales to commercial data brokers; and
- Lower than expected driver exams.

Figure 29 Short-term Driver Related Revenue Forecasts: September 2012
millions of dollars

Driver Related Revenue	FY 2012	FY 2013	2011-13 Biennium	FY 2014	FY 2015	2013-15 Biennium
Total Highway Safety Fund	**$82.8**	**$110.3**	**$193.1**	**$131.7**	**$132.3**	**$264.1**
Drivers License Fees	64.3	89.3	153.6	109.1	109.5	218.5
Copies of Record Fees	16.1	18.4	34.5	20.0	20.3	40.3
Other smaller misc. Fees	2.4	2.6	5.0	2.6	2.6	5.2
Total Motorcycle Safety Education Account	**2.2**	**2.3**	**4.4**	**2.8**	**2.7**	**5.5**
Total State Patrol Account	**14.8**	**17.1**	**31.8**	**18.7**	**18.9**	**37.6**
Total Ignition Interlock Device Revolving Account	**1.2**	**1.4**	**2.6**	**1.8**	**1.8**	**3.5**
Total Driver Related Revenue	**$100.9**	**$131.1**	**$232.0**	**$155.0**	**$155.7**	**$310.8**
Percent change from prior forecast	-0.2%	-3.2%	-1.9%	-1.9%	-1.4%	-1.6%

Other Transportation Related Revenue Forecast

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

Vehicle Sales and Use Tax
The consumer spending on new US light vehicles was $157 billion in FY 2009 and this represented a decline of 28% from the FY 2008 sales level. In FY 2010, consumer spending on new US light vehicles grew to $175 billion which represented an 11.5% annual growth. In FY 2011, consumer spending on light vehicles grew 10.5% from FY 2010. In FY 2012, US spending on light vehicle sales grew 15% to $222 billion. In FY 2013, the growth in the US spending on light vehicle sales is projected to be $231 billion; an increase of 3.9% year over year and this is the same annual growth rate as the prior forecast. In FY 2014, the growth in the US spending on light vehicle sales is projected to be $239 billion; an increase of 3.4% year over year and this is a decrease of 1.1% 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 declined to $54.4 million. In the 2011-13 biennium, the sales and use tax collections are projected to increase to $61.6 million which is essentially no change from the past forecast. Actual tax collections have come in $0.14 million higher than June's forecast although the national projections of new and used car sales have weakened. In the 2013-15 biennium, the sales and use tax collections are projected to rise to $68.1 million which is a 1.2% decrease of $0.8 million from the past forecast. Revenues after the 2013-15 biennia decreased by approximately 2.2% initially and rise to a 3.1% decrease from the June forecast by the 2025-27 biennium.

Rental Car Sales Tax
The forecast for rental car sales was $46.97 million for the 2007-09 biennium and it decreased to $44.5 million in the 2009-11 biennium. In the 2011-13 biennium, the rental car tax is projected to be $48.1 million which is essentially unchanged from the June forecast. Actuals since the last forecast have been above projections by $0.15 million. In the 2013-15 biennium, revenues are projected to be $51.3 million which is a -0.2% revision of $0.09 million from the prior forecast. The primary reason for the change in the forecast is due to weaker projections of national personal income and unemployment. Over the 10-year forecast horizon, the rental car tax is down $0.9 million.

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 2009-11 biennium was $12.6 million. Each biennium this revenue category has a unique set of properties available to be sold, making biennium to biennium comparisons difficult. The September 2011-13 biennium forecast is projected to be $11.9 million, an upward revision of 1.85% or $216,200 from the prior forecast due to minor adjustments for some of the fees with revenues coming slightly higher than projected. The 2013-15 biennium total business related revenues are projected to be up slightly by 5.0% or $572,700 from the June forecast. This change is due primarily to a higher projection of real estate sales due to getting an updated list of contract properties which added new sales of $338,800 from June's projections.

Washington State Patrol (WSP) Highway Account miscellaneous revenue consists of ACCESS fees (fees charged for usage of our statewide law enforcement telecommunications system), Breathalyzer Test fines, DUI Cost Reimbursement, and Terminal Safety Inspection fees. Highway Safety Fund revenue now consists of certification and calibration fees charged to ignition interlock manufacturers, technicians, providers, and persons required to install an ignition interlock device in all vehicles owned or operated by that person (per 2SHB 2443). This revenue source was incorporated into this forecast in June and is

estimated based on data provided in WSP's fiscal note for 2SHB 2443. Revenue collections are expected to begin August 1, 2012.

The September 2011-13 biennium WSP business related revenue forecast is $7.9 million, down 12% or $1.1 million from prior estimates due to a revision in the Ignition Interlock Vendors fee forecast from June. Even though the current biennium forecast is down from June, the subsequent biennia projections remain the same as in June. The forecast for Breath Test fines and DUI Cost reimbursement is up slightly about 0.6% from the June forecast. There is no change in the September WSP ACCESS revenue projection from June. The 2011-13 biennium Highway Safety Account revenues are projected to be down 61% or $1.1 million from prior estimates but the out years change from the June forecast is very minor.

Aeronautics Taxes and Fees

The aeronautics tax forecast includes excise, registrations and fuel taxes as well as transfers. The aeronautics tax collections were $5.7 million in the 2007-09 biennium. In the 2009-11 biennium, the aeronautics tax collections were $5.8 million and the revenue is projected to increase in the current biennium to $6.6 million which is a minor downward revision of $207,221 from June. In the 2011-13 biennium, the aircraft registrations, excise and dealers' taxes are a small portion of the total aeronautics revenue at $832,800 which is no change from the last forecast. Ten percent of the excise tax goes to the aeronautics account and the rest goes to the state general fund. The aeronautics transfer from the motor vehicle fund is also part of this forecast and is projected to be $561,200 which is nearly the same as the prior forecast for the current biennium. In the 2013-15 biennium, the aeronautics transfer from the motor vehicle fund is projected to be $562,400, down minimally by 0.1% from the last forecast and this decline continues through most of the forecast horizon. The aviation fuel tax is the largest component of this aeronautics tax forecast.

Aviation Fuel Tax

The aviation fuel tax forecast is lower (FY 2011- 13 -$207 thousand or -3.44%) than the June forecast. Revenues for FY 2012 were adjusted to reflect an amended tax return, which resulted in a refund of $1.4 million. Even though revenues are down for FY 2012, this September forecast is somewhat higher in the near- term due to the closed FY 2012 revenue/gallons being incorporated into the forecast model. In the 2013-15 biennium, aviation fuel tax is up $343 thousand or 6.4% from the June forecast. In the next two biennia, the September forecast is slightly higher than the prior forecast.

Primary reasons for the forecast changes

- Vehicle sales and use tax revenue are up slightly in the current biennium by nearly $10 thousand due to higher actual collections. In subsequent years, the forecast is down slightly from June.
- Rental car tax revenue is up by $38 thousand in the current biennium due to higher collections in recent months than anticipated. In subsequent biennia, the rental car revenue is down from June minimally.
- WSDOT Business and other miscellaneous revenue is $11.7 million in the current biennium and it has been revised upward by 1.9% by $216 thousand from June due to higher property management revenue than projected last quarter. Future biennia estimates have been revised upward as well from the last forecast for sales of property and property management.
- WSP Business and other miscellaneous revenue September forecast has been revised downward by $1.1 million from June due to a revision in the revenue projected from the new ignition interlock vendors fee. This September forecast of the ignition interlock vendors fee revenue has not been changed in subsequent biennia just the current biennia.
- Aircraft fuel tax revenue has been revised downward in the current biennium due to a fuel tax refund in FY 2012. In subsequent biennia, this forecast is up from June by $0.3 million in the 2013-15 biennium and the forecast to forecast change decreases over the forecast horizon.
- Aircraft registrations and excise taxes have not changed from the June forecast.
- In the current biennium, total other transportation related revenue is projected to be $136.8 million and down slightly 0.76% or $1 million from the last forecast.

- In the 2013-15 biennium, the revenues are projected to be $147.4 million and this forecast is a very minor revision upward of $38,400 from the June forecast. In future biennia beyond 2013-15 biennia, business related revenues are down by approximately 1.6% from the prior forecast.

Figure 30 Short-term Other Transportation Related Revenue: September 2012 forecast
millions of dollars

	FY 2012	FY 2013	2011-13 Biennium	FY 2014	FY 2015	2013-15 Biennium
Rental Car Sales Tax	$23.6	$24.5	**$48.1**	$25.3	$26.1	**$51.4**
Vehicle Sales & Use Tax	30.0	31.6	**61.6**	33.2	34.9	**68.1**
DOT Business/Other Rev	6.7	5.2	**11.9**	5.9	5.9	**11.8**
WSP Business/Other Rev	3.8	4.1	**7.9**	4.7	4.2	**8.9**
Aeronautics Taxes/Fees	3.7	3.5	**7.2**	3.5	3.5	**7.0**
Total Other Transportation Related Revenue	$67.8	$68.9	**$136.7**	$72.6	$74.6	**$147.2**
% Change from Prior Fcst	-1.6%	-0.1%	**-0.9%**	0.4%	-0.5%	**-0.1%**

Ferry Ridership and Revenue

Ferry Fare Ridership and Revenue Forecasting Process

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

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

The September forecast continues with the vehicle fare category revisions made for the June 2012 forecast. Prior to June 2012, other discounted vehicles and oversize vehicles were lumped together as a single fare category. Starting with June, oversize vehicles and other discounted vehicles were segregated into separate fare categories in the forecasting models in order to capture their different trends and growth rates over time, with the goal of improving overall forecasting accuracy.

The September forecast includes actual ridership counts and revenue collections through August 2012, and incorporates the effects of a 3.0% increase on May 1, 2012. Also included are the previously adopted 2.5% increase on October 1, 2011; new, lower fares for small vehicles under 14 feet in length; fare revisions to oversize vehicle fares to offset the loss of revenue on small vehicles; and the $0.25 capital program surcharge per fare sold as authorized in ESSB 5742 and approved by the Washington State Transportation Commission last August. Finally, the September Baseline Forecast scenario documented herein excludes any subsequent future fare increases beyond May 2012.

Passenger and vehicle/driver “frequent user” or commuter fare ridership, for which fares are pre-sold as a multi-ride discount, have been steadily declining since FY 2000 for a variety of reasons. Commuter passenger fares have increased by over 120% and vehicle/driver commuter fares have increased over

90% since FY 2000.[1] After accounting for inflation, the passenger and vehicle/driver commuter fare increases amount to nearly 75% and 50%, respectively, in real terms. At the same time, employment opportunities on the Kitsap Peninsula have increased while the populations of Vashon, Bainbridge, and south/central Whidbey Islands have aged, shifting a greater share of the islands' populations to retirement age. Telecommuting in the region has also become more prevalent in the past decade. A change in commuter fare media in 2007 has also affected the types of customers that use the discounted fares. All of these factors have contributed to the declining trend in passenger and vehicle/driver commuter ridership over the past decade.

The above demographic changes in the central Puget Sound region are not always fully captured in the state-wide economic and demographic forecast variables used in preparing ferry ridership projections. While the forecast models do eventually adapt to statewide demographic trends that are increasingly less correlated with regional trends, additional processes may be required to more quickly bring ferry ridership projections into better alignment with changing local demographics. An initial step in this direction will be presented for the November 2012 forecast.

Trends in Passenger Fare Ferry Ridership

FY 2009 passenger ferry ridership reached 12,580,511, which was a decline of 2.7% from the FY 2008 level. Similarly, FY 2010 passenger ferry ridership was 12,453,226, or 1.0% less than in FY 2009. Actual passenger ridership for FY 2011 was 12,242,320 (1.0% lower) and includes a database correction prior to which foot passengers on the Mukilteo-Clinton route were double-counted. FY 2012 passenger ridership came in at 12,236,081, or 0.2% higher than predicted in June. This represents an annual decrease of 0.1% over FY 2011 levels. In FY 2013, ferry passenger ridership is expected to be 12,415,000, a 0.1% decrease from the prior forecast, and a year-over-year increase of 1.5%.

Compared with the prior forecast for the rest of the horizon, the passenger ridership projections are slightly lower in FY 2014 and FY 2015, a result that is entirely driven by a revised trend in passenger commuter fare patronage, as other passenger fare ridership categories are higher. From FY 2016 through FY2027, the passenger ridership projections slowly rise from 0.2% to 1.7% higher than in June. Higher projections for employment, real personal income, and inflation (which results in lower real fares) all contribute to the increase in the ridership projections.

Trends in Vehicle/Driver Fare Ferry Ridership

Vehicle/driver ridership was 9,917,249 in FY 2009, which was a decline of 5.0% from the FY 2008 level. Subsequently, vehicle/driver ridership was 10,134,311 in FY 2010, or 2.2% higher than in FY 2009. This increase for FY 2010 comes despite the dampening effects of the October 2009 2.5% fare increase. Actual vehicle/driver ridership for FY 2011 came in at 9,968,973, 1.6% lower than in FY 2010. For FY 2012, vehicle/driver ridership was 9,983,059, 0.1% higher than anticipated in June, which is a year-over-year increase of 0.1%. In FY 2013, the current Baseline Forecast for vehicle/driver ridership is revised to 10,095,000, or 2.2% higher than the June forecast, which also represents a predicted year-over-year increase of 1.1% from FY 2012. The vehicle ridership forecasts reach 2.3% higher than June by FY 2016, before declining to 0.2% higher in FY 2020 and 1.1% lower by FY 2027.

Compared with June, higher projections for employment, real personal income, and inflation throughout the forecast horizon, combined with lower real gas prices through FY 2020 are driving the vehicle ridership projections higher in the first half of the forecast horizon. However, a significant shift to higher real gas price forecasts starting in FY 2021 are sufficient to offset the other factors, resulting in the lower vehicle ridership projections in the second half of the forecast horizon.

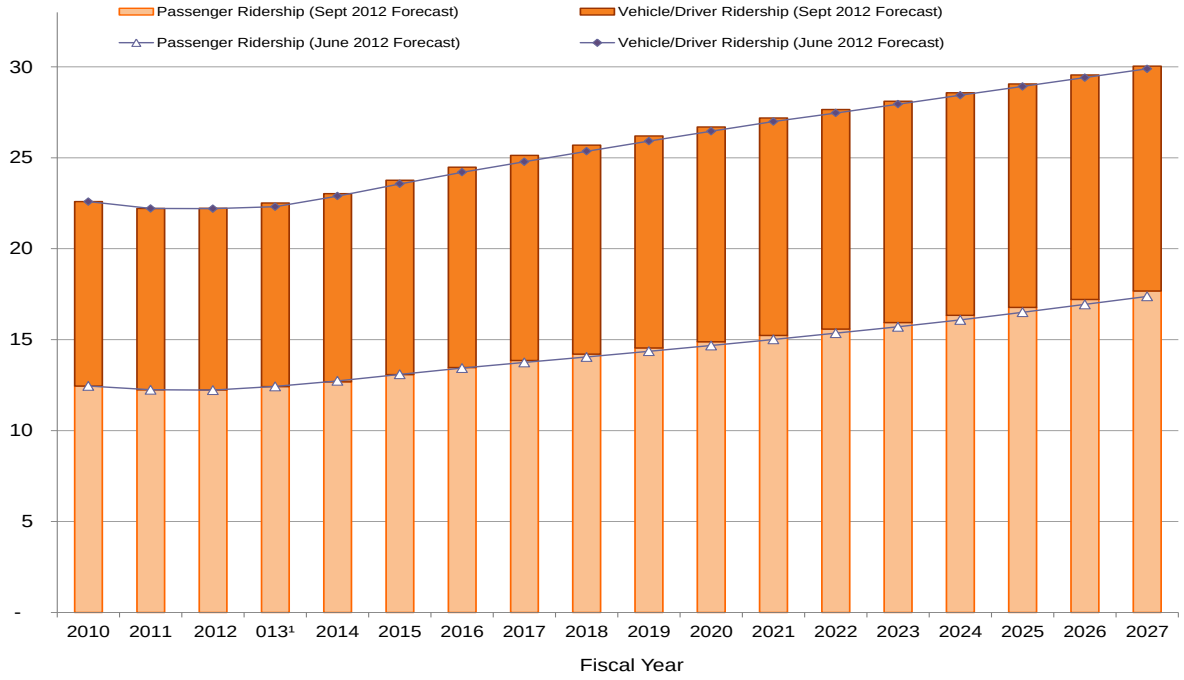
[1] Based on the central sound frequent user discounted fare for Seattle-Bremerton, Seattle-Bainbridge, and Edmonds-Kingston.

Overall Trends in Ferry Ridership

Total ferry ridership in FY 2010 and FY 2011 was 22,587,537 and 22,211,293 respectively, which represents a year-over-year decrease of 1.7%. In FY 2012, total ridership was 22,219,140, or 0.1% higher than anticipated in June. For FY 2013, total ridership is projected at 22,510,000, or 0.9% higher than anticipated in June. For the rest of the forecast horizon, projected overall ridership ranges from 0.6% higher in FY 2014 to 1.4% higher in FY 2017 before declining to 0.5% higher by FY 2027, compared to the June values.

Figure 31 illustrates the trends and changes from the prior forecast for passengers, vehicles/drivers and total ferry ridership over the forecast horizon.

Figure 31 Comparison of Ferry Passenger and Vehicle Ridership: September and June 2012 Baseline Forecasts
Millions of Riders



¹ FY 2013 ridership includes actual values through August 2012.

Trends in Ferry Revenue

The September 2012 ferry revenue projections for the Baseline Forecast include the projected effects of the 3.0% fare increase on May 1, 2012 and the other aforementioned tariff revisions. In the 2007-09 biennium, ferry farebox and miscellaneous revenues totaled $300 million, with fare revenue comprising $292.9 million of that amount. For the 2009-11 biennium, total fare and miscellaneous revenues increased by less than 0.5% over the previous biennium to $300.7 million, with fare revenue representing $294.5 million of the total.

The current forecasts for both non-agricultural and trade, transportation, and utilities employment, real personal income, and inflation have all been revised upward for the entire forecast period. Higher inflation has the effect of lowering real fares. Real gas prices are projected to be significantly lower through FY 2019, and significantly higher thereafter. The combination of these variables tends to increase the September revenue forecasts through FY 2023 relative to June. Thereafter, higher real gas prices slightly more than offset the other factors to yield slightly less revenue than previously forecast.

Fare revenue plus capital surcharge revenue for FY 2013, which includes two months of actual collections, is 1.9% higher than projected in June.

In the 2011-2013 biennium, farebox collections under the Baseline Forecast are projected to be 1.0% or $3.3 million higher than projected in June for a total of $317.5 million. Of this total, nearly $311.2 million represent fare revenues and just over $6.3 million represent the capital surcharge receipts. Compared to June, the current Baseline Forecast for revenue is anticipated to range from 1.9% higher for the 2015-2017 biennium to 0.1% lower for the 2025-2027 biennium.

Ferry Capital Surcharge Revenue

The ferry capital surcharge of $0.25 per fare sold enacted in ESSB 5742 that was adopted by the Washington State Transportation Commission is included in the Baseline Forecast. With nine months of collections in FY 2012, the ferry capital surcharge generated incremental revenue for capital projects of $2.5 million. For FY 2013, the first full year of collections, the ferry capital surcharge is anticipated to bring in $3.8 million. Future values increase with growth in ridership.

Ferry Miscellaneous Revenue

WSF's miscellaneous revenue forecasts are based on the June 2012 ridership projections yet capture the most recent actual revenue for FY 2012 and FY 2013. The projections for both vessel non-farebox revenue (galley, duty free, and wi-fi) and terminal non-farebox revenue (vending, shoreside restaurants and concessions, parking lots and advertising) have been revised upward for the entire forecast horizon, with vessel non-farebox revenue increasing in excess of 10%. The vessel non-farebox revenue forecast increase is attributable to actual revenues coming in higher than expected for FY 2012. The smaller, terminal non-farebox revenue projection is slightly higher than June due to revised vendor projections from advertising campaigns for media screens.

Primary Reasons for the Forecast Changes

- Higher projections for employment, real personal income, and inflation all contribute to the higher overall ridership projections through the forecast horizon, and higher revenue projections through FY 2023.
- Real gasoline prices, which are initially lower than previously forecasted, surpass their June levels by FY 2019. By reducing higher fare vehicle ridership, the higher real gas prices bring down the revenue forecasts slightly compared with June in the out years of the forecast horizon.
- For miscellaneous revenues, higher actual experience and revised vendor projections contribute to higher revenue projections over the forecast horizon.

Figure 32 Short-term Ferry Revenue: September 2012 Baseline Forecast
Millions of Dollars

	FY 2012	FY 2013	2011-13 Biennium	FY 2014	FY 2015	2013-15 Biennium
Farebox Revenue	$152.54	$158.61	$311.15	$162.39	$167.29	$329.69
Capital Surcharge Revenue	2.55	3.79	6.34	3.90	4.03	7.93
Misc. Ferry Revenue	3.21	3.51	6.72	3.56	3.69	7.25
Total Ferry Revenue	**$158.30**	**$165.91**	**$324.20**	**$169.86**	**$175.01**	**$344.87**
% Change from Prior Forecast	0.2%	2.0%	1.1%	1.7%	1.8%	1.8%

Toll Revenue

FY 2011 Tacoma Narrows Bridge (TNB) total toll revenue was $44,048,899 which is a decrease of $622,911 or 2.9% from the prior fiscal year of $45,352,938 million.

In the toll revenue baseline forecast, at Tacoma Narrows Bridge, new toll rate increases adopted by the Transportation Commission on May 21st 2012 are included in the September baseline forecast. New toll

rates began on July 1st, 2012 and are $ 5.00 for cash and $ 4.00 for electronic toll collection (ETC**)** for 2-axle vehicles. Photo tolling began on December 2, 2011. Due to the costs associated with different types of toll payments users who do not use account-based transaction and pay by mail (PBM) will pay an additional $1.00 per transaction for the TNB. The PBM toll rate at the TNB facility will be $6.00 per transaction per 2-axle.

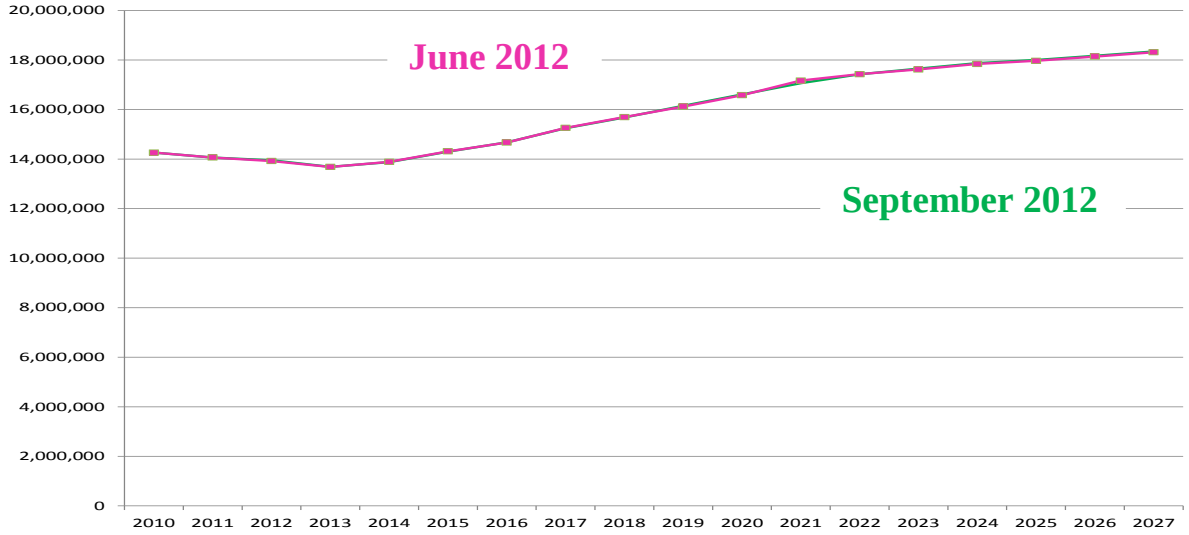
The SR 167 HOT lanes pilot program revenue forecast reflects actual toll collections starting in May 2008. In 2011 legislative action, SR 167 HOT lanes pilot program was extended to June 30, 2013. Toll rates are set to maximize traffic flow while managing demands to maintain acceptable operating speed on the HOT lanes. The traffic projection model for HOT lanes was last modified in November 2010.

SR 520 Bridge June revenue forecast reflects toll rates approved by the Transportation Commission and set to maximize traffic flow varying by time of the day, day of week and vehicle type. This September forecast includes a 2.5% toll rate increase adopted by the Transportation Commission began on July 1st, 2012. Maximum toll rates for two-axle vehicles using *GoodToGo Pass* for peak period weekday rates are $3.59 each way. Maximum peak weekend rate is $2.26 each way. Customers who do not use an account based transaction will pay an additional $1.54 transaction. Trucks will pay by the axle. The forecast assumes a 2.5% annual increase in toll rates through FY 2016 and a one-time 15% toll rate increase in FY 2017. Finally, the forecast assumes no further increases in tolls in the remainder of the forecast horizon.

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

Sales for FY2009 through FY2012 include revenues from the sales of transponders and disabling shields. In FY 2013 and beyond, transponder growth is based on annual traffic growth. In the current forecast, the projection for administration fees reflects the actual distributions of fees among SR520 Bridge, 167 HOT lanes and TNB.

Figure 33 Comparison of TNB Traffic Volume: September and June 2012 Forecasts



Trends in Tacoma Narrows Bridge traffic and toll revenue

The TNB average daily traffic grew minimally in FY 2009 by 0.2% to 13.91 million from FY 2008. In FY 2010, the TNB traffic volume was 14.26 million which represents a year over year increase in traffic volume of 2.5%. In FY 2011, the TNB traffic volume was 14.06 million which is a year over year decrease of 1.4%. In FY 2012, the TNB traffic volume was 13.95 million, which is a year over year decrease of 0.8%, which is slightly higher than the prior forecast by 0.2%. This is due to actual traffic counts coming in higher than anticipated over the past few months. In FY 2013, the TNB traffic volume is anticipated to be 13.68 million which is a year over year decrease of 1.9%, and this represents nearly no change from the prior forecast. The forecast for FY 2014 predicts a 1.4% annual growth in TNB traffic volume and this forecast is slightly lower than the assumption made in the last forecast in June by 0.1%. For fiscal years 2015 through 2018, the traffic volume forecast for TNB is a minor revision downward from the June projections by approximately 0.1% per year. In FY 2019, the forecast is slightly higher than last forecast due to the more optimistic economic variables' outlook in September. In FY 2021, the current forecast growth rate was modified lower by 0.6% to make that year's annual growth rate more in line with the long-term growth rate for TNB traffic. The forecast assumes a declining annual growth rate from FY 2019 throughout the remainder of the forecast horizon.

TNB toll revenue for the 2007-09 biennium was $73.1 million. The 2009-11 biennium toll revenue increased to $89.4 million which is a 22% increase over the prior biennium. In the 2011-13 biennium, this September 2012 forecast of toll revenue is projected at $105.19 million with $5.7 million of that forecast being due to PBM and $99.4 million due to prepaid and cash toll revenue. Overall, total TNB toll revenue is up minimally $1.03 million over the last forecast. The 2011-13 biennium PBM forecast is revised up by $1.9 million from the June forecast due to a increase in actual PBM revenue, a correction for an error in the June forecast and for a portion of the civil penalty fees being allocated now to the pay by mail category of toll revenue. In the 2013-2015 biennium, the projected toll revenue is $125.3 million, which is $1.9 million or 1.6% higher than the June forecast. This minor increase in total toll revenue increases slightly over the forecast horizon so by the end of the forecast, the TNB total toll revenue change from the last forecast is $3.4 million or 2.3% from June projections.

Beginning in 2012, violations phased out and were replaced by civil penalties so as a result the actual violations revenue came in $4,2K less than projected in FY 2012. Fines and fees violations revenue for the 2007-09 biennium was $1.06 million of which $1.01 million was violations revenue. In the 2009-11 biennium fees remained flat, and violation revenue was $1.08 million. In the September forecast of violations revenue for 2011-13 biennium is lower by $70,182 or 34.92% from the June forecast. The change is due to actuals coming in less than projected and that violations revenue ceased in June, 2012. The expected fee revenue being less than the actual revenue collected. Future fee revenue is also down in the subsequent biennium but not by as much, 4% from the June forecast.

Civil penalty revenue is a function of the pay by mail transaction estimate. The lag between civil penalty and PBM collection is 90-120 days. The 2011-13 biennium current civil penalties estimate is up slightly $0.12 million or 12.7% from the June forecast due to growth in the pay by mail forecast in the current biennium. In the 2013-15 biennium, civil penalties revenue is anticipated to bring in $1.43 million and this revenue is anticipated to grow to $1.8 million by the end of 2025-27 biennium. From the 2015-17 biennium and beyond, the civil penalty forecast is down 11% each biennia from the June forecast. The reason for this long-term decline is that we anticipate lower PBM participation resulting in corresponding decrease in the civil penalty revenue.

Total revenue from all transponders and shield sales was $1.4 million in the 2007-09 biennium and $1.27 million in the 2009-2011 biennium. TNB transponders sales forecast in the current biennium is based on the quarterly statement and it is projected at $0.70 million which is nearly the same as the last forecast. Starting in the 2013-15 biennium through 2025-2027 the transponder sales is up minimally than anticipated in June. The growth of transponder revenue is based on traffic volume.
The total TNB revenue in the 2011-2013 biennium is 0.8% higher than in the June forecast mainly due to the toll revenue increase but the change is very minor from the September forecast. Subsequent biennia have between a 1.5% and 2% change from the June forecast. TNB revenue increases slowly over the remainder of the forecast horizon.

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 was 640,115 vehicles which is 25.3% higher than in FY 2010. Legislation in 2011 extended the 167 HOT lanes pilot program to the end of FY 2013. The current traffic volume forecast for FY 2012 is 813,000, 27% annual growth is no change from the June forecast. Traffic volume is estimated to grow to 842,000 by the end of FY 2013, this is an upward revision in the traffic volume forecast of 8.6%. The increase in traffic volume is due to higher actual traffic on HOT lanes in the past 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 $527,292 which represents a 12% increase annually. For the 2009-2011 biennium, HOT lanes total revenue is $1.25 million, and the total revenue is projected at $2.00 million in the FY 2011-2013 biennium, which is an increase of 2.6% or $0.05 million from the June forecast.

In 2011-2013 biennium, the current revenue forecast of transponder and shield sales on SR 167 is $51K, which is an increase of 18% from the June forecast. Sales of transponder shields will be phased down in FY 2013. Fees revenue is $5,408 in the current biennium which is up from the June forecast. The September fees revenue is a forecast based on incorporating actual revenue from the quarterly statement.

Trends in SR 520 Bridge Toll Lanes Traffic and Revenue
The SR 520 bridge tolling commenced on December 29, 2011.

September toll revenue forecast is the same as the June forecast. The traffic and toll revenue forecast is based on Wilbur Smith Associates (WSA) *Investment Grade Analysis dated on August 29, 2011.* Currently the SR 520 toll revenue forecast is being reviewed and a revised forecast is anticipated to be released in the November 2012 quarterly forecast.

In this September and prior forecasts, it *was* assumed that toll traffic and revenue will ramp up during the first two years of operations. At the SR 520 Bridge tolling facility the expected number of transactions is 10 million in FY 2012, which includes one month of estimated traffic. It is anticipated to increase to 18.97 million and 20.97 million in FY 2013 and FY2014, respectively. After construction of the bridge is finished in FY 2017, the expected traffic volume is projected to fall by 1.4% due to a one-time significant toll rate increase. Starting FY 2018 through 2027 average traffic volume growth is expected to be between 2.9% and 1.0%.

Total toll revenue from the SR 520 Bridge tolling facility is expected to be $25.45 million in FY 2012. In the September forecast, in the 2011-2013 biennium the total 520 toll revenue is $82.56 million. Actual revenue reports reveal that there are more consumers using prepaid accounts instead of pay by mail. In the 2013-15 biennium, 520 toll revenue is projected to rise to $135.1 million and in the next biennium, 520 toll revenue is anticipated to be $159.3 million. By the last biennia of the forecast horizon, 520 toll revenue is anticipated to be $209.9 million.

Estimated transponder sales are $2.32 million in the 2011-2013 biennium, expected to decrease to $2.25 million in the 2013-2015 biennium and increase to $2.35 million. For the remainder of the forecast horizon, transponder revenue is anticipated to grow to $3 million.

In the September forecast, civil penalty revenue includes the $40 penalty and the toll revenue collected through civil penalties. The expected civil penalty revenue is $1.98 million in FY2012; it increases to $3.61 million in FY2013 and peaks at $3.72 million in FY2014. From FY2014 through FY2027, civil penalty revenues are expected to decrease to $2.98 million. In the September forecast, in the 2011-2013 biennium, the civil penalty revenue is $5.59 million.

In the September forecast, the 520 fee revenue in FY2012 is $0.79 million. In the 2011-2013 biennium, the fees revenue is $1.76 million and the fee revenue increases over the forecast horizon to $1.99 million by the 2025-27 biennium.

In the 2011-2013 biennium, the total SR520 revenue is anticipated to be $92.23 million. Total SR 520 toll revenue is projected to rise to $220.95 million by the end of the forecast horizon.

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 increased to $93.2 million in the 2009-11 biennium. Starting in the 2011-13 biennium and beyond, this September forecast of total toll revenue is $201.9 million which is an increase by $0.91 million or 0.45%. The total revenue is projected to increase to $275 million and $307 million in FY 2013-15 and FY 2015-2017 biennia respectively. Over the forecast horizon, total toll revenue is expected to exceed $379 million by the FY 2025-2027 biennium.

Primary reasons for the forecast changes

- The September forecast reflects the slightly higher employment in the State's economic outlook than in the prior forecast. TNB traffic volume was slightly higher than projection but essentially was tracking the forecast well. TNB toll revenue forecast is slightly higher in the 2011-2013 biennium than it was anticipated in the June forecast by $0.9 million.
- TNB total revenue increased over the last forecast by $0.8 million or 0.8% in 2011-2013 biennium and $1.9 million or 1.5% in 2013-2015 biennium. The change from the last forecast for TNB total revenue grows slightly over the forecast horizon to $3.2 million by the last biennium.
- Hot lane transactions increased due to higher traffic volume in recent months.
- HOT lane revenue forecast in 2011-2013 biennium is $2.0 million, which is a 2.6% increase from the June forecast due to the increase in traffic volume.
- SR 520 toll traffic volume and revenue have not been changed from the June forecast.

Figure 34 Short-term Toll Facility Revenue: September 2012 forecast
millions of dollars

	FY 2012	FY 2013	2011-13 Biennium	FY 2014	FY 2015	2013-15 Biennium
Tacoma Narrows Bridge						
Total Toll Revenue	$44.19	$61.00	$105.19	$61.69	$63.58	$125.27
Transponder Sales	0.35	0.35	0.70	0.35	0.36	0.71
Violations	0.13	0.00	0.13	0.00	0.00	0.00
Civil Penalties	0.41	0.70	1.10	0.71	0.73	1.4
Fees	0.17	0.36	0.52	0.37	0.38	0.75
SR 167 HOT Lane						
Toll Revenue	0.98	1.03	2.01			
Transponder Sales	0.02	0.03	0.04			
Fees	0.00	0.00	0.00			
SR 520 Bridge						
Total Toll Revenue	25.45	57.11	82.56	64.53	70.61	136.04
Transponder Sales	0.99	1.33	2.32	1.11	1.14	2.25
Civil Penalties	1.98	3.61	5.59	3.72	3.65	7.
Fees	0.79	0.97	1.76	1.02	1.05	2.07
Total Toll Facility Revenue						
Total	$75.50	$126.5	$202.0	$133.4	$141.50	$275.90
% Change from Prior Fct	-0.3%	0.9%	0.45%	0.72%	0.73%	0.72%

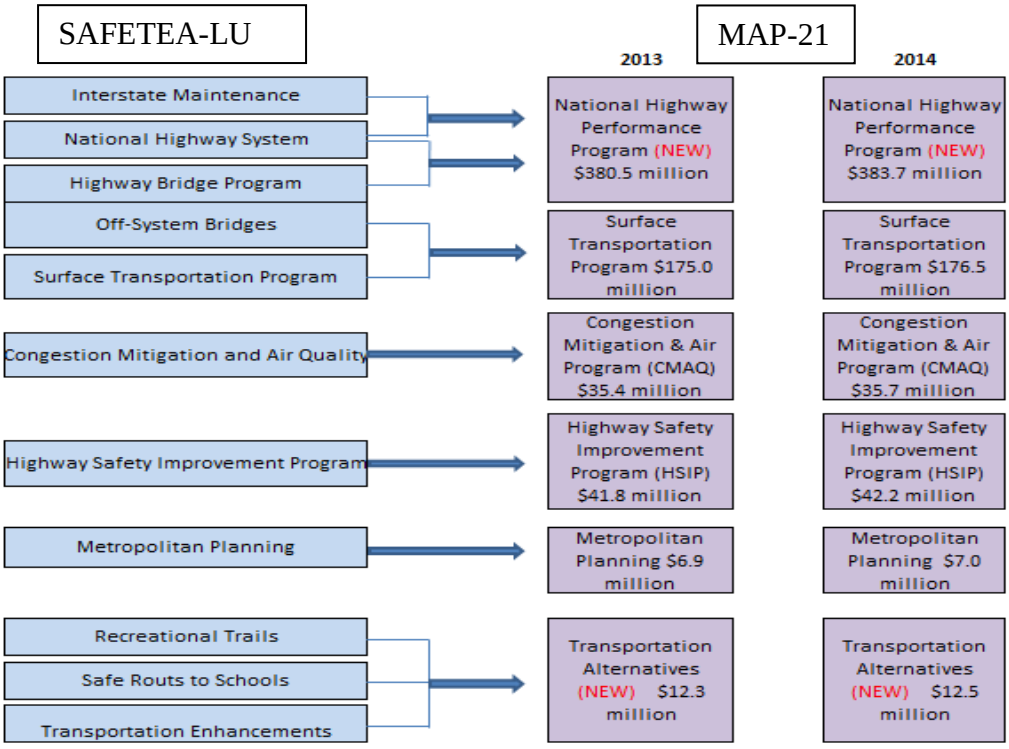
Federal Funds Revenue

After state funds, the largest source of transportation revenue is federal funds. The Federal Funds forecast contains the formula funds distributed by the Federal Highway Administration (FHWA) to Washington state Department of Transportation for highway purposes. Federal funds reported in this forecast are based on federal fiscal year (FFY) which begins on October 1. The September 2012 federal forecast is significantly different from prior forecasts due to the passage of the Moving Ahead for Progress in the 21st Century Act (MAP_21). This September forecast is the first one to be based on MAP-21 funding levels and program structure.

On July 6, 2012, President Obama signed into law, P.L. 112-141, the Moving Ahead for Progress in the 21st Century (MAP-21). This new law reauthorizes the federal surface transportation policy and program at the Congressional Budget Office's baseline level equal to current funding levels (FFY 2012) plus inflation which equals $105 billion for two years (FFY 2013 and 2014).

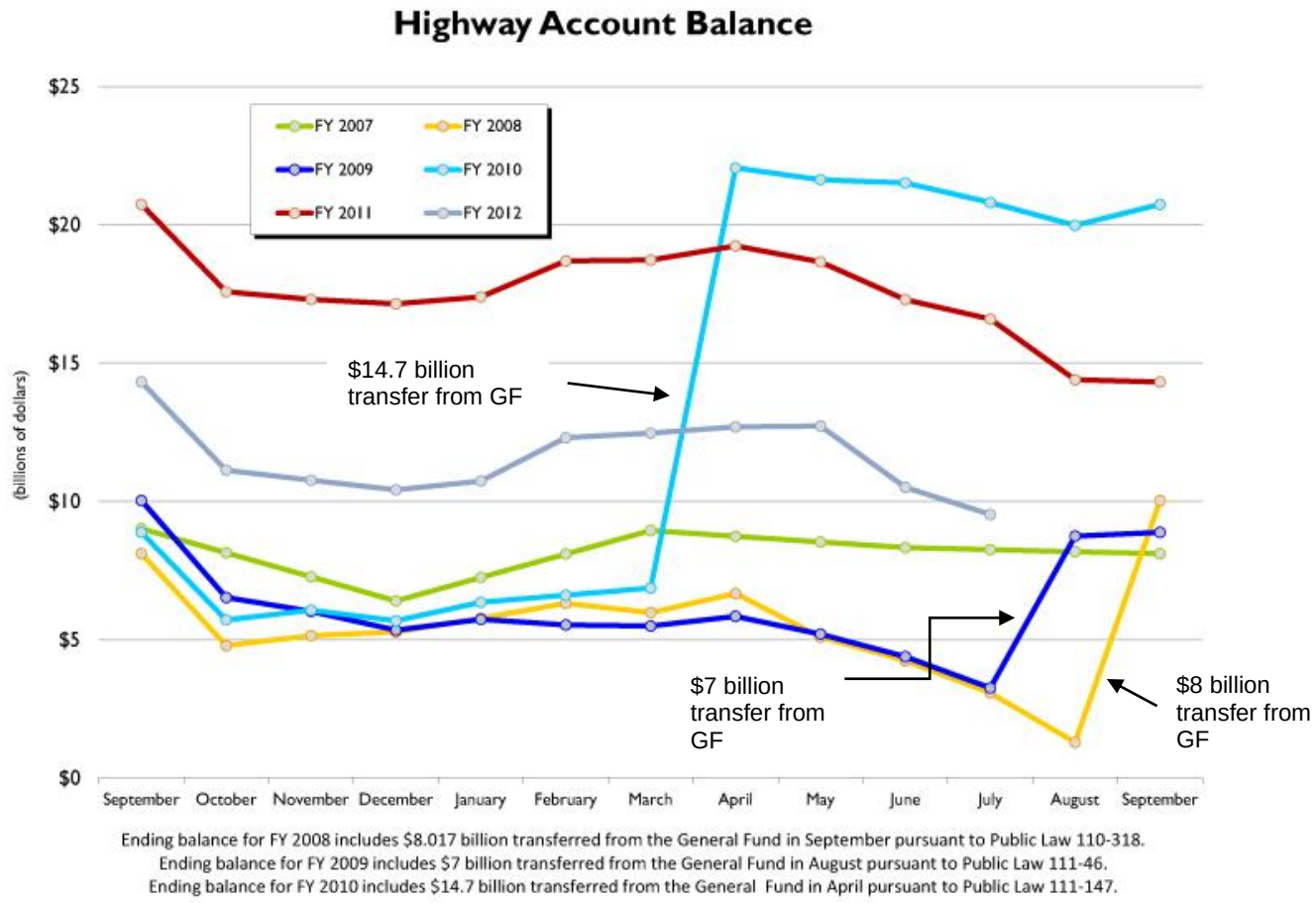
MAP-21 continues to provide the majority of Federal-aid highway funds to the states through core programs. Since 2004, SAFETEA-LU and continuation of this former federal transportation Act distributed federal funds through seven core programs: Interstate Maintenance, National Highway Systems, Highway Bridge, Off-System Bridges, Surface Transportation, Congestion Mitigation and Air Quality and Highway Safety Improvement programs. SAFETEA-LU had other programs which were not formula driven distributions. In this new federal Act, the core highway programs have been reduced from seven to five. The MAP-21 core programs are the following: National Highway Performance, Surface Transportation, Congestion Mitigation & Air Quality, Highway Safety Improvement and Metropolitan Planning. MAP-21 has authorized another program, Transportation Alternatives, which is a set-aside program from each state's apportionment level. Figure 34 illustrates the consolidated MAP-21 highway program structure and the crosswalk between the SAFETEA-LU program structure and the new MAP-21 structure. Although MAP-21 achieves dramatic policy and programmatic changes, reform of the way highway programs are funded still remains a challenge for the future.

Figure 35 MAP-21 Consolidated Highway Program Structure



Funding for most of these MAP-21 programs comes from the Highway Trust Fund (HTF). The HTF is comprised of the Highway Account, which funds highway and intermodal programs, and the Mass Transit Account. Federal motor fuel taxes represent 77% of the future revenue going into the HTF for FFY 2014-15. In the next two years, additional funds are provided to maintain solvency of the HTF – $18.8 billion in transfers from the General Fund and from the Leaking Underground Storage Tank Trust Fund (a separate trust fund set up for certain environmental cleanup purposes, which is financed with a small portion of motor fuel taxes). Revenue raisers for the federal General Fund are included that will offset the transfers from the General Fund to the HTF. The recently passed MAP-21 Act only temporarily solves the HTF deficit problem but the long-term insolvency of the HTF still remains. The Congressional Budget Office currently projects the HTF's Highway and Transit Accounts will face new deficits starting in FFY2015. Figure 35 illustrates the monthly highway account balance for federal fiscal years 2007 – 2012.

Figure 36 Monthly Federal Highway Trust Fund Account Balance (billions of dollars): 2006-2012



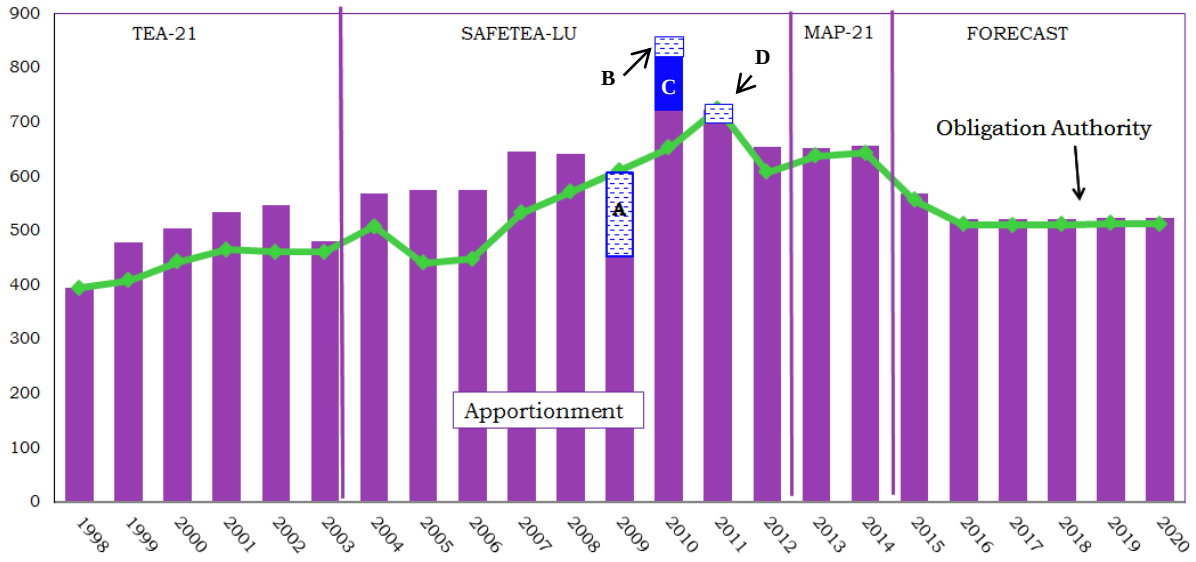
MAP-21 authorizes a total combined amount federal apportionment to fund the five core formula programs. Federal apportionment is the funds distributed to states for obligation in an appropriation account. MAP-21 requires FHWA to divide the total federal apportionment among the states using an allocation process specified in law. The federal apportionment is then distributed between the state's core programs using formula calculation set in MAP-21.

MAP-21 establishes an annual obligation authority of $39.699 billion for FY 2013 and $40.256 billion for FY 2014 for the purpose of limiting highway spending each year. Obligation authority is a limitation placed

on Federal-aid highway and highway safety construction program obligations to act as a ceiling on the obligation of contract authority that can be made within a specified time period. These limits are imposed in order to control the highway program spending in response to economic and budgetary conditions

Figure 36 describes the amount of federal apportionment and obligation authority to Washington State since 1998 with the inclusion of the September 2012 forecast of federal funds through FY 2020. This fifteen year historical period includes multiple federal transportation acts. First, the Transportation Equity Act for the 21st Century (TEA-21) was enacted on September 9, 1998 for a 6-year period thru 2003. As the graph reveals, in the last year of TEA-21, Washington's federal apportionment was lower than the previous four years due to a mandatory rescission of more than 30% in 2003. The next federal transportation package passed was the Safe, Accountable, Flexible, 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, a mandatory rescission was imposed. Washington State's portion of this rescission was $148 million. For the next three years, the SAFETEA-LU federal program was extended through multiple continuing resolutions. In 2010, the 2009 rescission was restored adding back $148 million to Washington. Since that restoration of the 2009 rescission, Congress imposed a 2010 rescission of which Washington share was $37.5 million and a 2011 rescission of which Washington share was $44.0 million. Finally in July 2012, the Moving Ahead for Progress in the 21st Century (MAP-21) was enacted. MAP 21 funding levels are represented in FFY 2013 and 2014. MAP-21 funding levels are the basis for setting this long-term federal funds forecast of apportionment and obligation authority.

Figure 37 Federal Apportionment and Obligation Authority (OA) to Washington (millions of dollars) - Federal Fiscal Years 1998-2020 with the September 2012 Forecast



A - $148 Million 2009 Rescission
B- $38 Million 2010 Rescission
C- Restoration of $148 Million 2009 Rescission in 2010
D - $44 Million 2011 Rescission

Source: FHWA apportionment and obligation authority notices and TRFC September 2012 federal funds forecast

Washington's Federal Apportionment Forecast

The September 2012 forecast for Washington's apportionment of Federal Highway Trust Fund receipts includes the 2010 through 2014 Federal Highway Administration funding as the basis of the future federal funds, updated with Federal Highway Administration notices as they are received. For FFY2010, the federal funding level included the restoration of the 2009 rescission amount of $148 million and a new

rescission of $37.5 million. The federal apportionment for FFY 2011 was based on HR 1473 which funded FFY 2011 at $630 million including a rescission of unobligated balances of $44 million. The federal apportionment for FFY 2012 is based on MAP-21 Notice number N4510.756 at $656.8 million. The baseline September 2012 apportionment forecast for FFY 2013 and FFY2014 is also based on MAP-21, H.R. 4348. Notice 4510.755 dated August 3, 2012 which sets apportionment levels for FFY2013 at FFY2012 levels. The forecast for 2014 is based on the Summary of Estimated FFY 2014 Apportionments under the Conference Report for MAP-21 found on the FHWA web site. This funding level will be updated once a federal notice for FFY 2014 is released.

The baseline September 2012 federal apportionment forecast will assume that after MAP-21 expires on September 30, 2014, that the amount available for distribution to the states would be limited to what is projected in the HTF. The current Congressional Budget Office (CBO) forecasts the HTF to go negative in FFY 2015. In order to keep the HTF from going negative, a reduction in federal expenditures and federal apportionment of 14% would be needed in FFY 2015 and another 8% reduction in the following year for a two-year difference of 21% beginning in FFY 2016 and beyond. After FFY 2016, Washington's federal funding level will grow at the same rate as our state motor fuel consumption.

Figure 38 Washington Apportionment of FHWA Programs 2013 – 2014 MAP-21

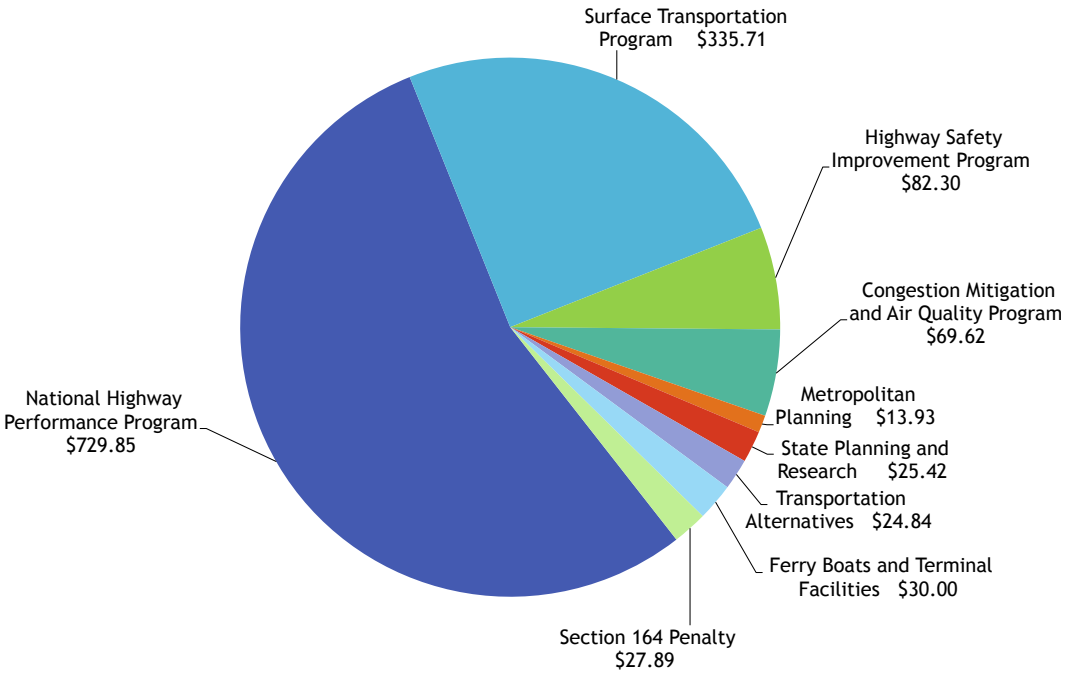
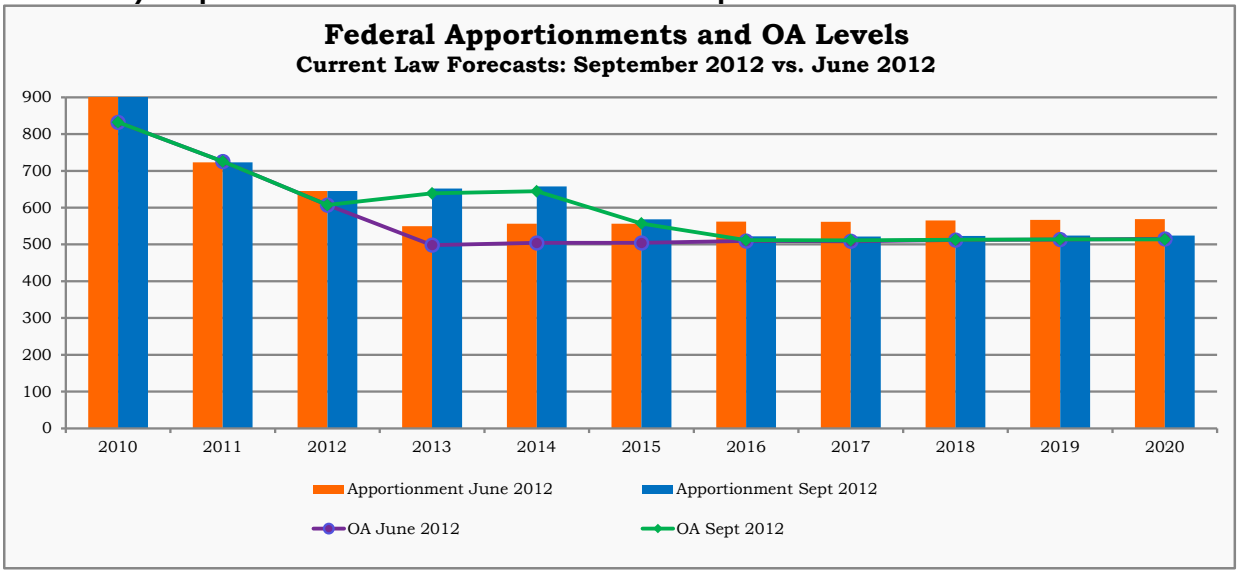


Figure 39 Federal Apportionment and Obligation Authority (OA) to Washington (millions of dollars): September vs. June 2012 Forecast Comparison Federal Fiscal Years 2010-20



Source: FHWA apportionment and obligation authority notices and TRFC September 2012 federal funds forecast

The split of Federal Funds between the State and Local programs is based on historical SAFETEA-LU splits and will be revised once a new agreement is reached.

Civil Penalties in Federal Forecast

In this September forecast as well as in the prior five forecasts, the apportionment level for Washington also includes an annual reduction due to civil penalties being imposed beginning in FFY 2010. The penalty is referred to as the "Minimum Penalties for Repeat Offenders for Driving While Intoxicated or Driving Under the Influence" (23 USC, Section 164). In the current forecast, the civil penalties are shown as a 2.5% reduction in the National Highway Performance Program (MHPP) and the Surface Transportation Program (STP) as outlined in MAP-21. FHWA transfers this highway funding amount to the state's Section 402 Safety Program. The program is administered by the Washington State Traffic Safety Commission for use for alcohol-impaired driving countermeasures, for enforcement of impaired or intoxicated driving laws, or for hazard elimination activities, at Washington's option. The Washington State Traffic Safety Commission has agreed to return the funding to the Washington State Department of Transportation in the form of Hazard Elimination grants. Due to this agreement, in this September forecast, in addition to the civil penalty being reduced from the highway programs, it also includes the redistribution of the civil penalty federal revenue back to WSDOT. This is a new line added to our federal funds forecast that was not in prior quarterly forecasts.

Washington's Obligation Authority (OA) Forecast

Obligation authority falls in FFY 2012 to $607.1 million which is 16.3% lower than FFY2011 due to the inclusion of actual FHWA distributions of discretionary and allocated amounts in FFY2011. Obligation authority for FFY2012 is excluding the civil penalty based on Notice N4520.219 dated August 24, 2012. The baseline obligation authority forecast for FFY 2013 and all other years in the forecast horizon is set at 98% of apportionment which is consistent with the OA ratio set in Section 1101 and 1102 of H.R 4348 in MAP-21 legislation. This percentage is slightly higher than the percentage of apportionment assumed under SAFETEA-LU of 90%. Obligation Authority for FFY2013 in the September 2012 forecast is $639.0 million which is an increase of 5.3% over FFY2012 and 28% increase over the June forecast. Obligation Authority for FFY2014 is $644.4 million in the September 2012 forecast which is an increase of 0.9% over FFY2013 and 28% increase over the last forecast.

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

MAP-21 creates a new Ferry Boats and Ferry Terminal Facilities formula program. MAP-21 turns the current competitive Ferry Boat Discretionary Program into a $67 million a year nationwide formula program. This new program guarantees public ferry systems a particular amount of annual federal ferry funding for the length of the 2 year bill. The formula is based on 20% passenger count, 45% on vehicles and 35% on route miles. FHWA has incomplete ferry data so ferry systems will not know how much apportionment they will receive or how it will be distributed until official MAP-21 distribution notices are produced.

Recent Changes in Federal Forecast

- The September 2012 federal apportionment forecast for FFY 2012, FFY2013 and FFY2014 reflects the passage of the new surface transportation act, MAP-21, H.R. 4248. This raised the federal apportionment funds forecast for Washington state by 0.7% in the current fiscal year and 18% each year in FFY 2013 and 14 from the June forecast.
- The September 2012 federal appropriations forecast for FFY 2013 and FFY 2014 is $652 million and $657.5 million respectively for the two year period.
- Obligation Authority is calculated at 98% of apportionment which is consistent with the MAP-21 Obligation Authority ratio set in sections 1101 and 1102. The obligation authority in this September forecast is higher than the June forecast at $638.9 million and $644.4 million in FFY 2013 and 2014 respectively.
- This September forecast includes the new program structure from MAP-21 and distributions between state and local programs are assumed to be the same as under SAFETEA-LU. Once revisions to this state and local federal funds breakdown are finalized, they will be incorporated into future forecasts.
- The redistribution of federal funds to WSDOT for civil penalties imposed is now being captured in this federal funds forecast.
- The new Ferry Boat and Terminal Program distribution are still being calculated at the national level. This forecast assumes $15 million in 2013 and 2014.

Figure 40 Washington's portion of Federal Highway Funds by Federal Fiscal Year: September 2012 forecast
Millions of dollars

	FFY 2012	FFY 2013	FFY 2014	FF 2015	FY 2016
WA Statewide Apportionment of FHWA Programs	**645.2**	**652.0**	**657.6**	**568.3**	**522.0**
% Change from Prior Fcst	0.7%	19%	18%	1%	-7%
Obligation Authority	**607.1**	**638.9**	**644.4**	**556.9**	**511.6**
% Change from Prior Fcst	0.2%	28%	28%	9.5%	0.2%

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Appendix

Graphs and Tables Related to the September 2012 Forecast
Including distribution of revenues to the major accounts

Figure 41 Forecast to Forecast Biennium Comparison of All Transportation Revenues
September 2012 forecast - 16 year period

millions of dollars

Forecast to Forecast Comparison for Transportation Revenues and Distributions 16-Year Period

September 2012• millions of dollars

	Current Biennium 2011-2013			2013-2015			16-Year Period (2011-2027)		
	Forecast Sep-12	Chg from Jun-12	Percent Change	Forecast Sep-12	Chg from Jun-12	Percent Change	Forecast Sep-12	Chg from Jun-12	Percent Change
Sources of Transportation Revenue									
Motor Vehicle Fuel Tax Collections	2,487.1	(8.7)	-0.3%	2,530.4	(12.5)	-0.5%	20,353.9	(81.6)	-0.4%
Licenses, Permits and Fees *	925.9	(1.5)	-0.2%	991.7	(6.6)	-0.7%	8,352.7	(124.1)	-1.5%
Ferry Revenue†	324.2	3.5	1.1%	344.9	6.0	1.8%	3,009.2	25.5	0.9%
Toll Revenue	202.0	0.9	0.5%	275.0	2.0	0.7%	2,561.5	19.3	0.8%
Aviation Revenues ‡	6.7	(0.2)	-3.0%	6.5	0.3	5.5%	52.6	0.5	0.9%
Rental Car Tax	48.1	0.0	0.1%	51.3	(0.1)	-0.2%	475.4	(2.8)	-0.6%
Vehicle Sales Tax	61.6	0.0	0.0%	68.1	(0.8)	-1.2%	634.3	(17.3)	-2.7%
Driver-Related Fees*	232.0	(4.6)	-1.9%	310.8	(5.2)	-1.6%	2,422.2	(33.4)	-1.4%
Business/Other Revenues‡*	19.9	(0.9)	-4.3%	20.9	0.6	2.9%	175.4	3.3	1.9%
Total Revenues	**4,307.4**	**(11.4)**	**-0.3%**	**4,599.6**	**(16.2)**	**-0.4%**	**38,037.1**	**(210.6)**	**-0.6%**
Distribution of Revenue									
Motor Fuel Tax Refunds and Transfers	**146.3**	**(1.7)**	**-1.2%**	**139.4**	**(3.2)**	**-2.2%**	**1,232.5**	**(30.7)**	**-2.4%**
State Uses									
Motor Vehicle Account (108)	1,056.7	(0.4)	0.0%	1,087.6	(3.8)	-0.3%	8,854.1	(77.7)	-0.9%
Transportation 2003 (Nickel) Account (550)	357.7	(1.1)	-0.3%	393.5	(2.2)	-0.6%	3,145.5	(19.4)	-0.6%
Transportation 2005 Partnership Account (09H)	567.1	(0.8)	-0.1%	579.0	(2.4)	-0.4%	4,641.0	(25.3)	-0.5%
Multimodal Account (218)	238.4	(0.5)	-0.2%	254.2	(1.7)	-0.7%	2,266.2	(17.3)	-0.8%
Special Category C Account (215)	46.5	(0.1)	-0.3%	47.5	(0.2)	-0.4%	379.5	(1.1)	-0.3%
Puget Sound Capital Construction Account (099)	33.8	(0.1)	-0.3%	34.5	(0.1)	-0.4%	276.1	(0.8)	-0.3%
Puget Sound Ferry Operations Account (109)	375.7	3.3	0.9%	396.3	5.6	1.4%	3,423.8	22.4	0.7%
Capital Vessel Replacement Account (18J)	6.3	0.1	0.0%	7.9	0.1	100.0%	69.3	0.5	100.0%
Tacoma Narrows Bridge Account (511)	107.7	0.9	0.8%	128.2	2.0	1.5%	1,138.4	19.2	1.7%
High Occupancy Toll Lanes Account (09F)^	2.1	0.1	2.6%	0.0	0.0	0.0%	2.1	0.1	2.6%
SR 520 Corridor Account (16J)	86.6	0.0	0.0%	139.5	0.0	0.0%	1,368.8	0.0	0.0%
SR 520 Corridor Civil Penalties Account (17P)	5.6	0.0	0.0%	7.4	0.0	0.0%	52.2	0.0	0.0%
Aeronautics Account (039)	6.7	(0.2)	-3.0%	6.5	0.3	5.5%	52.6	0.5	0.9%
State Patrol Highway Account (081)	329.2	(4.4)	-1.3%	346.7	(4.3)	-1.2%	2,952.5	(46.4)	-1.5%
Highway/Motorcycle Safety Accts. (106 & 082)	198.3	(4.3)	-2.1%	271.4	(3.3)	-1.2%	2,098.9	(19.2)	-0.9%
Other accounts (201, 06T, 097, 09E, 216, 07C)	16.0	(0.1)	-0.7%	16.4	(0.1)	-0.7%	136.9	(0.5)	-0.4%
Ignition Interlock Devices Revolving Acct 14V	2.6	0.0	0.3%	3.5	0.0	0.0%	27.1	0.0	0.0%
Total for State Use	**3,436.9**	**(7.6)**	**-0.2%**	**3,720.0**	**(10.0)**	**-0.3%**	**30,884.9**	**(165.0)**	**-0.5%**
Local Uses									
Cities	178.2	(0.5)	-0.3%	182.1	(0.7)	-0.4%	1,455.4	(4.1)	-0.3%
Counties	291.7	(0.8)	-0.3%	298.2	(1.2)	-0.4%	2,384.9	(6.6)	-0.3%
Transportation Improvement Board (112 & 144)	190.4	(0.5)	-0.3%	194.5	(0.8)	-0.4%	1,555.8	(3.6)	-0.2%
County Road Administration Board (102 & 253)	64.0	(0.2)	-0.3%	65.4	(0.3)	-0.4%	523.6	(0.7)	-0.1%
Total for Local Use	**724.2**	**(2.0)**	**-0.3%**	**740.2**	**(3.1)**	**-0.4%**	**5,919.7**	**(15.0)**	**-0.3%**
Total Distribution of Revenue	**4,307.4**	**(11.4)**	**-0.3%**	**4,599.6**	**(16.2)**	**-0.4%**	**38,037.1**	**(210.6)**	**-0.6%**

† Ferry Fares plus non-farebox revenue

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

* These transportation revenues had new fees or higher fees adoption by the 2012 Legislature.

^ 167 HOT lanes is a pilot program due to sunset September 30, 2013

Figure 42 Forecast to Baseline Biennium Comparison of All Transportation Revenues
September 2012 forecast - 16 year period
millions of dollars

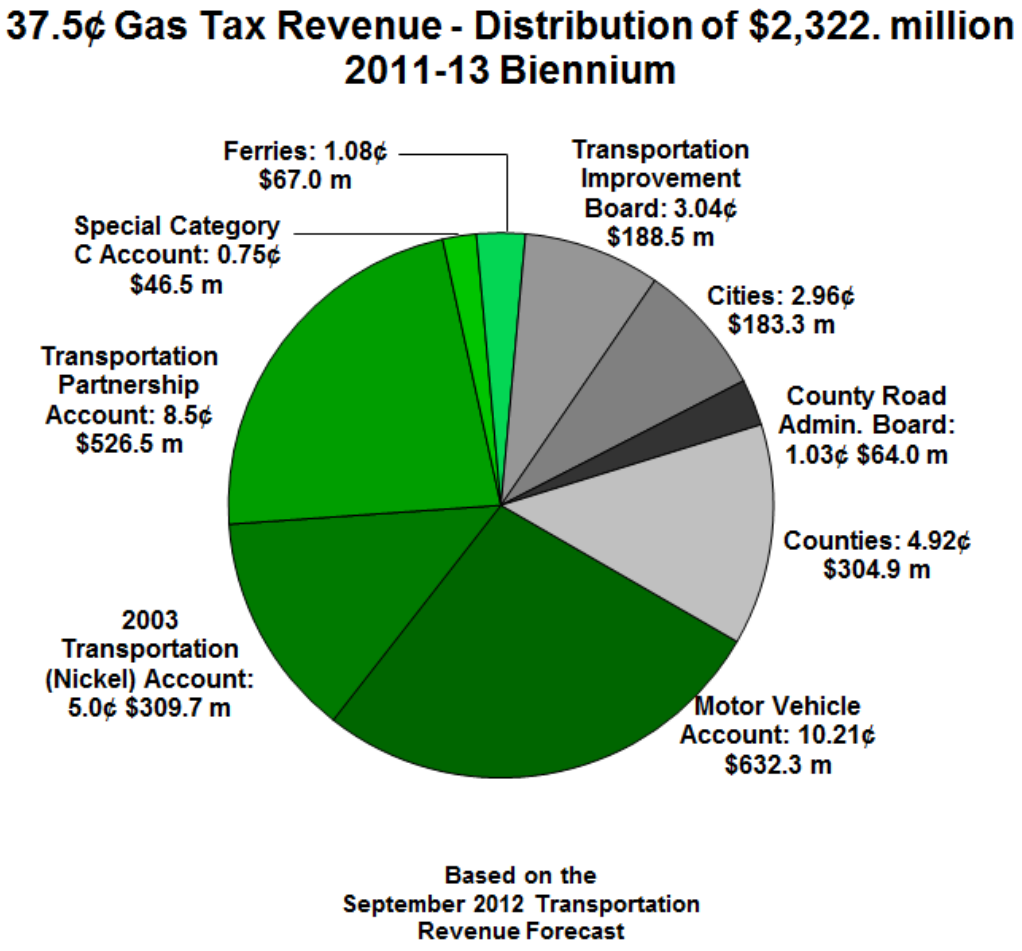
Forecast to Baseline Comparison for Transportation Revenues and Distributions 16-Year Period *September 2012 • millions of dollars*	Current Biennium 2011-2013			2013-2015			16-Year Period (2011-2027)		
	Forecast Sep-12	Chg from Baseline ¥	Percent Change	Forecast Sep-12	Chg from Baseline ¥	Percent Change	Forecast Sep-12	Chg from Baseline ¥	Percent Change
Sources of Transportation Revenue									
Motor Vehicle Fuel Tax Collections	2,487.1	(32.4)	-1.3%	2,530.4	(46.4)	-1.8%	20,353.9	(579.5)	-2.8%
Licenses, Permits and Fees	925.9	24.2	2.7%	991.7	64.2	6.9%	8,352.7	416.0	5.2%
Ferry Revenue†	324.2	3.3	1.0%	344.9	7.1	2.1%	3,009.2	20.6	0.7%
Toll Revenue §	202.0	15.6	8.4%	275.0	25.4	10.2%	2,561.5	223.9	9.6%
Aviation Revenues ‡	6.7	0.8	13.2%	6.5	0.5	7.6%	52.6	2.4	4.7%
Rental Car Tax	48.1	0.1	0.2%	51.3	0.0	0.1%	475.4	(1.9)	-0.4%
Vehicle Sales Tax	61.6	0.7	1.2%	68.1	(0.1)	-0.1%	634.3	(14.7)	-2.3%
Driver-Related Fees	232.0	28.7	14.1%	310.8	104.2	50.4%	2,422.2	702.8	40.9%
Business/Other Revenues ±	19.9	2.3	13.3%	20.9	2.6	14.1%	175.4	20.5	13.2%
Total Revenues	**4,307.4**	**43.3**	**1.0%**	**4,599.6**	**157.6**	**3.5%**	**38,037.1**	**790.0**	**2.1%**
Distribution of Revenue									
Motor Fuel Tax Refunds and Transfers	**146.3**	**(5.5)**	**-3.6%**	139.4	**(4.5)**	**-3.1%**	**1,232.5**	**(53.7)**	**-4.2%**
State Uses									
Motor Vehicle Account (108)	1,056.7	5.2	0.5%	1,087.6	12.6	1.2%	8,854.1	(11.4)	-0.1%
Transportation 2003 (Nickel) Account (550)	357.7	11.8	3.4%	393.5	37.5	10.5%	3,145.5	258.4	8.9%
Transportation 2005 Partnership Account (09H)	567.1	(5.4)	-0.9%	579.0	(9.9)	-1.7%	4,641.0	(135.2)	-2.8%
Multimodal Account (218)	238.4	1.7	0.7%	254.2	1.1	0.4%	2,266.2	(2.2)	-0.1%
Special Category C Account (215)	46.5	(0.5)	-1.1%	47.5	(0.8)	-1.7%	379.5	(10.5)	-2.7%
Puget Sound Capital Construction Account (099)	33.8	(0.4)	-1.1%	34.5	(0.6)	-1.7%	276.1	(7.7)	-2.7%
Puget Sound Ferry Operations Account (109)	375.7	2.8	0.7%	396.3	6.2	1.6%	3,423.8	8.8	0.3%
Capital Vessel Replacement Account (18J)	6.3	(0.0)	0.0%	7.9	0.1	100.0%	69.3	0.1	100.0%
Tacoma Narrows Bridge Account (511)	107.7	12.9	13.6%	128.2	25.4	24.7%	1,138.4	221.2	24.1%
High Occupancy Toll Lanes Account (09F)*	2.1	0.5	29.5%	0.0	0.0	0.0%	2.1	0.5	29.5%
SR 520 Corridor Account (16J)	86.6	0.8	0.0%	139.5	0.0	100.0%	1,368.8	0.8	100.0%
SR 520 Corridor Civil Penalties Account (17P)	5.6	1.5	0.0%	7.4	0.0	100.0%	52.2	1.5	100.0%
Aeronautics Account (039)	6.7	0.8	13.2%	6.5	0.5	7.6%	52.6	2.4	4.7%
State Patrol Highway Account (081)	329.2	(3.0)	-0.9%	346.7	3.2	0.9%	2,952.5	9.5	0.3%
Highway/Motorcycle Safety Accts. (106 & 082)	198.3	28.1	16.5%	271.4	262.1	151.8%	2,098.9	663.3	46.2%
Other accounts (201, 06T, 097, 09E, 216, 07C)	16.0	(0.1)	-0.7%	16.4	(0.1)	-0.6%	136.9	(0.4)	-0.3%
Ignition Interlock Device Revolving Acct 14V	2.6	0.2	8.2%	3.5	1.1	45.1%	27.1	6.7	32.8%
Total for State Use	**3,436.9**	**56.8**	**1.7%**	**3,720.0**	**175.0**	**4.9%**	**30,884.9**	**1,005.7**	**3.4%**
Local Uses									
Cities	178.2	(1.9)	-1.1%	182.1	(3.2)	-1.7%	1,455.4	(40.4)	-2.7%
Counties	291.7	(3.3)	-1.1%	298.2	(5.2)	-1.7%	2,384.9	(65.5)	-2.7%
Transportation Improvement Board (112 & 144)	190.4	(2.1)	-1.1%	194.5	(3.4)	-1.7%	1,555.8	(42.4)	-2.7%
County Road Administration Board (102 & 186)	64.0	(0.7)	-1.1%	65.4	(1.1)	-1.7%	523.6	(13.7)	-2.6%
Total for Local Use	**724.2**	**(8.0)**	**-1.1%**	**740.2**	**(13.0)**	**-1.7%**	**5,919.7**	**(162.0)**	**-2.7%**
Total Distribution of Revenue	**4,307.4**	**43.3**	**1.0%**	**4,599.6**	**157.6**	**3.5%**	**38,037.1**	**790.0**	**2.1%**

¥ Baseline is the February 2012 forecast
† Ferry Fares plus non-farebox revenue
‡ Aviation Revenues and Business/Other Revenues net of amounts transferred to General Fund.
* These transportation revenues had new fees or higher fees adoption by the 2012 Legislature.
^ 167 HOT lanes is a pilot program due to sunset September 30, 2013

Motor Fuel Tax Revenue for Distribution

The pie chart below shows the statutory distribution of funds to the various jurisdictions based on the September 2012 fuel tax revenue forecast for the 2011-2013 biennium.

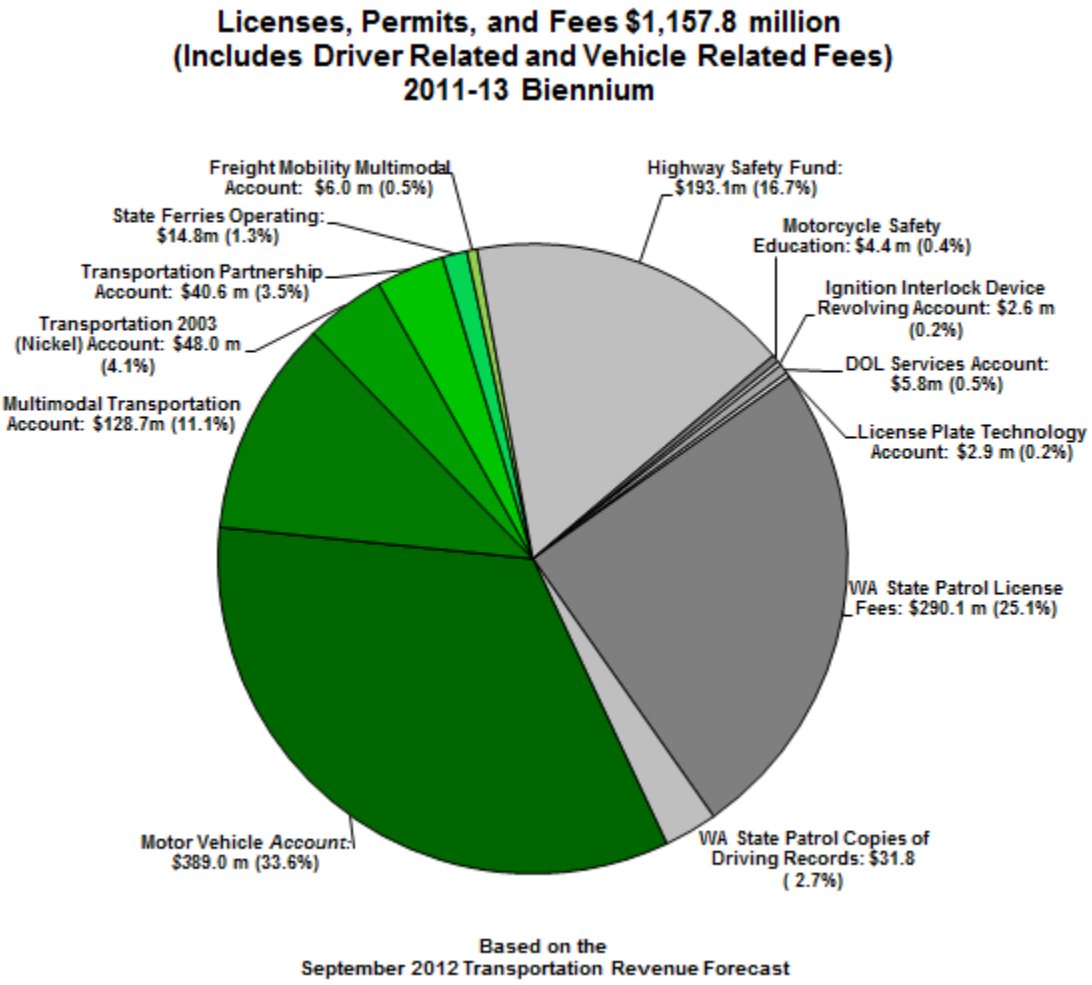
Figure 43 Fuel Tax Revenue for Statutory Distribution
2011–13 biennium - $2,322.0 million



Licenses, Permits, and Fees Revenue for Distribution (Both Motor Vehicle and Driver Related)

The pie chart below shows the statutory distribution of funds to the various jurisdictions based on the September 2012 Licenses, Permits and Fees revenue forecast for the 2011-2013 biennium.

Figure 44 License Permits and Fees Revenue for Distribution (Both Motor Vehicle & Driver Related) 2011–13 biennium - $1,157.8 million



Impact to Transportation Accounts

Motor Vehicle Account Revenue Forecast and Distributions

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

Figure 45 Motor Vehicle Account Revenue *dollars in millions*	2011-13		2013-15		10-Year Period (2011-2021)	
	Forecast Sep 12	Chg from Jun 12	Forecast Sep 12	Chg from Jun 12	Forecast Sep 12	Chg from Jun 12
Revenues						
Gross Fuel Tax Collections (Gas & Diesel)	2,487.1	(8.7)	2,530.4	(12.5)	12,744.9	(58.5)
Licenses, Permits, & Fees	387.7	1.8	405.4	(2.1)	2,100.3	(38.1)
Business-Related Revenue	11.9	0.2	12.0	0.6	64.1	2.8
Total	**2,886.7**	**(6.6)**	**2,947.8**	**(14.0)**	**14,909.3**	**(93.8)**
Distribution						
Refunds-Regular	146.3	(1.7)	139.4	(3.2)	751.3	(19.5)
Fuel Tax Distributions for Local Uses[1]	724.2	(2.0)	740.2	(3.1)	3,713.2	(12.6)
Fuel Tax Distributions for State Uses[2]	959.5	(2.6)	980.5	(4.0)	4,918.9	(16.8)
Total	**1,830.0**	**(6.3)**	**1,860.2**	**(10.2)**	**9,383.4**	**(48.8)**
Net Revenue	**1,056.8**	**(0.3)**	**1,087.6**	**(3.8)**	**5,525.9**	**(45.0)**

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

[1] These amounts include distributions to Cities and Counties and to State Agencies that expend funds for the benefit of local jurisdictions, i.e. the Transportation Improvement Board and the County Road Administration Board.

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

Transportation 2003 (Nickel) Account Revenue Forecast

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

Figure 46 **Transportation 2003 (Nickel) Account** *dollars in millions*	**2011-13**		**2013-15**		**10-Year Period (2011-2021)**	
	Forecast Sep 12	**Chg from Jun 12**	**Forecast Sep 12**	**Chg from Jun 12**	**Forecast Sep 12**	**Chg from Jun 12**
Revenue						
5¢ Gas Tax	309.7	(0.8)	316.5	(1.3)	1,587.4	(5.4)
Licenses, Permits and Fees	48.0	(0.3)	77.0	(0.9)	399.8	(7.6)
Total	**357.7**	**(1.1)**	**393.5**	**(2.2)**	**1,987.2**	**(13.0)**

Transportation Partnership Account Revenue Forecast

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

Figure 47 **Transportation Partnership Account** *dollars in millions*	**2011-13**		**2013-15**		**10-Year Period (2011-2021)**	
	Forecast Sep 12	**Chg from Jun 12**	**Forecast Sep 12**	**Chg from Jun 12**	**Forecast Sep 12**	**Chg from Jun 12**
Revenue						
5¢ Gas Tax	526.5	(1.4)	538.0	(2.2)	2,698.5	(9.2)
Licenses, Permits and Fees	40.6	0.6	40.9	(0.2)	210.5	(7.2)
Total	**567.1**	**(0.8)**	**579.0**	**(2.4)**	**2,909.0**	**(16.5)**

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 48 **Washington State Ferries Accounts** *dollars in millions*	**2011-13**		**2013-15**		**10-Year Period (2011-2021)**	
	Forecast Sep 12	**Chg from Jun 12**	**Forecast Sep 12**	**Chg from Jun 12**	**Forecast Sep 12**	**Chg from Jun 12**
Revenue						
Puget Sound Ferry Op. Acct. (109)						
Ferry Fares	317.5	3.3	337.6	5.7	1,826.4	20.0
Concessions & Other Revenue	6.7	0.3	7.3	0.3	43.1	1.8
Fuel Tax	43.0	(0.1)	44.0	(0.2)	221.7	(0.8)
Licenses, Permits and Fees	14.8	(0.1)	15.3	(0.1)	80.6	(0.8)
Subtotal	**382.0**	**3.4**	**404.2**	**5.7**	**2,171.8**	**20.2**
Capital Vessel Replacement Account (18J)	6.3	0.0	7.9	0.1	40.5	0.4
Total	**6.3**	**(0.1)**	**52.0**	**(0.1)**	**262.2**	**(0.3)**
Puget Sound Cap. Const. Acct. (099) Fuel Tax	33.8	(0.1)	34.5	(0.1)	173.2	(0.6)
Total	**415.8**	**3.3**	**438.7**	**5.6**	**2,345.0**	**19.6**

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 49 **Multimodal Account** *dollars in millions*	**2011-13**		**2013-15**		**10-Year Period (2011-2021)**	
	Forecast Sep 12	**Chg from Jun 12**	**Forecast Sep 12**	**Chg from Jun 12**	**Forecast Sep 12**	**Chg from Jun 12**
Revenue						
Licenses, Permits and Fees	128.7	(0.5)	134.7	(0.8)	715.9	1.9
Rental Car Tax	48.1	0.0	51.3	(0.1)	289.3	(1.5)
Vehicle Sales Tax	61.6	0.0	68.1	(0.8)	391.0	(11.3)
Total	**238.4**	**(0.5)**	**254.2**	**(1.7)**	**1,396.2**	**(10.9)**

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 50 **Aeronautics Account** *dollars in thousands*	**2011-13**		**2013-15**		**10-Year Period (2011-2021)**	
	Forecast Sep 12	**Chg from Jun 12**	**Forecast Sep 12**	**Chg from Jun 12**	**Forecast Sep 12**	**Chg from Jun 12**
Revenue						
Aircraft Dealer License Fees	8.0	0.0	8.0	0.0	40.0	0.0
Aircraft Excise Tax	601.5	0.0	607.5	0.0	3,104.5	0.0
Aircraft Fuel Tax	5,813.8	(207.2)	5,691.2	342.7	28,467.5	690.4
Aeronautics Transfer (from MV Fund)	561.7	0.0	563.1	0.0	2,770.2	0.0
Aircraft Registrations	223.3	0.0	215.4	0.0	1,101.0	0.0
Total	**7,208.3**	**(207.2)**	**7,085.2**	**342.7**	**35,483.2**	**690.4**

Toll Revenue Forecast

Currently there are three tolled corridors in Washington, The Tacoma Narrows Bridge, SR 520 Bridge and State Route 167 HOT Lanes which has variable tolling rates. Toll collections, transponder sales, violations, and fines and fees are deposited into the Tacoma Narrows Bridge, 520 Bridge or the HOT Lanes Operations Account. The SR-167 HOT Lanes is a pilot project, currently set to end in September 30, 2013.

Figure 51 **Tolling Accounts** *dollars in millions*	**2011-13**		**2013-15**		**10-Year Period (2011-2021)**	
	Forecast Sep 12	**Chg from Jun 12**	**Forecast Sep 12**	**Chg from Jun 12**	**Forecast Sep 12**	**Chg from Jun 12**
Revenue						
Tacoma Narrows Bridge Account						
Toll Revenues	105.2	1.0	125.3	1.9	652.8	11.0
Transponder Sales/ Shield Sales	0.7	0.0	0.7	0.0	3.8	0.0
Violations	0.1	(0.1)	0.0	0.0	0.1	(0.1)
Civil Penalties	1.1	0.1	1.4	0.0	7.4	(0.5)
Fees	0.5	(0.2)	0.7	(0.0)	3.8	(0.4)
Subtotal Tacoma Narrows Bridge	**107.7**	**0.9**	**128.2**	**2.0**	**667.9**	**10.1**
HOT Lanes Operations Account ^						
Toll Revenues	2.0	0.0	0.0	0.0	2.0	n/a
Transponder Sales/ Shield Sales	0.1	0.0	0.0	0.0	0.1	n/a
Fees	0.0	0.0	0.0	0.0	0.0	n/a
Subtotal HOT Lanes Operations	**2.1**	**0.1**	**0.0**	**0.0**	**n/a**	**n/a**
SR 520 Bridge						
Toll Revenues	82.6	0.0	135.1	0.0	729.8	0.0
Transponder Sales/ Shield Sales	2.3	0.0	2.3	0.0	12.0	0.0
Civil Penalties	5.6	0.0	7.4	0.0	33.5	0.0
Fees	1.8	0.0	2.1	0.0	10.2	0.0
Subtotal SR 520 Bridge	**92.2**	**0.0**	**146.8**	**0.0**	**785.5**	**0.0**
Total Tolling Revenues	**202.0**	**0.9**	**275.0**	**2.0**	**1,453.4**	**10.1**

^ HOT Lanes pilot program expires at the end of September 2013

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 and the Washington State Patrol. These accounts are supported primarily from driver licensing related revenue. Forecasts include estimates of the following revenue sources.

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

Figure 52 **Highway Safety/Motorcycle Safety/WSP** *dollars in millions*	**2011-13**		**Current Biennium 2013-15**		**10-Year Period (2011-2021)**	
	Forecast Sep 12	**Chg from Jun 12**	**Forecast Sep 12**	**Chg from Jun 12**	**Forecast Sep 12**	**Chg from Jun 12**
Revenue						
Highway Safety						
Driver License Fees	153.6	(1.5)	218.5	(1.3)	1,076.4	(3.3)
Copies of Records	34.5	(1.5)	40.3	(2.0)	209.5	(10.2)
Other and Miscellaneous	5.0	(0.0)	5.2	(0.1)	27.0	(0.6)
Subtotal	**193.1**	**(3.0)**	**264.1**	**(3.4)**	**1,312.9**	**(14.0)**
Motorcycle Safety Permits/Endorsements	4.4	(0.1)	5.5	0.1	27.5	1.0
State Patrol Copies of Records / LPF/Business Related	329.2	(4.4)	346.7	(4.3)	1,830.1	(25.1)
Subtotal	**333.6**	**(4.5)**	**352.2**	**(4.2)**	**1,857.6**	**(24.1)**
Total	**526.7**	**(7.5)**	**616.3**	**(7.5)**	**3,170.5**	**(38.1)**