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# Section IV

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## ADDITIONAL CONSIDERATIONS FOR COORDINATED TRANSPORTATION SERVICES

Coordination involves a wide range of considerations beyond those of its anticipated benefits. This section addresses two of those areas: governmental activities that may facilitate or hinder coordination efforts, and instances where coordination's intended objectives were not met. In Chapter 9, we see that as of 2002 all states are now engaged in some kind of effort to support or encourage the coordination of human service transportation and public transit. As might be expected, some states have put more energy and funding into these efforts than others. A review of transportation legislation and regulation shows that, although there are no actual barriers per se to coordinated transportation services, there are some obstacles and hindrances that have vexed certain coordination efforts. On the other hand, there are instances where some

coordination efforts have succeeded under conditions in which other efforts have failed to establish viable transportation operations.

Chapter 10 discusses cautions needed when implementing coordinated transportation services, including unintended consequences. First is the need for greater understanding of the fluid nature of coordination agreements, which still depend on the good will and positive efforts of the individuals involved for their permanence. Second is the need to better understand what coordination can and cannot do under various circumstances. This increased understanding can significantly reduce the problem of unrealistic expectations that has plagued coordination efforts for many years.

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# Chapter 9

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## **FEDERAL, STATE, AND LOCAL STRATEGIES THAT HAVE AN ECONOMIC IMPACT ON COORDINATION**

This chapter examines Federal, state, and local strategies that have an economic impact on the coordination of human service transportation with public transit operations. Both positive incentives for coordination as well as obstacles and barriers to coordination are noted.

Federal, state, and local governmental activities can have a significant influence on the efforts required of local stakeholders who are interested in coordinated transportation services. More incentives for coordinating transportation would certainly be welcomed in most communities. Although various governmental rules and

procedures sometimes make the coordination process arduous, there are no outright barriers to coordination that are impossible for dedicated personnel to surmount.

### **INCENTIVES FOR COORDINATION**

To have real economic impacts, governmental strategies need to address the kinds of economic benefits from coordination as previously described: new revenue sources for transportation services, cost savings for particular programs or providers, mobility increases, user cost savings, and service quality improvements.

Indeed, some governmental strategies directly affect program or provider revenue generation or cost savings, but the other kinds of economic benefits of coordination are seldom affected by governmental strategies.

### **DIRECT FISCAL INCENTIVES**

The first category of strategies could be called **coordination incentives**. Direct economic incentives are not frequently found, but transportation operators have a keen interest in seeing such incentives come into place. At the July 1, 1998, meeting of the Advisory Panel to the DHHS/DOT Transportation Planning Workgroup, transportation providers recommended the following kinds of incentives:

- Provide funding for both coordination planning and operations;
- Provide “bonus points” in funding applications for coordinated services;
- Provide additional funding for the most cost-effective operations;
- Insert coordination requirements into grant applications; and
- Investigate how to implement disincentives to uncoordinated planning and operations (Burkhardt, 1998).

Table 18 identifies some of the cases where direct economic incentives for coordination have been applied.

### **GENERAL SUPPORT AND ENCOURAGEMENT**

Another category of governmental strategies could be considered that of **general support for coordination**. Although these are important activities to support coordination, they seldom result in direct economic benefits. Key items in this list include

- Inclusion of coordination encouragement or requirements in legislation or regulation, such as in
  - The Older Americans Act;
  - The coordination requirements for rural public transit services in the Federal Aid Highway Act of 1978;
  - Planning coordination requirements in TEA-21;
  - Planning and operational coordination requirements in FTA’s Job Access program;
  - OMB Circular A-87, “Cost Principles for State, Local, and Indian Tribal Governments,” and its implementation guide, “Cost Principles and Procedures for Developing Cost Allocation Plans and Indirect Cost Rates for Agreements with the Federal Government”; and
  - State laws in various states, including California, Florida, Iowa, and Pennsylvania.

**Table 18  
Economic Incentives for Coordination**

<i>Types of Incentives</i>	<i>Examples Where Such Incentives Have Been Applied</i>
Provision of funds for both planning and operations	Florida Maryland New Jersey North Carolina Ohio
Additional funding provided to the most cost-effective operations	Indiana
Coordination required in order to receive funding, or bonus points awarded to coordinated applicants	Job Access and Reverse Commute Program, FTA Florida North Carolina

- Instructions and encouragement to various levels of government, such as the letter from the Secretaries of U.S. DHHS and U.S. DOT encouraging and supporting the coordination of the transportation activities of their grantees (U.S. DHHS and DOT, 2000).
- The establishment of mechanisms, such as interagency coordinating councils, to support and encourage coordination
  - At the Federal level, the Coordinating Council on Access and Mobility serves as a discussion forum for programs administered by U.S. DOT and U.S. DHHS; the participation of other agencies is expected in the near future; and
  - There are interagency coordinating councils within many states (see table in the following section)

(National Transportation Consortium of States, et al., 2000).

- Convening and reporting on regional meetings to discuss coordination and specific coordination plans within states, such as the regional coordination meetings spearheaded by FTA in 1998 and 1999.

### **IMPLEMENTATION STRATEGIES FOR COORDINATION INCENTIVES**

Table 19 shows the basis for the coordination activities within various states. A comparison of Tables 18 and 19 suggests that the states that have been most successful in implementing economic incentives for coordination are those whose coordination efforts are supported by legislation or executive orders.

**Table 19**  
**How Coordination Activities Have Been Implemented**

<i>Source of Authority for Coordination</i>	<i>States or Agencies Using This Technique</i>
Legislation	Arkansas California Florida Idaho Iowa Kansas Maine Missouri Pennsylvania South Carolina Texas Virginia
Executive order	Alabama Louisiana Maryland North Carolina
Interagency agreement/committee/working group	U.S. DOT/U.S. DHHS Georgia Kentucky Massachusetts Michigan Minnesota Mississippi Montana Nebraska Nevada New Hampshire New Mexico North Dakota Ohio Oregon Tennessee Utah

Source: 2002 Survey of states conducted by Westat for the Transportation Research Board's Transit Cooperative Research Program, Project B-24, "Toolkit for Rural Community Coordinated Transportation Services"

## OVERVIEW OF INCENTIVES

Coordination incentives that produce direct economic impacts are seldom found in practice. More could be done in several areas:

- **Funds could be provided for planning** coordinated transportation systems, thus saving expenditures that are otherwise required of the parties engaged in coordination.
- **Eligibility requirements for receiving funds could be tightened** so that funds from particular programs would be less likely to be received by noncoordinated transportation systems.

The first of these could be an action item at either the Federal or state level; the second is more likely to be a state-level effort.

## INSTITUTIONAL BARRIERS TO COORDINATION

Agencies in many localities have succeeded in coordinating the transportation resources provided through various Federal- and state-funded programs. They have done so by finding workable solutions to the same administrative, personal, and institutional obstacles that individuals in other communities considered as “barriers” and found difficult to surmount. To be sure, the very mention of coordination suggests the meshing of different operating styles and procedures, which can be challenging due to personalities as well as to institutional issues. The major lesson from the successful coordination experiences of some communities, as well as from

numerous studies, is that what gets in the way of successful coordination usually falls more into the realm of “obstacles” than “barriers.”

The major institutional barrier is found at the very heart of coordination: the need to work with other persons from different agencies and perspectives. The key strategy to ensure that this obstacle does not become an insurmountable barrier is **education**: to obtain detailed knowledge about the programs, objectives, regulations, and operating procedures of persons representing other agencies. Another major strategy would be that of **flexibility**: one agency agreeing to accept some variations to its usual procedures to accommodate the operations of a coordinated service.

**Successful coordination will take real work.** Part of that work will involve dealing with persons who are unfamiliar with the missions, objectives, terminology, rules, and regulations of agencies other than their own. Other persons may not be used to cooperation as an operating procedure.

Serious coordination efforts constitute a new way of doing business, outside of the traditional programmatic boundaries of service delivery. Generally, these “bumps in the road” are worth handling and eliminating because of the substantial benefits that coordination can provide.

## ADMINISTRATIVE AND PERSONAL HINDRANCES TO COORDINATION

During hearings in 1975, the U.S. Senate became concerned about the lack of coordination of human service transportation and commissioned a review

by the General Accounting Office (U.S. GAO, 1977) that resulted in a detailed report to the Comptroller General of the United States, *Hindrances to coordinating transportation of people participating in federally-funded grant programs*. In this review, the GAO identified 114 Federal programs that provided transportation. (For a more recent review of Federal programs funding transportation services, see Community Transportation Association of America, 1996.) The report could not identify any specific legislative or regulatory restrictions on coordination, but it did point out a number of “hindrances.” **Many of the hindrances were inherent to the categorical nature of Federal grant programs:** these grant programs originate from separate Congressional sources and are supported by distinct national constituencies. Federal funding reaching the localities often comes from many categorical programs generally developed to serve specific target groups with different needs. Problems in coordinating transportation services for multiple clients groups often stem from the incompatibilities or perceived incompatibilities in program purposes or services for the members of these different client groups. After some substantial efforts in investigating this issue of barriers, it is clear that many operators are responding to **perceived rather than actual barriers**. Issues that have been described as barriers or “hindrances” in the past include

- Problems in dealing with the various requirements of a large variety of Federal funding programs;
- Not being certain that coordination is allowed or authorized [For example, a

relatively new concern is that the Federal anti-kickback law (passed in 1972) inhibits coordination with hospitals and federally funded health care programs. The law makes it a felony to receive or pay anything of value to influence the referral of Federal health care program business. Exceptions to these prohibitions are known as “safe harbors.” Although no safe harbor specifically addresses transportation, U.S. DHHS officials have stated that coordinated transportation services were not intended to be included as a prohibited practice under the anti-kickback law.];

- Problems with accountability, cost allocation, paperwork, and reporting;
- Funding issues, including matching requirements for Federal funds, funding cycles, and lack of sufficient funding;
- Perceived incompatibility of goals, needs, or client eligibility;
- Expectations of no significant benefits from coordinated operations;
- Regulatory requirements (like prohibitions on crossing local or state boundaries); and
- Lack of concerted Federal effort to encourage or require coordination (U.S. GAO, 1977; U.S. Department of Health, Education, and Welfare, 1976).

To this list should be added the inability of some agencies and individuals to understand the true costs (sometimes called the “fully allocated resource costs”) of operating transportation services. Another hindrance has been the inability of some agencies and individuals to address issues of service quality. **All of these barriers have been addressed and resolved in one**

**community or another.** Several of these issues should be assessed in detail.

### **PROBLEMS WITH ACCOUNTABILITY, COST ALLOCATION, PAPERWORK, AND REPORTING**

Problems in this area can create economic impacts in terms of increased costs for agencies in coordinated transportation systems. Although not constituting “barriers” that are impossible to surmount, the burdens imposed by differing regulations and procedures can be quite expensive for local transportation operators. Recently completed case studies showed that overall administrative accounting and reporting burdens can be extremely expensive (Hendrick and Burkhardt, 1999): 24 percent of all administrative costs of the Pee Dee Regional Transportation Authority in South Carolina are devoted to accounting and reporting; administrative costs account for 58 percent of the total cost of Medicaid transportation provided by the Community Transit service in York, Pennsylvania. Many billing and accounting burdens originate not at the Federal level but at state and local levels. We are aware of one state that administers its funds from the Federal Transit Administration by requiring its subgrantees to keep detailed records on trips and expenditures by type **for each vehicle**. Obviously, accumulating data at this level of detail requires a large amount of time; the benefits of having such data are questionable. Other kinds of unusual kinds of billing or operating requirements include

- A separate bill for each subarea of the county;

- Separate billing to each case worker for all trips by clients assigned to that caseworker;
- Billing by each individual for each day of month — so that the agency can check and question client trips;
- Billing by each day of month for each agency facility;
- Billing using only the specified agency invoice form; the submission of a bill on any other form is not acceptable; and
- Preauthorization required for each trip for each individual; preauthorization form must be completed and signed by agency caseworker.

It is possible to develop strategies to overcome such problems. For example, the billing and accounting procedures that used to consume vast amounts of administrative manpower for large coordinated transportation services (like previous practices of the OATS system in Missouri) are now handled with relative ease because of the installation of computerized accounting systems (like that now used by JAUNT in Virginia) that allow detailed reporting to a wide variety of funding sources.

### **NOT BEING CERTAIN THAT COORDINATION IS ALLOWED OR AUTHORIZED**

Despite the perception that categorical funding does not permit the sharing of resources among client groups of different types, both U.S. DOT and DHHS instructions are clear on such issues: as long

as there is “excess capacity” and service is not being denied to the primary client group, it is indeed possible to use vehicles and other resources to serve a variety of client types, and it is possible to have clients from different sponsoring agencies riding on vehicles at the same time. (The shared use of resources such as vehicles is expressly permitted by DHHS when certain conditions are met, see 45 CFR 74.34). If there are misperceptions about the possibilities of resource sharing, these misperceptions should be relatively easy to resolve with appropriate detailed information.

### **LACK OF CONCERTED FEDERAL EFFORT TO ENCOURAGE OR REQUIRE COORDINATION**

Federal agencies have recently made significant progress in efforts to encourage coordinated transportation services by their respective grantees. The recent publication of the Coordinated Planning Guidelines by the U.S. DOT/DHHS Coordinating Council on Access and Mobility formalizes Federal encouragement to coordinate transportation resources (U.S. DHHS and U.S. DOT, 2000). On January 9, 2003, the FTA Administrator and the DHHS Assistant Secretary for Aging signed a Memorandum of Understanding designed to increase coordination of transportation services for older adults. The Memorandum covers five areas: public awareness and outreach, data collection and promising practices, technical assistance, stakeholder input, and local and state transportation plan development. The overall goal of the

Memorandum is to make it easier for local transportation providers to serve older people and help them remain independent to participate fully in their communities. FTA plans to execute similar agreements with other DHHS agencies. The Coordinating Council will be sponsoring another round of coordination roundtables in 2003. Still, at this time, it appears that the persons who wish to see more than encouragement from Federal agencies, such as requirements or mandates for coordination, are likely to be disappointed.

### **PROBLEMS IN DEALING WITH THE VARIOUS REQUIREMENTS OF A LARGE VARIETY OF FEDERAL FUNDING PROGRAMS**

To a large extent, problems in dealing with the various requirements of a large variety of Federal funding programs are more a matter of administrative processing than of economic costs. Of course, if the administrative requirements become large, administrative costs may be a serious concern. (These problems are also discussed in U.S. DHHS and U.S. DOT, 2000, pp. 11–12. Jon Burkhardt, the lead author for this report, was also the lead author for the *Planning guidelines . . .* report.)

**The key strategy for dealing with differing organizations, planning requirements, and review procedures is understanding these organizations and the missions of their programs.** It is very important to recognize the **basic categorical nature of Federal grant**

**programs:** these grant programs originate from separate Congressional sources and are supported by distinct national constituencies. Federal funds reaching the localities often come from many categorical programs developed to serve distinct and specific target groups with different needs.

Some of the factors that must be considered when coordination is attempted include

- There are many different Federal programs that are interested in transporting individuals in need of human services. Just the large number poses a challenge to persons wishing to coordinate transportation services. Underlying all the work necessary to coordinate transportation services is **the complexity of working with multiple administrative entities**, each with their own requirements and procedures.
- Most of the U.S. DOT programs that could potentially be coordinated fall under FTA's administration. On the DHHS side, there are multiple divisions and agencies involved. Agencies which operate under the DHHS umbrella have very different legislative mandates, regulations, administrative structures, funding flows, administrative oversight, and planning procedures from each other.
- These DHHS programs and their features are all different from the programs of the U.S. DOT.
- **The basic missions of U.S. DOT and DHHS are different:**
  - U.S. DOT/FTA programs are established and operate for the express purpose of supporting **agencies** that are providing transportation services, usually designed for all members of the

general public (except for services provided under ADA, which are restricted to a specific segment of the general public). **The primary purpose of the FTA programs is to support transit systems.**

- DHHS programs operate for the express purpose of providing a variety of specified social or health services to specific, restricted groups of **individuals** whose receipt of such services is often tightly controlled by programmatic eligibility requirements. **The transportation services provided to DHHS clients are not primary but secondary services:** they are provided solely for the purpose of accessing targeted services or achieving other stated objectives. Indeed, most DHHS programs would probably not fund rides or transportation services if the existing public transit systems provided adequate transportation for their clients.
- Operating under differing Congressional mandates, **U.S. DOT and DHHS have different program management styles.** Compared with the DHHS programs, the U.S. DOT/FTA programs have more central office direction and involvement. By contrast, most (but not all) of the DHHS Federal offices are restricted in the procedures that they can impose on and the data they can collect from state and local grant recipients.
- **Many of the programs have real structural differences** regarding eligible recipients, eligible activities, appropriations, allocations, requirements for matching Federal funds, funding availability, funding cycles, planning procedures, and reporting requirements.

- A real policy issue is **how to coordinate programs that have strong Federal requirements for planning (like those from U.S. DOT) with programs that less formally incorporate planning or performance monitoring requirements (like those from DHHS)**. U.S. DOT grantees generally have more stringent requirements to monitor and to report the results of their efforts to their Federal funding sources than do DHHS agencies. Data on transportation expenses and outcomes are easier to obtain from U.S. DOT's grantees, whose primary missions are to provide transportation, than from DHHS's grantees, whose primary missions are to provide human services, not transportation.
- Another significant policy issue is **where to require coordination in the chain of command**. For many programs, the obvious answer would be within the departments in state governments that administer the Federal funds, but significant DHHS and U.S. DOT programs bypass states altogether; they either establish a direct Federal-local linkage, or they work through a Federal-regional-local model.

Obviously, some of these policy and programmatic issues can create real hindrances to joint efforts. Moving beyond these hindrances is possible but requires addressing and finding solutions for each of these impediments. Successfully addressing these issues requires an in-depth understanding of the advantages,

disadvantages, and processes involved in coordination and the programs of the major agencies now providing funds for human services transportation.

## CONCLUSION

For coordination to increase in usefulness as a management strategy for transportation services in local communities, more attention will need to be paid to how Federal, state, and local governments can influence incentives for and hindrances to coordination. Not many of the needed actions involving incentives and hindrances are likely to have direct economic consequences.

Among the needed governmental actions with economic consequences, actions that influence an agency's eligibility for funding will have the strongest impact on revenues and receipts. In the area of agency expenditures, actions that decrease billing and reporting expenses will probably have the greatest impact, followed by programs that accept the expenses associated with planning coordinated transportation services as allowable expenses. Overall government agency enthusiasm and support for coordination will have the greatest impact on other economic benefits, such as mobility increases, user cost savings, and service quality improvements.