EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OFFICE OF FEDERAL
FINANCIAL MANAGEMENT

September 22, 2006

M-06-27

MEMORANDUM FOR CHIEF FINANCIAL OFFICERS

FROM: Linda M. Combs
Controller

SUBJECT: Fiscal Year 2006 Year-end Accounting Guidance for Earmarked Funds

The purpose of this guidance is to clarify reporting requirements for agencies which receive funds derived from special and trust fund receipts ("earmarked receipts"). The Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) 27, Identifying and Reporting Earmarked Funds, paragraph 11, asserts that a fund should be designated earmarked when all 3 of the following criteria are met:

1. A statute committing the Federal Government to use specifically identified revenues and other financing sources only for designated activities, benefits and purposes;
2. Explicit authority for the earmarked fund to retain revenues and other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and
3. A requirement to account for and report on the receipt, use and retention of the revenues and other financing sources that distinguishes the earmarked fund from the Government's general revenues.

Resources from earmarked funds derived from trust or special fund receipts are often "commingled" or "mixed" with resources from the U.S. Treasury general fund. In situations of "mixed" funding, earmarked and general fund resources should be returned to their original source in the event such funds are reduced, e.g., rescinded or cancelled. Therefore, OMB is planning to update Circulars A-11 and A-136 to include specific reporting requirements to ensure that mixed funding is tracked at the appropriate level of detail in order that any unexpended balances are properly returned to the funding source during the cancelled phase or when the expenditure fund has fulfilled its purpose. However, agencies will not be required to meet the new reporting requirements until periods beginning after FY 2007.

If you have questions or need more information on this subject, please contact Carrie Hug on my staff at (202) 395-3993.