# A Virginia Model for Financial and Community Support of Rural and Specialized Transportation Systems

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ABSTRACT

The information in this paper is based on documented field experience in Central Virginia where two human service agencies, a community health center and a community action agency, are using current transportation funding to provide the local match required to fund a regional public transportation system in four very rural counties. Virginia has several unique elements that affect the local share required for a community to institute public transportation. For capital expenditures, UMTA Section 18 will provide 80 percent. If requested by a local governing body, the Virginia Department of Highways and Transportation will also contribute an additional 19 percent, leaving only a 1 percent local share remaining to be funded. Further, this 1 percent local match can be raised through local business donations because Virginia has a Neighborhood Assistance Act program that will provide a 50 percent tax credit for donations to approved community projects. Because of the strict nature of Virginia statutes, not only is a thorough financial plan required, but strong local community development is required to assure local government support for a system. Virginia's experience in funding is important to share with other states in fostering rural and specialized transportation systems and the positive aspects and some of the drawbacks of this model are shown in this paper. Virginia statutes tend to create a favorable environment for rural and small urban transportation in contrast to the hostile or benign environments typical in most states.

As do most states, the Virginia Department of Transportation (VDH&T) places heavy emphasis on highways and spends a relatively minor portion of transportation funding on public transportation. There are, however, several statutes that create a favorable environment for public transportation and have helped a new rural provider, the Central Virginia Transportation system (CVT) to be established in the Central Virginia counties of Amelia, Buckingham, Cumberland, and Fluvanna.

These four counties are in the Piedmont area of Virginia west of Richmond, north of Farmville, and east of Charlottesville. This area contains approximately 1,500 $mi^2$, has a population of 38,000, and a population density of 26.7 persons per $mi^2$ including 6.6 percent transportation-disadvantaged (1), 13 percent 65 years or older, and 18.9 percent below poverty level. This area has a significant need for public transportation when compared to areas where public transportation is already provided. The district's rural character is reflected in the large percentage of land devoted to agriculture and forest. Although agricultural uses still dominate the district land use pattern, agriculture employment has declined continually over the past 30 years. Jobs in retailing, service, and government sectors have increased steadily and manufacturing employment has shown increases over the past 20 years.

The lead agencies for planning services in the area were the Central Virginia Community Health Center, Inc. (CVCHC) and the Central Piedmont Action Council, Inc. (CPAC). These private, nonprofit corporations had provided transportation services to their own clients for more than 14 years, but there was no local public transportation. Both agencies were spending large amounts of money, serving a limited population, and duplicating services by covering many of the same routes at the same time. During calendar year 1983, more than $200,000 was used for CVCHC and CPAC transportation services.

Several factors were considered in deciding to establish a public transportation system in Central Virginia: the poor utilization of CVCHC and CPAC vehicles, the duplication of services, the lack of public transportation in the area, the high level of poverty and transportation-disadvantaged persons in the community, continuing requests from other human service agencies, repeated requests from the general public, and a need to secure an alternative funding source.

A major consideration of the CVCHC was the increasing concern by state and federal health officials over the low utilization and high cost of transportation for CVCHC patients. This criticism was focused on resource utilization, however; not on management. It was believed that services were being provided at the lowest cost possible, but due to the nature of the services, it was underutilized. The service had available seats, but did not have extra available time, so a creative method of opening up the services was needed. It was realized by the CVCHC Board of Directors and by the U.S. Department of Health and Human Services project officer assigned to monitor the CVCHC program that by modification of Center policy, a general public system could be created from the nucleus of services available from CVCHC. It was recommended that technical assistance be sought to determine the cost and feasibility of opening up the service.

Establishment of public transportation in Central Virginia required several levels of effort and persuasion. The CVCHC and CPAC management and boards had to modify internal policies to begin the process. The CVCHC Board approved this modification in October 1982. The VDH&T had to be convinced that there was sufficient need and demand to justify use of public funds for the project. Regional planning agencies had to be shown that the proposed service design was feasible and county governments had to be convinced that public transportation would be in the best interest of the public.

Historically, studies conducted by regional planning district commissions and the VDH&T several years earlier (1,2) had recommended that CVCHC and CPAC combine their transportation resources and form the basis of a new, expanded system, but the studies provided neither a specific need or demand statement nor a step-by-step blueprint for development of the new system.

Despite the lack of a blueprint for providing services, a major formal step in the cooperative public transportation venture was taken in May 1983 when CVCHC and CPAC each filed Section 18 applications with the VDH&T. The VDH&T indicated that the applications had merit, but that they were incomplete with regard to specific operating detail. A suggestion by the Public Transportation Division of VDH&T that technical assistance was advisable resulted in a CVCHC application for a Section 18 Technical Assistance grant request for a two-stage Transportation Development Plan (TDP). Work on the TDP was initiated in August 1983 and was completed in January 1984 (3). The first phase of the TDP updated and expanded earlier data on the need of residents and concluded that public transportation was both needed and feasible in the proposed service area. Phase II provided a service plan to meet the need and demand identified in Phase I. Revised fiscal year (FY) 84 Section 18 applications were filed in February 1984 along with FY 1985 requests. At the suggestion of the VDH&T, there was a single, combined application filed by CVCHC for CVCHC to operate the system in Buckingham and Fluvanna and to subcontract with CPAC to operate the system in Amelia and Cumberland. The proposed budget for the system's first full year of operation totaled $825,000: $185,000 for administration, $290,000 for operating deficit, and approximately $350,000 for capital equipment. Authorization from the VDH&T to proceed was received in July 1984 and the system is expected to begin service to the general public in mid-1985.

The application projected the use of a combination of federal, state, and local dollars with existing agency contributions to establish and operate a public transportation system that would continue to meet the needs of CVCHC and CPAC clients and also meet the needs identified for the general public. A combination of fixed route, feeder service and a demand-response component was recommended and found to be necessary based on the demand identified in the TDP. This entire process was fostered by the favorable environment of several statutes from the U.S. Government and the State of Virginia. Each of these statutes is described in the remainder of this paper.

Section 18 funding provides for public transportation cost reimbursement at the following rates: 80 percent for administrative costs, 50 percent for operating deficit, and 80 percent for capital expenses. In Virginia, the remaining costs may be supplemented by state funding assistance (1984 Acts of the General Assembly, Chapter 744, Item 640) and by a new law, the Neighborhood Assistance Act, that encourages private businesses to become involved in community projects (Code of Virginia, Chapter 19, Section 63.1-320).

Capital assistance of 95 percent of the nonfederal share (19 percent of the total cost) is available from the state if, and only if, it is requested by the local governing bodies. In the CVT system, local governing bodies in each of the four counties requested the capital assistance on behalf of the system. The federal and state combination of funding left a 1-percent share of the total capital costs that must be made available by local sources. This 1-percent local match for capital will be raised through community donations and should be enhanced by the Virginia General Assembly's passage of the Neighborhood Assistance Act that became effective in 1982.

The Neighborhood Assistance Act is a unique state program that encourages businesses to invest in community improvements by allowing state tax credits as incentives for business firms to invest directly in community services designed to benefit low income individuals. Improved community relations, enhanced public image, increased visibility, and tax credits are all potential advantages of participation in the program by community businesses. Applications for approval of projects is handled by the Virginia Department of Social Services. This program emphasizes partnerships between the private and public sectors. The Neighborhood Assistance Act calls for defining local problems, designing local solutions, and using all available resources to improve the environment for both business and the community. The Act lists such areas as education, job training, crime prevention, and community services as types of projects to be sponsored under the new program. Flexible guidelines allow local groups and businesses to design specific community programs. Examples include child care centers; job training centers; cultural centers for art, music, dance, and drama; winterization of homes for the elderly and handicapped; renovation of older neighborhoods; and, in Central Virginia, public transportation. The CVT public transportation system has been approved as a Neighborhood Assistance Act program, and businesses that invest in the program may take a 50 percent state tax credit for any contribution greater than $100. The Virginia General Assembly designed the Act so that virtually all Virginia businesses, regardless of type or size, can take advantage of this incentive for community involvement. In addition to credits for monetary support, tax credits may also be taken for materials, employees' paid time and services, and other resources, with appropriate verification. Although many businesses are familiar with federal government programs that require elaborate record-keeping and reporting, the Neighborhood Assistance Act program is state-operated with simple, streamlined application and record requirements. The paperwork can be developed by either the business or the neighborhood organization involved in the effort.

Another exceptionally attractive feature in Virginia, for systems operated by public bodies, is a 95 percent reimbursement for nonlabor operating costs not reimbursed by Section 18. This means that expenses such as fuel, tires, and maintenance can be reimbursed to a system by the state. The CVT will not be eligible for these funds because it will not be operated by local governments or any other public body. The CVT operating costs not funded by Section 18 will be funded by CVCHC and CPAC dollars presently used to operate the nonpublic system. These funds are part of the CVCHC and CPAC maintenance of effort. Both agencies have made a commitment to continue transportation funding at the same level as before Section 18 funds were requested. The TDP addressed the issue of possible incorporation by the

CVT as a separate public service corporation, but this was not considered the most desirable entity for several reasons: recognition and relative acceptance of the CVCHC and CPAC organizations by the community, initial time and expense to develop a new organization, long-term funding issues with regard to current funding levels, strong indications that county governments did not wish to be anymore involved than absolutely necessary, and an associated reluctance to develop a new legal entity. Once public operation experience is gained and the service is well established in the community, a separate corporate status may be more feasible.

Eighty percent of the administrative costs of the CVT system will be reimbursed by Section 18 with the remaining 20 percent coming from both the CVCHC and CPAC budgets to help fulfill their maintenance of effort requirements. If a public body were operating this system, 10 percent of the administrative costs would be covered by state dollars also, leaving only a 10 percent local requirement.

Establishment of the CVT system has required close cooperation and coordination at many levels. CVCHC needed permission from both its community board of directors and the U.S. Department of Health and Human Services (DHHS) because approximately 70 percent of CVCHC funds comes from a Public Health Service Section 330 grant. The remaining 30 percent comes from locally generated patient fees and is available as local dollars for UMTA match purposes. CPAC also needed permission from its board of directors. CPAC receives most of its funding through the Community Services Block Grant program. The most difficult cooperation to obtain was that from the County Board of Supervisors. The county governments were concerned about possible liability and future obligation for funding if federal and state funds were decreased or discontinued. It required more than 20 meetings with local Boards of Supervisors and community pressure to obtain necessary agreements from the 4 counties. The liability issue was addressed by specific contracts between the four counties and the operators that passed on the liability the counties incurred through the state-county agreements. A special provision of the county-operator contracts was that the operators would secure a bond that would guarantee that any costs incurred by the counties would be fully reimbursed by either the operator or the bonding company.

A major problem in securing agreements from the counties was the philosophy of local officials who considered transportation a low priority public service. Local governments, contrary to what would be expected, appear to be less sensitive to such local needs than are state and federal governments. A gradual, yet undocumented, change appears to be occurring in the rural areas as younger, better-educated persons are seeking the improved quality of life available in rural areas. Also, an increasing number of elderly are moving back to the rural area and these persons historically have a much higher need for public transportation because of limited income and physical restrictions. Both of these factors are likely to increase pressure on local government for essential services, such as public transportation.

Strong encouragement for the public system has come from human service agencies such as the health departments; and social service, vocational rehabilitation, mental health, and senior citizen services in the four counties. Local churches have expressed strong support and a local Chamber of Commerce has expressed an interest in some joint ventures with the system. After the public system has established credibility in the community, it is anticipated that local governments may agree to become more involved.

It is believed that several factors are present that will ensure success for this project. The CVCHC has always considered transportation a cost center and is aware of the high cost of providing transportation services. Transportation is considered a separate line item on the detailed semiannual cost report filed by CVCHC to DHHS (4). This is in contrast to many human service agencies who have difficulty establishing actual transportation costs because these costs are so interwoven with other program costs. This has led to an underestimation by some agencies of the actual cost of transportation.

Another factor to help assure success of this project is that CPAC has an excellent community network in place that can assist in securing public support. Also, an extensive marketing campaign, specifically tailored to the area, will assure that all rural residents know about the system and how to use its services. The VDH&T required an extensive TDP to assure that there was sufficient demand for public transportation in the area and that it was feasible to provide public transportation by enhancing existing providers. A large TDP steering committee, which included representatives from each county government, planning district commissions, school boards, and various human service agencies, has assured that these community groups are aware of what level of services are planned for the region. A CVT Advisory Committee will assure that there is continuing community input into service delivery. These factors, along with the favorable Virginia statutes described earlier and the increasing awareness at the federal level of the issue of rural transportation funding equity, should give the new CVT system an opportunity to show that public transportation is a legitimate public service in the rural area, and that community cooperation can allow scarce resources to have maximum impact on the lives of all the community.

## REFERENCES


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