

# **CALIFORNIA STATEWIDE COST ALLOCATION (aka Pro Rata/SWCAP Program)**

## **FREQUENTLY ASKED QUESTIONS**

### **1. What is Pro Rata and SWCAP?**

- Pro Rata is a Latin term meaning “fair share” and it represents the special funds (and certain non-governmental cost funds) share of the statewide administrative costs.
- SWCAP is the acronym used for the Statewide Cost Allocation Plan and it represents the Federal share of the statewide administrative costs.
- Finance administers the Pro Rata/SWCAP Program. This Program is the cost allocation and recovery process to recover a fair share of statewide administrative costs from special funds/certain non-governmental cost funds (Pro Rata) and federal funds (SWCAP). The amounts recovered via the Pro Rata/SWCAP process are transferred to the General Fund (GF) because the GF pays for the costs upfront.

### **2. What are Statewide Administrative Costs?**

These are the centralized administrative costs incurred for services provided by specified central service agencies (CSAs). For example, most of the costs incurred for payroll and disbursement services provided by the State Controller’s Office, budget control functions covered by Finance, and centralized treasury functions carried out by the State Treasurer’s Office.

### **3. What is a Central Service Agency (CSA)?**

CSAs provide statewide administrative services to state departments. These budgeting, accounting, auditing, payroll, banking, system operations, and other services are supported by the GF. The services provided by CSAs not only benefit GF programs but also programs supported by other funds. Statutory authority allows the costs to be recovered from those funds.

### **4. Who are the CSAs?**

Currently, there are 17 CSAs with a total of 32 functions approved by Finance and/or the federal government. One CSA can provide multiple functions that qualify as central service functions for this Program.

- State Controller’s Office
- Governor’s Office
- State Personnel Board
- State Treasurer’s Office
- California State Auditor’s Office
- Legislative Counsel Bureau
- California State Library
- Legislature
- California Department of Technology
- Office of Administrative Law
- Department of Finance
- Department of Human Resources
- Department of Justice
- Financial Information System for CA
- Office of Planning and Research
- Secretary of the CA Health and Human Services Agency
- Department of General Services-Contracted Fiscal Services (pending federal approval)

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### **5. What is a CSA Function and is there a descriptive list?**

A CSA Function is the service that the CSA provides which Finance and/or the federal government have approved to be included in this Program. Currently there are 32 central service functions. Costs are allocated using a variety of metrics such as audit hours, warrant or transaction count, or state operations dollars. The metric used must be reasonable, equitable, and practical. The allocation method must be approved by both Finance and the federal government in order to recover costs from the federal funds. In addition to the functions on the descriptive list, the costs of performing certain duties such as those provided by the Legislature and the Governor's Office are also included in the cost allocation program. A description of the central service functions can be found here:

[\[Function Descriptions 2018-19.docx\]](#)

### **6. What is the state's policy on Full Cost Recovery?**

The state policy is for departments to recover full costs whenever goods or services are provided for others. Full cost includes all costs attributable directly to the activity plus a fair share of the indirect costs. The policy is established in both law through [Government Code section 11010](#), and in policy through [State Administrative Manual \(SAM\) section 8752](#). Costs recovered via other methods must not be included in this Program to avoid duplication of recovery.

### **7. How are the central service costs allocated to state departments and to funds?**

The allocation process involves several steps:

- i. Finance obtains workload and expenditure data for each function from the CSAs. We receive the past year actual workload data (what was done and for whom); the past year actual expenditures (how much it cost to perform those services); and, the budget year estimated expenditures (the anticipated costs for the budget year).
- ii. Costs are first allocated to the departments based on units of workload.
- iii. Within a department, costs are allocated to the funds. Pro Rata distributes the allocation proportionate to a special fund and certain non-governmental cost funds percentage of the department's total state operations funding. SWCAP distributes the allocation to the federal fund based on its own percentage of total state operations funding.
- iv. During the fall budget process (around October), departmental budget offices are provided Pro Rata (green sheet) and SWCAP (pink sheet) certifications by their Finance budget analyst. These sheets indicate the assessment amounts and the corresponding funds that should be charged.
- v. Once the charges from all departments and funds are completed, the overall amount to be charged to each fund is tallied up. For special and non-governmental cost funds, the charge to these funds are taken from the fund balance (no longer from departmental appropriations).

The allocation process is also outlined in our annual Budget Letter that 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 Governor's Budget. The current Budget Letter and attachments can be found here: [\[Budget Letter 18-19; Attachment I\]](#) and [\[Attachment II\]](#)

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### **8. How does the state recover the Pro Rata costs from the funds?**

In June of each year, Finance certifies to the State Controller's Office (SCO) the Pro Rata costs to be transferred from each fund. SCO sets up automatic fund level transfers 3 times per year (usually in August, November, and March). This is subject to change in the future.

### **9. Do I need to record the Pro Rata assessments in my accounting system?**

Yes, if you are the fund administrator, you will need to record the journal entry at the fund balance level similar to other Statewide Assessments such as the FI\$Cal assessments.

- FI\$Cal (PeopleSoft) departments – Enter in PeopleSoft using Account Code 6512400 - Unappropriated Transfer Out. For posting instructions, refer to Finance's e-Learning course for statewide assessments at:

[http://www.dof.ca.gov/Accounting/Consulting\\_and\\_Training/documents/GL1\\_Record\\_Statewide\\_Assessments-2.pdf](http://www.dof.ca.gov/Accounting/Consulting_and_Training/documents/GL1_Record_Statewide_Assessments-2.pdf)

- 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/).

### **10. How does the state recover SWCAP costs?**

For SWCAP, the departments must submit a SWCAP (plan) to the federal government to establish the billing basis for recovering full costs. The departments will transfer the SWCAP portion to the GF based on the agreement by submitting a Transaction Request (CA 504). SWCAP Transfers are due within 30 days after the end of a quarter when federal funds are drawn or expended. [SAM section 8755.2](#) provide guidance for SWCAP recoveries.

### **11. Where can I find Pro Rata/SWCAP reports?**

We have several reports available on our Finance website. Following are links that will take you to the related reports:

- Pro Rata Library:  
[http://www.dof.ca.gov/Accounting/Statewide\\_Cost\\_Allocation/Pro\\_Rata\\_Library/](http://www.dof.ca.gov/Accounting/Statewide_Cost_Allocation/Pro_Rata_Library/)
- SWCAP Library:  
[http://www.dof.ca.gov/Accounting/Statewide\\_Cost\\_Allocation/SWCAP\\_Library/](http://www.dof.ca.gov/Accounting/Statewide_Cost_Allocation/SWCAP_Library/)
- SWCAP Recoveries:  
[http://www.dof.ca.gov/Accounting/Statewide\\_Cost\\_Allocation/SWCAP\\_Recoveries/index.html](http://www.dof.ca.gov/Accounting/Statewide_Cost_Allocation/SWCAP_Recoveries/index.html)

### **12. Why have my assessments increased or decreased?**

An Assessment Variance Analysis document will assist you in identifying the areas where you may have significant increases or decreases in your assessments. The variance analysis document can be found here: [[Variance Analysis.docx](#)]

For example, "Why did my costs go up for Health and Dental Benefits?" Some of the reasons for the increase in costs could be due to:

- Increased premium costs for health insurance plans
- Increase number of employees for your department
- Large roll-forward amount for your department, because a previous estimate was lower than your actual costs for the past year

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**13. How are the FI\$Cal Costs and Workload (Number of Users) determined?**

- The majority of FI\$Cal's costs are personnel costs, including state personnel and contracted personnel.
- FI\$Cal costs for the ongoing maintenance, support and operation of the system are distributed based on the number of users for each department. Each user that utilizes the system requires system support for establishing user IDs, mapping roles and responsibilities in the system, training and user assistance, troubleshooting problems, enhancements, etc.
- FI\$Cal identifies each unique user in the system as of 6/30/XX and provides that count to Finance for each BU. The FI\$Cal ongoing costs are allocated to each BU according to the number of unique users for that BU.

**14. Is there training available for Pro Rata/SWCAP?**

Finance provides Pro Rata/SWCAP overview training for departments annually in the spring. In addition, Finance also provides training to the CSAs as needed. You can check for any scheduled training at the following link:

[http://www.dof.ca.gov/Accounting/Statewide\\_Cost\\_Allocation/Statewide\\_Cost\\_Allocation\\_Training/](http://www.dof.ca.gov/Accounting/Statewide_Cost_Allocation/Statewide_Cost_Allocation_Training/)

The PowerPoint presentation from our most recent training can be found by clicking here:

[\[SWCAP\\_PR\\_Overview\\_2018.pdf\]](#)