

Transportation Revenue Forecast Council

September 2013 Transportation Economic and Revenue Forecasts

Volume I: Summary

Washington Transportation Economic and Revenue Forecast September 2013 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 2013 transportation revenue forecast.

- September 2013 transportation forecast of revenues: \$4.612.8 billion for the current biennium which represents an increase of 6.5% over the prior 2011-13 biennium of \$4.31 billion.
- Overall transportation revenue is up 0.5% forecast to forecast in the current biennium (\$24 million) with the largest share of the increase in September being due to toll revenue, higher gas tax collections, vehicle licenses, permits and fee revenue, ferry, vehicle sales tax, rental car, toll revenue and business related revenue. Essentially all major revenue sources are up from the last forecast except for driver-related fee revenue.
- For the 10-year forecast horizon, total revenues are projected to be \$23.244 billion, which is up by \$120.0 million (0.5%) from June due to higher transportation revenue from all major sources of revenue except for driver-related fee and aviation fee revenue.
- New projections of real personal income and employment projections are minor revisions from the last forecast in terms of their growth rates but rebasing of certain economic variables has been incorporated into this new forecast. The Washington's Economic and Revenue Forecast Council projection of the non-ag. employment growth rate is slightly higher than last quarter in FY 2014 but lower than the prior forecast in FY 2015 and 2016. The real personal income projection is slightly higher than in June due to rebasing of the economic variable. The current forecast for average annual retail gas and diesel price forecasts are close to June's forecast but slightly lower in the long-term in particular. The current B5 biodiesel prices for ferries are only a minor modification from the last forecast.
- The primary reason for the change in fuel taxes in the current year has been higher gas tax collections combined with diesel tax collections coming in as anticipated. For the current biennium, overall fuel tax revenue is higher by \$2.6 million from June. In the projection over the next ten years, fuel taxes are anticipated to be \$15.2 million or 0.1% more than in June.
- Licenses, permits and fee revenue is up by \$2.1 million, from June in the current biennium and also up \$11.2 million over the 10 year forecast period. This is due to higher vehicle registrations.
- The baseline ferry revenue estimates are up by \$7.1 million compared to June in the current biennium and up \$36.7 million over the 10-year forecast horizon. This increase is due to the adoption of new ferry fare rates by the Washington State Transportation Commission since the June forecast.
- Business related revenue has come in higher than anticipated in June with revenues up \$2.2 million in the current biennium due to higher projected property sales.
- Toll Revenue is up \$15.5 million from prior estimates in the current biennium due to higher civil penalty revenue from adding civil penalty receivables into the September forecast.

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 increased slightly to \$2.06 billion or 2.3% growth year over year. In FY 2012, transportation revenues are also up minimally to \$2.10 billion or 1.9% annual increase. In FY 2013, transportation revenues are higher at \$2.23 billion, which represents an annual increase of 6% and an upward revision of 0.61% from the June forecast. In the current fiscal year, transportation revenues are estimated at \$2.28 billion which is only a minor adjustment downward, 0.31% from the June forecast. Overall during the 10-year horizon, transportation revenues are projected to be \$23.244 billion with an average annual growth rate of 1.6% each year.

Figure 1 Total Transportation Revenues Comparison
September vs June 2013 forecasts
millions of dollars

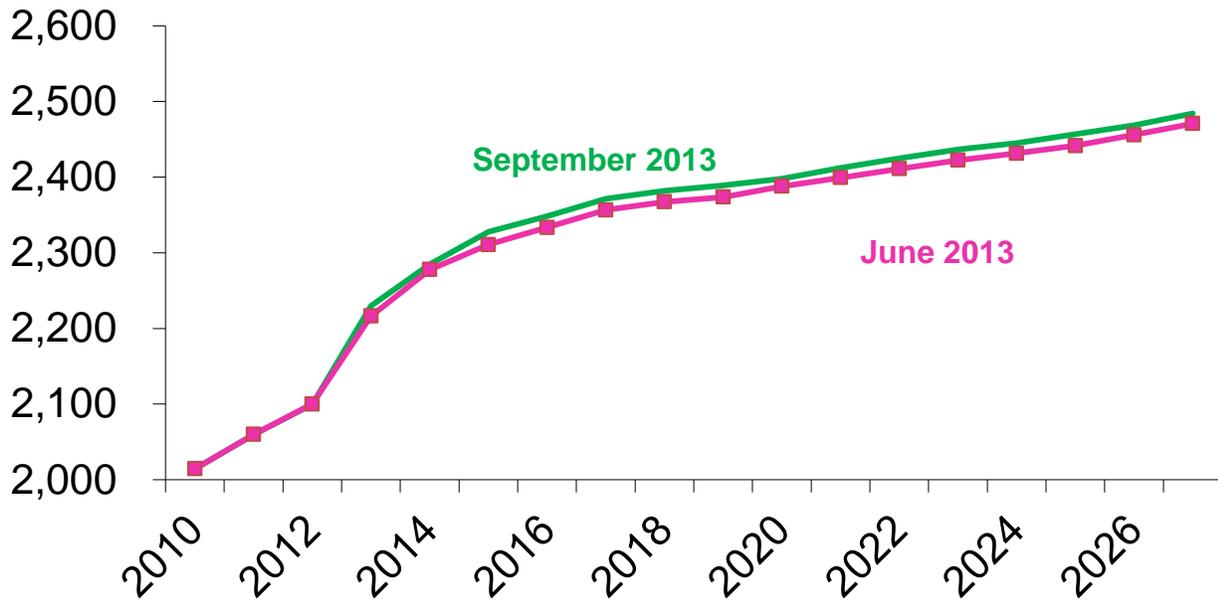
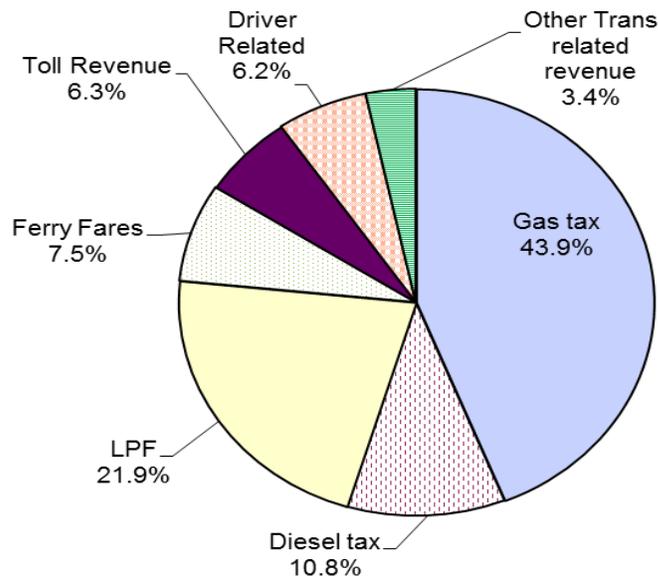


Figure 2 Revenue by Source
2013-15 biennium (\$4.6128 billion)



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 2013-15 biennium, (\$4.6 billion). Gasoline fuel taxes comprise the largest share at 43.9%. With the addition of diesel fuel taxes, all motor vehicle fuel taxes comprise 54.7% of all revenues. Licenses, permits, and fee revenues comprise the second largest share at 21.9%. The largest three revenue sources are projected to consist of 76.6% of revenues in the 2013-15 biennium. The remaining 23.4% consists of ferry fares, toll revenue, driver related revenue and other transportation related revenue.

Figure 3 Forecast to Forecast Biennium Comparison of All Transportation Revenues
September 2013 forecast - 10 year period *millions of dollars*

Forecast to Forecast Comparison for Transportation Revenues and Distributions 10-Year Period									
<i>September 2013 • millions of dollars</i>									
	2011-2013			Current Biennium 2013-2015			10-Year Period (2011-2021)		
	Forecast Sep-13	Chg from Jun-13	Percent Change	Forecast Sep-13	Chg from Jun-13	Percent Change	Forecast Sep-13	Chg from Jun-13	Percent Change
Sources of Transportation Revenue									
Motor Vehicle Fuel Tax Collections	2,487.9	4.1	0.2%	2,517.2	2.6	0.1%	12,596.8	15.2	0.1%
Licenses, Permits and Fees *	938.2	1.7	0.2%	1,008.3	2.1	0.2%	5,111.4	11.2	0.2%
Ferry Revenue †	324.1	0.6	0.2%	343.0	7.1	2.1%	1,764.1	36.7	2.1%
Toll Revenue ‡	213.3	5.8	2.8%	302.0	15.5	5.4%	1,583.0	66.9	4.4%
Aviation Revenues †	6.4	(0.0)	-0.6%	6.1	0.0	0.1%	31.6	(0.0)	0.0%
Rental Car Tax	46.7	0.1	0.2%	50.0	0.5	1.0%	268.3	1.1	0.4%
Vehicle Sales Tax	63.3	0.2	0.3%	73.4	2.6	3.6%	384.5	11.7	3.1%
Driver-Related Fees*	225.4	0.1	0.0%	286.0	(8.4)	-2.9%	1,375.0	(27.6)	-2.0%
Business/Other Revenues †*	25.4	0.8	3.3%	26.7	2.2	8.9%	129.5	4.6	3.7%
Total Revenues	4,330.7	13.5	0.3%	4,612.8	24.1	0.5%	23,244.3	120.0	0.5%
Distribution of Revenue									
Motor Fuel Tax Refunds and Transfers	146.8	0.0	0.0%	136.1	(1.9)	-1.4%	719.6	(11.7)	-1.6%
State Uses									
Motor Vehicle Account (108)	1,069.0	8.3	0.8%	1,095.6	4.5	0.4%	5,496.8	30.3	0.6%
Transportation 2003 (Nickel) Account (550)	356.9	(0.6)	-0.2%	392.9	0.8	0.2%	1,940.0	1.8	0.1%
Transportation 2005 Partnership Account (09H)	567.4	(0.2)	0.0%	578.5	1.8	0.3%	2,884.7	5.8	0.2%
Multimodal Account (218)	240.2	0.7	0.3%	260.3	3.5	1.4%	1,358.1	15.6	1.2%
Special Category C Account (215)	46.4	0.0	0.0%	47.4	0.2	0.3%	235.9	0.5	0.2%
Puget Sound Capital Construction Account (099)	33.8	0.0	0.0%	34.5	0.1	0.3%	171.6	0.4	0.2%
Puget Sound Ferry Operations Account (109)	375.4	0.6	0.2%	394.0	7.3	1.9%	2,019.9	37.2	1.9%
Capital Vessel Replacement Account (18J)	6.2	(0.0)	-0.1%	7.7	(0.1)	0.0%	38.3	(0.3)	-0.8%
Tacoma Narrows Bridge Account (511)	110.6	2.7	2.5%	141.0	4.5	3.3%	733.7	18.4	2.6%
High Occupancy Toll Lanes Account (09F)^	2.3	0.0	0.4%	2.5	0.0	0.0%	4.8	0.0	0.4%
SR 520 Corridor Account (16J)	89.0	(2.4)	-2.6%	140.3	0.0	0.0%	759.7	(2.4)	-0.3%
SR 520 Corridor Civil Penalties Account (17P)	11.5	5.5	93.2%	18.3	10.9	0.0%	84.7	50.9	150.5%
Aeronautics Account (039)	6.4	(0.0)	-0.6%	6.1	0.0	0.1%	31.6	(0.0)	0.0%
State Patrol Highway Account (081)	329.6	(1.9)	-0.6%	344.5	(3.1)	-0.9%	1,767.4	(14.0)	-0.8%
Highway/Motorcycle Safety Accts. (106 & 082)	193.6	0.6	0.3%	251.3	(7.1)	-2.7%	1,200.4	(21.6)	-1.8%
School Zone Safety Account (780)	1.6	(0.0)	-0.7%	1.6	(0.0)	-0.7%	8.1	(0.1)	-0.7%
Other accounts (201, 06T, 09T, 09E, 216, 07C)	16.0	(0.0)	-0.3%	16.4	(0.0)	-0.2%	83.7	(0.2)	-0.3%
Ignition Interlock Devices Revolving Acct 14V	2.5	0.0	0.1%	3.8	0.2	5.1%	17.6	0.7	4.3%
Multiuse Roadway Safety Account Collections-571	0.0	0.0	0.0%	0.1	0.1	0.0%	1.3	1.3	0.0%
Total for State Use	3,458.3	13.3	0.4%	3,736.7	23.5	0.6%	18,837.1	123.0	0.7%
Local Uses									
Cities	178.0	0.0	0.0%	181.6	0.6	0.3%	904.6	2.0	0.2%
Counties	293.3	0.2	0.1%	299.1	1.0	0.3%	1,491.5	3.7	0.2%
Transportation Improvement Board (112 & 144)	190.2	0.0	0.0%	194.1	0.6	0.3%	966.5	2.2	0.2%
County Road Administration Board (102 & 186)	64.0	0.0	0.0%	65.3	0.2	0.3%	325.0	0.7	0.2%
Total for Local Use	725.5	0.2	0.0%	740.0	2.5	0.3%	3,687.5	8.6	0.2%
Total Distribution of Revenue	4,330.7	13.5	0.3%	4,612.8	24.1	0.5%	23,244.3	120.0	0.5%

† 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 and 2013 Legislatures.

§ 167 HOT lanes is a pilot program due to sunset June 30, 2015

As Figure 3 indicates, in the current biennium, September transportation revenues are projected at \$4.6128 billion. This forecast is slightly above the last forecast by \$24.1 million or 0.5% from June. The increase in the September revenue forecast over the last forecast is due to most all major revenue sources being above June expectations, except for driver-related fee revenue. September's projections show higher fuel tax collections by \$2.6 million; licenses, permits and fee revenue higher by \$2.1 million; ferry revenue higher by \$7.1 million due to newly adopted higher ferry fare rates; toll revenue is up by \$15.5 million due to higher civil penalty projections; rental car and vehicle sales tax revenue is up by \$0.5 and \$2.6 million respectively and business related revenue is up by \$2.2 million due to higher anticipated property sales. Driver related revenue is down from the last forecast in the current biennium by \$8.4 million due to a change in the implementation of legislation changing the driver license issuance cycle. Over the 10-year forecast horizon (2012-2021), the revenue forecast for September 2013 is \$23.244 billion which is up \$120.0 million or 0.5% from the June forecast.

Figure 4 Forecast to Baseline (March 2013) Biennium Comparison of All Transportation Revenues
September 2013 forecast - 10 year period *millions of dollars*

Forecast to Baseline Comparison for Transportation Revenues and Distributions 10-Year Period									
September 2013 • millions of dollars									
	2011-2013			Current Biennium 2013-2015			10-Year Period (2011-2021)		
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Toll Revenue §	213.3	4.5	2.1%	302.0	26.9	9.8%	1,583.0	117.4	8.0%
Aviation Revenues †	6.4	(0.1)	-2.0%	6.1	(0.0)	-0.3%	31.6	(0.2)	-0.7%
Rental Car Tax	46.7	(0.0)	0.0%	50.0	0.4	0.7%	268.3	0.5	0.2%
Vehicle Sales Tax	63.3	0.2	0.3%	73.4	2.7	3.8%	384.5	11.9	3.2%
Driver-Related Fees*	225.4	(0.1)	-0.1%	286.0	(7.7)	-2.6%	1,375.0	(29.1)	-2.1%
Business/Other Revenues ‡	25.4	2.8	12.2%	26.7	3.0	12.4%	129.5	9.6	8.0%
Total Revenues	4,330.7	20.6	0.5%	4,612.8	40.9	0.9%	23,244.3	183.1	0.8%
Distribution of Revenue									
Motor Fuel Tax Refunds and Transfers	146.8	(0.7)	-0.5%	136.1	(2.5)	-1.8%	719.6	(15.8)	-2.2%
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High Occupancy Toll Lanes Account (09F)*	2.3	(0.0)	-1.2%	2.5	2.5	0.0%	4.8	2.4	104.4%
SR 520 Corridor Account (16J)	89.0	(1.9)	0.0%	140.3	1.0	0.7%	759.7	2.4	0.3%
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Total for Local Use	725.5	1.4	0.2%	740.0	2.0	0.3%	3,687.5	4.6	0.1%
Total Distribution of Revenue	4,330.7	20.6	0.5%	4,612.8	40.9	0.9%	23,244.3	183.1	0.8%

¥ Baseline is the Feb 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 and 2013 Legislatures.

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Note that this September forecast incorporates the adoption of four bills passed during the 2013 regular and special legislative sessions. The bills are summarized in the Appendix in Figure 49. Two of the four bills had very minor positive impacts (less than \$50,000 per year) on transportation revenue and those bills include the following: the addition of a new aviation excise tax structure for commuter air carriers which meet the requirements set in law in SB 5627 and changes in commercial driver license requirements contained in SHB 1752. The other two recent law changes have fiscal impacts of greater than \$50,000 per year. Those bills include the following: a new fee for vehicle owner records in SHB 5182 and a new fee for four wheeled all-terrain vehicles, (ESHB 1632).

Figure 4 shows the change in revenues between the September and the baseline forecast, March 2013. In the 2011-13 biennium, September transportation revenues are \$4.33 billion, which is \$20.6 million more than anticipated in March. In the current biennium, transportation revenue is up from March by \$40.9 million or 0.9%. This forecast is above the baseline forecast throughout the next 10 years by \$183.1 million or 0.8% from March. The increase in the September revenue forecast relative to the March forecast is due to higher collections, new legislation adopted by the Legislature and new toll and ferry rate increases adopted by the Washington Transportation Commission.

Economic Variables Forecast

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

**Figure 5 Annual Percentage Change (%) in Select Economic Variables
September 2013 forecast**

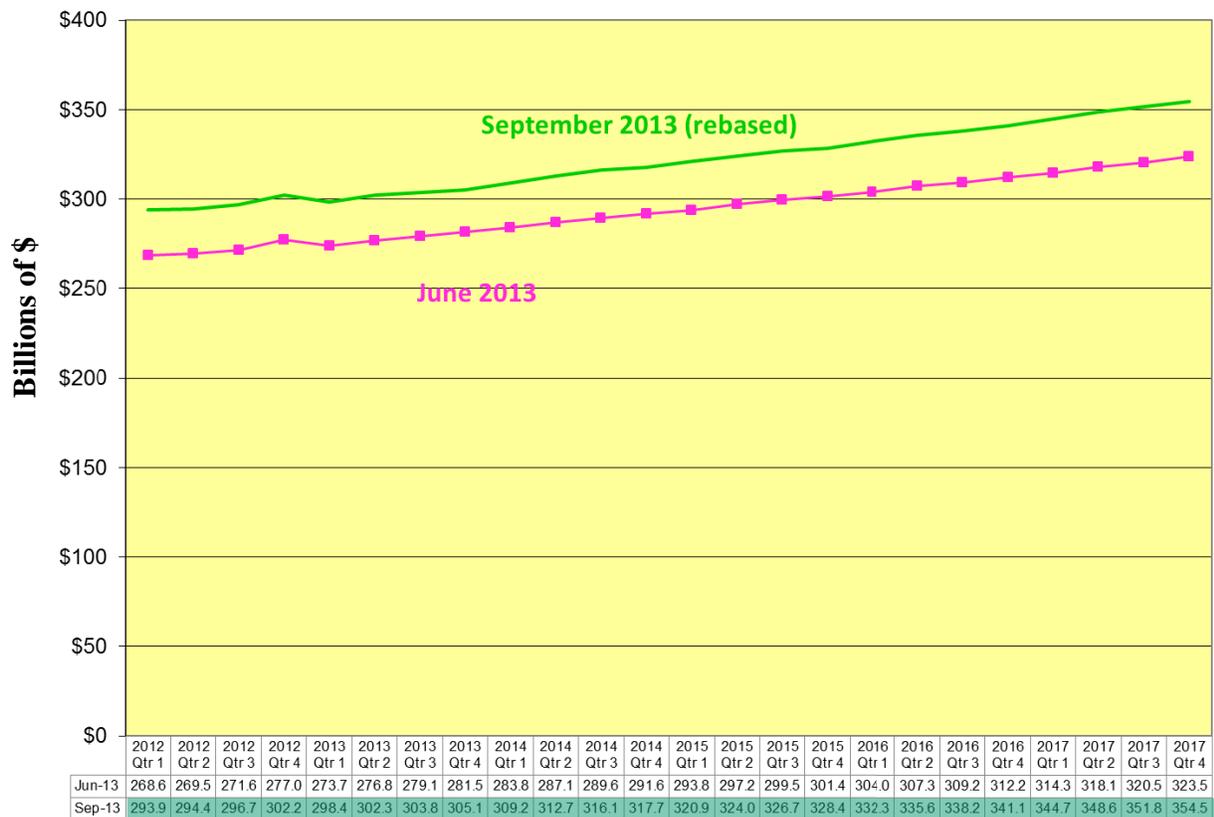
Fiscal Year	WA Personal Income	Annual Population	US General Prices (IPDC)	US Oil & Gas Price Index	US Fuel Efficiency (MPG)	Nominal Consumer Sales on New Vehicles
2010	-3.1	1.0	1.0	3.1	-0.5	10.8
2011	3.0	1.0	1.7	17.7	0.3	11.8
2012	2.7	1.0	2.4	13.6	1.0	13.3
2013	3.0	1.1	1.4	0.5	1.1	9.3
2014	2.6	1.2	1.5	-6.2	1.0	4.9
2015	3.9	1.2	1.5	-4.7	1.6	8.3
2016	3.5	1.2	1.4	1.3	1.8	5.8
2017	3.8	1.2	1.4	2.2	1.9	3.9
2018	3.5	1.2	1.3	2.3	1.8	2.8
2019	1.9	1.1	1.7	2.3	1.8	2.7
2020	1.6	1.1	1.7	2.1	1.8	2.7
2021	1.6	1.1	1.7	1.8	1.9	2.8
2022	1.8	1.1	1.7	1.4	1.9	2.9
2023	2.1	1.1	1.7	1.3	2.0	1.3
2024	2.5	1.0	1.8	1.4	2.0	1.4
2025	2.7	1.1	1.8	1.7	2.1	1.2
2026	2.6	1.0	1.8	1.6	2.1	1.5
2027	2.6	1.0	1.8	1.6	2.1	1.6

Source: Washington Economic and Revenue Forecast Council, Washington Office of Financial Management, Aug. 2013 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 August Global Insight forecast, August Blue Chip average US GDP growth rates, NYMEX fuel prices, and other forecasted economic variables in the near term through FY 2017. The September US forecast incorporates the results of the 14th comprehensive revision of the National Income and Product Accounts (NIPAs), which updated the reference year for prices and quantities from 2005 to 2009. Washington real personal income in FY 2012 averaged \$291.3 billion. This was a year-over-year increase of 2.7% after rebasing occurred in the new forecast. As Figure 5 reveals, the revisions in Washington real personal income resulted in higher real personal income levels throughout the forecast horizon than in past forecasts. For FY 2013, the new ERFC projections have a similar year-over-year growth rate of 3% as opposed to the 3.1% growth rate assumed in June. In FY 2014, the September growth in real personal income is slightly lower at 2.6% annual growth as opposed to 2.9% in June. In FY 2015 through FY 2018, the September forecast has slightly higher annual growth rates than in June. They range from 3.9% down to 3.5%. In FY 2019 and beyond, the annual growth rates in Washington real personal income are the same as in June, as they are still based on OFM’s long-term personal income growth rates developed in 2013. OFM has not modified them since the last forecast. In FY 2019, the annual growth rate will be approximately 1.9% and it falls further to 1.6% in FY 2020-2021. Personal income growth rates rise again to 2.1% and then to 2.6% by the end of the forecast horizon.

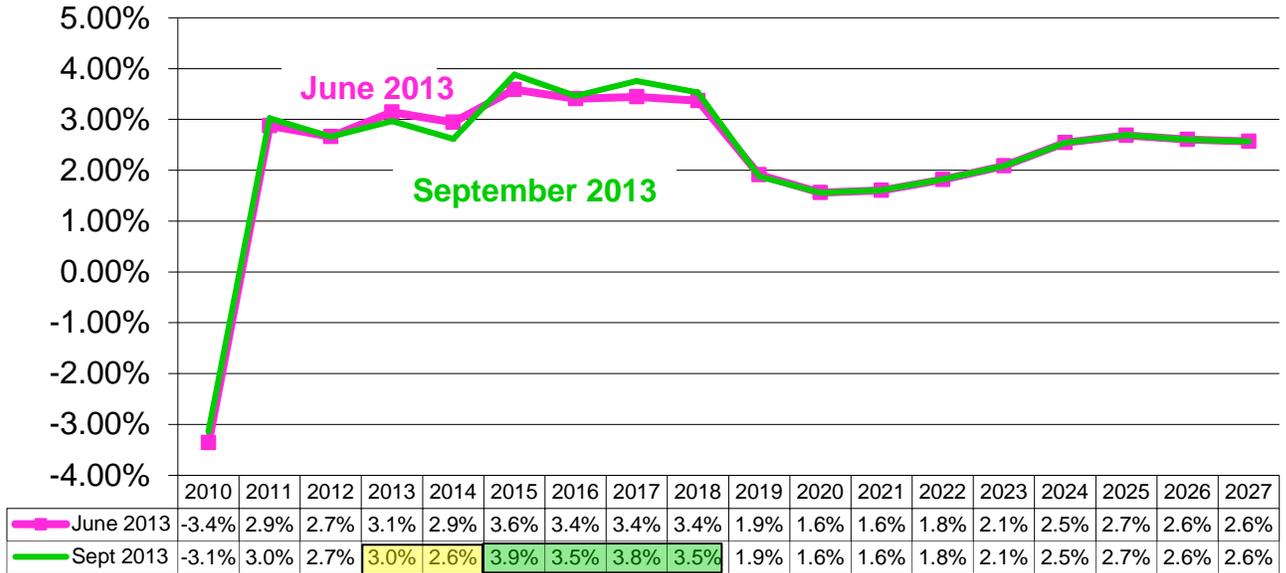
Figure 6 Comparison of Quarterly Washington Real Personal Income September vs June 2013



Source: Washington Economic and Revenue Forecast Council (Aug. 2013 economic variables) and 2013 OFM long-term personal income forecast

Figure 7 shows the change in the annual growth rates for Washington personal income. In FY 2013 and 2014 the growth rates in the September forecast are lower than June’s forecast, but the outer years forecasted by the Office of Forecast Council are projected to be higher. The OFM 2013 long-term forecast is the same forecast used in the June forecast.

Figure 7 Forecast Comparison of Annual Growth Rates for Washington Real Personal Income September vs June 2013

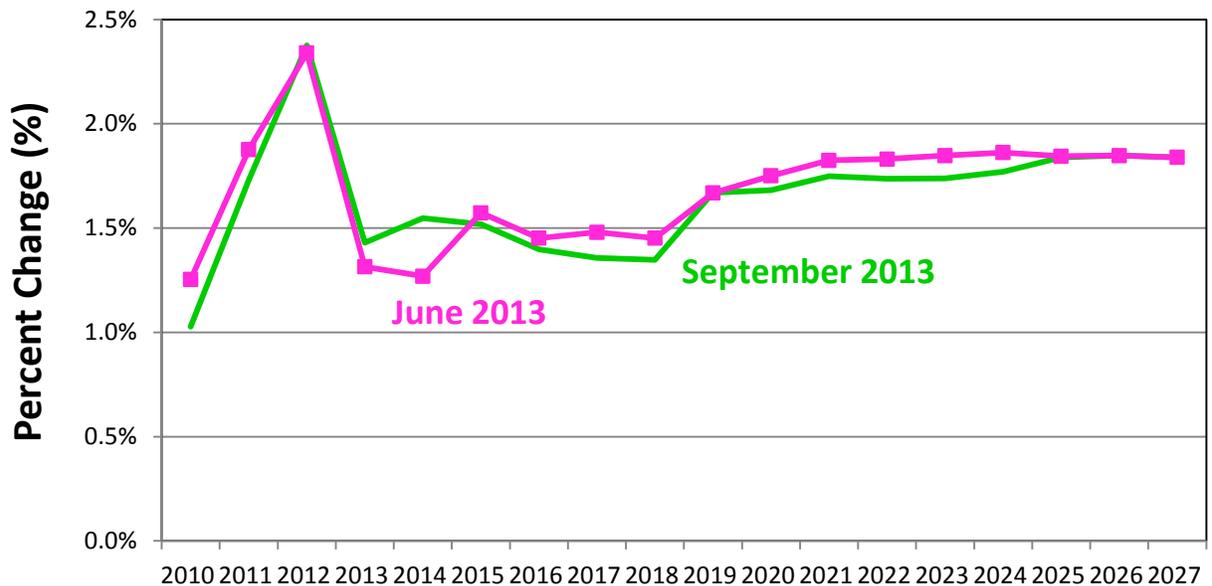


Source: Washington Economic and Revenue Forecast Council (Aug. 2013 economic variables) and 2013

WA Population

In the September 2013 forecast, the final 2012 OFM population projections were used. These were the same projection used in the prior forecast. The driver age population is 5.238 million with an annual growth rate of 1.0% for FY 2012. The current projection for the population growth rate in FY 2013 is 1.1%. In fiscal years 2014 through 2018, the annual population growth rate is approximately 1.2% each year. By FY 2019 through FY 2023, the annual population growth rate falls slightly to 1.1% and then it declines to 1% in FY 2024. It rises, again, to 1.1% in FY 2025 and drops to 1% in the last two years of the forecast horizon.

Figure 8 Inflation Forecast Comparison – Annual Percent Change in U.S. Implicit Price Deflator for Personal Consumption September vs June 2013



Source: Washington Economic and Revenue Forecast Council and Aug. 2013 Global Insight forecast

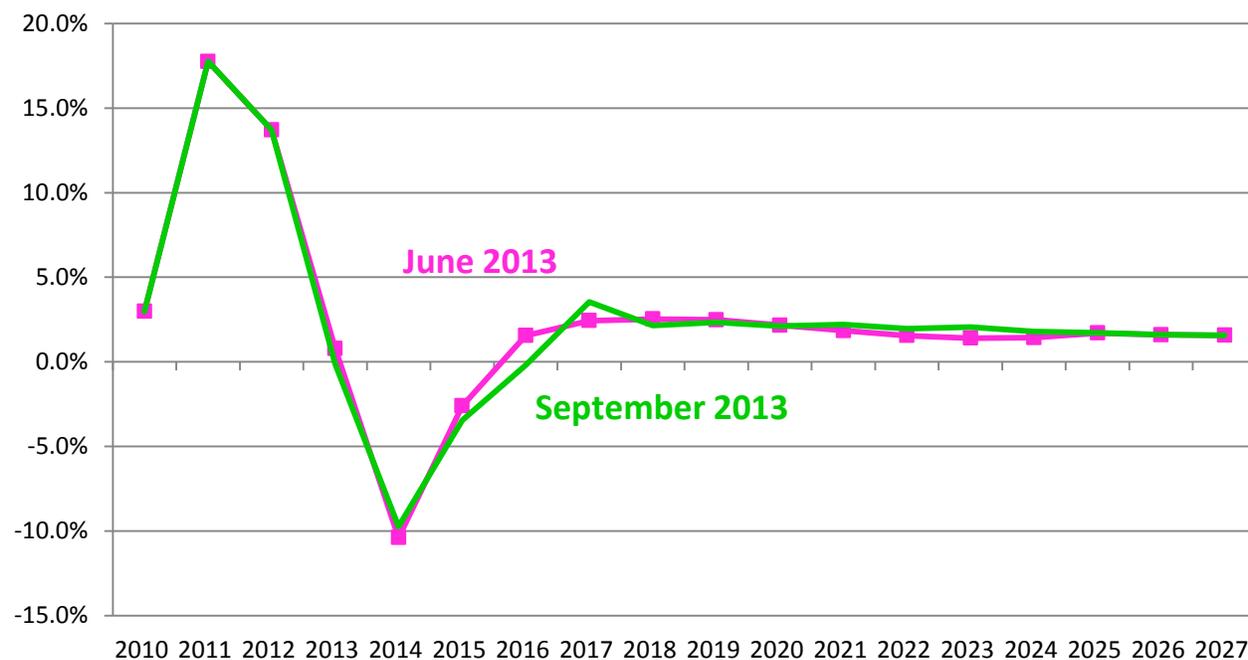
U.S. Inflation

For the U.S. inflation rate forecast, we use the Economic and Revenue Forecast Council through FY 2017 and Global Insight's August 2013 projection of the implicit price deflator (IPDC) for 2018 and beyond (Figure 8). In 2012, the U.S. inflation rate, as measured by the change in the IPDC, was 2.4%. After rebasing, the rate was slightly higher than the previous projection of 2.3%. In FY 2013, inflation is projected to be 1.4%, higher than in FY 2012 and slightly higher than the 1.3% projected in the June forecast. In FY 2014, the inflation forecast is projected to be up, 1.5% versus 1.3% projected in June. Then in FY 2015, the current forecast shows an annual increase in inflation of 1.5%, which is slightly lower than last quarter's forecast at 1.6%. The current forecast is also projecting inflation at 1.4% for the next two years and 1.3% in FY 2018. These growth rates are lower than the 1.5% assumed in June. For the remainder of the forecast horizon, the inflation rates are between 1.7% and 1.8%, which is close to the last forecast (see Figure 8).

U.S. Petroleum Products Price Index

The annual year over year change in the U.S. petroleum products price index was 18% for FY 2011. In FY 2012, the price index grew by 13.6%, year-over-year. In the August Global Insight forecast of the U.S. petroleum products price index, rebased to 2009, the index for FY 2013 grew annually by 0.5% as opposed to 0.8% anticipated in the June forecast indexed to 2005.. The 2013 rebased oil price index is also slightly lower than in June throughout the forecast horizon. In FY 2014, the US fuel price index is projected to decline by 6.2% as opposed to 10.4% as projected in the June prediction. In fiscal year 2015, the forecast of the index is also projected to decline by 4.7% year-over-year. This rate his greater than the 2.6% annual decline in the prior forecast. In FY 2016 and beyond, this September forecast predicts positive annual growth rates for the oil price index beginning at 1.3% and growing to 2.3% by FY 2018 and then declining slightly over the remainder of the forecast horizon to 1.6% by FY 2027. This current August forecast shows a slightly more pessimistic fuel price growth in the next two years and little change from the previous forecast in the long-term (see Figure 9).

Figure 9 Global Insight Oil/Gas Price Index Forecasts: Growth Rate Comparison September vs June 2013



Source: August 2013 Global Insight forecast

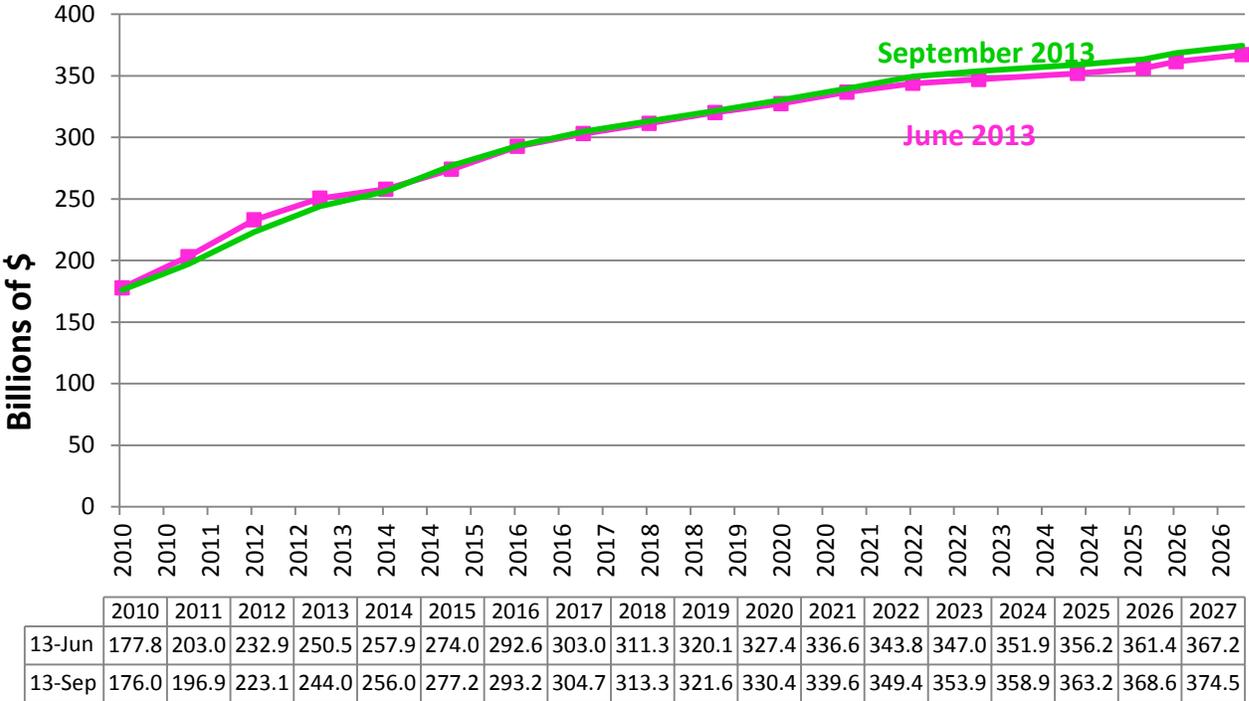
U.S. Fuel Efficiency (MPG)

The U.S. on-road fuel efficiency variable for the September 2013 forecast is unchanged from the June forecast. The June forecast incorporated the February 2013 short and long-term Global Insight forecast, which included the effects of the 2012 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 2012 and 2013 was 20.3 and 20.5 miles per gallon respectively for the entire US fleet of light vehicles. In the current fiscal year, the September 2013 fuel efficiency projection for the US fleet is 20.7 miles per gallon. The fuel efficiency of the US fleet grows over time and by the end of the forecast horizon the on-highway vehicle fuel efficiency is projected to increase to 26.5 miles per gallon.

U.S. Consumer Spending on New Motor Vehicles

Consumer spending on new motor vehicles throughout the U.S. has been recovering with 10.8% and 11.8% year-over-year growth in FY 2010 and 2011 respectively. In FY 2012, the recovery for light vehicle sales picked up even more with an annual growth rate of 13.3%. In fiscal year 2013, consumer spending on new vehicles is anticipated to grow faster at 9.4% instead of 7.5% predicted in June. In fiscal year 2014, consumer spending on new vehicles is expected to be higher, at 5%, as opposed to 3% in June. By FY 2015 and 2016, consumer spending is projected to pick up again with annual growth rates of 8.3% and 5.8%, which is a little more optimistic and then more pessimistic than last quarter with growth rates of 6.3% and 6.8% respectively. In FY 2017, the annual growth rates of consumer sales on new vehicles are anticipated to be about the same as the prior forecast at 3.9% versus 3.6%. Then the growth rates slowly decline further for the remainder of the forecast horizon. Overall, the subsequent years' growth rates after FY 2017 are more optimistic than June's forecasted annual growth rates of consumer spending on new vehicles.

Figure 10 Global Insight Annual US Consumer Spending on Motor Vehicles (\$ billions) Comparison September vs June 2013



Source: August 2013 Global Insight forecast

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

In the September forecast, there is a slight revision upward in the levels of Washington employment from the June forecast. The recovery in Washington’s economy picked up in FY 2012 with non-agricultural employment growing 1.5%; employment in the trade, transportation, and utilities sectors growing at 2.0%; and Washington retail employment growing at 1.8%. In FY 2013, year-over-year growth in non-ag. employment was 2.1% as opposed to 2% for last quarter. In the current fiscal year, the projection of the non-ag. employment annual growth rate has been raised to 1.8% as opposed to 1.6%. In contrast, in FY 2015 and 2016 the annual growth rates for non-ag. employment fell to 1.7% each year compared to 2% each year in the June forecast. This revision reflects a slightly better outlook in the current year but a slightly lower outlook on the employment recovery in the following two years than predicted last quarter. In FY 2017, the September growth rate for non-ag. employment is anticipated to be 1.6%, which is the same as the prior forecast. The economic growth in Washington non-ag. employment in subsequent years is based on OFM’s long-term employment projections, which has not changed from June. In the long-term, the non-ag. employment growth rate slows in outer years. Beginning in FY 2018, Washington employment is forecasted to grow slower at 1.3% annually and less than 1% in subsequent years, except for FY 2027, when the growth rate is 1%.

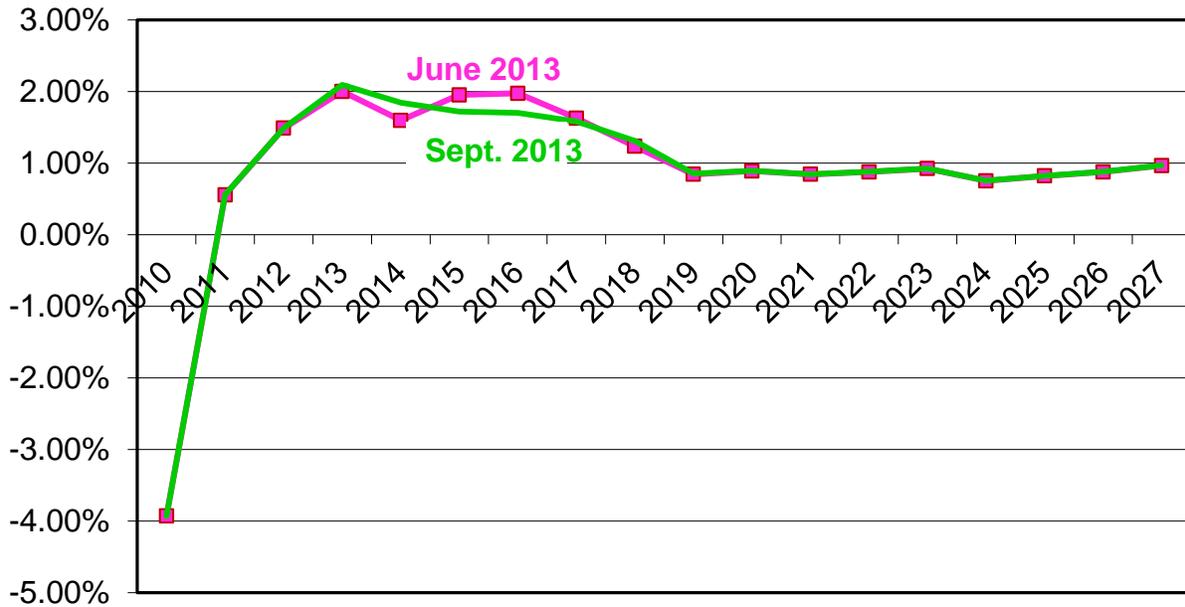
Figure 11 Annual Growth Rates (%) Washington Employment Forecasts: September 2013

Fiscal Year	WA Non-ag. employment	WA Trade, Transportation and Utilities Employment	WA Retail Trade Employment
2010	-3.9	-4.0	-3.3
2011	0.6	0.6	0.8
2012	1.5	2.0	1.8
2013	2.1	2.4	2.8
2014	1.8	2.0	2.3
2015	1.7	1.1	0.7
2016	1.7	1.0	0.4
2017	1.6	1.3	0.8
2018	1.3	1.1	0.6
2019	0.9	0.4	0.4
2020	0.9	0.3	0.3
2021	0.8	0.3	0.2
2022	0.9	0.3	0.2
2023	0.9	0.3	0.2
2024	0.8	0.3	0.3
2025	0.8	0.5	0.5
2026	0.9	0.5	0.6
2027	1.0	0.6	0.8

Washington’s employment in the trade, transportation, and utilities (TTU) sectors follows similar trends as the overall non-farm employment trends. In FY 2012, this industry grew by 2% year-over-year. In the FY 2013, the trade, transportation, and utilities employment sector grew by 2.4% instead of 2.2% anticipated in June. In the current fiscal year, employment in the trade, transportation, and utilities sectors is projected to grow at 2%, which is slightly faster than overall non-ag. employment growth of 1.8%. In FY 2015, this industry’s employment is anticipated to grow by 1.1% year-over-year, which is the same growth predicted in June. In FY 2016, growth rates in this employment sector are also expected to drop to 1.0% which is slightly lower than 1.1% in June’s projection. Then in FY 2017, Washington employment growth rates in the trade, transportation, and utilities sectors is anticipated to rise to 1.3% which is slightly lower than in June at 1.5%. Then employment in the trade, transportation, and utilities sector growth rate falls slightly again back to 1.1% in FY 2018, which is the same growth anticipated in June. In subsequent

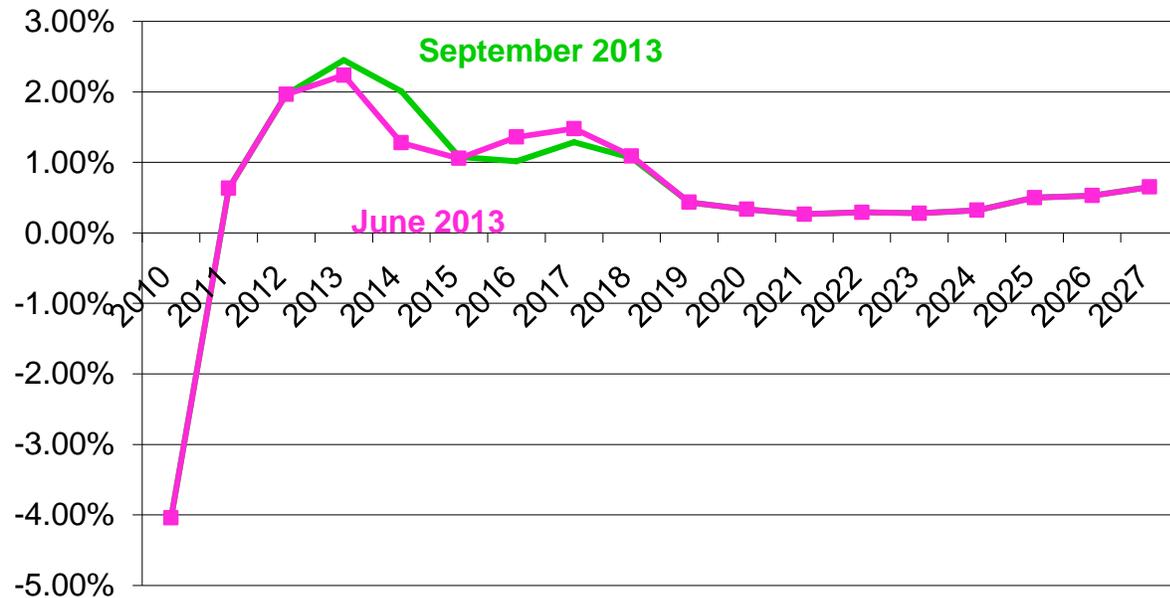
years, the TTU employment growth rates are dependent on the same 2013 OFM long-term forecast used in June. The 2013 OFM long-term annual growth rates are projected to be 0.5% in FY 2019. The annual growth rate falls further to 0.3% in FY 2020 until 2024. In FY 2025 and 2026, it rises back to 0.5% and then to 0.6% in FY 2027, which are the same growth rates as in June.

Figure 12 Washington Nonfarm Payroll Employment Forecasts of Annual Growth Rates: September vs June 2013



Source: Aug. 2013 ERFC and OFM/ESD 2013 long-term Washington non-ag. employment forecast

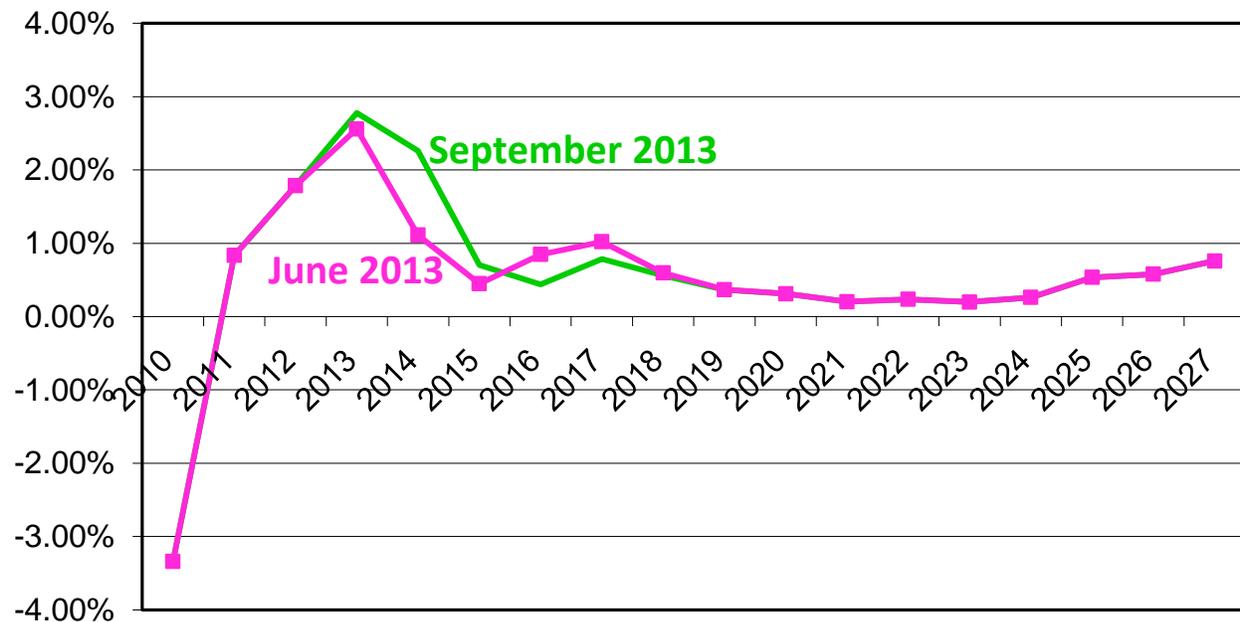
Figure 13 Washington Nonfarm Payroll Employment – Trade, Transportation and Utilities Sectors (TTU) Forecasts of Annual Growth Rates: September vs June 2013



Source: Aug. 2013 ERFC and OFM/ESD long-term Washington TTU employment forecast

Washington's employment in the retail trade sector in this forecast also follows similar trends as employment in the non-agricultural and trade, transportation, and utilities industries; however, projections are more optimistic for this industry sector. The retail employment sector grew by 1.8% year-over-year in FY 2012. In FY 2013, the retail trade employment grew even more by 2.8%, which was slightly higher than the 2.6% anticipated in June. In the current fiscal year, the projection of retail employment growth is higher at 2.3% compared to 1.1% annual growth in June. In FY 2015 retail employment is projected to grow slightly stronger by 0.7% growth than June's anticipated 0.4%. In FY 2016, retail employment is anticipated to grow slower at 0.4% as opposed to 0.8% projected in June. The same trend continues in FY 2017, with the September forecast having a 0.8% annual growth, which is less than the 1% anticipated in June's forecast. In FY 2018, the annual growth rate is 0.6%, the same as in June. In FY 2019 and beyond, the retail employment projections are based on OFM's 2013 employment projections. These projections are the same as the last quarterly forecast. The annual growth rate averages 0.4%.

Figure 14 Washington Nonfarm Payroll Employment – Retail Trade Sector Forecasts of Annual Growth Rates: September vs June 2013



Source: Aug. 2013 ERFC and OFM/ESD long-term Washington retail trade employment forecast

Motor Fuel Price Forecast

Washington's transportation revenues are affected by fuel prices. In particular, gasoline tax collections are negatively related to the price of gasoline and the Washington State Department of Transportation budget is heavily impacted by changes in fuel prices. Therefore, projections of fuel prices are made quarterly to assist in the near and long-term budgeting process for WSDOT. The price forecast includes the following fuel price projections: U.S. West Texas crude oil and Washington retail prices of gasoline, diesel, and biodiesel.

The September 2013 forecast for crude oil prices is up slightly from the last forecast. In contrast, the current retail gas and diesel price forecasts are down from the June forecast in both the near- and long-term. Annual adjusted ferry B5 biodiesel prices are slightly up from the June forecast for all years except FY 2017.

Source of data for the forecast

For the Washington retail price of gasoline, actual fuel prices are collected from the Energy Information Administration's (EIA) survey of retail prices for regular gasoline in the state. For the retail price of diesel, the actual prices are collected from AAA's weekly publication of retail prices for diesel in Washington. The actual ferry B5 biodiesel prices are reported by the Washington State Ferries (WSF). In the short term (through calendar year 2014), the retail gas price forecasts are based on the growth in the national retail gas. The diesel and biodiesel diesel prices grow off the growth in national diesel prices from the Energy Information Agency (EIA) monthly projections. Beyond calendar year 2014, the fuel price projections are based on September's Global Insight national gas price forecast for Washington's gas price forecast and the producer price index (PPI) projections for refined petroleum products for the retail diesel and biodiesel price forecasts.

The forecasts of biodiesel prices include two different biodiesel prices: B5 and B99 without the renewable identification number (RIN). WSF currently purchases the majority of their biodiesel as B5 blended biodiesel. WSDOT also purchases B99 biodiesel without RIN for our vehicle fleet needs. Washington's Department of Enterprise Services (DES) publishes B99 biodiesel price without RIN in Tacoma. This represents the B99 prices paid by other state entities' purchases of biodiesel. The B5 price of biodiesel is 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.

U.S. crude oil price trend

U.S. prices of West Texas Intermediate Crude (WTI) oil averaged \$95 per barrel in FY 2012. In fiscal year 2013, crude oil prices averaged \$92.16 per barrel, which was nearly the same as \$91.93 per barrel projected last quarter. The crude oil price forecast for third quarter 2013 is much higher now at \$105.41 versus \$92.33 per barrel predicted three months ago. In FY 2014, WTI crude oil prices are projected to grow to \$100 per barrel, which is an 8.8% year over year growth and \$7.12 per barrel higher than in June. In the last forecast, WTI crude oil prices were not expected to hit \$100 per barrel until after FY 2017. This September, crude oil price forecast dips a little in FY 2015 with an average WTI price of \$93.58 per barrel. This is still \$2 per barrel higher than in June. After FY 2015, WTI crude oil prices are expected to fall further to \$92 per barrel in FY 2016 and then start to grow again to \$95.41 per barrel in the following year. By the end of the forecast horizon, WTI crude oil prices are anticipated to be \$123 per barrel.

Washington retail gasoline price trend

September's Washington retail gasoline prices are projected to be slightly higher in the next two quarters and FY 2014 than the June forecast, but significantly lower than the last forecast after FY 2014 and throughout the remainder of the forecast horizon. This current forecast follows a similar trend to the June forecast in the near-term, but with slightly lower prices than the last forecast. This forecast has gas prices hitting \$4 per gallon by FY 2022, which is two years later than the June gas price forecast. In FY 2013, Washington average retail gas price was \$3.73 per gallon, which is the same price projected in June. In FY 2014, Washington average retail gas price is currently projected to \$3.60 per gallon, a year-over-year decline of 3.5%. This is an increase of 1% from the June forecast. In FY 2015, Washington retail gas price is expected to decline slightly year-over-year to \$3.52 per gallon, \$0.03 lower than anticipated in the June forecast. In FY 2016, this forecast anticipates gas prices to remain relatively flat year-over-year at an average of \$3.50 per gallon. The September forecast of retail gas prices is lower than June projections throughout the forecast horizon.

Washington retail diesel price trend

Washington's retail price of diesel was an average \$3.02 in FY 2010. It increased 23% to \$3.71 per gallon in FY 2011. In FY 2012, the average diesel price was \$4.20 per gallon, or 13% higher than the prior year. In FY 2013, the retail diesel price dropped slightly to \$4.10 per gallon. In FY 2014, the same trend is present, with the current retail diesel price being \$3.94 per gallon a decline of 3.9% and nearly the same as the June forecast of \$3.95 per gallon. This forecast of retail diesel prices is consistently lower than the June forecast throughout the forecast horizon. The price differential between retail gas and diesel was just 9 cents on average in FY 2010 and it grew to 33 cents in FY 2011. In FY 2012 and 2013, the retail gas and diesel price differential grows to 36 cents and 37 cents per gallon respectively. Over time, the price differential between retail gas and diesel is expected to fall. By FY 2016, the retail diesel to gas price differential is the lowest at 29 cents per gallon. After 2016, the differential begins to grow again. By the end of the forecast horizon, the retail diesel to gas price differential is projected to be 45 cents per gallon.

Washington ferries B5 biodiesel fuel price trend

The trend in Washington's ferry (WSF) B5 biodiesel price is similar to the trend of the retail diesel price. The reported B5 biodiesel price includes the markup costs ferries must pay, delivery fees, and various taxes, including sales taxes. Washington state ferries began receiving a sales tax exemption on their biodiesel fuel purchases on July 1, 2013 and this has been incorporated into the baseline B5 biodiesel price forecast. The ferries B5 unadjusted biodiesel price averaged \$3.53 per gallon in FY 2012. In FY 2013, the adjusted B5 biodiesel price fell slightly to \$3.51 per gallon. Beginning in FY 2014, B5 biodiesel prices will not include the roughly 10% sales tax cost so the average annual B5 biodiesel price with markup is anticipated to fall to \$3.17 per gallon which is higher than the June projection of \$3.05 per gallon. In FY 2015, B5 biodiesel price is anticipated to be \$3.14 per gallon versus \$3 per gallon projected in June. In FY 2016 and 2017, the adjusted B5 forecast is fairly flat with projections of \$3.13 and \$3.15 per gallon respectively.

B99 Biodiesel fuel price trend

The latest monthly OPIS B99 biodiesel price without RIN, markup, delivery and tax costs in Tacoma reported on the GA web site begins this B99 price forecast. The biodiesel price forecasts are based on the retail diesel price future growth forecast with adjustments made to eventually have a regular diesel and biodiesel price differential of roughly 12%, which is the average price differential seen over the last 5 years. The B99 biodiesel price forecasts used for non-WSF WSDOT purchases had an actual B99 markup averaging \$4.95 per gallon in FY 2012. For FY 2013, September's B99 base biodiesel price forecast rose a little to \$4.98 per gallon. For FY 2014, the B99 price forecast declines year-over-year by 0.3% to \$4.82 per gallon. In FY 2015, the average annual B99 price is expected to decline further to \$4.67 per gallon and then decline even further to \$4.63 per gallon in FY 2016. The B99 prices start to rise to \$4.75 per gallon in FY 2017, which is nearly the same forecast as in June.

Figure 15 Forecast of UNADJUSTED Washington Retail Gasoline Prices, Regular: September vs June vs March 2013 forecasts

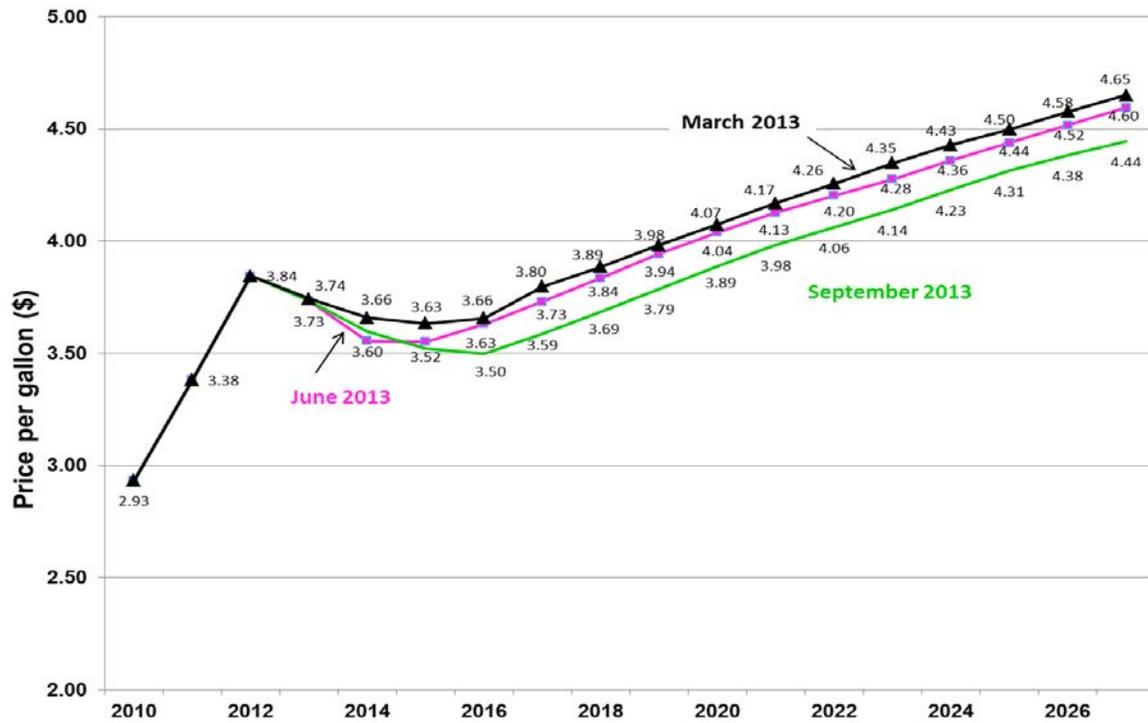
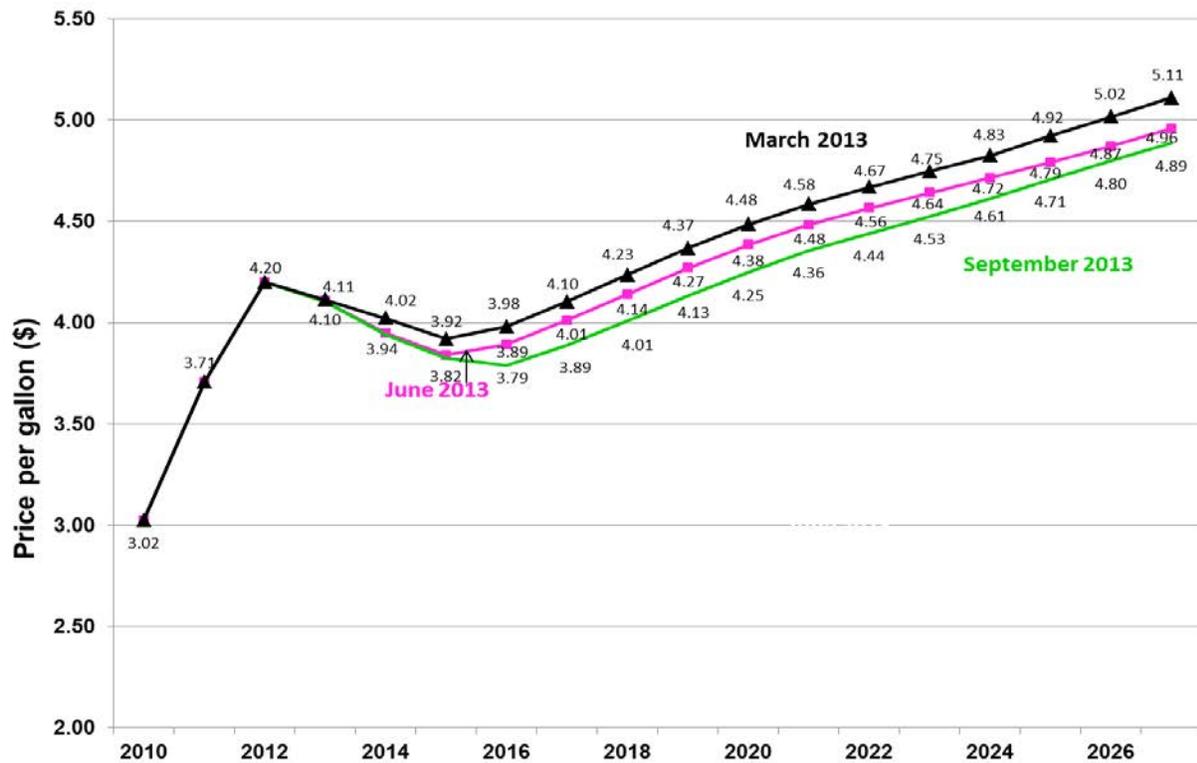


Figure 16 Forecast of UNADJUSTED Washington Retail Diesel Prices: September vs June vs March 2013



**Figure 17 Near-term UNADJUSTED BASELINE Quarterly Fuel Prices:
September 2013 forecast**

Fiscal Year Quarter	Crude Oil Price (\$/barrel)	WA Retail Gasoline Price (\$/gal)	WA Retail Diesel Price (\$/gal)
2012: Q3	92.24	3.86	4.13
2012: Q4	87.96	3.66	4.15
2013: Q1	94.34	3.59	4.09
2013: Q2	94.10	3.81	4.05
FY 2013	92.16	3.73	4.10
2013: Q3	105.41	3.79	4.03
2013: Q4	100.50	3.51	4.00
2014: Q1	97.17	3.46	3.84
2014: Q2	98.00	3.62	3.89
FY 2014	100.27	3.60	3.94
2014: Q3	95.67	3.54	3.83
2014: Q4	94.00	3.35	3.82
2015: Q1	92.86	3.45	3.83
2015: Q2	91.81	3.72	3.81
FY 2015	93.58	3.52	3.82
2015: Q3	91.69	3.49	3.81
2015: Q4	91.27	3.32	3.75
2016: Q1	92.07	3.43	3.78
2016: Q2	93.07	3.74	3.81
FY 2016	92.02	3.50	3.79
2016: Q3	94.06	3.53	3.85
2016: Q4	95.06	3.43	3.89
2017: Q1	95.76	3.53	3.90
2017: Q2	96.76	3.85	3.93
FY 2017	95.41	3.58	3.89

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

In September 2013, the West Texas Intermediate (WTI) crude oil price forecasts for FY 2014 differed minimally by an approximate average of 1.7%, or \$98.34 - \$106.76 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 \$102 per barrel for FY 2014. WSDOT's baseline fuel price forecasts use the Energy Information Administration (EIA) forecasts in the near-term through calendar year 2014 and then use the growth rates from Global Insight forecasts for subsequent years. The projected price forecasts for crude oil in FY 2015 ranged from \$92.62 per barrel by NYMEX to \$109.15 per barrel by Moody's Economy.com with the average being \$96.69 per barrel. The average forecast for WTI crude oil in FY 2016 ranged from \$86.6 per barrel by NYMEX to \$113 per barrel by Moody's Economy.com with the average being \$95.73 per barrel. The average forecast for WTI crude oil in FY 2017 ranged from \$83.3 per barrel by NYMEX to \$116 per barrel by Economy.com with the average being \$97.22 per barrel. Figure 17 reveals that NYMEX future oil prices were the lowest price estimates in all fiscal years, 2014-2017. Projections by Moody's Economy.com were the highest for all years.

**Figure 18 Near-term Annual Crude Oil Price Forecasts – 5 Different Forecast Comparisons:
September 2013 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
2014	\$100.27	\$103.23	\$101.47	\$106.76	\$98.34	\$102.01	-1.92%	6.47%	1.74%
2015	\$93.58	\$92.62	\$92.69	\$109.15	\$95.41	\$96.69	-1.03%	16.63%	3.32%
2016	\$92.02	\$86.36	\$91.26	\$113.42	\$95.59	\$95.73	-6.16%	23.26%	4.03%
2017	\$95.41	\$83.30	\$94.62	\$115.99	\$96.77	\$97.22	-12.70%	21.57%	1.89%

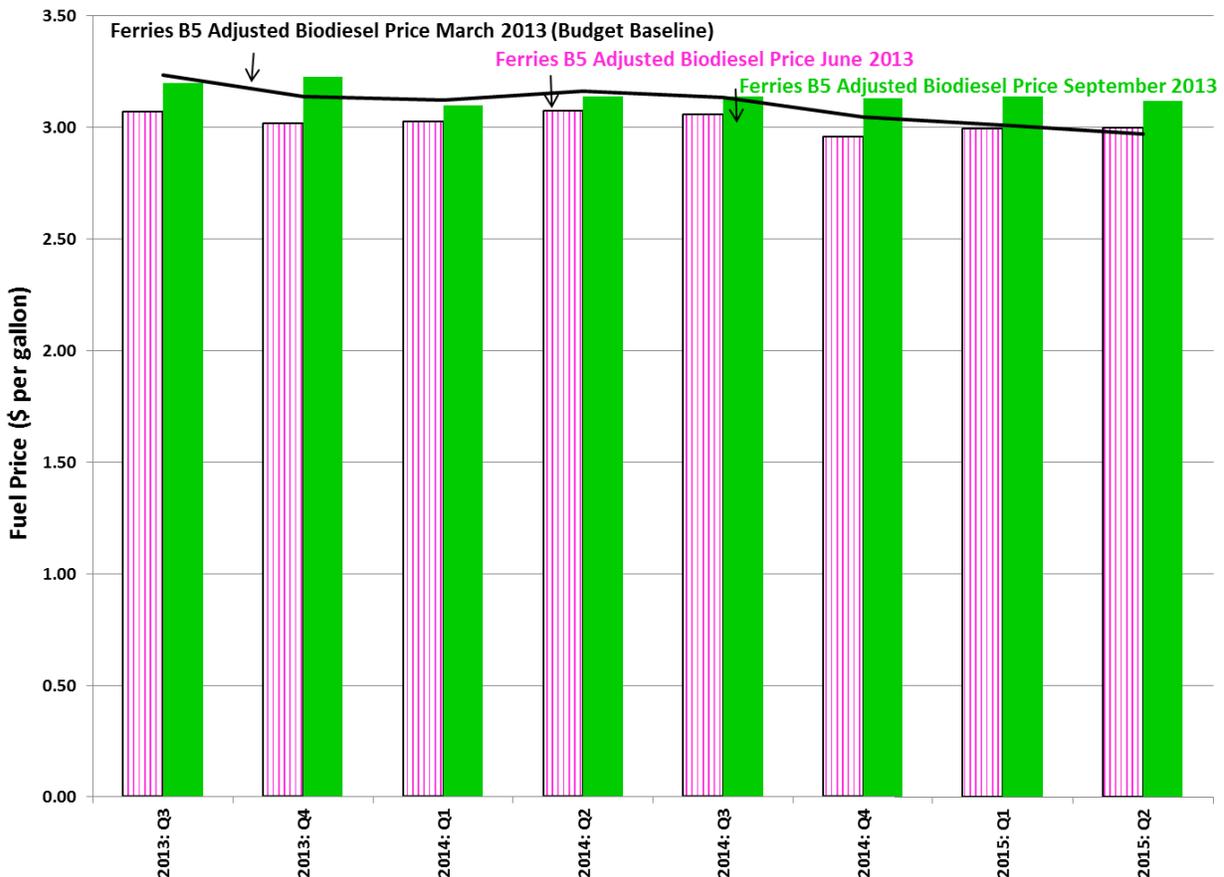
WSDOT applies the five forecast entity average adjustment to the baseline September 2013 retail gasoline, diesel, and B5 biodiesel prices. The fuel prices listed in Figure 18 will be used to estimate the future costs to the agency's 2013-15 biennium budget for gas and diesel fuel for fiscal years 2014 and 2015. The latest adjusted forecast requires a 1.74% increase in the baseline fuel prices for retail gas, diesel and B5 biodiesel prices for FY 2014 and 3.3% increase for FY 2015. In the outer years, FY 2016 baseline fuel prices are adjusted the most by 4%. In FY 2017, the baseline B5 fuel prices were adjusted minimally by \$0.04. B99 biodiesel prices are not adjusted each year due to B99 biodiesel prices being based on different feedstock prices rather than crude oil prices.

Figure 19 Near-term Average Adjusted Quarterly Fuel Prices and B5 Biodiesel Prices and Unadjusted B99 Biodiesel Prices Used for Budgeting Purposes: September 2013 forecast (\$ per gallon)

Fiscal Year Quarter	Adjusted WA Retail Gasoline Price (\$/gal)	Adjusted WA Retail Diesel Price (\$/gal)	Adjusted B5 Biodiesel Price (\$/gal)	Unadjusted B99 Biodiesel price
2013: Q3	3.79	4.03	3.20	4.93
2013: Q4	3.57	4.07	3.23	4.89
2014: Q1	3.52	3.91	3.10	4.69
2014: Q2	3.69	3.96	3.14	4.75
FY 2014	3.64	3.99	3.17	4.82
2014: Q3	3.66	3.96	3.14	4.68
2014: Q4	3.47	3.95	3.13	4.67
2015: Q1	3.57	3.96	3.14	4.68
2015: Q2	3.85	3.93	3.12	4.65
FY 2015	3.63	3.95	3.13	4.67
2015: Q3	3.63	3.96	3.14	4.65
2015: Q4	3.45	3.90	3.09	4.58
2016: Q1	3.57	3.93	3.12	4.62
2016: Q2	3.90	3.97	3.15	4.66
FY 2016	3.64	3.94	3.13	4.63
2016: Q3	3.60	3.92	3.11	4.70
2016: Q4	3.49	3.96	3.14	4.75
2017: Q1	3.60	3.97	3.15	4.76
2017: Q2	3.92	4.01	3.18	4.80
FY 2017	3.65	3.96	3.14	4.75

The September adjusted B5 biodiesel prices are near the quarterly March 2013 forecast. In the fourth quarter of 2013, the current B5 biodiesel price was above the March forecast. This is also true of the last three quarters in the current biennium. Overall in FY 2014, ferries' B5 price is anticipated to average \$3.17 per gallon, excluding sales taxes, and declines \$0.04 to \$3.13 per gallon in FY 2015. Overall B5 biodiesel prices are expected to be flat and change only minimally over the next two years, so by FY 2017 the average biodiesel price is \$3.14 per gallon, see Figure 19.

Figure 20 Quarterly Ferries B5 Biodiesel Prices Used for Budgeting the 2013-15 Biennium: September vs June vs March 2013 (Baseline) Forecast Comparison



Motor Vehicle Fuel Tax Forecast

Total fuel tax collections from June 2013 through August 2013 were \$8.4 million below the June 2013 forecast.

For June 2013 through August 2013, gasoline tax collections came in above June's projections by \$8.4 million or 3.2%.

- June gas tax collections came in at \$89.3 million, \$3.1 million above the June 2013 forecast.
- July gas tax collections came in at \$84.5 million, \$1.4 million less than the June forecast.
- August gas tax collections came in above the June forecast at \$95.9 million and \$6.7 million above forecast. Overall, gas tax collections came in above forecast by \$8.4 million for the three months combined.

For June 2013 through August 2013, diesel tax collections came slightly above forecast by \$0.02 million or 0.02% above expectations.

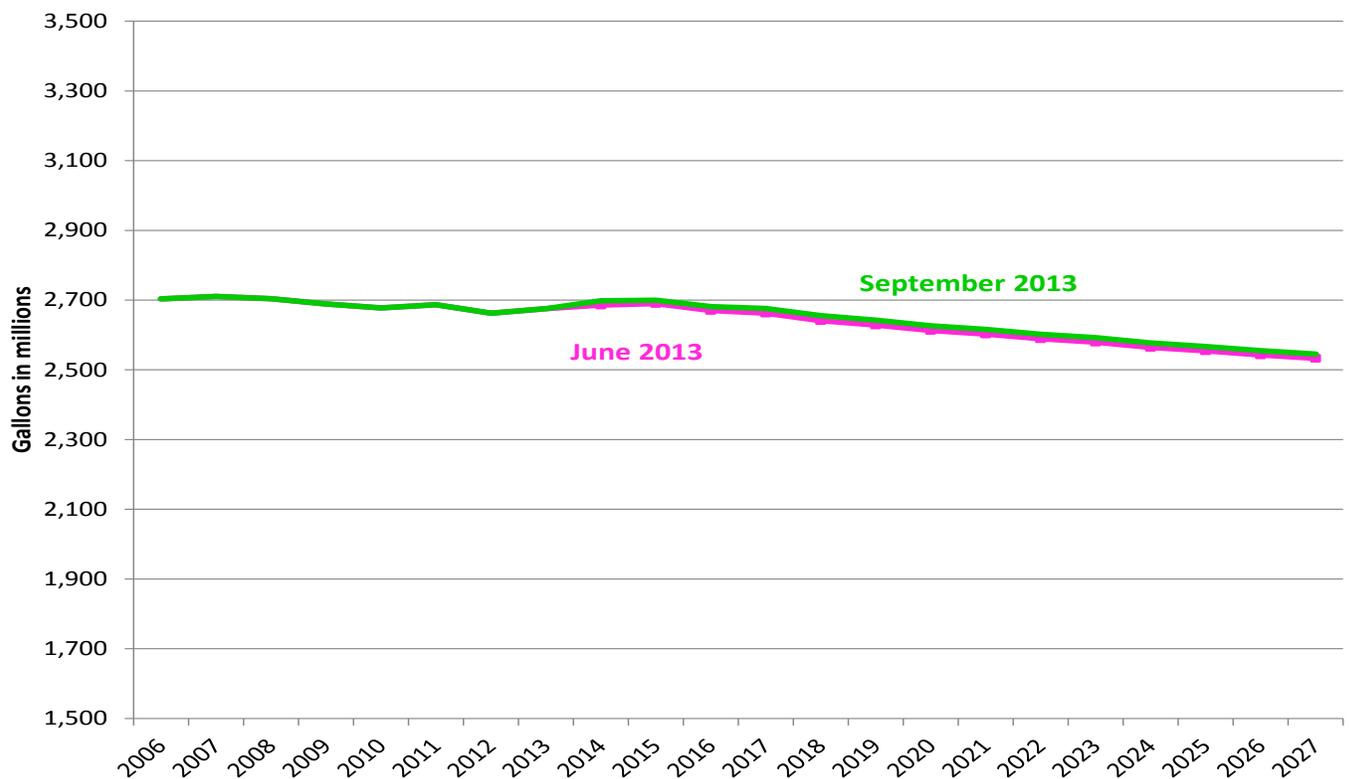
- In June, diesel tax collections came in at \$21.5 million which was \$1.0 million above forecast.
- July diesel collections came in at \$20.2 million or \$0.2 million above projections.
- August diesel collections came in at \$21.5 million, \$1.2 million below projections. Overall, diesel tax collections came in as forecasted for all three months.

Gross motor fuel tax revenue projections are \$2.517 billion for the 2013-15 biennium which is 1.2% greater than the 2011-13 biennium. Gross motor fuel tax revenues for the current biennium are projected to be \$2.58 billion or 0.10% more than the prior forecast. The overall increase in motor fuel tax revenue for the 10-year period ending in 2021-23 biennium is 0.11% or \$15.2 million above the June 2013 revenue forecast. The primary reason for the change in fuel tax revenues from the last forecast are higher near-term tax collections in gasoline, lower gasoline prices, and lower projected tax collections in diesel.

Trends in gasoline consumption and tax revenue

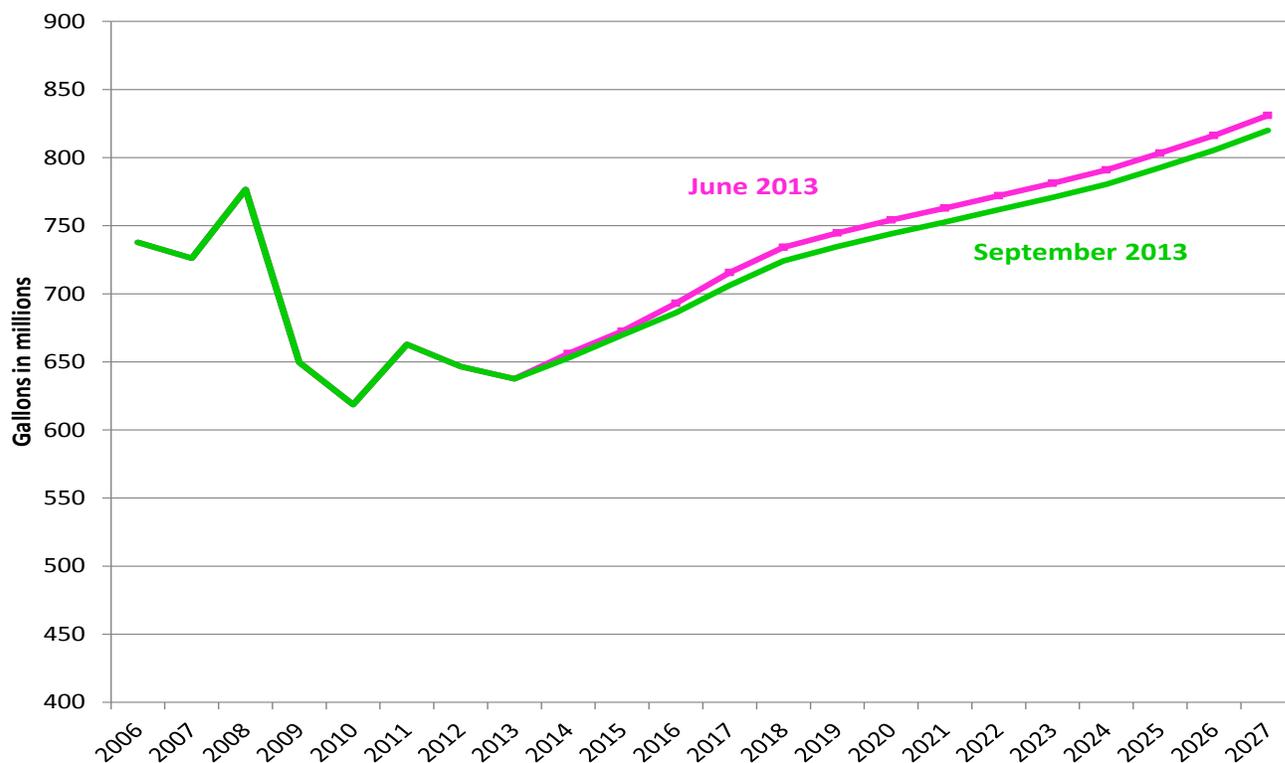
For FY 2012, gasoline consumption was 2,663 million gallons which was an annual decrease of 0.9% over FY 2010. In FY 2013, gasoline consumption was 2,676 million gallons which was an increase of 0.5% from FY 2012. Figure 21 shows the forecast to forecast comparison of projected gasoline gallons consumed. In FY 2014, gasoline consumption is projected to be 2,698 million gallons, 0.8% more than the last forecasted. Throughout the remainder of the forecast horizon, gas consumption is anticipated to be on average 0.5% higher than in the June forecast, primarily due to the 0.8% annual growth in gasoline consumption for FY2014, which was higher than last projected. The long-term average annual growth rate (FY 2014-2027) for gas consumption is -0.446% in this September 2013 forecast which is greater than the -0.449% growth rate from the last forecast.

Figure 21 Gasoline Motor Fuel Consumption Forecast Comparison: September 2013 vs. June 2013 forecast



In the current biennium, gas tax revenue is projected to be \$2.021 billion which is a revision up of \$6 billion or 0.30% since the June 2013 forecast. By the 2015-17 biennium, gas tax revenue rises to \$2.01 billion, up by \$9.54 million or 0.48% from the June forecast. These biennia upward changes from the June forecast remain steady throughout the forecast horizon. Gas tax revenue projections are up \$55.50 million from the June forecast for a 10-year forecast horizon.

Figure 22 Diesel Fuel Consumption Forecast Comparison: September 2013 vs. June 2013



Trends in diesel consumption and tax revenue

History of consumption and tax revenue for diesel shows major declines since the peak of consumption of 777 million gallons in fiscal year 2008.

- In FY 2011, diesel consumption was up to 663 million gallons which was a year-over-year increase of 7.2%.
- In FY 2012, diesel consumption was down again to 647 million gallons which was a year-over-year decline of 2.5%
- In FY 2013, diesel consumption was down again to 638 million gallons which was a year-over-decline of 1.4%

In FY 2014, diesel consumption is projected to rise by 2.4% which is lower than last quarter's forecasted annual growth of 0.5%. This downward revision in the diesel consumption forecast is due to prior lower diesel tax consumption than anticipated in the past. Diesel consumption is not expected to exceed its high 2008 consumption level of 777 million gallons until FY 2024. Over the forecast horizon through FY 2027, diesel consumption is expected to grow annually on average by approximately 1.77% which is lower than June's average growth projections of 1.84%.

Diesel tax revenue is projected to be \$495.9 million in the 2013-15 biennium which is 3.5 million less than the \$499.4 million from the prior forecast. In the 2015-17 biennium, diesel tax revenue is expected to be \$523.3 million which is 1.17% less than the June forecast by \$6.21 million. In the 2017-19 biennium, diesel tax revenue is expected to be \$547.6 million which is lower than the last forecast by \$7.6 million or 1.37%. The revenue loss from the June forecast increases over time and by the end of the forecast horizon in the 2025-2027 biennium diesel tax revenue is lower by \$8.3 million or 1.34%. The

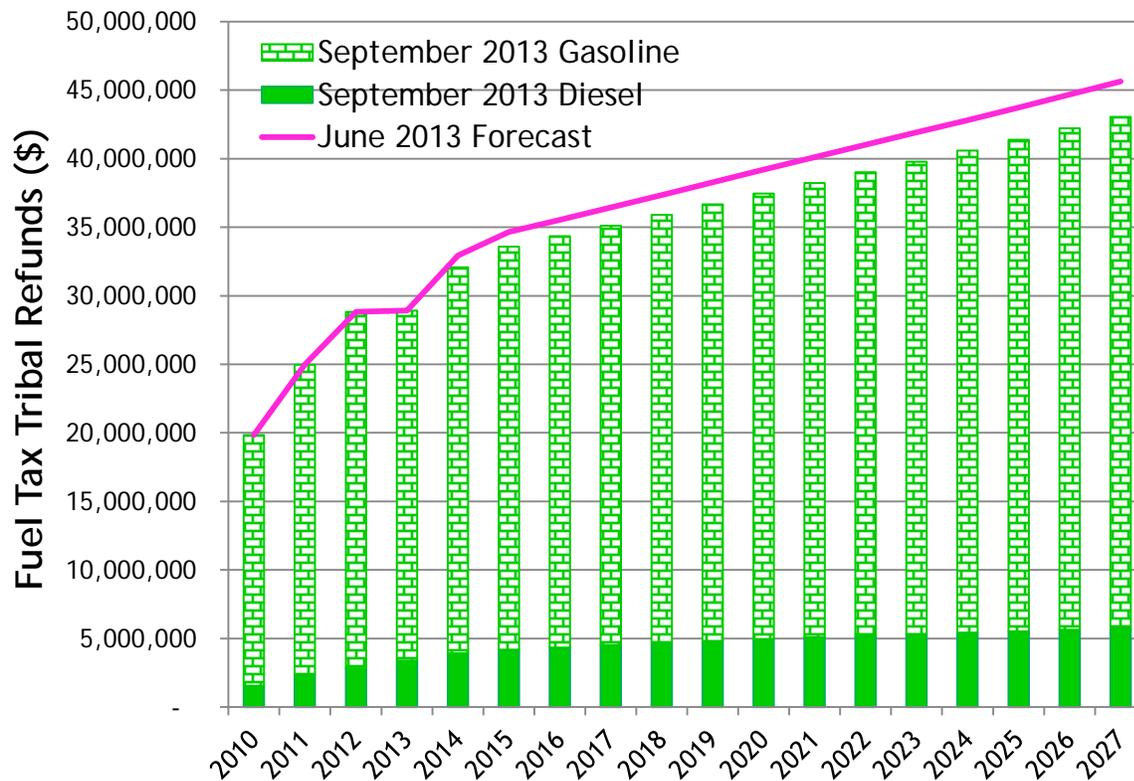
major reason for the long-term decline in diesel consumption and revenue in September are due mainly to lower collections in the remainder of FY 2014 and lower projections of employment for trade, transportation, and utilities from FY2015-FY2017.

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. Gas tax non-highway refunds are up by \$0.041 million while diesel tax non-highway refunds are down by \$0.146 million in the current biennium. In the future biennia, non-highway refunds are changing at the same rate as gas and diesel consumption and gross revenue. Therefore, in the 2015-17 biennium, gas tax non-highway refunds are projected to be 0.47% or \$0.047 million higher and diesel tax non-highway refunds are projected to be \$0.397 million or 1.16% lower based on the lower diesel fuel tax revenue. In the 2017-19 biennium, non-highway gas tax refunds are up \$0.532 million or 0.54% while diesel fuel non-highway refunds are projected to be down by \$0.494 million or 1.37% from the last forecast. Diesel fuel tax non-highway refunds in this September 2013 forecast compared to the June 2013 forecast continue to decrease over the forecast horizon as the growth of special fuel tax revenues decline.

Tribal refund forecasts are updated each year in the September forecast after we have another complete year of tribal fuel tax refunds. Actual refunds for the 2011-13 biennium are compared to the forecasted refunds from September 2012. Actuals for all months in the 2011-13 biennium show gasoline tribal tax refunds totaled \$51.55 million compared to the September 2012 forecast of \$53.33 million. Subsequent biennia projections for the September 2013 forecast of tribal gasoline tax refunds are lower after accounting for the lower actuals in fiscal year 2013.

Figure 23 Tribal Fuel Tax Refunds September vs June 2013 Forecast



The special fuel tax tribal refunds were \$3.95 million in the 2009-11 biennium. For the 2011-13 biennia, special fuel tribal tax refunds totaled \$6.22 million which is \$0.29 million higher than the

September 2012 forecast. Subsequent biennia projections for the September 2013 forecast of tribal diesel tax refunds are higher after accounting for the higher actuals in the 2011-13 biennium.

Primary reasons for the forecast changes

- Overall, total fuel tax collections have come in above forecast for the past three months. Gas tax collections have come in higher than forecast by \$8.4 million and diesel tax collections have come in slightly higher than forecast for the past three months by \$0.02 million. Overall, fuel tax collections came in above the June projections by \$8.4 million or 2.6%.
- The September gasoline consumption forecast is driven by a strong annual growth rate 0.5% in FY 2013 and a projected growth rate of 0.8% in FY 2014 which sets a higher baseline for the annual gasoline model and leads higher growth rates throughout the forecast horizon. Lower retail gasoline prices in the September forecast also contribute to higher growth rates.
- Lower projected collections for FY2014 led to a reduction in diesel consumption throughout the forecast horizon.
- Washington's non-farm projections have been revised down slightly from June. Trade, transportation and utilities employment are slightly lower through 2018.
- Overall, in the current biennium, gross fuel tax revenues are up \$2.58 million (0.10%) from the last forecast.
- Overall motor fuel tax refunds and transfers are down (1.38%) in the current biennium and this trend continues downward throughout the forecast horizon as tribal gas tax refunds are projected lower than in June.
- Tribal gas tax refunds are down but diesel tribal tax refunds are up in the current biennium compared to the June forecast.

**Figure 24 Short-term Motor Fuel Tax Forecast – By Month of Collection:
September 2013 forecast**

millions of dollars

	FY 2012	FY 2013	2011-13 Biennium	FY 2014	FY 2015	2013-15 Biennium
Gasoline Taxes	\$1,000.3	\$1006.3	\$2,006.6	\$1,009.6	\$1,011.8	\$2,021.4
Special Fuel Taxes	241.4	239.9	481.3	244.2	251.6	495.9
Total Fuel Revenue	\$1,241.7	\$1,246.2	\$2,487.9	\$1,253.8	\$1,263.4	\$2,517.3
% Δ from Prior Forecast	0.0%	-0.1%	0.17%	0.01%	0.2%	0.10%

Motor Vehicle Revenue (Licenses, Permits, and Fees)

Background

Vehicle related forecasts fall into two main categories: motor vehicle registrations and license plate-related fees. This forecast has a variety of small fees but the majority of the revenue is from registration-based fees. There are five main economic drivers for the vehicle licenses, permits, and fees (LPF) forecast: Washington population and net migration, Washington 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 are picking up, biennium over biennium. The revenue from licenses, permits, and fees in the 2011-2013 biennium, which just ended, was \$938.2 million, which is \$65.3 million more than the previous biennium. The majority of this increase is due to legislative-mandated increases in the Late Title Penalty Fee, the Vehicle Title Fees, and two new fees: the Electric Vehicle Renewal Fee and the Original Plate Fee. The forecast for the current 2013-2015 biennium is \$1.008 billion, an increase of almost \$70 million over the 2011-13 biennium. In the September 2013 LPF forecast for the current biennium compared to the

forecast released in June, LPF revenue is up \$2.07 million, or 0.21% from the previous estimate of \$1.006 billion.

Trends in vehicle registrations

There was a U-shaped recovery from the 2009-2010 recession for cars. By 2011, passenger car registrations returned to 4.336 million and exceeded the previous high water mark established in 2008. Registrations for fiscal year 2012 finished slightly below 2011 falling slightly (0.4%) from 2011 to 4.32 million. Registration bounced back up in 2013, ending the fiscal year at 4.417 million, a 2.25% increase over 2012. For the current fiscal year, 2014, the September forecast for passenger car registrations calls for an increase over the previous forecast of just 0.21%. For the rest of the 16 year forecast horizon, the forecast to forecast change is about 1/5 of 1% until 2019, where the forecast to forecast change is no change through 2027. Passenger cars should grow a little more than 2% per year through 2017. Annual growth rates should drop to 1% per year through 2027.

The recession was deeper and sharper for trucks. Like cars, truck registrations did recover in 2011 from the low point in 2010. Unlike cars, trucks did a double-dip recession returning to near the 2010 low in 2012. Trucks are up, but again it will take a few more years to return to the 2008 high. Truck registrations for 2012 were about 1.75% lower than 2011. For FY 2013, trucks ended the fiscal year with 1.450 million vehicles registered, a 0.55% increase over 2012. The September forecast projects a 2.05% year over year increase in truck registrations for 2014. In future biennia, the September forecast assumes year to year growth rates between 0.7% to 0.2% for trucks. Truck registrations are expected to be up 0.42% in 2014 from the last forecast. The forecast-to-forecast increase is close to about of 1/3 of 1% each year.

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 \$93832 million. The 2009-2011 biennium is the low point for this revenue source and revenues are picking 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 vehicles (\$30 vehicles) brought in \$297 million, which is \$2.375 million higher than the June forecast. Trucks earned \$111,000 more than forecasted in June, bringing in \$345.956 million. Truck fleet registrations continue to come in higher than forecast, which should bring in more revenue. This reflects a national trend of higher growth in commercial trucking. In the current biennium, passenger cars are expected to bring in \$306 million, \$1.4 million over the forecast in June. Trucks will earn the State \$348.9 million, a mere \$454 thousand more than the previous forecast.

Passenger weight fees were \$106 million for 2009-2011. For the 2011-13 biennium, which just ended, these fees were \$110 million, 0.63% more than forecasted. For the current biennium, these fees should garner \$113.8 million, or \$304,000 more than expected in the previous forecast. Motor home weight fees came in at \$10 million in 2009-2011 and ended 2011-2013 at \$9.852 million. These fees are expected to remain at \$9.8 in the current biennium.

Figure 25 Passenger Car Comparison:
September 2013 vs June 2013 forecasts
millions of vehicles

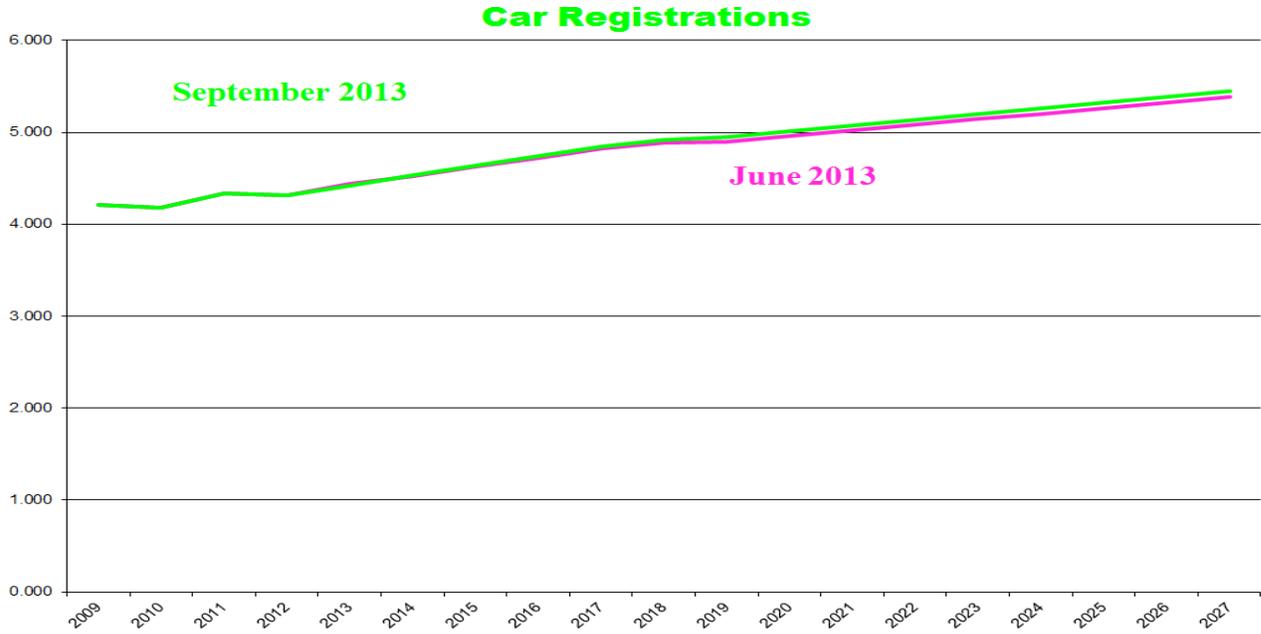
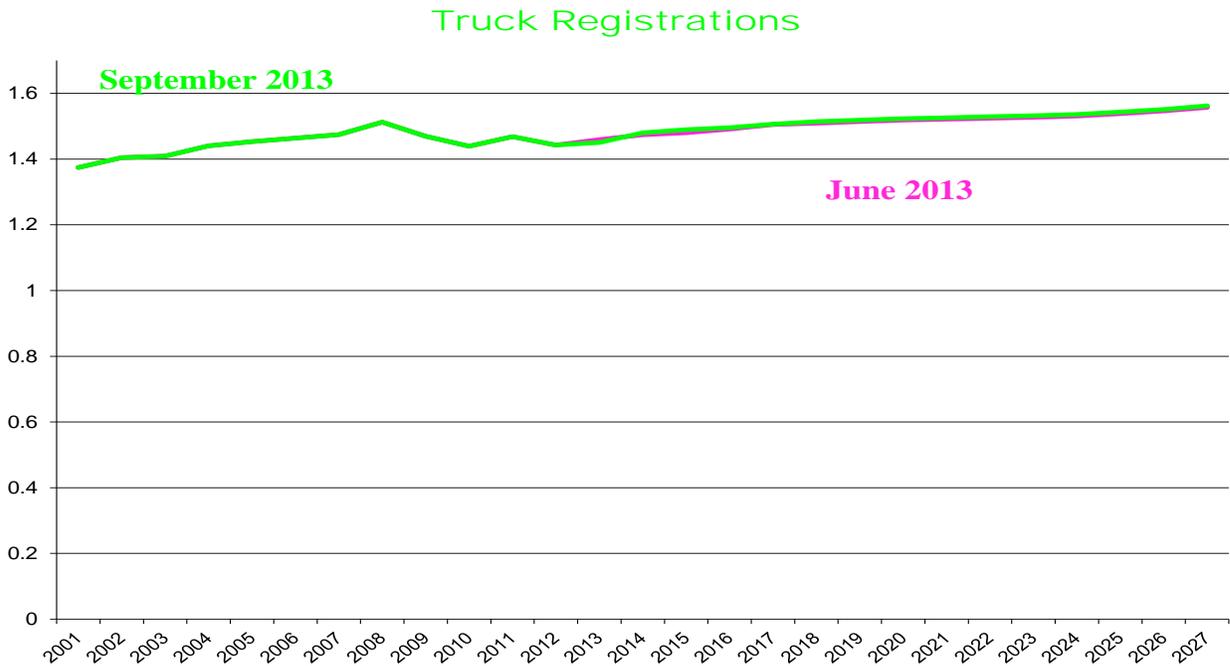


Figure 26 Truck Comparison:
September 2013 vs June 2013 forecasts
millions of vehicles



Trends in LPF revenue

The license plate replacement fee revenue is revised slightly lower by \$33.8 thousand (-0.13%) in the 2011-2013 Biennium due to slightly lower than anticipated revenue for fiscal year 2013. This forecast continues slightly lower throughout the forecast horizon due to the fiscal year update of plate replacement counts and revenue. Revenue for license plate reflectivity fees is also revised slightly lower by \$14.1 thousand (-0.13%) in the FY2011-13 Biennium and \$110.2 thousand (-0.97%) in the FY2013-15 Biennium.

The plate number retention fee forecast is revised higher by \$25.1 thousand (1.74%) in the FY 2011-13 Biennium. This forecast is higher than the previous forecast for FY2013-15 biennium by \$149.3 thousand (10.1%). This increase continues throughout the forecast horizon due to the increased representation rate of plate replacement issues. The number of plate number retentions for FY 2013 represented 5% of the total number of plates replaced during that time. The increase in plate number retentions is very likely due to the increased numbers of specialty and personalized plates scheduled for replacement.

The two relatively new forecasts included in the LPF revenues per EHB 2660 (2012) are the original issue plate fees effective October 1, 2012 and the \$100 fee for electric vehicle registration renewals effective February 1, 2013. The original issue plate fees are slightly higher in the FY2011-13 Biennium by \$51.0 thousand (0.61%) from the prior forecast and have been updated with revenue collections for fiscal year 2013. Original issue plate revenue is \$8.4 million in the 2011-2013 Biennium and estimated to be \$24.8 million in the 2013-2015 Biennium. The electric vehicle renewal fees are \$80.0 thousand in the 2011-2013 Biennium (about \$10,000 or 14.4% higher) and estimated to be \$261.6 thousand in the 2013-2015 Biennium, unchanged from prior forecast.

Title fees are lower by \$964.5 thousand (-2.72%) when compared with the previous forecast for the 2011-13 Biennium and it is lower by \$322.4 thousand (-0.5%) in the 2013-2015 Biennium. This forecast continues slightly lower throughout the forecast horizon. Title fees increased from \$5 to \$15 per EHB 2660 effective October 1, 2012 with the \$10 increase distributed in its entirety to the Nickel Account.

The dealer temporary permits are slightly higher than the prior forecast in the 2011-13 biennium by \$24.5 thousand (0.3%) with slightly higher than anticipated actual transactions for fiscal year 2013. This forecast is \$120 thousand (1.27%) higher than in the 2013-15 biennium.

The Wheeled All-Terrain Vehicle (WATV) forecast per ESH 1632 – Legislative Session 2013 is a new forecast in September. The WATVs can obtain an on-road permit with payment of a \$12 fee along with a declaration that the WATV has equipment and/or modifications making it suitable for no-road use. The on-road WATV fee is distributed to the new Multiuse Roadway Safety Account and is forecasted at \$140.5 thousand in the 2013-15 biennium and \$190.9 thousand in the 2015-17 biennium.

Primary reasons for the forecast changes

- Actual passenger vehicle registrations will be higher in FY 2014 and future year forecasts are greater than the previous forecast.
- Actual truck registrations are up in FY 2014 and additional revenue is coming in from more commercial truck registrations than predicted.
- The September forecast adds a projection for a new on-road wheeled all-terrain vehicle adopted by the legislature in the last 2013 special session.
- Overall, LPF revenues are up \$2.07 million compared to the last forecast in the current biennium. In the next biennium, LPF revenues are up \$1.94 million. The basic license fee and combined license fee were essentially up slightly throughout the September forecast since the last forecast.

**Figure 27 Short-term Motor Vehicle Related Revenue (Licenses, Permits and Fees):
September 2013 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	\$150.6	\$297.3	\$151.2	\$154.7	\$305.9
Combined License Fee	170.6	175.3	345.9	174.0	174.8	348.8
All Other Fees	132.9	162.1	295.0	175.3	\$178.3	353.6
Total LPF Revenue	\$450.2	\$488.0	938.2	\$500.5	\$507.8	\$1,008.3
% Change from Prior Fcst	0.0%	0.4%	0.19%	0.16%	0.23%	0.21%

Driver Related Revenue Forecasts

The September 2013 forecast of driver related revenue projected by the Department of Licensing includes the following revenues: driver license fees (including commercial driver licenses, enhanced driver licenses, and temporary restricted licenses), ID card fees, driver exam application fees, copies of records, motorcycle operator fees, ignition interlock fees, and other miscellaneous fees. The miscellaneous fees include vehicle filing fees, limousine licenses, fines and forfeitures, and driver school instructor license fees. These driver-related fees are deposited into the Highway Safety Fund (HSF), Motorcycle Safety Education Account (MSEA), the State Patrol Highway Account (SPHA), and Ignition Interlock Revolving Account (IIRA).

All driver-related revenue is projected to be \$286.0 million for the current biennium, about \$8.4 million (-2.9%) lower from the prior forecast. In the 2015-2017 Biennium, the September forecast of driver related revenue is \$296.2 million, a reduction of about \$4.2 million (-1.4%) from the prior forecast.

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

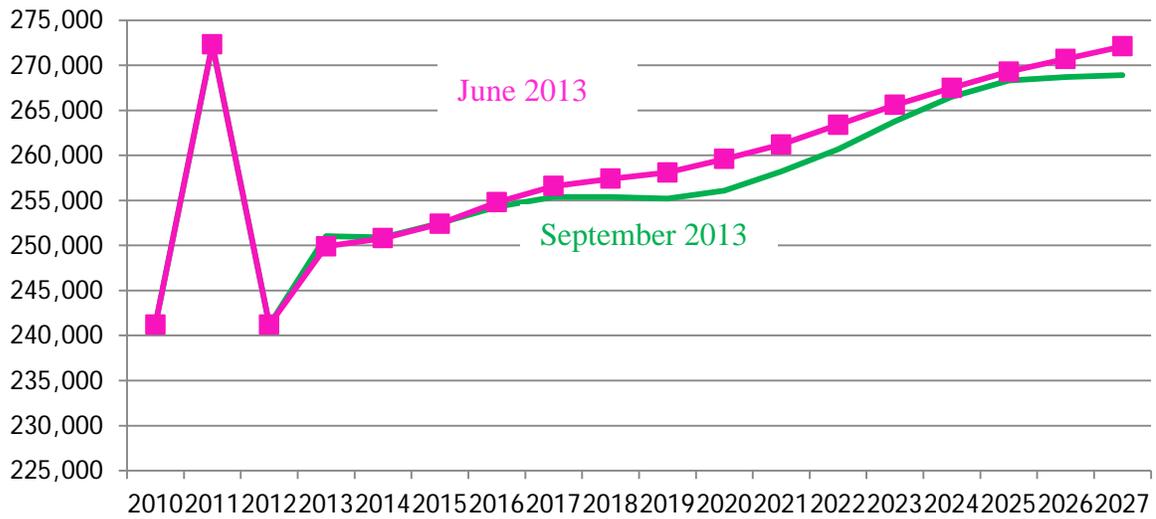
Trends in Driver's Licenses, ID Cars, Exams, and Abstracts of Driver Records

The display of revenue under 106-254 (Highway Safety Fund) includes regular driver licenses, ID cards, CDL, Permits and EDL/EID revenue, duplicates, reissue fees, hearings, photo-only documents, temporary restricted licenses, and the remaining misc. driver fees (including for-hire permits 106-254-006, processing fee 106-254-09, probation license 106-254-24 and 106-254-25).

Originals

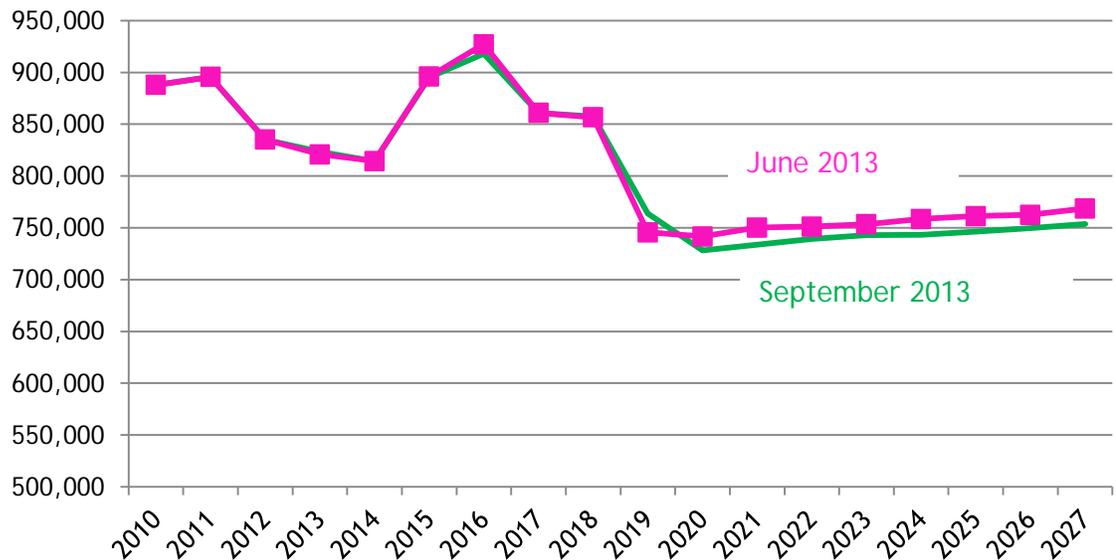
The forecast is driven by ERFC's non-agricultural employment, OFM population 16-18, and drivers coming from out of WA. The employment variable is revised slightly higher in the near and lower in the outer years. The forecast for original driver licenses is little changed from June forecast through the next two biennia and an average reduction of -.9% throughout the rest of the forecast horizon (Figure 28).

Figure 28 Driver License Originals: September 2013 vs June 2013



Renewals

Figure 29 Driver License Renewals: September 2013 vs June 2013

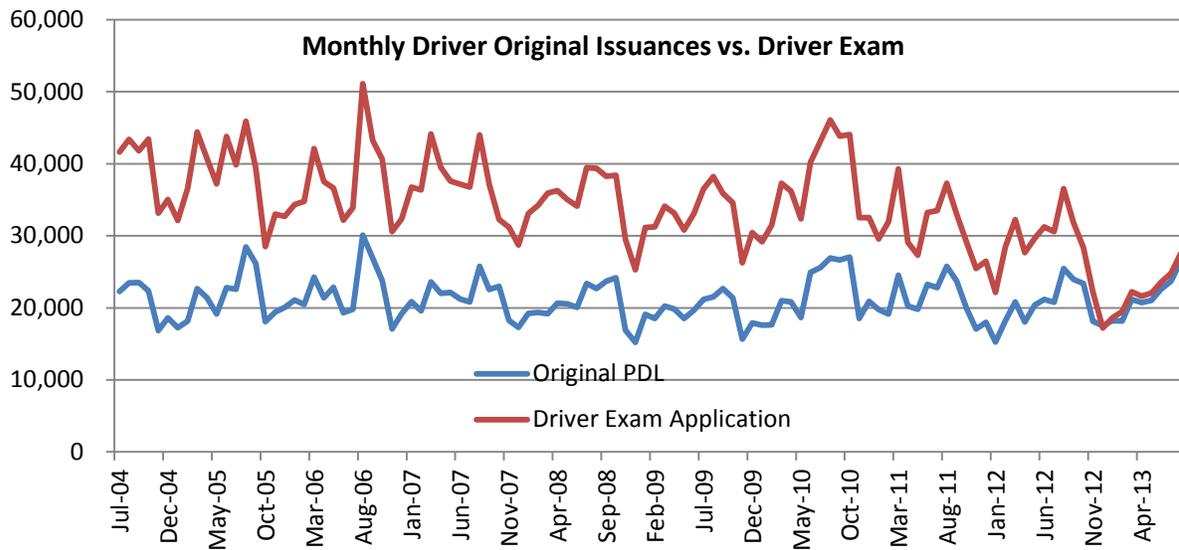


Driver renewal forecast is tracking well and is essentially unchanged other than incorporating the latest 6-year license implementation schedule as discussed in the assumptions document. This changed schedule as well as adjustments to smooth out the renewal volume result in some cosmetic changes in the renewal pattern (Figure 29).

Driver Exam Application Fees

The downward revision in examinations and permits continue in the September forecast, with skill and knowledge testing transitioning from DOL field offices to private driver training schools. In the last nine months, the average ratio of exams to total first time driver licenses has almost reached parity (104:100) whereas the historical average ratio was 150:100. Applying the latest observed ratio results in another reduction of about -12% throughout the forecast horizon (Figure 30).

Figure 30 Driver License Exams vs. Driver License Originals



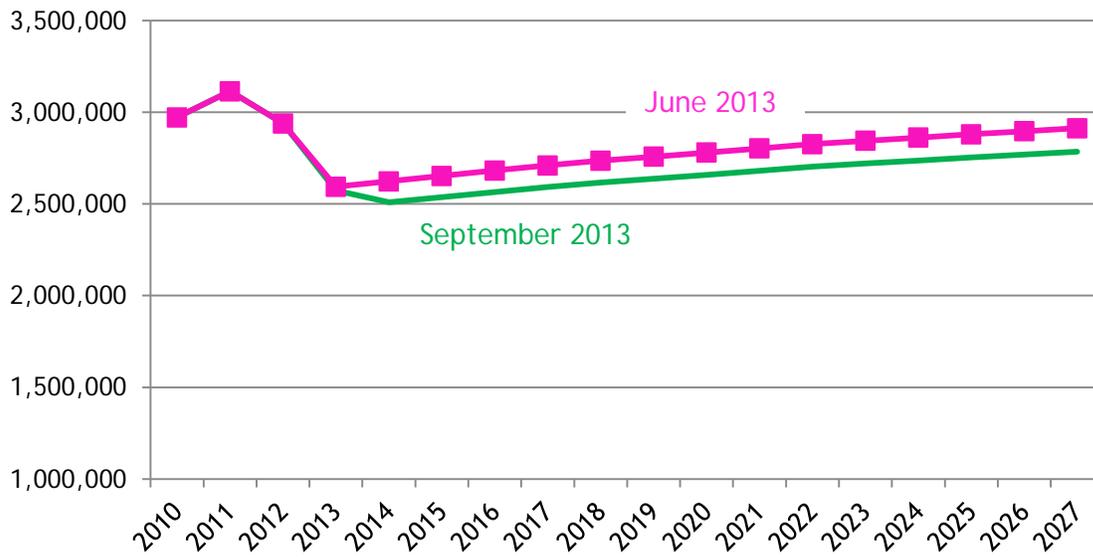
ID Card

While total ID card issuances volume remains close to expectation, there has been an increase in the subset of public assistance ID card issuances, where DOL only collects \$5.00 fee instead of the full \$45.00 fee effective October 2012. From FY 2008 – 20012, public assistance ID cards were 0.7% of original ID cards issued; since the fee increase, they have been averaging around 13%. [Public assistance ID cards are issued at cost of production (RCW 46.20.117 (1)(c)).]

Abstracts of Driver Record (ADR)

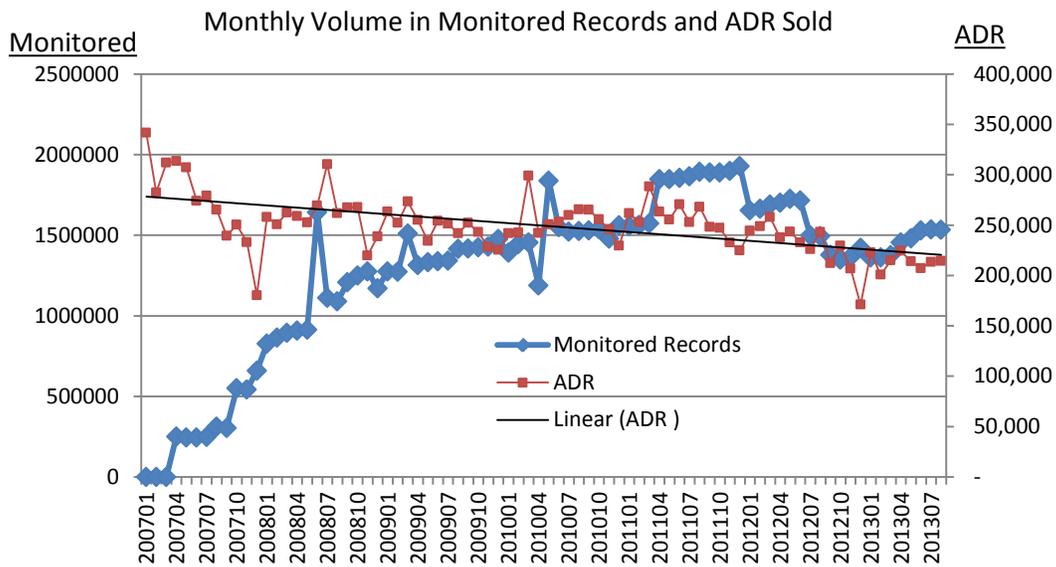
Sales of Abstracts of Driver Record (ADR) continue to drop year over year, with an average drop of -9% in the last three months. The September forecast has a 4% reduction of sales volume throughout the forecast horizon.

Figure 31 Sales of ADR September 2013 vs June 2013



It is suspected that the driver monitoring program, now five years into existence, may be a major contributor to the decline in ADR sales and further decline is still likely. See table and charts below.

FY	ADR Counts	Monitor Counts	ADR per 100 Monitor	ADR revenue (total 5&8)	Per ADR \$	Monitor Revenue	Hwy Vehicle Registration	ADR per 100 Hwy vehicle registration	ADR fee
2007	3,350,520	-					6,588,971	51	\$5
2008	2,999,454	11,549,533	26	\$ 27,116,314	\$ 9.04	\$ 440,800	6,881,252	44	\$10
2009	3,098,417	15,141,562	20	\$ 31,281,178	\$ 10.10	\$ 837,094	6,726,580	46	\$10
2010	2,971,466	17,371,259	17	\$ 29,969,068	\$ 10.09	\$ 772,087	6,626,889	45	\$10
2011	3,113,675	19,398,165	16	\$ 30,831,793	\$ 9.90	\$ 1,463,669	6,851,695	45	\$10
2012	2,938,722	21,513,696	14	\$ 29,505,418	\$ 10.04	\$ 1,298,479	6,790,833	43	\$10
2013	2,572,700	17,063,497	15	\$ 30,398,492	\$ 11.82	\$ 1,585,778	6,949,489	37	\$13



Trends in Driver Related Revenue

Highway Safety Fund

Total Highway Safety Fund revenue for the current biennium is projected to be \$244.7 million, down about \$6.8 million (-2.7%) from the prior forecast, due primarily to delayed 6-year license implementation. For the FY15-17 biennium, total Highway Safety Fund revenue is projected to be \$253.8 million, about \$2.9 million (-1.1%) lower than the June forecast, due primarily to downward revision to driver exam applications and ADR sales.

Approximately 80% of the Highway Safety Fund (HSF fund 106) revenue comes from driver license related fees, including driver exams/tests and ID cards (those items sum to 106-254). The 2013-2015 Biennium revenue is projected to be \$201.2 million, down by about \$6.2 million (-3.0%) from prior forecast, due primarily to delayed 6-year license implementation. Driver fee related revenue for FY15-17 biennium is projected to be \$209.5 million, down about \$1.6 million (-.7%) from June forecast, due to further downward revisions of driver exam applications.

Revenue from the sales of abstract of driver records is revised down by about \$711,100 (-1.8%) for the current biennium and down about \$1.6 million (-4%) for the next. This reduction is called for as sales of driver records continue to slide compare to same month the prior year.

A few other Highway Safety Fund revenue streams (selected motor vehicle filing fees, limousine license fees, driving school license fees, fines and forfeitures, and misc. revenue) make up about \$2.9 million a year. The September forecast for the current biennium is at \$5.8 million, about \$343,000 (+6.2%) higher than prior forecast.

State Patrol Highway Account

With the ADR fee increasing from \$10 to \$13 starting October 2012, the State Patrol Highway Account receives \$6.50 (up from \$5.00) for each sale of an Abstract of Driver Record (ADR). The September forecast has another downward revision. Total revenue for the current biennium is expected

to be \$32.8 million, down about \$1.5 million (-4.4%). Similar downward revision is projected in the outer biennia as well.

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 endorsement application fees.

Revenue for the Motorcycle Safety Education Account is projected to be about \$4.8 million for the current biennium, reflecting a downward revision of about \$255,000 (-5.1%) from the prior forecast, due primarily to delayed 6-year license implementation. Revenue for the FY15-17 biennium is expected to be about \$5.1 million, little changed from prior forecast.

Ignition Interlock Device Revolving Account

The Ignition Interlock Device Revolving Account revenue is projected to be about \$3.8 million for the current biennium, reflecting an upward revision of about \$184,000 (+5.1%) from the June forecast, due entirely to better than expected billings report. Revenue for the outer biennia is similarly increased. This is a relatively new revenue stream with insufficient observations to develop sophisticated models.

Primary reasons for the forecast changes

Primary reasons for the change in driver related revenue are:

- Delayed 6-year driver license/ID implementation;
- Lower observed ratio of exam application to driver license issuances following the transition from DOL testing to private school testing, and
- Reduction in the ADR sales outlook tied to driver monitoring practice.

Figure 32 Short-term Driver Related Revenue Forecasts: September 2013
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	\$105.7	\$188.5	\$124.5	\$126.0	\$245.2
Drivers License Fees	64.3	86.2	150.5	97.6	104.2	201.8
Copies of Record Fees	16.1	16.7	32.8	18.7	18.9	37.6
Other smaller misc. Fees	2.4	2.8	5.3	2.9	2.9	5.8
Total Motorcycle Safety Education Account	2.2	2.1	4.2	2.3	2.5	4.8
Total State Patrol Account	14.8	15.3	30.1	16.3	17.2	32.8
Total Ignition Interlock Device Revolving Account	1.2	1.4	2.5	1.9	1.8	3.8
Total Driver Related Revenue	\$100.9	\$124.5	\$225.4	\$139.7	\$148.6	\$286.6
Percent change from prior forecast	0.0%	0.0%	0.0%	-4.2%	-1.2%	-2.7%

Other Transportation Related Revenue Forecast

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

Vehicle Sales and Use Tax

Total spending on new US light vehicles was \$272 billion in FY 2009 and this represented a decline of 33% from the FY 2008 sales level. In FY 2010, spending on new US light vehicles grew to \$301 billion which represented a 10.9% annual growth. In FY 2011, spending on light vehicles grew 14% from FY 2010. In FY 2012, US spending on light vehicle sales also grew 13.7% to \$402 billion. In FY 2013, US spending on light vehicle sales is \$447 billion; an increase of 11% year over year and this is a slight revision upward from the prior forecast of 0.8%. In FY 2014, the growth in the US spending on light vehicle sales is projected to be \$476 billion; an increase of 6.4% year over year and up 3.7% 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 \$63.3 million which is up 0.3% from past forecast. Actual tax collections in FY 2013 have come in above forecast by \$192,480. In the 2013-15 biennium, the sales and use tax collections are projected to increase to \$73.39 million which is 3.6% higher or \$2.55 million above the past forecast. Revenues in the next biennium are up 3.7% or \$2.8 million from June. For the remainder of the forecast horizon, sales and use taxes are up from the June forecast by 3.8% growing to 4.1%. Revenues are higher due to higher actuals and the projections of US Spending on New Motor Vehicles being higher by 4% to 6%.

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 came in at \$46.7 million which is up slightly by 0.17% from the June forecast. In the current biennium, rental car sales tax is anticipated to be \$50.04 million which is 1% higher than the prior forecast. Actuals since the last forecast have been higher than projected. In the 2015-17 biennium, revenues are projected to be \$54.07 million which is an upward revision of 0.6% revision from the prior forecast. The primary reason for the change in the forecast is due to higher actuals since the June forecast. The change from the prior forecast declines over time so by the last biennium the September forecast of rental car sales tax is \$69.05 million, a decline of 0.24% from the June forecast. Over the 10-year forecast horizon, the rental car tax is anticipated to bring in \$268.3 million and this is a slight revision upward of \$1.1 million from June's projection.

Business and Other Revenue

The business and other revenue category includes the following revenue sources:

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

Each biennium this revenue category has a unique set of properties available to be sold, making biennium to biennium comparisons difficult. DOT Business related revenue came in at \$14.2 million in the 2011-13 biennium, which was \$0.86 million higher than anticipated in June.. The 2013-15 biennium total DOT business related revenues are projected to be \$14.5 million up 18.8% or \$2.3 million from the June forecast. The reason for the increase in the current biennium is due to higher anticipated sales of property which should generated \$1.8 million. Property management fees are also up by 11% and other revenues are projected higher by \$125,600 in the current biennium. Further biennia are up from the June

projections as well by 4% in the next biennium and the percentage change decline slightly over the forecast horizon.

The School zone fine for the Washington Traffic Safety Commission was first added to the June 2013 forecast. The fee is assessed for traffic violations in school zones and the revenue from the fee is deposited into the School Zone Safety Account. The revenue from this fine varies greatly from month to month. In FY 2012, the revenue for fines assessed in school zones was \$0.9 million and \$0.7 million was collected in FY13, for a biennial total of \$1.6 million. In the 2013-15 biennium, the revenue from school zone fines is also anticipated to be \$1.6 million similar to the 2011-13 biennium. This fee is not projected to grow in the future.

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. Revenue for Commercial Vehicle Penalties and Communication Tower Site Leases was added to the forecast in June.

Highway Safety Account revenue consists of certification and calibration fees charged to ignition interlock manufacturers, technicians, providers, and persons required to install an ignition interlock device in all vehicles owned or operated by that person. This revenue source was incorporated into the forecast first in September 2012 and subsequent forecasts are estimated based on data provided in WSP's fiscal note for 2SHB 2443, adjusted for revenue collections beginning in October 1, 2012.

The September 2011-13 Biennium WSP business related revenue forecast is \$9.58 million, - 0.39% or down \$0.037 million from prior estimates primarily due to actual revenue from Commercial Vehicle Penalties being lower than forecasted. All revenue has been updated for actuals to date. The June 2013 forecast had two new additional fees added to the WSP forecast: Commercial Vehicle Penalties and Communication Tower Site Leases. In the current biennium, these new fee revenues are projected at \$432,000 and \$680,000 respectively. The terminal safety inspection fee is forecasted at \$2.7 million. The same trend continues in the next biennia with the fee revenue \$2.7 million per biennia.

Aeronautics Taxes and Fees

The aeronautics tax forecast includes excise, registrations and fuel taxes as well as transfers. The aviation fuel tax is the largest component of the aeronautics tax forecast. The aeronautics tax collections were \$5.7 million in the 2007-09 biennium. In the 2009-11 biennium, the aeronautics account tax collections were \$5.8 million and the revenue was \$6.37 million in the 2011-13 biennium, down only slightly from the last forecast. In the 2013-15 biennium, the aeronautics account revenue is anticipated to be \$6.14 million, nearly the same as the June forecast.

In the 2011-13 biennium, the aircraft registrations, excise and dealers' taxes, which are a small portion of the total aeronautics revenue, were \$1.43 million, nearly the same forecast as in June. Next biennium, the aircraft registrations, excise and dealers' taxes are anticipated to grow slightly to \$1.52 million. Aircraft excise taxes are up 11% and 12% from the last forecast in the current and next biennia. 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 \$566,800 which is nearly the same as in June for the current biennium. In the 2015-17 biennium, the aeronautics transfer from the motor vehicle fund is projected to be \$562,600, nearly the same as the last forecast. This transfer grows throughout the forecast horizon.

Aviation Fuel Tax

Aviation fuel taxes came in at \$5.5 million in the 2011-13 biennium and down slightly by \$41,942. In the current biennium, aviation fuel taxes are projected at \$5.24 million which is 0.13% lower than last quarter's projections. In all future biennia, the aviation fuel tax is down very slightly and essentially unchanged from the June forecast.

Primary reasons for the forecast changes

- Vehicle sales and use tax revenue is up in the current biennium by more than \$2.5 million from the last forecast due to higher actuals. In subsequent years, the forecast is also up around 4% from the last forecast.
- Rental car tax revenue is up slightly by 0.5 million in the current biennium due to higher collections in recent months than anticipated. In subsequent biennia after 2013-15 biennium, the change in the rental car tax revenue from the last forecast declines over time.
- WSDOT Business and other miscellaneous revenue is \$ 14.5 million in the current biennium which is up \$2.3 million from the prior forecast due to higher anticipated sales of property. The future biennia estimates overall have been revised up from the last forecast by 4%.
- School Zone fines are lower in this September forecast by 0.7% and are anticipated to generated \$1.6 million in the current biennium and future biennia.
- Aircraft fuel tax revenue has been revised down minimally by \$6,900 in the current biennium and all subsequent biennia are lower reflecting lower actual collections than anticipated in June.
- Aircraft registrations and excise taxes have increased slightly from the June forecast.
- In the current biennium, total other transportation related revenue is projected to be \$156.9 million and \$5.3 million above the last forecast.
- In the 2015-17 biennium, the revenues are projected to be \$165.4 million and this forecast is a upward revision of \$3.7 million or 2.3% from June. In future biennia beyond 2015-17 biennium, business related revenues are increasing by around 2% each biennia from the June projections.

**Figure 33 Short-term Other Transportation Related Revenue:
September 2013 forecast**

millions of dollars

	FY 2012	FY 2013	2011-13 Biennium	FY 2014	FY 2015	2013-15 Biennium
Rental Car Sales Tax	\$23.7	\$23.0	\$46.6	\$24.5	\$25.6	\$50.1
Vehicle Sales & Use Tax	30.0	33.3	63.3	36.0	37.4	73.4
DOT Business/Other Rev	6.7	7.5	14.2	7.3	7.3	14.6
WSP Business/Other Rev	4.5	5.1	9.6	5.2	5.3	10.5
WA Traffic Safety Comm.	0.9	0.7	1.6	0.8	0.8	1.6
Aeronautics Taxes/Fees	3.7	3.2	6.9	3.4	3.4	6.8
Total Other Transportation Related Revenue	\$69.4	\$72.8	\$142.0	\$77.2	\$79.8	\$157.0
% Change from Prior Fcst	0.0%	1.3%	0.5%	3.6%	3.5%	3.6%

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

For the September Forecast, the historical, and thus, forecast values for three of the economic forecast variables have been re-based from values equal to 1.00 in 2005 to 2009. The three variables are: (1) real personal income; (2) the Implicit Price Deflator inflation index, which is used to convert nominal fares to real fares in the forecast models; and (3) the consumer gas and oil price index, which is used along with the Implicit Price Deflator to calculate real gas prices. The re-basing of these variables is not equally proportional across the historical period. This has the impact of altering the fit of the ferry ridership forecasting models and makes it difficult to separate real changes in the forecast variables from changes due to re-basing.

Trends in Passenger Fare Ferry Ridership

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

In FY 2014, ferry passenger ridership is expected to be 12,455,000, a -0.7% decrease from the prior forecast, and a year-over-year increase of 0.8%. For FY 2015, passenger ridership is expected to be 12,703,000, a -0.3% decrease from the prior forecast, and a year-over-year increase of 2.0%

For the rest of the forecast horizon, the passenger ridership projections range from -0.6% lower than June in FY 2016, -1.2% lower in FY 2018, -0.4% lower in FY 2023, and -0.9 lower in FY 2027. The reduction in passenger ridership is largely due to additional fare increases incorporated into the baseline, with the lower youth fare contributing to a partially offsetting impact.

Trends in Vehicle/Driver Fare Ferry Ridership

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

In FY 2014, ferry vehicle/driver ridership is expected to be 10,114,000, a 0.1% increase from the prior forecast, and a year-over-year increase of 0.7%. For FY 2015, vehicle/driver ridership is expected to be 10,165,000, a -1.1% decrease from the prior forecast, and a year-over-year increase of 0.5%.

For the rest of the forecast horizon, the vehicle/driver ridership projections start out -1.2% lower than June in FY 2016, and slowly taper off to -0.6% lower by FY 2027. The reduction in vehicle/driver ridership is largely due to additional fare increases incorporated into the baseline.

Overall Trends in Ferry Ridership

Total ferry ridership in FY 2010 and FY 2011 was 22,587,537 and 22,211,293 respectively, with the FY 2011 value representing a year-over-year decrease of 1.7%. In FY 2012, total ridership was

22,219,140, which represents less than one-tenth of one percent annual growth from FY 2011. For FY 2013, total ridership came in at 22,395,169, for a year-over-year increase of 0.8%.

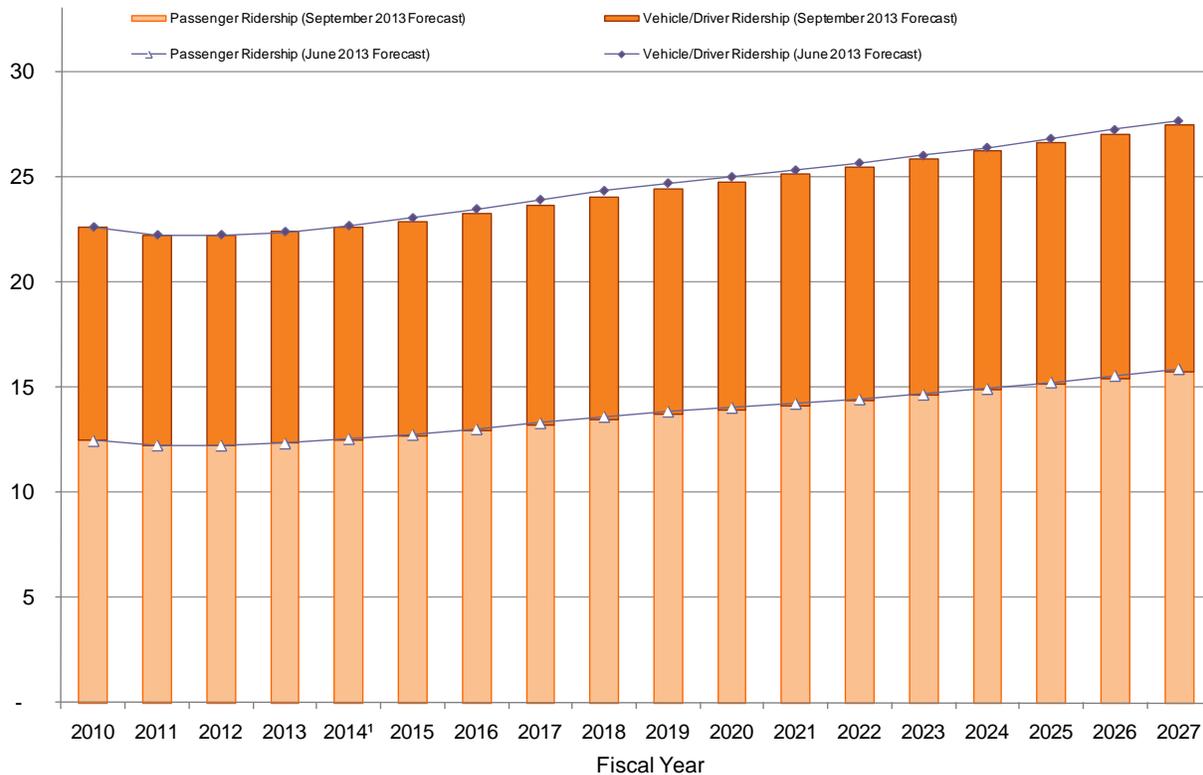
In FY 2014, total ferry ridership is expected to be 22,569,000, a -0.4% decrease from the prior forecast, and a year-over-year increase of 0.8%. For FY 2015, total ridership is expected to be 22,868,000, a -0.7% decrease from the prior forecast, and a year-over-year increase of 1.3%.

For the rest of the forecast horizon, projected overall ridership ranges from -0.6% to -1.1% lower than the June forecast, largely due to the additional fare increases that are now part of the base forecast.

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

Figure 34 Comparison of Ferry Passenger and Vehicle Ridership: September 2013 and June 2013 Baseline Forecasts

Millions of Riders



¹ FY 2014 ridership includes actual values through July 2013.

Trends in Ferry Revenue

The September 2013 ferry revenue projections for the Baseline Forecast include the projected effects of the aforementioned October 2013 and May 2014 tariff revisions plus the reduction in youth fares. In the 2007-09 biennium, ferry farebox and miscellaneous revenues totaled \$300 million, with fare revenue comprising \$292.9 million of that amount. For the 2009-11 biennium, total fare and miscellaneous revenues increased by less than 0.5% over the previous biennium to \$300.7 million, with farebox revenue representing \$294.5 million of the total. For the 2011-13 biennium, total fare and miscellaneous revenues came in at \$324.1 million, which is 7.8% over the previous biennium and 0.2% higher than projected in June. Of this amount, farebox revenue represented \$317.1 million.

Looking forward, the overall impact of October 2013 and May 2014 fare increases, the youth fare reduction, and the revised projections for economic and demographic forecast variables is a higher revenue forecast trend relative to June.

Fare revenue plus capital surcharge revenue projected for the 2013-15 biennium, both of which include actual collections for the month of July 2013, total \$335.2 million, or 2.1% higher than their June forecast values. Of this total, \$327.5 million represents regular fare revenues, an increase of \$6.9 million, or 2.1%. The remaining nearly \$7.7 million represents the capital surcharge receipts, a decrease of \$0.06 million, or -0.8%, due to the lower ridership projections with higher baseline fares.

Compared to June, the current Baseline Forecast for fare revenue is anticipated to range from 2.5% higher in the 2015-17 biennium to 2.7% higher for the 2025-2027 biennium.

Ferry Capital Surcharge Revenue

The ferry capital surcharge of \$0.25 per fare sold was implemented in October 2011 and is included in the Baseline Forecast as noted above. While future capital surcharge revenues will grow in pace with ridership, because the Baseline Forecast now includes higher fares, ridership levels are expected to be slightly lower over the forecast horizon, which reduces the forecasts for capital surcharge revenues relative to June.

Ferry Miscellaneous Revenue

WSF's miscellaneous revenue forecasts are based on vendor projections, traffic and revenue projections, as well as CPI inflation adjustments. Once the September 2013 ridership forecasts are developed, the miscellaneous revenue forecasts were updated to include actual revenues through June 2013, and future growth trends were aligned to the new ridership forecasts and expected inflation.

- The FY2013 changes in the non-fare revenue projections compared to June are due to higher actual revenues received in nearly all contracted concessions and services by fiscal year-end.
- The 2013-15 biennium projections reflect increases over previous projections due to the higher base that resulted from actual revenues collected in FY 2013.
- Due to rescheduling the Seattle Terminal demolition until summer 2018, non farebox revenues are higher than last projected for Terminal revenues for FY 2016 through FY2018.

Primary Reasons for the Forecast Changes

- The upward revisions to the Baseline Forecast for ferry fare revenues are primarily due to the October 2013 and May 2014 fare increases, which more than offset a decrease in youth fares and the net effects of the economic and demographic forecast variables.
- For miscellaneous revenues, the forecasts reflect higher actuals than projections for nearly all revenue components. That combined with moving the Seattle Terminal reconstruction out to summer of 2018 reflects higher non-farebox revenue projections though FY2018.

**Figure 35 Short-term Ferry Revenue
September 2013 Baseline Forecast**

Millions of Dollars

	FY 2012	FY 2013	2011-13 Biennium	FY 2014	FY 2015	2013-15 Biennium
Farebox Revenue	\$152.54	\$158.42	\$310.96	\$161.11	\$166.42	\$327.53
Capital Surcharge Revenue	2.55	3.63	6.17	3.80	3.87	7.67
Misc. Ferry Revenue	3.21	3.76	6.97	3.85	3.91	7.76
Total Ferry Revenue	\$158.30	\$165.80	\$324.10	\$168.76	\$174.20	\$342.96
% Change from Prior Forecast	0%	0.4%	0.2%	1.5%	2.7%	2.1%

Toll Revenue

Since the June 2013 quarterly forecast update, several revisions have been made to the format of the toll revenue tables (F.2 and F.3). The purpose of these revisions is to provide additional consistency with published financial statements for each corridor, as well as other forecast documents, including gross and net revenue projections. Below is a bulleted list highlighting the major changes to these tables:

- **Gross Toll Revenue Potential** – in prior forecasts, the top line gross revenue combined toll payment discounts and fees with the projected baseline gross revenues. In addition, this line item also included toll revenues expected to be recovered through the NOCP process. In the current forecast, this category has been revised to match the expected gross revenue forecast as prepared by the traffic and revenue consultant (CDM Smith), prior to any toll discounts and fees, as well as tolls recovered through the NOCP process. As in prior forecasts, potential gross revenue excludes any vehicles exempt from toll payments.
- **Adjusted Gross Toll Revenue** – allocated to the three main payment methods in the three rows following this line item. The Pay By Mail subset of this category has been revised to exclude toll revenue recovered through the NOCP process, which is listed in a subsequent line.
- **Adjusted Gross Toll Revenue & Fees** – not included as a subtotal in the prior forecast format, this category combines the adjusted gross toll revenue items (Good To Go!, other payment types, and cash) with late payment, not sufficient funds (NSF), statement, and transaction fees, as well as toll and fee revenue recovered through the NOCP process. For SR 520, this category is equivalent to the line item previously titled “Total SR 520 Pledge Revenue” in the June 2013 forecast.

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

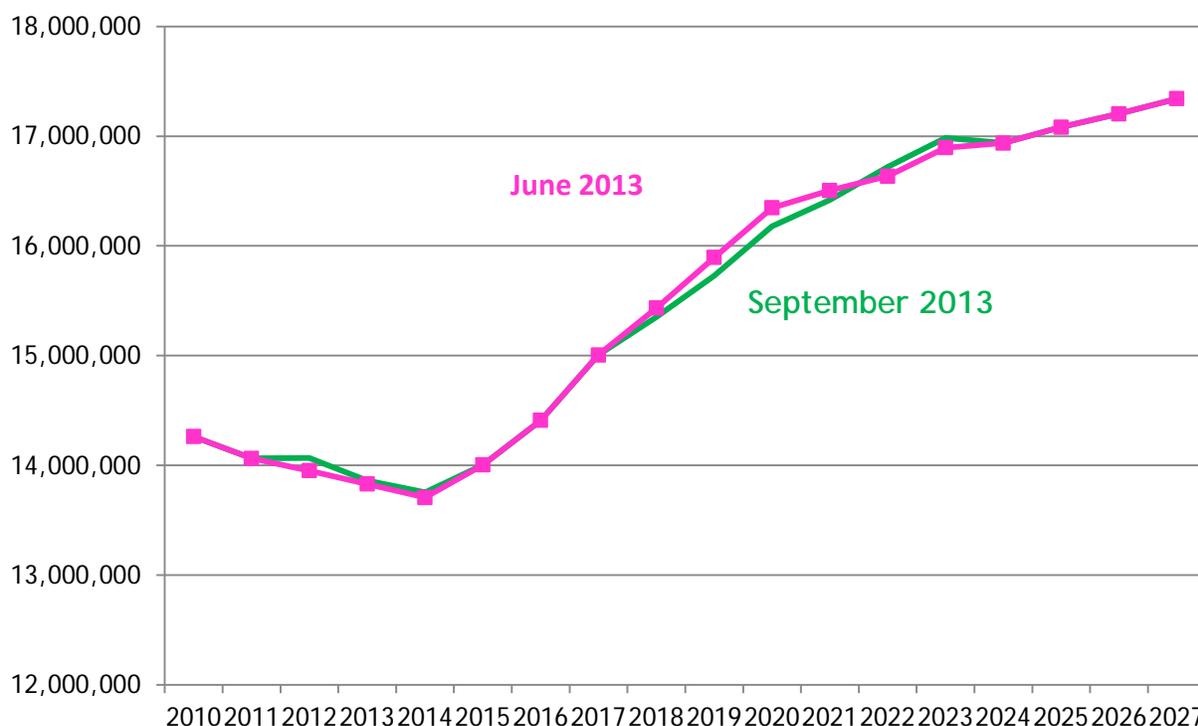
The SR 167 HOT lanes pilot program revenue forecast reflects actual toll collections starting in May 2008 through 2013. In 2013 legislative action (SSB 5024), SR 167 HOT lanes pilot program was extended to September 30, 2015. Toll rates are set to maximize traffic flow while managing demands to maintain acceptable operating speed on the HOT lanes.

The current forecast for SR 520 maintains the same values for FY 2014 and beyond as the prior June 2013 quarterly update, which was based on the Washington State Transportation Commission’s adopted 2.5 percent toll-rate increase as of July 1, 2013. In addition, the Commission implemented nickel-rounding for all toll rates (weekday and weekend). In FY 2017, weekday toll rates are assumed to increase by 15% on average. Beyond FY 2017, no further rate increases have been assumed. In the current fiscal year, two-axle vehicles traveling on weekdays pay peak tolls of \$3.70 for GTG and \$5.25 for

PBM, respectively. During weekends the peak GTG and PBM toll rates are \$2.30 and \$3.90, respectively. Vehicles with more than two axles incur an additional toll.

Pay By Plate (PBP) toll rate will be the GTG rate plus \$0.25 fee and short term accounts will be \$0.50 less than the PBM rate per transaction. 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 customer is liable for a civil penalty of \$40 per toll transaction, plus the original toll amount per transaction, and a \$5 rebilling fee per invoice. Transponder sales for FY2009 through FY2013 include actual revenues from the sales of transponders and disabling shields. In FY 2014 and beyond, transponder sales growth is based on annual traffic growth.

Figure 36 Comparison of TNB Traffic Volume: September 2013 vs June 2013 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%. Since 2010, TNB traffic volume has been falling. In FY 2011, the TNB traffic volume was 14.06 million, a year over year decrease of 1.4%. In FY 2012, the TNB traffic volume was 13.95 million, a year over year decrease of 0.8%. In FY 2013, the TNB traffic volume was 13,861,044 which is a year over year decline of 1.5% and an increase of 0.2% from the June forecast. The TNB traffic volume forecast for FY 2014 is 13.75 million which is an annual decline of 0.8% and an increase of 0.3% from the last forecast. In FY 2015, TNB traffic volume is anticipated to grow year over year by 1.8% which is no change from the June forecast. In FY 2016 and 2017, the TNB traffic volume is expected to grow by 2.9% and 4.1% respectively. There is no change from the prior forecast in years 2015 through 2017. Then in FY 2018 through 2021, the TNB traffic volume is lower than the last forecast by 0.5% and 1% each year

due to incorporating a planned highway construction project which could negatively impact traffic volume on the Tacoma Narrows bridge for fiscal years 2018-2021. Then in fiscal years 2022 and 2023, the TNB traffic volume is up 0.5% each year from the last forecast because the highway construction project is now estimated to begin in 2018 and last through 2021.

TNB gross 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 26% increase over the prior biennium. In the 2011-13 biennium, TNB adjusted gross toll revenue was \$102.8 million which is \$0.3 million less than the last forecast. In addition, the gross TNB toll revenue potential in the 2011-13 biennium was \$103.75 million which was also lower than the last forecast by \$0.45 million. The majority of the loss in TNB adjusted toll revenue was due to lower pay by mail than anticipated in FY 2013. In the 2013-15 biennium, TNB gross revenue is up slightly by \$0.15 million due to higher traffic volume in FY 2014 than last quarter. In addition, TNB adjusted gross toll revenue is also down from the last forecast for Good To Go revenue but up for the Pay by Mail and Cash revenue estimates. Next biennium, TNB gross revenue potential has not changed from the last forecast but adjusted gross income is lower than in June by \$0.1 million. The Pay by Mail forecast is down from the last forecast by \$0.2 million. In the 2017-19 biennium, the TNB gross revenue potential forecast is down 0.8% from the last forecast due to the decline in traffic due to including a construction project impact in the forecast. In addition, the adjusted gross toll revenue is down \$1.35 million or 0.9% with all revenue types being down from the last forecast. This same trend continues in the 2019-21 biennium but in the 2021-23 biennium, the gross toll revenue potential was slightly higher than the last forecast.

The difference between the gross toll revenue potential and the Good To Go plate fees with the adjusted gross toll revenue is the toll revenue not recognized and unpaid toll revenue. In FY 2013, the gross toll revenue not recognized was estimated at \$1,149,895. In the future, the gross toll revenue not recognized is annually projected as 15% of the pay by mail revenue.

Beginning in 2012, violations will be phased out and are replaced by civil penalties. Fines and fees violations revenue for the 2007-09 biennium was \$1.06 million of which \$1.01 million was violations revenue. In the 2009-11 biennium fees remained flat, and violation revenue was \$1.08 million. In the 2011-13 biennium, violations revenue was \$152,321, which is slightly higher than in June by \$2,503.

The TNB late payment, non-sufficient funds fees, statement fees and transaction fees came in at \$461,561 for the 2011-13 biennium which is down \$176,690 from the last projection. In the next biennium, the fee revenue is anticipated to be \$606,000, which is a lower projection than in June by \$0.2 million or 25%. The September fee revenue is lower due to lower actual collections and in this September forecast it is grown off the change in traffic volume. Future fee revenue in the next biennium is projected at \$641,692 which is \$0.22 million lower from the June forecast.

Actual revenues from interest, liquidated damages and other miscellaneous revenue items such as real estate rent are included in miscellaneous revenue. In FY2013, miscellaneous revenue was \$512,377 and the 2011-13 biennium had \$2,204,079 miscellaneous revenue which was close to the June projection. In the current biennium, it is anticipated that liquidated damages will decrease and just interest from property is forecasted so the total is \$427,000. The change from the last forecast is \$68,000 for miscellaneous revenue in the current biennium.

Civil penalty revenue is a function of the pay by mail transaction estimate. Civil penalty revenue in FY 2013 was \$3,826,263 which includes both cash and receivables. For the 2011-13 biennium, civil penalty revenue was \$4.295 million which is significantly above the last forecast due to our inclusion of not only cash revenue but also cash and receivables in this current forecast. This same change in the civil penalty forecast is consistent throughout the forecast horizon.

Total revenue from all transponders and shield sales was \$1.4 million in the 2007-09 biennium and \$1.27 million in the 2009-2011 biennium. In the current biennium, TNB transponder sales revenue is anticipated to be \$607,000. Transponder sales revenue in FY 2013 was \$307,350 for TNB. This

September forecast is very close to last quarter's forecast. It is anticipated that TNB transponder sales will decline slightly in FY 2014 and then grow by the rate of growth of the traffic volume.

Total adjusted gross TNB revenue including all fines and fees was \$110.55 million in the 2011-13 biennium which was up \$2.63 million or 2.4% from the June forecast. In the current biennium, total adjusted gross TNB revenue is anticipated to be \$140.95 million which is \$4.5 million higher than last forecast. In the next biennium, TNB adjusted gross total TNB revenue is \$152.78 million which is 2.9% or \$4.33 million above the last forecast.

Trends in SR 167 High Occupancy Toll Lanes Traffic and Revenue

The traffic volume on the SR 167 HOT lanes was 386,000 vehicles in FY 2009. Traffic volume in FY 2010 increased to 510,969 which represented a 31.5% growth year over year from FY 2009. In FY 2011, traffic volume was 640,115 vehicles which was 25.3% higher than in FY 2010. Legislation in 2011 and 2013 extended the 167 HOT lanes pilot program to the end of FY 2015. In FY 2012 the traffic volume increased by 31% to 841,154 and the following year, FY 2013, traffic volume increased by 23% to 1.033 million. In the current fiscal year, TNB traffic volume is expected to increase to 1.053 million by the end of FY 2014. This is nearly the same projection as in June for SR 167 HOT lanes.

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 was \$1.25 million. In FY 2011-13 the toll revenue was \$2.12 million which is an upward revision of \$10,558 or 0.5% from the June forecast. In the FY 2013-2015 biennium toll revenue is projected to grow to \$2.39 million an increase of 3.3% from the June alternative forecast.

In the 2011-2013 biennium, transponder and shield sales on SR 167 was \$58,801, which is nearly the same as the June forecast. In the FY 2013-2015 biennium transponder revenue is anticipated to be \$71,000. Fees revenue in the September forecast includes all actuals for FY 2013 and only includes statement fee revenue. In the 2011-13 biennium, fee revenue was \$6,000 and it is anticipated to decline in the current biennium to \$4,000, which is a reduction from the June forecast.

Miscellaneous revenue was \$133,295 in the 2011-13 biennium which is only a minor change from the last forecast. In the current biennium, miscellaneous revenue is anticipated to be \$14,000, which is slightly lower than last quarter.

SR 167 HOT lanes revenue forecast for all revenue sources totaled \$1.25 million in the 2009-11 biennium and increased in the 2011-13 biennium to \$2.32 million. In the current biennium, HOT lanes revenue is anticipated to be \$2.48 million which is slightly up from the last forecast.

Trends in SR 520 Bridge Toll Lanes Traffic and Revenue

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

The September gross and adjusted toll revenue forecast is unchanged from the prior quarterly update. Both the September 2013 and June 2013 forecasts were based on the same economic projections used in the August 2012 update to CDM Smith's *SR 520 Bridge Investment Grade Traffic and Revenue Study dated August 29, 2011*. However, in May 2013, CDM Smith performed a minor revision

to the August 2012 forecast values to reflect the Washington State Transportation Commission's adopted tolls for FY 2014 that reflect nickel rounding from this point forward. For the September forecast, the FY 2013 traffic and revenue values reflect actual data.

It is anticipated that CDM Smith will provide revised investment-grade traffic and revenue projections for the next quarterly forecast update in November 2013.

Actual FY 2013 traffic out-performed CDM Smith's August 2012 projections. In FY 2013 average weekday traffic was 2% above projections, and weekend daily traffic was 17% over projections. In FY 2013, Good To Go! account usage was 81% of total toll trips.

There were approximately 10 million trips taken in the first six months of operations in FY 2012, and over 20.6 million trips in FY 2013, the first full fiscal year of toll operations. The number of toll trips is anticipated to increase to 21.4 million and 22.6 million in FY 2014 and FY 2015, respectively. After an assumed weekday rate increase of approximately 15 percent in FY 2017, the expected toll traffic volume is projected to remain flat for one year. From FY 2018 through 2027, average traffic is expected to grow at annual rates between 1.4% and 3.5%. The September SR 520 traffic forecast is unchanged from the June forecast for FY 2014 forward.

Adjusted gross toll revenue from six months of tolling SR 520 during FY 2012 was \$26.1 million. In the September forecast, adjusted gross toll revenue was \$81.5 million for the 2011-2013 biennium. In the current and future biennia, the September adjusted toll revenue forecast remains unchanged.

Trends in Total Adjusted Toll Revenue

In the 2007-09 biennium the Total Toll Revenue and Fees from tolled facilities (TNB and SR 167) was \$76.9 million and increased to \$93.2 million in the 2009-11 biennium. In 2011-13 the SR 520 toll facility was added to the forecast, increasing the Total Toll Revenue and Fees in 2011-13 through the forecast horizon. The Total Toll Revenue and Fees collected in 2011-13 of \$213.3 million for the three tolled facilities is an increase of \$5.8 million or 3% from the June Forecast. This increase is primarily due to including accounts receivables in the forecast for Civil Penalties.

In FY 2013-15 and FY 2015-17 the Total Toll Revenue and Fees is projected to be \$302.0 million and \$336.4 million, respectively. The September Forecast projects Total Toll Revenue and Fees for 2013-15 to increase by \$15.5 million or 5.4%, primarily due to including accounts receivables in the Civil Penalty forecast. Overall, Total Toll Revenue and Fees increases over the June forecast is \$119.3 million, primarily due to including accounts receivables in the forecast for Civil Penalties.

Primary reasons for the forecast changes:

- Compared to the June Forecast, Civil Penalties now include accounts receivables.
- The forecast incorporates actual traffic and revenue amounts for 2011-13.
- TNB revenue for the outer biennia was adjusted to reflect the I-5/SR 16 realignment project schedule accelerating from the FY 2020-22 to FY 2018-20.

Figure 37 Short-term Toll Facility Revenue:
September 2013 forecast - millions of dollars

	2011-13			2013-15		
	FY 2012	FY 2013	Biennium	FY 2014	FY 2015	Biennium
Tacoma Narrows Bridge						
Total Toll Revenue	\$44.10	\$58.97	\$103.07	\$64.02	\$69.09	\$133.08
Transponder Sales	0.35	0.31	0.66	0.30	0.31	0.61
Violations	0.13	0.02	0.15	0.00	0.00	0.00
Civil Penalties	0.47	0.70	1.17	0.71	0.73	1.44
Fees	0.16	0.44	0.61	0.40	0.41	0.81
Misc. Revenue	1.69	0.47	2.22	0.33	0.17	0.50
SR 167 HOT Lane						
Toll Revenue	0.98	1.13	2.10	1.17	1.21	2.38
Transponder Sales	0.03	0.03	0.05	0.03	0.03	0.06
Fees	0.00	0.00	0.01	0.00	0.00	0.01
Misc. Revenue	0.13	0.00	0.14	0.00	0.01	0.01
SR 520 Bridge						
Adj. Gross Toll Revenue	26.10	55.44	81.55	64.32	69.56	133.88
Other Fees	0.83	1.38	2.21	2.18	2.23	4.41
Misc Pledge Revenue	2.00	0.29	2.29	0.00	0.00	0.00
Transponder Sales	1.32	0.47	1.79	1.00	1.00	2.00
Civil Pnlty & Misc Rev	2.34	10.27	12.62	0.00	0.00	0.00
Total Toll Facility Revenue						
Total	\$80.64	\$132.69	\$213.32	\$146.00	\$156.04	\$302.03
% Change from Prior Fct			2.8%			4.8%

Federal Funds Revenue

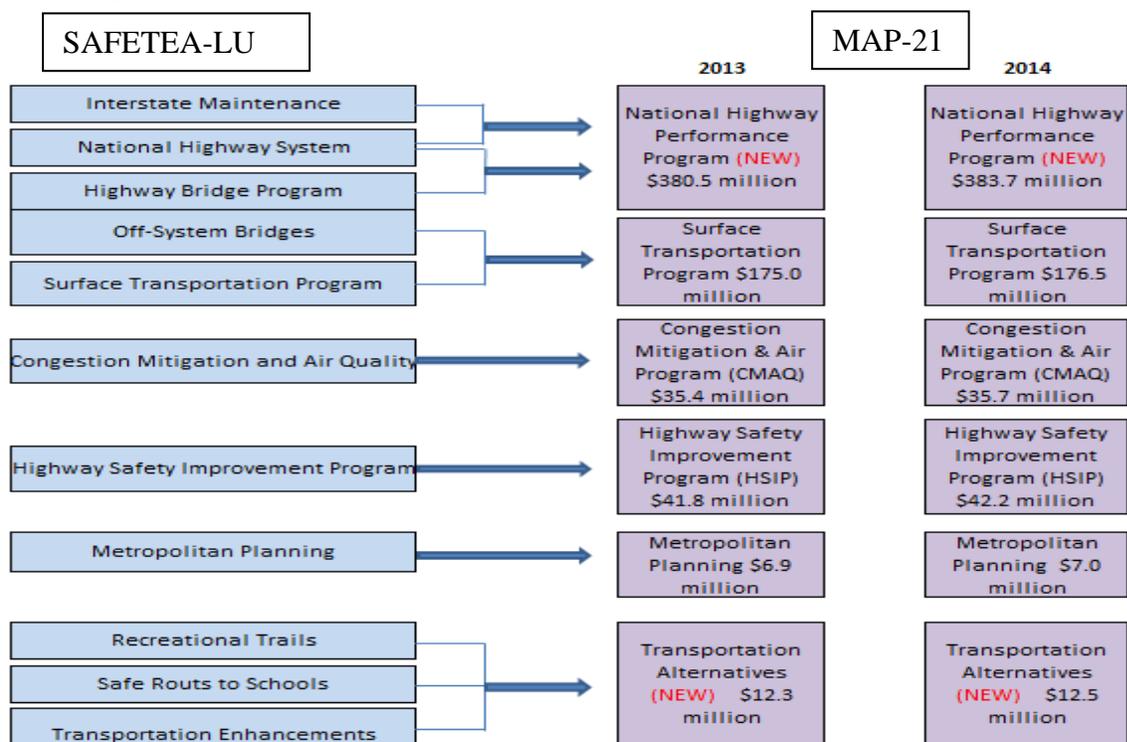
After state funds, the largest source of transportation revenue is federal funds. The Federal Funds forecast contains the formula funds distributed by the Federal Highway Administration (FHWA) to Washington State Department of Transportation for highway purposes. Federal funds reported in this forecast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

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

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 2012 federal Act, the core highway programs have been reduced from seven to five.

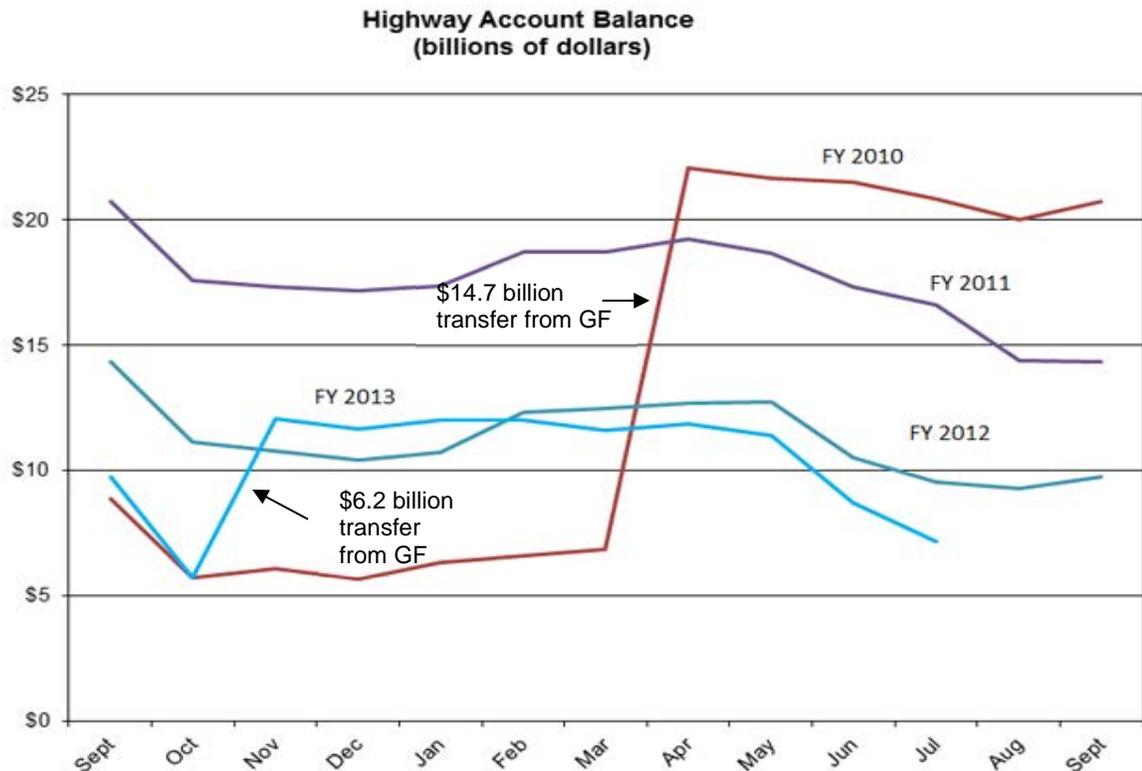
The MAP-21 core programs are the following: National Highway Performance, Surface Transportation, Congestion Mitigation & Air Quality, Highway Safety Improvement and Metropolitan Planning. MAP-21 has authorized another program, Transportation Alternatives, which is a set-aside program from each state's apportionment level. Figure 36 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 38 MAP-21 Consolidated Highway Program Structure and Apportionment Amounts



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 2013-14. 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). The 2013 portion of the General Fund transfer (\$6.2 billion) will be reduced by approximately \$316 million (5%) due to the March 1, 2013 federal sequester. The negative impact from this sequester on the Highway Trust Fund will make the trust fund insolvent earlier in 2015 or possibly late 2014. 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 and transfer from the General Fund, 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 37 illustrates the monthly highway account balance for federal fiscal years 2010 – 2013.

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



Ending balance for FY 2010 includes \$14.7 billion transferred from the General Fund in April pursuant to Public Law 111-147.
 Ending balance for FY 2012 includes \$2.4 billion transferred from the Leaking Underground Storage Tank Trust Fund in August pursuant to Public Law 112-141
 Ending balance for FY 2013 includes \$6.2 billion transferred from the General Fund in November pursuant to Public Law 112-141.

2010-2013

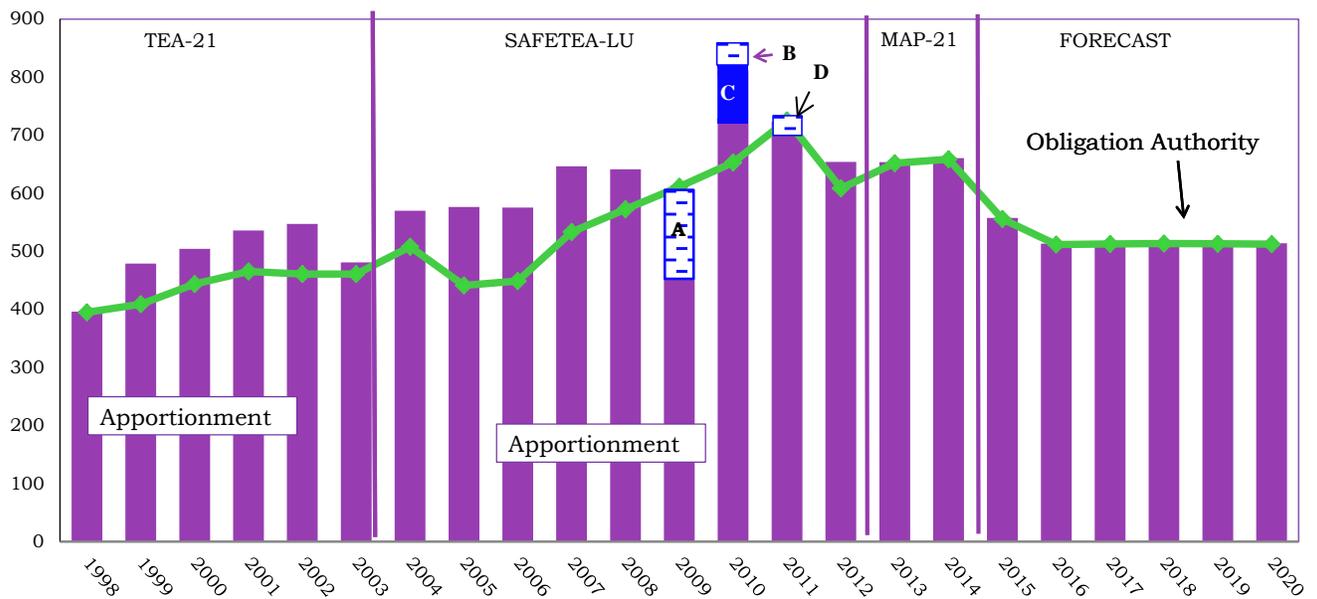
MAP-21 authorizes federal apportionment to fund the five core formula programs. Federal apportionment is the funds distributed to states for obligation in an appropriation account. MAP-21 requires FHWA to divide the total federal apportionment among the states using an allocation process specified in 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 \$39.619 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 40 describes the amount of federal apportionment and obligation authority to Washington State since 1998 with the inclusion of the March 2013 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 November 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 40 Federal Apportionment and Obligation Authority (OA) to Washington (millions of dollars) - Federal Fiscal Years 1998-2020 with the June 2013 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 June 2013 federal funds forecast

Washington's Federal Apportionment Forecast

The baseline September 2013 apportionment forecast for FFY 2013 is based on MAP-21, H.R. 4348 Notice 4510.765 dated July 19, 2013 which sets apportionment levels for FFY2013 at \$653.8 million dollars. History indicates that Washington received 1.7% of national apportionment each year so that is our assumed percentage in future years for this September forecast. Washington's apportionment forecast for 2014 is \$660.66 million based on FHWA Notice N4510.767 dated July 2, 2013.

Long-term Apportionment Forecast (Post MAP-21):

The baseline September 2013 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 May 14, 2013 forecast from the Congressional Budget Office (CBO) for the HTF predicts the fund going negative in FFY 2015. In order to keep the HTF from going negative, a 15.6% reduction in federal expenditures and Washington's federal apportionment level in FFY

2015 would need to be made and another 7.9% reduction in FFY 2016 for a two-year reduction total of 23.5%. Our current two year reduction percentage is a slight change from the March 2013 forecast which used a prior CBO forecast which required an 11.4% reduction in FFY 2015 and a 10.3% reduction in FFY 2016 for a total two-year reduction percentage of 21.7% reduction. After FFY 2016, Washington's federal funding level will grow at the same rates as our state motor fuel consumption which is the same methodology as applied in prior forecasts.

Figure 41 Washington Apportionment of FHWA Programs 2013 – 2014 MAP-21

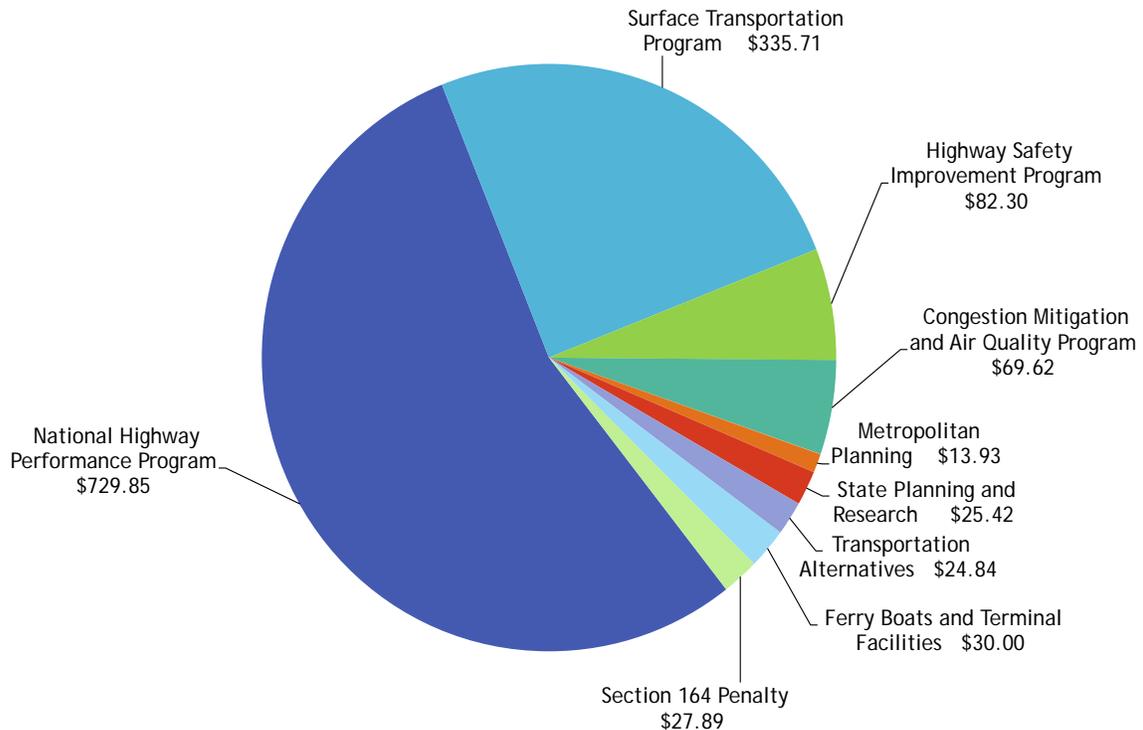
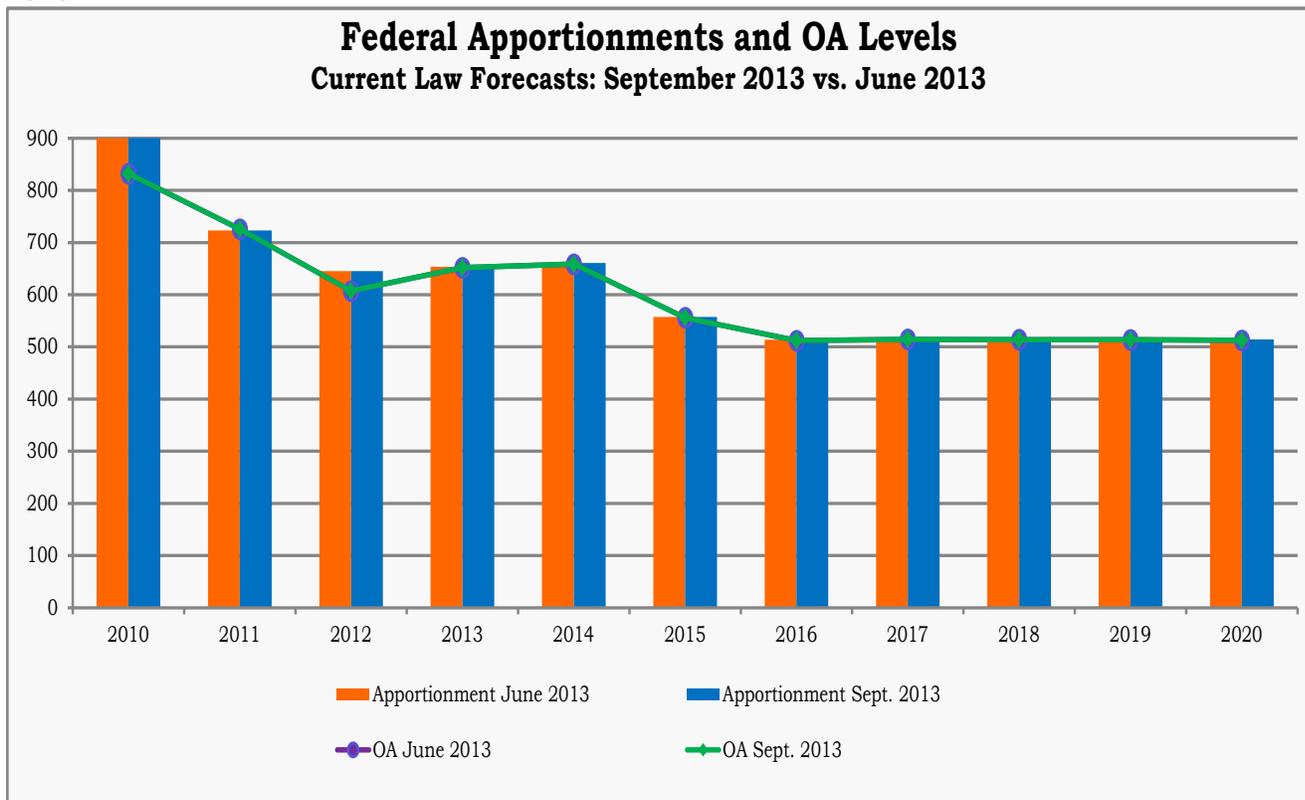


Figure 42 Federal Apportionment and Obligation Authority (OA) to Washington (millions of dollars): September vs. March 2013 Forecast Comparison Federal Fiscal Years 2010-2020



Source: FHWA apportionment and obligation authority notices and TRFC September and March 2013 federal funds forecast

The Washington MAP-21 Steering Committee reviewed the split of Federal Funds between the State and Local programs in October 2012. Figure 41 outlines the minor revisions in individual program distributions. These agreed upon revisions to the program distributions are reflected in the September 2013 federal forecast which has not been modified since first incorporated into the November 2012 forecast.

Figure 43 Results from Washington State Map-21 Steering Committee Distribution Decisions

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

Civil Penalties in Federal Forecast

In this September forecast, as well as in the prior six 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, the federal funds forecast have the civil penalties being redistributed back to the state portion of federal funds.

Washington’s Obligation Authority (OA) Forecast

The September 2013 baseline obligation authority forecast for FFY 2013 is based on Notice 4520.223, dated July 19, 2013 which issued Formula OA for the entire FFY 2013. Notice N4520.223 reflects an across the board rescission of 0.2% which is required by section 3004 of the Consolidated and Further Continuing Appropriations Act of 2013. Washington received 1.6% of national Formula OA in the latest notice. After examining past years’ Washington OA compared to the national OA totals, it was found that once all OA, including unallocated programs and redistributed OA are accounted for, WSDOT’s total OA is slightly higher than 1.6%. For FFY 2013, we assumed Washington’s total OA as percentage of national OA is 1.7% and this is Washington OA set at 98% of apportionment. All other years in the forecast horizon have Washington OA also set at 98% of apportionment which is consistent with the OA ratio set in Section 1101 and 1102 of H.R 4348 in MAP-21 legislation. This percentage is slightly higher than the percentage of apportionment assumed under SAFETEA-LU of 90% but the same OA to apportionment percentage assumed in the March forecast

Obligation Authority for FFY2013 in the September 2013 forecast is \$651.9 million which is the same as the June 2013 forecast. Obligation Authority for FFY2014 is \$658.7 million in the September 2013 forecast which is the same as the last forecast. Obligation Authority for federal fiscal years beyond 2014 is set based on 98% of apportionment each year which is consistent with the OA ratio set in Section 1101 and 1102 of H.R 4348 in MAP-21 legislation and our prior forecast assumptions.

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

MAP-21 creates a Ferry Boat 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. Washington will receive \$14.9 million in Ferry Boat and Terminal funds in FFY2013.

Recent Changes in Federal Forecast

- The September 2013 federal apportionment forecast for FFY2013 and FFY2014 reflects the passage of the new surface transportation act, MAP-21, H.R. 4248. It also includes the new program structure from MAP-21 and distributions between state and local programs are the agreed upon State and Local program splits by the Map-21 Steering Committee program in October 2012.
- The September 2013 federal appropriations forecast for FFY 2013 and FFY 2014 is \$653.8 million and \$660.6 million respectively for the two year period which is the same as the June 2013 forecast.

- The obligation authority for FFY2013 in the September 2013 forecast is \$651.9 million which is also the same as the June 2013 forecast.
- The current May 14, 2013 forecast by the Congressional Budget Office (CBO) for the HTF predicts the fund going negative in FFY 2015 and in order to keep the HTF from going negative, a two-year reduction total of 23.5% is necessary and has been assumed in this September forecast.

**Figure 44 Washington’s portion of Federal Highway Funds by Federal Fiscal Year:
September 2013 forecast**

Millions of dollars

	FFY 2012*	FFY 2013	FFY 2014	FF 2015	FY 2016
WA Statewide Apportionment of FHWA Programs	715.2	653.8	660.6	557.6	513.5
% Change from Prior Fcst	0.00%	0.0%	0.0%	0.0%	0.0%
Obligation Authority	696.1	651.9	658.6	555.9	512.0
% Change from Prior Fcst	0.00%	0.0%	0.0%	0.0%	0.0%

* FFY 2012 has actual federal distributions including non-formula program funds

Forecast Contacts

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Economic Variables and Fuel Price Forecast

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Motor Fuel Tax Revenue Forecast

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Motor Vehicle Licenses, Permits & Fees Revenue Forecast

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Driver Related Revenue Forecasts

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Toll Operations Traffic and Revenue

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Federal Funds Forecast

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Appendix

Graphs and Tables Related to the September 2013 Forecast
Including distribution of revenues to the major accounts

Figure 45 Forecast to Forecast Biennium Comparison of All Transportation Revenues
September 2013 forecast - 16 year period
millions of dollars

Forecast to Forecast Comparison for Transportation Revenues and Distributions 16-Year Period									
September 2013• millions of dollars									
	2011-2013			Current Biennium 2013-2015			16-Year Period (2011-2027)		
	Forecast Sep-13	Chg from Jun-13	Percent Change	Forecast Sep-13	Chg from Jun-13	Percent Change	Forecast Sep-13	Chg from Jun-13	Percent Change
Sources of Transportation Revenue									
Motor Vehicle Fuel Tax Collections	2,487.9	4.1	0.2%	2,517.2	2.6	0.1%	20,160.3	19.5	0.1%
Licenses, Permits and Fees *	938.2	1.7	0.2%	1,008.3	2.1	0.2%	8,442.2	19.1	0.2%
Ferry Revenue†	324.1	0.6	0.2%	343.0	7.1	2.1%	2,941.5	69.0	2.4%
Toll Revenue §	213.3	5.8	2.8%	302.0	15.5	5.4%	2,774.9	119.3	4.5%
Aviation Revenues ‡	6.4	(0.0)	-0.6%	6.1	0.0	0.1%	51.0	0.0	0.0%
Rental Car Tax	46.7	0.1	0.2%	50.0	0.5	1.0%	466.7	0.9	0.2%
Vehicle Sales Tax	63.3	0.2	0.3%	73.4	2.6	3.6%	662.1	22.2	3.5%
Driver-Related Fees*	225.4	0.1	0.0%	286.0	(8.4)	-2.9%	2,250.8	(52.6)	-2.3%
Business/Other Revenues‡	25.4	0.8	3.3%	26.7	2.2	8.9%	211.4	6.1	3.0%
Total Revenues	4,330.7	13.5	0.3%	4,612.8	24.1	0.5%	37,961.1	203.4	0.5%
Distribution of Revenue									
Motor Fuel Tax Refunds and Transfers	146.8	0.0	0.0%	136.1	(1.9)	-1.4%	1,191.5	(25.8)	-2.1%
State Uses									
Motor Vehicle Account (108)	1,069.0	8.3	0.8%	1,095.6	4.5	0.4%	8,869.8	47.9	0.5%
Transportation 2003 (Nickel) Account (550)	356.9	(0.6)	-0.2%	392.9	0.8	0.2%	3,130.6	3.6	0.1%
Transportation 2005 Partnership Account (09H)	567.4	(0.2)	0.0%	578.5	1.8	0.3%	4,610.9	10.0	0.2%
Multimodal Account (218)	240.2	0.7	0.3%	260.3	3.5	1.4%	2,304.1	28.1	1.2%
Special Category C Account (215)	46.4	0.0	0.0%	47.4	0.2	0.3%	376.6	0.9	0.2%
Puget Sound Capital Construction Account (099)	33.8	0.0	0.0%	34.5	0.1	0.3%	274.0	0.7	0.2%
Puget Sound Ferry Operations Account (109)	375.4	0.6	0.2%	394.0	7.3	1.9%	3,349.7	69.8	2.1%
Capital Vessel Replacement Account (18J)	6.2	(0.0)	-0.1%	7.7	(0.1)	-0.8%	65.0	(0.5)	-0.8%
Tacoma Narrows Bridge Account (511)	110.6	2.7	2.5%	141.0	4.5	3.3%	1,261.0	34.5	2.8%
High Occupancy Toll Lanes Account (09F)^	2.3	0.0	0.4%	2.5	0.0	0.4%	4.8	0.0	0.4%
SR 520 Corridor Account (16J)	89.0	(2.4)	-2.6%	140.3	0.0	0.0%	1,369.5	(2.4)	-0.2%
SR 520 Corridor Civil Penalties Account (17P)	11.5	5.5	93.2%	18.3	10.9	0.0%	139.7	87.1	165.9%
Aeronautics Account (039)	6.4	(0.0)	-0.6%	6.1	0.0	0.1%	51.0	0.0	0.0%
State Patrol Highway Account (081)	329.6	(1.9)	-0.6%	344.5	(3.1)	-0.9%	2,930.4	(23.7)	-0.8%
Highway/Motorcycle Safety Accts. (106 & 082)	193.6	0.6	0.3%	251.3	(7.1)	-2.7%	1,963.2	(42.3)	-2.1%
School Zone Safety Account (780)	1.6	(0.0)	-0.7%	1.6	(0.0)	-0.7%	13.0	(0.1)	-0.7%
Other accounts (201, 06T, 09T, 09E, 216, 07C)	16.0	(0.0)	-0.3%	16.4	(0.0)	-0.2%	137.4	(0.4)	-0.3%
Ignition Interlock Devices Revolving Acct 14V	2.5	0.0	0.1%	3.8	0.2	5.1%	28.9	1.3	4.6%
Multituse Roadway Safety Account Collections-571	0.0	0.0	0.0%	0.1	0.1	0.0%	1.3	1.3	0.0%
Total for State Use	3,458.3	13.3	0.4%	3,736.7	23.5	0.6%	30,879.5	214.6	0.7%
Local Uses									
Cities	178.0	0.0	0.0%	181.6	0.6	0.3%	1,444.2	3.5	0.2%
Counties	293.3	0.2	0.1%	299.1	1.0	0.3%	2,383.8	6.3	0.3%
Transportation Improvement Board (112 & 144)	190.2	0.0	0.0%	194.1	0.6	0.3%	1,543.2	3.7	0.2%
County Road Administration Board (102 & 253)	64.0	0.0	0.0%	65.3	0.2	0.3%	518.9	1.2	0.2%
Total for Local Use	725.5	0.2	0.0%	740.0	2.5	0.3%	5,890.1	14.7	0.2%
Total Distribution of Revenue	4,330.7	13.5	0.3%	4,612.8	24.1	0.5%	37,961.1	203.4	0.5%

† 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 and 2013

Legislatures

§ 167 HOT lanes is a pilot program due to sunset June 30, 2015

Figure 46 Forecast to Baseline Biennium Comparison of All Transportation Revenues
September 2013 forecast - 16 year period
millions of dollars

Forecast to Baseline Comparison for Transportation Revenues and Distributions 16-Year Period									
September 2013 • millions of dollars									
	2011-2013			Current Biennium 2013-2015			16-Year Period (2011-2027)		
	Forecast Sep-13	Chg from Baseline ¥	Percent Change	Forecast Sep-13	Chg from Baseline ¥	Percent Change	Forecast Sep-13	Chg from Baseline ¥	Percent Change
Sources of Transportation Revenue									
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Ferry Revenue †	324.1	1.4	0.4%	343.0	7.0	2.1%	2,941.5	60.9	2.1%
Toll Revenue ‡	213.3	4.5	2.1%	302.0	26.9	9.8%	2,774.9	207.5	8.1%
Aviation Revenues ‡	6.4	(0.1)	-2.0%	6.1	(0.0)	-0.3%	51.0	(0.3)	-0.7%
Rental Car Tax	46.7	(0.0)	0.0%	50.0	0.4	0.7%	466.7	(1.0)	-0.2%
Vehicle Sales Tax	63.3	0.2	0.3%	73.4	2.7	3.8%	662.1	21.7	3.4%
Driver-Related Fees*	225.4	(0.1)	-0.1%	286.0	(7.7)	-2.6%	2,250.8	(60.0)	-2.6%
Business/Other Revenues ±	25.4	2.8	12.2%	26.7	3.0	12.4%	211.4	13.5	6.8%
Total Revenues	4,330.7	20.6	0.5%	4,612.8	40.9	0.9%	37,961.1	293.8	0.8%
Distribution of Revenue									
Motor Fuel Tax Refunds and Transfers	146.8	(0.7)	-0.5%	136.1	(2.5)	-1.8%	1,191.5	(33.6)	-2.7%
State Uses									
Motor Vehicle Account (108)	1,069.0	13.1	1.2%	1,095.6	7.8	0.7%	8,869.8	65.8	0.7%
Transportation 2003 (Nickel) Account (550)	356.9	(0.8)	-0.2%	392.9	(0.6)	-0.2%	3,130.6	(4.4)	-0.1%
Transportation 2005 Partnership Account (09H)	567.4	0.0	0.0%	578.5	0.8	0.1%	4,610.9	(1.3)	0.0%
Multimodal Account (218)	240.2	1.4	0.6%	260.3	5.2	2.0%	2,304.1	38.8	1.7%
Special Category C Account (215)	46.4	(0.0)	0.0%	47.4	0.1	0.1%	376.6	(0.3)	-0.1%
Puget Sound Capital Construction Account (099)	33.8	(0.0)	0.0%	34.5	0.0	0.1%	274.0	(0.2)	-0.1%
Puget Sound Ferry Operations Account (109)	375.4	1.3	0.3%	394.0	7.2	1.9%	3,349.7	61.7	1.9%
Capital Vessel Replacement Account (18J)	6.2	(0.1)	-0.8%	7.7	(0.0)	-0.5%	65.0	(0.6)	-0.9%
Tacoma Narrows Bridge Account (511)	110.6	0.8	0.7%	141.0	12.5	9.7%	1,261.0	112.6	9.8%
High Occupancy Toll Lanes Account (09F)*	2.3	(0.0)	-1.2%	2.5	2.5	0.0%	4.8	2.4	104.4%
SR 520 Corridor Account (16J)	89.0	(1.9)	-2.1%	140.3	1.0	0.7%	1,369.5	5.4	0.4%
SR 520 Corridor Civil Penalties Account (17P)	11.5	5.5	93.2%	18.3	10.9	148.4%	139.7	87.1	165.9%
Aeronautics Account (039)	6.4	(0.1)	-2.0%	6.1	(0.0)	-0.3%	51.0	(0.3)	-0.7%
State Patrol Highway Account (081)	329.6	0.0	0.0%	344.5	0.1	0.0%	2,930.4	0.9	0.0%
Highway/Motorcycle Safety Accts. (106 & 082)	193.6	0.6	0.3%	251.3	(6.2)	-2.4%	1,963.2	(48.2)	-2.4%
School Zone Safety Account (780)	1.6	0.1	4.0%	1.6	0.1	4.0%	13.0	0.5	4.0%
Other accounts (201, 06T, 09T, 09E, 216, 07C)	16.0	0.0	0.1%	16.4	0.1	0.6%	137.4	0.7	0.5%
Ignition Interlock Device Revolving Acct 14V	2.5	(0.1)	-3.2%	3.8	0.2	5.1%	28.9	1.2	4.3%
Multiuse Roadway Safety Account Collections-571	0.0	0.0	0.0%	0.1	0.1	0.0%	1.3	1.3	0.0%
Total for State Use	3,458.3	19.9	0.6%	3,736.7	41.5	1.1%	30,879.5	321.8	1.1%
Local Uses									
Cities	178.0	(0.1)	0.0%	181.6	0.2	0.1%	1,444.2	(1.0)	-0.1%
Counties	293.3	1.6	0.5%	299.1	1.4	0.5%	2,383.8	8.0	0.3%
Transportation Improvement Board (112 & 144)	190.2	(0.1)	0.0%	194.1	0.2	0.1%	1,543.2	(1.1)	-0.1%
County Road Administration Board (102 & 186)	64.0	(0.0)	0.0%	65.3	0.1	0.1%	518.9	(0.4)	-0.1%
Total for Local Use	725.5	1.4	0.2%	740.0	2.0	0.3%	5,890.1	5.6	0.1%
Total Distribution of Revenue	4,330.7	20.6	0.5%	4,612.8	40.9	0.9%	37,961.1	293.8	0.8%

¥ Baseline is the March 2013 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 and 2013 Legislatures.

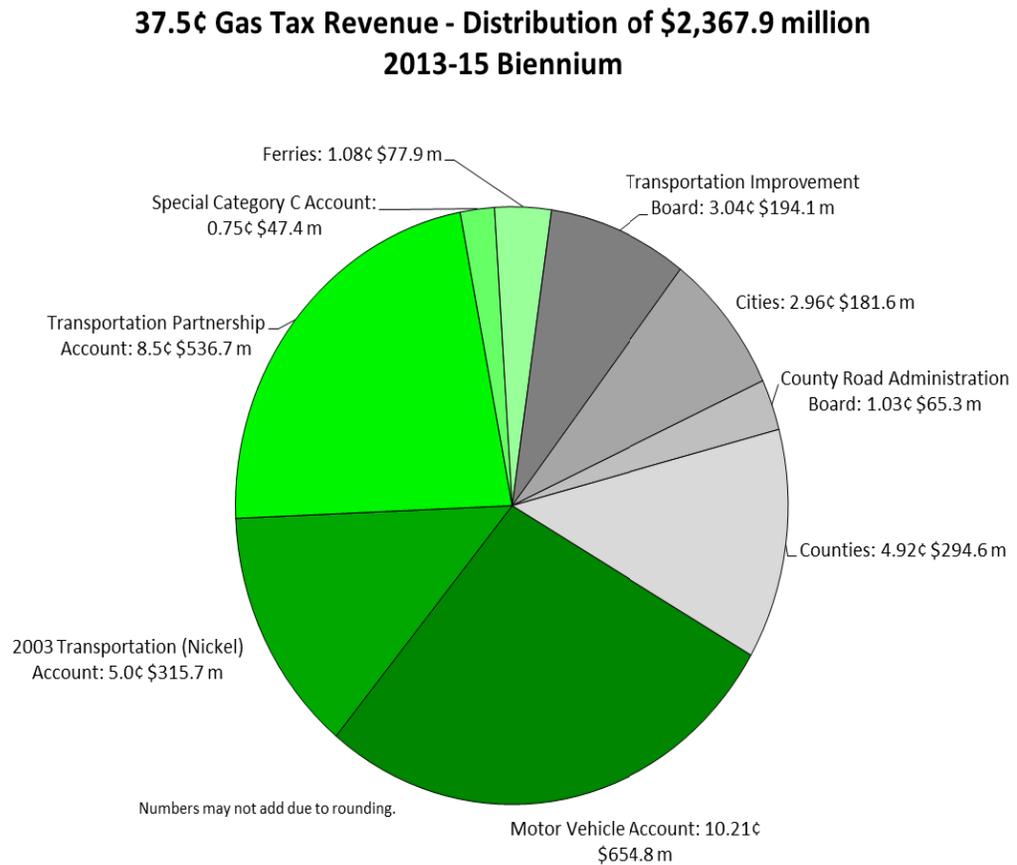
§ 167 HOT lanes is a pilot program due to sunset June 30, 2015

Motor Fuel Tax Revenue for Distribution

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

Figure 47 Fuel Tax Revenue for Statutory Distribution

2013–15 biennium - \$2,367.9 million



Gas Tax Revenue Distribution is Based on the September 2013 Transportation Revenue Forecast

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

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

Figure 48 License Permits and Fees Revenue for Distribution (Both Motor Vehicle & Driver Related) 2013–15 biennium - \$1,302.7 million

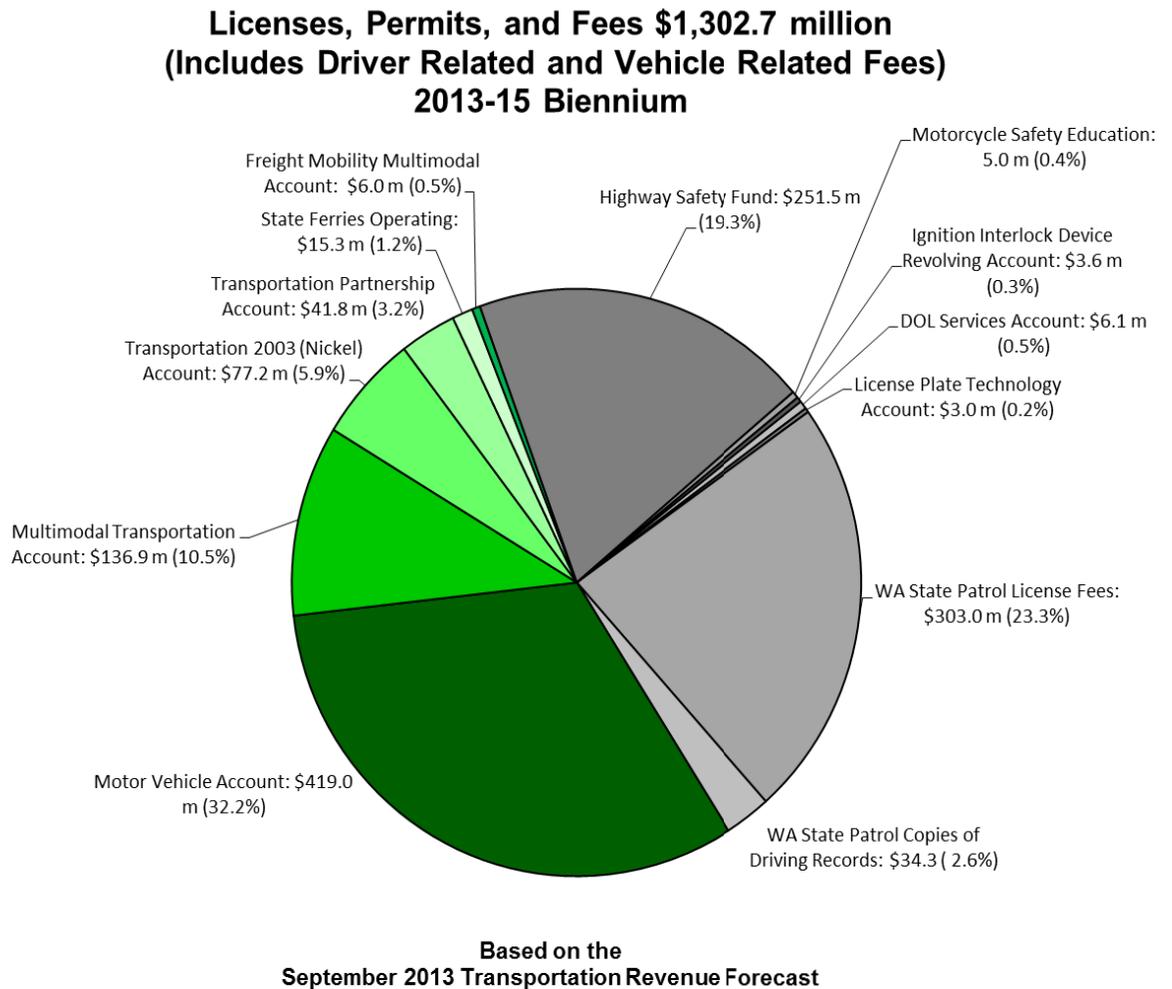


Figure 49 New Legislation Included in the September 2013 Forecast

Legislation	Title	Forecast Revenue Impact	2013-15 Forecast Revenue Impact
ESHB 1632	Off-Road Vehicles	A new registration class of non-highway vehicles - Wheeled All-Terrain Vehicles (WATV). Off-road fee for WATV is \$18 going to the NOVA Account (268). Adds on-road declaration for WATV to be used on-road with a new of \$12 fee to a new Multiuse Roadway Safety Account (571).	\$140,600
SHB 5182	Vehicle Owner Information	A new \$2 fee for records of ownership returned at the request of a business entity. The revenue from the new fee is deposited into the Highway Safety Fund.	\$2,007,000
SHB 1752	Commercial Driver License Requirements	To comply with federal regulations, an applicant for an initial Commercial Driver's License endorsements must have a commercial learner's permit and wait at least 14 days before taking the skills test.	Minimal impact
SB 5627	Taxation of Commuter Air Carriers	Changes the aviation excise tax imposed to a weight based tax for aircraft owned and operated by a commuter air carrier that is not an airplane company as defined in RCW 84.12.200	Minimal impact

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 50 Motor Vehicle Account Revenue September 2013 Forecast

Motor Vehicle Account Revenue <i>dollars in millions</i>	2011-13		2013-15		10-Year Period (2011-2021)	
	Forecast Sep 13	Chg from Jun 13	Forecast Sep 13	Chg from Jun 13	Forecast Sep 13	Chg from Jun 13
Revenues						
Gross Fuel Tax Collections (Gas & Diesel)	2,487.9	4.1	2,517.2	2.6	12,631.1	13.0
Licenses, Permits, & Fees	397.8	3.5	417.7	3.5	2,150.7	18.1
Business-Related Revenue	14.2	0.9	14.5	2.3	69.7	4.4
Total	2,899.9	8.5	2,949.4	8.4	14,851.5	35.5
Distribution						
Refunds-Regular	146.8	0.0	136.1	(1.9)	726.0	(15.9)
Fuel Tax Distributions for Local Uses ¹	725.5	0.2	740.0	2.5	3,697.8	10.4
Fuel Tax Distributions for State Uses ²	958.4	0.0	977.7	3.3	4,880.5	13.2
Total	1,830.8	0.2	1,853.8	3.8	9,304.3	7.7
Net Revenue	1,069.1	8.3	1,095.6	4.5	5,547.2	27.7

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.

Figure 51 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.

Transportation 2003 (Nickel) Account <i>dollars in millions</i>	2011-13		2013-15		10-Year Period (2011-2021)	
	Forecast Sep 13	Chg from Jun 13	Forecast Sep 13	Chg from Jun 13	Forecast Sep 13	Chg from Jun 13
Revenue						
5¢ Gas Tax	309.5	0.0	315.7	1.1	1,576.5	4.3
Licenses, Permits and Fees	47.4	(0.6)	77.2	(0.3)	403.1	(1.3)
Total	356.9	(0.6)	392.9	0.8	1,979.6	3.1

Figure 52 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.

Transportation Partnership Account <i>dollars in millions</i>	2011-13		2013-15		10-Year Period (2011-2021)	
	Forecast Sep 13	Chg from Jun 13	Forecast Sep 13	Chg from Jun 13	Forecast Sep 13	Chg from Jun 13
Revenue						
5¢ Gas Tax	526.1	0.0	536.7	1.8	2,680.0	7.4
Licenses, Permits and Fees	41.3	(0.2)	41.8	0.0	213.7	0.0
Total	567.4	(0.2)	578.5	1.8	2,893.7	7.4

Figure 53 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.

Washington State Ferries Accounts <i>dollars in millions</i>	2011-13		2013-15		10-Year Period (2011-2021)	
	Forecast Sep 13	Chg from Jun 13	Forecast Sep 13	Chg from Jun 13	Forecast Sep 13	Chg from Jun 13
Revenue						
Puget Sound Ferry Op. Acct. (109)						
Ferry Fares	317.1	0.4	335.2	6.8	1,782.5	43.3
Concessions & Other Revenue	7.0	0.2	7.8	0.3	41.0	3.2
Fuel Tax	42.6	0.0	43.4	0.2	215.5	0.4
Licenses, Permits and Fees	14.8	(0.0)	15.3	(0.0)	80.7	(0.1)
Subtotal	381.6	0.6	401.7	7.2	2,119.7	46.8
Capital Vessel Replacement Account (18J)	6.2	0.0	7.7	(0.1)	38.3	(0.3)
Total	6.2	0.0	51.1	0.1	253.8	0.1
Puget Sound Cap. Const. Acct. (099) Fuel Tax	33.8	0.0	34.5	0.1	172.1	0.5
Total	415.3	0.6	436.1	7.3	2,291.8	47.2

Figure 54 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.

Multimodal Account <i>dollars in millions</i>	2011-13		2013-15		10-Year Period (2011-2021)	
	Forecast Sep 13	Chg from Jun 13	Forecast Sep 13	Chg from Jun 13	Forecast Sep 13	Chg from Jun 13
Revenue						
Licenses, Permits and Fees	130.2	0.5	136.9	0.5	728.1	3.0
Rental Car Tax	46.7	0.1	50.0	0.5	284.9	1.1
Vehicle Sales Tax	63.3	0.2	73.4	2.6	410.4	14.8
Total	240.2	0.7	260.3	3.5	1,423.5	18.9

Figure 55 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.

Aeronautics Account <i>dollars in thousands</i>	2011-13		2013-15		10-Year Period (2011-2021)	
	Forecast Sep 13	Chg from Jun 13	Forecast Sep 13	Chg from Jun 13	Forecast Sep 13	Chg from Jun 13
Revenue						
Aircraft Dealer License Fees	6.9	0.0	6.9	0.0	34.5	0.0
Aircraft Excise Tax	612.7	1.0	697.5	72.0	3,615.5	420.0
Aircraft Fuel Tax	5,495.7	(41.9)	5,243.3	(6.9)	27,235.0	(42.8)
Aeronautics Transfer (from MV Fund)	562.5	0.0	566.8	2.4	2,781.5	13.6
Aircraft Registrations	244.3	2.4	249.7	5.4	1,276.5	27.0
Total	6,922.1	(38.5)	6,764.2	72.9	34,943.0	417.8

Figure 56 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 June 30, 2013.

Tolling Accounts <i>dollars in millions</i>	2011-13		2013-15		10-Year Period (2011-2021)	
	Forecast Sep 13	Chg from Jun 13	Forecast Sep 13	Chg from Jun 13	Forecast Sep 13	Chg from Jun 13
Revenue						
Tacoma Narrows Bridge Account						
Toll Revenues and Fees	103.2	(0.4)	134.0	0.1	697.2	(3.9)
Transponder Sales/ Shield Sales	0.7	0.0	0.6	(0.0)	3.3	(0.1)
Violations	0.2	0.0	0.0	0.0	0.2	0.0
Civil Penalties	4.3	3.1	5.9	4.5	30.1	22.7
Misc. Revenues	2.2	(0.0)	0.4	(0.1)	2.9	(0.3)
Subtotal Tacoma Narrows Bridge	110.6	2.7	141.0	4.6	730.8	18.7
HOT Lanes Operations Account ^						
Toll Revenues	2.1	0.0	2.4	0.0	4.5	2.4
Transponder Sales/ Shield Sales	0.1	0.0	0.1	0.0	0.1	2.4
Fees	0.0	(0.0)	0.0	(0.0)	0.0	0.1
Misc. Revenues	0.1	(0.0)	0.0	(0.0)	0.1	(0.0)
Subtotal HOT Lanes Operations	2.3	0.0	2.5	0.0	4.8	4.8
SR 520 Bridge						
Toll Revenues and Fees	83.8	(2.9)	138.3	0.0	746.0	(2.9)
Transponder Sales/ Shield Sales	1.8	(0.9)	2.0	0.0	10.4	(0.9)
Civil Penalties	11.5	5.5	2.0	0.0	84.7	50.9
Misc. Revenues	1.1	1.1	0.0	0.0	1.1	1.1
Subtotal SR 520 Bridge	97.0	1.8	142.3	0.0	841.1	47.1
Total Tolling Revenues	209.9	4.5	285.7	4.6	1,571.9	65.8

Figure 57 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.

Highway Safety/Motorcycle Safety/WSP <i>dollars in millions</i>	2011-13		Current Biennium 2013-15		10-Year Period (2011-2021)	
	Forecast Sep 13	Chg from Jun 13	Forecast Sep 13	Chg from Jun 13	Forecast Sep 13	Chg from Jun 13
Revenue						
Highway Safety						
Driver License Fees	150.5	0.6	201.3	(6.3)	1,001.8	(23.0)
Copies of Records	32.8	(0.1)	37.6	(0.9)	194.8	(7.5)
Other and Miscellaneous	5.3	(0.0)	5.8	0.3	30.2	1.9
Subtotal	188.5	0.4	244.7	(6.8)	1,226.8	(28.6)
Motorcycle Safety Permits/Endorsements	4.2	0.1	4.8	(0.3)	24.6	(0.3)
State Patrol Copies of Records / LPF/Business Related	329.6	(1.9)	344.5	(3.1)	1,817.6	(15.1)
Subtotal	333.8	(1.8)	349.2	(3.4)	1,842.1	(15.4)
Total	522.4	(1.4)	593.9	(10.2)	3,068.9	(44.1)

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

Figure 58 School Zone Safety Account Revenue Forecast

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

School Zone Safety Account <i>dollars in millions</i>	2011-13		2013-15		10-Year Period (2011-2021)	
	Forecast Sep 13	Chg from Jun 13	Forecast Sep 13	Chg from Jun 13	Forecast Sep 13	Chg from Jun 13
Revenue						
School Zone Fines	1.6	(0.0)	1.6	(0.0)	8.1	(0.1)
Total	1.6	(0.0)	1.6	(0.0)	8.1	(0.1)

Figure 59 Multiuse Road Safety Account Revenue Forecast

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

Multiuse Roadway Safety Account Collections	2011-13		2013-15		10-Year Period (2011-2021)	
	Forecast	Chg from	Forecast	Chg from	Forecast	Chg from
	Sep 13	Jun 13	Sep 13	Jun 13	Sep 13	Jun 13
<i>dollars in millions</i>						
Revenue						
License Permit and Fees	0.0	0.0	0.1	0.1	1.3	1.3
Total	0.0	0.0	0.1	0.1	1.3	1.3