

## What is Pro Rata?

Pro Rata represents recoveries of statewide general administrative costs (i.e., indirect costs incurred by central service agencies) from special funds. The Pro Rata process apportions the costs of providing central administrative services to all state departments that benefit from the services. This apportioned amount is further allocated to each state department's funding sources based on the percentage of total expenditures in each fund. The amount allocated to each fund is classified as "billable" or "non-billable". Billable funds have (1) special revenue sources such as fees, licenses, penalties, assessments, interest, etc., and (2) support a state department. The billable funds within each state department reimburse the General Fund for Pro Rata allocations. Central service administrative costs not included in Pro Rata include the Department of Justice (DOJ). The DOJ (Attorney General) directly bills special funds for legal services (DOJ) provides.

The Department of Finance site provides the *Pro Rata Detail by Function* and the *Pro Rata Detail by Funds* reports for each state department.

- The *Pro Rata Detail by Functions* report identifies the central service functions and the apportionment of the costs associated with those functions. This report includes a summary of the total amount allocated to the state department for all central service functions.
- The *Pro Rata Detail by Funds* report reflects the distribution of the total amount allocated to all funds that support a state department. This report lists the amount allocated first, to billable funds and second, to non-billable funds.

## How is Pro Rata calculated?

Each central service agency submits their past year actual workload and expenditures and estimated budget year expenditures. A unit cost is calculated for each workload function for the past fiscal year and the budget year. These unit costs are multiplied by the workload of the benefiting department. All functions for each benefiting department are summed and a report called "Detail by Function" for each department is generated.

## How are Pro Rata costs allocated to the funds?

Each department's total central service administrative costs (for all functions) are allocated based upon the department's funding sources in the Governor's Budget. The Detail by Fund report displays each department/agency's allocation by fund.

## What is the authority to assess Pro Rata?

Government Code sections 11010, 11270 through 11275, and 22883 and the State Administrative Manual section 8754.

## What is a function?

A function is an activity performed by a central service agency for other departments and agencies, such as, accounting, payroll services, auditing, banking, etc. A function is a basis (workload) by which we allocate the central service administrative costs to the benefiting department. The costs are allocated using hours, warrants, claims, transactions, etc.

## How is Pro Rata distributed within the Department?

Pro Rata is distributed proportionately based on the funding provided to each program by a fund source to the total provided to all programs by that fund source. Hypothetical example: Ag Fund includes \$3 million budget authority for Program X. The total Ag Fund for all programs is \$150 million, and Ag Fund Pro Rata is \$7 million. Therefore, Program X is responsible for 2% (\$3m/\$150m) of the Pro Rata costs charged to the Ag Fund for that year, or \$140,000.