

# BUDGET LETTER

		NUMBER:	16-19	
SUBJECT:		2017-18 GENERAL ADMINISTRATIVE COSTS AND 2017-18 STATEWIDE COST ALLOCATION PLAN	DATE ISSUED:	July 27, 2016
REFERENCES:		GOVERNMENT CODE SECTIONS 11270-11275, 11852, 13332.01 - 13332.03, 22883, STATE ADMINISTRATIVE MANUAL SECTIONS 8752 - 8758, CONTROL SECTION 8.54, BUDGET ACT OF 2016, BL 16-13	SUPERSEDES:	15-24

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 on the requirements and recent enhancements of 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 2017-18 Governor’s Budget.

<b>Deadline and Deliverables</b>	
October 3, 2016	<u>All Departments</u> Submit completed and certified Pro Rata and SWCAP sheets to Finance budget analysts. FSCU will centrally post the certified amounts in Hyperion.

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.

## **CENTRAL SERVICE COSTS**

The 2017-18 plan incorporates the following changes:

- 1. Department of Financial Information System of California (FI\$Cal) Costs** – These costs are for the functionality and ongoing maintenance support and operation for FI\$Cal. Costs will be allocated by the number of licensed users for each department under the new function code 115. One time project costs are not part of this function in the plan.
- 2. FSCU Costs and SCO GAAP Assessments** – For efficiency, these costs and assessments will now be consolidated in the Pro Rata and SWCAP plans for recovery and will no longer be separately allocated.

## **PRO RATA**

**NEW: Pro Rata will be charged directly at the fund level.** Previously, central service costs allocated to special funds for their fair share of these costs were charged to the departments' appropriations (which indirectly charged to the underlying funds). Chapter 31, Statutes of 2016 (SB 836) authorizes Pro Rata to be charged at the fund level. Charging directly at the fund level simplifies the budgeting and accounting processes while achieving the same results (that a fair share of central service costs will be allocated to each fund). Given that departments' appropriations will no longer be charged for these Pro Rata assessments, the expenditure authority built into each department will be removed accordingly. Finance will submit an Executive Order to SCO by early September to shift each department's 2016-17 Pro Rata expenditure authority into Pro Rata's Business Unit (BU) 9900. Starting in 2017-18, the authority will be built and reflected in the 9900 BU.

### **Budgeting Process**

- 1. Required Assessment Sheets** – Finance budget analysts will forward the 2017-18 Pro Rata (green) sheets (Attachment I) to the affected departments in late September. As in prior years, 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 Monday, October 3, 2016.
- 2. Posting in Hyperion** – After the Hyperion data rollover is complete by August 1, as provided in BL 16-13, FSCU will centrally remove expenditure authority from each departments' current year and out year budgets attributable to Pro Rata. The amounts are budgeted under Account Code 5348250 Pro Rata for 2016-17 and out years. Going forward, Pro Rata expenditures will be centrally reflected under BU 9900.

FSCU will centrally post the removal of the Pro Rata expenditure authority from each department with the following Baseline Budget Adjustment (BBA) information:

Budget Request (BR) Name: **BU##-990-BBA-2017-GB**  
BR Description: **Pro Rata Assessments Removal**

Once the Pro Rata expenditure removal is complete by late August, FSCU will copy the BBA to the GB Exchange for the affected departments to retrieve and copy to their departmental version. After the Pro Rata expenditure authority removals are made by FSCU, no BU (other than 9900) should have any dollars in Account Code 5348250 for any fund.

### **Accounting Process**

- 1. Timing of Pro Rata assessments to funds** – Transfers from special funds by the SCO at the fund level will begin with the 2016-17 assessments and the transfers will be processed in August, November, and March. Previously, transfers were processed in August, November, February, and May of each fiscal year. Questions and/or requests regarding Pro Rata transfers should be directed to FSCU as noted in the Contacts section provided below.
- 2. Recording Pro Rata assessments** – Departmental accounting offices 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. For posting instructions, refer to Finance’s e-Learning 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 in the accounting system 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 2017-18 SWCAP (pink) sheets (Attachment II) to the affected departments in late 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, 2016.
2. **Posting in Hyperion** – FSCU will centrally post the BBA in Hyperion using the Account code 5348500 (SWCAP) at the department’s appropriation level. FSCU will calculate the incremental change between the current expenditure authority and the 2017-18 certified SWCAP amount to post to the department’s fund using the following BBA information:

Budget Request (BR) Name: **BU##-991-BBA-2017-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 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 2016 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 2016-17 budget cycle reports are available at the following links:

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/)

These links will be updated with 2017-18 reports by late September 2016. Due to the new Pro Rata process at the fund level, a new report called "Pro Rata Schedule of Assessments by Fund/Agency" will be added to the existing Pro Rata reports.

## **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 - Monica Medina at (916) 445-3434, extension 2145  
SWCAP - Corrine Lim at (916) 445-3434, extension 2166  
ICRPs - Jerome Tribble 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