

LINDA LINGLE  
GOVERNOR



GEORGINA K. KAWAMURA  
DIRECTOR

BARBARA A. ANNIS  
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

April 21, 2010

FINANCE MEMORANDUM

MEMO NO. 10-06

TO: All Department Heads

FROM: Georgina K. Kawamura  
Director of Finance

SUBJECT: Negotiation Agreement Approving Central Services Costs and Fringe Benefit Rates for FY 09

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, 2009.

Although FY 09 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. 10-05, dated March 24, 2010, the fringe benefit rate for FY 09 consisted of the following items:

<u>Item</u>	<u>Rate</u>
Pension Accumulation	15.00%
Pension Administration	.01%
Retiree Health Insurance	6.49%
Employees' Health Fund	6.69%
Workers' Compensation	.78%
Unemployment Compensation	.34%
Social Security	6.20%
Medicare	<u>1.45%</u>
Composite Rate	36.96%

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: March 23, 2010  
FILING REF.: The preced-  
ing agreement was dated:  
06/30/09 G10268

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SECTION I: ALLOCATED COSTS

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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, 2009 for further allocation to Federal grants, contracts and other agreements performed at those departments and agencies.

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SECTION II: BILLED COSTS

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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: March 23, 2010

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SECTION III: SPECIAL REMARKS

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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, medicare, 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>7/1/08 - 6/30/09</u>
Pension Accumulation	15.00%
Pension Administration	0.01%

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: March 23, 2010

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)  
APR 22 2010

(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)  
March 23, 2010

(DATE)

HHS Representative Naomi Tamashiro  
Telephone (415) 437-7820

STATE OF HAWAII  
SUMMARY OF CALCULATION OF  
FIXED COSTS FOR FY 2009

	Bldg Use Charge	Risk Mgmt	Central Services	Surplus Property
AGRICULTURE (A)	36,191	9,715	123,574	574
BUSINESS & ECON DEV (B)	348,408	9,448	504,139	(1,474)
LAND & NAT RESOURCES (C)	179,712	23,576	1,455,551	47,069
TRANSPORTATION (D)	257,312	69,541	503,643	(2,703)
EDUCATION (E), including State Library	214,271	212,757	2,109,968	71,756
UNIVERSITY OF HAWAII (F), including RCUH	8,929	50,411	23,752	31,979
DEFENSE (G)	3,800	8,273	7,193	3,585
HEALTH (H), excluding hospitals	869,338	95,912	2,880,777	(20,847)
HAWAII HEALTH SYSTEMS CORPORATION (HHSC)	0	123,214	4,001	0
HAWAII HOME LAND (I)	703	4,756	3,207	0
JUDICIARY (J)	132,164	0	320,337	0
HUMAN SERVICES (K), including Housing and Community Development	866,902	69,222	1,665,155	5,121
LABOR (L)	665,564	16,779	1,397,779	0
INFORM COMM SVCS DIV (ICSD)-Non Central Service Only	197,639	(44,598)	1,113,885	0
ACCTG & GENL SVCS (M)-Non Central Service Only	132,635	(101,423)	1,045,038	0
ATTY GEN SERVICES (N) Non Central Service Only	477,837	18,183	1,441,067	(4,423)
BUDGET (O)- Non Central Service Only	31,904	0	113,956	0
PUBLIC SAFETY-Non Central Services	40,294	71,704	937,793	29,413
GOVERNOR (Q)--Both Central and Non Central Service	329,120	2,032	654,296	0
COMMERCE (R)	1,600,112	11,420	1,094,884	0
LT.GOVERNOR (S)	113,814	663	252,159	0
TAXATION (T)	257,022	11,197	897,446	993
LEGISLATURE (Y)	1,369,438	0	3,421,684	2,980
HAWAII AFFAIRS (Z)	0	0	0	0
HONOLULU COUNTY (U)	0	0	0	(26,541)
MAUI COUNTY (V)	0	0	0	(19,168)
HAWAII COUNTY (W)	0	0	0	(5,898)
KAUAI COUNTY (X)	0	0	0	0
RETIREMENT	647	0	4,393	0
OTHER	173,425	0	823,217	130,942
<b>TOTAL</b>	<b>\$8,307,181</b>	<b>\$662,782</b>	<b>\$22,798,894</b>	<b>\$243,358</b>

STATE OF HAWAII  
SUMMARY OF CALCULATION OF  
FIXED COSTS FOR FY 2009

Exhibit A  
Page 2 of 5

	Telecommuni- cations	Lease Mgmt	Records Mgmt	Purchasing
AGRICULTURE (A)	0	0	249	(51,968)
BUSINESS & ECON DEV (B)	0	(663,863)	3,394	38,457
LAND & NAT RESOURCES (C)	0	23,795	5,466	(101,683)
TRANSPORTATION (D)	0	2,873	1,574	(5,364)
EDUCATION (E), including State Library	0	44,839	53,900	393,240
UNIVERSITY OF HAWAII (F), including RCUH	0	0	3,392	0
DEFENSE (G)	0	8,621	490	(3,259)
HEALTH (H), excluding hospitals	0	(9,073)	46,892	76,193
HAWAII HEALTH SYSTEMS CORPORATION (HHSC)	0	0	0	(23,241)
HAWAII HOME LAND (I)	0	5,747	827	(21,756)
JUDICIARY (J)	0	0	0	102,248
HUMAN SERVICES (K), including Housing and Community Development	0	162,205	49,480	70,727
LABOR (L)	0	28,739	70,821	(17,910)
INFORM COMM SVCS DIV (ICSD)-Non Central Service Only	(25,373)	0	0	0
ACCTG & GENL SVCS (M)-Non Central Service Only	(38,871)	(98,540)	0	(9,060)
ATTY GEN SERVICES (N) Non Central Service Only	0	22,990	50,426	1,894
BUDGET (O)- Non Central Service Only	0	14,370	0	0
PUBLIC SAFETY-Non Central Services	0	22,992	12,607	(28,730)
GOVERNOR (Q)--Both Central and Non Central Service	0	(2,071)	214	(1,018)
COMMERCE (R)	0	13,565	7,129	21,759
LT.GOVERNOR (S)	0	(58,726)	120	(1,121)
TAXATION (T)	0	0	34,292	(1,855)
LEGISLATURE (Y)	0	0	1,764	41,190
HAWAII AFFAIRS (Z)	0	0	1,857	3,553
HONOLULU COUNTY (U)	0	0	0	0
MAUI COUNTY (V)	0	0	0	0
HAWAII COUNTY (W)	0	0	0	0
KAUAI COUNTY (X)	0	0	0	0
RETIREMENT	0	(11,752)	0	0
OTHER	0	(8,102,859)	0	829,661
<b>TOTAL</b>	<b>(\$64,244)</b>	<b>(\$8,596,148)</b>	<b>\$344,894</b>	<b>\$1,311,957</b>

STATE OF HAWAII  
SUMMARY OF CALCULATION OF  
FIXED COSTS FOR FY 2009

	Accounting	Pre-Audit	Internal Audit	Protective Services
AGRICULTURE (A)	79,021	26,139	(6,436)	23,699
BUSINESS & ECON DEV (B)	88,604	26,875	861	0
LAND & NAT RESOURCES (C)	302,353	77,425	(67,426)	0
TRANSPORTATION (D)	289,061	136,790	(74,869)	0
EDUCATION (E), including State Library	425,546	301,107	512,802	201,442
UNIVERSITY OF HAWAII (F), including RCUH	43,572	122,923	(39,026)	0
DEFENSE (G)	63,669	49,816	(7,173)	127,795
HEALTH (H), excluding hospitals	405,784	244,282	(81,480)	543,770
HAWAII HEALTH SYSTEMS CORPORATION (HHSC)	0	0	0	379,184
HAWAII HOME LAND (I)	52,324	25,556	(10,531)	0
JUDICIARY (J)	180,131	306,902	381,445	0
HUMAN SERVICES (K), including Housing and Community Development	602,140	354,218	(128,667)	0
LABOR (L)	88,512	396,748	(28,881)	0
INFORM COMM SVCS DIV (ICSD)-Non Central Service Only	0	0	0	0
ACCTG & GENL SVCS (M)-Non Central Service Only	(140,145)	0	(79,755)	0
ATTY GEN SERVICES (N) Non Central Service Only	82,627	45,863	(9,647)	0
BUDGET (O)- Non Central Service Only	0	0	0	0
PUBLIC SAFETY-Non Central Services	199,580	15,511	(34,388)	0
GOVERNOR (Q)--Both Central and Non Central Service	4,420	3,163	(1,391)	1,146,591
COMMERCE (R)	80,175	22,980	20,901	0
LT.GOVERNOR (S)	2,941	1,299	(659)	(179,405)
TAXATION (T)	40,412	1,008,495	(27,659)	0
LEGISLATURE (Y)	7,330	6,063	180,563	0
HAWAII AFFAIRS (Z)	(7,457)	(4,928)	(8,585)	0
HONOLULU COUNTY (U)	(2)	(4)	(3)	0
MAUI COUNTY (V)	39	121,110	(11)	0
HAWAII COUNTY (W)	(16)	92	(57)	0
KAUAI COUNTY (X)	126	(73,981)	(8)	0
RETIREMENT	0	0	0	0
OTHER	9,580	195,254	(2,027)	0
<b>TOTAL</b>	<b>\$2,900,327</b>	<b>\$3,409,698</b>	<b>\$487,893</b>	<b>\$2,243,076</b>

STATE OF HAWAII  
SUMMARY OF CALCULATION OF  
FIXED COSTS FOR FY 2009

	Budget & Finance	Finance Admin	Health Fund Admin	Human Rsrcs Developmt
AGRICULTURE (A)	204,999	6,978	4,116	188,201
BUSINESS & ECON DEV (B)	380,475	7,244	8,727	191,472
LAND & NAT RESOURCES (C)	299,157	21,600	9,209	469,537
TRANSPORTATION (D)	304,043	36,477	31,749	1,331,817
EDUCATION (E), including State Library	194,384	5,571	297,640	2,266,308
UNIVERSITY OF HAWAII (F), including RCUH	152,720	1,872	104,246	969,626
DEFENSE (G)	51,923	13,779	2,851	164,151
HEALTH (H), excluding hospitals	288,957	54,360	40,201	1,810,779
HAWAII HEALTH SYSTEMS CORPORATION (HHSC)	0	0	(36,232)	2,467,968
HAWAII HOME LAND (I)	15,152	7,161	1,604	95,571
JUDICIARY (J)	0	85,584	23,313	0
HUMAN SERVICES (K), including Housing and Community Development	465,807	89,858	26,469	1,298,977
LABOR (L)	128,851	(21,887)	10,398	300,172
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	38,978	12,144	7,694	342,032
BUDGET (O)- Non Central Service Only	2,638,275	0	0	0
PUBLIC SAFETY-Non Central Services	169,448	0	31,311	1,394,654
GOVERNOR (Q)--Both Central and Non Central Service	11,504	889	810	40,622
COMMERCE (R)	222,011	6,261	4,551	219,441
LT.GOVERNOR (S)	1,911	340	656	13,725
TAXATION (T)	22,479	25,063	3,746	217,708
LEGISLATURE (Y)	0	1,043	4,684	0
HAWAII AFFAIRS (Z)	0	(1,042)	(1,267)	0
HONOLULU COUNTY (U)	0	(1)	134,748	0
MAUI COUNTY (V)	0	33,403	39,570	0
HAWAII COUNTY (W)	0	32	30,601	0
KAUAI COUNTY (X)	0	0	13,018	0
RETIREMENT	630,707	0	489,578	0
OTHER	8,591	3,180	6,857	0
<b>TOTAL</b>	<b>\$6,230,372</b>	<b>\$389,909</b>	<b>\$1,290,848</b>	<b>\$13,782,761</b>

STATE OF HAWAII  
SUMMARY OF CALCULATION OF  
FIXED COSTS FOR FY 2009

	Governor	Disability Compensation	Total
AGRICULTURE (A)	(1,356)	5,855	\$649,551
BUSINESS & ECON DEV (B)	(742)	13,453	\$955,478
LAND & NAT RESOURCES (C)	(3,059)	17,163	\$2,759,445
TRANSPORTATION (D)	(10,432)	52,770	\$2,924,282
EDUCATION (E), including State Library	(107,879)	282,410	\$7,480,062
UNIVERSITY OF HAWAII (F), including RCUH	(37,628)	81,953	\$1,518,721
DEFENSE (G)	(1,069)	4,349	\$498,794
HEALTH (H), excluding hospitals	(14,821)	38,367	\$7,269,391
HAWAII HEALTH SYSTEMS CORPORATION (HHSC)	(22,579)	56,465	\$2,948,780
HAWAII HOME LAND (I)	(612)	1,091	\$180,800
JUDICIARY (J)	(8,411)	14,382	\$1,538,095
HUMAN SERVICES (K), including Housing and Community Development	(11,709)	15,023	\$5,600,928
LABOR (L)	(2,828)	3,526	\$3,036,383
INFORM COMM SVCS DIV (ICSD)-Non Central Service Only	0	0	\$1,241,553
ACCTG & GENL SVCS (M)-Non Central Service Only	0	0	\$709,879
ATTY GEN SERVICES (N) Non Central Service Only	(2,875)	3,622	\$2,528,412
BUDGET (O)- Non Central Service Only	0	0	\$2,798,505
PUBLIC SAFETY-Non Central Services	(10,397)	38,363	\$2,890,155
GOVERNOR (Q)--Both Central and Non Central Service	(187)	(54)	\$2,188,940
COMMERCE (R)	(1,756)	1,496	\$3,324,929
LT.GOVERNOR (S)	(46)	544	\$148,215
TAXATION (T)	(1,534)	534	\$2,488,339
LEGISLATURE (Y)	(1,595)	1,914	\$5,037,058
HAWAII AFFAIRS (Z)	(790)	544	(\$18,115)
HONOLULU COUNTY (U)	(66,726)	304,870	\$346,341
MAUI COUNTY (V)	(13,454)	54,639	\$216,128
HAWAII COUNTY (W)	(15,916)	54,313	\$63,151
KAUAI COUNTY (X)	(8,139)	27,169	(\$41,815)
RETIREMENT	0	0	\$1,113,573
OTHER	(5,318)	4,603,362	(\$1,326,135)
TOTAL	(\$351,858)	\$5,678,123	\$61,069,823