

Transportation Revenue Review

Presented to the
House Transportation Committee

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December 9, 2024



WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL



Overview

Economic View

- The U.S. economy is growing, inflation is moderating, and interest rates are coming down
- WA economy also growing (job growth 1.0% YTD)
- Transportation revenues driven by population growth/travel and economic activity but impacted by SR/LR pandemic changes (e.g. WFH) and others

Revenue

- The transportation forecast is decreased by \$185 million (2.6%) for 2023-25 period compared with Feb.
- The transportation forecast is decreased by \$353 million (4.8%) for 2025-27 period compared with Feb.



Transportation revenue forecast risks

Upside

- Stronger consumer spending, faster interest rate cuts lead to stronger economy, quicker resolution of world conflicts leads to lower energy prices

Downside

- Elevated interest rates push economy into recession, world conflicts intensify

“Neutral”

- Faster EV adoption lowers fuel revenue but raises EV fees



Motor vehicle fuels tax revenue- November forecast

Overview

- Largest single transportation revenue (\$1.6B in FY 2024)
- Gas consumption peaked in 2018 and has been down since Covid
- WSDOT/WWU/ERFC developed revised model(s)

Factors

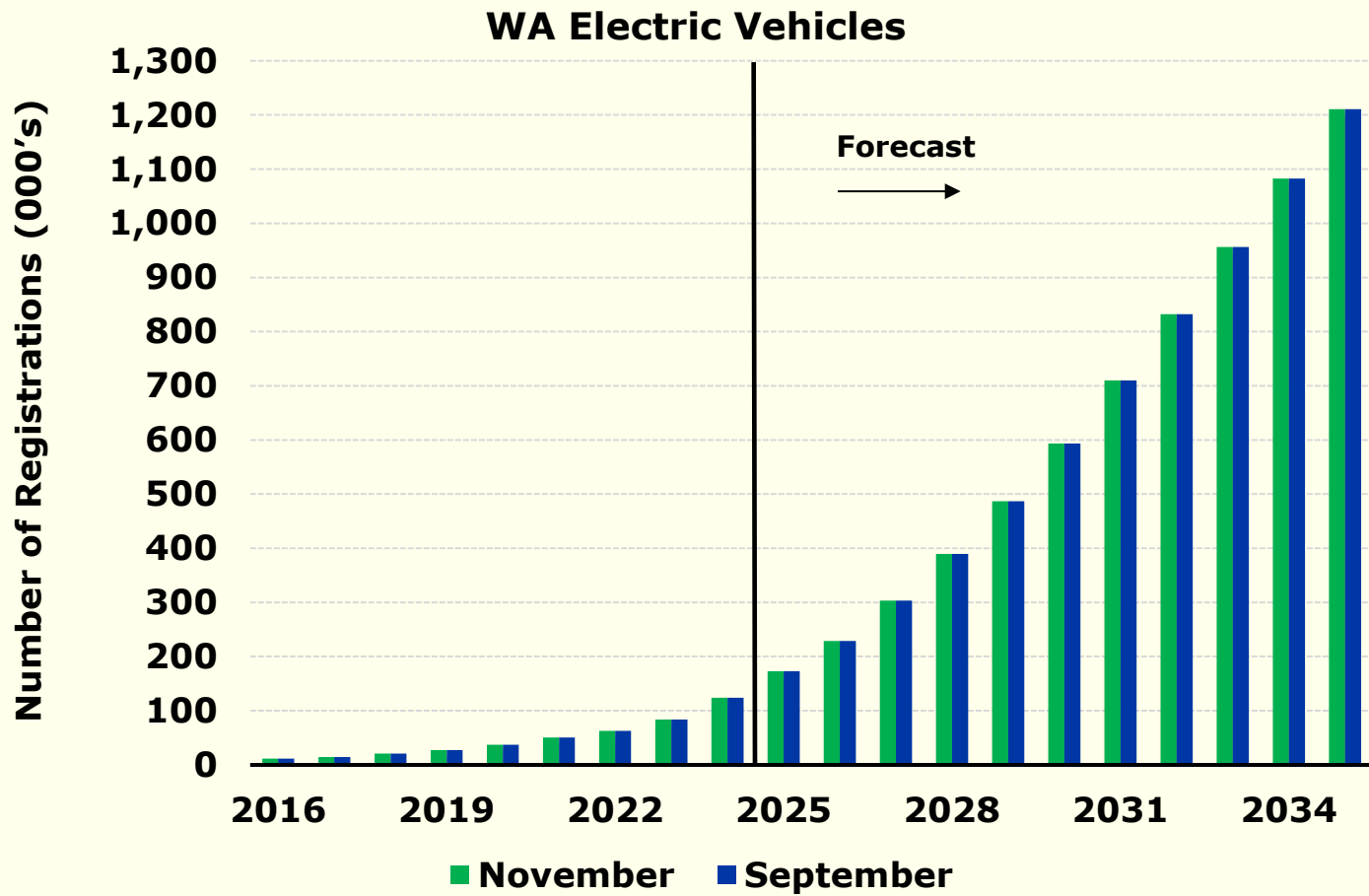
- Fuel taxes go up with vehicle miles travelled
- Fuel taxes go down with improved fuel efficiency, EVs, WFH

Forecast

- Gas consumption decline driven by driving changes and EV adoption, FY25 down YTD
- Special fuel consumption is growing slowly



Electric vehicle forecast calls for substantial growth that will impact fuel consumption



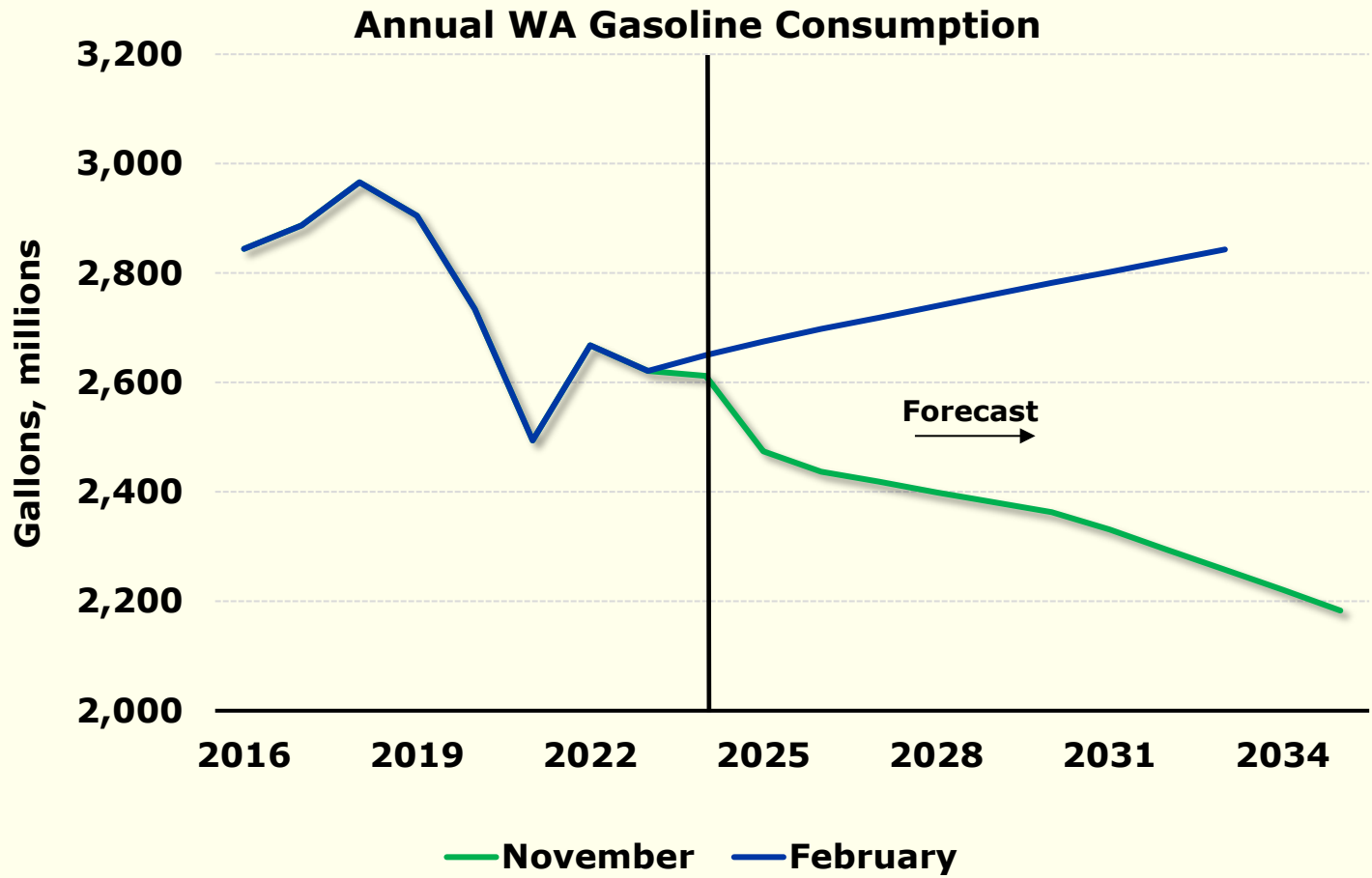
Source: TERFC November 2024 forecast; historical data through FY 2024

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Gas consumption fell in FY 2024 and is expected to continue to fall

Gas tax revenues were about \$1.3B in FY 2024

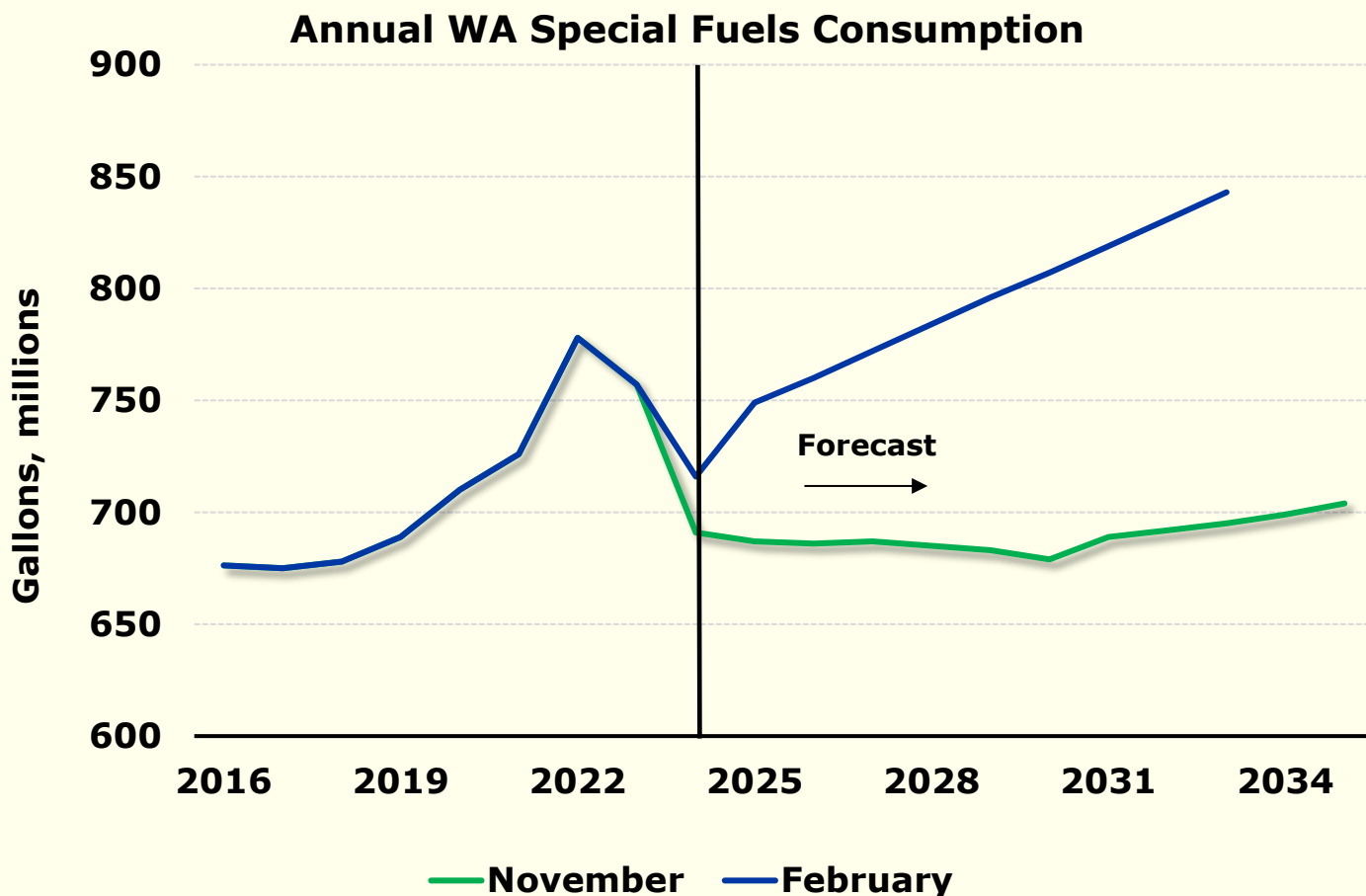


Source: TERFC November 2024 forecast; historical data through FY 2024



Special fuel consumption fell in FY 2024 but is expected to increase slowly

Special fuel tax revenues were about \$340M in FY 2024



Source: TERFC November 2024 forecast; historical data through FY 2024

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MVFT Revenue Summary

2023-2025 Biennium

Item	Forecast (Feb. 2024)	Forecast (Nov. 2024)	Change
Gasoline (Gross)	\$2,624.8M	\$2,497.8M	(\$127.0M)
Special Fuels (Gross)	\$732.6M	\$682.1M	(\$50.5M)
Total (Gross)	\$3,357.5M	\$3,179.9M	(\$177.6M)

2025-2027 Biennium

Item	Forecast (Feb. 2024)	Forecast (Nov. 2024)	Change
Gasoline (Gross)	\$2,678.1M	\$2,396.7M	(\$281.4M)
Special Fuels (Gross)	\$758.2M	\$677.9M	(\$80.3M)
Total (Gross)	\$3,436.4M	\$3,074.5M	(\$361.7M)

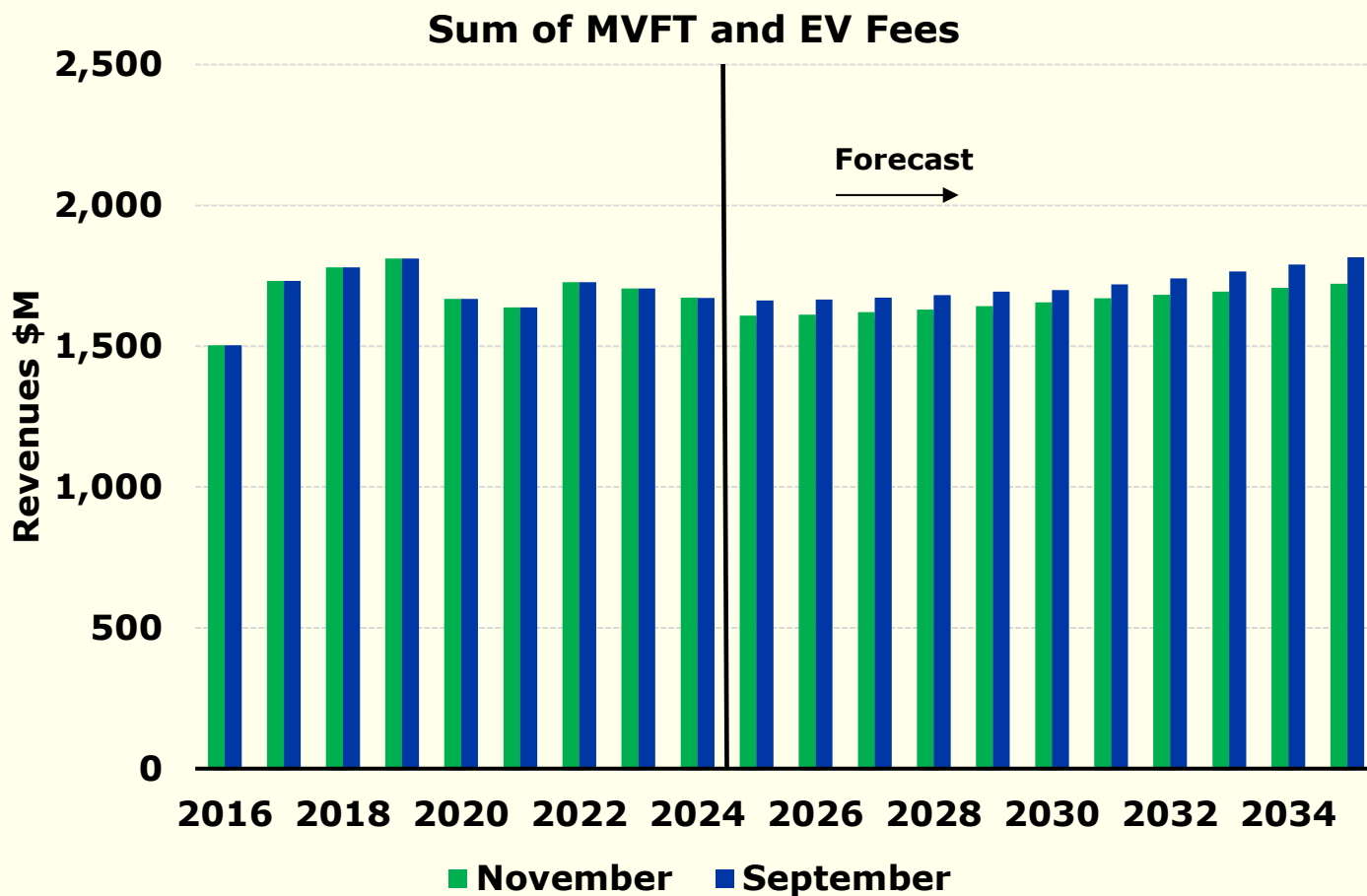
* Detail may not add to total due to rounding

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The combination of MVFT and EV fees is expected to grow in nominal terms after 2025

EV fee growth will likely partially offset losses in MVFT over the forecast period



Source: TERFC November 2024 forecast; historical data through FY 2024



Forecast changes by revenue source: 2023-25 biennium

The forecast decrease represents 2.6% of biennial revenue

Revenue Summary (\$Million)	<u>Feb. 2024 Forecast</u>	<u>Nov. 2024 Forecast</u>	<u>Total Change</u>[#]
MV Fuel Tax	\$3,358	\$3,180	(\$178)
Licenses, Permits, Fees	\$2,028	\$1,994	(\$34)
Ferry Revenues	\$384	\$375	(\$9)
Toll Revenues	\$494	\$531	\$37
Other	\$727	\$726	(\$1)
Total	\$6,990	\$6,806	(\$185)

Alternative Forecasts (\$Million)	2023-2025 Biennium	Difference from Baseline
Baseline (55%)	\$6,806M	
Optimistic (20%)	\$6,864M	\$58M
Pessimistic (25%)	\$6,746M	(\$60M)
Weighted Avg.	\$6,802M	(\$3M)

All values in millions, # Detail may not add to total due to rounding

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Forecast changes by revenue source: 2025-27 biennium

The forecast decrease represents 4.8% of biennial revenue

Revenue Summary (\$Million)	<u>Feb. 2024 Forecast</u>	<u>Nov. 2024 Forecast</u>	<u>Total Change</u>[#]
MV Fuel Tax	\$3,436	\$3,075	(\$361)
Licenses, Permits, Fees	\$2,167	\$2,138	(\$29)
Ferry Revenues	\$423	\$418	(\$5)
Toll Revenues	\$526	\$564	\$38
Other	\$788	\$792	\$4
Total	\$7,340	\$6,987	(\$353)

Alternative Forecasts (\$Million)	2025-2027 Biennium	Difference from Baseline
Baseline (55%)	\$6,987M	
Optimistic (20%)	\$7,237M	\$250M
Pessimistic (25%)	\$6,597M	(\$390M)
Weighted Avg.	\$6,940M	(\$47M)

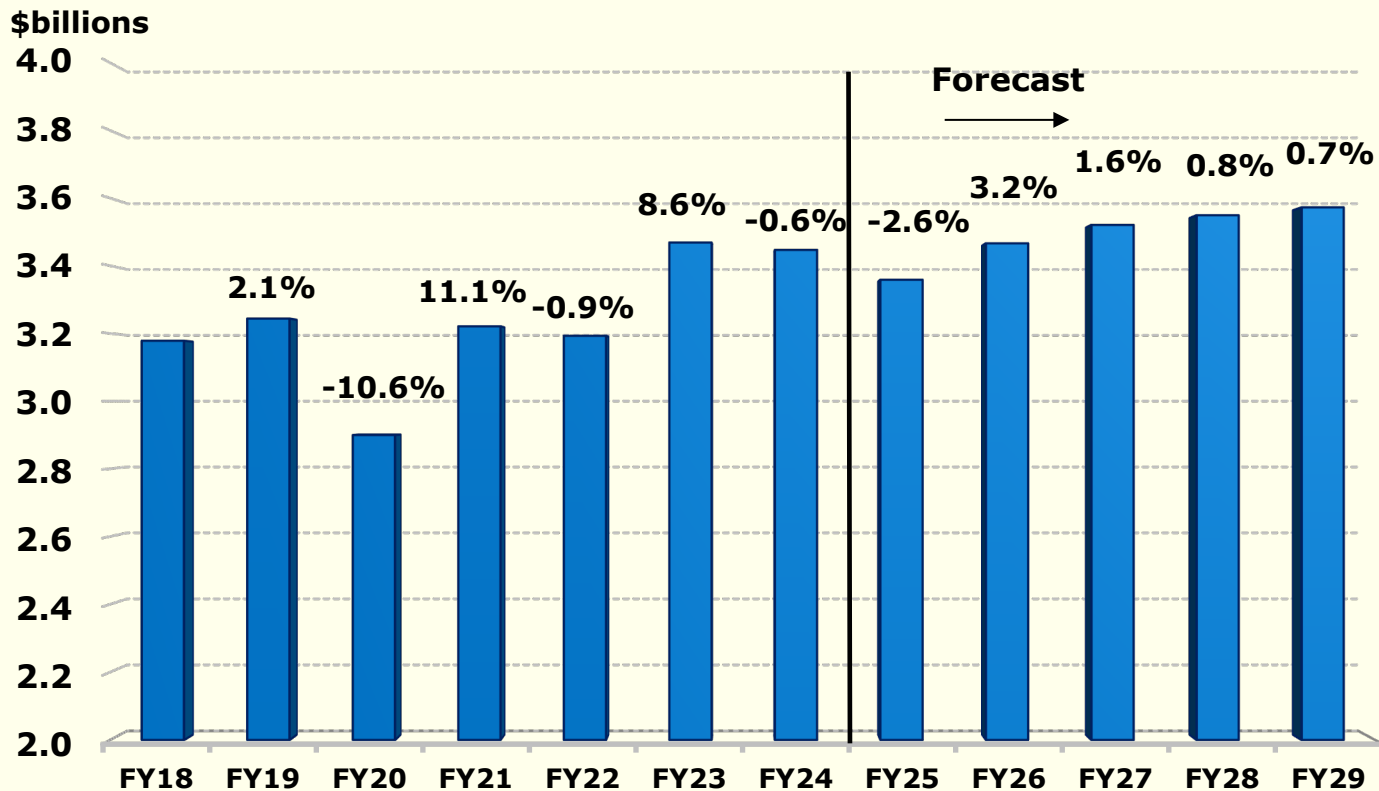
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Transportation revenues are expected to grow over the 2025-2029 period

Chart excludes federal and CCA revenues



Source: TERFC forecast, November 2024



Questions



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