BUDGET LETTER

NUMBER: 14-24	
SUBJECT: 2015-16 GENERAL ADMINISTRATIVE COSTS AND 2015-16 STATEWIDE COST ALLOCATION PLAN	**DATE ISSUED:** September 22, 2014
REFERENCES: GOVERNMENT CODE SECTIONS 11270 – 11277, 13332.01 – 13332.03, 22883, STATE ADMINISTRATIVE MANUAL SECTIONS 8752 – 8758, CONTROL SECTION 8.54, BUDGET ACT OF 2014, BUDGET LETTER 14-18	**SUPERSEDES:** BL 13-23

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

FROM: DEPARTMENT OF FINANCE

Deadlines and Deliverables	
October 3, 2014	**Departments submit certified General Administrative Costs (Pro Rata) assessment sheets and Statewide Cost Allocation Plan (SWCAP) apportionment sheets. Departments update FI$Cal or submit templates for baseline budget adjustments for Pro Rata and SWCAP.**

This Budget Letter (BL) provides instructions on the annual certification and budgeting of Pro Rata and SWCAP. It also provides instructions to all departments for posting these amounts in the Financial Information System for California (FI$Cal) in Hyperion for the preparation of the 2015-16 Governor's Budget.

Background: Departments must recover full costs whenever goods or services are provided for others. Full costs include department direct and indirect (overhead) costs and central service costs. Refer to the State Administrative Manual (SAM) sections 8752–8758 for more information. Central service costs are compiled under assigned function codes and allocated to each department by Finance, Fiscal Systems and Consulting Unit (FSCU). The amounts allocated for recovery of the central service costs are determined by each of the department's funding source(s) and based upon the central services received by the department.

I. General Administrative Costs (Pro Rata)

Pro Rata represents recoveries from special funds for statewide general administrative costs incurred by Central Service Agencies (CSAs), e.g., Finance, State Controller's Office (SCO), State Treasurer's Office, and the Legislature.

These recoveries are required by Government Code (GC) sections 11270 to 11277 and 22883. The costs for each central service are apportioned to all state departments and then allocated to each department's funding source(s). Funds that are classified as "billable" (i.e., funded by special revenue sources such as fees, licenses, penalties, assessments, etc.) reimburse the General Fund and the Central Service Cost Recovery Fund for Pro Rata costs via quarterly transfers made by the SCO. The reports reflecting the central services apportioned costs for 2015-16 are available at: http://www.dof.ca.gov/FISA/PROSWCAP/prorata_detail_reports.htm.

FSCU calculates the Pro Rata assessments against billable funds. The 2015-16 Pro Rata assessments, which are on green sheets, will be provided to Finance budget analysts on September 23 and 24. A sample of the Pro Rata assessment sheet is provided in Attachment I. The Finance budget analysts will forward the sheets to the departments for certification and posting to Hyperion. See Section IV for Hyperion posting instructions. The Pro Rata amounts will be reported under the Account/Category (AC) 5348250, which is equivalent to the Uniform Codes Manual (UCM) object code 330438. Departments must set aside the assessment amounts in the fund condition statements and workload budget for the specified fund(s). Finance budget analysts will work with departments to ensure that appropriate funding adjustments are made.

Departments must sign the Pro Rata assessment sheet to certify that the assessment amounts have been included in the fund condition statement(s) for the specified fund(s), if applicable, and included in the proposed appropriation amount(s). **Departments must then return the sheet to their Finance budget analysts no later than October 3, 2014. This due date includes Wave 1 departments posting to Hyperion and non-Wave 1 departments e-mailing the completed Excel template to their Finance budget analysts.**

II. Statewide Cost Allocation Plan (SWCAP)

SWCAP represents recoveries from federal funds for statewide general administrative costs incurred by CSAs. These recoveries are required by GC sections 13332.01, 13332.02, and 22883. SWCAP includes only those central service costs which are allowable for federal reimbursement purposes. Effective this plan year is a new function code (Function 011) to realign FSCU costs for federal reimbursement. These costs were formerly distributed among other Finance functions.

The costs of each central service are apportioned to state departments. The reports reflecting the central services apportioned costs for 2015-16 are available at: http://www.dof.ca.gov/FISA/PROSWCAP/swcap_detail_reports.htm. 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 (TR), form CA 504, and submit to the SCO for processing. On the TR, departments must identify the SWCAP amount to be transferred by quarter and fiscal year. The TR is submitted to the SCO and a copy is sent to Finance, FSCU, and the department's Finance budget analyst, in accordance with SAM section 8755.2.

Pursuant to Control Section 8.54 of the 2014 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. Departments are responsible for complying with federal and state requirements to ensure that SWCAP costs can be recovered from the federal government.

FSCU calculates the SWCAP apportionment and budgeted amounts. The 2015-16 SWCAP budgeted amounts, which are on pink sheets, will be provided to Finance budget analysts on September 23 and 24. A sample of the SWCAP apportionment sheet is provided in Attachment II. The Finance budget analysts will forward the sheets to the departments for certification and posting to Hyperion. See Section IV for Hyperion posting instructions. The SWCAP amounts will be reported under the AC 5348500, which is equivalent to the UCM object code 330439. Departments must include the budgeted SWCAP amount from this sheet in their workload budgets. Finance budget analysts will work with departments to ensure that appropriate funding adjustments are made.

Departments must sign the SWCAP apportionment sheet to certify that the budgeted SWCAP amount has been included in the budgeted federal receipts and that it is allowed under the specified federal programs. **Departments must then return the sheet to their Finance budget analysts no later than October 3, 2014. This due date includes Wave 1 departments posting to Hyperion and non-Wave 1 departments e-mailing the completed Excel template to their Finance budget analysts.**

III. Indirect Cost Rate Proposals, Cost Allocation Plans, and Public Assistance Cost Allocation Plans

SAM section 8756.1 requires each department that receives federal funds to prepare an Indirect Cost Rate Proposal (ICRP), and/or Cost Allocation Plan (CAP) or Public Assistance Cost Allocation Plan (PACAP), unless exempted by Finance, FSCU. An ICRP, CAP, or PACAP establishes the basis for recovering full costs associated with programs or activities.

ICRPs, CAPs, or PACAPs are typically due to the federal cognizant agency at least six months before the start of the fiscal year to which they apply. Departments must submit their ICRPs, and/or CAPs or PACAPs, to Finance, FSCU for review and approval before sending to the federal cognizant agency for approval. At least three weeks should be allowed for FSCU's review. Generally, the federal agency from which a department receives the most funding is designated as the federal cognizant agency. ICRPs, CAPS, and PACAPs must be in compliance with the state's Full Cost Recovery policy, as defined in SAM section 8752.

IV. Hyperion Posting

Wave 1 departments will provide information for Pro Rata and SWCAP amounts by keying the data in the system or leveraging the Baseline Budget Adjustments (BBA) Excel Upload Template for data input. All non-Wave 1 departments will complete the Excel template and electronically send to your respective Finance budget analyst. The Excel template is available at http://www.dof.ca.gov/budgeting/forms/view.php.

Pro Rata and SWCAP amounts are BBAs and should be posted as two separate budget adjustments. For example, if a department has both Pro Rata and SWCAP amounts, then two separate BBAs must be completed for each budget adjustment.

The following are pertinent information for completing the required data:

1. **Decision Package (DP) Name:**
   (4-digit Org Code)-(3-digit unique sequencer)-BBA-DP-2015-GB
   - Pro Rata: 0250-**222**-BBA-DP-2015-GB (use 222 as Pro Rata sequencer)
   - SWCAP: 0250-**224**-BBA-DP-2015-GB (use 224 as SWCAP sequencer)

   DP Description: "Pro Rata Assessments" or "SWCAP Apportionments"

2. **Budget Request (BR) Name:**
   (4-digit Org Code)-(3-digit unique sequencer)-BBA-BR-2015-GB
   Pro Rata:
   - Use 222 and 223 for Pro Rata sequencer for BRs
   - 0250-**222**-BBA-BR-2015-GB *(to remove 2014-15 amounts)*
   - 0250-**223**-BBA-BR-2015-GB *(to add 2015-16 amounts)*

   SWCAP:
   - Use 224 and 225 for SWCAP sequencer for BRs

- 0250-**224**-BBA-BR-2015-GB *(to remove 2014-15 amounts)*
- 0250-**225**-BBA-BR-2015-GB *(to add 2015-16 amounts)*

BR Descriptions:

- Pro Rata 2014-15 Remove Old Values
- Pro Rata 2015-16 Add New Values
- SWCAP 2014-15 Remove Old Values
- SWCAP 2015-16 Add New Values

3. **Baseline Adjustment Types:** "Pro Rata" or "SWCAP"

4. **General**:
   a. All amounts are posted as whole dollars in thousands. For example, the amount of 2,500 should be posted as 3,000.

   b. There will be two BRs for one DP for each type of assessment. For example, Pro Rata will need one DP with one BR to remove the 2014-15 amounts. A second BR is created to post the 2015-16 budget year (BY) amounts. Do not net the 2014-15 and 2015-16 amounts to post the incremental change.

   c. 2014-15 amounts for Pro Rata and/or SWCAP must be posted as minus dollars in the "OnGoing" column in the Baseline Adjustments BY tab. All OnGoing dollars should be copied to the appropriate BY1, BY2, BY3, and BY4 tabs. This is a one-time adjustment necessary to remove the 2014-15 amounts for future ongoing years.

   d. 2015-16 amounts certified for Pro Rata and/or SWCAP must be posted in the "OnGoing Request BY" column using separate lines for each fund as necessary. All OnGoing dollars should be copied to the appropriate BY1, BY2, BY3, and BY4 tabs.

   e. Enactment Year (ENY), formerly Year of Appropriation, is 2015-16 for BY and the out years (BY1, BY2, BY3, and BY4).

Examples of the Pro Rata and SWCAP Excel templates are provided as follows:

1. Pro Rata—Attachment III:
   - DP 222, BR 222 *(to remove 2014-15 amounts)*
   - DP 222, BR 223 *(to add 2015-16 amounts)*
2. SWCAP—Attachment IV
   - DP 224, BR 224 *(to remove 2014-15 amounts)*
   - DP 224, BR 225 *(to add 2015-16 amounts)*

Hyperion information on baseline adjustments are provided in the BL 14-18, Baseline Budget Adjustments (FI$Cal Templates), on Finance's website at http://www.dof.ca.gov/FISCal_Resources/view.php.

Additional information on Pro Rata, SWCAP, and ICRPs is available on our website at http://www.dof.ca.gov/fisa/proswcap/proswcap.htm. For Pro Rata assistance, contact

Monica Medina at (916) 445-3434, extension 2145. For SWCAP assistance, contact Corrine Lim at (916) 445-3434, extension 2166. For ICRP assistance, contact Jerome Tribble at (916) 445-3434, extension 2140, or e-mail any of the above contacts at fiproswp@dof.ca.gov.

/s/ Veronica Chung-Ng

Veronica Chung-Ng
Program Budget Manager

Attachments