



State of New Jersey

DEPARTMENT OF EDUCATION
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JON S. CORZINE
Governor

LUCILLE E. DAVY
Commissioner

DATE: July 7, 2009

TO: School Business Administrators

FROM: Katherine P. Attwood *Katherine P Attwood*
Assistant Commissioner, Division of Finance

SUBJECT: Allocations and Accounting for ARRA-ESF and ARRA-GSF

The 2009-10 revised allocations of equalization aid and ARRA-ESF (Education Stabilization Fund) and ARRA-GSF (Government Services Fund) are posted on the department's website at www.state.nj.us/education/arra.

The final state budget for New Jersey included \$1.056 billion in ARRA-ESF and ARRA-GSF to partially fund 2009-10 equalization aid. Although there is no change in total revenue in your general fund you will need to record the ARRA funds separately in your accounting system.

Due to the federal requirements to track ARRA funds separately, districts will need to track three separate funding sources that have the same overall value as the equalization aid amount that was presented in your original 2009-10 state aid notice used for budgeting purposes. The Office of School Funding will post revised state aid notices on the School Aid Payments and Notices website at <https://education.state.nj.us/doefs/prj/sanote>. And again, to emphasize, there is no change in the total of your general fund as a result of this new classification.

Since the revenues will now be tracked separately, you must also make the equivalent adjustment to the expenditure accounts. The department strongly recommends that you make the expenditure side adjustments in salary accounts, although you can make the adjustments in any general fund category consistent with the programs authorized under ESEA, except for the prohibited categories (required and routine maintenance, stadiums or other athletic facilities, purchase or upgrade of vehicles, improvement of stand-alone administrative buildings, and upgrade of facilities inconsistent with state and local law).

You will receive the Federal portion (ARRA-GSF and ARRA-ESF) separately from your normal state aid payment in 18 semi-monthly installments from September through May and after completion of an on-line assurance statement that will be available by the end of July. These payments will be a day or two after your normal state aid payment. The Federal Government does not permit

interest to be earned on ARRA funds and requires timely obligation and liquidation of funds after an advance. Therefore, the payment of salaries immediately after receipt of the ARRA funds would eliminate the potential earned interest issue. Any interest earned on ARRA-GSF and ARRA-ESF advances over \$100 must be returned to the Federal Government promptly (at least quarterly.)

Since the Federal Government requires under the Cash Management Act that the state have an effective system of managing the flow of funds to minimize the time that elapses between the transfer of the funds and their disbursement, the department will monitor district expenditures of ARRA-GSF and ARRA-ESF. Districts will be required to report quarterly on expended funds. If districts are not expending funds on a timely basis, the department will be required to adjust the subsequent payments until the district's obligations catch up with the payments as indicated by the subsequent quarterly report.

As required for all ARRA funds, districts will not only be required to report quarterly to the department on funds expended as noted above, but also on jobs saved and various other indicators that New Jersey will be required to report quarterly to the US Department of Education based on the recently finalized US Office of Management and Budget guidelines on reporting ARRA funds. The department will issue separate reporting guidance for ARRA-GSF and ARRA-ESF and hold additional sessions upon finalization of federal and state guidance in this area.

The department held three technical assistance (TA) sessions during the week of June 22, 2009, to discuss these budgeting issues. For those who were unable to attend the earlier meetings, two more sessions are scheduled on July 16, 2009 and July 23, 2009 in Washington Township High School, Sewell, NJ and Morris County Public Safety Training Academy, Parsippany, NJ respectively. Please note that the department will issue more detailed guidelines, including a sample board secretary's report, and collaborate with NJASBO to conduct specific training sessions on the accounting and required tracking for the ARRA-ESF and ARRA-GSF. However, we did not want to delay posting the revised allocations so you can begin preparing for the necessary accounting adjustments as discussed in our sessions and summarized again above.

If you have any questions on your revised equalization and ARRA-ESF and ARRA-GSF allocations please e-mail staid@doe.state.nj.us. If you have any questions on the accounting for ARRA-ESF and ARRA-GSF please email budget@doe.state.nj.us.

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