

SWCAP Financial Management (FMC 1.3 – January 1, 2022)

Section 1 – Background: The State Budget Agency (SBA) annually prepares the "Statewide Cost Allocation Plan" (SWCAP) which accumulates the General Fund's statewide central service costs, allocating them across all State agencies in accordance with Federal Cost Principles (2 CFR 200 Subpart E). The non-General Fund share (federal and dedicated funding sources) of the statewide indirect costs is recovered by SBA to reimburse the State's General Fund for expenses incurred by statewide central service agencies. A central service agency provides support services to operating agencies that deliver the State's various program services for its citizens.

Section 2 – Purpose: To appropriately allocate expenditures incurred by statewide central service agencies to federal grants and dedicated funding sources, and to outline the process necessary to ensure that recoveries are used to properly reimburse the General Fund.

Section 3 – Eligible and Exempt Funds: If an agency receives federal or dedicated funds, either directly or transferred from other State agencies, it shall be the Proposed Costs from the Summary of Allocated Costs ("Proposed Costs") of that fiscal year's SWCAP as indirect cost recovery owed the State. The Proposed Costs should be allocated to federal funding sources using the agency's federally approved Cost Allocation Plan (CAP). Costs allocated to dedicated funding sources are recovered as part of the fiscal year-end closing process. SBA applies an appropriate allocation base to determine the share of costs to be recovered from non-federal dedicated funds.

If the Proposed Cost number is negative, it may be used to offset future costs. Approval to use this offset must be obtained from SBA. If an agency administers only General Fund programs and receives no federal or dedicated funds, neither directly nor as a "pass-through," it is exempt from cost recovery.

An eligible agency may request an exemption from indirect cost recovery on a program. An agency shall submit exemption requests in writing to the agency's assigned SBA budget analyst. All exemption approvals will be made in writing.

Section 4 – Process: In order to accurately and appropriately reimburse the General Fund for SWCAP expenses, please adhere to the following process:

- For federal funds, debit federal funds to be charged using account 759900 and credit Agency 00057, Fund 10520, Account 749900, Program 05700, and Department 051000.
- When federal revenue is drawn to reimburse these costs, credit Account 446000.
- In the Long Description of the Journal Header, indicate that the reason for the journal entry is SWCAP and indicate the program period to be charged.
- If an agency is funded entirely by federal sources, divide the proposed costs by four and process quarterly journal entries.
- If an agency has a mixture of funding sources, the proposed costs should be allocated, either through an agency's internal, federally approved CAP or through a direct allocation formula. The proposed cost or its allocation should be processed through a

GL Journal Entry and routed to SBA on a quarterly basis. (As part of GL workflow, the journal entry will be routed to SBA's accounting department for approval.)

- Dedicated funds will be charged directly by SBA in June of each year. Amounts and chart fields will be available to the agencies for review prior to the journal being processed.

A handwritten signature in black ink, appearing to read 'Zachary Q. Jackson', written over a horizontal line.

Zachary Q. Jackson, Director
State Budget Agency