Earmarked Funds

(Proposed New SFFAS 43)

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Disclaimer

- Views expressed are those of the speaker. The Board expresses its views in official publications.

Earmarked Funds – Background (SFFAS 27)

- SFFAS 27, *Identifying and Reporting Earmarked Funds*, was effective in 2006

- Intended to accomplish two goals:
  - –Enhance awareness of the restrictions on the use of earmarked revenues and the financing that will be needed in order to use those revenues in the future
  - –Promote a better understanding of the nature of federal trust funds

Earmarked Funds – Background (SFFAS 27)

- SFFAS 27 requires:
  - separate display of summary information on the balance sheet and statement of changes in net position
  - additional disclosures, including a "note on investments"

Earmarked Funds – Background (SFFAS 27)

Note on Investments:

Investments in Treasury securities for earmarked funds should be accompanied by a note that explains the following:

- The U.S. Treasury does not set aside assets to pay future expenditures associated with earmarked funds. The cash generated from earmarked funds is used by the U.S. Treasury for general Government purposes.

Earmarked Funds – Background (SFFAS 27)

Note on Investments cont'd

- Treasury securities are issued to the earmarked fund. Treasury securities held by an earmarked fund are an asset of the fund and a liability of the U.S. Treasury, so they are eliminated in consolidation for the U.S. Government-wide financial statements.

Earmarked Funds – Background (SFFAS 27)

Note on Investments cont'd

- When the earmarked fund redeems its Treasury securities to make expenditures, the U.S. Treasury will finance those expenditures in the same manner that it finances all other expenditures.

Earmarked Funds Task Force:
24 participating component entities

- U.S. Department of Agriculture
- Department of Commerce
- Commodity Futures Trading Commission
- Department of Defense
- Department of Energy
- Environmental Protection Agency
- Federal Communications Commission
- Government Accountability Office
- Department of Health and Human Services
- Department of Homeland Security
- Department of Housing and Urban Development
- Department of the Interior
- Department of Justice
- Department of Labor
- Office of Management and Budget
- Office of Personnel Management
- Railroad Retirement Board
- Securities and Exchange Commission
- Social Security Administration
- State Department
- Department of Transportation
- Treasury Department (main Treasury and CFR reporting)
- Department of Veterans Affairs

Earmarked Funds – SFFAS 27 Review

- Problems with SFFAS 27:
  - Confusion regarding the term "earmarked funds"
  - Concern about the understandability of agency level financial statements due to multi-column display with eliminations

Earmarked Funds- SFFAS 27 Review

- Funds classified as earmarked
  - Some with large negative balances
  - Some with no external source of dedicated revenue

Proposed SFFAS 43: Dedicated Collections

SFFAS 43, Funds from Dedicated Collections, will amend SFFAS 27

- Changes the name of “earmarked funds” to “funds from dedicated collections”

Proposed SFFAS 43: Dedicated Collections

- Allows combined or consolidated amounts to be presented
- Excludes certain funds:
  - supporting federal employee benefits
  - predominantly financed from general funds rather than a dedicated collection from external sources

Proposed SFFAS 43: Dedicated Collections

- Affects requirement for presentation on the statement of changes in net position:
  - Continue current presentation on the face of statements if a majority of funding is from dedicated collections or such funds are quantitatively or qualitatively material
  - If not, present information in a note referenced on the face of statement of changes in net position

Proposed SFFAS 43: Dedicated Collections

- Expected to be issued in June 2012 and effective in FY 2013

Website and Contact Information

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