

LINDA LINGLE
GOVERNOR



GEORGINA K. KAWAMURA
DIRECTOR

STANLEY SHIRAKI
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

August 7, 2006

FINANCE MEMORANDUM

MEMO NO. 06-08

TO: All Department Heads

FROM: Georgina K. Kawamura
Director of Finance

SUBJECT: Negotiation Agreement Approving Central Services Costs and Fringe Benefit Rates for FY 05

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, 2005.

Although FY 05 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. 05-09 dated September 9, 2005, the fringe benefit rate for FY 05 consisted of the following items:

<u>Item</u>	<u>Rate</u>
Pension Accumulation	10.82%
Pension Administration	.02%
Retiree Health Insurance	6.59%
Employees' Health Fund	7.85%
Workers' Compensation	2.17%
Unemployment Compensation	1.36%
Social Security	6.20%
Medicare	<u>1.45%</u>
Composite Rate	36.46%

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: July 28, 2006
FILING REF.: The preced-
ing agreement was dated:
08/30/05 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, 2005 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: July 28, 2006

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>7/1/04 - 6/30/05</u>
Pension Accumulation	10.82%
Pension Administration	0.02%
Retiree Health Insurance	6.59%

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: July 28, 2006

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.

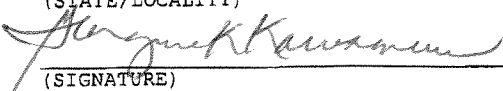
C. FIXED AMOUNTS: If fixed amounts are approved in Section I of this Agreement, they are based on an estimate of the costs for the period covered by the Agreement. When the actual costs for this period are determined, adjustments will be made to the amounts of a future year to compensate for the difference 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)



Georgina K. Kawamura
(NAME)

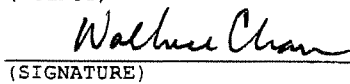
Director of Finance
(TITLE)

AUG -7 2006
(DATE)

(DATE)

BY THE COGNIZANT AGENCY

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



Wallace Chan
(NAME)

Director, Division of Cost Allocation
(TITLE)

July 28, 2006
(DATE)

(DATE)

HHS Representative Jean Chui

Telephone (415) 437-7820

STATE OF HAWAII
SUMMARY OF CALCULATION OF
FIXED COSTS FOR FY 2005

Exhibit A
Page 1 of 3

	Bldg Use Charge	Risk Mgmt	Central Services	Surplus Property	Communi- cations	Lease Mgmt	Records Mgmt
AGRICULTURE (A)	25,607	(456)	371,227	3,845	(12,616)	(2,397)	719
BUSINESS & ECON DEV (B)	360,217	(984)	550,289	132	(25,779)	471,965	29,459
LAND & NAT RESOURCES (C)	159,254	(1,205)	886,688	70,454	(29,144)	48,481	26,856
TRANSPORTATION (D)	6,882	(6,151)	(2,685)	32,354	0	9,696	1,154
EDUCATION (E), including State Library	214,585	(26,550)	1,551,640	142,000	(33,064)	45,975	114,311
UNIVERSITY OF HAWAII (F), including RCUH	7,714	(10,904)	54,678	122,126	(14,967)	0	25,071
DEFENSE (G)	3,827	(431)	5,093	9,287	(2,557)	14,546	1,788
HEALTH (H), excluding hospitals	971,135	(1,717)	1,272,759	3,245	(107,610)	252,257	74,492
HAWAII HEALTH SYSTEMS CORPORATION (HHS)	0	(1,185)	1,250	0	0	0	0
HAWAII HOME LAND (I)	597	(297)	5,050	(2,678)	(9,354)	2,507	3,480
JUDICIARY (J)	160,361	(501)	173,516	0	0	0	23,846
HUMAN SERVICES (K)	726,936	(1,221)	1,011,545	3,716	(114,357)	283,480	114,335
LABOR (L)	741,162	(161)	651,529	(907)	(15,412)	58,124	109,107
INFORM COMM SVCS DIV (ICSD)	62,882	0	554,119	0	1,273,872	0	0
ACCTG & GENL SVCS (M) Non-Central Service	122,978	(694)	857,766	0	312,748	137,630	0
ATTY GEN SERVICES (N) Non-Central Service	333,735	(179)	762,388	(1,814)	(28,323)	(5,225)	52,321
BUDGET (O) Non-Central Service	57,251	0	66,803	0	0	31,485	0
PUBLIC SAFETY (V1) Non-Central Service	35,885	(3,393)	10,572	2,810	(42,360)	26,749	11,912
GOVERNOR (Q) Includes Central Service	305,238	(20)	471,376	0	(5,293)	(2,397)	399
COMMERCE (R)	280,085	(161)	(162,359)	0	(23,219)	12,150	14,195
LT.GOVERNOR (S)	116,638	(23)	160,444	(907)	(8,377)	56,427	197
TAXATION (T)	263,260	(103)	699,425	0	(18,406)	0	33,937
LEGISLATURE (Y)	1,301,756	(122)	1,595,088	0	(3,654)	0	1,004
HAWAII AFFAIRS (Z)	0	(41)	0	0	0	0	0
HONOLULU COUNTY (U)	0	0	0	12,314	0	0	2
MAUI COUNTY (V)	0	0	0	(5,267)	0	0	165
HAWAII COUNTY (W)	0	0	0	1,902	0	0	1,556
KAUAI COUNTY (X)	0	0	0	(3,628)	0	0	601
RETIREMENT	549	0	4,848	0	0	4,849	0
Housing and Community Development	0	0	0	(6,348)	0	0	0
OTHER	2,274,085	0	2,209,317	217,934	(47)	20,031,971	0
TOTAL	\$8,532,619	(\$56,499)	\$13,762,366	\$600,570	\$1,092,081	\$21,478,273	\$640,907

STATE OF HAWAII
SUMMARY OF CALCULATION OF
FIXED COSTS FOR FY 2005

Exhibit A
Page 2 of 3

	Purchasing	Accounting	Pre-Audit	Internal Audit	Protective Services	Budget & Finance	Finance Admin
AGRICULTURE (A)	131,334	66,049	22,613	29,037	71,399	176,062	3,724
BUSINESS & ECON DEV (B)	2,057	123,760	96,195	50,651	0	445,167	19,610
LAND & NAT RESOURCES (C)	292,886	231,122	59,936	104,732	0	220,076	10,690
TRANSPORTATION (D)	24,895	272,685	138,678	116,477	0	239,330	20,554
EDUCATION (E), including State Library	52,805	297,339	789,630	1,278,361	566,254	407,138	2,699
UNIVERSITY OF HAWAII (F), including RCUH	0	29,710	296,675	77,050	0	154,052	429
DEFENSE (G)	1,676	31,681	25,983	12,568	196,958	99,035	5,012
HEALTH (H), excluding hospitals	169,062	362,557	266,374	162,821	1,622,443	708,816	27,526
HAWAII HEALTH SYSTEMS CORPORATION (HHS)	130,010	0	0	0	0	0	0
HAWAII HOME LAND (I)	114,262	59,018	13,485	24,772	0	71,084	2,497
JUDICIARY (J)	12,568	145,834	138,690	(266,702)	0	0	23,746
HUMAN SERVICES (K)	(53,386)	480,181	159,212	230,254	0	312,681	12,560
LABOR (L)	15,422	107,857	426,260	49,196	0	109,112	300,370
INFORM COMM SVCS DIV (ICSD)	0	4,655	0	2,121	0	0	0
ACCTG & GENL SVCS (M) Non-Central Service	0	202,125	0	151,394	46,779	0	0
ATTY GEN SERVICES (N) Non-Central Service	(27,973)	46,899	32,033	19,684	0	142,543	4,259
BUDGET (O) Non-Central Service	0	31,510	0	13,932	0	1,435,514	0
PUBLIC SAFETY (V1) Non-Central Service	76,546	139,409	50,364	65,809	0	143,047	0
GOVERNOR (Q) Includes Central Service	8,758	6,505	4,237	2,557	1,083,223	42,188	721
COMMERCE (R)	72,481	61,831	22,385	26,360	0	187,063	3,436
LT.GOVERNOR (S)	(87)	7,433	38,185	3,479	0	88,162	8,725
TAXATION (T)	22,452	82,964	399,996	38,202	0	121,040	339,685
LEGISLATURE (Y)	2,755	4,628	9,858	236,048	0	0	487
HAWAII AFFAIRS (Z)	450	30,890	(3,133)	13,236	0	0	(1,236)
HONOLULU COUNTY (U)	0	40	6	17	0	0	2
MAUI COUNTY (V)	0	17	56,343	9	0	0	13,393
HAWAII COUNTY (W)	0	156	(50,507)	58	0	0	16
KAUAI COUNTY (X)	0	121	17	42	0	0	7
RETIREMENT	0	431	0	192	0	315,366	0
Housing and Community Development	12,152	0	0	0	0	0	0
OTHER	0	9,001	10,040	3,964	0	0	2,348
TOTAL	\$1,061,125	\$2,836,408	\$3,003,555	\$2,446,321	\$3,587,056	\$5,417,476	\$801,260

STATE OF HAWAII
SUMMARY OF CALCULATION OF
FIXED COSTS FOR FY 2005

Exhibit A
Page 3 of 3

	Health Fd Admin	Human Rscs Developmt	Governor	Disability Compens	TOTAL
AGRICULTURE (A)	5,443	176,640	2,879	2,264	1,073,373
BUSINESS & ECON DEV (BI)	10,751	220,231	5,658	(210)	2,359,169
LAND & NAT RESOURCES (C)	11,826	340,276	6,296	10,146	2,449,370
TRANSPORTATION (D)	41,191	1,441,932	21,880	36,500	2,395,372
EDUCATION (E), including State Library	413,733	2,833,902	217,180	117,614	8,985,552
UNIVERSITY OF HAWAII (F), including RCUH	144,432	1,014,273	75,858	63,103	2,039,300
DEFENSE (G)	3,736	83,361	1,987	1,026	494,576
HEALTH (H), excluding hospitals	53,681	1,581,675	28,432	28,816	7,476,764
HAWAII HEALTH SYSTEMS CORPORTATION (HHS)	65,536	2,083,742	34,065	37,963	2,351,381
HAWAII HOME LAND (I)	2,126	29,787	1,129	88	317,553
JUDICIARY (J)	31,464	0	16,617	4,922	464,361
HUMAN SERVICES (K)	36,936	1,218,973	19,489	14,320	4,455,654
LABOR (L)	13,466	412,279	7,124	1,582	2,986,110
INFORM COMM SVCS DIV (ICSD)	0	0	0	0	1,897,649
ACCTG & GENL SVCS (M) Non-Central Service	0	0	0	(1,670)	1,829,056
ATTY GEN SERVICES (N) Non-Central Service	10,340	216,451	5,473	1,297	1,563,909
BUDGET (O) Non-Central Service	0	0	0	0	1,636,495
PUBLIC SAFETY (V1) Non-Central Service	42,584	1,303,697	22,405	32,248	1,918,284
GOVERNOR (Q) Includes Central Service	1,019	(12,403)	443	651	1,907,202
COMMERCE (R)	6,085	78,949	3,227	253	582,761
LT.GOVERNOR (S)	708	0	383	324	471,711
TAXATION (T)	4,915	179,707	2,621	1,793	2,171,488
LEGISLATURE (Y)	6,272	11,764	3,313	171	3,169,368
HAWAII AFFAIRS (Z)	2,047	0	1,085	(156)	43,142
HONOLULU COUNTY (U)	146,717	0	78,404	152,882	390,384
MAUI COUNTY (V)	38,204	0	20,089	60,966	183,919
HAWAII COUNTY (W)	38,513	0	20,347	46,094	58,135
KAUAI COUNTY (X)	19,410	0	10,235	12,496	39,301
RETIREMENT	684,896	0	(129,638)	0	881,493
Housing and Community Development	0	0	0	2,416	8,220
OTHER	(29,617)	0	(11,149)	5,780,899	30,498,746
<hr/>					0
TOTAL	\$1,806,414	\$13,215,236	\$465,832	\$6,408,798	87,099,798