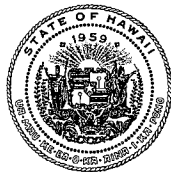


NEIL ABERCROMBIE
GOVERNOR



KALBERT K. YOUNG
INTERIM DIRECTOR

DEAN K. HIRATA
DEPUTY DIRECTOR

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
OFFICE OF ECONOMIC RECOVERY
AND REINVESTMENT (ARRA)

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

January 21, 2011

FINANCE MEMORANDUM

MEMO NO. 11-04

TO: All Department Heads

FROM: Kalbert K. Young
Interim Director of Finance

SUBJECT: Negotiation Agreement Approving Central Services Costs and Fringe Benefit Rates for FY 10

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, 2010.

Although FY 10 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. 11-02, dated January 11, 2011, the fringe benefit rate for FY 10 consisted of the following items:

<u>Item</u>	<u>Rate</u>
Pension Accumulation	15.00%
Pension Administration	.00%
Retiree Health Insurance	7.99%
Employees' Health Fund	6.79%
Workers' Compensation	.78%
Unemployment Compensation	.63%
Social Security	6.20%
Medicare	<u>1.45%</u>
Composite Rate	38.84%

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: December 21, 2010
FILING REF.: The preced-
ing agreement was dated:
03/23/10 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, 2010 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
Motor Pool
*Data Processing
Office of Economic Reinvestment & Recovery (eff. 7/1/09 - 7/30/12)

*See special remarks

STATE/LOCALITY: State of Hawaii

AGREEMENT DATE: December 21, 2010

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, 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>7/1/09 - 6/30/10</u>
Pension Accumulation	15.00%
Pension Administration	0.00%

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: December 21, 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)

Kalbert K. Young

(NAME)

Interim Director of Finance

(TITLE)

1/21/11

(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)

December 21, 2010

(DATE)

HHS Representative Naomi Tamashiro

Telephone (415) 437-7820

STATE OF HAWAII
SUMMARY OF FIXED COSTS FOR FY 2010

	Building Use Charge	DAGS Admin	Risk Management	Central Services	Surplus Property
AGRICULTURE (A)	36,274	0	7,946	223,924	(1,597)
BUSINESS, ECONOMIC DEVELOPMENT & TOURISM (B)	620,850	0	7,263	501,819	(823)
LAND & NATURAL RESOURCES (C)	105,544	0	19,148	1,232,244	67,298
TRANSPORTATION (D)	(241,806)	0	51,236	818,259	83,274
EDUCATION (E), including State Library	65,829	0	148,825	1,209,093	100,220
UNIVERSITY OF HAWAII (F), including RCUH	8,977	0	38,842	49,630	59,502
DEFENSE (G)	3,800	0	7,692	8,284	6,489
HEALTH (H), excluding hospitals	566,320	0	60,970	2,745,992	29,000
HAWAII HEALTH SYSTEMS CORPORATION (HHSC)	0	0	101,359	(2,961)	0
HAWAIIAN HOME LANDS (I)	703	0	3,570	3,392	0
JUDICIARY (J)	132,276	0	0	479,318	0
HUMAN SERVICES (K), including Housing & Comm. Development	112,840	0	54,310	1,394,628	(14,137)
LABOR (L)	625,330	0	13,604	1,037,130	0
INFORM COMM SVCS DIV (ICSD) - Non Central Service Only	199,029	1,094,595	0	938,569	0
ACCOUNTING & GENERAL SVCS (M) - Non Central Service Only	185,189	3,433,395	0	992,914	0
ATTORNEY GENERAL (N) - Non Central Service Only	191,299	0	16,548	1,233,145	(823)
BUDGET & FINANCE (O) - Non Central Service Only	31,930	0	0	101,938	0
PUBLIC SAFETY - Non Central Service Only	40,716	0	54,293	687,795	39,119
GOVERNOR (Q) - Non Central Service Only	0	0	0	0	0
COMMERCE & CONSUMER AFFAIRS (R)	940,558	0	8,611	447,312	0
LIEUTENANT GOVERNOR (S)	137,886	0	562	170,841	0
TAXATION (T)	257,076	0	10,573	773,268	993
LEGISLATURE (Y)	1,369,488	0	0	2,114,323	993
HAWAII AFFAIRS (Z)	0	0	0	0	0
HONOLULU COUNTY (U)	0	0	0	0	7,844
MAUI COUNTY (V)	0	0	0	0	18,543
HAWAII COUNTY (W)	0	0	0	0	10,918
KAUAI COUNTY (X)	0	0	0	0	0
RETIREMENT	647	0	0	147	0
OTHER	275,851	0	0	513,314	175,792
TOTAL	\$5,666,606	\$4,527,990	\$605,352	\$17,674,318	\$582,605

STATE OF HAWAII
SUMMARY OF FIXED COSTS FOR FY 2010

	Lease Mgt	Records	Purchasing	Accounting	Pre-Audit
AGRICULTURE (A)	0	286	(82,470)	94,926	31,702
BUSINESS, ECONOMIC DEVELOPMENT & TOURISM (B)	(658,483)	727	68,471	100,731	29,500
LAND & NATURAL RESOURCES (C)	25,089	4,277	(135,994)	328,351	87,059
TRANSPORTATION (D)	3,092	1,267	54,014	334,947	146,469
EDUCATION (E), including State Library	33,303	48,121	(148,294)	426,513	142,836
UNIVERSITY OF HAWAII (F), including RCUH	0	8,125	0	58,740	60,140
DEFENSE (G)	8,745	471	41,894	65,350	64,282
HEALTH (H), excluding hospitals	5,064	43,863	(221,270)	501,956	232,972
HAWAII HEALTH SYSTEMS CORPORATION (HHSC)	0	0	(18,147)	0	0
HAWAIIAN HOME LANDS (I)	0	1,246	16,961	53,143	25,578
JUDICIARY (J)	0	0	188,952	216,233	317,818
HUMAN SERVICES (K), including Housing & Comm. Development	158,037	55,597	71,439	710,601	487,240
LABOR (L)	25,089	80,623	(24,068)	102,937	606,290
INFORM COMM SVCS DIV (ICSD) - Non Central Service Only	0	0	0	0	0
ACCOUNTING & GENERAL SVCS (M) - Non Central Service Only	(99,060)	0	0	0	0
ATTORNEY GENERAL (N) - Non Central Service Only	42,222	50,140	(4,647)	112,915	56,547
BUDGET & FINANCE (O) - Non Central Service Only	27,119	0	0	0	0
PUBLIC SAFETY - Non Central Service Only	30,563	12,147	22,798	195,071	9,017
GOVERNOR (Q) - Non Central Service Only	0	0	0	0	0
COMMERCE & CONSUMER AFFAIRS (R)	15,106	7,095	78,807	87,374	25,318
LIEUTENANT GOVERNOR (S)	(58,726)	117	(1,751)	3,306	1,570
TAXATION (T)	0	20,954	39,430	66,515	675,230
LEGISLATURE (Y)	0	707	245,830	8,289	5,280
HAWAII AFFAIRS (Z)	0	(55)	8,639	(30,551)	(8,488)
HONOLULU COUNTY (U)	0	0	0	5	27
MAUI COUNTY (V)	0	0	0	63	135,831
HAWAII COUNTY (W)	0	0	0	202	278
KAUAI COUNTY (X)	0	0	0	(59)	34
RETIREMENT	(2,738)	0	0	0	0
OTHER	(14,734,188)	0	418	10,225	10,071
TOTAL	(\$15,179,766)	\$335,708	\$201,012	\$3,447,783	\$3,142,601

STATE OF HAWAII
SUMMARY OF FIXED COSTS FOR FY 2010

	Internal Audit	ICSD Charges	Budget and Finance	B&F Financial Administration	Employers Union Trust
AGRICULTURE (A)	0	0	258,490	1,182	3,499
BUSINESS, ECONOMIC DEVELOPMENT & TOURISM (B)	(22,643)	0	516,762	984	5,511
LAND & NATURAL RESOURCES (C)	(5,163)	0	401,165	2,646	7,846
TRANSPORTATION (D)	606	0	428,667	4,240	26,954
EDUCATION (E), including State Library	1,001,151	0	330,312	602	261,683
UNIVERSITY OF HAWAII (F), including RCUH	(10,366)	0	176,306	295	91,513
DEFENSE (G)	(75)	0	82,675	2,754	2,539
HEALTH (H), excluding hospitals	(35,717)	0	748,809	7,111	35,569
HAWAII HEALTH SYSTEMS CORPORATION (HHSC)	0	0	0	0	0
HAWAIIAN HOME LANDS (I)	0	0	106,977	837	1,438
JUDICIARY (J)	(182,508)	0	0	10,655	20,462
HUMAN SERVICES (K), including Housing & Comm. Development	75,105	0	322,493	27,652	25,157
LABOR (L)	(1,218)	0	122,216	93,258	8,303
INFORM COMM SVCS DIV (ICSD) - Non Central Service Only	0	329,429	0	0	0
ACCOUNTING & GENERAL SVCS (M) - Non Central Service Only	0	0	0	0	0
ATTORNEY GENERAL (N) - Non Central Service Only	0	37,667	143,112	2,104	6,842
BUDGET & FINANCE (O) - Non Central Service Only	0	0	2,688,626	0	(3,555)
PUBLIC SAFETY - Non Central Service Only	0	0	228,123	0	26,680
GOVERNOR (Q) - Non Central Service Only	0	0	0	0	0
COMMERCE & CONSUMER AFFAIRS (R)	14,451	0	240,978	869	4,097
LIEUTENANT GOVERNOR (S)	0	0	(3,941)	60	406
TAXATION (T)	19,094	0	152,190	114,429	3,450
LEGISLATURE (Y)	184,918	0	0	135	4,025
HAWAII AFFAIRS (Z)	0	0	(457)	(1,416)	0
HONOLULU COUNTY (U)	0	0	0	1	134,425
MAUI COUNTY (V)	0	0	0	4,577	33,998
HAWAII COUNTY (W)	0	0	0	8	31,206
KAUAI COUNTY (X)	0	0	0	2	14,496
RETIREMENT	0	32,239	494,372	0	362,269
OTHER	0	(395,222)	22,429	611	8,564
TOTAL	\$1,037,635	\$4,113	\$7,460,304	\$273,596	\$1,117,377

STATE OF HAWAII
SUMMARY OF FIXED COSTS FOR FY 2010

	Human Resources	Governor	Disability Compensation	Pub Safety Protective Svcs	Total
AGRICULTURE (A)	209,168	3,003	2,959	(13,099)	776,193
BUSINESS, ECONOMIC DEVELOPMENT & TOURISM (B)	194,933	4,731	14,426	161,050	1,545,809
LAND & NATURAL RESOURCES (C)	503,939	6,736	24,754	325,703	3,000,642
TRANSPORTATION (D)	1,307,505	23,139	34,292	7,804	3,083,959
EDUCATION (E), including State Library	1,925,478	224,643	305,515	(236,619)	5,839,211
UNIVERSITY OF HAWAII (F), including RCUH	1,006,242	78,560	62,695	0	1,689,201
DEFENSE (G)	208,964	2,181	4,467	285,242	795,754
HEALTH (H), excluding hospitals	1,484,427	30,533	14,351	1,028,945	7,278,895
HAWAII HEALTH SYSTEMS CORPORATION (HHSC)	2,701,691	0	48,697	(445,404)	2,385,235
HAWAIIAN HOME LANDS (I)	94,041	1,234	(364)	0	308,756
JUDICIARY (J)	0	17,565	15,250	0	1,216,021
HUMAN SERVICES (K), including Housing & Comm. Development	1,390,840	21,597	15,720	0	4,909,119
LABOR (L)	346,196	7,127	3,585	0	3,046,402
INFORM COMM SVCS DIV (ICSD) - Non Central Service Only	0	0	0	339,687	2,571,880
ACCOUNTING & GENERAL SVCS (M) - Non Central Service Only	0	0	0	193,889	5,035,756
ATTORNEY GENERAL (N) - Non Central Service Only	436,564	5,872	2,639	0	2,294,479
BUDGET & FINANCE (O) - Non Central Service Only	0	0	0	0	2,883,725
PUBLIC SAFETY - Non Central Service Only	1,405,795	22,902	45,203	43,596	2,863,818
GOVERNOR (Q) - Non Central Service Only	0	964,239	0	0	964,239
COMMERCE & CONSUMER AFFAIRS (R)	221,276	3,517	1,395	0	2,096,764
LIEUTENANT GOVERNOR (S)	15,539	350	(164)	0	0
TAXATION (T)	280,616	2,962	1,957	661,645	927,700
LEGISLATURE (Y)	0	3,455	(280)	0	2,418,737
HAWAII AFFAIRS (Z)	0	0	(149)	0	3,937,163
HONOLULU COUNTY (U)	0	115,398	363,345	0	(32,477)
MAUI COUNTY (V)	0	29,186	55,329	0	621,045
HAWAII COUNTY (W)	0	26,790	55,328	0	277,527
KAUAI COUNTY (X)	0	12,444	27,824	0	124,730
RETIREMENT	0	0	0	0	54,741
OTHER	0	0	0	0	886,936
TOTAL	\$13,733,214	\$1,615,517	\$6,291,577	\$2,488,685	\$55,026,227
				136,246	(8,775,733)