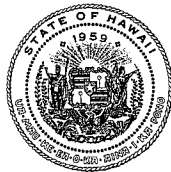


LINDA LINGLE
GOVERNOR



GEORGINA K. KAWAMURA
DIRECTOR

BARBARA A. ANNIS
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

July 17, 2009

FINANCE MEMORANDUM

MEMO NO. 09-10

TO: All Department Heads

FROM: Georgina K. Kawamura
Director of Finance

SUBJECT: Negotiation Agreement Approving Central Services Costs and Fringe Benefit Rates for FY 08

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, 2008.

Although FY 08 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. 09-08, dated July 7, 2009, the fringe benefit rate for FY 08 consisted of the following items:

<u>Item</u>	<u>Rate</u>
Pension Accumulation	13.75%
Pension Administration	.60%
Retiree Health Insurance	5.95%
Employees' Health Fund	7.02%
Workers' Compensation	1.46%
Unemployment Compensation	.61%
Social Security	6.20%
Medicare	<u>1.45%</u>
 Composite Rate	 37.04%

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 30, 2009
FILING REF.: The preced-
ing agreement was dated:
03/28/08 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, 2008 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
Car Pool Motor Vehicles
*Data Processing

*See special remarks

STATE/LOCALITY: State of Hawaii

AGREEMENT DATE: June 30, 2009

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>7/1/07 - 6/30/08</u>
Pension Accumulation	13.75%
Pension Administration	0.60%

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 30, 2009

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)

July 17, 2009
(DATE)

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



(SIGNATURE)

Wallace Chan
(NAME)

Director, Division of Cost Allocation
(TITLE)

June 30, 2009
(DATE)

HHS Representative Naomi Tamashiro
Telephone (415) 437-7820

STATE OF HAWAII
SUMMARY OF CALCULATION OF
FIXED COSTS FOR FY 2008

Exhibit A
Page 1 of 5

	Bldg Use Charge	Risk Mgmt	Central Services	Surplus Property
AGRICULTURE (A)	36,327	4,689	126,954	20,285
BUSINESS & ECON DEV (B)	348,918	3,874	435,460	725
LAND & NAT RESOURCES (C)	179,703	11,732	1,050,422	75,602
TRANSPORTATION (D)	257,312	34,763	955,709	19,701
EDUCATION (E), including State Library	222,677	95,376	1,217,408	158,237
UNIVERSITY OF HAWAII (F), including RCUH	8,602	24,350	6,536	103,570
DEFENSE (G)	3,350	3,790	8,898	10,212
HEALTH (H), excluding hospitals	909,489	50,656	2,560,649	5,754
HAWAII HEALTH SYSTEMS CORPORATION (HHSC)	0	57,352	2,961	(921)
HAWAII HOME LAND (I)	703	2,151	3,053	0
JUDICIARY (J)	131,860	0	322,047	0
HUMAN SERVICES (K), including Housing and Community Development	865,011	36,653	1,674,563	30,692
LABOR (L)	659,220	8,593	1,134,269	0
INFORM COMM SVCS DIV (ICSD)-Non Central Service Only	200,419	(41,593)	832,060	0
ACCTG & GENL SVCS (M)-Non Central Service Only	132,635	(105,353)	793,098	0
ATTY GEN SERVICES (N) Non Central Service Only	481,870	9,600	1,330,051	823
BUDGET (O)- Non Central Service Only	31,904	0	77,741	0
PUBLIC SAFETY-Non Central Services	45,390	34,647	490,255	31,081
GOVERNOR (Q)--Both Central and Non Central Service	329,118	906	381,652	823
COMMERCE (R)	1,556,626	5,700	787,169	0
LT.GOVERNOR (S)	113,814	240	210,778	(921)
TAXATION (T)	256,999	6,164	722,118	0
LEGISLATURE (Y)	1,369,438	0	2,794,667	0
HAWAII AFFAIRS (Z)	0	0	0	(921)
HONOLULU COUNTY (U)	0	0	0	13,259
MAUI COUNTY (V)	0	0	0	1,984
HAWAII COUNTY (W)	0	0	0	(4,602)
KAUAI COUNTY (X)	0	0	0	(1,841)
RETIREMENT	647	0	4,201	0
OTHER	164,511	0	(1,412,993)	74,238
TOTAL	\$8,306,543	\$244,290	\$16,509,726	\$537,780

STATE OF HAWAII
SUMMARY OF CALCULATION OF
FIXED COSTS FOR FY 2008

	Telecommuni- cations	Lease Mgmt	Records Mgmt	Purchasing
AGRICULTURE (A)	0	0	(143)	137,889
BUSINESS & ECON DEV (B)	0	671,648	2,870	(8,018)
LAND & NAT RESOURCES (C)	0	27,576	4,349	133,696
TRANSPORTATION (D)	0	2,757	551	35,175
EDUCATION (E), including State Library	0	19,304	12,856	431,564
UNIVERSITY OF HAWAII (F), including RCUH	0	0	(19,341)	0
DEFENSE (G)	0	(8,156)	(29)	(2,582)
HEALTH (H), excluding hospitals	0	188,142	11,146	371,798
HAWAII HEALTH SYSTEMS CORPORATION (HHSC)	0	0	0	23,064
HAWAII HOME LAND (I)	0	(5,437)	(342)	24,347
JUDICIARY (J)	0	0	0	33,952
HUMAN SERVICES (K), including Housing and Community Development	0	143,440	(17,846)	98,398
LABOR (L)	0	30,294	8,132	41,443
INFORM COMM SVCS DIV (ICSD)-Non Central Service Only	(90,778)	0	0	0
ACCTG & GENL SVCS (M)-Non Central Service Only	(197,450)	128,492	0	0
ATTY GEN SERVICES (N) Non Central Service Only	0	22,063	30,679	60,235
BUDGET (O)- Non Central Service Only	0	13,691	0	0
PUBLIC SAFETY-Non Central Services	0	27,502	11,031	18,622
GOVERNOR (Q)--Both Central and Non Central Service	0	2,757	(13)	(2,090)
COMMERCE (R)	0	8,272	(1,227)	(20,297)
LT.GOVERNOR (S)	0	58,855	(8)	(540)
TAXATION (T)	0	0	23,948	22,196
LEGISLATURE (Y)	0	0	444	(3,878)
HAWAII AFFAIRS (Z)	0	0	1,049	4,568
HONOLULU COUNTY (U)	0	0	0	0
MAUI COUNTY (V)	0	0	0	0
HAWAII COUNTY (W)	0	0	0	0
KAUAI COUNTY (X)	0	0	0	0
RETIREMENT	0	2,738	0	0
OTHER	0	21,173,693	0	(14,463)
TOTAL	(\$288,228)	\$22,507,631	\$68,106	\$1,385,079

STATE OF HAWAII
SUMMARY OF CALCULATION OF
FIXED COSTS FOR FY 2008

	Accounting	Pre-Audit	Internal Audit	Protective Services
AGRICULTURE (A)	55,023	11,106	(16,962)	27,837
BUSINESS & ECON DEV (B)	49,548	7,367	28,541	(22,735)
LAND & NAT RESOURCES (C)	231,927	31,962	(56,982)	0
TRANSPORTATION (D)	250,815	82,654	(74,238)	0
EDUCATION (E), including State Library	436,120	891,735	(39,470)	236,619
UNIVERSITY OF HAWAII (F), including RCUH	37,140	345,083	(30,588)	0
DEFENSE (G)	34,155	8,155	(9,976)	(99,902)
HEALTH (H), excluding hospitals	306,675	214,080	(31,689)	(294,703)
HAWAII HEALTH SYSTEMS CORPORATION (HHSC)	0	0	0	445,404
HAWAII HOME LAND (I)	58,108	9,155	(17,350)	0
JUDICIARY (J)	143,306	129,943	476,184	0
HUMAN SERVICES (K), including Housing and Community Development	463,665	128,080	(128,093)	0
LABOR (L)	55,178	4,572	(25,362)	0
INFORM COMM SVCS DIV (ICSD)-Non Central Service Only	(5,441)	0	(16,080)	0
ACCTG & GENL SVCS (M)-Non Central Service Only	(143,864)	0	(76,008)	(17,984)
ATTY GEN SERVICES (N) Non Central Service Only	63,860	26,048	(15,340)	0
BUDGET (O)- Non Central Service Only	(32,130)	0	(9,329)	0
PUBLIC SAFETY-Non Central Services	169,770	53,853	(44,943)	(4,434)
GOVERNOR (Q)--Both Central and Non Central Service	1,161	479	(2,394)	(309,799)
COMMERCE (R)	64,104	12,126	(5,334)	0
LT.GOVERNOR (S)	2,388	116	(660)	(29,648)
TAXATION (T)	(18,886)	669,947	20,677	0
LEGISLATURE (Y)	5,195	10,291	266,303	(616,666)
HAWAII AFFAIRS (Z)	42,867	22,738	(8,969)	0
HONOLULU COUNTY (U)	36	0	(7)	0
MAUI COUNTY (V)	(206)	934	(69)	0
HAWAII COUNTY (W)	159	(46)	(10)	0
KAUAI COUNTY (X)	(214)	32	(116)	0
RETIREMENT	0	0	0	0
OTHER	9,087	(9,992)	(3,320)	(236,123)
TOTAL	\$2,279,546	\$2,650,418	\$178,416	(\$922,134)

STATE OF HAWAII
SUMMARY OF CALCULATION OF
FIXED COSTS FOR FY 2008

	Budget & Finance	Finance Admin	Health Fund Admin	Human Rscs Developmt
AGRICULTURE (A)	171,295	(825)	4,508	141,456
BUSINESS & ECON DEV (B)	215,738	(1,514)	6,147	170,895
LAND & NAT RESOURCES (C)	237,084	(2,859)	10,118	392,626
TRANSPORTATION (D)	243,894	(5,031)	34,688	973,592
EDUCATION (E), including State Library	586,653	(578)	341,282	1,563,737
UNIVERSITY OF HAWAII (F), including RCUH	152,920	201	119,284	677,353
DEFENSE (G)	212,489	(2,001)	3,333	152,716
HEALTH (H), excluding hospitals	228,346	(7,469)	46,499	1,667,428
HAWAII HEALTH SYSTEMS CORPORATION (HHSC)	0	0	(29,942)	1,781,992
HAWAII HOME LAND (I)	27,212	(267)	1,887	93,585
JUDICIARY (J)	0	460	26,672	0
HUMAN SERVICES (K), including Housing and Community Development	572,936	(44,364)	33,726	1,120,259
LABOR (L)	160,653	(89,023)	10,421	251,386
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	95,255	(283)	8,953	383,734
BUDGET (O)- Non Central Service Only	1,907,325	0	3,555	0
PUBLIC SAFETY-Non Central Services	119,647	0	34,378	993,553
GOVERNOR (Q)--Both Central and Non Central Service	12,341	(542)	850	58,222
COMMERCE (R)	109,389	(1,072)	5,385	250,352
LT.GOVERNOR (S)	11,103	(153)	445	14,876
TAXATION (T)	(26,425)	190,334	4,576	189,974
LEGISLATURE (Y)	0	(117)	5,200	0
HAWAII AFFAIRS (Z)	457	1,416	(1,021)	0
HONOLULU COUNTY (U)	0	(2)	165,300	0
MAUI COUNTY (V)	0	(12,394)	43,951	0
HAWAII COUNTY (W)	0	(27)	38,195	0
KAUAI COUNTY (X)	0	(4)	20,378	0
RETIREMENT	333,877	0	439,499	0
OTHER	5,033	(2,908)	12,393	0
TOTAL	\$5,377,222	\$20,978	\$1,390,660	\$10,877,736

STATE OF HAWAII
SUMMARY OF CALCULATION OF
FIXED COSTS FOR FY 2008

	Governor	Disability Compensation	Total
AGRICULTURE (A)	4,117	7,453	\$731,009
BUSINESS & ECON DEV (B)	6,209	223	\$1,915,896
LAND & NAT RESOURCES (C)	9,234	13,601	\$2,349,791
TRANSPORTATION (D)	31,700	57,182	\$2,901,224
EDUCATION (E), including State Library	309,061	343,420	\$6,826,001
UNIVERSITY OF HAWAII (F), including RCUH	108,063	127,374	\$1,660,547
DEFENSE (G)	3,005	7,804	\$325,261
HEALTH (H), excluding hospitals	42,038	58,558	\$6,327,397
HAWAII HEALTH SYSTEMS CORPORATION (HHSC)	(8,600)	92,697	\$2,364,007
HAWAII HOME LAND (I)	1,703	(505)	\$198,003
JUDICIARY (J)	24,162	13,001	\$1,301,587
HUMAN SERVICES (K), including Housing and Community Development	29,976	38,331	\$5,045,427
LABOR (L)	9,688	2,242	\$2,261,706
INFORM COMM SVCS DIV (ICSD)-Non Central Service Only	0	0	\$878,587
ACCTG & GENL SVCS (M)-Non Central Service Only	0	0	\$513,566
ATTY GEN SERVICES (N) Non Central Service Only	8,089	3,685	\$2,509,322
BUDGET (O)- Non Central Service Only	0	0	\$1,992,757
PUBLIC SAFETY-Non Central Services	31,389	46,003	\$2,057,744
GOVERNOR (Q)--Both Central and Non Central Service	719	111	\$474,301
COMMERCE (R)	4,852	1,317	\$2,777,362
LT.GOVERNOR (S)	457	630	\$381,772
TAXATION (T)	4,098	(126)	\$2,065,594
LEGISLATURE (Y)	4,741	3,293	\$3,838,911
HAWAII AFFAIRS (Z)	(294)	281	\$62,171
HONOLULU COUNTY (U)	155,884	372,492	\$706,962
MAUI COUNTY (V)	40,042	78,339	\$152,581
HAWAII COUNTY (W)	36,138	93,187	\$162,994
KAUAI COUNTY (X)	17,544	32,781	\$68,560
RETIREMENT	0	0	\$780,962
OTHER	10,458	6,580,257	\$26,349,871
TOTAL	\$884,473	\$7,973,631	\$79,981,873