
Cost Analysis of Disability Parking Placards

A Report to the
Governor
and the
Legislature of
the State of
Hawai'i

Report No. 07-05
April 2007



THE AUDITOR
STATE OF HAWAI'I

Office of the Auditor

The missions of the Office of the Auditor are assigned by the Hawai'i State Constitution (Article VII, Section 10). The primary mission is to conduct post audits of the transactions, accounts, programs, and performance of public agencies. A supplemental mission is to conduct such other investigations and prepare such additional reports as may be directed by the Legislature.

Under its assigned missions, the office conducts the following types of examinations:

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2. *Management audits*, which are also referred to as *performance audits*, examine the effectiveness of programs or the efficiency of agencies or both. These audits are also called *program audits*, when they focus on whether programs are attaining the objectives and results expected of them, and *operations audits*, when they examine how well agencies are organized and managed and how efficiently they acquire and utilize resources.
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THE AUDITOR STATE OF HAWAII

Kekuanao'a Building
465 S. King Street, Room 500
Honolulu, Hawai'i 96813

OVERVIEW

Cost Analysis of Disability Parking Placards

Report No. 07-05, April 2007

Summary

Act 269 Session Laws of Hawai'i 2006, required our office to study the actual costs incurred by the counties in issuing removable and temporary windshield placards under the disabled parking placard program.

Removable and temporary windshield placards under the disabled parking placard program are issued to persons with disabilities as defined in Section 291-51, Hawai'i Revised Statutes to identify their need for preferential parking, in compliance with the federal Americans with Disabilities Act of 1990.

Motor vehicle administrators and county council officials in Maui County have complained that the counties have been performing a state function without appropriate funding. The purpose of Act 269 was to study the costs incurred by the counties to determine a reasonable basis for reimbursement. Act 269 set a rate of \$12 per placard for reimbursement in addition to directing our office to conduct this study.

We sought to determine whether the costs noted by the counties reflect the actual costs to the State to reimburse the counties for issuing removable and temporary windshield placards under the disabled parking program. We further sought to determine a reasonable basis upon which reimbursable costs to the counties can be determined and supported by future state funding. We were mindful that the State Constitution provides that if any new program or increase in service level is redirected to another government entity, the State must share in the cost. The interpretation of what that share should be has caused disagreement between the State and Maui County Council.

We found that in FY2005-06 the counties incurred approximately \$397,000 in costs to issue 30,176 placards throughout the state. The costs varied by county, ranging from \$11.54 to \$28.33 per placard. More specifically, the reported costs were: Honolulu - \$11.54; Hawai'i - \$13.65; Maui - \$28.33; Kaua'i - \$12.47. Maui County's figures resulted from its consultant study that attributed the number of productive hours per full time employee per year to be 1,315 hours as opposed to 2,080 hours in a more conventional definition of a work year. Prior to the consultant study, Maui County administration estimated the cost per placard to be \$11.59 in FY2004-05.

The counties' cost descriptions also varied. They differed in what items were identified as components of costs and in the values assigned to them. The counties differed in their approach in determining actual costs and on what costs are actually related to placard issuance and therefore should be included. Cost elements were not separately tracked and cost breakdowns were consistently at an overview level.



An average of 63 percent was attributed to fringe benefits—40 percent related to FICA, retirement, workers' compensation, unemployment compensation, and health insurance; 23 percent related to leave benefits.

Recommendations and Response

The level of reimbursement as set in Act 269 is reasonable. While we could not determine 'actual' costs based on estimates received, we reviewed the rationale for including the cost components to determine the State's reasonable participation. We propose a cost structure to take into account reasonable elements for determination of reimbursable rate by the Disability and Communication Access Board.

The Disability and Communication Access Board supports our conclusion. The board also suggests that a time study be performed and that the proposed rate review coincide with the beginning of the second year of the biennium for budget purposes.

Marion M. Higa
State Auditor
State of Hawai'i

Office of the Auditor
465 South King Street, Room 500
Honolulu, Hawai'i 96813
(808) 587-0800
FAX (808) 587-0830

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Submitted by

THE AUDITOR
STATE OF HAWAI'I

Report No. 07-05
April 2007

Foreword

This report was prepared in response to Act 269, Session Laws of Hawai'i 2006. The act required our office to study the costs to the State of reimbursing the counties for issuing removable and temporary windshield placards under the disabled parking placard program.

Our study sought to determine whether the costs noted by the counties reflect the actual costs to the State to reimburse the counties for their part in this program. We further sought to determine a reasonable basis upon which reimbursable costs to the counties can be determined and supported by future state funding.

We acknowledge the cooperation of the Disability and Communication Access Board and the county motor vehicle administrators and clerical services supervisor whom we contacted during the course of our study.

Marion M. Higa
State Auditor

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Chapter 1

Introduction

Article VIII, Section 5 of the Hawai‘i State Constitution provides that the Hawai‘i Legislature may transfer mandated programs from one state, county, or city government entity to another. If any new program or increase in the level of service under an existing program is redirected to another government entity, the Constitution specifies that the State share in the cost. The interpretation of what that “share” should be has caused disagreement between the State and Maui County Council in the case of the parking program for persons with disabilities.

Unlike the other 49 states in the union, Hawai‘i does not have a state Department of Motor Vehicles, and while it has a state Department of Transportation, the functions of issuing drivers’ licenses and license plates, addressing motor vehicle registration items, and issuing parking placards to persons with disabilities has been tasked to the various counties to perform on behalf of the State. With the majority of these functions, there is a set of rules that outline the arrangement between the state Department of Transportation and the counties. However, the Disability and Communication Access Board and counties have only recently begun to define their respective roles with the parking program for persons with disabilities.

The counties previously operated the parking program for persons with disabilities through county ordinance, setting both applicable fees and rules. With the passage of federal law to create a uniform system, the State assumed responsibility via an agreement with the counties and the Department of Transportation, while still maintaining a fee for removable windshield placards. In an effort to streamline services, the Legislature transferred the parking program for persons with disabilities from the Department of Transportation to the Disability and Communication Access Board. In the same time period and in response to legal proceedings, fees were no longer charged to end-users as they were deemed in violation of the Americans with Disabilities Act of 1990. Left without a revenue stream and still burdened with the need to perform this service, representatives from the Maui County Council and administration voiced their concerns to the Legislature, requesting an adequate reimbursement for this service. The Legislature, in Act 269, Session Laws of Hawai‘i 2006, requested that the State Auditor study the actual costs incurred by the counties in performing this service. This report responds to the Legislature’s request.

Background on Parking Program for Persons With Disabilities

To better understand issues relating to the parking program for persons with disabilities, we provide some background information on related federal mandates, state law, relevant court cases, the governing agency, program organization, and process by which the placards may be obtained.

Federal mandate

Recognizing the need to protect the safety of individuals with disabilities, the 100th Congress enacted Public Law 100-641, which charged the Secretary of Transportation to issue regulations to: (1) establish a uniform system for handicapped parking; and (2) encourage all the states to adopt this system.

The handicapped parking system laws are collectively known as the *Uniform System for Handicapped Parking*. The system does the following: (1) adopts the International Symbol of Access as the only recognized symbol for the identification of vehicles used for transporting individuals with handicaps which limit or impair the ability to walk; (2) provides for the issuance of license plates displaying the International Symbol of Access for vehicles that will be used to transport individuals with handicaps which limit or impair the ability to walk, under criteria determined by the State; (3) provides for the issuance of removable windshield placards to eligible individuals, under criteria determined by the State; (4) provides that fees charged for the licensing or registration of a vehicle used to transport individuals with handicaps do not exceed fees charged for the licensing or registration of other similar vehicles operated in the state; and (5) for purposes of easy access parking, recognizes licenses and placards displaying the International Symbol of Access that have been issued by other states and countries.¹

Congress enacted the Americans with Disabilities Act of 1990 to establish clear and comprehensive prohibition of discrimination on the basis of disability. Congress found that:

- (1) some 43,000,000 Americans have one or more physical or mental disabilities, and this number is increasing as the population as a whole is growing older;
- (2) historically, society has tended to isolate and segregate individuals with disabilities, and, despite some improvements, such forms of discrimination against individuals with disabilities continue to be a serious and pervasive social problem;
- (3) discrimination against individuals with disabilities persists in such critical areas as employment, housing, public accommodations, education, transportation, communication,

recreation, institutionalization, health services, voting, and access to public services;

- (4) unlike individuals who have experienced discrimination on the basis of race, color, sex, national origin, religion, or age, individuals who have experienced discrimination on the basis of disability have often had no legal recourse to redress such discrimination;
- (5) individuals with disabilities continually encounter various forms of discrimination, including outright intentional exclusion, the discriminatory effects of architectural, transportation, and communication barriers, overprotective rules and policies, failure to make modifications to existing facilities and practices, exclusionary qualification standards and criteria, segregation, and relegation to lesser services, programs, activities, benefits, jobs, or other opportunities;
- (6) census data, national polls, and other studies have documented that people with disabilities, as a group, occupy an inferior status in our society, and are severely disadvantaged socially, vocationally, economically, and educationally;
- (7) individuals with disabilities are a discrete and insular minority who have been faced with restrictions and limitations, subjected to a history of purposeful unequal treatment, and relegated to a position of political powerlessness in our society, based on characteristics that are beyond the control of such individuals and resulting from stereotypic assumptions not truly indicative of the individual ability of such individuals to participate in, and contribute to, society;
- (8) the Nation's proper goals regarding individuals with disabilities are to assure equality of opportunity, full participation, independent living, and economic self-sufficiency for such individuals; and
- (9) the continuing existence of unfair and unnecessary discrimination and prejudice denies people with disabilities the opportunity to compete on an equal basis and to pursue those opportunities for which our free society is justifiably famous, and costs the United States billions of dollars in unnecessary expenses resulting from dependency and nonproductivity.²

With that in mind, the purpose of this act was set forth: (1) to provide a clear and comprehensive national mandate for the elimination of discrimination against individuals with disabilities; (2) to delineate strong, consistent, enforceable standards addressing such discrimination; (3) to ensure that the federal government plays a central role in enforcing the standards established in this act; and (4) to invoke the sweep of congressional authority, including the power to enforce the Fourteenth Amendment and to regulate commerce, in order to address the major areas of day-to-day discrimination faced by people with disabilities.³

The Disability and Communication Access Board

As noted within Act 282, Session Laws of Hawai‘i 1999, when the Commission on Persons With Disabilities, the Hawai‘i State Coordinating Council on Deafness, and the Architectural Access Committee were established by statute in 1978, 1987, and 1989 respectively, the State of Hawai‘i and the nation as a whole were on the verge of establishing laws to provide civil rights protections for persons with disabilities. This was accomplished with the passage of the Americans with Disabilities Act. With respect to individuals with disabilities, the climate of our nation had shifted from a need to create laws to one of compliance with the laws. The Legislature thereby saw the need for new and more efficient organizational structures and reorganized the above organizations to create the Disability and Communication Access Board (DCAB).

The Legislature also transferred to DCAB the administration of the statewide parking program for persons with disabilities. The Department of Transportation formerly administered the parking program, specifically the distribution of removable and temporary windshield placards, through a cooperative effort with the counties. The department maintained an inventory of necessary supplies and sold them to the counties as needed. In turn, the counties would assess end-users of placards a particular fee with the revenue available for the counties’ own use.

When DCAB absorbed this function, it also modified the program by installing a database system to better track end-users. The State paid for initial start-up costs of computer hardware and software for the different counties. The State additionally absorbed all material costs, such as informational brochures, applications, decals, and placards. In time, DCAB would also come to absorb some customer service functions, such as clarification of procedures, communication with physicians, and validation of information, which was previously handled by the counties.

Coinciding with this shift of responsibility from the Department of Transportation to the Disability and Communication Access Board, the U.S. Court of Appeals for the Ninth Circuit ruled that assessing a fee to

disabled individuals for parking placards was an impermissible surcharge as it relates to individuals with four-year placards and therefore in violation of the Americans with Disabilities Act. This did not apply to individuals needing temporary placards, and therefore they could be assessed a fee. For the loss of revenue from four-year placards, the State responded with inconsistent appropriations in the following years.

In FY2000-01, \$176,000 was appropriated to administer the parking program for persons with disabilities, specifically as it relates to issuing removable windshield placards. Then for fiscal years 2001-02 and 2002-03, no appropriations were made. The year following, in FY2003-04, an appropriation of \$210,600 was made, but only 50 percent was released immediately, as moneys were directed towards cost-savings for the State. Eventually, the remaining 50 percent was released at fiscal year end. This led to the passage of Act 269, Session Laws of Hawai‘i 2006, which required the State to reimburse the counties at a rate of \$12 per placard. Administrative rules governing this program were amended and signed by the governor in August 2006.

Organization of the program

The Program and Policy Development Unit under DCAB coordinates the administration of the parking program for persons with disabilities. Within DCAB, four individuals with dedication ranging from 10 percent to 100 percent of their time, administer the program. The executive director serves as the primary advocate in public policy arenas and oversees all staff responsibilities within the board. The Program and Policy Development Unit coordinator oversees all facets of the administration of the parking program. In particular, this individual performs the research, analysis, and policy development function and directs these duties as they pertain to staff. Additionally, two program specialists are assigned to this unit. One program specialist focuses on program administration, public education, and data review, collection, and analysis. The other program specialist works specifically with the database of individuals who possess valid parking placards. Other staff members provide clerical support.

Within the counties, the staffing functions vary based on the given need of the motor vehicle administration or clerical services center. The Disability and Communication Access Board has, however, created and provided to each county a reference manual based on the parameters of Chapters 291, Hawai‘i Revised Statutes, and 11-219, Hawai‘i Administrative Rules, and an instruction manual for data-entry into the web-based information management system.

The application process

To obtain a removable windshield placard, an individual must complete an application which is available at the county’s issuing agencies, at

DCAB’s office, or online at the DCAB website. Individuals must come in person with the completed application form which includes an affidavit signed by a physician indicating the disability necessitating preferential parking and the applicant’s identification. If an applicant is unable to apply in person due to the disability, the physician must indicate so on the form.

Upon confirmation of all required documents, the individual processing the application will issue the placard and an identification card, noting the serial number of the placard on the identification card. If the application is for a temporary placard, the individual issuing the placard will verify dates of disability as noted by the physician and place appropriate expiration stickers on the placard. Renewals would follow the same process and also can be done by mail.

Exhibit 1.1 displays the volume of placard issuance by county for the prior three fiscal years.

**Exhibit 1.1
Number of Placards Issued, By County**

	FY2003-04	FY2004-05	FY2005-06
Honolulu	14,727	18,690	22,439
Hawai'i	3,196	3,280	3,649
Maui	2,016	2,080	2,338
Kaua'i	1,401	1,509	1,750
Total	21,340	25,559	30,176
% change from prior FY		19.8%	18.1%

Source: Disability and Communication Access Board

Request for the study

Act 269, Session Laws of Hawai'i 2006, directed the State to reimburse the county governments for the unit cost of issuing a removable windshield placard or a temporary removable windshield placard for parking spaces reserved for disabled individuals. As of July 1, 2006, the per unit cost reimbursement rate was \$12. The sum appropriated constitutes the State’s share of the cost of mandated programs under Article VIII, Section 5 of the State Constitution, and shall be expended by the state Department of Health’s Disability and Communication Access Board.

In the past, the State budgeted \$10 per placard for this parking program. This was based on the data provided by the City and County of Honolulu in the *Emerick v. City and County of Honolulu* lawsuit. The sum eventually received by each county was a pro-rata share of the enacted appropriations, which often fall short of the \$10 per placard rate.

Consequently, the Disability and Communication Access Board and the State Council on Developmental Disabilities expressed concerns that the state funding was subject to year-to-year budget uncertainties and needed to be better defined.

Act 269 required the Auditor to conduct an analysis of the cost to the State of reimbursing the counties for issuing removable and temporary windshield placards. The Auditor is required to submit the cost analysis to the 2007 Legislature.

Prior Studies

This is our first study of costs incurred by county governments to administer the statewide parking program for persons with disabilities.

Objective of the Study

Our study sought to determine whether the costs noted by the counties reflect the actual costs to the State to reimburse the counties for issuing removable and temporary windshield placards under the statewide parking program for persons with disabilities. We further sought to determine a reasonable basis upon which reimbursable costs to the counties can be determined then supported by future State funding.

Scope and Methodology

To accomplish the objective of the study, we gathered information on how this program is performed, procedures in place, costs as determined by the counties, and how cost elements were developed. We interviewed representatives of the Legislature, the Disability and Communication Access Board, and county level motor vehicle administrators and a clerical services supervisor. We reviewed documents provided by the Disability and Communication Access Board, county motor vehicle administrators and a clerical services supervisor, including placard distribution statistics, costs incurred, staffing and levels of benefits, and amount of time spent to issue and maintain records related to placard issuance.

Our work was performed from October 2006 through January 2007 according to generally accepted government auditing standards, except we did not audit the data we received from the Disability and Communication Access Board, county motor vehicle administrators, and clerical services supervisor.

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Chapter 2

State Funds Sufficient for Parking Placard Program

In this chapter we provide information on the costs of administering the parking program for persons with disabilities that are incurred by county governments. We examine the cost components and how they vary among the counties. We also provide our conclusions and recommendations based on our understanding of the costs as noted by the counties and based on our own assessments.

Summary of Findings

1. Counties spent approximately \$397,000 to issue removable windshield placards to persons with disabilities, with a cost range of \$11.54 to \$28.33 per placard.
2. Cost components varied among the counties, with different opinions on what costs should be covered by the State.

Counties Spent Approximately \$397,000 To Issue Removable Windshield Placards to Persons With Disabilities

Removable windshield placards are issued to individuals with disabilities in order to identify their need for preferential parking. In FY2005-06, the counties issued 30,176 removable windshield placards. Of these, 25,208 were four-year placards and 4,968 were temporary placards. As the counties are permitted to charge for temporary and replacement placards, a total of \$59,074 was collected from end-users.

The distribution of removable windshield placards is performed as a cooperative effort between the State and the motor vehicle divisions in the City and County of Honolulu, the County of Kaua'i, and with the Clerical Services Center of the County of Hawai'i. The County of Maui performs this service with reservations, due to concerns on the current level of reimbursement as compared to the actual costs claimed.

According to information provided by the counties, the cost to administer this program is approximately \$397,000. These costs include salaries, related benefits, and administrative or other costs incurred within the time spent in placard issuance. Exhibit 2.1 provides breakdown of costs by county as well as details on volume of placards issued.

**Exhibit 2.1
Program Costs by County**

FY2005-06					
County	No. of Placards Issued	No. of Locations	Staff *	Hours Spent Processing	Program Costs
Honolulu	22,439	11	76	8,627	\$ 258,962.00
Hawai'i	3,649	2	5	1,816	49,825.00
Maui	2,338	4	50	982	66,237.00
Kaua'i	1,750	1	5	830	21,824.00
Total	30,176	18	136	12,255	\$ 396,848.00

* Note that staff number is not indicative of work performed as individuals are cross-trained to perform multiple functions, and are not 100 percent dedicated to this program.

Source: Office of the Auditor

The City and County of Honolulu

The City and County of Honolulu distributes approximately 74 percent of the State’s removable windshield placards. In FY2005-06, this amounted to 22,439 placards issued. There are 73 individuals within the ten satellite city hall locations who perform this function, as well as three within the special services division responsible for mail-in renewals. Additionally, these 76 individuals are cross-trained to perform numerous other services, including but not limited to the full range of motor vehicle registration transactions; issuance of loading zone and bus stop permits and bicycle, moped, and dog licenses; and the sale of pet sterilization certificates. They also support other offices within the city, such as the Board of Water Supply, the City Clerk’s Office, and O’ahu Transit Services by way of fee collection or issuance of permits or certifications. While the city is responsible for 74 percent of statewide placards issued, placard activity accounts for just fewer than 3 percent of total activity. And with 8,627 total number of hours spent processing 22,439 placards, Honolulu appears to be the most efficient with a 23-minute transaction time.

The County of Hawai'i

The County of Hawai'i differs from all the other counties since placards are issued by the Clerical Services Center, which is a division of the mayor’s office. This office supports all clerical functions for the county by means of a pool concept. Resources are “pooled” together to provide clerical, technical and administrative support services essential to the overall function of the Clerical Services Center, the Office of the Mayor, the Mayor’s Advisory Boards and Commissions, along with the state Department of Health Disabled Parking Program and various other county departments. The County of Hawai'i distributes placards in two locations. In East Hawai'i, a one-person office is designated as the

Disabled Parking Placard Office (with three individuals working there on a rotation basis). In West Hawai'i, an administrative assistant located in the mayor's office issues the removable windshield placards. In FY2005-06, these four individuals were responsible for issuing 3,649 placards, 12 percent of statewide total, at an average time of 30 minutes per transaction.

The County of Maui

The County of Maui issued 2,338 placards in FY2005-06 out of its Department of Finance, Division of Motor Vehicles and Licensing. Similar to the City and County of Honolulu, this division is responsible for all driver's license and vehicle registration transactions. In addition, it issues county business licenses, provides supervision for motor vehicle inspection stations, and issues permits. It also coordinates the abandoned/derelect vehicle removal program. In four offices on the islands of Maui, Moloka'i, and Lana'i, there are 50 individuals tasked with duties related to the disabled parking placard issuance, with varying responsibilities of actual issuance, supervisory, secretarial, and administrative functions. The Division of Motor Vehicles and Licensing service representatives are often the individuals issuing the placards, on a rotation basis. Maui county individuals issued the placards in an average time of 25 minutes per transaction. Though the number of placards issued in Maui amounts to 8 percent of the statewide total, administrators are looking to expand this service in three additional offices within calendar year 2008.

The County of Kaua'i

The County of Kaua'i is responsible for approximately 6 percent of the State's issuance of removable windshield placards, with 1,750 placards issued in FY2005-06. Similar to Honolulu and Maui, this program is operated within the county's Driver Licensing Section under the Department of Finance, and is responsible for driver's license functions. It is also responsible for the commercial driver's license program's testing and licensing. Placards can be obtained in one location on Kaua'i, which is serviced by five cross-trained individuals. In the last fiscal year, the average processing time for issuance of placards was 28 minutes.

Cost Components Varied Among the Counties, With Different Opinions on What Costs Should Be Covered by the State

To determine the costs to the State, we conducted informational surveys with the various county stakeholders. In particular, we were interested in understanding how this function was performed on the county level and the amount of resources used. The counties provided feedback on the process to obtain placards, and indicated costs, which included different levels of staffing, varying levels of utilization of office locations, and identification of different components of costs. However, all of this was expected as the counties themselves vary in size and organization.

Defining costs

Costs are understood as an outlay of funds in exchange or transformation of a resource. For our purposes, we look to the counties for information, specifically the costs incurred to administer this program. The counties reported different items as costs. All readily identified and included the direct labor portion and related benefits as costs. Counties also included other items such as administrative expenses, rent, utilities, and other overhead, or some combination of these in varying degrees.

The counties incurred minimal costs for material supplies for the placard distribution. Often, the costs were for smaller office material items. The counties did not incur any costs for supplies related to the distribution of placards. Instead, items such as the placards, card stock, application forms, and informational brochures are provided to the counties at no charge by the Disability and Communication Access Board (DCAB). Once a year, inventory levels are reviewed and DCAB ensures that supplies are replenished in a timely manner. DCAB further maintains additional inventory at its offices to provide to the counties on short notice.

Varying range of costs, with limited details

Cost breakdowns provided were consistently at an overview level. The counties did not track costs and were unable to provide greater detail. Costs presented were primarily tied to the number of placards issued. Cost of labor was generally an estimate, based on the number of placards issued, the average time to issue, and pay grade of the individuals performing the task.

In addition to the base salary rate, an average of 63 percent was attributed to fringe benefits. Of this amount, approximately 40 percent was related to FICA, retirement, workers' compensation, unemployment compensation, and health fund. The remaining 23 percent was related to leave benefits, such as vacation, sick, and holiday. The cost of labor, including the costs of benefits in the various counties for FY2005-06, ranged from \$25.50 per hour to \$49.74 per hour as noted in Exhibit 2.2.

Exhibit 2.2 FY2005-06 Costs of Salaries and Benefits

FY2005-06 Comparison of County Salary Costs Related to Placards Issued				
Description	Honolulu	Hawai'i	Maui	Kaua'i
No. of Disability Placards Issued	22,439	3,649	2,338	1,750
x Hourly Wage (Base + Benefits)	\$ 28.34 *	\$ 26.58 *	\$ 49.74 *	\$ 25.50 *
x Time to Process (Out of an Hour)	0.38 *	0.50 *	0.42 *	0.47 *
	\$ 244,501.21 *	\$ 48,275.92 *	\$ 48,842.69 *	\$ 21,173.90 *

* Note that slight variances exist due to rounding.
Source: Office of the Auditor

During our analysis, we found that the average time across the counties to issue a placard was 24 minutes. In order to determine processing time, we took the figure of total salaries and divided that by the given average hourly rate to determine productive work hours. Then after dividing productive work hours by the number of placards issued, we derived the average processing time. This takes into account processing time at the window, time to address inquiries, database maintenance, and recordkeeping.

For counties that incorporated other costs, either a flat rate or a value based on a calculation of shared operational costs had been assigned. Flat rates appear to have been set arbitrarily, with counties unable to give further rationale on why a given rate was determined. The calculation of shared operational costs often was derived from the amount of time spent on issuance of placards as compared to time spent on total activities of the department. This rate was then applied to total overhead to assign a related cost to the placard issuance function. Exhibit 2.3 details the cost estimates, including the breakdown between salaries and benefits, as well as indirect operational costs for FY2005-06 as provided by the counties.

It is important to note that the figures provided by Maui County were the result of an independent consultant study on motor vehicle and licensing user fees. The Maui consultant stipulates that the study is based on costs as incurred by the county and makes no comment as to the effectiveness or efficiency of operations. Based on the consultant's study, the average number of productive hours per full time equivalent employee amounts to 1,315 hours (as opposed to 2,080 hours in a normal work year), thereby driving Maui County's average hourly wage to almost twice the other counties' hourly wage. Prior to this consultant study, Maui County administration provided FY2004-05 estimates which assigned a cost per placard of \$11.59.

Exhibit 2.3 Cost Estimates, by County

Description	FY2005-06				
	Honolulu	Hawai'i	Maui	Kaua'i	Total
Direct Costs					
Salaries	\$ 151,318.98	\$ 29,624.40	\$ 48,842.69 *	\$ 12,579.55	\$ 242,365.62
Benefits	93,182.23	18,651.52	- *	8,594.35	120,428.10
Total Salaries & Benefits	\$ 244,501.21	\$ 48,275.92	\$ 48,842.69	\$ 21,173.90	\$ 362,793.72
Total S&B/Placard	10.90	13.23	20.89	12.10	12.02
Indirect Costs					
Operational Costs	\$ 14,460.68	\$ 1,549.00	\$ 17,394.72	\$ 650.00	\$ 34,054.40
Total OC/Placard	0.64	0.42	7.44	0.37	1.13
Total All Costs	\$ 258,961.89	\$ 49,824.92	\$ 66,237.41	\$ 21,823.90	\$ 396,848.11
No. of Placards Issued	22,439	3,649	2,338	1,750	30,176
Cost per Placard	\$ 11.54	\$ 13.65	\$ 28.33	\$ 12.47	\$ 13.15

*Information provided by Maui County did not segregate salaries and benefits.
Source: Office of the Auditor

Conclusion

From the information we obtained, we found that the counties have (1) an inconsistent approach in determining their actual costs and (2) differing opinions on what costs are related to placard issuance and therefore should be included. All counties indicated that the figures provided were “best estimates,” as the function has not been singularly tracked.

As we could not ascertain “actual” costs based on estimates received, we reviewed the rationale behind inclusion of certain cost components to determine the State’s reasonable participation. In all cases, the distribution of disabled parking placards represents an additional level of service provided by the respective county governments. To that end, there are costs of labor, including salaries and benefits, which can be readily identified or otherwise assigned a cost.

Moreover, the costs of supplies are minimal as DCAB provides all materials for issuance, which are included in its annual budget. Administrative costs and some overhead are reasonable, but given the amount of effort this particular program entails, the expectation is that these costs should be a fraction of the labor force used to perform this function.

Given this understanding of cost components, further evidenced by cost estimates as provided by the counties and noted within Exhibit 2.3, the

rate of reimbursement as set forth in Act 269 (\$12 per placard issued) appears reasonable.

Recommendations

1. While we conclude that the current rate of reimbursement as set forth in Act 269 is reasonable, the setting of such within statute does not leave room for increases in costs, which may place the counties and end-users in a precarious position should additional funding be needed. The counties should reassess the advisability of setting a reimbursement rate in statute.
2. We recommend that the responsibility of the State to reimburse the counties remain within statute, but the statute should direct the Disability and Communication Access Board to re-evaluate the rate of reimbursement every two years, based on cost information received from the counties, and report to the Legislature in conjunction with the board's budget request.
3. We further recommend a basic formula for reimbursement which takes into consideration both the number of placards issued per county and the rate of pay and benefits for individuals performing this function. The formula should also provide an additional amount for overhead, administrative, or other costs. Exhibit 2.4 details our approach.

Exhibit 2.4 Proposed Cost Formula

Cost Formula	Total State Expenditure
Estimated No. of Placards	30,000
Avg. Time to Process (Out of an Hour)	0.41
Total No. of Hours	12,300
1 Full Time Equivalent (FTE) = 2080 Hours	2,080
FTE	5.91
FTE	6.00
Average Rate, SR-11 to SR-13	\$ 34,750.00
	\$ 208,500.00
Benefit Rate, Avg. Across Counties	63.0%
Amount of Benefits	\$ 131,355.00
Total Salaries + Benefits	\$ 339,855.00
10%, Various Costs	33,985.50
Total Salaries, Benefits & Add'l Costs	\$ 373,840.50
Cost per Placard	\$ 12.46

Source: Office of the Auditor

This calculation comes from our analyses of DCAB's specialized knowledge and information provided by the counties, which specifically includes:

- historical knowledge of placard issuance, in order to forecast future placard issuance;
- county-provided information on application processing time;
- number of individuals needed to perform this task, based on application processing time and historical knowledge of placard issuance;
- level of skill necessary to perform this function, with a determined pay grade; and
- benefit rates per county.

This calculation assigns additional funding based upon the volumes of placards issued, to allow counties to make budgetary adjustments for needs specific to their operations.

The above criteria are based upon factors that are both measurable and clearly associated with the function of placard issuance. Caps are set within reason, but tied to specific areas that have step increases or adjustments for inflation (which is determined by outside parties) and provides for the "checks and balances" necessary in government. Moreover, the added level of funding gives counties the liberty to adjust operations as they see fit.

Notes

Chapter 1

1. Public Law 10-641, 1988.
2. 42 U.S.C. §12101 (1990).
3. Ibid.

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Responses of the Affected Agency

Comments on Agency Response

We transmitted a draft of this report to the Disability and Communication Access Board on March 30, 2007. A copy of the transmittal letter to the board is included as Attachment 1. The board's response is included as Attachment 2.

The Disability and Communication Access Board provided both general and specific comments to the analysis, and generally supported the findings and recommendations of the report. The board indicated that the proposed cost formula is fair, given the level of work involved on both the part of the board and the respective counties. The board also suggests that a time study be performed on the processing and administrative tasks. It also agreed with the recommendation of a cost review every two years, suggesting that the proposed rate review coincide with the beginning of the second year of the biennium for budget purposes.

Comments made by the board to clarify specific references or wording throughout the report have been included in the final report.

STATE OF HAWAII
OFFICE OF THE AUDITOR
465 S. King Street, Room 500
Honolulu, Hawaii 96813-2917



MARION M. HIGA
State Auditor

(808) 587-0800
FAX: (808) 587-0830

March 30, 2007

COPY

Ms. Francine Wai
Executive Director
Disability and Communication Access Board
919 Ala Moana Boulevard, Room 101
Honolulu, Hawai'i 96814

Dear Ms. Wai:

Enclosed for your information are three copies, numbered 6 to 8, of our confidential draft report, *Cost Analysis of Disability Parking Placards*. We ask that you telephone us by Tuesday, April 3, 2007, on whether or not you intend to comment on our recommendations. If you wish your comments to be included in the report, please submit them no later than Monday, April 9, 2007.

The Governor, and presiding officers of the two houses of the Legislature have also been provided copies of this confidential draft report.

Since this report is not in final form and changes may be made to it, access to the report should be restricted to those assisting you in preparing your response. Public release of the report will be made solely by our office and only after the report is published in its final form.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Marion M. Higa', is written in black ink.

Marion M. Higa
State Auditor

Enclosures



DISABILITY AND COMMUNICATION ACCESS BOARD

919 Ala Moana Boulevard, Room 101 • Honolulu, Hawaii 96814
Ph. (808) 586-8121 (V/TDD) • Fax (808) 586-8129

April 9, 2007

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OFC. OF THE AUDITOR
STATE OF HAWAII

Ms. Marion M. Higa
State Auditor
Office of the Auditor
465 South King Street
Room 500
Honolulu, HI 96813-2917

Subject: Response to the Draft Auditor's Report on "Cost Analysis of Disability Parking Placards"

Dear Ms. Higa,

The Disability and Communication Access Board, hereafter referenced as "DCAB" appreciates the opportunity to respond to the Draft Auditor's Report "Cost Analysis of Disability Parking Placards," hereafter referenced as "Report." We wish to provide several comments as noted below.

General Comments:

- (1) The DCAB generally supports the findings and recommendations in the Report, as DCAB believes that the Report validates the Board's longstanding position that the rate of reimbursement to the counties should be based upon the marginal cost of the function to the counties (i.e., staff time to issue a placard, adjusted for administrative overhead). We believe that the administrative and overhead adjustment proposed in the cost formula is fair, given the time directed to this program and the increased role of DCAB staff to troubleshoot complex problems, automate the process, and provide more technical support for the county line staff.
- (2) The DCAB believes that the counties' efficiency and cost control is within the counties' jurisdiction, as the State does not dictate the number of locations from which to issue placards, the operating hours, or the salary level of the person(s) issuing the placards. Thus, the proposed cost formula appropriately removes those factors and recommends both a reasonable salary range at SR 11 through SR 13 and a percentage for other costs.
- (3) The Report reflects that costs for the County of Maui are significantly out-of-line when compared to the other counties. Since the County of Maui figures were derived from a consultant study, the details are not presented. It appears that differences can be attributed to the consultant's calculation of productive time with resulting salary costs far in excess of the other counties. The Report notes that figures provided by the County of Maui administration in 2004 regarding unit costs (\$11.54) were comparable to other counties and the current reimbursement rate and significantly lower than the consultant study (\$28.33).

- (4) The DCAB also agrees with the standardization of costs across counties. While we recognize that each county may have different actual costs, we note that the Report does not recommend that a different rate be calculated for each county.
- (5) The DCAB believes that the .41 hours (equating to 24 minutes) average processing time is generous. Because there was no time study to determine the actual time involved in issuing a placard, the Auditor 'backed into' the time estimate using a formula (total salaries divided by given average hourly rate divided by number of placards issued). In 2004, when DCAB asked the counties to estimate the amount of time incurred for the issuance of a placard when calculating a proposed unit rate, the counties responded with estimates from 9.5 minutes for the County of Maui (over-the-counter time, excluding follow-up administrative time) to 20 minutes for the City and County of Honolulu, County of Kauai, and the County of Hawaii (including both over-the-counter and follow-up administrative time). We do not believe that the processing time has changed in the ensuing years. Thus, assuming that the County of Maui's over-the-counter time is doubled for administrative time, this would result in an across-the-board average time of approximately 20 minutes. Using the proposed Cost Formula in Exhibit 2.4 and substituting .33 hours for .41 hours, the cost per placard drops to \$10.38. Furthermore, the estimated processing time for an applicant in line whether one or two placards are issued. If two placards are issued simultaneously, the reimbursement will be \$24 for the transaction, not \$12, even though the time involved is virtually the same. Also, the estimate is not adjusted for renewals, for which the data entry is less onerous than a first time or in-person application. The State reimburses the county at a rate per placard regardless of the issuance situation. The DCAB does not recommend a differential rate based upon the type of issuance, as this would only incur additional administrative costs, but does wish to point out the generous nature of the time estimate.
- (6) The DCAB supports the recommendation of a cost review every 2 years and suggests that the rate review be done using the Auditor's recommended Cost Formula at the beginning of the second year of the Biennium. This would allow the DCAB to propose any rate adjustments in the statute and incorporate any additional needed funds in DCAB's Biennium Budget at the same time budget adjustments are made due to the quantity of placards issued. The DCAB would like to re-examine the processing time at that time to obtain a more accurate reflection of the processing time, given the continued automation of the task.

There are several specific references or wordings in the Report that require further clarification:

- (1) On page 1, regarding fees to end-users, the Report states that "...fees were no longer charged to end-users as they were deemed in violation of the Americans with Disabilities Act of 1990." On page 4, the Report also states that "...the U.S. Court of Appeals for the Ninth Circuit ruled that assessing a fee to disabled individuals for parking placards was in violation of the Americans with Disabilities Act." As a point of clarity, fees were determined to be impermissible surcharges only when assessed to individuals with four-year placards, as they were judged to be substantially disabled enough to meet the definition of person with a disability under the Americans with Disabilities Act. Individuals with temporary mobility impairments, and thus possessing temporary placards, did not meet the definition under the Act. Thus, charging for a temporary placard was not ruled a violation and continues to this day.

Ms. Marion M. Higa

Subj: Response to the Draft Auditor's Report on "Cost Analysis of Disability Parking Placards"

April 9, 2007

Page 3

- (2) On page 1, the Report states, that "If any new program or increase in the level of service under an existing program is redirected to another government entity, the Constitution specifies that State share in its costs." On the same page, the Report further states that "The counties previously performed this function on behalf of the State...". While it is true that the counties are performing a function that is delegated to the State under federal law, a longer lens into the history of the program will reveal that this is not a 'new function' for the counties. Prior to the federal law which made the program uniform throughout the United States, the counties operated the program through county ordinance with the authority to set fees and other program parameters. Federal law required and established uniformity and required the State to assume a coordinating role, first through the State Department of Transportation and then the Disability and Communication Access Board. When the responsibility shifted to DCAB, legislative appropriations for central administration and purchasing began. Hawaii is the only State that does not issue the placards by a state motor vehicle licensing department or the equivalent.
- (3) On page 5, the Report states that, "Within DCAB, four individuals administer the program." While 4 individuals (Executive Director, Program and Policy Development Unit Coordinator, and two Program Specialists) play a role in the program, these are not full time equivalents. Their estimated percentages of job time dedicated to the parking program are 10%, 20%, 100%, and 45%, respectively.
- (4) On page 6, the Report states "In the past, the State's reimbursement rate was \$10 per placard issued by the counties." The State used an amount of \$10 per placard derived from the data provided by the City and County of Honolulu in the *Emerick v. City and County of Honolulu* lawsuit as an estimated unit cost for administering the program and applied this rate to all counties in the absence of any other data. This \$10 figure was not a 'rate,' per se, but rather a 'estimated value' used for budgeting purposes to request legislative appropriations that were then translated into fixed-cost memorandums of agreement with the counties. The amount that the counties received was determined by pro-rating the total appropriation to the counties, not by setting a rate per actual number of placards issued. The fact that the quantity of placards and costs increased annually while appropriations remained fixed or restricted led to the dissatisfaction with the prior arrangement and the desire to seek a rate set in the statute to guarantee the receipt of a more equitable amount of money.
- (5) The Report references the Uniform System for Handicapped Parking Law, federal law. We ask that the provisions of the law be noted in quotations, if referenced, since the language in the law is no longer the preferred terminology in the community (the preferred terminology is accessible parking for persons with disabilities).

We thank you for this opportunity to provide comment on this excellent and helpful Report.

Sincerely,


NORMAN OLESEN
Chairperson
Standing Committee on Parking


PATRICIA M. NIELSEN
Chairperson
Disability and Communication Access Board