INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS

The following information generally describes the Federal-Aid Highway Program and the procedures involved in the Federal-Aid Highway Program. Title 23 governs the Federal-Aid Highway Program. Except for the information concerning Washington or as otherwise noted, the information in this section is from Title 23, "Financing Federal-aid Highways" prepared in March 2007 by FHWA and "A Guide To Federal-Aid Programs and Projects" from the FHWA website.

The Federal-Aid Highway Program Generally

The Federal-Aid Highway Program is an "umbrella" term that encompasses most of the federal programs providing highway funds to the states, including the Interstate Maintenance Program, the Highway Bridge Replacement and Rehabilitation Program, the National Highway System Program, the Surface Transportation Program, and the Congestion Mitigation and Air Quality Program. The FHWA is the federal agency within the USDOT responsible for administering the Federal-Aid Highway Program. The Federal-Aid Highway Program is financed from the transportation user-related revenues deposited in the Highway Trust Fund. The primary source of revenues in the Highway Trust Fund is derived from federal excise taxes on motor fuels. Other taxes include excise taxes on tires, trucks and trailers, and truck use taxes.

The Federal-Aid Highway Program is a reimbursement program. Once projects are approved by FHWA and funds are obligated, the federal government makes payments to the states for costs as they are incurred on projects. States also may apply to be reimbursed for debt service on obligations issued to finance an approved project. With few exceptions, the federal government does not pay for the entire cost of a federal-aid project. Federal reimbursements are typically required to be matched with state and/or local funds. The maximum federal share is specified in the federal legislation authorizing the program. Most projects have an 80 percent federal share, while interstate rehabilitation and maintenance projects typically have been funded with a 90 percent federal share. The act of obligation commits the federal government to reimburse expenditures on the project up to a predetermined matching share (typically 80 percent). In Washington, the typical federal participation level has been adjusted to 86.5 percent to account for the amount of federal land in Washington. Toll credits are certified by FHWA and may be accumulated and used by a state to satisfy its matching obligation.

Funding under the Federal-Aid Highway Program is provided to states through a multi-step funding cycle that includes: (1) multi-year authorization by Congress of the funding for various highway programs, typically on a multi-year basis; (2) apportionment and allocation of funds to the states each Federal Fiscal Year according to statutory formulas or, for some funding categories, through administrative action; (3) obligation of funds, which is the federal government's commitment to pay or reimburse states for the federal share of an approved project's eligible costs; (4) appropriations by Congress specifying the amount of funds available for the year to liquidate obligations; (5) program implementation, which covers the programming and authorization phases; and (6) reimbursement by the federal government of the eligible project costs. Each of these steps is described in more detail under "Federal Aid Funding Procedures" below.

Title 23 includes most of the laws that govern the Federal-Aid Highway Program arranged systematically or codified. Generally, Title 23 embodies those substantive provisions of highway law that Congress considers to be continuing and that need not be reenacted each time the Federal-Aid Highway Program is reauthorized. Periodically, sections of Title 23 may be amended or repealed through surface transportation acts. Some provisions of surface transportation law are not incorporated into Title 23. In addition, authorization amounts are generally not codified.

Reauthorization and Proposed Legislation

Generally. The Federal-Aid Highway Program must be periodically reauthorized by Congress. Following a number of prior multi-year authorizations, the Transportation Equity Act for the 21st Century ("TEA-21") was enacted in 1998 and authorized programs over the six-year period from Federal Fiscal Years 1998 through 2003. The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users ("SAFETEA-LU") became law on August 10, 2005, and expired on September 30, 2009. Between the expiration of TEA-21 in September 2003, and the enactment of SAFETEA-LU in August 2005, Congress enacted 12 interim authorization measures for varying periods. Since the expiration of SAFETEA-LU in September 2009, the Federal-Aid Highway Program has been extended nine times since its scheduled termination on September 30, 2009. The most recent extension expired on March 31, 2012. On March 29, 2012, Congress passed H.R. 4281, the ninth extension, which extends Highway Trust Fund expenditure authority, taxes and program authorizations through June 30, 2012.

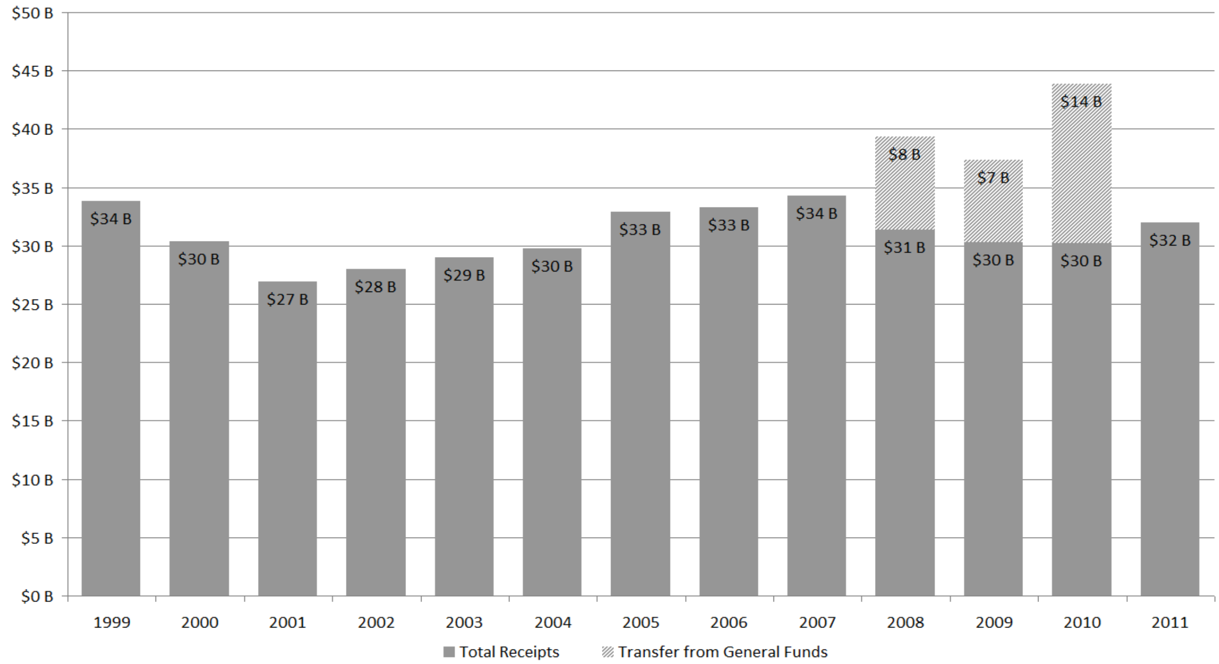
Proposed Legislation for New Multi-Year Authorization. On November 17, 2011, Congress adopted a law providing funding for the USDOT through Federal Fiscal Year 2012 at a level 4.8 percent lower than the prior year ($39.1 billion as compared to $41.1 billion). However, such funding is not equivalent to a multi-year authorization of the Federal-Aid Highway Program. On March 14, 2012, a bill was approved by the Senate authorizing a two-year program that continues Federal Fiscal Year 2011 funding levels plus inflation for surface transportation projects. In the House of Representatives, the Committee on Transportation and Infrastructure passed a five-year reauthorization bill that would continue Federal Fiscal Year 2012 funding levels for surface transportation programs; however, that bill does not have widespread support and House Republican Leaders removed the bill from further consideration. House Republican Leaders continue to search for support for a five-year bill. On April 18, 2012, the House of Representatives passed another 90-day extension of SAFETEA-LU and new program changes that allowed both houses of Congress to appoint conferees to negotiate a long-term reauthorization.

The Federal Highway Trust Fund

The Highway Trust Fund provides the primary funding for the Federal-Aid Highway Program. Funded by a collection of federally-imposed motor vehicle user fees, primarily fuel taxes, the Highway Trust Fund is a fund established by law to hold dedicated highway-user revenues that are used for reimbursement of a state's cost of eligible transportation projects (which may include debt service on obligations issued to finance a federal-aid project), including highway projects. The Highway Trust Fund is composed of two accounts: the Highway Account, which funds construction of highways and intermodal programs and highway safety programs, and the Mass Transit Account, which funds mass transit programs. The Highway Account receives approximately 84 percent of gasoline tax revenues and 88 percent of diesel fuel revenues, with the remaining share of such revenues deposited in the Mass Transit Account.

Federal gasoline excise taxes are the largest revenue source for the Highway Trust Fund. The majority of these tax revenues, including 15.44 cents per gallon out of the current 18.4 cents per gallon federal fuel tax, go to the Highway Account. The following table shows annual Highway Trust Fund collections in the Highway Account for Federal Fiscal Years 1999 through 2011.

Table 1
Highway Trust Fund
Highway Account Receipts -Federal Fiscal Years 1999-2011



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(1) In 2008, the amount of $8,017,000,000 was transferred from the General Fund to the Highway Trust Fund. In 2009, $7,000,000,000 was transferred. In 2010, $14,700,000,000 was moved from the General Fund to the Highway Trust Fund, and $1,065,125 moved to other funds from the Highway Trust Fund.
(2) FFY 1999 to 2010 data from 2010 FE-210 Report (http://www.fhwa.dot.gov/policyinformation/statistics/2010/fe210.cfm).
(3) FFY 2011 data from September 2011 FE-1 Report (http://www.fhwa.dot.gov/highwaytrustfund/fe-1_sep11.pdf).

The imposition of the taxes that are dedicated to the Highway Trust Fund, as well as the authority to place the taxes in the Highway Trust Fund and to expend money from the Highway Trust Fund, all have expiration dates that must be extended periodically by Congress. The life of the Highway Trust Fund has been extended several times since its inception. The Highway Trust Fund is required under current federal law to maintain a positive balance to ensure that prior commitments for distribution of federal revenues can be met.

Amounts in the Highway Trust Fund can be affected by the rate of expenditure of money in the fund as well as a number of revenue-impacting factors. One significant factor is the decline in vehicle miles traveled since 2007, which impacts revenue from gasoline and diesel sales. In response to shortfalls predicted by the Congressional Budget Office ("CBO") as well as other governmental entities, Congress transferred from the federal general fund to the Highway Trust Fund in Federal Fiscal Years 2008, 2009 and 2010, an aggregate total of approximately $34.5 billion, of which approximately $5 billion was provided to the Mass Transit Account within the Highway Trust Fund. CBO assumes that spending from the Highway Trust Fund will continue to be controlled by limitations on obligations set in appropriation acts. For its baseline projections, CBO further assumes that those future limitations on obligations will be equal to the 2012 amounts, adjusted annually for inflation. Under such a scenario, the Highway Account will be unable to meet obligations in a timely manner sometime during 2013.

Funding Equity

The Equity Bonus program, which replaced the Minimum Guarantee program, is designed to ensure that each state receives a specific share of the aggregate funding for major highway programs, with each state guaranteed at least the specified percentage of the state's share of contributions from that state into the Highway Account of the Highway Trust Fund. Under this concept, "donor states" receive a minimum guaranteed level of funding. Since 2005, Washington has received $79.1 million in Equity Bonus and $2.1 million in Minimum Guarantee funding. A donor state is one whose percentage share of national apportionments is less than its percentage share of national contributions to the Highway Account based on the latest data available at the time of apportionment. Using the methodology adopted by FHWA, Washington is a "donor" state, but not by a wide margin, and receives funds under the minimum funding provision. Since the start of SAFETEA-LU in 2005, Washington has received 97 cents for every dollar it contributed.

Federal Aid Funding Procedures

There are three major steps in reimbursing state expenditures under the Federal-Aid Highway Program. The authorization step establishes overall spending authority for federal highway funding. The second step, obligation, is the process through which states make use of, or "obligate," the contract authority (as described under "Authorization" below) that has been apportioned or allocated to them in the authorization process. The third step, program implementation, is the receipt of federal funds by states.

The following summarizes the major steps in funding the Federal-Aid Highway Program.

1. Authorization

The first step in funding the Federal-Aid Highway Program is the development and enactment of authorizing legislation. Authorizing legislation for highways began with the Federal-Aid Road Act of 1916 and the Federal Highway Act of 1921. These acts provided the foundation for the current Federal-Aid Highway Program. The Federal-Aid Highway Program has been continued or renewed through the passage of multi-year authorization acts. Since 1978, Congress has passed highway legislation as part of larger, more comprehensive, multi-year (i.e., four or more years) surface transportation acts. There is no guarantee, however, that reauthorization of the Federal-Aid Highway Program will occur on a multi-year basis in the future. There have only been short-term extensions since the expiration of SAFETEA-LU on September 30, 2009.

The authorization act defines the programs and establishes maximum funding levels. When an authorizing act establishes a program, it sets rules for the amount of funds available in a Federal Fiscal Year, a description of how the funds are to be distributed, the length of time during which the funds may be used, and a list of eligible activities. These can be changed by subsequent acts. Typically, federal programs operate using appropriated budget authority, which means that funds, although authorized, are not available until passage of an appropriations act. Once Congress has established authorizations, funds can be made available to the states. However, most Federal-Aid Highway Programs do not require this two-step process. Through "contract authority," authorized amounts become available for obligation according to the provisions of the authorization act without further legislative action. For the Federal-Aid Highway Program, funds authorized for a Federal Fiscal Year are available for distribution through apportionments of allocations. The contract authority gives the states advance notice of the level of federal funding when an authorization act is enacted; this eliminates the uncertainty associated with the authorization-appropriation sequence. By definition, contract authority is unfunded and a subsequent appropriations act is necessary to pay the obligations under contract authority.

Apportionment and Allocations. For most components of the Federal-Aid Highway Program, the authorization act sets the distribution of contract authority to be apportioned and/or allocated to the states. The authorized amount for a given Federal Fiscal Year is distributed to the states through apportionments and allocations.

Apportionments. The distribution of funds using a formula provided in law is called an apportionment. Most federal-aid funds are distributed to states through apportionments. Each Federal Fiscal Year, the FHWA is responsible for apportioning authorized funding for the various highway programs among the states according to formulas established in the authorizing statute. An apportionment is usually made on the first day of the Federal Fiscal Year for which the funds are authorized. FHWA provides certificates that notify a state of the new funding available for each program. States then have the opportunity to require the federal government to approve the obligation of funds in the various categories. Apportionment factors include items such as lane miles, vehicle miles traveled, taxes paid into the Highway Trust Fund and diesel fuel usage. Each state highway program has a unique set of factors that determine its apportionment. As discussed under "Funding Equity," federal law provides that, notwithstanding the funding it would receive through these formulas, each state shall receive at least a minimum guaranteed amount of funding.

Allocations. Some categories of the Federal-Aid Highway Program do not have a legislatively-mandated distribution formula. When there are no formulas in law, the distributions of funds are termed "allocations," which may be made at any time during the Federal Fiscal Year. In most cases, allocated funds are divided among states with qualifying projects applying general administrative criteria provided in the law.

Federal-aid highway apportionments are available to states for use for more than one year; their availability does not terminate at the end of the Federal Fiscal Year. In general, apportionments are available for three years plus the year that they are apportioned. Consequently, when new apportionments or allocations are made, the amounts are added to a state's carryover apportionments from the previous year. Should a state fail to obligate a year's apportionments within the period of availability (usually a total of four years) specified for a given program, the funds will lapse. It is the practice in Washington to use the oldest apportionment available when obligating funds. This approach prevents the lapsing of apportionment.

2. Obligation

Obligation is the commitment of the federal government to pay, through reimbursement to a state, the federal share of an approved project's eligible costs. This commitment occurs when the project is approved and the project agreement is executed. With prior federal approval, the reimbursement may include debt service on obligations issued to finance a project. Once an obligation is made, the federal government reimburses the states when bills or payments become due.

Once Congress establishes an overall obligation limitation (see ''Obligation Ceiling" below), FHWA distributes Obligation Authority to states proportionately based on each state's share of apportioned and allocated revenues. The actual ratio of Obligation Authority to apportionment and allocations may vary from state to state, since some federal-aid programs are exempt from the obligation limitation. During the Federal Fiscal Year, states submit requests to FHWA to obligate funds, representing the federal share of specific projects. As a state obligates funds, its balance of Obligation Authority is reduced. A state's Obligation Authority (unlike its apportionments and allocations of authorized funding) must be obligated before the end of the Federal Fiscal Year for which it is made available; if not, it will be redistributed to other states to help ensure that the total limitation nation-wide will be used.

Redistribution. A state may receive additional Obligation Authority through a redistribution process each year in August, which re-allocates Obligation Authority from states or programs unable to fully obligate their share to other states that are able to obligate more than their initial share. Since the beginning of SAFETEA-LU in 2005, Washington has received $257.4 million of redistributed Obligation Authority.

Obligation Ceiling. Most of the Federal-Aid Highway Program does not receive budget authority through appropriations acts as do most other federal programs. Congressional appropriations committees use federal-aid highway revenues that states can obligate in a given year (Obligation Authority) as a means of balancing the annual level of highway spending with other federal budget priorities. Congress may, therefore, place a restriction or "ceiling" on the amount of federal assistance that may be obligated during a specified time period. The obligation limitation is the amount of authorized funding that Congress allows states to obligate in an individual year. This is a statutory budgetary control that does not affect the apportionment or allocation of funds. Rather, it controls the rate at which these funds can be used, and, in effect, can limit the amount of funds which can be used.

Although a ceiling on obligations restricts how much funding may be used in a Federal Fiscal Year, generally a state has flexibility within the overall limitation to transfer among certain apportioned highway programs, as long as it does not exceed the ceiling in total. Certain sums may be used only for special purposes once they are apportioned to the states. Generally, the unobligated balance of apportionments or allocations that the state has remaining at the end of any Federal Fiscal Year is carried forward into subsequent Federal Fiscal Years and is available for use, contingent upon the availability of Obligation Authority issued in each year. Generally, if a state does not obligate a particular year's funding within the period of availability, the authority to obligate any remaining amount lapses.

3. Program Implementation

In order to receive federal reimbursements for transportation projects, states are required to develop long-range transportation plans that are based on projections of state and federal funding. Projects are not eligible for federal reimbursements unless they are either directly identified in a long-range plan or consistent with policies and objectives identified in long-range plans and are included in the State Transportation Improvement Plan ("STIP"), which lists all projects proposed for financing in the applicable period. The STIP requires FHWA approval.

States are required to follow federal fiscal management procedures as they implement projects that are included in the STIP. These fiscal management processes are designed to ensure that the process is managed efficiently from project authorization to actual payment of FHWA reimbursements to the state. Further, states are required to use a detailed accounting system to track project expenditures and reimbursements. In addition, a federal system tracks payments to states.

States may request FHWA approval for eligible projects either through the traditional process or through the advance construction procedure as discussed below.

Traditional Approach. Under the traditional highway funding approach, FHWA approves the full federal share of the funding for a project at the beginning of the project or a phase of a project, concurrent with project authorization. The first step in the fiscal management process begins when a state requests authorization to use federal funds on a project. The project sponsor submits plans, specifications and estimates ("PS&Es") for a project to the FHWA, and requests that the FHWA approve the use of federal funding for the appropriate federal share of the project. The project must be in the STIP and PS&Es must identify the category of federal funding that will be used.

FHWA evaluates the PS&Es to verify that the project is eligible for federal funding and meets a variety of federal requirements. Provided that all requirements are satisfied, FHWA authorizes federal participation in the project, and obligates the federal share of project costs. By obligating the funds, the FHWA makes a commitment to reimburse the state for the federal share of eligible project costs. It sets aside the appropriate amount of the state's Obligation Authority and also sets aside an equivalent amount of apportionments by program. Accordingly, the state must have sufficient Obligation Authority to cover the level of federal participation it is requesting.

Once authorization for a project has been obtained, the state advertises the project and receives bids. After the state awards the contract, the state submits a modified agreement to FHWA requesting any necessary adjustments to federal funding to reflect the actual bid amount. The project agreement identifies the funds that are estimated to be expended by the state and the amount that will be reimbursed by the FHWA.

Washington's Stewardship Agreement. While the FHWA is charged with administering the Federal-Aid Highway Program, the Washington State Division of the FHWA has entered into a Stewardship Agreement with WSDOT whereby WSDOT may assume certain project approval authority. Under certain conditions, FHWA has delegated to WSDOT authority for project development and construction, including to approve design reports, design deviations, tied bids, proprietary items, state-furnished materials, PS&E's, concurrence in the award of contracts, claim settlements, all change orders, and other related actions that FHWA typically approves under Title 23.

Advance Construction Approach. FHWA has implemented several fiscal management techniques that provide states additional flexibility in managing their Obligation Authority and cash flow, including advance construction ("AC") and partial conversion of advance construction.

The AC approach allows states to request and receive approval to construct a project in advance of the apportionment of federal-aid funds. This allows states to begin a project before accumulating all of the Obligation Authority needed to cover the federal share of the project. Similar to the traditional approach, the state submits PS&Es to FHWA and requests project authorization. Using advanced construction, however, FHWA is asked to authorize the project without obligating federal funds. A state will provide the up-front financing for the project and then at a later date "convert" the AC project to a regular federal-aid project and obligate the full federal share of the project costs when sufficient Obligation Authority is available. At the time of conversion, a state can be reimbursed for the federal share of costs incurred up to the point of conversion.

Partial conversion of AC is a form of AC in which a state converts, obligates, and receives reimbursement for only a portion of its funding of an AC project in a given year. This removes any requirement to wait until the full amount of Obligation Authority for the project is available. A state can obligate varying amounts for the project's eligible cost in each year, depending on how much of the state's Obligation Authority is available.

Under the Federal-Aid Highway Program, as projects are approved by FHWA, the aggregate dollar amount of each related contract is obligated against the remaining annual amount of Obligation Authority still available to the state. The state then pays the amounts owed under each contract as the work progresses and receives reimbursement from the federal government for the federal share of the total costs. The aggregate amount of reimbursement received by the state in any year is not necessarily equal to the state's apportionment for such year. Many projects and contracts extend over a number of years and, therefore, the aggregate amount made available to the state in any one year, if fully obligated, may be received as reimbursement over a longer period of time relating to the actual pace of construction. Washington expects to have sufficient projects that will qualify to allow it to access all Federal-Aid Highway Program funds made available to it.

Reimbursement. The Federal-Aid Highway Program is a reimbursement program. As work progresses on a federal-aid highway project, a state pays the contractor for completed work from available state funds. The state electronically transmits vouchers for the federal share of completed work and certifies the claims to FHWA for review and approval. The FHWA certifying officer then certifies the claim for payment. Payment is transferred directly from the U.S. Treasury to the state's account by electronic fund transfer. The FHWA's payments are generally deposited in WSDOT's account on the same day reimbursement is requested.

Lapsing of Authorization

All federal programs must be authorized through enacted legislation that defines the programs and establishes maximum funding levels, and for most programs annual appropriations acts are necessary in order to create budget authority. Indeed, for most federal domestic discretionary programs, a lapsed authorization may have little or no effect on a program, so long as revenues are appropriated. For the Federal-Aid Highway Program, the consequences of lapsed authorization caused when Congress fails to enact reauthorization legislation are somewhat different. While Congress may pass interim legislation, the existence of contract authority and a dedicated revenue stream means that the FHWA usually can continue to provide Obligation Authority by administrative action.

Rescission. Since 2005, Congress has taken action to reduce unobligated balances of previously authorized funds by issuing the following rescissions. Not included is a rescission (FHWA Notice N 4510.711) for the end of SAFETEA-LU on September 30, 2009, in the amount of $8.708 billion, which was reversed on March 18, 2010, through H.R. 2847; the state's share of this rescission was $148.1 million.

Rescissions of Unobligated Apportionment Balances

Date	National Amount	Washington's Share	FHWA Notice	Public Law No.
12/28/2005	$ 1,999,999,000	$ 37,089,941	N 4510.578	109-115
03/21/2006	1,143,000,000	21,212,285	N 4510.588	109-148
07/05/2006	702,362,500	13,034,746	N 4510.606	109-234
03/19/2007	3,471,582,000	63,656,419	N 4510.643	110-5
06/20/2007	871,022,000	15,971,433	N 4510.647	110-28
03/04/2008	3,150,000,000	54,088,797	N 4510.673	110-161
04/13/2009	3,150,000,000	53,772,670	N 4510.707	111-8
08/13/2010	2,200,000,000	37,537,831	N 4510.729	111-226
06/30/2011	2,500,000,000	43,727,418	N 4510.735	112-10
Total	$19,187,965,500	$340,091,540		

All of such rescissions were spread among the 50 states on a proportional basis, the first three based on certain Federal Fiscal Year 2006 apportionments, the fourth and fifth on certain Federal Fiscal Year 2007 apportionments, the sixth on certain Federal Fiscal Year 2008 apportionments, the seventh and eighth on certain Federal Fiscal Year 2009 apportionments and the last on certain Federal Fiscal Year 2011 apportionments. The aggregate amount for these rescissions for Washington was $340 million, which was applied to reduce the unobligated apportionment balances from prior years. Further rescissions are possible and may have a more adverse effect on Washington and its highway program. Although rescissions could be large enough to impact Obligation Authority, to date they have not.

Provisions Relating to Debt-Financed Projects

Under 1995 legislation, codified in Section 122 of Title 23, FHWA may reimburse a state for expenses and costs incurred by the state or a political subdivision of the state for an "eligible debt financing instrument," including bonds such as those sold to finance the SR 520 Floating Bridge and Eastside Project. FHWA reimburses eligible debt costs in the same percentage as for the standard construction reimbursement method. In the Memorandum of Understanding signed in fall 2011 for the SR 520 Floating Bridge and Eastside Project, FHWA acknowledges that WSDOT will use toll credits to meet its match requirement. At the time the project agreement is signed with FHWA, a state may elect to seek reimbursement for debt service and related costs in lieu of reimbursement for construction costs. Bond proceeds may be used to fund a project phase, a specific activity, or be limited to a dollar amount per project. Once a project is selected for debt financing, the project is submitted to the FHWA for approval as an AC project.

Various debt-related costs are eligible for reimbursement, including principal and interest payments, issuance costs, insurance, reserve account deposits, capitalized interest, ongoing registrar and paying agent costs, and other costs incidental to a financing.

A state may seek federal-aid reimbursements for eligible bond-related costs as these costs are incurred without regard to the construction status of the project. A state must make arrangements with the FHWA regarding the procedures under which it would submit a billing to FHWA for debt-related costs. A request for debt service payment can be timed so that reimbursements are received shortly before the debt service payment date.

STATE'S PARTICIPATION IN THE FEDERAL-AID HIGHWAY PROGRAM

State Receipts

The following table identifies Washington's Obligation Authority and receipts of federal highway aid revenues from Federal Fiscal Years 2005 through 2011. Washington has historically obligated all of its Obligation Authority in each Federal Fiscal Year and has annually received additional Obligation Authority from the FHWA's redistribution of Obligation Authority not used by some states and allocated programs. The following tables show Washington's annual distribution, the amount of redistributed Obligation Authority, and receipts of federal highway aid revenues.

State's Obligation Authority
($ in millions)

Federal Fiscal Year	Obligation Authority Distribution	Redistributed Obligation Authority	Obligation Authority	Additional Obligation Authority[1]
2005	459.0	19.6	478.6	82.5
2006	449.0	55.4	504.4	226.8
2007	533.3	72.1	605.4	141.5
2008	539.2	16.2	555.4	247.8
2009	559.8	30.7	590.5	732.4
2010	602.9	68.4	671.3	119.8
2011	638.9	10.0	648.9	54.0

(1) Includes $491.3 million in American Recovery and Reinvestment Act (ARRA) obligation authority provided in Federal Fiscal Year 2009. Excludes $35 million provided in TIGER I grants in Federal Fiscal Year 2010 and does not include transfer of obligation authority to other federal agencies, such as the Federal Transit Administration or Federal Public Lands.

Source: WSDOT.

State's Receipts of Federal Highway Aid Revenues
($ in millions)

Federal Fiscal Year	Formula Funds Reimbursed [1]	Additional Funds Reimbursed	Reimbursements	ARRA Funds Reimbursed
2005	472.9	114.3	587.2	0
2006	441.9	112.2	554.1	0
2007	533.2	200.2	733.4	0
2008	565.7	158.3	724.0	0
2009	467.1	178.9	646.0	44.7
2010	341.8	179.1	520.9	300.4
2011	412.3	222.0	634.3	129.7

(1) Reimbursements for projects funded using formula Obligation Authority.

Source: WSDOT. Reimbursements are from Federal Management Information System Report (FMISM80A) showing federal reimbursements by federal program code for years 2005-11.

The following table shows monthly federal highway aid reimbursements received by the state.

State's Monthly Federal-Aid Highway Project Reimbursements
(State Fiscal Years, $ in millions)

	2005	2006	2007	2008	2009	2010	2011
Minimum	18.7	19.8	34.8	32.4	21.8	31.1	33.2
Maximum	72.4	74.6	97.3	82.2	81.2	93.5	57.7
Average	48.3	45.9	57.1	59.4	54.1	49.9	45.5

Source: WSDOT's Transportation Reporting and Accounting Information System (TRAINS) Financial Datamart.

Toll Credits

WSDOT utilizes toll credits to match its federal funded projects and expects to use toll credits as a match for the state's share of costs associated with the SR 520 Floating Bridge and Eastside Project, including as a match for the debt service reimbursements that the state receives for the Series 2012F Bonds and any Additional Bonds. The state will not use toll credits if it is determined that the individual projects have sufficient other state or local match.

To receive toll credits Washington must demonstrate that it has met criteria designated by FHWA, known as the Maintenance-of-Effort ("MOE"). Each year that Washington passes the MOE, it is eligible to certify its toll credits based on its tolling revenues and capital expenditures. To date, Washington has certified approximately $2.3 billion in toll credits, which have been generated entirely from tolls collected on the state system (Tacoma Narrow Bridge and ferry fare collections). The state has accumulated certified toll credits dating back to the early 1990s and currently has $1.8 billion in certified toll credits available. Since the start of SAFETEA-LU in 2005, on average WSDOT has committed $51 million per year of toll credits on qualifying projects.

State's History of Certified Toll Credits, Usage, and Remaining Balance

Federal Fiscal Year	Certified Toll Credits(1)	Toll Credits Used (Expenditures) (2)	Balance Available
1992 to 2004	$978,272,606	$100,646,193	$ 877,626,413
2005	255,959,167	51,166,343	1,082,419,237
2006	274,905,358	44,905,600	1,312,418,995
2007	216,732,756	57,099,844	1,472,051,907
2008	202,809,151	58,523,256	1,616,337,802
2009	176,135,217	46,677,954	1,745,795,065
2010	149,690,023	46,144,000	1,849,341,088
2011	N/A(1)	52,665,363	1,796,675,724
Totals	$2,254,504,278	$457,828,554	

(1) Toll credits are certified at the end of even numbered Federal Fiscal Years.
(2) WSDOT Toll Credits Used includes toll credits applied to projects funded by Federal Transit Administration programs.
Source: WSDOT.

Transportation Revenue Forecast Council

The Transportation Revenue Forecast Council (the "Transportation Forecast Council"), comprised of technical staff of the Department of Licensing, WSDOT and the Economic and Revenue Forecast Council, prepares quarterly forecasts of transportation revenues. The transportation forecast is based in part upon the separate economic and demographic forecasts and assumptions made by the Economic and Revenue Forecast Council. The federal funds forecast for Federal Fiscal Year 2012 is based on the Federal Fiscal Year 2012 appropriations bill signed into law by the President on November 18, 2011. The forecast for Federal Fiscal Year 2013 and beyond assumes a 20 percent apportionment reduction from Federal Fiscal Year 2011 pre-rescission level and assumes a 22 percent reduction in Obligation Authority between Federal Fiscal Year 2011 and Federal Fiscal Year 2013, due to the uncertain nature of the funding in the Highway Trust Fund. Starting in Federal Fiscal Year 2014, the forecast assumes year-over-year growth rates that mirror Washington's fuel consumption forecast growth rates over the forecast horizon.

Budgeting and Programming Federal Funds

WSDOT uses the forecast for Obligation Authority when it budgets and programs projects unlike certain other states that program federal funds at the higher apportionment level. WSDOT estimates the funding targets for the highway construction program by fund type—federal, state and local. Within these funding types are specific amounts with unique requirements attached specifying how, when and where the funds can be spent. Federal-aid funds are distributed in programmatic categories with differing limitations on their usage. This approach allows WSDOT flexibility to meet the changing demands and eligibility requirements of the federal program. WSDOT's financial practice is to use the most restrictive federal programs when initially programming a project. This allows more flexible programs to be available later in the budget and programming process.

WSDOT's overall capital program is referred to as its Capital Improvement and Preservation Program ("CIPP"). The CIPP is a rolling 10-year investment plan divided into five biennia. The first two years (also referred to as a biennium) of the CIPP are funded by the Legislature. The remaining eight years of the 10-year CIPP are project specific. Projects in this eight-year window have been scoped and the solutions have been approved by WSDOT. For certain types of projects, the last two biennia of the CIPP are conceptual solutions. They may be shown with less detail or as lump sum funding levels proposed for various categories of work.

	Definition
Advance Construction	A technique which allows a State to initiate a project using non- federal funds while preserving eligibility for future Federal-aid funds. Eligibility means that FHWA has determined that the project technically qualifies for Federal-aid; however, no present or future Federal funds are committed to the project. After an advance construction project is authorized, the State may convert the project to regular Federal- aid funding provided Federal funds are made available for the project. This can be accomplished as one action, or the project may be partially converted over time.
Allocation	An administrative distribution of funds for programs that do not have statutory distribution formulas.
Apportionment	The distribution of funds as prescribed by a statutory formula provided in law.
Appropriations Act	Action of a legislative body that makes funds available for expenditure with specific limitations as to amount, purpose, and duration. An appropriations act specifies amounts of funds that Congress will make available for the fiscal year to liquidate obligations.
Authorization Act	Substantive language that establishes or continues Federal programs or agencies and establishes an upper limit on the amount of funds for the program(s).
Budget Authority	Empowerment by Congress that allows Federal agencies to incur obligations that will result in the outlay of funds. Budget authority is granted through the appropriations act at the level of appropriations, which may be equal or lower than the originally authorized level of funding.
Capital Expenses	Includes highway construction (e.g., resurfacing, restoration, and rehabilitation improvements; construction of additional lanes, interchanges, and grade separations; and construction of a new facility on a new location) and acquisition of transit vehicles and equipment.
Contract Authority	A form of budget authority that permits obligations to be made in advance of appropriations.
FAHP Funds	All funds received by the state pursuant to its Obligation Authority under the Federal-Aid Highway Program administered by FHWA.
Federal Aid Agreements	Agreements and agreement modifications by and between WSDOT and FHWA with respect to projects entered into in accordance with Title 23.
Fiscal Constraint	A demonstration of sufficient funds (Federal, State, local, and private) to implement proposed transportation system improvements, as well as to operate and maintain the entire system, through the comparison of revenues and costs.
Obligation Authority	The total amount of funds that may be obligated in a given fiscal year. This is comprised of the obligation limitation amount plus the amounts for programs that are exempt from the obligation limitation.
Obligation Limitation	An annual Congressional restriction or ceiling on the amount of Federal assistance that may be obligated during a specific period of time. This is a statutory budgetary contract that does not affect the apportionment or allocation of funds. Rather, it controls the rate at which these funds may be used.
Toll Credits	Approved toll credits eligible to be applied as a credit against the non-Federal share of the cost of any project otherwise required to be paid by the state.