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# **State of Ohio Office of Budget and Management**

## **State Accounting**

### **Cash Management Improvement Act**

### **Treasury/State Agreement Plan**

### **State Fiscal Year 2021**

## **Purpose**

Ohio Revised Code (ORC) §131.36 authorizes the Director of the Office of Budget and Management(OBM) to enter into an agreement with the United States Secretary of the Treasury establishing procedures and requirements for the transfer of funds between the Federal Government and the State of Ohio under the Cash Management Improvement Act of 1990, as amended. As part of ORC §131.36, the Director of OBM implements a plan (this document) to comply with the agreement. This plan does not replace the Treasury-State Agreement, but serves as guidance to agencies that are subject to the agreement.

## **Overview**

The Cash Management Improvement Act is a Federal law created to promote “greater efficiency, effectiveness, and equity in the exchange of funds between the Federal Government and the States.” The spirit of the Cash Management Improvement Act is that states will draw federal funds when they are needed; not early and gain interest on the funds, nor late and pay out state funds for federal purposes.

The Cash Management Improvement Act 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 Cash Management

Improvement Act 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.

The Cash Management Improvement Act requires each state to enter into a Treasury-State Agreement with the United States Treasury and to submit an annual interest report. The Treasury-State Agreement 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 of each year which results in an exchange of interest with the United States Treasury for Ohio’s major programs. The bases for the interest report are identified in the terms of the Treasury-State Agreement.

### **Programs Covered**

One of the components of the Treasury-State Agreement is the establishment of a covered program threshold. This threshold, as determined by Title 31 Part 205 of the Code of Federal Regulations (CFR) Subpart A, §205.5, is a calculation performed by the State determining the major federal programs covered in the Treasury-State Agreement. The threshold is calculated annually and is based upon expenditures reported in the most recent single audit available. For fiscal year 2021, the 2019 State of Ohio Single Audit Schedule of Federal Expenditures was used to determine major Federal assistance programs. The threshold for fiscal year 2021 is \$85,180,984; thus, any programs with expenditures at

or exceeding that threshold are governed by Subpart A of 31 CFR Part 205. 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 by Catalogue of Federal Domestic Assistance (CFDA) number for fiscal year 2021 that were included in the Treasury-State Agreement:

<b>CFDA</b>	<b>Program</b>
<b>10.551</b>	Supplemental Nutrition Assistance Program
<b>10.553</b>	School Breakfast Program
<b>10.555</b>	National School Lunch Program
<b>10.557</b>	Special Supplemental Nutrition Program for Women, Infants, and Children
<b>10.558</b>	Child and Adult Care Food Program
<b>10.561</b>	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
<b>16.575</b>	Crime Victim Assistance
<b>17.225</b>	Unemployment Insurance
<b>20.205</b>	Highway Planning and Construction
<b>84.010</b>	Title I Grants to Local Educational Agencies
<b>84.027</b>	Special Education -- Grants to States
<b>84.126</b>	Rehabilitation Services -- Vocational Rehabilitation Grants to States
<b>93.558</b>	Temporary Assistance for Needy Families
<b>93.563</b>	Child Support Enforcement
<b>93.568</b>	Low-Income Home Energy Assistance
<b>93.575</b>	Child Care and Development Block Grant
<b>93.596</b>	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
<b>93.658</b>	Foster Care -- Title IV-E
<b>93.659</b>	Adoption Assistance
<b>93.667</b>	Social Services Block Grant
<b>93.767</b>	Children's Health Insurance Program
<b>93.778</b>	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 Part 205. These programs are not required to be covered in the Treasury-State Agreement 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 Treasury-State Agreement does allow for the exclusion of programs, with legitimate reasons, that exceeded the 31 CFR Part 205, §205.5 threshold. The following programs are excluded from coverage in the fiscal year 2021 agreement:

<b>CFDA</b>	<b>Program</b>	<b>Reason</b>
66.458	Capitalization Grants for Clean Water State Revolving Funds	Non-State
93.268	Immunization Cooperative Agreements	Non-Cash

The Ohio Water Development Authority, which administers CFDA 66.458, is legally and fiscally independent from the State Executive, the State Treasurer or the State Comptroller as defined by Generally Accepted Accounting Principles. Therefore, these programs are excluded based on their non-state status. The Immunization Cooperative Agreements, CFDA 93.268, exceeded the threshold in fiscal year 2021 due to immunizations received from the federal government to the state. Immunizations are a non-cash transaction which do not have interest considerations within the Treasury-State Agreement; therefore, this program was excluded.

### **Agencies Covered**

The following State agencies are subject to this plan and the terms of the Treasury-State Agreement:

- Attorney General

- Department of Developmental Disabilities\*
- Department of Education
- Department of Health\*\*
- Department of Job & Family Services
- Department of Medicaid
- Department of Mental Health & Addiction Services\*
- Department of Transportation
- Development Services Agency
- Opportunities for Ohioans with Disabilities Agency

\*Exceeded 5% of the State's fiscal year 2021 major Federal assistance program threshold for programs 93.667 (Social Services Block Grant) and 93.778 (Medical Assistance Program).

\*\* Exceeded 5% of the State's fiscal year 2021 major Federal assistance program threshold for program 93.778 (Medical Assistance Program).

### **Effective Date and Amendment Provisions**

The fiscal year 2021 Treasury-State Agreement is in effect from July 1, 2020, to June 30, 2021; thus, all drawdowns for covered programs (major programs) must follow the Treasury-State Agreement specifications for all of State fiscal year 2021. The Treasury-State Agreement is in effect for one year only and must be updated each fiscal year. Each year's Treasury-State Agreement is considered an amendment. The bulk of the Treasury-State Agreement 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 Treasury-State Agreement must be resubmitted electronically to the United States Treasury 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 Treasury-State Agreement based on the latest federal schedule. OBM will request confirmation from the covered agencies regarding the major program determination, the fund(s) associated with the program, any exclusion conditions that may 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 agreement. Any significant program changes, (i.e. termination of a program, changes in check issuance schedules, etc.) must be communicated to the OBM Cash Management Improvement Act Coordinator as soon as possible. The Cash Management Improvement Act Coordinator will work with the United States Treasury to determine whether an amendment is necessary.

### **Funding Techniques**

Funding techniques are methods by which funds are drawn down as defined by the Treasury-State Agreement. These methods are negotiated by Ohio and the United States Department of Treasury and are listed in the Treasury-State Agreement. Funding techniques often rely on clearance patterns to determine when funds are drawn down and can be interest neutral or interest bearing.

### **Summary of Major Funding Techniques and Their Associated Programs**

The fiscal year 2021 Treasury-State Agreement includes six different funding techniques: modified pre-issuance, estimated clearance, composite clearance, zero balance-ACH (actual clearance), reimbursable, and program specific. Most of the funding techniques

contained in Ohio’s fiscal year 2021 Treasury-State Agreement are interest neutral, except for the following: modified pre-issuance and reimbursable.

**1. Modified Pre-Issuance Methodology** – Under this funding technique, the State requests federal funds to be deposited not more than eight business days prior to the day the State makes a disbursement. The cash balances for the affected Ohio Administrative Knowledge System (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 using this technique. Below is a summary of the federal programs and their associated state funds identified as following the modified pre-issuance funding technique in the fiscal year 2021 Treasury-State Agreement:

CFDA#	Federal Program	State Agency	Fund
10.551	Supplemental Nutrition Assistance Program	Department of Job and Family Services	3840
10.553	School Breakfast Program	Department of Education	3L70
10.555	National School Lunch Program	Department of Education	3L60
10.557	WIC 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
16.575	Crime Victim Assistance	Attorney General	3830
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

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	Development Services Agency	3K90
93.575	Child Care & Development Block Grant	Department of Job and Family Services	3H70
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Department of Job and Family Services	3H70
93.658	Foster Care -- Title IV-E	Department of Job and Family Services	3N00
93.659	Adoption Assistance -- Administrative Costs and Benefits	Department of Job and Family Services	3980
93.667	Social Services Block Grant	Department of Job and Family Services Department of Developmental Disabilities Department of Mental Health and Addiction Services	3960/3V60 3250 3A70
93.778	Medical Assistance Program -- Hospital Care Assurance, Supplemental Inpatient Payments, Administrative Costs and Provider Payments	Department of Medicaid Department of Health	3F00/3F01/ 3ER0/3G50 3GD0

**2. Estimated Clearance** – Under this funding technique, the State will request federal funds to be 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 identified as following the estimated clearance technique in the fiscal year 2021 Treasury-State Agreement:

CFDA#	Federal Program	State Agency	Fund
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 7002: Highway Operating), the State will request federal funds to be 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)** – Under this technique, the State (or its fiscal agent) will request funds be 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 identified as following the zero-balance technique in the fiscal year 2021 Treasury-State Agreement:

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, the State request funds to be 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 identified as following the reimbursable technique in the fiscal year 2021 Treasury-State Agreement:

CFDA#	Federal Program	State Agency	Fund
93.767	Children’s Health Insurance Program	Department of Medicaid	3FA0, 3F00, 3F01
93.778	Medical Assistance Program	Department of Developmental Disabilities Department of Mental Health and Addiction Services	3A40 3240, 3B10

**6. Program-Specific Technique** – (State Benefit Account) – For funds withdrawn from the Unemployment Trust Fund, an unappropriated fund that the Department of Job and Family Services uses in connection with CFDA 17.225 Unemployment Insurance, the State will use a program-specific technique to calculate its federal interest liabilities. Based on account statements that the Treasurer of State provides, the State determines the actual interest earnings and the related banking costs attributable to funds withdrawn from its account in the Unemployment Trust Fund. At the end of the fiscal year, the State calculates the actual interest earnings and related banking charges attributable to funds withdrawn from the State's account in the Unemployment Trust Fund 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 Unemployment Trust Fund consists of the actual interest earnings attributable to such funds less the related banking costs attributable to such funds.

In addition, the State determines 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 Unemployment Trust Fund is 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. Each of the State's clearance patterns are calculated in calendar 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. 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 should request funds for deposit the day prior to the scheduled day. An agency should refer to Exhibit I of the Treasury-State Agreement for cut-off times and receipt windows when planning draws.

Clearance patterns must be updated every five years pursuant to the Cash Management Improvement Act and must be calculated using a period of activity of no less than 90 days. OBM develops the clearance patterns utilizing the disbursement data from OAKS. Although federal regulations require updates to the clearance patterns every five 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 Treasury-State Agreement must be revised to reflect the current clearance pattern.

## **Interest Calculation Methodology**

Ohio is generally 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. OBM calculates the net interest liability owed to/from the Federal government for all programs covered in the Treasury-State Agreement annually (the “Annual Interest Report”). This report must be submitted electronically by the OBM Cash Management Improvement Act Coordinator to the United States Treasury by December 31 of each year. The report is reviewed by the United States 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 Treasury-State Agreement specifies the techniques used to calculate the federal and state interest liabilities separately. In practice, the United States 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 report the costs as a reduction to the amount of interest owed.

## **Refund Liabilities**

Refunds (funds recovered that the state previously paid) 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. Refunds include rebates received from third parties.

For each qualifying refund, the State agency is required to 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 will 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 Treasury-State Agreement. 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 the United States Treasury**

For the funds in which a Cash Management Improvement Act program is identified, interest investment earnings will be credited to that respective fund and will be transferred immediately to the Cash Management Improvement Fund (Fund 4P80) in accordance with ORC 131.37. Correspondingly, Fund 4P80 is also credited with its investment earnings. Cash is 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 the Investment Earnings Redistribution Fund (Fund 6080) 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 United States 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 Treasury-State Agreement and this plan upon Controlling Board approval in accordance with ORC §131.36.