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AGENCY REVIEW
PARKWAYS AUTHORITY
DEPARTMENT OF TRANSPORTATION

AUDIT OVERVIEW

Maintaining and Operating the West Virginia Turnpike as a Toll-Free Road Could Cost the State an Estimated \$30 Million Annually

Most of the Parkways Authority's Long-Term Decisions Are Taking Into Consideration the Possibility of the Turnpike Transferring to the Division of Highways; Nevertheless, There Is the Need for Agencies Affected by the Transfer to Formally Plan for It, and the Legislature Should Consider Making a Final Decision on the Future of the Turnpike as Soon as Possible

Although the Parkways Authority Has Responded to Most PERD Recommendations of Three Previous Reports, Which Has Resulted in Significant Cost Savings, the Tourist Information Centers Continue to Operate Uneconomically



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EXECUTIVE SUMMARY

As part of the 2013 Agency Review of the Department of Transportation, pursuant to the West Virginia Performance Review Act, Chapter 4, Article 10, Section 8 of the *West Virginia Code*, the Legislative Auditor conducted a performance review of the West Virginia Parkways Authority (Parkways Authority). The objectives of the review are to determine the cost implications to the State if the West Virginia Turnpike is transferred to the Division of Highways (DOH) as required under current law W. Va. §17-16A-18, and if the Parkways Authority is making long-term operational decisions that could make the transfer more costly or problematic. The findings of this review are highlighted below.

Report Highlights

Issue 1: Maintaining and Operating the West Virginia Turnpike as a Toll-Free Road Could Cost the State an Estimated \$30 Million Annually.

- The West Virginia Turnpike could be required to transfer to the Division of Highways in May 2019.
- **The cost to the State to operate the Turnpike as a toll-free road at the same level of maintenance as its other interstates is an estimated \$30.4 million per year.**
- The number of people who could be laid off from the Parkways Authority could be up to 231, the direct loss of income to the local economy would be over \$9 million, and 31 State Police personnel on the Turnpike could be lost if the Legislature does not appropriate the \$2.7 million in personnel and operational costs currently paid for by the Parkways Authority.
- The cost to dismantle toll booths and reconstruct the toll plaza entrances is an estimated \$23 million, the State would likely have to address whether or not it will continue subsidizing Tamarack the current \$1 million per year, and the Courtesy Patrol fund could incur additional costs of \$420,000 to provide courtesy patrol along the Turnpike, according to DOH estimates.

Issue 2: Most of the Parkways Authority's Long-Term Decisions Are Taking Into Consideration the Possibility of the Turnpike Transferring to the Division of Highways; Nevertheless, There Is the Need for Agencies Affected by the Transfer to Formally Plan for It, and the Legislature Should Consider Making a Final Decision on the Future of the Turnpike as Soon as Possible.

- The Legislative Auditor finds that the Parkways Authority has not increased permanent staff or committed to long-term obligations that could make a potential transfer of the Turnpike more costly or problematic.
- The Parkways Authority should develop plans that will make Tamarack completely self-sufficient as dictated by good business practice and given the possible loss of the annual \$1 million subsidy.
- The Parkways Authority, the Division of Highways, the State Police, the Public Service Commission, and the Division of Tourism should have formal discussions and develop coordinated plans in anticipation of a possible transfer of the Turnpike in order to mitigate the costs to the State.

-
- **The Legislature should consider making a final decision on the future of the Turnpike as soon as possible in order to facilitate planning of the transfer and minimize the costs to the State if the transfer occurs.**

Issue 3: Although the Parkways Authority Has Responded to Most PERD Recommendations of Three Previous Reports, Which Has Resulted in Significant Cost Savings, the Tourist Information Centers Continue to Operate Uneconomically.

- The Parkways Authority is reluctant to change the Maintenance Department's step-wage increases from a 3-year to 5-year progression for new hires until it has reviewed the outcome of the Hay Group study.
- The Parkways Authority has partially complied with a PERD recommendation to reduce staffing at Tourist Information Centers (TIC) by eliminating Parkways staffing at the Tamarack TIC through attrition, and filling a vacant position at the Morton TIC with temporary staff.
- Despite the partial compliance of reducing TIC staff, the TIC staffing remains uneconomical.
- The Parkways Authority does not agree with PERD's recommendation to discontinue Tamarack retail activities at all Tourist Information Centers. The Legislative Auditor maintains that the use of toll revenue to provide staffed retail outlets for Tamarack products is an inappropriate use of toll revenue. Moreover, it is apparent that the overstaffing of TICs is derived from the primary function of having staff sell Tamarack products.

PERD's Evaluation of the Agencies' Responses

PERD received written responses to the report from the Department of Transportation, and the Parkways Authority on January 3rd, 2014. The full responses are provided in Appendix D. The Department of Transportation concurs with the report's findings and did not offer any comments. The Parkways Authority's comments do not disagree with the report findings. In general, the Parkways Authority promotes the advantage of keeping tolls on the Turnpike, and discusses the consequences to all of the state's roads if the Legislature does not provide the necessary additional revenues each year to maintain the Turnpike free of tolls. The Parkways Authority indicates in its response that it will continue to make prudent decisions to avoid placing a burden on other agencies in the event of the Turnpike transferring to the DOH, and it is willing to participate in any planning discussions with other agencies that would be affected by future decisions concerning the transfer of the Turnpike. In addition, the Parkways Authority indicates that it has been working towards hotel development on the Tamarack property with a goal that would increase visitorship and revenue for Tamarack. Finally, the Parkways Authority does not agree with PERD's recommendation to discontinue Tamarack retail activities at all Tourist Information Centers.

Recommendations

1. *If the Legislature chooses to continue tolls on the Turnpike after the bonds are paid, it should consider alternative toll collection locations that would provide relief from paying tolls to those West Virginians who reside near and frequently travel the West Virginia Turnpike.*
2. *The Parkways Authority should refrain from constructing any new facilities which would place a financial burden on, or otherwise over-encumber, another agency in the event of the transfer of the West Virginia Turnpike to the Division of Highways.*
3. *The Parkways Authority should discontinue the Tamarack retail activities at all Tourist Information Centers, and discontinue staffing the Tourist Information Centers at Morton and Bluestone. Tourist information should be provided at these locations in an unstaffed manner, with contact information for motorists if they need to speak to a travel counselor at one of the staffed TICs.*
4. *The Parkways Authority should develop plans that will make Tamarack completely self-sufficient and keep Tamarack operating under a possible loss of the \$1 million subsidy.*
5. *The Parkways Authority should consider the possibility of leasing a facility for the Beckley Troop 7 detachment instead of building a facility while the future of the Turnpike is determined.*
6. *The Parkways Authority, the Division of Highways, the State Police, the Public Service Commission, and the Division of Tourism should have formal discussions and develop coordinated plans in anticipation of a possible transfer of the Turnpike in order to mitigate the costs to the State.*
7. *The Legislature should consider making a final decision on the future of the Turnpike as soon as possible.*

ISSUE 1

Maintaining and Operating the West Virginia Turnpike as a Toll-Free Road Could Cost the State an Estimated \$30 Million Annually.

Issue Summary

Under current law (W. Va. §17-16A-18), the West Virginia Turnpike is required to be transferred to the Division of Highways (DOH) once the bonds are defeased and if the DOH Commissioner determines that the Turnpike is in satisfactory condition. Currently, the bonds are scheduled to be paid off in May 2019, and according to the DOH Commissioner the Turnpike is expected to be in satisfactory condition in 2019. The Legislative Auditor identifies the following implications if the transfer occurs:

- **The cost to the State to maintain and operate the Turnpike as a toll-free road at the same level of maintenance as its other interstates is an estimated \$30.4 million per year.**
- The Turnpike miles are already a part of the apportionment formula for Federal-Aid Highway funding; therefore no additional federal highway funds would be apportioned to the State if the Turnpike becomes a toll-free road.
- The number of people who would be laid off from the Parkways Authority could be up to 231, and the direct loss of income to the local economy would be over \$9 million.
- The potential job loss of 31 State Police personnel on the Turnpike could occur if the Legislature does not appropriate the \$2.7 million in State Police personnel and operational costs currently paid for by the Parkways Authority.
- The cost to dismantle toll booths and reconstruct the toll plaza entrances is an estimated \$23 million.
- The State would likely have to address whether or not it will continue subsidizing Tamarack the current \$1 million per year.
- The Courtesy Patrol Fund administered by the Division of Tourism could incur additional annual costs of \$420,000 per year to provide courtesy patrol along the Turnpike.

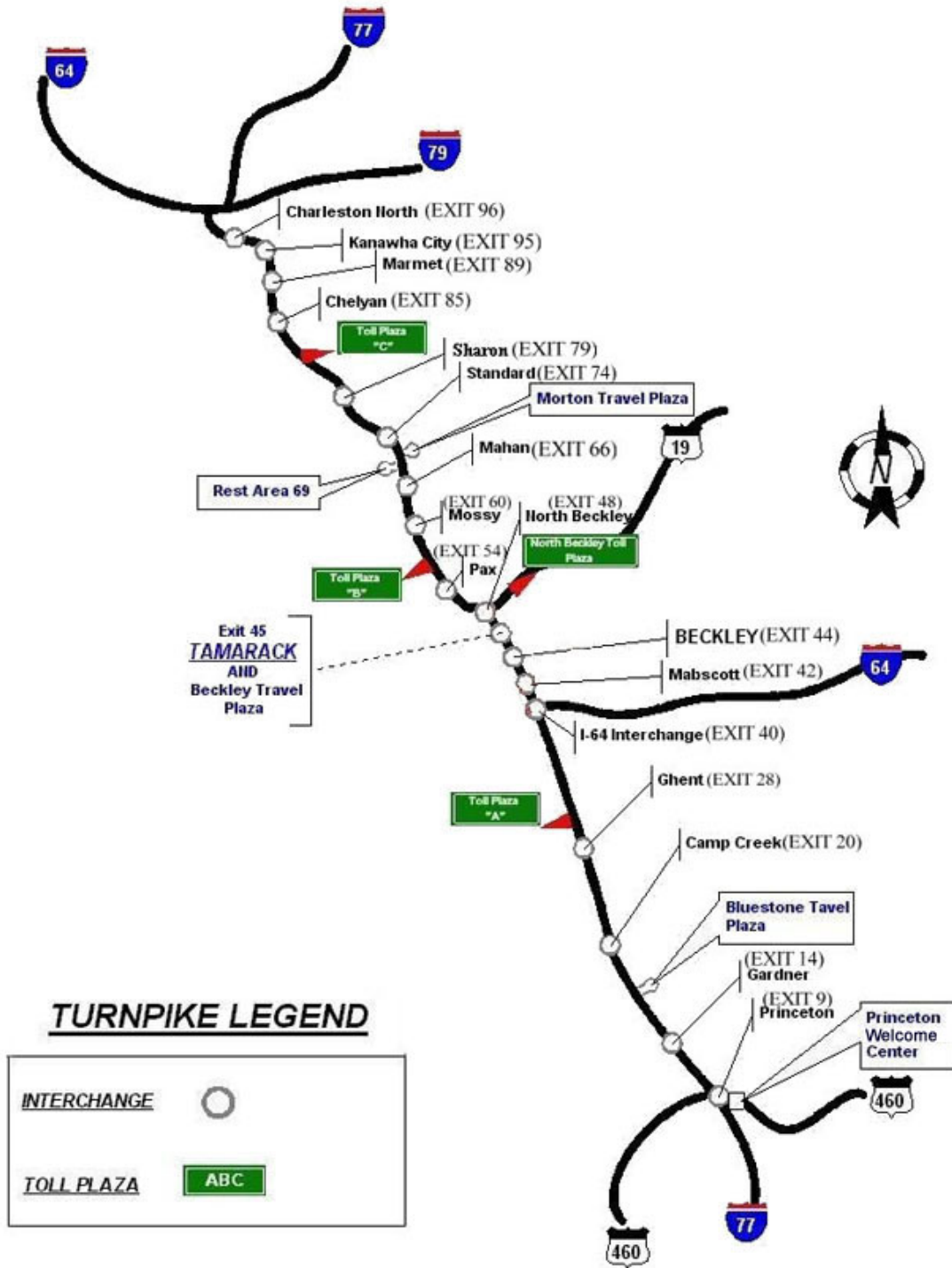
The Legislature also needs to be aware that under new federal regulations, if it is decided to continue the tolls on the Turnpike, the State could use excess toll revenues on other state roads. The Legislature could place a limit on how much toll revenue is to be spent each year on the Turnpike and any excess amount could be used on other state roads for federal Title-23-eligible road work. If such an option is implemented, West Virginia Code 17-16A-18 would have to be amended to have the DOH operate the Turnpike as a toll road or have the Turnpike continue under the operation of the Parkways Authority. In addition, the 1988 agreement between the Federal Highway Administration, the West Virginia Department of Transportation, and the West Virginia Turnpike Commission (Parkways Authority) would have to be amended to allow toll revenue to be used on eligible state roads other than the Turnpike.

Background

The West Virginia Turnpike was opened in 1954 as a two-lane highway. By 1987, it had been upgraded to a four-lane highway meeting the federal interstate standards, and is part of the U.S. Interstate Highway System, designated as Interstate 77. Figure 1 below graphically shows the Turnpike spans 88 miles from the city of Charleston to Princeton, West Virginia. The total lane-miles for the Turnpike is 426, and 116 bridges are located at various points along the road. Figure 1 also shows the locations of the agency's four toll plazas.

Figure 1

West Virginia Turnpike



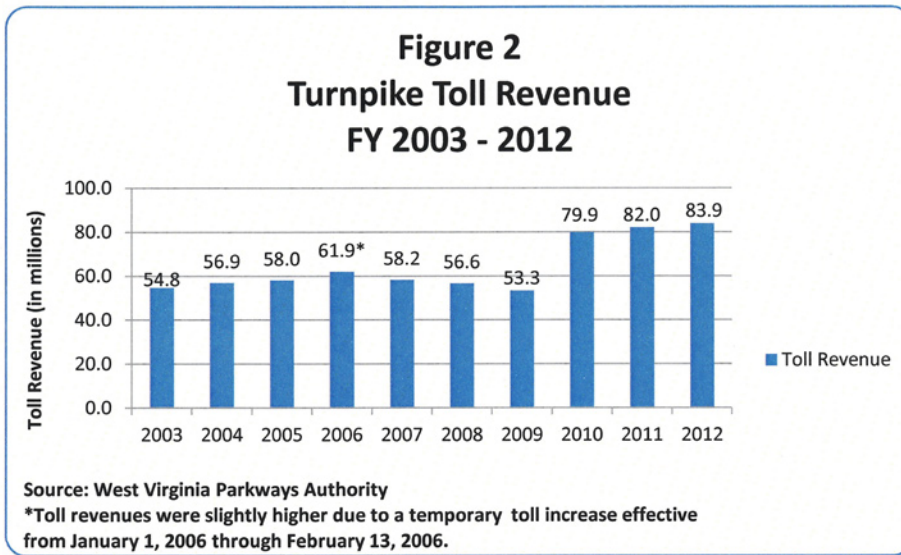
Source: The West Virginia Parkways Authority

Over the years, the assets of the Turnpike have expanded, and the Parkways Authority established the Tamarack facility, a tourism project located in Beckley. The Parkways Authority has four major maintenance facilities, one located in Ghent, Beckley, Standard, and Chelyan. The Chelyan facility is primarily for toll maintenance as opposed to road maintenance. These facilities each have a large salt shed; storage facilities for vehicles, equipment, and materials; vehicle maintenance shops (except Chelyan); fuel pumps; and administrative offices. The agency also has a general administrative building in Charleston. Other facilities along the Turnpike include three travel plazas for travelers to stop for food and fuel, a Welcome Center in Princeton, three state police facilities, and two rest areas. Overall, the Parkways Authority owns and manages nearly \$1 billion in depreciable capital assets (see Table 1).

Depreciable Capital Assets:	FY 2012
Buildings	\$99,476,000
Equipment	\$12,087,000
Infrastructure	\$885,973,000
Total:	\$997,536,000
<i>Source: West Virginia Parkways Authority, Comprehensive Annual Financial Report, FY 2012. Assets are recorded at historical costs.</i>	

Since the toll increase of FY 2010, nearly \$30 million in additional toll revenue has been generated each year.

Effective August 1, 2009, the Parkways Authority implemented the first across-the-board toll increase on the Turnpike since 1981. Figure 2 shows total toll revenues from FY 2003 through 2012 and the impact on revenue from the toll increase. The graph shows that from 2003 through 2009 the toll revenue trend was relatively flat, ranging from \$53 million to \$62 million. However, since the toll increase of FY 2010, nearly \$30 million in additional toll revenue has been generated each year. This increase is due in large part to the toll increase and to a lesser extent to a four percent increase in the number of vehicle transactions from 2009 to 2012. For fiscal year 2012, the Parkways Authority collected nearly \$84 million in toll revenue. This amount is over \$30 million higher than FY 2009 collections of \$53 million.



According to the Parkways Authority, the need for the toll increase was to address a growing cost of deferred maintenance on the Turnpike. According to HNTB Corporation, the Parkways Authority’s consulting engineers:

The Turnpike did have a significant paving program prior to the 2009 toll increase; however more funding was being required for full depth concrete repairs, under-sealing, and patching to keep the existing roadway in a driveable condition. As we approached 2009 the program was reduced to emergency paving because of the lack of funding.

According to the Parkways Authority, the need for the toll increase was to address a growing cost of deferred maintenance on the Turnpike.

Since the toll increase, the HNTB has indicated that the deferred maintenance costs that existed in April 2008 was \$170.5 million and has been reduced to \$56.1 million in May 2013.¹ As a result, the paving conditions of the Turnpike have improved considerably according to the HNTB.

The Transfer of the West Virginia Turnpike to the Division of Highways Could Be Required in May 2019.

According to West Virginia Code § W.Va. 17-16A-18, when all bonds and the interest associated with a Parkway project are paid or a sufficient amount for the payment through maturity has been set aside in trust, the Parkway project, if determined by the Commissioner of the

¹ The Legislative Auditor did not audit the deferred maintenance costs, as these costs are primarily background information within the research objective.

Division of Highways to be in good condition and repair, shall be transferred to the state Division of Highways and be maintained free of tolls. The Parkway project referred to in Code consists of the West Virginia Turnpike that runs from Charleston to Princeton, West Virginia, approximately where Interstate 77 and U.S. Route 460 intersect in Mercer County.

Currently, the bonds connected to the Turnpike are scheduled to be paid in May 2019. The Cabinet Secretary of the Department of Transportation (DOT), who also serves as the Commissioner of the Division of Highways, has stated that at the present time he considers the Turnpike to be in satisfactory condition, and he anticipates that it will be in satisfactory condition in 2019. Assuming these conditions are met, the Turnpike would be required to be transferred from the Parkways Authority to the DOH by May 2019. However, it should be noted that the Parkways Authority could possibly defease the bonds prior to May 2019, in which case the Turnpike would transfer to the DOH once the bonds are defeased.

The Cabinet Secretary of the Department of Transportation (DOT), who also serves as the Commissioner of the Division of Highways, has stated that at the present time he considers the Turnpike to be in satisfactory condition, and he anticipates that it will be in satisfactory condition in 2019.

The Tamarack Project Would Remain Under the Parkways Authority.

West Virginia Code §17-16A-18 makes reference to bonds that are defeased for a Parkway project or “projects” are to transfer to the DOH. Since the Parkways Authority issued bonds for two distinct projects, the West Virginia Turnpike, and the Tamarack project located in Beckley, West Virginia, it was necessary to determine if both of these projects were intended to transfers to the DOH. Therefore, PERD requested a legal opinion from the Legislative Services Division within the Office of the Legislative Auditor to make this determination. The legal opinion finds that the Tamarack project is by statutory definition a “tourism project” (W. Va. Code § 17-16A-5(m)(1)) as opposed to a Parkway project, which by definition is a turnpike or expressway (W. Va. Code § 17-16A-5(j)). **Therefore, the transfer of the Parkway project or projects to the DOH referred to in W. Va. §17-16A-18 applies only to the West Virginia Turnpike. The Tamarack project would remain with the Parkways Authority.** According to the legal opinion, the Code anticipates the Parkways Authority continuing in existence despite the Turnpike transferring to the DOH. In fact, W. Va. Code §17-16A-6(a)(5) indicates that although Parkways Authority cannot develop or construct any new economic development or tourism projects, it is authorized and empowered to maintain and operate projects under its authority and enter into agreements to expand certain facilities at the Tamarack project and facilities.

The Tamarack project would remain with the Parkways Authority. According to the legal opinion, the Code anticipates the Parkways Authority continuing in existence despite the Turnpike transferring to the DOH.

While it is clear that only the Turnpike transfers to the DOH, it was necessary to determine what constitutes the Turnpike, since many assets are associated with it. The Legislative Services’ legal opinion

indicates that according to Code, a Parkway project is defined as:

. . . all bridges, tunnels, overpasses, underpasses, interchanges, entrance plazas, approaches, toll houses, service stations and administration, storage and other buildings, which the Parkways Authority may deem necessary for the operation of the parkway project, or which is used in the operation of a parkway project constructed prior to June 1, 1989, together with all property, rights, easements and interests which may be acquired by the Parkways Authority for the construction or the operation of the parkway project or which were acquired in connection with or are used in the operation of a parkway project constructed prior to June 1, 1989 (W. Va §17-16A-5(j)).

Table 2 provides a list of major assets that clearly constitute the Turnpike or that could be deemed necessary to operate the Turnpike. Although these assets would transfer to the DOH, toll collection assets would not be needed by the DOH to operate the Turnpike as a toll-free road. Also, according to the Parkways Authority’s consulting engineers, the four entrance plazas that allow several lines of drivers to pay tolls will have to be narrowed and reconstructed by the DOH to allow traffic to flow through these areas at higher speeds.

According to the Parkways Authority’s consulting engineers, the four entrance plazas that allow several lines of drivers to pay tolls will have to be narrowed and reconstructed by the DOH to allow traffic to flow through these areas at higher speeds.

Table 2	
General Turnpike Assets That Would Transfer to the DOH and Those That Would Not Be Needed for a Toll-Free Road	
Turnpike Assets That Would Transfer to the DOH	Assets Not Needed By the DOH For a Toll-Free Road
<p>Infrastructure:</p> <ul style="list-style-type: none"> Turnpike Bridges, Feeder roads Overpasses Underpasses Interchanges Entrance Plazas Approaches 	<p>Infrastructure:</p> <p style="text-align: center;">Entrance Plazas*</p>
<p>Facilities & Equipment:</p> <ul style="list-style-type: none"> Toll Houses Toll Administration Buildings Toll Collection Equipment Roadway Lights & Signs Rest Areas Maintenance Facilities Maintenance Administration Buildings Maintenance Vehicles Maintenance Equipment & Materials Service Stations & Storage Buildings 	<p>Facilities & Equipment:</p> <ul style="list-style-type: none"> Toll Houses Toll Administration Buildings Toll Collection Equipment
<p><i>Source: PERD analysis of West Virginia Code and Parkways Authority information.</i></p> <p><i>*Entrance plazas are assumed to include toll entrance plazas, which would need to be narrowed and reconstructed to accommodate normal traffic flow.</i></p>	

There Will Be Several Cost Implications Associated With the Transfer of the Turnpike to the DOH as a Toll-Free Road.

If the Turnpike is transferred to the DOH, several cost implications will be encountered involving Parkways assets and staff that are used for current Turnpike operations but not all of which will be necessary for a toll-free road. These cost components include:

- 1) the State's cost of maintaining the Turnpike free of tolls;
- 2) the economic impact from layoffs of toll collectors and general administrative employees;
- 3) the potential job losses of Courtesy Patrol employees, Tourist Information Center employees, and employees of the State Police, and the Public Service Commission;
- 4) the impact on law enforcement and traffic control on the Turnpike;
- 5) the cost to dismantle and reconfigure the toll entrance plazas; and
- 6) the potential revenue impact on the Tamarack project.

Each of these components will be discussed separately.

The Cost of Maintaining the Turnpike as a Toll-Free Road Would Not Be Offset By Additional Federal-Aid Highway Funds.

Table 3 shows the amount of federal highway funds apportioned to West Virginia over the past six years. The amount apportioned to the State has generally been between \$400 and \$500 million. In FY 2009, the U.S. Congress enacted the American Recovery and Reinvestment Act of 2009, which provided over \$220 million in economic stimulus funds to West Virginia for highway and bridge construction and repair projects. However, since FY 2009 federal highway funds apportioned to the State have resumed to normal levels but the amount has declined to \$423.8 million in FY 2013.

Table 3
Federal-Aid Highway Funds
Apportioned to West Virginia

Fiscal Year	Federal-Aid Highway Funds
2008	\$476.3 Million
2009*	\$687.8 Million
2010	\$476.3 Million
2011	\$450.2 Million
2012	\$424.4 Million
2013	\$423.8 Million

Source: The West Virginia Department of Transportation.

*Large Congressional rescission was enacted in FY 2009 that affected several categories of Apportionment funds. The rescission was reversed in early FY 2010 and Apportioned funds reinstated to appropriate fund categories.

According to the DOH, and confirmed by the Federal Highway Administration (FHWA), the FHWA has always allowed states to include the miles of tolled interstate roads in their reports for calculating federal funds for the states' interstate highways.

According to the DOH, and confirmed by the Federal Highway Administration (FHWA), the FHWA has always allowed states to include the miles of tolled interstate roads in their reports for calculating federal funds for the states' interstate highways. In response to PERD's inquiries on Federal-Aid funds and the transfer of the Turnpike, the FHWA stated:

Under existing laws, West Virginia's apportionment of Federal-Aid will remain unchanged regardless of whether the Turnpike is a toll-free road or not. For a number of years, the Turnpike mileage was included in apportionment calculations because of its Interstate designation. Under the most current legislation, MAP-21, apportionment calculation factors were changed and proportionally "locked" into FY 2012 levels. Therefore, changes in the miles of toll-free roads will not affect the apportionment levels. (See Appendix C for the FHWA's full response.)

Under existing laws, West Virginia's apportionment of Federal-Aid will remain unchanged regardless of whether the Turnpike is a toll-free road or not. For a number of years, the Turnpike mileage was included in apportionment calculations because of its Interstate designation.

In addition, since the Turnpike miles have been incorporated in the federal apportionment calculations, federal funds could have been used on the Turnpike. Moreover, the FHWA does not place restrictions on which interstate highway the funds can be used on. The FHWA stated that:

At least for a number of recent years, several categories of Federal-Aid funding that could have been used on the Interstate System could also have been used on the West

Virginia Turnpike. The decision not to use Federal-Aid funds on the Turnpike was made by the leadership of the West Virginia Department of Transportation. . . . There is no requirement that apportioned funds necessarily be used on a “dollar for dollar” basis on the attributable miles of highway.

Although the DOH could have used Federal-Aid money on the Turnpike, it has generally excluded the Turnpike in its use of federal funds.² There is no prohibition against excluding a qualifying interstate from Federal-Aid funds. In the final analysis, **if the Turnpike is operated by the DOH as a toll-free road, the Turnpike miles will not cause additional federal dollars to be apportioned to the State.** As a result, the cost implications of maintaining the Turnpike free of tolls will be incurred strictly by the State.

It Will Require an Estimated \$30 Million in Additional State Funding Each Year to Maintain All Interstates Including the Turnpike Under DOH’s Current Maintenance Levels.

In January 2013, the Parkways Authority gave a presentation to Governor Tomblin’s Blue Ribbon Commission that indicated the State would need an estimated \$59 million annually to maintain the Turnpike free of tolls. The details of this estimate are shown below in Table 4. Currently, the Parkways Authority is towards the middle of a 10-year pavement program that will be completed in 2019. As Table 4 shows, pavement expenditures were nearly \$27 million in FY 2012, and that is what the Parkways Authority intends to spend annually on pavement repairs through the completion of the program. The current pavement program was necessary in order to eliminate \$242 million in deferred pavement repairs. Pavement repairs had been deferred over the years because of inadequate funds, and because Parkways placed emphasis on preventive maintenance of the Turnpike’s 116 bridges through bridge washing, retrofitting, bridge painting, and other bridge work. According to the HNTB, the preventive maintenance performed on the Turnpike bridges has extended the life of the bridges, and delayed costly structural overlays and deck replacements. Other maintenance work in the areas of routine and non-routine maintenance, facility improvements, equipment replacement, culvert and drainage, paving striping, guardrails, and signage are estimated to be close to what the agency has normally spent in these areas each year.

However, beginning in FY 2019 following the completion of the pavement program, the Parkways Authority reports the need of a future bridge repair program. This shift of emphasis from pavement repairs

In the final analysis, if the Turnpike is operated by the DOH as a toll-free road, the Turnpike miles will not cause additional federal dollars to be apportioned to the State. As a result, the cost implications of maintaining the Turnpike free of tolls will be incurred strictly by the State.

²One exception occurred when the Department of Transportation used federal highway stimulus funds to install dynamic message signs and closed circuit cameras on the Turnpike to improve reporting of road incidents.

to major bridge work can be seen in the significant drop in pavement expenditures from \$27 million in FY 2012 to \$12 million beginning in FY 2019, and major bridge repairs increasing from \$2.7 million to \$25 million annually in the form of deck overlays, painting and retrofitting, and deck replacements following the year 2019. Although the Parkways Authority has put significant preventive maintenance in the Turnpike bridges, it indicated that none of them have had deck replacements. According to the Parkways Authority, by 2019 the average age of the bridge decks will be 38 years, these bridges have an expected deck life of 40 years.

Table 4
Parkways Authority Estimate of
Annual Turnpike Maintenance Costs
Beginning in 2019

Turnpike Roadwork	FY 2012 Current 10-Year Maintenance Program	Projected 10-Year Maintenance Program Beginning in FY 2019
Pavement	\$27,000,000	\$12,000,000
Bridge Deck Overlays (10-Year Plan)	\$300,000	\$10,000,000
Bridge Painting and Retrofit	\$2,400,000	\$6,000,000
Bridge Renovations (Deck replacement)	--	\$9,000,000
Routine & Non-routine Maintenance	\$11,700,000	\$12,000,000
Facilities Improvements	\$7,000,000	\$3,000,000
Equipment Replacement/Maintenance	\$6,900,000	\$2,000,000
Culverts/Drainage	\$1,400,000	\$2,000,000
Pavement Striping/Guardrail/Signage	\$2,300,000	\$3,000,000
Total Annual Costs	\$59 million	\$59 million

Source: West Virginia Parkways Authority

PERD staff reviewed Parkways' estimate and found that it identifies bridge deck replacements, pavement rehabilitation, and routine and non-routine maintenance that will be a concern for the DOH sometime after 2019 if the Turnpike is maintained free of tolls. The Commissioner of the DOH also concurs with the needed roadwork identified in Parkways' estimate.

Although the DOH agrees with the Parkways' roadwork estimates, there is a basic difference between the two agencies in how much can

be spent on the Turnpike annually. From the Parkways Authority's perspective, it has only one road to maintain with greater funding per lane mile than the DOH. Furthermore, the Parkways Authority has to comply with its consulting engineer's recommended amount of renewal and replacement costs for the Turnpike as part of the Indenture of Trust between it and bondholders. However, for the DOH, it has several highways competing for limited funds. Therefore, what the DOH will be able to spend on the Turnpike will depend on available funds, and the condition of the Turnpike road and bridges relative to the conditions of other interstates. **Therefore, the methodology used in this report to determine the annual cost to the State to maintain the Turnpike free of tolls is not based on what the Parkways Authority determines is the cost, but on how much will be needed to maintain the Turnpike at the same DOH cost per lane mile as other DOH interstates.**

Table 5 shows Parkways Authority's total maintenance costs of the Turnpike for FY 2009, the year prior to the toll increase, and FY 2012, three years after the toll increase. Maintenance expenses are comprised primarily of capital improvement and operating expenses. Capital improvements consist of expenditures for maintenance equipment, property, paving and other infrastructure improvements with an individual cost exceeding \$30,000. These types of capital expenditures would include purchases of maintenance trucks, new facilities, and construction and repairs to the road and bridges. Operating maintenance expenses consist of daily routine and non-routine expenses such as snow and ice removal, mowing, litter control, patching and sealing the road.

In order to make the maintenance cost per lane mile comparable between the Parkways Authority and the DOH, certain costs listed as maintenance by the Parkways Authority had to be excluded because they are typical for a toll road as opposed to a toll-free road operated by the DOH. These costs included the direct cost on service areas;³ state police vehicles and equipment; toll collection equipment, facilities and toll system upgrades; and Tamarack facility repairs.

As Table 5 shows, for FY 2009, the year prior to the toll increase, the Parkways Authority spent nearly \$25 million for maintenance of the Turnpike, most of which was operating maintenance (routine and non-routine). This amount translates into an estimated \$57,750 per lane mile. However, in FY 2012, three years after the toll increase, maintenance expenditures more than doubled, going from approximately \$25 million to over \$53 million, and most of the expenditures were for capital improvements to the road. This has resulted in an estimated cost per mile of \$124,899. **Given that toll revenue has increased by \$30 million, it is apparent that most of the toll increase is reflected in the increase of paving and other capital improvements on the Turnpike.**

For the DOH, it has several highways competing for limited funds. Therefore, what the DOH will be able to spend on the Turnpike will depend on available funds, and the condition of the Turnpike road and bridges relative to the conditions of other interstates.

As Table 5 shows, for FY 2009, the year prior to the toll increase, the Parkways Authority spent nearly \$25 million for maintenance of the Turnpike, most of which was operating maintenance (routine and non-routine). However, in FY 2012, three years after the toll increase, maintenance expenditures more than doubled, going from approximately \$25 million to over \$53 million, and most of the expenditures were for capital improvements to the road.

³ Service areas consist of the Travel Plazas along the Turnpike for travelers to stop for fuel and food. The interstates maintained by the DOH are not allowed by federal regulations to have service areas along the interstates, unless an interstate is grandfathered as would be the case if the Turnpike is transferred.

Table 5
Total Capital and Operating
Maintenance Cost and Cost Per Lane Mile
for the Turnpike
(Pre and Post-Toll Increase)

FY 2009	Parkways Capital Maintenance Expenses	Parkways Operating Maintenance Expenses	Total Capital & Operating Maintenance Expenditures	Total Road Maintenance Expenditures Per Lane Mile
	\$8,375,048	\$16,226,293	\$24,601,341	\$57,750
FY 2012	Parkways Capital Maintenance Expenses	Parkways Operating Maintenance Expenses	Total Capital & Operating Maintenance Expenditures	Total Road Maintenance Expenditures Per Lane Mile
	\$32,447,903	\$20,759,013	\$53,206,916	\$124,899

Source: PERD analysis of Parkways Authority data provided to PERD, and data reported in the agency's Comprehensive Annual Financial Report for 2009 and 2012.

Pre-Toll Increase

Post-Toll Increase

Table 6 shows DOH's maintenance costs to maintain West Virginia's interstate system, which consists of interstates I-470, I-70, I-81, I-68, I-64, I-79, and I-77. Although Interstate I-77 includes the Turnpike, its lane miles are excluded from the calculations of this analysis. The total lane miles for the state's interstate system, excluding the Turnpike, is 1,933.

The DOH has a State Capital Program, and a Federal Capital Program. The State Capital Program is funded by state funds, and the Federal Capital Program is for federally-eligible construction projects that can be paid with federal funds. Federally-eligible projects are initially paid by the State and then reimbursed by the federal government for as much as 80 to 90 percent of the project's costs. Most of the capital projects shown in Table 6 are federally funded. The capital construction costs represented in Table 6 are for resurfacing, patching, road striping, installing lights, signage work, lane widening, engineering costs, contracted bridge inspections, bridge deck overlays, deck replacements, and other bridge repair work. Routine maintenance is the second largest maintenance expenditure, and these expenditures are not eligible for federal funds. Routine maintenance includes snow and ice removal, litter control, pothole patching, ditch cleaning, and similar maintenance work. Other maintenance expenditures include costs for road lighting, non-contracted bridge inspections, rest area maintenance, and maintenance facilities such as salt houses, storage facilities and maintenance administrative facilities. The DOH indicated that costs for Other Post Employment Benefits are factored into the wages for maintenance workers. The DOH also stated that it does not have staff specifically assigned to water treatment. Therefore, any water treatment issues would be addressed either in-house or by contract and those costs would be captured in maintenance costs.

Federally-eligible projects are initially paid by the State and then reimbursed by the federal government for as much as 80 to 90 percent of the project's costs. Most of the capital projects shown in Table 6 are federally funded.

All expenditures listed in Table 6 represent actual disbursements for the respective fiscal year. Table 6 shows that the total amount of maintenance expenditures on DOH interstates has averaged \$138.1 million for the 2010-2013 period. Most of the DOH maintenance expenditures are for what the DOH considers capital projects, which are primarily federally funded. The computations show that maintenance cost per lane mile varies each year. The average maintenance cost per interstate lane mile for the 2010-2013 period is \$71,458. **If the DOH is to maintain the Turnpike free of tolls and maintain it at the same cost per lane mile as its other interstates, then the annual cost to maintain the additional 426 lane miles of the Turnpike would be an estimated \$30,441,233.** Anything less than this amount would result in a proportional drop in maintenance on the state’s interstate system. This estimate does not account for inflation.

If the DOH is to maintain the Turnpike free of tolls and maintain it at the same cost per lane mile as its other interstates, then the annual cost to maintain the additional 426 lane miles of the Turnpike would be an estimated \$30,441,233.

**Table 6
Total DOH Interstate
Maintenance Costs and Costs Per Lane Mile**

Fiscal Year	DOH Interstate Capital Projects Disbursements	DOH Interstate Routine Maintenance	DOH Interstate Lighting, Rest Areas, and Other Maintenance Facility Costs	Total Interstate Maintenance Expenditures	Total Maintenance Expenditures Per Interstate Lane Mile (Excluding the Turnpike)
2010	\$89,656,131	\$19,873,283	\$5,583,226	\$115,112,640	\$59,551
2011	\$133,563,271	\$18,196,919	\$5,595,251	\$157,355,441	\$81,405
2012	\$128,418,429	\$17,956,776	\$4,590,587	\$150,965,792	\$78,099
2013	\$104,464,977	\$19,578,753	\$5,037,925	\$129,081,655	\$66,778
Avg.	\$114,025,702	\$18,901,433	\$5,201,747	\$138,128,882	\$71,458

Source: PERD analysis of DOH interstate construction and maintenance data.

Up to 231 Jobs Would Be Eliminated and Over \$9 Million Would Be Gone From the Local Economy

The Parkways Authority employs a total of 353 full and part-time employees. Table 7 shows the basic work categories and the number of employees employed in each category. Clearly, many of these positions would face layoffs if the Turnpike becomes a toll-free road. How these employees would be impacted is described below.

Major Work Categories	Number of Employees			Wages and Salaries
	Full-Time	Part-Time	Total Staff	
Administrative	41	--	41	\$1,521,172
Maintenance	122	--	122	\$6,479,719
Toll Collection*	141	27	168	\$6,965,526
Tourist Information Centers	22	--	22	\$753,009
Totals	326	27	353	\$15,719,426
Totals Minus Maintenance	204	27	231	\$9,239,707

Source: PERD analysis of Parkways payroll data.
**Toll collection staff includes 14 toll maintenance staff that conduct toll-related maintenance as opposed to road maintenance.*

Parkways Jobs & Income Eliminated

Administrative Staff: Since the Parkways Authority will continue to exist to at least manage Tamarack, a few administrative positions may be needed. However, the large majority of the 41 positions would face layoffs.

Maintenance Workers: If the Turnpike transfers to the DOH, Parkways maintenance employees will be needed by the DOH. Therefore, it is assumed that the 122 maintenance workers would likely be given the opportunity to transfer.

Toll Collection Staff: All staff associated with toll collections and maintenance would face layoffs if the Turnpike transfers to the DOH.

Tourist Information Center Staff: The Legislative Auditor in the past has questioned the use of toll revenue to pay for TIC workers because they serve a tourism function. Furthermore, a PERD audit showed that there is redundancy in the number of TIC workers. Although TIC workers provide tourist information, a major part of their job is selling Tamarack products. The DOH does not have positions that function as TIC workers and therefore, they would likely not transfer to the DOH. While the DOH has Welcome Centers with employees who provide tourist information,

If the Turnpike transfers to the DOH, Parkways maintenance employees will be needed by the DOH. Therefore, it is assumed that the 122 maintenance workers would likely be given the opportunity to transfer.

they are paid through the Division of Tourism. The DOH only maintains the Welcome Center facilities. Therefore, TIC workers could possibly be employed through the Tamarack project or they could be employed by the Division of Tourism. If either of these options is not possible, the 22 TIC workers would face layoffs.

Table 7 also shows that when you subtract the maintenance workers who could transfer to the DOH, **there could be a loss of up to 231 full and part-time jobs.** In addition, over \$9 million in income would be lost to the local economy.⁴ Since this would be taxable income, there would also be a loss of tax revenue to the State. The average annual income for these 231 workers is \$39,168, which would have a state income tax rate of 3.9 percent. The loss of tax revenue to the State would be an estimated \$352,864.

In addition to the loss of permanent full and part-time positions, there would also be several temporary workers who would lose seasonal employment with the Parkways Authority. Some of these temporary positions are for maintenance workers who may be able to work for the DOH. However, many temporary positions are for toll collectors and tourist information counselors. These would be lost temporary positions if the Turnpike is transferred.

Parkways Maintenance Workers Transferring to the DOH Could Experience Lower Wages.

It must be noted that although maintenance workers would likely be offered employment with the DOH, there would be a sizable reduction in annual income for Parkways maintenance workers. The Legislative Auditor has estimated in a 2008 review of the Parkways Authority and for the current analysis, the wage differential between Parkways maintenance workers and DOH maintenance workers. In the 2008 report, PERD found that Parkways maintenance workers earned as much as \$12,000 more annually than DOH maintenance workers who were hired approximately at the same time. For the current analysis, this income differential has dropped to around \$10,000 on average. Table 8 shows several examples of the current wage differential between the two agencies. The longer a Parkways maintenance worker works for the agency, the larger the differential between the two agencies. It should also be noted that effective July 1, 2011, the DOH raised the starting wage rate for transportation workers to \$10.80. For workers who were hired prior to the change, their wage rates were raised to the new starting wage. Therefore, transportation workers who worked for the DOH for several years are paid the same as those hired more recently. This can

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⁴ This amount is gross income before taxes and the employees' share of benefits are deducted. Therefore, to some degree it overstates disposable income that would be lost to the local economy.

be seen in Table 8 where a DOH worker hired in July 2008 is earning the same wage as a worker who was hired in July 2011.

Table 8
Parkways Employees vs. DOH Employees
Highway Technicians vs. Transportation Workers (TW2EQOP)

Employee	Employee Hire Date	Employee Current Wage*	Employee Current Annual Salary
Parkways	7/1/11	\$12.24	\$25,459
DOH	7/5/11	\$10.80	\$22,464
Parkways	12/1/09	\$13.36	\$27,789
DOH	12/7/09	\$10.80	\$22,464
Parkways	7/1/08	\$16.58	\$34,486
DOH	7/28/08	\$10.80	\$22,464
Parkways	5/1/96	\$17.66	\$36,733
DOH	5/6/96	\$13.05	\$27,144

Source: PERD analysis of payroll data from the Parkways Authority and the Division of Highways for June 2012. Annual income assumes a 40-hour work week for the year based on the worker's wage rate.

**Effective July 1, 2011, the DOH raised the starting wage rate to \$10.80 for Transportation Workers.*

A consequence of this income differential is that Parkways maintenance workers will be faced with pay cuts if they transfer to the DOH, or the State would have to raise DOH salaries for road maintenance workers. PERD requested a legal opinion from the Legislative Services Division on the DOH's responsibilities as a civil service employer to employees who would transfer from a non-civil service state agency. According to the legal opinion:

DOH would not be required to pay employees transferred from Parkways at the wage rates set by Parkways, but rather would be required to pay them based upon the pay grade of the classified positions to which they are assigned and may consider[ed] their years of service in setting their salary somewhere between the minimum and market rate for their pay grade.

The legal opinion indicates that the DOH would have to consider the years of experience working for the Parkways Authority; however, the DOH would not have the responsibility to pay the Parkways wage rates. More than likely some type of downward adjustment would occur to the wages of Parkways maintenance workers transferring to the DOH. It

The legal opinion indicates that the DOH would have to consider the years of experience working for the Parkways Authority; however, the DOH would not have the responsibility to pay the Parkways wage rates. More than likely some type of downward adjustment would occur to the wages of Parkways maintenance workers transferring to the DOH.

should be noted that the DOH, at the time of this analysis, is working on a gradual wage increase policy that may reduce the gap between the DOH and the Parkways Authority. This change in policy by the DOH could alleviate some or all of the effects resulting from the wage differential between the two agencies. However, based on the current wages of the DOH there could be a further loss of income to the local economy and revenue to the State depending on the adjustments made by the DOH to the wages of the transferred workers.

Courtesy Patrol for a Toll-Free Turnpike Would Increase Expenses From the State’s Courtesy Patrol Fund.

Another consequence of maintenance workers transferring to the DOH involves the Courtesy Patrol program. Courtesy patrol is provided on the Turnpike and DOH interstates. However, the Division of Tourism pays for DOH’s courtesy patrol through the statutorily established Courtesy Patrol Fund (W. Va. §5B-2-12), in which \$4.7 million is deposited each year. The DOH contracts its courtesy patrol, and the contractor provides the equipment. The Division of Tourism reimburses the DOH for the cost of courtesy patrol.

The Parkways Authority has 12 courtesy patrol workers who are listed under maintenance because they also do maintenance work such as driving salt trucks and litter control. Parkways courtesy patrol workers could transfer to the DOH as maintenance workers or courtesy patrol. Nevertheless, if the Turnpike transfers to the DOH, courtesy patrol on the Turnpike would increase expenditures from the Courtesy Patrol Fund that is administered by the Division of Tourism. The additional costs would depend on the number of courtesy patrol workers used on the Turnpike. The DOH has 25 courtesy patrol employees and 4 supervisors covering 810 interstate and major highways, which averages 32 miles per patrol worker. According to estimates from the DOH, if nine courtesy patrol workers are employed for the Turnpike, the cost would be around \$420,000.

The Transfer of the Turnpike Would Impact Employees Leased By Parkways From the State Police.

The Parkways Authority has a lease agreement with the State Police to use 31 trained personnel to enforce the laws and traffic regulations of the State along the Turnpike, and it has a lease agreement with the Public Service Commission (PSC) to use 2 Commission employees to enforce applicable commercial motor vehicle laws and regulation along the Turnpike. Although the State Police and PSC personnel are on the payroll of their respective agency, their salaries and benefits are reimbursed by the Parkways Authority, and the Parkways Authority provides three facilities, vehicles (including fuel and maintenance), equipment, uniforms and

Parkways courtesy patrol workers could transfer to the DOH as maintenance workers or courtesy patrol. Nevertheless, if the Turnpike transfers to the DOH, courtesy patrol on the Turnpike would increase expenditures from the Courtesy Patrol Fund that is administered by the Division of Tourism.

Although the State Police and PSC personnel are on the payroll of their respective agency, their salaries and benefits are reimbursed by the Parkways Authority, and the Parkways Authority provides three facilities, vehicles (including fuel and maintenance), equipment, uniforms and weapons.

weapons. The State Police personnel consist of troopers and supervisory staff that form Troop 7, which has its detachment on Parkways property in Beckley, West Virginia. The agreement with the State Police has been in place since 1977, and it has been amended twice since then to increase the number of State Police personnel from the original 20 to 26, and to the current 31. The State Police agreement is authorized by W. Va. Code §17-16A-17, and §15-2-12(f). The PSC agreement has been in place since 1998 and was amended in 2001 to increase the number of workers from one to two. The PSC agreement is permissible under the agencies' general provisions to enter into agreements with other entities under W. Va. Code §17-16A-6(a)(14) and §24A-5-5(i).

Table 9 shows the personnel and operational costs associated with the 33 leased employees of the State Police and the PSC for FY 2011 and 2012. The operational costs for fuel, benefits, and other related costs could not be distinguished between the PSC and the State Police; however, it is clear that the large majority of the operational costs are associated with the State Police. Since these leased employees are on the payroll of the State Police and the PSC, if the Turnpike is transferred, their salaries, benefits and operational costs would have to be assumed by their respective state agency or these workers would face layoffs. The PSC has indicated to the Legislative Auditor that it has budgeted positions available to absorb the two employees in its payroll without any budgetary effect to the State. However, the State Police has indicated that there is a need to keep the 31 leased personnel because there are remote areas of the Turnpike between Kanawha and Mercer counties that State Police would be needed if the Turnpike transfers. **The Legislative Auditor estimates that as much as \$2.7 million in annual costs were associated with the State Police in FY 2012.** However, the State Police stated that its current budget cannot absorb these costs.

Since these leased employees are on the payroll of the State Police and the PSC, if the Turnpike is transferred, their salaries, benefits and operational costs would have to be assumed by their respective state agency or these workers would face layoffs.

The Legislative Auditor estimates that as much as \$2.7 million in annual costs were associated with the State Police in FY 2012. However, the State Police stated that its current budget cannot absorb these costs.

<p align="center">Table 9</p> <p align="center">Costs Associated With Leased Employees</p> <p align="center">of the State Police and the Public Service Commission</p>		
	FY 2011	FY 2012
Number of troopers	27-31	27-31
Number of PSC officers	1	1-2
State Police salaries	\$1,398,525	\$1,662,129
PSC salaries	\$47,164	\$90,693
Other related salaries	\$33,974	\$34,129
Benefits	\$674,474	\$812,782
Fuel	\$223,178	\$306,329
Other associated costs	\$141,905	\$126,845
Radio dispatch*	\$668,239	\$711,136
Total	\$3,187,459	\$3,744,043
<p><i>Source: The West Virginia Parkways Authority.</i></p> <p><i>*Radio Dispatch is performed by Parkways employees.</i></p>		

Also, the State Police does not have its own detachments in Beckley or Princeton. The Parkways Authority has recently built a new State Police facility in Charleston that the State Police indicated would be needed for Turnpike operations. It is assumed that the three State Police facilities owned by the Parkways Authority could be transferred to the State Police if they are needed.

If these 31 State Police personnel are kept, the question would be how would they be used? Currently, the State Police does not assign troopers to specific interstates or major highways. Therefore, maintaining these 31 personnel along the Turnpike would be significantly disproportionate to the number of troopers available on other interstate highways. It would be more likely that if they are kept they would be used for the Turnpike and other parts of the state. In any case, unless the Legislature appropriates additional funds to cover all or part of the State Police personnel currently assigned to the Turnpike, then all or some of these State Police personnel would face layoffs.

In any case, unless the Legislature appropriates additional funds to cover all or part of the State Police personnel currently assigned to the Turnpike, then all or some of these State Police personnel would face layoffs.

Tamarack Could Be Impacted By the Turnpike Transfer.

There are approximately 128 full and part-time employees employed at Tamarack. These employees are not on the payroll of Parkways. Instead, they are employed and managed through WC Workshop, Inc. Although the Tamarack project would remain under

Parkways Authority, the financial viability of the project could be affected by the transfer of the Turnpike. Table 10 shows Tamarack financial information for FY 2005-2013. The financial data show that the Tamarack project is not financially self-sufficient. After costs for food and crafts sold at Tamarack, gross profit has been relatively flat at around \$4 million. However, operating expenses such as salaries, benefits, marketing, utilities, and maintenance, have been consistently around \$5 million, resulting in operating losses around \$1 million. Interest expenses are associated with Tamarack bonds. The bonds were defeased in August 2009, which has provided some financial relief; however, Tamarack continues to operate at a \$1 million loss. As a result, the Parkways Authority has subsidized the Tamarack project with concession revenues generated from food and fuel sales at the three travel plazas.

Although the Tamarack project would remain under the Parkways Authority, the financial viability of the project could be affected by the transfer of the Turnpike.

Table 10
Tamarack Financial Information
FY 2005 – 2013
(in millions)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Gross Profit	\$4.1	\$4.4	\$4.6	\$4.4	\$3.9	\$4.0	\$3.9	\$4.2	\$3.9
Operating Expenses	\$5.5	\$5.5	\$5.6	\$5.1	\$5.0	\$5.1	\$5.0	\$5.2	\$5.1
Operating Profit/(Loss)	\$(1.3)	\$(1.1)	\$(1.0)	\$(0.8)	\$(1.0)	\$(1.2)	\$(1.1)	\$(1.0)	\$(1.1)
Interest Expenses	\$0.6	\$0.5	\$0.5	\$0.4	\$0.4	\$0.0*	\$0.0	\$0.0	\$0.0
Profit/(Loss) After Interest Expenses	\$(1.9)	\$(1.6)	\$(1.5)	\$(1.2)	\$(1.4)	\$(1.2)	\$(1.1)	\$(1.0)	\$(1.1)

Source: The West Virginia Parkways Authority (unaudited). Totals may not add exactly due to rounding.

**Interest expenses were less than \$40,000 in FY 2010.*

During this analysis, a question was raised to the Federal Highway Administration whether the travel plazas would be allowed to continue on the Turnpike if it became a toll-free road. Generally, toll-free interstates are not allowed to have concessionaries along the route. The FHWA's written response can be seen in Appendix C. The FHWA indicated in its response that an answer to this question of "grandfathering" the existing travel plazas on the Turnpike can be provided:

. . . upon verification that the following conditions as stated in 23 U.S.C. 111(a) are satisfied: . . . Nothing in this section, or in any agreement entered into under this section, shall require the discontinuance, obstruction, or removal of any establishment for serving motor vehicle users on any highway which has been, or is hereafter, designated

as a highway or route on the Interstate System

(1) if such establishment

(A) was in existence before January 1, 1960,

(B) is owned by a State, and

(C) is operated through concessionaries or otherwise, and

(2) if all access to, and exits from, such establishment conform to the standards established for such a highway under this title.

According to the Parkways Authority, these conditions are met for the Turnpike, which should allow the concessionaries to continue on the Turnpike.

According to the Parkways Authority, these conditions are met for the Turnpike, which should allow the concessionaries to continue on the Turnpike. Currently, restaurant concessions are managed by HMSHost, and service station concessions are managed by Petroleum Marketers Incorporated (PMI). The Parkways Authority receives 18 percent of gross sales of restaurant concession. However, under the contract Parkways is responsible for maintenance and repair of the travel plaza facilities. An alternative contractual arrangement would have the vendor responsible for maintaining the travel plazas, but the Parkways Authority would receive a smaller percentage of gross sales. Under the current contract, the Parkways Authority nets nearly \$3 million a year from the concessionary contracts, with around \$1 million being used to subsidize Tamarack.

The transfer of the Turnpike would affect Tamarack depending on how concession revenues will be used after the transfer. **If the travel plazas are included in the Turnpike transfer, then a decision will need to be made on whether or not the State will continue the Tamarack subsidy or will the DOH use all concession revenues for the Turnpike.**

If the travel plazas are included in the Turnpike transfer, then a decision will need to be made on whether or not the State will continue the Tamarack subsidy or will the DOH use all concession revenues for the Turnpike.

Dismantling Toll Booths and Reconstructing the Four Toll Plaza Entrances Would Cost an Estimated \$23 Million.

Operating the Turnpike as a toll-free road will require the reconstruction of the toll plaza entrances to allow traffic to travel the area at higher speeds. Figures 3 and 4 show the toll plaza entrance of Toll Plaza C near Chelyan. The characteristics of the toll plaza entrances are that they are relatively flat, wide, and would not be conducive for high speed traffic. According to the HNTB, in order to allow traffic to pass through these areas at normal speeds, the entrances would need to be narrowed and angled.

Figure 3

Toll Entrance at Toll Plaza C near Chelyan



The characteristics of the toll plaza entrances are that they are relatively flat, wide, and would not be conducive for high speed traffic. According to the HNTB, in order to allow traffic to pass through these areas at normal speeds, the entrances would need to be narrowed and angled.

Figure 4

Toll Entrance at Toll Plaza C near Chelyan



In addition, the toll booths at each toll plaza are built above an underground tunnel. Figure 5 shows the underground tunnel below the toll booths at Toll Plaza C. The tunnel leads from the toll booths to an administrative building at the Toll Plaza. The tunnel area contains electrical wiring and toll computer systems that transmit information. Toll collectors are able to walk to the administrative building without having to walk across lanes of traffic. The reconstruction of the toll plaza entrances would also include eliminating the tunnels and filling them with earth. The consulting engineers for the Parkways Authority has estimated the cost of dismantling and reconstructing the toll plaza entrances at \$23 million.

Figure 5

Underground Tunnel Beneath Toll Booth at Toll Plaza C



The tunnel area contains electrical wiring and toll computer systems that transmit information. Toll collectors are able to walk to the administrative building without having to walk across lanes of traffic. The reconstruction of the toll plaza entrances would also include eliminating the tunnels and filling them with earth.

If Tolls Are Not Removed in 2019, the State Could Use Excess Toll Revenues Towards Other State Highways.

In the event that the State chooses to continue tolls on the Turnpike after the bonds are paid in 2019, new federal rules will allow the State to use any excess toll revenues for other state roads. This issue was discussed with the Federal Highway Administration during this analysis. The FHWA provided the following response to PERD's inquiry in this area:

To clarify, the existing 1988 toll agreement among the West Virginia Department of Transportation, the West Virginia Turnpike Commission, and the Federal Highway Administration does not require tolls to be removed once the bonds have been paid off, but does require that the toll

revenues be spent on the Turnpike. Subsequent changes in federal law have allowed toll facilities receiving Federal-aid highway funds to use toll revenue for any Title 23 eligible activities on other state roads. Should the State desire to continue toll collection on the Turnpike beyond 2019, it may be possible to amend the existing tolling agreement to allow for this greater flexibility in the use of toll revenues. Note also that ownership of the West Virginia Turnpike is strictly a matter of state law; there are no federal laws that would govern or affect a transfer of the Turnpike to the West Virginia Department of Transportation.

With this flexibility, the State could place reasonable limitations on the DOH or the Parkways Authority, in terms of the amount of funds to be used on the Turnpike and use the excess toll revenue on other state roads. The expenditures of excess revenues would have to be on Title 23-eligible activities. In order to accomplish this flexibility, the agreement between the FHWA, the Turnpike Commission (Parkways Authority), and the West Virginia Department of Transportation would need to be amended to allow toll revenue to be used on non-Turnpike roads. If the transfer of the Turnpike to the DOH occurs but tolls are to be continued, the Legislature would have to amend W. Va. Code §17-16A-18 to reflect either the Turnpike transferring to the DOH as a toll road or possibly keeping the Turnpike under the management of the Parkways Authority.

In addition, if the Legislature chooses to maintain tolls on the Turnpike but has concerns for the cost to West Virginians along the Turnpike, the Legislature should consider alternative toll locations, one-point tolling, or one-way tolling that could allow West Virginians who reside along the Turnpike to travel more of the road without paying tolls. Studies would have to be conducted on alternative tolling; however, the point is that if tolls must be continued, alternative toll collection points may possibly provide some financial relief to West Virginians who reside along the Turnpike.

Summary

This report identifies the major issues that would be faced by the State if the transfer of the Turnpike to the DOH takes place as a toll-free road. This analysis is not intended to recommend to the State what action should be taken regarding the tolls on the Turnpike. The analysis is only intended to show the potential ramifications of transferring the Turnpike to the DOH either as a toll road or as a toll-free road.

In summary, if the transfer of the Turnpike occurs, the potential costs and economic impact are listed below.

With this flexibility, the State could place reasonable limitations on the DOH or the Parkways Authority, in terms of the amount of funds to be used on the Turnpike and use the excess toll revenue on other state roads.

If the transfer of the Turnpike to the DOH occurs but tolls are to be continued, the Legislature would have to amend W. Va. Code §17-16A-18 to reflect either the Turnpike transferring to the DOH as a toll road or possibly keeping the Turnpike under the management of the Parkways Authority.

- The Turnpike miles will not cause additional Federal-Aid Highway funds to be apportioned to the State.
- The additional cost to the State to maintain and operate all interstates including the Turnpike at the current level of DOH maintenance is an estimated \$30.4 million per year.
- The number of people who would be laid off from the Parkways Authority could be up to 231, and the loss of income to the local economy would be over \$9 million.
- The Parkways maintenance workers who could transfer to the DOH may face lower wages under the DOH unless it raises salaries for its maintenance workers.
- The cost to dismantle toll booths and reconstruct toll plaza entrances is an estimated \$23 million.
- The Tamarack project could possibly lose the \$1 million subsidy it has been receiving, which would add pressure to the organization's financial condition.
- The potential loss of 31 State Police personnel would occur unless the Legislature appropriates additional funds to cover all or some of the costs that are currently paid for by the Parkways Authority. The additional cost is around \$2.7 million. This decision would also affect the amount of law enforcement presence on the Turnpike.
- The PSC has indicated that it would be able to absorb the two workers paid for by the Parkways Authority without any impact to the State.
- The Courtesy Patrol Fund administered by the Division of Tourism could incur up to \$420,000 additional costs to provide courtesy patrol along the Turnpike depending on how many workers would be needed.
- A benefit to keeping the tolls on the Turnpike exists under new federal rules, which allow excess toll revenues to be used on other state roads for eligible federal projects.

Recommendation

1. *If the Legislature chooses to continue tolls on the Turnpike after the bonds are paid, it should consider alternative toll collection locations that would provide relief from paying tolls to those West Virginians who reside near and frequently travel the West Virginia Turnpike.*

ISSUE 2

Most of the Parkways Authority’s Long-Term Decisions Are Taking Into Consideration the Possibility of the Turnpike Transferring to the Division of Highways; Nevertheless, There Is the Need for Agencies Affected by the Transfer to Formally Plan for It, and the Legislature Should Consider Making a Final Decision on the Future of the Turnpike as Soon as Possible.

Issue Summary

It has been noted in the first issue of this report that the transfer of the Turnpike to the DOH will have several cost implications to the State, and an economic impact to the local economy. The Parkways Authority can make long-term decisions that could make the transfer more costly and problematic. The Legislative Auditor looked at four performance areas of the Parkways Authority to assess the likelihood of such problems arising as the transfer date nears. The four areas that were evaluated are: 1) long-term maintenance projects, 2) hiring decisions, 3) large purchases and construction of new facilities, and 4) long-term contractual agreements. The Legislative Auditor found that, in large part, the Parkways Authority is acting in a manner that would not make the Turnpike transfer more costly to the State. The Legislative Auditor also finds that in order to mitigate the cost and problems of the transfer, state agencies that will be affected by the transfer need to have foresight in their current plans as the transfer date approaches. For this reason the Legislative Auditor recommends that the Parkways Authority, the Division of Highways, the State Police, the Division of Tourism, and the Public Service Commission have formal dialogue and planning that would make the transfer as least costly to the State. Furthermore, since the Turnpike is expected to be in satisfactory condition when the bonds are paid off in 2019, the Turnpike will be required statutorily to transfer to the DOH in 2019. However, the discussions of possibly keeping tolls on the Turnpike add uncertainty to the issue, and create difficulties in trying to plan for the transfer in order to mitigate the costs to the State. Therefore, consideration needs to be given by the Legislature to make a final decision on the future of the Turnpike as soon as possible.

The Legislative Auditor found that, in large part, the Parkways Authority is acting in a manner that would not make the Turnpike transfer more costly to the State.

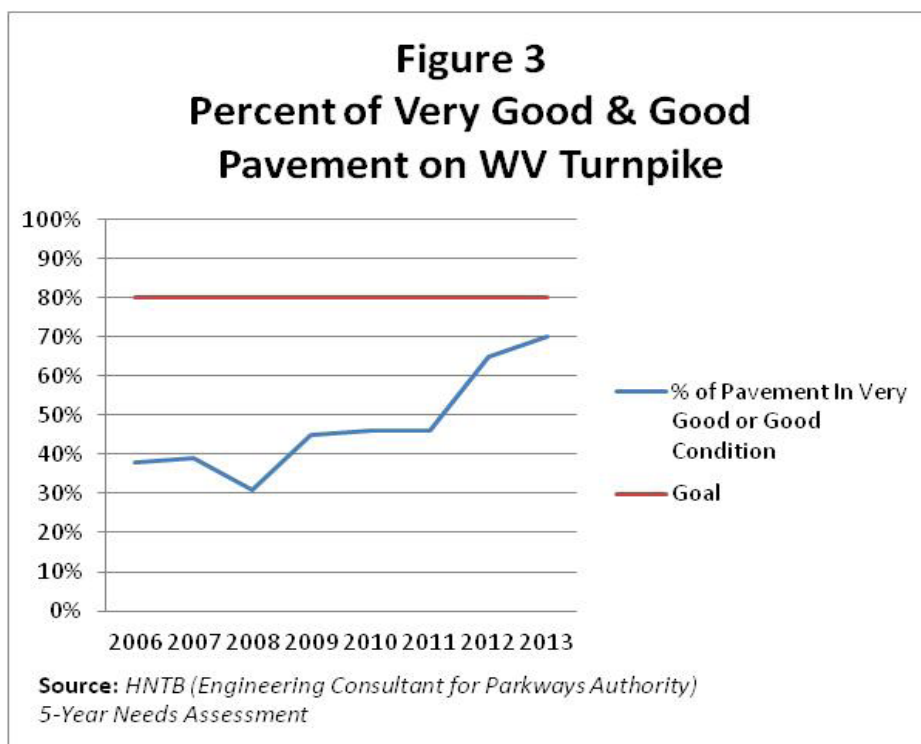
Therefore, consideration needs to be given by the Legislature to make a final decision on the future of the Turnpike as soon as possible.

Long Term Maintenance Projects Take Transfer Deadline Into Consideration

The Legislative Auditor finds that the Parkways Authority has only one long-term maintenance project underway and it does not extend beyond 2019. Furthermore, the Legislative Auditor did not identify any non-maintenance long-term plan that extends beyond 2019. This is not

to say that additional paving and maintenance will not be needed beyond 2019 but instead, the current long-term paving plan will be completed at that time. The long-term maintenance plan currently underway is a 10-year paving plan for the Turnpike, which began in 2009. The objective of this plan is to have 80% of the Turnpike in “Very Good or Good” condition by 2019.

In 2009, 45% of the Turnpike, or 187 lane miles, was in “Very Good or Good” condition, with 55%, or 228 lane miles, in “Fair or Poor” condition. The Parkways Authority has made advances toward its 2019 goal, currently 70% of the Turnpike is rated as “Very Good or Good”. “Figure 3” shows the progression of road condition improvement from 2006 to present.



If the Parkways Authority succeeds in its goal of 80% of all Turnpike lane miles being in “Very Good or Good” condition by 2019, this will be quite advantageous to the future maintenance and road repair efforts for the DOH if it assumes control of the Turnpike.

If the Parkways Authority succeeds in its goal of 80% of all Turnpike lane miles being in “Very Good or Good” condition by 2019, this will be quite advantageous to the future maintenance and road repair efforts for the DOH if it assumes control of the Turnpike. Having the Turnpike pavement in good condition at the time of transfer would enable the DOH to focus on the needed bridge repairs of the Turnpike, as identified by the Parkways Authority. Although the agency recognizes the need for a major bridge repair program, no formal plans have been made, or funds committed, since this plan would extend far past 2019. Thus, the Legislative Auditor finds that the agency has not implemented future plans that could make the Turnpike transfer more problematic.

Parkways’ Current Hiring Practices Will Not Add to Potential Job Losses

If the Parkways Authority expands current staffing levels, it could result in larger layoffs or higher costs to the State if the Turnpike is transferred. The Legislative Auditor examined the agency’s staffing since the toll increase of August 2009. The Legislative Auditor finds that despite the revenue increase, the Parkways Authority has not expanded the number of full-time or part-time staff. As can be seen in Table 11, total full-time staff employed by the Parkways Authority has decreased by four. This table also shows a substantial increase in temporary employees. The vast majority of these new temporary positions are for maintenance work with some others working in toll collections. The increased use of temporary employees helps the agency to more aggressively pursue maintenance, but it also avoids the increase in permanent staff. If the Parkways Authority continues this approach, it will alleviate layoffs of permanent staff if the transfer occurs.

As can be seen in Table 11, total full-time staff employed by the Parkways Authority has decreased by four.

Table 11			
Change In Parkways Staff			
	2009	2012	Change
Full Time	330	326	(4)
Part Time	27	27	0
Temp. Positions	36	98	62
Total	393	451	58

There Are Some Concerns with Recent Large Expenditures That Could Affect Other State Agencies

In large part, the Legislative Auditor has found that the Parkways Authority has not been making decisions regarding large expenditures or investments that would increase the difficulty or cost of transferring the Turnpike to DOH. The majority of the recent capital improvements and large expenditures such as the \$5.6 million toll collection system upgrade, which was approved in April 2010, and the purchase of \$385,000 worth of vehicles in November 2012 have been deemed necessary for proper maintenance and operation of the Turnpike. With regards to the toll collection system upgrade, this contract was accompanied by an optional 10-year maintenance contract, at an additional cost of up to \$3.4 million. This contract is renewable on an annual basis. The option to not renew the contract is available to the Parkways Authority each

year on the anniversary of the signing of this agreement. The contract gives the Parkways Authority the ability to maintain the toll collection system past 2019. Since, however, the contract is renewable on an annual basis, the State can be released from any obligation should the transfer of the Turnpike as a toll-free road go through and maintenance of the toll collection system were no longer required.

However, there have been a few issues that have the potential to place a financial hardship on the State. One such instance involves the construction of a State Police facility in Charleston for Troop 7, which patrols the Turnpike. Prior to the construction of the new Troop 7 facility in Charleston, the detachment operating out of this area were stationed in an old toll house near the Turnpike. This facility was small and in poor condition, so the decision was made to construct a more appropriately sized building. The Parkways Authority should be credited for gaining input from various affected agencies before construction began. The State Police indicated that it could make use of the building if it were transferred to them in the future. Additionally, it was reported in the meeting minutes of the Parkways Authority Board that the DOH and Federal Highways Administration (FHWA) both expressed their approval of the project before it began. The issue here is that if the transfer were to occur there would be two State Police facilities in the Charleston area. This begs the question of whether either facility would be large enough to accommodate all required state police in Charleston. If not then there is the potential that there may be more resources available than necessary, which in turn could place an additional financial burden on the State.

In addition to the State Police facility in Charleston, another facility is being considered for construction in the Beckley area. This detachment, which is attached to the Beckley Maintenance Facility for Parkways use, is admittedly in a deteriorating condition. The roof and some windows in the building leak during storms causing water damage issues.

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The Parkways Authority has considered demolishing these buildings, which have been repaired and renovated a number of times since their construction in the 1950's, and replacing them with new facilities on the same property.

Also, a metal stairway leading from the second floor of the adjacent maintenance building to the parking area has been decommissioned, as it has been deemed unsafe for regular use. The Parkways Authority has considered demolishing these buildings, which have been repaired and renovated a number of times since their construction in the 1950's, and replacing them with new facilities on the same property. This would indeed solve the issue of the unsatisfactory working condition in the current Troop 7 facility; nevertheless it would also impose an additional financial burden on the State Police budget if Troop 7 were to be absorbed into the regular State Police operations. Aside from the increased financial burden, if the transfer were to go through, State Police may decide that it does not require the same level of staffing in Beckley as is currently provided by Troop 7. This would render the newly constructed facility excessive in capacity and underutilized. To avoid any such waste the Legislative Auditor recommends that the Parkways Authority participates in serious discussions with the State Police in order to determine whether it would be able to use and/or afford this facility in the event of a transfer. The two parties may want to consider discussing whether or not leasing a facility for a short time would be a viable option for accommodating the Beckley Troop 7 detachment, while the future of the Turnpike is determined.

The two parties may want to consider discussing whether or not leasing a facility for a short time would be a viable option for accommodating the Beckley Troop 7 detachment, while the future of the Turnpike is determined.

Another project that has been identified as a potentially costly endeavor going forward is the shower facilities for truck drivers at the Beckley Travel Plaza. In June 2012, the Parkways Authority Board approved funds to build new showers, a trucker's lounge, and a food prep room for the dining services at the facility. The construction of these facilities came at a cost of \$138,309, well under the estimate of \$297,000. This reduction in cost can be attributed to HMS Host, the Parkways Authority's restaurant operator, deciding to remove one of the concepts from the plaza and repurpose this space for the use of the prep room instead of building a new room entirely. Also, the trucker showers and lounge were constructed at a lower cost than anticipated. The showers opened to the public in May

2013 and currently, an average of 15 showers are sold per day at a cost of \$10.00 per shower, generating on average \$54,450 in revenue per year. This facility operates 16 hours per day, seven days per week, and only closed on Christmas Day and Thanksgiving Day. Annual operating costs for the facility are budgeted at \$177,000 per year. Operating cost are currently more than triple that which is generated in revenue, though Parkways Authority is making an effort to promote the showers through various means. The Parkways Authority Board strongly believes that offering showers and a lounge to truck drivers is a valuable service, but unless interest in the facility is greatly increased this area of the plaza will operate at a loss of more than \$100,000 per year.

Long-Term Contractual Agreements

Contractual agreements entered into by the Parkways Authority, which may typically extend for a period in excess of 20-years, could create problems if the Turnpike is transferred. The Parkways Authority is currently engaged in one such contract, and this contract with H.M.S. Host will be due for renewal, or termination, in December 2014. This contract sets the agreement for the sale of goods at the Beckley, Morton and Bluestone travel plazas. The contracts also define the licensing agreements and responsibilities for maintenance of the parties involved. Due to the importance of this contractual agreement in maintaining operations at the Travel Plaza facilities, another agreement will have to be made before the expiration of the current. In order for this agreement to not place an unnecessary burden on the State, in the event of the transfer, it will either need to be of a relatively short term, ending in 2019, or be accompanied by the approval of the DOH, in the form of a tripartite agreement. Aside from this singular instance, which is still in the process of being resolved, the Parkways Authority continues to act in good faith and with consideration of the lasting ramifications of any decisions made through entering into long-term contracts.

Another project that has been identified as a potentially costly endeavor going forward is the shower facilities for truck drivers at the Beckley Travel Plaza. The Parkways Authority Board strongly believes that offering showers and a lounge to truck drivers is a valuable service, but unless interest in the facility is greatly increased this area of the plaza will operate at a loss of more than \$100,000 per year.

Formal Planning Is Needed By All Agencies That Could Be Affected By the Transfer of the Turnpike

It is the opinion of the Legislative Auditor that the Turnpike transfer will have significant impacts on staffing of the DOH, the State Police, and the Parkways Authority. These agencies will need to operate with some amount of foresight and anticipation for the possible job losses and positions becoming available in the Turnpike transfer. The DOH will experience increases in personnel, while the Parkways Authority will experience job losses. Furthermore, the State Police may not be able to absorb all of the personnel assigned to the Turnpike without additional appropriations by the Legislature. Therefore, these agencies need to plan

appropriately in order to be able to accommodate the added staff and to avoid as much job loss as possible. State Police will need to have an appropriate length of time to be able to absorb as many of the 31 personnel currently assigned to the Turnpike. State Police planning may have to include downsizing through attrition or not filling vacant positions, reducing the size of future cadet classes needed for the years preceding the transfer, or seeking an increase in the agency's annual appropriation. The PSC will also need to consider budget issues. Although absorbing the two PSC officers should not be an issue, all other expenses related to an increase in staff, such as vehicles and fuel, may have budgetary impacts.

The Parkways Authority will need to consider, among other things, how to keep Tamarack operating with the possible loss of the current subsidy. Moreover, the Parkways Authority needs to reconsider its decision to maintain the number of staffed Tourist Information Centers. PERD has indicated in a 2008 report that the agency has a much higher number of TICs per mile than other state turnpikes. Furthermore, providing tourist information can be done without the relatively large number of staff. It is the Legislative Auditor's position that since tourist information can be provided with considerably less staff, that the TIC positions primarily function to sell Tamarack products. Using toll revenue to pay for the function of selling Tamarack products is not prudent under the circumstances. Downsizing these positions would be prudent whether or not the Turnpike is transferred, but doing so now through attrition would help alleviate job losses if the Turnpike is transferred to the DOH.

Furthermore, without proper foresight, capital projects involving building construction and major equipment could create redundancy and waste if the transfer occurs. In order for these agencies to have time to reduce staffing through attrition, and to coordinate construction plans and major equipment purchases, planning needs to occur soon. If the transfer of the Turnpike is decided upon, then planning will need to begin within the next year to mitigate the effects as much as possible. However, the efforts involved in the planning may become wasted if the decision to not transfer the Turnpike is made. The Turnpike is expected to be in satisfactory condition for the DOH to accept it, and the bonds will be paid off in May 2019. Hence, the Turnpike is scheduled to transfer in 2019. However, there have been discussions about keeping the tolls on the Turnpike, which adds uncertainty to this issue and makes planning more difficult, particularly staffing decisions. **Therefore, it would be wise for the Legislature to consider finalizing a decision as soon as possible on the future of the Turnpike.**

State Police will need to have an appropriate length of time to be able to absorb as many of the 31 personnel currently assigned to the Turnpike. State Police planning may have to include downsizing through attrition or not filling vacant positions, reducing the size of future cadet classes needed for the years preceding the transfer, or seeking an increase in the agency's annual appropriation.

The Parkways Authority will need to consider, among other things, how to keep Tamarack operating with the possible loss of the current subsidy. Moreover, the Parkways Authority needs to reconsider its decision to maintain the number of staffed Tourist Information Centers.

Conclusions

The Legislative Auditor has found the Parkways Authority to be acting appropriately with regards to the four performance aspects that were reviewed. The Parkways Authority has done a commendable job on planning its maintenance activities, and ensuring long-term projects will not exceed the 2019 threshold. The evidence also suggests that the Parkways Authority is conducting itself with prudence with respect to staffing and contractual obligations. While only a few projects have the potential to adversely affect the State if the Turnpike transfer occurs, these decisions only reinforce the need for planning between the affected agencies. Finally, the Legislature should consider making a final decision on the future of the Turnpike as soon as possible in order to make planning effective.

Finally, the Legislature should consider making a final decision on the future of the Turnpike as soon as possible in order to make planning effective.

Recommendations

2. *The Parkways Authority should refrain from constructing any new facilities which would place a financial burden on, or otherwise over-encumber, another agency in the event of the transfer of the West Virginia Turnpike to the Division of Highways.*
3. *The Parkways Authority should discontinue the Tamarack retail activities at all Tourist Information Centers, and discontinue staffing the Tourist Information Centers at Morton and Bluestone. Tourist information should be provided at these locations in an unstaffed manner, with contact information for motorists if they need to speak to a travel counselor at one of the staffed TICs.*
4. *The Parkways Authority should develop plans that will make Tamarack completely self-sufficient and keep Tamarack operating under a possible loss of the \$1 million subsidy.*
5. *The Parkways Authority should consider the possibility of leasing a facility for the Beckley Troop 7 detachment instead of building a facility while the future of the Turnpike is determined.*
6. *The Parkways Authority, the Division of Highways, the State Police, the Public Service Commission, and the Division of Tourism should have formal discussions and develop coordinating plans in anticipation of a possible transfer of the Turnpike in order to mitigate the costs to the State.*
7. *The Legislature should consider making a final decision on the future of the Turnpike as soon as possible.*

ISSUE 3

Although the Parkways Authority Has Responded to Most PERD Recommendations of Three Previous Reports, Which Has Resulted in Significant Cost Savings, the Tourist Information Centers Continue to Operate Uneconomically.

BACKGROUND

In January 2007, the Legislative Auditor released a report on the West Virginia Parkways Authority that focused on its Economic Development and Tourism (EDT) functions, including Tamarack. The findings of the report indicate that some of the Parkways Authority's EDT activities may not have been appropriate and that other projects were a financial drain on the agency. Since the release of this report, the Parkways Authority has modified its mission administratively to no longer include EDT activities; however, the agency's enabling statute still authorizes EDT activities. Despite these changes, the Parkways Authority still operates Tamarack due to legal and financial obligations.

In May 2008, the Legislative Auditor released a report on the Parkways Authority that addressed the staffing, operation and performance of the Parkways Authority's Maintenance Department, and the internal controls and expenditure policies of the administration of the Parkways Authority overall. The Parkways Authority agrees with and has responded to a majority of the 18 recommendations in the report. Overall, the Parkways Authority has made efforts to enhance the efficiency of the Maintenance Department operations; however, some areas such as uniforms, step-wage increases, and supervisory staffing can be further improved.

In December 2008, the Legislative Auditor released a report that addressed the Parkways Authority's five staffed Tourist Information Centers (TICs) located along the Turnpike. The report's findings contend that there is overstaffing in the agency's TIC operations. However, the Parkways Authority disputes and/or has not responded to a majority of the report findings and recommendations. One change has been made to the Parkways Authority's TIC operations since the release of this report. The Parkways Authority removed the TIC from the Tamarack facility, and the positions at that TIC were eliminated. The Parkways Authority asserts that the TICs provide a valuable service to the traveling public that benefits the State's image, its travel and tourism industries, and also its arts and crafts industries.

In January 2010, the Legislative Auditor released a report updating the three previous performance analysis conducted on the Parkways Authority. The report's findings showed that the Parkways Authority

Overall, the Parkways Authority has made efforts to enhance the efficiency of the Maintenance Department operations; however, some areas such as uniforms, step-wage increases, and supervisory staffing can be further improved.

The report's findings contend that there is overstaffing in the agency's TIC operations. One change has been made to the Parkways Authority's TIC operations since the release of this report.

had responded in large part to the Tamarack Report Recommendation, a majority of the Maintenance Department Report recommendation and had given consideration to the recommendation of the Tourist Information Centers Report; however no action had been taken against those recommendations at that time.

This update of the Parkways Authority uses the following designations for the levels of compliance with previous PERD recommendations:

Levels of Compliance	
In Compliance	The West Virginia Parkways Authority has corrected the problem(s) identified in the Legislative Auditor's 2010 update report.
Partial Compliance	The West Virginia Parkways Authority has partially corrected the problem(s) identified in the Legislative Auditor's 2010 update report.
Planned Compliance	The West Virginia Parkways Authority has not corrected the problem but has provided sufficient documentary evidence to find that the agency will do so in the future.
In Dispute	The West Virginia Parkways Authority does not agree with either the problem identified or the proposed solution.
Non-Compliance	The West Virginia Parkways Authority has not corrected the problem(s) identified in the Legislative Auditor's 2010 update report.
Requires Legislative Action	The recommendation was intended to call the attention of the Legislature to one or more issues that may or may not require statutory changes.
Legislation Enacted	Legislature responded to issues raised in the Legislative Auditor's 2010 update report.

Update of January 2010 Performance Review of Parkways Authority Update Report

UPDATE 1

The Parkways Authority Has Responded to the Majority of the Maintenance Department Report Recommendations.

Update of May 2008 Performance Review of Parkways Authority

In May 2008, the Legislative Auditor released a report on the Parkways Authority that addressed the operation and performance of the Parkways Authority's Maintenance Department, agency internal controls, and the financial status of the WV Turnpike. The report made 18 recommendations. The Parkways Authority is in full, partial, or planned compliance with 16 of those recommendations. Overall, the Parkways

Authority has made considerable efforts to enhance the efficiency of the Maintenance Department operations; however, some area such of step wage increases, and supervisory staffing can be further improved.

Recommendation 2:

The Parkways Authority should objectively review its step wage increase process, particularly with respect to highway maintenance worker, to determine if its wages are higher than necessary to be competitive.

Level of Compliance: Planned Compliance

To date no changes have been made to the Parkways Authority's Maintenance Department employees' pay schedule. The Parkways Authority is awaiting the finding of a study by the Hay Group concerning state pay scales and classifications before finalizing any changes. The Hay Group study was commissioned by the WV Department of Administration to evaluate wages of state employees. The Parkways Authority Board is reluctant to change the Maintenance Department's wage scales, including changing step wage increases from a 3-year to 5-year progression for new hires, until it has reviewed the outcome of the Hay Group study. The Parkways Authority Board asserts that higher wage levels have the advantage of reducing turnover rates at the Parkways Authority. The Legislative Auditor maintains its position that the Parkways Authority's step wage process increases wages at a greater than necessary rate to remain competitive.

The Legislative Auditor maintains its position that the Parkways Authority's step wage process increases wages at a greater than necessary rate to remain competitive.

Recommendation 5:

The Parkways Authority should examine the organizational structure of its Maintenance Department to assess the need for certain management level positions in the Highway Production and Fleet Management sections.

Level of Compliance: Partial Compliance

Previously the Legislative Auditor identified some issues with overstaffing of supervisory positions in the Maintenance Department. As reported in the January 2010 update report, prior to 2007, the Parkways Authority had a supervisor and two foremen overseeing the Heavy Equipment Mechanics, Gas Shop Mechanics, Roadways Maintenance Shop Mechanics, Welding Shop and Paint and Body Shop. After the supervisor retired in October 2009, the supervision of these shops was reduced to two people who were previously the two foremen. Their titles were changed to Fleet Manager and Deputy Fleet Manager. The position of supervisor was eliminated.

Recommendation 18:

The Parkways Authority should consider implementing an automated purchasing system that records, organizes, monitors, and regulates all of the agency's purchasing processes.

Level of Compliance: Planned Compliance

The Parkways Authority is participating in the State's conversion to the new Enterprise Resource Planning (ERP) System. The State calls this project wvOASIS. Many of the department heads from the Parkways Authority, including Purchasing, Finance, Accounting and Human Resources, attended the State Auditors Conference focusing on ERP from September 3rd through September 6th in 2013. The Parkways Authority plans to participate in continual training and system demos of modules which it expects to be very beneficial to the department heads as the conversion date of July 1, 2014 approaches for the financial conversions and January 1, 2015 for HR/Payroll conversion. ERP will provide the Parkways Authority with an automated purchasing system, bringing it into compliance with the recommendation of the Legislative Auditor. It is anticipated that this feature of the new system will be in operation July 2014.

Some changes have been made to the Parkways Authority's TIC operations in the Tamarack facility since the release of this report; these changes include the elimination of the TIC in Tamarack as well as the associated jobs.

UPDATE 3

The Parkways Authority Has Given Consideration to the Recommendation of the Tourist Information Centers Report; However to Date Only One of the Recommendations Has Been Partially Implemented.

Update of December 2008 Performance Review of Parkways Authority

In December 2008, the Legislative Auditor released a report that addressed the Parkways Authority's five staffed Tourist Information Centers (TICs) located along the WV Turnpike. The report's findings contend that the Parkways Authority's TICs are overstaffed. However, the Parkways Authority disputes and/or is not in compliance with a majority of the report findings and recommendations. Some changes have been made to the Parkways Authority's TIC operations in the Tamarack facility since the release of this report; these changes include the elimination of the TIC in Tamarack as well as the associated jobs. The Parkways Authority asserts that the TICs provide a valuable service to the traveling public that benefits the state's image, its travel and tourism industries, and also its arts and crafts industries.

Recommendation 1:

The Parkways Authority should consider discontinuing the Tamarack retail activities at all Tourist Information Centers.

Level of Compliance: **In Dispute**

The Parkways Authority does not agree with PERD’s recommendation to discontinue Tamarack’s retail activities at all Tourist Information Centers. The Parkways Authority supports the opinions of its General Counsel and Bond Counsel concerning the Tri-Partied Agreement and the Bond Trust Indenture. In their opinion, the use of toll revenues to purchase retail items for resale at the Tourist Information Centers is not a violation of the two documents. The Parkways Authority indicated that the purpose of the retail shops in each of the travel plazas to further promote not only the tourism industry, but also, to promote the artisan craft industry throughout the state. Additionally, the Parkways Authority noted that the retail shops generate sales tax revenue for the State of West Virginia.

The Parkways Authority does not agree with PERD’s recommendation to discontinue Tamarack’s retail activities at all Tourist Information Centers.

Recommendation 3:

The Parkways Authority should consider discontinuing staffing the Morton, Tamarack and Bluestone Tourist Information Centers. Tourist Information should be provided at these locations in an unstaffed manner, with contact information for motorists if they need to speak to travel counselor at one of the staffed TIC’s.

Level of Compliance: **Partial Compliance**

Through attrition, the Parkways Authority employees no longer provide tourist information at Tamarack. Since 2011, two employees retired, one resigned and none of these position were filled by the Parkways Authority. Two full-time employees have been hired by Tamarack through their contract with W.C. Workshop, Inc. These two additional employees staff the front desk and provide tourist information, in addition to acting as retail sales associates and ambassadors to Tamarack, when needed. Since the 2010 update report one full-time employee of the Morton Travel Plaza TIC has retired and this position has been filled by temporary employees as needed. The Parkways Authority notes the value of the service provided by the TICs, especially when considering the high volume of traffic on the Turnpike coupled with the value of information provided to tourist and the importance of tourism to the state. In the Legislative Auditor’s opinion, having this many employees providing tourist information is an inefficiency, and therefore it leads to the conclusion that the reason for the decision is to primarily have employees sell Tamarack products.

In the Legislative Auditor’s opinion, having this many employees providing tourist information is an inefficiency, and therefore it leads to the conclusion that the reason for the decision is to primarily have employees sell Tamarack products.

Recommendation 5:

The Parkways Authority should consider reducing staff by two positions if it discontinues Tamarack retail activities at the Princeton Tourist Information Center.

Level of Compliance: **In Dispute**

This recommendation is contingent upon the Parkways Authority's compliance with the recommendation to discontinue staffing for the purpose of selling Tamarack products at all TICs. Because the Parkways Authority disagrees with eliminating retail sales at all TICs, as recommended by the aforementioned recommendation, the Parkways Authority disputes this recommendation as well.

Appendix A Transmittal Letter

WEST VIRGINIA LEGISLATURE *Performance Evaluation and Research Division*

Building 1, Room W-314
1900 Kanawha Boulevard, East
Charleston, West Virginia 25305-0610
(304) 347-4890
(304) 347-4939 FAX



John Sylvia
Director

December 26, 2013

Paul Mattox, Jr., Cabinet Secretary
WV Department of Transportation
Building 5, Room A-109
1900 Kanawha Blvd., East
Charleston, WV 25305

Dear Secretary Mattox:

This is to transmit a draft copy of the Performance Review of the West Virginia Parkways Authority. This report is scheduled to be presented during the January 5-7 interim meetings of the Joint Committee on Government Operations, and the Joint Committee on Government Organization. We will inform you of the exact time and location once the information becomes available. It is expected that a representative from your agency be present at the meeting to orally respond to the report and answer any questions the committees may have.

We need to schedule an exit conference to discuss any concerns you may have with the report. We would like to have the meeting on Monday, December 30, 2013. Please notify us to schedule an exact time. In addition, we need your written response by noon on Friday, January 3, 2014 in order for it to be included in the final report. If your agency intends to distribute additional material to committee members at the meeting, please contact the House Government Organization staff at 340-3192 by Thursday, January 2, 2014 to make arrangements.

We request that your personnel not disclose the report to anyone not affiliated with your agency. Thank you for your cooperation.

Sincerely,

A handwritten signature in blue ink that reads "John Sylvia".

John Sylvia

c: Gregory C. Barr, General Manager, Parkway Authority
Enclosure

Joint Committee on Government and Finance

Appendix B

Objectives, Scope and Methodology

The Performance Evaluation and Research Division (PERD) within the Office of the Legislative Auditor conducted this performance review of the West Virginia Parkways Authority (Parkways Authority) as part of the Agency Review of the Department of Transportation, as required and authorized by the West Virginia Performance Review Act, Chapter 4, Article 10, of the *West Virginia Code*, as amended. The purpose of the Parkways Authority, as established in West Virginia Code §17-16A, is to operate and maintain the West Virginia Turnpike as a modern, efficient and safe roadway.

Objectives

There are three objectives of this review. One is to determine the cost implications to the State if the West Virginia Turnpike (Turnpike) is transferred to the Division of Highways (DOH) to be maintained and operated free of tolls as required in W. Va. Code §17-16A-18. The second objective is to determine if the Parkways Authority is making short or long-term decisions that could make the transfer of the Turnpike more costly or problematic. The final objective is to determine the extent to which the Parkways Authority has responded to recommendations of previous PERD reports that were not addressed by the agency as reported in the January 2010 update report.

Scope

The scope of this review consisted of the Parkways Authority's total maintenance costs of the Turnpike for fiscal years 2009 and 2012, examining its payroll data for the same years, and reviewing costs associated with leased employees of the State Police and the Public Service Commission. Maintenance costs included all capital expenditures and operating maintenance expenses for routine and non-routine maintenance. For the DOH, similar capital and operating maintenance costs were compiled for fiscal years 2010 through 2013, and payroll data were review for road maintenance workers. For Issue 2 the scope comprised a review of board meeting minutes, major operational decisions, long-term contracts, and maintenance plans that could possibly commit funds or create obligations beyond 2019. Finally, the scope included an examination of PERD recommendations made in three reports issued in 2007 and 2008, as well as those that were reaffirmed in the January 2010 update report.

Methodology

Issue 1 of this report is not a performance audit of the Parkways Authority or the Division of Highways in that it does not assess the effectiveness or compliance of each agency. Nevertheless, GAGAS standards were followed to test the sufficiency and appropriateness of the evidence provided by these and other agencies used in the analysis. The GAGAS standard to identify the elements of a finding was not applied to Issue 1 since the performance of the agencies is not at issue. Issues 2 and 3 are performance audits of the Parkways Authority; therefore, all GAGAS standards applied.

PERD gathered and analyzed several sources of information and conducted audit procedures to assess the sufficiency and appropriateness of the information used as evidence. Testimonial evidence was gathered through interviews with the Parkways Authority's staff, the Department of Transportation, the Federal Highway Administration (FHWA), the State Police, the Public Service Commission, and the Division of Tourism. The purpose for testimonial evidence was to gain a better understanding or clarification of certain issues, to

confirm the existence or non-existence of a condition, or to understand the respective agency's position on an issue. Such testimonial evidence was confirmed by either written statements or the receipt of corroborating or physical evidence (photographs).

In order to determine the overall cost implications of the Turnpike possibly being transferred to the DOH, an understanding of relevant state and federal law was necessary. Legal opinions were obtained from Legislative Services within the Office of the Legislative Auditor to define and clarify the requirements of state law as they pertain to the Turnpike transfer, and non civil service staff of the Parkways Authority transferring to a civil service agency such as the DOH. An understanding of federal requirements that govern the Turnpike transfer was obtained through the FHWA.

The methodology of Issue 1 involved calculating the DOH's total maintenance costs per lane mile for its interstates, which excludes the Turnpike, and then determining how much state funding would be needed to maintain the same cost per lane mile if the Turnpike's lane miles are included with the other DOH interstates. We made this calculation for the 2010-2013 period. In order to make this calculation, PERD requested from the DOH all maintenance expenses associated with its interstates. We also requested the same information from the Parkways Authority for comparative purposes, as well as to show what has been provided on the Turnpike under a toll system. Specifically, PERD requested all capital and routine road maintenance, including paving, striping, installing lights, light (electric) expenses, signage work, lane widening, engineering costs, contracted bridge inspections, bridge deck overlays, deck replacements, and other bridge repair work, snow and ice removal costs, litter control, pothole patching, ditch cleaning, non-contracted bridge inspections, rest area maintenance, and maintenance facilities such as salt houses, storage facilities and maintenance administrative facilities, costs for OPEB, and water treatment. Service area maintenance costs and toll-related maintenance costs were excluded from Parkways data because the DOH does not have such maintenance costs.

The information provided by both agencies was in detailed form. The DOH data listed each capital project for 2010 through 2013 showing the interstate locations of the project, the type of construction work, individual project costs, and the grand totals. The DOH's routine maintenance costs were detailed by the interstate, invoice, payroll, inventory and equipment. Costs for DOH lighting, rest areas and other maintenance-related facilities identified the interstate associated with the costs. PERD found the requested information from both agencies to be consistent with their respective Comprehensive Annual Financial Report for the same years. PERD also examined a sample of the Parkways' construction contracts for fiscal years 2009 and 2012 to test the aggregate totals for capital improvement costs. Moreover, a comparison of the cost per lane mile of both agencies was in an acceptable and expectant range given the large increase from the Parkways' toll increase. The lanes miles for the Turnpike and the DOH interstates were important to the calculations. PERD found that the lane miles for each interstate and the Turnpike are rather common and long-standing measures and therefore reasonably accurate. Overall, PERD determined that the maintenance cost information provided by the Parkways Authority and the DOH were sufficient and reasonably accurate.

In order to determine potential job losses of Parkways employees and leased employees due to the Turnpike transfer, PERD used Parkways payroll data, and we confirmed the number of leased employees with the State Police and the Public Service Commission. We also obtained information from the Consolidated Public Retirement Board to corroborate the number of Parkways employees. PERD also used the payroll data for Issues 2 and 3 to confirm that the agency has reduced permanent positions since the toll increase, and is in compliance with a PERD recommendation to eliminate the staffed Tourist Information Center in the Tamarack facility. The meeting minutes, contracts, and maintenance plans we deemed sufficient and appropriate to determine that the long and short-term decisions of the Parkways Authority were taking into consideration the possible transfer of the Turnpike, and therefore, the agency was not operating in such a way to make the transfer more costly to the State.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix C

Written Response From the Federal Highway Administration to PERD Inquiries



U.S. Department
of Transportation

Federal Highway
Administration

West Virginia Division

December 12, 2013

Geary Plaza, Suite 200
700 Washington Street, East
Charleston, West Virginia 25301
Phone (304) 347-5928
Fax (304) 347-5103

IN REPLY REFER TO:
HDA-WV

John Slyvia, Director
Performance Evaluation and Research Division
West Virginia Legislature
1900 Kanawha Boulevard, East
Building 1, Room W-314
Charleston, West Virginia 25305

Dear Mr. Sylvia:

Thank you for the opportunity to provide input regarding your fact-finding efforts for issues related to the West Virginia Turnpike. As I discussed verbally with you last week, shown below are clarifications for the five items you included in your recent letter.

1. You indicated that you will be providing a written statement to Mr. Greg Barr confirming that the travel plazas along the West Virginia Turnpike would likely be grandfathered into West Virginia's interstate system if it becomes a toll-free road. This would allow the State to continue receiving sales revenue from the travel plazas if the Turnpike is operated as a toll-free interstate. You stated that you expect to have the letter of confirmation by December 3rd, 2013.

Clarification:

The FHWA will be able to give you a definitive answer regarding the "grandfathering" of operations for existing Travel Plazas on the West Virginia Turnpike upon verification that the following conditions as stated in 23 U.S.C. 111(a) are satisfied:

".....Nothing in this section, or in any agreement entered into under this section, shall require the discontinuance, obstruction, or removal of any establishment for serving motor vehicle users on any highway which has been, or is hereafter, designated as a highway or route on the Interstate System

(1) if such establishment

(A) was in existence before January 1, 1960,

(B) is owned by a State, and

(C) is operated through concessionaries or otherwise, and

(2) if all access to, and exits from, such establishment conform to the standards established for such a highway under this title."

-2-

2. You stated that if the Turnpike becomes a toll-free road, West Virginia would not receive any additional federal funds because the Turnpike miles have been included in the state's total interstate miles for federal apportionment purposes.

Clarification:

Under existing laws, West Virginia's apportionment of Federal-Aid will remain unchanged regardless of whether the Turnpike is a toll-free road or not. For a number of years, the Turnpike mileage was included in apportionment calculations because of its Interstate designation. Under the most current legislation, MAP-21, apportionment calculation factors were changed and proportionally "locked" into FY 2012 levels. Therefore, changes in the miles of toll-free roads will not affect the apportionment levels.

3. However, you indicated that there have been no restrictions on how federal highway funds can be used. Although the Division of Highways has chosen to use federal funds on non-Turnpike roads, those same funds could have been used on the Turnpike while it had tolls.

Clarification:

At least for a number of recent years, several categories of Federal-Aid funding that could have been used on the Interstate System could also have been used on the West Virginia Turnpike. The decision not to use Federal-Aid funds on the Turnpike was made by the leadership of the West Virginia Department of Transportation. While not a Federal issue per se, we understand that the rationale for not using Federal-Aid funds was the fact that the Turnpike had its own revenue source, namely the collection of tolls. There is no requirement that apportioned funds necessarily be used on a "dollar for dollar" basis on the attributable miles of highway.

4. You mentioned that under the new rules of Title 23, the State could maintain the tolls on the Turnpike and use any excess toll revenues for other state roads. However, if tolls are kept on the Turnpike, the toll revenues could not be used on non-Title 23 purposes such as Tamarack, travel plaza facilities, etc.

Clarification:

To clarify, the existing 1988 toll agreement among the West Virginia Department of Transportation, the West Virginia Turnpike Commission, and the Federal Highway Administration does not require tolls to be removed once the bonds have been paid off, but does require that the toll revenues be spent on the Turnpike. Subsequent changes in Federal law have allowed toll facilities receiving Federal-aid highway funds to use toll revenue for any Title 23 eligible activities on other state roads. Should the state desire to continue toll collection on the Turnpike beyond 2019, it may be possible to amend the existing tolling agreement to allow for this greater flexibility in the use of toll revenues. Note also that ownership of the West Virginia Turnpike is strictly a matter of state law; there are no Federal laws that would govern or affect a transfer of the Turnpike to the West Virginia Department of Transportation.

-3-

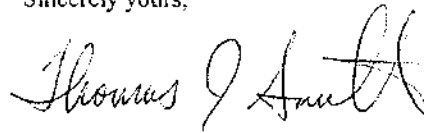
5. You also indicated that you could provide the amount of federal funds provided to the State of West Virginia from 2008 through 2013.

Comment:

Attached are summaries of Federal-Aid funding provided to the state of West Virginia for 2008-2013.

Please do not hesitate to call me directly at 304-347-5121 if you have other questions or comments.

Sincerely yours,

A handwritten signature in black ink that reads "Thomas J. Smith". The signature is written in a cursive style with a large, stylized initial "T".

Thomas J. Smith, P. E.
Division Administrator

Enclosure

Appendix D Agencies' Responses



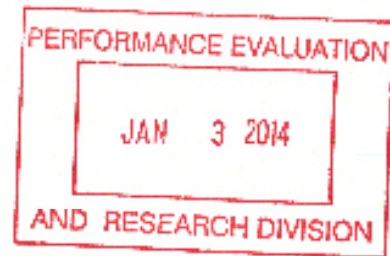
WEST VIRGINIA
DEPARTMENT OF TRANSPORTATION
1900 Kanawha Boulevard East • Building Five • Room 109
Charleston, West Virginia 25305-0440 • (304) 558-0444

Earl Ray Tomblin
Governor

Paul A. Mattox, Jr., P. E.
Cabinet Secretary

January 3, 2014

Mr. John Sylvia, Director
West Virginia Legislature
Performance Evaluation and
Research Division
Building 1, Room W-314
1900 Kanawha Boulevard, East
Charleston, West Virginia 25305-0610



Dear Mr. Sylvia,

The Department of Transportation is in receipt of the Performance Review of the West Virginia Parkways Authority. I concur with the report, its findings, and offer no additional comments.

Sincerely,

A handwritten signature in blue ink that reads "Paul A. Mattox, Jr.".

Paul A. Mattox, Jr., P. E.
Secretary of Transportation/
Commissioner of Highways

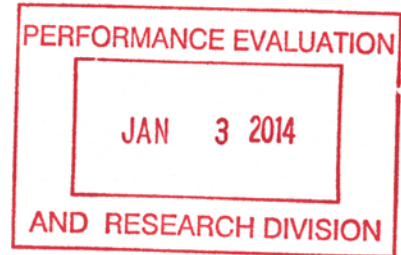
PAM:z

EARL RAY TOMBLIN
Governor



WEST VIRGINIA PARKWAYS AUTHORITY

P.O. BOX 1469
CHARLESTON, WEST VIRGINIA 25325-1469
TELEPHONE: 304/926-1900
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January 3, 2014

Mr. John Sylvia, Director
West Virginia Legislature
Performance Evaluation and Review Division
Building 1, Room W-314
1900 Kanawha Boulevard, East
Charleston, West Virginia 25305-0610

Dear Mr. Sylvia:

Enclosed is a written response to your Performance Review of the West Virginia Parkways Authority which we received by letter dated December 26, 2013. This was followed by an exit conference which was held on Monday, December 30, 2013. Below are the written comments I have concerning this review:

Issue 1

The Transfer of the West Virginia Turnpike to the Division of Highways (DOH) Could Be Required in May 2019

If Turnpike tolls are terminated, the DOH would immediately be faced with maintaining and fully funding one of the most heavily used (and most costly to maintain) sections of interstate in West Virginia. Turnpike tolls not only provide funds paid directly by the roadway users to maintain the Turnpike, but in the process free up scarce state transportation dollars to maintain other roads and bridges in West Virginia. The Interstate system, authorized in 1956, is approaching the end of its useful life and is in need of massive rehabilitation and rebuilding. Other than diminishing federal funding, the State Road Fund would likely be the only source of revenue available to the DOH to provide funding primarily from gas tax revenues. Gas tax revenue is currently stagnant and in danger of dwindling even further as people drive less and use more fuel-efficient cars. In terms of buying power, the same dollars in the State Road Fund now buy 30% less than they did in 1998. Meanwhile, federal funds are also dwindling. As you reported, the DOH and the Federal Highway Administration have said that removing tolls from the West Virginia Turnpike will not generate any additional federal dollars apportioned to the State of West Virginia. The Turnpike bonds are due to be paid off in

May 2019. The Turnpike is operated and maintained by the Parkways Authority with Turnpike toll revenues paid by the users of the highway. No State tax or general revenue dollars are used in the maintenance or operation of the Turnpike or in paying debt service on Turnpike bonds issued by the Authority. ***If the Turnpike tolls were eliminated after re-payment of the bonds in 2019, the State would lose in excess of \$80 million annually in toll revenues*** (the net collected after all toll discount programs are applied) now used to operate and maintain the 426 lane miles of interstate highway, 116 bridges, three travel plazas and one welcome center (Princeton, WV). ***Most of the annual Turnpike toll revenue comes from out-of-state passenger and out-of-state commercial vehicles (approximately 76% of all Turnpike toll revenue). Without the toll revenue, the cost of operating the West Virginia Turnpike would shift entirely to the taxpayers of West Virginia.***

It Will Require an Estimated \$30 Million in Additional State Funding Each Year to Maintain All Interstates Including the Turnpike Under DOH's Current Maintenance Levels

The Parkways Authority's estimate for annual Turnpike maintenance costs, free of tolls, is \$59 million per year versus the estimated \$30 million arrived at by PERD by using a methodology not based on how much will be needed as determined by the Authority, but rather at a cost derived from what DOH has indicated their costs are for the interstates they maintain. The \$59 million cost is based upon engineering analysis which reflects proactive and needs-based maintenance in order to maximize full life-cycle benefits of the highway and bridge assets. This proactive approach obviously saves money in the long term due to extending the life of bridges and road surfaces rather than having to replace them before the end of their life-cycle. The \$30 million cost identified by the DOH is based more on reactive and "funds availability" criteria. If the Turnpike is turned over to the DOH free of tolls, then the maintenance costs of the Turnpike will be competing with all of the other interstate roads in West Virginia with limited funding. **If no additional revenues are identified to pay for the \$30 to \$59 million needed annually to maintain the West Virginia Turnpike, other roads and bridges in the State of West Virginia will have that much less funding available for maintenance which will negatively affect every county throughout the State.**

Secretary of Transportation Paul Mattox has said in the past that West Virginia needs an additional \$400 million a year just to preserve the roads and bridges in the condition they are in today and every year in which DOH is not provided with the extra \$400 million in funding, the State of West Virginia is losing ground. This shortfall in annual funding for transportation goes a long way in explaining the difference in Parkways Authority's \$59 million and DOH's \$30 million in annual monies that would be needed to pay for maintenance on the Turnpike if tolls are removed. As stated above, the DOH provides interstate maintenance based more on what funds are available than what is actually needed. By adding another 426 lane miles and 116 bridges of the West Virginia Turnpike to the DOH's responsibilities, it stresses the amount of funds available for maintenance on all other interstate and secondary roads.

Issue 1 - Recommendations

Recommendation #1 - If tolls remain on the West Virginia Turnpike after 2019, consideration could be given for alternative toll collection locations. At the present time, due to the uncertainty of the future of tolling in West Virginia and to the high cost of dismantling existing toll plaza structures and constructing new plazas in different locations, this type of analysis has not been pursued. A traffic engineering study would be needed to determine the best locations that would generate the necessary toll revenues, while at the same time minimizing the impact on West Virginians having to pay the toll. It should be noted that the current toll plazas are located in the areas with the lowest average daily traffic numbers which already reduces the impacts on the urban area users along the Turnpike.

It is also important to note that the Parkways Authority already offers substantial discounts to West Virginia E-ZPass users that range from 35% to 90% reductions in the toll. These discounts effectively reduce the toll per plaza from \$2.00 to \$1.30 and, for frequent users, down to .20 cents per plaza.

Issue 2

Long Term Maintenance Projects Take Transfer Deadline Into Consideration

No matter who maintains the Turnpike after 2019, the major focus over the next 30 years will be the 116 bridges which will require a significant investment of funds. The typical service life for a bridge is 40 to 60 years. Currently, the average bridge deck age is 31 years and 76% of the bridges are over 30 years old. By the year 2020, the average bridge deck age will be 38 years, 23% of the bridges will exceed their expected deck life of 40 years and 94% of the bridges will be over 35 years old. At the end of the 30-year planning period, if no decks are replaced, 81% of the Turnpike bridge decks will be over 60 years old. To date, the Parkways has been able to keep its bridge decks in relatively good condition because of its focus on a comprehensive bridge maintenance program and a commitment to preservation type activities. ***Over the next 30 years, it is estimated that 80% of the Turnpike's bridge decks will need to be replaced.***

Issue 2 – Recommendations

Recommendation #2 – The Parkways Authority will continue to make prudent decisions regarding the construction of any new facilities that would place a burden on any other agency in the event of a transfer of the Turnpike to DOH.

Recommendation #3 – See comments in the section of this report referring to the December 2008 Performance Review, Update #3.

Recommendation #4 - The Parkways Authority has been seeking to form an appropriate working relationship with an organization, partnership or other entity experienced and

qualified in hotel development and with a viable plan to finance, build, operate, and manage a quality permanent lodging facility on the Tamarack property. It is the aim of this process to identify and select the private sector entity that proposes the most feasible and advantageous plan for the development of the hotel, and, who can clearly demonstrate its ability to implement the Project. It is the Authority's goal to negotiate a development agreement that will provide for increased revenue for the Authority and increased visitorship and revenue for Tamarack.

Recommendation #5 – If it is determined that a new Beckley State Police Troop 7 detachment is needed, leasing a facility would be an alternative that would be given serious consideration pending the outcome of a decision on the future of the West Virginia Turnpike.

Recommendation #6 – The Parkways Authority stands ready to participate in any discussions with other agencies that will be affected by future decisions concerning the transfer of the Turnpike. At the present time, it is very difficult to discuss such impacts of a transfer without more information about the final disposition of the Turnpike and the Parkways Authority.

Recommendation #7 – Any final decisions made by the Legislature concerning the future of the Turnpike must be the result of a thorough analysis of the impact that the loss of West Virginia Turnpike toll revenues will have on the State. It appears essential that a replacement revenue source be identified to replace this lost stream of income keeping in mind that over 76% of toll revenues collected come from out-of-state users; whereas new revenue sources will most likely be from some form of taxes or fees paid solely by citizens of West Virginia.

My staff and I sincerely appreciated the professionalism of you and your staff during the course of this audit. Your summary of the cost implications associated with the transfer of the Turnpike to the DOH as a toll-free road will give the Legislature and others some of the information and tools they will need as they decide upon the future of the Parkways Authority.

To confirm, I will be in attendance to discuss these audit findings during the Joint Committee on Government Operations meeting on Monday, January 6, 2014 at 1:00 P.M.

Sincerely,



Gregory C. Barr
General Manager

GCB/tgn



WEST VIRGINIA LEGISLATIVE AUDITOR

PERFORMANCE EVALUATION & RESEARCH DIVISION

Building 1, Room W-314, State Capitol Complex, Charleston, West Virginia 25305

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