

# Vehicle Sharing Among Human Service Providers in Minnesota:

## Steps to Address Barriers

**Prepared for:**

Minnesota Council on Transportation Access

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## About the Council

The Minnesota Council on Transportation Access (MCOTA) serves as a clearinghouse to address transportation coordination topics from a statewide perspective. The Minnesota State Legislature established the group in 2010 (Minn. Stat. 174.285). The group includes member representatives from thirteen agencies. MCOTA's work focuses on increasing capacity to serve unmet transportation needs, improving quality of transit service, improving understanding and access to these services by the public, and achieving more cost-effective service delivery. In addition, fostering communication and cooperation between transportation agencies and social service organizations leads to the creation of new ideas and innovative strategies for transportation coordination and funding.

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**Vehicle Sharing**  
**Among Human Service Providers in Minnesota:**  
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**Table of Contents**

Executive Summary..... 1

Introduction ..... 6

Section 1. Background of vehicle sharing among HSPs ..... 8

    A. Defining vehicle sharing ..... 8

    B. Transportation coordination: policy context for vehicle sharing ..... 8

    C. HSPs and vehicle sharing ..... 9

    D. Potential for vehicle sharing ..... 10

Section 2. Barriers to and solutions for vehicle sharing ..... 11

    Barrier 1. Mechanics of Vehicle Sharing..... 11

    Barrier 2. Insufficient Information about Sharing Opportunities ..... 13

    Barrier 3: *Time sharing* and vehicle safety regulations ..... 14

    Barrier 4: *Ride sharing* and Vehicle Safety Regulations ..... 18

    Barrier 5: Vehicle Insurance ..... 21

Section 3. Conclusions drawn from analysis of barriers ..... 23

Section 4. Case studies ..... 25

    Case Study 1. DARTS ..... 25

    Case Study 2. Newtrax, Inc..... 26

    Case Study 3. Peninsula Fleet Share Program, San Mateo, California..... 27

    Case Study 4. Jefferson Area United Transportation (JAUNT), Virginia..... 28

Section 5. Recommendations for next steps..... 30

Appendix A

Interviewees

## List of Abbreviations

HSP.....	Human Services Provider
MnDOT.....	Minnesota Department of Transportation
MCOTA.....	Minnesota Council on Transportation Access
NIT .....	Nonprofit Insurance Trust
STS.....	Special Transportation Service

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## Executive Summary

The statutory duties of the Minnesota Council on Transportation Access (MCOTA) include identifying “policies and necessary legislation to facilitate vehicle sharing.”<sup>1</sup> This study commissioned by MCOTA provides an initial review of the regulatory, policy and operational barriers to vehicle sharing among private human services providers (HSPs) in Minnesota, and discusses potential ways to address these barriers. The purpose is to provide general information to the member organizations and agencies of MCOTA, as well organizations within the HSP community, about possible steps that may be taken to increase vehicle sharing among HSPs.

Vehicle sharing among HSPs generally refers to (a) one or more organization operating the same vehicle at different times (time sharing) or (b) an HSP using their vehicle to provide transportation for the clients of another organization (ride sharing). The aim of vehicle sharing is to maximize the use of available vehicles and drivers in order to save on transportation related costs and expand services.

Increased vehicle sharing is an objective among the government agencies and private organizations that fund HSPs. It also is an objective among HSPs seeking to more efficiently use their resources, further their respective missions or increase funding opportunities. However, in Minnesota there is no quantitative information on how much vehicle sharing is occurring among HSPs, or the scale of the demand for more vehicle sharing.

This report identifies five barriers to increased vehicle sharing among HSPs in Minnesota. The first two barriers represent large, umbrella barriers. The latter three represent more specific, technical barriers. The report also discusses solutions to each of these barriers. The five barriers are:

### 1. Information about the mechanics of sharing

- Barrier. Acquiring the technical information for how to set up a vehicle-sharing arrangement (e.g., documentation, risk management, cost allocation) can be too costly for individual HSPs, relative to the benefits of vehicle sharing.
- Solution. Development of targeted training resources about the operational mechanics of vehicle sharing and dissemination of this information within the HSP community through education and outreach efforts. The development of these resources and their dissemination could either be performed by a state agency, or by an organization within the HSP community working in partnership with state agencies.

### 2. Information about sharing opportunities

- Barrier. Identifying a potential vehicle-sharing opportunity requires HSPs having information about the resources, capacities and needs of other HSPs. Currently, there

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<sup>1</sup> Minn. Stat. 174.285, subd. 2 (19) (2012).

are no structured forums (e.g., a website) for HSPs to share this information. Consequently, there are substantial information gaps among HSPs about what sharing opportunities exist within the HSP community.

- Solution. The creation of structured forums for HSPs to exchange information about sharing opportunities and needs. San Mateo County, California, developed an internet registry through which HSPs can exchange information about sharing opportunities. This approach can provide a model for Minnesota. Such a forum could be developed in Minnesota by a state agency or local government, or by an organization within the HSP community in partnership with state or local government.

### 3. Impact of vehicle safety regulations on time sharing

- Barrier. With *time sharing*, each HSP operating a vehicle under the sharing arrangement must independently comply with the applicable state vehicle safety regulations. Compliance with these regulations can be a deterrent to *time sharing* because secondary operators of shared vehicles often have limited resources and/or transportation expertise, and their limited use of the vehicle may not justify the information and economic costs involved with regulatory compliance.
- Possible Solutions.
  - (i) Reduce the state regulatory obligations of HSPs that are secondary operators of vehicles in *time-sharing* arrangements.
  - (ii) In order to lower information acquisition costs, increase education and outreach by state transportation regulators within the HSP community about how *time sharing* involves vehicle safety regulations.
- Preferred Solution. Given the information collected by this study, the most appropriate solution to this barrier at this time is to increase outreach and education by regulators within the HSP community about what the vehicle safety regulations mean for secondary operators in *time sharing* arrangements. Such efforts should be led by the Minnesota Department of Transportation (MnDOT), given its regulatory expertise in this area. There is insufficient data at this time to justify changes to the regulations themselves, given the public safety purposes these regulations serve.

### 4. Impact of vehicle safety regulations on ride sharing

- Barrier. Providing transportation services in a *ride sharing* arrangement may cause HSPs to become subject to a different set of state vehicle safety regulations. HSPs may view such a change as a reason not to *ride share* due to the cost of understanding and complying with a new set of safety regulations.
- Possible Solutions.
  - (i) Change state law to exempt *ride sharing* among HSPs from changing the vehicle safety regulations to which an HSP is otherwise subject.
  - (ii) In order to lower information acquisition costs, increase education and outreach by transportation regulators within the HSP community about how

*ride sharing* may affect the vehicle safety regulations to which they are subject.

- Preferred Solution. At this time, increased education and outreach by state transportation regulators within the HSP community would be the most effective tool for reducing this barrier. Helping HSPs understand how *ride sharing* may impact the vehicle regulations that apply to them would reduce the information acquisition costs that may otherwise deter *ride sharing*. Such efforts should be led by MnDOT given its regulatory expertise in this area. Though there may also be changes to state law that could also reduce the regulatory barriers to *ride sharing*, there is currently insufficient information to justify such changes.

## 5. Vehicle insurance

- Barrier. HSPs wanting to engage in vehicle sharing can encounter insurance policy terms and/or prohibitively expensive premiums that discourage or prevent vehicle sharing.
- Possible Solutions.
  - (i) Have the state regulate the insurance market to ensure HSPs have access to the types of insurance coverages needed and/or control the rates charged for these coverages.
  - (ii) Change state law to exempt HSPs engaging in *ride sharing* from the minimum insurance requirements in the vehicle safety regulations.
  - (iii) Allow time for the recently organized Nonprofit Insurance Trust (NIT) to increase the market penetration of its insurance products that help facilitate vehicle sharing.
- Preferred Solution. At this time the preferred solution is to allow time for the NIT to increase its market penetration. The NIT appears to be lowering the insurance barriers for HSPs to engage in vehicle sharing. Regulating the insurance market would likely have counterproductive consequences and there is insufficient information at this time to justify legislative changes, particularly given that the work of the NIT may adequately lower this barrier.

Cumulatively, these identified obstacles add up to create substantial transaction costs for most HSPs wanting to enter into a vehicle sharing arrangement. Outside the HSP context, these transaction costs may not seem substantial. But when measured against (a) the resources of most HSPs (in terms of staff and transportation expertise) and (b) the often modest economic or intangible benefits of vehicle sharing for most HSPs, these costs are large enough to prevent vehicle sharing from occurring on a larger scale than it currently does.

What each of the identified barriers has in common is that they largely stem from high information acquisition costs for HSPs. Consequently, the single best measure to promote vehicle sharing is taking steps to lower these information costs within the HSP community

through increased education and outreach. Sufficient steps are unlikely to be taken by the HSP community acting alone, but rather will likely require state, regional and/or local governments working in partnership with the HSP community. In short, if the public policy objective is to have vehicle sharing be a regular practice among HSPs, government is going to have to help provide HSPs the tools to accomplish this. Helping provide HSPs these tools will require commitment to the policy of vehicle sharing among government agencies within the state, as well as a recognition that the current education and outreach efforts supporting vehicle sharing need to be improved.

Such education and outreach should be coordinated to address all the barriers identified above as part of the same effort. Possible measures to do this include a website through which HSPs can gain information from other HSPs about sharing opportunities as well as technical information for how to establish a sharing arrangement. As discussed in a case study in this report, this type of website is in use for a pilot project in San Mateo County, California. This study found interest in having such a website among the Minnesota HSP community.

This study also found that there may be opportunities to change state vehicle safety regulations to encourage vehicle sharing. However, given that these regulations reflect long-standing legislative judgments about how to promote transportation safety, there is insufficient information to recommend altering how these rules apply to HSPs in order to promote vehicle sharing. Further, legislative or regulatory changes do not appear to be warranted at this time given that there appears to be a significant opportunity for increased education and outreach to be effective.

The report provides three recommendations for next steps:

1. **Outreach and education.** State agencies should work to increase education and outreach within the HSP community about vehicle sharing. This outreach and education could be led by an organization within the HSP community working in partnership with the state. The education and outreach efforts should focus on the “how to” of vehicle sharing, and include user-friendly guidance documents and training.
2. **Forums for HSPs to exchange information about sharing opportunities.** State or local government agencies should work with the HSP community to develop structured forums in which HSPs can share information about sharing opportunities. Such forums should also function as mechanisms to help deliver the education and outreach discussed in recommendation 1 above. The case study from San Mateo County, California, discussed in this report provides an example of a web-based forum. A grant under the Section 5310 Program could be used to fund the development of such a website in Minnesota by an organization or a group of organizations within the HSP community.
3. **Data collection.** Efforts by state or local governments to promote vehicle sharing need to be supported by quantitative data about the nature and scale of the opportunities for sharing

among HSPs. Currently no such information exists. Such information could be acquired through surveys of HSPs and should seek to differentiate among the different types of HSPs.

## Introduction

The statutory duties of the Minnesota Council on Transportation Access (MCOTA) include identifying “policies and necessary legislation to facilitate vehicle sharing.”<sup>2</sup> This study commissioned by MCOTA provides an initial analysis of the regulatory, policy and operational barriers to vehicle sharing among private human services providers (HSPs) in Minnesota and discusses potential ways to address these barriers. The aim is to provide general information to the member organizations and agencies of MCOTA, as well organizations within the HSP community, about possible steps that may be taken to increase vehicle sharing among HSPs.

The mission of HSPs often includes providing transportation services to those individuals that are unable to transport themselves, either with personal transportation or public transit. These individuals include seniors, the disabled and those with low incomes.

Vehicle sharing among HSPs generally refers to either (i) one or more organization operating the same vehicle during different periods of time or (ii) an HSP using their vehicle to provide transportation for the clients of another organization. The aim of vehicle sharing is to maximize the use of available vehicles and drivers in order to save on transportation related costs and expand services. Doing so is of particular public policy importance as demographic changes in Minnesota are increasing the demands for transportation services from HSPs (e.g., via the growth in the disabled and elderly populations), at the same time that funding constraints are limiting the ability of HSPs to provide these services.<sup>3</sup> From the perspective of HSPs, vehicle sharing can be a method for more efficiently using their transportation resources, furthering the organization’s mission, and increase funding opportunities.

Vehicle sharing has long been identified by researchers and stakeholders (e.g., HSPs, both government and non-government funders of HSPs) as an important tool, and there are case study examples of HSPs in Minnesota currently engaging in vehicle sharing.<sup>4</sup> However, several transportation-planning processes in Minnesota have identified vehicle sharing among HSPs as an underutilized resource.<sup>5</sup> The objective of this report is to identify what may be preventing greater vehicle sharing among HSPs in Minnesota and to propose solutions to increase vehicle sharing.

The report is organized in five sections:

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<sup>2</sup> Minn. Stat. 174.285, subd. 2 (19) (2012)

<sup>3</sup> Minnesota Council on Transportation Access (MCOTA), *2012 Annual Report*, pp. 4-5, available at [http://www.coordinatemntransit.org/MCOTA/documents/MCOTA\\_Annual\\_Report\\_Jan\\_2012.pdf](http://www.coordinatemntransit.org/MCOTA/documents/MCOTA_Annual_Report_Jan_2012.pdf) (last access August 28, 2013).

<sup>4</sup> See e.g., Case Study 1 of this report regarding DARTS and vehicle sharing. See also, MCOTA, *Successful Local Transportation Coordination Case Studies* (2011), p. 15, available at [http://www.coordinatemntransit.org/MCOTA/documents/LocalCoordCaseStudies\\_MCOTA\\_Jun2011.pdf](http://www.coordinatemntransit.org/MCOTA/documents/LocalCoordCaseStudies_MCOTA_Jun2011.pdf) (last accessed August 28, 2013).

<sup>5</sup> See e.g., Metropolitan Council, *Public Transit and Human Services Transportation Coordination Action Plan* (2013), pp. 39, 48, available at <http://www.metrocouncil.org/Transportation/Planning/Transportation-Resources/Transportation-Coordination-Plan.aspx> (last accessed August 28, 2013).

- Section 1 provides background on vehicle sharing among HSPs.
- Section 2 lists five barriers to vehicle sharing in Minnesota and discusses potential solutions.
- Section 3 provides five summary conclusions drawn from the analysis in Section 2.
- Section 4 provides four vehicle-sharing case studies relevant to the barriers and solutions discussed in Section 2.
- Section 5 lists a set of recommendations for next steps.

# Section 1. Background of vehicle sharing among HSPs

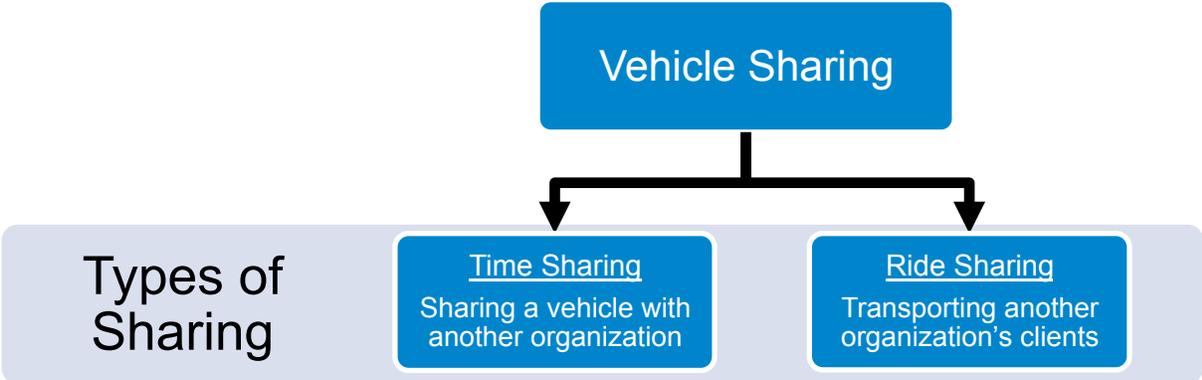
## A. Defining vehicle sharing

Vehicle sharing involves independent organizations jointly using the same private transportation resources. There is a wide range of vehicle-sharing models. For this report, the focus will be on the two general forms of vehicle sharing among HSPs.

1. Time sharing. With *time sharing*, two or more independent organizations operate the same vehicle for apportioned periods of time. There are many ways to structure *time sharing* arrangements, but generally one organization will own and operate the vehicle and also lease it to one or more other organizations to operate it on a recurring basis. For example, a workforce development organization may use the vehicle during the day, while an organization providing services to the homeless may use the same vehicle during the evening.
2. Ride sharing. With *ride sharing*, one organization transports the clients of another organization. For example, a nursing home facility that operates a vehicle to transport its residents may also use that vehicle to transport residents of other nursing home facilities. Typically the organizations in a *ride sharing* arrangement will provide similar services or serve the same type of clientele, but this need not be the case.

It is important to distinguish between these two types of sharing as some of the barriers discussed in this report apply to one type of sharing but not the other.

Figure 1. Types of Vehicle Sharing



## B. Transportation coordination: policy context for vehicle sharing

Increasing vehicle sharing among HSPs is part of a larger effort by national, state and local governments, transit agencies, for-profit companies and non-profit organizations to improve the

coordination of transportation services for those individuals dependent on such services for their personal mobility.<sup>6</sup> This population includes seniors, the mentally or physically disabled, and those with low incomes. This population, sometimes referred to as the transportation-disadvantaged, is expected to increase in Minnesota over the next decade.<sup>7</sup>

The principal aims of improving the coordination of transportation services can vary depending on the context, but typically include:

- Avoid duplicative and overlapping services
- Reduce service gaps
- Increase services
- Ensure cost effectiveness and cost savings
- Provide safe and reliable transportation services<sup>8</sup>

Increased coordination is challenging because many of the programs and organizations through which transportation services are provided to the transportation disadvantaged have different missions, funding sources, delivery methods and eligibility requirements.<sup>9</sup> Nevertheless, coordination has become an increasing policy priority due to the confluence of rising demand for these services, the significant costs involved in their delivery, and tight budgets among funders.

Vehicle sharing is one of the methods often cited to improve coordination.<sup>10</sup> *Time sharing* improves coordination by getting more rides out of an existing vehicle, thus avoiding the need to place an additional vehicle in service. Likewise, *ride sharing* improves coordination by getting more riders on each vehicle trip, thus reducing the number of trips.

### C. HSPs and vehicle sharing

This report focuses on the transportation services delivered in Minnesota by HSPs to the transportation disadvantaged. HSPs in Minnesota providing transportation services include day training and habilitation organizations, workforce development organizations, organizations providing services for seniors, and other types of community and social service organizations. In many cases these organizations provide transportation as a secondary but necessary part of their primary mission. In doing so they fill gaps in the state's transportation system between public

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<sup>6</sup> For background see, "United We Ride" website, <http://www.unitedweride.gov/> (last accessed August 28, 2013); see also National Conference of State Legislatures (NCSL), "Transportation Access and Mobility," available at <http://www.ncsl.org/issues-research.aspx?tabs=951,72,1064#1064> (last accessed August 28, 2013).

<sup>7</sup> MCOTA, *2012 Annual Report*, pp. 4-5, available at [http://www.coordinatemnttransit.org/MCOTA/documents/MCOTA\\_Annual\\_Report\\_Jan\\_2012.pdf](http://www.coordinatemnttransit.org/MCOTA/documents/MCOTA_Annual_Report_Jan_2012.pdf) (last access August 28, 2013).

<sup>8</sup> Jon E. Burkhardt, *Sharing the Costs of Human Services Transportation* (2011), Transportation Research Board's Transit Cooperative Research Program (TCRP) Report 144, p. 6, available at [http://onlinepubs.trb.org/onlinepubs/tcrp/tcrp\\_rpt\\_144v1.pdf](http://onlinepubs.trb.org/onlinepubs/tcrp/tcrp_rpt_144v1.pdf) (last accessed August 28, 2013).

<sup>9</sup> Ibid.

<sup>10</sup> See e.g., Federal Interagency Coordinating Council on Access and Mobility, *Vehicle Resource Sharing, Final Policy Statement* (2006), available at [http://www.unitedweride.gov/1\\_1165\\_ENG\\_HTML.htm](http://www.unitedweride.gov/1_1165_ENG_HTML.htm) (last accessed August 28, 2013).

transit and personal transportation. These gaps can stem from individuals not having access to or being unable to use public transit, not having their own personal transportation or being unable to drive.

The push for vehicle sharing among HSPs comes from two sources: (i) funders of HSPs (both government agencies and private organizations) seeking to maximize the impact of their funds; and (ii) HSPs themselves looking to reduce transportation-related costs and/or wanting to see their excess transportation resources put to use in the community.

This push for vehicle sharing is evident in a number of government policies, programs and action plans at the federal, state and regional levels. The Federal Coordinating Council on Access and Mobility, an interagency council of federal agencies that fund HSPs, has issued a policy statement promoting vehicle sharing.<sup>11</sup> Some federal programs, such as the Section 5310 Program that assists HSPs with the capital expense of purchasing vehicles, encourage vehicle sharing as part of their efforts to increase coordination.<sup>12</sup>

In Minnesota, MCOTA promotes vehicle sharing as part of its work on improving coordination.<sup>13</sup> The Metropolitan Council's 2013 action plan on transportation coordination cited vehicle sharing as one of the opportunities to increase transportation coordination in the Twin Cities metropolitan area and listed removing regulatory barriers to vehicle sharing as a high priority.<sup>14</sup> In Greater Minnesota, a number of the regional human services transit coordination plans developed in 2011 identified vehicle sharing as a preferred strategy.<sup>15</sup>

#### D. Potential for vehicle sharing

The action plans from the Metropolitan Council and from Greater Minnesota reflect a view among some stakeholders that vehicle sharing among HSPs in Minnesota is currently an underutilized resource. Though there are examples of some Minnesota HSPs engaging in vehicle sharing and anecdotal evidence of HSPs having vehicles that are idle for substantial periods of

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<sup>11</sup> Ibid.

<sup>12</sup> 49 U.S.C. Section 5310 (2012); see also, U.S. Department of Transportation, Federal Transit Administration, Section 5310 Program Overview, available at [http://www.fta.dot.gov/13094\\_8348.html](http://www.fta.dot.gov/13094_8348.html) (last access August 28, 2013).

<sup>13</sup> See e.g., MCOTA "How Do I Coordinate," available at <http://www.coordinatemntransit.org/howto/index.html> (last accessed August 28, 2013).

<sup>14</sup> Metropolitan Council, *Public Transit and Human Services Transportation Coordination Action Plan* (2013), pp. 39, 48, available at <http://www.metrocouncil.org/Transportation/Planning/Transportation-Resources/Transportation-Coordination-Plan.aspx> (last accessed August 28, 2013).

<sup>15</sup> MCOTA, *Planning for Enhanced Transportation Access and Efficiency: Synthesis of 2011 Greater Minnesota Local Human Services Transit Coordination Plans* (2012), p. 3 available at [http://www.coordinatemntransit.org/regionalplans/2011/documents/Synthesis\\_wb.pdf](http://www.coordinatemntransit.org/regionalplans/2011/documents/Synthesis_wb.pdf) (last access August 28, 2013).

time during the day, there is not currently any quantitative estimate of the extent of the opportunity for vehicle sharing in Minnesota or the savings it could generate.<sup>16</sup>

## **Section 2. Barriers to and solutions for vehicle sharing**

This section discusses barriers to increased vehicle sharing among HSPs in Minnesota and ways to address them. The barriers were identified by this study through a literature review, analysis of relevant regulations and statues in Minnesota and other states, and interviews with staff at HSPs and members of the insurance industry (an important player in the discussion of barriers to vehicle sharing). (Appendix A provides a list of the interviewees)

The list of barriers and possible solutions in this section is not intended to be exhaustive. It does not capture all the factors that may limit or influence the ability of HSPs to engage in vehicle sharing, or detail all possible solutions to the identified barriers. Rather, given the limited nature of this study (i.e., a relatively small number of interviews and the absence of formal surveying and quantitative data collection), the intent is to provide an initial identification and overview of some of the most immediate barriers to vehicle sharing and further the discussion of policy options.

Five main barriers were identified. The first two barriers represent larger, umbrella barriers. The latter three represent more specific, technical barriers. Each barrier applies to both forms of vehicle sharing (*time sharing* and *ride sharing*) unless indicated otherwise. The order in which the barriers are presented does not necessarily reflect their relative importance, but rather is a result of some barriers needing to be explained before others.

### **Barrier 1. Mechanics of Vehicle Sharing**

#### **A. The barrier**

Establishing a vehicle sharing arrangement among HSPs is an involved undertaking. It requires technical knowledge in a variety of areas, ranging from non-profit law, vehicle leasing practices, and funders' restrictions on the use of resources. Reflecting this, during the course of the study representatives from HSPs raised a number of questions about the mechanics of vehicle sharing from a variety of angles. These included:

- How is a vehicle sharing arrangement documented and are standardized forms available?
- What risk management tools should be used when involved in vehicle sharing?
- Does revenue from vehicle sharing jeopardize an HSP's non-profit status?

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<sup>16</sup> MCOTA, *Successful Local Transportation Coordination Case Studies* (2011), p. 15, available at [http://www.coordinatetransit.org/MCOTA/documents/LocalCoordCaseStudies\\_MCOTA\\_Jun2011.pdf](http://www.coordinatetransit.org/MCOTA/documents/LocalCoordCaseStudies_MCOTA_Jun2011.pdf) (last accessed August 2013).

- Does *ride sharing* affect the reimbursement process under state funding programs for HSPs?

There are resources available to answer these questions and others like them. But doing so requires research down multiple channels and an investment of considerable time. This required investment can be a significant obstacle for HSPs because:

1. Transportation is often not the primary activity of HSPs and thus they do not necessarily have the staff time to devote to collecting this information.
2. In many cases, a given HSP will enter into only a small number of vehicle sharing arrangements over the near term. This reduces the incentives to invest in creating internal capacities and procedures for vehicle sharing.
3. Vehicle sharing may have uncertain or non-economic benefits for an HSP. For this study, several HSPs reported sharing their vehicles, not for the potential costs savings or revenue, but rather because it furthered the general good in the community or because it was encouraged by a particular funding program (e.g., the Section 5310 Program). The sometimes lack of a quantifiable benefit to vehicle sharing can lessen the priority given to the information acquisition it requires to establish.

The net result of these obstacles is that for many HSPs there is often a steep learning curve to climb before a vehicle sharing arrangement can be set-up, and there is not necessarily always sufficient incentive to climb this curve.

## **B. Discussion of Solutions**

The best remedy for this barrier at this time is to take steps to lower the information costs for the mechanics of vehicle sharing. Currently this information is disbursed, difficult to find or not available through public sources. State and/or local governments (or an organization within the HSP community) could collect and disseminate information about the mechanics of vehicle sharing, including form agreements and FAQs. This could be provided through a one-stop website that details the operational steps of vehicle sharing. The content of this website should be informed by consulting with HSPs that have successfully engaged in vehicle sharing. In addition training workshops could be held to detail the steps involved in establishing vehicle sharing.

## **C. Preferred Solution**

Development of training resources about the operational mechanics of vehicle sharing and dissemination of this information within the HSP community through education and outreach efforts is the preferred approach. The development of these resources and their dissemination could either be performed by a state agency, or by an organization (or organizations) within the HSP community working in partnership with state agencies.

## **Barrier 2. Insufficient Information about Sharing Opportunities**

### **A. The barrier**

For vehicle sharing to occur, two or more HSPs must connect to create a sharing relationship. For example, with *time sharing* an HSP owning a vehicle must find another HSP within the same geographic area that could use that same type of vehicle during the times that the vehicle-owning HSP is not using it. Similarly, with *ride sharing*, an HSP must be able to match the route, capacity and features of one of its vehicles with the needs of another organization.

For such connections to be made there must be considerable information sharing among HSPs about their respective transportation resources, capacities and needs. Currently, in Minnesota there are few, if any, forums for this type of information exchange. Organizations that have established vehicle-sharing arrangements appear to have mostly done so through word-of-mouth connections. This limits the scale of vehicle sharing as the cost of acquiring the needed information can become too high for many organizations, relative to the benefits of vehicle sharing.

### **B. Discussion of solutions**

Addressing this information gap among HSPs involves creating structured forums where HSPs can share information about their transportation resources, capacities and needs. These forums can range in sophistication from organized meetings of HSP representatives, to email-lists, to web-based databases that function to broker sharing opportunities, similar to those used in personal vehicle-sharing programs.

During the course of this study, a group of HSPs that participate in the Section 5310 Program in the Twin Cities area began informally meeting every two months to discuss common issues and concerns, including how to improve coordination. Such meetings were first facilitated by the Minnesota Department of Transportation (MnDOT) hosting a meeting of organizations in the metropolitan area participating in the Section 5310 Program. These informal, program-based meetings provide a good first venue for HSPs to explore sharing opportunities.

However, for vehicle sharing to occur on a significant scale, more formal or structured forums will likely be necessary (e.g., web-based database). Involvement and/or funding from state and local governments will also likely be necessary to develop such forums as HSPs themselves may not have sufficient incentives or resources to develop them alone.

### **C. Preferred Solution**

The creation of structured forums for HSPs to exchange information about their respective transportation resources, capacities and needs offers an effective approach to this barrier. Such forums could also provide a mechanism to deliver the education and outreach discussed in Barrier 1 above. These forums could be developed in Minnesota by a state agency or local government, or by an organization within the HSP community in partnership with state or local

government. The case study from San Mateo County discussed in Section 4 below provides an example of a local government providing such a forum.

### Barrier 3: *Time sharing* and vehicle safety regulations

#### A. The barrier

HSPs that operate vehicles to transport passengers within Minnesota are subject to a range of state and federal vehicle and driver safety regulations.<sup>17</sup> The purpose of these regulations is to promote highway and passenger safety. The specific regulations an organization is subject to depends on the type of vehicles the organization operates and the nature of its transportation services.

With *time sharing* each organization operating vehicles under the sharing arrangement must independently comply with the applicable regulations.<sup>18</sup> In general, four different regulatory classifications can apply to transportation services provided by HSPs in Minnesota.<sup>19</sup>

1. Special transportation services (STS). *STS providers* are organizations that regularly provide transportation to the elderly, handicapped, or disabled and who receive state or federal funds to do so.<sup>20</sup> Many HSPs fall within this category and if they do so this classification trumps the other regulatory classifications with respect to the vehicles operated to provide STS.<sup>21</sup> However, there are several exceptions to this. Certain types of HSPs that only transport their own clients, and would otherwise be classified as *STS providers*, are statutorily exempt from the STS requirements.<sup>22</sup> These STS-exempt organizations include nursing homes and day training and habilitation facilities.
2. Private carrier. If an HSP is not an *STS provider* (or is STS-exempt) and the providing of transportation services is a secondary (not a primary part) of the organization's mission, then it is a *private carrier*.<sup>23</sup>

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<sup>17</sup> For purposes of this report it will be assumed that HSPs only provide transportation services within Minnesota (i.e., intrastate). HSPs only providing intrastate transportation can be subject to certain federal motor carrier regulations through the adoption of those regulations by Minnesota law depending on the size of the vehicles they HSP operates and the nature of the transportation services the provides. See e.g., Minn. Stat. 221.0314 (2012).

<sup>18</sup> Specific reference is made to each HSP "operating" a vehicle in a *time sharing* arrangement. The term "operate" is used to reflect a situation in which each HSP is responsible for and has control over the vehicle during each HSP's apportioned time under the sharing arrangement. This is to be distinguished from a situation where an HSP has use of another organization's vehicle but does not take responsibility or control for the vehicle (e.g., it does not provide the driver, does not provide insurance for the vehicle). In these latter situations, where the HSP is not operating the vehicle, it may not have an independent obligation to comply with the vehicle safety regulations, as such situations are more similar to *ride sharing*.

<sup>19</sup> There is also a fifth classification relevant for HSPs. HSPs that provide transportation services under a contract with the Metropolitan Council or the Minnesota Department of Transportation may be separately regulated with respect to those services. Minn. Stat. 221.022 (2012).

<sup>20</sup> Minn. Stat. 174.29, subd. 1 (2012).

<sup>21</sup> Minn. Stat. 174.30, subd. 6 (2012).

<sup>22</sup> Minn. Stat. 174.30, subd. 1(b), (c) (2012).

<sup>23</sup> Minn. Stat. 221.012, subd. 35 (2012). Private carriers are generally only regulated to the extent they operate vehicles that have a gross vehicle weight of more than 10,000 pounds. Minn. Stat. 221.031 (2012).

3. For-hire carrier. If an HSP is neither a *STS provider* nor a *private carrier* and operates vehicles that can carry eight or more passengers (including the driver) and receives compensation for doing so, then it is a *for-hire carrier*.<sup>24</sup>
4. Small-vehicle passenger service providers. If an HSP is neither a *STS provider* nor a *private carrier* and receives compensation to transport passengers in a vehicle that carries seven or fewer passengers (including the driver), then the organization is a *small vehicle passenger service provider* with respect to those vehicles.<sup>25</sup>

Depending on which classification an HSP's services falls within, it is subject to somewhat different safety requirements.<sup>26</sup> *STS providers* are subject to a standalone set of requirements that are meant to ensure that the vehicles are appropriately equipped and drivers are adequately trained to transport the disabled and elderly.<sup>27</sup> *Private carriers* are subject to a different set of requirements, largely based on the federal motor carrier regulations.<sup>28</sup> *For-hire carriers* are subject to the same requirements as *private carriers*, with several additional requirements including insurance and inspection requirements.<sup>29</sup> *Small-vehicle passenger services* are regulated by local governments, not the state.<sup>30</sup> The scope of this study did not include *small-vehicle passenger services* because of this distinction.

When an HSP (the “primary operator”) shares its vehicle with another organization (the “secondary operator”), such that each organization separately controls the vehicle during its apportioned time, both organizations must independently comply with the safety regulations that apply to them. This holds regardless of the fact that the two organizations are operating the same vehicle.<sup>31</sup> This means, for example, if a secondary operator is an organization that uses the vehicle only one day a week (e.g., a church group that only operates the vehicle on Sundays) its compliance obligation is the same as if it owned the vehicle and operated it seven-days a week.

This independent compliance obligation can be a deterrent to *time sharing* since many secondary operators lack the staff or transportation expertise to efficiently understand and perform their compliance obligations. Minnesota's vehicle and driver safety regulations can be difficult to navigate, particularly for the many HSPs for whom transportation is not the focus of their mission. During this study a number of HSPs reported being uncertain about the regulatory obligations of secondary operators (e.g., do secondary operators need to obtain and display a USDOT number). Further, secondary operators often use shared vehicles for a comparatively

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<sup>24</sup> Minn. Stat. 221.012, subd. 14, 26 (2012).

<sup>25</sup> Minn. Stat. 221.012, subd. 38 (2012).

<sup>26</sup> Some regulatory requirements span all the classifications described here, such as the wheelchair securement inspection requirement. Minn. Stat. 229A.14 (2012).

<sup>27</sup> Minn. Stat. 174.30 (2012).

<sup>28</sup> Minn. Stat. 221.0314 (2012).

<sup>29</sup> Minn. Stat. 221.0252 (2012).

<sup>30</sup> Minn. Stat. 221.091 (2012).

<sup>31</sup> As suggested in note 18 above, whether an organization separately controls a vehicle may not always be a clear issue. Some relevant factors in determining control include ownership or lease terms, providing the driver and maintaining insurance.

limited amount of time. As a result the cost of compliance, both in terms of information acquisition costs and economic costs, may not justify involvement in the sharing arrangement. In the absence of being involved in a *time sharing* relationship, secondary operators may use less advantageous or efficient transportation arrangements such as using smaller personal vehicles driven by volunteer drivers.

## **B. Potential solutions**

Approaches to mitigating this barrier include: (1) reducing the application of state vehicle safety regulations to secondary operators; and (2) increase education and outreach within the HSP community about the regulatory obligations of secondary operators.

1. Change state law to deregulate secondary operators. This approach would involve exempting secondary operators from select vehicle regulatory obligations that apply to the organization, such as record keeping requirements or the need to obtain or display their own USDOT numbers. It would not involve altering the obligations of secondary operators with respect to driver safety, such as those rules regarding driver qualifications.

The rationale for this approach is that it would promote vehicle sharing by reducing regulatory compliance costs that deter secondary operators from *time sharing*. The counter argument is that there is no clear safety rationale for treating secondary operators differently with respect to generally applicable safety requirements. Secondary operators may be on the road less than the primary operator, but this is not a clear justification for secondary operators having lower safety responsibilities.

Whether promoting vehicle sharing by deregulating secondary operators is an appropriate measure is ultimately a judgment for policymakers. Nevertheless, this study did not collect information showing that such approach is clearly warranted. While it appeared that some HSPs were not aware that secondary operators must independently comply with vehicle safety regulations, it does not necessary follow from this that such compliance obligation is not appropriately justified by safety considerations, or is prohibitively burdensome.

With respect to the practices by other states, it appears other states generally have not

altered their vehicle safety statutes specifically to reduce the compliance obligations of secondary operators in vehicle sharing arrangements.<sup>32</sup>

2. Education and outreach. A second approach to reducing compliance costs for secondary operators is to increase education and outreach by state transportation regulators within the HSP community. The aim would be to lessen the time and effort secondary operators need to invest to learn how to comply with vehicle safety regulations. The increased education and outreach could specifically communicate how vehicle safety rules apply to secondary operators that are HSPs. For those without transportation expertise, the compliance resources currently available can be difficult to interpret and apply to the context of *time sharing* and the circumstances of secondary operators.<sup>33</sup> Targeted training and user-friendly educational resources from regulators that speak directly to the issue of *time sharing* among HSPs could significantly lower this barrier.

### C. Preferred solution

Given the information collected by this study, the most appropriate solution to this barrier at this time is to increase outreach and education by regulators within the HSP community about what the safety regulations mean for secondary operators in *time sharing* arrangements. Such efforts should be led by MnDOT, given its regulatory expertise in this area. This appears to be the most effective approach at this time for lowering compliance costs for secondary operators without compromising transportation safety.

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<sup>32</sup> Some states have vehicle safety regulations that they do, as a matter of course, benefit secondary operators. For example, in Washington State, secondary operators that are HSPs do not need to display their name and vehicle permit on the side of the vehicle. Washington Administrative Code 480-31-110 (2012). In comparison, in Minnesota, secondary operators are required to display their name and USDOT or STS number. Minn. Stat. 221.031, subd. 6; Minn. Rules 8840.5925, subp. 6. Also note, many states have altered their vehicle regulations with respect to personal passenger vehicles to promote vehicle sharing. See e.g., California Assembly Bill 1871 (2010). But such changes do not affect the transportation services provided by HSPs since HSPs are not operating personal passenger vehicles.

<sup>33</sup> MnDOT, “Motor Carrier Safety Regulations for Private Motor Carriers of Passengers in Minnesota,” available at <http://www.dot.state.mn.us/cvo/factsheets/privatemotorcarriersofpassengers.pdf> (last accessed August 28, 2013); MnDOT, “Special Transportation Service, Fact Sheet,” available at <http://www.dot.state.mn.us/cvo/factsheets/sts.pdf> (last access August 31, 2013); MnDOT, *Minnesota Commercial Truck and Passenger Regulations, 2013*, available at <http://www.dot.state.mn.us/cvo/mcr/MnTruckRegl/2013MNTruck%20RegFinal.pdf> (last accessed August 31, 2013); MnDOT, *Transportation Coordination Toolkit* (2005), available at <http://www.coordinatemntransit.org/reports/toolkit/documents/00-FullToolKit.pdf> (last accessed August 31, 2013).

## Barrier 4: *Ride sharing* and Vehicle Safety Regulations

### A. The barrier

In *ride sharing* an HSP transports the clients of another organization. For most *ride sharing* arrangements to be viable the HSP providing the transportation service needs to be compensated for doing so. The fact that an HSP is transporting passengers other than its own clients and/or that it is being paid to do so can change the vehicle safety regulations to which that HSP is subject. The primary circumstances in which this regulatory reclassification could occur are:

- From *private carrier* to *STS provider*. Certain HSPs have a statutory exemption from the STS requirements, even though they regularly transport the elderly or disabled and receive government funds to do so.<sup>34</sup> These STS-exempt organizations are typically regulated as *private carriers*. However, the STS-exemption only applies if these HSPs transport their own clients. Providing the transportation services in a *ride sharing* arrangement could cost them this exemption and require them to be compliant with the STS requirements.<sup>35</sup>
- From *private carrier* to *for-hire carrier*. An HSP that is a *private carrier*, and not an STS-exempt organization, could be reclassified as a *for-hire carrier* if it provides the transportation services in a *ride sharing* arrangement and is compensated for doing so.<sup>36</sup>

*Ride sharing* causing either of these types of reclassification is a barrier to the extent HSPs view the resulting new classification as undesirable from a cost or operational perspective.<sup>37</sup> In addition, since many HSPs are not transportation focused organizations, the mere fact of having to assess and learn a new set of regulations can be a deterrent to *ride sharing*.

### B. Potential solutions

The potential solutions for this barrier include: (1) changing state law to exempt *ride sharing* among HSPs from impacting the vehicle safety regulations to which HSPs are otherwise subject; and (2) increase education and outreach within the HSP community about how *ride sharing* may alter the vehicle safety regulations to which they are subject.

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<sup>34</sup> Minn. Stat. 174.30, subd. 1(b), (c) (2012).

<sup>35</sup> There is an exception to this for certain day training and habilitation facilities (DT&H). Minn. Stat. 174.30, subd. 1(c) (2012).

<sup>36</sup> Minn. Stat. 221.012, subd. 14, 26, 35 (2012).

<sup>37</sup> For example, *private carriers* have no minimum insurance requirements and are only subject to an annual inspection requirement in certain circumstances, whereas *STS providers*, among other things, are subject to annual and random inspections as well as minimum insurance requirements. *For-hire carriers* and *private carriers* generally have the same regulatory obligations, except *for-hire carriers* have minimum insurance requirements, *private carriers* are exempt from certain inspection requirements and *for-hire carriers* must obtain a certificate of authority from the state. MnDOT, “Motor Carrier Safety Regulations for Private Motor Carriers of Passengers in Minnesota,” available at <http://www.dot.state.mn.us/cvo/factsheets/privatemotorcarriersofpassengers.pdf> (last accessed August 28, 2013); MnDOT, “Special Transportation Service, Fact Sheet,” available at <http://www.dot.state.mn.us/cvo/factsheets/sts.pdf> (last access August 31, 2013).

(1) Exempt ride sharing from changing vehicle safety regulations. The manner in which state law would need to be changed would depend on the type of regulatory reclassification.

- From *private carrier* to *STS provider*. In this case, state law would be changed to provide that, for HSPs currently exempt from STS, their STS exemption is unaffected if they regularly transport other organizations' clients. This type of provision already exists in state law with respect to certain day training and habitation (DT&H) providers.<sup>38</sup> Thus, this possible solution would involve expanding this provision to cover HSPs beyond DT&H providers, such as nursing homes and group homes.

Further study is required to assess whether carving out such additional exceptions to the STS program is warranted. This study found evidence that some HSPs view STS certification as more costly and burdensome than compliance with the *private carrier* regulations. But there was also some evidence of a lack of understanding of the STS program among HSPs and its relevance for *ride sharing*.

Further, state transportation officials believe there is a trend towards more HSPs becoming STS certified. This suggests that STS compliance may either not be a significant impediment to *ride sharing* or is becoming less of an impediment.

- *Private carrier* to *for-hire carrier*. State law could be changed to provide that HSPs do not become *for-hire carriers* as a result of *ride sharing*.<sup>39</sup>

From the information collected from this study it is not clear there is justification for such a change. An HSP that is a *private carrier* would become a *for-hire carrier* if, due to *ride sharing*, transportation becomes the primary mission of the organization.<sup>40</sup> Whether transportation is the primary mission of an organization depends on the particular facts and circumstances of the organization and its operation.

Since transportation services are secondary to the mission of many HSPs, they would be able to at least argue that *ride sharing* by itself does not change their mission and thus does not make them a *for-hire carrier*.<sup>41</sup> Given this, it is not clear how prevalent

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<sup>38</sup> A DT&H organization may transport the clients of another DT&H provider in vehicles that carry up to 15 passengers without becoming subject to the STS requirements. Minn. Stat. 174.30, subd. 1(c) (2012).

<sup>39</sup> At least one state has exempted HSPs from its *for-hire provider* vehicle regulations. North Carolina Statute 62-289 (2012). But comparing such regulatory changes across states is difficult since exemptions from certain regulatory requirements in a given state may be in place to have a different set of regulations apply. For example, HSPs in North Carolina are exempted from *for-hire provider* vehicle regulations but are subject to alternative safety and training requirements. North Carolina Department of Transportation, *Policy Guidance for Minimum Training Standards for Community and Human Service Transportation Service Vehicle Operators* (2011), [https://connect.ncdot.gov/business/Transit/Documents/Community\\_Human%20Service%20Transportation%20System%20Vehicle%20Operators%20Training%20Standards%20Policy.pdf](https://connect.ncdot.gov/business/Transit/Documents/Community_Human%20Service%20Transportation%20System%20Vehicle%20Operators%20Training%20Standards%20Policy.pdf) (last access August 28, 2013).

<sup>40</sup> Minn. Stat. 221.012, subd. 14, 26, 35 (2012).

<sup>41</sup> Minn. Stat. 221.012, subd. 35 (2012).

the problem is of HSPs not engaging in *ride sharing* because they could be classified as a *for-hire carrier*. Further data would be needed to identify the number of HSPs that may be in this position in order to justify any such statutory changes.

(2) Increased education and outreach. As discussed above with respect to Barrier 3, understanding vehicle safety regulations can be challenging for HSPs. Often these organizations do not have the staff time to understand the regulations in detail beyond how they specifically impact their current operations. That *ride sharing* may change the regulations to which HSPs are subject creates a hurdle to *ride sharing*. These organizations must incur the information acquisition costs of determining what new regulations may apply to them and assess the operational costs related to compliance with those new regulations. These information costs could be reduced by additional education and outreach efforts from state regulators that specifically target the HSP community on the topic of *ride sharing* and provide targeted information about what engaging in *ride sharing* can mean for their regulatory status. Currently, such information is not available to HSPs in a user-friendly format.<sup>42</sup>

### C. Preferred Solution

At this time, increased education and outreach by state transportation regulators within the HSP community would be the most effective tool for reducing this barrier to *ride sharing*. Helping HSPs understand how *ride sharing* may impact the vehicle regulations that apply to them would reduce the information costs that may otherwise deter *ride sharing*. Such efforts should be led by MnDOT given its regulatory expertise in this area. Though there may also be changes to state law that could also reduce the regulatory barriers to *ride sharing*, there is currently insufficient information to justify such changes.

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<sup>42</sup> MnDOT, “Motor Carrier Safety Regulations for Private Motor Carriers of Passengers in Minnesota,” available at <http://www.dot.state.mn.us/cvo/factsheets/privatemotorcarriersofpassengers.pdf> (last accessed August 28, 2013); MnDOT, “Special Transportation Service, Fact Sheet,” available at <http://www.dot.state.mn.us/cvo/factsheets/sts.pdf> (last access August 31, 2013); MnDOT, *Minnesota Commercial Truck and Passenger Regulations, 2013*, available at <http://www.dot.state.mn.us/cvo/mcr/MnTruckRegl/2013MNTruck%20RegFinal.pdf> (last accessed August 31, 2013); see also, MnDOT, *Transportation Coordination Toolkit* (2005), available at <http://www.coordinatemntransit.org/reports/toolkit/documents/00-FullToolKit.pdf> (last accessed August 31, 2013).

## Barrier 5: Vehicle Insurance

### A. The barrier

HSPs seeking to vehicle share report encountering significant challenges with respect to vehicle insurance. These challenges include:

- Prohibitively expensive rates if an organization wants to use a vehicle owned by another organization.
- Policy restrictions or rate increases that prevent an HSP from transporting the clients of other organizations.

Even in cases where vehicle sharing has occurred, HSPs report that obtaining approval from insurers was time consuming and difficult. The Met Council's 2013 action plan for transportation coordination placed a priority on addressing these insurance barriers.<sup>43</sup> Insurance challenges to vehicle sharing are not unique to Minnesota; other states are confronting them as well.<sup>44</sup>

### B. Discussion of solutions

HSPs purchase insurance for their vehicles on the commercial insurance market, as opposed to the personal auto insurance market. The commercial market is comparatively less regulated in Minnesota than the personal market.<sup>45</sup> The premium rates and policy terms in the commercial market are driven principally by market competition among insurers and insurer underwriting practices. In this light, the unfavorable insurance terms seen by HSPs can be understood as resulting from some combination of:

- Vehicle sharing among HSPs creating higher risks or different exposures for insurers.
- Vehicle sharing among HSPs involving risks that insurers are not familiar in underwriting or are unwilling to underwrite.
- A lack of competition among insurers for the type of insurance coverages involved in vehicle sharing.

In addition, vehicle safety regulations may contribute to the insurance challenges. As discussed with respect to Barrier 4, *ride sharing* may cause an HSP to be reclassified from a *private carrier* to either a *STS provider* or a *for-hire carrier*. Both the STS and for-hire carrier regulations have mandatory minimum insurance coverage requirements that may force HSPs to obtain policies with greater coverage that are more expensive.<sup>46</sup>

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<sup>43</sup> Metropolitan Council, [Public Transit and Human Services Transportation Coordination Action Plan](#) (2013), pp. 39, 48, available at <http://www.metrocouncil.org/Transportation/Planning/Transportation-Resources/Transportation-Coordination-Plan.aspx> (last accessed August 28, 2013).

<sup>44</sup> NCSL, *Insurance Challenges for Paratransit* (2008), available at <http://www.ncsl.org/print/transportation/insurancebrief1008.pdf> (last accessed August 28, 2013).

<sup>45</sup> See e.g., Minn. Rule 2700.2470 (2012).

<sup>46</sup> Minn. Stat. 174.285, subd.2 (b)(4) (2012); Minn. Stat. 221.0252, subd. 3(a) (3) (2012)

Since self-insurance is not an option for nearly all HSPs, there are three types of approaches for addressing the insurance barrier: (1) regulate the insurance market; (2) exempt HSPs from regulatory insurance requirements; and (3) insurance pooling among non-profit organizations.

(1) Regulate the insurance market. This approach could involve the state: (a) regulating how insurers underwrite vehicle sharing arrangements; (b) requiring insurers to provide the types of coverages that are necessary to facilitate vehicle sharing; and/or (c) controlling the rates charged for those coverages. The objective would be to reduce or eliminate obstacles to vehicle sharing.<sup>47</sup>

In general, such market regulation has not been used in any state to facilitate vehicle sharing among HSPs.<sup>48</sup> The main reason for this is that such regulation could have counterproductive consequences in the insurance market. Principally, it could cause insurers to withdraw from the market or increase premiums either for the regulated coverages or for other coverages.<sup>49</sup> Additionally in Minnesota, such an approach may not be preferred because it cuts against the grain of how Minnesota regulates the commercial insurance market and it would likely be strongly resisted by insurers.

(2) Exempt HSPs from regulatory insurance requirements. State law could be changed to exempt HSPs engaging in *ride sharing* from the minimum insurance requirements of the *STS provider* or *for-hire carrier* classifications. The purpose of these requirements is to ensure that organizations maintain a minimum level of financial responsibility. Exempting HSPs from these requirements would be based on the rationale that these requirements discourage *ride sharing*.

This deregulatory approach has been taken in other states.<sup>50</sup> However, because other states have different vehicle safety regulation systems for intrastate transportation, it is difficult to make simple state-to-state comparisons with provisions like this. Further, such legislative changes do not necessarily prevent insurers from underwriting an HSP as a *STS provider* or *for-hire carrier*, notwithstanding state law saying they are not for purposes of the state's minimum insurance requirements.

(3) Insurance Pooling. Insurance pools are arrangements by which organizations come together to jointly fund each others' losses.<sup>51</sup> There are a number of types of pooling arrangements.

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<sup>47</sup> There has been at least one proposal in Minnesota to regulate the insurance market to encourage vehicle sharing among HSPs. A bill introduced in the 2010 session of the Minnesota legislature sought to prohibit insurers from preventing *ride sharing* among DT&H organizations. Minnesota House File 298 (2010).

<sup>48</sup> NCSL, *Insurance Challenges for Paratransit* (2008), available at <http://www.ncsl.org/print/transportation/insurancebrief1008.pdf> (last accessed August 28, 2013). Many states have taken steps to regulate their insurance market to encourage vehicle sharing among personal vehicles. See e.g., Revised Code of Washington, Chapter 48.175. (2012).

<sup>49</sup> NCSL, *Insurance Challenges for Paratransit* (2008), available at <http://www.ncsl.org/print/transportation/insurancebrief1008.pdf> (last accessed August 28, 2013).

<sup>50</sup> See e.g., North Carolina Statute 62-289 (2012)

<sup>51</sup> National Cooperative Highway Research Program, *Research Results Digest 295: Availability and Accessibility of Liability and Excess Insurance for Public Transit and Private Coach Operators* (Washington, D.C.: National Academies Press, 2005).

Generally they are formed because, by combining their insurance needs, pool members can obtain lower premiums than those found in the conventional insurance market and/or obtain coverage not provided by traditional carriers.

Insurance-pooling arrangements must generally be authorized by state law. Several states have for a number of years permitted insurance pooling by non-profit organizations, including HSPs, to address challenges non-profits face in the conventional commercial insurance market.<sup>52</sup> In 2009 Minnesota joined these states when the legislature permitted the Nonprofit Insurance Trust (NIT) to create a property and liability insurance pool for Minnesota non-profits.<sup>53</sup>

Because it has only been in place a few years, the impact of the NIT cannot yet be fully assessed. It appears a number of HSPs have either not yet heard of the NIT or are not familiar with its products. However, some HSPs interviewed for this study did report having recently switched to NIT for their insurance needs. These HSPs reported experiencing substantially lower premiums overall with the NIT, as well as the availability of coverage that facilitate vehicle sharing at a lower cost. In addition, these HSPs report that the NIT has a greater understanding of their organizational missions and the operational importance of vehicle sharing, as compared to traditional carriers.

### **C. Preferred solution**

The NIT appears to be working to address many of the challenges HSP face in the insurance market with respect to vehicle sharing. It appears the best course of action at this time is to allow additional time for the NIT to increase its exposure and market penetration within the HSP community, to see the extent to which NIT can resolve the insurance barriers for vehicle sharing without other legislative or regulatory action.

## **Section 3. Conclusions drawn from analysis of barriers**

Taken together, the barriers discussed in Section 2 lead to five general conclusions about vehicle sharing among HSPs in Minnesota.

1. No single regulation or policy is chiefly responsible for preventing vehicle sharing from occurring on a larger scale in Minnesota than it currently does. Prior to the organization of the NIT, the insurance market appeared to be the most significant limiting factor. But the NIT's entry into the market appears to be reducing this barrier.
2. Rather than there being one most important obstacle to vehicle sharing, there is a collection of obstacles, their relative significance depending on the circumstances of the

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<sup>52</sup> See e.g., Cal. Corporate Code §5005.1(b) (2012).

<sup>53</sup> Minn. Stat. 471.98 (2012). Nonprofit Insurance Trust, <http://www.nitmn.org/> (last accessed August 28, 2013).

particular vehicle sharing arrangement (e.g., the type of HSPs involved, the nature of the clients being transported, the type of vehicles being used). Across circumstances though, these obstacles add up to create substantial transaction costs for most HSPs wanting to enter into a vehicle sharing arrangement.

3. Outside the HSP context these transaction costs may not seem substantial. But when cumulatively measured against (a) the resources of most HSPs (in terms of staff and transportation expertise) and (b) the benefits of vehicle sharing, these costs are large enough to prevent vehicle sharing on a larger scale. In sum, from a cost-benefit perspective, for many HSPs the cumulative transaction costs involved in vehicle sharing outweigh the benefits. (See Figure 2)

**Figure 2. Cumulative Transaction Costs Outweigh Benefits of Vehicle Sharing**



4. What each of the barriers identified have in common is that they in large part stem from high information acquisition costs, whether it be the information necessary to navigate the vehicle safety rules or the information needed about what sharing opportunities exist. Consequently, the single best measure to promote vehicle sharing is taking steps to lower these information costs. Sufficient steps are unlikely to be taken by the HSP community acting alone, but rather will likely require state, regional and/or local governments working in partnership with the HSP community. In short, if the policy objective is to have vehicle sharing be a regular practice among HSPs, government is going to have to help provide HSPs the tools to accomplish this. Helping provide HSPs these tools will

require commitment to the policy of vehicle sharing among government agencies within the state, as well as a recognition that the current education and outreach efforts supporting vehicle sharing need to be improved.

5. This study found that there may be opportunities to change state vehicle safety regulations to encourage vehicle sharing. However, given that these regulations reflect long-standing legislative judgments about how to promote transportation safety, there is insufficient information to recommend altering how these regulations apply to HSPs in order to promote vehicle sharing. Further, legislative or regulatory changes do not appear to be warranted at this time given that there appears to be a significant opportunity for increased education and outreach to be effective.

## Section 4. Case studies

This section provides four brief vehicle-sharing case studies relevant for the barriers and solutions discussed in Section 2. The first two case studies are from Minnesota and show some local best practices and illustrate some of the barriers and solutions discussed in Section 2. The third and fourth case studies come from other states. The third case study, from California, shows an example of a local government's efforts to reduce the information costs for vehicle sharing. The fourth case study shows an example of a larger-scale HSP vehicle-sharing model in Virginia.

### Case Study 1. DARTS

DARTS is a nonprofit community service organization that operates in Dakota County, Minnesota.<sup>54</sup> It provides a range of services, including transportation programs under which it operates over 35 vehicles. DARTS is an example of a Minnesota HSP that engages in vehicle sharing.

DARTS is involved in several sharing arrangements. One of its most notable arrangements involves a bus it received through the Section 5310 Program.<sup>55</sup> The Section 5310 Program is a state-administered program that provides federal grants to non-profit organizations to serve the transportation needs of elderly persons and persons with disabilities.<sup>56</sup> DARTS is the owner of the bus and the primary operator, but it also shares the bus with the City of Farmington and two local churches. DARTS uses the bus Mondays through Thursdays to provide transportation

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<sup>54</sup> DARTS's website, <http://www.darts1.org/> (last accessed August 28, 2013).

<sup>55</sup> MnDOT, *Guidance for Coordination, Cooperation and Collaboration- Collaborative Strategies for Improving Transit Systems* (2012), available at <http://www.dot.state.mn.us/transit/grants/Transit%20for%20our%20Future/Guidance%20for%20Coordination%20Cooperation%20Consolidation.pdf>.

<sup>56</sup> U.S. Department of Transportation, Federal Transit Administration, Section 5310 Program Overview, available at [http://www.fta.dot.gov/13094\\_8348.html](http://www.fta.dot.gov/13094_8348.html) (last accessed August 28, 2013).

services to older adults and disabled individuals. The City of Farmington’s Senior Center then uses the bus on Fridays and two churches use the bus on the weekends to transport seniors and disabled individuals.

DARTS’ sharing of this bus epitomizes the objective of vehicle sharing among HSPs: maximize the use of existing resources to expand services. It also highlights several points about the barriers to vehicle sharing in Minnesota.

- *Time sharing* can and does occur in Minnesota. There are no regulatory or policy obstacles that necessarily prevent it.
- Among Minnesota HSPs generally, DARTS is an exception that demonstrates the information and technical barriers to vehicle sharing. Transportation is a core part of DARTS mission, and its level of transportation expertise and priorities reflect this. Further, DARTS has experience establishing and documenting sharing arrangements and an expectation that it may participate in more arrangements. That is, DARTS has existing technical knowledge about vehicle sharing and incentives to develop this organizational capacity further. These attributes make DARTS different than most HSPs, and suggests that lowering the information and technical barriers for organizations without DARTS-like resources can increase vehicle sharing.
- DARTS engages in vehicle sharing principally because it furthers its mission, not because it gains economically from the arrangements. This illustrates that the benefits of *time sharing*, even for transportation-focused HSPs, may not be economic.

### Case Study 2. Newtrax, Inc.

Merrick, Inc., and Phoenix Alternatives, Inc., (PAI) are two nonprofits operating in the Twin Cities metropolitan area that provide services to individuals with disabilities.<sup>57</sup> In 2011 Merrick and PAI came together to form a new nonprofit organization, Newtrax, Inc.<sup>58</sup> The purpose of Newtrax is to transport Merrick and PAI’s clients from their homes to program sites. Newtrax is jointly owned by Merrick and PAI but is an independent organization.

Prior to forming Newtrax, Merrick and PAI separately provided transportation services for their respective clients. Faced with funding cuts and a recognition that both organizations operated in the same service area, were subject to the same regulatory rules, and had similar fleets of vehicles, the two organizations sought a way to collaborate to save on costs.<sup>59</sup> However, they wanted to do so in manner that preserved the independence of the two organizations. Newtrax

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<sup>57</sup> Merrick, Inc., <http://www.merrickinc.org/> (last access August 28, 2013); Phoenix Alternatives, Inc., <http://www.paimn.org/> (last access August 28, 2013).

<sup>58</sup> Merrick, “[Why The Change-Newtrax Transforms Transportation](http://www.merrickinc.org/barks-bytes/222-why-the-change-newtrax-transforms-transportation.html)” (2011), available at <http://www.merrickinc.org/barks-bytes/222-why-the-change-newtrax-transforms-transportation.html> (last access August 28, 2013).

<sup>59</sup> MAP, “Merrick Inc. and Phoenix Alternatives Create Joint Venture: Newtrax,” available at [http://www.mapfornonprofits.org/index.asp?Type=B\\_BASIC&SEC=%7B97125A96-C32E-4755-88BC-5D28258B8382%7D](http://www.mapfornonprofits.org/index.asp?Type=B_BASIC&SEC=%7B97125A96-C32E-4755-88BC-5D28258B8382%7D) (last access August 28, 2013).

was the result of this effort. Now, Newtrax owns and operates the vehicles that transport Merrick and PAI's clients. With Newtrax the two organizations were able to consolidate routes, transport the same number of clients with a projected 15 fewer vehicles, and save a substantial amount on transportation costs for both organizations (estimated as \$150,000 per year for each organization), all while maintaining the same level of service for clients.<sup>60</sup>

The Newtrax model represents an innovative type of sharing in Minnesota. It is a combination of *time sharing* and *ride sharing*. A fleet of vehicles is owned and operated by a central organization for the benefit of a limited number of member organizations. The model reduces the informational and technical barriers to sharing by offloading the information collection and technical responsibilities to an outside organization that has the resources to specialize in transportation issues. This is an approach that could potentially be replicated among other HSPs in Minnesota with a shared service area and similar client needs.

For vehicle sharing in Minnesota the Newtrax model also illustrates several points.

- There are no regulatory barriers in Minnesota preventing this type of innovation in vehicle sharing. But replicating the Newtrax model faces many of the information barriers discussed in Section 2. In particular, it requires HSPs having information about other organizations' needs, resources and capacities (Barrier 2).
- The Newtrax model allows each member organization to maintain its separate identity, culture and mission, while shedding transportation responsibilities. This need to maintain organizational independence can often be an overlooked concern with *ride sharing* among HSPs.
- Newtrax illustrates that, in particular circumstances, vehicle sharing can provide significant economic benefits to HSPs.

### Case Study 3. Peninsula Fleet Share Program, San Mateo, California

The Peninsula Fleet Share Program is a recent 18-month pilot project initiated by the San Mateo County Transit District (SamTrans) in California.<sup>61</sup> It is funded by a Section 5317 New Freedom Program grant.<sup>62</sup> The program centers on an internet registry that allows member organizations to

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<sup>60</sup> Merrick, "[Why The Change-Newtrax Transforms Transportation](http://www.merrickinc.org/barks-bytes/222-why-the-change-newtrax-transforms-transportation.html)" (2011), available at <http://www.merrickinc.org/barks-bytes/222-why-the-change-newtrax-transforms-transportation.html> (last access August 28, 2013).

<sup>61</sup> San Mateo County Transit District, (SamTrans), "Peninsula Fleet Share Program," <http://www.seniormobility.org/pfs.html> (last accessed August 28, 2013); see also The Daily Journal, "SamTrans launching vehicle share program," January 04, 2013, available at [http://archives.smdailyjournal.com/article\\_preview.php?id=1760913](http://archives.smdailyjournal.com/article_preview.php?id=1760913) (last access August 28, 2013); SamTrans, "Peninsula Fleet Share Member Guide" (2011), available at [http://seniormobility.org/documents/PFSMemberGuideFINALREV\\_000.pdf](http://seniormobility.org/documents/PFSMemberGuideFINALREV_000.pdf) (last accessed August 28, 2013).

<sup>62</sup> Section 5317 New Freedom Program was a federal grant program intended to expand transportation services for the elderly and persons with disabilities beyond what is required by the Americans with Disabilities Act. U.S. Department of Transportation, Federal Transit Administration, New Freedom Program (5317), available at [http://www.fta.dot.gov/grants/13093\\_3549.html](http://www.fta.dot.gov/grants/13093_3549.html) (last access August 28, 2013).

exchange information about sharing opportunities and obtain targeted advice about how to engage in vehicle sharing. The objective of the program is to facilitate vehicle sharing among local government agencies and nonprofits by streamlining the sharing process, similar to what has been done with personal car sharing programs.

Organizations join the program by paying a small one-time registration fee. Membership is only open to local governments and nonprofit organizations. Upon registering members get access to a secure website in which they can post information about available vehicles and drivers, and search to find available vehicles and drivers. In addition, members get access to templates for documenting vehicle-sharing arrangements, along with information about insurance and risk management tools.<sup>63</sup> SamTran staff also provides technical support and on-going marketing for the program to expand membership.

The Peninsula Fleet Share Program provides a potential model program for local or state governments in Minnesota to help address the information barriers to vehicle sharing discussed in Section 2 above. Specifically, the registry provides a forum for HSPs to connect about sharing opportunities, addressing Barrier 2 (the information gap about sharing opportunities). The program would also provide a mechanism to provide targeted technical assistance to HSPs in order to lower the information acquisition costs with respect to vehicle safety regulations, insurance options, and the mechanics of sharing -- as discussed in Barriers 1, 3, 4 and 5 in Section 2.

#### **Case Study 4. Jefferson Area United Transportation (JAUNT), Virginia**

JAUNT is a regional public transportation service provider in a largely rural area of Virginia.<sup>64</sup> The organization is owned and operated by five local governmental units and has a fleet of 69 vehicles acquired through the Section 5311 Program.<sup>65</sup> JAUNT provides demand response services primarily for older adults, people with disabilities and those with low incomes. However, about one-fifth of JAUNT's operation is providing transportation services for HSPs who receive government funds.

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<sup>63</sup> See e.g., SamTrans, "Peninsula Fleet Share Sample Agreement for Vehicle Sharing Partnerships" (2011), available at <http://www.peninsulafleetshare.com/asp/admin/getFile.asp?RID=16&TID=6&FN=PDF> (last accessed August 28, 2013); see also SamTrans, "Peninsula Fleet Share Membership Guide" (2011), available at [http://seniormobility.org/documents/PFSMemberGuideFINALREV\\_000.pdf](http://seniormobility.org/documents/PFSMemberGuideFINALREV_000.pdf) (last accessed August 28, 2013), which provides guidance on, among other things, how to set up a vehicle sharing arrangement.

<sup>64</sup> JAUNT's service area includes the City of Charlottesville. JAUNT, *Transit Development Plan: Fiscal Years 2012-2017* (2011), available at <http://www.drpt.virginia.gov/activities/files/jaunt.pdf> (last accessed August 28, 2013).

<sup>65</sup> The Section 5311 Program is a federal grant program intended to assist transit operators in nonurbanized areas. U.S. Department of Transportation, Federal Transit Administration, Rural Transit Assistance Program, available at [http://www.fta.dot.gov/grants/13093\\_3554.html](http://www.fta.dot.gov/grants/13093_3554.html) (last access August 28, 2013)

HSPs using JAUNT's services have three options:

1. The HSP's clients can ride on JAUNT's regular routes. In this case, the HSP is billed by JAUNT per ride.
2. JAUNT provides the HSP a vehicle and a JAUNT driver, for which they are charged an hourly rate.
3. JAUNT provides the HSP a vehicle and the HSP provides its own driver. The HSP's driver must meet certain requirements including completing JAUNT's driver training program. The HSP is charged a per mile rate for the vehicle.<sup>66</sup>

While using the JAUNT vehicle, the HSP is covered by JAUNT's insurance. HSPs use JAUNT's services both on a regular and an irregular basis. The program is flexible to suit an individual HSP's needs.

The JAUNT model can be viewed as an extension of the Newtrax model. A third-party organization owns and operates a fleet of vehicles and that organization provides transportation services specifically to HSPs. The JAUNT model adds to the Newtrax model in two respects. First, unlike Newtrax, Jaunt's services are not limited to specific member organizations, but are open to all qualifying HSPs. Second, with JAUNT the HSP can elect to provide its own driver if that better suits its circumstances.

There is an example of a service similar to the JAUNT model in Minnesota, albeit on a smaller scale. Kandiyohi Area Transit, with its KAT Carriage service, operates a program to transport groups of seniors and/or the disabled, generally when they are organized by an HSP.<sup>67</sup> Kandiyohi Area Transit charges a per hour rate for the service. Unlike JAUNT though, Kandiyohi Area Transit does not permit outside drivers to operate their vehicles.

If a JAUNT-like model were to be fully implemented in Minnesota, this issue of HSPs using their own drivers under such a model would need to be investigated further. The question is whether, by using its own driver, the HSP becomes the operator of the vehicle it uses and, as a result, is required to independently comply with all the vehicle safety regulations (e.g., obtain and display its own USDOT number). If this were the case, it would be an obstacle to the full JAUNT model working well in Minnesota.

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<sup>66</sup> JAUNT, "Human Services Agency Transportation", available at <http://www.ridejaunt.org/agency-transportation.asp> (last access August 28, 2013).

<sup>67</sup> Kandiyohi Area Transit, KAT Carriage Service, available at <http://katbus.org/katcarriage.html> (last accessed August 28, 2013).

## Section 5. Recommendations for next steps

Based on the findings in this report, three “next-steps” are recommended to increase vehicle sharing among HSPs in Minnesota.

1. **Outreach and education.** State agencies should work to increase education and outreach within the HSP community about vehicle sharing. This outreach and education could be led by an organization within the HSP community working in partnership with the state. The education and outreach efforts should focus on the “how to” of vehicle sharing, and include guidance documents and training that cover:
  - The types of sharing models.
  - How vehicle safety regulations apply to HSPs in the context of vehicle sharing.
  - The technical aspect of setting-up a vehicle sharing arrangement, including insurance, risk management, documentation and compensation structures.<sup>68</sup>

These materials should be developed in consultation with HSPs that have successfully established sharing arrangements and should be made available on the internet.

2. **Forums for HSPs to exchange information about sharing opportunities.** State or local government agencies should work with the HSP community to develop structured forums in which HSPs can share information about sharing opportunities. Such forums can also function as mechanisms to deliver the education and outreach discussed in recommendation 1 above. The Case Study from San Mateo County, California, discussed in this report provides an example of a web-based forum. A grant under the Section 5310 Program could be used to fund the development of such a website in Minnesota by an organization or a group of organizations within the HSP community.
3. **Data collection.** Efforts by state or local governments to promote vehicle sharing need to be supported by quantitative data collection about the nature and scale of the opportunities for sharing among HSPs. Currently no such information exists. Such information could be acquired through surveys of HSPs and should seek to differentiate among the different types of HSPs (e.g., large v. small organizations, senior-focused HSPs v. disabled-focused).

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<sup>68</sup> For an example of such a guidance document, see also SamTrans, “Peninsula Fleet Share Membership Guide” (2011), available at [http://seniormobility.org/documents/PFSMemberGuideFINALREV\\_000.pdf](http://seniormobility.org/documents/PFSMemberGuideFINALREV_000.pdf) (last accessed August 28, 2013), which provides guidance on, among other things, how to set up a vehicle sharing arrangement.

## Appendix A

### Interviewees

1. Staff member of Nonprofit Insurance Trust
  2. Staff member of DARTS
  3. Staff member of Insurance Federation of Minnesota
  4. Staff member of Functional Industries
  5. Staff member of Midwest Special Services
  6. Staff member of *People Responding In Social Ministry* (PRISM)
- Attendance at meetings of organizations in the Twin Cities metropolitan area that participate in the Section 5310 Program.