

BENJAMIN J. CAYETANO
GOVERNOR



STANLEY SHIRAKI
DIRECTOR

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STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE

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HONOLULU, HAWAII 96810-0150

EMPLOYEES' RETIREMENT SYSTEM
HAWAII PUBLIC EMPLOYEES HEALTH FUND
OFFICE OF THE PUBLIC DEFENDER
PUBLIC UTILITIES COMMISSION

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

July 3, 2002

FINANCE MEMORANDUM

MEMO NO. 02-08

TO: All Department Heads

FROM: Stanley Shiraki
Director of Finance

SUBJECT: Negotiation Agreement Approving Central Services Costs and Fringe
Benefit Rates for FY 02

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 services costs and fringe benefit rates for the fiscal year ending June 30, 2002.

Although FY 02 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. 01-12 dated July 5, 2001 the fringe benefit rate for FY 02 consisted of the following items:

<u>Item</u>	<u>Rate</u>
Pension Accumulation	.00%
Pension Administration	.03%
Retiree Health Insurance	5.69%
Employees' Health Fund	7.12%
Workers' Compensation	.20%
Unemployment Compensation	.50%
Social Security/Medicare	<u>7.65%</u>
Composite Rate	21.19%

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 26, 2002
FILING REF.: The preced-
ing agreement was dated:
8/31/01 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, 2002 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
- *Telephone
- Car Pool Motor Vehicles
- *Data Processing

*See special remarks

STATE/LOCALITY: State of Hawaii

AGREEMENT DATE: June 26, 2002

SECTION III: SPECIAL REMARKS

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>7/1/01 - 6/30/02</u>
Pension Accumulation	0.00%
Pension Administration	0.03%
Retiree Health Insurance	5.69%

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 26, 2002

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)

Stanley Shiraki

(NAME)

Director of Finance

(TITLE)

July 3, 2002

(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)

June 26, 2002

(DATE)

HHS Representative Jean Chui

Telephone (415) 437-7820

STATE OF HAWAII
SUMMARY OF CALCULATION OF
FIXED COSTS FOR FY 2002

Exhibit A
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	Bldg Use Charge	Risk Mgmt	Central Services	Surplus Property	Communi- cations	Lease Mgmt	Records Mgmt
AGRICULTURE (A)	35,691	-35,085	570,305	6,487	34,082	2,718	670
BUSINESS & ECON DEV (B)	340,942	-22,702	254,292	209	121,549	1,027,380	65,139
LAND & NAT RESOURCES (C)	126,937	-103,051	1,070,815	71,671	111,610	33,534	10,851
TRANSPORTATION (D)	8,004	-1,064,024	403,079	11,930	0	-1,774	1,633
EDUCATION (E)	49,164	-1,898,048	2,343,150	209,581	94,087	-204,441	94,301
UNIVERSITY OF HAWAII (F)	9,960	-1,070,255	65,402	144,707	73,326	-35,656	41,041
DEFENSE (G)	4,660	-38,495	21,017	10,619	1,347	-16,086	961
HEALTH (H)	300,673	-446,331	3,432,128	98,666	395,885	-673,780	63,736
HAWAII HOME LAND (I)	-990	-12,375	-25,142	29,608	52,125	-474,308	2,796
JUDICIARY (J)	5,572	-97,625	211,965	0	-14,601	-167,267	9,326
HUMAN SERVICES (K)	149,018	-102,681	1,403,438	1,570	586,370	128,716	95,860
LABOR (L)	325,206	-39,832	710,477	0	50,576	18,723	130,699
INFORM COMM SVCS DIV (ICSD)	63,536	-11,849	950,896	0	0	148,785	0
ACCTG & GENL SVCS (M)	0	0	0	0	0	0	0
ATTY GEN SERVICES (N)	529,139	-25,020	910,735	0	71,749	75,653	29,597
BUDGET (O)	11,046	-13,506	70,074	0	-3,911	1,076,790	268,641
PUBLIC SAFETY (V1)	10,320	-179,675	142,125	1,149	205,019	-521,865	2,852
GOVERNOR (Q)	340,611	-2,801	573,630	-941	4,923	-182,990	439
COMMERCE (R)	344,277	-24,790	957,741	0	96,291	10,875	6,543
LT.GOVERNOR (S)	135,889	-2,637	189,399	4,185	16,993	181,988	0
TAXATION (T)	145,482	-16,878	799,739	1,517	76,126	0	30,706
LEGISLATURE (Y)	1,221,376	-20,350	2,580,050	-941	19,866	0	3,509
HAWAII AFFAIRS (Z)	0	-5,779	0	0	0	0	0
HONOLULU COUNTY (U)	0	0	0	54,338	0	0	144
MAUI COUNTY (V)	0	0	0	31,497	0	0	101
HAWAII COUNTY (W)	0	0	0	8,161	0	0	260
KAUAI COUNTY (X)	0	0	0	-1,883	0	0	114
RETIREMENT	0	-609	1,422	0	3,822	2,718	0
OTHER	93,402	0	920,372	454,922	13,304	8,824,842	38
TOTAL	\$4,249,915	(\$5,234,398)	\$18,557,109	\$1,137,052	\$2,010,538	\$9,254,555	\$859,957

STATE OF HAWAII
SUMMARY OF CALCULATION OF
FIXED COSTS FOR FY 2002

Exhibit A
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	<u>Purchasing</u>	<u>Accounting</u>	<u>Pre-Audit</u>	<u>Internal Audit</u>	<u>Protective Services</u>	<u>Budget & Finance</u>	<u>Finance Admin</u>
AGRICULTURE (A)	92,578	65,174	21,815	12,033	49,376	180,047	303
BUSINESS & ECON DEV (B)	-13,454	192,347	140,450	34,043	0	465,444	14,709
LAND & NAT RESOURCES (C)	254,776	259,943	63,499	44,582	0	150,666	644
TRANSPORTATION (D)	-6,356	261,142	157,648	45,309	0	181,040	550
EDUCATION (E)	21,849	240,351	1,049,255	1,002,919	391,603	308,064	431
UNIVERSITY OF HAWAII (F)	0	-24,294	403,805	55,304	0	190,549	-114
DEFENSE (G)	2,699	25,172	21,694	-141,733	136,210	138,288	-224
HEALTH (H)	212,802	170,491	281,012	67,592	1,122,028	384,478	-8,835
HAWAII HOME LAND (I)	-31,972	48,284	11,847	7,634	0	81,142	296
JUDICIARY (J)	29,952	137,526	147,928	110,759	0	0	-2,962
HUMAN SERVICES (K)	178,273	601,604	115,319	97,150	0	266,000	-188,831
LABOR (L)	16,078	146,777	244,539	22,886	0	121,029	-43,360
INFORM COMM SVCS DIV (ICSD)	0	0	0	0	0	0	0
ACCTG & GENL SVCS (M)	0	0	0	0	0	0	0
ALL Y GEN SERVICES (N)	30,407	86,393	36,409	13,742	0	143,095	-49
BUDGET (O)	5,602	73,809	231,414	143,004	34,053	3,983,480	3,736
PUBLIC SAFETY (V1)	-44,155	162,993	73,922	28,310	0	91,835	0
GOVERNOR (Q)	619	7,621	4,288	1,336	749,153	25,850	57
COMMERCE (R)	-9,394	44,670	23,108	8,951	0	175,782	-182
LT.GOVERNOR (S)	122,481	4,269	3,337	738	0	87,616	6
TAXATION (T)	-6,773	69,820	332,152	12,034	0	33,742	22,717
LEGISLATURE (Y)	718	2,629	12,960	277,731	0	0	-5
HAWAII AFFAIRS (Z)	4,244	39,603	19,951	6,941	0	0	1,129
HONOLULU COUNTY (U)	0	27	44	4	0	0	0
MAUI COUNTY (V)	0	99	57,937	18	0	0	2,378
HAWAII COUNTY (W)	0	4,586	30	816	0	0	1
KAUAI COUNTY (X)	0	548	63	98	0	0	13
RETIREMENT	0	0	0	0	0	257,027	0
OTHER	-37,466	-9,343	0	-19,601	0	0	0
TOTAL	\$823,508	\$2,612,241	\$3,454,426	1,832,600	\$2,482,423	\$7,273,174	(\$197,592)

STATE OF HAWAII
SUMMARY OF CALCULATION OF
FIXED COSTS FOR FY 2002

Exhibit A
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	Health Fund Admin	Human Rscs Developmt	Governor	Disability Compens	Total
AGRICULTURE (A)	7,538	186,159	1,440	4,378	\$1,235,709
BUSINESS & ECON DEV (B)	16,823	406,903	6,776	1,342	\$3,052,192
LAND & NAT RESOURCES (C)	16,756	446,385	3,258	9,979	\$2,580,855
TRANSPORTATION (D)	58,545	1,605,366	13,124	39,960	\$1,715,176
EDUCATION (E)	482,830	3,093,253	116,814	181,968	\$7,577,131
UNIVERSITY OF HAWAII (F)	164,444	1,078,422	41,236	37,133	\$1,175,010
DEFENSE (G)	5,352	104,718	1,572	1,646	\$279,417
HEALTH (H)	154,378	3,466,995	32,303	79,078	\$9,133,299
HAWAII HOME LAND (I)	2,908	85,353	664	-282	(\$222,412)
JUDICIARY (J)	39,582	0	0	6,510	\$502,018
HUMAN SERVICES (K)	42,467	877,463	8,913	6,567	\$4,267,216
LABOR (L)	17,595	419,813	3,847	2,061	\$2,147,114
INFORM COMM SVCS DIV (ICSD)	0	0	0	0	\$1,151,368
ACCTG & GENL SVCS (M)	0	0	0	0	\$0
ATTY GEN SERVICES (N)	13,668	332,245	3,701	2,215	\$2,253,679
BUDGET (O)	6,528	112,483	1,424	572	\$6,005,239
PUBLIC SAFETY (V1)	54,343	1,657,164	8,704	29,091	\$1,722,132
GOVERNOR (Q)	1,807	36,393	546	368	\$1,560,909
COMMERCE (R)	8,689	226,434	2,391	826	\$1,872,212
LT.GOVERNOR (S)	1,752	16,969	440	88	\$763,513
TAXATION (T)	6,897	197,513	1,157	722	\$1,706,673
LEGISLATURE (Y)	7,798	0	0	870	\$4,106,211
HAWAII AFFAIRS (Z)	2,768	0	829	796	\$70,482
HONOLULU COUNTY (U)	309,740	0	116,917	209,756	\$690,970
MAUI COUNTY (V)	64,683	0	22,315	28,769	\$207,797
HAWAII COUNTY (W)	72,018	0	24,062	46,423	\$156,357
KAUAI COUNTY (X)	35,161	0	13,463	16,279	\$63,856
RETIREMENT	501,720	0	0	0	\$766,100
OTHER	18,765	0	7,901	7,254,668	\$17,521,804
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TOTAL	\$2,115,555	\$14,350,031	\$433,797	\$7,961,783	\$74,062,027