

LINDA LINGLE
GOVERNOR



GEORGINA K. KAWAMURA
DIRECTOR

STANLEY SHIRAKI
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER
PUBLIC UTILITIES COMMISSION

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION

September 9, 2005

FINANCE MEMORANDUM

MEMO NO. 05-08

TO: All Department Heads

FROM: Georgina K. Kawamura
Director of Finance

SUBJECT: Negotiation Agreement Approving Central Services Costs and Fringe Benefit Rates for FY 04

Attached is a copy of the negotiation agreement between the State of Hawaii and the U.S. Department of Health and Human Services on behalf of the federal government approving central services costs and fringe benefit rates for the fiscal year ending June 30, 2004.

Although FY 04 is already completed, the negotiation agreement is being transmitted to you for your information and records.

Please note that the central services costs listed in Exhibit A of the agreement are costs that may be allocated only to federal grants, contracts, and other agreements performed by your departments and attached agencies. They should not be construed to reflect the full costs of central services provided to you.

As previously reported in Finance Memorandum No. 04-17 dated September 24, 2004, the fringe benefit rate for FY 04 consisted of the following items:

<u>Item</u>	<u>Rate</u>
Pension Accumulation	9.14 %
Pension Administration	.02 %
Retiree Health Insurance	7.06 %
Employees' Health Fund	8.33 %
Workers' Compensation	1.70 %
Unemployment Compensation	.76 %
Social Security	6.20 %
Medicare	<u>1.45 %</u>
Composite Rate	34.66 %

Should you have any questions or require further information, please contact me, or your staff may contact Mr. Neal Miyahira, Administrator of this department's Budget, Program Planning and Management Division, at 586-1530.

Attachment

COST ALLOCATION AGREEMENT
STATE AND LOCAL GOVERNMENTS

State of Hawaii
P.O. Box 150
Honolulu, HI 96810

DATE: August 30, 2005
FILING REF.: The preceding agreement was dated:
09/29/03 G10268

SECTION I: ALLOCATED COSTS

The central service costs listed in Exhibit A, attached, are approved on a fixed basis and may be included as part of the costs of the State/local departments and agencies indicated during your fiscal year ended June 30, 2004 for further allocation to Federal grants, contracts and other agreements performed at those departments and agencies.

SECTION II: BILLED COSTS

In addition to Section I, which provides for services furnished but not billed, the services listed below are furnished and billed to State/local departments and agencies.

- Attorney General
- *Fringe Benefits
- *Telephone
- Car Pool Motor Vehicles
- *Data Processing

*See special remarks

STATE/LOCALITY: State of Hawaii

AGREEMENT DATE: August 30, 2005

SECTION III: SPECIAL REMARKS

Cost Allocation Plan

Charges for Fringe Benefits and Telephone Services cited in Section II are billed only to special (restricted) fund activities including Federal projects. Telephone Services allocated in Section I consist of costs related to State general fund activities. Department/agency indirect cost rate proposals will include any adjustments necessary to segregate these costs in Section I between the following categories: (1) those which are identifiable to direct programs funded from State general funds, and (2) those which are identifiable with administrative functions of the department/agency. Costs identified with category (1) will be included in the direct cost base, and costs identified with category (2) will be considered to be indirect costs.

Data Processing charges will be billed in accordance with rates established by the State and included in the records of the Information and Communications Services Division (ICSD). The variances between billed costs and actual costs must be carried forward in the computation of future billing rates; but no later than the second succeeding year. It is the responsibility of ICSD to notify departments of billing amounts for each department.

Fringe Benefits

Charges for fringe benefits cited in Section II include pension accumulation, pension administration, social security taxes, health, dental, and life insurance, unemployment compensation, and workers compensation.

For charging purposes, the following benefits rates may be used:

	Fixed for the Period
	<u>7/1/03 - 6/30/04</u>
Pension Accumulation	9.14%
Pension Administration	0.02%
Retiree Health Insurance	7.06%

All other benefits will be charged based on the actual rates in effect at the time the charges are made.

STATE/LOCALITY: State of Hawaii

AGREEMENT DATE: August 30, 2005

SECTION IV: CONDITIONS

The amounts approved in Section I and the billings for the services listed in Section II are subject to the following conditions:

- A. LIMITATIONS: (1) Charges resulting from this Agreement are subject to any statutory or administrative limitations and apply to a given grant, contract or other agreement only to the extent that funds are available. (2) Such charges represent costs incurred by the State/locality which are legal obligations of the State/locality and are allowable under OMB Circular A-87. (3) The same costs that are treated as indirect costs are not claimed as direct costs. (4) Similar types of costs are accorded consistent accounting treatment. (5) The information provided by the State/locality which was used to establish this Agreement is not later found to be materially incomplete or inaccurate.
- B. ACCOUNTING CHANGES: This Agreement is based on the accounting system purported by the State/locality to be in effect during the Agreement period. Changes to the method of accounting for costs which affect the amount of reimbursement resulting from use of this Agreement require prior approval of the authorized representative of the Cognizant Agency. Such changes include, but are not limited to, changes in the charging of a particular type of cost from allocated cost to a billed cost. Failure to obtain approval may result in cost disallowances.
- C. FIXED AMOUNTS: If fixed amounts are approved in Section I of this Agreement, they are based on an estimate of the costs for the period covered by the Agreement. When the actual costs for this period are determined, adjustments will be made to the amounts of a future year to compensate for the difference between the costs used to establish the fixed amounts and actual costs.
- D. BILLED COSTS: Charges for the services listed in Section II will be billed in accordance with rates established by the State/locality. These rates will be based on the estimated costs of providing the services. Adjustments for variances between billed costs and the actual allowable costs of providing the services, as defined by OMB Circular A-87, will be made in accordance with procedures agreed to between the State/locality and the Cognizant Agency.
- E. USE BY OTHER FEDERAL AGENCIES: This Agreement was executed in accordance with the authority in OMB Circular A-87, and should be applied to grants, contracts and other agreements covered by that Circular, subject to any limitations in Paragraph A above. The State/locality may provide copies of the Agreement to other Federal Agencies to give them early notification of the Agreement.

BY THE STATE/LOCALITY

State of Hawaii

(STATE/LOCALITY)



(SIGNATURE)

Georgina K. Kawamura

(NAME)

Director of Finance

(TITLE)

9/9/05

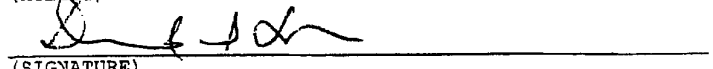
(DATE)

BY THE COGNIZANT AGENCY

ON BEHALF OF THE FEDERAL GOVERNMENT

DEPARTMENT OF HEALTH AND HUMAN SERVICES

(AGENCY)



(SIGNATURE)

David S. Low

(NAME)

Director, Division of Cost Allocation

(TITLE)

August 30, 2005

(DATE)

HHS Representative Jean Chui

Telephone (415) 437-7820

**STATE OF HAWAII
SUMMARY OF CALCULATION OF
FIXED COSTS FOR FY 2004**

Exhibit A
Page 1 of 3

	Bldg Use Charge	Risk Mgmt	Central Services	Surplus Property	Communi- cations	Lease Mgmt	Records Mgmt
AGRICULTURE (A)	32,735	-605	-115,124	11,978	-59,364	2,152	372
BUSINESS & ECON DEV (B), incl. Housing & Com. Dev.	435,315	-1,422	757,094	19,809	-102,946	383,545	19,518
LAND & NAT RESOURCES (C)	168,606	-1,734	696,086	17,073	-131,651	15,767	9,027
TRANSPORTATION (D)	7,822	-8,877	-400,191	9,684	0	-4,161	292
EDUCATION (E), including State Library	207,117	-38,309	353,884	110,983	-141,282	34,014	54,640
UNIVERSITY OF HAWAII (F), including RCUH	10,107	-15,706	5,923	-35,034	-68,314	0	14,024
DEFENSE (G)	4,673	-623	11,972	-2,417	-10,782	6,459	572
HEALTH (H), excluding hospitals	989,850	-4,153	319,797	-40,502	-457,098	157,533	35,316
HAWAII HEALTH SYSTEMS CORPORATION (HHSC)	0	0	1,438	0	0	0	0
HAWAII HOME LAND (I)	702	-427	-969	-15,047	-40,591	-8,322	1,539
JUDICIARY (J)	166,332	-721	81,452	0	0	0	9,297
HUMAN SERVICES (K)	757,949	-1,790	829,916	2,011	-564,190	120,353	51,604
LABOR (L)	609,778	-232	490,857	0	-68,392	19,377	59,601
INFORM COMM SVCS DIV (ICSD)	70,694	-3	648,544	0	1,450,983	-108,238	0
ACCTG & GENL SVCS (M)	0	0	0	0	0	0	0
ATTY GEN SERVICES (N)	331,095	-260	640,311	0	-134,242	45,921	35,009
BUDGET (O)	47,160	-108	33,784	0	-66,043	-976,952	-266,801
PUBLIC SAFETY (V1)	-10,322	-3,220	41,502	3,403	-186,247	-10,138	4,233
GOVERNOR (Q)	352,553	-30	565,825	0	-25,163	-2,080	212
COMMERCE (R)	368,412	-236	-371,343	0	-101,004	4,378	9,045
LT.GOVERNOR (S)	136,138	-36	201,436	-1,394	-17,887	26,729	0
TAXATION (T)	212,301	-148	552,018	-1,517	-86,809	0	19,603
LEGISLATURE (Y)	1,438,554	-175	2,247,008	0	-26,947	0	-85
HAWAII AFFAIRS (Z)	0	-59	0	0	0	0	0
HONOLULU COUNTY (U)	0	0	0	-19,140	0	0	-69
MAUI COUNTY (V)	0	0	0	-13,937	0	0	69
HAWAII COUNTY (W)	0	0	0	-2,911	0	0	926
KAUAI COUNTY (X)	0	0	0	0	0	0	291
RETIREMENT	0	0	3,729	0	-3,822	15,260	0
OTHER	2,283,593	0	3,416,405	28,867	-6,894	9,928,128	-43
TOTAL	\$8,621,164	(\$78,874)	\$11,013,272	\$71,909	(\$848,685)	\$9,649,725	\$58,192

STATE OF HAWAII
SUMMARY OF CALCULATION OF
FIXED COSTS FOR FY 2004

Exhibit A
Page 2 of 3

	Purchasing	Accounting	Pre-Audit	Internal Audit	Protective Services	Budget & Finance	Finance Admin
AGRICULTURE (A)	-11,776	53,882	15,743	29,951	57,875	-91,004	2,741
BUSINESS & ECON DEV (B), incl. Housing & Com. Dev.	14,103	85,170	58,715	57,542	0	322,473	13,862
LAND & NAT RESOURCES (C)	267,362	174,269	38,110	107,657	0	151,143	7,360
TRANSPORTATION (D)	9	213,823	87,525	132,484	0	70,943	13,324
EDUCATION (E), including State Library	139,013	241,374	582,139	955,083	459,006	367,411	1,850
UNIVERSITY OF HAWAII (F), including RCUH	0	22,195	205,460	19,022	0	-96,295	237
DEFENSE (G)	2,497	22,092	15,612	12,961	159,655	2,802	3,157
HEALTH (H), excluding hospitals	131,826	252,256	195,148	133,527	1,315,151	468,362	35,977
HAWAII HEALTH SYSTEMS CORPORATION (HHSC)	0	0	0	0	0	0	0
HAWAII HOME LAND (I)	36,006	44,931	7,395	24,884	0	67,926	1,396
JUDICIARY (J)	4,397	91,908	73,113	16,514	0	0	13,940
HUMAN SERVICES (K)	-12,658	414,262	233,314	257,078	0	115,699	147,147
LABOR (L)	-593	114,059	281,928	65,896	0	53,642	252,198
INFORM COMM SVCS DIV (ICSD)	0	4,340	0	1,588	0	0	0
ACCTG & GENL SVCS (M)	0	0	0	0	0	0	0
ATTY GEN SERVICES (N)	-10,389	16,100	20,101	18,707	0	159,393	2,569
BUDGET (O)	-3,001	-30,768	-170,552	-114,058	-36,823	1,114,292	-21,179
PUBLIC SAFETY (V1)	12,089	119,019	38,544	73,441	0	22,194	0
GOVERNOR (Q)	-338	5,348	2,111	3,126	873,901	39,509	334
COMMERCE (R)	23,223	43,152	12,468	25,070	0	53,745	1,983
LT.GOVERNOR (S)	-79,482	8,652	4,285	4,025	0	54,203	766
TAXATION (T)	640	72,709	153,147	41,321	0	173,545	194,896
LEGISLATURE (Y)	11,957	3,986	6,680	119,789	0	0	251
HAWAII AFFAIRS (Z)	-1,281	11,196	-6,492	10,111	0	0	-1,129
HONOLULU COUNTY (U)	0	10	0	13	0	0	1
MAUI COUNTY (V)	0	6	21,389	12	0	0	6,917
HAWAII COUNTY (W)	0	-2,133	48	-339	0	0	11
KAUAI COUNTY (X)	0	-136	14	4	0	0	3
RETIREMENT	183	350	0	128	0	156,987	0
OTHER	-269	8,076	8,286	2,954	0	0	1,692
TOTAL	\$523,518	\$1,992,573	\$1,884,231	1,999,385	\$2,828,765	\$3,206,970	\$680,304

STATE OF HAWAII
SUMMARY OF CALCULATION OF
FIXED COSTS FOR FY 2004

Exhibit A
Page 3 of 3

	Health Fund Admin	Human Rscs Developmt	Governor	Disability Compens	U of H Debt Svc	Total
AGRICULTURE (A)	3,214	92,683	3,083	9,376	0	\$37,912
BUSINESS & ECON DEV (B), incl. Housing & Com. Dev.	6,521	92,379	5,980	17,496	0	\$2,185,154
LAND & NAT RESOURCES (C)	7,574	185,634	7,074	32,795	0	\$1,752,152
TRANSPORTATION (D)	26,513	863,664	24,577	94,757	0	\$1,132,188
EDUCATION (E), including State Library	294,882	2,663,384	250,051	347,815	0	\$6,883,055
UNIVERSITY OF HAWAII (F), including RCUH	96,272	489,143	83,265	117,504	9,512,996	\$10,360,799
DEFENSE (G)	2,393	45,487	2,244	10,705		\$289,459
HEALTH (H), excluding hospitals	-22,296	-577,432	7,511	27,397		\$2,968,170
HAWAII HEALTH SYSTEMS CORPORATION (HHSC)	4,600	1,186,791	2,848	71,231		\$1,266,908
HAWAII HOME LAND (I)	1,392	3,388	1,282	652		\$126,137
JUDICIARY (J)	20,873	0	15,320	18,975		\$514,788
HUMAN SERVICES (K)	25,243	690,674	22,172	26,136		\$3,114,920
LABOR (L)	8,709	244,715	7,933	6,345		\$2,145,821
INFORM COMM SVCS DIV (ICSD)	0	0	0	0		\$2,067,908
ACCTG & GENL SVCS (M)	0	0	0	0		\$0
ATTY GEN SERVICES (N)	7,537	98,275	6,546	4,205		\$1,240,878
BUDGET (O)	-4,967	-125,286	-2,171	-1,063		(\$624,536)
PUBLIC SAFETY (V1)	28,255	624,312	24,909	78,256		\$860,230
GOVERNOR (Q)	566	-17,766	420	1,085		\$1,799,613
COMMERCE (R)	3,621	3,880	3,504	-97		\$79,801
LT.GOVERNOR (S)	509	-6,632	520	652		\$332,484
TAXATION (T)	3,241	96,723	3,047	1,826		\$1,436,543
LEGISLATURE (Y)	4,081	0	3,021	1,214		\$3,809,334
HAWAII AFFAIRS (Z)	1,315	0	1,203	3,048		\$17,912
HONOLULU COUNTY (U)	26,247	0	60,012	502,779		\$569,853
MAUI COUNTY (V)	13,429	0	17,083	124,543		\$169,511
HAWAII COUNTY (W)	11,111	0	16,735	101,584		\$125,032
KAUAI COUNTY (X)	5,045	0	8,121	39,282		\$52,624
RETIREMENT	591,115	0	0	0		\$763,930
OTHER	60,057	0	40,891	4,919,598		\$20,691,341
-						
TOTAL	\$1,227,052	\$6,654,016	\$617,181	\$6,558,096	\$9,512,996	\$66,169,921