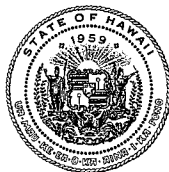


NEIL ABERCROMBIE
GOVERNOR



KALBERT K. YOUNG
DIRECTOR

LUIS P. SALAVERIA
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
OFFICE OF ECONOMIC RECOVERY
AND REINVESTMENT (ARRA)

June 12, 2012

FINANCE MEMORANDUM

MEMO NO. 12-09

TO: All Department Heads

FROM: Kalbert K. Young
Director of Finance

SUBJECT: Negotiation Agreement Approving Central Services Costs and Fringe Benefit Rates for FY 12

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, 2012.

Although we are close to the end of FY 12, 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. 12-03, dated April 3, 2012, the fringe benefit rate for FY 12 consisted of the following items:

<u>Item</u>	<u>Rate</u>
Pension Accumulation	15.00%
Pension Administration	.00%
Retiree Health Insurance	7.96%
Employees' Health Fund	7.02%
Workers' Compensation	1.22%
Unemployment Compensation	.91%
Social Security	6.20%
Medicare	<u>1.45%</u>
Composite Rate	39.76%

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
Department of Budget & Finance
P.O. Box 150
Honolulu, HI 96810

DATE: May 16, 2012
FILING REF.: The preced-
ing agreement was dated:
06/27/11 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, 2012 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.

- A. Department of Accounting and General Services
 - Information and Communication Services Division*
 - State Motor Pool

- B. Office of the Attorney General

- C. Fringe Benefits*

*See special remarks

STATE/LOCALITY: State of Hawaii

AGREEMENT DATE: May 16, 2012

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>7/1/11 - 6/30/12</u>
Pension Accumulation	15.00%
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: May 16, 2012

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)

Kalbert K. Young

(NAME)

Director of Finance

(TITLE)

June 12, 2012

(DATE)

BY THE COGNIZANT AGENCY

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

(SIGNATURE)

Arif Karim

(NAME)

Acting Director, Division of Cost Allocation

(TITLE)

May 16, 2012

(DATE)

HHS Representative Naomi Tamashiro

Telephone (415) 437-7820

State of Hawaii
Summary of Fixed Cost for Year 2012

Grantee Departments	Building Use Charge	Legislative Auditor	DAGS Admin	Risk Management	Central Services	Lease Mgt
Retirement Fund	1,315	0	0	0	562	0
Attorney General - Non Central Service Only	10,678	5,659	0	(11,526)	1,115,809	28,906
Governor - Non Central Service Only	0	28,100	0	0	0	0
Lieutenant Governor	90,860	109	0	(364)	189,352	0
Business, Economic Development & Tourism	54,275	119,936	0	(4,915)	632,799	5,254
Taxation	174,841	2,199	0	(7,306)	846,280	0
Agriculture	4,014	30,513	0	(5,584)	209,935	0
Land & Natural Resources	155,132	22,123	0	(13,384)	1,130,340	23,651
Transportation	13,207	25,228	0	(37,541)	519,053	2,627
Education, includes State Library	155,062	197,464	0	(105,685)	1,141,363	23,651
University of Hawaii, includes RCUH	13,649	0	0	(27,853)	40,336	0
Defense	3,800	48,547	0	(5,089)	12,554	7,885
Health, excludes Hospitals	618,813	112,758	0	(47,784)	3,491,888	86,718
Hawaiian Home Lands	1,427	1,273	0	(2,484)	1,716	0
Judiciary	192,886	0	0	0	62,424	0
Human Services	422,315	211,997	0	(39,789)	1,498,197	136,636
Labor	423,897	217,498	0	(10,012)	1,326,581	23,651
Accounting & General Services - Non Central Service Only	86,120	95,502	2,552,832	0	708,397	13,139
Information Comm Services Div - Non Central Service Only	210,647	0	752,261	0	999,125	0
Budget & Finance - Non Central Service Only	31,569	159,118	0	0	75,381	18,393
Commerce & Consumer Affairs	531,017	17,582	0	(6,240)	494,418	10,512
Public Safety - Non Central Service Only	43,269	77,845	0	(38,913)	485,752	23,651
Legislature	1,478,693	0	0	0	2,177,849	0
Hawaii Affairs	0	0	0	0	0	0
Honolulu County	0	0	0	0	0	0
Maui County	0	0	0	0	0	0
Hawaii County	0	0	0	0	0	0
Kauai County	0	0	0	0	0	0
Health Systems Corporation	0	0	0	0	0	0
All Others	174,116	0	0	(69,221)	547,856	0
SUMMARY TOTAL	4,891,602	1,373,451	3,305,093	(433,690)	17,707,967	404,674

State of Hawaii
Summary of Fixed Cost for Year 2012

Grantee Departments	Records	Purchasing	Surplus Property	Accounting	Pre-Audit	Internal Audit
Retirement Fund	0	0	0	0	0	0
Attorney General - Non Central Service Only	34,886	76,567	4,776	72,647	16,047	24,116
Governor - Non Central Service Only	0	0	0	0	0	0
Lieutenant Governor	37	(50)	0	(44)	121	0
Business, Economic Development & Tourism	(1,283)	(9,785)	4,776	72,881	4,030	0
Taxation	3,457	37,488	(993)	45,717	(296,526)	80,138
Agriculture	361	14,196	2,203	62,032	4,329	69,266
Land & Natural Resources	2,845	111,188	(64,514)	209,930	12,814	26,706
Transportation	844	174,506	(5,643)	291,287	52,951	(2,271)
Education, includes State Library	23,593	(78,365)	90,109	329,414	1,210,513	(359,752)
University of Hawaii, includes RCUH	3,430	0	60,703	27,512	468,148	0
Defense	157	93,598	(4,558)	54,741	(11,797)	199,650
Health, excludes Hospitals	21,922	312,512	1,646	334,707	206,968	(52)
Hawaiian Home Lands	1,447	(15,081)	0	46,211	5,435	0
Judiciary	0	305,006	0	171,926	20,497	140,331
Human Services	34,116	147,334	5,181	437,947	32,736	(42,235)
Labor	33,918	46,302	0	97,062	1,039,074	0
Accounting & General Services - Non Central Service Only	0	0	0	0	0	0
Information Comm Services Div - Non Central Service Only	0	0	0	0	0	0
Budget & Finance - Non Central Service Only	0	0	0	0	0	0
Commerce & Consumer Affairs	5,999	(16,550)	0	66,072	8,416	93,896
Public Safety - Non Central Service Only	8,085	27,644	(15,848)	138,395	80,683	0
Legislature	1,149	4,786	1,397	7,025	13,421	45,277
Hawaii Affairs	159	20,131	83,592	7,557	5,713	0
Honolulu County	0	5,330	(3,752)	223	45	0
Maui County	0	5,330	(3,752)	52	(15,718)	0
Hawaii County	0	2,666	(3,752)	111	(66)	0
Kauai County	0	0	0	85	(7)	0
Health Systems Corporation	0	(5,830)	0	0	0	0
All Others	0	1,925	283,801	11,897	507	0
SUMMARY TOTAL	175,122	1,260,848	435,372	2,485,387	2,858,334	275,070

State of Hawaii
 Summary of Fixed Cost for Year 2012

Grantee Departments	ICSD Charges	Budget and Finance	B&F Financial Administration	Employers Union Trust Fund	Human Resources	Governor
Retirement Fund	(26,105)	290,393	0	17,905	0	0
Attorney General - Non Central Service Only	0	118,337	(778)	5,192	243,766	(1,110)
Governor - Non Central Service Only	0	0	0	0	0	1,170,551
Lieutenant Governor	0	19,998	(34)	(117)	3,972	(234)
Business, Economic Development & Tourism	0	189,281	(461)	895	99,871	(2,185)
Taxation	0	171,615	(81,957)	4,126	115,411	32
Agriculture	0	147,172	(509)	3,151	59,777	(375)
Land & Natural Resources	0	214,135	(1,325)	7,859	291,277	(528)
Transportation	0	297,893	(2,364)	25,401	898,738	(2,439)
Education, includes State Library	0	337,623	(392)	197,138	1,369,200	(43,085)
University of Hawaii, includes RCUH	0	105,837	(41)	84,608	581,351	(8,922)
Defense	0	183,367	(1,511)	3,407	121,350	167
Health, excludes Hospitals	0	348,986	(3,473)	25,800	1,107,687	(6,247)
Hawaiian Home Lands	0	6,001	(212)	1,534	62,524	(60)
Judiciary	0	0	(4,593)	21,035	0	(1,165)
Human Services	0	212,450	(10,917)	16,814	531,099	(4,981)
Labor	0	98,451	115,198	5,984	235,309	(1,473)
Accounting & General Services - Non Central Service Only	81,436	0	0	0	0	0
Information Comm Services Div - Non Central Service Only	0	0	0	0	0	0
Budget & Finance - Non Central Service Only	(13,015)	1,804,028	0	0	0	0
Commerce & Consumer Affairs	0	76,734	(397)	3,743	151,617	(417)
Public Safety - Non Central Service Only	0	150,344	0	17,650	922,141	(5,352)
Legislature	0	0	(65)	4,088	0	(247)
Hawaii Affairs	0	0	0	0	0	0
Honolulu County	0	0	1	149,866	0	(3,072)
Maui County	0	0	(1,739)	29,395	0	(4,112)
Hawaii County	0	0	(4)	38,302	0	664
Kauai County	0	0	(2)	21,234	0	1,658
Health Systems Corporation	0	0	0	0	1,825,010	0
All Others	0	(8,209)	(135)	110,911	0	39,561
SUMMARY TOTAL	42,316	4,764,436	4,290	795,921	8,620,100	1,126,629

State of Hawaii
 Summary of Fixed Cost for Year 2012

Grantee Departments	Disability Compensation	Pub Safety Protective Svcs	TOTAL FIXED
Retirement Fund	0	0	284,070
Attorney General - Non Central Service Only	3,774	0	1,747,746
Governor - Non Central Service Only	0	0	1,198,651
Lieutenant Governor	211	549,995	853,812
Business, Economic Development & Tourism	8,279	99,900	1,273,548
Taxation	883	0	1,095,405
Agriculture	3,852	4,571	608,904
Land & Natural Resources	13,907	202,035	2,344,191
Transportation	50,863	4,842	2,307,182
Education, includes State Library	279,331	0	4,767,182
University of Hawaii, includes RCUH	76,070	0	1,424,828
Defense	5,288	(143,377)	568,179
Health, excludes Hospitals	27,184	110,833	6,750,866
Hawaiian Home Lands	1,204	0	110,935
Judiciary	5,137	0	913,484
Human Services	18,273	0	3,607,173
Labor	3,392	0	3,654,832
Accounting & General Services - Non Central Service Only	0	120,269	3,657,695
Information Comm Services Div - Non Central Service Only	0	210,707	2,172,740
Budget & Finance - Non Central Service Only	0	0	2,075,474
Commerce & Consumer Affairs	271	0	1,436,673
Public Safety - Non Central Service Only	47,844	27,042	1,990,232
Legislature	1,857	0	3,735,230
Hawaii Affairs	(381)	0	116,771
Honolulu County	386,546	0	535,187
Maui County	96,128	0	105,584
Hawaii County	50,693	0	88,614
Kauai County	37,307	0	60,275
Health Systems Corporation	71,615	0	1,821,574
All Others	3,070,992	84,514	4,317,736
SUMMARY TOTAL	4,260,520	1,271,331	55,624,773