TCRP

REPORT 144

TRANSIT
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PROGRAM

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Sharing the Costs of Human Services Transportation

Volume 2: Research Report

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TCRP REPORT 144

Sharing the Costs of Human Services Transportation

Volume 2: Research Report

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The nation's growth and the need to meet mobility, environmental, and energy objectives place demands on public transit systems. Current systems, some of which are old and in need of upgrading, must expand service area, increase service frequency, and improve efficiency to serve these demands. Research is necessary to solve operating problems, to adapt appropriate new technologies from other industries, and to introduce innovations into the transit industry. The Transit Cooperative Research Program (TCRP) serves as one of the principal means by which the transit industry can develop innovative near-term solutions to meet demands placed on it.

The need for TCRP was originally identified in *TRB Special Report 213—Research for Public Transit: New Directions,* published in 1987 and based on a study sponsored by the Urban Mass Transportation Administration—now the Federal Transit Administration (FTA). A report by the American Public Transportation Association (APTA), Transportation 2000, also recognized the need for local, problem-solving research. TCRP, modeled after the longstanding and successful National Cooperative Highway Research Program, undertakes research and other technical activities in response to the needs of transit service providers. The scope of TCRP includes a variety of transit research fields including planning, service configuration, equipment, facilities, operations, human resources, maintenance, policy, and administrative practices.

TCRP was established under FTA sponsorship in July 1992. Proposed by the U.S. Department of Transportation, TCRP was authorized as part of the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA). On May 13, 1992, a memorandum agreement outlining TCRP operating procedures was executed by the three cooperating organizations: FTA, the National Academies, acting through the Transportation Research Board (TRB); and the Transit Development Corporation, Inc. (TDC), a nonprofit educational and research organization established by APTA. TDC is responsible for forming the independent governing board, designated as the TCRP Oversight and Project Selection (TOPS) Committee.

Research problem statements for TCRP are solicited periodically but may be submitted to TRB by anyone at any time. It is the responsibility of the TOPS Committee to formulate the research program by identifying the highest priority projects. As part of the evaluation, the TOPS Committee defines funding levels and expected products.

Once selected, each project is assigned to an expert panel, appointed by the Transportation Research Board. The panels prepare project statements (requests for proposals), select contractors, and provide technical guidance and counsel throughout the life of the project. The process for developing research problem statements and selecting research agencies has been used by TRB in managing cooperative research programs since 1962. As in other TRB activities, TCRP project panels serve voluntarily without compensation.

Because research cannot have the desired impact if products fail to reach the intended audience, special emphasis is placed on disseminating TCRP results to the intended end users of the research: transit agencies, service providers, and suppliers. TRB provides a series of research reports, syntheses of transit practice, and other supporting material developed by TCRP research. APTA will arrange for workshops, training aids, field visits, and other activities to ensure that results are implemented by urban and rural transit industry practitioners.

The TCRP provides a forum where transit agencies can cooperatively address common operational problems. The TCRP results support and complement other ongoing transit research and training programs.

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We would like to thank many people for their substantial contributions to this project. We are grateful for the assistance provided to us by the members of our project panel. We appreciate the time and insights given to us by the many governmental officials and human service and public transportation operators who worked with us in many phases of this project.

FOREWORD

By Lawrence D. Goldstein
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TCRP Report 144 provides a comprehensive analysis of issues and effective solutions for identifying and sharing the cost of providing transportation services for access to community-based human services programs. It examines current practices and offers strategies for collecting necessary data, addressing administrative and policy-related issues, and establishing cost allocation procedures. Building on this inclusive process, the report develops a Cost Sharing Model that facilitates local coordination and service delivery.

The report is presented in several documents. First, a detailed description of the components of a comprehensive Cost Sharing Model is contained in Volume 1, ***The Transportation Services Cost Sharing Toolkit.*** This description leads the user through the process of setting up the necessary cost accounting system, identifying the data requirements and the measurement parameters, and describing procedures for applying the model. This volume concludes with instructions for using the actual Cost Sharing Model. The second product of the study, as reported in Volume 2, is the ***Research Report*** which summarizes all of the study components that contributed to formation of the Toolkit. It includes an extended evaluation of current experience and describes the regulatory environment that frames transportation service delivery requirements. The third component of the study is contained on the attached CD-ROM and includes the actual Cost Sharing Model along with instructions for setup and application. This is an Excel-based model that is easily usable by all levels of community transportation providers.

The need for this study grew out of historic recognition of the difficulties associated with accurately measuring costs incurred in providing transportation services to improve mobility, employment opportunities, and access to community services for persons who are transportation-disadvantaged. Recognizing potential benefits of coordinated, cost-effective human service transportation programs is easy. Establishing procedures to accomplish this goal, however, is not. The approach used in this study addresses the specific steps necessary to establish a uniform cost accounting system: defining the required data, identifying sources of that data, and framing cost accounting procedures for meeting necessary accounting principles. The output of this effort is an analytical model that can be applied in numerous situations facilitating establishing cost sharing agreements among multiple service providers in a given community environment.

The primary audience for this study and the Toolkit is community transportation providers—those funded by The U.S. Department of Transportation or through other federal programs. This report provides instructions on how to record and calculate costs and then how to allocate these costs to other participating agencies based on the proportion of costs incurred by each partner. Another target audience is community transportation plan-

ners and administrators, including individuals in human service programs at local, state, and federal levels. These individuals also need to understand how to calculate accurately the true costs of transportation services and how to apply the principles of proportional cost allocation to share costs equitably among all recipients of transportation services.

This report provides a common, unified approach that can be used to calculate the full cost of providing transportation services by all transportation providers: public transit authorities, human service agencies, not-for-profit agencies, or private-for-profit providers. Given the variety of agencies involved in delivering community transportation services, addressing multiple perspectives should add greatly to the validity, applicability, and implementability of the results presented by this study. When a participating agency asks, "How much should I pay?" this report provides the methods necessary to answer that question in a consistent and equitable manner.

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Note: Many of the photographs, figures, and tables in this report have been converted from color to grayscale for printing. The electronic version of the report (posted on the Web at www.trb.org) retains the color versions.

SECTION I

Current Conditions

CHAPTER 1

Factors That Affect Transportation Cost and Service Reports

Many Agencies Need Better Cost and Service Accounting

In these days of rising fuel prices and limited budgets, transportation providers are being asked more frequently to work cooperatively with other agencies to ensure that services are delivered in the most cost-effective manner. This is particularly true in the area of human services transportation, where public transportation providers and human service agencies are being asked to coordinate their efforts to ensure maximum productivity at minimum costs. While the objectives for coordinated services may differ somewhat from community to community, the fundamental purposes are usually to

- Avoid duplicative and overlapping services.
- Reduce service gaps.
- Increase services.
- Ensure cost effectiveness and cost savings.
- Provide safe and reliable transportation services.

The administrative and financial complexities involved in coordinating transportation are significant. Agencies with specific client populations and funding sources have their own operating procedures and even their own vocabularies. If these agencies are going to work together, how do they know they are being treated fairly when it comes to paying for the services they share?

Many transportation providers have a somewhat accurate sense of what it costs them to provide services, but that information is seldom reported in detail. Reports of services provided and their costs are needed in sufficient detail to allow for comparisons, analysis, accountability, and the determination of program impacts. Improved cost accounting methods are needed for the following reasons.

1. To ensure that all operators are recording all services and costs on an accurate and consistent basis.
2. To ensure that complete information is reported on transportation services and costs and is available to a wide range of decision-makers.
3. To develop a uniform service and cost-reporting methodology that can be used to track and analyze transportation services and costs.
4. To share the costs of transportation services among the users and other beneficiaries of those services, when appropriate.

When these objectives are achieved, transportation providers, administrators, and funders will have the information they need to provide the most transportation services they can in the most cost-effective manner.

Reporting Problems Affect Transportation Coordination Efforts

Today, there is great variety among client transportation services delivered by human service programs. There are significant differences in service delivery methods, reporting, and eligibility requirements. **Human service programs that provide transportation services have uniquely different missions;** one agency may provide employment services while another may have the delivery of health care services as their primary mission, and the transportation services needed for the success of these programs are not the primary concerns of program administrators. These complexities are compounded by the fact that no single law or statute created federal human services transportation programs. Unlike federal transit programs that are all codified under a single piece of authorizing legislation, there is no legislative or statutory uniformity on how human services transportation services are to be reported or delivered. Each program has developed its own idiosyncratic regulations, eligibility requirements, and operating procedures. Because they have developed autonomously, some federal programs may fund the same types of services as other federal programs.

Coordinating these currently disparate transportation services can be highly beneficial to local communities, but the lack of consistent methods for reporting program outputs and costs stands in the way of achieving this coordination. For coordination efforts to succeed, **potential coordination partners will need to analyze their services and costs using comparable data.** This fundamental concepts report provides the tools needed to generate such data for assistance in implementing coordinated transportation efforts.

Like previous research, this project has resulted in the following conclusions:

- The major federal programs have very different data collection and reporting requirements for transportation services, and many state administering agencies impose their own accounting and reporting practices on local service providers.
- Some local service administrators develop their own unique internal accounting and data collection processes—often more complex than the federal or state requirements.
- The lack of any uniform standards in the many different human service and transportation programs means that these individualistic approaches to data collection and reporting often result in incomplete statements of the program's costs and services.

Currently, the kinds of problems with human services transportation cost recording and reporting include the following:

- Transportation costs often are combined with generalized accounting categories that do not allow transportation costs to be reported as a separate and distinct cost category.
- Partially as a result of the practice of combining transportation costs with more general accounting categories, overall transportation expenses tend to be significantly underreported.
- Payments for transportation services may or may not have any direct relationship to the costs of providing services.
- The costs of administering transportation services may not be reported accurately; transportation-related expenses such as administrative salaries, office rent, accounting services, and other administrative overhead items have been both understated and overstated in various communities.
- Staff travel for the purpose of transporting clients often is not reported as a transportation expense but as an administrative or case-management cost.
- Identifying the specific federal or state program dollars used for funding transportation services may be difficult because of the blending of state and federal funding sources at the local level.

Some (perhaps most) agencies may benefit from making a number of changes in the way they approach data collection and reporting if they are going to work together in a program to coordinate local transportation services.

Cost allocation methodologies are powerful tools that can complement other efforts to establish reasonable apportionments of costs, responsibilities, and benefits when multiple programs and projects share riders and transportation resources.

CHAPTER 2

Cost Reporting Methodology Literature and Experience

How Cost Reporting Affects Efforts to Coordinate Human Services Transportation

Because access issues often are noted as major barriers for the elderly, low-income individuals, and persons with disabilities, transportation services are an essential component of most federally funded human service programs. They also can be one of the most expensive services provided by human service agencies, making efforts to coordinate services (instead of each agency providing trips to their own clients only) a major public policy issue.

Although the need for transportation services that are improved and expanded through coordination has long been recognized, little has been done to accurately identify the actual amount of money being spent on transportation services. This is unfortunate because the lack of verified cost data often leads to inaccurate or even omitted planning and budgeting for improved transportation that would enable better access to sorely needed human service program activities.

Many federal programs fund transportation services for members of the public and individuals with special transportation needs, and people have recognized for decades that this large number of programs leads to a host of problems, including the difficulty of estimating the true costs of transportation services. For many years, costs of services and how these costs are reported have been cited as problems that hinder efforts to coordinate transportation services (*1–4*).

During hearings in 1975, the U.S. Senate became concerned about the lack of coordination with human services transportation and commissioned a review by the General Accounting Office (GAO), which resulted in a detailed 1977 report to the Comptroller General of the United States: *Hindrances to Coordinating Transportation of People Participating in Federally Funded Grant Programs* (*1*). In this review, the GAO identified 114 federal programs that provided transportation. Although the report did not identify any specific legislative or regulatory restrictions on coordination, it did point out a number of hindrances to coordinated transportation services. Many of the hindrances were found to be inherent in the categorical nature of federal grant programs: federal funds received at the local level may come from many categorical programs, each of which was developed to serve specific target groups with specific and possibly unique needs. Problems in coordinating transportation services for multiple client groups often stem from the perceived incompatibilities in program purposes or services for the members of these different client groups.

Issues that the GAO described in its 1977 report as barriers or "hindrances" include the following:

- Problems in dealing with a large variety of federal funding programs.
- Uncertainties concerning whether program rules permitted or allowed coordination activities.
- **Problems with cost allocation, paperwork, and reporting** [emphasis added].

- Funding problems, including matching requirements for federal funds, funding cycles, and lack of sufficient funding.
- Perceived incompatibility of goals, needs, or client types.
- Expectations of no significant benefits from coordinated operations.
- Transportation regulations (e.g., prohibitions on crossing local or state boundaries).
- Lack of concerted federal effort to encourage or require coordination.

Most of these hindrances have been addressed or shown to be resolvable (*5*). (An exception is the reporting and billing requirements, which are still under scrutiny in 2007; further efforts by the U.S. Department of Transportation (DOT) and Department of Health and Human Services (DHHS) to reduce or remove hindrances could be worthwhile, both in terms of eliminating barriers and eliminating excuses.)

According to the GAO 1977 report, the most significant federal barrier at that time was **the confusion about the extent to which local projects could coordinate resources** (i.e., money, vehicles, or facilities paid for through various federal programs). GAO cited the importance of providing the necessary direction on the appropriate methods of cost sharing and cost and service accountability that are required by various federal funding sources.

One commonly perceived barrier to coordination is that categorical program funding does not permit the sharing of resources among consumer groups of different types. Both DOT and DHHS instructions have been clear on such issues: it is indeed possible to use vehicles and other resources to serve a variety of customer types, and it is possible to have clients from different sponsoring agencies riding on vehicles at the same time. If there are misperceptions about the possibilities of resource sharing, these misperceptions should be relatively easy to resolve with appropriate detailed information.

GAO followed its landmark 1977 report with a 2003 study (*2*) that identified 62 federal programs that fund transportation services for persons classified as "transportation disadvantaged"—individuals who have difficulties in accessing commonly available public transportation services because of an age-related condition, a disability, or income constraints. (In early 2006, Taxicab, Limousine, and Paratransit Association [TLPA] staff compiled a list of 74 programs from 13 different federal departments and independent agencies that, because they support passenger transportation services, might offer business opportunities for TLPA members [*6*].)

Many of the 62 federal programs identified in the GAO's 2003 report allow states to report client transportation costs as "Supportive Services," which is actually a cost pool for multiple unidentified program expenditures, of which transportation could be only one of multiple expenses. Cost reporting methodologies of this nature make it impossible to identify actual transportation costs. Eleven of the federal programs identified in the GAO report reported "actual data" on transportation costs; however, based on the reporting procedures for some of these programs, the accuracy of the data is questionable. Eighteen of the federal programs reported "estimates or partial costs." Although such data are better than no information at all, the 2003 report still leaves room for improvements in data pertaining to transportation costs. Unfortunately, 33 of the 62 federal programs (53%) were unable to provide any information whatsoever as to how much money was spent on transportation services (more information on these programs is provided in Chapter 4 of *TCRP Report 144,* Volume 2).

In 2005, the Federal Interagency Coordinating Council on Access and Mobility (CCAM) reported to the President on progress in coordinating transportation services (*7*). That report cites various issues that impede the coordination of public transit and human services; these issues are neither new nor unsolvable. In 1988, the then-Federal Coordinating Council on Human

Services Transportation (CCAM's predecessor) noted the following unresolved key barriers to coordination:

- **Cost assignment** by transportation providers when individual travelers are eligible for multiple human service programs is a common occurrence. In the absence of any federal guidance, most local communities have developed their own procedures for assigning costs of the transportation to a federal program. In many instances, these procedures are neither reviewed nor approved by local, state, or federal agencies; often are designed for the convenience of the provider; and may not be in the best interests of the client.
- **Lack of standardized accounting procedures** is also an issue. The Office of Management and Budget (OMB), tasked with responsibility for various grants management activities for all federal programs under the Executive Branch, does not believe it prudent to prescribe uniform accounting procedures; all accounting already must conform to Generally Acceptable Accounting Principles (GAAP). What is needed (recognized more than 20 years ago by the National Transportation Accounting Consortium [*3*]) is a systematic approach to cost classification, which is a fundamental aspect of full cost accounting. Accounting systems established by human service agencies based on a philanthropic service delivery model may be at odds with accounting systems used by transit operators that are based on a business service delivery model. In these different accounting structures, one system (the business model) may be better suited to accumulate, segregate, and allocate the full costs of transit service delivery. Guidance is needed on how to modify the philanthropic model to accumulate, segregate, and allocate costs on a functional basis. To provide effective guidance, it is mandatory that human services transportation programs be understood from the human service agency perspective.
- **Burdensome reporting requirements:** As members of the study team demonstrated more than a decade ago, it is not so much any particular reporting requirement imposed by any one federal agency that creates concerns but their combined weight that frustrates transportation providers attempting to achieve coordination. Previous studies indicate that state reporting requirements may be contributing to reporting burdens to a greater extent than federal requirements. Thus, the TCRP Project G-09 study approach must recognize and involve state-level agencies, as well as examine reporting requirements.

In summary, despite more than 30 years of concerted effort to identify and resolve issues that impede the greater coordination of transportation services, the cost-reporting issues previously identified by many studies remain persistent obstacles to coordination. However, it is important to recognize that while these issues remain key concerns at the national level, some communities and states have made considerable progress in developing locally successful solutions to these problems.

Previous Literature on Cost Reporting

A thorough literature review found few efforts during the past 25 years to study cost-reporting requirements. (Note that Project ACTION is currently involved in an FTA-funded project to produce a cost accounting workbook for human services transportation providers.) The classic work in this area remains the 1983 report from the Transportation Accounting Consortium (TAC), entitled *Simplifying Human Service Transportation and Small Transit System Accounting* (*3*). The six states involved in the TAC were Arkansas, Iowa, Massachusetts, Michigan, North Carolina, and South Carolina. The most recent comprehensive work in this area remains the *Fundamental Financial Management Guidelines for Rural and Small Urban Public Transportation Providers,* prepared in 1992 for the American Association of State and Highway Transportation Officials' (AASHTO's) Multi-State Technical Assistance Program (MTAP) (*4, 8*).

The original treatises on coordinated transportation services focused on fiscal issues: how to work in some coordinated fashion with the differing regulations and guidelines governing the

expenditure of funds from various federal programs for transportation services to members of specific client groups (*9, 10*). As stated in the proposal for TAC's project, "Considering that each program has different procedures in one or more of these areas [billing for services, keeping financial records, reporting service and financial data, and maintaining sufficient administrative staff to meet federal requirements], the magnitude and complexity of the transportation accounting area can begin to be understood" (*11*).

Some notable efforts have been made to address the allocation of costs among agencies participating in coordinated transportation systems. An early work on cost allocation was prepared by Price Waterhouse (*12*). In 1988, McCollum and Polin (*13*) prepared a workbook for the Maryland Mass Transit Agency (MTA) to enable agencies to develop fully allocated cost models for the demand-responsive services they provided. The workbook shows how the fully allocated cost model can be used to determine the costs of a specific service as well as to estimate the marginal costs of making service changes. More recent coordination manuals in Ohio (1997) and Maryland (1998) also address accounting and cost allocation issues, but only very briefly. Florida and North Carolina recently required their transportation grantees to use cost accounting spreadsheets that provide cost allocation instructions and data in great detail. (Further information on these applications is provided in later chapters.)

An elegant example of how the application of detailed cost sharing techniques can enhance coordination efforts is found in Koffman's 1994 article (*14*). Using actual case studies in California and Oregon, this article provides very detailed information on how to determine the actual costs of agency trips and then how to allocate them among participating agencies in an equitable manner. Separate allocation rules are established for eight expense categories: administration; management, dispatch, and coordination; drivers and mechanics; vehicle operating expenses; volunteer coordinator; volunteer reimbursement; subcontracted transportation; and vehicle depreciation. Different expense categories may be more appropriate for other cases.

The National Transit Database

A literature review in this area would be incomplete without acknowledging FTA's National Transit Database (NTD). FTA's web site contains the following information on the NTD:

> The National Transit Database (NTD) is the Federal Transit Administration's (FTA's) primary national database for statistics on the transit industry. Recipients of FTA Urbanized Area Formula Program (§ 5307) and Nonurbanized Area Formula Program (§ 5311) are required by statute to submit data to the NTD . . . The NTD is the system through which FTA collects uniform data needed by the Secretary of Transportation to administer department programs. The data consist of selected financial and operating data that describe public transportation characteristics. . . . To help meet the needs of individual public transportation systems, the United States Government, State and local governments, and the public for information on which to base public transportation service planning, the Secretary of Transportation shall maintain a reporting system, using uniform categories to accumulate public transportation financial and operating information and using a uniform system of accounts. The reporting and uniform systems shall contain appropriate information to help any level of government make a public sector investment decision (*15*).

Data collection on transit operations has a long history. One of the most significant recent events was the 1974 Urban Mass Transportation Administration (UMTA) Act amendments, which added the Section 15 requirements, or Uniform System of Accounts (USOA) and Reporting System, NTD's predecessor. The types of data reported include the following:

- Operational Characteristics (e.g., vehicle revenue hours and miles, unlinked passenger trips and passenger miles).
- Service Characteristics (e.g., service reliability and safety).
- Capital Revenues and Assets (e.g., sources and uses of capital, fleet size and age, and fixed guideways).
- Financial Operating Statistics (e.g., revenues; federal, state, and local funding; costs).

The required financial reporting forms include the following:

- Sources of Funds—Funds Expended and Funds Earned (Form F-10).
- Uses of Capital (Form F-20).
- Operating Expenses (Form F-30).
- Operating Expenses Summary (Form F-40).
- Operators' Wages (Form F-50).

While transit systems of different sizes and scopes report at different levels of detail (e.g., urban versus rural transit system), NTD's 30-year legacy of collecting and analyzing transportation costs and services can provide important input to coordinated human services transportation cost reporting procedures.

The Coordinating Council's Vehicle Sharing Policy Statement

One of the most recent and most powerful statements of transportation cost accounting principles from the federal perspective is the vehicle-sharing policy statement from the Federal Interagency Coordinating Council on Access and Mobility (CCAM) (*16*). This policy statement states that

> . . . Federal cost principles do not restrict grantees to serving their own clients . . . if an allowable use of a program's funds includes the provision of transportation services, then that Federal program may share transportation costs with other Federal programs and/or community organizations that also allow funds to be used for transportation services, **as long as the programs follow appropriate cost allocation principles** [emphasis added].
>
> . . . Allowability of costs is determined in accordance with applicable Federal program statutory and regulatory provisions and the cost principles in the OMB Circular that applies to the entity incurring the costs. Federal cost principles allow programs to share costs with other programs and organizations. Program costs must be reasonable, necessary, and allocable. Thus, vehicles and transportation resources may be shared among multiple programs**, as long as each program pays its allocated (fair) share of costs in accordance with relative benefits received** [emphasis added].

This policy statement is significant in many ways. First, as a requirement from a federal interagency council, this pronouncement has the effect of offering specific instructions to its 13 member federal departments and agencies. Second, it specifically establishes a broad-ranging policy of resource sharing across a wide spectrum of federally funded programs while reinforcing previous statements from individual agencies. Third, it clearly identifies federal accounting regulations that apply to transportation services. Finally, it establishes cost allocation as a fundamental process for coordinating similar transportation efforts funded by separate federal programs. These accomplishments constitute a framework for implementing the detailed procedures to be developed in this project.

CHAPTER 3

The Regulatory Environment for Federally Funded Transportation Services

Consumer-oriented transportation services often are operated using multiple funding sources; in many cases, funding comes from programs administered by various federal agencies that may pass through state agencies. Both funding agencies and the eventual recipients of the funding (whether profit, nonprofit, or governmental organizations) operate in an environment regulated by specific accounting and auditing standards.

The rules that govern the award and use of funds by state and local governments (and their instrumentalities) are found in guidance from the Office of Management (OMB). When these entities award grants directly to private, for-profit organizations (e.g., brokers, consultants, architects, engineers), Federal Acquisition Regulation (FAR) policies provide governing principles. FAR also provides guidance for cost allowability standards in third-party contracts with private, for-profit organizations. This oversight specifies required procedures and the types of costs that are eligible for funding. Recipients must be familiar with these rules and procedures to understand which costs are allowable and what types of documentation and reporting are necessary to ensure that funds will be available to provide the service as planned.

All recipients of federal funds need to recognize that certain accounting standards must be maintained. These standards are governed by the Financial Accounting Standards Board (FASB), an independent organization established in 1973. The Securities and Exchange Commission recognizes the standards established by FASB as authoritative. A parallel organization, the Governmental Accounting Standards Board (GASB), is dedicated to governmental accounting and was established in 1984. Both boards are maintained through the oversight of the Financial Accounting Foundation, which selects members and ensures adequate funding.

Administrative requirements for all federal grants have been incorporated into the Code of Federal Regulations (CFR) for each federal department. These requirements affect the funding of any federal program, including all human service and transportation programs. In addition, the OMB has developed guidance about the allowable costs for recipients of federal funding. This guidance is set forth in various circulars that are described in this chapter.

In addition, agencies or organizations providing the services using the federal funding sources identified in this report might benefit from following some overall accounting standards and principles. For public entities, accounting standards and principles are promulgated by the GASB. For profit-making and nonprofit organizations, the FASB has established standards and principles for financial reporting.

Each federal department may have its own additional interpretations for how grantees or contractors are to treat costs such as those associated with transportation. Historically, the challenges observed have been where those interpretations are (or are perceived to be) different or in conflict across federal agencies. Moreover, most programs under discussion are administered by state

governments, who require their grantees and contractors to comply with state administrative requirements and interpretations, and experience has shown that states' differences of interpretation and instruction have been the source of many of the cost-reporting challenges at the community level. To some extent, these challenges can be mitigated by paying attention to the fundamental underpinnings of cost guidance found in this chapter. Section 2 of this report provides guidance for developing uniform cost allocation procedures across multiple programs.

Policies and Procedures for Managing Federal Grants and Contracts

All circulars relating to financial and audit guidance for any federal grant are in the process of being consolidated into Title 2 of the CFR. OMB circulars relevant to this project are summarized at http://www.whitehouse.gov/omb/grants_circulars/ and are outlined as follows:

- State and local governments and Indian Tribes follow these circulars:
  - A-87 for cost principles (relocated to 2 CFR 225).
  - A-102 for administrative requirements (for the Department of Health and Human Services [DHHS], this is 45 CFR 92).
  - A-133 for auditing requirements.
- Nonprofit organizations follow these circulars:
  - A-122 for cost principles (relocated to 2 CFR 230).
  - A-110 for administrative requirements (relocated to 2 CFR 215).
  - A-133 for audit requirements.
- For-profit organizations follow these guidelines:
  - FAR Subchapter E, General Contracting Requirements.
  - OMB Circular A-76, Performance of Commercial Activities.

Rules for Public Entities

OMB Circular A-87: Cost Principles for State, Local, and Indian Tribal Governments

This circular applies to costs being charged to each specific source of federal funding rather than to the expenses of the overall agency receiving the funding. It establishes a uniform approach "for determining costs and to promote effective program delivery, efficiency, and better relationships between governmental units and the federal government" (*Circular A-87,* Page 1, Section 5). The circular includes five appendices:

A. General principles for determining the specific costs relating to a federal grant.
B. A long list of expense and cost categories, each defined as allowable or unallowable.
C. A means to develop a Central Service Cost Allocation Plan for agency-wide costs to be allocated to a specific grant (as would be required for a transportation program within a local government).
D. A section addressing cost allocation plans for public welfare agencies in particular.
E. A more general strategy for determining an indirect cost rate proposal.

The general principles in A-87's Appendix A address issues of legality and consistency in treatment. For example, costs must be assigned consistently as either a direct or indirect cost. In addition, the general principles require the use of Generally Accepted Accounting Principles (GAAP) (discussed later in the accounting standards section) that apply to all financial entities.

Some of the interesting cost categories found in Circular A-87's Appendix B include guidance for the recording of fringe benefits such as earned leave, donated services, depreciation and use allowances, capital expenditures, fundraising costs, and interest expenses.

The standards established in this circular address two types of indirect costs: overall agency costs that require developing a cost allocation plan that must be certified to use in charging against a grant, and other cost categories within a department or program that may contribute only indirectly to the purposes of a particular grant. The circular outlines an approach to develop an indirect cost rate proposal for charging the appropriate portion of the indirect costs to a grant, which also must be certified.

OMB Circular A-102 (for DHHS, 45 CFR 92): Uniform Administrative Requirements for Grants and Cooperative Agreements to State, Local, and Tribal Governments

Federal agencies are required to have consistent and uniform government-wide policies and procedures for the management of federal grants and cooperative agreements to state and local governments. In March 1987, the U.S. President directed all grant-making agencies to follow a "common rule," which has been codified for each agency at a specific location in the CFR. Table 3-1 shows the location of requirements for state and local governments as well as for nonprofit organizations. (Requirements for nonprofit organizations are covered under the discussion of Circular A-110.)

The **grants management common rule,** as specified for each agency providing awards to state and local governments, presents the rules for these public entities to follow when applying for grants and the financial management requirements to follow after receiving them, including rules for sub-grants, reporting, record retention, and closeout procedures. It should be noted that administrative rules for some sub-grantees, if they are agencies other than public entities, would fall under the jurisdiction of Circular A-110.

OMB Circular A-133: Audit of States, Local Governments, and Nonprofit Organizations

This circular applies to both public entities and private, nonprofit organizations who receive federal grant money. "It sets forth standards for obtaining consistency and uniformity among Federal agencies" for auditing grant recipients (*Circular A-133,* Page 1, Section 1). This guidance refers to both generally accepted government auditing standards (GAGAS) as defined by the Government Accounting Office (GAO) and GAAP as they are defined by the American Institute of Certified

Table 3-1. CFR references for government-wide grant requirements by department.

	Applies to:	
	State and Local Governments	*Universities and Nonprofit Organizations*
	Based on:	
Department	*Grants Management Common Rule*	*OMB Circular A-110*
Agriculture	7 CFR 3016	7 CFR 3019
Commerce	15 CFR 24	15 CFR 14
Defense	32 CFR 33	32 CFR 32
Education	34 CFR 80	34 CFR 74
Energy	10 CFR 600	10 CFR 600
Health and Human Services	45 CFR 92	45 CFR 74
Housing and Urban Development	24 CFR 85	24 CFR 84
Interior	43 CFR 12	43 CFR 12
Justice	28 CFR 66	28 CFR 70
Labor	29 CFR 97	29 CFR 95
State	22 CFR 135	22 CFR 145
Transportation	49 CFR 18	49 CFR 19
Treasury	--	--
Veterans Affairs	38 CFR 43	--

Source: http://www.whitehouse.gov/omb/grants/chart.html. Accessed May 10, 2010.

Public Accountants (AICPA). Standard requirements for the grantees are to maintain a system of internal control that provides reasonable assurance that the grantee is managing the grant funds appropriately, to prepare financial statements that reflect the grantee's financial position and results of operations or changes in net assets, and to ensure that an audit is completed as required, and any recommended corrective action is taken. The GAGAS standards require that the auditors ensure that they maintain competence, integrity, objectivity, and independence in planning, conducting, and reporting their work.

OMB also publishes an annual Circular A-133 Compliance Supplement for *each* federal agency. This supplement provides the most up-to-date record of the many program objectives, procedures, and compliance requirements that have a direct and material effect on each of the programs within the agency. This allows the auditors of the programs to have a complete knowledge of specific requirements. These supplements replace the agency audit guides formerly used by A-133 auditors. The most recent compliance supplement is dated March 2007.

Rules for Nonprofit Organizations

OMB Circular A-122: Cost Principles for Nonprofit Organizations

This circular is parallel to A-87 but is intended for use by nonprofit organizations. However, in addition to establishing principles to help determine what costs are, the focus is to ensure that "the Federal Government bear its fair share of costs except where restricted or prohibited by law," rather than promoting effectiveness among and between various levels of government.

Three appendices in the circular lay out the general principles, the individual items of cost, and those agencies—primarily very large or unusual nonprofits—for which this guidance is not applicable (e.g., the Urban Institute, SRI International, and Blue Cross and Blue Shield Organizations). Within the general principles, the circular addresses the basic considerations as with Circular A-87, but it also addresses direct and indirect costs and the methods for allocating them. There is no Central Service Cost Allocation Plan, only guidance on developing indirect cost rates.

The "Selected Items of Cost" list is similar to the one in A-87, including the same categories of interest mentioned earlier. Neither list is meant to be exhaustive; if a cost category is not included, this does not imply that the cost is unallowable.

OMB Circular A-110 (2 CFR 215): Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations

This circular presents the administrative requirements for nonprofit organizations (and others as named in the title) to apply to receive an award and then, after receiving an award, to undertake the financial management of any federal grant. As for the requirements under the common rule for public entities, there are general, pre-award requirements, post-award requirements, and after-the-award requirements (closeout). Table 3-1 shows the locations for each federal agency in the CFR where Circular A-110 has been codified.

Rules for Profit-Making Organizations

Although funding for human services transportation usually originates from public sources, such as federal and state programs, the actual providers of transportation services are more commonly becoming profit-making enterprises. There is a regulatory environment in which these companies must operate. When the awards originate at the federal level, the applicable regulations have been authorized by the Federal Acquisition Regulations System. The authoritative document that

governs the contracts public and nonprofit organizations have with private businesses is the FAR. The regulations contained in the FAR represent the uniform policies and procedures for contracts executed by all executive agencies. The FAR document includes a general description of its purpose; definitions and administrative matters; and sections on competition and acquisition planning, contract methods and contract types, socioeconomic programs (e.g., those geared to small businesses), general contracting requirements, and contract management.

FAR Subchapter E—General Contracting Requirements

The section providing policies and procedures relevant to contracting with private transportation services is Part 31.2—Contracts with Commercial Organizations. This section provides guidance for determining allowability of costs based on their reasonableness, allocability, GAAP, and terms or limitations of the contract. It describes direct and indirect costs and provides a list of selected costs as with Circulars A-87 and A-122 described earlier. Section 16—Types of Contracts of the FAR document outlines various situations in which profit can be charged (e.g., in the form of a fixed price plus fee contract).

OMB Circular A-76, Performance of Commercial Activities

This circular addresses the processes and practices for determining whether a commercial activity will be performed by a public or private source. It clarifies the process for making competitive selections between public and private service providers. It also requires that grantors create "a level playing field" to ensure that commercial activities are performed by the best source at the lowest possible cost. In addition, its goal is to improve program performance by increasing visibility and strengthening accountability.

Standards for the Fair Presentation of Financial Statements

All businesses, governmental entities, and other not-for-profit organizations must report financial information to their respective constituencies. Generally, the objective of external financial statements is to communicate the economic effects of completed transactions and certain other events on the financial position and operations of the entity. Financial statements are the external expression of the results of the system of accounting used by business and non-business enterprises. Standards of accounting begin with GAAP. They include quantitative principles of cost, revenue, and matching and qualitative principles of reporting, reliability, and comparability (*17*). Standards for presentation of financial information are established by FASB and GASB.

Accounting standards relevant to the funding scenario for transportation providers are found in GASB statements at http://www.gasb.org for governmental entities and in Statements of Financial Accounting Board Standards (SFAS) and Statements of Financial Accounting Concepts (SFAC) at http://www.fasb.org for nonprofit organizations and for-profit business enterprises.

State and local governments are regulated by the following:

- *GASB Statement No. 29: The Use of Not-for-Profit Accounting and Financial Reporting Principles by Governmental Entities.*
- *GASB Statement No. 34: Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.*

Nonprofit organizations are regulated by the following:

- *SFAC No. 4: Objectives of Financial Reporting by Non-business Organizations.*
- *SFAS No. 117: Financial Statements of Not-for-Profit Organizations.*

Regulations for State and Local Governments: GASB Statement No. 29 and Statement No. 34

The purpose of GASB statements is to develop "standards of state and local accounting and financial reporting that will (a) result in useful information for users of financial reports and (b) guide and educate the public, including issuers, auditors, and users of those financial reports."

GASB Statement No. 29 established that governmental entities must use accounting and financial reporting principles designed specifically for public organizations. It states that these entities may not use the FASB statements and interpretations that apply to nonprofit organizations (e.g., SFAS No. 117, discussed in the next section). This statement confirms that the common use of **proprietary fund accounting** by governmental entities and the inapplicability of fundraising activities differentiate them significantly from private, nonprofit organizations. It is an initial statement that was later enhanced by GASB No. 34, the current authority for public entities.

GASB Statement No. 34, issued in June 1999, established new financial reporting requirements for state and local governments. It retains the requirement to provide information about funds, which are established by governing bodies "to show restrictions on the planned use of resources or to measure, in the short term, the revenues and expenditures arising from certain activities." These requirements were issued to help governmental bodies demonstrate their stewardship of public resources in both the long term and the short term.

New requirements include the preparation of government-wide financial statements and fund-specific financial statements. They also require that budgetary comparison schedules be included that allow citizens to compare the final financial picture as recorded in the financial statements to the budget, which usually includes significant public input to the budget as it was passed at the beginning of the calendar year or fiscal year. Finally, this statement adds more **required supplementary information (RSI)** in the form of a report called *Management's Discussion and Analysis* (MD&A), which must appear before the financial statements. In it, financial managers must make an objective and easily readable analysis of the government's financial performance for the year.

Regulations for Nonprofit Organizations: SFAC No. 4 and SFAS No. 117

SFAC No. 4 differentiates accounting and external financial reporting objectives for non-business entities from those of business enterprises. Issued in 1980, it temporarily assumes that non-business accounting objectives are similar for governmental entities and other not-for-profit organizations. (This was changed in 1987 with the issuance of the GASB Statement No. 29, discussed previously.) SFAC No. 4 provides a definition of the characteristics of a non-business organization. Among the most important factors are

- Significant receipts of resources from providers who do not expect to be repaid.
- Operating purposes other than a profit motive.
- Absence of ownership interests that can be sold, transferred, or redeemed.
- Transactions involving contributions and grants.
- Lack of performance measures comparable to a business enterprise's profit motive.

SFAS No. 117 establishes standards for general purpose, external financial statements provided by a not-for-profit organization. It was issued in 1993 and remains the current standard. It was developed as a part of a project to standardize requirements across all types of nonprofit entities whose financial information was presented in varying, inconsistent manners. Basically, this state-

ment is the first time that all not-for-profit organizations are required to include all of the same statements as business enterprises to be consistent with GAAP:

- A statement of financial position (balance sheet).
- A statement of activities (income statement).
- A statement of cash flows.
- Accompanying notes to financial statements.

This statement incorporates the principles of FASB No. 93, which requires that nonprofit organizations recognize the cost of using up long-lived tangible assets as depreciation in their external financial statements. It also incorporates FASB No. 95, which adapts statements of cash flow to nonprofits, and coordinates with FASB No. 116, which addresses accounting for contributions.

CHAPTER 4

Key Federal Programs That Fund Human Services Transportation

Federal Programs with Substantial Transportation Funds

Many federally funded programs provide some kind of financial support for individuals or communities needing human services transportation. As previously noted, the Government Accountability Office's (GAO's) 1977 list included 114 programs (*1*); their 2003 list included 62 programs (*2*). Current estimates on this wide range of programs vary from 64 to 74 federal programs (*6, 18*); many of these programs are not actually used to fund transportation in numerous states.

The first step in narrowing this extremely large list is to focus on the programs that commit the largest dollar volumes to transportation services. Key federal programs include the following (in alphabetical order by federal department rather than dollar volume):

- **U.S. Department of Agriculture (Ag)**
  - *Food and Nutrition Service*
    - Food Stamp Employment and Training Program.
- **U.S. Department of Education (ED)**
  - *Office of Elementary and Secondary Education*
    - 21st Century Community Learning Centers (No Child Left Behind).
  - *Rehabilitation Services Administration (RSA)*
    - Vocational Rehabilitation Grants.
- **U.S. Department of Health and Human Services (DHHS)**
  - *Administration for Children and Families (ACF)*
    - Community Services Block Grant Program (CSBG).
    - Head Start.
    - Social Services Block Grants (SSBG).
    - Temporary Assistance for Needy Families (TANF).
  - *Administration on Aging (AoA)*
    - Grants for Supportive Services and Senior Centers (Title III B).
  - *Centers for Medicare and Medicaid Services (CMS)*
    - Medicaid.
  - *Health Resources and Services Administration (HRSA)*
    - Comprehensive AIDS Resources Emergency (CARE) Funds.
  - *Substance Abuse and Mental Health Services Administration (SAMHSA)*
    - Substance Abuse Prevention and Treatment Block Grant.
- **U.S. Department of Housing and Urban Development (HUD)**
  - *Office of Community Planning and Development (OCPD)*
    - Community Development Block Grant (CDBG).

  - *Office of Housing*
    - Supportive Housing for the Elderly Program.
- **U.S. Department of Labor (DOL)**
  - *Employment and Training*
    - Workforce Investment Act Programs.
- **U.S. Department of Transportation (DOT)**
  - *Federal Highway Administration (FHWA)*
    - Congestion Mitigation and Air Quality Improvement Program (CMAQ).
  - *Federal Transit Administration (FTA)*
    - Capital Investment Grants (S. 5309).
    - Formula Program for Elderly Persons and Persons with Disabilities (S. 5310).
    - Job Access and Reverse Commute (S. 5316).
    - New Freedom Program (S. 5317).
    - Other than Urbanized Area Formula Program (S. 5311).
    - Urbanized Area Formula Program (S. 5307).
- **U.S. Department of Veterans Affairs (VA)**
  - *Veterans Health Administration*
    - Veterans Medical Care Benefits.

Table 4-1 provides a brief description of each program in alphabetical order by federal department, including a short summary of their purposes and typical local contacts. Information on these programs is available at the web sites of the respective departments, at the web site for the Federal Interagency Coordinating Council on Access and Mobility (http://www.unitedweride.gov/), and in later sections of this report (*19*).

Table 4-2 provides the funding perspective on these programs. Programs are listed in order of their percent of the total funding reported by GAO 2003. The Cumulative Funding column shows the percent of the total funding including a particular program and all other programs listed above it. Just two programs—Medicaid and Head Start—accounted for 60 percent of all federal funding for specialized transportation services. GAO reported a Fiscal Year 2001 total of $2.445 billion dollars in specialized transportation expenses (*2*). But, as shown in Table 4-2, the top 10 programs accounted for more than 93 percent of all funds spent. In fact, just the top five programs—Medicaid, Head Start, FTA's S. 5310 Elderly and Persons with Disabilities program, TANF, and Veterans Medical Care Benefits—accounted for 79.9 percent of the total. A beneficial strategy might be to focus on those programs with the greatest amounts of funding.

Table 4-3 presents estimates for Fiscal Year 2006 expenses for these programs (19). Figures for FTA programs are from Fiscal Year 2006 final appropriations; estimates from other programs are based on the previously reported proportion of agency funds spent on transportation or an assumed 2001–2006 growth rate of between 15 and 20 percent. The Fiscal Year 2001 total expenditures of these 10 programs were more than $2.28 billion; the estimate of the Fiscal Year 2006 total federal expenditures of these programs is $2.69 billion. Transportation expenses for these programs can be expected to continue to grow in the future.

Of the programs listed in Tables 4-1 through 4-3, the following are among those usually involved in local transportation coordination efforts:

- Medicaid.
- FTA's Section 5310 Elderly and Disabled program.
- TANF.
- FTA's Section 5316 JARC program.
- AoA's Title III B program.
- FTA's Section 5307 program (especially funding for ADA services).
- Vocational Rehabilitation Grants.

Table 4-1. Potential federal funding sources for transportation services.

Funding Program	*Sometimes Also Called . . .*	*Agency Administering This Program*	*Kinds of Assistance Provided*	*Typical Local Contact*
U.S. Department of Agriculture				
Food Stamp Employment and Training Program	**Food Stamps**	Food and Nutrition Service	Nutritional assistance to low-income individuals and families, plus activities to gain employment and increase self-sufficiency	State Food Stamp Agency
U.S. Department of Education				
21st Century Community Learning Centers	**No Child Left Behind**	Office of Elementary and Secondary Education	After-school programs providing academic enrichment for children attending high-poverty schools	Local public or private agencies receiving grants from state education offices
Vocational Rehabilitation Grants	**Voc Rehab**	Rehabilitation Services Administration	Assistance to help individuals with physical or mental disabilities obtain employment and live more independently	Sheltered workshops, state vocational rehabilitation agencies
U.S. Department of Health and Human Services				
Medicaid	**Medicaid**	Centers for Medicare and Medicaid Services	Medical assistance for low-income persons and other medically needy persons	State medical assistance offices; programs vary widely from state to state
Temporary Assistance for Needy Families	**TANF**	Administration for Children and Families	Cash grants, work opportunities, and other services to needy families with children	State and local welfare or employment offices
Grants for Supportive Services and Senior Centers	**Title III or, more correctly, Title III B**	Administration on Aging	Programs for supportive services to older persons, including nutrition, transportation, senior centers, and others	Area Agencies on Aging, Councils on Aging, State Units on Aging, or their grantees
Social Services Block Grants	**SSBG, Title XX**	Administration for Children and Families	Social services that help individuals reduce welfare dependency, achieve self-sufficiency, or reduce institutionalization	State welfare agencies
Head Start	**Head Start**	Administration for Children and Families	Developmental services for low-income pre-school children	Local governments, nonprofit agencies, others
Community Services Block Grant Programs	**CSBG**	Administration for Children and Families	Various social service programs to low-income individuals and welfare recipients	Local or state community action agencies
Comprehensive AIDS Resources Emergency (CARE) Funds	**Ryan White Grants**	Health Resources and Services Administration	Increase access to care, reduce costly inpatient care, improve the health status and quality of life for persons with HIV	CARE grantees
Substance Abuse Prevention and Treatment Block Grant	**Substance Abuse**	Substance Abuse and Mental Health Services Administration	Substance abuse prevention and treatment programs	State and local offices
U.S. Department of Housing and Urban Development				
Supportive Housing for the Elderly Program	**Section 202**	Office of Housing	Provides housing and supportive services for low-income seniors	Local nonprofit housing providers, HUD field offices
Community Development Block Grant Program	**CDBG**	Office of Community Planning and Development	A wide variety of community and economic development activities; can include transportation facilities and operations	Local or state community development agency, state CDBG administering agency

Table 4-1. (Continued).

Funding Program	*Sometimes Also Called . . .*	*Agency Administering This Program*	*Kinds of Assistance Provided*	*Typical Local Contact*
U.S. Department of Labor				
Workforce Investment Act Programs	**WIA**	Employment and Training Administration	Adult and dislocated worker employment and training services	State and local workforce development agencies (workforce development boards), One-Stop centers
U.S. Department of Transportation				
Urbanized Area Formula Program	**Section 5307**	Federal Transit Administration	Capital and operating assistance to public transit agencies in urban areas; includes Americans with Disabilities Act (ADA) paratransit	Public transit agency; local government
Other Than Urbanized Area Formula Program	**Section 5311**	Federal Transit Administration	Capital and operating assistance to public transit agencies serving rural communities	Public transit agency, local city or county government
Job Access and Reverse Commute	**Section 5316**	Federal Transit Administration	Programs to assist welfare and low-income persons travel to employment and training	State and local governments, private nonprofit organizations
Formula Program for Elderly Persons and Persons with Disabilities	**Section 5310**	Federal Transit Administration	Capital expenses and purchase of service agreements for services to elderly and disabled individuals	Private nonprofit organizations, local government, council of governments
New Freedom Program	**Section 5317**	Federal Transit Administration	Capital and operating expenses for services for persons with disabilities beyond ADA requirements	State and local governments, private nonprofit organizations
Capital Investment Program	**Section 5309**	Federal Transit Administration	Capital expenses for public transit to eligible public bodies and agencies	Local transit agency, local government
Congestion Mitigation and Air Quality Improvement Program	**CMAQ**	Federal Highway Administration	Projects that will help certain regions reduce transportation emissions; operating assistance is included	State DOTs, Metropolitan Planning Organizations
U.S. Department of Veterans Affairs				
Veterans Medical Care Benefits	**Veterans Benefits**	Veterans Health Administration	A wide range of hospital-based and outpatient medical expenses, including some travel to covered medical care	VA medical centers or other VA facilities

Programs that should be added to this list should be FTA's Section 5311 Other Than Urbanized Formula Grant program for rural communities (because it was not included in GAO's 2003 report) and FTA's new Section 5317 New Freedom program (because this program did not exist when GAO's 2003 report was written).

Of the programs in Table 4-3, Head Start, Veterans Medical Care Benefits, the No Child Left Behind programs (the 21st Century Learning Act), and the Ryan White grants are not typically involved in coordinated transportation services. Of these four programs, perhaps the most potentially amenable as a coordination partner could be the veterans program, which is typically individually operated out of veterans' hospitals, often involving volunteer drivers.

Table 4-2. The most highly funded federal transportation programs.

Program and Agency	*FY 2001 Transportation Expenses*	*Percent of Total Funding*	*Cumulative Percent*
Medicaid (CMS/DHHS)	$976,200,000	39.9	39.9
Head Start (ACF/DHHS)	$514,500,000	21.0	61.0
Elderly and Disabled Program, Section 5310 (FTA/DOT)	$174,982,628	7.2	68.1
Temporary Assistance for Needy Families (ACF, DHHS)	$160,462,214	6.6	74.7
Veterans Medical Care Benefits (Veterans Health, VA)	$126,594,591	5.2	79.9
JARC, Section 5316 (FTA/DOT)	$85,009,627	3.5	83.3
21st Century Learning (Elementary and secondary Ed/ED)	$84,600,000	3.5	86.8
Title III B Supportive Services (AoA/DHHS)	$72,496,003	3.0	89.8
Vocational Rehabilitation (RSA/ED)	$50,700,000	2.1	91.9
Urbanized Area Grants, Section 5307 (FTA/DOT)	$36,949,680	1.5	93.4

Certainly, if any locality could get all of the following programs involved in coordinated transportation in useful ways with significant cost sharing, it would be a great achievement. See the Glossary in Volume 1 for detailed descriptions of these programs:

- Medicaid.
- TANF.
- Title III B.
- Section 5307.
- Section 5310.
- Section 5311.
- JARC.
- New Freedom.

Table 4-3. Updated estimates for key federal transportation programs.

Program, Agency, and Department	*FY 2001 Transportation Expenses*	*Estimated FY 2006 Transportation Expenses*
Medicaid (CMS/DHHS)	$976,200,000	$1,171,400,000
Head Start (ACF/DHHS)	$514,500,000	$662,900,000
Elderly and Disabled Program, Section 5310 (FTA/DOT)	$174,982,628	$110,900,000
Temp. Assistance for Needy Families (ACF, DHHS)	$160,462,214	$169,300,000
Veterans Medical Care Benefits (VA)	$126,594,591	$145,600,000
JARC, Section 5316 (FTA/DOT)	$85,009,627	$136,600,000
21st Century Learning (Elementary and Secondary Ed/ED)	$84,600,000	$97,300,000
Title III B Supportive Services (AoA/DHHS)	$72,496,003	$96,800,000
Vocational Rehabilitation Grants (RSA/ED)	$50,700,000	$58,305,000
Urbanized Area Grants, Section 5307 (FTA/DOT)	$36,949,680	$42,500,000

- Vocational Rehabilitation.
- Veterans Care.

Short Program Descriptions

This section briefly describes the programs listed previously (*19*). Programs are listed by name, agency, and federal department. See Appendix A for more detailed information.

Medicaid (Centers for Medicare and Medicaid Services, DHHS)

The Medicaid program ensures medical assistance to qualified persons, such as certain low-income individuals and families, who fit in an eligibility group recognized by federal and state law. Medicaid is the largest program providing medical and health-related services to America's poorest people. Within broad national guidelines that the federal government provides, each of the states establishes its own eligibility standards; determines the type, amount, duration, and scope of services; sets the rate of payment for services; and administers its own program. Thus, the Medicaid program varies considerably from state to state, as well as within each state over time. States are mandated to provide certain categories of health care, and some chose to expand the mandated benefits as appropriate for their beneficiaries. Payments for medical services (including transportation to those services) are sent directly to the providers of those services. Program clients may be asked to pay a small part of the cost (a copayment) for some medical services.

There is now a federal mandate for states to arrange the provision of transportation when necessary for accessing health care, but each state may set their own guidelines, payment mechanisms, and participation guidelines for these transportation services. The federal requirement to obtain the lowest cost service has been interpreted by many state Medicaid programs to mean the primary use of family, friends, and volunteers, which means anyone who owns a car usually does not receive significant transportation assistance from Medicaid.

The Medicaid program provides more funding for specialized transportation than any other federal program. Medicaid's federal transportation expenses equal two-thirds of all other expenses of all other federal transportation programs combined. States contribute substantial funds to the Medicaid program. While state funding for Medicaid transportation services is difficult to document on a national basis, we estimate that the combination of state and federal funding for Medicaid transportation is probably on the order of $2 billion per year at this time.

Medicaid transportation programs vary widely from state to state. Two major administrative or operational models are in place at this time: a state-supervised and administered system and a state-supervised, county-administered system. In a few states, counties have the majority of responsibility for operational decisions.

In almost all situations, the program is structured on a reimbursement basis; individual trips must be authorized in advance, substantial documentation that the trip actually occurred must be provided, and a significant waiting period may occur before funds are received. The administrative and reporting requirements are substantial. Fares are most often based on strict reimbursement schedules that may not reflect the actual costs of providing transportation.

Temporary Assistance for Needy Families: TANF (Administration for Children and Families, DHHS)

The Temporary Assistance for Needy Families (TANF) program provides block grants to states to help families transition from welfare to self-sufficiency. TANF funds cash assistance, work opportunities, and necessary support services for needy families with children. The TANF block grant replaced the Aid to Families with Dependent Children (AFDC) program, which had

provided cash welfare to poor families with children since 1935. States use TANF funds to operate their own programs. States have great latitude in expenditures and have used TANF funds in many ways, including using them for income assistance and wage supplements, child care, education and job training, transportation, and other services designed to help families make the transition from welfare to work. To receive TANF funds, states must spend some of their own dollars on programs for needy families.

States may choose to spend some of their TANF funds on transportation to purchase or operate vehicles, as well as reimburse costs of transportation. Although some states spend none of their transportation dollars on TANF, the national average is about 2 percent of TANF dollars currently spent on transportation.

Title III Programs for the Elderly: Grants for State and Community Programs on Aging (Administration on Aging, DHHS)

Title III of the Older Americans Act is entitled "Grants for State and Community Programs on Aging." Section 311 of the act (Title III-B) authorizes funding for supportive services and senior centers. This section enables funding for a long list of home and community-based supportive services including transportation, health, education and training, welfare, information dissemination or referral services, recreation, homemaker, counseling, transportation, access services, housing, and many other services. Funds are awarded by formula to State Units on Aging (SUAs) to provide or to ensure that other agencies provide these supportive services to older persons. SUAs and Area Agencies on Aging (AAAs) are charged with the responsibility of concentrating resources to develop and implement comprehensive and coordinated community-based systems of service for older individuals to enable them to remain in their homes and communities. Most states are subdivided into multi-county Planning and Service Areas (PSAs), each of which is served by an AAA. About 656 AAAs are in the United States; many of them are multi-county, not-for-profit organizations that are further subdivided into Councils on Aging (COAs).

Most AAAs use a portion of their funds for transportation services for older persons. This includes funding to purchase and operate vehicles as well as to purchase trips from other transportation providers.

Section 5307: Urbanized Area Formula Program (FTA, DOT)

The Section 5307 program provides federal funds to urbanized areas (i.e., areas with populations of 50,000 or more) and to governors for transit capital and operating assistance and for transportation planning in urbanized areas. For urbanized areas with more than 200,000 people, funds flow directly to the designated local recipient. For urbanized areas below 200,000 people, the funds are apportioned to the governor of each state for distribution.

Eligible purposes for expenditures include planning, capital investments in bus and bus-related activities, and capital investments in new and existing fixed guideway systems. All preventive maintenance and some complementary paratransit service costs from the ADA are considered capital costs.

Section 5310: Formula Program for Elderly Persons and Persons with Disabilities (FTA, DOT)

Section 5310, the "Formula Program for Elderly Persons and Persons with Disabilities," provides formula funding to states for the purpose of assisting private nonprofit groups and certain public bodies in meeting the special transportation needs of seniors and persons with disabilities. Funds are apportioned based on each state's share of population for these groups of people and are primarily to be used for capital expenses but may include purchase-of-service agreements. This program requires coordination with other federally assisted programs and services

to provide the most effective use of federal resources. Not-for-profit, public transit, and specialized human service providers are awarded funds by states to purchase buses, vans, and related capital items, as well as to engage in the purchase of transportation service contracts.

Funds are obligated based on the annual program of projects included in a statewide grant application. The state agency ensures that local applicants and project activities are eligible and in compliance with federal requirements, and that private not-for-profit transportation providers have an opportunity to participate as feasible. The program requires a coordinated planning process with other federally assisted programs and services. Once FTA approves the application, funds are available for state administration of its program and for allocation to individual subrecipients within the state.

Section 5311: Formula Grants for Other Than Urbanized Areas (FTA, DOT)

Section 5311 provides funds for public transportation services in rural and small urban communities with populations of less than 50,000 people. The goals of the nonurbanized formula grants program are to (1) enhance the access of people in nonurbanized areas to health care, shopping, education, employment, public services, and recreation; (2) assist in the maintenance, development, improvement, and use of public transportation systems in rural and small urban areas; (3) encourage and facilitate the most efficient use of all federal funds used to provide passenger transportation in nonurbanized areas through the coordination of programs and services; (4) assist in the development and support of intercity bus transportation; and (5) provide for the participation of private transportation providers in nonurbanized transportation to the maximum extent feasible.

Section 5311 funds are distributed to states, which in turn designate local recipients. Local program recipients, including transit authorities, are usually designated units of government. Local recipients can provide or purchase transportation services.

Section 5316: Job Access and Reverse Commute Program: JARC (FTA, DOT)

Job Access grants are intended to develop transportation services to assist welfare recipients and other low-income individuals in getting to and from jobs and training. Reverse Commute grants are designed to develop transit services to transport workers living in urban centers to suburban and rural job sites. Job Access and Reverse Commute (JARC) grants are intended for communities with a low-income population of at least 150 percent of the poverty level. Grants may finance a wide variety of capital projects and operating costs of equipment, facilities, and associated capital maintenance items related to providing access to jobs (including the purchase of transportation services); promote the use of transit by workers with nontraditional work schedules; promote the use of transit vouchers by appropriate agencies for welfare recipients and eligible low-income individuals; and promote the use of employer-provided transportation, including the transit pass benefit program. Program activities include information sharing, interagency coordination, technical assistance, best practice documentation, and demonstrations of innovative services and coordination planning. Emphasis is placed on projects that use mass transportation services. JARC grants require annual reports that include performance measures.

Section 5317: New Freedom Program (FTA, DOT)

This relatively new program was created by the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) legislation in 2005. Under this program, DOT may make grants to a recipient for new public transportation services and alternatives beyond those required by the ADA that assist individuals with disabilities with transportation, including transportation to and from jobs and employment-support services. Federal funds for capital projects under Section 5317 may not exceed 80 percent of the net capital costs of the project; federal funds for operating assistance may not exceed 50 percent of the net operating costs

of the project. Expenditures such as funding wheelchair-accessible taxis and purchasing transportation services are allowable under this program. JARC projects can include purchase of service contracts, voucher programs, and other means of offering rides.

New Freedom projects must coordinate with activities from Sections 5310 and 5316, as well as with related activities under programs of other federal departments and agencies. Beginning in Fiscal Year 2007, 5,317 recipients need to certify that the selected projects were derived from a locally developed, coordinated public transit-human services transportation plan, and that the plan was developed through a process that included representatives of public, private, and nonprofit transportation and human service providers and participation by the public. To be eligible for program funds, new services must not have existed nor had funding committed before August 10, 2005. New Freedom grants also require annual reports that include performance measures.

Vocational Rehabilitation Grants to States (Rehabilitation Services Administration, U.S. Department of Education)

The Rehabilitation Services Administration (RSA) oversees six formula and discretionary grant programs that help individuals with physical or mental disabilities obtain employment and live more independently through the provision of supports such as counseling, medical, and psychological services; job training; and other individualized services, such as travel and related expenses. RSA's major Title I formula grant program provides funds to state vocational rehabilitation (VR) agencies to provide employment-related services for individuals with disabilities, giving priority to individuals who are significantly disabled.

Transportation services that enable an individual to participate in a VR service are an allowable expense for VR programs. Allowable expenditures include costs of purchased services from public and private vendors. (See Policy Directive RSA-PD-07-01, October 5, 2006.) School transportation, transportation support services including travel training and service coordination, and private vehicle purchase are among the allowable expenses provided through funding in the Title I formula grant program.

Veterans Medical Care Benefits (U.S. Department of Veterans Affairs)

Veterans of military service may be eligible for a wide range of hospital-based services, medications, and outpatient medical services. The Veterans Health Administration (VHA) is the operating unit of the U.S. Department of Veterans Affairs (VA) that acts as a direct provider of primary care, specialized care, and related medical and social support services to veterans through the VA health care system.

VA will reimburse eligible veterans for specified transportation services to covered medical care. Eligibility is determined by factors such as extensive service-connected disabilities, travel for treatment of a service-connected condition, receipt of a VA pension, travel for scheduled compensation or pension examinations, income that does not exceed the maximum annual VA pension, and medical condition that requires special mode of transportation if veterans are unable to defray the costs and travel is preauthorized. Advance authorization is not required in an emergency if a delay would be hazardous to life or health. Individual veterans may be reimbursed for their transportation at very modest per mile rates for travel.

In addition to reimbursing individual veterans, many VA Medical Centers have travel offices that may offer their own transportation services, may contract directly with transportation providers for some trips to VA Medical Centers, or may work with volunteer networks to provide transportation for veterans seeking health care. Some VA Medical Centers have contracts (sometimes for multiple years) to transport VA clients. Larger medical centers may request hundreds of trips every day from private operators. Trip orders come from the VA travel office, not

the rider. Typical contracts specify a base fare for each trip and a mileage charge but some contracts pay strictly on a mileage basis. The VA often works closely with the nonprofit Disabled American Veterans (DAV) to arrange transportation through volunteers for ambulatory veterans. Local DAV chapters often conduct fundraisers to purchase vehicles and then transfer the titles for those vehicles to the Veterans Administration.

The VA is requesting legislative changes that would increase its ability to provide veterans with home and community-based care rather than nursing home care. If these changes are enacted, they could be expected to increase the level of demand for transportation services among veterans.

Other Potential Funding Programs

While not at the top of the list of funding programs, the following programs provide significant transportation funding in some communities. They generally do not have the kinds of cost and trip reporting requirements that support full cost accounting for transportation services, but if some of the previously discussed programs could be convinced to provide better cost reporting, some of the following programs might also be convinced.

Developmental Disabilities (Administration for Children and Families, DHHS)

The Developmental Disabilities program provides financial assistance to state governments, local communities, and the private sector to assist people with developmental disabilities (i.e., severe, chronic, and possibly permanent disabilities attributable to physical or mental impairment) reach their potential through increased independence, productivity, inclusion, and community integration. The Administration on Developmental Disabilities (ADD) meets the requirements of the Developmental Disabilities Act through four programs: State Councils on Developmental Disabilities (SCDD), Protection and Advocacy Agencies (P&A), University Centers for Excellence in Developmental Disabilities Education, Research and Services (UCEDD), and Projects of National Significance (PNS). State Developmental Disabilities Councils (DDCs) operate to increase the independence, productivity, inclusion, and community integration of people with developmental disabilities. DDC activities demonstrate new ideas for enhancing people's lives through training activities, through community education and support, by making information available to policy-makers, and by eliminating barriers. Councils develop a state plan that includes activities for demonstrating new approaches to enhancing quality of life, developing training activities, and eliminating barriers.

Agencies serving individuals with developmental disabilities typically provide transportation directly to their own clients, although some Developmental Disabilities-funded agencies purchase transportation from other providers. One study of state Developmental Disabilities councils showed that 49 percent had some transportation expenses.

Workforce Investment Act Programs (Employment and Training Administration, U.S. Department of Labor)

The Workforce Investment Act of 1998 (WIA), which superseded the Job Training Partnership Act, offers workforce development activities through statewide and local organizations. Workforce development activities provided in local communities are intended to benefit job seekers, laid-off workers, youth, incumbent workers, new entrants to the workforce, veterans, persons with disabilities, and employers. These activities are designed to promote an increase in the employment, job retention, earnings, and occupational skills improvement by participants. Adult and laid-off worker services are provided through locally based One-Stop Career Centers. Comprehensive One-Stop Centers provide access to a full range of services pertaining to employment, training and education, employer assistance, and guidance for obtaining other assistance. While WIA requires

One-Stop Centers to provide specific services, local communities may design programs and provide services that reflect the unique needs of their area.

WIA funds may be used to help provide transportation to training programs for program participants. Transportation is considered a supportive service that may be approved at the discretion of local boards "to enable an individual to participate in activities authorized under WIA Title I" (*20*).

Head Start (Administration for Children and Families, DHHS)

Head Start is a national program that provides comprehensive developmental services for America's low-income, preschool children (between the ages of 3 and 5) and social services for their families. Specific services for children focus on education, socioemotional development, physical and mental health, and nutrition. Head Start began in 1965 in the Office of Economic Opportunity as an innovative way in which to serve children of low-income families and is now administered by the Administration for Children and Families in DHHS.

The cornerstone of the program is parent and community involvement—which has made it one of the most successful preschool programs in the country. Approximately 1,400 community-based, nonprofit organizations and school systems develop unique and innovative programs to meet specific needs. Head Start provides diverse services to meet the goals in education, health, parent involvement, and social services.

Local Head Start grantees are not required to provide transportation, but a previous report noted that 77 percent own their own vehicles and provide transportation (*21*). Another 22 percent contract for transportation services from other providers, which is often local school districts or school bus operators. Transportation is a major expense in most Head Start programs, but amounts are often not carefully recorded.

Head Start mandates place this program under the Department of Education, which means that the program must adopt school bus standards (e.g., for vehicles and for seat belt restraints) for transportation. Use of these regulations has made coordination with other local public or human services transportation operations a difficult process in some communities.

Community Services Block Grants (Administration for Children and Families, DHHS)

The Community Services Block Grants (CSBG) program provides resources to alleviate the causes and conditions of poverty. To do this, the CSBG funds the efforts of a state-administered local CSBG network composed of 1,145 local agencies that create, coordinate, and deliver a broad array of programs and services to low-income Americans. The CSBG statute requires that 90 percent of block grant funds to the states be passed through to the local eligible entities and that states use no more than 5 percent of the remainder for their administrative costs. The last 5 percent of funds may be used for a range of state discretionary programs to accomplish the CSBG statutory purposes. Because the needs of low-income people vary, a program like CSBG that is intended to fight many causes of poverty must offer a broad array of services; transportation often is seen as a key service in addressing poverty issues. These services are delivered in most communities through the local Community Action Agency or a similar organization funded by the states. Local or state community action agencies would be good contacts for coordinated transportation programs. In addition, parents may be eligible for vouchers for transporting their children.

Social Services Block Grants (Administration for Children and Families, DHHS)

Also known as Title XX of the Social Security Act, this program provides formula funds to state welfare agencies to provide needed social services, including transportation services, that

help individuals reduce welfare dependency, achieve self-sufficiency, or forestall unnecessary use of institutional care. The state may transfer up to 10 percent of its allotment for any fiscal year to preventive health and health services, alcohol and drug abuse programs, mental health services, maternal and child health services, and low-income home energy assistance block grants. Purchase of transportation services is an eligible expense under this program.

Community Mental Health Services Block Grants (Substance Abuse and Mental Health Services Administration [SAMHSA], DHHS)

The Center for Mental Health Services (CMHS), in partnership with states, leads national efforts to demonstrate, evaluate, and disseminate service delivery models to treat mental illness, promote mental health, and prevent the development or worsening of mental illness when possible. To provide leadership for improved services, CMHS conducts knowledge exchange and information/education programs; facilitates development and application of scientifically established findings and practice-based knowledge; promotes high quality, effective programs and services; collaborates with other federal agencies and departments; works closely with the SAMHSA Center for Substance Abuse Treatment and Center for Substance Abuse Prevention to address co-occurring mental illnesses and substance abuse problems; emphasizes comprehensive, integrated systems of care, including consumer and family self-help programs; encourages recovery empowerment and participation in the design, delivery, and evaluation of mental health services; and sponsors policy research to address managed care delivery systems movement. CMHS administrates Community Mental Health Service Block Grants (CMHSBG) in partnership with states to provide infrastructure-building financial support for program start-ups, improving rural service access and management information systems (MIS); services integration to support coordination of children's mental health, medical, dental, and education services; assessment of special population needs; training programs for emergency health care providers; patient assessment and program evaluation; referral protocols; support for case managers for travel and meeting expenses for Mental Health Planning Councils; leverage to attract matching funds from private organizations; and direct services.

Transportation is an allowable expense within the CMHSBG. However, SAMHSA does not require states to report on transportation activities or the expenditure of CMHSBG funds for transportation activities. Transportation is not likely to be a significant component of CMHSBG-funded activities.

Substance Abuse Prevention and Treatment Block Grant (SAMHSA, DHHS)

The Center for Substance Abuse Treatment (CSAT), Division of State and Community Assistance (DSCA), developed the State Systems Development Program (SSDP) to enhance federal and state accountability for the Substance Abuse Prevention and Treatment (SAPT) Block Grant. The SSDP encompasses the development of a standard application to report statewide substance abuse prevention activities and treatment services delivery plans; the conduct of state prevention and treatment needs assessments; the conduct of on-site State Alcohol and Other Drug (AOD) Systems Technical Reviews; the provision of targeted technical assistance (TA) to states; and the creation of a national database of current prevention activities and treatment services delivery information. The SSDP provides a structure for the federal government to guide and monitor substance abuse prevention activities and treatment services supported by the SAPT Block Grant on state, regional, and national scales while providing states with the flexibility to plan, carry out, and evaluate state-specific solutions to local AOD prevention and treatment needs.

Transportation is an allowable expense within the substance abuse prevention and treatment-related activities funded under the SSDP. However, SAMHSA does not require states to report on transportation activities or the expenditure of funds for transportation activities. Transportation is not likely to be a significant component of SAPT Block Grant-funded activities.

Table 4-4. Typical local program contacts.

Type of Agency to Contact	*Kinds of Programs Often Administered*
State Medicaid offices	Medicaid
Area Agencies on Aging (AAAs) or Councils on Aging (COAs)	Title III-B supportive services and senior centers, Nutrition programs (Title III-C), Caregiver support (Title III-E), Adult day care
Veterans hospitals or medical centers	Veterans Medical Care Benefits
Local public transit authorities	ADA paratransit services, Job Access and Reverse Commute, New Freedom, Section 5310 Elderly and Disabled, Section 5311 rural transit services
Local welfare departments Divisions of family services	TANF, Social Services Block Grant
Private nonprofit organizations	Section 5310 Elderly and Disabled program, Some programs for seniors, Job Access and Reverse Commute
Metropolitan Planning Organizations (MPOs)	Most public transit programs, Most highway programs, Some aging and anti-poverty programs, (Occasionally) Employment programs
Councils of Governments (COGs)	Generally, same programs as MPOs
Workforce Development Boards: One-Stop Centers	Workforce Investment Act programs
Local and county governments	Many of the above programs
Local, county, or state community action agencies	Community Services Block Grant
Sheltered workshops Vocational rehabilitation agencies Departments of mental retardation	Vocational rehabilitation programs, Developmental disabilities programs, Mental retardation programs
State Departments of Transportation (DOTs)	Transit in small urban and rural areas, Congestion Mitigation and Air Quality Improvement Program (CMAQ)
State Units on Aging (SUAs) (especially for smaller states)	Title III-B supportive services and senior centers, Nutrition programs (Title III-C), Caregiver support (Title III-E), Adult day care

Typical Local Program Contacts

Local agencies often have a strong role in the administration of the previously discussed programs, including reporting and costing functions. Table 4-4 indicates typical local contacts, but responsibilities vary widely from state to state and locality to locality (*19*). Key local agency contacts often include state Medicaid offices, Area Agencies on Aging, VA medical centers or other facilities, transit authorities, local governments, nonprofit organizations, and metropolitan planning organizations or councils of government.

Funding Portability

This project investigated the portability of funding for the most significantly funded transportation programs. Useful concepts were found in the following definition of portability: "Portability of funding is the extent to which funding for individual options or program places can be transferred between service providers" (*22*). This policy statement speaks to "the principle of choice for people with a disability."

Instances of problems with funding portability were not found in the analysis of key transportation programs. The funding programs examined do seem to encourage portability for individuals who are eligible for human service programs that are able (at least to some degree) to

choose the provider of service that they wish to have. One significant exception to this finding would be those state Medicaid programs that use federal administrative funds for transportation and thus do not allow "freedom of choice" in terms of the transportation or the medical provider for the client. Similarly, residents of a state in which their state Medicaid program had been granted a freedom of choice waiver also would not be allowed to select the specific service provider they wished to use.

Most funding programs are not portable in the following respects:

- A person eligible in one community would not be automatically eligible for services in another community or state.
- Someone who is eligible for Medicaid transportation (for example) would not be automatically eligible for services for seniors.

FTA programs are not portable in the sense that funds allocated to one community cannot be automatically transferred to another community. FTA funds for services cannot in general be transferred to human service funding which is tied to the eligibility of specific persons. Within the constraints of such understandings, funding portability is allowable: There usually is the option of an individual receiving transportation services from a variety of providers, subject to least-cost considerations.

CHAPTER 5

A Detailed Look at Issues, Problems, and Potential Solutions

Access to services is still an essential component in the success of any local human service program. In these days of constrained or even reduced budgets and increased client populations, transportation costs are becoming an even greater concern. Therefore, it is critical for human service administrators, managers, and policymakers to have current and accurate information on the total costs and unit costs of providing transportation services, no matter what service delivery method is used. While other factors must be taken into account, such as service quality and services that are conducive to client needs, cost is clearly becoming an increasingly important factor in service delivery decisions. An accurate accounting of costs is a vital aid in all service delivery decisions.

Problems Hindering Uniform Accounting

There are many benefits of adopting a full cost accounting approach for client transportation programs. Despite such benefits, the universal adoption of full cost accounting approaches in human services transportation has been hindered by several issues.

The key issue, of course, is that there are multiple funding sources for human services transportation: some reports have suggested that the current total number of federal programs whose funds could be used (but are not always used) to provide transportation for persons with special travel needs is between 64 and 74 (see Chapter 4 of this volume for a listing of key federal funding sources). Each of these programs has its own supporters, legislation, eligibility requirements, regulations, administrative procedures, local networks, and funding cycles. A potentially confounding factor is that some customers are eligible for transportation assistance under more than one program.

Another major problem is that human service programs that treat transportation as a supportive rather than a primary service often combine transportation costs with the accounts of other services, precluding transportation costs from being reported as a discrete cost category within the agency. Such approaches make it impossible for any organization to directly identify total transportation costs. Any potential solution must recognize transportation as a discrete program or functional activity.

A third major issue is related to the question of whether providing transportation is the primary mission of an agency. On a percentage basis, transportation costs tend to be a small budget item in large budgets managed by state human service agencies. On a dollar volume basis, expenditures for transportation by some human service agencies, such as Medicaid, may be an extremely large percentage of all transportation expenditures in the state.

Other issues that work to create hindrances in the cost identification process include the following:

- **Lack of sufficient account detail in organizational accounting systems.** If designed for other purposes, the account structures (the chart of accounts) in an organization's accounting system may lack sufficient detail to permit adequate accumulation, segregation, and allocation of transportation costs. The Department of Transportation (DOT) requires that their Uniform System of Accounts (USOA) be used by all transit agencies, but non-DOT funded programs lack similar guidance.
- **Failure to capture or allocate agency indirect or overhead costs.** Many local organizations deliver a range of human services rather than just one. In many cases, two or more programs share the expenses of staff and common facilities. To fully reflect the cost of any one service provided by the organization, these shared expenses must be equitably allocated among all direct activities of the organization. Despite substantial federal guidance on this topic, organizations do not always reflect such shared costs in basic schedules of program expenses. Both OMB Circulars A-87 and A-122 detail uniform federal requirements for allocated organization central service or indirect costs to their respective operating programs/departments. Despite these longstanding requirements, some state agencies, such as the Illinois and Indiana Departments of Transportation, have observed that substate grantees under the Section 5311 Program (Nonurbanized Area Formula Transportation) do not have adequate cost allocation plans in place.
- **Lack of common definitions for accounts.** Accounting practices vary at each local organization. A certain expense at one agency may be classified as a totally different kind of expense at another organization. Fuel, for example, may be treated as a "fuel" expense by one organization and as "program supplies" by a comparable organization. Common definitions could facilitate more uniform approaches to cost accounting.
- **Lack of common definition of service units.** Even in organizations that account for transportation as a discrete program service and that equitably assign all general and administrative overhead expenses to each benefiting program operated by the agency, there may be deficiencies in tabulating and recording service data that result in few meaningful insights for management. Different agencies have adopted varying reporting practices for units of services (e.g., hours, miles, passengers, trips) and, in some cases, have adopted different definitions of a particular unit of service (e.g., trip). Identifying costs is merely a first step in a more rational cost accounting process; common approaches to unit cost reporting also are needed.
- **Failure to capture service unit data.** Again, even in agencies that practice full cost accounting for transportation, not all organizations capture the requisite level of service unit data to perform meaningful cost analysis.
- **Pooling funds from multiple funding sources.** In some cases, federally supported programs are managed and administered in concert with corresponding state programs. In Oregon and Arizona, for example, Medicaid funding has been blended with significant state funding to provide a comprehensive health care system for a defined user population. Similarly, many states (Ohio is a good example) have developed a wide range of program services under their respective welfare-to-work initiatives that include blending federal and state funds well beyond that of grant matching program requirements. Blended programs can create accounting difficulties because entities at the local level may not have the accounting structures in place to segregate expenditures allocable to only the federal portion of program expenditures. In other cases, a local entity many not even be aware of the specific mix of federal and state funds provided by a state agency to implement program activities.
- **Use of capitated payments.** For some programs, particularly those that have adopted a managed care approach to client service delivery, some states have established a fixed rate payment system to pay for a large range of eligible client services, including transportation. This feature

has become common for Medicaid managed health care services provided in both residential and non-residential facilities; fixed rate payments also can apply when client services are provided in a long-term care facility. The provider is contracted to provide comprehensive services at one specific overall rate, which may include any transportation cost necessary to help the client access the service. In such programs, the state administering agency typically will not require the provider organization to segregate transportation costs. In these cases, the true costs of transportation are being underreported.

The key federal programs previously discussed are administered at the state and local levels. Even those states recognized as leaders in the coordination of human services transportation services are still grappling with some cost and cost allocation issues for these services in 2010.

The examples of actual operations of these human services transportation programs illustrate a wide variety of issues, problems, and potential solutions in the area of tracking and reporting transportation costs. Many of these issues, problems, and solutions are not news to persons highly familiar with coordination and cost issues, but they do bear repeating because they continue to frustrate achievement of best practice solutions and, therefore, must be addressed and overcome:

- Transportation costs often are combined with generalized accounting categories that do not allow specific reporting for transportation costs.
- While transportation costs often are well-known and usually well-recorded by transportation providers, this information often is not required to be reported (and hence is not reported) to higher level agencies that help fund the purchase of transportation services.
- Partially as a result of these kinds of practices, overall transportation expenses tend to be significantly underreported.
- Reimbursement rates for transportation services may or may not have any direct relationship to the costs charged for providing services.
- The costs of administering transportation services may not be reported separately from all administrative costs.
- Staff travel for the purpose of transporting clients often is unreported.
- Identifying the federal programs involved in funding transportation services at the local level may be difficult because of the consolidation of state and federal funding sources at that level.
- When transportation is a very small element of a program's budget, program administrators are understandably reluctant to undertake expensive reconfigurations of existing data collection and reporting systems.

Understanding and addressing these issues requires that we specifically consider a variety of factors (*23*). These factors will be discussed after an examination of state and local transportation service and cost accounting practices.

- Current situations creating reporting and billing problems are:
  - Widely varying regulations regarding client eligibility
    - Varying responsibilities for eligibility determination,
    - Widely varying reporting requirements,
    - Lack of understanding of reporting costs,
    - Different understandings of the meaning of coordination, and
    - Changing reporting requirements at different levels of government.
- Potential solutions to some of these issues are:
  - Human service agencies should accept reporting formats commonly available from transportation operators,
  - Human service agencies should be in charge of all eligibility determinations, and
  - Transportation providers should implement computerized billing and accounting systems that provide the kinds of data commonly required to support human service agency billing requirements.

State and Local Cost Reporting

Successful State Practices and Procedures

States that have had a relatively successful (and sometimes long) history of dealing with human services transportation cost analysis and allocation were contacted to learn more about their practices and procedures. These states were Arizona, Florida, North Carolina, Ohio, and Oregon. In terms of the development of cost allocation methodologies, Florida, North Carolina, and Ohio provided the most relevant results.

Florida

Florida can claim one of the longest histories of transportation coordination efforts. Their Community Transportation Coordinator (CTC) program has progressed to the point where they require standardized reporting and cost estimating from all transportation providers working with the Commission for the Transportation Disadvantaged (CTD).

Since 1989, the CTD has administered the Transportation Disadvantaged program. The CTD, an independent commission housed administratively within Florida's DOT, is the state-level policy board responsible for the overall implementation of transportation disadvantaged services. The CTD appoints a local coordinating board for each of Florida's 67 counties, usually contracting with an MPO or other local planning agency. The local coordinating board is responsible for appointing, evaluating, and generally overseeing the CTC in each county. Local coordinating boards also provide local assistance to the CTCs, identifying needs and providing information, advice, and direction. The CTC is responsible for the actual delivery of transportation services for the disadvantaged residents of a county and may provide transportation disadvantaged services directly, serve as a broker that contracts with local providers through competitive procurement processes, or function in a combination of these roles (*24*).

Although not all human service trips in Florida are provided through the CTC program, the vast majority of such trips are. Over a number of years, the CTD has developed an extremely sophisticated system of reporting costs and performance measures and has issued impressive Annual Performance Reports documenting the major accomplishments of the program, system performance, and planned activities. A high level of detailed information is reported on a county-by-county basis and then summarized at the state level. The commission's 2006 Annual Report lists as one of their major accomplishments the development of "an interagency billing and accounting system that shall be used by all Community Transportation Coordinators and their transportation operators" (see Chapter 6 for details of their rate calculation software tool) (*25*).

Florida's transportation disadvantaged services depend to a large extent on competitive bidding. The CTC for each county is selected for a 3-year term, based partly on the proposed rates for services over that time period. Agencies submitting proposals to serve as CTCs are to provide estimates of budgeted expenditures and projected numbers of passenger trips or miles as a basis of comparison with other proposers. Thus, relatively accurate projections of costs and services are an integral part of the selection of the CTCs for a multi-year period of time.

Viable rate structures also are one of the most significant outputs of a robust cost accounting system. If transportation cost accounting is done correctly, transportation agencies will know what rates to charge to recover their costs, and transportation purchasers can have confidence that those rates are fair and accurate.

The fundamentals of the Florida rate structure methodology include the following (*26*):

- Transportation disadvantaged rate schedules should be cost-based.
- These rates should be proposed during the acquisition and selection process for a 3-year period; different rates should be proposed for each year.

- All CTCs should be selected on a competitive basis.
- Rates should be supported by costs not included in any other contract and made up of projected costs that are identifiable and able to be allocated in accordance with accepted cost allocation methods.
- Rates should be self-adjusting to reflect actual costs incurred in the previous year.

There are real benefits to the levels of standardization and automation involved in the use of the CTD's rate calculation template. The costs of different services in different areas can be compared, exemplary systems can be identified, and operators who require additional technical assistance can be identified. Beyond that, the available data can be compiled into the kinds of annual reports that the CTD provides to the Florida state legislature. Florida's program is certainly one of the very best in the amount of detailed cost information collected across an entire state.

North Carolina

The state of North Carolina has been one of the leaders in the coordination of transportation services for many years and has received national recognition for its efforts. A 1978 Governor's Executive Order mandated the coordination of human services transportation in the state. That Executive Order has been followed by other directives that have established an intensive statewide transportation planning process that has provided substantial state funding for public and specialized transportation services, has led to the formation of various transportation coordination study efforts, and has stimulated the coordination and consolidation of transportation operations throughout the state. North Carolina's DOT and Department of Health and Human Services (NCDHHS) have been leaders in these efforts.

Issues of accounting for trips taken and the costs associated with those trips have been at the forefront of North Carolina's efforts to improve transportation coordination. In late 2002, at the direction of the Secretary of the NCDHHS, a group of influential program managers and policymakers representing all NCDHHS programs that fund client transportation services was assembled to participate in an in-depth study of the department's client transportation services. The need for improved and expanded transportation services had long been recognized; however, up until that point, little had been done to analyze the spending data, pool resources, or share resources across NCDHHS programs. The group, later known as the **Transportation Report Information Project (TRIP) Team,** spent 12 months researching human services transportation issues at the federal, state, and local levels.

The TRIP Team's initial task was to identify the department's State Fiscal Year 2001–2002 client transportation expenditures. A "TRIP Grid" was developed as a template for documenting program-specific information. Each member was asked to research and document the eligibility requirements, reporting procedures, funding restrictions and barriers, cost data, and other special issues associated with the delivery of client transportation services for the programs they represented. This task was frustrating for some team members because the cost data were simply not available.

> The "TRIP Grid" provides cost information regarding purchased services (e.g., bus tickets, taxis, van services, car repairs, car insurance, mileage reimbursements, gas vouchers, attendant transportation costs, volunteer drivers, vehicle modifications, vehicles purchases, driver's education training, etc.) and *some* administrative costs. Determining an accurate account of the Department's "true" transportation costs during this time period is not possible for most divisions/offices because as currently designed, **the reporting systems do not allow the data to be captured** [emphasis added]. Transportation is not always tracked separately from other program expenditures; therefore, *estimates* were made when necessary. **While the total expenditures are documented at $59,719,885, it is believed that the actual cost is much higher, possibly over $100 million** (*27*).

The TRIP Grid Executive Summary identified a number of special issues that are key to cost reporting to facilitate cost sharing agreements, including the following:

- Administrative cost reporting.
- Unit rate reimbursements.
- Staff travel versus client transportation expenses.
- State facilities' transportation costs.
- Transportation line item budgets.
- Consolidated state and federal funding sources.

Among the TRIP Team's recommendations, the following can be considered as most important:

- **Implementation:** The recommendations for collecting and reporting data should be implemented as an interim procedure and evaluated over time before costs are incurred to develop additional systems. State and local staff should receive training and technical support.
- **Planning and Coordination:** To the extent possible, all state and local governmental agencies and private organizations that receive or use NCDHHS-administered program funds to support transportation services shall
  a. Participate and coordinate with other state and local government agencies, private organizations, transportation planners, providers of services, and consumers in the planning, design, and delivery of human services transportation;
  b. Include such entities in the planning for program services; and
  c. Address client transportation needs in the development of state and local program plans.
- **Regional Coordination/Consolidation:** The TRIP Team strongly supported the concept of regional transportation systems instead of single county systems, finding that "regional systems facilitate maximum utilization of existing resources, better communication and collaboration, and consolidation of transportation services" (*27*). The team recommended that NCDHHS strongly support the state DOT's efforts to consolidate the local systems to form regional systems.
- **Funding:**
  – All state and local NCDHHS-funded agencies and subgrantees must develop a system for tracking all client transportation costs by funding source;
  – All state and local NCDHHS-funded agencies that purchase transportation from public or private transportation providers should execute written agreements or contracts authorizing services and providing assurances that safety and liability insurance requirements will be met by the contractor; and
  – NCDHHS agencies should purchase the most economical means of transportation appropriate to an individual's needs. Because most NCDHHS agencies do not calculate fully allocated transportation costs, agencies should identify standard local charges or reimbursement rates and generally pay no more than this amount.

Many of the activities of the NCDHHS have been conducted in close collaboration with the North Carolina DOT. North Carolina DOT has developed a computerized cost-allocation methodology that is another powerful model for application in other states. The details of that model are presented in Chapter 6.

Ohio

Transportation coordination efforts in Ohio are led by the Ohio Statewide Coordination Task Force, created in 1996 to remove barriers preventing the successful coordination of transportation programs and resources among state and local agencies and organizations. The creation of the task force was the result of a strategic planning workshop on coordinated transportation and human service delivery conducted by the Chicago Regional Office of the U.S. Department of Transportation, Federal Transit Administration (FTA), and the U.S. Department of Health and Human Services (DHHS).

The task force has been committed for more than 10 years to improving and increasing access to state agency programs and services and to enhancing service and program quality, and ultimately the quality of life, for Ohioans through transportation coordination. Membership on the task

force has fluctuated over the years due mostly to the turnover of staff at the various agencies, but it currently consists of agency representatives from the Ohio Departments of Transportation (ODOT), Ohio Department of Aging (ODA), Ohio Department of Job and Family Services (ODJFS), Ohio Department of Mental Health (ODMH), and Ohio Department of Mental Retardation and Developmental Disabilities (MR/DD), as well as the Ohio Rehabilitation Services Commission (ORSC), the Governor's Council on People with Disabilities, and the Ohio Developmental Disabilities Planning Council. Representatives of Ohio Head Start and the Department of Education, once active participants, no longer participate.

The Ohio Coordination Strategic Action Plan includes Leadership Goal No. 5, which is to "standardize State program requirements as much as possible—driver, vehicle, insurance, reporting, client incident reporting, and training requirements" (*28*). ODOT has taken the lead in this project by requesting information from each of the task force members and their programs. Some of the information requested includes sample forms used locally for reporting transportation services to the applicable state agency and copies of any applicable recordkeeping/reporting regulations, policies, or guidance that outlines what information must be reported or what records must be kept for later audit or review.

As background for their efforts, the task force used the study, *Final Report: Standard Transportation Program Reporting and Reimbursement Requirements* (*23*). This 2001 project, conducted in partnership with the task force, looked primarily at the feasibility and practicality of standardizing reporting and invoicing requirements among state agencies that directly or indirectly fund transportation services. Conclusions of the 2001 study were that while the state sets the overall reporting requirements based on the federal funding requirements and regulations, local requirements are added to the state requirements because implementation is handled locally, and these additions can become burdensome and duplicative.

Local Provider Cost Reporting Practices

Using a convenience sample, a small survey of rural and human services transportation providers across the United States was conducted to identify cost categories currently in use by those services. Eight transportation providers were identified who used various accounting approaches to report their costs. (Using a convenience sample means that the respondents are not statistically representative of all such transportation providers in the country.) Both publicly (city or county) run and private nonprofit providers were contacted. In addition, providers who operate their own service and those who either contract to private companies or use volunteer drivers to provide the actual service were included. A description of the general characteristics of each provider surveyed is in Table 5-1. One small provider asked not to be identified by name.

Transportation Services

Three systems were publicly operated services in which the transportation function is an integral part of the city or county government. The remaining five are operated by private, nonprofit organizations. Of those five, four operate as a department or program within a larger agency. The fifth, the Northern Nevada Transit Coalition, is dedicated to providing transit services, but it contracts with private operators to provide services. Seven of the agencies surveyed offer transportation to the public within their service areas, with the exception being the "volunteer driver" program (the program that asked that its name not be listed).

All eight agencies have contracts with human service agencies to provide trips to agency clients. For the nonprofits, this means serving clients in addition to their own. The eight systems (including the volunteer driver program) own between seven and 31 vehicles. Employees range

Table 5-1. Characteristics of transportation systems interviewed.

Name	*Access Scioto County Public Transit*	*Shelby Public Transit*	*SMART Transit*	*Coastal Trans, Inc.*	*COAST*	*Hancock County Senior Services, Inc.*	*Northern Nevada Transit Coalition*	*"A Volunteer Driver Program"*
Location	Portsmouth, Ohio	Sidney, Ohio	Wilsonville, Oregon	Rockland, Maine	Colfax, Washington	Greenfield, Indiana	Elko, Nevada	Colorado
Type of Organization (Provider)	COUNTY	COUNTY	CITY	NON-PROFIT	NON-PROFIT	NON-PROFIT	NON-PROFIT	NON-PROFIT
Parent Organization	Scioto County	Shelby County	City of Wilsonville	Methodist Conference Home	Council on Aging & Human Services	Hancock County Senior Services	NA	A Multipurpose Agency
Operate or Contract for Trips	Operate	Operate	Operate	Operate	Operate/Contract	Operate	Contract	Volunteer Drivers
Public Transportation Offered	yes	yes	yes	yes	yes	yes	yes	no
Contract with Human Services Agencies	yes	yes	yes	yes	yes	yes	yes	yes
Number of Vehicles Owned	12	14	31	24	23	7	18	13
Number of Transportation Employees (FT / PT)	21	4 / 5	38	36	5 / 6	13	2	2 / 1
Software Used to Track Expenses	Excel	Excel, MUNIS	Eden	SBT Vision Point	GMS	Peachtree	Excel / Quick Books	Financial Edge

from a minimum of 2 or 2.5 administrative employees for the two programs using contract operators or volunteer drivers to the largest providers, which are Coastal Trans in Maine—a nonprofit organization with 36 employees—and SMART in Oregon—a city-run program with 38 employees.

Accounting Practices at Each Agency

Table 5-2 compares the entries used by each system in their chart of accounts to an overall chart of accounts. The following paragraphs describe similarities and differences among these providers in terms of the major transportation expense categories.

- ***Labor Costs***—All providers surveyed are aware of the need to include all types of labor contributing to the operation of their service as transportation costs. The two nonprofits that contract with outside companies or use volunteer drivers to operate service correctly include only administrative costs in the labor category. All others record operator (drivers) and dispatcher (if they have any) salaries as separate line items. Within the labor category, all providers surveyed recognize and include as transportation expenses payroll taxes, workers' compensation, and a variety of fringe benefits. The city and county operators also tracked additional detail for bonuses, longevity pay (a type of bonus incentive for staying in the job for a minimum amount of time), and the increment in pay that an employee receives when filling in for a higher paid colleague.
- ***Contracted Services***—Four of the eight providers surveyed purchased additional transportation from outside sources when demand required. Also of note, six of the eight did not employ mechanics to repair and maintain their vehicles but contracted the maintenance for vehicles as well as office equipment, including computers and sometimes the maintenance of their building facilities. Most agencies surveyed contracted for a variety of services including auditing (professional), training, and medical (employee physicals which must be done every 2 or 3 years by law and mandatory drug testing).
- ***In-Kind Contributions of Services***—Two agencies mentioned a significant availability of in-kind services that contribute to their operations. Coastal Trans reported that they used to track the incoming in-kind contributions for rent, drivers, maintenance, and other volunteer services in the income section of their income statement. This required that the outgoing expense also be included in the expense section of the statement. Because it had no effect for their decision making, they have discontinued this additional recordkeeping. The volunteer driver program in Colorado also reported significant in-kind contributions of defensive driver training, car washes, map books, and software. These contributions have never been included on the program's accounting statements. To the extent that these contributions may vary in availability each year, it could be important to record their type and value, because the expenses might have to occur anyway if they were not contributed in-kind.
- ***Transportation-Specific Expenses***—For two providers, the major categories of Fuel and Tires were not recorded separately. SMART records these expenses under Fleet Services, which is a category allocated as Indirect Costs across the several city departments (including SMART) which have vehicles to maintain. COAST includes them in other categories: Transportation Supplies and Repairs and Maintenance, respectively.
- ***General Administrative and Miscellaneous Expenses***—All providers recognized the need to include a wide variety of office-related, communications, technology-oriented, travel, and financial expenses as an integral part of their recordkeeping. Two of the nonprofit providers recorded fundraising expenses as a separate line item, which shows an understanding that this category must be a separate line item when preparing federal nonprofit organization information tax returns (Form 990). To the extent that the provider is a program under a larger nonprofit organization, these expenses could be tracked by the parent agency, even if they are not recorded by the transportation provider.

Table 5-2. Expense items used in charts of accounts.

Transportation Function Expense Account	*Access Scioto County Public Transit*	*Shelby Public Transit*	*SMART Transit*	*Coastal Trans, Inc.*	*COAST*	*Northern Nevada Transit Coalition*	*"A Volunteer Driver Program"*	*Hancock County Senior Services, Inc.*
LABOR								
Operators' salaries and wages	X	X	X	X	X	Contract out	Volunteers	X
Training salaries and wages: Operators			X					
Dispatchers' salaries and wages	X	X	X		X			X
Administrators' salaries and wages	X	X	X	X	X	X	X	X
Mechanics' salaries and wages		X	X					
Overtime		X	X					
Bonuses/Longevity Pay	X	X	X					
Temp Pay/"Fill-in sub" extra pay increment	X	X	X					
PAYROLL BENEFITS								
FICA-Employer share: Operators	X	X	X	X	X			X
FICA-Employer share: Dispatchers	X	X	X		X			X
FICA-Employer share: Administrators	X	X	X	X	X	X	X	X
FICA-Employer share: Mechanics		X	X					
Unemployment Insurance: Operators	X	X	X	X	X			X
Unemployment Insurance: Dispatchers	X	X	X		X			X
Unemployment Insurance: Administrators	X	X	X	X	X	X	X	X
Unemployment Insurance: Mechanics		X	X					
Worker's Compensation: Operators	X	X	X	X	X			X
Worker's Compensation: Dispatchers	X	X	X		X			X
Worker's Compensation: Administrators	X	X	X	X	X	X	X	X
Worker's Compensation: Mechanics		X	X					
FRINGE BENEFITS								
Health, Life, &/or LT Disability Insurance: Operators	X	X	X	X	X			X
Health, Life, &/or LT Disability Insurance: Dispatchers	X	X	X		X			X
Health, Life, &/or LT Disability Insurance: Administrators	X	X	X	X	X		X	X
Health, Life, &/or LT Disability Insurance: Mechanics		X	X					
Retirement/Pub.Empl. Ret. Syst. (PERS): Operators	X	X	X					
Retirement/Pub.Empl. Ret. Syst. (PERS): Dispatchers	X	X	X					
Retirement/Pub.Empl. Ret. Syst. (PERS): Admin.	X	X	X			X	X	
Retirement/Pub.Empl. Ret. Syst. (PERS): Mechanics		X	X					
Unused Sick Leave-paid at retirement: Operators	X	X						
Unused Sick Leave-paid at retirement: Dispatchers	X	X						
Unused Sick Leave-paid at retirement: Administrators	X	X						
Unused Sick Leave-paid at retirement: Mechanics		X						
Unused Vacation-paid at retirement: Operators	X	X	X		X			X
Unused Vacation-paid at retirement: Dispatchers	X	X	X		X			X
Unused Vacation-paid at retirement: Administrative	X	X	X		X	X		X
Unused Vacation-paid at retirement: Mechanics		X	X					
All "Earned Time Off" paid at retirement: Operators				X				
All "Earned Time Off" paid at retirement: Admin.				X				
PURCHASED TRANSPORTATION SERVICES	X		X		X	X		X

(continued on next page)

Table 5-2. (Continued).

Transportation Function Expense Account	*Access Scioto County Public Transit*	*Shelby Public Transit*	*SMART Transit*	*Coastal Trans, Inc.*	*COAST*	*Northern Nevada Transit Coalition*	*"A Volunteer Driver Program"*	*Hancock County Senior Services, Inc.*
CONTRACTED SERVICES								
Professional and Technical Services	X	X	X	X	X	X		X
Contract Maintenance Services	X							
Janitorial Services	X							
Contractual Services			X			X		
Employee Physicals/Medical Testing	X	X		X				X
Criminal and Driving Checks								X
Towing				X				
Maintenance and Repairs-Equipment	X	X	X	X	X	X		X
Maintenance and Repairs-IT	X	X			X	X		
Maintenance and Repairs-Vehicles	X	X	X	X	X	X	X	X
Maintenance and Repairs-Infrastructure			X	X		X		
TRAINING AND SAFETY								
Training (All kinds)	X		X	X	X	X		
Safety Training and Supplies		X	X					
MATERIALS AND SUPPLIES								
Fuel and Lubricants	X	X		X		X	X	X
Tires and Tubes	X	X		X			X	X
Inventory Purchases								
Other Materials and Supplies/Operating Supplies	X	X	X	X	X	X		X
Uniforms	X	X	X	X				
CASUALTY AND LIABILITY COSTS								
Premiums: Physical Damage Insurance/Vehicle	X	X	X	X	X		X	X
Premiums: Public Liability and Property Damage/Liability	X		X	X	X	X		X
RENTALS & LEASES								
Rental or Leased-Equipment	X			X	X			
Rental-Property	X	X		X		X		X
Vehicle Leases	X			X				
TAXES								
Vehicle Licensing and Registration Fees	X			X	X	X	X	X
Fuel and Lubricant taxes	X							X

GENERAL ADMINISTRATIVE EXPENSES								
Advertising	X	X	X	X	X	X		X
Postage		X	X	X	X	X		X
Printing and copying	X	X	X	X	X	X		
Office Supplies/Minor Equipment		X	X	X	X	X		X
Computer Software/Internet Access		X	X	X		X		X
Telephone		X	X	X		X		X
Communications (Cell phones/Pagers/2-Way Radios)	X		X	X	X	X	X	X
Interest and Penalties	X			X	X	X		
Bank Charges				X		X		
Utilities	X			X	X	X		
MISCELLANEOUS EXPENSES								
Dues/Subscriptions/Publications		X	X	X	X	X		X
Travel and Meetings	X	X	X	X	X	X	X	X
Employee Meals				X				
Mileage and Parking/Employee	X	X	X	X	X			
Volunteer Mileage Reimbursement				X	X			
Fundraising Expenses				X				X
INDIRECT (ALLOCATION OF AGENCY-WIDE) COSTS	X		X	X	X		X	X
CAPITAL EXPENSES								
Machinery and Equipment			X	X	X			X
Vehicle Purchases-Local Match			X	X		X	X	X
Vehicle Purchases-Full Cost				X	X			
Computer Equipment			X	X				
DEPRECIATION/REPLACEMENT SURCHARGE								
Depreciation: Passenger Revenue Vehicles				X				
Surcharge for Vehicle Replacement	X							
RELEVANT BALANCE SHEET ACCOUNTS								
ASSETS								
Capital Replacement Fund-Vehicles	X		X	X				
LIABILITIES								
Accrued Sick Leave	X							
Accrued Vacation Leave	X		X		X	X		
Accrued "Earned Time"				X				

- ***Indirect Costs (Allocation of Agency-Wide Costs)***—A very important finding of the survey was that the providers that are components of a larger agency very often included in their costs a line item called Indirect Expenses. This added expense reflects an allocated portion of the total costs encumbered throughout the larger agency that contributes in some manner to the successful operation of the transportation function. These costs could include a portion of the building costs such as rent or utilities, overall administration such as the agency director's salary, the copy machine if used by the entire agency, and the overall phone system. Agencies that use this indirect cost add-on show that they understand that the true cost of their services must include the overall support that their parent organization supplies.
- ***Vehicles***—As stated earlier, all eight providers own their own vehicles. Even the nonprofit agency using volunteer drivers provides them with vehicles because of the liability issues of using any individual volunteer's personal vehicle. The sources of the vehicles used by all eight providers most often were the DOT programs 5310 and 5311, which were described by all as having either a 10 or 20 percent local match requirement. For one of the agencies surveyed, the vehicle acquisition process was considered to be outside of the cost recording procedure. For Shelby Public Transit, the county (as the parent agency) handled the acquisition and the provision of the local match. For the Nevada nonprofit that contracts out its service, a new source of funding is tapped each time a vehicle is needed. This provider also may spend some of its excess of income on expenses such as the match for a new vehicle if no other source is available at the time. However, there is no Capital Replacement Fund per se.

For the six agencies whose accounting systems did recognize the fact that vehicles must be periodically replaced, there were two distinct ways that the surveyed providers recorded the cost of their vehicles. Three—Access Scioto, SMART, and Coastal Trans—have a Capital Replacement Fund on their balance sheets to accumulate cash to be ready for a future purchase. Access Scioto County actually charges a Vehicle Replacement Surcharge for each trip provided under its contracts. The money goes directly into its Capital Replacement Fund. Alternatively, the other three—the Northern Nevada Transit Coalition, the volunteer driver program, and Hancock County Senior Citizens—recognize the vehicle expense when the transaction occurs by recording the incoming funds for replacing a vehicle as income and then the outgoing funds used to purchase the vehicle as an expense. In their cases, as for the two providers described previously, the parent organization is involved in the application for grants for their transportation arm. However, the fact that they record the income and expense on the transportation program's section of the books is evidence of their awareness of its significance for cost recognition.

Lessons Learned from These Examples

First and foremost, there clearly are no standard cost reporting practices among this small sample of providers. Even though this convenience sample is not statistically representative of all transportation providers across the country, the conclusion about the lack of standardization appears to be generally valid. Second, the reporting practices of most of these transportation providers are highly influenced by their funding sources or parent agencies. This speaks to the need to influence these agencies to be able to institute standardized cost reporting practices on a wide-scale basis. Other findings are noted in the next section.

Review of State and Local Reporting Problems

Widely Varying Eligibility Requirements

Whether or not a particular individual is eligible for special transportation services may depend on a large number of factors, some of which can be subject to rapid change. Various program eligibility criteria may include the following:

- Age.
- Income level.
- Disability.
- A maximum number of eligible trips per month for a given passenger.
- Time since eligibility was granted; variations include
  - 1-year periods,
  - half-year periods,
  - month-to-month, and
  - daily or trip-by-trip eligibility variations (e.g., due to weather).
- A minimum number of trips that an individual must provide for themselves in a given month before they are eligible for transportation assistance in that month.
- Allowable trip purposes.
- Allowable trip origins and destinations.

More effort is required by local human service agencies and transportation providers to manage those trips with more rigid eligibility requirements and shorter eligibility timeframes. Communication needs to be more frequent regarding these passengers; the human service agency needs to provide regular eligibility updates to the transportation provider. Tracking eligibility is especially a problem area with some human service programs like Temporary Assistance for Needy Families (TANF) because of the different funding sources and varying timeframes for each. These varying time-specific criteria make it difficult to track eligibility, especially for those transportation providers that provide trips under contract to several local agencies at the same time.

Varying Responsibilities for Eligibility Determination

The transportation provider typically relies on ongoing eligibility updates from the agency providing services to the rider. In some cases, the local agency may provide a list of eligible passengers to the transportation provider on a weekly or biweekly basis. This kind of fluid eligibility process can cause the transportation provider to transport ineligible passengers and therefore not recover costs for the trips taken by ineligible riders.

Widely Varying Reporting Requirements

Many federal DOT-funded transportation systems need records to identify expenses used for local matches. Agencies that have not participated in DOT programs do not need to segregate such data because knowing this information has a negligible effect on their programs' required federal reporting. Consequently, the financial administrators of these agencies have a hard time supporting the task of reprogramming their data collection systems and processes to segregate the information because of the significant investment in the cost of changing their management information systems for little or no significant benefit because transportation is a very small proportion of their total budgets.

Several agencies do not track transportation as a separate line item but instead lump it together with other support services into an "other" category. In such cases, it is extremely difficult to address questions of how much transportation has been provided to their customers and at what costs.

Understanding the Costs of Reporting Requirements

Many transportation providers have expressed frustration with the level of effort that they are required to invest in customer eligibility tracking, data requirements, and reporting/invoicing processes. These time-consuming administrative activities take time away from delivering coordinated transportation services and contribute to increased administrative costs for the contracting

agency. Transportation providers should record and monitor such costs so that they may be recovered from the agencies requiring such reports.

Different Understandings of the Concept of Coordination

There are many different understandings of the meaning of coordination. Some people believe that coordination means they should be able to instruct everyone else how to behave. Others believe that coordination means they should be the only transportation provider in town and that other agencies should become purchasers of all transportation services from them. These perspectives are at odds with the more productive approach of treating all participating agencies as partners who share the responsibilities for management, operations, and funding and who all share the benefits from providing more cost-effective transportation.

Coordination often involves managing the operations of many separate transportation providers, which can be done through an agency that brokers trips throughout a community. There are instances, however, where brokerages can be more of a problem than a solution. For example, some Medicaid brokerages have exclusively served Medicaid clients; they do little to coordinate with the clients of other agencies and as much as possible to purchase low-cost, lowest quality of service. Does the broker simply obtain the lowest trip costs for a limited number of riders, or does the broker have access to other agencies' transit resources to gain efficiencies by promoting shared rides? The former simply is a transfer of administrative responsibilities and only adds a layer of bureaucracy, while the latter achieves the intent of true coordination.

Reporting Requirements at Different Levels of Government

State agencies often require very limited transportation data for their own internal reports and for federal reporting purposes. The majority of state agencies, though they obtain greater details from the local agency, typically aggregate the following data for their reporting purposes:

- Total passengers (customers) served (more frequently tabulated than total trips).
- Total miles of service.
- Rate (the charge for transportation services and the basis for the charges: per mile, per hour, per trip).
- Total cost.

A local agency in one county may require different data from the transportation provider than a similar agency in another county, even though they all eventually report to the same state funding agency (who, in turn, reports to a federal funding agency). The reasons for this vary: data expectations for a local funding source may be more rigid than state agency expectations, the local agency grantee may require specific data for internal analysis or auditing purposes, or the local agency staff monitoring the contract with a transportation provider may have personal reporting preferences. Because the local area has some autonomy from the state agency, the state agency does not, for the most part, dictate specific data requirements or methods for acquiring data at the local level. The state is concerned with getting the data needed for its reporting and analysis purposes and with the local area maintaining adequate records for auditing purposes.

Potential Solutions

Apply a Coordinated Planning Process

To the extent possible, it is critical that all state and local governmental agencies and private organizations that receive or use human service program funds to support transportation ser-

vices coordinate with other state and local government agencies, private organizations, transportation planners, providers of services and consumers in the planning, design, and delivery of human services transportation (*29*). Ideally, these agencies should also include those organizations in the planning for program services. Client transportation needs should be considered in the development of state and local program plans.

U.S. DOT's SAFETEA-LU legislation contains a Congressional mandate that the department's state grant recipients participate in coordinated planning processes to receive DOT funding. While grantees of other federal agencies do not have an explicit requirement to develop and implement coordinated transportation plans, grantees of these agencies are encouraged to participate in the DOT-mandated planning processes. A common criticism of SAFETEA-LU is that the mandate for locally developed human service agency public transportation plans was not accompanied by similar legislation requiring other departments—DHHS, Department of Labor, and others—to also participate in development of local coordinated transportation plans.

Use Commonly Available Reporting Formats

It would be useful if human service agencies accepted reporting formats commonly available from transportation operators. Certainly, there is a state agency role in ensuring that policies and procedures relating to transportation assistance to their customers are clear to the local grantees. Also, the state agencies can play a role in supporting more uniform and streamlined eligibility processes, data requirements, and reporting formats and processes across the local agencies. In addition, it would be helpful if all state and local DHHS-funded agencies and subgrantees developed a system for tracking all client transportation costs by funding source.

Human Service Agencies Should Handle All Eligibility Issues

If the local contracting agency called in reservations for each of their customers, then the transportation providers would not need to be concerned with eligibility issues. This process may not be preferred by agencies because it may increase their workload. Some transportation providers also may prefer the direct contact with the customer. From data gathered, it appears that most customers call in directly to the transportation provider to make their own reservations.

It would be beneficial if local human service agencies were responsible, to the extent possible, for completing service authorization and customer registration forms (the transportation provider can use the information from this to set up customer information—i.e., addresses—in their database).

Use Computerized Billing and Accounting Systems

Ideally, all transportation providers should attempt to use some type of dispatching and scheduling software to manage their data and efficiently produce and modify reports as needed for their contracting agencies and state funders. The transportation provider should be allowed to provide comprehensive data for all contracting agencies in one standardized format to eliminate the need to create modifications for each contracting customer.

Standardize Data Collection Practices

Most individuals in state agencies were not aware of the specific details on how their local offices collect data from the contracted transportation providers. As mentioned, an agency in one county may have different requirements or processes than a similar agency in another county. The state needs aggregate data while the local level grantees often need more detailed data from

transportation providers because the more detailed data may serve as the basis for the state's aggregate figures. Also, the local agency may need certain data to fulfill requirements for its other funding sources or to use for internal analyses or auditing purposes.

A lack of standard data requirements and processes results in duplication of efforts at every level. In Ohio, for example, ODOT requires that rural transportation providers complete quarterly reports in a specific electronic format. The most efficient method for transportation providers using dispatching and scheduling software is to download information directly from their software program to the ODOT form or to customize a report in their software package that contains fields similar to ODOT forms. This eliminates the extra step of the transportation provider keying the information into yet another form. The more information that transportation providers can report from their automated systems, the more efficient they can be.

State agencies should consider promoting more uniform data requirements and processes across their local grantees (e.g., at meetings, conferences, or interactive training sessions with transportation providers). **Most of the state agencies contacted were not aware of how the local grantee was collecting data from the transportation provider.** A first step would be to understand how and what data local grantees are collecting. The state agency may discover that grantees are collecting data that also could be useful for state reporting purposes. Although local grantees have a great deal of latitude in administering their grants, these agencies will likely be open to suggestions for streamlining data requirements and processes, especially if it also reduces their own administrative paperwork.

The Institute for Transportation Research and Education (ITRE) report for the Ohio DOT recommends that **local agencies accept report formats generated by the transportation provider,** especially if the transportation provider is using automated dispatching and scheduling software (*23*). The transportation provider should be able to provide comprehensive data for all of their contracting agencies in one standardized format to reduce modification for each contracting customer. In cases where a standard authorization form is required by the state agency for all of their support services, then the agency form will need to take precedence. We recommend in these cases that those transportation systems with demand-responsive transit (DRT) software reproduce this form in their program so the form can be automatically generated.

CHAPTER 6

Examples of Fully Allocated Transportation Cost Accounting Programs

Introduction

Adopting fully allocated cost accounting practices strongly supports federal grants management goals. First, many federal programs contain regulatory or program guidance that indicates that for funds expended on third party contracts and vendors, due diligence must be exercised to ensure that the lowest cost service is obtained most appropriate to client needs. Second, in situations where an organization is purchasing service from a third party, the purchasing organization needs assurance that it is only paying for services rendered to its own clientele.

This second factor is particularly relevant when a human service organization opts to contract with a transportation provider that coordinates services in the local community. Organizations that coordinate transportation programs at the local level often do so for a multitude of programs and funding sources. For example, JAUNT, Inc., in Charlottesville, VA, has provided services for more than 40 different programs in any given fiscal year. When such broad coordination occurs, purchasers need to be assured that they pay *only* their fair share of program costs.

The Federal Coordinating Council on Access and Mobility (CCAM) has issued a policy on vehicle and resource sharing among differing federal programs that states: "Thus, vehicles and transportation resources may be shared among multiple programs, as long as each program pays its allocated (fair) share of costs in accordance with relative benefits received" (*16*).

While the CCAM policy statement (see Chapter 2 of this volume for the full text) establishes cost allocation as a fundamental process for coordinating similar transportation efforts funded by separate federal programs, this statement does not provide any specific guidance on how to perform the required cost allocation analysis. Another issue to recognize is that organizations that purchase service from coordinated providers may not have the requisite expertise or staff resources to conduct an evaluation of a transportation provider's cost allocation methodologies.

States in which longstanding efforts have attempted to build coordinated transportation infrastructure at the local level have recognized the need to provide tools for both providers and purchasers to assist in the equitable allocation of program costs to users. Such tools provide assurance to transportation service purchasers that they are being charged only their fair share of the costs of transportation. Two states, Florida and North Carolina (long recognized for their coordination efforts), have developed cost allocation and rate-setting models.

Development of Rate Models

The advantage of fully identifying transportation costs is that this information provides an organization with the ability to understand on a per trip or per person basis what it costs to provide that transportation as a direct service. This information also provides a benchmark with

which to compare the unit costs of other service delivery alternatives (e.g., different modes, different providers, different models of service delivery) and thus to make informed management decisions concerning the most cost-effective strategies for service delivery.

A number of years ago, Florida and North Carolina developed tools to assist transportation providers in accumulating data on the full cost of transportation services and translating this cost information into rates to charge to third parties who may be interested in purchasing service from the transit provider organization. Despite being developed independently, both cost allocation and rate-setting models have commonalities. In addition to using simple and commonly understood computer spreadsheet software (e.g., Microsoft Excel), both models

- Require the transportation provider to report all costs as part of the model's input, using a standardized and comprehensive chart of accounts.
- Require the transportation provider to specify projected units of services to be consumed (i.e., vehicle miles and vehicle hours).
- Take into account potential subsidies that may be directed toward a specific client population or program from other than federal sources.
- Compute unit rates for service.

In addition to the Florida and North Carolina efforts, FTA's National Transit Database (NTD) contains a high level of detail on transportation services and costs that more sophisticated agencies may want to emulate. The sections that follow describe these two rate models and provide information on NTD account structure detail.

Florida's Rate Model Worksheet

The Florida Commission for the Transportation Disadvantaged (CTD) has prepared a Rate Model Worksheet to assist local community transportation programs in computing rates for services provided. This Microsoft Excel spreadsheet application provides flexibility by enabling the provider to generate multiple rate structures, including the following:

- Rate per revenue mile.
- Rate per passenger trip.
- Combination rate per passenger trip.
- Add-on rate for ambulatory, wheelchair, stretcher, and group paratransit services.

The model relies on a detailed breakdown of budgeted expenditures for transportation plus statewide data to compute various factors (e.g., wait time, trip grouping, service load rates) that go into decisions regarding the rate-setting process. The model enables a provider to determine fully allocated rates to charge to agencies that enter into purchase-of-service agreements with the provider and enables purchasers to evaluate rates charged by the provider.

The budget input screen permits model users to input historic, current, and projected revenue and expense data. It should be noted that the model uses the NTD-type expense categories (Exhibit 6.1) in this framework's expense account objects.

Once all data are entered into the worksheet and adjustments made (only in the third year), "program-wide" rates are computed (Exhibit 6.2). Reflecting characteristics of Florida community transportation, the model also can compute specialty rates for ambulatory, wheelchair, stretcher, and group paratransit services.

Actual rate computations are estimated, as shown in Exhibit 6.2. Rates are based on projected units of service delivered (i.e., hours and miles) and projected numbers of passenger trips. The model incorporates provisions to adjust rates to reflect actual experience.

Exhibit 6.1. Expenditure entry sheet: Florida Commission for the Transportation Disadvantaged Rate Model Worksheet.

EXPENDITURES (CTC/Operators ONLY / Do **NOT** include Coordination Contractors!)

Operating Expenditures			
Labor			
Fringe Benefits			
Services			
Materials and Supplies			
Utilities			
Casualty and Liability			
Taxes			
Purchased Transportation:			
Purchased Bus Pass Expenses			
School Bus Utilization Expenses			
Contracted Transportation Services			
Other			
Miscellaneous			
Operating Debt Service - Principal & Interest			
Leases and Rentals			
Contrib. to Capital Equip. Replacement Fund			
In-Kind, Contributed Services	$ -	$ -	$ -
Allocated Indirect			
Capital Expenditures			
Equip. Purchases with Grant Funds			
Equip. Purchases with Local Revenue			
Equip. Purchases with Rate Generated Rev.			
Capital Debt Service - Principal & Interest			
LEAVE BLANK			
Total Expenditures =	$0	$0	$0

Once completed, proceed to the Worksheet entitled "Rate Base Adjustment."

North Carolina's Cost Allocation and Rate-Setting Model

The North Carolina Department of Transportation (NCDOT) has developed a similar cost allocation and rate-setting model designed for use by the state's community transportation programs. NCDOT's Cost Allocation and Rate-Setting Model has been in use for many years and is a program requirement for all recipients of NCDOT Community Transportation Program funds.

Basis for the Model

NCDOT blends the Section 5311 program with several state-funded transportation programs. This procedure enables the state to use funds from multiple programs to solicit and approve a single grant award to local communities that provide coordinated community transportation service. The practice works to simplify the administration and grant administrative requirements placed on local transit service providers.

NCDOT has a long adopted policy of not subsidizing the provision of service under contract by a transit system to a human service agency. In other words, when a human service agency

Exhibit 6.2. Computation of program expenditure entry sheet: Florida Commission for the Transportation Disadvantaged Rate Model Worksheet.

Worksheet for Program-wide Rates

CTC: 0
County: 0

*1. Complete Total Projected Passenger Miles and Passenger Trips (**GREEN** cells) below*

Do NOT include passenger trips or passenger miles related to Coordination Contractors!
Do NOT include School Board or other non-transportation disadvantaged passenger trips or passenger miles!
Be sure to INCLUDE all contracted passenger trips and contracted passenger miles!
Do NOT include trips or miles for services provided to the general public!
Do NOT count escort activity as passenger trips or passenger miles unless charged the full rate for service!
Do NOT count bus program trips or passenger miles!

PROGRAM-WIDE RATES

Total Projected Passenger Miles =

Rate Per Passenger Mile =

Total Projected Passenger Trips =

Rate Per Passenger Trip =

Fiscal Year

2007 - 2008

Rates If No Revenue Funds Were Identified As Subsidy Funds

Rate Per Passenger Mile = $ -

Rate Per Passenger Trip = $ -

Once Completed, proceed to the Worksheet entitled "Multiple Service Rates."

opts to coordinate its service by purchasing transportation from the designated community transportation service provider, **it is expected to pay its fully allocated share of expenses.** After several years of imposing this policy, the department realized that local transit systems needed a tool to accurately determine what the fully allocated costs of services were for these purchasing entities. If NCDOT was to achieve the goal of full cost recovery in transportation service contracts, having such a tool was critical.

The NCDOT model has similar objectives to the Florida model in that its output reflects a fully allocated cost, incorporates the potential for direct subsidies directed at particular users, and computes adjustable rates based on various scenarios. The model is capable of computing a rate (i.e., price) per mile, rate per hour, or rate per passenger.

The methodological procedures incorporated in the NCDOT model are based on the cost allocation process originally developed by Price Waterhouse (*12*) for the FTA and then adopted for use by the Multi-State Technical Assistance Program of the American Association of State Highway and Transportation Officials (*4*).

Data Collection Requirements

To use the model, community transportation systems must input financial data and service data. Financial data are derived from the audits or budget data adopted by the local government sponsor of the transportation project. Although some providers are nonprofit organizations, the vast majority of designated community transportation providers in North Carolina are units or instrumentalities of local governments.

The Local Government Financial Commission (LGFC) establishes accounting and financial procedures for city and county governments in North Carolina. The LGFC has established a chart of accounts; the cost model developed by NCDOT reflects this chart of accounts. NCDOT has long required that all community transportation systems report costs in accordance with this format. Thus, **all community transportation systems use a state-required comprehensive chart of accounts** for fully reporting their transportation costs. Additionally, NCDOT requires that all organizations that incur indirect costs in the provision of transit services submit to the department either (1) the approved indirect cost allocation rate approved by a federal cognizant agency, or (2) a proposed indirect cost allocation plan that will be reviewed, negotiated, and approved by NCDOT.

These procedural steps ensure that community transportation systems practice full cost accounting. Exhibit 6.3 provides an illustration of how these systems enter cost data in the model.

The second part of the data collection process involves entering service data into the model. Service data corresponds to the same fiscal period used to report financial data. Data consist of total vehicle miles and total vehicle hours. NCDOT provides common definitions for all service terms and has a required annual reporting process on a statewide basis. Thus, common service definitions are used by all reporting entities, including all community transportation providers.

How the NCDOT Model Works

Once system financial and service data are entered in the model, the model automatically classifies costs as either fixed or variable expenses. These tasks are generally performed by the community transportation system manager or fiscal officer. Data are derived or projected from budget data provided by the local government's fiscal office with service data collected directly by the transportation provider. Based on a predefined matrix prepared by NCDOT, all systems accord the same type of expense the same treatment (e.g., all systems classify administrative salaries as a fixed expense, all fuel is treated as an expense that varies by miles) in the required classification of expenses. The model automatically computes average unit costs for the system (Exhibit 6.4).

This process completes the cost allocation portion of the model. The next step in utilization of the model is to compute the fully allocated cost of any individual service provided by the organization. For this process, management must determine the service units consumed in the service (again, vehicle hours and miles of service). This information is entered in a cost computation page of the model and, using the average unit costs for the system (computed earlier), a fully allocated cost of service is generated.

Once the designated community transportation provider computes the fully allocated cost of service, the system uses this information to price transit services. This is a multi-step process in the North Carolina model.

First, users can convert the fully allocated cost of service into a price or rate for service by selecting from a series of menu-driven choices: rate per mile, rate per hour, and rate per passenger. (See Exhibit 6.5.)

Exhibit 6.3. NCDOT Cost Allocation and Rate-Setting Model—Expense Data Entry Worksheet.

Enter System Expense Data Here

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UPTAS Account Definitions can be viewed by simply positioning the mouse cursor to the desired line (note: not all accounts have a definition.) Cost allocation is based on expenses incurred in Departments 4521 - Administration; Department 4522 - Operating; and Department 4525 - Employee Development. Cost allocation generally excludes Capital expenses from Departments 4523 and 4524 (500 object accounts); Depreciation (460 object accounts); Departments 4526 and 4527 - Planning; Department 4528 - Technology; and Department 4529 - Facility. The local share for some capital can be recovered through the model through surcharges which are added when you compute the rate for transit services (optional).

Object	Title	Total Expense
4520	MASS TRANSIT	
4521	ADMINISTRATION	
100	PERSONAL SERVICES	
120	**Salaries and Wages**	
121	Salaries and Wages - Regular - Full Time	$ -
122	Salaries and Wages - Overtime	$ -
125	Salaries and Wages - Part-Time (Receives Benefits)	$ -
126	Salaries and Wages - Temp. & Part-Time (No Benefits)	$ -
127	Salaries and Wages - Longevity	$ -
129	Salaries, Travel and Other Administrative Costs	$ -
180	**Fringe Benefits**	
181	Social Security Contribution	$ -
182	Retirement Contribution	$ -
183	Hospitalization Insurance Contribution	$ -
184	Disability Insurance Contribution	$ -
185	Unemployment Compensation Contribution	$ -
186	Worker's Compensation Contribution	$ -
187	Payments for Released Time	$ -
188	Flexible Benefit Administration Fee (Fringe Benefit Allocated)	$ -
189	Other (Physicals, Bonus, Insurance, Etc.) Fringe Benefits	$ -
190	**Professional Services**	
191	Accounting	$
192	Legal	$

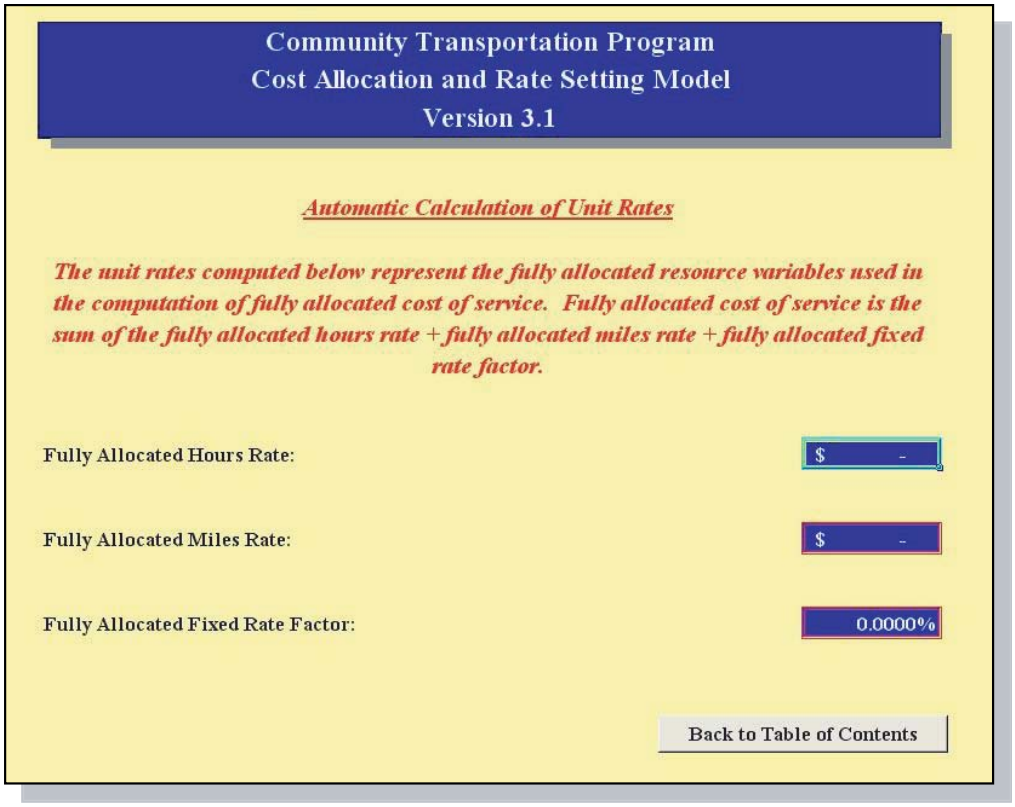
UPTAS Definition: Cost of legal services provided

Second, each transportation system must choose how to treat state subsidies in the rate-setting process. The state encourages community transportation systems to discount the rate charged to agencies that purchase service from the system. In short, the monies provided by NCDOT to support the community transportation system's administrative costs are designed to be a subsidy to support broader state policy goals of coordination. This means that NCDOT's policy of full cost recovery is applied only to the system's variable operating costs.

Third, systems must determine the level of capitalization that will be charged in the contract rate, if any. This third step is typically used only when comparing costs of a publicly delivered option versus a private sector service delivery option.

NCDOT requires that the model's unit rates be computed annually. Submission of the cost allocation model results have become an integrated component of the annual grant application process. NCDOT has required the use of this modeling process since Fiscal Year 2002.

Exhibit 6.4. NCDOT Cost Allocation and Rate-Setting Model—Fully Allocated Unit Costs.



The National Transit Database (NTD)

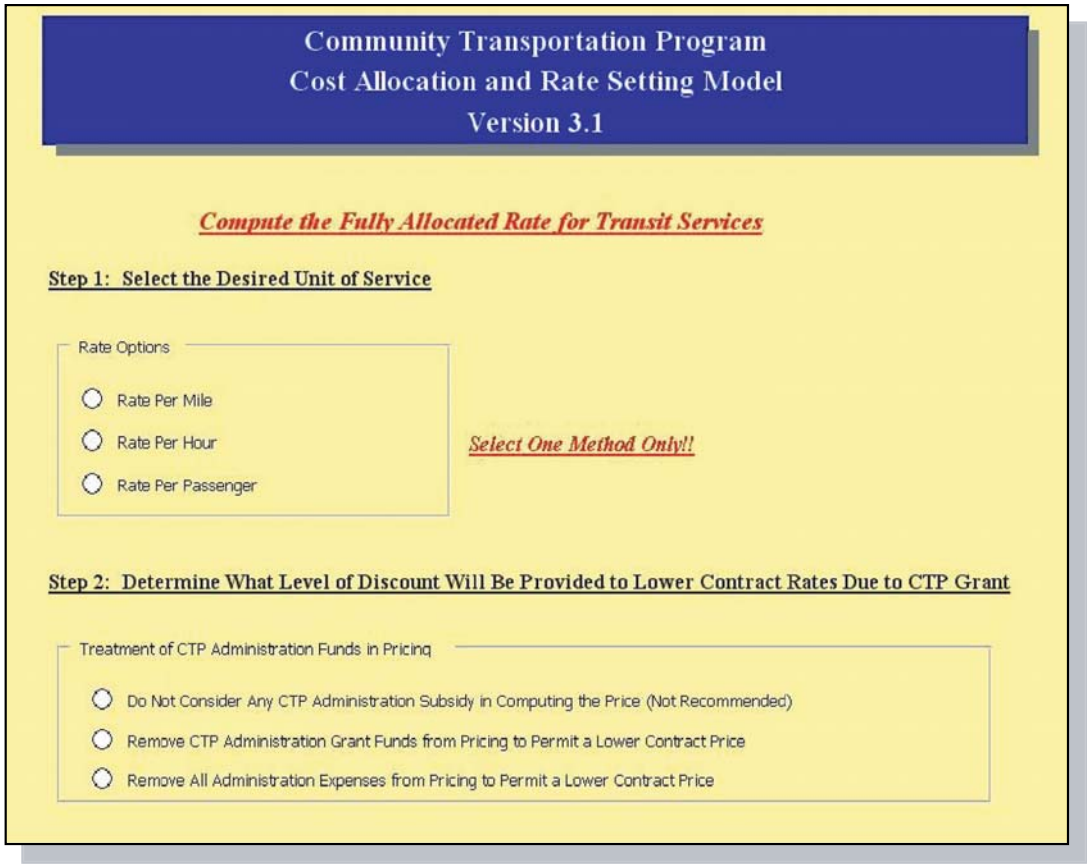
The NTD provides an extremely comprehensive example of transportation cost reporting. FTA's web site contains the following information on the NTD:

> The National Transit Database (NTD) is the Federal Transit Administration's (FTA's) primary national database for statistics on the transit industry. Recipients of FTA Urbanized Area Formula Program (§ 5307) and Nonurbanized Area Formula Program (§ 5311) are required by statute to submit data to the NTD. . . . The NTD is the system through which FTA collects uniform data needed by the Secretary of Transportation to administer department programs. The data consist of selected financial and operating data that describe public transportation characteristics. . . . To help meet the needs of individual public transportation systems, the United States Government, State and local governments, and the public for information on which to base public transportation service planning, the Secretary of Transportation shall maintain a reporting system, using uniform categories to accumulate public transportation financial and operating information and using a uniform system of accounts. The reporting and uniform systems shall contain appropriate information to help any level of government make a public sector investment decision (*15*).

Data collection on transit operations has a long history. One of the most significant events was the 1974 Urban Mass Transportation Administration (UMTA) Act amendments that added the Section 15 requirements and the Uniform System of Accounts (USOA) and Reporting System, NTD's predecessor. The types of data reported (*14*) include the following:

- Operational Characteristics (e.g., vehicle revenue hours and miles, unlinked passenger trips and passenger miles).
- Service Characteristics (e.g., service reliability and safety).

Exhibit 6.5. NCDOT Cost Allocation and Rate-Setting Model—Rate-Setting Menu Worksheet.



- Capital Revenues and Assets (e.g., sources and uses of capital, fleet size and age, and fixed guideways).
- Financial Operating Statistics (e.g., revenues; federal, state, and local funding; costs).

The required financial reporting forms include the following:

- Sources of Funds (Funds Expended and Funds Earned form [F-10]).
- Uses of Capital (Form F-20).
- Operating Expenses (Form F-30).
- Operating Expenses Summary (Form F-40).
- Operators' Wages (Form F-50).

FTA defines annual operating and administrative expenses as the recurring costs of providing public transportation service. These expenses include all employees' wages and salaries; fringe benefits; operating supplies such as fuel and oil; contractors' charges for services; taxes; repair and maintenance services, parts, and supplies; equipment leases and rentals; marketing; lease or rental costs; and insurance. Operating expenses include administrative expenses. Operating costs exclude fixed costs such as depreciation on plant and equipment, costs of providing transportation services not available to the general public, and interest paid on loans on capital equipment.

While transit systems of different sizes and scopes report at different levels of detail (e.g., urban versus rural transit system), NTD's 30-year legacy of collecting and analyzing transportation costs and services can provide important inputs to coordinated human services transportation cost reporting procedures.

A Complex Local Cost Allocation Example: Lane County, Oregon

The paratransit program in Lane County, Oregon, serves the cities of Eugene and Springfield, Oregon, and nearby communities. The program is known as RideSource and is sponsored by the Lane Transit District (LTD).

This coordinated paratransit program has been using a particularly sophisticated cost allocation model since 1991. This model allocates costs to eight different transportation programs. Twelve categories of costs are allocated among the programs using multiple cost allocation factors (including driver hours and vehicle miles but also a number of other factors) known as "cost drivers."

Background

At the time the cost model was developed, the paratransit program was sponsored by the Lane Council of Governments (LCOG) in cooperation with LTD. LCOG is the regional Metropolitan Planning Organization and also is responsible for aging and disability services, including Medicaid. The coordinated paratransit program, which had been operating since the 1970s, had developed various contractual arrangements with agencies in the community, including an intergovernmental agreement with the transit district.

Currently, coordinated paratransit services are provided by Special Mobility Services (SMS), a nonprofit transportation operator. SMS formerly operated under contract to LCOG and now operates under contract to LTD. The program components include LTD's Americans with Disabilities Act (ADA) paratransit service, Medicaid non-emergency medical transportation, two different nonmedical transportation programs provided under a Medicaid waiver, two volunteer programs, an LTD shopper shuttle, and service to a preschool program. Funding comes from the sponsoring agencies, Medicaid, several FTA and state transportation grant programs, fares, and Older Americans Act Title III, all of which are coordinated through LTD.

When first applied, the cost model provided information that had not been available previously. The model showed the cost of each service component, so LCOG could make decisions about funding the various components and how to charge for them. Using a concept proposed by SMS, the actual costs of the various components were estimated not just on the basis of vehicle hours and miles but also using data about administrative staff time, expenses, volunteer time, maintenance time and cost, dispatch time, and other factors. The original model is described in detail in a paper published by the Transportation Research Board (*24*).

The Cost Allocation Model

Table 6.1 shows the eight program participants and their characteristics. As indicated in Table 6.1, each program has very distinctive characteristics involving varying degrees of vehicle time, volunteer time, dispatching effort, and other expenses. It is these distinctive service characteristics that suggested the need for a highly detailed cost allocation model.

Six categories of labor and six categories of other expenses (each designated as a fixed or variable cost) are allocated among the eight program categories using the cost allocation factors (see Table 6.2). Note that a distinction is made between the cost of operating vehicles owned by SMS (the nonprofit contractor and long-time provider of coordinated service in Lane County) and the cost of operating vehicles owned by volunteers, subcontractors, or other agencies.

Benefits

The cost allocation model has enabled the sponsor of the coordinated program (formerly LCOG and now LTD) to determine the cost of each service type. For example, the model results

Table 6.1. Participants in LTD's coordinated paratransit services.

Program	*Description*	*Characteristics That Affect Cost*
RideSource	LTD's ADA paratransit program	Low productivity, a lot of scheduling and dispatching effort. Some volunteer drivers.
RideSource Shopper	Once-a-week shopping service. Offers transportation for grocery shopping on a regularly scheduled route. The driver assists with getting groceries on and off the bus.	Very productive, minimal scheduling effort.
Volunteer Escort	A service of LCOG Senior and Disabled Services that uses volunteers to provide door-to-door assistance for people still living in their own homes who need more help than curb-to-curb service provides. Service is to and from medical appointments only.	No vehicle cost. Volunteers drive their own vehicles and also SMS vehicles. Requires considerable coordination time.
Pearl Buck Preschool	Daily trips to a preschool for non-disabled children of developmentally disabled adults.	Very productive, minimal scheduling effort.
Title XIX	Medicaid non-emergency medical transportation.	Similar scheduling and dispatching effort as ADA service.
Non-Medical Waivered Service	Transportation as part of supportive services to help frail seniors and people with developmental disabilities remain out of institutions, provided under a Medicaid waiver.	Many-to-few service. Some volunteer drivers.
Oregon Development Disabilities Services	Rides for people with developmental disabilities between their homes and workshops and training centers, also provided under a Medicaid waiver.	Many-to-few service. Some volunteer drivers.
Other Volunteer Transportation	Rides provided by other volunteer programs for which the RideSource contractor processes reimbursement of expenses.	Administrative cost only.

Table 6.2. Cost categories and cost allocation factors.

Variable Labor Cost	
Cost Category	***Costs Allocated Based On***
Drivers and Mechanics	Directly operated (SMS) driver hours[a]
Dispatch and Scheduling	Office time[b]
Volunteer Coordinator	Number of volunteer rides in the Metro area
Volunteer Reimbursement Processing	Number of volunteer rides, including rides in rural areas
Fixed Labor Cost	
Cost Category	***Costs Allocated Based On***
Local Contractor Management	Office time[b]
Contractor Corporate Administration	Proportional to non-administrative costs
Variable Expenses	
Cost Category	***Costs Allocated Based On***
Vehicle Operations	Directly operated vehicle miles[a]
Volunteer Reimbursement	Volunteer miles
Subcontracted Transportation	Subcontracted rides
Fixed Expenses	
Cost Category	***Costs Allocated Based On***
Insurance	Directly operated vehicle miles
Local Office Materials and Supplies	Office time[b]
Contractor Corporate Materials and Supplies	Proportional to non-administrative costs

[a] Directly operated (non-subcontracted) driver hours and vehicle miles are determined based on logs and estimated productivity for each service.

[b] Office staff (management, schedulers, and dispatchers) estimate the time they spend on each program.

for Fiscal Year 2007–2008 show that basic ADA paratransit service costs $23.39 per ride, while the Volunteer Escort program costs $49.79 per ride. (Despite the use of volunteers, the Volunteer Escort program's per-trip costs were high because of the high degree of passenger assistance and coordination involved and the small number of rides that can be provided.) In contrast, the very productive shopper service costs only $10.82 per ride.

This cost-per-ride information is valuable for negotiating payment with the participating agencies, seeking funding to pay for services, and planning. For example, in 1991 it was determined that the rate charged to Medicaid for their trips was not covering costs and also was below the maximum allowed by the state. Raising the rate to the state maximum helped cover costs and address concerns about unfair competition by private for-profit providers. More recently, when service to the Pearl Buck preschool was initiated, the cost model provided the basis for LTD and Pearl Buck to jointly seek grant funding. The distinction between fixed and variable costs has been useful in cases where it was determined that a participating agency need only pay the variable cost of its service because the fixed costs of providing services would be incurred anyway, even without the services provided to that particular agency.

Future Plans

In May 2008, LTD began operating a unified call center that arranges rides on LTD's own RideSource ADA paratransit program and Medicaid non-emergency medical transportation. For Medicaid, the call center acts as a broker, determining the least expensive appropriate form of transportation for each client and trip. Previously, LCOG Senior and Disabled Services performed this function and assigned some trips to RideSource. As part of this initiative, LTD has implemented a one-stop eligibility assessment function that determines rider eligibility for ADA paratransit, Medicaid, and other human service programs in a single client visit. LTD is planning to update the cost allocation model to include the cost of the call center and the eligibility function. LTD and the Oregon Department of Human Services are discussing how best to determine and bill for the cost of Medicaid transportation.

Mathematical Details

Tables 6.3 and 6.4 show the calculations used in the Lane County cost model for Fiscal Year June 2007–July 2008. Table 6.3 presents the following series of cost allocation factors:

- Office time.
- Driver hours.
- SMS vehicle miles.
- SMS vehicle rides.
- Volunteer rides.
- Volunteer miles.
- Subcontracted rides.
- Rides on all modes.
- Non-administrative costs.

Each factor is allocated among the programs using various data. Data sources include logs kept by staff and drivers, analysis of data, and estimates by managers. For example, the first allocation factor is "office time," which is the hours spent by the contract provider's staff in the RideSource office on management, scheduling, and dispatching. Table 6.3 shows the percentage of total office time spent on each participant agency's transportation program.

The cost allocation factors in Table 6.3 are used to allocate various components of cost, called "cost pools," as shown in Table 6.4. There are three cost pools: the labor cost of management, the

Table 6.3. LTD paratransit cost allocation factors, Special Mobility Services, Inc., July 1, 2007, to June 30, 2008, Activity-Based Costing Model: Lane County.

Cost Allocation Factors	*Total*	*Ride Source*	*Shopper*	*Vol. Escort*	*Pearl Buck*	*Title XIX*	*Non Medical*	*ODDS*	*Vol. In-Out*
Office Time (Local)	100%	60.8%	1.7%	2.6%	0.7%	0.6%	15.5%	18.1%	0.0%
Driver Hours Percent	63,426 100%	40,471 63.8%	1,832 2.9%	0 0%	1,705 2.7%	353 0.6%	5,818 9.2%	13,247 20.9%	0 0%
SMS Vehicle Miles Percent	921,784 100%	608,019 66%	10,977 1.2%	5,943 0.6%	23,584 2.6%	5,726 0.6%	81,899 8.9%	185,636 20.1%	0 0%
SMS Vehicle Rides Percent (Staff Only)	123,718 100%	76,485 61.8%	5,961 4.8%	0 0%	4,574 3.7%	667 0.5%	10,995 8.9%	25,036 20.2%	0 0%
Volunteer Rides Percent All Percent Metro Only (Metro includes all except ODDS and Volunteer In/Out)	30,770 100% 100%	4,008 13.0% 85.3%	0 0% 0%	579 1.9% 12.3%	0 0% 0%	74 0.2% 1.6%	38 0.1% 0.8%	6 0% 0%	26,065 84.7% 0%
Volunteer Miles Percent	177,713 100%	26,604 15.0%	0 0%	3,843 2.2%	0 0%	490 0.3%	252 0.1%	41 0.0%	146,483 82.4%
Subcontracted Rides Percent (Includes Wheelchair)	952 100.0%	952 100.0%	0 0%	0 0%	0 0%	0 0%	0 0%	0 0%	0 0%
Rides on All Modes Percent	155,440 100%	81,445 52.4%	5,961 3.8%	579 0.4%	4,574 2.9%	741 0.5%	11,033 7.1%	25,042 16.1%	26,065 16.8%
Non-Administrative Costs Percent	100%	60.6%	2.3%	1.2%	2.1%	0.4%	10.0%	20.7%	2.7%
Averages Average SMS Rides per SMS Driver Hour per SMS Vehicle Hour Average SMS Vehicle Mile per SMS Vehicle Ride	 1.95 1.95 7.45	 1.89 1.89 7.95	 3.25 3.25 1.84		 2.68 2.68 5.16	 1.89 1.89 8.58	 1.89 1.89 7.45	 1.89 1.89 7.41	

Table 6.4. Allocations based on Lane County Cost Pools, Special Mobility Services, Inc., July 1, 2007, to June 30, 2008, Activity-Based Costing Model: Lane County.

Labor Cost Pools	*Fixed/ Variable*	*Total Cost*	*Ride Source*	*Shopper*	*Vol. Escort*	*Pearl Buck*	*Title XIX*	*Non Medical*	*ODDS*	*Vol. In-Out*
Drivers and Mechanics	V	1,387,037	885,043 Cost Driver: Driver Hours	40,063	0	37,286	7,720	127,231	28,9693	0
Scheduling and Dispatching	V	455,572	276,987 Cost Driver: Office Time	7,745	11,845	3,189	2,733	71,614	82,458	0
Volunteer Coordinator	V	18,570	15,839 Cost Driver: Volunteer Rides (Metro)	0	2,288	0	292	150	0	0
Management (Local)	F	116,155	70,622 Cost Driver: Office Time	1,975	3,020	813	697	18,004	21,024	0
Volunteer Processing	V	10,059	1,310 Cost Driver: Volunteer Rides (All)	0	189	0	24	12	2	8,521
Administration (Corporate)	F	172,905	104,780 Cost Driver: Non-Admin. Costs	3,977	2,075	3,631	692	17,290	35,791	4,668
Materials and Supplies Cost Pools										
Vehicle Operating Expenses	V	480,527	316,961 Cost Driver: SMS Vehicle Miles	5,722	3,098	12,294	2,985	42,694	96,772	0
Insurance	F	197,546	130,303 Cost Driver: SMS Vehicle Miles	2,352	1,274	5,054	1,227	17,552	39,783	0
Office Materials and Supplies (Local)	F	118,632	72,128 Cost Driver: Office Time	2,017	3,084	830	712	18,388	21,472	0
Volunteer Reimbursement	V	74,786	11,196 Cost Driver: Volunteer Miles	0	1,617	0	206	106	17	61,644
Subcontracted Transportation	V	2,886	2,886 Cost Driver: Subcontracted Rides	0	0	0	0	0	0	0
Administrative Materials and Supplies	F	27,967	16,948 Cost Driver: Non-Admin. Costs	643	336	587	112	2,797	5,789	755
TOTAL COST: $3,062,640			$1,905,005	64,494	28,826	63,685	17,400	314,838	592,803	75,588
COST PER VEHICLE HOUR: $48.29			$47.07	$35.20		$37.35	$49.29	$54.11	$44.75	
COST PER RIDE: $19.70			$3.39	$10.82	$49.79	$13.92	$23.48	$28.54	$23.67	$2.90

labor cost of scheduling and dispatching, and the cost of materials and supplies used for these functions. The second allocation factor, driver hours, is used to allocate all driver and mechanic labor costs, while the third allocation factor, vehicle miles, is used to allocate all of the non-labor vehicle operating costs (e.g., fuel and parts) and insurance. Each cost pool is distributed among the programs based on one of the allocation factors. For each program, its allocated portions of all of cost pools are added to arrive at the total allocated cost for that program, shown at the bottom of Table 6.4.

Summary

The importance of the Lane County example is that it demonstrates how costs in a very complex local transportation situation can be allocated among all program participants in an equitable and logical fashion. Participating agencies pay for transportation services in proportion to what the services consumed by each agency actually cost to provide to that agency. This process ensures (1) that all of the costs of transportation services are paid to the transportation providers and (2) that each agency pays their fair share of the total costs of transportation in the region.

SECTION II

New Procedures

CHAPTER 7

Fundamental Understandings Needed to Implement Cost Sharing

To implement cost sharing techniques, it is necessary to have a keen understanding of a number of fundamental concepts, including:

- Key measures of transportation system performance
- The benefits of having better transportation service and cost data.
- The different types of transportation services that must be recognized.
- The different perspectives of human service and transportation agencies.

Key Measures of Transportation System Performance

Performance Assessments Need Specific Data

Performance assessments support key activities like measuring progress toward the achievement of goals and objectives; modifying policies, procedures, and processes; and making changes to current operations. Statistical data are needed to construct meaningful performance measures. To construct useful performance measures, the following kinds of program data and statistics need to be collected and reported:

- **Resource inputs:** Resources expended in providing service, including labor, capital, materials, services, and other measurable items.
- **Service outputs:** Nonfinancial operating results of resource expenditures. They may be expressed as service quantity outputs, such as the number of trips provided or number of hours of service provided, or as qualitative service statistics, such as user satisfaction or numbers of complaints.
- **Services consumed:** The actual results of services purchased. Such information can be expressed in either financial or nonfinancial terms. For example, the number of passenger trips consumed is nonfinancial data; passenger revenue (through donations or fares) is financial.

Basic Measures Express the Needed Information

With such data in hand, it is possible to express **three basic kinds of performance measures:**

- **Resource efficiency measures,** in which resource inputs are expressed in relation to service outputs (e.g., labor cost per service hour).
- **Service effectiveness measures,** in which public consumption statistics are expressed in relation to service outputs (e.g., trips per hour).
- **Cost effectiveness measures,** in which resource inputs are expressed in relation to public consumption statistics (e.g., costs per trip taken).

Detailed Performance Assessments Are Possible

Using these measures, program operators can monitor their performance by measuring changes in their own performance over time or by comparing their statistics to those of other operators or to national statistics. Measuring changes in their own performance over time often is preferable because comparisons with other systems may be difficult unless the same kinds of data collection procedures are being used—and the comparability of measurement from community to community is precisely the objective of this project.

By using detailed measures of performance, it is possible to obtain more detailed insights into a program's operations, including its strengths and weaknesses. Program managers who have a detailed understanding of their program's strengths and weaknesses will be able to recognize significant opportunities for improvements. For a transportation service, some of these more detailed performance assessments would include the following:

- **Changes over time:** Time, total passengers, hours, costs, and revenues should be measured for specific days, months, and years, and the percent changes from the previous time periods should be highlighted.
- **Performance within components:** For example, if a transportation service has fixed routes, the most and least cost-effective routes should be examined, using the kinds of statistics mentioned previously and comparing changes over time. If there are different categories of fares, each fare category should be tracked (and perhaps broken down by route, time of year, and other factors).
- **Performance within activities or functional cost centers:** For example, maintenance costs per hour and per mile should be examined to determine if there are problems with the level of maintenance being performed (or if there is a problem with the ways in which certain operators are driving).
- **Performance for specific components:** Some operations track certain kinds of information for each particular vehicle in use, including the miles per gallon for each vehicle, the total operating costs for each vehicle, the repair and maintenance costs, and the current depreciated value of each vehicle. Having such data should assist in decisions about aging vehicles: Would it be more cost effective to continue maintaining these vehicles or to replace them with new ones?

The Benefits of Having Better Transportation Service and Cost Data

It may be appropriate for some agencies to make a number of changes in the way they approach data collection and reporting if they are going to work together. But why should these agencies change? Why go to the cost and expense of doing things differently in the future?

There are three answers: (1) to improve internal program management, (2) to increase the cost effectiveness of services throughout the community, and (3) to support requests for future funding.

Improvements in Program Management

Local program managers need detailed and accurate data to be better managers. High-quality data allows managers to more completely understand their own program's operations and to provide more cost-effective services with limited resources. Detailed cost and service information can do the following:

- Serve as a diagnostic tool that identifies specific areas of problems with performance and, thus, can aid in day-to-day management decision-making.
- Assist in long-term planning and decision-making, such as requests for future funding from state legislatures and/or local governments.
- Provide information to document transportation expenditures and meet other regulatory requirements of funding agencies and other supervisory bodies.

In short, detailed information **helps managers do a better job.** Especially in light of current serious financial constraints in many states and communities, there is a strong need to **work smarter** in human service programs. Techniques such as Management by Objectives, Continuous Quality Improvement, and Total Quality Management are tools that rely on intensive data collection efforts to assess and improve program performance. **Accurate cost reporting leads to better management of scarce resources.**

Thus, fundamental reasons for collecting, analyzing, and reporting program data are to

- Assess your current performance (and to find ways to improve).
- Demonstrate to others that you're doing a good job (e.g., to assure funding sources that their funds have been spent appropriately).

Accountability is a prime function of many data collection systems. But to be truly useful to those staff members who are collecting the information, data collection for transportation services needs to be focused on performance measurements that **provide information for operational decisions by program managers.** Performance measurement provides a means by which management may periodically assess performance, measure progress toward the achievement of goals and objectives, and consider actions which may change the course of future events. Such actions may result in the modification of policies, procedures, and processes. Other actions might lead to operational changes including service enhancement or service cessation. Performance measures are the key to answering the question "What do I do now?" particularly when it appears that a problem is at hand. Indicators of performance can suggest corrective actions such as increases or decreases in services, revenues, and staff, or modifications in procedures or other activities (e.g., marketing or public relations).

The uses of performance measures include the following:

- Assess performance.
- Measure progress toward the achievement of goals and objectives.
- Consider actions that may change the course of future events.
- Modify policies, procedures, and processes.
- Make operational changes, including those leading to
  - Service expansion, reduction, or cessation;
  - Increases or decreases in services, revenues, and staff; and
  - Changes or modifications to transportation modes, service delivery procedures, or other activities (such as marketing or public relations).

Improvements to Community-Wide Cost Effectiveness

We live in a time of increasing service needs and increasingly restricted funding. In many cases, human service programs have been developed individually and have operated separately from each other for many years. Although some communities have highly successful, highly cost-effective coordinated transportation systems (*4*), many communities still have instances of duplication and overlapping services, service gaps, and a lack of cost effectiveness in the ways that many of these programs are being delivered. **This is a costly situation at a time when resources are scarce** for individuals and at all levels of government. Coordination among a variety of agencies offers an opportunity to achieve more and better outcomes for the same levels of investment.

A community-wide perspective would address questions such as the following:

- Are all resources being fully employed at all times?
- Is it necessary to have transportation directors for a large number of agencies?
- Do multiple agencies need dispatchers, computers, maintenance facilities, training programs, accounting programs and staff, or even vehicles?

- Is it possible to achieve the same or even greater levels of efficiency and effectiveness if some agencies that have been providing their own transportation services purchase those services from others instead?

Through coordination, it is typically possible to realize cost savings on operating, administrative, and capital costs, particularly when all these costs are analyzed at a community-wide level.

A key challenge for coordination programs is creating explicit agreements detailing tasks and responsibilities, including that of paying for services. **Accurate cost reporting provides the foundation that is necessary to ensure an equitable and accurate distribution of costs among all participating agencies.** Having and using the right kinds of data can reassure all stakeholders that the question "Will everyone be paying their fair share?" is being closely examined.

Funding Requests Viewed More Favorably

A key technique for obtaining additional funding is to demonstrate that the funds previously received were well spent. Accurate cost and service reporting is a fundamental component of such demonstrated competence. Good reporting can conclusively show how much service was delivered to whom and at what cost. The figures can be analyzed to demonstrate that the services were provided in a cost-effective manner; if real improvements have been made, the figures should indicate that the services just provided were provided in a more cost-effective manner than previously. Performance measures also can enable comparisons of safety and quality of service when indicators such as on-time performance, accidents, and incidents are considered. Eligibility for funding often is the main benefit of documenting coordination efforts. For example, in Lane County, Oregon, the fact that the program is coordinated and can document what various components of service cost helps them obtain grant funds.

Summary of the Benefits of Better Service and Cost Data

Cost accounting is a powerful tool. One of its key functions is to illuminate possibilities for more cost-effective program operations. It does this by examining the costs of alternative methods of producing services (or the costs of alternative providers of those services, applicable in communities that actually have choices of service providers). Programs providing or funding transportation services to clients or customers clearly need to understand service alternatives and their detailed cost implications.

This project provides a framework for uniform service and cost reports on transportation services. All human service organizations, but especially those funded by the U.S. Departments of Health and Human Services, Education, and Labor—along with the recipients of U.S. Department of Transportation (DOT) funding—constitute the primary audiences for this uniform transportation service cost reporting framework.

Different Types of Transportation Services to Recognize

Four Categories Needed to Describe Transportation Services

To be able to compare the costs of various transportation services, different kinds of transportation services must be recognized. Human service transportation is now delivered in four distinct ways, which can be called types of transportation services:

- Community transportation.
- Case management transportation.

- Travel services for individuals.
- Managed care transportation.

Examples of the types of services that would be included under each type of human services transportation are described in this section. Community transportation and managed care transportation services possibly could be delivered by multiple travel modes, including public transit, personal cars, carpools or vanpools, and agency-sponsored transportation services. The provision of case management transportation and travel services for individuals tends to focus almost exclusively on travel by car.

Community Transportation

This category includes the following functions and their related costs:

- Trips provided for members of the general public or clients of human service agencies who could travel on a group basis (even if they are the only traveler on the vehicle at the moment).
- Trips provided by paid staff and volunteers who have been trained to provide transportation services.
- Efforts associated with eligibility determination, scheduling, arranging, or billing for transportation.
- The purchase of transportation services for specific individuals from existing public or private transportation providers via contracts or other arrangements.
- The purchase of bus tokens, passes, or tickets for distribution to riders.
- Personal care by attendants and/or interpreters who accompany eligible riders while traveling in community transportation mode.
- Payments made to riders to help defray the costs of their travel using community transportation services.
- Other activities and expenses if authorized and applicable. For example, Medicaid sometimes reimburses expenses for long-distance intercity bus and commercial air fares and lodging and subsistence expenses when these expenses are required to obtain out-of-town medical care. Expenses like these are not common for other programs. For the purposes of this project, air fares and overnight lodging and subsistence expenses are not included in the long-distance travel expenses commonly considered as community transportation expenses.

Case Management Transportation

This category includes transportation by agency staff where agency staff transports individuals and provides other services during the time at which the individual or group is being transported. Trips are typically provided in agency-owned vehicles or staff-owned vehicles. This category is distinguished from directly operated community transportation in that the staff member providing case management transportation may perform specifically planned case management or therapeutic functions while providing the transportation services. Generally the person providing the transportation would be a social worker or case worker whose primary role is not to provide client transportation but to provide case management or therapeutic functions. This type of transportation includes the following:

- Transportation of clients in staff-owned vehicles.
- Transportation of clients in agency-owned vehicles that are not specifically dedicated to community transportation.
- Lodging, meals, and parking expenses associated with case management transportation.
- Other expenses if authorized and applicable.

Note that if case management services are not being performed during the trip, it may be more cost effective for the human services agency to have the client transported by a community transportation service and to use the case manager's or social worker's time for services that require their professional training.

Travel Services for Individuals

This category includes the following:

- Transportation services designed to be offered to one individual at a time (although careful analysis might show that community transportation could be a more cost-effective option in a number of cases).
- Any direct payment to an individual client to subsidize their use of a private automobile to facilitate program-related purposes, including:
  - Gasoline subsidies, paid directly to the client, family member, friend, or volunteer;
  - Car maintenance and repair expenses;
  - Cost of vehicle modifications to incorporate adaptive technologies;
  - Purchase of vehicle liability insurance on behalf of clients; and
  - Financial stipends to support an individual's on-going transportation needs (e.g., payments for employment and employment-related transportation for a specific amount of time).
- Mileage reimbursements or other fixed-rate reimbursements paid directly to clients.
- Mileage reimbursements paid to family, friends, or volunteers for providing transportation to eligible clients.
- Car rental expenses.
- Costs associated with personal care attendants and interpreters who accompany the eligible client while traveling in specific individual transportation mode.
- Lodging, meals, and parking expenses associated with specific individual transportation.
- Other expenses if authorized and applicable.

Managed Care Transportation

This includes transportation provided as part of an overall client health care plan (either short-term or long-term care) under which the provider agency is obligated to provide client transportation as part of the overall care plan. Transportation expenses often are part of a fixed payment or capitated payment made to the service provider by the funding source. Examples of this type of transportation include the following:

- Direct operation of provider-owned vehicles to provide transportation services to individual clients.
- Purchase of transportation from public or private transportation service providers.
- Lodging, meals, and parking expenses associated with managed care transportation.
- Other expenses if authorized and applicable.

Explaining Typical Service Variations with the Four Service Types

This four-part classification of service types reflects several key considerations:

1. Ideally, community transportation should be segregated from other types of human service agency transportation (individual, case management, and managed care). Community transportation services (provided by paid staff or volunteers) are focused on groups of persons. Those services are most readily coordinated with programs funded by various federal agencies, including the U.S. DOT and DHHS. In addition, the identification of expenditures and units of service provided in this type of service can assist communities in preparing the locally developed coordination plans now required by a number of DOT's Federal Transit Administration (FTA) programs.
2. This classification fits existing program formats and protocols used in client transportation and would not require restructuring of state or local reporting procedures to implement this classification.
3. This four-part classification permits required service and cost data to be reported by service type. This is beneficial because one would expect real differences in measures such as cost per trip for each of the four types or modes of transportation services.

Having made these distinctions regarding types of transportation services, it is important to note that **the community transportation mode typically provides the majority of human service trips.** While the community transportation mode often provides trips at a lower cost per trip than the other types of transportation, the travel services for individual modes may be more cost effective under certain special circumstances (e.g., in very low-density communities, for trips involving multiple destinations). In a number of instances, transportation provided by case managers or for specific individuals might be eligible for shifting to another mode unless significant case management activities are occurring during the trip itself or other special considerations are paramount. While managed care providers should be able to purchase transportation for their clients as easily as human service agencies can purchase such services, managed care providers have not embraced coordinated transportation services in some communities. Managed care transportation should probably be considered as one of the later efforts in the coordination process.

Understanding the Different Perspectives of Human Services and Transportation Agencies

A Different Focus: Persons versus Systems

Human service agencies typically provide some transportation assistance to their targeted customers. They distribute funding to local-level agencies that directly provide or purchase transportation services on behalf of persons qualified as eligible for the kinds of primary services (e.g., education, training) offered by these agencies. Grantees of DOT programs are transportation providers (i.e., transportation systems) that offer transportation services to members of the general public and to human service agencies or their customers.

Local Flexibility

Local agencies are responsible for managing their allocated funds and have some discretion in directing funds to services that their customers need, such as transportation. Customer needs of a particular kind of agency (e.g., an Area Agency on Aging) may vary substantially from one locality to the next.

The local agency often has a great deal of latitude in deciding how to supply (provide or purchase) transportation services. Transportation support for human service customers may be available in varying forms, including:

- Funding (or partial funding) for purchasing or operating a vehicle.
- Direct reimbursement to customers who secure their own transportation from one or more local operators.
- Vouchers, tickets, or monthly passes that enable the customer to purchase trips from public or private transportation providers.
- Trips provided by agency staff.
- Trips provided under contract to the human service agency by some for-profit, nonprofit, or public transportation provider.

In addition, there are human service agencies who receive one payment for all services they provide to a client (the so-called "capitated rate payment") and then must decide how to allocate that payment among transportation and other services provided to that client.

State human service agencies typically do not mandate a set amount for local grantee spending on transportation assistance. Local grantees apply for funds and are awarded a dollar amount based on their application and federal or state formulas. In many cases, local agencies are awarded block grants, which means that the local grantee decides how to best use these resources based on local area needs.

Although broad eligibility criteria for transportation assistance may be set by state-level agencies, the local agency transmits information on customer eligibility with the transportation provider and may also set additional criteria because the local agency determines the level of funding in this area.

Multiple Funding Sources for Human Service Transportation

There are multiple funding sources for human services transportation (see Chapter 4 for a listing of key federal funding sources). Each of these programs has its own supporters, legislation, eligibility requirements, regulations, administrative procedures, local networks, and funding cycles. Some customers are eligible for transportation assistance under more than one program.

Providing Transportation: Primary Mission or Not?

Transportation assistance is not a primary service of human service agencies, but it often is critical as a supportive service in helping customers achieve primary objectives (e.g., ensuring success in employment, getting to medical appointments). Of course, transportation assistance is the primary service of DOT-funded agencies.

Summary

Understanding all these factors is a crucial first step in being able to apply enhanced human services transportation service and cost reporting, which is the vital precursor to sharing the costs of those services equitably among all participants. Only after a thorough understanding is reached on these factors—how to measure transportation system performance, the benefits of having better transportation service and cost data, the different types of human services transportation that now operate, and the different perspectives of human service and transportation agencies—can stakeholders expect to come to workable agreements on how to share the costs of transportation services.

CHAPTER 8

How to Measure Services and Costs

Data on the transportation services provided and the costs of those services must be collected to be able to

- Assess performance.
- Measure progress toward the achievement of goals and objectives.
- Consider actions which may change the course of future events.
- Modify policies, procedures, and processes.
- Evaluate program outcomes.
- Make decisions regarding the potential expansion, reduction, or cessation of services.
- Share the costs of services among the beneficiaries of those services.

This chapter discusses the kinds of data that are needed for such activities.

Service Data: Often Straightforward

To understand the services provided by the community transportation type of service, information on the services provided and consumed is needed. The **services provided** can be specified in terms of vehicle miles of service and vehicle hours of service. The **services consumed** can be specified as the number of trips and the number of persons served. Local organizations should feel free to expand their data collection activities beyond the minimum requirements suggested in this report.

Definitions of vehicle miles and vehicle hours, the key descriptors of services provided, have been adapted from definitions in the Federal Transit Administration's (FTA's) National Transit Database (NTD) to more fully represent human services transportation concerns. The definitions of services consumed—numbers of trips and numbers of persons served—have been adopted from several sources. The definition for the number of trips is one that is slightly modified from the NTD definition. The definition for the numbers of persons served is the one used by the Administration on Aging's National Aging Program Information Systems (NAPIS).

The variables that should be used to measure services provided and services consumed are the following:

- **Vehicle Miles**—the miles that a vehicle is scheduled to or actually travels from its point of departure to go into service to when it pulls in from service.
- **Vehicle Hours**—the hours that a vehicle is scheduled to or actually travels from its point of departure to go into service to when it pulls in from service.
- **Passenger Trips (Unlinked)**—The number of passengers who board a transportation vehicle or other conveyance used to provide client transportation. "Unlinked" means that passengers

are counted each time they board vehicles no matter how many vehicles they use to travel from their origin to their destination.
- **Unduplicated Persons Served—**the number of individuals who receive transportation services.

For community transportation services, data on these four variables—vehicle miles, vehicle hours, number of trips, and number of persons served—are all that is needed to describe the services provided and consumed. Standardizing terminology and calculations is critical to providing comparable data for management and accountability. See the Glossary of technical terms in Volume 1 of *TCRP Report 144* for standardized transportation service and cost terminology.

Cost Data: Less Often Complete or Consistent

Transportation Accounting Fundamentals

Ideally, a comprehensive cost accounting system for community transportation services should do the following (*4*):

- Describe in detail all costs that have been incurred and all services rendered.
- Describe in detail how the funds of all participating agencies have been spent. (This description should be designed to satisfy the audit and regulatory requirements of each participating agency.)
- Provide the opportunity to distribute the costs of transportation services among those customers (agencies or individuals) receiving services based on the actual costs of the services each has received. It is important to recognize that some agencies have arbitrarily limited their reimbursement rates to amounts that are less than their share of the costs of the services that they are receiving. Transportation providers should determine for themselves if working with such agencies constitutes good business practices. Even if rules prevent full cost recovery in some cases, it is still useful to determine the actual cost for each participating agency for purposes of planning and fundraising.

To achieve these objectives, the following steps are essential:

1. Agree on an overall approach and accounting structure.
2. Create standardized and commonly agreed upon definitions and data collection procedures for costs and services rendered.
3. Apply a standardized chart of accounts to record and analyze financial data.
4. Develop acceptable procedures for recording, reporting, and analyzing non-financial data.

Although the merits of all of these components seem obvious, reviews of actual practices showed little consistency or standardization among different transportation providers. This report describes how to achieve higher levels of consistency and standardization.

Overall Approach and Accounting Structure

Full Cost Accounting

The accounting approach recommended and used by successful business operations and transportation systems is called *full cost accounting.* Using full cost accounting means that **all costs of providing transportation services are considered, and that all the different kinds of expenses incurred are recorded.** The total costs include any commitment of or use of time, money, physical resources, and other assets of the system used in the accomplishment of program objectives. In full cost accounting, **a value is given to these commitments whether or not they result in immediate out-of-pocket expenditures.** The value of the time provided by volunteer drivers is an example of a value that should be recorded even though no immediate out-

of-pocket expenditure is incurred. Transportation providers commonly count the value of volunteer labor as "in-kind revenue" as part of their local matching revenues. Of course, these recorded "revenues" need to be offset in the accounting system by equivalent labor costs.

The primary reason for using full cost accounting is that **all costs must be paid sooner or later by someone.** Some transportation providers have gotten in trouble with this principle because they only think about out-of-pocket expenses (e.g., wages, gas, and maintenance) and not other costs (e.g., administration, rent, and depreciation). Some providers may not include infrequent expenses, including purchases of capital equipment, like vehicles. This oversight often results in failing to bill agencies for enough money to cover all costs of the transportation services they are purchasing (including administrative time, facility leasing costs, and vehicle replacement costs); this can cause a severe financial shortfall for the provider. The same kind of situation occurs when an agency wishing to purchase transportation services offers payments that are limited or capped at rates below the fully allocated costs of service.

Full cost accounting can help a transportation manager to do the following:

- **Better manage transportation services.** It is critical that transportation providers understand all the costs that are associated with service provision, just as they need to understand all the activities that are involved in operating the services.
- **Determine required revenues.** It is important that transportation providers know their total costs if they are to properly bill client agencies. They need an accurate and flexible method that allows them to adjust their costs, their bills, or both if revenues are not sufficient.
- **Compare their transportation system's costs and operating performance to other similar systems** to assess the need for improving their own performance. Meaningful comparisons can be made only by using comparable total cost and productivity measures.

Cost Allocation

Cost allocation is a financial planning technique for determining the costs of services provided to those parties receiving or otherwise benefiting from those services. The cost allocation process does not necessarily set the prices for services, but allocating costs is the first step in developing a system of charges (i.e., billing rates and procedures incorporated in fees-for-service contracts) based on the types and amounts of services provided. The cost allocation method recommended in this report often is termed **proportionate cost allocation,** which means that costs are allocated among parties receiving services in the same proportions as the costs of services each recipient received. (Alternative methods of cost allocation are used in some industries such as electrical utilities, telecommunications, and air traffic control, but these methods are substantially more difficult to apply and understand, so they are not recommended for coordinated community transportation services.)

Standardized Definitions for Services and Costs

Standardized definitions for services were provided earlier in this chapter. Standardized definitions for costs are discussed in the sections that follow. Detailed definitions for services and costs are among the items included in the Glossary in Volume 1 of this report. Although definitions may vary somewhat from state to state or community to community, using common definitions within individual states and particularly within individual communities is highly recommended.

A Common Chart of Accounts

A fundamental component of cost analysis for human services transportation providers is the development of a financial **chart of accounts** that can **track all kinds of expenses** related to

providing community transportation services. A key element of the chart of accounts is the establishment of **expenditure classes.** There seems to be general agreement in the literature that, for human service community transportation providers, fundamental cost categories are capital, operating, and administrative costs, and that detailed expense classes should include the following:

- Labor.
- Fringe benefits.
- Purchased transportation.
- Contracted services.
- Materials and supplies.
- General administrative expenses (including indirect organizational costs, if applicable).
- Utilities.
- Casualty and liability costs.
- Taxes.
- Miscellaneous expenses.
- Leases and rentals.
- Capital expenses.
- Depreciation and amortization.

Each expense category should have detailed subcategories. For example, the category "labor" could have separate entries for drivers, administrators, dispatchers, and mechanics. Some transportation operators have separate expense categories for salaries paying for training or overtime. Other expense categories that may be useful in certain conditions include Indirect Expenses (for multi-service agencies providing transportation and other services), Expense Transfers, and Interest Expenses. (The major components for a uniform chart of accounts are identical to those in components listed in FTA's National Transit Database category entitled Expenditures.)

Used together, the 13 categories of expenses fully describe all costs of transportation services. It is important to recognize that not all federal funding programs recognize all of these categories as allowable expenses under their specific funding legislation or regulations.

Different Kinds of Costs

When using a full cost accounting approach, it is important for transportation providers to understand that costs may be expressed in a number of different ways. The costs of transportation services may be considered as

- Fixed versus variable costs.
- Capital versus operating costs.
- Direct versus shared costs.

Each of these paired concepts (e.g., fixed versus variable costs) is an expression of 100 percent costs of providing transportation services. Each of these paired concepts has its own value in understanding how costs are incurred and, therefore, how to better manage transportation services. In addition, the distinction between capital and operating costs has a significant effect on funds available and on reporting requirements.

Local transportation providers have some flexibility in assigning expenses. Because there are no hard and steadfast rules for assigning expenses, good judgment and an understanding of how expenses are incurred are needed. A good expenses assignment should be

- Logical and understood by all.
- Defensible and able to pass scrutiny from an outside observer.

- Clearly expressed in writing.
- Consistent so that it is useful for watching cost trends over time.

Various methods for assigning expenses can be used, provided that they meet these objectives.

Fixed versus Variable Costs

Variable costs are those that CHANGE with the amount of service provided. These expenses typically include driver wages, fuel costs, and maintenance costs. The more miles and hours of service provided by the transportation service, the greater the costs of that service.

Fixed costs are those that DO NOT CHANGE according to the amount of service provided. In most systems, this means that modest changes in the numbers of hours or miles of service will not result in corresponding changes to the fixed costs. Fixed costs typically include such items as administrative salaries and facility depreciation. Thus, variable costs are highly dependent on the amount of service provided, while the fixed costs should remain relatively constant from year to year.

The distinction between fixed and variable costs is extremely useful in understanding the costs of transportation services, as well as being highly useful for budgeting, managing, and billing purposes. The primary assumption of our Cost Sharing Model is that **each line item expense is either a variable cost or a fixed cost.** This is sometimes called a two-variable, fully allocated cost model. More information on the Cost Sharing Model is presented in Chapter 9.

Variable costs can be logically linked to either one of two service variables: hours or miles. For example, the number of vehicle hours is directly related to most of the operator labor costs because driver expense is a function of the amount of time that vehicles are in operation. The number of miles accounts for most maintenance labor and materials costs as well as the cost of fuel consumed and vehicle depreciation.

Fixed costs are the expense items that do not vary with the number of miles or hours of operation but, instead, **reflect the scale or size of the agency.** Examples include administration and building rents.

The total cost of providing transportation service equals the sum of all fixed and variable costs.

Capital versus Operating Costs

Capital costs refer to the expenses associated with long-term acquisitions and leases of physical assets, such as vans, buses, garages, and maintenance facilities. These assets often are quite expensive and have a physical or functional life that extends several years. Capital costs for equipment replacement definitely should be included as a cost element in any full-scale accounting program. Each year, these assets lose value. This loss in value is known as **depreciation,** which sometimes also is called the annual cost of capital.

From a grant program perspective, allowable depreciation costs may include only the cost actually incurred by the transportation operator for the purchase of the asset; federal or state grant funds may not be depreciated. If no grant funds were used, the total cost of the asset is used to calculate the depreciation cost.

It is important for transportation providers to consider depreciation costs when determining the correct price for their services (see Chapter 9). Including depreciation costs is a consistent and equitable way to recover the costs of replacing capital assets and save toward future replacements. Including these costs avoids the common problem of making special requests to funding agencies every time capital purchases are needed and assists in making decisions about the cost effectiveness of investing in new vehicles versus maintaining existing (possibly aged) vehicles. However, the Office of Management and Budget (OMB) does not allow the depreciation of assets

acquired with federal funds to be charged as an allowable expense to another federal grant. See Appendix B for more details on this important point.

Operating costs refer to those expenses that are consumed in a single calendar or fiscal year to make the transit system operate. These expenses include labor, fringe benefits, materials and supplies (e.g., fuel), maintenance, office space, and equipment—all of which are essential to operating transportation services.

Administrative costs are a kind of operating cost. It is critical that these costs are considered; they may be most difficult to quantify in the case of a multi-purpose human service agency that provides transportation services as one of the agency's many functions.

Administrative expenses are those used to support an agency or program so that it can perform its basic functions (like providing transportation services). Administrative costs cover functions such as planning, preprogram start-up activities, accounting and legal services, fringe benefits, and rent. Typical administrative expenses include the following:

- Salaries for administrative personnel.
- Fringe benefit costs for administrative personnel.
- Rent and utilities for general office and administrative space.
- General office supplies and materials.
- Casualty and liability costs not related to vehicle operations.
- Most miscellaneous expenses.
- Professional fees (e.g., legal and accounting services).
- Property taxes.
- Office insurance.
- Equipment rental.

These expenses are generally **NOT directly related to the level of service provided;** they tend not to change unless the level of service changes significantly.

The total cost of providing transportation service equals the sum of all capital and operating costs.

Direct versus Shared Costs

Direct costs are expenses that can be associated on a one-to-one basis with a given service. Examples of these costs include operator labor, fuel costs, and maintenance costs. Generally, most of the direct costs of transportation service are variable costs and are the types most people think about when they consider costs, such as driver wages and gasoline.

Shared costs (sometimes called indirect costs) **are those that CANNOT be associated on a one-to-one basis with a given transportation service.** These costs are representative of functions that often support more than one service.

The majority of shared costs are administrative and facility costs. These costs are also commonly called **overhead costs** or **indirect costs.** These costs cover items such as planning, preprogram start-up activities, client screening and eligibility determinations, accounting, and legal services. These expenses may be overlooked when providers calculate the cost of a specific service.

Shared costs are generally fixed costs. For agencies that operate more than one service (e.g., an Area Agency on Aging that provides home-delivered meals, transportation, and other services), **shared costs must be allocated on a reasonable basis to each individual service** so that sufficient revenues can be collected to cover all of the shared costs. The total cost of providing transportation service equals the sum of all direct and shared costs. (OMB's cost principles state this as total cost equals direct cost plus the allocable portion of indirect costs, minus rebates.)

Understanding How Costs Are Incurred

The process of determining how much a specific transportation service costs has the following steps:

1. Assembling cost and service data.
2. Assigning the cost figures to categories that explain how these costs vary.
3. Calculating average unit costs.

These unit costs then can be used to determine costs of specific routes or services, to particular agencies, or to particular funding sources. There is some flexibility in assigning expenses to specific expense accounts. Because there are no hard and steadfast rules for assigning expenses, good judgment and an understanding of how expenses are incurred are needed. A good expenses assignment should be

- Logical and understood by all.
- Defensible and able to pass scrutiny from an outside observer.
- Clearly expressed in writing.
- Consistent so that it is useful for watching cost trends over time.

Various methods for assigning expenses can be used provided that they meet these objectives. **See Chapter 9 of this volume for a recommended method.**

Summary

A comprehensive cost accounting system for transportation services should describe in detail **all costs that have been incurred** and **all services rendered,** describe in detail how the funds of all participating agencies have been spent, and equitably distribute the costs of transportation among the participating agencies by allocating the costs according to services received. To do this, it is critical to develop a financial **chart of accounts** that can **track all kinds of expenses** related to community transportation services. A key element of the chart of accounts is the establishment of **expenditure classes,** each of which should have detailed subcategories.

When using a full cost accounting approach, transportation providers should understand that costs may be expressed in a number of different ways. The costs of transportation services may be considered as fixed versus variable costs, capital versus operating costs, or direct versus shared costs. Each paired concept has its own value in understanding how costs are incurred and, therefore, how to better manage transportation services.

CHAPTER 9

A New Model for Sharing the Costs of Human Services Transportation

Introduction

This project developed a Cost Sharing Model for use by transportation agencies that enter into agreements with human service agencies to provide transportation on behalf of agency clients. *CRP-CD-86,* "Cost Sharing Model for *TCRP Report 144*" in spreadsheet format is designed to compute a transportation provider's fully allocated costs and translate those costs into three common pricing mechanisms: price per vehicle mile, price per vehicle hour, and price per passenger trip. This spreadsheet model is one of the products of this project. In addition to *TCRP Report 144,* Volume 2, "Research Report," the following products are available:

- "The Transportation Services Cost Sharing Toolkit," Volume 1 of *TCRP Report 144: Sharing the Costs of Human Services Transportation,* which provides the basic transportation and accounting concepts and explains how the cost allocation tools were developed.
- *CRP-CD-86,* which includes the spreadsheets of the Cost Sharing Model, is available as a companion to *TCRP Report 144,* Volume 1. These spreadsheets can be used to calculate and allocate transportation service costs.
- The Human Services Transportation Cost Sharing Model Instructions, also available as part of *CRP-CD-86,* which provide step-by-step guidance on using the spreadsheets.

The Cost Sharing Model has been designed to permit individuals with little or no accounting experience, or little to no spreadsheet computing experience, to produce a cost allocation model. The spreadsheet approach allows the user to enter budget and service information. The model then automatically calculates the parameters for systems to fully allocate transportation costs. Once budget and service information are entered, the spreadsheet can be used repeatedly to calculate the fully allocated costs of a proposed contract service and the price the agency should charge for the service, using one of three common unit-of-service pricing mechanisms.

Objectives

The Cost Sharing Model is applicable to any transportation service that seeks to

- Evaluate the fully allocated cost of any individual service (e.g., an individual route or mode of service).
- Understand the fully allocated cost of a potential contracted service to ensure that the price established for the service reflects the transit system's true cost of service.

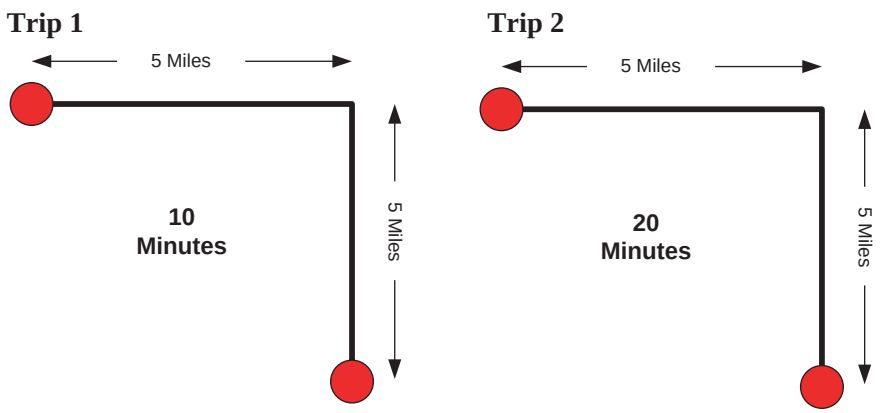
Basic Cost Principles

The Cost Sharing Model is predicated on the principle that the transportation service has implemented other recommendations contained in this report relating to full cost accounting. One of the most important recommendations is that inputs to this model should reflect the full

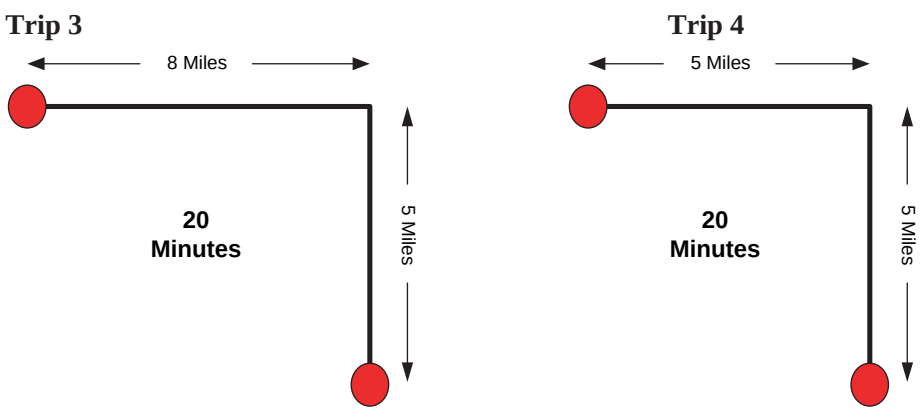
costs of providing transportation services. The Cost Sharing Model is designed to compute the costs of each individual service operated by the transportation provider.

Why Is Another Allocation Procedure Necessary?

Many transportation operators do not use cost allocation in their present financial management practices. Based on practices documented early in this report and on widely observed practices in the community transportation industry, many systems merely use total transportation costs and divide this amount by total system miles or total system hours to yield a transportation cost per mile or per hour, respectively. To understand the shortcomings in this approach, consider the following example:



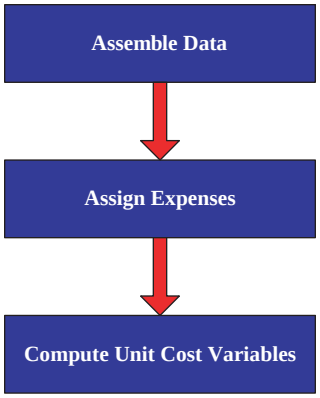
Both trips are 10 miles in distance, but do these trips cost the same to deliver? They do not because the labor effort (driver time) needed to deliver Trip 2 is twice as much as the driver time needed for Trip 1. Similarly, consider the following two trips:



Both trips are 20 minutes in duration, but do these trips cost the same for the transportation service to provide? No, because more miles are needed to accomplish Trip 3 than Trip 4, leading to greater gasoline and repair costs for Trip 3.

These simplistic examples illustrate the potential dangers in using aggregate, system-wide computations of cost per mile, cost per hour, or cost per trip to assess the cost of individual transportation system routes, runs, or services. In reality, **transportation service costs can vary dramatically based on changes in two factors: time and distance.** Both factors should be taken into account simultaneously when determining the fully allocated cost of any transportation service.

Exhibit 9-1. Diagram of Cost Sharing Model sequence.



How the Cost Sharing Model Works

Using service and cost data supplied by the person applying the Cost Sharing Model, the model performs calculations that generate unit cost figures. (The unit costs are expressed as cost per mile, cost per hour, and cost per trip.) The person using the model provides data on the service alternative being examined, and the model generates the fully allocated cost of that service alternative. The model's user then can select one of the unit costs as a basis for creating a contract with the organization interested in purchasing the services specified in that alternative. The simple expression of this sequence is shown in Exhibit 9-1.

In greater detail, the steps in the model are as follows:

1. The model's user enters data on services for the entire transportation operation: miles and hours of service (and, in some situations, the number of vehicles used) for a specific time period.
2. The user then enters line item expense data for the entire transportation operation for that same time period.
3. The model assigns each line item expense to one of three cost categories: fixed costs, costs that vary by the number of miles, and costs that vary by the number of hours.
4. The user enters data for the service alternative being considered: projected vehicle miles, vehicle hours, and passenger trips, and whether the service being considered will be provided as fixed route or demand responsive service.
5. Using the expense and service data previously entered, the model calculates the fully allocated cost of the service alternative being considered.
6. The user specifies how the service is to be priced for the organization interested in this service alternative: price per hour, price per mile, or price per passenger trip.
7. The model calculates the price to be charged to recover all costs in terms of the unit cost specified by the model's user.

This process can be repeated many times for different services and different purchasing agencies.

Data Categories

The person or agency applying the model will need to provide service and cost data to operate it. The transportation service should use financial data for a 12-month period in this cost model. If the service is doing a post-period analysis or performance evaluation of its transit services, then **actual or audited data** for the prior period should be used. If the service is developing projections of costs for pricing services provided under contract to a human service agency ***or***

seeks to assess the financial impact of a service change in a future period, then the model's user should use **projected data** in this analysis.

In addition to financial data, service data at the system level will be required. Service data should correspond to the same time period as the financial data. The transportation service data most often needed are the following:

- Total vehicle miles.
- Total vehicle hours.
- Total number of trips.

For more complex pricing structures, information also would be needed on the total unduplicated number of persons receiving trips and the types of persons receiving services (e.g., elderly, persons with disabilities, children, persons requiring stretcher transportation). See Chapter 6 in Volume 1 of *TCRP Report 144* for further discussion of transportation service data.

For transportation cost data, total expenditures during the specified time period need to be recorded for the following categories:

- Labor.
- Fringe benefits.
- Services.
- Materials and supplies.
- Utilities.
- Casualty and liability costs.
- Taxes.
- Purchased transportation.
- Miscellaneous expenses.
- Leases and rentals.
- Depreciation and amortization.

Once all service and cost data have been collected, the user will be able to apply the Cost Sharing Model to a wide variety of situations.

Operating the Model

Operating the model involves the following steps:

1. The user of the model enters service and cost data into the spreadsheets.
2. The model assigns line item costs to appropriate categories—either variable costs or fixed costs. (Alternatively, the user can assign line item costs to appropriate categories. User-assigned categories may be appropriate in instances of unusual allocations of operating or administrative costs according to state or local practices.) Variable costs are further broken down into hourly costs and mileage costs.
3. The model calculates average unit costs: cost per mile, cost per hour, or fixed costs.
4. The model uses these average unit costs to calculate a total cost for each specific service offered by the transportation provider.
5. The model then can calculate prices for transportation services based on the most appropriate unit for the provider and the purchaser of the transportation services: costs per mile, per hour, or per trip.

Assigning Costs to Variable or Fixed Cost Categories

The distinction between fixed and variable costs is extremely useful in understanding the costs of transportation services. The assumption that **each line item expense can be expressed**

as either a variable cost or a fixed cost is a fundamental underpinning of the Cost Sharing Model.

- **Variable costs** can be logically linked to either one of the two primary measures of the services provided by transportation operators: **hours of service** or **miles of service.** For example, the **number of vehicle hours** is directly related to most **operator labor costs** because driver expense is a function of the amount of time that vehicles are in operation. The **number of miles** accounts for most **maintenance labor and materials costs as well as fuel expenses and vehicle depreciation.**
- **Fixed costs** are the expense items that **do not vary** with the number of miles or hours of operation; instead, they reflect the scale or size of the agency. Examples include administrative costs and building rents.

There are no hard and steadfast rules for classifying expenses as fixed or variable costs, but good judgment and an understanding of how expenses are incurred will suggest appropriate designations. For example, a line item expense entitled "Dispatcher's Salaries and Wages" arguably could be assigned to the variable cost category of hours of operation because salaries and wages generally are paid on an hourly basis. A line item expense account entitled "Purchased Transportation Services" might be split between the variable costs for hours and miles, because purchased transportation reflects back-up transportation (this split could be done several ways; one would be according to the percent of variable costs for hours and the percent of variable costs per mile).

Hard and steadfast rules for classifying expenses as fixed or variable costs (or splitting them) do not exist. Instead, good common sense is needed. A good expenses assignment should be

- Logical and understood by all.
- Defensible and able to pass scrutiny from an outside observer.
- Clearly expressed in writing.
- Consistent so that it is useful for watching cost trends over time.

Other methods for assigning expenses can be used provided that they meet these four objectives. An example of the assignment of expenses to specific categories is shown in Table 9-1. **Use this assignment of expenses unless there are valid reasons to make changes.**

Calculating Average Unit Costs

The first step in applying the Cost Sharing Model is to assign individual line item expenses (e.g., wages, fuel, and administrative costs) to hours, miles, or fixed costs, depending on what kinds of actions create each kind of expense. Because different actions create different kinds of expenses, the "shortcut" of dividing total annual expenses by just one figure—like miles, hours, or trips—creates a substantially less accurate cost figure than the cost figure provided by the Cost Sharing Model. As previously noted,

- The **number of vehicle hours** is directly related to most operator labor costs because driver expense is a function of the amount of time that vehicles are in operation.
- The **number of miles** accounts for most maintenance labor and materials costs as well as fuel expenses and vehicle depreciation.
- Examples of **fixed costs** include administrative costs and building rents.

Deriving Total Overall Costs from Unit Costs

The third step in applying the Cost Sharing Model is that of calculating the total costs of a particular service (e.g., trips provided to a senior center for an area agency on aging) from the average unit costs as determined previously. This step should be replicated for each of the discrete

Table 9-1. Transportation chart of accounts for expense assignment.

USOA Object Codes	*Sub Codes*	*Expense Account*	*Hours*	*Miles*	*Fixed Cost*
501.00		**LABOR**			
501.01		Operators' Salaries and Wages	×		
501.02		Training Salaries and Wages: Operators	×		
501.03		Dispatchers' Salaries and Wages			×
501.04		Administrative Salaries and Wages			×
501.99		Other Salaries and Wages: Mechanics		×	
502.00		**FRINGE BENEFITS**			
502.01	.01	FICA: Operators	×		
502.01	.02, .03	FICA: Dispatchers and Administrative Personnel			×
502.01	.04	FICA or Railroad Retirement: Mechanics		×	
502.02	.01	Hospital, Medical, and Surgical Plans: Operators	×		
502.02	.02, .03	Hospital, Medical, and Surgical Plans: Disp., Admin.			×
502.02	.04	Hospital, Medical, and Surgical Plans: Mechanics		×	
502.07	.01	Unemployment Insurance: Operators	×		
502.07	.02, .03	Unemployment Insurance: Dispatchers and Admin. Staff			×
502.07	.04	Unemployment Insurance: Mechanics		×	
502.08	.01	Worker's Compensation: Operators	×		
502.08	.02, .03	Worker's Compensation: Dispatchers and Admin Staff			×
502.08	.04	Worker's Compensation: Mechanics		×	
502.09	.01	Sick Leave: Operators	×		
502.09	.02, .03	Sick Leave: Dispatchers and Admin. Staff			×
502.09	.04	Sick Leave: Mechanics		×	
502.10	.01	Holiday: Operators	×		
502.10	.02, .03	Holiday: Dispatchers and Admin. Staff			×
502.10	.04	Holiday: Mechanics		×	
502.11	.01	Vacation: Operators	×		
502.11	.02, .03	Vacation: Dispatchers and Admin. Staff			×
502.11	.04	Vacation: Mechanics		×	
503.00		**SERVICES**			
503.03		Professional and Technical Services			×
503.05		Contract Maintenance Services		×	
504.00		**MATERIALS AND SUPPLIES CONSUMED**			
504.01		Fuels and Lubricants		×	
504.02		Tires and Tubes		×	
504.03		Inventory		×	
504.99		Other Materials and Supplies			×
505.00		**UTLILITIES** (e.g., telephone)			×
506.00		**CASUALTY AND LIABILITY:** Insurance Premiums			×
507.00		**TAXES** (e.g., Vehicle Licensing and Registration Fees)			×
508.00		**PURCHASED TRANSPORTATION SERVICE**	×		
509.00		**MISCELLANEOUS EXPENSES**			
509.00	.01, .02	.01 Dues and Subscriptions, .02 Travel and Meetings			×
512.00		**LEASES AND RENTALS**			×
513.00		**DEPRECIATION**: (e.g., Passenger Revenue Vehicles)		×	
514.00		**PURCHASE LEASE PAYMENTS**			
516.00		**OTHER RECONCILING ITEMS**			
518.00		**INDIRECT EXPENSES**			×

services offered by the transportation provider. To ensure that all costs have been calculated accurately, the costs of all discrete services should be added together as a validity check on the work to date; their sum should equal the total annual expenses of the transportation provider.

The mathematical expression of the Cost Sharing Model is a relatively straightforward equation involving multiplication and addition. This model uses variable and fixed costs to express the total costs of a specific service or program (*14*). See also Chapter 6 of *Comprehensive Financial Management Guidelines for Rural and Small Urban Public Transportation Providers* (*4*).

TOTAL ANNUAL COST (for Service A) =

The Transportation System's Fixed Cost Factor ***times*** the sum of Service A's ANNUAL HOURLY COST and ANNUAL MILEAGE COST.

Where

ANNUAL HOURLY COST (for Service A) =

The Transportation System's Cost per Hour ***times***
Service A's Annual Hours of Operation.

ANNUAL MILEAGE COST (for Service A) =

The Transportation System's Cost per Mile ***times***
Service A's Annual Miles of Operation.

FIXED COST FACTOR =

1 + the ratio of all of the transportation system's fixed costs to all of the transportation service's variable costs

= 1 + [Total system fixed expenses ***divided by***
(Total system hourly costs + total system mileage costs)].

Again, **the outputs of the Cost Sharing Model should be calculated for each specific service** and then their individual costs should be summed to express the total annual costs of all transportation services.

This kind of cost allocation model is popular with transportation providers for the following reasons:

- **The model is relatively simple.** Each line item expense is expressed either as a variable or a fixed cost. **Variable costs** are derived by examining costs associated with two key service factors—vehicle hours and vehicle miles. **Fixed costs** are those cost elements that do not vary according to the level of services provided. Thus, the model is easy to understand, develop, and apply and is compatible with transportation operating environments common throughout the country. In most cases, model calculations can be generated in only a few hours even by relatively non-technical personnel.
- **The model is all-inclusive.** The model takes into account all of the explicit costs contained in a typical revenue and expense statement. Moreover, the model can easily accommodate implicit costs.
- **The model is extremely flexible** and can be used to analyze various categories of total cost as needs dictate. Budgetary impacts can be readily ascertained by focusing on the variable costs of service. The cost model also is quite adaptable: A model for operating costs alone can be developed by omitting depreciation expenses from the analysis.

Applying the Model: Allocating the Costs to a Particular Service or Agency

The several ways to share the costs of a service or program among the participating stakeholders include a cost-based approach, a benefits-based approach, or a risk-based approach. The cost-based approach to cost sharing—what can be defined as **proportionate cost allocation**—is simpler and much more widely used than the alternative cost allocation techniques.

The cost-based approach finds one participant's share of the overall cost of a service by calculating the cost of the service they received in proportion to all the costs of producing the service for everyone. Use of the cost-based approach means that, if services to Agency A require 25 percent of the annual costs of a transportation provider's services, then Agency A should pay 25 percent of the transportation provider's annual costs.

These are the steps in allocating the costs of services to the stakeholders who benefit from those services:

1. Determine the number of miles and number of hours delivered to Agency A, Agency B, Agency C, and so on.
2. Enter this information into the Cost Sharing Model.
3. Using the Cost Sharing Model, calculate each agency's respective share of the total costs. (Note that the model apportions fixed costs to each agency based on their proportions of overall variable costs as determined by miles and hours of service.)
4. Bill each agency based on their proportional share of the total costs.

Chapter 11 presents a number of examples of the results of applying the cost allocation model in various situations.

Another Use: Forecasting the Costs of Service Changes

The previous example should be used to calculate the proportional shares of costs for services being delivered at the present time. Transportation providers also are often interested in **forecasting the cost effects of service changes.** Such changes can include providing services to agencies that previously did not purchase service or the possibility of cutting services. This requires the consideration of variable costs—the costs that will change if the service change (the service increase or decrease) is implemented. The cost sharing equation can be modified to estimate the costs of service changes by omitting the fixed cost factor because the fixed costs will not change.

Service changes, increases or decreases, can be estimated by the following cost change equation:

COST CHANGE =

CHANGED ANNUAL HOURLY COST + CHANGED ANNUAL MILEAGE COST

Where

CHANGED ANNUAL HOURLY COST =

Cost per hour ***times*** the changed Annual Hours of Operation, and

CHANGED ANNUAL MILEAGE COST =

Cost per mile ***times*** the changed Annual Miles of Operation.

Initial Review of These Concepts and Procedures

A draft of these materials was sent to individuals who agreed to help review and improve the initial concepts. These individuals, listed in Appendix C, include transportation providers, state agency representatives, and persons with national transportation perspectives. Three 90-minute focus groups were held at the end of July 2008. The focus groups were recorded and transcribed, and these materials were supplemented by extensive notes recorded by the research team.

The draft materials received very high marks from the focus group participants. They had great praise for the overall objectives of this project and for the clarity of the presentation of our report. Some of their key observations are as follows:

- Simplicity matters. The methodology has to be simple and easy to use. This proposed methodology seems to fit those criteria.
- There is a strong need to agree on vocabulary and definitions prior to calculating transportation costs.

- Use performance measures as a baseline. Even if the funders do not require some type of standardized measure to evaluate the service, it is worth examining performance measures to determine the quality of services.
- Performance measure language should be included in written contracts.
- Cost per mile seems to be a good measure. In rural areas, using cost per trip as a measure may not be beneficial to the providers because the trips tend to be longer.
- Emphasize keeping reports on maintenance costs. This may ease the burden of liability issues: If somebody wants to see your record of maintenance service, you have documentation.
- How should agencies that don't have software be included in these instructions?
- Be sure to pay attention to volunteer drivers when calculating a program's cost.
- The Toolkit has to be considerate of non-transit agencies (especially in terms of vocabulary and user-friendliness).
- Sometimes key program decisions are not cost-based (and that's okay).
- It should be understood that some program directors have many tasks and may feel that they do not have time to implement highly detailed cost reporting techniques.
- Testimonials may speed the adoption of these materials (but that may require another project or additional project funds).
- These materials should be taken to local state transit conferences; the information should be disseminated widely through multiple sources.

Focus group members also agreed with the following key principles enumerated in the strategies proposed for the Cost Sharing Model.

- It is very important to make the distinctions between the four types of transportation that have been identified: community transportation, case management transportation, personal transportation, and managed care transportation.
- Data should be collected on total costs, services delivered, and services consumed by all organizations that provide community transportation services to consumers, and these data should be reported to funders and administrators of all transportation programs.
- Performance measures should focus on resource efficiency measures, service effectiveness measures, and cost effectiveness measures.
- A focus on total costs, services delivered, and services consumed will greatly facilitate coordination efforts at the local level.
- Whether or not these data are reported from the local level to state and federal program administrators is probably a policy issue best decided by each individual funding program.
- Some improvements in data recording and reporting will be required by nearly all recipients of federal funds used to provide human services transportation: U.S. Department of Transportation (DOT)-funded agencies could record and report more information on passengers, and other agencies could record and report more information on service outputs and services consumed.
- Nearly all of the currently available paratransit software programs collect all these data, so community transportation services that use software for scheduling, dispatching, and billing purposes should be able to generate the data needed for management and reporting purposes.

Summary

The costs of a transportation service can be found by the series of steps described in this chapter:

1. Enter data on services and expenses for the entire transportation operation for a particular time period.
2. Assign each line item expense to one of three cost categories: fixed costs, costs that vary by the number of miles, and costs that vary by the number of hours.

3. Enter data for the service alternative being considered: projected vehicle miles, vehicle hours, and passenger trips, and whether the service being considered will be provided as fixed route or demand responsive service.
4. Calculate the fully allocated cost of the service alternative being considered.

This process can be repeated many times for different services and different purchasing agencies.

This is the sequence of steps used in the Cost Sharing Model that clearly specifies fixed costs and operating costs (both those operating costs attributable to hours devoted to service and those costs attributable to miles of service). These steps can be used to create detailed cost information, which, in turn, can be used to establish equitable prices for various transportation services.

CHAPTER 10

Pricing Transportation Services

It is useful to consider the distinction between the cost of a transportation service and the price transportation providers charge their customers, particularly when those customers are human service agencies. "Cost" means the total cost of producing transportation services (which can be considered as completed one-way trips). These costs include the salaries and benefits of drivers, administrators, and dispatch and maintenance personnel; fuel; vehicles; space; supplies; insurance; taxes; and all other costs attributable to producing the service.

On the other hand, "price" refers to a rate of payment that may be negotiated and specified in a contract between the transportation provider and those persons purchasing the trips. (Those persons purchasing the trips may be the riders themselves or representatives of the riders, such as human service agencies acting on behalf of the riders.) Price can be specified as a cost per trip, per mile, per hour, or some combination of these; additions to the price might be allowed for special or extraordinary services or assistance, such as transporting someone who may need to be transported by stretcher.

Costs tend to vary from time to time and may change rapidly; prices tend to be fixed for a specified contractual period of time, such as 6 months or 1 year, although mid-course corrections are sometimes allowed in certain contracts.

Some Fundamental Pricing Considerations

Prices Charged Should Be Equitable and Understandable

A typical question is "Am I paying my fair share of the costs?" In coordinated transportation systems with different types of passengers, different kinds of trips, and different trip sponsors, this is an excellent but perhaps not easily resolved question. Not all trips are the same length, take the same amount of time, or require the same level of passenger assistance; in short, **different kinds of trips require different amounts of resources to provide.** When different kinds of passengers making different kinds of trips ride on the same vehicle for at least part of a trip, figuring out the "fair share" of everyone's cost can be a challenge. Because gaining greater efficiencies by coordinating transportation services and spreading costs over a broad base of agencies in a coordinated transportation system remains a very attractive option, the fairness challenge must be addressed explicitly to ensure equity and thus promote coordination. It is a challenge that has been resolved in numerous communities.

All Stakeholders Should Pay Their Fair Share

Although prices for services can be based on many factors, a fundamental premise of this cost sharing report is that prices for transportation services should be based, at least to some extent, on what it actually costs to provide those services. The process of determining how much a specific transportation service costs has the following steps:

1. Assembling data on all services provided and all expenses required to provide those services.
2. Assigning the expenses to cost categories that explain how these costs vary according to the resources required to produce these services.
3. Calculating average unit costs on a per mile, per hour, or per trip basis.
4. Allocating the costs of services among the parties receiving the services in proportion to the services that they have actually received.

Applying the Cost Model to Various Scenarios

As noted earlier in this report, the Cost Sharing Model can be used to address a wide variety of issues:

- For the purpose of improving internal program management, the model offers more precise measures of what services currently cost to deliver.
- For agencies interested in changing their service delivery methods (e.g., purchasing services instead of providing them) it can demonstrate which method is most attractive on a cost per unit of service.
- For transportation providers who sell their services to other agencies, the model can be used to help decide what prices to charge for the services they provide.

The following scenarios examine each of these situations.

What is the Cost of the Current Services?

The Burke Lake Transportation System (BLTS) provides trips for the members of their community. During the last fiscal year

- BLTS provided 405,000 miles of service.
- BLTS had 35,325 operating hours.
- BLTS's expenses were $612,917.
- The system provided 63,375 trips.

This means that the system-wide averages (total costs divided by each unit of service) were the following:

- $17.35 total cost per hour ($612,917 divided by 35,325).
- $1.51 total cost per mile ($612,917 divided by 405,000).
- $9.67 total cost per trip ($612,917 divided by 63,375).

Should We Continue to Provide Services?

The Area Agency on Aging (AAA) wants to consider purchasing trips from BLTS instead of providing those trips themselves. The AAA has been providing 25,000 trips per year at an annual cost of $310,000. Their average cost per trip is $12.40; it would make sense for them to purchase trips from BLTS at the lower cost of $9.67 per trip because the AAA could realize a savings of $2.73 per trip, which would amount to $68,250 on an annual basis. Those savings could be used to purchase additional trips for existing riders or to add new riders.

What is the Right Price for Each of Several Purchasing Agencies?

Once fully allocated costs of services are computed, Cost Sharing Model users can convert cost into price. Using three common pricing mechanisms, users can automatically convert fully allocated costs into the following:

- Price per mile.
- Price per hour.
- Price per passenger.

These computations are based on the following formulas:

- Price per mile = (Fully allocated cost for the service ÷ projected number of miles of service).
- Price per hour = (Fully allocated cost for the service ÷ projected number of hours for the service).
- Price per passenger = (Fully allocated cost for the service ÷ projected number of passenger trips carried by the service).

A Simple Situation

For the moment, let's imagine a simple situation. BLTS provides trips for the clients of three human service agencies and no other services to any other riders. Each agency gets essentially the same level of services, which means that the trips for each agency require the same numbers of hours and miles to produce. What is the right price for each agency that is purchasing trips?

If the services received (hours and miles) are the same, then the prices charged should be the same. In this case, each agency should pay $204,306 a year, or one-third of the total annual expenses of $612,917. (Note that although each agency received the same amount of services, the number of rides received by each agency might not have been the same because different kinds of riders were being served.)

Agencies Receiving Different Levels of Service

A more common situation is that human service agencies purchase different levels of service for their clients. The right price for each agency then will be dependent on the level of service that they require as indicated by the numbers of hours and the numbers of miles required to produce the trips that they need.

Using the chart of accounts of this report and the Cost Sharing Model, Table 10-1 shows that the total expenses were distributed as $278,584 allocated to hourly expenses, $143,226 allocated to mileage expenses, and $191,107 allocated to fixed expenses. Further use of the model shows the following results:

- The Fixed Cost Factor for BLTS is 1.4531.
- The Annual Hourly Cost of BLTS's services is $7.886.
- The Annual Mileage Cost of BLTS's services is $0.3536.

These figures are important for calculating any potential changes or for allocating total system costs among the stakeholders.

Suppose that BLTS is serving the AAA, a sheltered workshop, and the Medicaid program. The services that those organizations are receiving are those shown in Table 10-2. For each agency, their proportion of the total BLTS annual cost of $612,917 would be **determined by the proportions of BLTS's overall services that they receive.**

The formula for calculating each agency's proportionate share is the following:

TOTAL ANNUAL COST (for Service A) =

The Transportation System's FIXED COST FACTOR ***times*** the sum of Service A's ANNUAL HOURLY COST and ANNUAL MILEAGE COST.

- For the AAA, their share of the costs is
  - 1.4531 ***times*** [(16,875 hours ***times*** $7.886 per hour) plus (202,500 miles ***times*** $0.3536 per hour)], or
  - 1.4531 ***times*** [$133,082 plus $71,613],
  - Both of which equal $297,434.

These and other figures are from the Cost Sharing Model and differ very slightly from the computations shown due to rounding.

Table 10-1. BLTS chart of accounts with expense assignments.

Object Codes	*Expense Account*	*Hours*	*Miles*	*Fixed Cost*
501.00	**LABOR**			
501.01	Operators' Salaries and Wages	**$179,760**		
501.02	Training Salaries and Wages: Operators	**$1,477**		
501.03	Dispatchers' Salaries and Wages			**$28,047**
501.04	Administrative Salaries and Wages			**$67,986**
501.99	Other Salaries and Wages: Mechanics		**$31,344**	
502.00	**FRINGE BENEFITS**			
502.01	FICA			
502.02	Hospital, Medical, and Surgical Plans			
502.07	Unemployment Insurance			
502.08	Worker's Compensation			
502.09	Sick Leave			
502.10	Holiday			
502.11	Vacation			
.01 - .11	**Operators**	**$29,967**		
.01 - .11	**Dispatchers and Administrative Staff**		**$5,182**	
.01 - .11	**Mechanics**			**$15,879**
503.00	**SERVICES**			
503.03	Professional and Technical Services			**$2,115**
503.05	Contract Maintenance Services		**$28,214**	
504.00	**MATERIALS AND SUPPLIES CONSUMED**			
504.01	Fuels and Lubricants		**$43,872**	
504.02	Tires and Tubes		**$5,103**	
504.03	Inventory		**$10,788**	
504.99	Other Materials and Supplies			**$9,825**
505.00	**UTLILITIES** (e.g., telephone)			**$3,336**
506.00	**CASUALTY AND LIABILITY:** Insurance Premiums			**$44,778**
507.00	**TAXES** (e.g., Vehicle Licensing and Registration Fees)			**$175**
508.00	**PURCHASED SERVICES**			
508.01	Purchased Transportation	**$67,380**		
508.09	Volunteer Reimbursements	**$18,723**		
509.00	**MISCELLANEOUS EXPENSES**			
509.01	Dues and Subscriptions			**$50**
509.02	Travel and Meetings			**$871**
512.00	**LEASES AND RENTALS**			**$18,045**
514.00	**PURCHASE LEASE PAYMENTS**			
516.00	**OTHER RECONCILING ITEMS** Volunteer Services		**$18,723**	
518.00	**INDIRECT EXPENSES**			
	TOTAL EXPENSES	**$297,307**	**$143,226**	**$191,107**

Table 10-2. Services received by stakeholders.

Agency	*Service Hours*	*Miles*	*Trips*
Area Agency on Aging	16,875	202,500	28,700
Sheltered Workshop	10,000	135,000	22,000
Medicaid Program	8,450	67,500	12,675
TOTALS	35,325	405,000	63,375

- For the sheltered workshop, their share of the costs is
  - 1.4531 ***times*** [(10,000 hours ***times*** $7.886 per hour) plus (135,000 miles ***times*** $0.3536 per hour)], or
  - 1.4531 ***times*** [$78,863 plus $47,742],
  - Both of which equal $183,965.
- For the Medicaid program, their share of the costs is
  - 1.4531 ***times*** [(8,450 hours ***times*** $7.886 per hour) plus (67,500 miles ***times*** $0.3536 per hour)], or
  - 1.4531 ***times*** [$66,639 plus $23,871],
  - Both of which equal $131,517.

As long as the following are the amounts paid by each agency, it really does not matter how the costs are billed:

- $297,434 for the Area Agency on Aging.
- $183,965 for the sheltered workshop.
- $131,517 for the Medicaid program.

For example, each agency could be charged one-twelfth of the total each month. Alternatively, each agency could be charged on a unit price basis, the units being cost per hour, cost per mile, or cost per trip. If the same unit were used for all three agencies, the actual cost per unit would be different for each agency because they have received different services. Different unit costs could be used for each agency as long as each agency eventually paid their share of the total annual expenses.

Summary

These examples illustrate some of the many applications of the Cost Sharing Model. The Excel spreadsheets that accompany *TCRP Report 144: Sharing the Costs of Human Services Transportation* as *CRP-CD-86* provide a high level of automation to the calculations required to determine unit costs and potential pricing structures.

Determining the distinction between the cost of a transportation service and the price the transportation provider charges its customers is a particularly useful task, especially when those customers are human service agencies. Prices that are determined from a detailed cost analysis benefit the transportation provider by ensuring sufficient income for operations and benefit the purchaser by ensuring an equitable price. A model that clearly specifies fixed costs and operating costs (both those operating costs attributable to hours devoted to service and those costs attributable to miles of service) can be used to create detailed cost information.

CHAPTER 11

Recommendations

Data Collection and Reporting

Based on the research findings detailed in *TCRP Report 144: Sharing the Costs of Human Services Transportation,* it is recommended that transportation providers adopt the following:

- Full cost accounting approaches, where all of the organization's resource expenditures (both direct and indirect) are accumulated in the accounting system and segregated as transportation-related expenses.
- Uniform approaches to data collection, including requirements for all transportation providers to collect minimum service and cost data.
- Uniform definitions for service units.

Ideally, the kinds of data that should be collected by all organizations that provide community transportation services to consumers include the following:

- Total costs.
- Services delivered.
- Services consumed.

The following relatively simple enhancements to current data recording and reporting procedures are recommended:

- Cost data should be collected for all line items in a standardized Chart of Accounts that should include all costs required to produce transportation services.
- Data for services delivered should consist of the numbers of vehicle hours and vehicle miles.
- Data for services consumed should consist of unlinked passenger trips and an unduplicated count of persons served.

Ideally, the standardized Chart of Accounts should include these elements:

- Labor.
- Fringe benefits.
- Services.
- Materials and supplies.
- Utilities.
- Casualty and liability costs.
- Taxes.
- Purchased transportation.
- Miscellaneous expenses.
- Leases and rentals.
- Depreciation and amortization.

The following is also recommended:

- The kinds of data described in this report should be collected by all organizations that provide community transportation services to consumers.
- These data should be reported to funders and administrators of all programs that fund (human services) transportation.

Transportation Service Types

Four distinct kinds of human services transportation need to be recognized: community transportation, case management transportation, travel services for individuals, and managed care transportation.

- Focus first on the process of integrating data collection and reporting procedures for the community transportation mode.
- Next proceed to the case management mode.
- Finally, include the other transportation modes in integrated data collection and reporting procedures.

Integrating these procedures is a process that can take a number of years. Once efforts are well under way regarding community transportation operations, attention then can turn to the other types of transportation services, including travel services for individuals and managed care transportation. Full consideration of all community transportation services will be achieved when integrating the community transportation and case management transportation services into a unified data collection and reporting practice.

Cost Allocation

The costs of transportation services should be shared among the stakeholders participating in that program through a cost-based approach to cost sharing—sometimes referred to as **proportionate cost allocation,** which allocates costs among parties receiving services in the same proportions as the costs of services each recipient received. The cost-based approach finds one participant's share of the overall cost of a service by calculating the cost of the service that they received in proportion to all the costs of producing the service for everyone. Use of the cost-based approach means that **if services to Agency A require 25 percent of the annual costs of a transportation provider's services, then Agency A should pay 25 percent of the transportation provider's annual costs.**

Proportionate cost allocation can be implemented by using variable and fixed costs to express the total costs of a specific service or program:

TOTAL ANNUAL COST (for Service A) =

The Transportation System's FIXED COST FACTOR ***times***
the sum of Service A's ANNUAL HOURLY COST and ANNUAL MILEAGE COST.

Where

ANNUAL HOURLY COST (for Service A) =

The Transportation System's Cost per Hour ***times***
Service A's Annual Hours of Operation.

ANNUAL MILEAGE COST (for Service A) =

The Transportation System's Cost per Mile ***times***
Service A's Annual Miles of Operation.

FIXED COST FACTOR =

1 + the ratio of all of the transportation system's fixed costs to all of the transportation service's variable costs =

1 + [Total system fixed expenses ***divided by***

(Total system hourly costs + total system mileage costs)].

This cost model—the Cost Sharing Model—should be calculated for each specific service and then their individual costs should be summed to express the total annual costs of all transportation services.

This kind of cost allocation model is popular with transportation providers for the following reasons:

- **The model is relatively simple.** Each line item expense is expressed either as a variable or a fixed cost. **Variable costs** are derived by examining costs associated with two key service factors: vehicle hours and vehicle miles. **Fixed costs** are cost elements that do not vary according to the level of services provided. Thus, the model is easy to understand, develop, and apply, and it is compatible with transportation operating environments common throughout the country. In most cases, model calculations can be generated in only a few hours even by relatively non-technical personnel.
- **The model is all-inclusive.** The model takes into account all of the explicit costs contained in a typical revenue and expense statement. Moreover, the model can easily accommodate implicit costs.
- **The model is extremely flexible** and can be used to analyze various categories of total cost as needs dictate. Budgetary impacts can be readily ascertained by focusing on the variable costs of service. The cost model also is quite adaptable; a model for operating costs alone can be developed by omitting depreciation expenses from the analysis.

Uniform Service and Cost Reporting Requirements

Ideally, the following elements should be incorporated into any framework for a uniform transportation services cost reporting structure:

- The principles of cost allowability articulated in OMB Circulars A-87 and A-122.
- The procedures for the allocation of indirect costs articulated in OMB Circulars A-87 and A-122. (For OMB Circular A-87, see http://www.whitehouse.gov/omb/circulars_a087_2004. For OMB Circular A-122, see http://www.whitehouse.gov/omb/circulars_a122_2004.)
- A cost reporting framework that does not prescribe a specific accounting approach. Rather, the framework should emulate the approach used in the public transportation industry for cost reporting (the U.S. Department of Transportation's [DOT's] National Transit Database Uniform System of Accounts). Thus, each agency may maintain its own accounts and records necessary to meet its own internal information requirements and grant reporting standards, as applicable. Some translation of these internal accounts may be necessary to meet the requirements of the framework.
- Cost reporting that is based on the accrual method of accounting.
- Capital costs that are segregated and treated separately from program operating costs.
- Services and costs that are reported separately for each of the different modes of transportation services: community transportation, case management transportation, specific individual transportation, and managed care transportation.
- A functional approach to cost accounting.
- Uniform definitions of common service units, such as those provided in this report's Glossary (see Volume 1 of *TCRP Report 144*).

Summary

Members of focus groups conducted with transportation providers, state agency representatives, and national transportation experts agreed with the key principles enumerated in the strategies proposed for the Cost Sharing Model developed for this project, including the following:

- That a focus on total costs, services delivered, and services consumed will greatly facilitate coordination efforts at the local level.
- That whether or not these data are reported from the local level to state and federal program administrators is probably a policy issue best decided by each individual funding program.

Ideally, some improvements in data recording and reporting should be made by nearly all recipients of federal funds used to provide human services transportation: DOT-funded agencies could record and report more information on passengers, while other agencies could record and report more information on service outputs and services consumed.

CHAPTER 12

Potential Benefits of These Recommendations

The Recommendations Are Relatively Simple

This report recommends relatively simple enhancements to data recording and reporting procedures. Service data should consist of the number of passenger trips, an unduplicated count of persons served, and the numbers of vehicle hours and vehicle miles. Cost data should include all costs required to produce transportation services.

At this time, many human service organizations are required to report only the unduplicated count of persons served or the number of program units provided to an eligible individual, plus the program costs. In other cases, no service unit reporting is required at all, merely a reporting of transportation-related expenditures (and, in certain cases, not all transportation-related expenditures are reported).

Collection of vehicle hours and vehicle miles would represent new collection responsibilities for some organizations. For the time being, the recommended approach is limiting the collection of these data to only those situations where the organization is involved in **community transportation service** either through direct operations or the purchase of service from a third-party provider. (Once this first data collection process is fully operational, data collection then can move on to the other three types of service: case management transportation, travel services for individuals, and managed care transportation.) The miles and hours data are critical for management analyses involving the resource efficiency measures, service effectiveness measures, or cost effectiveness that allow management to make any number of decisions regarding service delivery. Additionally, this framework focuses on what amounts to best practices to be implemented at the local level rather than suggesting that wholesale changes are necessary in longstanding federal or state data reporting requirements. This approach is meant to facilitate implementation of the framework. Work being performed by the Federal Interagency Coordinating Council on Access and Mobility (CCAM; see Chapter 2 of this volume for the CCAM vehicle sharing policy statement) and the United We Ride program will address policy issues regarding the implementation of these recommendations at the federal level.

This service cost framework is predicated on the fact that federal and, in most cases, state agencies need only to capture rudimentary service data combined with significantly enhanced cost reporting. Data reported to federal and state agencies only need to be submitted in aggregated form; this framework does not require new service and cost reporting forms, only more accurate and full reporting of costs that are incurred by the organization. In cases where a federal agency does not request specific expenditures on client transportation, it would be beneficial to adopt accurate and full reporting of services and costs to achieve national goals on this topic. This recommendation is consistent with the direction being taken by CCAM.

Software Is a Great Help in Recording and Reporting Services and Costs

Relatively modest investments in technology could greatly ease any administrative burden imposed by adopting these recommendations. Technologies for automated accounting software, passenger scheduling and dispatching software, and passenger counting software and hardware are currently available in the marketplace.

Automated accounting software is a widely dispersed technology used at virtually all levels of government and almost universally used in both the private and nonprofit sectors engaged in the provision of human services. This well-developed technology, available at all levels of sophistication (from high-end government enterprise and fund accounting to off-the-shelf shrink-wrapped products), generally has sufficient tools to establish an accounting structure capable of segregating and accumulating organizational expenditures in the manner set forth in this framework, including using a functional accounting of such expenses.

Passenger scheduling and dispatching software is widely available in the marketplace for public transit, community transit, and medical transport, as well as for profit taxicab and livery service providers. Although the primary function of this software is to schedule and assign customers/passengers to a fleet of provider vehicles, its secondary function is providing passenger accounting. This functionality supplies the user with data on each customer or client, detailed information on each trip provided, and detailed information about all vehicle movements made by any vehicle in the fleet. While addressing different markets, virtually all software available on the market is capable of performing the passenger accounting functions necessary to yield the data specified in this framework. The administrative burden associated with data collection could be substantially reduced by wider deployment of this technology.

Various **technologies for counting passengers** have great potential but have not been widely implemented. This category includes infrared and other access/egress type counters as well as card reader type technologies that can be integrated with various fare collection technologies and the software that accumulates these counts. These technologies have potential applications in a human services setting. When human services transportation is provided by a third party, there is an obligation to verify that the unit of service was delivered to an eligible program participant. By issuing cards to eligible clients and having the provider organization adopt the necessary on-board card readers to accept, swipe, and read the client identification card, services can be verified and tied to a specific trip and other service parameters. Thus, if sufficient capital funds are available, technology could further reduce the potential administrative burden of implementing these recommendations at the local level by automating the passenger verification process.

Different Agencies Require Different Reports

Data requirements are not the same among the various levels of government. It is very important to recognize this fact. For example:

- **Federal level:** Some federal agencies only require the total expenditures spent on passenger transportation. They need this information for accurate reporting to Congress, the Office of Management and Budget (OMB), and other oversight agencies so that national investments in transportation services by the multitude of federal programs are complementary, not duplicative.
- **State level:** State administering agencies may require aggregated financial data and relatively few program measures to assess and compare local service delivery costs and make better decisions on how to augment federal program funds with state funding to achieve desired outcomes.

- **Local level:** Local agencies may require detailed financial data and several measures of service delivery to compute multiple performance evaluation measures. (See Chapter 6 in Volume 1 of *TCRP Report 144* for examples of the kinds of data and reports typically required of transportation providers.)

Given the different needs and requirements of the three levels of government, it may be appropriate for a hierarchical strategy to be employed in establishing reporting requirements. In this strategy, the local transportation agency would collect the most data, and those data would be primarily for its own internal management purposes. Less information would be submitted to state agencies and only modest reporting requirements would be imposed at the federal level.

Summary

Clearly, any attempt to impose additional administrative burdens on human service agencies simply to more accurately express the cost of transportation services will not be accepted. Unless specific benefits can be demonstrated, consideration and adoption of more detailed cost and services reporting may be hindered. The process outlined in this report has the following benefits:

- It enables local managers to make better informed decisions regarding service delivery alternatives in an era of increasing demand and rapidly rising costs.
- It provides specific benefits to local, state, and federal agencies in improving the accuracy and uniformity of cost and service reporting.
- It provides a specific audit trail to increase fiscal officers' and independent auditors' confidence in the prices charged or paid by the organization for client transportation service.

Any minor administrative burden associated with the proposed recording and reporting process can be reduced by applying various technologies now widely adopted in the community transportation industry. (See Appendix D for a list of commonly used data elements in current software programs.) The simple spreadsheet software provided as a companion to this report in *CRP-CD-86,* "Cost Sharing Model for *TCRP Report 144,*" can convert the results of the reporting methodology into contract rates (prices) that can be used by both transportation providers and purchasers to have confidence in the fairness of transportation charges.

CHAPTER 13

A Communications Strategy for Facilitating Cost Sharing Partnerships

Much of the information needed for comprehensive cost reporting for human services transportation is not new information. Similar concepts actually have been available for some time, but they have seen limited use by public transit and human services transportation providers. This project has created more usable, more detailed, and sometimes more simple procedures for accounting for and reporting transportation service costs than were previously available. Use of these procedures will greatly facilitate the development of cost sharing agreements.

There are two key objectives of the communications strategy for the new and improved service and cost reporting procedures: (1) get the information to those persons who can use it, and (2) provide this information in a manner that encourages its use.

This communications strategy employs the following five-step approach:

1. Agree on a common theme and message.
2. Identify target audiences, all potential stakeholders, and partners at the federal, state, and local levels who will benefit from the implementation and use of the Toolkit for sharing the costs of human services transportation—in particular, those organizations outside the transit community that may not have had previous opportunities to be introduced to these concepts.
3. Recruit champions—individuals who not only believe in the Toolkit's concepts but have a vested stake in their use and can communicate these beliefs to others.
4. Choose a variety of venues for disseminating the information and educating stakeholders.
5. Identify or develop high-quality, consistent materials.

Agree on a Common Theme and Message

This project suggests a simple theme and message: Accurate cost reporting (a) leads to better management of scarce resources and (b) helps ensure a more equitable and accurate distribution of costs among all participating agencies. Thus, accurate cost reporting helps to avoid the major pitfall that currently bedevils coordination efforts in many communities: some agencies are not willing to pay their fair share of the costs of providing transportation.

It is critical that this message (or an updated message) is spread by the key stakeholders and partners in human services transportation. The following sections describe the kinds of individuals and organizations that could be involved in communicating the theme and the details of enhanced transportation service cost reporting, as well as the venues for disseminating the information and educating stakeholders.

Identify Target Audiences, Potential Stakeholders, and Partners

To ensure successful communication, target audiences must be identified. In this case, there will be several categories and subsets of audiences to ensure that all potential stakeholders and partners are identified in both the transportation and human service communities, including the following organizations.

- Federal funding partners and national advocacy organizations:
  - All 13 member federal departments of the Federal Coordinating Council on Access and Mobility (CCAM);
  - United We Ride Ambassadors;
  - American Public Transportation Association (APTA);
  - Community Transportation Association of America (CTAA);
  - National Rural Transit Assistance Program (RTAP);
  - Easter Seals/Project ACTION;
  - American Public Human Services Association (APHSA);
  - National Association of State Medicaid Directors;
  - The National Association of Area Agencies on Aging (n4a) and the National Association of State Units on Aging (NASUA);
  - The National Council on Disability;
  - Aging-related associations, including the National Council on Aging (NCOA), the American Society on Aging (ASA), and American Association of Retired Persons (AARP); and
  - Temporary Assistance for Needy Families (TANF)-related associations.
- State agencies, specifically targeting agency directors responsible for policy making and agency staff responsible for program implementation:
  - Departments of Transportation (DOTs);
  - Health and Human Services (HHS);
  - Aging;
  - Medicaid;
  - Veterans;
  - All counterparts to CCAM members;
  - State coordination task forces;
  - State RTAP programs; and
  - State advocacy associations (transit, HHS, and consumer-driven).
- Local organizations:
  - City and county governments and other funders of transportation;
  - Transit systems;
  - Human service providers;
  - Metropolitan Planning Organizations (regional and county); and
  - Local advocacy organizations.

As stakeholders in these audiences are identified, individuals who stand out as strong advocates of cost reporting and cost sharing should also be identified. It is imperative that every effort is made to get the information into the hands of the directors and administrators responsible for policy as well as the staff with the responsibility for implementation to prevent the Toolkit and other products of this project from becoming just more documents for already-crowded bookcases.

Recruit Champions Who Can Communicate These Concepts to Others

Champions of cost reporting and cost sharing will be critical in obtaining buy-in from the stakeholders. A logical progression would be to start with individuals already engaged in supporting

more cost-effective transportation—transportation providers, CTAA state delegates, and persons associated with the United We Ride effort—and then to move onward to include other individuals as well.

It would be optimal if these champions came from all three levels of organizations: federal, state, and local. It also would be helpful to have different champions for different events. For an event addressing policymakers, for example, it makes sense to have a champion who has successfully implemented cost reporting and cost sharing principles at his or her agency. At a roundtable or small training session where human service directors or staff will be the audience, a human service director who has actually implemented these concepts may be able to relate better with the audience. Consideration also should be given to having champions from different regions to minimize travel time and costs for local events. See Appendix E for a suggested list of individuals who might serve as an initial group of champions of enhanced cost sharing practices.

These individuals can address information sessions and serve as facilitators for training. If possible, a lead individual or individuals should be identified to assist with ensuring that consistent information is being relayed and to monitor the different events where the information is being shared.

Federal Level Champions

A place to start would be federal agency directors and program administrators whose agencies are members of the CCAM and who have been strong proponents of coordination. Representatives from CCAM member agencies who have not been strong proponents of coordination yet should also be recruited. In addition, there are the United We Ride Ambassadors who have "been in the trenches" and already have developed relationships at the state and local levels.

State Level Champions

The administrators and staff of state departments of transportation, health and human services, aging, veterans, Medicaid, and others are the first logical choices for champions at the state level. In particular, any individuals who already have made advances in coordination, particularly in the areas of cost sharing and cost reporting, should be recruited. The Multi-State Technical Assistance Program (MTAP) network may provide insight into potential state and DOT representatives that are leaders in this area. United We Ride Ambassadors also may provide recommendations. State advocacy organizations that represent the different transit-dependent populations should be represented—individuals with disabilities, older adults, and people with low incomes. State agencies that have taken steps or already have implemented policies to encourage or require cost sharing and cost reporting measures are strongly recommended.

State transit associations should be tasked to play a key role. State association websites already have links for many kinds of training: driver training, emergency evacuation training, drug and alcohol regulation training, passenger assistance training, and dispatcher training, to name a few. Having an accurate service and cost reporting communication strategy would directly improve the offerings that each of these state transit associations could provide. The previously mentioned training workshops have workbooks and training manuals. The educators were taught by train-the-trainers personnel. It would be beneficial if the same effort were put into training on transportation service and cost reporting.

Local Level Champions

Ideally, a broad cross-section of directors, administrators, and staff representatives of local communities—transit, older adults, individuals with disabilities, people with low incomes,

veterans—is imperative to make sure that all levels and areas of the target audiences are reached. In this case, agencies and individuals that actually have taken steps toward or have implemented cost sharing and cost reporting are key. Look outside the usual suspects. For example, in some communities local chambers of commerce, temporary employment agencies, and other non-DOT- and HHS-related agencies have been very active and vocal advocates of transportation coordination.

Choose Key Venues for Disseminating Information and Educating Stakeholders

Ideally, a variety of venues should be used to educate and inform the different audiences to obtain consensus and support for the implementation of transportation cost sharing principles. These venues also can be used to identify additional champions. Consider offering webcasts, teleconferences, and similar venues to enhance attendance at all of these events. Small roundtables may be most beneficial to educate and inform policymakers so that any needed policy changes or additions can be obtained. At these events, you can solicit the support and buy-in of all participants. Take advantage of already scheduled or annual conferences, meetings, and workshops to inform and educate different audiences. You can reach a varied cross-section of participants this way. Some of the events that could be considered are the following:

- CTAA Expo, typically at the end of May each year.
- Federal Transit Administration (FTA) State Program Managers Meeting, typically in August.
- National Rural Public and Intercity Bus Transportation Conference, typically held every 2 years in October.
- Transportation Research Board Conferences/Meetings, including the Annual Meeting in January of each year.
- MTAP meetings and workshops.
- Annual APTA Conference and various APTA specialty conferences.
- Easter Seals/Project ACTION Institutes on Mobility, ESPA Webinars, and other events.
- National Council on Disability events.
- National Center on Senior Transportation events, including their Senior Transportation Institutes, typically in Washington, D.C.
- National and state Aging Conferences (e.g., AOA-sponsored, n4a, AARP).
- CTAA Coordination Institutes (National and Regional).
- TANF-sponsored conferences.
- Meetings of the National Association of State Medicaid Directors.
- State DOT/Transit Association meetings.
- State HHS, Aging, and other state departmental meetings.
- State Advocacy Organization Meetings for Target Audiences (e.g., Veterans, Individuals with Disabilities, Older Adults).
- State and local coordination task force meetings.

Train-the-trainer sessions also could be used to develop trainers and facilitators who can then go to the local level and teach the cost sharing principles. Possible facilitators may include United We Ride Ambassadors and other champions who already have experienced success in implementing cost sharing principles as part of coordination efforts at the local level. Once facilitators are trained, they can then train transit operators and human service staff. These sessions could be more hands-on, using spreadsheet templates developed as part of the Toolkit. Sessions could be smaller in nature—no more than 20—and most likely would represent a county (or counties), municipality, or other area seeking to coordinate transportation services. It might also be worth considering using local computer training facilities where the participants can actually use

the materials. Having completed a sample spreadsheet or step-by-step outline that they can carry back can increase the chances of implementation.

Websites are another effective resource for sharing information locally and nationally. The Executive Summary for *TCRP Report 144* could be available as a weblink (see the following section on identifying resources). At a minimum, links to the Executive Summary and Volume 1 of *TCRP Report 144,* "The Transportation Services Cost Sharing Toolkit," should be established on as many local websites as possible, including Human Service Providers, Public Transit Systems, and advocacy organizations and associations. A calendar of scheduled training and other meetings where the Toolkit will be presented and discussed should be posted on the FTA, CCAM, and/or United We Ride websites and others as identified.

Develop Presentation Resources

The two primary materials used in this communication strategy are the Executive Summary of this project and *TCRP Report 144,* Volume 1, "The Transportation Services Cost Sharing Toolkit." Both pieces are products of this project. The Executive Summary will be especially useful for audiences of policymakers, directors, and other decision-makers and also can be distributed at roundtables and other meetings, while the Toolkit may be better suited for roundtables and train-the-trainer sessions.

Two other communication pieces are recommended to ensure successful implementation of this project: a speaker's kit and a brochure. A basic speaker's kit should address (1) the overall project, (2) the Toolkit, and (3) the advantages and benefits of cost sharing. The speaker's kit would be a crucial part of the communication strategy to ensure that consistent information is being shared. It should be designed so that it can be used for a variety of settings (e.g., roundtables, community meetings). The speaker's kit should include Power Point presentations, which will be necessary for both informational meetings and training sessions. Consider assigning the responsibility for overseeing the development of this information to one or more of the identified champions (see the previous section on recruiting champions).

We also recommend developing some type of brochure that summarizes the basic points of the Executive Summary in an easy-to-read manner and that can be distributed more widely, even to consumers. Brochures with bullet points tend to be read and shared after longer documents are filed away.

Summary

The key to the success of implementing the principles and concepts in this project is to communicate the information to the individuals and agencies actually responsible for the implementation and provide it in formats that can be easily implemented. To do this, it is essential that all agencies and individuals at the federal, state, and local levels that should receive the information are identified. Ideally, it would be helpful to recruit champions or individuals who believe in the concepts and who can communicate them to others; choose a wide variety of venues to communicate the information (e.g., conferences, roundtables, and webcasts); and finally, choose quality resources and strive to make the information that is being communicated consistent in all settings.

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APPENDIX A

Detailed Information on Key Federal Programs That Help Fund Specialized Transportation Services

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U.S. Department of Health and Human Services Health Care Financing Administration (HCFA)

Medicaid

Program Purposes: Provide financial assistance to states for payments for medical assistance on behalf of designated recipients who meet income and resource requirements and other categories of eligible persons. In some states, medically needy persons may be eligible for medical assistance payments under this program. More limited assistance may be available to persons with higher incomes.

Administered by: U.S. DHHS, Health Care Financing Administration

Statutory Reference: 42 USC et. seq.

Catalog of Federal Domestic Assistance Program Number: 93.778: Medical Assistance Program (Medicaid).

Eligible Recipients: Federal funds must go to a designated State Medicaid Agency.

Funding Availability: The needy receive medical assistance as necessary. States receive funds quarterly.

Funding FY 2007, Authorization: $571.9 Billion
Transportation expenditures estimated to be approximately $1.4 billion.
Social Security Act, Title XIX, as amended.

Match: Under the Act, the federal share for medical services may range from 50 percent to 83 percent. The statistical factors used for fund allocation are (1) medical assistance expenditures by state and (2) per capita income by state based on a 3-year average.

Activities: Payment for medical services, access to these services, Medicare premiums, copayments, and deductibles of qualified Medicare beneficiaries meeting certain income requirements.

Transportation Provided: Varies substantially from state to state. Each state determines which persons are eligible for services, what kinds of transportation costs will be paid, and which transportation providers can provide services.

Reporting Requirements: States must submit fiscal and statistical reports, as required, to the Centers for Medicare and Medicaid Services, Department of Health and Human Services. A Treasury Report TUS-5401 is required monthly. States must submit certified expenditure reports within 30 days after the end of each quarter.

Regulations and Guidelines: 42 CFR, Subchapter C.
Also, in recognition of the need for additional guidance in this program area, HCFA has issued several "Dear State Medicaid Director" letters, and has provided technical assistance upon request. HCFA also established a technical advisory group (TAG), composed of state Medicaid technical experts to address on a comprehensive level the many issues continuing to confront the provision of non-emergency transportation services in the Medicaid program. The TAG published this report in June 1998.

For more information: http://www.cms.gov/home/medicaid.asp.

U.S. Department of Health and Human Services Office of the Secretary, Administration on Aging

Title III, Part B: Grants for Supportive Services and Senior Centers

Program Purposes: Encourage State Units on Aging (SUAs) and Area Agencies on Aging (AAAs) to concentrate resources in order to develop and implement comprehensive and coordinated community-based systems of service for older individuals via statewide planning and area planning and provision of supportive services, including multi-purpose senior centers. Focus is on older people (persons 60 years of age and older), targeting those individuals with the greatest economic and social needs.

Administered by: U.S. DHHS, Office of the Secretary, Administration on Aging.

Statutory Reference: 42 USC 3022-3030d.

Catalog of Federal Domestic Assistance Program Number: 93.044: Special Programs for the Aging: Title III, Part B: Grants for Supportive Services and Senior Centers

Eligible Recipients: State Units on Aging of all states and territories receive federal funds. SUAs suballocate to Area Agencies on Aging, which award grants or contracts to service providers for services. One of these service components may be transportation.

Funding Availability: Annual Congressional appropriations.

Funding FY 2007, Authorization: $351 million
Older Americans Act (OAA) of 1965, Title III, Part B, as amended.

Match: The non-federal share for states regarding Area Plan Administration is 25 percent. The non-federal share may be cash or in-kind. The non-federal share for Title III nutrition and supportive services is 15 percent. Grantees/service providers build matches into the grant or contract for service provision. The non-federal share may be cash or in-kind. Supportive services can be funded at 85 percent federal funds.

Activities: Directly operated services provided through contracts or vouchers; grants or contracts to service providers; operations and planning for program services; purchase of capital equipment (e.g., vans).

Transportation Provided: AAAs may directly provide transportation services for elders or may contract with other service providers who then provide transportation to elders. In FY95, 153 out of 665 AAAs directly provided transportation services for elders in their communities. Also in that year, 2,965 contractors provided transportation services to AAAs.

Reporting: States are required to report aggregate data on the numbers of providers, numbers of one way trips, and expenditures. Financial Status Reports (annual) and Annual Program Performance Reports are required.

Regulations and Guidelines: 45 CFR 92 and 45 CFR 1321.

For more information: http://www.aoa.gov.

U.S. Department of Transportation Federal Transit Administration

S. 5310, Capital Assistance Program for Elderly Persons and Persons with Disabilities

Program Purposes: Provide financial assistance in meeting the needs of elderly persons and persons with disabilities where public transportation services are unavailable, insufficient, or inappropriate.

Administered by: U.S. DOT, Federal Transit Administration (FTA), Office of Program Management.

Statutory Reference: 49 USC Chapter 53.

Catalog of Federal Domestic Assistance Program Number: 20.513: Capital Assistance Program for Elderly Persons and Persons with Disabilities

Eligible Recipients: States apply for funds on behalf of local private nonprofit agencies and certain public bodies. FTA, on behalf of the Secretary of Transportation, apportions the funds appropriated annually to the states based on an administrative formula that considers the number of elderly individuals and individuals with disabilities in each state.

Funding Availability: Year of appropriation (total 1 year).

Funding FY 2007, Authorization: $116.7 million
Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU).

Match: 80 percent federal and 20 percent local.

Allocation/Suballocation: By formula to each state. State agency has discretion on how to suballocate to providers.

Activities: Capital purchases, including acquisition of transportation services. Up to 10 percent of program may be used for administrative purposes.

Transportation Provided: Services for elderly persons and persons with disabilities, including meal delivery services. Vehicles purchased under the program may be used to serve the general public so long as such service does not interfere with services designed to meet the special needs of elderly persons or persons with disabilities. SAFETEA–LU introduced the requirement that projects funded with Section 5310 funds be derived from a locally developed, coordinated public transit-human services transportation plan.

Reporting Requirements: States must submit annual status reports, milestone activity reports, program measures, and annual financial reports.

Regulations and Guidelines: On March 29, 2007, FTA released a new circular for this program; see http://www.fta.dot.gov/laws/circulars/leg_reg_6622.html.

For more information: See the linked circular.

U.S. Department of Transportation
Federal Transit Administration

S. 5311, Formula Grants for Areas Other than Urbanized

Program Purposes: Improve, initiate, or continue public transportation in nonurbanized areas by providing financial assistance for operating and administrative expenses and for the acquisition, construction, and improvement of facilities and equipment. Also provide technical assistance for rural transportation providers.

Administered by: U.S. DOT, Federal Transit Administration (FTA), Office of Program Management.

Statutory Reference: 49 USC Chapter 53.

Catalog of Federal Domestic Assistance Program Number: 20.509: Public Transportation for Nonurbanized Areas

Eligible Recipients: States apply for funds on behalf of local private nonprofit agencies and certain public bodies. FTA, on behalf of the Secretary of Transportation, apportions the funds appropriated annually to the states based on an administrative formula that considers the number of elderly individuals and individuals with disabilities in each state.

Funding Availability: Year of appropriation (total 1 year).

Funding FY 2007, Authorization: $385.9 million
Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU).

Match: 80 percent federal and 20 percent local.

Allocation/Suballocation: Federal funds are distributed by formula to each state. State-designated recipient has discretion on how to suballocate to public transportation providers.

Activities: Capital, operating, project administration, and state administration expenses. Fifteen percent to be spent for intercity bus services unless governor certifies that intercity bus needs are met.

Transportation Provided: Fixed route and demand response services available to the general public. Services must be accessible per the Americans with Disabilities Act (ADA).

Reporting Requirements: Covered under E.O. 12372. Recipients are required to submit to FTA a State Management Plan (SMP), which serves as a single reference point documenting the state's procedures and policies for administering the program, including project selection criteria and method for distributing funds, coordination activities, and methodology for monitoring ADA compliance. Recipients also must submit annual project status reports, financial status reports, and triennial civil rights updates. States establish specific reporting requirements for their subrecipients.

Regulations and Guidelines: On February 28, 2007, FTA reissued its circular entitled, Nonurbanized Area Formula Program Guidance and Grant Application Instructions. This revision incorporates provisions of the SAFETEA–LU, and includes the most up-to-date guidance available for the program. See http://www.fta.dot.gov/laws/circulars/leg_reg_6519.html.

For more information: See the linked circular.

U.S. Department of Transportation
Federal Transit Administration

S. 5307, Urbanized Area Formula Grants

Program Purposes: To support public transportation services in urbanized areas by providing grants to urbanized areas (cities with populations of more than 50,000 persons) and states.

Administered by: U.S. DOT, Federal Transit Administration (FTA), Office of Program Management.

Statutory Reference: 49 USC 5307.

Catalog of Federal Domestic Assistance Program Number: 20.507: Federal Transit Capital and Operating Assistance Formula Grants.

Eligible Recipients: Funding is made available to *designated recipients* that must be public bodies with the legal authority to receive and dispense federal funds. Governors, responsible local officials, and publicly owned operators of transit services are to designate a recipient to apply for, receive, and dispense funds for *transportation management areas* pursuant to 49 USC 5307(a)(2). Generally, a *transportation management area* is an urbanized area with a population of 200,000 or over. The governor or governor's designee is the designated recipient for urbanized areas between 50,000 and 200,000.

Funding Availability: Year of appropriation plus 3 years (4 years total).

Funding FY 2007, Authorization: $3.584 billion
Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU).

Match: The federal share is not to exceed 80 percent of the net project cost. The federal share may be 90 percent for the cost of vehicle-related equipment attributable to compliance with the Americans With Disabilities Act (ADA) and the Clean Air Act. The federal share also may be 90 percent for projects or portions of projects related to bicycles. The federal share may not exceed 50 percent of the net project cost of operating assistance.

Activities: Capital purchases, planning, and limited funding of operations.

Transportation Provided: Fixed route rail and bus service, as well as demand response service. Transportation services may be directly operated or purchased. All services must be available to the public and must be accessible per the ADA. Recipients must provide complimentary, door-to-door paratransit services for individuals who cannot use the fixed route systems. Complimentary paratransit services must be equivalent to regular transit services in terms of factors such as schedules, fares, times available, areas served, and other factors.

Reporting Requirements: Must submit annual progress reports; financial status reports, which must be submitted quarterly for recipients in urbanized areas over 200,000 population (annually for other recipients and states); construction reports, where applicable; and submissions to the Annual Report to the National Transit Database (NTD).

Regulations and Guidelines: FTA Circular 9030.1B, Urbanized Area Formula Program: Grant Application Instructions, October 10, 1996.

For more information: http://www.fta.dot.gov/laws/circulars/leg_reg_4125.html.

U.S. Department of Transportation
Federal Transit Administration

S. 5316, Job Access Reverse Commute (JARC)

Program Purposes: Provide grants to states and localities to develop new or expanded transportation to connect welfare recipients and low-income persons to jobs and employment support services.

Administered by: U.S. DOT, Federal Transit Administration (FTA), Office of Research, Demonstration, and Innovation.

Statutory Reference: 49 USC 5317.

Catalog of Federal Domestic Assistance Program Number: 20.516: Job Access Reverse Commute

Eligible Recipients: State and local government agencies, nonprofit agencies, and transit providers. A coordinated regional transportation planning process including transportation providers and planners, as well as agencies administering public assistance, job training, welfare-to-work, and related social programs is required to qualify for these grants.

Funding Availability: Funds are normally available for 3 years. Applications can be submitted throughout the year.

Funding FY 2007, Authorization: $144.0 million. Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU).

Match: JARC grants for capital projects may not exceed 80 percent of the net capital costs of the project. Grants for operating assistance may not exceed 50 percent of the net operating costs of the project.

Allocation/Suballocation: Funds apportioned among states and designated recipients of large urbanized areas by a formula considering numbers of low-income individuals and welfare recipients. Sixty percent of funding for urbanized areas of 200,000 or more, 20 percent apportioned to states for projects in urbanized areas of 200,000 or less, and 20 percent to states for projects in other than urbanized areas.

Activities: Funds are to be used for delivery of services as well as to administer, plan, and provide technical assistance for projects.

Transportation Provided: A large variety of transportation services provided to connect welfare recipients and low income persons to jobs and employment support services. FTA will "continue its practice of providing maximum flexibility to job access projects that are designed to meet the needs of individuals who are not effectively served by public transportation, consistent with the use of funds described in the *Federal Register,* Volume 67 (April 8, 2002)."

Reporting Requirements: Must submit annual progress reports; financial status reports, which must be submitted quarterly for recipients in urbanized areas over 200,000 population (annually for other recipients and states); and detailed annual reports of project results for program evaluation purposes.

Regulations and Guidelines: On March 29, 2007, FTA released a new circular for this program. See http://www.fta.dot.gov/laws/circulars/leg_reg_6623.html.

For more information: See the linked circular.

U.S. Department of Transportation
Federal Transit Administration

S. 5317, New Freedom Program

Program Purposes: Encourages service and facility improvements to address the transportation needs of persons with disabilities that go beyond those required by the Americans with Disabilities Act (ADA). Provides a new formula grant program for associated capital and operating costs.

Administered by: U.S. DOT, Federal Transit Administration (FTA), Office of Research, Demonstration, and Innovation.

Statutory Reference: 49 USC 5317.

Catalog of Federal Domestic Assistance Program Number: 20.521, New Freedom Program.

Eligible Recipients: State and local government agencies, nonprofit agencies, and transit providers. A coordinated regional transportation planning process including transportation providers and planners, as well as agencies administering public assistance, job training, welfare-to-work, and related social programs is required to qualify for these grants.

Funding Availability: Funds are normally available for 3 years. Applications can be submitted throughout the year.

Funding FY 2007, Authorization: $81.0 million. Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU).

Match: Flexible matching requirements to encourage coordination with other federal programs that may provide transportation. Grants for capital projects may not exceed 80 percent of the net capital costs of the project. Grants for operating assistance may not exceed 50 percent of the net operating costs.

Allocation/Suballocation: Allocations based on the population of persons with disabilities. Allocations to designated recipients in areas over 200,000, to states for other areas. Sixty percent of funding for urbanized areas of 200,000 or more, 20 percent apportioned to states for projects in urbanized areas of 200,000 or less, and 20 percent to states for projects in other than urbanized areas.

Activities: Funds are to be used for delivery of services as well as to administer, plan, and provide technical assistance for projects. Capital and operating expenses are authorized.

Transportation Provided: New public transportation service or a public transportation alternative beyond those required by the ADA and the project must assist individuals with disabilities with transportation, including transportation to and from jobs and employment support services.

Reporting Requirements: Must submit annual progress reports; financial status reports, which must be submitted quarterly for recipients in urbanized areas over 200,000 population (annually for other recipients and states); and detailed annual reports of project results for program evaluation purposes.

Regulations and Guidelines: On March 29, 2007, FTA released a new circular for this program. See http://www.fta.dot.gov/laws/circulars/leg_reg_6623.html.

For more information: See the linked circular.

U.S. Department of Health and Human Services Administration for Children and Families (ACF)

Temporary Assistance for Needy Families (TANF)

Program Purposes: Reconfigure welfare programs by focusing on moving welfare recipients into work and on limiting the length of time for which welfare payments are available.

Administered by: U.S. DHHS, Office of the Secretary, Administration for Children and Families.

Statutory Reference: Social Security Act, Title IV, Part A, as amended; Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Public Law 104-193; Balanced Budget Act of 1997, Public Law 105-33.

Catalog of Federal Domestic Assistance Program Number: 93.558: Temporary Assistance to Needy Families (TANF).

Eligible Recipients: In general, all states, territories, the District of Columbia, and all tribes are eligible except in Alaska, where only 13 specified entities are eligible.

Funding Availability: States, territories, and tribes are awarded their assistance grants in quarterly payments. They may reserve grant moneys, without fiscal year limitation, for providing assistance.

Funding FY 2007, Authorization: Federal Funds: $17.54 billion (estimated).

State funds to meet Maintenance of Effort requirement (MOE) at 80 percent = $11 billion (approx); at 75 percent = $10 billion.

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P. L. 104-193).

Match: No matching or maintenance-of-effort requirements for tribes. For contingency funds, states must demonstrate maintenance of effort and provide a state match at the Fiscal Year 1995 Federal Medical Assistance Percentage rate (FMAP). The assistance grant may be reduced for failure to meet any of 15 different program and fiscal requirements.

Activities: Activities vary by state. Some examples include reimbursing clients for items such as gas, car repair, insurance, tokens, and bus and rail passes. Federal TANF funds may not be used for construction or purchase of facilities or buildings. State funds may be used for this purpose—though to be countable toward the TANF MOE requirement, money must be expended exclusively for or on behalf of eligible families toward activities reasonably calculated to accomplish the purpose of the program.

Transportation Provided: May include what resources are available, any partnership or task forces established, which supportive services they intend to provide while individuals are receiving TANF services and after they become independent of TANF due to work.

Reporting Requirements: States, territories, and tribes are to collect and report to the secretary on a quarterly basis case record information on the families receiving assistance and also are required to report administrative costs and overhead expenditures on programs for needy families, participation by non-custodial parents in work activities, and transitional services provided to former recipients. States and territories must report child poverty information annually.

Regulations and Guidelines: Checklist for State Plans for Temporary Assistance for Needy Families (TANF) Program. ACF-PA-97-1.

For more information: http://www.acf.hhs.gov/programs/ofa.

U.S. Department of Veterans Affairs (VA) Veterans Health Administration

Veterans Medical Care Benefits

Program Purposes: To provide outpatient medical services, hospital care, medicines, and supplies to eligible veterans in receipt of VA health care.

Administered by: U.S. Department of Veterans Affairs, Veterans Health Administration.

Statutory Reference: 38 U.S.C. 102(2), 1705, 1710, and 5303A.

Catalog of Federal Domestic Assistance Program Number: 64.009, Veterans Medical Care Benefits.

Eligible Recipients: Individuals who enlisted in the armed forces before September 7, 1980. Veterans who enlisted in the armed forces after September 7, 1980, or entered on active duty after October 16, 1981, must have 24 continuous months of active duty service or completed the full period of time for which the individual was called or ordered to active duty. In either case the individual must have been discharged or released from active duty under conditions other than dishonorable. Must be enrolled in the VA health care system or have: A VA service-connected rating of 50 percent or greater, an adjudicated service-connected disability; or been recently discharged from the military (within the past 12 months) for a disability the military determined was incurred or aggravated in the line of duty. When approved by the VA and at the Department of Defense request, active duty personnel may be transferred to or from a military hospital to a VA health care facility.

Funding Availability: Not applicable; funding is available on a continuing basis.

Funding FY 2007, Authorization: $35.003 million (estimate).

Match: Not applicable

Activities: Inpatient hospital treatment, outpatient visits, and readjustment counseling. It is estimated that 835,887 inpatients will be treated in fiscal year 2007 in VA, state, and contract inpatient facilities.

Transportation Provided: The VA, under certain circumstances, will reimburse individual veterans for their medical travel. In addition, travel offices at VA Medical Centers may provide their own transportation services, may contract directly with transportation providers for trips to VA Medical Centers, or may work with volunteer networks to provide transportation for veterans seeking health care. In addition, community agencies may purchase vans for the purpose of transporting homeless veterans.

Reporting Requirements: Post-assistance reporting is not applicable.

Regulations and Guidelines: 38 CFR 17.42, 17.43, 17.43(b), 17.46.

For more information: http://www.va.gov.

U.S. Department of Education Office of Special Education and Rehabilitative Services

Vocational Rehabilitation Grants to States

Program Purposes: 84.126: Vocational Rehabilitation Grants to States.

Administered by: U.S. Department of Education, Office of Special Education and Rehabilitative Services.

Statutory Reference: 34 CFR 361.

Catalog of Federal Domestic Assistance Program Number: 84.126: Vocational Rehabilitation Grants to States.

Eligible Recipients: For beneficiaries, eligibility for vocational rehabilitation services is based on the presence of a physical and/or mental impairment, which for such an individual constitutes or results in a substantial impediment to employment, and the need for vocational rehabilitation services that may be expected to benefit the individual in terms of an employment outcome. For applicants, state agencies in all states (including territories/possessions) designated as the sole state agency to administer the vocational rehabilitation program may apply.

Funding Availability: Year of appropriation, grant awards are issued biannually.

Funding FY 2007, Authorization: $2.803 billion (estimate).

Match: Federal funds are distributed (78.7 percent federal and 21.3 percent state) based on population weighted by per capita income. Funds become available for obligations for the fiscal year for which they are appropriated and may remain available for an additional year if the matching requirement is met in the year of the appropriation. The statistical factors for fund allocation are: (1) The per capita income 3-year average by state with the source being the Survey of Current Business, Bureau of Economic Analysis; and (2) the U.S. total population and state population with the source being the Population Estimates Annual, Bureau of the Census, and Bureau of Labor Statistics.

Activities: Covers the costs of providing vocational rehabilitation services, which include assessment, counseling, vocational and other training, job placement, reader services for the blind, interpreter services for the deaf, medical and related services and prosthetic and orthotic devices, rehabilitation technology, transportation to secure vocational rehabilitation services, maintenance during rehabilitation, and other goods and services necessary for an individual with a disability to achieve an employment outcome. Funds also can be used to provide Vocational Rehabilitation services for the benefit of groups of individuals with disabilities including the construction and establishment of community programs.

Reporting Requirements: Annual and quarterly progress reports, annual budget and case service reports, and quarterly financial reports.

Transportation Provided: Provides support to obtain transportation to receive vocational rehabilitation services.

Regulations and Guidelines: Vocational Rehabilitation Regulations (34 CFR 361). Vocational Rehabilitation Manual, Rehabilitation Services Policy Directives, and Technical Assistance Circulars.

For more information: http://www.ed.gov.

APPENDIX B

Depreciation of Capital Expenses

Considerations Regarding Depreciation

Overview

Depreciation and use allowances typically are the methods used to allocate the cost of fixed assets to activities conducted by the organization during its fiscal year. They usually are computed on the original acquisition cost of the asset and the period of useful service (useful life) established in each case for usable capital assets. Federal Transit Administration (FTA) and state departments of transportation (DOTs) typically specify the useful life for all capital assets used in transit service.

TCRP Report 144: Sharing the Costs of Human Services Transportation is designed to facilitate cost sharing agreements between public transit and human service agencies. In the majority of cases, transit agencies likely will receive capital assistance through one or more of the many programs administered by the FTA (i.e., Sections 5307, 5309, 5310, 5311, 5316, or 5317). Additionally, it is likely when human service agencies purchase service from another organization, they may use, in part, revenues derived from federal grants that support client transportation. This scenario is common in coordinated transportation where cost sharing agreements are necessary.

The Office of Management and Budget (OMB) is the agency of the federal government responsible for assisting the President in overseeing the preparation of the federal budget and supervising its administration in Executive Branch agencies. OMB promulgates rules on the allowability of expenditures under various federal grant awards. Both OMB Circulars A-87 and A-122 **specifically exclude the cost of depreciation as an allowable expense under federal awards.** Language in both circulars is identical, reading as follows:

- The computation of depreciation or use allowances **will exclude:**
  - The cost of land;
  - Any portion of the cost of buildings and equipment borne by or donated by the federal government irrespective of where title was originally vested or where it presently resides; and
  - Any portion of the cost of buildings and equipment contributed by or for the governmental unit, or a related donor organization, in satisfaction of a matching requirement.

Implications for This Effort

The Cost Sharing Model provides, at the user's discretion, the opportunity to include depreciation in the computation of fully allocated costs. In most cases, however, it is recommended that the user not include depreciation in the model's computations for the reasons described in Chapter 11 of *TCRP Report 144,* Volume 2. In communities where the vast majority of the users of the Cost Sharing Model are using federal funds for capital purposes and everyone excludes capital costs, the Cost Sharing Model still will provide appropriate guidance for allocating costs among stakeholders.

An Example of Depreciation

A local senior center may require transportation of older adults to participate in the daily activities of the center. The center receives funding from the Area Agency on Aging (AAA) under the Older Americans Act (42 U.S.C. § 3030d [a] [2]). The center then seeks to enter into an agreement with the local community transportation agency to provide this service. The local transportation organization may have acquired its vehicles under one of the previously listed FTA grant programs; typically, the federal government will pay for 80 percent of the cost of the vehicle. In this example, it would not be permissible for the senior center to pay depreciation or use charges to the transportation agency for the part of the cost of equipment paid for by the federal government. This would be an unallowable expense.

This commonly occurring situation is the typical arrangement in coordinated transportation agreements. In this situation, when an organization is attempting to develop a cost sharing agreement with another organization, depreciation should be excluded from the analysis so that OMB cost allowability standards are not violated.

Alternative Considerations

It is permissible for a transit organization to include that portion of an asset **not paid for by the federal government** in a use or depreciation charge. For example, the North Carolina Department of Transportation (NCDOT), in its cost sharing procedures, permits its grantees to include the non-federal share of capital equipment (as an option component) in cost sharing agreements with human service agencies. However, this introduces a fair amount of complexity into the Cost Sharing Model because each and every asset should be documented in terms of the original acquisition cost, useful life, and cost sharing arrangements at the time of purchase. This level of documentation can create additional accounting burdens for the organization.

There are situations where inclusion of capital equipment is recommended in the Cost Sharing Model. These situations typically include scenarios where a transit agency enters into a service agreement with a private sector transportation provider (in which there would be no federal participation in the provider's rolling stock and facilities) and depreciation would be a reasonable component of contract costs. In this circumstance, users of the Cost Sharing Model should include depreciation in the computations.

APPENDIX C

List of Focus Group Participants

Transportation Providers

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APPENDIX D

Suggested Data Fields for Computerized Recordkeeping

The basic data tables and fields used to create complete trip data for clients probably need to include the kinds of data described in this appendix. Please note that these suggestions do not constitute a complete list of all tables that need to be contained in a software program used for dispatching and billing purposes; rather, these suggestions should enable users to create complete trip records for clients. Many commercial software vendors typically include these kinds of data in their currently available programs. Tables D-1 and D-2 contain suggested fields for client data and funding agency data, respectively.

With the information contained in Tables D-1 and D-2, it should be possible to create a trip record for each client and each separate leg of each trip. This record would contain the information necessary for a complete analysis of trips and detailed cost allocation. Data fields contained in each trip record would include the information shown in Table D-3.

Table D-4 lists the other kinds of data tables that will be required for computerized recordkeeping.

Table D-1. Suggested data fields for client table.

Client Identification: Last, First, Middle Names
Honorific
Full Residential Address, Including City, State, Zip
Secondary Address (if applicable)
Geocoding Information for Addresses (if geocoding is used)
Telephone and (if applicable) Email Contacts
Birth Date
Gender
Language
Ethnicity Code
Emergency Contact Information
Special Needs Codes and Status Codes (e.g., service animal, attendant, oxygen)
Disability Codes (may be used to choose vehicle type)
Numerical Identifier (NOTE: DO NOT use Social Security Number)
Medicaid Number (if applicable)
Other Identification Numbers and Descriptions (if necessary)
Primary, Secondary, Other Funders Codes
Certification Date Range and Authorization Dates
Other Client Codes (if necessary)
Frequently Used Pick Up and Drop Off Addresses or Codes
Client Notes
Custom Fields (as necessary)

Table D-2. Suggested data fields for funders table.

Funder Identification: Name
Description of Funder's Programs and Objectives
Full Address of Funder
Phone and Contact Information for Funder
Contract Codes for Funder
Dates of Contract
Contract Renewal
Billing Codes and Descriptions
Other Expense Codes and Descriptions for Funders

Table D-3. Suggested data fields for trip records.

Client Identification/Name
Funder Identification for All Funders of this Trip
Date of Trip
Rate Type and Percentage for All Applicable Rates
Fare and Fare Breakdown
Trip Purpose
Trip Approval Code (if applicable)
Trip Approver (if applicable)
Trip Special Needs (if any)
Number of Passengers
Number of Attendants
Number of Escorts
Trip Stops
Mileage Rate
Type of Vehicle
Pick-Up and Drop-Off Times for Each Rider
Time Passenger Spent On-Board Vehicle
Odometer Start and End (includes deadhead miles)
Odometer Pick-Up and Drop-Off for this Trip
Odometer Pick-Up and Drop-Off for Each Rider
Funders and Funding Breakdown
Client Ethnicity, Age Group, Disability, or Other Special Rider Characteristics
Driving Time

Table D-4. Other basic tables needed.

Transportation Providers Available
Trip Purposes Served
Vehicle Inventory
Standard Service Routes or Service Areas

APPENDIX E

Tentative List of Champions for the Transportation Services Cost Sharing Toolkit

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Abbreviations and acronyms used without definitions in TRB publications:

AAAE	American Association of Airport Executives
AASHO	American Association of State Highway Officials
AASHTO	American Association of State Highway and Transportation Officials
ACI–NA	Airports Council International–North America
ACRP	Airport Cooperative Research Program
ADA	Americans with Disabilities Act
APTA	American Public Transportation Association
ASCE	American Society of Civil Engineers
ASME	American Society of Mechanical Engineers
ASTM	American Society for Testing and Materials
ATA	Air Transport Association
ATA	American Trucking Associations
CTAA	Community Transportation Association of America
CTBSSP	Commercial Truck and Bus Safety Synthesis Program
DHS	Department of Homeland Security
DOE	Department of Energy
EPA	Environmental Protection Agency
FAA	Federal Aviation Administration
FHWA	Federal Highway Administration
FMCSA	Federal Motor Carrier Safety Administration
FRA	Federal Railroad Administration
FTA	Federal Transit Administration
HMCRP	Hazardous Materials Cooperative Research Program
IEEE	Institute of Electrical and Electronics Engineers
ISTEA	Intermodal Surface Transportation Efficiency Act of 1991
ITE	Institute of Transportation Engineers
NASA	National Aeronautics and Space Administration
NASAO	National Association of State Aviation Officials
NCFRP	National Cooperative Freight Research Program
NCHRP	National Cooperative Highway Research Program
NHTSA	National Highway Traffic Safety Administration
NTSB	National Transportation Safety Board
PHMSA	Pipeline and Hazardous Materials Safety Administration
RITA	Research and Innovative Technology Administration
SAE	Society of Automotive Engineers
SAFETEA-LU	Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (2005)
TCRP	Transit Cooperative Research Program
TEA-21	Transportation Equity Act for the 21st Century (1998)
TRB	Transportation Research Board
TSA	Transportation Security Administration
U.S.DOT	United States Department of Transportation