

Cash Management Improvement Act Agreement
between
The Commonwealth of Pennsylvania
and
The Secretary of the Treasury,
United States Department of the Treasury

The Secretary of the Treasury, United States Department of the Treasury (hereafter 'Secretary'), and Commonwealth of Pennsylvania (hereafter 'State'), in order to implement Section 5 of the Cash Management Improvement Act of 1990, as amended (hereafter 'Act'), agree as follows:

1.0 AGENTS OF THE AGREEMENT

1.1 The Authorized Official(s) for the Commonwealth of Pennsylvania shall be the Director of the Bureau of Accounting and Financial Management, Office of Comptroller Operations, Office of the Budget, in all matters concerning this Agreement.

1.2 The Assistant Commissioner, Revenue Collections Management, Bureau of the Fiscal Service (Fiscal Service), U.S. Department of the Treasury, shall act as the Secretary's representative in all matters concerning this Agreement.

2.0 AUTHORITY

2.1 The authority for this Agreement is the Cash Management Improvement Act of 1990 (Public Law 101-453), as amended by the Cash Management Improvement Act of 1992 (Public Law 102-589), codified at 31 U.S.C. 6501 and 31 U.S.C. 6503.

2.2 The regulations codified at 31 CFR Part 205 shall apply to all matters pertaining to this Agreement, and are incorporated herein by reference. In the event of any inconsistency between this Agreement and 31 CFR Part 205, the regulations shall govern.

3.0 DURATION, AMENDING, TERMINATING, AND MISCELLANEOUS PROVISIONS

3.1 This Agreement shall take effect on 07/01/2022 and shall remain in effect until 06/30/2023.

3.2 This Agreement may be amended at any time by written, mutual consent of the State and the Fiscal Service. This Agreement shall be amended annually to incorporate new programs that qualify as major Federal assistance programs and remove programs that no longer qualify as major Federal assistance programs. A State must notify the Fiscal Service in writing within 30 days of the time the State becomes aware of a change that involves additions or deletions of programs subject to Subpart A, changes in funding techniques, and/or changes in clearance patterns. The notification must include a proposed amendment for review by the Fiscal Service.

3.3 Notwithstanding section 3.2, in the event of Federal or State non-compliance with Subpart B of 31 CFR, Part 205, the Fiscal Service may amend this Agreement at any time to incorporate additional programs and the entities that administer those programs.

3.4 This Agreement may be terminated by either party with 30 days written notice. If this Agreement is terminated, the Fiscal Service will prescribe the funding techniques, clearance patterns, and methods for calculating interest liabilities to be used by the State.

4.0 PROGRAMS COVERED

4.1 The State's threshold and its major Federal assistance programs shall be determined based on the State's published Single Audit for fiscal year ending 06/30/2021.

All major Federal assistance programs shall be covered by this Agreement, unless otherwise specified in section 4.4 of this Agreement.

4.2 The State's threshold for major Federal assistance programs is \$207,522,145.

The following programs meet or exceed the threshold and are not excluded in Section 4.4:

CFDA	Program Name
10.551	Supplemental Nutrition Assistance Program
10.555	National School Lunch Program
17.225F	Unemployment Insurance -- Federal Benefit Account and Administrative Costs
17.225S	Unemployment Insurance -- State Benefit Account
20.205	Highway Planning and Construction
84.010	Title I Grants to Local Educational Agencies
84.027	Special Education -- Grants to States
84.425	Education Stabilization Fund
93.558	Temporary Assistance for Needy Families
93.575	Child Care and Development Block Grant
93.658	Foster Care -- Title IV-E
93.767	Children's Health Insurance Program
93.778	Medical Assistance Program
96.006	Supplemental Security Income

4.3 The following programs fall below the State's threshold but have been required to be covered by Fiscal Service in accordance with the non-compliance provisions of Subpart B of 31 CFR Part 205:

There are currently no programs listed for Section 4.3.

4.4 The following programs exceed the State's threshold but have been excluded from coverage for the reason indicated:

CFDA	Program Name	Exclusion Reason
97.050	Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	Discontinued

5.0 ENTITIES COVERED

5.1 State agencies and instrumentalities that meet the definition of a State per 31 CFR Part 205, shall be subject to the terms of this Agreement. The following is a list of such entities that administer funds under the programs listed in Section 4.0 of this Agreement:

Department of Education
 Department of Human Services
 Department of Labor and Industry
 Department of Transportation
 Individual State SSI Recipients

5.2 Entities that meet the definition of a Fiscal Agent per 31 CFR Part 205 shall be subject to the terms of this Agreement. The following is a list of Fiscal Agents that administer funds under the programs listed in the Section 4.0 of this Agreement:

Fiscal Agent	CFDA	Program Name
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Citibank	10.551	Supplemental Nutrition Assistance Program
Wells Fargo	10.555	National School Lunch Program
Wells Fargo	17.225F	Unemployment Insurance -- Federal Benefit Account and Administrative Costs
Wells Fargo	17.225S	Unemployment Insurance -- State Benefit Account
Wells Fargo	20.205	Highway Planning and Construction
Wells Fargo	84.010	Title I Grants to Local Educational Agencies
Wells Fargo	84.027	Special Education -- Grants to States
Wells Fargo	84.425	Education Stabilization Fund
Wells Fargo	93.558	Temporary Assistance for Needy Families
Wells Fargo	93.575	Child Care and Development Block Grant
Wells Fargo	93.658	Foster Care -- Title IV-E
Wells Fargo	93.767	Children's Health Insurance Program
Wells Fargo	93.778	Medical Assistance Program
Wells Fargo	96.006	Supplemental Security Income

6.0 FUNDING TECHNIQUES

6.1 General Terms

6.1.1 The State shall request Federal funds in accordance with the appropriate cut-off times shown in Exhibit I to ensure funds will be received and credited to a State account by the times specified in the funding techniques. Exhibit I is incorporated by reference herein.

6.1.2 The State shall schedule the receipt of Federal funds such that the funds are received and credited to a State account in accordance with the clearance patterns specified in Exhibit II - List of State Clearance Patterns. Exhibit II is incorporated by reference herein.

6.1.3 In instances where the receipt of funds is scheduled for a Saturday, the State shall request funds for deposit on Friday. In instances where the receipt of funds is scheduled for a Sunday, the State shall request funds for deposit on Monday. In instances where the receipt of Federal funds is scheduled for deposit on a day when the State is not open for business, the State shall request funds for deposit the day following the scheduled day; in instances where the receipt of Federal funds is scheduled for deposit on a day when the Federal Government is not open for business, the State shall request funds for deposit the day prior to the scheduled day.

6.1.4 Estimates and Reconciliation of Estimates:

Where estimated expenditures are used to determine the amount of the drawdown, the State will indicate in the terms of the State unique funding technique how the estimated amount is determined and when and how the State will reconcile the difference between the estimate and the State's actual expenditures.

6.1.5 Supplemental Funding:

Unless otherwise defined by program rules, Supplemental Funding is the award of additional funds to provide for an increase in costs due to unforeseen circumstances.

The State will comply with all Federal program agency policies and procedures for requesting supplemental grant funding.

The State will comply with the following guidelines when requesting supplemental funding for the Medical Assistance Program and associated administrative payments (CFDA 93.778):

The State must submit a revised Medicaid Program Budget Report (CMS-37) to request supplemental funding. The CMS guidelines and instructions for completing the CMS-37 are provided in Section 2600F of the State Medicaid Manual (SMM). The CMS/CO must

receive the revised Form CMS-37 through the Medicaid Budget Expenditure System/Children's Budget Expenditure System (MBES/CBES) no later than 10 calendar days before the end of the quarter for which the supplemental grant award is being requested.

Additional guidance on this policy is available from the respective CMS Regional Office, U.S. Department of Health & Human Services.

The State will comply with the following guidelines when requesting supplemental funding for TANF (CFDA 93.558), CCDF (CFDA 93.575), CSE (93.563), and the FC/AA (CFDA 93.658 and CFDA 93.659) programs administered by the U.S. Department of Human Services, Administration for Children and Families (HHS/ACF):

a. Timing of the Request

A State should initiate its request for supplemental funding during a quarter as soon as it becomes aware of the fact that a shortfall does/will exist. For the TANF and CCDF grants, supplemental funding requests (estimates) may be submitted by a State, for consideration by ACF, up through and including the 15th day of the third month of the first, second or third quarter of any fiscal year. Since TANF and CCDF are block grant programs, all unawarded portions of the annual allotment will automatically be issued at the beginning of the fourth quarter. Therefore, supplemental funding requests will not be available during the fourth quarter for these programs. For the CSE and FC/AA programs, supplemental funding requests may be submitted by a state, for consideration by ACF, up through and including the 15th day of the third month of any quarter of a fiscal year.

b. Justification for the Request

The request for a supplemental funding for any of the above-mentioned programs should contain a justification clearly documenting the need for the additional funding authority during the current quarter. This documentation should be in the form of State accounting records or similar documents that will show the actual expenditures through the most recent month for which such data are available, as well as the State's most accurate projection of its anticipated expenditures during the remaining month(s) of the quarter. For either the TANF or the CCDF program, the State's justification should also include an explanation of the activities requiring the obligation and/or expenditure of amounts that exceed the normal quarterly grant award restrictions and why these activities could not have been delayed until the next quarter.

c. Form Submittal

Supplemental funding requests should be made by completing the appropriate ACF quarterly report of expenditures and estimates applicable to the particular program for which the grant award request is being made.

d. Approval Process

Upon receipt of the state's request for additional funding authority for a quarter, the ACF Regional Office will promptly review the supporting documentation. If the request is properly justified, so long as ACF has adequate funding availability, the State's request will be expedited and supplemental funding will be issued within 5 days of ACF receiving the request. The State will be notified by the Regional Office when the supplemental award has been transmitted to the Payment Management System (PMS) and when it may initiate drawdowns against the supplemental funding.

Additional guidance on this policy is provided in the U.S. Department of Health & Human Services, Administration for Children and Families, letter (May 19, 2004) to State Administrators from the Deputy Assistant Secretary for Administration.

6.2 Description of Funding Techniques

6.2.1 The following are terms under which standard funding techniques shall be implemented for all transfers of funds to which the funding technique is applied in section 6.3.2 of this Agreement.

There are currently no funding techniques listed in Section 6.2.1.

6.2.2 The following are terms under which funding techniques for administrative costs shall be implemented for all transfers of funds to which the funding technique is applied in section 6.3.2 of this Agreement.

There are currently no funding techniques listed in Section 6.2.2.

6.2.3 The following are terms under which miscellaneous funding techniques shall be implemented for all transfers of funds to which the funding technique is applied in section 6.3.2 of this Agreement.

There are currently no funding techniques listed in Section 6.2.3.

6.2.4 The following are terms under which State unique funding techniques shall be implemented for all transfers of funds to which the funding technique is applied in section 6.3.2 of this Agreement.

Funding Technique Name	Description
Daily Trust Fund Draw (CFDA No. 17.225)	The State shall draw down funds on a daily basis. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of each day's State UC draw will be based on actual expenditures that appear on the Daily Disbursement Report (DDR). This amount may be adjusted for any unusual circumstances that may arise. The draw amount for the Federal accounts (FECA, UCX, etc.) will be based on actual expenditures that appear on the DDR. This draw amount will then be adjusted to reflect any corresponding residual balances in the grant order group status report in SAP. This funding technique is interest neutral.
Modified Composite Clearance (CFDA No. 20.205 Highway Planning and Construction)	The State shall establish an average day of clearance date for all expenditures, see section 7.0 for methodology. The average day clearance for this TSA is 23 days. To this date, the State shall deduct two days, representing the adoption of mid-week (Wednesday) average date for all postings during the week. The result will be the composite clearance date for weekly drawing down Federal funds. This funding technique is interest neutral.
Modified Monthly Draws (CFDA Nos. 93.558, 93.658, 93.778)	The State shall draw down funds for indirect costs (Cost Allocation Plan) once a month for the prior month. The request shall be made in accordance with the appropriate Federal Agency cut-off time specified in Exhibit I. The amount of the drawdown will be based on the application of the cost allocation plan to the prior month's actual costs, except for certain programs wherein the first month's request shall be based on an estimate of costs for the preceding 12 months and shall be reconciled monthly. This funding technique is interest neutral.
Modified Reverse Flow (CFDA No. 96.006)	The State pays in funds to the Federal government that are used in conjunction with Federal funds for payments to individual SSI beneficiaries. This funding technique is not interest neutral.
Modified ZBA - Supplemental Nutrition Assistance Program	Through its contractor, the State will request funds via the Automated Clearing House as a same day cash drawdown for Electronic Benefit Transfers directly to the account of the third party administrator. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The drawdown of funds shall be the same day as retailers are paid for transactions made at the electronic point of sale machines. Funds will always be drawn on the same day that settlement funds are paid out. This funding technique is interest neutral.
Payroll	The State shall request funds for deposit on the day of payday based on the State's biweekly paydays and on the supplementary departmental paydays. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of the request shall be for the amount of the disbursement. This funding technique is interest neutral.
Reimbursement	The State shall schedule the receipt of Federal funds such that the funds are received and credited to a State bank account on or after the date the funds have been disbursed from the State's funds, in most instances. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of the request shall be for the amount of the disbursement. This funding technique is interest neutral.

6.3 Application of Funding Techniques to Programs

6.3.1 The State shall apply the following funding techniques when requesting Federal funds for the component cash flows of the programs listed in sections 4.2 and 4.3 of this Agreement.

6.3.2 Programs

Below are programs listed in Section 4.2 and Section 4.3.

10.551 Supplemental Nutrition Assistance Program
Recipient: Department of Human Services
% of Funds Agency Receives: 100
Component: Payments to Beneficiaries
Technique: Modified ZBA - Supplemental Nutrition Assistance Program
Average Day of Clearance: N/A

10.555 National School Lunch Program
Recipient: Department of Education
% of Funds Agency Receives: 100
Component: Payments to Educational Agencies/Vendor Payments/Operating Costs/Indirect Costs
Technique: Reimbursement
Average Day of Clearance: N/A

10.555 National School Lunch Program
Recipient: Department of Education
% of Funds Agency Receives: 0
Component: Payroll
Technique: Payroll
Average Day of Clearance: N/A

17.225F Unemployment Insurance -- Federal Benefit Account and Administrative Costs
Recipient: Department of Labor and Industry
% of Funds Agency Receives: 98
Component: Benefit Payments (FECA, UCX, etc.)
Technique: Daily Trust Fund Draw (CFDA No. 17.225)
Average Day of Clearance: N/A

17.225F Unemployment Insurance -- Federal Benefit Account and Administrative Costs
Recipient: Department of Labor and Industry
% of Funds Agency Receives: 1
Component: Administration - Direct and Indirect Costs - Internal Cost Plan
Technique: Reimbursement
Average Day of Clearance: N/A

17.225F Unemployment Insurance -- Federal Benefit Account and Administrative Costs
Recipient: Department of Labor and Industry
% of Funds Agency Receives: 1
Component: Administration - Payroll
Technique: Payroll
Average Day of Clearance: N/A

17.225S Unemployment Insurance -- State Benefit Account
Recipient: Department of Labor and Industry
% of Funds Agency Receives: 100

Component: Benefit Payments (Commonwealth Account)
Technique: Daily Trust Fund Draw (CFDA No. 17.225)
Average Day of Clearance: N/A

20.205 Highway Planning and Construction
Recipient: Department of Transportation
% of Funds Agency Receives: 100
Component: Payroll/Construction/Non-Personnel Services Costs
Technique: Modified Composite Clearance (CFDA No. 20.205
Highway Planning and Construction)
Average Day of Clearance: N/A

84.010 Title I Grants to Local Educational Agencies
Recipient: Department of Education
% of Funds Agency Receives: 100
Component: Payments to Local Agencies/Vendor Payments/Operating
Costs/Indirect Costs
Technique: Reimbursement
Average Day of Clearance: N/A

84.010 Title I Grants to Local Educational Agencies
Recipient: Department of Education
% of Funds Agency Receives: 0
Component: Payroll
Technique: Payroll
Average Day of Clearance: N/A

84.027 Special Education -- Grants to States
Recipient: Department of Education
% of Funds Agency Receives: 98
Component: Payments to Local Agencies/Vendor Payments/Operating
Costs/Indirect Costs
Technique: Reimbursement
Average Day of Clearance: N/A

84.027 Special Education -- Grants to States
Recipient: Department of Education
% of Funds Agency Receives: 2
Component: Payroll
Technique: Payroll
Average Day of Clearance: N/A

84.425 Education Stabilization Fund
Recipient: Department of Education
% of Funds Agency Receives: 100
Component: Payments to Educational Agencies/Vendor/Operating
Technique: Reimbursement
Average Day of Clearance: N/A

84.425 Education Stabilization Fund
Recipient: Department of Education
% of Funds Agency Receives: 0
Component: Payroll
Technique: Payroll
Average Day of Clearance: N/A

93.558 Temporary Assistance for Needy Families
Recipient: Department of Human Services
% of Funds Agency Receives: 8
Component: Indirect Costs (Cost Allocation Plan)
Technique: Modified Monthly Draws (CFDA Nos. 93.558, 93.658,

93.778)

Average Day of Clearance: N/A

93.558 Temporary Assistance for Needy Families

Recipient: Department of Human Services

% of Funds Agency Receives: 92

Component: Payments to Local Agencies/Payments to Beneficiaries/Vendor Payments/Operating Costs

Technique: Reimbursement

Average Day of Clearance: N/A

93.558 Temporary Assistance for Needy Families

Recipient: Department of Human Services

% of Funds Agency Receives: 0

Component: Payroll

Technique: Payroll

Average Day of Clearance: N/A

93.575 Child Care and Development Block Grant

Recipient: Department of Human Services

% of Funds Agency Receives: 96

Component: Payments to Local Agencies/Vendor Payments/Operating Costs

Technique: Reimbursement

Average Day of Clearance: N/A

93.575 Child Care and Development Block Grant

Recipient: Department of Human Services

% of Funds Agency Receives: 4

Component: Payroll

Technique: Payroll

Average Day of Clearance: N/A

93.658 Foster Care -- Title IV-E

Recipient: Department of Human Services

% of Funds Agency Receives: 1

Component: Indirect Costs (Cost Allocation Plan)

Technique: Modified Monthly Draws (CFDA Nos. 93.558, 93.658, 93.778)

Average Day of Clearance: N/A

93.658 Foster Care -- Title IV-E

Recipient: Department of Human Services

% of Funds Agency Receives: 99

Component: Payments to Local Agencies/Vendor Payments/Operating Costs

Technique: Reimbursement

Average Day of Clearance: N/A

93.658 Foster Care -- Title IV-E

Recipient: Department of Human Services

% of Funds Agency Receives: 0

Component: Payroll

Technique: Payroll

Average Day of Clearance: N/A

93.767 Children's Health Insurance Program

Recipient: Department of Human Services

% of Funds Agency Receives: 100

Component: Payments to Local Agencies/ Payments to Beneficiaries/Vendor Payments/Operating Costs

Technique: Reimbursement
Average Day of Clearance: N/A

93.767 Children's Health Insurance Program
Recipient: Department of Human Services
% of Funds Agency Receives: 0
Component: Payroll
Technique: Payroll
Average Day of Clearance: N/A

93.778 Medical Assistance Program
Recipient: Department of Human Services
% of Funds Agency Receives: 2
Component: Indirect Costs (Costs Allocation Plan)
Technique: Modified Monthly Draws (CFDA Nos. 93.558, 93.658, 93.778)
Average Day of Clearance: N/A

93.778 Medical Assistance Program
Recipient: Department of Human Services
% of Funds Agency Receives: 98
Component: Payments to Local Agencies/ Payments to Service Providers/Vendor Payments/Operating Costs
Technique: Reimbursement
Average Day of Clearance: N/A

93.778 Medical Assistance Program
Recipient: Department of Human Services
% of Funds Agency Receives: 0
Component: Payroll
Technique: Payroll
Average Day of Clearance: N/A

96.006 Supplemental Security Income
Recipient: Individual State SSI Recipients
% of Funds Agency Receives: 100
Component: State Supplementary Payment
Technique: Modified Reverse Flow (CFDA No. 96.006)
Average Day of Clearance: N/A

6.3.3 Materiality Exemptions

Agencies exempt from coverage on the basis of materiality:

None.

6.4.0 With several programs subject to the Act, the primary State agency administering a program will subgrant portions of the program to secondary State agencies. As costs in support of the program are incurred, the secondary agency charges the primary agency, which in turn draws down Federal funds.

In all such cases, the secondary agency shall charge the primary agency no earlier than the day transactions post to the accounts of the secondary agency. The procedures governing the request for funds from the primary agency, and the payment of such requests, shall be in accordance with the agreement between the primary and secondary agencies. Secondary agency transactions may include actual expenditures and/or estimates of current program activity. The primary agency shall apply the indicated funding technique.

6.5.1 The percentage of funds an agency receives included in 6.3.2 are estimates and may fluctuate throughout the term of this Agreement. A zero represents less than 1 percent of the percentage of funds an agency receives.

6.5.2 The funding technique for 96.006, Supplemental Security Income, is Reverse Flow Program. This technique is discussed in section 9 of this agreement.

7.0 CLEARANCE PATTERNS

7.1 The State shall develop separate clearance patterns for each of the following:

The State shall develop clearance patterns for each program that uses a delay of draw by measuring the dollar-weighted number of days between the day expenditures are sent to Treasury for payment and the day the related checks clear.

Each program is examined to determine the appropriation(s) supporting it (Federal financial assistance to the State is reappropriated by the legislature).

The relevant appropriation(s), an integral element of the voucher transmittals (VTs) used by Commonwealth agencies to request payment, control(s) the selection of VTs for the check clearance research.

All checks associated with the selected VTs during a fiscal year are examined.

7.2 The following shall develop the State's clearance patterns:

The data is assembled by the State Treasurer and forwarded to the Office of the Budget, Comptroller Operations, which creates and runs the computer program that measures clearance activity and computes the clearance patterns.

7.3 The sources of data the State shall use when developing its clearance patterns are as follows:

(1) electronic files provided by the State's financial institutions indicating the dates checks cleared, and (2) electronic files provided by the State Treasurer indicating unique identifying numbers and the related check issuance dates.

7.4 The State shall use the following methodology when developing its clearance patterns:

When developing each clearance pattern, the State shall track at least 99% of the funds disbursed, from issuance to clearance, for a period of at least three months.

7.5 The State shall identify for each check or warrant (hereafter, check) in the population: (1) the date the check was released for payment; (2) the date the check was debited from the State's account, and, (3) the amount of the check.

7.6 The State shall use the following method to calculate the dollar-weighted average day of clearance:

To determine the number of days each check was outstanding (clearance time), the issue date shall be subtracted from the date the check cleared the State's account.

To determine the percentage of the disbursement paid out each day following issuance, the amount of the checks that clear the State's account each day shall be summed and then divided by the amount of the total disbursement.

For each day following issuance, the clearance time of the checks paid out that day shall be multiplied by the percentage of the total disbursement those checks represent. This product is the clearance factor.

The dollar-weighted average day of clearance for the disbursement shall be determined by summing the clearance factor of each day following the disbursement.

7.7 The State shall adjust each clearance pattern to reflect the dollar-weighted proportion of funds paid out by EFT/Direct payroll, with the following exceptions:

In those instances where an expenditure is paid via EFT/Direct payroll, the check clearance pattern is determined by using the date the expenditure is sent to the State Treasurer for payment to the date the funds clear the bank.

The State shall also adjust each clearance pattern to reflect:

The clearance date of each check is compared to the related date the expenditure was sent to the State Treasurer for payment to determine the actual number of days between these two events.

The clearance time of each voucher transmittal is individually calculated and a dollar-weighted average day of clearance is calculated. This clearance time is then applied to all voucher transmittals that are part of the clearance pattern.

The clearance time of each check in the study is dollar-weighted to produce the dollar-weighted average day of clearance after expenditure posting.

7.8 Each of the State's clearance patterns is calculated in Calendar days.

7.9 An authorized State official shall certify that each clearance pattern developed by the State accurately corresponds to the clearance activity of the programs to which it is applied. This certification shall be provided to the Fiscal Service prior to the effective date of the Agreement. The State shall recertify its clearance patterns at least every five years.

7.10 The State shall follow the procedures of 31 CFR 205 if it has actual or constructive knowledge, at any time, that a clearance pattern does not correspond to a program's clearance activity.

7.11.0 The term "issue date" or "issuance" used in section 7.6 shall refer to the date at which the expenditure was sent to the State Treasurer for payment.

8.0 INTEREST CALCULATION METHODOLOGY

8.1 General Terms

8.1.1 The State and the Secretary agree that no interest liabilities will be incurred for transfers of funds made in accordance with the procedures specified in section 6 of this Agreement where the following funding techniques are applied:

- Daily Trust Fund Draw (CFDA No. 17.225)
- Modified Composite Clearance (CFDA No. 20.205 Highway Planning and Construction)
- Modified Monthly Draws (CFDA Nos. 93.558, 93.658, 93.778)
- Modified ZBA - Supplemental Nutrition Assistance Program
- Payroll
- Reimbursement

8.1.2 The State shall maintain information on disbursements and receipts of funds to verify the implementation of any funding technique and document interest liabilities.

For each disbursement, the State shall be able to identify:

- (1) amount of the issuance
- (2) date of issuance
- (3) date Federal funds are received and credited to a State account
- (4) amount of Federal funds received
- (5) date funds were requested

8.2 Federal Interest Liabilities

8.2.1 A Federal interest liability shall accrue from the day the State pays out its own funds for program purposes to the day Federal funds are credited to a State account. With regard to funds transferred out of the Federal Highway Trust Fund, if a State does not bill at least weekly for current project costs, the Federal interest liability shall not accrue prior to the day the State submits a request for funds.

8.2.2 The State shall use the following method to calculate Federal interest liabilities:

In the event the funds are not received by the state in accordance with Exhibit I timelines, the state shall be entitled to calculate a federal interest liability from the date the federal agency should have submitted the funds according to Exhibit I timelines until the date the funds are actually received by the state.

8.3 The Unemployment Trust Fund

8.3.1 The State shall use the following method to calculate State interest liabilities on funds withdrawn from the several accounts in the Unemployment Trust Fund:

Federal and State Funds are Not Interest Neutral:

The State shall use the following methodology to calculate State interest liabilities on funds withdrawn from the several accounts in the UTF under the Unemployment Insurance program.

Based on statements provided by its financial institution, or other appropriate source, the State shall determine the actual interest earnings and the related banking costs attributable to funds withdrawn from its account in the UTF.

At the end of the State's fiscal year, the State shall calculate the percentage of its total unemployment compensation expenditures for (1) funds withdrawn from the State account in the UTF, or the State %, and (2) funds withdrawn from the Federal Employees Compensation Account (FECA) and the Extended Unemployment Compensation Account (EUCA) and any other accounts of Federal funds in the UTF, or the Federal %.

The State shall calculate the actual interest earnings and the related banking costs attributable to funds withdrawn from the State account in the UTF by multiplying the State % by the amount of the actual interest earnings and the related banking costs of the account as a whole. The State's liability for interest on funds withdrawn from its account in the UTF shall consist of the actual interest earnings attributable to such funds less the related banking costs attributed to such funds.

The State shall determine the average daily cash balance of its unemployment compensation benefit payment account for its fiscal year. The State shall calculate the average daily cash balance of Federal funds by multiplying the Federal % by the average daily cash balance of the benefit payment account on the whole. The State's liability for interest on funds withdrawn from the FECA and EUCA (and any other benefit accounts of Federal funds in the UTF from which the State draws funds) shall be the average daily cash balance of Federal funds multiplied by the annualized rate equal to the average equivalent yields of 13-week Treasury bills auctioned during the State's fiscal year.

8.4 Refund Liabilities

8.4.1 The State shall be liable for interest on refunds from the date the refund is credited to a State account until the date the refund is debited from the State account for program purposes. The State shall apply a \$50,000 refund transaction threshold below which the State shall not incur or calculate interest liabilities on refunds. A transaction is defined as a single deposit.

8.4.2 For each refund, the State shall maintain information identifying:

- (1) date a refund is credited to a State account
- (2) date of the subsequent deposit of Federal funds against which the refund is offset
- (3) amount of the refund

8.4.3 The State shall use the following methodology to calculate interest liabilities on refunds:

With programs using the Reimbursement funding technique, the State interest liability shall be based on the difference in whole days between the date the refund is deposited in a State account and the date the refund is offset against a subsequent deposit of Federal funds, except for Highway Planning and Construction (CFDA No. 20.205), where interest will be calculated using the Composite Clearance technique.

8.5 Exemptions

8.5.1 Where more than one State agency is a recipient of Federal funds under a program, a particular State agency's funding may be excluded from interest calculation procedures if the State agency receives an amount of funds less than 5 % of the State's threshold for major Federal assistance programs. Notwithstanding this potential exemption, however, in no case shall less than 90% of a program's total funding be subject to interest calculation procedures.

Proration of calculations: If less than total program funding is subject to interest calculation procedures, the resulting interest liability calculations shall be prorated to 100% of program funding.

8.6 State Interest Liabilities

8.6.1 The State shall be liable for interest on Federal funds from the date Federal funds are credited to a State account until the date those funds are paid out for program purposes.

8.6.2 The State shall use the following method to calculate State interest liabilities on Federal funds:

8.6.2.1 Measuring Time Funds Are Held

To determine the total time Federal funds are held, the State shall measure the time between the date Federal funds are received and credited to a State's account and the date those funds are debited from the State's account.

8.6.2.2 Source of Data

The time period from the date an expenditure is posted in the State's central accounting system to the date the disbursement is debited to the State's bank account shall be determined from information provided by the State Treasurer.

8.6.2.3 Standards Applied

The average daily cash balance of Federal Funds in the program's account reflects the actual activity of each draw from the date of deposit to the date of issuance or clearance, whichever is pertinent.

8.6.2.4 Calculation Procedure

$I = P \times r \times \{PI + CT\}$, where

I = State's total interest liability

P = Total annual expenditures of Federal funds for program or component cash flow of program

r = Annualized rate equal to the average equivalent yields of 13-week Treasury bills auctioned during a State's fiscal year divided by 365 days

PI = Dollar-weighted average number of days Federal funds are held by State prior to issuance

CT = Dollar-weighted average number of days Federal funds are held by State between issuance and clearance of checks.

8.7.0 The term "date of issuance" in section 8.1.2 shall refer to the expenditure posting date.

8.7.1 The State shall maintain records of clearings and drawdowns to verify the implementation of the Daily Trust Fund Draw and the Working Capital Advance funding techniques. The State shall document, for each day, the amount of funds that clear State accounts and the amount of Federal funds deposited to State accounts.

8.7.2 Where the State administers a Federal program through restricted receipt accounts, which require Federal funds to be on hand prior to generating program payments, the State will calculate the amount of interest due the Federal Government for the period beginning on the date Federal funds are deposited to a State bank account and ending on the date funds are paid out for program purposes, except for Highway Planning and Construction (CFDA No. 20.205), where interest will be calculated as follows:

For program payments made via ACH the State will calculate the amount of interest due the Federal Government for the period beginning on the date Federal funds are deposited to a State bank account and ending on the date funds are paid out for program purposes.

For program payments made via the State Treasury check the State will calculate the amount of interest due the Federal Government for the period beginning on the date Federal funds are deposited to a State bank account and ending on the date funds are paid out for program purposes using the average clearance technique.

8.8.0 Except for Unemployment Insurance (CFDA No. 17.225), where a Federal agency funds multiple grants under a single payment system, the State shall net positive and negative grant drawdown amounts and request funds for the net positive balance. If within a Letter of Credit having a net positive balance a drawdown cannot be made against

a grant because of an insufficient grant balance, the State shall calculate interest due from the Federal Government on that grant. Where the result of netting is a negative amount, a draw will not be made. The State shall calculate interest due to the Federal Government for positive balances in the cash book for the Administrative Fund and on positive bank balances in the Benefit Payment Fund for the Federal share portion. Both interest calculations shall be included on the Annual Report, when applicable.

9.0 REVERSE FLOW PROGRAMS

9.1 The Federal government makes payments on behalf of the State for the Supplemental Security Income (SSI) program.

9.2 Definitions

State Supplementary Payment (SSP): Monthly payment made by the State to the Social Security Administration (SSA), as a voluntary supplement to monthly SSI payments made by the SSA to the State's SSI beneficiaries.

SSI/SSP: The monthly SSI payment made by the SSA to beneficiaries, which combines both Federal SSI program funds and SSP funds.

SSI/SSP Transfer Date: The dollar-weighted average day of clearance of the regularly issued monthly SSI/SSP checks issued by the SSA, adjusted to reflect three payment variations.

Due Date: The day on which States are required to deposit funds to the SSA.

Deposit Date: The day on which State funds are deposited to the SSA.

9.3 Funding Technique

The State and the Federal government will apply the following funding technique to the SSI program:

Component: State Supplementary Payment

Technique: SSI Funding Technique

Description: In accordance with Public Law 106-170, the State shall deposit funds to the SSA no later than the business day preceding the date on which the SSA Commissioner pays monthly benefits, or with respect to monthly benefits paid for the month that is the last month of the State's fiscal year, the fifth business day following such date.

9.4 Clearance Pattern

The SSI/SSP Transfer Date is determined by adjusting the dollar weighted average day of clearance for regularly issued monthly SSI/SSP checks, as determined by the Federal Reserve Bank's Survey of Float on US Government Checks, with the three payment variations below, to reflect the proportion of SSI/SSP payments made to beneficiaries as follows:

By check on days later in a month: To calculate this adjustment, SSA will determine the nationwide percentage of total SSI/SSP payments made to beneficiaries by check on days later in a month, using full data from the most recent Federal fiscal year. The average day of clearance for regularly issued monthly SSI/SSP checks shall be dollar-weighted for SSI/SSP payments made to beneficiaries by check on days later in the month, which are assumed to be issued on the 11th business day of the month.

By direct deposit on the regularly designated day of the month for delivery of SSI/SSP payments: To calculate this adjustment, SSA will determine the nationwide percentage of total SSI/SSP payments made to beneficiaries by direct deposit on the regularly designated day of the month for delivery of SSI/SSP payments, using full data from the most recent Federal fiscal year. The average day of clearance for regularly issued monthly SSI/SSP checks shall be dollar-weighted with the average day of clearance for SSI/SSP payments made to beneficiaries by direct deposit on the regularly designated day of the month for delivery of SSI/SSP payments to beneficiaries.

By direct deposit on days later in a month: To calculate this adjustment, SSA will determine the nationwide percentage of total SSI/SSP payments made to beneficiaries by direct deposit on days later in a month, using full data from the most recent Federal fiscal year. The average day of clearance for regularly issued monthly SSI/SSP checks shall be dollar-weighted with the average day of clearance for SSI/SSP payments made to beneficiaries by direct deposit on days later in a month, which are assumed to be issued on the 11th business day of the month.

9.5 Interest Calculations

The Federal Government shall use the following methods to calculate and document Federal and State interest liabilities for SSI.

To calculate the interest liability, SSA shall record the Deposit Date of each monthly SSP payment and compare it to the SSI/SSP Transfer Date for each month. The liability for interest will be based on the following:

Payments received before the Due Date: The interest liability provisions of the CMIA do not apply to payments paid by a State before the Due Date, pursuant to Public Law 106-170. All payments received prior to the Due Date will be deemed as received on the Due Date, for the purposes of calculating interest.

Payments received on the Due Date: A Federal interest liability should be computed from (1) the Due Date to (2) the day SSA pays out the State funds for program purposes (SSI/SSP Transfer Date).

Payments received after the Due Date but on or before the SSI/SSP Transfer Date: Interest liability provisions of the CMIA do not apply.

Payments received after the SSI/SSP Transfer Date: A State interest liability will accrue from (1) the SSI/SSP Transfer Date until (2) the day State funds are credited to the SSA.

SSA shall calculate Federal and State interest liabilities on the variance between (1) the amount of the monthly State payment, which is an estimate, and (2) the actual monthly outlays for program purposes made by the SSA on behalf of the State. The monthly State payment includes the cumulative balance brought forward from the previous month. For each month of the State's fiscal year, SSA will compare the amount of the State payment to the amount of the actual outlays made on behalf of the State. To the extent the State payment (including the estimated cumulative balance) is greater than actual outlays, a Federal interest liability will accrue. To the extent the State payment (including estimated cumulative balance) is less than actual outlays, a State interest liability will be calculated. In either case, the interest liability will be calculated based on the difference in whole days from (1) the day the monthly State payment was deposited to a Federal account to (2) the day a subsequent monthly State payment is deposited to a Federal account.

Any overpayment that results in a cumulative balance does not constitute an early deposit as defined in Public Law 106-170, Section 410, Schedule for SSI Supplementation Agreements.

9.6 Refunds

Pursuant to 31 CFR 205.25 (c)(3), the State or the Federal government will not incur interest liabilities on refunds under the Supplemental Security Income Program as States are credited with the refunds in advance, before SSA collects the funds.

10.0 INTEREST CALCULATION COSTS

10.1 As set forth in 31 CFR 205.27, interest calculation costs are defined as those costs necessary for the actual calculation of interest, including the cost of developing and maintaining clearance patterns in support of the interest calculations. Interest calculation costs do not include expenses for normal disbursing services, such as processing of checks or maintaining records for accounting and reconciliation of cash balances, or expenses for upgrading or modernizing accounting systems. Interest calculation costs in excess of \$50,000 in any year are not eligible for reimbursement, unless the State provides justification with the annual report.

10.2 The State expects to incur the following types of interest calculation costs:

- (1) System analysts' time to prepare detail specifications for programming and testing programs.
- (2) Programmer's time to write required programs.
- (3) Computer time to analyze bank clearance tapes, process check clearance data, and process interest programs.
- (4) User analysts' time to identify payment data criteria for developing check clearance patterns, review check clearance data to establish check clearance patterns and drawdown delay periods, and analyze interest calculation reports.

10.3 The State shall submit all claims for reimbursement of interest calculation costs with its Annual Report in accordance with 31 CFR 205.

11.0 NON-COMPLIANCE

11.1 The provisions of 31 CFR Part 205.29 and 31 CFR Part 205.30 shall apply in cases of non-compliance with the terms of this Agreement.

12.0 AUTHORIZED SIGNATURES

Michael J. Burns

Director, Bureau of Accounting and Financial Management, Office of Comptroller Operations, Office of the Budget, Commonwealth of Pennsylvania

DocuSigned by:
Michael Burns
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6/9/2022

Signature: _____ Date Signed: _____

Date Submitted 6/2/2022

Sandra R. Paylor
Assistant Commissioner
Revenue Collections Management
Bureau of the Fiscal Service
U.S. Department of the Treasury

DocuSigned by:
Sandra Paylor
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6/13/2022

Signature: _____ Date Signed: _____

Exhibit I - Funds Request and Receipt Times Schedule

Commonwealth of Pennsylvania

Federal Agency	Payment Type	Request Cut-Off Time	Receipt Window
Agriculture-FNS	ACH	11:59 PM	1 day
Agriculture-FNS	Fedwire	5:45 PM	0 day
Agriculture-FS	ACH	3:00 PM	1 day
Air National Guard	ACH	12:00 PM	15 days
Army National Guard	ACH	12:00 PM	15 days
Commerce-NOAA	ACH	2:00 PM	1 day
Dept of Homeland Security (FEMA)	Fedwire	2:00 PM	2 days
Dept of Homeland Security (ODP)	ACH	2:00 PM	2 days
Dept of Homeland Security (ODP)	Fedwire	2:00 PM	2 days
EPA	ACH	2:00 PM	2 days
EPA	Fedwire	2:00 PM	0 day
Education	ACH	3:00 PM	1 day
Education	Fedwire	2:00 PM	0 day
Energy	ACH	4:00 PM	1 day
Energy	Fedwire	3:00 PM	0 day
HHS	ACH	5:00 PM	1 day
HHS	Fedwire	3:00 PM	0 day
HUD	ACH	5:30 PM	2 days
HUD	Fedwire	3:00 PM	0 day
Interior-FWS	ACH	11:59 PM	1 day
Interior-FWS	Fedwire	5:45 PM	0 day
Interior-OSM	ACH	3:00 PM	1 day
Interior-OSM	Fedwire	1:00 PM	0 day
Justice	ACH	11:00 PM	6 days
Justice	Fedwire	2:00 PM	2 days
Labor-Non-UTF	ACH	3:00 PM	1 day
Labor-UTF	ACH	3:00 PM	1 day
Labor-UTF	Fedwire	3:00 PM	0 day
National Science Foundation (NSF)	ACH	8:00 PM	1 day
National Science Foundation (NSF)	Fedwire	5:45 PM	0 day
Social Security Administration	ACH	11:59 PM	1 day
Social Security Administration	Fedwire	5:45 PM	0 day
Transportation (FAA)	ACH	2:00 PM	1 day
Transportation (FHWA)	ACH	12:00 PM	3 days
Transportation (FHWA)	Fedwire	12:00 PM	0 day
Transportation (FTA)	ACH	2:00 PM	1 day
Veterans Administration	ACH	12:00 PM	3 days

Exhibit II - Commonwealth of Pennsylvania**LIST OF STATE CLEARANCE TIMES****(Rounded Dollar-Weighted Average Day of Clearance)****Clearance Times Where the Timing of A Draw Down Is Based on A Clearance Pattern**

CFDA	Program Name	Recipient	%	Component	Technique	Rounded days
10.551	Supplemental Nutrition Assistance Program	Department of Human Services	100.0	Payments to Beneficiaries	Modified ZBA - Supplemental Nutrition Assistance Program	N/A
10.555	National School Lunch Program	Department of Education	100.0	Payments to Educational Agencies/Vendor Payments/Operating Costs/Indirect Costs	Reimbursement	N/A
	National School Lunch Program	Department of Education	0.0	Payroll	Payroll	N/A
17.225 F	Unemployment Insurance -- Federal Benefit Account and Administrative Costs	Department of Labor and Industry	98.0	Benefit Payments (FECA, UCX, etc.)	Daily Trust Fund Draw (CFDA No. 17.225)	N/A
	Unemployment Insurance -- Federal Benefit Account and Administrative Costs	Department of Labor and Industry	1.0	Administration - Direct and Indirect Costs - Internal Cost Plan	Reimbursement	N/A
	Unemployment Insurance -- Federal Benefit Account and Administrative Costs	Department of Labor and Industry	1.0	Administration - Payroll	Payroll	N/A
17.225 S	Unemployment Insurance -- State Benefit Account	Department of Labor and Industry	100.0	Benefit Payments (Commonwealth Account)	Daily Trust Fund Draw (CFDA No. 17.225)	N/A
20.205	Highway Planning and Construction	Department of Transportation	100.0	Payroll/Construction/ Non-Personnel Services Costs	Modified Composite Clearance (CFDA No. 20.205 Highway Planning and Construction)	N/A
84.010	Title I Grants to Local Educational Agencies	Department of Education	100.0	Payments to Local Agencies/Vendor Payments/Operating Costs/Indirect Costs	Reimbursement	N/A
	Title I Grants to Local Educational Agencies	Department of Education	0.0	Payroll	Payroll	N/A
84.027	Special Education -- Grants to States	Department of Education	98.0	Payments to Local Agencies/Vendor	Reimbursement	N/A

				Payments/Operating Costs/Indirect Costs		
	Special Education -- Grants to States	Department of Education	2.0	Payroll	Payroll	N/A
84.425	Education Stabilization Fund	Department of Education	100.0	Payments to Educational Agencies/Vendor/Operating	Reimbursement	N/A
	Education Stabilization Fund	Department of Education	0.0	Payroll	Payroll	N/A
93.558	Temporary Assistance for Needy Families	Department of Human Services	8.0	Indirect Costs (Cost Allocation Plan)	Modified Monthly Draws (CFDA Nos. 93.558, 93.658, 93.778)	N/A
	Temporary Assistance for Needy Families	Department of Human Services	92.0	Payments to Local Agencies/Payments to Beneficiaries/Vendor Payments/Operating Costs	Reimbursement	N/A
	Temporary Assistance for Needy Families	Department of Human Services	0.0	Payroll	Payroll	N/A
93.575	Child Care and Development Block Grant	Department of Human Services	96.0	Payments to Local Agencies/Vendor Payments/Operating Costs	Reimbursement	N/A
	Child Care and Development Block Grant	Department of Human Services	4.0	Payroll	Payroll	N/A
93.658	Foster Care -- Title IV-E	Department of Human Services	1.0	Indirect Costs (Cost Allocation Plan)	Modified Monthly Draws (CFDA Nos. 93.558, 93.658, 93.778)	N/A
	Foster Care -- Title IV-E	Department of Human Services	99.0	Payments to Local Agencies/Vendor Payments/Operating Costs	Reimbursement	N/A
	Foster Care -- Title IV-E	Department of Human Services	0.0	Payroll	Payroll	N/A
93.767	Children's Health Insurance Program	Department of Human Services	100.0	Payments to Local Agencies/ Payments to Beneficiaries/Vendor Payments/Operating Costs	Reimbursement	N/A
	Children's Health Insurance Program	Department of Human Services	0.0	Payroll	Payroll	N/A
93.778	Medical Assistance Program	Department of Human Services	2.0	Indirect Costs (Costs Allocation Plan)	Modified Monthly Draws (CFDA Nos. 93.558, 93.658, 93.778)	N/A
	Medical Assistance Program	Department of Human Services	98.0	Payments to Local Agencies/ Payments	Reimbursement	N/A

				to Service Providers/Vendor Payments/Operating Costs		
	Medical Assistance Program	Department of Human Services	0.0	Payroll	Payroll	N/A
96.006	Supplemental Security Income	Individual State SSI Recipients	100.0	State Supplementary Payment	Modified Reverse Flow (CFDA No. 96.006)	N/A

Certification

I hereby certify that an authorized State official has certified at least every five years that the "Rounded Days of Clearance" listed in Exhibit 2 of this Treasury-State Agreement:

1. Have been prepared in accordance with the standards provided in 31 CFR 205.20;
2. Accurately represent the flow of Federal funds under the Federal assistance programs to which they apply;
3. Reflect seasonal or other periodic variations in the clearance activities; and,
4. Are auditable.

6/9/2022

Date: _____

Michael Burns

Printed Name: _____

Certifying Signature:  _____
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Title: Director, Bureau of Acct & Fin Mgmt

