



## Financial and Institutional Alternatives

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### FUNDING SOURCES

Successful coordinated transportation systems are strategic about funding. They try to develop funding bases that enable them to operate reliably and efficiently within a set of clear goals and objectives, and according to both long- and short-range plans. Potential strategies for funding a coordinated system in the northeast Mississippi area are described below.

#### Capital Funding

The new transportation services for this area will require capital funding for bus fleet procurement, bus stops, shelters, dispatching software, computers, and other administration capital, although some of this is provided through the existing providers. The following strategies for funding capital development should be considered:



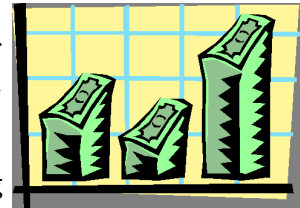
- Federal funding (along with any state match funds) should be maximized—within the existing 5310 and 5311 program, and through pursuit of discretionary grants (both through FTA channels and through direct Congressional earmark). Small transit systems often underachieve their potential for federal grant assistance because they assume they cannot compete in that arena. Close coordination with the Mississippi Department of Transportation will help the transit systems be aware of opportunities and compete for funding.
- In general, the best use of federal discretionary grant funding is for capital needs since this is a highly speculative source of money that requires extensive political effort at a level that is feasible only as a one-time or occasional undertaking.
- The financial management system should include specific provision for recapitalization of the fleet and of certain other capital investments. A sinking fund for capital replacement should be established and some amount of money from local funding sources should be set aside annually based on a recapitalization plan. Note that buses and certain other capital facilities purchased with federal cost participation (80 percent under SAFETEA-LU) are eligible for

federal participation in the cost of replacement once they reach maturity (as defined in FTA rules).

## **Operations and Maintenance Funding**

Over time, the primary financial requirement of a local or regional transit system will be funding routine operations and maintenance, including daily transit service, vehicle maintenance, and system administration. Labor represents about 75 percent of the costs of operating transportation with much of that going to drivers' salaries and a higher percentage to fuel as cost continue to soar. The following strategies for funding operations and maintenance should be considered:

- Reliance on general fund appropriations from local governments should be avoided if possible. It is common for local and regional transit agencies to be dependent on annual appropriations from their constituent towns, cities, and/or counties. As a practical matter, this means it will not be possible to forecast future funding levels, given the exigencies of local government funding. Such an agency will be unable to undertake capital planning and will continually face potential service cutbacks. This, in turn, makes it difficult or impossible for the transit agency to enter into partnership arrangements with other agencies or with private entities. Transit agencies, like highway agencies, require that most or all of their operations and maintenance funding come from **dedicated sources** so that they can undertake responsible planning and offer reliable, consistent service.
- It may be necessary to collect **fares** as part of system funding, but this is not an ideal source of revenue. Due to realities of our transportation system cost and financing structure, it is generally not possible to recoup more than 10 to 20 percent of operations and maintenance costs at the farebox. Fare collection incurs costs for farebox maintenance, cash management, and auditing. Fare collection slows down vehicle boarding and increases operating costs by increasing the time required to run each route. Finally, fare collection deters ridership. A coordinated fare structure should be something which is examined when an operations plan is developed.
- Operations and maintenance funding mechanisms should be designed explicitly to anticipate transit system growth. Successful rural and small urban transit systems around the United States are experiencing annual growth in ridership. It is important to be able to respond to such growth by increasing service levels to meet demand. This means that the ideal funding sources for operations and maintenance are those that have the **flexibility to be increased** or expanded as demand grows. Such flexibility will, in most cases, require voter approval, but the important consideration is that the need for growth has been anticipated and the potential for larger budgets is not precluded by the choice of a source of funding.



## Overall Service Considerations

There are also a few overarching considerations in developing a coherent transit system funding strategy including:

- Issues of funding and service equity are of paramount importance in designing funding systems. Informal systems based on annual appropriations and systems without **specific accounting for the distribution of costs and benefits** struggle with local elected bodies to find acceptable allocations of cost responsibility. This can become a significant barrier to a coordinated system establishment and, later, to system growth.
- The strongest transportation systems are those that make extensive use of partnerships. Examples include partnerships with private companies, partnerships with national parks or other major public facilities, and partnerships with adjacent jurisdictions. Partnership arrangements enable a transit system to broaden its base of beneficiaries, expand its funding source alternatives, achieve better governance, and improve public support.

## Potential Local Funding Sources

A variety of local fund sources may be available. Examples of local support that could be used for transit include the following: voluntary assessments of municipalities; contributions by major business associations; and taxes (sales tax, lodging tax, property tax, fuel tax, real estate tax). Many local agencies benefit from business support in the form of advertising. These and other local funding sources are discussed below.

- **General Fund Appropriations:** Counties and towns/cities may appropriate funds for transit operations and maintenance and for transit capital needs. Funds to be appropriated come generally from local property taxes and sales taxes. Competition for such funding is tough and local governments generally do not have the capacity to undertake major new annual funding responsibilities for transit.
- **Advertising:** One modest but important source of funding for many transit services is on-vehicle advertising. The largest portion of this potential is for exterior advertising, rather than interior “bus card” advertising. The potential funds generated by advertising placed within the vehicles is comparatively low. Advertising on bus shelters has been used to pay for the cost of providing the shelter.
- **Voluntary Assessments:** This alternative requires each participating governmental entity (the cities and counties) and private businesses to contribute



to funding of the system on a year-to-year basis. This alternative is common for areas which provide regional service rather than service limited to a single jurisdiction. An advantage of this type of funding is that it does not require voter approval. However, the funding is not steady and may be cut off at any time.

- **Private Support:** Financial support from private industry can be a revenue source in providing adequate transportation services in the northeast Mississippi area. The major employers in the region are potential sources of revenue. These firms may be willing to help support alternative fuel vehicles or operating costs for employee transportation. Private industry is also a viable source of advertising revenue. A possible support mechanism may be from the local hospital in Tupelo.
- **Transportation Impact Fees:** Traditional methods of funding the transportation improvements required by new development raise questions of equity. Sales and property taxes are applied to both existing residents and to new residents attracted by development. However, existing residents then inadvertently pay for public services required by the new residents. As a means of correcting this inequity, many communities nationwide, faced with strong growth pressures, have implemented development impact fee programs that place a fee on new development equal to the costs imposed on the community.
- **Lodging Tax:** The appropriate use of lodging taxes (occupancy taxes) has long been the subject of debate. Historically, the bulk of these taxes have been used for marketing and promotion efforts for conferences and general tourism. In other areas, such as resorts, the lodging tax is an important element of the local transit funding formula. A lodging tax can be considered as a specialized sales tax, placed only on lodging bills. As such, it shares many of the advantages and disadvantages of a sales tax. Taxation of this type has been used successfully in Park City, Utah; Sun Valley, Idaho; and Telluride and Durango, Colorado. A lodging tax creates inequities between different classes of visitors, as it is only paid by overnight visitors. Day visitors (particularly prevalent in the summer) and condominium/second home owners, who may use transit as much as lodging guests, do not contribute to transit.
- **Sales Tax:** Sales tax is the financial base for many transit services in the western United States. The required level of sales tax would depend upon the service alternatives chosen. One advantage is that sales tax revenues are relatively stable and can be forecast with a high degree of confidence. In addition, sales tax can be collected efficiently, and it allows the community to generate revenues from visitors in the area. This source, of course, would require legislative approval and a vote of the people to implement or increase the existing sales tax for transit. In addition, a sales tax increase could be seen as inequitable to residents not served by transit. This disadvantage could be offset by the fact that sales taxes could be rebated to incorporated areas not served by transit. Transit services, moreover, would face competition from other services which may seek to gain financial support through sales taxes.

The best and most versatile of the above long-range funding sources for local transportation services will most likely be some sort of dedicated tax imposed by the local counties. This funding source offers a stable flow of revenue to operate the coordinated transit system. It will provide revenue for operations and local match for federal and state grants.

## **Federal Transit Funding Sources**

On August 10, 2005 President Bush signed the Safe, Accountable, Flexible, and Efficient Transportation Equity Act - A Legacy for Users (SAFETEA-LU) providing \$286.4 billion in guaranteed funding for federal surface transportation programs over six years through FY 2009, including \$52.6 billion for federal transit programs—a 46 percent increase over transit funding guaranteed in the Transportation Efficiency Act for the 21<sup>st</sup> Century (TEA-21).

SAFETEA-LU builds on many of the strengths of rural transit's favorable treatment in TEA-21 and the Intermodal Surface Transportation Efficiency Act (ISTEA) (the two preceding highway and transit authorizations). Some of the desirable aspects of the rural transit program are brought into other elements of federal transit investment, and an increased share of the total federal transit program will be invested in rural areas under this new legislation.

Listed below are descriptions of federal funding programs which may be utilized by the areas providers:

- **FTA Section 5309 Capital Improvement Grants:** These grants are split into three categories—New Starts, Fixed Guideway Modernization, and Bus and Bus Facilities. These funds were formerly apportioned directly by the FTA; however, Congress has earmarked these funds directly now for several years. There is no indication that this trend toward earmarking these funds will change. In recent fiscal years, smaller urban and rural areas have received a greater share of these funds than in previous years. For more information, contact your FTA regional office, or J. Lynn Sahaj, Deputy Associate Administrator for Program Management, Federal Transit Administration, 400 Seventh Street, SW, Washington, DC 20590. Tel: (202) 366-4020. Fax: (202) 366-7951. Web: [www.fta.dot.gov/office/prgmmgmt/index.html](http://www.fta.dot.gov/office/prgmmgmt/index.html).

SAFETEA-LU continues the longstanding guarantee that at least 5.5 percent of these discretionary grants are to be aimed at rural areas. Traditionally, Congress earmarks a far greater share of these grants for rural and statewide

bus and facilities grants. Transit systems need to work diligently with their congressional representatives to obtain this grant funding.

- **FTA Section 5310 Capital for Elderly and Disabled Transportation:** In addition to the Section 5307 program, FTA funds are also potentially available through the Section 5310 program, which provides formula funding to states for the purpose of assisting private nonprofit groups and certain public bodies in meeting the transportation needs of elders and persons with disabilities. Funds may be used only for capital expenses or purchase-of-service agreements. States receive these funds on a formula basis. For more information, contact your state transit agency, or Sue Masselink, Office of Programs Management, Federal Transit Administration, 400 Seventh Street, SW, TPM-10, Washington, DC 20590. Tel: (202) 366-2053. Fax: (202) 366-7951. E-mail: [sue.masselink@fta.dot.gov](mailto:sue.masselink@fta.dot.gov). Web: [www.fta.dot.gov/office/prgmmgmt/index.html](http://www.fta.dot.gov/office/prgmmgmt/index.html).
- **FTA Section 5311 Public Transportation for Rural Areas:** Federal transit funding for rural areas is currently provided through the Public Transportation for Rural Areas program for nonurbanized areas. A 20 percent local match is required for capital programs and a 50 percent match for operating expenditures. These funds are segmented into “apportioned” and “discretionary” programs. The bulk of the funds are apportioned directly to rural counties based upon population levels. This program has historically been the source of FTA funds for many rural areas in the United States and, with the new SAFETEA-LU authorization bill, has seen a dramatic increase in funding level. Many states are realizing at least twice the amount of 5311 funding under SAFETEA-LU. For more information, contact your state transit agency or Lorna Wilson, Office of Program Management, Federal Transit Administration, 400 Seventh Street, SW, Washington, DC 20590. Tel: (202) 366-2053. Fax: (202) 366-7951. E-mail: [lorna.wilson@fta.dot.gov](mailto:lorna.wilson@fta.dot.gov). Web: [www.fta.dot.gov/office/prgmmgmt/index.html](http://www.fta.dot.gov/office/prgmmgmt/index.html)
- **FTA Section 5312 Research, Development, Demonstration, and Training Projects:** The Secretary of Transportation may make grants or contracts that will help reduce urban transportation needs, improve mass transportation service, or help mass transportation service meet the total urban transportation needs at a minimum cost. The Secretary of Transportation may make grants to nonprofit institutions of higher learning:
  - To conduct research and investigation into the theoretical or practical problems of urban transportation.
  - To train individuals to conduct further research or obtain employment in an organization that plans, builds, operates, or manages an urban transportation system.

The grants could be for state and local governmental authorities for projects that will use innovative techniques and methods in managing and providing mass transportation.

- **Transit Benefit Program:** The “Transit Benefit Program” is a provision in the Internal Revenue Code (IRC) that permits an employer to pay for an employee’s cost to travel to work in other than a single-occupancy vehicle. The program is designed to improve air quality, reduce traffic congestion, and conserve energy by encouraging employees to commute by means other than single-occupancy motor vehicles.

Under Section 132 of the IRC, employers can provide up to \$115 per month to those employees who commute to work by transit or vanpool. A vanpool vehicle must have seating capacity of at least six adults, not including the driver, to qualify under this rule. The employer can deduct these costs as business expenses, and employees do not report the subsidy as income for tax purposes. The subsidy is a qualified transportation fringe benefit.

- **FTA Section 5316 Job Access and Reverse Commute Program (JARC):** This program, funded through SAFETEA-LU, has an emphasis on using funds to provide transportation in rural areas currently having little or no transit service. The list of eligible applicants includes states, metropolitan planning organizations, counties, and public transit agencies, among others. A 50 percent non-Department of Transportation match is required; however, other federal funds may be used as part of the match. FTA gives a high priority to applications that address the transportation needs of areas that are unserved or underserved by public transportation. For more information, contact your FTA regional office, or Sue Masselink, Office of Program Management, Federal Transit Administration, 400 Seventh Street, SW, Washington, DC 20590. Tel: (202) 366-1630. Fax: (202) 366-7951. E-mail: Sue.masselink@fta.dot.gov. Web: [www.fta.dot.gov/office/prgmmgmt/index.html](http://www.fta.dot.gov/office/prgmmgmt/index.html)
- **Rural Transit Assistance Program (RTAP):** This program provides a source of funding to assist in the design and implementation of training and technical assistance projects and other support services tailored to meet the needs of transit operators in nonurbanized areas. RTAP has both state and national program components. The state program provides an annual allocation to each state to develop and implement training and technical assistance programs in conjunction with the state’s administration of the Section 5311 program formula assistance program. The national program provides for the development of information and materials for use by local operators and state administering agencies and supports research and technical assistance projects of national interest.
- **FTA Section 5317 New Freedoms Program:** This program is a new element of the SAFETEA-LU authorization with the purpose of encouraging services and facility improvements to address the transportation needs of persons with disabilities that go beyond those required by the Americans with Disabilities Act (ADA). To encourage coordination with other federal programs that may provide transportation funding, New Freedoms grants will have flexible matching share requirements.
- **Transportation and Community System Preservation Program:** This program is funded by the Federal Highway Administration to provide discretionary grants to develop strategic transportation plans for local governments

and communities. The goal of the program is to promote livable neighborhoods. Grants may be used to improve the safety and efficiency of the transportation system; reduce adverse environmental impacts caused by transportation; and encourage economic development through access to jobs, services, and centers of trade.

## **Other Federal Funds**

The US Department of Transportation funds other programs including the Research and Special Programs Administration (RSPA), and the National Highway Traffic Safety Administration's State and Community Highway Grants Program funds transit projects that promote safety.

A wide variety of other federal funding programs provide support for elderly and handicapped transportation programs. Some of these are currently being used in the area and others can be explored further, including the following, some of which are provided in more detail in this section:

- Retired Senior Volunteer Program (RSVP)
- Title IIIB of The Older Americans Act
- Medicaid Title XIX
- Veterans' Affairs
- Job Training Partnership Act (JTPA)
- Temporary Assistance for Needy Families (TANF)
- Developmental Disabilities
- Housing and Urban Development (Bridges to Work and Community Development Block Grants)
- Head Start
- Department of Energy
- Vocational Rehabilitation
- Health Resources and Services Administration
- Senior Opportunity Services
- Special Education Transportation
- Weed and Seed Program, Justice Department
- National Endowment for the Arts
- Rural Enterprise Community Grants, Agriculture Department
- Department of Commerce, Economic Development and Assistance Programs
- Pollution Prevention Projects, Environmental Protection Agency

### Surface Transportation Program (STP)

The funds from this program may be spent on any road that is functionally classified as a collector or arterial for urban streets or as a major collector or arterial for rural areas. The type of projects may range from rehabilitation to new construction. These funds may also be used for transit projects.

### Older Americans Act

Through the Administration on Aging's Title III-B program, funds are awarded on a formula basis to state and area agencies on aging for the purpose of providing supportive services for older persons, including the operation of multipurpose senior centers. Many area agencies on aging use these funds to help meet the transportation needs of older persons.

### Rural Development Loan Fund

These loans finance business activities in rural communities and towns with a population of less than 25,000. Transportation facilities and other community development projects are among the eligible uses of borrowed funds. Some loans are made to direct borrowers; others are awarded to national and local nonprofit intermediaries. These intermediaries then make and service loans to individual borrowers.

### Department of Commerce, Economic Development Administration

Grants support capital facilities in economically distressed areas, including transportation facilities and infrastructure improvements. Funds also are available for planning and adjustment assistance in communities experiencing severe economic deterioration. Public bodies, private nonprofit organizations, and Native American Indian tribes are eligible applicants.

### Supportive Housing for Persons with Disabilities

This Department of Housing and Urban Development, Office of Housing program helps private nonprofit entities provide housing and necessary supportive services for low-income persons with disabilities. Transportation is among the supportive services that may be funded through this program.

### Community Development Block Grants

The Community Development Block Grant (CDBG) program supports a wide variety of community and economic development activities, with priorities determined at the local level. Some communities have used CDBG funds to assist in the construction of transportation facilities or for operating expenses and vehicle acquisition for community transportation services. Most CDBG funds are distributed on a formula basis to entitled cities, states, and urban counties. In addition, the Economic Development Initiative provides competitive grants, and the Section 108 loan guarantee program underwrites commercial lending to carry out CDBG activities.

### Supportive Housing Program

The Supportive Housing Program provides a broad range of assistance for housing and related services for homeless persons. Transportation to link supportive housing residents with other necessary services may be funded. State and local governments, private nonprofit agencies, and community mental health associations are eligible to apply.

### Department of Justice Weed and Seed Program

This program seeks to combat violent crime through a multi-faceted approach of crime prevention and community improvement strategies, including the improvement of facilities and services (such as those related to transportation) in high-crime areas. Much of Weed and Seed's activity is the provision of training and technical assistance to areas seeking to implement these strategies. In addition, the program funds local efforts being carried out by coalitions of community groups, local governments, and US Attorneys' offices.

### Senior Community Service Employment Program

This program, authorized by Title V of the Older Americans Act, provides formula grants to states and grants to national nonprofit organizations for subsidized employment and related services for low-income elders. Transportation is among the services provided through this program.

### Workforce Investment Pilot and Demonstration Programs

This is a program of demonstrations and innovations in providing job training services. Particular emphases are to initiate pilot projects operating in more than one state and to serve groups with particular labor market disadvantages. Transportation services that are part of these projects can be supported.

### Workforce Investment Act Programs

The Workforce Investment Act (WIA) provides funding to state and local workforce development agencies for a variety of youth, adult, and dislocated worker employment and training services. States may use these funds to help provide transportation to training programs for program participants. State employment and training agencies receive these funds, which then are passed on to area workforce development boards, who allocate program resources according to local workforce development plans.

### Veterans' Employment and Training Service, Homeless Veterans' Reintegration Project

This is a program of discretionary grants to local public and private nonprofit organizations to provide employment and training services that help urban and rural homeless veterans re-enter the workforce. Funds may be used to provide transportation, outreach, and other support services.

### Department of Education, Federal TRIO Programs

TRIO is a program of outreach and support targeted to help disadvantaged students progress from middle school to college. TRIO's Student Support Services program provides supportive services to disadvantaged college students with the goal of helping these students successfully complete their studies. Grants are awarded to institutions of higher education, which then may provide a broad range of supportive services (including services to help students with disabilities overcome transportation or other access barriers) to eligible students.

### Vocational Rehabilitation Grants

Vocational rehabilitation funds are distributed to state rehabilitation agencies on a formula basis to provide a full range of rehabilitative services. Funds may be used for transportation to these services.

### Centers for Independent Living

This program provides support to local nonprofit centers for independent living, enabling them to provide training, counseling, advocacy, and supportive services to individuals with significant disabilities. Transportation services are provided through this program. These funds are only awarded to local nonprofit centers.

### Developmental Disabilities Basic Support and Advocacy Grants

This program provides formula grants to state agencies serving the developmentally disabled for the purpose of enabling persons with developmental disabilities to become fully integrated into their communities. Funds are used to support the activities of state developmental disabilities planning councils, and to provide a variety of support services, including transportation.

### Social Services Block Grants

Also known as Title XX, this program provides formula funds to state welfare agencies to provide social services, including transportation services, that help individuals reduce welfare dependency, achieve self-sufficiency, or forestall unnecessary use of institutional care. Since the advent of welfare reform in 1996, there has been a decline in federal support for this program.

### Community Health Centers

This program supports primary health care centers in medically underserved areas, migrant communities, public housing sites, and at organizations providing medical care to homeless persons. Funds may be used to provide transportation services as necessary to provide health care services. Private nonprofit and public health agencies are eligible applicants.

### Rural Health Outreach and Research

Funds are provided for demonstration grants to expand or enhance the availability of health services in rural areas, and for applied research in the field of rural health services. Transportation services that improve the availability of rural health care can be funded through this program. Public agencies and private nonprofits are eligible applicants.

## Medicaid

Medicaid is a program of medical assistance for qualified low-income persons and persons with disabilities. Under this program, states are required to arrange for transportation of beneficiaries to and from medical care. Individual states determine how transportation costs are to be paid and which transportation providers are eligible program participants.

## Corporation For National Service, National Senior Service Corps

The National Senior Service Corps provides volunteer and community service opportunities for older persons through three programs: the Foster Grandparent Program, the Retired Senior Volunteer Program, and the Senior Companion Program. In each of these, program funds may be used to support the transportation needs of program participants.

## Administration for Children and Families

### Head Start

Head Start is a program of comprehensive services for economically-disadvantaged preschool children. Funds are distributed to tribes and local public and nonprofit agencies to provide child development and education services, as well as supportive services such as transportation. Head Start funds are used to provide transportation services, acquire vehicles, and provide technical assistance to local Head Start centers. For more information, contact Windy Hill, Associate Commissioner, Head Start Bureau, Administration for Children and Families, HHS, 330 C Street, SW, Room 2018-C, Washington, DC 20201. Tel: (202) 205-8569. Fax: (202) 260-9336. E-mail: [whill@acf.hhs.gov](mailto:whill@acf.hhs.gov). Web: [www.acf.dhhs.gov/programs/hsb](http://www.acf.dhhs.gov/programs/hsb).

### Temporary Assistance for Needy Families (TANF)

States receive these formula grants, known as TANF, to provide cash assistance, work opportunities, and necessary support services for needy families with children. States may choose to spend some of their TANF funds on transportation and related services needed by program beneficiaries. For more information, contact your state TANF administering agency, or Andrew Bush, Director, Office of Family Assistance, Administration for Children and Families, HHS, 370 L'Enfant

Promenade, SW, 5th Floor, Washington, DC 20447. Tel: (202) 401-5138. Fax: (202) 205-5887. Web: [www.acf.hhs.gov/programs/ofa](http://www.acf.hhs.gov/programs/ofa).

## **Department of Agriculture**

### **Rural Community Advancement Program (RCAP)**

Among the grant and loan activities funded through this program are:

- Rural business development loans and grants (including Rural Business Enterprise Grants to local governments, private nonprofits, and tribal governments to facilitate business development; and Rural Business Opportunity Grants to local governments, private nonprofits, business cooperatives, and tribal governments for economic development planning, training, and technical assistance).
- Housing and community facilities loans and grants (including Community Facilities loans, loan guarantees, and grants to public entities, private nonprofits, and tribal governments for the development of health care, public safety, and other public facilities, which can include transportation facilities).

For information, contact your state's office of rural development or the office of Gilbert Gonzalez, Deputy Under Secretary for Rural Development, USDA, 14<sup>th</sup> and Independence Avenue, SW, Mail Stop 0107, Washington, DC 20250. Tel: (202) 720-4581. Web: [www.rurdev.usda.gov](http://www.rurdev.usda.gov).

## **Housing and Urban Development**

### **Rural Housing and Economic Development Grants**

This program provides technical assistance and capacity building funds to private nonprofits, housing finance agencies, community development corporations, and tribal, state, and local community or economic development agencies to help develop and carry out innovative housing and community development strategies. To the extent that transportation plans and programs fit into such strategies, they can be supported through these grants. Funds are awarded every year on a competitive basis. For more information, contact Jackie Mitchell, Rural Housing and Economic Development Division Director, Office of Economic Development, HUD, 451 Seventh Street, SW, Room 7136, Washington, DC 20410. Tel: (202) 708-2290, ext. 4664. Fax: (202) 708-7543.

Web: [www.hud.gov/offices/cpd/economicdevelopment/programs/rhed/index.cfm](http://www.hud.gov/offices/cpd/economicdevelopment/programs/rhed/index.cfm).

## **ORGANIZATIONAL STRUCTURES**

Before the first transit passenger can be served, before the first bus can be purchased, and before the first dollar of funding can be generated, an organizational structure must be developed to manage and operate the transit service. The identification of a cost-effective and geographically-appropriate organizational structure is therefore a key element in the improvement of public transportation services.

This study approaches the organizational alternatives from a practical standpoint rather than a theoretical one. As the population in the region changes, so will demands on existing agencies. The following section examines the organizational alternatives that the region could use in the development of a formal transit service.

Transit services throughout the western United States have a variety of organizational structures: independent agencies (such as Aspen, Colorado and Crested Butte, Colorado); transit districts (such as Dawson County, Montana Urban Transportation District, and Utah Transit Authority); departments of a municipal government (such as Billings, Montana and Logan, Utah); departments of county government (such as Valley County, Montana and Summit County, Colorado); and tribal programs (such as Flathead Reservation, Montana and Northern Cheyenne Reservation, Montana).

### **Criteria**

Based on the history of transit organizations serving areas with low population densities, the following criteria should guide the selection of the institution for managing and operating improved transportation services within the study area. The institutional structure should be an entity:

- Whose structure is legitimate;
- Whose policy-making actions are authorized and defensible;
- Which can limit the exposure of the participants to suits and claims of liability;
- Which can be responsive to the complete policy-making and management needs of the transit organization;

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- Which has the political and financial support to endure more than one year at a time;
- Which can annually perform proactive planning to improve the system and can effectively identify and implement improvements regularly and easily;
- Which has a full-time management/coordinator position that deals with all operational and administrative issues for transit and works to improve the visibility of transit within the community through an aggressive marketing program; and
- Which has the ability to contract for services and the construction of infrastructure.

## **Alternatives**

### Government Department

A government department is one alternative to consider. This organizational structure does work well for many other transit services and areas, but does have drawbacks. A government department could contract with human service agencies or private entities to provide specified transportation services. The main advantage of a government department is that it has legitimate authority to conduct transit services within its political boundary.

The disadvantages of a government department are that the local council or governmental body has the final decision-making power regarding the management, operation, and financing of transportation services (which may or may not be a high priority) and may provide little long-term stability in the funding of the transit services. Another disadvantage is that with transit services crossing many political boundaries, no one government department may have the authority to operate the regional service without approval of the adjacent local governments.

This can become challenging as the boundaries for many of the services not only cross jurisdictional boundaries, such as county lines, or are such that the boundaries are local in nature, such as a town. To establish a truly coordinated transit system, priorities will need to be determined by locality. A local county transit system may work well for one area, while not work in another.

### Transit Authority

Mississippi municipalities and counties have the authority to establish a Transit Authority according to Section 21-27-13 of the Mississippi statutes. Local governments have flexibility in designing the boundaries of the Authority, which may include all or a portion of the areas of the participating jurisdictions. The Authority is a regional, multi-jurisdictional entity that becomes a separate subdivision of the state, but which operates pursuant to an intergovernmental agreement adopted by its member governments. The Authority is authorized to impose a tax to support transportation with voter approval. Again, given the size of the area, this may not be appropriate for the entire regional area.

### Intergovernmental Transit Agency

An Intergovernmental Transit Agency (ITA) could be formed by local providers, the various communities of the involved counties, and local cities/municipalities. The governing board should have equal representation from each entity. An ITA has been successfully implemented in other locations and could build on the services already established within the region.

If provided with a dedicated local funding source, an ITA provides stability and helps ensure the continuation of transit service within the community. An ITA requires cooperation from each government entity and requires voter approval to establish a dedicated local funding source to support the transit agency. The ITA could create agreements with existing transportation providers to provide a portion of the transit service within the region, thereby linking several transportation providers together to improve access and mobility without creating a new large agency.

## **SUMMARY**

Table IX-1 ranks each organizational alternative according to four factors—legal capability, revenue generation capacity, administrative impacts, and political acceptability. Legal capability refers to the existence of statutory authority. Revenue generation capacity refers to the capability of the organizational structure to generate adequate funding relative to the projected subsidy requirements.

Administrative impacts refer to the level of effort involved in implementing the organizational structure and the ability to provide coordinated service throughout the region. Political acceptability refers to the likelihood of an organizational structure being accepted by the public and local governments.

<b>Table IX-1 Organizational Alternatives Comparison Matrix</b>				
<b>Organizational Alternative</b>	<b>Legal Capability</b>	<b>Revenue Generation Capacity</b>	<b>Admin. Impacts</b>	<b>Political Acceptability</b>
Government Department	◐	◐	■	◐
Transit Authority	■	■	◐	◐
Intergovernmental Transit Agency	◐	□	◐	■
Legend:	■ = strong/acceptable ◐ = moderate/satisfactory □ = weak/unacceptable			
<i>Source: LSC, 2007.</i>				

The first column (legal capability) in Table IX-1 shows that all of the alternatives are permitted legally to some degree, with each alternative having the same level of authority to engage in certain activities related to revenue generation. The second column (revenue generation capacity) indicates that an Authority has a strong ability to generate funding, while the funding ability of the government department is moderate and the ITA is weaker. The third column (administrative impacts) shows that a government department is rated strongly because it has administrative capability. The Authority and ITA are rated as having moderate administrative impact. The fourth column (political acceptability) indicates that ITA has strong political acceptability, while the government department and the Authority have a moderate rating.

The Authority has the greatest overall rating of the three organizational structures. The next highest rating is the governmental department, while the ITA has the

lowest rating. This overall rating is based on the ability of the organizational structure to sustain transit service over the long term.

- LSC has found that, in a situation such as that found in the study area, there may need to be great flexibility in how the agencies are formed.
- The region needs an organizational structure that allows it to cross jurisdictional boundaries.
- Additional work is required to determine the most acceptable formation of institutionally organizing the areas providers.
- One likely course of action is to work on a case-by-case basis for organizing the separate alternatives. For example, Tupelo's organization of services may be quite different than how local services are organized, provided, and funded in New Albany.

At this time, LSC recommends the various committees and community leaders maintain the existing organizational structure of providers within the counties, but move toward developing intergovernmental agreements between the local governments and providers in more detail. This is a starting point to get various governmental agencies to also work toward allowing providers to cross local jurisdictional boundary lines. It would not be appropriate to establish a Transit Authority for the entire 14-county area at this time; however, the Northeast Mississippi Community Services agency could and may be willing to become the umbrella for regional services. This agency has the necessary operating experience and is a general public 5311 recipient. This agency, with expansion, could provide the needed increased services throughout the region, not necessarily as the operator of service, but in a brokerage/central-call center capacity. They would be able to schedule rides throughout the region and work directly with Three Rivers Planning and Development District and Northeast Mississippi Planning and Development to submit grant requests for the various agencies and organizations.