

# BUDGET LETTER

		<b>NUMBER:</b>	17-25
<b>SUBJECT:</b> 2018-19 GENERAL ADMINISTRATIVE COSTS AND 2018-19 STATEWIDE COST ALLOCATION PLAN		<b>DATE ISSUED:</b>	August 31, 2017
<b>REFERENCES:</b> GOVERNMENT CODE SECTIONS 11270-11275, 11852, 13332.01 - 13332.03, 22883, STATE ADMINISTRATIVE MANUAL SECTIONS 8752 - 8758, CONTROL SECTION 8.54, BUDGET ACT OF 2017, BL 17-11 AND BL 17-16		<b>SUPERSEDES:</b>	16-19

TO: Agency Secretaries  
 Department Directors  
 Departmental Budget and Accounting Officers  
 Department of Finance Budget and Accounting Staff

FROM: DEPARTMENT OF FINANCE

This Budget Letter (BL) informs departments of the requirements for the budgeting and accounting processes for the recovery of general administrative costs (Pro Rata) and Statewide Cost Allocation Plan (SWCAP) for the preparation of the 2018-19 Governor’s Budget.

<b>Deadline and Deliverables</b>	
<b>October 3, 2017</b>	<p><b><u>All Departments</u></b></p> <p><b>Submit completed and certified Pro Rata and SWCAP sheets to Finance budget analysts. FSCU will centrally post the certified amounts in Hyperion.</b></p>

Pro Rata and SWCAP are the processes by which the General Fund and the Central Service Cost Recovery Fund are reimbursed by special funds (Pro Rata) and federal funds (SWCAP) for the cost of centralized administrative services that are supported by and benefit from these services.

The centralized administrative services are functions provided by specified central service departments; for example, payroll processing services provided by the State Controller’s Office (SCO). The costs of these services are allocated to each user department. Allocations are based on each user department’s funding source(s) and the central services received, as determined by Finance, Fiscal Systems and Consulting Unit (FSCU). Additional information on Pro Rata and SWCAP is provided in the State Administrative Manual (SAM) sections 8752 – 8758.

**PRO RATA**

As a reminder, Pro Rata is now charged directly at the fund level pursuant to Chapter 31, Statutes of 2016 (SB 836). The expenditure authority is reflected in the Pro Rata Business Unit (BU) 9900. Previously, Pro Rata was charged to the departments’ appropriations (which indirectly charged the underlying funds).

NEW: The 2018-19 plan will incorporate the Department of General Services, Contracted Fiscal Services (CFS) costs except for bond funds. These costs are for the accounting and budgeting services provided to user departments. Costs will be allocated based on workload hours. Because costs will be charged directly at the fund level (except for bond funds), user departments will no longer reimburse CFS for such costs starting 2018-19. Funding built into user departments’ budget for these costs will be removed in the fall of 2018.

1. **Required Assessment Sheets** – Finance budget analysts will forward the 2018-19 Pro Rata (green) sheets (Attachment I) to the affected departments in mid September. Departments must complete and certify the green sheets and return the sheets to the Finance budget analysts for their review and signature no later than Tuesday, October 3, 2017.
2. **Posting in Hyperion** – FSCU will centrally post the amounts under Account Category (AC) 5348250 Pro Rata for 2018-19 and out years under BU 9900. Departments should not have any expenditures posted to AC 5348250 under their BU.
3. **Timing of Pro Rata assessments to funds** – Transfers from special funds will be processed in August, November, and March by SCO. Questions and/or requests regarding Pro Rata transfers should be directed to FSCU as noted in the Contacts section provided below.
4. **Recording Pro Rata assessments** – Departmental accounting offices that are the fund administrator of the funds will receive a journal entry from the SCO when the transfers of the Pro Rata assessments occur showing the amounts by fund and the Pro Rata BU 9900. The designated fund administrator is responsible for recording the Pro Rata assessments. The administering department for a fund and their BU is provided in the Manual of State Funds located on the Finance website at [http://www.dof.ca.gov/accounting/manual\\_of\\_state\\_funds/](http://www.dof.ca.gov/accounting/manual_of_state_funds/).
  - a. **FI\$Cal (PeopleSoft) departments** – Enter in PeopleSoft using Account Code 6512400 - Unappropriated Transfer Out-Pro Rata. For posting instructions, refer to Finance's eLearning course for statewide assessments at: [http://www.dof.ca.gov/Accounting/Consulting\\_and\\_Training/](http://www.dof.ca.gov/Accounting/Consulting_and_Training/).
  - b. **Non-FI\$Cal (PeopleSoft) departments** – Enter as a reduction to the fund balance for the fund. CALSTARS departments should refer to the CALSTARS Procedures Manual, Volume 7, Chapter 4-A, for Statewide Assessments and CALSTARS Frequently Asked Questions #3 under the Miscellaneous section at: [http://www.dof.ca.gov/Accounting/CALSTARS/CALSTARS\\_FAQs/](http://www.dof.ca.gov/Accounting/CALSTARS/CALSTARS_FAQs/).

## **SWCAP**

1. **Required Assessment Sheets** – These sheets have the same deadline as Pro Rata. Finance budget analysts will forward the 2018-19 SWCAP (pink) sheets (Attachment II) to the affected departments in mid September. As in prior years, departments must complete and certify the pink sheets and return the sheets to the Finance budget analysts for their review and signature no later than October 3, 2017.
2. **Posting in Hyperion** – FSCU will centrally post the Baseline Budget Adjustments (BBA) in Hyperion using the AC 5348500 (SWCAP) at the department's appropriation level. FSCU will calculate the incremental change between the current expenditure authority and the 2018-19 certified SWCAP amount to post to the department's fund using the following BBA information:

Budget Request (BR) Name: **BU##-991-BBA-2018-GB**  
BR Description: **SWCAP Apportionment**

Once the SWCAP posting is complete by early November, FSCU will copy the BBA to the GB Exchange for the affected departments to retrieve and copy to their departmental version. No changes to these centrally posted amounts are allowed unless approved by FSCU and your Finance budget analyst.

### 3. SWCAP Recoveries

- a. **Indirect Cost Rate Proposals (ICRPs) and Cost Allocation Plans (CAPs)** – SAM section 8756.1 requires each department that receives federal funds to prepare an ICRP, CAP or Public Assistance Cost Allocation Plan (PACAP), unless exempted by FSCU. These documents establish the basis for recovering reimbursable costs from the federal government. See SAM sections 8752-8758 for more information.
- b. **Accounting Process for Quarterly Transfers** – Unless prohibited by the federal government, each department that receives federal funds must recover their SWCAP costs and request the SCO to transfer the recoveries to the General Fund within 30 days after the end of each quarter. To transfer the SWCAP recoveries, departments must complete a Transaction Request, form CA 504, and submit to the SCO for processing in accordance with SAM section 8755.2.

Pursuant to Control Section 8.54 of the 2017 Budget Act, if a department has not transferred federal funds to the General Fund on a timely basis, Finance has the authority to enforce recovery by reducing any state operations appropriation, not to exceed one percent.

### **REPORTS**

FSCU annually publishes the reports for the central administrative costs allocated to each department for Pro Rata and SWCAP. Reports from the 2018-19 budget cycle reports will be available at the following links by late September:

1. Pro Rata: [http://www.dof.ca.gov/Accounting/Statewide\\_Cost\\_Allocation/Pro\\_Rata\\_Library/](http://www.dof.ca.gov/Accounting/Statewide_Cost_Allocation/Pro_Rata_Library/)
2. SWCAP: [http://www.dof.ca.gov/Accounting/Statewide\\_Cost\\_Allocation/SWCAP\\_Library/](http://www.dof.ca.gov/Accounting/Statewide_Cost_Allocation/SWCAP_Library/)

### **CONTACTS**

Additional information on Pro Rata, SWCAP, and ICRPs is available on the Finance website at [http://www.dof.ca.gov/Accounting/Statewide\\_Cost\\_Allocation/](http://www.dof.ca.gov/Accounting/Statewide_Cost_Allocation/). Contacts for each area are as follows:

Pro Rata – Janice Miles at (916) 445-3434, extension 2142  
SWCAP – Alice Kirkham at (916) 445-3434, extension 2140  
ICRPs – Alice Kirkham at (916) 445-3434, extension 2140  
E-mail for any of the contacts above - [fiproswp@dof.ca.gov](mailto:fiproswp@dof.ca.gov)

/s/Veronica Chung-Ng

Veronica Chung-Ng  
Program Budget Manager

Attachments