

LINDA LINGLE
GOVERNOR



GEORGINA K. KAWAMURA
DIRECTOR

ROBERT N. E. PIPER
DEPUTY DIRECTOR

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

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

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

June 25, 2007

FINANCE MEMORANDUM

MEMO NO. 07-05

TO: All Department Heads

FROM: Georgina K. Kawamura
Director of Finance

SUBJECT: Negotiation Agreement Approving Central Services Costs and Fringe Benefit Rates for FY 06

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, 2006.

Although FY 05 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. 07-02, dated March 9, 2007, the fringe benefit rate for FY 06 consisted of the following items:

<u>Item</u>	<u>Rate</u>
Pension Accumulation	13.75%
Pension Administration	.00%
Retiree Health Insurance	8.52%
Employees' Health Fund	8.22%
Workers' Compensation	1.85%
Unemployment Compensation	1.14%
Social Security	6.20%
Medicare	<u>1.45%</u>
Composite Rate	41.13%

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: May 24, 2007
FILING REF.: The preced-
ing agreement was dated:
07/28/06 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, 2006 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
Car Pool Motor Vehicles
*Data Processing

*See special remarks

STATE/LOCALITY: State of Hawaii

AGREEMENT DATE: May 24, 2007

SECTION III: SPECIAL REMARKS

Cost Allocation Plan

Charges for Fringe Benefits cited in Section II are billed only to special (restricted) fund activities including Federal projects. 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>7/1/05 - 6/30/06</u>
Pension Accumulation	13.75%
Pension Administration	0.00%
Retiree Health Insurance	8.52%

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: May 24, 2007

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)
June 25, 2007
(DATE)

BY THE COGNIZANT AGENCY

ON BEHALF OF THE FEDERAL GOVERNMENT
DEPARTMENT OF HEALTH AND HUMAN SERVICES
(AGENCY)

(SIGNATURE)
Wallace Chan
(NAME)
Director, Division of Cost Allocation
(TITLE)
May 24, 2007
(DATE)
HHS Representative Naomi Tamashiro
Telephone (415) 437-7820

STATE OF HAWAII
SUMMARY OF CALCULATION OF
FIXED COSTS FOR FY 2006

Exhibit A
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	Bldg Use Charge	Risk Mgmt	Central Services	Surplus Property
AGRICULTURE (A)	39,916	2,227	271,147	(3,501)
BUSINESS & ECON DEV (B)	310,958	1,772	255,968	(8,821)
LAND & NAT RESOURCES (C)	206,972	4,932	763,645	62,907
TRANSPORTATION (D)	506,798	17,089	(28,482)	2,622
EDUCATION (E), including State Library	283,882	41,770	1,915,649	195,965
UNIVERSITY OF HAWAII (F), including RCUH	8,401	12,290	96,186	118,928
DEFENSE (G)	3,827	1,742	1,184	5,103
HEALTH (H), excluding hospitals	1,065,096	23,756	1,754,719	18,168
HAWAII HEALTH SYSTEMS CORPORATION (HHSC)	0	24,814	(1,438)	0
HAWAII HOME LAND (I)	703	933	2,868	1,022
JUDICIARY (J)	103,593	0	358,907	0
HUMAN SERVICES (K), including Housing and Community Development	1,281,025	17,443	1,030,723	7,763
LABOR (L)	877,366	5,351	617,790	0
INFORM COMM SVCS DIV (ICSD)-Non Central Service Only	191,419	41,593	684,263	0
ACCTG & GENL SVCS (M)-Non Central Service Only	122,978	105,353	854,092	0
ATTY GEN SERVICES (N) Non Central Service Only	618,254	4,616	591,633	0
BUDGET (O)- Non Central Service Only	34,803	0	64,641	0
PUBLIC SAFETY-Non Central Services	36,997	16,707	109,917	1,222
GOVERNOR (Q)--Both Central and Non Central Service	305,688	478	569,255	0
COMMERCE (R)	280,201	2,734	(2,567)	0
LT.GOVERNOR (S)	91,490	124	120,417	1,022
TAXATION (T)	336,284	2,610	527,057	0
LEGISLATURE (Y)	1,301,036	0	1,643,605	0
HAWAII AFFAIRS (Z)	0	0	0	921
HONOLULU COUNTY (U)	0	0	0	15,506
MAUI COUNTY (V)	0	0	0	1,002
HAWAII COUNTY (W)	0	0	0	8,384
KAUAI COUNTY (X)	0	0	0	1,841
RETIREMENT	647	0	4,046	0
OTHER	(996,620)	0	4,097,539	193,658
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TOTAL	\$7,011,714	\$328,334	\$16,302,764	\$623,712

STATE OF HAWAII
SUMMARY OF CALCULATION OF
FIXED COSTS FOR FY 2006

Exhibit A
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	Communi- cations	Lease Mgmt	Records Mgmt	Purchasing
AGRICULTURE (A)	0	(2,116)	1,040	91,062
BUSINESS & ECON DEV (B)	0	553,480	(19,840)	1,819
LAND & NAT RESOURCES (C)	0	33,204	(4,552)	162,942
TRANSPORTATION (D)	0	2,719	3,101	17,334
EDUCATION (E), including State Library	0	16,892	89,998	59,161
UNIVERSITY OF HAWAII (F), including RCUH	0	0	46,258	0
DEFENSE (G)	0	9,962	1,327	3,653
HEALTH (H), excluding hospitals	0	190,742	92,083	472,892
HAWAII HEALTH SYSTEMS CORPORATION (HHSC)	0	0	0	13,230
HAWAII HOME LAND (I)	0	5,437	3,386	11,340
JUDICIARY (J)	0	0	(9,261)	52,926
HUMAN SERVICES (K), including Housing and Community Development	0	181,426	197,755	80,506
LABOR (L)	0	29,886	176,453	42,193
INFORM COMM SVCS DIV (ICSD)-Non Central Service Only	(1,269,427)	(2,116)	0	0
ACCTG & GENL SVCS (M)-Non Central Service Only	56,524	149,068	0	0
ATTY GEN SERVICES (N) Non Central Service Only	0	(17,289)	86,502	17,002
BUDGET (O)- Non Central Service Only	0	(10,583)	0	0
PUBLIC SAFETY-Non Central Services	0	(23,288)	14,038	17,621
GOVERNOR (Q)--Both Central and Non Central Service	0	2,719	605	658
COMMERCE (R)	0	9,962	21,016	(15,444)
LT.GOVERNOR (S)	0	57,972	250	658
TAXATION (T)	0	0	52,677	4,790
LEGISLATURE (Y)	0	0	3,107	8,946
HAWAII AFFAIRS (Z)	0	0	0	314
HONOLULU COUNTY (U)	0	0	(2)	0
MAUI COUNTY (V)	0	0	(67)	0
HAWAII COUNTY (W)	0	0	(611)	0
KAUAI COUNTY (X)	0	0	(241)	0
RETIREMENT	0	(8,670)	0	0
OTHER	0	7,512,230	0	28,887
TOTAL	(\$1,212,903)	\$8,691,637	\$755,022	\$1,072,490

STATE OF HAWAII
SUMMARY OF CALCULATION OF
FIXED COSTS FOR FY 2006

Exhibit A
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	Accounting	Pre-Audit	Internal Audit	Protective Services
AGRICULTURE (A)	55,433	17,827	13,003	(55,634)
BUSINESS & ECON DEV (B)	(6,871)	(31,179)	(7,083)	22,735
LAND & NAT RESOURCES (C)	255,595	59,288	60,082	0
TRANSPORTATION (D)	266,140	134,061	67,612	0
EDUCATION (E), including State Library	307,730	1,033,804	68,114	(441,234)
UNIVERSITY OF HAWAII (F), including RCUH	26,896	397,925	71,589	0
DEFENSE (G)	38,690	27,504	11,457	380,379
HEALTH (H), excluding hospitals	410,885	287,461	100,609	(1,257,035)
HAWAII HEALTH SYSTEMS CORPORATION (HHSC)	0	0	0	0
HAWAII HOME LAND (I)	65,471	13,357	17,706	0
JUDICIARY (J)	168,799	155,955	40,418	0
HUMAN SERVICES (K), including Housing and Community Development	567,865	439,559	137,660	0
LABOR (L)	64,749	547,275	11,285	0
INFORM COMM SVCS DIV (ICSD)-Non Central Service Only	6,542	0	30,572	0
ACCTG & GENL SVCS (M)-Non Central Service Only	167,263	0	86,944	(481)
ATTY GEN SERVICES (N) Non Central Service Only	63,099	33,407	15,281	0
BUDGET (O)- Non Central Service Only	40,166	0	9,843	0
PUBLIC SAFETY-Non Central Services	159,478	66,353	38,983	0
GOVERNOR (Q)--Both Central and Non Central Service	10,697	6,122	2,670	1,111,057
COMMERCE (R)	59,227	22,334	13,576	0
LT.GOVERNOR (S)	(2,070)	(867)	(1,100)	642,074
TAXATION (T)	122,082	8,781	29,747	0
LEGISLATURE (Y)	5,530	12,672	154,643	616,666
HAWAII AFFAIRS (Z)	40,155	3,464	10,029	0
HONOLULU COUNTY (U)	13	0	3	0
MAUI COUNTY (V)	449	54,079	127	0
HAWAII COUNTY (W)	(39)	145	(19)	0
KAUAI COUNTY (X)	(77)	5	(28)	0
RETIREMENT	450	9,992	104	0
OTHER	6,394	(8,286)	3,686	1,237,086
TOTAL	\$2,900,741	\$3,291,038	\$987,513	\$2,255,613

STATE OF HAWAII
SUMMARY OF CALCULATION OF
FIXED COSTS FOR FY 2006

Exhibit A
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	Budget & Finance	Finance Admin	Health Fund Admin	Human Rscs Development
AGRICULTURE (A)	130,601	3,474	1,046	179,850
BUSINESS & ECON DEV (B)	198,007	(4,405)	2,277	(23,539)
LAND & NAT RESOURCES (C)	249,629	14,215	2,331	366,188
TRANSPORTATION (D)	194,898	25,104	7,950	1,487,964
EDUCATION (E), including State Library	333,428	3,041	79,085	343,559
UNIVERSITY OF HAWAII (F), including RCUH	68,761	464	31,056	1,085,310
DEFENSE (G)	102,418	7,053	690	100,204
HEALTH (H), excluding hospitals	565,516	25,044	11,069	1,849,621
HAWAII HEALTH SYSTEMS CORPORATION (HHSC)	0	0	55,284	2,230,621
HAWAII HOME LAND (I)	79,896	3,354	396	45,035
JUDICIARY (J)	0	35,276	6,311	0
HUMAN SERVICES (K), including Housing and Community Development	492,347	135,023	7,179	1,589,049
LABOR (L)	117,769	249,555	2,633	386,901
INFORM COMM SVCS DIV (ICSD)-Non Central Service Only	0	0	0	0
ACCTG & GENL SVCS (M)-Non Central Service Only	0	0	0	0
ATTY GEN SERVICES (N) Non Central Service Only	144,316	5,218	1,798	278,166
BUDGET (O)- Non Central Service Only	1,831,619	0	0	0
PUBLIC SAFETY-Non Central Services	115,004	0	8,444	1,462,824
GOVERNOR (Q)--Both Central and Non Central Service	44,589	1,360	219	(403)
COMMERCE (R)	117,769	4,122	1,134	135,413
LT.GOVERNOR (S)	45,082	(10)	13	(140)
TAXATION (T)	167,141	(98,249)	831	235,548
LEGISLATURE (Y)	0	678	1,326	0
HAWAII AFFAIRS (Z)	0	0	401	0
HONOLULU COUNTY (U)	0	2	100,311	0
MAUI COUNTY (V)	0	18,438	23,490	0
HAWAII COUNTY (W)	0	47	21,908	0
KAUAI COUNTY (X)	0	0	3,902	0
RETIREMENT	84,761	0	141,867	0
OTHER	0	4,124	(28,861)	0
TOTAL	\$5,083,551	\$432,928	\$484,090	\$11,752,171

**STATE OF HAWAII
SUMMARY OF CALCULATION OF
FIXED COSTS FOR FY 2006**

**Exhibit A
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	Governnor	Disability Compensation	Total
AGRICULTURE (A)	(1,149)	3,140	\$747,366
BUSINESS & ECON DEV (B)	(2,055)	8,648	\$1,251,871
LAND & NAT RESOURCES (C)	(2,585)	14,360	\$2,249,153
TRANSPORTATION (D)	(8,954)	63,594	\$2,759,550
EDUCATION (E), including State Library	(82,758)	275,292	\$4,523,378
UNIVERSITY OF HAWAII (F), including RCUH	(26,879)	89,292	\$2,026,477
DEFENSE (G)	(838)	982	\$695,337
HEALTH (H), excluding hospitals	(10,977)	31,881	\$5,631,530
HAWAII HEALTH SYSTEMS CORPORATION (HHSC)	14,352	93,091	\$2,429,954
HAWAII HOME LAND (I)	(470)	2,007	\$252,441
JUDICIARY (J)	(6,400)	9,516	\$916,040
HUMAN SERVICES (K), including Housing and Community Development	(7,609)	20,553	\$6,178,267
LABOR (L)	(2,819)	4,352	\$3,130,739
INFORM COMM SVCS DIV (ICSD)-Non Central Service Only	0	0	-\$317,154
ACCTG & GENL SVCS (M)-Non Central Service Only	0	0	\$1,541,741
ATTY GEN SERVICES (N) Non Central Service Only	(2,308)	3,264	\$1,842,959
BUDGET (O)- Non Central Service Only	0	0	\$1,970,489
PUBLIC SAFETY-Non Central Services	(8,478)	52,397	\$2,068,219
GOVERNOR (Q)--Both Central and Non Central Service	(200)	470	\$2,055,984
COMMERCE (R)	(1,333)	2,160	\$650,304
LT.GOVERNOR (S)	(254)	465	\$955,126
TAXATION (T)	(1,170)	3,401	\$1,391,530
LEGISLATURE (Y)	(1,239)	1,241	\$3,748,211
HAWAII AFFAIRS (Z)	(428)	1,248	\$56,104
HONOLULU COUNTY (U)	(12,206)	355,638	\$459,265
MAUI COUNTY (V)	(2,828)	62,626	\$157,316
HAWAII COUNTY (W)	(3,808)	87,550	\$113,557
KAUAI COUNTY (X)	(3,902)	37,529	\$39,029
RETIREMENT	0	0	\$233,197
OTHER	(21,364)	5,039,269	\$17,067,742
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TOTAL	(\$198,659)	\$6,263,966	\$66,825,722