

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 2517
STATE OF NEW JERSEY
219th LEGISLATURE

DATED: AUGUST 31, 2020

SUMMARY

- Synopsis:** Establishes program to adopt paratransit best practices, requires greater coordination among paratransit service providers, and establishes regional paratransit coordinating councils; appropriates \$6 million
- Type of Impact:** Multi-year State expenditure increase; potential long-term decrease in State costs.
- Agencies Affected:** New Jersey Transit, Department of Human Services.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	Thereafter
State Cost Increase	At least \$6 million	Indeterminate
Potential State Cost Savings	--	Indeterminate

- The Office of Legislative Services finds that the New Jersey Transit Corporation (NJ Transit) and the Department of Human Services (DHS) will incur multi-year cost increases in order to establish the paratransit best practices pilot program, restructure the Access Link program, and to staff and oversee the coordinating councils. The restructuring of paratransit services will potentially generate savings over time for NJ Transit by reducing the cost of the Access Link program and for the DHS by reducing the cost of paratransit trips funded by DHS and provided by community organizations.
- The magnitude of such costs and savings will depend upon the success of the pilot program and the implementation of a brokerage model for the Access Link program. The expected costs of the pilot program and paratransit coordinating councils are expected to be at least the \$6 million in appropriations but likely less than \$8 million. The cost of creating a brokerage model for Access Link will involve notable additional IT costs and depend upon how the model is developed.

- The paratransit best practices training program is structured in phases, which will only proceed if prior phases are successful. This mechanism will allow some costs of the pilot program to be averted if it is not successful in driving cost savings as intended.
- Whether the pilot program and redesign of the Access Link program will result in a net increase or decrease in costs cannot be determined at this time and will depend upon various decisions made by NJ Transit about how to implement the provisions of the bill, and the success of the agency that administers the best practices training.

BILL DESCRIPTION

The bill requires NJ Transit to better integrate its paratransit services with other paratransit service providers. Under the bill, this is achieved by requiring NJ Transit to ensure that all paratransit service that it directly manages, administers, or supports financially develops an open software platform that will be compatible with the software used by other paratransit providers. The bill requires NJ Transit to begin identifying regular and recurring trips, and to develop a system where other paratransit providers can complete those trips on behalf of NJ Transit if the provider can meet applicable federal standards, provide the trip at a lower cost, and protect customer safety. The bill also requires NJ Transit to develop an Access Link program structure that allows NJ Transit to realize cost savings when reducing Access Link trip volumes, and to share those savings with paratransit providers that meet minimum federal standards and successfully compete for regular and routine trips under this new system.

The bill requires the establishment of a best practices pilot training program for paratransit providers. The program is to be run by the Division of Developmental Disabilities in consultation with NJ Transit and a qualified community organization to be selected by the division. Under the first phase of the program, the qualified community organization and NJ Transit will develop a paratransit best practices training module, with final approval from the division. Under the second phase, the division is to select five paratransit providers, upon application, to receive training in paratransit best practices under the pilot program. The qualified community organization will then provide the training to each of the five paratransit providers under a training contract with the division. The training will include modern trip making software, trip confirmation, scheduling, a mobile phone application for customers, dashboard camera safety technology, as well as agency-wide and individual employee training and guidance. Depending upon the success of phase two of the pilot, phase three will involve either revising the training module into a training program that other paratransit providers can adopt without direct training from the qualified community organization; or NJ Transit, the division, and the qualified community organization will determine some other method of integrating paratransit service so that paratransit providers meeting certain standards can compete for regular and routine paratransit trips. The second part of phase three involves the establishment of regional paratransit coordinating councils.

The bill creates new regional paratransit coordinating councils. The coordinating councils are to be located within the DHS. There are to be six coordinating councils divided geographically by county. Membership on the coordinating councils include the division, NJ Transit, NJ Transit Access Link contractors from each service region, county government, county paratransit system operators, several listed community organizations, and up to three additional paratransit providers from each region as chosen by the division. The coordinating councils are to meet at least quarterly and share best practices. They are also required to establish a system to exchange information between paratransit providers and eventually develop open platform standards and share budget information. The coordinating councils will replace the county based councils used to develop

county plans under the Senior Citizen and Disabled Resident Transportation Assistance Program, but the councils may establish county-level subcommittees for this purpose. The county plans also must account for the efforts of this bill to integrate Statewide paratransit service under a unified platform and improve Statewide coordination across geography and across agency. The coordinating councils are also to be utilized by NJ Transit to develop its revised Access Link program so that the paratransit providers on the council can be used as a resource when allowing paratransit providers to compete for regular and routine Access Link trips. Finally the coordinating councils are to serve as a resource and develop materials to assist other paratransit providers in achieving the integration objectives in the first part of phase three of the pilot program, either through the revised training module or the alternate solution developed.

The bill requires the division to issue a report with NJ Transit to the Governor and the Legislature at the end of the pilot program with information on the pilot program and a recommendation on whether or not to continue the pilot program, as well as an analysis of the decisions made about how to proceed with the Statewide integration required in the first part of the third phase of the pilot program. The division and NJ Transit are also required to survey users about how their user experience is impacted by the pilot program and changes to the Access Link program, and report on how each have impacted paratransit users.

The bill provides a supplemental appropriation of federal funds to NJ Transit for the cost of developing the training module and related software development, and a general fund appropriation to the division for the cost of the pilot's phase two training program.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS finds that NJ Transit and the DHS will realize increased costs to implement the provisions of this bill. The main cost components of the bill involve the development of the pilot program to provide paratransit best practices training, the establishment of regional coordinating councils, and the redesign of the Access Link program under a brokerage model.

The best practices pilot program has multiple phases. In the first phase, a community organization is to be identified by NJ Transit, based on a series of performance and transportation expertise factors, to develop best practices training materials. The organization is also to work with NJ Transit to develop routing, scheduling, and dispatch software for the agencies that is customized to the needs of DHS and is also designed to integrate with the NJ Transit software used to implement the Access Link brokerage model. The bill directs NJ Transit to utilize \$4 million in federal CARES act money that was allocated to NJ Transit to develop the paratransit best practices training module.

One of the DHS-funded community organizations that meets the criteria in the bill recently developed similar software and best practices approaches internally through an NJ Transit matching grant at a total cost of less than \$500,000, which could serve as a good baseline for the cost of developing the materials needed for the first phase. Once subject to the additional requirements to integrate with the NJ Transit brokerage model and to develop the software in a way that provides NJ Transit with ownership of the software rather than a licensing structure, so that it can be freely distributed to other DHS agencies, the cost would likely be higher than the

baseline. The magnitude of that increase is not clear, but \$4 million does not seem unreasonable, and NJ Transit will have some control over this by limiting the size of the grant that they offer to a community agency to develop the best practices module.

Phase two will have the same community organization from phase one administer best practices training to five other DHS-funded community organizations that apply for the training. This agency is to work one-on-one with the other five agencies to provide training to these organizations on how to modernize their paratransit operations and acquire the software and technology needed to professionalize their transportation departments. The agency that provides the one-on-one training would likely need funding to hire staff in order to provide this one-on-one training, funding to support the acquisition of new software, and staff time and resources to administer the program for both NJ Transit, DHS, and for the training agency. The potential salary of such training and administrative staff may vary, but could generally be expected to cost approximately \$100,000 per year for salary, fringe benefits, and basic office setup. Assuming two staff members to train each agency would result in a \$1 million in staffing costs for the training pilot. Senior staff from the training agency could represent additional labor costs that would have to dedicate a portion of their time to the training program. NJ Transit and DHS will likely need at least one or two similar program administration staff to oversee the program. Total staffing costs will likely be greater than \$1 million but less than \$2 million. The bill provides a General Fund appropriation of \$2 million for this purpose, which seems reasonable.

There will then be notable costs to procure software for the training agencies. Those costs are unclear and the bill does not specify the distribution of costs for software and technology to modernize these five agencies. It may be reasonably expected that NJ Transit and DHS will base the design of the training program to establish expectations about how much of the software and technology modernization burden will fall upon NJ Transit to be administered as training grants, and how much will have to be borne by the applicants who will need to make investments into their transportation departments in order to modernize and drive efficiency. It is not unreasonable to expect that NJ Transit may dedicate an additional \$1 million per agency in software and technology grants or \$5 million, but could be less if the training program allows these agencies to realize significant savings. This would leave phase two at a potential cost of \$6-7 million, with only \$2 million being covered through appropriations in the bill.

Phase three is only to take place if phase two is successful, and involves the conversion of the one-on-one training into a self-training module so that some of the more than 200 DHS-funded transit agencies can benefit from these best practices without costly one-on-one training or significant technology grants. The training agency would need additional funding to convert this training module to a self-training structure, and additional IT costs may be required to ensure that the scheduling, routing, and dispatch software is owned by NJ Transit and can be distributed to community organizations at minimal cost. The cost of this phase is not clear, but is expected to be significantly less on a per agency basis than the phase two training.

In both phases the bill directs NJ Transit to require training agencies to direct cost efficiencies they realize from this training back into their transportation operations, which is expected to mitigate the costs faced by the State in providing software and technology, because they may largely be paid for through operating efficiencies.

The cost of the coordinating councils is expected to be limited to the staff cost for DHS and NJ Transit to oversee the councils and coordinate best practices sharing. There are six regional councils loosely based on Access Link service regions that are required to meet at least quarterly, which would mean up to 24 meetings per year. It is unclear how much staff time such an effort will involve and the degree to which DHS and NJ Transit have existing staff which can manage this effort through some of their existing paratransit coordination efforts.

The bill has reporting requirements to evaluate the effectiveness of the pilot program. The cost of these reporting requirements will depend upon how the report is structured, but it is likely that the program administration staff envisioned in the cost of phase two of the pilot program will also be able to complete this requirement.

The bill also requires NJ Transit to redesign the Access Link program to be administered under a brokerage model. This is a process that NJ Transit had already been moving towards prior to this bill, and the company from which NJ Transit licenses its scheduling software from, The Trapeze Group, has software modules that can be customized specifically to facilitate the transition to a brokerage model for paratransit scheduling and dispatch. Despite this, the conversion from the current contract carrier model to a brokerage model will entail significant cost that cannot be quantified based on the provisions of the bill. The primary drivers of that cost will depend upon implementation decisions that NJ Transit will make based upon its understanding of its own program needs and how to best meet demand for paratransit service.

Each of these areas of cost are generally intended to be investments to improve paratransit service and increase cost efficiency. It is not possible at this time to quantify those savings, but the per passenger cost of trips on the Access Link program can be up to \$70 per passenger trip based on NJ Transit board meeting reports, and federal requirements do not allow the agency to charge any more for these trips than the agency charges for a standard bus fare, resulting in only modest passenger revenue from Access Link trips. As a result, even limited increases in the cost efficiency of the Access Link program can generate significant annual and per-trip savings. It is important to note though that the realization of those savings will require changes to the contracts NJ Transit has with its Access Link carriers. NJ Transit needs the brokerage model to reduce reliance on high per trip costs fulfilled by contract carriers and replace those with lower per trip costs fulfilled by counties and community agencies.

Section: Authorities, Utilities, Transportation and Communications

*Analyst: Patrick Brennan
Principal Fiscal Analyst*

*Approved: Frank W. Haines III
Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).