Developing Sources of Local Funding: The Experiences of Two North Carolina Communities

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ABSTRACT

Most Section 18 transportation systems can be classified as either countywide or small urban systems depending on their service area and passenger profile. Because countywide systems tend to originate from coordinated human service transportation systems, they cater primarily to human service agency clients. However, small urban systems tend to provide service to the general public using fixed routes, reflecting their origins as privately owned transit systems. Both systems are faced with the difficult issue of obtaining local financing to match Section 18 funds. At least three alternatives are available: (a) developing revenue sources that count as local cash matching funds, such as subscription and charter service; (b) collecting more farebox revenues, which decreases the net operating deficit; and (c) increasing the amount of unrestricted federal funds by contracting with human service agencies. Tapping these revenue sources requires building a system that serves both the general public and local human service agency clients. One such system, known as AppalCART, operates in Watauga County, North Carolina. Its success in expanding local revenues to include previously untapped sources of funds has resulted in a very small request for local government funds. Opportunities to build a comprehensive system similar to AppalCART exist in other parts of North Carolina. In Pitt County, three separate transportation systems provide service to the general public, human service agency clients, and university students. The existing need for substantial local cash contributions to two of these systems could be significantly reduced by establishing a comprehensive countywide/small, urban Section 18 system. Combining the resources of the public and private sectors under current federal Section 18 program guidelines can reduce the need for direct local government subsidies.

The Section 18 program in North Carolina currently includes approximately 24 separate subrecipients. As a rule, these systems can be categorized as follows:

1. Countywide--those that cater primarily to human service agency needs;
2. Small urban--those that serve cities with fixed-route transit service and a population between 10,000-50,000;
3. User-side subsidy programs that provide low-cost taxicab service for low-income residents in two small urban areas; and
4. Intercity bus subsidy programs that provide service to areas of the state where bus service has been abandoned or severely cut back by private operators.

Of these four systems, local financing is more often an issue for the countywide and small urban systems. This is due to their comparatively large budgets; for example, the average fiscal year (FY) 1985 budget for countywide systems is more than $300,000. For small urban systems, the average is about $250,000. The user-side and intercity bus subsidy programs have smaller budgets and, as a result, fewer problems obtaining local financing to match Section 18 funds.

Countywide and small urban systems differ in the ways in which they meet their local financing needs. Countywide systems tend to originate from coordinated human service transportation efforts, and thus make extensive use of unrestricted federal funds from human service agency contracts to reduce the cash match needed from the local government. In turn, this reliance on human service agency contracts translates into minimal emphasis on general public ridership. Farebox and subscription service revenues are usually insignificant. Small urban systems, on the other hand, tend to replace unprofitable private carriers and carry general public passengers almost exclusively. Few unrestricted federal dollars are collected; instead, farebox revenues reduce the system's net operating deficit. Both systems usually require significant local government contributions to match Section 18 funds, although the small urban systems tend to require a larger portion than the countywide systems.

For these two systems, the problem of local financing is not easily resolved. Revenue sources that count as local cash match, such as subscription service and charter and advertising profits, can substitute for local government contributions. Farebox revenues from general public ridership can reduce the net operating deficit and lower the amount needed from local and federal sources. To a point, human service agency contracts can lessen the need for local dollars. Tapping all of these revenue sources, however, requires a system that builds on both human service agency and general public ridership, rather than focusing on one or the other as is common.

Discussed in this paper are: the efforts of two North Carolina community Section-18 transportation providers to develop local revenue sources; the success of the Watauga County Transportation Authority (WCTA) in expanding the available local revenues to previously untapped sources; the current situation in Pitt County, North Carolina, where three separate transportation providers are considering ways to combine their services and make more effective use of available local revenues; and the effect of federal financial policies on local funding decisions and, subsequently, other Section 18 subrecipients across North Carolina.

THE WATAUGA COUNTY TRANSPORTATION AUTHORITY

Located in the northwestern part of North Carolina, Watauga County is well-known for its scenic mountain views and cool climate. These factors make the county a desirable tourist destination and resort location although they limit the development of transportation networks. Today, less than 40 percent of the 38,000 county residents live in the town of Boone, located in the center of the county. The rest have settled across the county, separated from each other by terrain and sometimes by climate. Although the area is served by several highways, including the Blue Ridge Parkway, many residents are isolated from even this network. Commercial interests in the area actively promote a year-round tourist industry.

Using the Planning Process to Build a Foundation

Innovative ways to provide transportation have been a part of Watauga County since at least 1968, when Watauga, Avery, Mitchell, and Yancey Counties Community Action, Inc. (W.A.M.Y.) applied for and received transportation funds from the United States Office of Economic Opportunity (OEO). Designed to serve low-income, rural residents, the resulting Green Eagle Transportation Cooperative was one of the first federally subsidized rural transportation projects. The Green Eagle operated for slightly more than 3 years and is considered a "successful failure." Its services were subsidized primarily by W.A.M.Y. through its local initiative funds from OEO. The cooperative form of management created bookkeeping problems, and the largely inexperienced board of directors could not mobilize resources effectively. In 1973 OEO instructed W.A.M.Y. to discontinue its subsidies to the cooperative. After the service ended, W.A.M.Y. and other human service agencies continued to provide transportation for their clients. Comprehensive Education and Training Act (CETA) funds typically were used to pay driver wages, with county funds used when federal and state aid was insufficient.

In the late 1970s, the state of North Carolina began putting more emphasis on transportation development planning at the county level. In particular, the state agencies involved in transportation funding wanted more coordination of existing transportation resources, and in 1979, the governor signed an executive order requiring coordination. Meanwhile, planners from the regional council of governments and representatives from Watauga County human service agencies met in 1977 to discuss goals and specific recommendations for the county transportation development plan (TDP). The consensus was to: (a) develop a consolidated transportation system, focusing on existing transportation resources; (b) devise a mechanism for referring clients to the system; and (c) form an independent transportation authority under the guidance of county government.

Forming a transportation authority proved more difficult than originally envisioned by the TDP committee. Although a TDP was completed in 1977, the county commissioners rejected a plan to create an authority. Concerns about the limited amount of public input, and what they saw as minimal justification for the proposed budget, formed the core of their dissatisfaction. The commissioners created another committee, this one representing a broader constituency, to reexamine the concept of a transportation authority. Although the committee recommended that an authority be formed, the commissioners wanted further evidence of public support and access to this new entity.

By 1980 a third TDP committee had been formed by the commissioners. A revised TDP was developed that included some limited general public service, and an authority was formed that year. Even at this early date, the plan envisioned a joint maintenance facility and a central dispatching center. It also incorporated the newly created Appalachian State University (ASU) bus service, known as AppalCART, into the countywide system. Because the county recently had been designated by the U.S. Department of Energy as the nation's first Model Energy Conservation and Development Area, the revised TDP included energy conservation and alternative fuel use for the system's vehicles. In fact, the 5-year implementation plan stipulated that during the first year, work would be coordinated with the ASU faculty and staff to build a still for the conversion of produce into fuel-grade alcohol. It was anticipated that several of the transportation system's vehicles would initially be converted to run on this fuel, with others converted later as the still produced more fuel over time.

The commissioners supported the TDP because it represented commitment by the town of Boone, ASU, and human service agencies. The commissioners also required agency directors to sign written pledges turning vehicles and other resources over to the authority. A central element in obtaining county support for the system was the emphasis on general public ridership.

The final version of this TDP was adopted in 1980, and it has guided the development of transportation services in Watauga County ever since. The county recently applied for the received planning funds from federal and state sources to update the TDP and prepare a management audit that will assess the organizational structure and service delivery of the system.

The Watauga County Transportation Authority: Its System and Operations

It is no surprise that county residents and out-of-state tourists have different transportation needs: the elderly and handicapped want access to nutrition sites, shopping, social activities, and workshops; low-income residents want dependable, low-cost transportation so they can find jobs; students at ASU, which is located in Boone, want to leave their cars and the ever-present campus parking problems behind; and skiers want to be able to get to the slopes in southern Watauga county safely and conveniently, even though they may be staying in Boone.

When each group has different demands and financial resources, how can one operator meet all their needs? In Watauga County, the key has been to pool all available resources, both public and private, so that all groups can be served. Starting with the foundation laid by the Green Eagle Cooperative, which primarily served human service agency clients, the Watauga County system has incorporated the resources available from ASU, other human service agencies, the public, and the private sector. The result is a comprehensive, countywide service with 30 separate routes, most of which are open to the public. More specifically, the services are provided to

1. Human service agencies, which use seven reserved routes for a variety of programs, Monday through Friday;
2. Mobility-impaired citizens, who can ride a door-to-door, demand-responsive service that puts first priority on work and education-related trips;
3. ASU students, who can ride campus routes that also serve Boone. Service is available Monday through Sunday;
4. Winter tourists, who can take advantage of guaranteed route service from Boone to the Beech Mountain ski resort. Shuttle service within the Beech Mountain area also is provided; and
5. Local civic groups and schools, which can reserve vehicles for local charter service. Vehicles are available with or without operators, after regular operating hours on weekends.

As of this year, the AppalCART system, as it is now known in Watauga County, operates from a new maintenance and office facility located in Boone and funded primarily through the Section 18 program. Thirty-three vehicles are available for service, ranging in size from 7 to 15 passenger vans to 30-ft transit buses. Ridership for all groups served reached 180,000 trips in FY 1984, and this figure is expected to increase by about 50 percent in FY 1985. The full-time staff of 23 is supplemented with 11 part-time drivers.

The alcohol-producing still mentioned earlier currently produces fuel to run one vehicle, and additional vehicle conversions to alcohol operation are anticipated this year. Corn is used to produce the alcohol, although the system's director expects to use discarded, imperfect sweet potatoes later this year. Because the stillage that is left after processing the vegetable matter provides a high-quality animal feed, the cost of producing the alcohol will be reduced by selling this by-product to local farmers.

The FY 1985 AppalCART Budget

Operating a system the size of AppalCART is not an inexpensive proposition. Total costs for FY 1985 are estimated at more than $800,000, and even after Section 18 funds are applied to the net operating deficit, there will remain a sizable local match that must be collected from various government agencies. As shown in Table 1, this local match is estimated at about $230,000. Of this total, the Watauga County Board of Commissioners is directly contributing only $1,500, which represents less than 1 percent of the local funds needed to match federal and state funds.

TABLE 1 Fiscal Year 1985 Budget: Watauga County Transportation Authority

	Dollars				
	Total	Section 18	State	Local	Farebox
Administration	170,628	136,502	16,678	17,448	
Operating	432,876	189,438		189,438	54,000
Capital	233,408	186,726	23,341	23,341	
Total	836,912	512,666	40,019	230,277	54,000

So how does Watauga County collect more than $500,000 in federal and state funding with a cash commitment of $1,500? How does this project meet the federal and state requirements for local cash match? For operating assistance, the local match ($189,438) is made up of local revenues and unrestricted federal funds, as indicated in Table 2.

TABLE 2 Local Match for Operating Assistance

Source	Local Revenues (dollars)	Unrestricted Federal Funds (dollars)	Total Operating Match (percent)
Watauga County general funds	1,500		(less than one)
Aging Program (county funds)	32,600		17
Parks and Recreation (county funds)	11,000		6
Special route guarantees (Beech Mountain resort and Patterson School)	36,952		20
Contributed goods (TVA still and donated buses from Beech Mtn.)	32,566		17
Sheltered Workshop		30,000	16
Mental Health		17,500	9
Community Action Program		18,720	10
Head Start		2,520	1
Job Training Partnership Act		6,080	3
Total	114,618	74,820	100

Several issues merit further discussion. The private sector, represented by Beech Mountain resort and Patterson School, accounts for about 28 percent of the local operating match through special route guarantees and in-kind contributions. Because federal policy allows in-kind contributions, such as contributed capital to count toward local cash revenues, only a portion of the private sector involvement is in the form of actual cash payments to the authority. Watauga County indirectly contributes about 23 percent of the local revenues through its funding programs for the aging, and parks and recreation which both purchase service from AppalCART. In essence, these funds provide two services for the county: (a) they pay for transportation services for these programs; and (b) they count as local cash revenues for Section 18 purposes, thus allowing the authority to maximize the amount of federal and state funding it receives.

The Watauga County system has also been particularly effective in working with human service agencies, and provides virtually all human service transportation in the county. Unrestricted federal funds from these agencies account for slightly less than 40 percent of the total operating match. Because other system-generated revenues such as farebox receipts and special route contracts have increased significantly, the vehicle mileage charge to the human service agencies has dropped from $.70 to $.58 this year. As a result, the amount of unrestricted federal funds collected from these agencies is also likely to decline.

Other system-generated revenue on the operating side comes from two sources. General public passengers who are not associated with ASU or human service agencies pay fares based on the number of zones they travel through. Travel through one zone costs $.25, and the maximum fare is $1.00. In FY 1985, approximately $8,000 in farebox revenue will be collected from these passengers. A much larger source of revenue is the authority's contract with Watauga County to provide maintenance service for county vehicles, which is estimated at $46,000 this year.

The ASU is a full partner in the WCTA and contributes one-half of the required local cash match

TABLE 3 Local Match for Administrative and Capital Assistance

Source	Amount (dollars)	Required Local Match (percent)
Appalachian State University and Institute for Transportation Research and Education	32,710	80
Charter profits	2,465	6
Advertising profits	1,000	3
Grant from Appalachian Regional Commission for energy project	4,614	11
Total	40,789	100

for capital, administration, and operations. (See Tables 2 and 3.) Faculty, students, and staff of the university ride AppalCART for free through the town of Boone or the campus.

AppalCART takes maximum advantage of federal fiscal policies for the Section 18 program. The system's FY 1985 Section 18 budget includes:

1. Sufficient unrestricted federal funds from human service agencies to cover 25 percent of the net operating deficit;
2. Sufficient revenues from other local sources to meet almost 99 percent of the remaining local cash match needed for the entire system; and
3. Significant revenues from the private sector, including charter and advertising profits, contributed capital, and special route guarantees.

AppalCART combines the financial resources available from both the public and private sectors more effectively than any other Section 18 system in North Carolina. It has developed into a countywide public transportation provider that can meet the needs of all residents. In doing so, all available sources of local revenue are being used.

PITT COUNTY, NORTH CAROLINA

Other North Carolina small urban systems are currently working to combine existing transportation resources more effectively and reduce the amount of local matching funds needed to run the system. Planning efforts underway in Pitt County, North Carolina, are exploring the potential for greater coordination among three different transportation providers, including:

1. Greenville Area Transit (GREAT): This fixed-route, small urban transit system provides service primarily within the city of Greenville (1980 population was approximately 35,740). More than 20,000 passengers are carried each month, the majority of which are low-to-moderate income residents who do not have alternate transportation available. Three routes operate Monday through Saturday.
2. East Carolina University Student Government Transit (SGT): This fixed-route system serves students and faculty of East Carolina University. It is financed through student fees, so no fare is charged to ride any of the four routes. These routes do not overlap with the routes provided by GREAT, although SGT riders can transfer to GREAT routes downtown.
3. East Carolina Vocational Center (ECVC): This private, nonprofit human service agency provides fixed-route and demand-responsive service for its clients and other agency clients in Pitt County. The ECVC currently has contracts with the County Council on Aging and the Mental Health agency to provide their transportation needs.

All of these providers have recognized the potential for coordination, and a TDP developed in 1982 for GREAT contained several coordination goals, including (a) the ECU transportation system and GREAT should be merged, subject to mutual agreement between the city of Greenville and the ECU Student Government Association, and (b) GREAT should coordinate to the maximum extent feasible with human service agencies.

The Pitt County TDP, also developed in the early 1980s, further explored the options for additional human service coordination with GREAT. Similar to the situation in Watauga County, those involved in this planning effort recognized the increase in operational efficiency that would result from consolidation of services. However, GREAT has a policy of providing only limited service outside the city of Greenville, a fact that would restrain the amount of service to human service agencies. Ultimately, this TDP put responsibility for Pitt County human service transportation in the hands of ECVC, mostly because of the agency's ability to provide service as demonstrated by its proven track record.

This separation of service areas by GREAT, ECU, and ECVC results in higher local cash payments for transportation than would be necessary with a consolidated, countywide service similar to that found in Watauga County. For FY 1985, the city of Greenville will pay more than $70,000 to match Section 18 operating assistance. This represents about 40 percent of the net operating deficit, with other local revenue ($9,000) coming from charter and advertising profits and a special route guarantee. Because GREAT receives no unrestricted federal funds, the city's financial commitment to the system remains quite large.

Recently, the city of Greenville and ECU have discussed consolidation of their systems, as originally called for in the 1982 GREAT TDP. One of the advantages listed for GREAT includes help with local match required under Section 18. If ECU purchases service from GREAT, these revenues could be treated as local matching funds, possibly reducing the amount of city funds needed to support the system. In return, ECU students and faculty could continue to ride the system for free and by taking advantage of federal and state assistance, reduce the SGT costs.

Further consolidation may eventually result from the efforts underway. Consolidation of human service transportation under GREAT would allow that system to take advantage of unrestricted federal funds as part of the Section 18 local match. This is a sensitive political issue; ECVC, the existing human service transportation provider, has built a strong constituency in the counties it serves. In addition, the city of Greenville prohibits GREAT from operating outside the city limits. Although the two systems have agreed to exchange passengers at designated transfer points when travel is required in the city and the county, more formal arrangements will be needed for the city to take advantage of the available unrestricted federal funds.

CONCLUSION

As indicated earlier, federal financial policies influence countywide and small urban Section 18 systems differently. Because farebox revenues are used to reduce the net operating deficit rather than the local cash match, countywide systems have less incentive to attract public riders. Instead, local politics dictate that system directors look first to human service agencies because funds from these agencies will reduce the local cash match more effectively than will farebox revenues. Special attention is paid to agencies that can pay their transportation bills with local and state funds because these payments will also decrease the amount of local cash match needed from the county commissioners. Efforts to generate farebox revenue through increased public ridership tend to take a back seat as a result.

Small urban systems, on the other hand, are accustomed to collecting fares and providing fixed-route service. Before the Section 18 program went into effect, most of these systems had been operated by private transit companies, so any move to provide human service transportation may be a significant change. For local officials, however, this move offers a chance to reduce the amount of local tax dollars needed to support transit operations by collecting unrestricted federal funds from these agencies.

How can these two types of Section 18 properties build, support, and develop a system that effectively combines resources from both the public and private sector, as found in Watauga County? County systems need to devote more effort to general public service. Not every county has a major university or ski resort, or both, but other possibilities outside of the typical 8 a.m. to 5 p.m. coordinated human service agency client transportation exist. Community colleges and large employment sites such as industrial parks and shopping centers can offer similar potential for special route guarantees as well as fare-paying riders. In particular, contracts that can count as local revenue should be actively sought.

For small urban systems, the challenge is just as great. To tap the supply of unrestricted federal funds, human service agencies must be convinced that the transit system will be able to meet the needs of their clients. County leaders must recognize that county tax dollars used to pay transportation costs for these agencies may be spent more effectively by contracting with an established transit system--assets such as maintenance facilities could be better utilized as a result. Salaried administrative personnel may be able to take on additional duties, thus further reducing the cost of providing additional service.

Building support and maximizing the use of available resources requires careful planning. Much of the success of AppalCART can be traced back to the extensive--and sometimes frustrating--planning efforts of the late 1970s. Those efforts used information from the Green Eagle service as a starting point for understanding the community's transportation needs. All of the agencies participated because they knew clients who needed transportation that was not being provided. Some of those representatives also recognized that other groups, such as students and the public, could be a part of a countywide system as well.

North Carolina DOT makes planning funds available to counties on an 80-percent federal, 10-percent state, and 10-percent local basis. Counties and small urban areas can use these funds to explore and document ways to improve the level of service provided while maximizing the use of available resources. Any proposed changes would generally constitute an updated TDP, an approved version of which is required by the Public Transportation Division of the North Carolina Department of Transportation before awarding any federal or state transportation funds to a county or small urban area.

In addition to the Greenville/Pitt County example, other small urban areas in North Carolina have explicitly recognized the potential for expanded, countywide service in addition to traditional fixed-route city service. This year, the city of Salisbury will use planning funds to hire a consultant who will be charged with the task of preparing a joint TDP with Rowan County. The city is currently paying more than $100,000 a year to support transit operations with very little human service agency coordination being realized, a situation that is unacceptable to local decision makers. With an established system already in place and a new maintenance facility on the way, city and county administrators realize that both jurisdictions would benefit if Salisbury Transit began providing service to human service agency clients located throughout the county. Not only would county transportation funds be spent more effectively, but the city could take advantage of unrestricted federal funds to reduce its cash match on the operating side.

Similar city-county planning efforts are underway in other parts of the state, and they are fortunate indeed to have the WCTA as a role model. It takes time to build support and implement service changes, but the Watauga example shows how much can be accomplished when existing resources are fully coordinated and utilized.

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