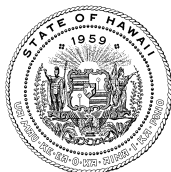


DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

ROBERT YU
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)

June 7, 2021

FINANCE MEMORANDUM

MEMO NO. 21-07

TO: All Department Heads

FROM: Craig K. Hirai /s/
Director of Finance

SUBJECT: Negotiation Agreement Approving Central Services Costs and Fringe
Benefit Rates for FY 19

Attached is a copy of the negotiation agreement between the State of Hawai'i 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, 2019.

Although FY 19 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. 20-20, dated October 22, 2020, the fringe benefit rate for FY 19 consisted of the following items:

| | <u>FY 19</u> |
|--------------------------------|---------------|
| Pension Accumulation | 19.00% |
| Pension Administration | 0.02% |
| Retiree Health Insurance | 10.33% |
| Employees' Health Fund* | 7.31% |
| Workers' Compensation | 1.59% |
| Unemployment Compensation | 0.08% |
| Social Security | 6.20% |
| Medicare | 1.45% |
| Other Post-Employment Benefits | <u>15.98%</u> |
| Composite Rate | 61.96% |

*Should only be used for budgeting purposes. Departments are instructed to charge actual costs as assessed through the payroll system.

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: June 2, 2021
FILING REF.: The preced-
ing agreement was dated:
07/16/18 G13320

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, 2019 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: June 2, 2021

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 7/1/18 - 6/30/19 |
|--------------------------------|--|
| Pension Accumulation | 19.00% |
| Pension Administration | 0.02% |
| Other Post-Retirement Benefits | 15.98% |
| Retiree Health Insurance | 10.33% |
| Workers' Compensation | 1.59% |
| Unemployment Compensation | 0.08% |

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 2, 2021

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)

/s/
(SIGNATURE)
Craig K. Hirai
(NAME)
Director of Finance
(TITLE)
June 7, 2021
(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)
June 2, 2021
(DATE)
HHS Representative Cora Coleman
Telephone (415) 437-7820

Digitally signed by Arif M. Karim -S
Date: 2021.06.03 09:29:14 -05'00'

STATE OF HAWAII
STATEWIDE COST ALLOCATION PLAN
SUMMARY OF FIXED COSTS
FOR FISCAL YEAR 2019

| Grantee Departments | Building eciation | Equipment Depreciation | Employee Benefits | Legislative Auditor | DAGS Admin | Risk Management | Central Services | Lease Mgt | Records | State Procurement Office | Accounting |
|----------------------------|----------------------|---------------------------|----------------------|------------------------|------------|--------------------|------------------|-----------|---------|--------------------------------|------------|
| Retirement Fund | 4,305 | | | | | | 4,619 | | | | |
| Attorney General | 368,175 | | | 6,722 | | | 1,017,665 | 62,725 | 15,856 | 73,357 | 73,783 |
| Governor | 549,943 | | | 17,326 | | | 467,120 | (3,455) | 233 | 83,633 | 861 |
| Lieutenant Governor | 182,697 | | | 18 | | | 151,188 | | 42 | 84,832 | 891 |
| Business & Econ Dev | 140,194 | | | 22,819 | | | 286,974 | (3,455) | 6,357 | 62,489 | 86,205 |
| Taxation | 390,707 | | | 2,328 | | | 903,088 | | 9,706 | 79,384 | 66,905 |
| Agriculture | 5,862 | | | 20,257 | | | 307,127 | | 20 | 63,108 | 76,088 |
| Land & Natural Resources | 472,928 | | | 162,267 | | | 1,228,660 | 17,706 | 2,576 | (34,554) | 228,135 |
| Transportation | 8,983 | | | 55,104 | | | 101,548 | 4,229 | 1,153 | (113,693) | 321,060 |
| Education | 107,606 | | | 131,013 | | | 696,632 | 15,028 | 1,740 | 129,050 | 340,438 |
| State Library System | | | | | | | 722,138 | | | (4,090) | |
| Charter Schools | | | | | | | | | | | |
| University of Hawaii | 35,071 | | | 66,512 | | | 92,104 | | (517) | 84,530 | 38,880 |
| Defense | 3,753 | | | 192,026 | | | 12,567 | 8,464 | 797 | 46,502 | 71,323 |
| Health | 400,266 | | | 135,150 | | | 3,504,224 | 102,387 | 26,292 | (102,053) | 333,848 |
| Hawaiian Home Lands | 4,675 | | | 3,034 | | | 7,213 | 4,229 | (494) | 71,718 | 54,493 |
| Judiciary | 14,775 | | | | | | 229,431 | | | 81,294 | 205,277 |
| Human Services | 506,305 | | | 231,927 | | | 1,605,687 | 193,979 | 14,650 | (106,296) | 403,228 |
| Labor | 718,573 | | | 167,343 | | | 1,052,424 | 26,169 | 43,207 | 68,096 | 84,624 |
| DAGS not CS | 115,945 | | | 43,899 | 2,037,207 | | 360,531 | 21,167 | | | |
| DAGS Risk Mgmt | 9,313 | | | | 38,999 | | 31,466 | | | | |
| DAGS Motor Pool | | | | | 87,598 | | 4,405 | | | | |
| DAGS Lease-Hemmeter | 582,989 | | | | | | 1,580,902 | | | | |
| DAGS Lease-Kapolei | 1,139,360 | | | | | | 1,407,682 | | | | |
| ETS-ICSD-OIMT | 478,551 | | | | 1,482,726 | | 1,156,147 | | | | |
| DAGS Surplus Property | | | | | 10,866 | | 91,457 | | | | |
| B & F not CS | 87,985 | | | 206,037 | | | 264,385 | 21,940 | | | |
| Comm & Consumer Affairs | 974,253 | | | 22,418 | | | 716,106 | 32,314 | (7,175) | 59,718 | 78,800 |
| Public Safety | 75,558 | | | 34,790 | | | 216,356 | 42,334 | 14,802 | 12,324 | 125,168 |
| Legislature | 2,957,743 | | | | | | 2,432,192 | | (753) | 80,786 | 6,055 |
| Hawaiian Affairs | | | | | | | | | (348) | 85,738 | 6,571 |
| Honolulu County | | | | | | | | | | 80,634 | 120 |
| Maui County | | | | | | | | | | 85,146 | 1,902 |
| Hawaii County | | | | | | | | | | 84,309 | 282 |
| Kauai County | | | | | | | | | | 83,397 | 92 |
| Health Systems Corporation | | | | | | | | | | 633 | |
| Other | 967,862 | | | | | | 259,060 | | | | 5,835 |
| | 11,304,377 | | | 1,520,990 | 3,657,396 | | 20,911,098 | 545,761 | 128,144 | 1,139,992 | 2,610,864 |

STATE OF HAWAII
STATEWIDE COST ALLOCATION PLAN
SUMMARY OF FIXED COSTS
FOR FISCAL YEAR 2019

| Grantee Departments | Pre-Audit | Internal Audit | ETS-ICSD Charges | Budget and Finance | B&F Financial Administration | Employers Union Trust Fund | Human Resources | Governor-CS | Disability Compensation | Pub Safety Protective Svcs | Total Fixed |
|----------------------------|--------------------|------------------|------------------|--------------------|------------------------------|----------------------------|-------------------|-------------|-------------------------|----------------------------|---------------------|
| Retirement Fund | | | | 495,478 | | 105,562 | 55,194 | | | | \$665,158 |
| Attorney General | 36,159 | | | 202,475 | 7,004 | 2,050 | 461,984 | | 3,150 | | \$2,331,105 |
| Governor | 1,338 | | | 122,385 | 274 | 111 | 34,875 | | 185 | | \$1,274,829 |
| Lieutenant Governor | 389 | | | 140,427 | 102 | 1 | 1,616 | | | 392,878 | \$955,081 |
| Business & Econ Dev | 21,518 | | | 168,329 | 4,484 | 779 | 190,986 | | (7,024) | 72,649 | \$1,053,304 |
| Taxation | 431,197 | (80,312) | | 185,676 | 348,832 | 1,197 | 266,758 | | 659 | | \$2,606,125 |
| Agriculture | 25,976 | | | 185,921 | 5,611 | 759 | 180,160 | | 6,870 | | \$877,759 |
| Land & Natural Resources | 76,772 | | | 289,342 | 16,726 | 2,217 | 516,533 | | 19,081 | 296,339 | \$3,294,728 |
| Transportation | 121,721 | | | 234,144 | 24,020 | 6,389 | 1,448,655 | | 38,958 | 7,190 | \$2,259,461 |
| Education | 448,696 | 542,754 | | 315,399 | 4,132 | 63,044 | (45,868) | | 292,049 | (46,953) | \$2,994,760 |
| State Library System | | | | | | 1,431 | 313,615 | | | | \$1,033,094 |
| Charter Schools | | | | | | 3,464 | 175,844 | | | | \$179,308 |
| University of Hawaii | 170,377 | | | 196,039 | 1,178 | 24,848 | 184,809 | | 83,505 | | \$977,336 |
| Defense | 20,833 | | | 211,083 | 4,240 | 1,088 | 262,934 | | 6,733 | | \$842,343 |
| Health | 191,156 | | | 169,033 | 29,550 | 8,025 | 1,855,948 | | 26,636 | 37,495 | \$6,717,957 |
| Hawaiian Home Lands | 19,224 | | | 104,065 | 4,527 | 405 | 92,330 | | 372 | | \$365,791 |
| Judiciary | 216,731 | 201,669 | | 120,996 | 49,445 | 5,218 | 269,125 | | 7,920 | | \$1,401,881 |
| Human Services | 416,859 | | | 663,630 | 159,665 | 5,777 | 1,298,970 | | 16,429 | | \$5,410,810 |
| Labor | (18,955) | | | 207,419 | (21,243) | 1,262 | 337,871 | | 3,082 | | \$2,669,872 |
| DAGS not CS | | | 135,557 | 3,988 | | | | | | 83,204 | \$2,801,498 |
| DAGS Risk Mgmt | | | | | | | | | | 7,454 | \$87,232 |
| DAGS Motor Pool | | | | | | | | | | | \$92,003 |
| DAGS Lease-Hemmeter | | | | | | | | | | | \$2,163,891 |
| DAGS Lease-Kapolei | | | | | | | | | | | \$2,547,042 |
| ETS-ICSD-OIMT | | | | | | | | | | 335,358 | \$3,452,782 |
| DAGS Surplus Property | | | | | | | | | | | \$102,323 |
| B & F not CS | | | (4,323) | 347,502 | | | | | | | \$923,526 |
| Comm & Consumer Affairs | 24,476 | 50,406 | | 129,986 | 4,479 | 1,632 | 368,555 | | 16,242 | | \$2,472,210 |
| Public Safety | 168,763 | | | 187,639 | 29,428 | 7,620 | 1,698,273 | | 72,070 | 46,975 | \$2,732,100 |
| Legislature | 6,377 | 57,430 | | 120,996 | 380 | 528 | 46,119 | | (81) | | \$5,707,772 |
| Hawaiian Affairs | 1,753 | | | 120,996 | | 461 | 49,121 | | 557 | | \$264,849 |
| Honolulu County | 66 | | | 1,698 | 13 | 42,014 | 21,999 | | 427,569 | | \$574,113 |
| Maui County | (45,035) | | | 1,698 | (6,248) | 10,429 | 5,444 | | 57,423 | | \$110,759 |
| Hawaii County | 120 | | | 1,698 | 29 | 10,645 | 5,560 | | 55,503 | | \$158,146 |
| Kauai County | 73 | | | 1,698 | 14 | 5,295 | 2,775 | | 26,370 | | \$119,714 |
| Health Systems Corporation | | | | | | 1,525 | 88,486 | | 15,128 | | \$105,772 |
| Other | 9,343 | 94,632 | | 89,544 | 2,364 | 3,669 | 1,910 | | 7,108,550 | 233,898 | \$8,776,667 |
| | <u>\$2,345,927</u> | <u>\$866,579</u> | <u>131,234</u> | <u>5,019,284</u> | <u>669,006</u> | <u>317,445</u> | <u>10,190,581</u> | | <u>8,277,936</u> | <u>1,466,487</u> | <u>\$71,103,101</u> |