Cash Management Improvement Act Agreement
between
The State of Connecticut
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 State of Connecticut (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 State of Connecticut shall be the Comptroller of the State of Connecticut 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 herein. 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 07/01/2013 and shall remain in effect until 06/30/2014.

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 Single Audit which has been audited by the State Auditors of Public Accounts for fiscal year ending 06/30/2012.

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 $55,353,946.

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

10.551 Supplemental Nutrition Assistance Program
10.555 National School Lunch Program
14.871 Section 8 Housing Choice Vouchers
17.225F Unemployment Insurance -- Federal Benefit Account and Administrative Costs
17.225S Unemployment Insurance -- State Benefit Account
20.205 Highway Planning and Construction
20.500 Federal Transit Capital Improvement Grants
20.507 Federal Transit Capital and Operating Assistance Formula Grants
84.010 Title I Grants to Local Educational Agencies
84.027 Special Education -- Grants to States
93.558 Temporary Assistance for Needy Families
93.568 Low-Income Home Energy Assistance
93.778 Medical Assistance Program

4.3 The following programs fall below the State's threshold but have been required to be covered by FMS 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:

14.856 Lower Income Housing Assistance Program -- Section 8 Moderate Rehabilitation --- Exclusion:Non-State
84.063 Federal Pell Grant Program --- Exclusion:Non-State
84.268 Federal Direct Student Loan --- Exclusion:Non-State
84.410 Education Jobs Fund --- Exclusion:Discontinued

4.4.1 CFDA 14.856 is excluded because the administering entity, Connecticut Housing Finance Authority, is a non-state quasi-public agency.

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 Housing
Department of Labor

Department of Social Services
Department of Transportation

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:

JP Morgan Financial 10.551 Supplemental Nutrition Assistance Program

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.

6.1.6 The processes described in Section 6.1.5 pertains to the State agency receiving the supplemental award during the current quarter and do not preclude the State from seeking reconciliation awards pursuant to the normal reconciliation process between the estimated and actual expenditures subsequent to the conclusion of a quarter. (This section provides a means of seeking reconciliation awards after a quarter ends as part of the normal reconciliation process comparing estimated and actual expenditures).

6.1.7 Federal cash draws for programs covered in this agreement shall be based upon actual transactions processed through the CORE-CT accounting system. These transactions shall be reported to the State agency by reports generated from CORE-CT. These reports are generated from the central computer system job streams which record the expenditures for which checks are being generated, banking activity is being initiated, or internal accounting activity is being recorded. The agency shall receive a report detailing the necessary clearance patterns required under this agreement. The agency shall receive instructions on the funding methods to be used for each program covered under this agreement. Instructions shall be issued on how to construct a Federal draw amount using these factors and reports. The State agency shall maintain detail records suitable for audit in which each component of the drawdown shall be referenced in the drawing agency to the approved funding technique for that component (estimated clearance, average clearance, etc.) in this Agreement. Where necessary, State agencies will maintain for audit the reconciliations between their accounting records and CORE-CT.

6.1.8 Payments of Federal funds to vendor State agencies for goods or services rendered, including payments into internal service funds or enterprise funds within the State's CAFR, are considered to be paid out for program purposes pursuant to 31 CFR Part 205.2.

6.1.9 Transfers of expenditures between State agencies shall be drawn on the day immediately subsequent to the agency being notified of its posting on the CORE-CT accounting system.

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.

Actual Clearance, ZBA - Same Day Payment

The State shall request funds the same day it pays out funds, in accordance with the appropriate Federal agency cut-off time specified in Exhibit I.A Federal agency will deposit funds in a State account the same day as requested.The amount of the request shall be for the amount of funds that clear the State's account that day. This funding technique is interest neutral.

Average Clearance

The State shall request funds such that they are deposited by ACH on the dollar-weighted average day of clearance for the disbursement, in accordance with the clearance pattern specified in Exhibit II.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 exact amount of that disbursement. This funding technique is interest neutral.

Pre-Issuance

The State shall request funds such that they are deposited in a State account not more than three business days prior to the day the State makes a disbursement.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 the amount the State expects to disburse. This funding technique is not interest neutral.

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 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 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.

Actual Clearance - Direct Draw

The State shall request funds such that they are deposited by ACH in a State account one day after the date that agency to agency transfer expenditures are posted by a State agency in the Comptroller's accounts. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. This funding technique is interest neutral.

Estimated Clearance

The State shall request funds such that they are deposited by ACH in a State account in accordance with the clearance pattern for the Department of Social Service's Vendor Checking Account as specified in in Exhibit II. The request for funds shall be made in accordance with the appropriate Federal cut-off time specified in Exhibit I. The award is based on an estimate of the need for a calendar quarter. After the end of the quarter a report of actual expenditures is submitted. Reconciliation award requests are made for the difference between actual expenditures and the estimate. No supplemental funding requests to adjust the original estimate are requested within the period covered by the estimate. (The State will not seek to make a supplemental request during the quarter in question. Instead, any supplemental request will be based on a reconciliation between estimated and actual costs after the quarter has closed). This funding technique is interest neutral.

Fee for Services Rendered

This program's administrative costs are based and earned on the number of payments processed to beneficiaries. The request and receipt of funds will coincide with the draw for the beneficiaries' portion. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. This funding technique is interest neutral.

Indirect Cost Rates - Actual Base Quarterly

The State shall request funds once a quarter, such that they are deposited during the month following the end of the quarter. 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 determined by applying the indirect cost rate to actual expenditures of the prior quarter. This funding technique is interest neutral.

Prorated Draw - Medical Assistance - EFT

The State shall request funds such that they are deposited by ACH in a state account on the settlement date of payments issued by the State. 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 97 percent of the benefit payments paid (except Additional Low Income Medicare Beneficiary, School Based Child Health Programs, and Medicare Part B Premiums).

The award shall be based on an estimate of the need for a calendar quarter. After the end of the quarter, a report of actual expenditures shall be submitted. Reconciliation award requests shall be made for the difference between actual

expenditures and the estimate. This funding technique is interest neutral.

Prorated Draw - Unemployment Insurance

Prorated draws of the previous month's expenditures to be reconciled on a monthly basis to actual expenditures. The drawdowns will be on a bi-weekly basis and coincide with the Bi-Weekly Payroll date of clearance for payroll checks. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. This funding technique is interest neutral.

Prorated Draws

The State shall draw down a prorated amount of the quarterly estimate of its administrative award funds such that they are deposited by ACH in a State account on the average day of clearance for payroll during each pay period. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I . 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 Social Services
% of Funds Agency Receives: 100.00
Component: Electronic Benefit Payments
Technique: Actual Clearance, ZBA - Same Day Payment
Average Day of Clearance: 0 Days

10.555 National School Lunch Program
Recipient: Department of Education
% of Funds Agency Receives: 3.00
Component: Transfers to other State Agencies
Technique: Actual Clearance - Direct Draw
Average Day of Clearance: 1 Day

Recipient: Department of Education
% of Funds Agency Receives: 97.00
Component: Payments to Providers
Technique: Average Clearance
Average Day of Clearance: 3 Days

14.871 Section 8 Housing Choice Vouchers
Recipient: Department of Housing
% of Funds Agency Receives: 92.00

Component: Payment to Vendors
Technique: Average Clearance
Average Day of Clearance: 3 Days

Recipient: Department of Housing
% of Funds Agency Receives: 8.00
Component: Administrative Costs
Technique: Fee for Services Rendered
Average Day of Clearance: 3 Days

17.225F Unemployment Insurance -- Federal Benefit Account and Administrative Costs
Recipient: Department of Labor
% of Funds Agency Receives: 5.00
Component: Benefit Payments (EUCA, FECA, FUBA Accounts)
Technique: Pre-Issuance
Average Day of Clearance: N/A

Recipient: Department of Labor
% of Funds Agency Receives: 95.00
Component: All Administrative Costs
Technique: Prorated Draw - Unemployment Insurance
Average Day of Clearance: 1 Day

17.225S Unemployment Insurance -- State Benefit Account
Recipient: Department of Labor
% of Funds Agency Receives: 100.00
Component: Benefit Payments (State Accounts)
Technique: Pre-Issuance
Average Day of Clearance: N/A

20.205 Highway Planning and Construction
Recipient: Department of Transportation
% of Funds Agency Receives: 100.00
Component: All Costs
Technique: Average Clearance
Average Day of Clearance: 3 Days

20.500 Federal Transit Capital Improvement Grants
Recipient: Department of Transportation
% of Funds Agency Receives: 100.00
Component: All Costs
Technique: Average Clearance
Average Day of Clearance: 3 Days

20.507 Federal Transit Capital and Operating Assistance Formula Grants
Recipient: Department of Transportation
% of Funds Agency Receives: 100.00
Component: All Costs
Technique: Average Clearance
Average Day of Clearance: 3 Days

84.010 Title I Grants to Local Educational Agencies
Recipient: Department of Education
% of Funds Agency Receives: 2.00
Component: Transfers to other State Agencies
Technique: Actual Clearance - Direct Draw
Average Day of Clearance: 1 Day

Recipient: Department of Education
% of Funds Agency Receives: 1.00
Component: Direct Administrative Costs
Technique: Average Clearance
Average Day of Clearance: 1 Day

Recipient: Department of Education
% of Funds Agency Receives: 1.00
Component: Payroll
Technique: Average Clearance
Average Day of Clearance: 1 Day

Recipient: Department of Education
% of Funds Agency Receives: 95.00
Component: Payments to Local Education Agencies (LEA's)
Technique: Average Clearance
Average Day of Clearance: 3 Days

Recipient: Department of Education
% of Funds Agency Receives: 1.00
Component: Indirect Costs (if necessary)
Technique: Indirect Cost Rates - Actual Base Quarterly
Average Day of Clearance: 1 Day

84.027 Special Education -- Grants to States
Recipient: Department of Education
% of Funds Agency Receives: 2.00
Component: Transfers to other State Agencies
Technique: Actual Clearance - Direct Draw
Average Day of Clearance: 1 Day

Recipient: Department of Education

% of Funds Agency Receives: 7.00
Component: Direct Administrative Costs (non-EFT)
Technique: Average Clearance
Average Day of Clearance: 1 Day

Recipient: Department of Education
% of Funds Agency Receives: 2.00
Component: Payroll
Technique: Average Clearance
Average Day of Clearance: 1 Day

Recipient: Department of Education
% of Funds Agency Receives: 88.00
Component: Payments to Local Education Agencies (LEA's)
Technique: Average Clearance
Average Day of Clearance: 3 Days

Recipient: Department of Education
% of Funds Agency Receives: 1.00
Component: Indirect Costs (if necessary)
Technique: Indirect Cost Rates - Actual Base Quarterly
Average Day of Clearance: 1 Day

93.558 Temporary Assistance for Needy Families
Recipient: Department of Social Services
% of Funds Agency Receives: 100.00
Component: All Costs
Technique: Estimated Clearance
Average Day of Clearance: N/A

93.568 Low-Income Home Energy Assistance
Recipient: Department of Social Services
% of Funds Agency Receives: 100.00
Component: All Costs
Technique: Average Clearance
Average Day of Clearance: 3 Days

93.778 Medical Assistance Program
Recipient: Department of Social Services
% of Funds Agency Receives: 6.00
Component: Additional Low Income Medicare Beneficiary, School Based Child Health Programs, and Medicare Part B Premiums.
Technique: Average Clearance
Average Day of Clearance: 3 Days

Recipient: Department of Social Services

% of Funds Agency Receives: 3.00
Component: Benefit Payments - Paid By Check (Except Additional Low Income Medicare Beneficiary, School Based Child Health Programs and Medicare Part B Premiums).
Technique: Estimated Clearance
Average Day of Clearance: N/A

Recipient: Department of Social Services
% of Funds Agency Receives: 86.00
Component: Benefit payments - Paid by EFT (except Additional Low Income Medicare Beneficiary, School Based Child Health Programs, and Medicare Part B Premiums
Technique: Prorated Draw - Medical Assistance - EFT
Average Day of Clearance: 0 Days

Recipient: Department of Social Services
% of Funds Agency Receives: 5.00
Component: Administrative Costs
Technique: Prorated Draws
Average Day of Clearance: 1 Day

6.3.3 Materiality Exemptions

Agencies exempt from coverage on the basis of materiality:

N/A

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 accounts through which Federal funds are disbursed. For the major Federal program expenditures which flow through more than one account (e.g., a program account and the State's payroll or vendor accounts), the State will use the clearance patterns for each expenditure component in calculating aggregate drawdowns of Federal funds.

The State will develop separate check clearance patterns for the following accounts:

. Payroll
. Department of Social Services (Medicaid and TANF account)
. Vendor (beneficiary payments included)

The State will use the "average daily balance" interest calculation technique in the UTF program, and thus will not develop clearance patterns for this account.

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

The Connecticut Office of the State Treasurer and Bank of America will develop the State's clearance patterns.

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

For the payroll, Department of Social Services, and vendor payments, the State provides its banks with a file of checks issued, with issue dates and dollar amounts. Our banks then compare our issue data with their data on clearances to determine the clearance time, or days outstanding, for each check. The banks produce check clearance reports for each account. The reports list the number of items and dollar amounts by days of float, for those checks that clear during the reporting period.

The banks then calculate dollar-weighted average clearance days for each account according to the following formula:

Dollar-weighted average
clearance days = Sum (A x B) / C

where: A = Days outstanding per item
B = Item dollar amount
C = Total dollar amount cleared in Statement period.

The Department of Social Services account payroll account and vendor account clearance patterns are based on calendar days. The vendor account clearance pattern may be adjusted to exclude certain types of payments, such as State education grants to municipalities and tax refund payments that do not include Federal funds.

The State reserves the right to factor electronic funds transfers (EFT's) into a composite clearance pattern for accounts in which they occur. State accounts are not program specific.

The State will use actual daily clearance patterns in the development of estimated clearance patterns.

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.

For all clearance patterns developed by statistical sampling, the State shall randomly sample checks to ensure, at a minimum, a 95% confidence interval for a .25 weighted-day level of precision for the checks in the sample. The State shall track at least 99% of the funds disbursed, from issuance to clearance, in the sample period.

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:

All electronic funds transfers will be excluded from the banks' check clearance calculations.

The State shall also adjust each clearance pattern to reflect:

NA

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 The State Auditors of Public Accounts will use the bank provided reports to audit and verify the accuracy of the State's clearance pattern.

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:

Actual Clearance - Direct Draw
Actual Clearance, ZBA - Same Day Payment
Average Clearance
Estimated Clearance
Fee for Services Rendered
Indirect Cost Rates - Actual Base Quarterly
Prorated Draw - Medical Assistance - EFT
Prorated Draw - Unemployment Insurance
Prorated Draws

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

8.1.3 Leave pools and reserve funds. Federal funds drawn down by the State on an accrual basis for future or contingency needs, as in the case of self-insurance reserve funds or accrued employee leave, will be excluded from interest liability calculation and reporting set forth in this Agreement and in 31 CFR Part 205.27. Interest earned by the State on such funds will be treated as an applicable credit, as defined in Office of Management and Budget Circular A-87, and will be used to reduce expense items allocable to grants as direct or indirect costs. (The State Department of Transportation (DOT) does not charge Federal grants directly for paid vacation and sick leave taken by employees working on Federal projects. Instead, DOT develops a usage rate to establish a cost pool to charge employee paid leave time to Federal programs and other funding sources).

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:

Actual Activity:
For all transactions where the State pays out its own funds for program purposes prior to receiving Federal funds, the State shall track each payment from the date it is paid out of a State account to the date Federal funds are subsequently credited to a State account to cover that outlay. The Federal interest liability on each payment shall be based on the difference in whole days between the two events. With Federal-State matching programs, interest shall be calculated on the Federal percentage of the disbursement.

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:

UTF activity (Federal and State accounts) shall be recorded and reported on by the Connecticut Department of Labor. The Department shall follow the Federal draw procedures, record keeping and reporting requirements agreed to with the Federal Department of Labor.

Because State and Federal Unemployment Insurance Program (CFDA #17.225) expenditures are commingled in the same bank account, the State shall use the following method to calculate the interest liabilities: The State shall calculate the ratio of the average daily cash balances for State funds and Federal funds (includes the Federal Employees Compensation Account, Extended Unemployment Compensation Account, and the Federal Unemployment Benefits Account). Monthly, the State shall determine the percentage of Federal benefits paid, which shall be applied to determine the average daily balance of Federal dollars in the account. The result shall be deducted from the daily deposits of Federal dollars to determine the daily average balance of bank balances for Federal programs for that month. An annual average of daily balances of Federal dollars shall be deducted from total average bank balances to establish the State and Federal percentages.

Based on Statements provided by its financial institution the State shall determine the actual interest earnings and related banking costs for the unemployment compensation account. The State will apply the State and Federal percentages derived from the above formula to determine the actual interest earnings and bank costs attributable to each program.

The State's liability for interest on funds withdrawn from its account in the UTF shall consist of actual interest earnings attributable to such funds less related banking costs. The State's liability for interest on funds withdrawn from FECA, EUCA, and FUBA funds in the UTF shall be the average daily cash balance of Federal funds multiplied by the Treasury Bill rate provided by the FMS.

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:

Refunds Deposited to Interest Neutral Programs:
With programs to which applicable interest neutral funding techniques are applied, 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.

8.4.4 Each State agency shall manually, or within its agency accounting system, track and document refunds and rebates which shall be offset against subsequent drawdowns of Federal funds, rather than returned to the Federal government. As they are used for program purposes, WIC rebates are exempt from interest liabilities.

8.4.5 With programs to which pre-issuance funding is applied, the State interest liability shall be based on two periods: (1) the difference in whole days between the date the refund is deposited to a state account and the date the refund is offset against a subsequent deposit of federal funds; (2) the difference in whole days between the date the refund is offset against a subsequent deposit of Federal funds and the date the refund is paid out for program purposes.

Interest on refunds during period 1 shall be calculated using the information recorded in a separate account. Interest on refunds during period 2 shall be captured under the State's method for calculating interest under pre-issuance funding, set forth in section 8.3.1 of this Agreement. Under this method interest is calculated on totals disbursed, which includes refunds on hand as well as amounts drawn. The reported interest liability for refunds, therefore, will reflect period 1 only.

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

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

8.6.2.2 Source of Data

Central Accounting System:
The time period from issuance of funds to the date funds are debited from the State's account shall be determined from information captured by Core-CT, the State's central accounting system.

8.6.2.3 Standards Applied

Statistical Sampling (Pre-Issuance):
To measure the time Federal funds are held in a State account prior to being disbursed, the State shall use statistical sampling. The sample shall be randomly selected, and shall be of sufficient size to ensure, at a minimum, a 95% confidence interval no wider than ± 0.3 dollar-weighted days about the estimated mean.

For each check in the sample population, the State shall:
1 subtract the deposit date from the issuance date
2 multiply the difference of step 1 by the check amount
3 divide the product of step 2 by the total amount of funds drawn in the sample to determine the dollar-weighted pre-issuance time for that check

The State shall then sum the dollar-weighted pre-issuance time for each check to arrive at the total dollar-weighted average pre-issuance time to be used for calculating State interest liabilities.

8.6.2.4 Calculation Procedure

Average Daily Balance:
I = ADB x R, where

I = State's total interest liability

ADB = Average Daily Balance of cash in a program's account, measured from deposit to clearance

R = Annualized rate equal to the average equivalent yields of 13-week Treasury bills auctioned during a State's fiscal year

9.0 REVERSE FLOW PROGRAMS

The State is not required to cover any reverse flow programs under the terms of this Agreement because the program falls below the State's threshold.

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:

The State expects ICC to include:

- bank service charges and State costs for disbursement float analysis to determine clearance patterns, both initially and annually;
- state personnel costs for development and maintenance of clearance patterns, and calculation of interest liabilities;
  - costs of developing and producing databases and application programming for tracking Federal funds for the purpose of calculating interest;
- costs of developing and producing special reports for tracking Federal funds for the purpose of calculating interest.

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

Kevin Lembo
State Comptroller, State of Connecticut

Signature: [redacted] Date Signed: 5/12/14

Date Submitted 05/08/2014 [redacted]

Kristine S. Conrath
Assistant Commissioner
Revenue Collections Management
Bureau of the Fiscal Service
U.S. Department of the Treasury

Signature: Kristine S Conrath Date Signed: 6/4/2014

Exhibit I - Funds Request and Receipt Times Schedule
State of Connecticut

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	0 day
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	6:30 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	5:45 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 - State of Connecticut

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 Social Services	100.00	Electronic Benefit Payments	Actual Clearance, ZBA - Same Day Payment	0 Days
10.555	National School Lunch Program	Department of Education	3.00	Transfers to other State Agencies	Actual Clearance - Direct Draw	1 Day
10.555	National School Lunch Program	Department of Education	97.00	Payments to Providers	Average Clearance	3 Days
14.871	Section 8 Housing Choice Vouchers	Department of Housing	92.00	Payment to Vendors	Average Clearance	3 Days
14.871	Section 8 Housing Choice Vouchers	Department of Housing	8.00	Administrative Costs	Fee for Services Rendered	3 Days
17.225F	Unemployment Insurance -- Federal Benefit Account and Administrative Costs	Department of Labor	5.00	Benefit Payments (EUCA, FECA, FUBA Accounts)	Pre-Issuance	N/A
17.225F	Unemployment Insurance -- Federal Benefit Account and Administrative Costs	Department of Labor	95.00	All Administrative Costs	Prorated Draw - Unemployment Insurance	1 Day
17.225S	Unemployment Insurance -- State Benefit Account	Department of Labor	100.00	Benefit Payments (State Accounts)	Pre-Issuance	N/A
20.205	Highway Planning and Construction	Department of Transportation	100.00	All Costs	Average Clearance	3 Days
20.500	Federal Transit Capital Improvement Grants	Department of Transportation	100.00	All Costs	Average Clearance	3 Days
20.507	Federal Transit Capital and Operating Assistance Formula Grants	Department of Transportation	100.00	All Costs	Average Clearance	3 Days
84.010	Title I Grants to Local Educational Agencies	Department of Education	2.00	Transfers to other State Agencies	Actual Clearance - Direct Draw	1 Day
84.010	Title I Grants to Local Educational Agencies	Department of Education	1.00	Direct Administrative Costs	Average Clearance	1 Day
84.010	Title I Grants to Local Educational Agencies	Department of Education	1.00	Payroll	Average Clearance	1 Day
84.010	Title I Grants to Local Educational Agencies	Department of Education	95.00	Payments to Local Education Agencies (LEA's)	Average Clearance	3 Days
84.010	Title I Grants to Local Educational Agencies	Department of Education	1.00	Indirect Costs (if necessary)	Indirect Cost Rates - Actual Base Quarterly	1 Day
84.027	Special Education -- Grants to States	Department of Education	2.00	Transfers to other State Agencies	Actual Clearance - Direct Draw	1 Day
84.027	Special Education -- Grants to States	Department of Education	7.00	Direct Administrative Costs (non-EFT)	Average Clearance	1 Day
84.027	Special Education -- Grants to States	Department of Education	88.00	Payments to Local Education Agencies (LEA's)	Average Clearance	3 Days
84.027	Special Education -- Grants to States	Department of Education	2.00	Payroll	Average Clearance	1 Day

CFDA	Program Name	Recipient	%	Component	Technique	Rounded days
84.027	Special Education -- Grants to States	Department of Education	1.00	Indirect Costs (if necessary)	Indirect Cost Rates - Actual Base Quarterly	1 Day
93.558	Temporary Assistance for Needy Families	Department of Social Services	100.00	All Costs	Estimated Clearance	N/A
93.568	Low-Income Home Energy Assistance	Department of Social Services	100.00	All Costs	Average Clearance	3 Days
93.778	Medical Assistance Program	Department of Social Services	6.00	Additional Low Income Medicare Beneficiary, School Based Child Health Programs, and Medicare Part B Premiums.	Average Clearance	3 Days
93.778	Medical Assistance Program	Department of Social Services	5.00	Administrative Costs	Prorated Draws	1 Day
93.778	Medical Assistance Program	Department of Social Services	86.00	Benefit payments - Paid by EFT (except Additional Low Income Medicare Beneficiary, School Based Child Health Programs, and Medicare Part B Premiums	Prorated Draw - Medical Assistance - EFT	0 Days
93.778	Medical Assistance Program	Department of Social Services	3.00	Benefit Payments - Paid By Check (Except Additional Low Income Medicare Beneficiary, School Based Child Health Programs and Medicare Part B Premiums).	Estimated Clearance	N/A

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.

Date: 5/12/14

Printed Name: KEVIN LEMBO

Certifying Signature: [redacted]

Title: STATE COMPTROLLER

Cash Management Improvement Act - 2014 Treasury State Agreement
State of Connecticut - Exhibit II Estimated Clearance

Effective 06/30/2013 until 06/29/2014

93.558 Temporary Assistance for Needy Families

All Costs

Day	% Cleared
Day 1	20.51
Day 2	2.65
Day 3	5.47
Day 4	25.17
Day 5	13.50
Day 6	6.44
Day 7	5.93
Day 8	4.79
Day 9	4.98
Day 10	5.22
Day 11	1.14
Day 12	1.06
Day 13	0.27
Day 14	0.52
Day 15	0.38
Day 16	0.37
Day 17	0.18
Day 18	0.13
Day 19	0.15
Day 20	0.09
Day 21	0.15
Day 22	0.08
Day 23	0.07
Day 24	0.12
Day 25	0.04
Day 26	0.02
Day 27	0.01
Day 28	0.04
Day 29	0.05
Day 30	0.03
Day 31	0.44
Total	100.00

93.778 Medical Assistance Program

Benefit Payments - Paid By Check (Except Additional Low Income Medicare Beneficiary, School Based Child Health Programs and Medicare Part B Premiums).

Day	% Cleared
Day 1	20.51
Day 2	2.65

Day	% Cleared
Day 3	5.47
Day 4	25.17
Day 5	13.50
Day 6	6.44
Day 7	5.93
Day 8	4.79
Day 9	4.98
Day 10	5.22
Day 11	1.14
Day 12	1.06
Day 13	0.27
Day 14	0.52
Day 15	0.38
Day 16	0.37
Day 17	0.18
Day 18	0.13
Day 19	0.15
Day 20	0.09
Day 21	0.15
Day 22	0.08
Day 23	0.07
Day 24	0.12
Day 25	0.04
Day 26	0.02
Day 27	0.01
Day 28	0.04
Day 29	0.05
Day 30	0.03
Day 31	0.44
Total	100.00

Certification

"I hereby certify that the "% Cleared" listed in Exhibit II Estimated Clearance of this Treasury State Agreement:

1. Has been prepared in accordance with the standards provided in 31 CFR 205.20;
2. Accurately represents the flow of federal funds under the federal assistance programs to which they apply;
3. Reflects seasonal or other periodic variations in the clearance activities;
4. Is auditable; and,
5. Has been certified as accurate by an authorized State Official."

[redacted]

Signature

5/12/14

Date Signed

KEVIN LEMBO

Printed Name

STATE COMPTROLLER

Printed Title