

# **ARRA State Fiscal Stabilization Fund -SFSF**

---

New Jersey SFSF Allocation -\$1,330,483,831

# State Fiscal Stabilization Fund -SFSF

---

- Funding provided to stabilize state and local budgets to avoid reductions in education and other essential public services.
- Governors must use 81.8% of SFSF to support and restore funding for elementary, secondary and higher education and 18.2% for public safety and other government services, including education.
  - Must use state's funding formula to allocate SFSF for elementary and secondary education

# SFSF State Assurances

---

- SFSF awarded based on the State agreeing to meet four assurances:
  1. Increase teacher effectiveness and address inequities in distribution of highly qualified teachers
  2. Establish and use data system to foster continuous improvement
  3. Make progress towards rigorous college and career standards and high quality assessments; and
  4. Provide targeted, intensive support and interventions to turn around low achieving schools

# SFSF Approval and Uses in NJ

---

- Governor received USDE approval on 6/5/09 of the state's application for \$1.3 billion of ARRA State Fiscal Stabilization Funds
- Approval supports the Governor's FY10 State Budget that includes \$1.056 billion of SFSF to fund 2009-10 equalization aid
  - \$1.017 billion from the 81.8% SFSF allocation called the "Education Stabilization Fund" or "*ARRA-ESF*"
  - \$39 million from the 18.2% SFSF allocation called the "Government Services Fund" or "*ARRA-GSF*"

# FY10 State Aid Support using SFSF

---

*What does this mean?*

- Because of the SFSF, NJ was not only able to restore state aid to its FY09 levels, but increase beyond FY09 levels \$150 million in FY10
- This level of funding was included in the March state aid notices and used to develop and finalize FY10 district budgets

# Accounting for SFSF funds

---

*What accounting changes are needed?*

- SFSF can be spent to support any ESEA allowable program - this includes the broad Impact Aid authority (see Title VIII of ESEA) -therefore, SFSF can be used to support any general fund expense consistent with state and local law, with only a few exceptions
- While SFSF must be allocated using the state funding formula, federal guidance states the funds are still considered federal funds *and must be tracked separately*
- Therefore, budget modifications (*account changes only*) will be necessary for districts that receive equalization aid

# Accounting Changes for SFSF

---

## □ Revenues –

- Record ARRA-ESF & ARRA-GSF funds in the general fund
- Reduce equalization aid in amount of ARRA funds

*There will be no net reduction in budgeted revenue*

## □ Expenditures –

- Identify general fund appropriations to charge ARRA-ESF and ARRA-GSF
- Funds can be spent on any general fund type of activity (salaries, equipment, materials and supplies, etc)
- Account for ARRA-ESF and ARRA-GSF in subfunds 16 and 17, respectively in the general fund

*Requires only an accounting entry for change of fund #*

# Accounting Changes for SFSF

---

- Memo issued July 7, 2009 on Allocations and Accounting for ARRA-ESF and ARRA-GSF
- Revised allocations of equalization aid and ARRA-ESF and ARRA-GSF are posted on the department's website at:  
[www.state.nj.us/education/arra](http://www.state.nj.us/education/arra)
- Additional guidance will be issued including a sample board secretary's report.

# SFSF Allowable Expenditures –cont.

---

- Budget revisions do not need board approval as they are only account modifications
  - However, DOE recommends districts advise their boards of their changes.
- SFSF spending exceptions (*section 14003 of ARRA*):
  - Cannot be used for maintenance (do not assign costs in funds 16/17 to functions 261 and 262)
  - Cannot be used for stadiums or other athletic facilities; purchase or upgrade of vehicles; improvement of stand-alone administrative operations; and school renovation/repairs inconsistent with state law.
- DOE strongly recommends districts use SFSF on salaries or materials/supplies and expend funds timely

# SFSF -misc.

---

- Other SFSF Requirements and Considerations
  - Subject to EDGAR and cash management rules
    - Interest earned over \$100 must be returned to feds (at least quarterly)
    - Will need to report quarterly expenditures and DOE will reconcile expenditures to payments to monitor compliance with cash management act
    - Payments begin in Sept twice a month (similar but separate system from state aid)
  - Requires Assurance Statement
  - “Buy America” provisions for capital expenditures
- Exempted from state requirement to reimburse TPAF and FICA
- Memo issued; revised state aid notices are posted at <http://www.state.nj.us/education/arra/>