

LINDA LINGLE  
GOVERNOR



GEORGINA K. KAWAMURA  
DIRECTOR

STANLEY SHRAKI  
ACTING 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

October 23, 2003

FINANCE MEMORANDUM

MEMO NO. 03-12

TO: All Department Heads

FROM: Georgina K. Kawamura  
Director of Finance

SUBJECT: Negotiation Agreement Approving Central Services Costs and Fringe  
Benefit Rates for FY 03

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, 2003.

Although FY 03 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. 02-07 dated July 3, 2002, the fringe benefit rate for FY 03 consisted of the following items:

<u>Item</u>	<u>Rate</u>
Pension Accumulation	8.87%
Pension Administration	.01%
Retiree Health Insurance	7.20%
Employees' Health Fund	8.28%
Workers' Compensation	.21%
Unemployment Compensation	.00%
Social Security	6.20%
Medicare	<u>1.45%</u>
Composite Rate	32.22%

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: September 29, 2003  
FILING REF.: The preceding agreement was dated:  
6/26/02 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, 2003 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: September 29, 2003

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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>7/1/02 - 6/30/03</u>
Pension Accumulation	8.87%
Pension Administration	0.01%
Retiree Health Insurance	7.20%

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: September 29, 2003

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)  
October 23, 2003  
(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)  
September 29, 2003  
(DATE)  
HHS Representative Jean Chui  
Telephone (415) 437-7820

	Bldg Use Charge	Risk Mgmt	Central Services	Surplus Property	Communi-cations	Lease Mgmt	Records Mgmt
AGRICULTURE (A)	37,666	(33,681)	412,803	8,790	(34,958)	2,077	558
BUSINESS & ECON DEV (B), including Housing & Community Devel	341,244	(41,046)	500,522	26,787	(64,595)	401,602	33,669
LAND & NAT RESOURCES (C)	133,384	(111,832)	828,129	29,160	(53,550)	14,857	(944)
TRANSPORTATION (D)	9,577	(888,363)	1,326,560	(9,631)	0	(3,993)	694
EDUCATION (E), including State Library	54,691	(2,019,266)	1,888,085	74,908	(65,305)	15,817	54,246
UNIVERSITY OF HAWAII (F), including RCUH	11,313	(1,080,262)	(8,989)	87,754	(165,377)	(35,541)	21,484
DEFENSE (G)	4,660	(35,221)	11,997	6,837	(9,317)	6,231	468
HEALTH (H), excluding hospitals	304,709	(327,369)	987,840	24,134	(105,963)	277,737	51,557
HAWAII HEALTH SYSTEMS CORPORTATION (HHSC)	0	1,185	248	0	0	0	0
HAWAII HOME LAND (I)	(783)	(6,133)	(129,357)	6,419	(4,593)	15,817	2,372
JUDICIARY (J)	15,740	(24,736)	(77,842)	0	(3,613)	0	(2,112)
HUMAN SERVICES (K)	178,166	(87,482)	894,312	(837)	(198,021)	97,791	58,412
LABOR (L)	332,052	(38,190)	827,725	907	(36,905)	21,412	99,969
INFORM COMM SVCS DIV (ICSD)	71,800	(10,797)	1,135,650	0	0	(120,455)	0
ACCTG & GENL SVCS (M)	212,624	2,322	878,052	0	(2,750)	118,734	0
ATTY GEN SERVICES (N)	529,264	(27,445)	705,072	1,814	(76,833)	(65,494)	26,290
BUDGET (O)	2,447	(1,806)	15,857	0	(12,795)	7,670	0
PUBLIC SAFETY (V1)	0	(182,192)	179,605	3,207	(37,559)	(10,606)	4,260
GOVERNOR (Q)	341,463	(3,560)	534,159	0	(14,273)	(183,035)	309
COMMERCE (R)	343,617	(24,529)	587,518	(2,233)	(44,985)	5,591	5,874
LT. GOVERNOR (S)	135,870	(2,967)	176,745	698	(11,794)	133,773	0
TAXATION (T)	153,340	(17,406)	672,087	0	(33,183)	0	37,081
LEGISLATURE (Y)	1,221,275	(5,383)	2,165,084	0	(5,835)	0	3,529
HAWAII AFFAIRS (Z)	0	(1,267)	0	0	0	0	0
HONOLULU COUNTY (U)	0	0	(871)	(11,866)	0	0	(1)
MAUI COUNTY (V)	0	0	0	11,439	0	0	(17)
HAWAII COUNTY (W)	0	0	0	5,023	0	0	7
KAUAI COUNTY (X)	0	0	0	5,023	0	0	(78)
RETIREMENT	745	(533)	2,442	0	0	2,083	0
OTHER	133,404	(129,970)	4,281,022	43,921	(18,068)	7,463,417	(37)
<b>TOTAL</b>	<b>\$4,568,268</b>	<b>(\$5,097,729)</b>	<b>\$18,794,455</b>	<b>\$312,254</b>	<b>(\$1,000,272)</b>	<b>\$8,165,485</b>	<b>\$397,590</b>

STATE OF HAWAII  
FIXED COSTS FOR FY 2003

Exhibit A  
Page 2 of 3

	Purchasing	Accounting	Pre-Audit	Internal Audit	Protective Services	Budget & Finance	Finance Admin
AGRICULTURE (A)	19,728	38,961	9,175	12,248	51,300	149,186	99
BUSINESS & ECON DEV (B), including Housing & Community Devel	(8,226)	64,723	49,009	30,188	0	703,759	(2,946)
LAND & NAT RESOURCES (C)	202,278	143,674	29,012	44,529	0	108,709	(860)
TRANSPORTATION (D)	(32,925)	58,033	62,184	54,611	0	63,002	(3,451)
EDUCATION (E), including State Library	112,000	105,900	292,300	(04,070)	406,662	303,570	(701)
UNIVERSITY OF HAWAII (F), including RCUH	0	20,164	106,431	(18,062)	0	88,199	14
DEFENSE (G)	463	18,508	12,214	7,107	141,518	82,449	(226)
HEALTH (H), excluding hospitals	337,264	92,237	96,109	35,922	1,165,744	747,789	(10,769)
HAWAII HEALTH SYSTEMS CORPORTATION (HHSC)	14,530	0	0	0	0	0	0
HAWAII HOME LAND (I)	58,306	15,323	5,115	7,814	0	59,293	(36)
JUDICIARY (J)	5,100	53,362	59,340	684,612	0	0	(7,131)
HUMAN SERVICES (K)	(14,213)	324,525	206,903	57,526	0	242,365	24,289
LABOR (L)	89,845	93,425	123,168	31,174	0	54,719	(99,014)
INFORM COMM SVCS DIV (ICSD)	0	3,817	0	759	0	0	0
ACCTG & GENL SVCS (M)	0	113,899	0	22,636	33,606	0	0
ATTY GEN SERVICES (N)	30,650	21,342	13,201	10,980	0	133,472	(361)
BUDGET (O)	0	22,802	0	4,532	0	2,604,484	0
PUBLIC SAFETY (V1)	(4,062)	97,057	22,527	30,732	0	38,301	0
GOVERNOR (Q)	(1,369)	3,959	1,376	1,631	774,089	56,291	(84)
COMMERCE (R)	(53,863)	22,198	6,595	10,249	0	181,071	(882)
LT.GOVERNOR (S)	87	2,476	10,986	979	0	106,551	(1,024)
TAXATION (T)	27,819	70,012	279,130	17,087	0	99,707	(27,812)
LEGISLATURE (Y)	(3,191)	3,192	4,144	214,011	0	0	46
HAWAII AFFAIRS (Z)	(157)	14,001	4,775	3,879	0	0	(871)
HONOLULU COUNTY (U)	0	16	13	4	0	0	0
MAUI COUNTY (V)	0	30	26,627	6	0	0	(2,203)
HAWAII COUNTY (W)	0	12	101,150	6	0	0	(1)
KAUAI COUNTY (X)	0	(34)	(17)	(5)	0	0	(13)
RETIREMENT	0	323	0	64	0	53,413	0
OTHER	(5,256)	6,902	0	(3,254)	0	0	0
<b>TOTAL</b>	<b>\$774,871</b>	<b>\$1,490,919</b>	<b>\$1,521,555</b>	<b>\$1,177,895</b>	<b>\$2,573,119</b>	<b>\$5,876,330</b>	<b>(\$133,997)</b>

	Health Fd Admin	Human Rses Developmt	Governor	Disability Compens	TOTAL
AGRICULTURE (A)	772	107,883	(679)	3,935	785,863
BUSINESS & ECON DEV (B), including Housing & Community Devel	1,692	281,096	(1,102)	9,276	2,325,652
LAND & NAT RESOURCES (C)	2,574	274,883	(1,154)	8,438	1,651,287
TRANSPORTATION (D)	9,623	765,796	(3,381)	24,363	1,432,699
EDUCATION (E), including State Library	121,656	1,195,558	(6,570)	154,114	2,683,966
UNIVERSITY OF HAWAII (F), including RCUH	44,223	647,162	(1,470)	37,080	(245,877)
DEFENSE (G)	763	62,703	(381)	2,615	313,388
HEALTH (H), excluding hospitals	(39,508)	103,968	(34,532)	(31,001)	3,675,868
HAWAII HEALTH SYSTEMS CORPORATION (HHSC)	31,414	956,142	13,083	39,215	1,055,817
HAWAII HOME LAND (I)	425	55,899	(215)	221	85,887
JUDICIARY (J)	18,814	0	7,835	7,904	737,273
HUMAN SERVICES (K)	8,837	529,962	(2,267)	6,118	2,326,386
LABOR (L)	2,989	246,729	(1,050)	1,749	1,750,704
INFORM COMM SVCS DIV (ICSD)	0	0	0	0	1,080,774
ACCTG & GENL SVCS (M)	0	0	0	1,670	1,380,793
ATTY GEN SERVICES (N)	2,587	217,976	(645)	(1,725)	1,520,145
BUDGET (O)	0	0	0	0	2,043,391
PUBLIC SAFETY (V1)	9,953	1,057,398	(2,429)	23,948	1,230,140
GOVERNOR (Q)	207	26,037	(223)	72	1,537,049
COMMERCE (R)	370	136,092	(1,091)	210	1,171,802
LT.GOVERNOR (S)	462	(1,041)	76	(411)	551,466
TAXATION (T)	421	115,750	(881)	50	1,393,202
LEGISLATURE (Y)	(31,031)	6,512	1,571	379	3,574,303
HAWAII AFFAIRS (Z)	1,261	0	525	318	22,464
HONOLULU COUNTY (U)	71,803	0	7,725	157,231	224,054
MAUI COUNTY (V)	15,104	0	1,490	19,117	71,593
HAWAII COUNTY (W)	12,739	0	(414)	36,616	155,138
KAUAI COUNTY (X)	8,168	0	907	13,506	27,457
RETIREMENT	276,173	0	129,638	0	464,348
OTHER	46,575	0	19,397	5,419,902	17,257,955
<b>TOTAL</b>	<b>\$619,066</b>	<b>\$6,786,505</b>	<b>\$123,763</b>	<b>\$5,934,910</b>	<b><u>\$52,884,987</u></b>