TEXAS TURNPIKE AUTHORITY

Staff Report

to the

Sunset Advisory Commission

July 28, 1978

Legislative Budget Board
Program Evaluation
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INTRODUCTION

This report is submitted pursuant to Section 1.06, Subsection 3 of the Texas Sunset Act and contains a review of the operations of the Texas Turnpike Authority. Termination of the Texas Turnpike Authority has been scheduled for September 1, 1979 unless it is continued by law.

The material contained in the report is divided into three major sections: Background, Review of Operations and Conclusions. The Background section contains a brief history of legislative intent and a discussion of the original need for the Texas Turnpike Authority. The Review of Operations section contains a review of the operation of the agency, and uses the self-evaluation report submitted by the agency as the basis of review unless noted. The information contained in the self-evaluation report was verified, and additional data were obtained through interviews and review of agency files and other data sources. The Conclusions section summarizes the import of material developed in the individual criteria from the standpoint of whether or not Sunset criteria are being met, and develops approaches relative to these findings.

This report is designed to provide an objective view of agency operations based on the evaluation techniques utilized to date. Together with pertinent information obtained from public hearings, a factual base for the final recommendations to the legislature will be provided.

BACKGROUND

HISTORICAL DEVELOPMENT

The Texas Turnpike Authority (TTA) was established in 1953 by the Fifty-third Legislature. In its enabling legislation (Art. 6674V, V.A.C.S.), the agency was authorized to construct, maintain, and operate turnpike projects for the purpose of facilitating the movement of traffic and encouraging the economic development of the state.

In looking at turnpike history prior to the creation of the TTA, it should be noted that toll roads were used in Texas long before the advent of the Authority. In 1841, the Republic of Texas issued a charter to the Houston and Austin Turnpike Company; later, in 1874, the State of Texas authorized the creation of the Macadam and Plank Road Corporations on a toll basis.

While primitive toll roads were known in Texas prior to the turn of the century, the fundamental event preceding modern toll facilities in the state and nation was the rapid increase in automobile usage after 1900. To accommodate this increase, it was widely recognized that more and better highways were needed. However, timely improvement in highway systems were not always forthcoming as a result of limited general tax dollars available for such construction.

Where general tax dollars were insufficient to keep pace with rapidly increasing road demands, the toll concept offered states an alternative method for financing needed construction. In 1938, construction of the Pennsylvania Turnpike marked the first use of this concept by a state for the construction of a modern toll road in the United States. After World War II, other states began to follow Pennsylvania's lead by establishing state authorities or commissions to oversee turnpike construction. Texas joined this group of states in 1953.

The operations of the Texas Turnpike Authority have undergone several

changes in its 25-year history. The remainder of this background section outlines this evolutionary process in terms of Authority administration, responsibilities, and funding.

Administration

The functions of the TTA have historically been carried out by a Board of Directors and its staff. With respect to the board, the enabling legislation of the agency set up a nine-member policy body. This legislation specified that six of the board members were to be appointed by the governor with the advice and consent of the Senate for six-year staggered terms, while the state's three highway commissioners were to serve as ex officio directors of the Authority. All members of the board were to be reimbursed for "actual expenses necessarily incurred in the performance of Authority duties."

These provisions relating to TTA directors have remained unchanged to this date with the exception of board size. In this area, the legislature in 1971 increased the number of board members from 9 to 12 through the addition of three more appointees of the governor.

With regard to the Authority's staff, the number of personnel employed by the agency has varied significantly over time. Most of this variation has resulted from changes in personnel needs associated with the opening, modification, or closing of Authority projects. Personnel most affected by such changes have been Authority toll attendants.

The staffing history of the TTA began with the board's employment of an Engineer-Manager/Secretary-Treasurer in 1954. With the hiring of the head of staff and several other key professional personnel, the Authority was ready to plan towards, and oversee the contracted construction of, the Dallas-Fort Worth

Turnpike. By August 1965, eight years after the 1957 opening of the Turnpike, personnel employed by the agency during its single-project era had increased to 163.

In the eight years following 1965, the size of the Authority's staff increased substantially to reach a level of 313 by July 31, 1973. This increase resulted from the additional manpower demands associated with the 1968 opening of the Dallas North Tollway and several new Turnpike interchanges, as well as the growth in traffic using the agency's facilities.

From 1973 through 1977, the number of agency employees remained at a relatively stable level of approximately 300. Then, in 1978, the Authority's staff size was reduced dramatically to a targeted level of 77 employees. This reduction resulted from the conversion of the Dallas-Fort Worth Turnpike to a free road and the transfer of responsibility for this facility to the State Department of Highways and Public Transportation on January 1, 1978.

Responsibilities

From the inception of the agency to the present date, the overall statutory responsibility of the Authority has been to construct, maintain, and operate turnpike projects. In addressing this mandate, the TTA has over time been responsible for: 1) constructing and managing several turnpike projects; and 2) studying the feasibility of various other potential projects in the state. Agency efforts in these two areas are briefly outlined below.

Projects Operated or Under Construction

In its 25 year history, the Authority has been involved in the construction of three toll facilities: 1) Dallas-Fort Worth Turnpike, 2) Dallas North Tollway, and 3) Mountain Creek Lake Bridge.

As the agency's only legislatively-mandated toll road project, the Dallas-Fort Worth Turnpike was opened to traffic by the Authority in August 1957. As indicated previously, all agency responsibility for operating this project ended on January 1, 1978, upon the facility's transfer to a free road operated by the State Department of Highways and Public Transportation.

The Dallas North Tollway became the TTA's second operating project on February 11, 1968. Today, the agency continues to operate the Tollway as its only project currently open to traffic. As with any Authority project, this facility is scheduled to become a free road after repayment of all bonded indebtedness associated with the project. Though the date of final bond retirement is dependent upon the Authority's ability to accelerate the established amortization rate, all bonds currently outstanding on the Tollway are scheduled to mature in the year 2005.

With regard to the Mountain Creek Lake Bridge, this most recent project of the agency is currently under construction in Dallas County. The bridge is scheduled to be open to traffic on January 1, 1979.

Feasibility Studies

Apart from agency projects operated or under construction, through its history the TTA has studied the feasibility of undertaking the five following toll projects around the state:

> the Mid-Texas Turnpike -- Final approval to conduct initial feasibility studies of this proposed project was given by the Board of Directors in 1970. Lying primarily between Hillsboro and Centerville, the suggested facility was found to be not feasible in 1971.
>
> the Trinity Route of the Dallas-Fort Worth Turnpike -- Authorized for exploratory study in 1970, this proposal called for the construction of a toll road roughly paralleling the Dallas-Fort Worth Turnpike. Lack of authorization to

conduct final feasibility studies by the Texas Highway Commission caused the agency to abandon this potential project in 1974.

the Beltway 8 - West Tollway -- The contract to undertake initial studies of this proposed 27.5 mile project in Houston was approved by the Authority's Board of Directors in July 1975. The contractor's report, issued in December 1975, indicated a lack of feasibility at that time. A recent update of the report showed no change in the original negative conclusion.

the Offatts Bayou Bridge -- Initial feasibility studies of this project were undertaken in 1975, with the contracting engineer's 1976 report indicating feasibility. While conclusive feasibility studies were authorized, work was suspended in December 1977 pending the project's reevaluation by the City of Galveston.

the Houston Ship Channel Bridge -- The contract to conduct initial feasibility studies of this proposed bridge facility in Houston was approved by the Board of Directors in 1976. The consulting engineer's report of February 1977 showed project feasibility, and final studies were subsequently authorized. These final studies supported the conclusion of the initial analyses.

Funding

All operations of the Texas Turnpike Authority have historically been financed from two sources: 1) the sale of turnpike revenue bonds; and 2) the toll, concession, and other miscellaneous revenues derived from the operation of agency toll facilities. This funding scheme was insured by the passage in 1954 of a restrictive constitutional amendment. This amendment specified that the legislature had no authority to grant public money to, or assume any indebtedness of, any agency authorized to construct, maintain, or operate toll roads in Texas (Art. III, Sec. 52b, Texas Constitution).

Within this basic funding framework, major historical developments of a financial nature can be described in terms of: 1) agency projects; and 2) feasibility studies. Looking first at project financing, the Authority's enabling statute requires that each agency project be financed and built by a separate issue of bonds. The proceeds from such issues are to be strictly segregated by project. In keeping with this mandate, the TTA has entered into the following project bonding obligations over time:

> the Dallas-Fort Worth Turnpike -- The Authority's original project was financed through the 1955 sale of two bond issues totalling $58.5 million and bearing coupon interest rates of 2.7 percent and 2 7/8 percent. Though one issue was not due until 1995, all bonds were retired at the end of 1977, 17 years ahead of schedule.
>
> the Dallas North Tollway -- This project was financed through the sale of a 1965 bond issue totalling $33,650,000 and bearing a four percent interest rate. Although this bond issue is due in 2005, the Authority nine years ahead of the bond payout schedule as of July 1978.
>
> the Mountain Creek Lake Bridge -- The construction of this bridge is currently being financed from the 1977 sale of a 30-year bond issue of $9.2 million with an effective interest rate of 7.07 percent.
>
> the Houston Ship Channel Bridge -- As a result of a positive outcome of the final feasibility studies for this project, an associated bond sale of $102 million was negotiated by the Authority in July 1978. Scheduled to mature in the year 2009, these bonds bear a 7.5 percent coupon and a Baa rating.

While the requirement concerning segregated project financing has remained unchanged over time, the 1977 legislature amended the TTA's statute to include a broader definition of the term "project". Subject to certain restrictions, any existing project may be "pooled" with a new project in the same county, with the resulting combination being considered a single turnpike project for purposes of financing and operation. To date, no such designation has been sought by the Authority.

With respect to feasibility study financing, the agency's funding history can be divided into four distinct periods. In the 1953 enabling legislation of the TTA, the State Highway Commission was authorized to provide the Authority with funds necessary to study the feasibility of turnpike projects. Such funds were to be reimbursed to the commission upon the sale of turnpike revenue bonds for the project under study. After the financing of the studies for the Dallas-Fort Worth Turnpike, this brief first period was brought to an end by the passage of a constitutional amendment in 1954 which disallowed the state's granting of public money to the TTA, thus prohibiting the use of Highway Commission funds for financing Authority studies.

The second period of study financing, beginning with the 1954 change in the constitution and ending in 1969, represents an era where no explicit source of funding for feasibility studies was available to the TTA. During this period, the Authority's investigation into the feasibility of the Dallas North Tollway was made possible by the grant of necessary funds from the Central Business District Association of Dallas, the City of Dallas, the Town of Highland Park, and the City of University Park.

In 1969, the Sixty-first Legislature initiated the third period of feasibility study funding by statutorily permitting the Turnpike Authority to use available monies derived from any project to finance studies of potential toll facilities. Apart from exploratory expenses associated with the Dallas-Fort Worth Turnpike and the Dallas North Tollway, and certain preliminary expenses relative to the Houston Ship Channel Bridge, all remaining feasibility studies conducted by the agency have been paid for through this statutory mechanism. The amount expended for these studies, totalling roughly $1.1 million to date, has been borne wholly from

the Special Reserve Maintenance Fund of the Dallas-Fort Worth Turnpike project.

The final period of study financing began in 1977 and continues to the present. In 1977, the TTA's statute was amended a final time to establish a revolving study fund of $1 million. Expenditures from the fund are to be reimbursed from the sale of revenue bonds associated with feasible projects. Additionally, the law provides that municipalities, counties, or private groups or individuals may pay feasibility study costs. As of July 1978, roughly $33,000 from the revolving study fund had been expended for study of the Houston Ship Channel Bridge project.

REVIEW OF OPERATIONS

Criterion 1

The efficiency with which the agency or advisory committee operates.

The review under this criterion centered on financial data and other records of the agency. This information was analyzed to determine if funds available to the agency had been utilized in a reasonable manner to achieve the purposes for which the agency was created and to determine if areas existed in which greater efficiency of operations could be achieved.

The Texas Turnpike Authority is responsible for the planning, construction, and operation of vehicular traffic toll facilities which are initially financed from the proceeds of revenue bonds sold by the Authority for that purpose.

Evaluation of the efficiency of an agency such as the Turnpike Authority may be considered from two basic perspectives: 1) the administration of a state agency in a cost-effective manner; and 2) the operation of financially viable revenue-bond toll facilities.

Administration

The Authority is administered by a Board of Directors responsible for policy direction and an administrative staff responsible for implementation.

Board of Directors

The Board of Directors consists of twelve members, nine of which are appointed by the governor for staggered six year terms, and three of which are members of the State Highway and Public Transportation Commission who serve as ex-officio members. The Board of Directors serves in a policymaking capacity, with primary responsibility for reviewing potential projects, approving contracts, and monitoring current operations.

The attendance record of board members at Turnpike Authority meetings is presented in Exhibit I-1. The three ex officio members have the lowest attendance rate among board directors.

Members of the Board of Directors are reimbursed for actual expenses incurred in the performance of duties, but are not entitled to any additional compensation for their services. Exhibit I-2 presents a summary of expenditures in support of duties by board members for fiscal year 1977. Total expenditures appear to be generally moderate given the size of the board and the number of meetings held.

Staff Administration

Direct administration of the Texas Turnpike Authority is vested in an Engineer-Manager and a Secretary-Treasurer. The evaluation has indicated that operations of the agency are generally conducted in an efficient and timely manner. Authority and responsibility for activities are clearly defined between departments, and tasks are scheduled in an appropriate manner.

Internal operating policies of the Turnpike Authority appear to follow patterns generally accepted among most state agencies. Because the Authority is not part of the state's appropriation process, however, there are certain areas of divergence. Employees of the Authority, for instance, are entitled to reimbursement of actual expenses while travelling on agency business, rather than a specified per diem limit as with most other state agencies.

EXHIBIT I-1

Texas Turnpike Authority
Board Member Attendance
1975-1978

Board Member	Term of Office	Attendance at Meetings 1975 (4)	1976 (3)	1977 (7)	1978 (3)
John P. Thompson (Dallas)	9/75-2/81	3	3	7	3
Joe H. Foy (Houston)	2/77-2/83	2	3	5	2
Gene H. Bishop (Dallas)	9/75-2/81	2	2	1	0
Beaman Fisher (Ft. Worth)	5/77-2/83	3	3	6	3
George W. Hawkes (Arlington)	2/77-2/83	4	3	7	3
V. Frank Holt III (Dallas)	9/75-2/81	4	3	5	3
R. J. Lindley, Jr. (Houston)	2/73-2/79	4	3	6	3
Durwood A. Sutton (Grand Prairie)	4/75-2/79	3	2	6	3
Walter M. Mischer, Jr. (Houston)	8/77-2/79	-	-	2	3
Dee J. Kelly (resigned) (Ft. Worth)	3/73-9/76	4	1	-	-
D. C. Greer (DHPT) (Austin)	2/75-2/81	0	1	1	0
Reagan Houston III (DHPT) (San Antonio)	5/73-2/79	1	1	1	0
Charles E. Simons (DHPT) (Dallas)	2/71-2/77	0	1	3	2

EXHIBIT I-2

Texas Turnpike Authority
Board Member Expenses
Fiscal Year 1977

Member	Amount
John P. Thompson	$ 268.26
Joe H. Foy	498.35
Gene H. Bishop	--
Beaman Fisher	--
George W. Hawkes	227.93
J. Frank Holt III	--
R. V. Lindley, Jr.	110.00
Durwood A. Sutton	--
Walter M. Mischer, Jr.	--
D. C. Greer	99.92
Reagan Houston III	50.00
Charles E. Simons	--
Total	$1,254.46

The evaluation indicated that the Turnpike Authority utilizes the services of outside consultants to a much greater extent than most other state agencies. In addition to contracting services for feasibility and design studies, as well as the actual construction of new toll facilities, the Authority also employs specialized services for certain elements of roadway maintenance, automatic toll equipment maintenance, personnel administration, public relations and sales promotion, as well as legal, audit, trusteeship and security services. Many of these contractual services, however, are requisite to the trust agreements entered into by the Authority in regard to its various projects.

Various functional categories can be identified in the administrative operations of the TTA. A description of major categories follows.

Accounting

The accounting function consists of processing receipts and deposits, preparing internal and external reports, and maintaining accounting records.

By the nature of its operations, the Turnpike Authority is subject to more thorough financial scrutiny than most other state agencies. According to the trust agreements determining operations for each project, the Authority is required to submit monthly financial reports to Trustees, consulting engineers, underwriters and specified bond holders. The Authority is also required to submit an annual report to the governor and the legislature detailing the complete operations of the agency. In addition, the Authority is subject to annual audit by the State Auditor, as well as by an outside independent accounting firm.

The result of previous audits indicate that the accounting procedures utilized by the agency are appropriate and efficient. During the past five years there have been no management letters submitted to the agency by the State Auditor. During

this same period, the independent auditing firm of Peat, Marwick, Mitchell & Co. has issued two management letters. The first of these, issued February 1975, concerned internal controls and accounting procedures in regard to details of cash receipts, damage claims, inventories and payrolls. The second management letter, issued May 1976, referred to accounting procedures for recording of fixed assets in the reserve maintenance fund and capital amounts in the construction and property funds. In both cases, recommendations presented in the management letters have been adopted by the Authority, and no further management letters have been issued since that time.

Data Processing

The primary functions of the data processing division consist of daily auditing of toll attendant receipts, preparation of statistical reports, and processing of payroll records and charge accounts.

During the operation of the Dallas-Fort Worth Turnpike as a toll facility, collection of tolls was accomplished primarily by individual attendants who staffed toll plazas on a three-shift, 24-hour basis. Each attendant was subject to daily auditing of revenues by the data processing division. In addition, the Authority administered a system of charge accounts for the convenience of regular users of the Dallas-Fort Worth Turnpike, and the data processing section assumed responsibility for maintaining and processing these charge accounts. The Dallas North Tollway, on the other hand, is an open-barrier type toll facility requiring a set toll for each barrier, thus allowing the use of automatic toll collection machines and reducing the complexity of toll processing.

In accordance with the trust agreements of the toll projects, a variety of traffic and revenue reports are compiled by the data processing section on a daily,

weekly and monthly basis. The collection of thorough statistical data has facilitated the development of an effective system of internal accounting controls. Additionally, this data provides the basis for appropriate performance and workload measures descriptive of the agency's operations.

General Office

Operations under the general office section include issuing and processing purchase orders, collecting overdue accounts, administering insurance programs, processing workmen's compensation and damage claims, managing rights-of-way, and printing reports and forms for all other departments.

Purchasing is conducted on a bid basis for all amounts above $250, with a telephone bid acceptable for purchases below $500 and a written bid required for purchases above $500. Under emergency circumstances the bid procedure may be deleted, however the order must indicate the reason for lack of anticipation.

Administration of insurance programs, collection of overdue accounts, and processing of damage claims appear to be conducted in an orderly and timely manner. During the period of operation of the Dallas-Fort Worth Turnpike, the agency achieved a collection rate of over 80 percent on damages of Authority property by motorists.

Right-of-way management activities include supervision of appraisals for original acquisition on new projects undertaken by the Authority, as well as ongoing responsibilities in regard to these holdings. The Authority frequently provides the public with base survey data regarding surrounding land. In addition, the Authority occasionally sells excess land which has been acquired for a particular project.

The general office section employs a printer and is responsible for the operation of an agency print shop. Although it is unusual for a state agency of the

Turnpike Authority's size to maintain an in-house print shop, agency personnel indicate that unique reporting requirements entail the utilization of more than 2,800 forms on a recurring basis and justify such expenditure from an efficiency standpoint.

Toll Collection

The toll collection function includes direct responsibility for the collection of toll revenues, general maintenance of the toll plazas, and security arrangements for fund transfers to banks.

The toll collection function has traditionally accounted for the largest component of employment by the Authority, although the number of personnel working in this area has been significantly reduced since divestiture of the Dallas-Fort Worth Turnpike. During peak employment in 1976, there were approximately 190 toll collection attendants working on the Turnpike and approximately 30 attendants working on the Dallas North Tollway. Because the Dallas North Tollway is an open-barrier type toll facility requiring a set fee regardless of trip length, the agency has been able to introduce automatic toll collection machines which greatly reduce required personnel.

Automatic toll collection equipment utilized by the Authority is leased from Automatic Toll Systems, Inc., of Mt. Vernon, N.Y. The Authority reports that installation and maintenance of equipment requires specialized expertise which is more efficiently contracted to an outside firm. This particular firm was originally selected on a bid basis and extensions of the contract have been conducted on a negotiated basis. In regard to the proposed Mountain Creek Lake Bridge toll facility, a toll equipment lease contract has been negotiated with the firm, with the agency having an option to buy the equipment at a later date.

Operations Maintenance and Control

The maintenance and control function of the Turnpike Authority is composed of three separate activities: electrical and mechanical maintenance, roadway maintenance, and traffic control.

The electrical and mechanical maintenance activity generally involves upkeep on roadway illumination, as well as basic structural maintenance of buildings and toll plazas.

The roadway maintenance activity involves landscaping, right-of-way maintenance, and refuse collection along the roadway and shoulders. The Authority utilizes mobile equipment to facilitate light maintenance activities required on projects. For larger maintenance and repair operations, the Authority contracts on a bid basis for the services of outside firms.

Beginning in 1965 on the Dallas -Ft. Worth Turnpike, the Authority operated a "courtesy patrol" which provided assistance to motorists who had experienced mechanical difficulties while traveling on the turnpike. Due to the shorter distances involved, easier access to service facilities, and higher density of police coverage, the courtesy patrol concept was never instituted on the Dallas North Tollway.

The traffic control activity is carried out by the Texas Department of Public Safety through an interagency cooperation contract with the Turnpike Authority. Exhibit I-3 summarizes the allocation of budgeted funds and DPS personnel for traffic control on both the Dallas -Fort Worth Turnpike and the Dallas North Tollway for the years 1975-1977. Since divestiture of the Dallas-Fort Worth Turnpike on December 31, 1977, the Department of Public Safety has gradually reduced personnel commitment to the point where the local police forces of Dallas,

Fort Worth, Arlington and Grand Prairie now assume complete responsibility for patrolling this roadway.

EXHIBIT I-3

Texas Turnpike Authority
Traffic Control
Interagency Contract: Department of Public Safety

	1975		1976		1977	
	Budget	Personnel	Budget	Personnel	Budget	Personnel
Dallas-Ft. Worth Turnpike	$ 747,000	29	$ 780,000	28	$ 834,500	22
Dallas North Tollway	$ 308,400	12	$ 323,400	11	$ 346,800	10
Total	$1,055,400	42*	$1,103,400	40*	$1,181,300	33*

* Personnel allocation represents an average deployment figure. Total personnel includes one DPS Captain acting in a supervisory role over both projects.

Financial Position

The Texas Turnpike Authority has constructed and operated two toll facilities, the Dallas-Ft. Worth Turnpike and the Dallas North Tollway. In addition, the Authority has recently sold revenue bonds for the financing of two more projects, the Mountain Creek Lake Bridge, which is currently under construction, and the Houston Ship Channel Bridge, which is scheduled to begin construction soon.

For each project, repayment of bonded indebtedness as well as the agency's operation in relation to the particular project and maintenance of that project is

paid for entirely from revenues derived from toll fares, concession leases, earnings on investments, and miscellaneous income. No general tax revenues are available from the state. The Authority's financial position is normally presented on a project-by-project basis, due to the particular requirements of each trust agreement.

Dallas-Fort Worth Turnpike

The Dallas-Fort Worth Turnpike was originally constructed out of proceeds from the sale in June 1955 of two separate bond issues totalling $58,500,000. The first of these issues was in the principal amount of $15,000,000 bearing 2.7 percent interest rate and maturing January 1, 1980. The second issue was in the principal amount of $43,500,000, bearing 2.875 percent interest rate and maturing January 1, 1995. Construction on the Turnpike was completed within approximately two years and was opened to traffic on August 27, 1957.

Exhibit I-4 presents a summary of the capitalized project costs for the Dallas-Ft. Worth Turnpike, including right-of-way acquisition, construction, administration, engineering, legal, financing and interest expenses, cumulative through 1976.

Exhibit I-5 presents a summary of revenues and expenditures by category for the Dallas-Ft. Worth Turnpike from 1974-1976. Exhibit I-6 shows a breakdown of expenditures by class for fiscal year 1976.

In accordance with Senate Bill 194, bonded indebtedness on the Dallas-Ft. Worth Turnpike was fully retired 17 years ahead of schedule and transferred as a toll-free highway to the State Department of Highways and Public Transportation on December 31, 1977.

EXHIBIT I-4

Dallas - Ft. Worth Turnpike
Summary of Capitalized Project Costs

	Cumulative through FY 1976
Construction Costs	$ 43,629,264
Right-of-Way Acquisition	10,327,859
Engineering Costs	3,920,660
Administrative and Legal Costs	2,740,723
Financing Costs, Including Discount on Sale of Bonds	1,293,359
Interest Expense	5,670,115
Total	$ 67,581,979

EXHIBIT I-5

Dallas - Ft. Worth Turnpike
Summary of Revenues and Expenditures
FY 1974-1976

	For the Year Ending December 31,		
	1974	1975	1976
Revenue			
Toll Revenue	$ 9,011,808	$ 8,983,065	$ 8,330,150
Income from Concessions and Lessee	536,023	106,703	99,245
Investment Income	26,325	22,747	21,301
Miscellaneous Income	43,464	53,008	59,759
Total Revenue	$ 9,617,620	$ 9,165,523	$ 8,500,455
Expenses by Categories			
Administration	$ 130,387	$ 140,126	$ 152,321
Accounting	45,675	53,723	58,615
General Office	70,186	65,676	77,550
Toll Collection	1,857,102	2,246,358	2,475,957
Data Processing	84,199	92,494	86,880
Roadway Maintenance	367,720	403,973	418,445
Engineering	64,849	65,879	76,728
Electrical & Mechanical	144,798	160,386	191,969
Sales Promotion	16,655	13,670	14,303
Traffic Patrol	565,659	668,857	720,895
Other:			
Utilities	25,155	32,108	38,693
Roadway Lighting Insurance	88,204	115,876	135,676
Subtotal	$ 3,460,589	$ 4,059,126	$ 4,448,032
Extraordinary Expenses		1,335,972	1,107,197
Total Operating Expenses	$ 3,460,589	$ 5,395,098	$ 5,555,229
Excess of Revenues over Expenditures for Debt Services	$ 6,157,031	$ 3,770,425	$ 2,955,226

EXHIBIT I-6

Dallas - Ft. Worth Turnpike
Summary of Expenditures by Class
FY 1976

Expenditures by Class	FY 1976
Salaries and Wages	$ 2,527,206
Employees Retirement and FICA	335,845
Contractual Services:	
Department of Public Safety	574,924
Other Contractual Services	103,298
Repairs, Maintenance and Equipment Rental	226,942
Insurance and Bond Premium	135,676
Auto and Mobile Equipment Expense	101,625
Roadway Lighting Utilities	96,303
Stationery, Printing and Supplies	64,872
Other	281,341
Total	$ 4,448,032

Dallas North Tollway

The Dallas North Tollway was originally constructed out of proceeds from the sale of revenue bonds in the principal amount of $33,650,000 in April 1965. These bonds bear a 4.0 percent interest rate and are scheduled to mature on January 1, 2005.

Exhibit I-7 presents a summary of the capitalized project costs for the Dallas North Tollway, including preliminary studies, right of way acquisition, construction, administration, engineering, maintenance, capitalized interest and bond discount expenses, cumulative through 1976.

Exhibit I-8 presents a summary of revenues and expenditures by category for the Dallas North Tollway from 1974-1976. Exhibit I-9 shows a breakdown of expenditures by class for fiscal year 1976.

Under the terms of the Tollway trust agreement, the bonds outstanding may be redeemed prior to their maturity date. A premium of four percent is to be paid on bonds called for redemption prior to January 1, 1980; the premium is reduced periodically for bonds redeemed subsequent to that date. As of July 1978, Dallas North Tollway bonds totalling $11,690,000 had been retired, which represented 34.7 percent of the total authorized bond issue. Under these circumstances, repayment of bonded indebtedness on the Dallas North Tollway is estimated by the Authority to be nine years ahead of schedule.

Mountain Creek Lake Bridge

The Turnpike Authority authorized in June 1977 the sale of two bond issues totalling $9,200,000 with an overall effective interest rate of 7.07 percent for the financing of the Mountain Creek Lake Bridge. The first of these issues consisted of serial bonds in the principal amount of $4,580,000, maturing annually from 1981 to

EXHIBIT I-7

Dallas North Tollway
Summary of Capitalized Project Costs

Preliminary Costs	$ 385,643
Right-of-Way Acquisition	6,718,925
Construction Costs	22,108,871
Administrative Costs	674,430
Engineering Costs	2,017,415
Miscellaneous Equipment	136,388
Roadway Maintenance	2,666,918
Capitalized Interest and Bond Discount	9,076
Total	$ 34,717,669

EXHIBIT I-8

Dallas North Tollway
Summary of Revenues and Expenditures
FY 1974-1976

	For the Year Ending December 31,		
	1974	1975	1976
Revenue			
Toll Revenue	$ 3,170,424	$ 3,734,121	$ 4,418,958
Other Income	5,588	5,233	7,294
Total Revenue	$ 3,176,012	$ 3,739,354	$ 4,426,252
Expenses by Categories:			
Administration	$ 53,800	$ 58,331	$ 65,686
Accounting	29,273	33,508	29,517
General Office	13,524	13,699	16,164
Engineering	20,623	18,137	22,945
Toll Collection	407,157	431,686	460,593
Sales Promotion	5,226	4,557	4,867
Roadway Maintenance	123,393	146,330	155,320
Traffic Patrol	238,040	273,560	267,502
Data Processing	-	-	13,063
Electrical and Mechanical	43,798	50,634	64,716
Other Expenses:			
Utilities	13,790	16,767	20,826
Roadway Lighting	-	-	-
Insurance	17,695	23,561	28,819
Total Operating Expenses	$ 966,319	$ 1,070,770	$ 1,150,018
Excess of Revenues over Expenditures for Debt Service	$ 2,209,693	$ 2,668,584	$ 3,276,234

EXHIBIT I-9

Dallas North Tollway
Summary of Expenditures by Class
FY 1976

Expenditures by Class	FY 1976
Salaries and Wages	$ 536,797
Employees Retirement and FICA	70,651
Contractual Services:	
Department of Public Safety	212,386
Other Contractual Services	44,230
Toll Collection Equipment Lease Rental	96,835
Roadway Lighting Utilities	36,274
Materials and Supplies	20,542
Repairs, Maintenance and Equipment Rental	18,865
Auto and Mobile Equipment Expenses	15,770
Travel	12,085
Miscellaneous	85,583
Total	$ 1,150,018

1999 and bearing interest rates varying from 6.30 percent to 7.50 percent. The second issue consisted of term bonds in the principal amount of $4,620,000, bearing 7.0 percent interest rate and maturing January 1, 2007.

Construction on the bridge began in July 1977 and the facility is expected to be open to vehicular traffic by January 1979. Exhibit I-10 presents a summary of the total project costs for the Mountain Creek Lake Bridge, as of December 31, 1977.

Houston Ship Channel Bridge

The Turnpike Authority authorized in July 1978 the sale of bonds totalling $102 million for the financing of the Houston Ship Channel Bridge. The bond issue was awarded a rating of Baa, and the coupon rate was set at 7.50 percent. Construction on the project is scheduled to begin prior to January 1979 with a projected completion date of January 1982.

Summary

The Texas Turnpike Authority appears to be administered in an efficient manner. Likewise, the toll facilities which have been built and operated by the Authority have been financially successful revenue bond projects.

The Authority is administered by a 12-member Board of Directors responsible for policy direction, and an administrative staff responsible for implementation. Purpose and responsibility for operations are clearly defined within the agency's program structure. State law and the requirements of the trust agreements governing the agency's various operating projects make the Turnpike Authority subject to thorough financial review by the State Auditor as well as by outside independent accounting firms. These requirements, in turn, have helped to insure the development of an efficient system of data processing and internal controls for

EXHIBIT I-10

Mountain Creek Lake Bridge
Summary of Project Costs

Preliminary Costs	$ 208,591
Engineering and Maintenance	181,104
Right-of-Way Acquisition	20,488
Construction Costs	902,941
Administrative Costs	35,004
Equipment Expenses	832
Financial Costs	362,297
Total	$ 1,711,257

monitoring and accurately reporting the agency's operations.

Toll collection on the Authority's most recent projects has been simplified by the utilization of automatic toll collection equipment which is leased from a private firm. Traffic control on the Authority's toll projects has been carried out by the Texas Department of Public Safety through an interagency cooperation contract. In general terms, the Turnpike Authority appears to utilize the services of outside consultants to a much greater extent than most other state agencies. Many of these contractual services, however, are requisite to the trust agreements entered into by the Authority in regard to its various projects.

The Turnpike Authority has constructed and operated two toll facilities, the Dallas-Fort Worth Turnpike and the Dallas North Tollway, and has recently sold revenue bonds for the financing of two additional projects, the Mountain Creek Lake Bridge, which is currently under construction, and the Houston Ship Channel Bridge, which is scheduled to begin construction soon. The costs of maintaining these facilities as well as operating the agency and redeeming bonds are paid for entirely from revenues derived from toll fares, related concession revenues and earnings on investments.

The Dallas-Fort Worth Turnpike was constructed out of proceeds from the sale in 1955 of revenue bonds in the principal amount of $58,500,000. Bonded indebtedness on the Turnpike was fully retired 17 years ahead of schedule and, in accordance with Senate Bill 194, was transferred as a toll-free highway to the State Department of Highways and Public Transportation on December 31, 1977. The Dallas North Tollway was constructed out of proceeds from the sale in 1965 of revenue bonds in the principal amount of $33,650,000. Currently, Tollway bonds totalling $11,690,000 have been retired, placing the repayment of bonded indebtedness on this facility approximately nine years ahead of schedule.

Criterion 2

An identification of the objectives intended for the agency or advisory committee and the problem or need which the agency or advisory committee was intended to address, the extent to which the objectives have been achieved and any activities of the agency in addition to those granted by statute and the authority for these activities.

The review under this criterion centered on an identification of the agency's statutory objectives as they related to the perceived need and the extent to which agency methods used can reasonably be expected to achieve those objectives. Statutes were reviewed to determine if objectives described in the self-evaluation report presented an accurate reflection of statutory duties. Agency viewpoints were sought to provide additional clarification; and appropriate files were reviewed to collect and verify selected data presented under this criterion.

As stated in the first section of its enabling legislation, the basic statutory objective of the Texas Turnpike Authority is to construct, maintain, and operate turnpike projects for the purpose of facilitating the movement of traffic and encouraging the economic development of the state. For ease of exposition, the efforts undertaken by the Authority to address this objective can be divided into two broad categories of work: 1) planning for the construction of potential turnpike projects, and 2) implementation of such projects through their construction and operation. Below, the substantive programs of work identified by the agency and the related steps and methods used in accomplishing this work are presented in the context of these two major phases of project development.

Planning

Before authorizing the final design and construction of a toll facility, the Texas Turnpike Authority subjects any proposed toll project to a structured period of study and planning. The program identified by the agency as 'Special Studies' is an integral and primary component of the planning phase. Before reviewing the objective and effectiveness of the Special Studies program, however, the overall process used by the TTA in the planning phase should be described.

Planning Process

The study and planning process can be divided into three predominant parts: 1) the cursory review; 2) the preparation of feasibility studies; and 3) the arrangement of financial matters leading to a bond sale.

Cursory Review

The review process of the TTA is initiated when responsible public and private officials (e.g., city councils, county officials, chambers of commerce) request that the Authority consider the construction of a toll facility to meet a perceived transportation need in their area. After receiving such a request, the staff of the agency conduct a cursory investigation to determine whether the suggested facility merits further study as a toll project. According to TTA personnel, a district office of the State Department of Highways and Public Transportation (SDHPT) may be consulted to obtain its input concerning the viability of such a project and its coordination with the overall state highway system.

Feasibility Studies

If the Authority's staff and Board conclude from the cursory review that a proposed project warrants further study, then the next phase of the planning

process involves the preparation of feasibility studies. These studies can be grouped into exploratory and final categories.

With respect to exploratory feasibility studies, these analyses can be undertaken by the Authority only after receiving the approval of the State Highway and Public Transportation Commission. The actual preparation of these studies is carried out by consulting civil and traffic engineering firms selected or approved by the TTA. The time involved in the development of the exploratory studies can typically vary from roughly six months to a year.

If the exploratory reports of the consulting engineers indicate the potential feasibility of a facility as a toll project, the Authority can then proceed to the topic of final, or conclusive, feasibility investigations. As with the exploratory analyses, the State Highway and Public Transportation Commission must give the TTA authorization to undertake final feasibility studies. The conclusive studies are generally carried out by the same civil and traffic engineering consultants utilized by the Authority in the exploratory phase of project investigation. Final feasibility studies for the Authority's latest two projects, the Mountain Creek Lake Bridge and the Houston Ship Channel Bridge, each took approximately one and one-half years to complete.

Financial Arrangements

The final stage in the study and planning phase of a turnpike project concerns bond financing arrangements for the facility. Entry into this last stage is contingent primarily upon 1) a positive determination of project feasibility as evidenced in the final reports of the consulting civil and traffic engineers, 2) approval of route location by the State Highway and Public Transportation Commission, and 3) continued interest and support by responsible local governments

and groups concerned with the project.

In arranging for revenue bond financing, the TTA relies heavily on specialized consulting services. Of major importance are the services of Bond Counsel and Financial Advisor(s) firms, both selected on a negotiated basis. The Bond Counsel is responsible for, among other things, preparation of all documents related to the issuance, validation, and sale of bonds. The Financial Advisor, on the other hand, investigates alternative methods for successfully carrying out a bond sale; additionally, the advising firm may be selected to provide technical or underwriting services relative to the actual marketing of the sale. Also cooperating with the Authority in arranging for a bond sale are, among others, the agency's General Counsel as well as its civil and traffic engineers for a project.

Special Studies Program

In focusing on the feasibility study aspect of the planning process described above, the TTA has identified the following objective for the Special Studies Program:

> . . . . . to pursue feasibility studies of proposed turnpike projects approved by the Board of Directors of the Authority with the concurrence of the State Highway and Public Transportation Commission.

Pursuant to this objective, information supplied by the Authority indicates that the agency has contracted for the development of feasibility studies for eight projects since its creation in 1953. Below, project studies are outlined sequentially.

Dallas-Fort Worth Turnpike

The initial feasibility study of the Dallas-Fort Worth Turnpike was authorized by the Board in December 1953, with contracts for final feasibility and engineering analyses approved for execution in May and January of 1954. These studies indicated feasibility, a conclusion that was later substantiated in the successful

financial operation of the toll road. Study costs of $96,652 were originally borne by the State Department of Highways and Public Transportation and subsequently reimbursed to that agency from the sale of revenue bonds.

Dallas North Tollway

Feasibility studies for the Dallas North Tollway were authorized by the TTA in 1961 and 1962, with the final traffic and revenue study being updated in 1965. Expenditures for these studies amounted to $193,638. Funds necessary to conduct the original studies were provided by the Central Business District Association of Dallas, the City of Dallas, the Town of Highland Park, and the City of University Park.

Though an initial study questioned project feasibility, later analyses provided support concerning construction of the facility as a toll project. As a result, bonds to finance the facility were sold and feasibility study costs reimbursed to each source from bond proceeds. Over time, the determination of project feasibility has been supported through the successful financial operation of the Tollway.

Mid-Texas Turnpike

Exploratory studies for a Mid-Texas Turnpike were conducted in 1970. Lying primarily between, Hillsboro and Centerville and connecting Interstate Highways 35 and 45, this proposed project of approximately 100 miles was judged to fall well short of feasibility. Study costs of $37,500 were financed from the Special Reserve Maintenance Fund of the Dallas-Fort Worth Turnpike and were written off in December 1971.

Trinity Route of the Dallas-Fort Worth Turnpike

Contracts to conduct various feasibility studies for this parallel route to the Dallas-Fort Worth Turnpike were authorized by the TTA Board in the period from

1970 through 1973. Though preliminary engineering studies indicated project feasibility, final analyses were not authorized by the State Highway and Public Transportation Commission. In rejecting the TTA's request, the Commission indicated in a minute order of March 1974 that "a decision on further studies relative to the proposed Trinity Route between Dallas and Fort Worth should not be made until both public agencies are in a better position to judge traffic and transportation requirements in this area."

Before the action of the Commission brought this proposed project to a close, approximately $700,000 had been expended for preliminary feasibility and design studies. Funds for these expenditures were made available from the Dallas-Fort Worth Turnpike project. All costs pertaining to the proposed Trinity Route were written off in December 1976.

Mountain Creek Lake Bridge

Initial investigations of the Mountain Creek Lake Bridge were authorized by the Board in 1974. This two-mile project connecting the eastern spur and western spur of State Highway 303 across Mountain Creek Lake in Grand Prairie was judged to be financially feasible, and bonds to finance this project were sold in June 1977. Total study costs of $98,634 were originally provided out of the Special Reserve Maintenance Fund of the Dallas-Fort Worth Turnpike, which was subsequently reimbursed out of proceeds from the sale of bonds. This project is currently under construction with a projected completion date of January 1979.

Beltway - 8 West Tollway

Proposed as a 27.5 mile connecting element of an outerbelt roadway which in its entirety would encircle Houston, a contract for initial exploratory studies for the Beltway-8 West Tollway was authorized by the Board in July 1975. On the basis

of these investigations, the project was judged to fall short of feasibility, although the initial studies indicated that bond market conditions should continue to be monitored for possible enabling changes. In October 1976, the Board approved a feasibility assessment update which again found the project to be not feasible. Total study costs of $49,400 were financed from the Special Reserve Maintenance Fund of the Dallas-Fort Worth Turnpike and were written off in December 1977.

Offatts Bayou Bridge

Exploratory investigations for the Offatts Bayou Bridge were authorized by the Board in 1975. This 4.1-mile project, which would have connected Interstate 45 to F.M. 3005 across Offatts Bayou in Galveston, initially indicated sufficient feasibility to warrant further investigation. Final feasibility studies were authorized by the Board in May 1976; however, work on these investigations was suspended in December 1977 because of lack of sufficient interest at the local level. Total study costs of $37,003 were financed from the Special Reserve Maintenance fund of the Dallas-Fort Worth Turnpike.

Houston Ship Channel Bridge

Feasibility studies for the Houston Ship Channel Bridge were authorized in July 1976. This four-mile project connecting I-10 and S.H. 225 across the Houston Ship Channel was judged to be feasible and sale of bonds to finance the project was initiated in July 1978. Because the planning phase of this project has extended over the period during which provisions of SB 194 became effective, study costs have been provided out of two separate sources: $210,932 were financed out of the Special Reserve Maintenance Fund of the Dallas-Fort Worth Turnpike; and $33,330 were financed out of the newly created Texas Turnpike Authority Feasibility Study Fund through May 31, 1978. Total study costs of $244,265 will be reimbursed to

each respective source following the closing of the bond sale in August 1978.

Effectiveness of Planning Process

The Turnpike Authority's planning function derives from its broad legislative mandate to construct toll facilities. As a necessary preliminary to construction, the agency has undertaken specific planning activities. The effectiveness of the agency's performance in this area can be evaluated from two interrelated perspectives: 1) achievement of the objective of the special studies program, and 2) adequacy of the planning process utilized by the Turnpike Authority.

Special Studies Program

In its self-evaluation report, the Turnpike Authority identifies as its objective in the special studies program:

> . . . . . to pursue feasibility studies of proposed turnpike projects approved by the Board of Directors of the Authority with the concurrence of the State Highway and Public Transportation Commission.

The evaluation has indicated that the feasibility studies undertaken by consultant firms on behalf of the Turnpike Authority appear to have been of good technical quality. Implicit in the achievement of objectives in this area, however, is the degree to which investigative resources have been directed toward realistic alternatives reflecting implementation potential. In this regard, only four of eight potential projects investigated by the Turnpike Authority have thus far proceeded to actual construction. Cost analysis of the engineering consultant contracts for these eight projects indicates that approximately $633,000 has been expended on projects leading to construction, while over $822,000, or about 56% of the total engineering consultant expenditures, have been applied toward projects which have thus far fallen short of feasibility. These ratios are to some extent reflective of the adequacy of the Authority's coordinative role in the overall planning process.

Planning Process

The overall planning process, consisting of cursory review, feasibility studies, and financial arrangements leading to bond sale, is organized on an informal basis but appears to follow a logical and orderly pattern in most cases. Apart from the statutory requirements for State Highway and Public Transportation Commission approval of Authority activities at particular points in the planning process, there are no formal written guidelines for overall project planning by the Turnpike Authority. Authority personnel indicate that process flexibility is required because of the wide variability in the nature of the projects undertaken. However, the record of Authority planning projects indicates that there have been instances which suggest certain problems regarding systematic coordination with the State Department of Highways and Public Transportation as well as other political subdivisions of the state. Feasibility studies on the Trinity Route of the Dallas-Fort Worth Turnpike extended well beyond the exploratory phases and accounted for nearly $700,000 in consultant engineering fees before restriction by the State Highway and Public Transportation Commission. In the case of the Offatts Bayou Bridge in Galveston, planning activities proceeded to the final feasibility stage before involvement was suspended due to withdrawal of political support by a newly elected city council. These instances suggest that, on the one hand, procedures for preliminary coordination with SDHPT staff and Commission may be inadequate in certain cases and that, on the other hand, means for insuring local government commitment for Authority projects may be insufficient.

Review of the overall planning process has included consideration of the consultant selection procedures utilized by the Turnpike Authority. Article 6252 - 11c, V.A.C.S., requires that state agencies utilize a bid procedure for selection of

private consultants on any contract in excess of $10,000. However, the act does not apply to employment of professional engineers, architects or legal counsel; therefore, the Turnpike Authority is not legally required to solicit competitive offers for services from consultant engineering firms in regard to project feasibility studies. Instead, the Authority selects primary consultants on a negotiated basis. The agency reports that specific criteria are utilized in this selection process; however, these criteria reflect the importance placed by the Authority upon prior experience with particular firms and individuals.

There are only a limited number of engineering firms which are recognized as authorities in this field. Nevertheless, the Turnpike Authority has relied predominantly upon the services of two particular firms for the bulk of feasibility study contracts on its various projects during the past 25 years. These two firms have received study contract awards totalling over $1.23 million and comprising approximately 87 percent of all expenditures by the Turnpike Authority for feasibility studies. Given the level of consultant utilization by the Turnpike Authority, this degree of consultant concentration may detract from the economical and efficient operation of the planning process.

Implementation

Following completion of the agency's planning phase, including approval of feasibility studies as well as the various financial arrangements leading to the bond sale, the Turnpike Authority undertakes the implementation phase of project construction and operation. This phase of Authority involvement extends over the entire duration of a toll project and is the aspect of operations with which the agency is most commonly identified. Before discussing objectives of the various toll projects and their accomplishment, however, it is useful to describe certain

general processes utilized by the Turnpike Authority during the construction and operational phase.

Construction and Operation Processes

During the period of organizational arrangements leading toward the sale of bonds, the Authority selects a General Consultant responsible for the preparation of final detailed plans and the supervision and inspection of actual construction activities. The General Consultant is appointed upon motion of the Board of Directors and is generally the primary engineering consultant previously responsible for developing the feasibility studies, thereby insuring continuity of professional responsibility from preliminary design stages to project completion.

The construction phase includes the retention of certain specialized engineering services as well as the completion of a variety of construction work carried out by private contractors. Selection of engineering sub-consultants is carried out on a negotiated basis by a special committee which is generally composed of representatives of the Turnpike Authority, the General Consultant, and the agency's Legal Counsel. Selection of construction contractors, on the other hand, is carried out on the basis of competive bids which are solicited from a list of qualified bidders supplied to the Turnpike Authority by the State Department of Highways and Public Transportation. Results of the bidding process are reviewed by the General Consultant for conformity to anticipated cost before contracts are approved.

Once construction on a project is completed and the facility is opened for use, the Turnpike Authority assumes operational responsibilities from that time until bonded indebtedness is retired and the facility is transferred to the State Department of Highways and Public Transportation. During this period, the

Turnpike Authority exercises both administrative and field operational responsibilities.

Administrative responsibilities include overall policy direction as well as accounting, data processing, and general office operations. Although the Authority retains its own staff with direct responsibilities in these areas, as pointed out in Criterion 1, the agency relies to a great extent upon the services of outside consultants for personnel administration, public relations, sales promotion, as well as legal audit and trusteeship services.

Field operational responsibilities include toll collection, roadway maintenance, electrical and mechanical maintenance, and traffic control. The Turnpike Authority retains the services of outside consultants for certain elements of roadway maintenance, automatic toll collection equipment maintenance, and security services. Traffic control functions are carried out by the Department of Public Safety through interagency contractual arrangements.

Ongoing Projects of the Authority

At the time of submission of its self-evaluation report in late 1977, the TTA had been involved in the operation or construction of three turnpike facilities: the Dallas-Fort Worth Turnpike, the Dallas North Tollway, and the Mountain Creek Lake Bridge. In July 1978, however, the Houston Ship Channel Bridge project also entered the construction phase after the negotiation of a bond sale.

Below, information concerning the objectives and effectiveness of the first three projects is briefly set forth. Given the recent sale of bonds for the Houston Ship Channel Bridge and the lack of actual construction work to date, such information is not available for this last project.

Dallas-Fort Worth Turnpike

In its self-evaluation report, the TTA identifies the following objective for the Dallas-Fort Worth Turnpike program:

> . . . . to operate the Dallas-Fort Worth Turnpike in a safe and efficient manner and retire outstanding revenue bonds annually in accordance with a prescribed amortization schedule in the Trust Agreement.

To evaluate the degree to which this objective has been achieved, basic information necessary includes: 1) timeliness of construction completion; 2) degree of vehicular utilization; 3) acceptability of road maintenance work; 4) safety of the facility; and 5) compliance with the bond retirement schedule. In the area of construction, this stage of facility development began in September 1955. Projected to be opened to traffic in July 1957, the Turnpike's first day of operation actually occurred two months later in August 1957.

From the first full year of its operation in 1958 through its transfer to the State Department of Highways and Public Transportation at the end of 1977, the Dallas-Fort Worth Turnpike experienced substantial increases in yearly traffic volumes. Over this period, Exhibit II-1 shows that vehicle trips increased from 5.85 million to 34.42 million yearly, representing a growth of 488 percent; additionally, the increase in vehicle miles travelled from 123.1 million to 396.3 million represents growth of 222 percent in this use measure.

One possible factor influencing the utilization of the Dallas-Fort Worth Turnpike is the facility's state of repair. In this regard, the trust agreement for the project required that the condition of the facility be evaluated annually by independent consulting engineers. A review of resulting engineer reports indicates that the Turnpike has been maintained in generally good condition throughout its history as a toll facility. Moreover, the State Highway and Public Transportation

Exhibit II-1
Texas Turnpike Authority
Vehicle Use of the Dallas-Fort Worth Turnpike*

Year	Vehicle Trips Recorded	Vehicle Miles Travelled	Year	Vehicle Trips Recorded	Vehicle Miles Travelled
1958	5,853,477	123,080,981	1968	24,951,319	341,630,920
1959	7,335,353	142,495,720	1969	27,751,745	385,993,426
1960	8,233,353	154,755,450	1970	28,961,296	408,743,180
1961	8,894,459	161,809,645	1971	30,443,779	430,384,736
1962	9,296,792	168,842,579	1972	25,205,949	435,692,156
1963	10,083,076	181,356,522	1973	34,072,254	471,353,323
1964	11,246,180	196,887,263	1974	31,741,958	414,876,658
1965	15,760,385	224,133,250	1975	32,682,837	413,423,670
1966	19,561,881	264,601,121	1976	32,615,605	385,548,131
1967	22,729,182	304,301,251	1977	34,419,116	396,259,501

*This exhibit presents information covering each full year of project operation. Data used include both trips made and mileage travelled by non-revenue vehicles.

Commission acknowledged the good condition of the Turnpike when responsibility for the facility was transferred to that agency after retirement of all bonded indebtedness in December 1977. Under the TTA's statute, the Commission can reject such a transfer if the facility is not in good condition and repair.

From a review of the annual and self-evaluation reports of the Authority, it would appear that the Dallas-Fort Worth Turnpike enjoys a favorable safety record relative to other turnpike and highway facilities. In 1974, 1975 and 1976, the fatality rate per 100 million miles travelled on the Turnpike project was 0.5, 0.7, and 0.3, respectively; in comparison, the equivalent figures for all United States toll roads in those years were 1.3, 1.3, and 1.2.

Finally, a review of the Authority's bond amortization schedule for the Dallas-Fort Worth Turnpike shows that final debt retirement was scheduled for 1995. However, all bonds were retired 17 years ahead of schedule at the end of 1977.

Dallas North Tollway

The TTA has identified the following objective for the Dallas North Tollway Program:

> . . . . to operate the Dallas North Tollway in a safe and efficient manner, meet annual estimated net revenues of the Tollway as defined in the Trust Agreement, and retire outstanding revenue bonds on or before January 1, 2005.

The Authority's success in meeting this objective can be measured through the use of the same types of information presented for the Dallas-Fort Worth Turnpike. Relative to construction time, ground was broken on the DNT project in March 1966. Scheduled to be open to traffic by mid 1967, the first segment of the Tollway actually went into operation in February 1968. According to annual reports of the Authority, this delay was precipitated by a sustained period of unfavorable weather toward the end of 1967.

Since its opening, the volume of traffic using the Tollway has increased significantly. Exhibit II-2 indicates that, from its first full year of operation in 1969 through 1977, the number of vehicle trips recorded has grown from 14.85 million to 21.61 million, while the number of vehicle miles travelled has increased from 73.56 million to 150.27 million. These figures represent increases of 46 percent and 104 percent, respectively.

As in the case of the Dallas-Fort Worth Turnpike, the Dallas North Tollway project has developed favorable records in the areas of safety, road maintenance, and bond retirement. In the ten years of Tollway operation, two deaths have been, recorded on the facility. In addition, throughout this period independent consultant engineers hired pursuant to the DNT trust agreement have generally verified the adequacy of the project's condition.

Finally, in the area of project finance, tolls charged by the Authority have been increased twice as a result of shortfalls from the annual project earnings targeted in the trust agreement. However, revenues generated through the operation of the Tollway over time have been sufficient to place the TTA nine years ahead of its bond retirement schedule as of July 1978.

Mountain Creek Lake Bridge

Paraphrasing from the agency's self-evaluation report, the current objective of the Mountain Creek Lake Bridge Program is the following:

> . . . . to construct a turnpike project in the southwestern part of Dallas County extending for approximately two miles and crossing Mountain Creek Lake.

Construction on this $9.2 million project was begun on August 10, 1977, and was originally set for completion in January 1979. As of July 1978, it appeared that construction was progressing close to schedule and within budgeted amounts.

Exhibit II-2
Texas Turnpike Authority
Vehicle Use of the Dallas North Tollway*

Year	Vehicle Trips Recorded	Vehicle Miles Travelled
1969	14,854,966	73,560,087
1970	16,003,809	79,065,664
1971	15,817,523	77,740,005
1972	17,132,240	83,963,886
1973	18,834,673	92,384,073
1974	17,541,524	86,270,184
1975	17,893,748	88,339,453
1976	19,244,215	101,963,038
1977	21,614,231	150,268,031

*This exhibit presents information covering each full year of project operation.
Data used include both trips made and mileage travelled by non-revenue vehicles.

Effectiveness of Project Implementation

Under its statutory charge to construct, maintain, and operate turnpike projects, the Texas Turnpike Authority has been involved in the actual construction or operation of three toll facilities since its creation in 1953: the Dallas-Fort Worth Turnpike, the Dallas North Tollway, and the Mountain Creek Lake Bridge. Additionally, in July 1978 a bond sale was initiated to finance the construction of a fourth project, the Houston Ship Channel Bridge. The initiation and operation of these projects indicate that, particularly in recent years, the Authority has been generally active in the exercise of its statutory functions.

The effectiveness of such agency action can be judged largely on the degree to which stated objectives of the various turnpike projects have been achieved. In this regard, the project goals outlined by the TTA appear to have been satisfactorily addressed. Projects have generally been completed in a timely fashion, maintained in good repair, and borne increasing traffic loads. Additionally, the safety and financial records of facilities constructed and operated by the facility have been good. Finally, as indicated in Criterion 1, processes used to manage these projects on a day-to-day basis appear to function efficiently.

Summary

The Texas Turnpike Authority is statutorily authorized and empowered to construct, maintain and operate toll facilities and to issue revenue bonds for these purposes. In pursuit of these objectives, the agency undertakes a variety of interrelated tasks which can be broadly categorized into planning and implementation phases.

The planning process involves a cursory review by Authority personnel, a

period of feasibility studies conducted by engineering consultants, and the arrangement of financial matters leading to bond sale. Implicit in this process is the statutory requirement for coordination with the State Department of Highways and Public Transportation (SDHPT). This coordination is effected through the approval of project feasibility studies and route by the SDHPT Commission.

The Authority has carried out planning studies in regard to eight potential projects, four of which have proceeded to the implementation phase. Of the four project studies which were not implemented, two were judged not to be financially feasible. The remaining two projects were initially judged to be feasible and proceeded to the final feasibility study phase. One of these projects, the Trinity Route of the Dallas-Fort Worth Turnpike, was halted by the SDHPT Commission due to lack of immediate need. The other project, the Offatts Bayou Bridge in Galveston, was suspended by the Authority due to withdrawal of political support by a newly elected city council. These instances suggest that there have been certain inadequacies with respect to preliminary coordination with the SDHPT and to the means available to insure continuing local government commitment to Authority projects.

The Authority's implementation phase includes construction and operation, and extends over the entire duration of a project. Construction is carried out by private contractors supervised by a General Consultant which is normally the primary feasibility consultant. The Authority's operational responsibilities include both administrative and field operations directed toward collecting tolls, maintaining facilities, monitoring operations and servicing bonded indebtedness.

To date, the Authority has been involved in the operation or construction of three vehicular toll facilities: The Dallas-Fort Worth Turnpike, the Dallas North

Tollway, and the Mountain Creek Lake Bridge. In general terms, the Turnpike Authority has been effective in achieving the objectives of timely completion of projects, satisfactory maintenance, increasing vehicular utilization, and long-run financial viability.

Criterion 3

An assessment of less restrictive or other alternative methods of performing any regulation that the agency performs which could adequately protect the public.

The functions performed by the Texas Turnpike Authority are not essentially regulatory in nature; therefore, analysis centering on less restrictive methods of carrying out agency functions is not generally applicable to the Authority. Instead, the review under this criterion was designed to document both similarities and differences between the toll road laws and operations of toll facilities in the various states in order to identify alternative solutions to issues associated with current toll financing legislation.

In conducting this review, provisions of the statute setting up the Texas Turnpike Authority (Article 6674v, V.A.C.S.) were analyzed with reference to information obtained from: 1) a telephone survey of 28 other turnpike and toll bridge authorities, as well as 2) a survey of 120 toll authorities published in Law of Turnpikes and Toll Bridges. Results of the analysis are presented below following a presentation of historical information that provides the basis of modern toll road legislation.

Historical Perspective

Since 1800, turnpikes and toll bridges have been a viable alternative to public management and financing of the highway system. Public policy has varied from time to time with respect to both toll bridges and toll roads. The use of toll financing of bridges has long been a more acceptable practice as opposed to the more controversial application of this funding mechanism to turnpikes. Highways, as a rule, have been public facilities, built and maintained primarily by general user

taxes. Many of the issues concerning the use of toll facilities today have been shaped by the American experience with turnpikes and toll roads in the 19th century.

The first major programs to construct turnpikes began in 1800 when states were unable to finance the large public road programs needed. Between 1800 and 1830 several hundred private corporations were chartered by state legislatures. These companies, in turn, constructed 8,000 miles of turnpikes.

Toll roads were originally conceived to provide primarily long distance interregional travel. Toll financing was perceived as appropriate in this instance since local governments felt that the cost of highways to benefit long distance travelers, merchants and freight haulers should not be assumed by local municipalities.

By the 1830's many turnpike companies who 1) built roads in areas where the volume of traffic could not support the investment; 2) had underestimated the cost of continued maintenance and administration of these roads; and 3) were inexperienced in corporate management and finance, fell prey to the competition from railroads and canals. Toll bridges fared better than toll roads at this time because maintenance problems were less and there were fewer alternative routes to compete for their traffic volume.

Private interests continued to construct and operate toll roads on a reduced scale throughout the 19th century. Due to the earlier failures in the first half of the century, charters and laws relating to turnpikes became increasingly restrictive. To prevent private turnpike companies faced with financial failure from abandoning the facilities without provision for the assumption of responsibility by another party, 'turnpike legislation often included specific provisions for the

dissolution of toll companies and the orderly transfer of responsibility to local governmental units.

By 1900 the original impetus behind the construction of toll roads as seen in the need for private capital to assist states in providing transportation and communication and to finance the shift in the maintenance burden from local citizens to the toll facility users had passed. States could now afford to construct "free" highways and general sentiment favored public control since roads were seen as general utilities that should be available to all citizens. As a result, turnpikes ceased to be a significant factor in national highway policy until the 1930's.

The backlog in highway construction that had accumulated during the war years plus the unprecedented rise in the use of motor vehicles made it difficult for revenues from fuel taxes and license fees to accommodate the needed highway modernization programs. Where before, toll facilities were often conceived as facilitating long-distance interregional traffic, toll roads were now proposed for use only in areas where high population and traffic densities warranted their use. Legislation drafted during this period in the various states not only addressed the 19th century concerns for responsibility and financial stability of toll authorities but also dealt with the problem of how to integrate toll financed facilities and administrations with existing state and federal administration and financial structures. The following sections address the varying approaches to the toll financing concept that are expressed in such legislation.

Legislative Issues

Statement of Policy

The use of tolls on public transportation facilities requires legislative approval and authorization, either general or specific. Among states with toll

agencies, this authority ranges from the power to franchise other public or quasi-public agencies to the specific authorization to operate only one toll facility. Texas, as in almost two-thirds of the instances observed, has general authority to construct and operate turnpikes statewide. While not all state statutes contain a statement of policy concerning toll facilities, Article 6674v, V.A.C.S., clearly states that the objectives of the TTA are as follows:

> to facilitate vehicular traffic throughout the state, to promote the agricultural and industrial development of the state, to assist in effecting traffic safety, to provide for the construction of modern expressways, and to provide better connections between highways of the State of Texas and the highway system of adjoining states.

Specifying objectives such as these are useful since toll facilities often constitute a special case within the overall transportation system.

Debt Limitations

Section 2 of the TTA statute specifies that "turnpike revenue bonds issued under the provisions of this Act shall not be deemed to constitute a debt of the State or any political subdivision thereof ...". Such prohibitions are the rule rather than the exception among states utilizing toll facilities. These limitations on subsidies or loans of credit force toll authorities to borrow in their own right as independent corporate bodies. In addition to the Article 6674v prohibition Article III, Section 52b, of the Texas Constitution specifically prohibits the legislature from lending the credit of the state or granting any public money, or assuming any indebtedness, present or future, bonded or otherwise, of any political entity now or hereafter authorized to construct, maintain, or operate toll roads and turnpikes within this state.

Similar provisions have been challenged in the courts in California, Alabama and New Jersey between 1931 and 1949. The decisions in these cases upheld the view that revenue bonds issued by toll agencies do not constitute "debts" of the

state even though state agencies and state funds are used in the operation and maintenance of the toll facility or the facility is leased to or thereafter operated by the state highway commission. In 1954, the Michigan Supreme Court held that although a bridge authority was an agency of the state, the constitutional limitation on public debt did not apply because both the bonds and the statute authorizing their issuance specified that they were to be revenue bonds and not general obligation bonds of the state. In 1960, a court decision upheld Oklahoma legislation authorizing apportionment of the motor fuel taxes collected on turnpikes to a trust fund to be used as a guarantee for payment of interest on turnpike revenue bonds for future construction. The decision stated that the allocation of motor fuel tax funds was an apportionment of funds rather than a permanent pledge of tax revenues.

Agency Administration and Organization

Most toll facilities are operated by special corporate organizations within the state which are neither governmental agencies nor public corporations. These "public authorities" are corporate bodies, created by legislation, functioning outside of state and local government and possessing the legal authority to acquire, finance, construct and operate toll facilities. These authorities share certain functional similarities in that they often operate with autonomy in personnel, accounting, budgeting, contracting, financial, and legal matters. Such "public authorities" are most unique in their ability to use revenue bond financing to support their activities, thus being independent of state appropriative processes for part or all of their funding. Where legislative controls are imposed, they typically limit the authority's power to act rather than the authority's administrative activities.

While the 12-member Board of Directors for the TTA is larger than the boards of many toll authorities, the composition of the board, the term of office,

and the terms of compensation are consistent with provisions in other state statutes. Most toll commissions are composed of two to seven members serving staggered terms of four to six years. Ten of the 17 independent toll authorities contacted in the telephone survey also included members of the state highway department or commission among their board membership. As in most cases, TTA board members receive no salary or compensation, other than reimbursement for expenses for their services, although in a few instances the chairman of the board may receive a salary. In roughly one-third of the statutes authorizing toll facilities, the law directs that selected individuals associated with the agency execute a surety bond. Most provisions require the board members to be covered for at least $25,000, with the secretary-treasurer filing for a bond of at least $50,000. The Turnpike Authority's statute requires this minimum limit for all directors and the secretary-treasurer of the board.

Powers and Duties

Since all toll agencies are unique governmental units, their legislation often is designed to specifically designate certain powers, duties, and activities that would usually be considered implicit in enabling legislation directed at other state agencies. Legislation among the states varies according to the degree of detail in which legal authority is delegated to turnpike authorities. In many cases, these powers are generally described in broad terms such as "the power to do all things necessary" or delegating "any power usually possessed by a state public corporation". The Texas statute explicitly details the powers and duties granted to the Texas Turnpike Authority, giving only broad authorization to do all acts and things necessary or appropriate to carry out the powers expressly granted in the Act. Selected powers and duties found in the Texas statute and often deemed necessary

for the sound administration of toll authorities in other states are presented and discussed below.

Acquisition of Property by Eminent Domain

In Article 6674v, V.A.C.S., the Turnpike Authority is specifically granted the powers and procedures available to the State Highway and Public Transportation Commission for acquisition of property. This grant includes the right to the acquisition of property by eminent domain which most toll agencies, including the Texas Turnpike Authority, are authorized to exercise directly at their own discretion.

Route Location

Legislation authorizing the establishment of toll facilities may indicate by designation of contemplated terminal points or mileage any anticipated locations. When the intent is to confer broad authority, no route locations may be enumerated with the final determination left to the toll agency. The Texas statute contains both a general mandate to construct undesignated Turnpike projects in the state as well as a specific mandate to construct a project to be known as the Dallas-Fort Worth Turnpike. A review of the state statutes governing toll facilities reveals that this combination of general and specific purposes is unusual.

Relocation of State Highways

Occasionally, it becomes necessary to relocate existing state highways to allow construction or operation of toll facilities. Nearly one-third of the states surveyed, including Texas, have the authority to relocate and reconstruct existing highways, with the proviso that any highways subject to this action be replaced with equal or better facilities at the turnpike authority's expense.

Construction and Maintenance

In many of the instances surveyed, toll agencies are delegated control of construction and maintenance of toll facilities with no qualifications or limitations. In Texas, the TTA's authority to construct, maintain, repair, and operate turnpike projects is subject to authorization to conduct feasibility studies and to approval of location by the State Highway and Public Transportation Commission.

Entry to Land for Surveying

The planning, location, and design of toll facilities requires an authority to obtain consent to make surveys for preliminary engineering studies. When such consent is not readily obtainable, state laws generally authorize toll agencies to enter private property to make surveys necessary to avoid unnecessary delays. The Texas Turnpike Authority possesses such authority, though it is additionally directed to reimburse property owners for any damages ensuing from such activities.

Control of Access

Control of highway access is considered an essential element in toll faciltiy design in order to expedite traffic flow and prevent entry from unauthorized points. However, since toll facilities are also public highways, legal authority is necessary to abridge abutting landowners' rights of access. Many states explicitly delineate this authorization in general terms and a few, including Texas, make exercise of this power subject to the approval of the state highway department or commissioner.

Control of Public Utilities on the Right-of-Way

In connection with its authority to construct turnpike projects without undue interference, many toll agencies are empowered to control the location, installa-

tion, and relocation of public utilities on their property. In some instances, as in Article 6674v, the toll agency is required to bear the expense of relocation and installation of such facilities.

Establishment of Tolls

The determination of toll rates is critical to the successful repayment of all revenue bonds connected with a toll project. The Texas Turnpike Authority has the authority to fix, revise, charge and collect tolls without supervision and regulation by any other commission, board, bureau, or agency of the state. Whenever limitations on this power have been imposed by law, the prescriptions usually apply to authority for toll rate establishment, although in a few instances legislative conditions have contained absolute limitations on toll rates.

Continuation of Tolls after Bond Retirement

One of the major issues surrounding the use of toll facilities concerns the continuation of tolls after all bonded indebtedness is retired. In many instances, continuation of tolls is specifically prohibited, or, when toll charges are permitted to continue, the proceeds must be applied to the continued maintenance and operation of the facility, repayment of money advanced from public funds, or financing of other projects of the authority. Some states, already unable to provide matching funds for road construction, express uncertainty as to the availability of state funds to assume the maintenance and operations of toll facilities whose indebtedness is cleared. Often, the decision to retain toll charges is left to the governing board of the toll agency, but in other instances, the decision to continue tolls is determined by the legislature or other state agencies.

Incorporation of Toll Facilities into the State Highway System

In response to early failures of turnpike companies, more than half of the laws governing turnpikes authorize a procedure to allow toll facilities to become

part of the state highway system, providing that the facilities be debt free and in good condition. Under the TTA statute, a project becomes a free road upon redemption unless the State Highway and Public Transportation Commission determines that the project is not in acceptable condition. In this instance, the TTA is required to continue to operate the project and to meet the minimum requirements of the commission within the shortest time practicable.

Power to Contract

Although it is possible to consider the legal capacity to enter into and perform contracts as implicit to toll authorities, most turnpike statutes have some provision regarding the toll agencies' powers and procedures regarding contracts. Most of these provisions concern with what parties or with respect to what matters contracts can be legally drawn. Texas is no exception in this matter, delegating to the Turnpike Authority the right to make and enter into contracts and operating agreements necessary or incidental to the performance of its duties. The law additionally requires that all contracts for the construction, improvement, and repair of any turnpike project shall, in so far as applicable, be made and awarded under the same conditions, terms, requirements and provisions as now provided for with respect to the State Department of Highways and Public Transportation.

Use of Consultants

Since technical engineering expertise is essential to toll agency decision-making and not all agencies need or can afford to maintain such services in house, most toll authorities are authorized to employ consultants. Exceptions to this policy require some toll agencies to use the professional and technical assistance available in the state highway department. Article 6674v, V.A.C.S., permits the Texas Turnpike Authority to employ consulting engineers, attorneys, accountants, construction and financial experts, superintendents, managers, and such other employees as may be necessary in its judgment.

Auditing and Reporting

Since the audit and budget functions are essential to internal management and to effective review of the operations and policies of the agency, many states, including Texas, direct toll agencies to submit annual or periodic reports. Enabling legislation for the Texas Turnpike Authority requires the agency to submit on or before March 31 of each year, an annual report to the governor and the legislature. The TTA is further directed to have an annual audit performed by certified public accountants. Attorney General Opinion, S-176, 1956, also interpreted the law to require an audit by the State Auditor.

Private Concessions

Turnpikes have generally relied on private concessions to furnish services to motorists and turnpike laws often address problems associated with planning, land acquisition, types of services provided, policies discouraging monopolies, and the tax status of such facilities. Only the issues associated with the acquisition of property through condemnation procedures for supplemental facilities is addressed in the Texas statute.

Policing of Toll Facilities

In keeping with the unique legal status of toll agencies, most statutes contain explicit authorization to perform police functions. In practice, however, the implementation of this power has been achieved by creation of a special police force or contracting for a special detachment of the state police force to be assigned to the toll authority. The latter solution is the one utilized by the TTA.

Responsibility for Property Damage and Personal Liability

The liability of toll agencies for property damage or personal injury due to the construction or operation of their facilities varies substantially depending upon

state laws. In Texas, the Turnpike Authority is directed to restore, repair, or compensate individuals for all private property damaged or destroyed.

Regulation of Toll Facility Use

Since a high volume of traffic is necessary to support the construction and operation of turnpikes, special traffic rules or regulations may be necessary to govern public use of toll facilities. The Turnpike Authority's statute, as with other state statutes, includes specific penalties for individuals failing or refusing to pay the fixed toll rate. The Authority's police force also enforces a set of specific traffic regulations on the TTA's projects.

Funding of Feasibility Studies

One other power often addressed in turnpike legislation concerns the funding of feasibility studies. The funding of this function has been subject to several changes in Texas, with the addition of Section 12b to Article 6674v being the latest of these modifications. Presently, feasibility studies engaged in by the Turnpike Authority may be funded through the "Texas Turnpike Authority Feasibility Study Fund" established with one million dollars in excess revenues from the Dallas-Fort Worth Turnpike, or by any municipality, group of municipalities, county or group of counties or private individuals. Many toll agencies engage in such studies, but the method of financing varies from authority funds only, to combinations of state and toll agency funds, to state funds either granted or loaned.

Financial Provisions

Although toll agency income may be derived in various ways including legislative appropriations, rentals to public and private agencies, loans, and license or other special fees, the primary way that a toll agency can generate the magnitude of funds needed to make major investments in turnpikes and toll bridges

is through the issuance of revenue bonds. The following discussion centers on the most prevalent statutory provisions regarding the issuance of revenue bonds by toll agencies in the United States.

Limits on Types and Amounts of Bonds Issued

Most statutes include provisions delineating when or how toll agencies may issue bonds. In most cases, toll authorities are given broad authority concerning the issuance of revenue bonds. In some instances, however, the procedures involved in the issuance of bonds, or the ceilings on the maximum amount of debt to be issued, are prescribed. The language in the Texas statute on this subject is couched in general terms with the Authority authorized to provide by resolution, from time to time, for the issuance of turnpike revenue bonds to pay for all or any part of the cost of a turnpike project. Restrictions on the proceeds of the bond issue include prohibition of the comingling of funds between projects and limitation on the maximum maturity to a period of 40 years.

Regulation of Interest Rates

Specification of maximum rates of interest is a common feature of most toll authority legislation, as are limitations on the amortization period. The statute governing the Texas Turnpike Authority contains a ceiling on maximum interest rates and sales price. These limitations are superceded by Article 717k, Section 2, V.A.C.S., which sets the maximum interest rate on securities issued by public agencies at 10 percent. Limitations on sale discounts by maximum interest rate tend to minimize the effects of investment houses purchasing large bond issues at a substantial discount thus increasing borrowing costs. A more flexible alternative to interest rate ceilings makes sales prices subject only to the approval of the issuing agency or some executive or judicial authority within the state.

Investments by Public Institutions

The investment and reserve requirements of fiduciary institutions such as commercial banks, savings banks, trust companies, insurance companies, investment companies, and sinking funds of political subdivisions are subject to various investment restrictions. To insure necessary institutional investment in toll authority bonds, most toll agency legislation incorporates provisions that allow such fiduciary institutions to invest and hold toll authority revenue bonds. Section 16 of the TTA statute declares bonds issued by the Texas Turnpike Authority to be authorized investments for these institutions and as such eligible to secure the deposit of any and all public funds up to their face or market value, which ever is less.

Tax Exempt Status

Income from the interest on, or profits from the sale of, toll authority bonds may be subject to state taxation; however, exemption from taxation makes these bonds more attractive in the securities market. The Texas statute declares all Turnpike Authority Bonds to be exempt from taxation since the operations of the Authority are seen as a benefit to the people of the state and constitute the performance of essential governmental functions.

Negotiability of Bonds

Declarations that bonds issued by toll agencies are negotiable instruments are common to all toll legislation and no instance was found where negotiability was specifically denied.

Impairment of Security

Because toll project financing involves large amounts of money for which the state does not generally pledge its full faith and credit, other means of ensuring

bondholder security have evolved, some of which are included in enabling legislation while others are written into protective covenants within the bond agreement. Bondholder provisions typically addressed in statutes relate to mortgaging, sinking funds, assignment of revenues, and rights to redress. All four of these issues are considered in the enabling legislation relating to the Texas Turnpike Authority.

Any bonds issued by the Authority may be secured by a trust agreement which may pledge or assign tolls received but is prohibited from mortgaging any turnpike project or part of any project.

The preservation of revenues for the payment of revenue bonds pending actual maturity is usually accomplished by the establishment of sinking funds. Article 6674v, V.A.C.S., provides for the tolls and all other revenues from projects of the TTA in excess of those funds needed to pay the costs of maintenance, repair, and operation, to be set aside in a sinking fund. The fund is assigned the following payment priorities: 1) bond interest, 2) bond principal, 3) the necessary charges of paying agents, and 4) the redemption price of bonds retired by call. In addition, all monies received from the sale of bonds and revenues from projects are deemed to be trust funds and the statute requires that any trust agreement shall pledge revenues solely for the cost of maintaining, repairing and operating the Turnpike project and payment of principal and interest on outstanding bonds.

Generally, the statutory assignment of revenues in states reviewed has been treated in broad terms, with the language in the trust indentures providing the bondholders' main protection. Texas is an exception to this pattern, as seen above, by providing clear direction as to the disposition of revenues within the authorizing statute as well as in the bond agreement.

Topics Analyzed through Telephone Survey

Information presented below and in Exhibits III-1, III-2, and III-3 represents an analysis of data received in response to a telephone survey of 28 toll agencies. The survey was designed to include independent free-standing toll authorities as well as toll agencies within state transportation agencies and municipal and county toll authorities. This information was sought in an effort to supplement limited written information available concerning the operation of turnpikes and toll roads nationwide.

Size of the Commission or Governing Board

The governing boards of independent turnpike authorities surveyed showed the average membership to be five. This figure is consistent with the national average range of two to seven members. The size of boards of toll authorities merged into highway departments tended to be similar to those of independent authorities, but board members tended to be elected state officials or state agency heads rather than individuals outside of government. The largest boards were noted among municipal or county toll agencies, where as in the case of the Golden Gate Bridge and Transportation District Board members represented six counties.

Highway Department Representation on Governing Boards

Fifty-nine percent of the independent toll agencies surveyed included highway department representatives on their governing boards. The Oklahoma Turnpike Authority was the only toll agency outside the States of New York, New Jersey, or Massachusetts which directed no representation by highway commissioners on the board. In Oklahoma, the board consists of the governor and appointees from each congressional district. In New York, New Jersey, and Massachusetts, qualifications for all board members are limited to state residency and appointment by the governor.

Exhibit III-1

Independent Toll Agency Survey Results

	Size of the Commission or Governing Board	Are there representatives of the Hwy. Dept. on the Board?	How are Feasibility Studies Financed?	Total Outstanding Indebtedness	Bond Rating	Security Pledged to Repayment of Bonds	Do facilities become free upon retirement of the debt?	Can revenues be pooled?	Can excess funds be diverted?	Is the agency abolished upon retirement of debt?
Georgia State Tollway Authority	3	Yes	General Revenue or Gas Tax Funds	None	n/a	n/a	Yes	No	No	No
Illinois State Toll Highway Authority	9	Yes	State Funds	$350,000,000	AA or AAA	Tolls and revenues from this facility	Yes	No	No	Yes
Indiana Toll Road Commission	4	Yes	Authority Funds	$119,000,000	AA/BBB	Tolls and revenues from this facility	Will be decided by Leg.	No	No	Opt
Kansas Turnpike Authority	4	Yes	State and Authority funds	$91,000,000	A/BBB	$80 m guaranteed by tolls & revenues of facility $11 m guaranteed by state	Opt.	No	No	Yes
Texas Turnpike Authority	12	Yes	Authority or Local Funds	$133,000,000	AA/A Baa	Tolls and revenues from this facility.	Yes	Yes	No	Yes
Maryland Transportation Authority	7	Yes	Advanced by State Hwy. Department	$253,000,000	AA/A	Tolls and revenues from all projects	Opt.	Yes	No	No
Massachusetts Port Authority	7	No	Authority Funds	$300,000,000		Tolls and revenues from this and other projects	Yes	Yes	Yes	Yes
Massachusetts Turnpike Authority	3	No	State Funds	$300,000,000	A/Baa/ BBB	Tolls and revenues from this facility	Yes	No	No	Yes
New Jersey Expressway Authority	5	No	Bank financing through Insurance Cos.	$48,000,000	Baa	Tolls and revenues from this facility		No	No	
New Jersey Turnpike Authority	5	No	Authority Funds	$826,000,000	Acc/ AAA	Tolls and revenues from this facility	No	Yes	Revert to Gen. Rev.	Yes
New York State Bridge Authority	5	No	State Funds	$22,000,000	A	Tolls and revenues from this facility	Yes	n/a	No	Yes
New York State Thruway Authority	3	No	Partial loan by State	$649,000,000	A-1/A AA	Tolls and revenues from this facility and in some instances the guarantee of the State	No	Yes	No	Opt
Ohio Turnpike Commission	5	Yes	Authority & Hwy. Dept. funds	$ 56,000,000	AA/Aa	Tolls and revenues from this facility.	Yes	Yes	No	Yes
Pennsylvania Turnpike Commission	5	Yes	Authority Funds	$150,000,000	AA/A	Tolls and revenues from this facility	Yes	Yes	No	Yes
Oklahoma Turnpike Commission	7	No	Authority Funds	$239,000,000	A/ Baa/ BBB	Tolls and revenues from this facility plus trust fund of motor fuel taxes up to $3 m per year	Yes	Yes	No	Yes
Rhode Island Turnpike and Bridge Authority	5	Yes	Reimbursed State Grant	$ 60,000,000	A	Tolls and revenues from this and other projects	Yes	Yes	Yes	Yes
West Virginia Turnpike Commission	4	Yes	n/a	$133,000,000		Tolls and revenues from this facility	Yes	No	No	No

EXHIBIT III-2

Texas Turnpike Authority
Toll Agencies Within State Departments of Transportation

Agency	Size of the Commission or Governing Board	Are there representatives of the Hwy. Dept. on the Board?	How are Feasibility Studies Financed?	Total Indebteness	Bond Rating	Sources of Revenue	Do facilities become free upon retirement of the debt?	Can revenues be pooled?	Can Excess Funds be Diverted?	Is the Agency abolished upon retirement of the debt?
California Department of Transportation: Toll Bridge Administration	5	Yes	Legislative Appropriation from Gas Tax	$150,000,000	A+	Tolls and Revenues from this facility	No	Yes	No	n/a
Delaware Turnpike	3	all members of Hwy. Dept.	Tolls and Revenues	$ 30,000,000		Tolls and Revenues and the Guarantee of the State	No	Yes	Yes	n/a
Turnpike Authority of Kentucky	6	Yes	State Road Fund	$850,000,000		Guarantee of the State [1] Motor Fuel Tax consumed on proj.	Opt.	Yes	No	No
Virginia Tidewater & Tunnel Toll Facilities	State Hwy Comm.	Yes	Toll Revenue			Guarantee of the State	Yes	No	No	n/a
Mackinac Bridge Authority	6	Yes	General Revenue	$ 43,000,000	AA/A	Tolls and Revenues from this facility/ Motor Fuel Tax/ Guarantee of the State	Yes	No	No	Yes
Florida Department of Transportation	10	Yes	Advance of Gas Tax Funds	$500,000,000	AA	Tolls and revenues of the facility/ Guarantee of the State	Opt.	Yes	No	No

EXHIBIT III-3

Texas Turnpike Authority
Municipal Toll Agencies Survey Results

Agency	Size of the Commission or Governing Board	Are there representatives of the Hwy. Dept. on the Board?	How are Feasibility Studies Financed?	Total Indebtedness	Bond Rating	Sources of Revenue	Do facilities become free upon retirement of the debt?	Can revenues be pooled?	Can Excess Funds Be Diverted?	Is the Agency abolished upon retirement of the debt?
Buffalo and Ft. Erie Public Bridge Authority	10	Yes	Tolls and Revenues	$2,500,000		Tolls and revenues from this facility	Opt.	n/a	No	Yes
Burlington County Bridge Commission	3	No	Tolls and Revenues	None		Tolls and revenues from this facility	1 No	Yes	No	No
Golden Gate Bridge & Transportation District	19	No	Tolls and Revenues	None		Tolls and Revenues from this facility	No	Yes	Yes	No
Lake Champlain Bridge Commission	6	No	Tolls and Revenues	None		Tolls and Revenues from this facility	No	Yes	No	No
Richmond Virginia Metropolitan Authority	11	Yes	City advanced Funds	$125,000,000		Tolls and Revenues from this facility.	Opt.	Yes	No	Opt

[1] Authority voluntarily reduced tolls after indebtedness repaid to a level adequate to fund maintenance and operation of the bridge.

Toll authorities merged with transportation agencies maintain governing boards, but most members are highway department commissioners or employees. Three out of the five municipal agencies polled included some representative of the state agency among their board membership.

Feasibility Study Financing

The greatest variability in sources of funding to finance feasibility studies occurs among independent toll agencies. Nine of the 17 agencies contacted utilized, in some part, state funds, either granted or loaned, to conduct this activity. Two of the five agencies merged in transportation departments were required to finance feasibility studies solely from toll revenues, with authorities in California, Kentucky, Michigan, and Florida receiving general revenue or gas tax funds. Only municipal or county toll agencies consistently use tolls and revenues to conduct these studies. Among all agencies reviewed, approximately one-half have the statutory authority to engage in feasibility studies.

Total Indebtedness and Security Pledged

The total outstanding indebtedness of independent toll agencies ranged from none to $826 million among independent toll agencies. In most instances, bonds were secured solely from toll revenue of the project. In no instance had a state guaranteed the full amount, though in Kansas, Oklahoma, and New York a partial guarantee had been extended. Indebtedness among merged toll authorities sampled ranged from $30 million in Delaware to relatively high totals of $500 million and $850 million in Florida and Kentucky. In most of these instances, bonds were secured by the guarantee of the state as well as by toll revenue. With the exception of the Richmond, Virginia Metropolitan Authority, municipal toll agencies in this sample had minimal outstanding indebtedness.

Bond Ratings of Completed Projects

Bond ratings serve to indicate the issuer's ability to retire bonded indebtedness. These ratings are used by the financial community in assessing the credit risk associated with a bond issue. Revenue bonds rated AAA reflect operations where security provisions are rigorous, where there is evidence of superior management, and where the stability of pledged revenues is perceived as strong. Toll authorities with this rating include those in Illinois and New Jersey.

Revenue bonds rated AA are high grade bonds with the second strongest capacity of debt service. Several of the toll authorities sampled, including those in Ohio, New York, Pennsylvania, Maryland, Indiana, Illinois and Florida have issued bonds possessing this rating. Additionally, TTA bonds for the Dallas-Fort Worth Turnpike received a final rating of AA.

Good grade bonds, rated A, are bonds whose debt service coverage is good, but not exceptional. Pledged revenues may show variability due to increased competition or economic influences on revenues. Management performance is considered adequate and security provisions satisfactory, but less stringent than for AA and AAA bonds. Turnpike revenue bonds financing the Dallas North Tollway are currently rated in the A category.

Pooling of Revenues

The pooling of revenues among projects has been used in some states as a method to allow high revenue-generating toll projects to subsidize needed projects where traffic volume is insufficient to satisfy revenue bond financing. Fifty-eight percent of the toll authorities surveyed were permitted to engage in pooling of revenues. The current Texas statute allows the pooling of projects within a county, subject to the approval of the State Highway and Public Transportation Commission and the affected county commissioners' court.

Diversion of Funds

One of the possible potential benefits of toll projects involves the diversion of excess toll revenues from projects in urban areas to help underwrite mass transit capital and operating costs. Toll agencies sampled in this survey indicate that this practice is currently employed in California, Massachusetts, Rhode Island, and Delaware.

Status of Facilities Upon Retirement of the Debt

Tolls on municipal toll facilities appear to be more consistently retained after retirement of all debt. In most of the other instances studied, tolls were authorized to cease or the decision was optional. States such as Maine, whose turnpike debt will be retired in 1981, face serious financial difficulties in assuming the burden of maintenance and improvement of facilities presently operated with toll revenues.

Status of the Toll Agency after Retirement of the Debt

Most municipal toll agencies and most authorities operating as a part of the Department of Transportation are not affected by provisions calling for agency dissolution after retirement of outstanding debt. However, most of the independent agencies surveyed are scheduled to go out of existence when bonded indebtedness is retired, although in many instances this will not occur until after the year 2000.

Services Rendered to Toll Agencies by Highway Departments

Questions were also directed to the overall relationship between toll agencies and highway departments in an effort to address issues associated with overlap and coordination. The responses to these questions are presented in Exhibits III-4, III-5, and III-6. The answers suggest that authorities merged within departments of transportation coordinate with highway divisions of these departments more

EXHIBIT III-4

Selected Services Rendered by State Highway Departments to Independent Toll Agencies

AGENCY	SERVICES
Georgia State Tollway Authority	1. Route usually recommended by Highway Commission 2. DOT engineers review consultant studies 3. Commission members sit on board
Illinois State Toll Highway Authority	None
Indiana Toll Road Commission	1. Engages in close cooperation with Highway Department 2. Highway Commissioner sits on Toll Authority Board
Kansas Turnpike Authority	1. Cooperate on joint projects 2. Use joint services such as labs, testing and equipment 3. Secretary of Transportation an ex officio Authority director
Maine Turnpike Authority	1. Contracts for services on a limited basis 2. Needs no approval for projects from Highway Department, although Transportation commissioner sits on board
Maryland Transportation Authority	1. Some contracting for services such as equipment and maintenance 2. Secretary of Transportation, chairman of the Authority's board
Massachusetts Port Authority	None
Massachusetts Turnpike Authority	None
New Jersey Turnpike Authority	None

EXHIBIT III-4 (cont.)

AGENCY	SERVICES
New York State Bridge Authority	1. Cannot build crossings or roads approaching bridges without approval of DOT Commission 2. Close formal and informal cooperation 3. Occasional contracts for services
New York Thruway Authority	1. Authority considers themselves basicly autonomous although there is some cooperation with DOT out of courtesy 2. Occasional contracts for services
Ohio Turnpike Commission	1. Director of DOT acts as ex officio member of the commission 2. The governor must approve all project locations
Pennsylvania Turnpike Commission	1. DOT required to review all plans for turnpike improvements 2. Secretary of DOT an ex officio member of the commission
Oklahoma Turnpike Authority	1. DOT must approve general location of all projects 2. DOT and Turnpike Authority engage in joint projects in metropolitan areas 3. Very few contracts for services
Rhode Island Turnpike and Bridge Authority	1. Contracts for some services especially snowplowing 2. Director of DOT an ex officio member of the board
West Virginia Turnpike Commission	1. Courtesy coordination only 2. Commissioner of highways an ex officio member of the commission

EXHIBIT III-5

Selected Services Rendered by State Highway Departments to Toll Authorities Merged within State Transportation Agencies

AGENCY	SERVICES
California Department of Transportation: Toll Bridge Administration	1. DOT supervises maintenance and construction of projects 2. Board composed of governor, lt. governor, director of Public Works, director of Finance and one other person appointed by the governor
Deleware Turnpike Administration	1. Division of Highways must approve all projects 2. Some contracts for services between Turnpike Division and Highway Division 3. Division board consists of three members all of whom may be members of the Highway Department
Florida Department of Transportation	1. Project location approved by the legislature 2. Bond sales require cabinet approval 3. Five board members represent each congressional district, one board member from the State Road Department and four members appointed by the governor
The Turnpike Authority of Kentucky	1. DOT leases the turnpikes from the Authority with the rental fees underwriting the bond retirement 2. The DOT operates all turnpikes 3. The board is composed of the governor, lt. governor, attorney general State Highway engineer, the Finance commissioner and the secretary of the DOT

EXHIBIT III-5 (cont.)

AGENCY	SERVICES
Mackinac Bridge Authority	1. Six-member board with no representation of State Department of Highways and Transportation 2. Contracts for various services, including maintenance with the Highway Department
Virginia Tidewater Tunnel and Toll Facilities	1. DOT approves all construction and maintenance 2. State Highway Commission acts in the place of an autonomous board

EXHIBIT III-6

Selected Services Rendered by State Highway Departments to Toll Facilities Operated by County or Municipal Governments

AGENCY	SERVICES
Buffalo and Ft. Erie Public Bridge Authority	1. Receives maintenance and operation services from the DOT without charge, including equipment 2. Autonomous 10-member board with statutory appointment of the DOT commissioner to the board
Burlington County Bridge Commission	1. Contracts for services with the DOT 2. Three-member autonomous board appointed by County Board of Reeholders
Golden Gate Bridge Highway and Transportation District	1. Nineteen-member board represents six county districts 2. Contracts for services with DOT 3. Coordinates with DOT on all approaches to bridges and other projects
Lake Champlain Bridge Commission	1. Contracts with DOT for snowplowing 2. Coordinates with DOT on any work on highway abutments 3. Six-member board appointed by the governors of Vermont and New York
Richmond Virginia Metropolitan Authority	1. Highway Department performs all maintenance for all toll authorities in lieu of payment of the gasoline tax produced on the facility 2. An eleven-member board with the highway commissioner serving as an ex officio member

consistently but, with the exception of California and Kentucky, they do not necessarily contract for a greater range of services. Municipal toll agencies also indicate a relatively greater consistency in incidence of coordination of services contracted for than independent toll authorities exhibit. Most of the independent authorities polled did contract for some services and receive approval for project locations. Only toll agencies in Illinois, Massachusetts, and New Jersey indicated no ongoing relationship with the state highway or transportation agency.

Toll Agency Organization and Jurisdiction

Exhibit III-7 presents a list of toll agencies which were identified in the review under this criterion. It may be noted that while independent, quasi-public toll agencies were more prevalent, some states employ both independent toll authorities and toll agencies contained within a transportation agency. However, most independent agencies contacted rely on revenue bond funding alone while as a rule those toll authorities associated with transportation agencies issued bonds secured by the full faith and credit of the state.

International Toll Facilities

The United States is not the only country to finance, build, and operate highways with toll revenues. In the Canadian province of Quebec, the Quebec Autoroutes Authority currently operates four toll routes accounting for approximately 200 miles of highways. The Authority funds its major capital expenditures by borrowing from the provincial government which floats long-term bonds for a number of public purposes. Toll rates are adjusted so as to require governmental participation in the retirement of highway-related debt.

In Europe, extensive use of toll-financed highways occurred after World War II when the governments of countries such as Italy, Spain, and France lacked the resources to provide the highways necessary to respond to the increased demand

EXHIBIT III-7

Authorities for Interstate Highway Toll Facilities,
Tunnels, Bridges and Ferries in the United States

INDEPENDENT STATE AGENCY

Alabama Turnpike Authority
Alabama Bridge Commission
Florida State Turnpike Authority
Florida Development Commission
Georgia State Tollway Authority
Idaho Turnpike Control
Illinois Toll Highway Commission
Indiana Toll Road Commission
Greater Hartford Bridge Authority
Kansas Turnpike Authority
Maine Turnpike Authority
Maryland Transportation Authority
Massachusetts Turnpike Authority
Massachusetts Port Authority
New Jersey Turnpike Authority
New Jersey Expressway Authority
New York State Thruway Authority
New York State Bridge Authority
Jones Beach State Parkway Authority
Ohio Turnpike Authority
State Bridge Commission of Ohio
Oklahoma Turnpike Authority
Louisiana Expressway Authority
South Central Louisiana Toll Road Authority
Larouse-Lafite Toll Road Authority
Pennsylvania Turnpike Commission
Pennsylvania Parkway Commission
Rhode Island Turnpike & Bridge Authority
Texas Turnpike Authority
Old Dominion Turnpike Authority(VA)
Elizabeth River(VA) Tunnel Commission
Orangeburg-Calhoun-Sumpter Toll Bridge Authority(SC)
Washington Toll Bridge Authority
West Virginia Turnpike Commission

MUNICIPAL OR COUNTY AGENCY

City of Chicago
Douglas County Bridge Commission
Triborough Bridge & Tunnel Authority
Richmond (Va) Metropolitan Authority
Buffalo & Ft. Erie Public Bridge Auth.
Burlington County(NJ) Bridge Commission
Cape May County Bridge Commission(NJ)
Detroit International Bridge Co.
Greater New Orleans Expressway Commission
Nassau County Bridge Authority(NY)
Rock Island Centennial Bridge Commission
Atlantic City Expressway Authority
Golden Gate Bridge Authority
Ocean Highway & Port Authority(Fla)
Jacksonville Expressway Authority

STATE HIGHWAY OR TRANSPORTATION DEPARTMENT

Arkansas State Highway Commission
Colorado State Highway Commission
Connecticut Highway Commission
Delaware Highway Department
Florida Department of Transportation
California Department of Transportation
Iowa Highway Commission
Kentucky State Highway Department
Michigan State Highway Department
Montana Department of Highways
Missouri Highway Department
New Hampshire State Highway Department
Virginia Department of Transportation

INTERSTATE OR INTERNATIONAL COMPACT

Delaware River & Bay Authority
Delaware River Port Authority(NJ/PA)
Delaware River Toll Bridge Commission
Port Authority of New York and New Jersey
Niagara Falls Bridge Commission(NY/CAN)
The International Bridge Authority of Michigan
Thousand Island Bridge Authority(NY/CAN)
Lake Champlain Bridge Commission

created by the post-war economic reconstruction. Today, Italy ranks first among the five countries surveyed in a 1977 report to the International Bridge, Tunnel and Turnpike Association on toll financing, with 85 percent of all freeways financed by revenue bonds. France is second with 55 percent of its limited access highway mileage toll-financed and Spain ranks third. Belgium and the United Kingdom were the only countries studied that financed all highway construction from general tax revenues.

The toll financing mechanism used predominantly in France, Italy, and Spain employs private concessionnaire firms utilizing government support, private capital, and guaranteed and non-guaranteed bonds. Government participation ranges from a maximum of ten percent in France to approximatley 50 percent in Italy. Concessionnaires are allowed and encouraged to effect mergers which result in a pooling of funds that allow more profitable projects to subsidize less profitable ones. Toll financing has allowed these governments to redirect limited resources to secondary highways and other public projects.

Economic Issues

In general, conventional highway taxing policies are directed at the users of highways through the collection of motor fuel taxes, vehicle registration fees, license fees, excise taxes on accessories, and special levies on commercial carriers. In contrast, non-users or property owners have been expected to bear a larger share of the costs associated with local county roads and city streets which provide certain benefits to the entire community and improved access to individual land holdings.

In addition to the federal government's historical preference for the concept of highways supported by conventional highway user taxes, one significant

advantage of this type of taxation is the nominal costs associated with the collection of revenues and the increases in revenue which can be achieved without appreciable increases in administrative costs. However, it has sometimes been argued that the use of this tax involves some inequity since not all the highway tax revenues collected are assigned to highway construction and the allocation of federal taxes from the Highway Trust Fund varies between states. Some states are net recipients while other states act as net contributors. Examples of states who receive more funds than they pay in include Alaska, Colorado, Kentucky, Maine, and Washington. Net contributors to the Trust Fund through 1975 include Indiana, New York, North Carolina, Ohio, and Texas. Nationally, the trend in user share of highway expenditures has shown a slow decline from 80 percent in 1960 to 73.7 percent in 1973. In this same year, Texas ranked fiftieth among the states, with 63.8 percent of all highway expenditures provided by general user taxes.

In a 1974 report to the Federal Highway Administration, the two largest sources of highway user revenues, motor fuel taxes and automobile registration fees, were analyzed for selected states with substantial toll facility investment. The results of this analysis, as compared with the national averages, are presented in Exhibit III-8. The analysis showed that, in the selected states, gasoline tax rates generally exceeded the national average and in half the instances the auto registration fee also exceeded the national average as well. States with the largest highway debt and the most extensive use of toll financing, New York and New Jersey, already assess conventional highway taxation rates equal to or greater than those imposed in other states. In these instances, the likelihood of raising significantly greater revenues from these sources for highway construction, improvement, maintenance, and operation would seem to be lessened.

EXHIBIT III-8

State Highway User Taxes,
Absolute and Relative to National Average[1]

States Where Sample Facilities Are Located	Gasoline Tax Rate, Cents Per Gallon		Registration Fee For Typical Auto[2], $	
	Actual	Index	Actual	Index
1. California	7.0	0.9	11.00	.6
2. Connecticut	10.0	1.3	15.00	.8
3. Illinois	7.5	1.0	30.00	1.6
4. Kentucky	9.0	1.2	12.50	.7
5. Massachusetts	7.5	1.0	6.00	.3
6. New Jersey	8.0	1.1	18.00	1.0
7. New York	8.0	1.1	26.25	1.4
8. Oklahoma	6.5	0.9	36.40	2.0
Average for Nation	7.3	1.0	18.25	1.0

[1]These figures were published in a report to the Federal Highway Administration, 1974, entitled Feasibility of Toll Removal from the Interstate Highway System. Source of data used is the report entitled 1972 Highway Statistics, published by the Federal Highway Administration, Department of Transportation. Gasoline tax rates listed were those in effect December 31, 1972; registration fees listed were those in effect January 1, 1974.

[2]Weighted average fees were developed for each state by Federal Highway Administration.

A toll also represents a tax upon the user of a facility. In the case of highways, the tax is paid by those individuals actually operating vehicles on toll roads. Unlike most tax revenues which are not specifically earmarked for a

particular governmental expenditure, this particular tax can be directly associated with the revenues used to operate, maintain, and repay the bonded indebtedness of the facility on which it is collected. The attractiveness of the toll financing alternative is enhanced by the more immediate realization of benefits, the increased level of maintenance and services available, and the employment opportunities available.

Opposition to the utilization of this funding mechanism centers on the following objections:

> the necessity of maintaining an alternate free road for short-distance traffic results in duplication of investment.
>
> the use of revenue bonds increases the cost of highway financing.
>
> the cost of constructing and operating toll-collection facilities is excessive.

While proponents of toll financing generally concede that there may be fewer access points on a toll road when compared with free limited access roads, they also contend that the exclusion of short haul traffic is an inescapable feature of any limited access freeway and in some cases heavy volume may make the separation of long and short distance traffic both effective and desirable.

The use of revenue bonds to fund highway facilities increases the cost of capital since revenue bonds secured by tolls carry substantially higher interest rates than those bonds backed by the full faith and credit of the state. Proponents of toll financing feel that the longer lead time required for highways constructed with federal matching funds combined with the inflation rate tend to offset at least some of the additional costs. In addition, other funds are freed for use on projects which could not be supported by toll revenues alone.

As pointed out earlier, the basic organization for the collection of gasoline taxes and license fees is already in operation and additional revenue can be

obtained by adjusting the rates without significant increases in administrative expenditures accruing to the state. While the cost of toll collection can be highly variable depending on the toll rates used, the collection system employed, the density and composition of traffic, and the degree to which the turnpike design accommodates unprofitable traffic as a public service, it is greater than the cost of collecting and administering conventional highway revenue taxes.

Both toll financed highways and conventionally financed highways are supported by user taxes with toll financing differing from general taxation in the point of incidence, the method of collection, and the relative costs. Although the incidence of toll road bond financing dropped dramatically after 1956, coinciding with the passage of the 1956 Highway Act, the continued utilization of toll-financed facilities seems probable, at least at some reduced level, given the current gap between conventional highway user revenues and demand for new or improved highway facilities.

Summary

The review under this criterion suggests that, although toll facilities have been employed since 1800, all states have participated in the construction of the interstate highway system by providing matching state funds and assuming costs of maintenance and operation. No state can be cited where conventional highway taxing policies, directed at the users of rural roads and interstate highways through the collection of motor fuel taxes, vehicle registration fees, license fees, and special levy and excise taxes, was not the primary highway funding mechanism. However, both historically and currently, the funding of transportation facilities through toll revenues plays a small but significant role in both national and international transportation planning. The balance between the supply of funds for

highway needs and the demand for new and improved transportation facilities has been upset by escalating construction, maintenance, materials and labor costs combined with a decreasing growth rate of highway tax revenues. Current public policy directed at fuel conservation and lighter, more efficient vehicles may also impact on projected highway user tax revenues.

The review of the literature and statutes creating toll authorities as independent, quasi-public state agencies points to two underlying reasons for the use of this unique organizational arrangement: 1) the use of bonds as a primary source of revenues for capital construction; and 2) the need to insulate the function of toll facility construction from special interest interference.

Historically, the potential for lack of coordination between the state highway department and the toll authority and the loss of economies of scale possible through the joint use of personnel and equipment has been subordinated to the concern of creating a corporate entity which could issue debt for toll facilities which could be justified totally on economic grounds. This organizational strategy is applicable to states such as Texas where state agencies do not generally incur long-term debt for capital expenditures as well as for states where long-term debt issued by state agencies must be carefully managed in order to maintain the highest possible credit rating.

A comparison of legislation associated with toll facilities revealed a great deal of consistency. Toll authorities in most states, including Texas, are corporate quasi-public authorities created and authorized by legislation, functioning outside the normal structure of state and local government and possessing similar legal powers necessary to acquire, finance, construct, and operate revenue-producing facilities which cannot or should not be unilaterally assumed by either the public or

private sector. In many instances, the statute governing the Texas Turnpike Authority is relatively strict, with most powers and authority specifically enumerated rather than broadly delegated. The only instance where the Texas statute significantly varied from the norm was in the comparatively large size of its 12-member governing board.

The analysis of statutes, patterns and frequency of organizational utilization, and questionnaire responses indicated no clear or definitive reasons for a state's choice of an independent toll authority over a merged organizational arrangement. These results suggest that, although details of organization and authority may vary, the establishment of the Texas Turnpike Authority as an independent agency reflects the most prevalent form of toll facility administration which can be legally utilized in Texas.

The potentially higher costs associated with toll collection, toll facility administration, and debt service operation have sometimes been cited as drawbacks to the use of toll-financed, rather than general user-tax financed, facilities. However, toll facilities have been commonly employed where policy makers have determined that the public's interest might be better served by absorbing any increased costs associated with this alternative rather than delay transportation needs considered urgent or essential.

Criterion 4

> The extent to which the jurisdiction of the agency and the programs administered by the agency overlap or duplicate those of other agencies and the extent to which the programs administered by the agency can be consolidated with the programs of other state agencies.

The review of this criterion was directed at evaluating the agency's definition of its target population. The existence of other similar populations was explored and the extent of any overlap and duplication of services offered was analyzed. This information was collected through discussions with agency personnel, review of statutes and rules, and the identification of other agencies with the potential ability to offer these same services.

Target Population

In its self-evaluation report to the Sunset Advisory Commission, the Texas Turnpike Authority identifies its target population as "that portion of the traveling public located in areas of the state where vehicle congestion is such that customers are willing to pay a toll for travel on a facility less congested and safer than the service afforded by alternate free roads." This definition of target population derives from the fact that free road alternatives do exist for all current Authority toll projects and that users do retain choice in the utilization of facilities. To the extent, however, that choice is relative to actual cost-benefit considerations, and to the extent that toll facilities exist as an integral element of the overall state highway system, it can be said that the Turnpike Authority's target population potentially includes the entire motoring public.

Overlapping Functions

The Turnpike Authority has the responsibility for planning, constructing,

maintaining and operating revenue bond vehicular toll facilities. These discrete functions involve a broad range of interrelated tasks which extend over the entire duration of a bond issue. No other single state agency currently possesses the legal authorizations and the expertise required to accomplish the range of these various functions. However, other state agencies do possess the capability to separately perform certain of these functions. The State Department of Highways and Public Transportation is capable of carrying out the planning, construction and maintenance functions. The Department of Public Safety regularly performs traffic patrolling activities related to the regulatory responsibilities of the operational functions of the Turnpike Authority. The State Treasurer is capable of performing certain financial operations.

State Department of Highways and Public Transportation

The State Department of Highways and Public Transportation (SDHPT) has as its primary functions the design, construction and maintenance of highways in the state, as well as the development of public transportation.

In regard to highway planning, the SDHPT's preliminary engineering activities include all aspects of planning for highways including functions such as route studies, right-of-way requirements, public hearings, environmental studies, field surveys and detailed plan preparations. The planning conducted by SDHPT for state highways generally involves a more comprehensive perspective requiring evaluation of a broader range of development priorities than that conducted by the Turnpike Authority in relation to its toll projects. Additionally, the construction of highways by SDHPT generally involves the utilization of federal funds which entail additional planning requirements, particularly in the area of environmental safeguards, and which frequently create delays and extensions of the planning process. On the

other hand, planning for Turnpike facilities is more complicated in some respects because of the necessity to justify need in relation to strictly defined financing requirements and the necessity to expedite the planning process in order to capitalize upon prevailing bond market conditions. Despite these broad differences, planning for both free roads and toll roads involves much of the same basic type of civil engineering studies as that required for any major highway facility in the State of Texas. One specific area of divergence, however, involves the "traffic and revenue" investigations which are required as a separate element of Turnpike feasibility studies. Since investments in the public highway system do not necessitate the correlation of expenditures with projected earnings from collected tolls, the SDHPT does not currently maintain this type of planning expertise.

In regard to construction of highways, the SDHPT carries out this function through the services of private contractors, as does the Turnpike Authority in the construction of its toll facilities. Both agencies can exercise the power of eminent domain to acquire necessary right-of-way for new facilities. Following acquisition, SDHPT develops specifications and estimates for contracting the construction of projects by private contractors. In addition, SDHPT inspects the construction performed by private contractors and provides field engineering service on construction projects to assure completion in accordance with plans and specifications.

In regard to maintenance functions, the SDHPT has utilized its own work forces, materials and equipment to maintain base, surface, shoulders, structures, signs, signals, illumination, pavement markings, drainage, right-of-way, rest areas and other appurtenances. In addition, the agency performs a limited amount of heavy maintenance necessary to protect capital investment. Recently, however,

SDHPT has begun shifting toward an increasing utilization of private contractors for maintenance operations.

Department of Public Safety

The Department of Public Safety is charged with the responsibility for traffic law enforcement, criminal law enforcement and disaster emergency services. Under the program of traffic law enforcement, the Department of Public Safety operates the Highway Patrol activity which patrols public highways, enforces traffic and criminal law, investigates accidents, directs traffic and provides various types of assistance to motorists.

The policing activities of the Highway Patrol correspond with the traffic regulatory responsibilities of the Turnpike Authority on its toll facilities. The degree of overlap and specialization required in this regard has led the Turnpike Authority to secure the direct services of the Department of Public Safety through interagency contractual agreements relating to each operating project.

Treasury Department

The primary responsibilities of the Treasury Department are to receive state moneys, to act as a custodian for these funds and to pay obligations of the state from these moneys upon appropriation by the legislature.

Under this broad mandate, the Treasury Department currently performs certain financial operations which are similar in nature to those assumed by the Turnpike Authority and its trustees in servicing matured bonds of toll facilities. Although the Treasury does not organize and initiate revenue bond packages, it does offer its services as a fiscal agent to any political subdivision of the state desiring to use these capabilities. In this respect, the Treasury is limited in its activities to the role of paying agent in the receipt and disbursement of funds for

the payment of maturing bonds and accrued interest. However, the Treasury Department does not currently function in the capacity equivalent to full trustee for a revenue bond issue which would require the monitoring and distribution of proceeds from the bond sale and revenues received from operations of the project according to the specifications of a particular trust indenture.

Consolidation Potential

Article III, Section 52b of the Texas Constitution prohibits the legislature from lending state credit or granting any public money to any entity which is authorized to construct, maintain or operate toll facilities in Texas. This constitutional amendment appears to preclude the direct consolidation of Turnpike Authority functions in any state agency which receives appropriated funds. Thus, under current legislation, functional consolidation can only occur through interagency contractual arrangements between the Turnpike Authority and other state agencies operating similar programs.

State Department of Highways and Public Transportation

The opportunity appears to exist for limited consolidation of certain functions between the Turnpike Authority and the SDHPT through the implementation of interagency contractual arrangements. The primary areas for potential consolidation appear to be in relation to certain elements of the planning, construction and maintenance functions. To a certain extent, this type of consolidation has already taken place, although there may be additional potential in the future.

With the exception of the traffic-and-revenue studies utilized for determining financial viability, the SDHPT currently possesses the capability of performing most of the basic engineering tasks normally required for planning the Turnpike Authority's highway facilities. However, this apparent potential for functional

consolidation is complicated by the conflicting requirements of the various participants in the overall process of marketing revenue bond toll facilities.

The scale of investment involved in a typical bond issue for vehicular toll facilities necessitates a high level of confidence in the project's financial viability on behalf of the underwriters. This level of confidence is based upon a variety of factors including the reputation and reliability of all participants in the project, as well as the degree to which the proposed bonds are secured by pledge of credit. Since the Texas Constitution expressly forbids the lending of the state's credit toward toll facilities, the Turnpike Authority's projects are subject to intensified scrutiny on the part of institutional investors. In order to obtain favorable bond ratings and interest rates under these circumstances, the Turnpike Authority must fulfill particular requirements of the underwriting group. Of primary importance in this regard is the retention of consulting engineers with nationwide reputations and proven ability in turnpike feasibility studies. It appears that there are presently a limited number of consulting firms which are both recognized authorities in this area as well as being acceptable to the underwriting agents. These consultants generally place emphasis upon the need for continuity of personnel and expertise throughout a particular project from preliminary phases to final feasibility phases in order to maintain professional accountability. Under these circumstances, it appears that the potential for SDHPT planning involvement is limited to those preliminary investigations which would be accepted for adoption by the consultant firms. In this regard, one particular area of potential consolidation would be the utilization of SDHPT capabilities for conducting environmental impact studies. The Turnpike Authority has utilized environmental studies previously conducted by SDHPT in fulfilling planning requirements for the proposed Houston Ship Channel

Bridge project. The Turnpike Authority may become involved in future projects which require similar environmental investigations, and it would seem reasonable to utilize SDHPT capabilities wherever possible in this regard. Such an arrangement could produce certain cost efficiencies as well as increasing coordination between the two agencies.

In regard to construction functions, there appears to be very limited potential or need for consolidation between the Turnpike Authority and SDHPT. Both agencies carry out this function through the services of private contractors and follow much the same procedures in terms of selection and inspection. Presently, the Turnpike Authority utilizes certain specialized services of the SDHPT in the areas which include materials testing and quality control. Coordination between the two agencies appears to be adequate in this functional area.

In regard to maintenance functions, there likewise appears to be limited potential for consolidation between the Turnpike Authority and the SDHPT. While the Turnpike Authority retains equipment and personnel necessary to carry out light maintenance activities, the agency contracts heavier maintenance and repair projects to private firms. Since SDHPT ordinarily utilizes its own work force and equipment for field maintenance operations and since this agency operates on a very broad scale, it would seem reasonable that certain SDHPT resources could, if available, be directed for maintenance of Turnpike projects. However, SDHPT reports that its field maintenance capabilities presently correspond to existing highway requirements and that additional responsibilities would create dysfunctions within the maintenance system. Moreover, SDHPT has recently begun utilizing private contractors for its maintenance operations in addition to the efforts of its own work forces. As maintenance requirements on the existing state highway

system increase, it is anticipated that the trend toward contract maintenance will likewise increase. This shift reflects a growing shortfall in the number of SDHPT personnel available for maintenance work on facilities of another agency.

Treasury Department

The opportunity for consolidation of functions between the Turnpike Authority and the Treasury Department appears to be significantly limited under present circumstances. As previously indicated, the Treasury Department currently functions as paying agent for any political subdivision requesting these services. Paying agents for Turnpike projects are designated by the Trust Agreement which governs the operations of each revenue bond project. According to counsel for the Turnpike Authority, underwriters of large bond issues for toll facilities insist upon the utilization of particular Eastern and Midwestern banks as paying agents because of their specialization in this area and for the convenience of institutional buyers located in these areas. Given the indispensable role of the underwriting groups in the bond marketing process, it appears impractical to recommend a change of paying agents which would be unacceptable to these interests.

Summary

The Texas Turnpike Authority is responsible for planning, constructing, maintaining and operating revenue bond vehicular toll facilities. No other single state agency currently possesses the authorization and expertise required to accomplish this broad range of interrelated functions. However, other state agencies do possess the capability to separately perform certain of these functions.

The potential for consolidation of Turnpike Authority functions within other state agencies is limited by Article III, Section 52b of the Texas Constitution which

prohibits the legislature from lending state credit or granting public money for the purposes of constructing, maintaining or operating toll facilities. Thus, under current legislation, functional consolidation can only occur through interagency contractual arrangements between the Turnpike Authority and other state agencies operating similar programs.

The opportunity appears to exist for limited consolidation of certain planning, construction and maintenance functions between the Turnpike Authority and the State Department of Highways and Public Transportation. To a certain extent, this type of consolidation has already taken place and it appears that this degree of contractual consolidation is generally consistent with that carried out by similar agencies in other states.

The Turnpike Authority currently utilizes the services of the Department of Public Safety through interagency contract for the purposes of traffic patrol on its various toll facilities.

The Treasury Department currently assists certain state agencies and political subdivisions by serving in the capacity of fiscal agent in the receipt and disbursement of funds for the payment of maturing bonds and accrued interest. Due to the particular requirements of the bond underwriting groups for Turnpike Authority projects, however, the opportunity for consolidation of this paying agent function in the Treasury Department appears to be significantly limited under present circumstances.

Criterion 5

> Whether the agency has recommended to the legislature statutory changes calculated to be of benefit to the public rather than to an occupation, business, or institution the agency regulates.

The review under this criterion centered on proposed or adopted statutory changes relating to the operation of the Texas Turnpike Authority. The findings of this review are presented below in two parts. The first part sets forth the administrative structure and basic responsibilities of the Authority under its enabling legislation and subsequent amendments. The second part covers all legislation proposed or adopted in the last three legislative sessions and the position of the agency and other groups on that legislation. In analyzing the changes outlined in the second part, the approach was taken that a statutory modification must be of clear benefit to the state's citizens to be considered to be in the interest of the public.

Enabling Legislation and Amendments

The administrative structure and basic responsibilities of the Turnpike Authority under its enabling legislation are outlined in Exhibit V-1 along with subsequent statutory changes. As can be seen from the exhibit, the Authority was established in 1953 with the broad mandate of facilitating vehicular traffic and promoting the development of Texas through the building and operation of toll facilities to improve the state transportation network. The Authority was also given the specific mandate to build and operate the Dallas-Fort Worth Turnpike.

In 1969, the Sixty-first Legislature added provisions to the law regarding the funding of feasibility studies for new projects. As originally set out in the

EXHIBIT V-1

Texas Turnpike Authority Statutory History

Year	Administration	General Authority	Dallas County - Tarrant County
1953	Composition - Nine member board of directors - Six of the members appointed for six-year terms by Governor with the consent of the Senate - The three members of the Texas State Highway Commission are ex-officio members of the board - All directors have equal status Responsibilities - To adopt by laws for the regulation of Authority affairs and the conduct of Authority business. - To construct, operate, repair and maintain turnpike projects at such locations determined by the Authority and approved as to location by the Highway Commission - To issue turnpike revenue bonds payable solely from revenues, including tolls, for the purpose of paying for a turnpike project. - To acquire land necessary for turnpike projects by purchase, donation, or condemnation - To fix, revise, and collect tolls for the use of each turnpike project - To contract for the placement of gas stations garages, stores, hotels, and restaurants on turnpike projects - To request the Highway Commission to expend available funds for preliminary studies of a turnpike project, any expenditures to be reimbursed from the proceeds from bonds later issued for the project - To accept into the free highway system previously constructed toll roads operated by other toll road corporations, provided such roads and corporations meet specified conditions	Mandate - To facilitate vehicular traffic, promote agricultural and industrial development, to provide for the construction of modern expressways, and to provide for better connections between highways of Texas and the highway systems of adjoining states, through the construction, maintenance, repair and operation of turnpike projects. Such projects to be financed by the issuance of turnpike bonds of the Texas Turnpike Authority, payable solely from revenues of the projects. Limitations - Separate turnpike bonds must be issued for each project - No project shall substitute or take the place of an existing highway - Land acquired by condemnation can only be used for road and right-of-way purposes, but not for supplemental facilities or buildings - Bond interest rate not to exceed five percent per year, maturity time not to exceed 40 years - Revenues and disbursements for each project must be kept separately, with no revenues from one project to be used to pay costs for another project - When all bonds and interest for a project have been paid, and if such project is in a good state of repair, the project shall become toll-free and a part of the State Highway System	Mandate - To construct, maintain, repair and operate the Dallas-Fort Worth Turnpike

EXHIBIT V-1

Texas Turnpike Authority Statutory History
(cont.)

Year	Administration	General Authority	Dallas County - Tarrant County
	Funding - Funding through the issuance of bonds, revenues from turnpike projects, and preliminary funding, which is later reimbursed, from the Highway Commission.		
1969	Responsibilities - Turnpike Authority now authorized, subject to the prior approval of the Highway Commission, to use any available revenues from any turnpike project, and to borrow money, to pay for feasibility studies and other expenses relating to the issuance of turnpike revenue bonds for the construction of any other turnpike project. The funds so expended are to be reimbursed from bonds sold for the construction of such new project		
1971	Composition - Board of directors composed of 12 members - Nine of the members appointed for six-year terms by the Governor with the consent of the senate - The three members of the Texas Highway Commission are ex officio members of the board		
1977	Responsibilities - Revolving fund, the Texas Turnpike Authority Feasibility Study Fund, created from funds remaining after the toll is lifted from the	Limitations - No more than $1 million to be deposited in the Turnpike Authority Feasibility Fund from funds remaining from the Dallas-Fort Worth Turnpike	Mandate - The Dallas-Fort Worth Turnpike to become toll-free no later than the end of 1977 - The Authority, with the approval of the state

EXHIBIT V-1

Texas Turnpike Authority Statutory History
(cont.)

Year	Administration	General Authority	Dallas County - Tarrant County
1977 (cont.)	Dallas-Fort Worth Turnpike; such fund to be used to pay for studying the cost and feasibility and other expense relating to the issuance of revenue bonds for the construction of any turnpike project - The funds so expended are to be reimbursed out of the proceeds of turnpike revenue bonds issued for the construction of the project - May reimburse municipalities or counties or private groups for expenditures for studying the cost and feasibility and other expenses relating to the issuance of revenue bonds for the construction of a turnpike project	- Projects must still be approved by the State Highway and Public Transportation Commission - An existing project may now be pooled in whole or in part with any new projects or projects within the same county, or parts thereof. Upon designation such "pooled project" shall become a turnpike project as defined in the act - No project may be pooled more than once.	Highway and Public Transportation Commission, to effectuate a plan for the orderly transition of the Dallas-Fort Worth Turnpike to the State Department of Highways and Public Transportation

Authority's 1953 enabling legislation, such studies were to be financed through the Texas Highway Commission, with study costs to be later reimbursed to that agency from the sale of revenue bonds issued for the construction of the new project. This financing method was eliminated a year later as a result of the 1954 passage of a constitutional amendment which withdrew the legislature's authority to grant public money to any agency authorized to construct, maintain, or operate toll roads and turnpikes in Texas. The 1969 Legislature, however, provided the Authority with a new method for financing feasibility studies by allowing that any available revenues from any turnpike project or borrowed funds could be used to finance such studies for any other project, subject to the approval of the Texas Highway Commission.

In 1971, the board of directors was increased from nine to twelve members. Three of the directors were still to be the three members of the Highway Commission, while nine directors, rather than six, were to be appointed by the governor with the consent of the senate.

The amendments by the Sixty-fifth Legislature, in 1977, required that the Dallas-Fort Worth Turnpike become toll free no later than the end of 1977, and be transferred to the Department of Highways and Public Transportation at the time of toll removal. The amendment also established the Texas Turnpike Authority Feasibility Study Fund, limited to $1 million to be made available from amounts remaining from the Dallas-Fort Worth Turnpike project. The fund was established to pay the cost of making feasibility studies for new projects, with such costs being reimbursed to the Feasibility Study Fund from the sale of bonds issued for construction of the project.

The 1977 amendments also stipulated that municipalities, counties, or private groups could pay all or part of the expenses associated with studying the feasibility

of turnpike projects. The Authority was authorized to provide reimbursement for these expenditures from the proceeds of bonds issued for the construction of new projects.

A third aspect of the 1977 amendments was a section allowing an existing project or part of a project to be "pooled" with a new project in the same county such that the new pooled effort would be a single turnpike project for purposes of the act.

Proposed Legislation

A search for Authority-related legislation considered in the last three legislative sessions determined that such proposals were introduced only during the Sixty-fifth Legislature. Exhibit V-2 presents a tabular synopsis of the three bills introduced during this session.

As shown in the exhibit, S.B. 444, for which the Authority testified, provided for the establishment of a $2 million feasibility study fund, and required the Authority to effectuate a plan for the transfer of the Dallas-Fort Worth Turnpike to the Department of Highways and Public Transportation. The bill allowed the Authority to issue revenue bonds for the further improvement of the Turnpike or parts thereof if studies indicated a need, and also permitted project pooling.

S.B. 273 limited the use of revenue from the Dallas-Fort Worth Turnpike to maintenance and operation of that project and for retiring the indebtedness against the project. The bill also stipulated that the Turnpike become toll free as soon as possible.

Both S.B. 444 and S.B. 273 failed of adoption, but major portions of both were incorporated into the committee substitute for S.B. 194, which as introduced called for the Department of Highways and Public Transportation to assume the duties of

EXHIBIT V-2

Tabular Synopsis of Proposed Legislative Changes
Sixty-fifth Session

Bill	Proposed Change	Action
S.B. 194	Provided that the Department of Highways and Public Transportation assume the duties of the Turnpike Authority.	Committee substitute to replace original S.B. 194
S. B. 194 (Committee substitute)	Required that the Dallas-Fort Worth Turnpike become toll free and a part of the state highway system by the end of 1977. Established the Texas Turnpike Authority Feasibility Study Fund. Provided for project pooling. Provided for reimbursement of municipalities, counties or private groups from bond proceeds for feasibility studies of new projects.	Adopted
S.B. 273	Limited the use of revenue from the Dallas-Fort Worth Turnpike to the necessary expenses of maintaining and operating the project and for retiring the indebtedness against the project. The Turnpike Authority was directed to take all necessary steps to free the Dallas-Fort Worth Turnpike from encumbrances so that it could become toll free "as soon as possible."	Failed
S.B. 444	Required the Turnpike Authority to effectuate a plan for the transition of the Dallas-Fort Worth Turnpike to the Department of Highways and Public Transportation, but allowed the Authority to issue revenue bonds for improvement of the turnpike if studies indicated such a need. Provided for the establishment of the Texas Turnpike Authority Feasibility Study Fund. Provided for project pooling.	Failed

the Turnpike Authority. The substitute for S.B. 194 established a $1 million feasibility study fund; required the Dallas-Fort Worth Turnpike to become toll free by the end of 1977; permitted project pooling; and provided for the reimbursement of counties, municipalities and private groups from bond proceeds for feasibility studies of new projects. S.B. 194 was adopted with the support or without opposition of a number of associations and local governments. According to the Authority's self-evaluation report, the following groups were interested in the legislation and either endorsed or did not oppose S.B. 194:

Tarrant County Commissioner's Court
City of Fort Worth
City of Arlington
Fort Worth Chamber of Commerce
Arlington Chamber of Commerce
City of Euless
Other Tarrant County Cities and Associations
City of Dallas
Dallas County Commissioner's Court
Dallas Chamber of Commerce
Oak Cliff Chamber of Commerce
City of Grand Prairie
Other Dallas County Cities and Chambers of Commerce
Transportation Development Group (Houston)
Houston Chamber of Commerce
Pasadena Chamber of Commerce
Texas Good Roads/Public Transportation Association

The Authority's chairman supported the provisions permitting the pooling of projects and the creation of the feasibility study fund, though with a $2 million rather than $1 million initial fund. Regarding the Dallas-Fort Worth Turnpike, the Authority chairman recommended that each county be given the option to approve the extension of tolls on that county's portion of the Turnpike for the purpose of constructing improvements on that road in that county.

The specific nature of the benefits derived by the public from the statutory changes recommended by the Authority are difficult to determine. It can be noted,

however, that of the three provisions recommended by the Authority, two were included, at least in part, in the adopted version of S.B. 194.

Summary

A review of the statutory history of the Texas Turnpike Authority indicates that the agency's enabling legislation, passed in 1953, was first amended 16 years later in 1969. This amendment authorized, subject to Highway Commission approval, the agency's use of any available revenues from existing turnpike projects to finance feasibility studies of other potential projects around the state. The agency's statute was next amended in 1971 to increase the size of the Board of Directors from 9 to 12 members. Finally, the most recent changes to the Authority's enabling legislation were adopted in 1977 by the Sixty-fifth Legislature. During this legislative session, three bills concerning the agency were introduced, with one compromise bill (S.B. 194) receiving final legislative acceptance. This legislation provided for, among other things: 1) the elimination of tolls on the Dallas-Fort Worth Turnpike no later than the end of 1977; 2) the establishment of a $1 million revolving Feasibility Study Fund, to be reimbursed from the proceeds of revenue bonds sold to finance feasible projects; 3) the expenditure of funds by municipalities and counties to pay for feasibility studies for any new turnpike project, with such expenditures to be reimbursed from the sale of revenue bonds associated with the project; and 4) the pooling of projects within the same county. S.B. 194 was endorsed or not opposed by a number of local governments and various associations in the Dallas-Fort Worth area.

Criterion 6

> The promptness and effectiveness with which the agency disposes of complaints concerning persons affected by the agency.

The review under this criterion centered on: 1) an identification of the type and frequency of complaints received by the agency, 2) the adequacy of administrative procedures used to process these complaints, and 3) the appropriateness and patterns of actions taken to address the complaints. Information for the review was obtained through interviewing agency staff, examining complaint files, information supplied by the agency on complaints, and analyzing data presented in the agency's self-evaluation report.

Complaint Process

Complaints concerning the operation of the Texas Turnpike Authority may be initiated in person, by phone or by mail either at the central office or at the various toll booths. There is no formal written process for the routing of complaints; instead, all employees who come in contact with the general public attempt to make a determination of the nature of the complaint and forward it to the appropriate office within the agency. Authority personnel acknowledge that, if requested or viewed as necessary, complaints may be taken before the Board of Directors. To date, however, no complaint has ever reached this highest level of disposition within the agency.

The Authority utilizes a standard complaint form for documenting complaints, and office heads are responsible for reporting the receipt and disposition of each complaint to the engineer-manager. All complaints requiring a written response are designated as "formal complaints" while those which may be disposed of without further written action are considered to be "informal" in nature.

Apart from complaints aimed directly at Authority actions, the agency also receives complaints concerning the patroling activities of the Department of Public Safety. Such complaints are forwarded by the TTA to that agency for resolution.

Type and Frequency of Complaints

Complaints made to the Authority are customarily handled within the following three agency sections: 1) toll collection; 2) credit, insurance, claims, and right of way; or 3) manager's office. Exhibit VI-1 indicates the number of complaints handled by these sections in calendar years 1975, 1976, and 1977. As can be seen from this exhibit, the toll collection office processed 173 (or 87 percent) of the 200 complaints received by the TTA in those years.

EXHIBIT VI-1

Frequency of Complaints
Texas Turnpike Authority

	Office			
Year	Toll Collection	Credit & Claims	Manager's Office	Total
1975	61	6	2	69
1976	70	6	5	81
1977	42	5	3	50
Total	173	17	10	200

In analyzing the complaint process of the agency, it is necessary to determine the type of complaints handled by each of the three Authority offices and the agency's average turn-around time for these various complaint types. Exhibit VI-2 presents this information in tabular form for 1977.

EXHIBIT VI-2

Analysis of Complaints, 1977
Texas Turnpike Authority

Office	Type of Complaint	Number	Average Response Time (Approximate)
Toll Collection	Discourtesy	6	1 day
	Change Error	36	13 days
Credit & Claims	Liability Claims	5	8 days
Manager's Office	Miscellaneous	3	12 days
Total		50	11 days

From this exhibit, it is seen that the toll collection office deals with complaints concerning discourtesy on the part of toll booth attendants, as well as complaints relating to customer receipt of incorrect change at toll stations. Employees found to have been discourteous are subject to reprimand or dismissal. Final disposition of complaints concerning incorrect change is based on the results of a reconciliation of daily toll booth tickets and revenues. Most complaints concerning discourtesy were handled on a same day basis while complaints concerning incorrect change at toll booths averaged the longest overall disposition time of approximately 13 days.

The Credit, Insurance, Claims, and Right of Way Office mediates all complaints concerning damage or injury to motorists or their vehicles while using agency facilities. Accidents involving Authority personnel and damage caused by agency maintenance vehicles constitute the most common complaints forwarded to this division. Where appropriate, these claims are forwarded to the TTA's liability

carrier for final disposition. The average disposition time on these complaints was some eight days.

The manager's office handles complaints directed specifically to the engineer-manager, complaints with overlapping or unclear departmental responsibility, and other miscellaneous complaints. The average response time for the three complaints dealt with by this office in 1977 was 12 days.

Summary

The review under this criterion showed that the Turnpike Authority has not established formal written procedures for the handling of complaints, although a relatively structured informal system is utilized. The bulk of complaints are handled by the Toll Collection Office within the agency. Complaints concerning discourtesy received the most timely disposition, with complaints concerning change errors resulting in the greatest average response time. Since most of the complaints received resulted from operations on the Dallas-Fort Worth Turnpike, the future volume of complaints should be expected to drop substantially in 1978.

Criterion 7

The extent to which the agency has encouraged participation by the public in making its rules and decisions as opposed to participation solely by those it regulates, and the extent to which the public participation has resulted in rules compatible with the objectives of the agency.

The review under this criterion began with a determination of the statutory requirements regarding public participation both in the agency's enabling law and general statutes. The agency's procedures were reviewed to determine compliance with these statutes. The agency files and self-evaluation report were reviewed to determine the nature and extent of public participation and any results which might be attributed to public participation.

Public Participation

With the exception of provisions contained in the Open Meetings Act and the Administrative Procedures Act the Texas Turnpike Authority has no statutory requirement concerning public notification or participation in agency rule or decision-making processes. As indicated in Criterion 10, the agency has complied with the meeting notification procedures of the Open Meetings Act. Additionally, in accordance with the Administrative Procedures Act, the agency publicized its one proposed rule change during the 1975-1977 period in the Texas Register. This non-controversial change, adopted unanimously by the Board of Directors on June 1, 1977, amended the agency rule locating the principal office of the Authority at Arlington, Tarrant County, Texas. The new rule states that the principal location of the Authority shall be in Dallas, Dallas County.

The TTA goes beyond the notification requirements of the law in an effort to encourage public attendance at its meetings and public awareness of its projects.

Since 1957, the Authority has retained the firm of Witherspoon and Associates as its public relations consultant. The firm receives an annual retainer, $6,000 in 1978, in return for providing the following services:

- assisting in arranging meetings of the Board of Directors and issuing press releases concerning such meetings
- responding to certain inquiries and requests for information from the news media
- providing information on Authority plans and activities to the general public
- counseling the Texas Turnpike Authority on the preparation of public information
- serving as a writing, editing and design resource in the preparation of the Authority's annual report and other informational materials.

Authority personnel indicate that duties associated with the preparation of the annual report constitute the primary responsibility of Witherspoon and Associates.

In addition to the retainer discussed above, the firm receives reimbursement for services beyond those contracted for in the retainer according to the following fee schedule:

Account Supervisor	$50 per hour
Account Executive	$40 per hour
Creative Personnel	$30 per hour
Secretarial	$15 per hour
Clerical	$10 per hour

Witherspoon and Associates also receives reimbursement for its expenditures made on behalf of the Authority and for certain travel, subsistence, and other out-of-pocket expenses at actual cost.

Exhibit VII-1 illustrates the Authority's promotional expenditures for fiscal years 1975, 1976, and 1977 (1977 budgeted only). This exhibit indicates that the promotional agent's retainer and service fees and expenses accounted for slightly

more than half (54 percent) of the expendutures associated with promotion for the Authority's projects during those three fiscal years. When amounts for maps, pamphlets, and magazine and newspaper advertising are added to agency fees and expenses, the resulting figure constitutes 89 percent of all promotional expenses of the agency during this three-year period. Remaining expenditures detailed in Exhibit VII-1 are for expendable office supplies.

EXHIBIT VII-1

Texas Turnpike Authority
Promotional Expenditures for All Projects
(1975-1977)

Item	Expended 1975	Expended 1976	Budgeted 1977	Total 1975-77	Percent of Total
Advertising Agent's Fees and Expenses	$ 10,168	$ 10,222	$ 10,300	$ 30,690	54.2
Postage	120	200	170	490	Less Than 1 Percent
Telephone & Teletype	263	246	400	909	1.6
Stationery, Printing, and Office Supplies	467	917	600	1,984	3.4
Freight and Express	92	94	130	316	Less Than 1 Percent
Maps and Pamphlets	5,143	6,405	5,200	16,748	29.6
Billboard Advertising	0	0	50	50	Less Than 1 Percent
	0				
Magazine and Newspaper Advertising	1,971	1,035	500	3,506	6.2
Prints and Photographic Supplies	4	51	100	155	Less Than 1 Percent
Miscellaneous	0	0	1,750	1,750	3.1
Total	$ 18,228	$ 19,170	$ 19,200	$ 56,598	100.0

In analyzing the agency's various promotional efforts, it is useful to examine the attendance of the general public and other groups at the meetings of the Board of Directors. Exhibit VII-2 details the attendance at the Board meetings held during 1977. Analysis indicates that attendance at the eight meetings averaged 33 individuals, with members of the media and general public representing 36 percent of those present. The remaining individuals included Board members, employees of the Authority, and representatives of various consultants retained by TTA.

EXHIBIT VII-2

Texas Turnpike Authority
Analysis of Attendance at Board Meetings (1977)

Date of Meeting	Board Members	Employees of Authority	Representatives of Consultants Employed by Authority	News Media	General Public	Total
January 14, 1977	8	4	6	15	1	34
February 11, 1977	7	7	10	3	10	37
March 23, 1977	7	5	8	10	2	32
April 13, 1977	2	4	4	2	-	12
June 1, 1977	8	6	13	7	17	51
September 21, 1977	7	5	7	7	7	33
October 25, 1977	6	6	6	5	4	27
December 6, 1977	9	7	12	7	6	41

The Authority also tries to inform the public and other groups of its projects and operations through various publications. Materials distributed by the Authority include a monthly financial report, an annual report, and maps and brochures concerning the Dallas North-Tollway and the Dallas-Ft. Worth Turnpike. During

fiscal years 1975-1977 advertising efforts by the Turnpike Authority were directed at increasing use of the Turnpike by spectators attending hockey and baseball games in Arlington as well as publicizing the opening of the Hampton-Westmoreland Interchange and an increase in toll rates on the Dallas-North Tollway.

Summary

The review under this criterion has shown that there is consistent attendance at TTA Board meetings by representatives of the media and general public. It should be noted however, that Witherspoon and Associates has been employed, on a long-term basis, to implement the Authority's public information efforts. The use of such a public relations firm is not consistent with the procedures utilized in state agencies falling within the state appropriations process. Article V, Section 5 of the current Appropriations Act prevents state appropriations from being used by such agencies for the employment of any person who has the title, or duties, of a public relations agent, or press agent, or for paying any public relations firm or agent.

Criterion 8

> The extent to which the agency has complied with applicable requirements of an agency of the United States or of this state regarding equality of employment opportunity and the rights and privacy of individuals.

The review under this criterion centered on an identification of agency Equal Employment Opportunity reporting requirements and policies regarding the rights and privacy of individuals. Federal and state statutes were reviewed; agency policies and procedures were documented; and appropriate agency files were inspected to determine the adequacy of records maintained to verify the data presented under this criterion. The Governor's Office of Personnel and Equal Employment Opportunity was consulted. The general procedures regarding personnel actions and protection of the rights and privacy of individuals were examined through interviews and review of files.

Staff Composition

Full-time staff of the Texas Turnpike Authority fluctuated between 1973 and 1977 from a high of 305 in 1975 to a low of 283 in 1977. Exhibit VIII-1 indicates the agency's work force breakdown by category during this period. Analysis of this information suggests two distinct patterns in the employment history of the agency. First, there appears to be a preponderance of white males at the administrative levels. Second, employment of non-white personnel appears to have been limited for the most part to the categories of service/maintenance and skilled craft (primarily toll attendants). Additionally, the agency has not developed written internal procedures on long-range goals detailing agency approaches to EEO concerns. Employee hiring appears to be left primarily to the discretion of individual managers.

EXHIBIT VIII-1

Texas Turnpike Authority
Workforce Breakdown by Job Category

June 1973	
Administrative	36
White Male	36
Professional	4
White Male	3
White Female	1
Technician	15
White Male	9
White Female	6
Para Professional	2
White Male	1
White Female	1
Office/Clerical	16
White Male	2
White Female	14
Skilled Craft	182
White Male	159
Black Male	14
White Female	6
Black Female	2
Hispanic Female	1
Service/Maint.	40
White Male	37
Black Male	3
Total	295

June 1974	
Administrative	11
White Male	11
Professional	4
White Male	3
White Female	1
Technician	13
White Male	8
White Female	5
Para Professional	2
White Male	1
White Female	1
Office/Clerical	15
White Male	1
White Female	14
Skilled Craft	209
White Male	170
Black Male	13
White Female	18
Black Female	7
Hispanic Female	1
Service/Maint.	42
White Male	38
Black Male	3
Hispanic Male	1
Total	296

June 1975	
Administrative	8
White Male	8
Professional	4
White Male	3
White Female	1
Technician	10
White Male	10
Para Professional	5
White Male	2
White Female	3
Office/Clerical	17
White Female	17
Skilled Craft	225
White Male	176
Black Male	14
White Female	24
Black Female	10
Hispanic Female	1
Service/Maint.	36
White Male	34
Black Male	2
Total	305

June 1976	
Administrative	8
White Male	8
Professional	2
White Male	1
White Female	1
Technician	10
White Male	9
White Female	1
Para Professional	3
White Female	3
Office/Clerical	16
White Male	1
White Female	14
Hispanic Female	3
Skilled Craft	227
White Male	166
Black Male	16
White Female	31
Black Female	11
Hispanic Female	3
Service/Maint.	33
White Male	30
Black Male	2
Hispanic Male	1
Total	299

June 1977	
Administrative	8
White Male	8
Professional	2
White Male	1
White Female	1
Technician	10
White Male	9
White Female	1
Para Professional	4
White Female	4
Office/Clerical	17
White Male	3
White Female	13
Hispanic Female	1
Skilled Craft	213
White Male	145
Black Male	15
White Female	40
Black Female	12
Hispanic Female	1
Service/Maint.	29
White Male	26
Black Male	2
Hispanic Male	1
Total	283

Affirmative Action

The Turnpike Authority has not filed an affirmative action plan with the Governor's Office of Equal Employment Opportunity and, like other state agencies, is under no statutory obligation to do so. Although the Authority has not developed an official affirmative action plan, the agency has nevertheless maintained regular contact with the Governor's EEO Office and has submitted required EEO-4 forms in a timely manner.

The agency has recently secured the services of an independent personnel consulting firm for the purpose of developing a plan for orderly and equitable workforce reduction in response to the transfer of the Dallas-Fort Worth Turnpike to the State Department of Highways and Public Transportation. Although this plan is only temporary in duration and does not represent an official affirmative action plan, it does involve considerations normally relevant to affirmative action. The plan developed by the consultant is aimed at reducing the Turnpike Authority's employee complement from 291 employees to 77, while achieving an overall employment pattern which is more consistent with the work force breakdown of the Dallas-Fort Worth Standard Metropolitan Statistical Area. The basis for the reduction is that of using seniority by department and job description and at the same time applying seniority by race and sex, thus attempting to achieve minority and female representation within the total labor force of the organization. Exhibit VIII-2 indicates the agency's workforce breakdown prior to implementation of the reduction plan as well as workforce patterns projected after implementation. The agency is currently in the process of completing these projected reductions, and workforce patterns are expected to stabilize according to the plan within the near future.

Review of the projected employment pattern that will be achieved through implementation of the workforce reduction plan indicates that primary disparities between Dallas-Fort Worth SMSA workforce percentages and targeted agency personnel breakdowns occur within two categories. White females appear to be proportionately underrepresented among the projected workforce, while white males are proportionately overrepresented despite a slight percentage decline.

EXHIBIT VIII-2

Texas Turnpike Authority
Workforce Reduction Plan

Workforce Breakdown	Total 1977 Employment	Percentage of 1977 Workforce	Total Projected Employment	Percentage of Projected Workforce	SMSA Workforce Breakdown
Black Males	17	5.8%	5	6.5%	7%
Black Females	13	4.5%	4	5.2%	6%
Hispanic Males	1	.3%	1	1.3%	4%
Hispanic Females	2	.7%	2	2.6%	2%
White Males	199	68.4%	52	67.5%	50%
White Females	59	20.3%	13	16.9%	31%
	291	100.0%	77	100.0%	100%

The personnel consultant's contract included requirements for counseling, testing and placement of terminated employees. Although in-depth counseling services were available to all employees terminated as a result of divestiture of the Dallas-Fort Worth Turnpike, less than half of these individuals sought this type of assistance. The only information available regarding ultimate placement of terminated individuals is in reference to 25 former employees who transferred to other state agencies.

Discrimination Charges

There have been two charges of discrimination filed against the Texas Turnpike Authority.

In April 1975, a black employee of the agency filed suit charging harrassment by her immediate supervisor because of her race. The case was investigated by representatives of the Federal Equal Employment Opportunity Commission in Dallas. Investigators determined that evidence did not support the charge against the Turnpike Authority and the case was closed in September 1975.

In January 1976, State Representative Paul B. Ragsdale filed a class-action suit against eight state agencies, including the Texas Turnpike Authority, which charged these agencies with discrimination against minorities in hiring practices. The charges against the agency were subsequently dropped and the case was administratively closed in August 1977.

Summary

Review of agency operations in relation to affirmative action and equal employment opportunity indicates that the agency has made an effort to address EEO concerns in its employment practices. The services of an outside personnel consultant have been utilized in order to accomplish an equitable reduction of workforce following divestiture of the Dallas-Fort Worth Turnpike. Nevertheless, white males appear to be proportionately overrepresented within the agency's workforce, particularly at the upper employment categories. Additionally, there are no written internal procedures nor long-range goals detailing agency approaches to EEO concerns.

There have been two charges of discrimination filed against the agency. However, charges were dropped in one instance and investigation indicated that evidence did not support the charges in the other.

Criterion 9

The extent to which the agency issues and enforces rules relating to potential conflicts of interest of its employees.

The review under this criterion centered on an identification of documented agency practices and procedures regarding the filing of individual financial statements and affidavits with the Office of the Secretary of State. The provisions of the statute (Article 6252-9b, V.A.C.S.) were reviewed and agency interpretations of the nature and intent of the provisions of the Act were sought. Records maintained by the agency and the Secretary of State under the authority of the legislation concerned with conflict of interest were reviewed to determine the extent of agency compliance with the letter and intent of the Act and to verify the accuracy of the data presented under this criterion. In addition, inquiries were directed to selected areas where conflicts of interest might exist that could not be discerned through review of official documents.

The Texas Turnpike Authority is subject to conflict of interest provisions found in both general law (Article 6252-9b, V.A.C.S.) and its enabling legislation. Agency efforts under each of these statutory areas are set forth below.

Efforts under General Conflict of Interest Statutes

Under Article 6252-9b, V.A.C.S., separate procedures and filing requirements relate to board directors and agency staff. These separate areas are reviewed below.

Board of Directors

According to the self-evaluation report of the Texas Turnpike Authority, the agency does not provide a copy of Article 6252-9b, V.A.C.S., to new board members with the request that the material be read. However, the Office of the Secretary

of State, while not providing a copy of the statute, does supply such members with information and suggested forms regarding interests to be disclosed under the law. In this regard, TTA directors are informed of reporting provisions requiring that every appointed officer having a "substantial interest" in a state-regulated business activity must file an affidavit of disclosure with the Secretary of State.

In reviewing compliance with this filing provision, the Office of the Secretary of State indicated that, of the 12 directors: 1) six of the nine appointed members had submitted affidavits; 2) the three ex officio directors had filed detailed financial disclosure information in compliance with statutes relating to their positions as state highway commissioners; and 3) the three remaining appointed directors had submitted no identifiable disclosure data. In the instance of one member who had not filed, information available from the TTA and the State Board of Insurance indicated that this member does have a substantial interest in a business regulated by the state. When notified, the member in question indicated a belief that the information had been filed at an earlier date, but would take steps to refile the information.

Agency Staff

Various provisions of Article 6252-9b, V.A.C.S., relate specifically to the executive director of an agency, while other sections deal generally with all agency personnel. In looking first at the engineer-manager of the TTA, this official is required to file an annual financial statement with the Secretary of State. Such a statement for the current engineer-manager is on file in that office and appears to conform with the requirements of the law.

With regard to all agency staff, the law specifies standards of conduct for such employees. An examination of TTA procedures reveals that the agency makes

an effort to inform its new employees of the substance of this law. Upon employment, personnel are given a copy of Article 6252-9b, V.A.C.S., and required to sign a statement indicating future intention to read its provisions. This statement is filed in each employee's personnel folder maintained by the administration.

Efforts under TTA Enabling Legislation

Section 21 of the Turnpike Authority's enabling statute (Article 6674v, V.A.C.S.) requires that:

> any member, agent, or employee of the Authority who contracts with the Authority or is interested, either directly or indirectly, in any contract with the Authority or in the sale of any property, either real or personal, to the Authority, shall be punished by a fine of not more than $1,000.

Given the large number of TTA personnel, no attempt was made to identify any direct or indirect interests that agency staff and board members might have in the contracts of the Authority; therefore, no judgment can be made on possible conflict of interest problems arising under this provision. Instead, attention was given to identifying agency procedures used to inform employees and directors of the requirement.

With regard to TTA directors, no established procedure to inform board members of the agency's conflict of interest provision could be readily ascertained. With respect to Authority staff, however, the substance of the requirement is covered in the "Personnel Policies and Practices" manual of the agency. While a copy of the manual is provided to staff members upon employment, there is no entry requirement that the document be read.

Summary

The board and the staff of the Texas Turnpike Authority are subject to conflict of interest provisions found in both the agency's enabling statute and in

Article 6252-9b, V.A.C.S. Looking at the agency's Board of Directors, no established procedure for systematically informing new board members of the specific provisions of both laws could be identified; however, the Office of the Secretary of State does inform new directors of pertinent affidavit filing requirements relating to disclosure of regulated business interests under general law. TTA directors appear to be in general compliance with such requirements.

In reviewing agency conflict of interest procedures relative to its staff, it was noted that the TTA attempts to inform new employees of the substance of both state and agency statutory requirements. This effort is made through inclusion of a conflict of interest section in the Authority's "Personnel Policies and Practices" manual and through provision of a copy of Article 6252-9b, V.A.C.S., to all new staff members. In compliance with the provisions of this article, the engineer-manager of the Authority has filed with the secretary of state a current financial statement that appears to conform to statutory requirements.

Criterion 10

The extent to which the agency complies with the Open Records Act and the Open Meetings Act.

Examination of elements under this criterion was separated into components dealing with responsibilities for making agency documents available to the public under open records requirements and responsibilities for public notification of proposed agency actions. Under the area of open records, statutes were reviewed in relation to written or unwritten policies used by the agency. Where written policies did not exist, interviews were conducted to determine actual compliance. Materials contained in the self-evaluation report were verified and open records decisions reviewed. Open meetings compliance was verified through review of agency written and unwritten policies to determine if they accurately reflected statutory requirements. Interviews with agency personnel were conducted in instances where written policies were lacking or information contained in minutes of meetings was incomplete or unclear. Records in the Office of the Secretary of State were reviewed on a selected basis to determine compliance with posting and informational requirements.

Open Records

The Texas Turnpike Authority has not adopted formal written policies concerning public access to records. Instead, the agency deals with requests for information in an informal manner. Authority personnel indicated that the volume of requests for information is not large and that, to date, no individual requesting access to any information which could be legally disclosed has been denied. According to the agency, no complaints have been registered against the Authority

for its handling of requests for information. While the self-evaluation report lists several categories of information which are legally exempt under the Open Records Act, it appears that personnel records and various working papers constitute the primary category of records held to be confidential by the agency.

Open Meetings

The TTA is not mandated by statute to hold any minimum number of board meetings annually. However, the agency's rules and regulations stipulate monthly meetings at such times and places as determined by the board unless cancelled by the chairman as a result of insufficient business. Only the biennial meeting where board officers are elected is required under current rules.

During the calendar years 1975 through 1977, the Authority scheduled 13 regular meetings, one emergency meeting and one special committee meeting. Of these 15 meetings, eight were held during 1977 and dealt with the transition of the Dallas-Fort Worth Turnpike, the construction of the Mountain Creek Bridge, and other proposed projects.

The agency reports that all board meetings are open meetings with closed executive sessions clearly indicated in the minutes. An examination of board minutes for 1977 indicate that closed executive sessions were held on seven occasions to discuss pending litigation and personnel matters. These minutes indicate that "no final action, decision or vote with regard to any matter was made during the executive sessions." Inspection of the Texas Register indicated that the agency complied with posting requirements within the appropriate time limits.

It should be noted that, with respect to compliance with the provisions of the Open Meetings Act, the City of Fort Worth filed suit against the Authority regarding the validity of Resolution No. 500 passed by the Board of Directors of the

Turnpike Authority on May 26, 1976. The city contended that the resolution authorizing a study of the feasibility of enlarging the Dallas-Fort Worth Turnpike, was at variance with earlier resolutions to transfer the Turnpike as a free road as soon as the original bond issue was retired. Fort Worth maintained that the notice should have indicated the significance and possible consequences of such a resolution. The original trial court ruled Resolution No. 500 to be a breach of prior contractual agreements with the City of Fort Worth and Tarrant County; however, this contention was not upheld by the Texas Supreme Court which ruled the notice complied with the statute.

The TTA goes beyond the requirements of the Open Meetings Act to inform the public of its meetings. For the last 20 years, the agency has employed the public relations firm of Witherspoon and Associates to disseminate information concerning the time and place of all board meetings. Such notice is distributed to media representatives in areas impacted by the Authority's activities.

Summary

The Texas Turnpike Authority appears to maintain a record-keeping system in compliance with the Open Records Act. The agency also appears diligent in fulfilling the statutory requirements concerning public notification under the Open Meetings Act, and goes beyond the posting requirements of the Act in its notification procedures.

Criterion 11

The impact in terms of federal intervention or loss of federal funds if the agency is abolished.

The Texas Turnpike Authority has never received federal funds for any purpose. This historical lack of federal funding is in concert with the basic U.S. government policy of providing road grant funds for free roads only. This policy, in effect since 1916, derives from the following provision of the Federal-Aid Road Act of that year: "all roads constructed under the provisions of this Act shall be free from tolls of all kinds:" (23 U.S.C.A., Sec. 301).

While funds under the federal road acts have generally been unavailable for toll roads as a result of the above-stated provision, the national government has in the past been authorized to provide funds for toll bridges and tunnels as well as approaches to various types of toll facilities. Nonetheless, it appears that such funds would be available only for reimbursement of state highway department expenditures. Moreover, any toll facility funds that were received by the State Department of Highways and Public Transportation in Texas could not be passed on to the Turnpike Authority as a result of Article III, Section 52b, of the Texas Constitution. This article prohibits the granting of appropriated funds to any agency constructing, maintaining, or operating turnpike facilities in the state.

From the above, it can be concluded that the TTA has never received, nor is currently eligible to receive, federal funds for toll facility construction. Therefore, no loss of federal funds would result from abolition of the agency as presently structured.

CONCLUSIONS

The concept of toll roads has been used to provide an alternative method for financing needed construction where traditional highway revenues are insufficient or inappropriate. Accordingly, 45 states currently possess statutory authorization to operate toll facilities; 23 of these, including Texas, have been identified as operating independent statewide turnpike authorities.

The Texas Turnpike Authority (TTA) was established in 1953 and was authorized to construct, maintain and operate toll facilities for the purpose of facilitating the movement of traffic and encouraging the economic development of the state. In order to address this statutory mandate, the Authority has undertaken responsibility for studying the feasibility of potential toll projects in the state as well as for constructing and managing those projects which are judged practicable.

The Turnpike Authority is administered by a Board of Directors responsible for policy direction and an administrative staff responsible for implementation. The Board of Directors consists of 12 members, nine of which are appointed by the governor for staggered six-year terms, and three of which are members of the State Highway and Public Transportation Commission who serve as ex-officio members. Direct administration of the Authority is vested in an Engineer-Manager and a Secretary-Treasurer. The agency's staff has varied significantly in size due to changes in personnel needs associated with the opening, modification, or closing of Authority projects.

Turnpike Authority toll projects are initially financed out of proceeds from the sale of turnpike revenue bonds for each particular project. As a result of amendments to the agency's enabling legislation introduced in 1977, however, any existing toll project may be "pooled" with a new project in the same county, with the resulting combination considered as a single turnpike project for purposes of

financing and operation. For each project, repayment of bonded indebtedness as well as the costs of maintenance and the agency's operations in relation to the particular project are paid for entirely out of revenues derived from toll fares, related concession revenues and earnings on investments. No general tax funds are available to the Authority from the state.

In pursuit of its overall objectives,the Turnpike Authority undertakes a variety of interrelated tasks which can be broadly categorized into planning and implementation phases. The Authority has carried out planning studies in regard to eight potential projects, four of which have proceeded to the implementation phase.

The planning process involves a cursory review of proposed projects by Authority personnel, a series of feasibility studies conducted by engineering consultants, and the arrangement of financial matters leading to a bond sale. In accordance with the statutory amendment enacted in 1977, feasibility studies are currently financed out of a $1 million revolving study fund which is to be reimbursed from the sale of revenue bonds for feasible projects. Prior to this amendment in 1977, most of the agency's feasibility studies were financed out of available monies derived from the operation of the Dallas-Fort Worth Turnpike.

Implicit in the planning process is the statutory requirement for coordination of Turnpike projects with the overall state highway system through approval of feasibility studies and route by the State Highway and Public Transportation Commission. The evaluation has indicated that in certain instances, there may have been inadequacies with respect to preliminary coordination with the State Department of Highways and Public Transportation (SDHPT). In addition, the result of at least one planning project has suggested that there may be inadequate

means for insuring continued local government commitment to proposed Authority projects.

The Authority's implementation phase begins with the sale of bonds following determination of final feasibility for a proposed project. Construction is carried out by private contractors under procedures similar to those utilized by the State Department of Highways and Public Transportation.

The Turnpike Authority's operational responsibilities include both administrative and field operations. The evaluation has indicated that the day-to-day operations of the agency are generally conducted in an efficient and effective manner. State law and the requirements of the trust agreements governing the agency's various operating projects make the Turnpike Authority subject to thorough financial review by the State Auditor as well as by outside independent accounting firms. In general terms, the Turnpike Authority appears to utilize the services of outside consultants to a much greater extent than most other state agencies. Many of these contractual services, however, are requisite to the trust agreements entered into by the Authority in regard to its various projects.

The Turnpike Authority has constructed and operated two toll facilities. The Dallas-Fort Worth Turnpike was constructed out of proceeds from the sale in 1955 of revenue bonds in the principal amount of $58.5 million. Bonded indebtedness on the Turnpike was fully retired 17 years ahead of schedule and, in accordance with Senate Bill 194, was transferred as a toll-free highway to the State Department of Highways and Public Transportation on December 31, 1977. The Dallas North Tollway was constructed out of proceeds from the sale in 1965 of revenue bonds in the principal amount of $33.65 million. Currently, tollway bonds totalling $11.69 million have been retired, placing the repayment of bonded indebtedness on this

facility approximately nine years ahead of schedule.

The Turnpike Authority has recently sold bonds for the financing of two additional projects. In June 1977, bonds totalling $9.2 million were issued for the Mountain Creek Lake Bridge which is currently under construction and expected to be opened to vehicular traffic by January 1979. In July 1978, bonds totalling $102 million were issued for the Houston Ship Channel Bridge which is scheduled to begin construction prior to January 1979 with a projected completion date of January 1982.

Review of operating projects shows that the Turnpike Authority has accomplished its stated objectives relative to these facilities. In general terms, the Authority has been able to achieve timely project completion, satisfactory road maintenance, increasing vehicular utilization, and long-run financial viability.

The overall examination of the Texas Turnpike Authority indicates that the agency has addressed its statutory mandates. However, in its review of issues related to the disposition of the Authority, the legislature should consider the following conclusion:

ARTICLE III, SECTION 52b OF THE TEXAS CONSTITUTION SHOULD BE REPEALED BEFORE THE ABOLITION OF THE TEXAS TURNPIKE AUTHORITY OR ITS MERGER WITH ANOTHER STATE AGENCY.

In 1954, Article III of the Texas Constitution was amended to include the following provision:

> Sec. 52-b. LOAN OF STATE'S CREDIT OR GRANT OF PUBLIC MONEY FOR TOLL ROAD PURPOSES. The Legislature shall have no power or authority to in any manner lend the credit of the State or grant any public money to, or assume any indebtedness, present or future, bonded or otherwise, of any individual, person, firm, partnership, association, corporation, public corporation, public agency, or political subdivision of the State, or anyone else, which is now or hereafter authorized to construct, maintain or operate toll roads and turnpikes within this State.

By denying the legislative grant of public money to any state agency constructing, maintaining, or operating toll facilities, this amendment impedes the legislature's ability to successfully merge the TTA with another state agency or abolish the Authority before the retirement of all its outstanding bonded indebtedness. This circumstance stems from the bond-financing arrangements inherent in the operations of the Authority.

Debt incurred by the TTA through the sale of turnpike revenue bonds is retired over time from funds generated from the operation of agency projects as toll facilities. Both Section 50 and Section 52b of Article III of the Texas Constitution prohibit lending the credit of the state to repay such indebtedness. As a result, regardless of the disposition of the Authority, under current law future payments of principal and interest to bondholders are dependent on the continued operation of TTA facilities as toll projects.

The above suggests that, if the TTA were either abolished or merged with another state agency, it would be necessary to transfer authority for the maintenance and operation of existing turnpike projects to a designated agency. Given its mission and expertise, the State Department of Highways and Public Transportation would be a logical choice for the assumption of these responsibilities.

While such a choice exists, Section 52b of the Constitution has a secondary effect which impairs the transfer of turnpike responsibilities. By denying the legislative grant of public funds to an entity with such authority, all appropriations made to the SDHPT or any other state agency operating turnpike facilities would be jeopardized.

To avoid such an impairment of appropriated funds, Article III, Section 52b of the Constitution should be repealed before the abolition of the TTA or its merger with another state agency. Repeal of this provision would help insure that the results obtained from any organizational modification of the Authority are consistent with legislative intent.

If the legislature determines that the Texas Turnpike Authority should continue to exist as a separate state agency, the following changes could be considered to help insure the efficient and effective operations of the agency:

THE ENABLING LEGISLATION OF THE TEXAS TURNPIKE AUTHORITY COULD BE AMENDED TO REQUIRE THAT THE CONSTRUCTION OF A TURNPIKE PROJECT BE AUTHORIZED BY A MAJORITY VOTE OF THE QUALIFIED VOTERS IN THE COUNTY(IES) WHERE THE FACILITY IS TO BE LOCATED.

The planning and construction of a turnpike project by the TTA is dependent upon the support of various local governments and groups in the area where the facility is to be located. Such dependency is understandable, given the social and financial burdens and benefits borne primarily by citizens of the locality.

The review of TTA operations indicates that, while public support from local entities may be sufficient for the initiation of feasibility studies, backing forthcoming from local governments could be either insufficient to warrant final construction or withdrawn at a later date. According to the agency's self-evaluation report and interviews with Authority personnel, such circumstances count heavily as underlying reasons to the current abandonment of two proposed projects: the Trinity Route of the Dallas-Fort Worth Turnpike and the Offatts Bayou Bridge.

The problems arising from potentially ambiguous project support could be solved by a definitive vote of those citizens living in the general locality of proposed project construction. Such a vote could be taken after the successful completion of exploratory feasibility studies conducted on the request of responsible local governments and groups.

THE ENABLING LEGISLATION OF THE TEXAS TURNPIKE AUTHORITY COULD BE AMENDED TO MAKE THE AGENCY SUBJECT TO ALL GENERAL PROVISIONS OF ARTICLE V OF THE STATE APPROPRIATIONS ACT.

Currently, the enabling legislation of the Texas Turnpike Authority (Article 6674v, V.A.C.S.) requires that compensation for agency employees not exceed the salary schedule of the State Department of Highways and Public Transportation for comparable positions and services. Thus, given the Department's mandated use of the position classification plan found in Article V, Section 1 of the Appropriations Act, the TTA is indirectly subject to the same salary provisions of the Act. However, since the Authority does not receive legislative appropriations, the agency is not required to follow other managerial and reporting provisions of that article. Such provisions concern, among other things, rates allowable for travel and per diem, restrictions on certain types of contracted services, and requirements for reporting to the legislature.

Consideration should be given to making the Turnpike Authority subject to the spectrum of provisions found in Article V of the Appropriations Act. Factors making this condition desirable include the following: 1) uniformity of

budgeting, accounting, and reporting procedures, 2) conformity by all state agencies with personnel policies and other provisions in Article V, General Provisions, 3) full accountability for all state funds on a uniform basis for all agencies, and 4) periodic review by the Governor's Budget Office, the Legislative Budget Board, and the Legislature.

THE ENABLING LEGISLATION OF THE TEXAS TURNPIKE AUTHORITY COULD BE AMENDED TO PLACE A LIMIT UPON THE AGENCY'S ALLOWABLE BONDED INDEBTEDNESS.

Including indebtedness incurred for the Houston Ship Channel Bridge project, as of July 1978, the TTA had approximately $130 million in outstanding bonded debt. The magnitude of debt issued by the Authority, however, is not currently subject to any type of specific legislative limit. Such an amendment would serve to increase direct fiscal accountability of the Authority to the legislature.