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Cash Management Improvement Act

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Topics Covered

- The Cash Management Improvement Act (CMIA)
- Main components of the CMIA
    - Treasury State Agreement, Annual Report, and Interest Exchange
- OFM Responsibilities
- State Responsibilities
- Resources

The Cash Management Improvement Act (CMIA)

What is the Cash Management Improvement Act?

- The Cash Management Improvement Act was passed by congress in 1990 to improve the transfer of federal funds between the federal government and the states.
- It requires an annual agreement between the US Department of Treasury and each state.
- The United States Financial Management Services (FMS) is charged with implementing the regulations written in 31 CFR Part 205.

Adoption of the CMIA

The Federal Act was adopted to address two recurring issues:

- States were drawing federal funds in advance of need,

  and,

- The federal government was not providing grants awards to states timely.

Objectives of the CMIA

To ensure greater effectiveness, efficiency, and equity in the exchange of funds between the federal government and the states:

- Effectiveness – availability of funds
  - Federal funds must be made available when requested
  - Federal funds cannot be drawn down in advance of need

- Efficiency – timely transfer of funds
  - To minimize the time between the transfer of funds to the States and the payout for program purposes, funds will be drawn and reimbursed in accordance with the funding technique agreed to in the TSA

- Equity – fairly compensate for time value of funds (i.e. interest liability payments)
  - Interest will be calculated and exchanged between the state and U.S. Treasury when there is a "use of funds" discrepancy

Main Components of the CMIA

- Treasury-State Agreement (TSA)
- Annual Report
- Annual Interest Exchange

Treasury State Agreement

What is the Treasury State Agreement

- A Treasury-State Agreement (TSA) documents the accepted funding techniques and methods for calculating interest agreed upon by the Department of the Treasury and a State and identifies the major assistance programs.
- A TSA is effective until terminated
- It must be amended when the terms of the existing agreement are either no longer correct or no longer applicable
- Amendments may address additions or deletions, changes in funding techniques, and changes in clearance patterns, etc.

Treasury State Agreement

What's included in a Treasury-State Agreement

- The effective date – a treasury state agreement is effective until the specified end date in the agreement
- Threshold amount used to determine the major Federal assistance programs
- Interest calculation methodologies
- Clearance pattern methodologies
- Covered programs
- Covered entities

Treasury State Agreement

What's included in a Treasury-State Agreement

- The program name and number
- Recipient
- Percentage of funds expended
- Component
- Funding technique
- Average days of clearance

93.778 Medical Assistance Program
Recipient: Department of Social & Health Services
% of Funds Agency Receives: 26.92
Component: Direct payment to providers for EFT and non-EFT payments
Technique: Modified Direct Program Costs
Average Day of Clearance: 0 Days

Treasury State Agreement

CMIA Threshold

31 CFR Part 205 Subpart A:

Major programs are included in the TSA

- The threshold is based on the total amount of federal assistance received and expended by the state (total Federal assistance reported on the SEFA)
- The threshold amount is calculated based on the table below:

Table A to § 205.5:

Between zero and $100 million inclusive	6.00 percent of the total amount of Federal assistance.
Over $100 million but less than or equal to $10 billion	0.60 percent of the total amount of Federal assistance
Over $10 billion	The greater of 0.30 percent of the total Federal assistance of $60 million.

Treasury State Agreement

CMIA Threshold:

CMIA Threshold Calculation based on FY23 SEFA:			
FY23 Total Federal Assistance	$30,799,719,832		
CMIA Threshold Calculation:	$30,799,719,832	0.003	92,399,159
Table A in Regs. Greater of .30%	Or $60,000,000		
Threshold Selected	$60,000,000		

Treasury State Agreement

CMIA Threshold

31 CFR Part 205 Subpart B:

- Non-major programs are not included in the TSA
    - Applies to all Federal assistance programs that are not subject to subpart A
    - Requires states to minimize the time between the drawdown of Federal funds from the Federal government and their disbursement of those funds
    - Exercise sound cash management
    - Ensure no interest will accrue

Treasury State Agreement

What's excluded from a Treasury-State Agreement

- Federal assistance programs that are non-state programs or non-cash programs are excluded from the TSA
- Components of a major Federal assistance program may be excluded if:

  The dollar amount of the exempted cash flow does not exceed 5% of the State's <u>threshold</u>

  and

  the total amount excluded under a single program by all state agencies administering the program does not exceed <u>10% of that Federal assistance program's total expenditures</u>
- Exclusions based on laws or regulations

Treasury State Agreement

Amending the Treasury-State Agreement

- The TSA is amended at least annually
- The process begins after the Schedule of Expenditures of Federal Awards (SEFA) is published in March
- The current year agreement (based on the State fiscal year) uses the SEFA from two periods prior. For example, the 2025 agreement uses the data from the 2023 SEFA
- The draft agreement is due to the Treasury by the end of April
- The final signed agreement is available online by the end of June/early July

Annual Report

- The Annual Report accounts for state and federal interest liabilities on the programs included in the TSA for the state’s most recently completed fiscal year. It includes the:

    - Federal interest liability by program
    - State interest liability by program
    - Prior period state and federal interest liability claims
    - State direct cost claims

- It requires the certification and signature of the Director of Statewide Accounting

Annual Report

When is a state interest liability incurred?

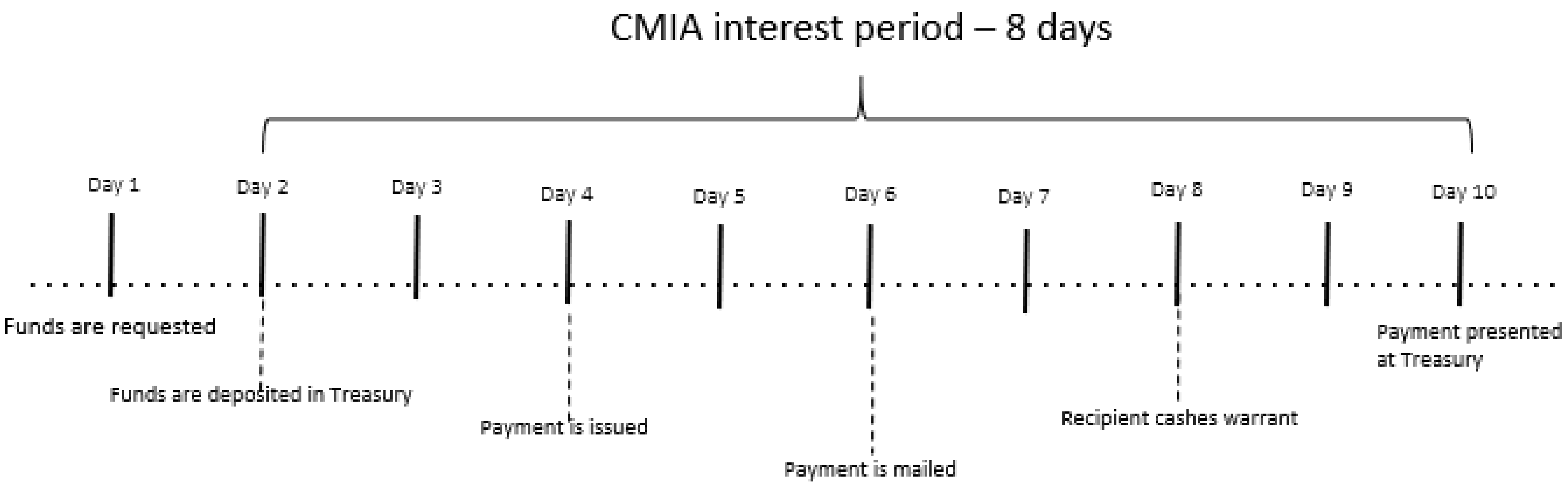
- State interest liability accrues from the day Federal funds are credited to a State account to the day the State pays out the Federal funds for Federal assistance program purposes.

- Refunds of Federal funds in excess of $50,000 may incur interest liability from the day the refund is credited to a State account to the day the refund is either paid out for Federal assistance program purposes or credited to the Federal government.

- *Exception to the general rule.* A State does not incur an interest liability to the Federal government if a Federal statute requires the State to retain or use for Federal assistance program purposes the interest earned on Federal funds.

Annual Report

When does a State interest liability begin to accrue?



Annual Report

When is a Federal interest liability incurred?

A Federal interest liability will accrue from the day a State pays out its own funds for Federal assistance program purposes to the day Federal funds are credited to a State bank account under the following circumstances:

- A State pays out its own funds for Federal assistance program purposes with valid obligational authority under Federal law, Federal regulation, or Federal-State agreement.

- A State pays out its own funds for Federal assistance program purposes without obligational authority and subsequently obligational authority is established

Annual Report

Annual Interest Rates

- Interest rates are found on the CMIA website - https://www.fiscal.treasury.gov/cmia/resources-annual-interest-rates.html
- For FY24:

  The annualized interest rate was 5.42% (0.0542)
  The daily interest rate was 0.01481% (0.0001481)

- The interest rate for all interest liabilities for each federal assistance program is the annualized rate equal to the average equivalent yields of 13-week Treasury Bills auctioned during a State's fiscal year.
- The daily interest rate is calculated by dividing the annualized rate by 366 calendar days.

Annual Report

OFM required forms

- Only agencies with programs included in the TSA will receive the following documents:
  - The annual interest liability letter
  - The certsummary spreadsheet
- Report is due December 31

Annual Report

Certsummary:

- Liabilities to be reported for either state, federal, or both, include must the following details:
  - CFDA grant number and program name
  - Amount of funds expended
  - Dates of expenditures
  - Amount of federal funds requested
  - Date requested
  - Date received
  - Number of days grant funds were late
  - Interest factor as provided by OFM
  - The total interest liability
- Additional support is required for claims exceeding $5,000
- Must be signed and dated by the preparer

Annual Report

Interest Calculation Costs (Direct costs):

Interest Calculation Costs (ICC) are costs that a state incurs performing the calculation of interest liabilities, including those costs a state incurs in developing clearance patterns

- Normal activities such as processing checks or maintaining records are **not included** as ICC
- Hours to develop clearance patterns are allowable
- Supporting documentation must be maintained
- The state is reimbursed annually for its ICC.

Interest Rate Exchange

Annual Interest Exchange for the State's most recently completed fiscal year, to disburse:

- Approved Federal & State Interest liabilities are offset to determine the net interest payable due to or from the State.
- Approved direct cost payments to the State is the amount of state interest calculation cost approved by The Bureau of Fiscal Service.
- The exchange must occur by March 31 of each year.

OFM Responsibilities

- Provide CMIA guidance
- Amend the TSA at least annually
- Prepare and negotiate with FMS, U.S. Treasury, the CMIA Annual Report
- Submit the Annual Report including ICC
- Work with OST regarding the transfer of liability payments
- For each funding technique reported by the state, develop clearance patterns every five years

Agency Responsibilities

- Review flow of funds and determine appropriate funding technique
- Provide complete and accurate information to be included in the TSA
- Maintain documentation of draws to support any potential liability claims
- In general, practice good cash management methods
- Contact OFM, SWA regarding known/potential issues

CMIA Guidance and Resources

Federal:

- Bureau of Fiscal Services CMIA website
- 31 CFR Part 205 (Code of Fed. Reg.)

    Subpart A - Rules applicable to federal assistance programs included in a Treasury-State Agreement (Major programs)

    Subpart B – Rules applicable to federal assistance programs no included in a Treasury-State Agreement. (Non-major programs)

State:

- State Administrative and Accounting Manual (SAAM) Subsection 50.40 - https://ofm.wa.gov/sites/default/files/public/legacy/policy/50.40.htm
- Treasury State Agreement posted on OFM's website

Questions?

For more information

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