

# November 2010 Transportation Revenue Forecast

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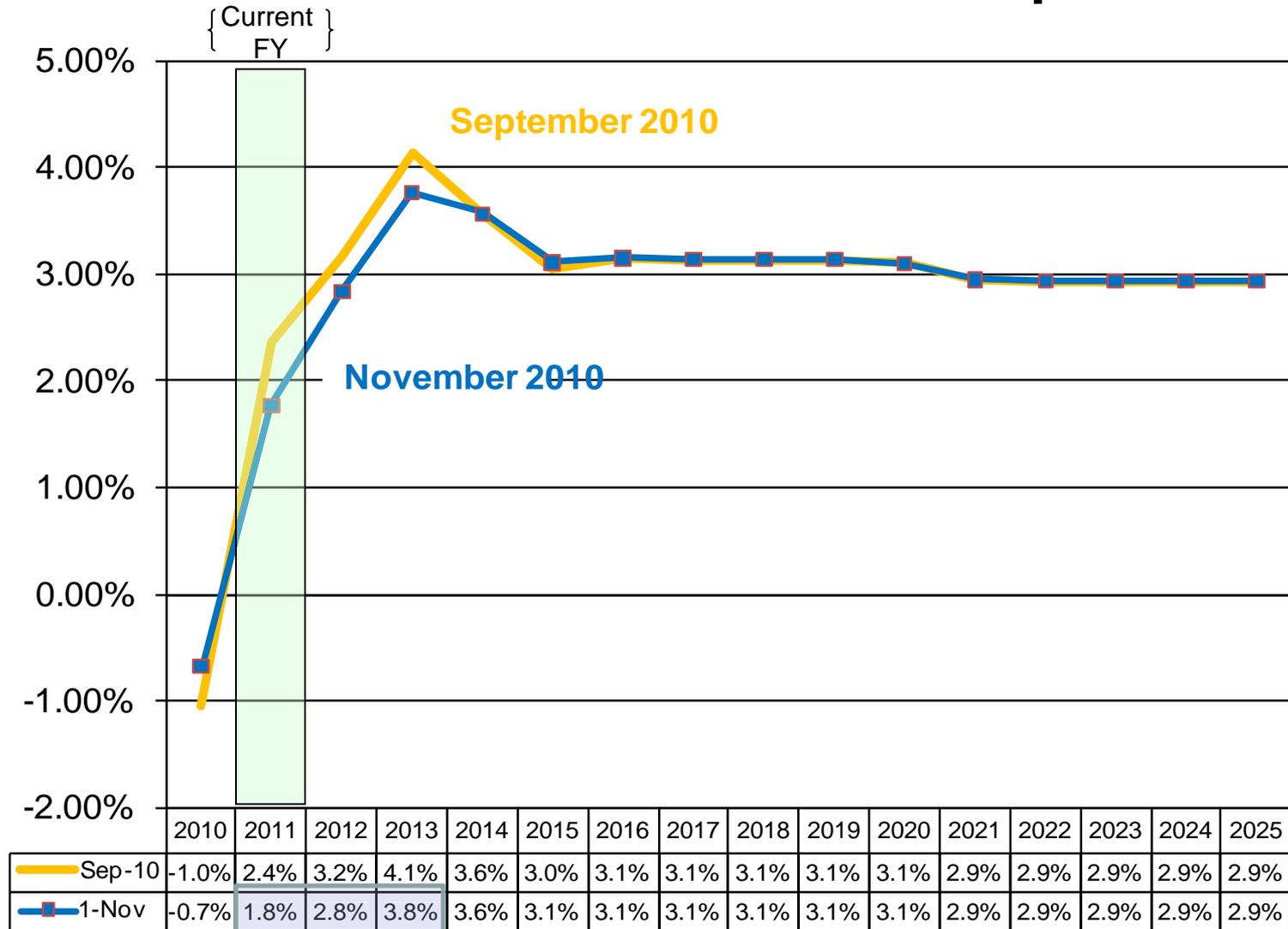
**Washington State Transportation Commission**  
December 15, 2010



# Key Economic Variables Have Small Changes Since the September 2010 Forecast

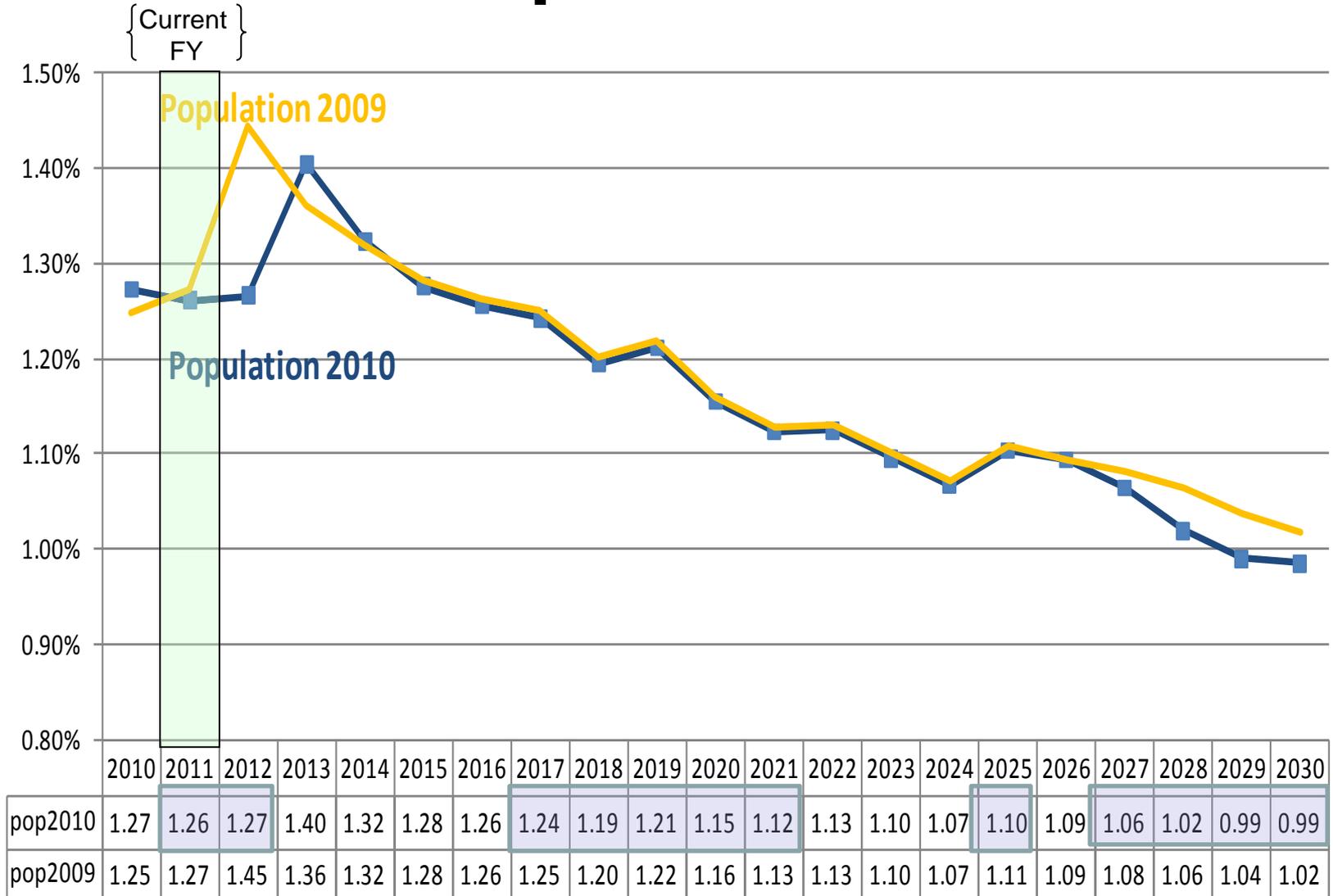
Economic Variables	Change from September forecast	
Washington Real Personal Income	Short-term (growth rates) 	Long-term (growth rates) 
Inflation	Up slightly 	Nearly no change 
Fuel Prices	Gas: short and long term 	Diesel: short and long-term 
Fuel Efficiency	No change 	
Population	Generally growth rates are 	
Employment	Growth rates are 	

# Slightly Lower Near-term Washington Annual Personal Income Growth Rates for November vs. September 2010



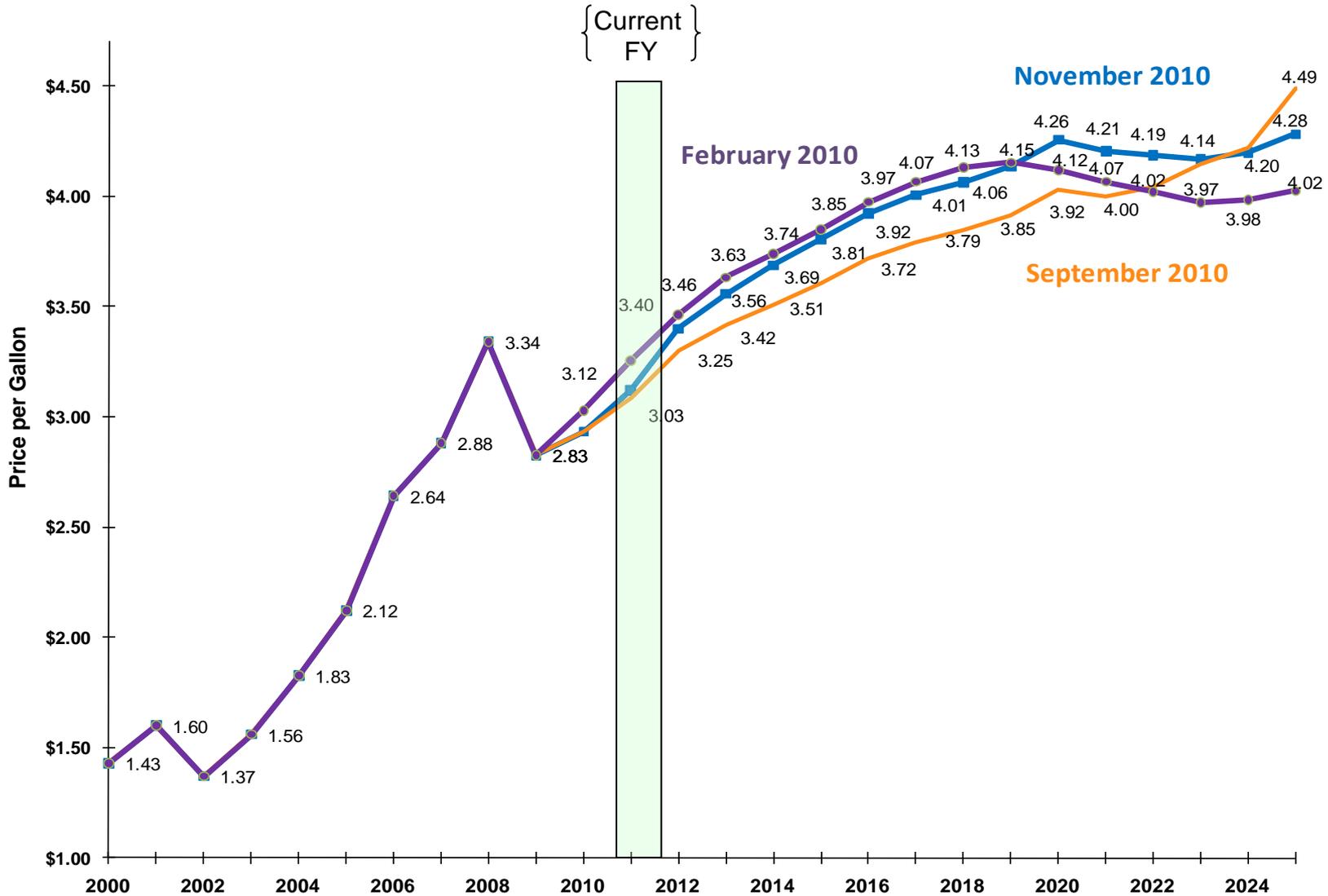
NOTE: Highlighted growth rates for November 2010 forecast reflect the lower growth rates from ERFC

# Forecast of Population Growth Rates; November vs. September 2010

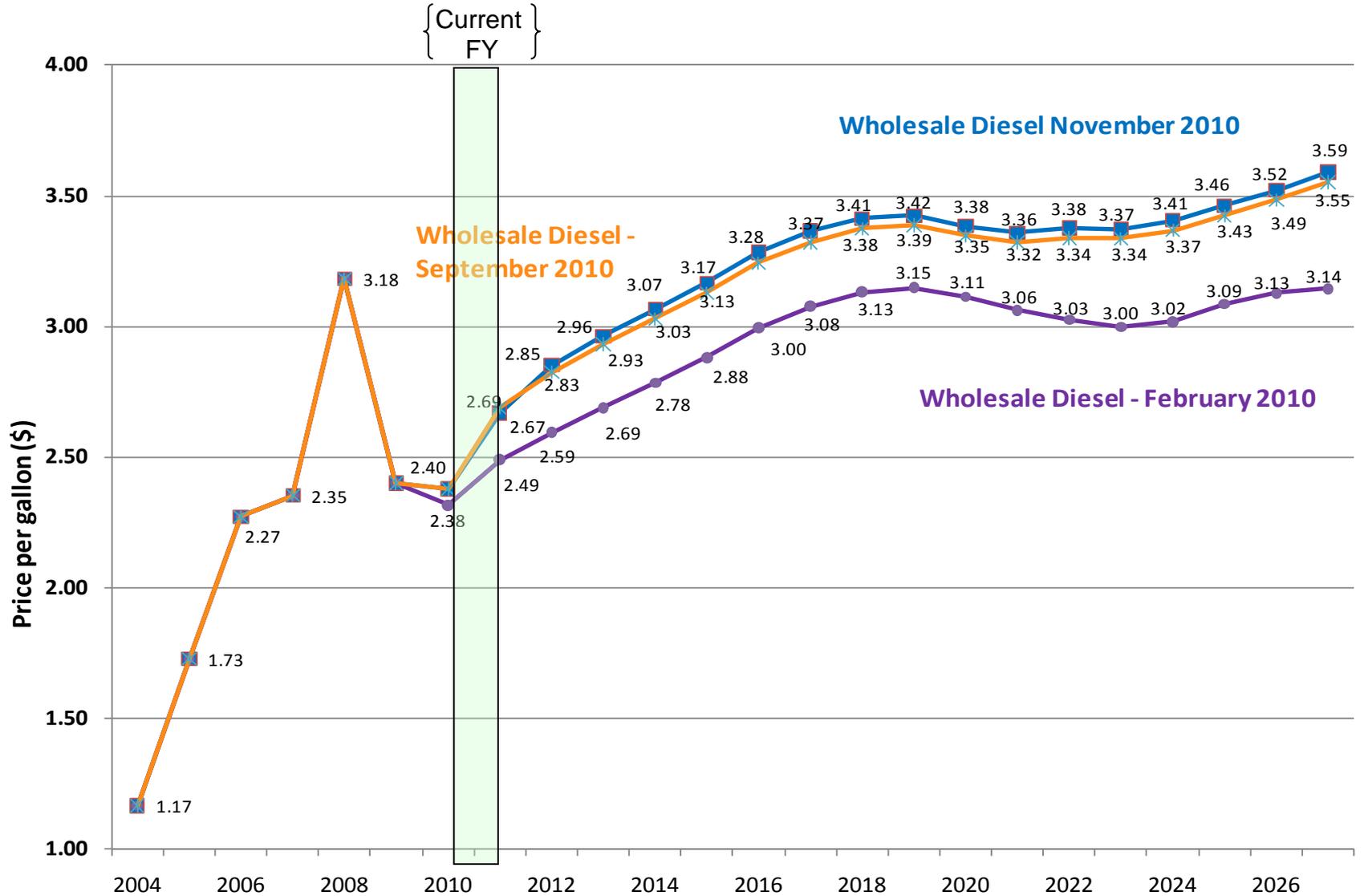


NOTE: Highlighted growth rates for November 2010 forecast reflect the lower growth rates from OFM

# Forecast of Washington Gasoline Prices, All Grades; November vs. September and February 2010

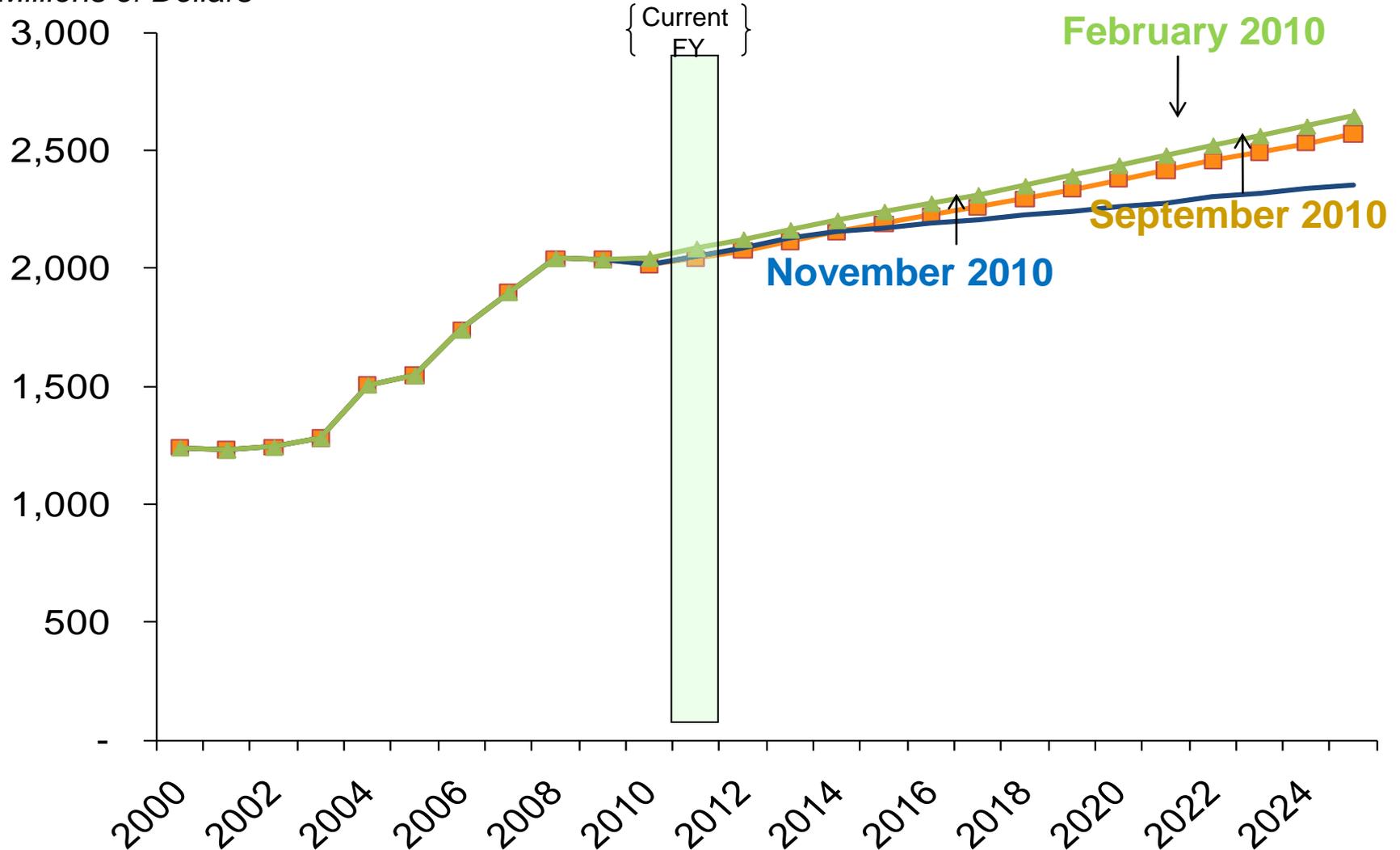


# Forecast of Washington Wholesale Diesel Prices; November vs. September and February 2010



# November 2010 Transportation Revenue Projections are Down From the February & September Forecasts Due to Forecast Model Changes

Millions of Dollars



# November 2010 Revenue Projections are Up Near-Term but Down Long-Term: Forecast to Forecast

**November 2010 Forecast to Forecast Comparison of Transportation Revenues (Millions of Dollars)**

Revenue Sources	Current Biennium			2011-13			16-Year Period (2011-2027)		
	2009-11			2011-13					
	Forecast Nov10	Chg from Sept10	Percent Change	Forecast Nov 10	Chg from Sept10	Percent Change	Forecast Nov 10	Chg from Sept 10	Percent Change
Motor Vehicle Fuel Taxes	2,485	1.9	0.1%	2,550	12.0	0.5%	21,048	(1,809.7)	(7.9%)
Licenses, Permits and Fees	873	2.9	0.3%	913	3.0	0.3%	8,073	8.6	0.1%
All Other Sources	706	3.5	0.5%	751	7.5	1.0%	6,904	77.8	1.1%
<b>Total Revenues</b>	<b>4,064</b>	<b>8.3</b>	<b>0.2%</b>	<b>4,214</b>	<b>22.5</b>	<b>0.5%</b>	<b>36,025</b>	<b>(1,723.3)</b>	<b>(4.6%)</b>

Source: Figure 3 page I-5 of the November 2010 Transportation Forecast Volume I: Summary Document

- **November 2010 revenue forecast:**
  - Projected 2009-11 biennium transportation revenue of \$4 billion is a decline from 2007-09 biennium revenue by -0.4%
  - Revised forecast model results increase fuel tax collections in the near-term and significantly lower gas tax collections in the long-term
  - Higher collections than anticipated in diesel and LPF increased near-term revenue forecasts
  - Lower personal income growth rates lowered certain forecasts in the near-term
- **Current projections show the following changes in total revenue:**
  - up \$8.3 million (0.2%) for the 2009-11 biennium
  - up \$23 million (0.5%) in the 2011-13 biennium
  - down \$1.7 billion (4.6%) for the 16 year period from the September forecast

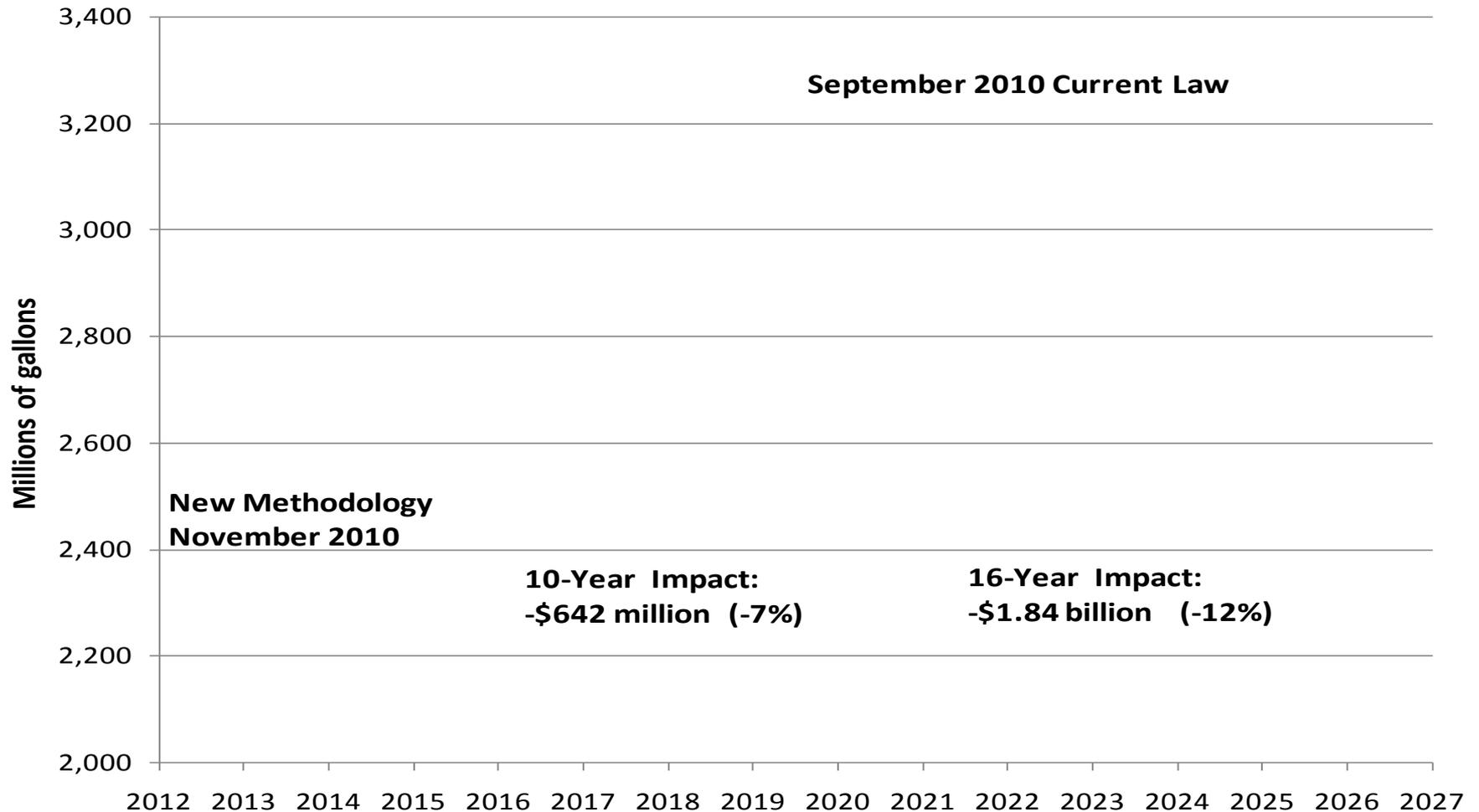
# November 2010 Revenue Projections are Down From the February 2010 Forecast

November 2010 Forecast to Forecast Comparison of Transportation Revenues (Millions of Dollars)									
Revenue Sources	Current Biennium			2011-13			16-Year Period (2011-2027)		
	2009-11			2011-13					
	Forecast Nov10	Chg from Feb 10	Percent Change	Forecast Nov 10	Chg from Feb 10	Percent Change	Forecast Nov 10	Chg from Feb 10	Percent Change
Motor Vehicle Fuel Taxes	2,485	(42.9)	(1.7%)	2,550	(48.3)	(1.9%)	21,048	(2,401.2)	(10.2%)
Licenses, Permits and Fees	873	(9.9)	(1.1%)	913	(12.1)	(1.3%)	8,073	(126.2)	(1.5%)
All Other Sources	706	(13.1)	(1.8%)	751	(14.9)	(2.0%)	8,904	(174.4)	(2.0%)
<b>Total Revenues</b>	<b>4,064</b>	<b>(65.9)</b>	<b>(1.6%)</b>	<b>4,214</b>	<b>(75.3)</b>	<b>(1.8%)</b>	<b>38,025</b>	<b>(2,701.8)</b>	<b>(7.0%)</b>

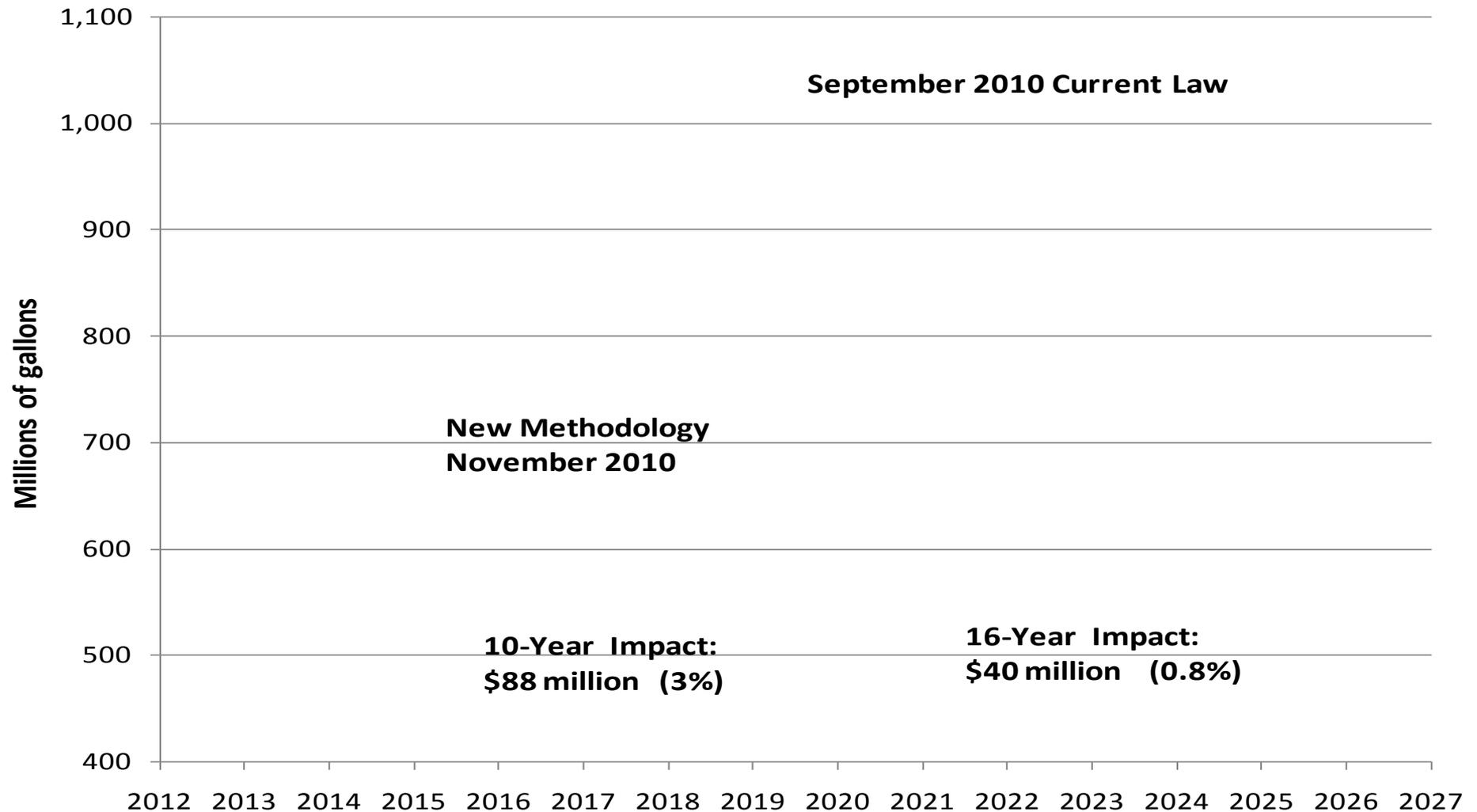
Source: Figure 4 page I-6 of the November 2010 Transportation Forecast Volume I: Summary Document

- November 2010 forecast relative to February 2010 budget forecast:
  - Projected 2009-11 biennium transportation revenue of \$4 billion is \$66 million below the February 2010 baseline forecast
  - Certain fuel price forecasts have come in higher than last projected in February
  - Weaker personal income and employment growth rate projections and modeling changes have lowered some forecasts of revenues since the February forecast
- Current projections are down relative to the February projections:
  - down \$75 million (1.8%) for the 2011-13 biennium
  - down \$2.7 billion (7%) for the 16 year period

# Gasoline Fuel Consumption Comparison, November and September 2010 Forecasts: Results of Major Long-term Forecast Model Changes



# Diesel Fuel Consumption Comparison, November and September 2010 Forecasts: Minor Forecast Model Changes



# New Fuel Consumption Forecast Models Needed

- Performance of the gas consumption model has been poor; consistently overestimating gas consumption
  - Since 2000, gas consumption has been very flat, -0.1% average growth per year
  - Current model is overly reliant on a single economic indicator – real US oil price index
- Gas consumption forecasts have been reduced in the past, but without a new modeling approach, forecasts will continue to overestimate future fuel consumption
- Performance of the diesel consumption model has been poor in recent years by overestimating diesel consumption
  - In the long-term, diesel model underestimated consumption
- JTC Long-term Funding Study outlined risks to fuel tax revenues

# 2010 Fuel Consumption Forecast Models Review Process

- In spring 2010, a work group was formed consisting of Transportation Revenue Forecast Council members to review fuel consumption forecast models
  - WSDOT
  - OFM Forecasting and Budget Division Staff
  - Office of Forecast Council
  - Department of Licensing
  - Legislative Transportation Committee Staff
- The work group surveyed other states' fuel consumption forecast models and reviewed dozens of alternative fuel consumption models

# Results: Recommend New Gas & Diesel Consumption Forecast Models

- Less dependence on a single economic indicator
  - Gas incorporates non-farm employment, fuel efficiency, gas prices, and population
  - Diesel incorporates WA employment in trade, transportation and utilities sectors and WA real personal income
- Utilize both long- and short-term models
  - Better short- and long-term accuracy
  - More stability in the long-term forecast

# November 2010 Forecast of Fuel Taxes

- Current projections for total motor vehicle fuel taxes are  in the near-term but  in the long-term
- **Actual fuel consumption came in slightly up over the last forecast:**
  - Gasoline tax collections came in under forecast by only \$400,000 for September and October 2010 combined
  - Diesel fuel consumption came in above forecast by \$2.7 million for the same two month period
- **In the current biennium:**
  - Gas tax revenue is projected down by less than \$1 million to reflect the slight drop in collections
  - Diesel tax revenue is projected up by \$2.6 million to reflect higher tax collections
- **New forecast modeling impacts:**
  - Gas Tax Revenue: 
    - Lower 2011-13 biennium projections of \$11.7 million than anticipated under old forecast modeling in September
    - The loss in gas tax revenue grows over the forecast horizon for a 16-year total of \$1.8 billion
  - Diesel Tax Revenue: 
    - Higher 2011-13 biennium projections of \$23.6 million than anticipated under old forecast modeling in September
    - The gain in diesel tax revenue declines over the forecast horizon for a 16-year total of change from the September forecast of \$40 million

# November Forecast of Licenses, Permits and Fees and Ferry Revenues Are Up From the September Forecast

## Licenses, Permits and Fee Revenue

- Total projection for vehicle related licenses, permits and fee revenue is \$873 million in current biennium - up in current and future biennia:
    -  \$2.9 million, (0.3%) for the 2009-11 biennium
    -  \$3.0 million, (0.3%) in the current 2011-13 biennium
    -  \$8.6 million, (0.1%) for the 16 year period from the September forecast
  - Reason for the increase in LPF revenue
    - Truck registrations and revenues in recent months have exceeded projections which raised the near-term forecast
    - Weaker economic variables: truck registration was negatively impacted from the lower real personal income growth rates and new slightly lower long-term population forecast
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## Ferry Revenue

- Total ferry farebox and miscellaneous revenue is \$301 million in current biennium - up in current and future biennia:
  - \$1.7 million, (0.6%) for the 2009-11 biennium
  - \$6.5 million, (2.1%) in the current 2011-13 biennium
  - \$74.7 million, (2.6%) for the 16 year period from the September forecast
- Reason for the increase in Ferry revenue
  - Slightly higher collections in recent months than prior projections
  - Incorporates the recently adopted 2.5% general ferry fare increase beginning January 1, 2011

# Other Components of Transportation Revenue Are Generally Up Slightly or Not Changed From the September 2010 Forecast

- **Aeronautics Revenue** (2009-11 biennium: \$5.7 million)
  - ↔ nearly no change for the 2009-11 biennium and 2011-13 biennium
- **Rental Car Taxes** (2009-11 biennium: \$43.7 million)
  - ↑ \$0.5 million (1.1%) for the 2009-11 biennium
  - ↔ nearly no change for the 2011-13 biennium
- **Vehicle Sales Tax** (2009-11 biennium: \$54.0 million)
  - ↑ \$0.2 million (0.4%) for the 2009-11 biennium
  - ↓ \$0.4 million (0.7%) for the 2011-13 biennium
- **Business/Other Revenue** (2009-11 biennium: \$8.6 million)
  - ↔ no change for the 2009-11 biennium and nearly no change in the 2011-13 biennium
- **Driver-Related Fees** (2009-11 biennium: \$198 million)
  - ↑ \$1.4 million (0.7%) for the 2009-11 biennium
  - ↑ \$1.5 million (0.8%) for the 2011-13 biennium
- **Toll Revenue** (2009-11 biennium: \$96 million)
  - ↓ \$0.2 million (0.2%) for the 2009-11 biennium
  - ↑ \$0.04 million (0.05%) for the 2011-13 biennium

# Questions?

If you have questions, or want additional information on the November Revenue Forecast, please contact:

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