

# BUDGET LETTER

	NUMBER: 09-08
SUBJECT: RECEIPT OF FEDERAL STIMULUS FUNDS – NOTIFICATION REQUIREMENTS	DATE ISSUED: March 30, 2009
REFERENCES: CONTROL SECTIONS 8.25 AND 28.00, BUDGET ACTS OF 2008 AND 2009	SUPERSEDES:

TO: Agency Secretaries  
Department Directors  
Departmental Budget Officers  
Departmental Accounting Officers  
Department of Finance Budget and Accounting Staff

FROM: DEPARTMENT OF FINANCE

**The purpose of this Budget Letter is to remind state departments of procedural and notification requirements related to the receipt of federal stimulus funds.**

On February 17, 2009, the federal American Recovery and Reinvestment Act of 2009 (ARRA) was signed into law. The ARRA provides funding for a wide range of federal, state, and local programs, as well as tax relief for qualified businesses and individuals. State departments are strongly encouraged to secure federal ARRA funds as soon as possible and, by using them in their program areas, provide a stimulus to the California economy expeditiously. At the same time, departments must coordinate this activity with the Department of Finance (Finance) and ensure that all required notification is given to the Legislature prior to the use of these funds. In addition to complying with the provisions of these control sections, timely submittal of requests is also required. Timely submittal of requests gives Finance and the Legislature time to conduct meaningful review of these requests. **A key component of the ARRA is accountability. Proper vetting within the Executive and Legislative branches of applications for federal funds prior to application of those funds is an essential element of that accountability.**

## APPLICATION FOR FEDERAL GRANTS

All federal grants under ARRA are considered sensitive for this purpose. Departments must submit the Federal Grant Request (DF-24) to Finance to review and approve. Submit the form to Finance at least ten working days prior to the federal deadline for application. Contact Finance immediately if the federal deadline does not allow for this normal review timeframe. Departments should refer to State Administrative Manual Section 0912 for further technical instructions. An electronic copy of form DF-24 is available at: <http://www.dof.ca.gov/budgeting/forms/documents/df-24.doc>. Constitutional officers, the University of California, and the California State University are not required to obtain Finance approval of federal grant requests.

## ADJUSTMENTS AND NOTIFICATION UPON RECEIPT OF FEDERAL FUNDS

Control Section 8.25 of the Budget Act of 2009 provides that any amounts received by the state from the federal government as part of an economic stimulus or similar legislation must be deposited into the Federal Trust Fund. Chapter 2, Statutes of 2009, third extraordinary session, also added Control Section 8.25 to the Budget Act of 2008. This section provides that Finance may authorize the expenditure of federal stimulus funds in a manner that is consistent with federal law and that offsets authorized General Fund expenditures. The Director of Finance is authorized to reduce any General Fund item of appropriation due to the receipt and expenditure of these federal funds.

In such cases, Finance must provide 30 days written notification to the Legislature of the amount of the proposed adjustment, including a description of any assumptions used in making the adjustments and the relevant federal authority.

### **PROGRAM CHANGE NOTIFICATIONS (SECTION 28.00 LETTERS)**

Pursuant to Control Section 28.00 of the Budget Act of 2009, and Chapter 2, Statutes of 2009, third extraordinary session, the Director of Finance may authorize the augmentation of the amount available for expenditure for any program, project, or function in the schedule of any appropriation equal to the amount of any additional, unanticipated funds that are estimated to be received by the state during the 2008-09 and 2009-10 fiscal years. This authority extends to funds received pursuant to ARRA. The Control Section for both the 2008-09 and 2009-10 fiscal years provides that any federal funds received as a result of federal legislation enacted after January 1, 2009, shall be deemed to be unanticipated.

With limited exceptions, any augmentation that exceeds \$400,000 or 10 percent of the amount available for expenditure in the affected program, project, or function may be authorized not sooner than 30 days after written notification to the Legislature.

### **PROCEDURES FOR THE RECEIPT OF ARRA FUNDS**

State departments must direct the deposit of all federal ARRA funds into the Federal Trust Fund (rare exceptions require prior approval from the Fiscal Systems Consulting Unit). Prior to any action that would expend, obligate, or encumber any of these funds, state departments must notify Finance of the amount of funds that have been or will be received and request either an adjustment pursuant to Control Section 8.25 or an augmentation pursuant to Control Section 28.00, depending on the situation.

ARRA funds must not be expended, obligated, or encumbered prior to 30 days written notification to the Legislature by Finance. For example, state departments must not enter into any contracts that call for the expenditure of ARRA funds until the 30 day notification period has concluded.

For agencies receiving ARRA funds that plan to contract with other state agencies to carry out ARRA funded programs, it is strongly advised that the lead agency include in its request descriptions of the programs envisioned, the state agency that will be contracted to perform the services and activities, and the amounts and timeframe for expenditure of funds under the intended contract so that the Legislature is clearly informed of the impact on other state agencies' reimbursement budgets. This will eliminate any need for double reporting by the state agency receiving the contract, thereby expediting the expenditure of funds.

### **2009-10 SPRING FINANCE LETTERS**

If a state department has received or has knowledge that it will receive federal ARRA funds, it should make every effort to include this information in a 2009-10 Spring Finance Letter request. If a Spring Finance Letter is submitted and included in the Governor's May Revision, notification of the Legislature pursuant to Control Sections 8.25 and 28.00 will not be required.

If actual ARRA receipts exceed the amount approved through the Spring Finance Letter process, state departments must secure authorization to use the excess funds through the control section notification processes described above.

If you have any questions, please contact your Finance Budget Analyst.

/s/ Ana Matosantos

ANA MATOSANTOS  
Chief Deputy Director