

LINDA LINGLE  
GOVERNOR



GEORGINA K. KAWAMURA  
DIRECTOR

ROBERT N. E. PIPER  
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

April 8, 2008

FINANCE MEMORANDUM

MEMO NO. 08-06

TO: All Department Heads

FROM: Georgina K. Kawamura  
Director of Finance

SUBJECT: Negotiation Agreement Approving Central Services Costs and Fringe Benefit Rates for FY 07

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, 2007.

Although FY 07 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. 08-05, dated March 20, 2008, the fringe benefit rate for FY 07 consisted of the following items:

<u>Item</u>	<u>Rate</u>
Pension Accumulation	13.75%
Pension Administration	.00%
Retiree Health Insurance	8.86%
Employees' Health Fund	8.21%
Workers' Compensation	1.80%
Unemployment Compensation	.39%
Social Security	6.20%
Medicare	<u>1.45%</u>
Composite Rate	40.66%

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: March 28, 2008  
FILING REF.: The preced-  
ing agreement was dated:  
05/24/07 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, 2007 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
- Car Pool Motor Vehicles
- \*Data Processing

\*See special remarks

STATE/LOCALITY: State of Hawaii

AGREEMENT DATE: March 28, 2008

SECTION III: SPECIAL REMARKS

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>7/1/06 - 6/30/07</u>
Pension Accumulation	13.75%
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: March 28, 2008

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  
(SIGNATURE)  
Director of Finance  
(NAME)  
April 8, 2008  
(TITLE)  
(DATE)

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

Wallace Chan  
(SIGNATURE)  
Director, Division of Cost Allocation  
(NAME)  
March 28, 2008  
(TITLE)  
(DATE)  
HHS Representative Naomi Tamashiro  
Telephone (415) 437-7820

STATE OF HAWAII  
SUMMARY OF CALCULATION OF  
FIXED COSTS FOR FY 2007

Exhibit A  
Page 1 of 5

	Bldg Use Charge	Risk Mgmt	Central Services	Surplus Property
AGRICULTURE (A)	36,185	2,533	(180,107)	7,833
BUSINESS & ECON DEV (B)	348,747	2,084	197,007	(1,199)
LAND & NAT RESOURCES (C)	216,798	5,572	397,071	119,716
TRANSPORTATION (D)	506,871	18,817	337,130	33,731
EDUCATION (E), including State Library	297,571	47,665	684,267	293,352
UNIVERSITY OF HAWAII (F), including RCUH	8,602	13,453	33,270	216,396
DEFENSE (G)	3,350	1,985	12,646	13,731
HEALTH (H), excluding hospitals	1,176,776	27,122	2,230,767	80,731
HAWAII HEALTH SYSTEMS CORPORATION (HHSC)	0	28,492	1,401	0
HAWAII HOME LAND (I)	703	1,088	683	(1,382)
JUDICIARY (J)	131,860	0	298,669	0
HUMAN SERVICES (K), including Housing and Community Development	1,285,376	19,930	1,170,275	26,725
LABOR (L)	789,443	5,489	497,464	0
INFORM COMM SVCS DIV (ICSD)-Non Central Service Only	197,639	44,598	414,973	0
ACCTG & GENL SVCS (M)-Non Central Service Only	132,635	101,423	329,199	0
ATTY GEN SERVICES (N) Non Central Service Only	625,224	5,199	719,143	4,423
BUDGET (O)- Non Central Service Only	31,904	0	33,608	0
PUBLIC SAFETY-Non Central Services	44,699	18,444	290,609	17,877
GOVERNOR (Q)-Both Central and Non Central Service	329,118	474	93,407	0
COMMERCE (R)	237,522	3,056	(879,914)	0
LT.GOVERNOR (S)	101,240	133	74,672	(1,382)
TAXATION (T)	308,788	2,881	287,577	0
LEGISLATURE (Y)	1,369,438	0	1,108,099	0
HAWAII AFFAIRS (Z)	0	0	0	0
HONOLULU COUNTY (U)	0	0	0	36,495
MAUI COUNTY (V)	0	0	0	32,807
HAWAII COUNTY (W)	0	0	0	9,031
KAUAI COUNTY (X)	0	0	0	0
RETIREMENT	647	0	1,284	0
OTHER	(912,280)	0	(1,205,802)	355,667
<b>TOTAL</b>	<b>\$7,266,856</b>	<b>\$350,438</b>	<b>\$6,947,398</b>	<b>\$1,244,552</b>

STATE OF HAWAII  
SUMMARY OF CALCULATION OF  
FIXED COSTS FOR FY 2007

	Communi- cations	Lease Mgmt	Records Mgmt	Purchasing
AGRICULTURE (A)	0	0	335	25,073
BUSINESS & ECON DEV (B)	0	665,850	(20,176)	2,792
LAND & NAT RESOURCES (C)	0	5,186	(9,610)	84,739
TRANSPORTATION (D)	0	(3,103)	1,753	6,777
EDUCATION (E), including State Library	0	7	23,017	68,585
UNIVERSITY OF HAWAII (F), including RCUH	0	0	5,154	0
DEFENSE (G)	0	1,554	185	13,112
HEALTH (H), excluding hospitals	0	117,136	32,581	178,254
HAWAII HEALTH SYSTEMS CORPORATION (HHSC)	0	0	0	(25,788)
HAWAII HOME LAND (I)	0	1,037	978	(28,577)
JUDICIARY (J)	0	0	(13,193)	57,566
HUMAN SERVICES (K), including Housing and Community Development	0	16,615	91,089	146,194
LABOR (L)	0	1,563	84,105	31,393
INFORM COMM SVCS DIV (ICSD)-Non Central Service Only	(1,223,126)	0	0	0
ACCTG & GENL SVCS (M)-Non Central Service Only	(235,006)	128,238	0	9,060
ATTY GEN SERVICES (N) Non Central Service Only	0	4,149	71,434	(1,238)
BUDGET (O)- Non Central Service Only	0	(1,030)	0	0
PUBLIC SAFETY-Non Central Services	0	7,768	14,337	64,150
GOVERNOR (Q)--Both Central and Non Central Service	0	2,071	242	(3,911)
COMMERCE (R)	0	1,554	6,165	(27,636)
LT.GOVERNOR (S)	0	55,116	135	307
TAXATION (T)	0	0	47,142	6,917
LEGISLATURE (Y)	0	0	977	5,952
HAWAII AFFAIRS (Z)	0	0	593	487
HONOLULU COUNTY (U)	0	0	(2)	0
MAUI COUNTY (V)	0	0	(91)	0
HAWAII COUNTY (W)	0	0	(846)	0
KAUAI COUNTY (X)	0	0	(333)	0
RETIREMENT	0	29,769	0	0
OTHER	0	2,279,141	0	0
<b>TOTAL</b>	<b>(\$1,458,132)</b>	<b>\$3,312,621</b>	<b>\$335,971</b>	<b>\$614,208</b>

STATE OF HAWAII  
SUMMARY OF CALCULATION OF  
FIXED COSTS FOR FY 2007

Exhibit A  
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	Accounting	Pre-Audit	Internal Audit	Protective Services
AGRICULTURE (A)	19,213	2,533	7,015	(61,280)
BUSINESS & ECON DEV (B)	(38,514)	(54,059)	(1,515)	0
LAND & NAT RESOURCES (C)	111,645	17,720	67,764	0
TRANSPORTATION (D)	155,523	40,165	62,647	0
EDUCATION (E), including State Library	187,410	565,181	(271,185)	(486,007)
UNIVERSITY OF HAWAII (F), including RCUH	12,891	206,072	34,461	0
DEFENSE (G)	15,644	1,869	5,586	(169,046)
HEALTH (H), excluding hospitals	185,644	124,797	66,109	(1,392,516)
HAWAII HEALTH SYSTEMS CORPORATION (HHSC)	0	0	0	0
HAWAII HOME LAND (I)	31,920	3,739	11,353	0
JUDICIARY (J)	76,592	45,303	27,162	0
HUMAN SERVICES (K), including Housing and Community Development	262,707	143,355	94,851	0
LABOR (L)	4,541	19,174	20,230	0
INFORM COMM SVCS DIV (ICSD)-Non Central Service Only	(4,236)	0	(1,440)	0
ACCTG & GENL SVCS (M)-Non Central Service Only	120,212	0	71,793	(40,148)
ATTY GEN SERVICES (N) Non Central Service Only	36,775	12,793	12,999	0
BUDGET (O)- Non Central Service Only	(27,156)	0	(9,232)	0
PUBLIC SAFETY-Non Central Services	71,513	32,758	25,619	0
GOVERNOR (Q)--Both Central and Non Central Service	2,484	1,071	893	942,116
COMMERCE (R)	26,475	5,983	63,467	0
LT.GOVERNOR (S)	(3,280)	(24,155)	(1,091)	842,605
TAXATION (T)	9,506	239,704	29,181	0
LEGISLATURE (Y)	979	5,698	123,268	0
HAWAII AFFAIRS (Z)	24,475	14,220	8,627	0
HONOLULU COUNTY (U)	(8)	1	(4)	0
MAUI COUNTY (V)	40	7,726	15	0
HAWAII COUNTY (W)	235	56	81	0
KAUAI COUNTY (X)	(18)	148,161	(6)	0
RETIREMENT	(377)	0	(128)	0
OTHER	4,009	(10,040)	1,434	0
<b>TOTAL</b>	<b>\$1,286,844</b>	<b>\$1,549,825</b>	<b>\$449,954</b>	<b>(\$364,276)</b>



STATE OF HAWAII  
SUMMARY OF CALCULATION OF  
FIXED COSTS FOR FY 2007

Exhibit A  
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	Budget & Finance	Finance Admin	Health Fund Admin	Human Rscs Development
AGRICULTURE (A)	105,905	(1,008)	1,834	95,926
BUSINESS & ECON DEV (B)	213,934	(12,766)	(3,143)	5,213
LAND & NAT RESOURCES (C)	291,649	(729)	4,170	235,186
TRANSPORTATION (D)	171,262	(2,854)	13,976	679,634
EDUCATION (E), including State Library	572,434	(375)	164,194	62,418
UNIVERSITY OF HAWAII (F), including RCUH	30,504	80	56,998	462,738
DEFENSE (G)	48,011	(1,274)	1,702	116,951
HEALTH (H), excluding hospitals	410,189	(3,185)	23,004	1,243,247
HAWAII HEALTH SYSTEMS CORPORATION (HHSC)	0	0	23,989	1,187,798
HAWAII HOME LAND (I)	120,876	(147)	984	68,273
JUDICIARY (J)	0	(2,000)	12,739	0
HUMAN SERVICES (K), including Housing and Community Development	651,750	4,625	21,557	965,278
LABOR (L)	147,701	(99,371)	2,644	191,217
INFORM COMM SVCS DIV (ICSD)-Non Central Service Only	0	0	0	0
ACCTG & GENL SVCS (M)-Non Central Service Only	0	0	0	0
ATTY GEN SERVICES (N) Non Central Service Only	169,485	(282)	4,519	303,566
BUDGET (O)- Non Central Service Only	2,143,024	0	0	0
PUBLIC SAFETY-Non Central Services	96,066	0	14,134	663,841
GOVERNOR (Q)-Both Central and Non Central Service	37,397	(125)	284	44,503
COMMERCE (R)	(130,224)	(677)	2,856	196,633
LT.GOVERNOR (S)	(5,735)	(5,578)	(273)	6,313
TAXATION (T)	167,600	(71,588)	2,643	125,225
LEGISLATURE (Y)	0	(82)	2,234	(9,138)
HAWAII AFFAIRS (Z)	0	1,042	880	0
HONOLULU COUNTY (U)	0	0	161,810	0
MAUI COUNTY (V)	0	4,532	31,346	0
HAWAII COUNTY (W)	0	7	36,847	0
KAUAI COUNTY (X)	0	0	18,420	0
RETIREMENT	127,897	0	18,870	0
OTHER	0	(2,348)	13,183	0
<b>TOTAL</b>	<b>\$5,369,725</b>	<b>(\$194,103)</b>	<b>\$632,401</b>	<b>\$6,644,822</b>

STATE OF HAWAII  
SUMMARY OF CALCULATION OF  
FIXED COSTS FOR FY 2007

	Governor's Office	Disability Compensation	Total
AGRICULTURE (A)	1,741	6,385	\$70,116
BUSINESS & ECON DEV (B)	(801)	3,168	\$1,306,622
LAND & NAT RESOURCES (C)	3,943	17,635	\$1,568,455
TRANSPORTATION (D)	13,343	71,394	\$2,107,066
EDUCATION (E), including State Library	146,291	364,435	\$2,719,260
UNIVERSITY OF HAWAII (F), including RCUH	50,912	101,720	\$1,233,251
DEFENSE (G)	1,482	6,765	\$74,253
HEALTH (H), excluding hospitals	20,287	50,060	\$4,571,003
HAWAII HEALTH SYSTEMS CORPORATION (HHSC)	21,584	114,809	\$1,352,285
HAWAII HOME LAND (I)	852	1,427	\$213,807
JUDICIARY (J)	11,380	18,420	\$664,498
HUMAN SERVICES (K), including Housing and Community Development	17,460	34,068	\$4,951,855
LABOR (L)	3,132	6,487	\$1,705,212
INFORM COMM SVCS DIV (ICSD)-Non Central Service Only	0	0	(\$571,592)
ACCTG & GENL SVCS (M)-Non Central Service Only	0	0	\$617,406
ATTY GEN SERVICES (N) Non Central Service Only	3,959	6,219	\$1,978,367
BUDGET (O)- Non Central Service Only	0	0	\$2,171,118
PUBLIC SAFETY-Non Central Services	13,383	55,980	\$1,431,178
GOVERNOR (Q)-Both Central and Non Central Service	215	987	\$1,451,226
COMMERCE (R)	2,459	2,379	(\$489,902)
LT.GOVERNOR (S)	(83)	512	\$1,039,456
TAXATION (T)	2,212	1,649	\$1,159,437
LEGISLATURE (Y)	2,080	1,624	\$2,611,129
HAWAII AFFAIRS (Z)	775	755	\$51,854
HONOLULU COUNTY (U)	117,787	428,650	\$744,729
MAUI COUNTY (V)	23,629	86,244	\$186,248
HAWAII COUNTY (W)	27,182	94,515	\$167,108
KAUAI COUNTY (X)	13,589	42,512	\$222,325
RETIREMENT	0	0	\$177,962
OTHER	9,364	6,296,305	\$6,828,633
TOTAL	\$508,157	\$7,815,104	\$42,314,365