



State of New Jersey

DEPARTMENT OF THE TREASURY
OFFICE OF MANAGEMENT AND BUDGET
P. O. Box 221
TRENTON, NEW JERSEY 08625-0221

CHRIS CHRISTIE
Governor

FORD M. SCUDDER
State Treasurer

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DAVID RIDOLFINO
Acting Director

Telephone (609) 292-6746 / Facsimile (609) 633-8179

TO: Department Chief Fiscal Officers

FROM: David Ridolfino
Acting Director

DATE: November 22, 2016

SUBJECT: United States Negotiation Agreement, Statewide Cost Allocation Plan (SWCAP) for the Year Ending June 30, 2017, with Addendum to Cover Fringe Benefit Rates for the Year Ending June 30, 2017

The 2017 Exhibit A of the enclosure reflects departmental allocations of central support service costs agreed to by the State of New Jersey and the United States Department of Health and Human Services (HHS).

The fringe benefit rate of 44.3 percent reflected in the addendum is for fiscal year 2017. This rate is to be applied to base salaries including vacation, holiday, and sick pay, but excluding overtime pay. The rate is applicable to members of the Public Employees' Retirement System (PERS), Teachers' Pension and Annuity Fund (TPAF), Teachers' Alternate Benefit Plan (ABP), and employees who are not members of a pension plan but are covered for health benefits. A rate of 45.2 percent for the Police and Firemen's Retirement System (PFRS) has also been negotiated.

These rates are for use in computing actual direct charges as well as for estimating charges to federal and other non-state funded programs. In addition, the rate is to be used to develop fringe benefit costs for inclusion in indirect cost rate proposals.

The employer's share of FICA taxes is not included in these fringe benefit rates. This cost is to be provided for in billings, estimates and indirect cost rate proposals at the rate prescribed by the federal government applied to taxable wages. The rate for calendar year 2016 is 7.65 percent of the first \$118,500 paid to each employee and 1.45 percent for gross wages above \$118,500.

Schedule A-1 of the enclosure reflects the plant operation and maintenance costs that represent occupancy costs of State-owned buildings allocated to grantee agencies for the year 2017. These costs for inclusion in agency indirect rate proposals must be treated by the agency as either direct or indirect costs consistent with treatment in prior years of similar costs charged to federal programs.

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The enclosed information is being furnished to become part of your indirect cost rate proposal to be submitted to your cognizant federal agency within six months after the close of each fiscal year. Departments and agencies are reminded that it is the State's policy and each agency's responsibility to maximize the recovery of indirect costs. In all cases where non-state funded programs permit the recovery of indirect costs, agencies shall prepare and negotiate indirect cost rate proposals as required. Agencies shall apply the approved indirect cost rate to the appropriate base and transmit all recoveries of indirect costs to the Department of the Treasury.

A copy of the original proposal, which covers the Statewide Cost Allocation for the fiscal year ending June 30, 2017 as submitted to HHS, will be accessible on the State's website via: <http://www.state.nj.us/treasury/omb/newsletters/index.shtml#grantinformationarchives>. If you require additional information related to this proposal, please contact James F. Kelly via e-mail at james.kelly@treas.state.nj.us or by telephone at 609-633-3910.

Copies of each agency's indirect cost rate proposal and resulting negotiation agreement are to be forwarded to the Director, Division of Budget and Accounting. Departments or agencies that fail to furnish this information will not be eligible to be allocated a portion of indirect costs recovered by them during the fiscal year ending June 30, 2017.

JFK/nm
Attachments

**COST ALLOCATION AGREEMENT
STATE AND LOCAL GOVERNMENTS**

STATE/LOCALITY:
State of New Jersey
Department of the Treasury
Trenton, New Jersey 08625

DATE: November 3, 2016

FILING REF.: The preceding
Agreement was dated 06/27/16

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 the fiscal year ended June 30, 2017 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.

1. Rent
2. Telephone
3. Insurance
4. Postage
5. Central Stores
6. Central Motor Pool
7. Information Technology
8. FICA*
9. Legal Services
10. Plant Operation and Maintenance
11. Capitol Complex Security
12. Division of Revenue Services

*Fringe benefit rates (exclusive of FICA) have been negotiated for the fiscal year ending June 30, 2017. See the Addendum to the cost allocation agreement.

State of New Jersey
November 3, 2016

Section III: 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 the 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 an allocated cost to be 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 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.

State of New Jersey
November 3, 2016

F. SPECIAL REMARKS:

See Addendum

BY THE STATE/LOCALITY:

State of New Jersey
State/Locality


(Signature)

David Ridolfino
(Name)

Acting Director, OMB
(Title)

November 17, 2016
(Date)

BY THE COGNIZANT AGENCY ON
BEHALF OF THE FEDERAL GOVERNMENT:

DEPARTMENT OF HEALTH & HUMAN SERVICES
(AGENCY)

Darryl W. Mayes -A
Digitally signed by Darryl W. Mayes -A
DN: cn=US, ou=U.S. Government, ou=HHS, ou=PSC,
ou=People, o=0 2142 19200300.100 1.1+2000131669,
cm=Darryl W. Mayes -A
Date: 2016.11.08 23:46:29 -0500
(Signature)

Darryl W. Mayes
(Name)

Deputy Director, Div. of Cost Allocation
(Title)

November 3, 2016
(Date)

HHS Representative: Michael Stack

Telephone: 212-264-0944

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ADDENDUM TO COST ALLOCATION AGREEMENT

November 3, 2016
Agreement Reference Date

INSTITUTION: State of New Jersey
Department of the Treasury

ADDRESS: Trenton, New Jersey 08625-0224

FRINGE BENEFIT RATE

<u>Type</u>	<u>From</u>	<u>TO</u>	<u>Rate*</u>	<u>Locations</u>	<u>Applicable To</u>
Fixed	7/1/16	6/30/17	44.3%	All	All Programs (1)
Fixed	7/1/16	6/30/17	45.2%	All	All Programs (2)

*Base: Direct salaries and wages excluding overtime and part-time workers. (See comments below - Notes 3 and 5)

Treatment of Fringe Benefits: Fringe benefits applicable to direct salaries and wages are treated as direct costs. (See comments below - Note 4)

Fringe benefit rates of 44.3% and 45.2% are approved on a fixed basis for the fiscal year ending June 30, 2017, and should be used by grantee agencies for the following purposes:

- (a) For budgeting purposes on grant award applications.
- (b) For billing purposes.
- (c) For inclusion in their indirect cost rate proposal and must be treated as either direct or indirect cost consistent with treatment accorded similar costs charged to the Federal Programs.

Note 1:

The fringe benefit rate of 44.3% is calculated based on all direct salaries and wages exclusive of the following group of employees:

- Judicial
- Prison Officers
- State Police
- Police and Firemen

Note 2:

The fringe benefit rate of 45.2% is calculated based only on the direct salaries and wages of Police and Firemen.

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ADDENDUM TO COST ALLOCATION AGREEMENT

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Department of the Treasury

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Note 3:

Treatment of Paid Absences: Vacation, holiday, sick leave pay and other absences are included in salaries and wages and are claimed on grants, contracts and other agreements as part of the normal cost for salaries and wages. Separate claims for the costs of these absences are not made.

Note 4:

The following fringe benefits are included in the fringe benefit rates:

- Pension
- Health Benefits
- Unemployment Insurance
- Earned and Unused Sick Leave Payments
- Prescription Drug Program
- Dental Care Program
- Vision Care
- Temporary Disability Insurance
- Workers' Compensation

Note 5:

The fringe benefit rates are applied to salaries and wages of personnel that are included in the pension and/or health benefit plan.

In addition to the fringe benefits included in the fringe benefit rate, Social Security Taxes (FICA) are specifically identified to each employee and are charged individually as direct costs.

State of New Jersey Statewide Cost Allocation Plan (SWCAP) - Proposal for the Plan Year 2015-2017
 Summary of Fixed Allocations for the Fiscal Year Ending June 30, 2017

Name of Agency Receiving Central Support Services	Office of the State Auditor (OSA)	Office of Management & Budget (OMB)	Civil Service Commission (CSC) *	Division of Risk Management (RiskMgmt)	Office of Employee Relations (OER)	Division of Purchase & Property (DPP)	Totals
Legislative Branch (excluding Office of the State Auditor)	-	55,272	86,639	2,847	7,686	25,152	177,596
Office of the Chief Executive	-	3,280	19,760	-	1,628	-	24,669
Department of Agriculture	-	415,947	42,794	3,831	3,660	49,860	516,093
Department of Banking & Insurance	-	34,734	97,571	(1,835)	8,282	33,595	172,347
Department of Children & Families	(348,558)	1,275,291	1,401,507	162,005	121,933	624,414	3,236,592
Department of Community Affairs	(627,744)	440,374	198,028	6,840	17,394	392,083	426,976
Department of Corrections	1,334,720	375,732	1,750,356	234,113	149,127	1,480,225	5,324,275
Department of Education	310,267	442,524	177,054	17,242	15,418	144,204	1,106,709
Department of Environmental Protection	201,678	565,715	613,375	59,842	53,626	1,185,873	2,680,110
Department of Health	-	217,014	231,948	23,587	19,694	204,755	696,998
Department of Human Services	1,743,505	1,109,504	2,215,768	931,444	172,040	1,827,037	7,999,296
Department of Labor & Workforce Development (excluding Civil Service Commission)	(150,785)	598,627	570,812	20,170	48,163	176,830	1,263,817
Department of Law & Public Safety	1,512,158	625,151	1,628,528	298,433	141,061	1,201,377	5,406,707
Department of Military & Veterans Affairs	(450,004)	212,033	304,589	54,634	26,126	828,891	976,269
Department of State	3,582	108,279	(670,880)	171,731	182,235	69,320	(135,734)
Department of Transportation	789,192	952,973	1,058,215	125,756	90,452	1,538,072	4,554,659
Department of the Treasury (excluding Central Support Services)	-	836,335	914,596	(24,163)	78,779	597,270	2,402,816
Office of Information Technology	925,404	3,500	157,862	-	13,888	63,575	1,164,229
Other Departments and Agencies	2,048,258	3,428,976	219,036	93,213	16,580	143,273	5,949,336
Judicial Branch	(493,030)	950,301	1,883,394	61,663	163,504	1,349,379	3,915,210
Totals	6,798,644	12,651,561	12,900,991	2,241,353	1,331,274	11,935,184	47,858,968

NOTES:

* Formerly Department of Personnel

State of New Jersey Statewide Cost Allocation Plan (SWCAP) - Proposal for the Plan Year 2015-2017
 Physical Plant Operations & Maintenance Fixed Allocations for the Fiscal Year Ending June 30, 2017

Name of Agency Receiving Central Support Services	FY2017 Allocation
Legislative Branch (excluding Office of the State Auditor)	\$ 6,278,722
Office of the Chief Executive	2,882,675
Department of Agriculture	586,573
Department of Banking & Insurance	1,613,043
Department of Children & Families	872,803
Department of Community Affairs	2,496,311
Department of Corrections	-
Department of Education	258,136
Department of Environmental Protection	5,259,645
Department of Health	(481,259)
Department of Human Services	1,779,805
Department of Labor & Workforce Development (excluding Civil Service Commission)	(91,720)
Department of Law & Public Safety	5,350,124
Department of Military & Veterans Affairs	-
Department of State	4,994,802
Department of Transportation	4,829,653
Department of the Treasury (excluding Central Support Services)	8,382,617
Office of Information Technology	597,627
Other Departments and Agencies	13,100,453
Judicial Branch	3,011,794
Totals	<u>\$ 61,721,804</u>

NOTES:

Physical Plant Operations and Maintenance costs for service, which represent occupancy costs of State-owned buildings allocated to grantee agencies for inclusion in their indirect cost rate proposals, must be treated by the agency as either direct or indirect costs consistent with the treatment of similar (rental) costs charged to federal government programs.