

BENJAMIN J. CAYETANO  
GOVERNOR



NEAL MIYAHIRA  
DIRECTOR  
  
STANLEY SHIRAKI  
ACTING DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM  
HAWAII PUBLIC EMPLOYEES HEALTH 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 14, 2001

FINANCE MEMORANDUM

MEMO NO. 01-16

TO: All Department Heads

FROM: Neal Miyahira  
Director of Finance

SUBJECT: Negotiation Agreement Approving Central Service Costs and Fringe Benefit Rates for FY 01

Attached is a copy of the negotiation agreement between the State of Hawaii and the U.S. Department of Health and Human Services (DHHS) on behalf of the federal government approving central costs and fringe benefit rates for the fiscal year ending June 30, 2001.

Although FY 01 is already completed, the negotiation agreement is being transmitted to you for your information and records.

Please note that the central service 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. 00-32 dated November 17, 2000, the fringe benefit rate for FY 01 consisted of the following items:

<u>Item</u>	<u>Rate</u>
Pension Accumulation	.00%
Pension Administration	.07%
Retiree Health Insurance	5.49%
Employees' Health Fund	7.18%
Workers' Compensation	1.47%
Unemployment Compensation	1.54%
Social Security/Medicare	<u>7.65%</u>
Composite Rate	23.40%

Should you have any questions or require further information, please contact me, or your staff may contact Mr. James Nakamura, 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 31, 2001  
FILING REF.: The preced-  
ing agreement was dated:  
9/8/00 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, 2001 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  
\*Telephone  
Car Pool Motor Vehicles  
\*Data Processing

\*See special remarks

STATE/LOCALITY: State of Hawaii

AGREEMENT DATE: August 31, 2001

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SECTION III: SPECIAL REMARKS

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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>7/1/00 - 6/30/01</u>
Pension Accumulation	0.00%
Pension Administration	0.07%
Retiree Health Insurance	5.49%

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 31, 2001

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)

(NAME)  
Director of Finance

(TITLE) SEP 14 2001

(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 31, 2001

(DATE)

HHS Representative Jean Chui

Telephone (415) 437-7820

STATE OF HAWAII  
SUMMARY OF CALCULATION OF  
FIXED COSTS FOR 2001

Exhibit A  
Page 1 of 3

	Bldg Use Charge	Risk Mgmt	Central Services	Surplus Property	Communi- cations	Lease Mgmt	Records Mgmt
AGRICULTURE (A)	29,355	31,831	213,541	12,896	-9,574	4,003	568
BUSINESS & ECON DEV (B)	325,427	59,719	178,736	2,697	-76,332	1,344,649	38,734
LAND & NAT RESOURCES (C)	123,238	125,491	528,918	23,308	52,434	46,546	10,049
TRANSPORTATION (D)	7,789	790,116	-14,122	33,454	-26,570	18,578	948
EDUCATION (E)	33,568	2,071,012	763,704	218,320	-75,817	-206,150	82,562
UNIVERSITY OF HAWAII (F)	10,761	1,053,522	107,220	111,545	277,307	35,449	28,026
DEFENSE (G)	1,076	31,388	6,169	3,287	21,128	-18,785	864
HEALTH (H)	254,290	184,652	2,473,200	47,868	-103,533	-1,155,649	48,329
HAWAII HOME LAND (I)	2,416	-39	106,437	7,751	16,612	-471,758	2,883
JUDICIARY (J)	75,541	-54,811	434,012	-2,358	-9,082	-167,206	6,364
HUMAN SERVICES (K)	203,971	65,719	1,233,044	4,465	104,806	200,335	104,246
LABOR (L)	337,501	33,457	641,364	0	779	30,579	99,335
INFORM COMM SVCS DIV (ICSD)	63,536	9,293	-2,985	0	0	-418,431	0
ACCTG & GENL SVCS (M)	0	0	0	0	0	0	0
ATTY GEN SERVICES (N)	123,246	27,666	455,137	0	-26,916	300,513	23,652
BUDGET (O)	-31,543	4,918	119,619	0	-642,338	888,732	220,816
PUBLIC SAFETY (V1)	5,622	181,067	24,944	-837	42,568	-669,154	2,754
GOVERNOR (Q)	363,771	3,174	582,328	0	-28,268	188,635	-71
COMMERCE (R)	357,990	22,355	652,231	2,233	65,838	21,439	3,281
LT.GOVERNOR (S)	136,575	2,820	179,233	1,116	2,532	4,003	0
TAXATION (T)	137,600	16,606	707,412	0	5,446	0	40,812
LEGISLATURE (Y)	1,873,180	-10,989	2,563,152	0	-17,242	0	2,957
HAWAII AFFAIRS (Z)	0	-3,810	0	0	-8,478	0	0
HONOLULU COUNTY (U)	0	0	871	80,056	0	0	1
MAUI COUNTY (V)	0	0	0	33,579	0	0	88
HAWAII COUNTY (W)	0	0	0	3,287	0	0	317
KAUAI COUNTY (X)	0	0	0	2,233	0	0	236
RETIREMENT	0	439	2,308	0	0	-1,431	0
OTHER	-76,974	260,192	98,154	414,698	12,982	7,641,403	39
TOTAL	\$4,357,936	\$4,905,788	\$12,054,627	\$999,598	(\$421,718)	\$7,616,240	\$719,790

STATE OF HAWAII  
SUMMARY OF CALCULATION OF  
FIXED COSTS FOR 2001

Exhibit A  
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	Purchasing	Accounting	Pre-Audit	Internal Audit	Protective Services	Budget & Finance	Finance Admin
AGRICULTURE (A)	-37,713	92,437	13,948	11,185	49,589	190,646	4,606
BUSINESS & ECON DEV (B)	34,011	237,769	115,838	33,241	0	-78,387	47,798
LAND & NAT RESOURCES (C)	244,223	369,956	45,538	45,838	0	156,018	19,715
TRANSPORTATION (D)	138,011	680,478	121,752	88,780	0	291,016	41,190
EDUCATION (E)	15,363	362,626	748,206	1,112,937	393,202	514,696	5,731
UNIVERSITY OF HAWAII (F)	0	-10,679	274,230	39,893	0	239,404	-128
DEFENSE (G)	1,729	38,650	15,352	5,866	136,796	112,057	8,052
HEALTH (H)	96,301	530,971	211,207	52,441	1,126,869	451,005	60,622
HAWAII HOME LAND (I)	52,702	92,086	7,823	11,220	0	75,326	3,113
JUDICIARY (J)	9,941	254,011	110,851	-220,936	0	0	54,751
HUMAN SERVICES (K)	190,790	926,463	31,025	187,593	0	357,217	197,390
LABOR (L)	7,255	184,518	186,066	22,268	0	161,271	468,082
INFORM COMM SVCS DIV (ICSD)	0	0	0	0	0	-1,251,162	0
ACCTG & GENL SVCS (M)	0	0	0	0	0	0	0
ATTY GEN SERVICES (N)	16,407	90,540	23,636	11,561	0	92,378	6,605
BUDGET (O)	-20,497	77,698	302,649	98,979	34,200	2,822,427	140,090
PUBLIC SAFETY (V1)	-38,921	258,514	29,894	30,872	0	305,812	-3,630
GOVERNOR (Q)	-13,769	6,593	2,530	704	752,386	3,470	872
COMMERCE (R)	22,670	96,608	17,729	8,261	0	130,605	6,037
LT.GOVERNOR (S)	-5,363	16,489	15,899	2,105	0	73,581	10,928
TAXATION (T)	3,535	79,392	191,489	7,158	0	142,519	515,958
LEGISLATURE (Y)	11,469	7,906	9,272	211,773	0	0	677
HAWAII AFFAIRS (Z)	901	33,929	16,754	-218	0	0	3,343
HONOLULU COUNTY (U)	0	-30	-21	-11	0	0	4
MAUI COUNTY (V)	0	32	31,367	4	0	0	15,409
HAWAII COUNTY (W)	0	-98	-38	-33	0	0	2
KAUAI COUNTY (X)	0	98	27	15	0	0	29
RETIREMENT	0	0	-88,688	0	0	565,496	-13,645
OTHER	5,256	3,011	-6,613	-3,158	0	0	-1,017
TOTAL	\$734,201	\$4,429,968	\$2,428,612	1,758,338	\$2,493,132	\$5,355,395	\$1,582,584

STATE OF HAWAII  
SUMMARY OF CALCULATION OF  
FIXED COSTS FOR 2001

Exhibit A  
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	Health Fund Admin	Human Rscs Developmt	Governorr	Disability Compens	Total
AGRICULTURE (A)	5,757	99,608	1,476	3,628	\$717,787
BUSINESS & ECON DEV (B)	16,462	41,384	8,697	845	\$2,331,288
LAND & NAT RESOURCES (C)	13,660	185,895	4,644	9,682	\$2,005,153
TRANSPORTATION (D)	46,103	662,178	15,375	35,882	\$2,930,958
EDUCATION (E)	334,312	1,813,849	105,062	105,476	\$8,398,749
UNIVERSITY OF HAWAII (F)	106,876	495,988	23,509	39,660	\$2,832,583
DEFENSE (G)	4,219	45,932	1,232	2,215	\$417,227
HEALTH (H)	108,933	1,747,425	31,973	65,573	\$6,232,477
HAWAII HOME LAND (I)	2,319	21,093	751	267	(\$68,998)
JUDICIARY (J)	-29,934	0	-26,593	5,438	\$463,022
HUMAN SERVICES (K)	29,649	631,045	5,868	6,774	\$4,480,400
LABOR (L)	13,235	210,318	3,250	1,402	\$2,391,570
INFORM COMM SVCS DIV (ICSD)	0	0	0	0	(\$1,599,749)
ACCTG & GENL SVCS (M)	0	0	0	0	\$0
ATTY GEN SERVICES (N)	11,149	93,748	3,683	641	\$1,253,646
BUDGET (O)	487	105,863	-1,902	547	\$4,120,745
PUBLIC SAFETY (V1)	42,269	583,590	14,820	6,840	\$817,024
GOVERNOR (Q)	1,255	585	-492	331	\$1,864,034
COMMERCE (R)	7,596	68,553	2,569	1,005	\$1,486,900
LT.GOVERNOR (S)	649	879	28	501	\$441,975
TAXATION (T)	6,215	99,175	1,500	1,326	\$1,956,143
LEGISLATURE (Y)	71,111	0	-5,448	347	\$4,718,165
HAWAII AFFAIRS (Z)	-1,982	0	-1,502	-562	\$38,375
HONOLULU COUNTY (U)	25,393	0	3,870	206,368	\$316,501
MAUI COUNTY (V)	11,339	0	3,145	32,998	\$127,961
HAWAII COUNTY (W)	16,640	0	7,451	45,854	\$73,382
KAUAI COUNTY (X)	3,077	0	534	10,471	\$16,720
RETIREMENT	313,932	0	0	0	\$778,411
OTHER	0	0	0	5,850,173	\$14,198,146
<b>TOTAL</b>	<b>\$1,160,721</b>	<b>\$0,907,108</b>	<b>\$203,500</b>	<b>\$6,433,682</b>	<b>\$63,740,595</b>