Office of Budget and Management

John R. Kasich
Governor

Timothy S. Keen
Director

State of Ohio Office of Budget and Management

State Accounting

Cash Management Improvement Act

Treasury/State Agreement (TSA) Plan

SFY 2019

Purpose

Ohio Revised Code (ORC) 131.36 provides the authority for the director of budget and management to enter into an agreement with the United States secretary of the treasury establishing procedures and requirements regarding the transfer of funds between the Federal Government and the State of Ohio pursuant to the Cash Management Improvement Act of 1990 (Public Law 101-453), as amended. As part of ORC 131.36, the director of budget and management shall implement a plan for complying with the agreement. This document serves as the required plan pursuit to ORC 131.36. This document is not intended to replace the Treasury State Agreement, but rather provides a plan for the State of Ohio's compliance with the agreement and serves as guidance to agencies that are part of the agreement.

Overview

The Cash Management Improvement Act (CMIA) is a Federal regulation created to ensure "greater efficiency, effectiveness, and equity in the exchange of funds between the Federal Government and the States." The spirit of CMIA is that states will draw in federal funds when they are needed; they will not draw in early and gain interest on the funds, nor will they draw in late and pay out their own funds for federal purposes.

The CMIA was enacted to achieve three specific objectives:

Efficiency – minimizing the time between the transfer of funds to the State and the payout of those funds for program purposes (i.e. The State should draw in funds on the exact day that they are paid out which is the day they leave the State's bank).

Effectiveness – ensuring funds will be available when requested. The Treasury-State Agreement, also called the CMIA agreement, specifies how and when funds will be transferred under major Federal assistance programs.

Equity – compensating the party that is "out-of-pocket" when funding a Federal program. In general, interest is due to the State if it must use its own funds for program purposes when there is valid federal obligational authority. Interest is payable by the State for the time the State holds Federal funds in its account prior to disbursement for program purposes.

CMIA regulations require each state to enter into a Treasury-State Agreement (TSA) with the US Treasury and to submit an annual interest report. The TSA is a means of quantifying drawdown procedures and interest calculation techniques for all of Ohio's major programs. The annual interest report is compiled in December each year which results in an exchange of interest with the US Treasury for CMIA programs. The basis for the interest report is the terms of the TSA.

Programs Covered

One of the components of the TSA is the establishment of a covered program threshold. This threshold, as defined in 31 CFR Part 205 Section 205.5, is a calculation performed by the State which determines the major federal programs that must be covered in the TSA. The threshold is calculated annually and is based upon expenditures reported in the most recent single audit available. For FY 2019, the 2017 State of Ohio Single Audit Schedule of Federal Expenditures was used to determine major Federal assistance programs. The threshold for FY 2019 is $83,691,950; thus, any programs with expenditures at or exceeding that threshold are governed by Subpart A of the CMIA regulations. These major programs must be included in the agreement, use approved funding techniques, and are subject to interest liabilities.

Below lists the State of Ohio Major Programs for FY 2019 that were included in the TSA:

CFDA	Program
10.551	Supplemental Nutrition Assistance Program
10.553	School Breakfast Program
10.555	National School Lunch Program
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.558	Child and Adult Care Food Program
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
17.225	Unemployment Insurance
20.205	Highway Planning and Construction
84.010	Title I Grants to Local Educational Agencies
84.027	Special Education -- Grants to States
84.126	Rehabilitation Services -- Vocational Rehabilitation Grants to States
84.367	Supporting Effective Instruction State Grants
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.568	Low-Income Home Energy Assistance
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.658	Foster Care -- Title IV-E
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.767	Children's Health Insurance Program
93.778	Medical Assistance Program (Medicaid)

All other programs not mentioned above fell below the threshold and are considered non-major. Non-major programs are subject to the rules in Subpart B of 31 CFR 205. These programs are not required to be covered in the TSA and no interest liabilities are calculated; however, the State of Ohio and Federal program agencies are responsible for minimizing the time between the transfer and payout of funds.

Excluded Programs

The TSA does allow for the exclusion of programs, with legitimate reasons, that exceeded the threshold. The following program is excluded from coverage in the FY 2019 agreement:

CFDA	Program	Reason
93.268	Immunization Cooperative Agreements	Non-Cash

The Immunization Cooperative Agreements, CFDA 93.268, exceeded the threshold in FY 2019 due to immunizations received into the State which is a non-cash transaction which would not have interest considerations within the TSA; therefore, this program was excluded.

Agencies Covered

Due to the fact that they have programs above the CMIA threshold that are not excluded, the following State agencies shall be subject to this plan and the terms of the TSA:

- Development Services Agency
- Department of Education
- Department of Health
- Department of Job & Family Services
- Department of Medicaid
- Department of Transportation
- Opportunities for Ohioans with Disabilities Agency

Effective Date and Amendment Provisions

The FY 2019 TSA is in effect from July 1, 2018, to June 30, 2019; thus, all drawdowns for covered programs (major programs) must follow the TSA specifications for all of SFY 2019. The TSA is in effect for one year only and must be updated each fiscal year. Each year's TSA is considered an amendment. The bulk of the TSA remains the same from year to year, but annual updates include setting the new threshold, adding additional programs that rise above the threshold and removing any programs that no longer qualify as a covered federal program. The TSA must be resubmitted electronically to the US Treasury using their database (CMIAS) in time to be approved prior to the State's fiscal year beginning date of July 1. OBM will reach out in the spring of each year to agencies identified as having major programs in the upcoming TSA based on the latest federal schedule. OBM will request confirmation from agencies of the major program determination, the Fund(s) associated with the program, if any exclusion conditions apply, and the funding technique.

If necessary, it is possible to amend the agreement mid-year if program changes occur or if errors are found in the current agreement. This does not happen frequently. Any significant program changes, (i.e. termination of a program, changes in check issuance schedules, etc.) must be made known to the CMIA Coordinator at OBM as soon as possible. The CMIA Coordinator will work with the U.S. Treasury to determine whether or not an amendment is necessary.

Funding Techniques

Funding techniques are methods by which funds are drawn down as defined by the TSA. These methods are negotiated by the State and the U.S. Department of Treasury and are listed in the TSA. Funding techniques often rely on clearance patterns in determining when funds are drawn down and can be either interest neutral or interest bearing. Most of the funding techniques contained in Ohio's 2019 TSA are interest neutral, with the exception of the following: Modified Pre-Issuance and Reimbursable.

Summary of Major Funding Techniques and Their Associated Programs

The 2019 TSA includes six different funding techniques; modified pre-issuance, estimated clearance, composite clearance, zero balance-ACH (actual clearance), reimbursable, and program specific.

1. ***Modified Pre-Issuance Methodology*** – Under this funding technique, the State will request federal funds such that they are deposited not more than an average of five business days prior to the day the State makes a disbursement. The cash balances for the affected OAKS funds will be credited with investment earnings, and the State will use the proceeds from such earnings to offset any federal liabilities for cash the State holds in connection with the federal programs listed in the following table.

Below is a summary of the federal programs and their associated state funds which have been identified as following the modified pre-issuance funding technique in the 2019 TSA:

CFDA#	Federal Program	State Agency	Fund
10.553	School Breakfast Program	Department of Education	3L70
10.555	National School Lunch Program	Department of Education	3L60
10.557	Special Supplemental Food Nutrition Program for Women, Infants and Children	Department of Health	3890
10.558	Child and Adult Care Food Program	Department of Education	3L80
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program –County Advances and Administrative Costs (Payroll only) Component	Department of Job and Family Services	3840
17.225	Unemployment Insurance -- Administrative Costs Component	Department of Job and Family Services	3V40
84.010	Title I Grants to Local Educational Agencies	Department of Education	3M00
84.027	Special Education-Grants to States	Department of Education	3M20
84.126	Rehabilitation Services -- Vocational Rehabilitation Grants to States	Opportunities for Ohioans with Disabilities	3790/3L10
84.367	Improving Teacher Quality State Grants	Department of Education	3Y60
93.558	Temporary Assistance to needy Families	Department of Job and Family Services	3V60
93.563	Child Support Enforcement	Department of Job and Family Services	3970
93.568	Low -Income Home Energy Assistance	Department of Development	3K90
93.575	Child Care & Development Block Grant	Department of Job and Family Services	3H70
93.596	Child Care Mandatory and Matching Funds	Department of Job and Family Services	3H70
93.658	Foster Care -- Title IV-E	Department of Job and Family Services	
	Benefits Component		3N00
	Administrative Costs Component		3N00
93.659	Adoption Assistance -- Administrative Costs and	Department of Job and Family Services	3980

	Benefits		
93.667	Social Services Block Grant	Department of Job and Family Services	3960/3V60
93.767	State Children's Insurance Program	Department of Medicaid	3FA0/3F00/3F01
93.778	Medical Assistance Program -- Hospital Care Assurance, Supplemental Inpatient Payments, Administrative Costs and Provider Payments	Department of Medicaid	3F00/3F01/3ER0/3G50

2. ***Estimated Clearance*** – Under this funding technique, the State will request federal funds such that they are deposited in a State account in accordance with the clearance pattern specified for the federal program. The State will incur no interest liability with this technique. Below is a summary of programs which are listed as following the estimated clearance technique in the 2019 TSA:

CFDA#	Federal Program	State Agency	Fund
93.659	Adoption Assistance -- Benefits	Department of Job and Family Services	GRF
93.767	State Children's Health Insurance Program - Administrative Costs and Provider Payments by warrant	Department of Medicaid	GRF
93.778	Medical Assistance Program -- Administrative Costs and Provider Payments by warrant	Department of Medicaid	GRF

3. ***Composite Clearance*** – For CFDA 20.205 Highway Planning and Construction at the Department of Transportation (Fund 002: Highway Operating), the State will request federal funds such that they are deposited on the dollar-weighted average number of days required for the federal funds to be paid for a series of disbursements. Under this technique, the State will incur no interest liability.

4. ***Zero Balance-ACH (Actual Clearance)*** – For the following programs, the State (or its fiscal agent) will request funds such that they are deposited by ACH in a State (or fiscal agent's) account on the settlement date of payments. Under this technique, the State incurs no interest liability.

Below is a summary of programs which are listed as following the zero-balance technique in the 2019 TSA:

CFDA#	Federal Program	State Agency	Fund
10.551	Food Stamps -- Merchant Payments	Department of Job and Family Services	N/A
93.767	State Children's Health Insurance Program -- Administrative Costs and Provider Payments by EFT	Department of Medicaid	GRF
93.778	Medical Assistance Program -- Administrative Costs, Provider Payments and County Advances by EFT	Department of Medicaid	GRF

5. ***Reimbursable*** -- For state agency reimbursements of program and administrative costs under the following programs, the Ohio Department of Job and Family Services shall request funds such that they are deposited on a weekly, monthly or quarterly basis. Under this technique, the State incurs no interest liability.

Below is a summary of the federal programs which are listed as following the reimbursable technique in the 2019 TSA:

CFDA#	Federal Program
93.558	Temporary Assistance for Needy Families
93.667	Social Services Block Grant
93.767	State Children's Health Insurance Program
93.778	Medical Assistance Program

6. ***Program-Specific Technique*** – (State Benefit Account) – For funds withdrawn from the Unemployment Trust Fund (UTF), an unappropriated fund that the Department of Job and Family Services uses in connection with CFDA 17.225 Unemployment Insurance, the State will use the following technique to calculate its federal interest liabilities.

Based on account statements that the Treasurer of State provides, the State will 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 will calculate the actual interest earnings and related banking charges attributable to funds withdrawn from the State's account in the UTF by multiplying a percentage that represents the State's share of total unemployment compensation expenditures during the State's fiscal year by the amount of actual interest earnings and the related banking costs of the account as a whole. The State's liability for interest on funds withdrawn from the UTF will consist of the actual interest earnings attributable to such funds less the related banking costs attributable to such funds.

In addition, the State will determine the average daily cash balance of federal funds on hand for its unemployment compensation benefit payment account. The State's liability for interest on funds withdrawn from the UTF shall be the average daily cash balance of federal funds multiplied by the annualized rate equal to the average equivalent yields of the 13-week Treasury bills auctioned during the State's fiscal year.

Clearance Patterns

A clearance pattern is a statistical representation showing the average time it takes a payment to clear a State bank account after the issuance date. It essentially represents how much is cashed and when. Each of the State's clearance patterns is calculated in calendar days, not business days. This should be kept in mind when scheduling drawdown requests. A drawdown due on Saturday may be scheduled for Friday deposit and a drawdown due on Sunday should be scheduled for Monday deposit per the regulations. 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. An agency should refer to Exhibit I of the TSA for cut-off times and receipt windows when planning their draws.

Clearance patterns must be updated every five years per CMIA regulations and must be calculated using a period of activity of no less than 90 days. OBM shall develop the clearance patterns utilizing the disbursement data from the State's accounting system (OAKS). At any time it becomes known that a clearance pattern does not correspond to a program's clearance activity, then the State is required to follow 31 CFR 205. Although federal regulations require updates to the clearance patterns every 5 years, they also state that if at any time the State becomes aware that a clearance pattern is no longer valid, it must be revised. When this occurs, the TSA must be revised to reflect the current clearance pattern.

Interest Calculation Methodology

Ohio shall be liable for interest on federal funds from the date the federal funds are credited to a State account until the date those funds are paid out for program purposes. Annually, OBM calculates the net interest liability owed to/from the Federal government for all programs covered in the TSA. The resultant report is called the Annual Interest Report. This report must be submitted electronically by the CMIA Coordinator to the U.S. Treasury in the CMIAS by December 31 of each year. The report is reviewed by the U.S. Treasury and an exchange of the net amount of interest owed from or due to the State of Ohio must occur by March 31 each year. The TSA specifies the techniques to be used to calculate the federal and state interest liabilities separately. In practice, the U.S. Treasury calculates net interest amounts for each program which results in a net interest due to/from the Federal government. In addition, the cost of calculating interest and maintaining clearance patterns are allowable costs which may be reported on the Annual Interest Report. OBM will capture the amount of time and associated cost to perform the clearance pattern determinations and the interest calculation, and subsequently report the costs as a reduction to the amount of interest owed.

Refund Liabilities

Refunds in general must be used to offset the subsequent drawdowns. Refunds that are over $50,000 must be tracked by the agency and reported to OBM at the end of the fiscal year for interest calculations. A refund means funds that a State recovers that it previously paid out for federal assistance program purposes. Refunds include rebates received from third parties.

For each qualifying refund, the State agency shall maintain and report to OBM no later than November 1 the following information identifying from the previous fiscal year-end:

1. Amount of refund;

2. Date a refund is credited to a State account (date deposited);

3. Amount and date of scheduled draw with corresponding expenditures total; and

4. Amount and date of actual draw (showing reduction by refund amount).

OBM shall calculate interest liabilities on refunds using the date the refund is credited to the State's bank account, the date of the subsequent deposit of federal funds against which the refund is offset, and the amount of the refund.

Interest Liability Exemptions

Any exemptions to interest tracking must be stated in the TSA. As described below, exemptions are possible but must fall within federally-acceptable guidelines. Where more than one State agency is a recipient of federal funds under a program, a specific State agency's funding may be excluded from interest calculation procedures if that State agency receives funding that in totality within the specific program is less than 5% of the State's threshold for major federal assistance programs and one other State agency receives at least 90% of the total funding for the program.

Interest Investment Earnings and Payment to U.S. Treasury

For the funds in which a CMIA program is identified, interest investment earnings will be credited to that respective fund and will be transferred immediately to Fund 4P80, Cash Management Improvement Fund in accordance with ORC 131.37. Correspondingly, Fund 4P80 shall also be credited its investment earnings. Cash will be held in this fund to offset any liability to the Federal government for interest. A reconciliation of federal and state liabilities will be performed after June 30 of each year whereupon any additional obligations for interest will be withdrawn from Fund 6080, Investment Earnings Redistribution, and transferred to Fund 4P80 for the purpose of liquidating such additional federal interest liabilities. Any interest owed from the State of Ohio as reported in the Annual Interest Report filed by December 31 will be transmitted by March 31 of each year to the U.S. Treasury. This payment will be made from Fund 4P80.

Communication to Agencies Covered

Agencies identified within this plan as having covered programs will be provided a copy of the executed TSA and this plan upon controlling board approval in accordance with ORC 131.36.