

NEIL ABERCROMBIE  
GOVERNOR



KALBERT K. YOUNG  
DIRECTOR

DEAN K. HIRATA  
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  
OFFICE OF ECONOMIC RECOVERY  
AND REINVESTMENT (ARRA)

July 14, 2011

FINANCE MEMORANDUM

MEMO NO. 11-14

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 11

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, 2011.

Although FY 11 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. 11-12, dated July 1, 2011, the fringe benefit rate for FY 11 consisted of the following items:

<u>Item</u>	<u>Rate</u>
Pension Accumulation	15.00%
Pension Administration	.00%
Retiree Health Insurance	7.96%
Employees' Health Fund	7.02%
Workers' Compensation	1.22%
Unemployment Compensation	.91%
Social Security	6.20%
Medicare	<u>1.45%</u>
Composite Rate	39.76%

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: June 27, 2011  
FILING REF.: The preced-  
ing agreement was dated:  
12/21/10 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, 2011 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  
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: June 27, 2011

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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>7/1/10 - 6/30/11</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: June 27, 2011

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)  
Director of Finance  
(TITLE)

(DATE)  
7/15/11

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

Wallace Chan  
(SIGNATURE)  
Wallace Chan  
(NAME)  
Director, Division of Cost Allocation  
(TITLE)

(DATE)  
June 27, 2011  
HHS Representative Naomi Tamashiro  
Telephone (415) 437-7820

State of Hawaii  
 Summary of Fixed Cost for Year 2011

Grantee Departments	Building Use Charge	DAGS Admin	Risk Management	Central Services	Lease Mgt
Retirement Fund	647		0	0	662
Attorney General - Non Central Service Only	191,299		0	3,845	1,422,442
Governor - Non Central Service Only	0		0	0	0
Lieutenant Governor	137,886		0	34	231,382
Business, Economic Development & Tourism	621,020		0	300	740,889
Taxation	266,532		0	2,401	936,646
Agriculture	38,933		0	1,770	312,552
Land & Natural Resources	109,688		0	3,504	1,391,371
Transportation	(241,806)		0	7,915	736,808
Education, includes State Library	71,283		0	15,423	1,518,768
University of Hawai, includes RCUH	8,977		0	4,594	56,026
Defense	3,800		0	2,287	14,474
Health, excludes Hospitals	591,003		0	9,481	4,434,900
Hawaiian Home Lands	703		0	582	1,847
Judiciary	88,548		0	0	72,537
Human Services	121,286		0	10,110	1,852,194
Labor	628,664		0	8,158	1,651,724
Accounting & General Services - Non Central Service Only	185,189	3,668,594	0	0	871,086
Information Comm Services Div - Non Central Service Only	200,523	1,039,514	0	0	1,241,587
Budget & Finance - Non Central Service Only	31,930		0	0	95,895
Commerce & Consumer Affairs	940,558		0	1,246	634,919
Public Safety - Non Central Service Only	41,283		0	9,294	642,008
Legislature	1,369,488		0	0	2,734,759
Hawaii Affairs	0		0	0	0
Honolulu County	0		0	0	0
Maui County	0		0	0	0
Hawaii County	0		0	0	0
Kauai County	0		0	0	0
Health Systems Corporation	0		0	0	0
All Others	250,697		0	18,439	0
<b>SUMMARY TOTAL</b>	<b>5,658,131</b>	<b>4,708,108</b>	<b>100,183</b>	<b>22,285,073</b>	<b>573,904</b>

State of Hawaii  
 Summary of Fixed Cost for Year 2011

Grantee Departments	Records	Purchasing	Surplus Property	Accounting	Pre-Audit	Internal Audit
Retirement Fund	0	0	0	0	0	0
Attorney General - Non Central Service Only	50,118	46,138	0	0	106,125	29,255
Governor - Non Central Service Only	0	0	0	0	0	(2,156)
Lieutenant Governor	77	1,109	0	0	2,206	0
Business, Economic Development & Tourism	(2,764)	2,429	0	0	98,913	10,215
Taxation	4,688	16,157	(993)	0	82,148	(9,604)
Agriculture	568	13,664	5,027	0	119,473	114,248
Land & Natural Resources	3,309	(41,090)	37,946	0	374,325	(3,568)
Transportation	1,289	86,682	44,333	0	431,465	(1,607)
Education, includes State Library	45,377	79,836	127,966	0	598,324	(862)
University of Hawai, includes RCUH	6,152	1,790	52,155	0	1,447,355	215,724
Defense	318	39,838	6,549	0	59,471	(157)
Health, excludes Hospitals	34,742	(26,055)	19,846	0	73,252	(196)
Hawaiian Home Lands	2,375	18,030	2,250	0	564,793	(3,626)
Judiciary	0	25,700	0	0	85,003	(1,783)
Human Services	46,228	257,431	(933)	0	276,604	(31,771)
Labor	55,025	68,331	0	0	871,309	2,448
Accounting & General Services - Non Central Service Only	0	894	0	0	129,887	0
Information Comm Services Div - Non Central Service Only	0	0	0	0	0	0
Budget & Finance - Non Central Service Only	0	0	0	0	0	0
Commerce & Consumer Affairs	5,444	129,619	0	0	105,469	14,411
Public Safety - Non Central Service Only	12,616	10,860	13,885	0	206,904	(1,176)
Legislature	853	84,067	10,522	0	11,183	268,321
Hawaii Affairs	(301)	10,295	0	0	(63)	0
Honolulu County	0	1,790	15,750	0	88	32
Maui County	0	1,790	15,750	0	139	(9,046)
Hawaii County	0	1,790	15,750	0	365	59
Kauai County	0	0	0	0	27	(20)
Health Systems Corporation	0	(10,684)	0	0	0	0
All Others	0	247,367	142,353	0	15,520	0
<b>SUMMARY TOTAL</b>	<b>267,114</b>	<b>1,067,778</b>	<b>508,156</b>	<b>4,173,930</b>	<b>3,315,955</b>	<b>697,546</b>

State of Hawaii  
Summary of Fixed Cost for Year 2011

Grantee Departments	ICSD Charges	Budget and Finance	B&F Financial Administration	Employers Union Trust Fund	Human Resources
Retirement Fund	(4,871)	388,999	0	382,529	0
Attorney General - Non Central Service Only	0	163,266	(5,331)	8,743	412,224
Governor - Non Central Service Only	0	0	0	0	0
Lieutenant Governor	0	10,084	(167)	(50)	9,643
Business, Economic Development & Tourism	0	340,858	(3,466)	1,474	137,929
Taxation	0	184,682	27,247	6,034	232,115
Agriculture	0	238,732	(3,011)	5,120	204,789
Land & Natural Resources	0	348,861	(10,070)	11,948	439,627
Transportation	0	320,294	(17,193)	29,491	1,236,642
Education, includes State Library	0	501,946	(2,652)	(35,950)	1,700,548
University of Hawaii, includes RCUH	0	181,251	(735)	128,400	851,545
Defense	0	225,622	(6,382)	4,296	208,106
Health, excludes Hospitals	0	691,680	(25,395)	39,078	1,679,755
Hawaiian Home Lands	0	101,365	(3,098)	2,328	85,724
Judiciary	0	0	(37,488)	25,586	0
Human Services	0	646,517	(32,082)	31,868	1,384,586
Labor	0	113,296	150,847	5,820	596,987
Accounting & General Services - Non Central Service Only	166,009	0	0	0	0
Information Comm Services Div - Non Central Service Only	0	0	0	0	0
Budget & Finance - Non Central Service Only	45,019	2,452,768	0	0	0
Commerce & Consumer Affairs	0	215,495	(2,902)	4,964	203,643
Public Safety - Non Central Service Only	0	221,188	0	31,651	1,337,578
Legislature	0	0	(466)	(3,202)	0
Hawaii Affairs	0	0	0	0	0
Honolulu County	0	0	2	252,396	0
Mauai County	0	0	(16,722)	51,030	0
Hawaii County	0	0	(14)	63,354	0
Kauai County	0	0	(13)	32,698	0
Health Systems Corporation	0	0	0	0	0
All Others	(34,986)	(819)	(2,600)	147,618	2,378,219
<b>SUMMARY TOTAL</b>	<b>171,171</b>	<b>7,346,085</b>	<b>8,309</b>	<b>1,227,324</b>	<b>13,712,228</b>

State of Hawaii  
Summary of Fixed Cost for Year 2011

Grantee Departments	Governor	Disability Compensation	Pub Safety Protective Svcs	TOTAL FIXED
Retirement Fund	0	0	0	765,594
Attorney General - Non Central Service Only	9,357	2,794	0	2,487,058
Governor - Non Central Service Only	2,216,342	0	0	2,216,342
Lieutenant Governor	198	(17)	1,447,354	1,840,425
Business, Economic Development & Tourism	4,042	14,069	316,896	2,303,822
Taxation	5,740	3,205	0	1,771,884
Agriculture	5,194	9,523	(9,199)	954,789
Land & Natural Resources	11,940	22,115	640,884	3,429,689
Transportation	33,758	64,102	15,358	2,858,544
Education, includes State Library	125,386	400,731	(201,442)	6,595,179
University of Hawaii, includes RCUH	132,367	125,014	0	2,200,362
Defense	4,135	7,243	184,429	785,434
Health, excludes Hospitals	44,648	34,074	796,466	9,291,403
Hawaiian Home Lands	2,275	(37)	0	300,022
Judiciary	27,634	16,328	0	537,763
Human Services	34,235	33,391	0	5,591,795
Labor	8,348	4,949	0	4,225,117
Accounting & General Services - Non Central Service Only	0	0	381,512	5,289,685
Information Comm Services Div - Non Central Service Only	0	0	668,398	3,150,022
Budget & Finance - Non Central Service Only	0	0	0	2,656,979
Commerce & Consumer Affairs	5,434	1,336	0	2,429,047
Public Safety - Non Central Service Only	34,959	69,970	85,782	2,847,934
Legislature	265	1,336	0	4,493,445
Hawaii Affairs	0	(481)	0	16,666
Honolulu County	234,491	570,915	0	1,075,464
Maui County	51,266	133,933	0	228,140
Hawaii County	57,426	92,636	0	231,366
Kauai County	28,729	46,677	0	108,098
Health Systems Corporation	0	85,346	(379,184)	2,092,136
All Others	97,531	8,331,410	268,092	10,518,410
<b>SUMMARY TOTAL</b>	<b>3,175,700</b>	<b>10,070,573</b>	<b>4,215,346</b>	<b>83,292,614</b>