

**CALIFORNIA COMMUNITY COLLEGES
CHANCELLOR'S OFFICE**

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Memorandum

September 29, 2010

To: Chief Business Officers
Contract District Auditors

From: Frederick E. Harris, Assistant Vice Chancellor
College Finance and Facilities Planning

Subject: Are ARRA Education Stabilization Funds Restricted or Unrestricted?

Questions have been raised as to the correct accounting treatment of the American Recovery and Reinvestment Act (ARRA) Education Stabilization funds received by our districts from the state: Are they restricted or unrestricted?

For the 2009-10 fiscal year districts may have incorrectly concluded that the ARRA funds were unrestricted, with no limits on expenditures or how they are to be tracked. This confusion may have come from the following information provided by our office in the October 23, 2009 ARRA memo **based on our understanding at that time:**

- For ease of tracking ARRA expenditures and for reporting and auditing purposes, we encourage districts to report these funds in the unrestricted column under the federal revenue sub-account (8190 series) on their 311 reports.

Due to subsequent information released by the federal government earlier this year, we now know that the ARRA funds do have specific expenditure restrictions and must be tracked separately. The state had the opportunity to put even further restrictions on the funds, but chose not to. The twist is that even though these funds are restricted and need to be tracked separately per the federal requirements, they do not have to be expended for any particular program. However that lack of program specificity does not mean that the funds for accounting purposes are unrestricted.

Since these are restricted funds, they need to be accounted in the *General Fund--Restricted* in accordance with the *Budget and Accounting Manual* and should be separated in your general ledger accounts as well. Please see the enclosed one page set of tables that summarize the federal expenditure restrictions and tracking requirements on these ARRA Education Stabilization funds.

For 2009-10 if you still have the opportunity or inclination, and especially for 2010-11, please review your ARRA expenditures to ensure that they comply with the restrictions on the enclosed tables and both the revenue and corresponding expenditures were recorded properly in the *General Fund--Restricted*.

Also, since Public Law 111-226 was enacted on August 10, 2010, no prior expenses to this date should be included in your report. Many colleges received other forms of ARRA (Federal Work Study and WIA to name a few) and these grants do have more stringent requirements. This includes the reporting requirements for any awards that are drawn down directly.