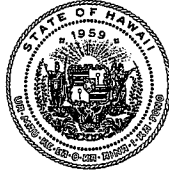


DAVID Y. IGE
GOVERNOR



WESLEY K. MACHIDA
DIRECTOR

RODERICK K. BECKER
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

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
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

March 14, 2016

FINANCE MEMORANDUM

MEMO NO. 16-05

TO: All Department Heads

FROM: Wesley K. Machida
Director of Finance

SUBJECT: Negotiation Agreement Approving Central Services Costs and Fringe Benefit Rates for FY 16

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, 2016.

Although we are already in the 3rd quarter of FY 16, 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. 16-03, dated February 29, 2016, the fringe benefit rate for FY 16 consisted of the following items:

	<u>FY 16</u>
Pension Accumulation	17.00%
Pension Administration	0.00%
Retiree Health Insurance	8.07%
Employees' Health Fund	7.62%
Workers' Compensation	1.27%
Unemployment Compensation	0.15%
Social Security	6.20%
Medicare	1.45%
Other Post-Employment Benefits	<u>7.78%</u>
 Composite Rate	 49.54%

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: March 1, 2016
FILING REF.: The preced-
ing agreement was dated:
2/26/16 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, 2016 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
 - Risk Management
 - Building Leases
- B. Office of the Attorney General
- C. Fringe Benefits*

*See special remarks

STATE/LOCALITY: State of Hawaii

AGREEMENT DATE: March 1, 2016

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, other post-retirement benefits, 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>7/1/15 - 6/30/16</u>
Pension Accumulation	17.00%
Pension Administration	0.00%
Other Post-Retirement Benefits	7.78%
Retiree Health Insurance	8.07%
Workers' Compensation	1.27%
Unemployment Compensation	0.15%

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 1, 2016

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 Title 2 of the Code of Federal Regulations, Part 200 (2 CFR 200). (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 2 CFR 200, 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 2 CFR 200, and should be applied to grants, contracts and other agreements covered by 2 CFR 200, 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)
Wesley K. Machida
(NAME)
Director of Finance

(TITLE)
MAR 14 2016
(DATE)

BY THE COGNIZANT AGENCY

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

Arif M. Karim -S

(SIGNATURE)
Arif Karim
(NAME)
Director, Cost Allocation Services

(TITLE)
March 1, 2016
(DATE)

HHS Representative Naomi Tamashiro
Telephone (415) 437-7820

Digitally signed by Arif M. Karim -S
DN: c=US, o=U.S. Government, ou=HHS, ou=PSC, ou=People,
cn=Arif M. Karim -S, 0.9.2342.19200300.100.1.1=2000212895
Date: 2016.03.06 09:03:11 -0600

State of Hawaii
 Summary of Fixed Cost for
 State Fiscal Year Ending June 30, 2016

Grantee Departments	Building Use Charge	Legislative Auditor	DAGS Admin	Central Services	Lease Mgt	Records	Procurement Office	Accounting	Pre-Audit
AG-not central services	1,048			10,142					
Governor-Not CS	215,221	2,837		1,354,478	52,555	61,324	42,278	78,430	32,239
Lieutenant Governor	145,199	1,203					39,349		
Business & Economic Development*	142,390	139		211,656		129	39,350	4,610	909
Taxation	260,503	(72,298)		264,753	3,795	3,465	29,144	41,084	14,820
Agriculture	12,562	1,391		1,328,801		7,194	32,120	20,235	443,863
Land & Natural Resources	206,585	3,048		441,943		543	27,785	78,981	20,079
Transportation	3,619	258,992		1,726,670	25,982	1,797	(66,525)	367,991	54,496
Education*	219,896	36,328		370,758	3,795	2,554	(135,724)	335,900	122,236
University of Hawaii*	13,481	87,704		1,498,695	34,165	13,078	256,969	438,871	892,647
Defense	4,059	46,404		151,340		12,034	59,641	(24,707)	381,214
Health	693,869	300,233		12,725	7,591	530	15,297	(1,194)	14,164
Hawaiian Home Lands	1,137	67,978		2,889,935	101,906	74,411	(91,296)	420,563	262,145
Judiciary	184,433	877		13,122	7,000	6,975	32,118	57,966	12,354
Human Services	561,448			154,923			56,988	264,656	157,717
Labor	642,947	130,738		2,318,392	167,039	67,288	30,802	529,925	269,474
DAGS not CS	133,539	138,947		1,322,899	27,165	79,745	33,795	75,537	261,220
DAGS Risk Mgmt	3,650	(18,105)	2,367,339	761,834	18,980				
DAGS Motor Pool			24,893	37,017					
DAGS Lease-Hemmeter	540,060		39,165	4,216					
DAGS Lease-Kapolei				1,266,412					
ICSD not CS	189,547			1,780,203					
DAGS Surplus Property	10,261		894,124	1,080,678					
OIMT	16,848		13,739	115,792					
B & F not CS	40,250			41,047					
Comm & Consumer Affairs	786,547	327,613		192,182	26,573				
Public Safety	54,721	17,529		173,042	15,185	11,038	35,121	98,298	19,686
Legislature	2,146,209	(19,652)		94,010	41,167	27,139	23,964	199,034	60,131
Hawaiian Affairs				2,920,577		1,012	40,767	3,861	10,784
Honolulu County						543	37,709	(4,581)	5,025
Maui County							44,764	12	4
Hawaii County							44,764	(4)	51,317
Kauai County							44,764	(62)	280
Health Systems Corporation							44,650	49	4
All Others*	114,043			478,708			(2,700)		
SUMMARY TOTAL	7,344,072	1,311,906	3,339,260	23,016,950	532,898	370,799	715,894	2,999,149	3,093,898

Groups (denoted by *)

EXHIBIT A

State of Hawaii
 Summary of Fixed Cost for
 State Fiscal Year Ending June 30, 2016

Grantee Departments	Internal Audit	ICSD Charges	Budget and Finance	B&F Financial Administration	Employers Union Trust Fund	Human Resources	Governor	Disability Compensation	Public Safety Protective Svcs	TOTAL FIXED COSTS
Retirement Fund	-	(49)	360,624	-	74,495	-	67,501	-	-	513,761
AG-not central services	92	-	81,472	2,249	1,576	412,739	1,435	941	8,499	2,348,365
Governor-Not CS	-	-	(1,398)	-	-	-	997,870	-	-	1,037,024
Lieutenant Governor	-	-	15,465	48	70	18,548	64	-	-	1,448,945
Business & Economic Development*	(28)	-	379,907	1,163	696	182,410	633	3,851	1,012,758	1,196,562
Taxation	55,838	-	35,682	135,529	894	235,222	814	(816)	200,777	2,557,270
Agriculture	-	-	107,744	1,797	716	189,505	653	586	-	885,942
Land & Natural Resources	74	-	91,174	4,856	2,046	541,830	1,869	5,048	406,048	3,628,933
Transportation	(559)	-	190,671	8,404	5,960	1,563,656	5,430	23,103	9,732	2,545,863
Education*	384,083	-	190,624	1,141	57,832	563,147	52,635	139,491	-	4,830,978
University of Hawaii*	74	-	102,712	536	24,146	726,573	22,000	51,180	-	1,566,628
Defense	-	-	79,578	908	973	257,441	889	1,558	-	694,752
Health	-	-	568,807	10,480	6,523	1,700,204	5,933	14,434	49,518	6,775,410
Hawaiian Home Lands	-	-	42,432	1,375	331	86,347	301	617	-	262,952
Judiciary	281,987	-	(1,398)	15,571	4,949	17,827	4,506	9,218	-	1,151,377
Human Services	1,664	-	301,121	45,200	5,311	1,404,057	4,843	6,313	-	5,843,615
Labor	-	-	98,058	107,580	1,173	300,168	1,064	(218)	-	3,090,080
DAGS not CS	-	439,117	-	-	-	-	-	241,717	-	3,944,421
DAGS Risk Mgmt	-	-	-	-	-	-	-	-	-	65,560
DAGS Motor Pool	-	-	-	-	-	-	-	-	-	43,381
DAGS Lease-Hemmeter	-	-	-	-	-	-	-	-	-	1,806,472
DAGS Lease-Kapolei	-	-	-	-	-	-	-	-	-	1,780,203
ICSD not CS	-	-	-	-	-	-	-	-	366,763	2,531,112
DAGS Surplus Property	-	-	-	-	-	-	-	-	-	139,792
OIMT	-	-	-	-	-	-	-	-	16,373	74,268
B & F not CS	-	8,246	933,143	-	-	-	-	-	-	1,528,007
Comm & Consumer Affairs	580	-	16,220	1,325	1,096	290,346	1,000	(100)	-	1,466,913
Public Safety	1,196	-	111,364	-	6,696	1,773,650	6,110	29,984	63,538	2,473,052
Legislature	12,975	-	(1,398)	129	1,657	6,158	1,517	343	-	5,144,591
Hawaiian Affairs	-	-	(1,398)	-	447	1,623	407	(1,720)	-	38,055
Honolulu County	-	-	(1,398)	-	31,330	-	28,365	173,712	-	276,789
Maui County	-	-	(1,398)	8,512	7,308	-	6,614	14,290	-	131,403
Hawaii County	-	-	(1,398)	(1,494)	7,996	-	7,249	16,041	-	73,376
Kauai County	-	-	(1,398)	1	4,259	-	3,867	14,415	-	65,847
Health Systems Corporation	-	-	-	-	10,999	39,381	10,006	31,567	-	89,253
All Others*	-	-	(63,369)	1,003	5,859	203,216	5,342	5,070,150	185,328	6,021,064
SUMMARY TOTAL	737,976	447,314	3,632,245	346,313	265,338	10,514,048	1,238,917	5,603,988	2,561,051	68,072,016

Groups (denoted by *)