Cash Management Improvement Act Agreement
between
The State of Alabama
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 Alabama (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 Alabama shall be the the State Comptroller in all matters concerning this Agreement.

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

2.0 AUTHORITY

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

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

2.3 All functions and duties undertaken pursuant to this Agreement will be performed in accordance with the Act and the regulations and procedures prescribed thereunder. 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 10/01/2014 and shall remain in effect until 09/30/2015.

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.

3.5 The State representative identified in Section 1.1 of this agreement may designate a staff member(s) to act as his agent in negotiating amendments with Fiscal Service's designated agent.

4.0 PROGRAMS COVERED

4.1 The State's threshold and its major Federal assistance programs shall be determined based on the amounts of Federal financial assistance received and disbursed by the State, excluding Federal funds received and disbursed by institutions of higher education, hospitals, and non-profit organizations, as reviewed in the Single Audit for fiscal year ending 09/30/2013.

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 $53,563,489.

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

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
17.225F Unemployment Insurance -- Federal Benefit Account and Administrative Costs
17.225S Unemployment Insurance -- State Benefit Account
20.205 Highway Planning and Construction
23.003 Appalachian Development Highway System
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
93.558 Temporary Assistance for Needy Families
93.767 Children's Health Insurance Program
93.778 Medical Assistance Program
96.001 Social Security -- Disability Insurance

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:

93.268 Immunization Grants --- Exclusion:Non-Cash

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:

Alabama Medicaid Agency
Department of Education
Department of Human Resources
Department of Labor
Department of Public Health
Department of Rehabilitation 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:

HP Corporation 93.778 Medical Assistance Program
United Community Bank 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
Xerox 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 Pursuant to 31 CFR 205.9(d) and (e) regarding estimates, administrative costs-other and indirect costs of agencies administering Federal programs, with the exception of the Department of Transportation, Department of Education, Department of Public Health, and the Department of Rehabilitation Services will be drawn on a scheduled draw basis such that Federal funds will be drawn prorata 24 times per year to coincide with the State's semi-monthly payroll. This means that the total amount of the Federal awards to be used for these costs will be equally divided over the course of the fiscal year, and no reconciliation of estimate to actual is necessary. Under these conditions, the State and Fiscal Service agree no interest liabilities will be incurred on the transfer of these funds for administrative costs-other and indirect costs. The Department of Transportation's Federal billing program will include these type costs in its routine processing. The Department of Education, Department of Public Health, the Alabama Medicaid Agency and the Department of Rehabilitation Services will include these type costs in their routine processing. For these agencies, drawdowns of Federal funds are based on actual invoices and/or amounts due to be paid out to the recipients, providers, contractors, and employees. If at the time of the next drawdown there is either a deficiency or balance remaining from the previous draw, an adjustment is made to increase or reduce the current drawdown by that amount.

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.

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.

Actual Costs - Estimated Allocation - Monthly

The State shall request funds once a month, such that they are deposited on the median day of the month, to fund the activity of the prior month.The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I.The amount of the request shall be an estimate based on the actual costs of the month distributed to the program according to the allocation of costs for the preceding six months. This funding technique is interest neutral.

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.

Highway Composite (Average Clearance)

The Department of Transportation (DOT) will use an average clearance methodology described as follows: Using department files, the DOT will capture federally participating expenditure data for the applicable CFDA numbers. The dollar amounts of the expenditures will not be reduced by the State share of funding. The clearance time is the difference between the warrant redemption date and the expenditure posting date. A weighted clearance time is calculated by multiplying the clearance time by a weighting factor. The weighting factor is the federally participating expenditure amount divided by the total of all federally participating expenditure amounts of the warrants redeemed in the reporting period. The average clearance time is the sum of the weighted clearance times. All uncleared warrants will have a clearance time of three hundred sixty-five (365) days. All warrants paid out by EFT/Direct Deposit Payroll will have a weighted clearance time of zero (0). Any warrants with negative clearance times will have a weighted clearance time of zero (0). Warrants that are cancelled and reissued or replaced by a duplicate will not be used in the average clearance calculation. Expenditures that are not traceable back to the DOT's accounts payable system will not be used in the average clearance calculation. These non-traceable expenditures are primarily the result of data entry errors and are expected to be infrequent, irregular, and have an immaterial impact on the results of the average clearance calculation.

The DOT will use a weekly billing process for requesting Federal funds based on the federally participating expenditures posted during the billing cycle with one Federal deposit on the date of average clearance. All requests for funds will be in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. Any refunds and program income received will be credited against the next billing cycle. Funds received by the DOT for rentals of property and/or sale of property acquired with Federal program funds are considered to be program income. This funding technique is interest neutral.

Scheduled Draws Funding

The State will draw Federal funds for administrative costs-payroll, administrative costs-other, and indirect costs on a prorata basis to coincide with the semi-monthly payroll cycle (24 times per year) in accordance with 31 CFR 205.18(a). The prorata amount of direct and indirect costs included in the drawdown will be based on the immediate cash needs to cover projected direct and indirect cost expenditures allocable to the program until the next scheduled drawdown. All requests will be made in accordance with the appropriate Federal agency cut-off times specified in Exhibit I. Under these conditions and in accordance with 31 CFR 205.12(d), no interest liability will be incurred or calculated on these revolving loan funds. This funding technique is interest neutral.

6.3 Application of Funding Techniques to Programs

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

6.3.2 Programs

Below are programs listed in Section 4.2 and Section 4.3.

10.551 Supplemental Nutrition Assistance Program
Recipient: Department of Human Resources
% of Funds Agency Receives: 100.00
Component: Payments to Beneficiaries
Technique: Actual Clearance, ZBA - Same Day Payment
Average Day of Clearance: 0 Days

10.553 School Breakfast Program
Recipient: Department of Education
% of Funds Agency Receives: 100.00
Component: Payments to local Education Agencies (LEAs) and Other Recipients
Technique: Pre-Issuance
Average Day of Clearance: N/A

10.555 National School Lunch Program
Recipient: Department of Education
% of Funds Agency Receives: 100.00
Component: Payments to LEA and other recipients
Technique: Pre-Issuance
Average Day of Clearance: N/A

10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
Recipient: Department of Public Health
% of Funds Agency Receives: 77.00
Component: Vendor Payments to Food Providers
Technique: Actual Clearance, ZBA - Same Day Payment
Average Day of Clearance: 0 Days

Recipient: Department of Public Health
% of Funds Agency Receives: 23.00
Component: Administrative Costs-Payroll, Indirect Costs, Clinic Administration, and Administrative Costs-Other
Technique: Scheduled Draws Funding
Average Day of Clearance: 0 Days

17.225F Unemployment Insurance -- Federal Benefit Account and Administrative Costs
Recipient: Department of Labor
% of Funds Agency Receives: 17.00
Component: Payments to Beneficiaries
Technique: Actual Clearance, ZBA - Same Day Payment
Average Day of Clearance: 0 Days

Recipient: Department of Labor
% of Funds Agency Receives: 83.00
Component: Administrative Costs-Payroll, Administrative Costs-Other and Indirect Costs
Technique: Scheduled Draws Funding
Average Day of Clearance: N/A

17.225S Unemployment Insurance -- State Benefit Account
Recipient: Department of Labor
% of Funds Agency Receives: 100.00
Component: Payments to Beneficiaries (UC)
Technique: Actual Clearance, ZBA - Same Day Payment

Average Day of Clearance: 0 Days

20.205 Highway Planning and Construction
Recipient: Department of Transportation
% of Funds Agency Receives: 100.00
Component: All Costs (Construction and Consultant Contracts, Administrative, Payroll, Indirect and Reallocated)
Technique: Highway Composite (Average Clearance)
Average Day of Clearance: 10 Days

23.003 Appalachian Development Highway System
Recipient: Department of Transportation
% of Funds Agency Receives: 100.00
Component: All Costs (Construction and Consultant Contracts, Administrative, Payroll, Indirect and Reallocation)
Technique: Highway Composite (Average Clearance)
Average Day of Clearance: 10 Days

84.010 Title I Grants to Local Educational Agencies
Recipient: Department of Education
% of Funds Agency Receives: 1.00
Component: Indirect Costs
Technique: Actual Clearance, ZBA - Same Day Payment
Average Day of Clearance: 0 Days

Recipient: Department of Education
% of Funds Agency Receives: 1.00
Component: Administrative Costs-Payroll; Administrative Costs-Other
Technique: Pre-Issuance
Average Day of Clearance: N/A

Recipient: Department of Education
% of Funds Agency Receives: 98.00
Component: Payments to Local Education Agencies (LEAs) and Other Recipients
Technique: Pre-Issuance
Average Day of Clearance: N/A

84.027 Special Education -- Grants to States
Recipient: Department of Education
% of Funds Agency Receives: 1.00
Component: Indirect Costs
Technique: Actual Clearance, ZBA - Same Day Payment
Average Day of Clearance: 0 Days

Recipient: Department of Education
% of Funds Agency Receives: 9.00
Component: Administrative Costs-Payroll; Administrative Costs-Other

Technique: Pre-Issuance
Average Day of Clearance: N/A

Recipient: Department of Education
% of Funds Agency Receives: 90.00
Component: Payments to Local Education Agencies (LEAs) and Other Recipients
Technique: Pre-Issuance
Average Day of Clearance: N/A

84.126 Rehabilitation Services -- Vocational Rehabilitation Grants to States
Recipient: Department of Rehabilitation Services
% of Funds Agency Receives: 7.00
Component: Indirect Costs
Technique: Actual Clearance, ZBA - Same Day Payment
Average Day of Clearance: 0 Days

Recipient: Department of Rehabilitation Services
% of Funds Agency Receives: 28.00
Component: Administrative Costs - Payroll
Technique: Pre-Issuance
Average Day of Clearance: N/A

Recipient: Department of Rehabilitation Services
% of Funds Agency Receives: 65.00
Component: Vendor Payments for Client Services and Other Recipients
Technique: Pre-Issuance
Average Day of Clearance: N/A

93.558 Temporary Assistance for Needy Families
Recipient: Department of Human Resources
% of Funds Agency Receives: 47.00
Component: Payments to Beneficiaries
Technique: Actual Clearance, ZBA - Same Day Payment
Average Day of Clearance: N/A

Recipient: Department of Human Resources
% of Funds Agency Receives: 9.00
Component: Administrative Costs-Payroll
Technique: Actual Costs - Estimated Allocation - Monthly
Average Day of Clearance: 1 Day

Recipient: Department of Human Resources
% of Funds Agency Receives: 44.00
Component: Administrative Costs-Other and Indirect Costs
Technique: Scheduled Draws Funding
Average Day of Clearance: N/A

93.767 Children's Health Insurance Program
Recipient: Department of Public Health
% of Funds Agency Receives: 94.00
Component: Medical Payments
Technique: Actual Clearance, ZBA - Same Day Payment
Average Day of Clearance: 0 Days

Recipient: Department of Public Health
% of Funds Agency Receives: 6.00
Component: Administrative Costs
Technique: Scheduled Draws Funding
Average Day of Clearance: N/A

93.778 Medical Assistance Program
Recipient: Alabama Medicaid Agency
% of Funds Agency Receives: 5.00
Component: Benefits Grant (CMS Medicare Premium Payments)
Technique: Actual Clearance, ZBA - Same Day Payment
Average Day of Clearance: 0 Days

Recipient: Alabama Medicaid Agency
% of Funds Agency Receives: 92.00
Component: Benefits Grant (Payments to Service Providers through the Fiscal Agent)
Technique: Actual Clearance, ZBA - Same Day Payment
Average Day of Clearance: 0 Days

Recipient: Alabama Medicaid Agency
% of Funds Agency Receives: 3.00
Component: Administrative Costs-Payroll, Administrative Costs-Other and Indirect Costs
Technique: Scheduled Draws Funding
Average Day of Clearance: N/A

96.001 Social Security -- Disability Insurance
Recipient: Department of Education
% of Funds Agency Receives: 8.00
Component: Indirect Costs
Technique: Actual Clearance, ZBA - Same Day Payment
Average Day of Clearance: 0 Days

Recipient: Department of Education
% of Funds Agency Receives: 61.00
Component: Administrative Costs - Payroll; Administrative Costs - Other
Technique: Pre-Issuance
Average Day of Clearance: 0 Days

Recipient: Department of Education

% of Funds Agency Receives: 31.00
Component: Vendor Payments for Client Services
Technique: Pre-Issuance
Average Day of Clearance: 0 Days

6.3.3 Materiality Exemptions

Agencies exempt from coverage on the basis of materiality:

None

7.0 CLEARANCE PATTERNS

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

All programs with the exception of programs listed in Sections 7.1.1, 7.1.2, 7.1.3, 7.1.4, and 7.1.5.

7.1.1 Pursuant to 31 CFR 205.9(d) and (e) regarding estimates, administrative costs-other and indirect costs of agencies administering Federal programs, with the exception of the Department of Transportation, Department of Education, and the Department of Public Health, will be drawn on a scheduled draw basis such that Federal funds will be drawn prorata 24 times per year to coincide with the State's semi-monthly payroll. This means that the total amount of the Federal awards to be used for these costs will be equally divided over the course of the fiscal year, and no reconciliation of estimate to actual is necessary. Under these conditions, the State and Fiscal Service agree no interest liabilities will be incurred on the transfer of these funds for administrative costs-other and indirect costs. The Department of Transportation's Federal billing program will include these type costs in its routine processing. The Department of Education, Department of Public Health, and the Alabama Medicaid Agency will include these type costs in their routine processing. For these agencies, drawdowns of Federal funds are based on actual invoices and/or amounts due to be paid out to the recipients, providers, contractors, and employees. If at the time of the next drawdown there is either a deficiency or balance remaining from the previous draw, an adjustment is made to increase or reduce the current drawdown by that amount.

7.1.2 Pursuant to 31 CFR 205.9(d) and (e) regarding estimates, administrative costs-other and indirect costs of agencies administering Federal programs, with the exception of the Department of Transportation, Department of Education, and the Department of Public Health, will be drawn on a scheduled draw basis such that Federal funds will be drawn prorata 24 times per year to coincide with the State's semi-monthly payroll. This means that the total amount of the Federal awards to be used for these costs will be equally divided over the course of the fiscal year, and no reconciliation of estimate to actual is necessary. Under these conditions, the State and Fiscal Service agree no interest liabilities will be incurred on the transfer of these funds for administrative costs-other and indirect costs. The Department of Transportation's Federal billing program will include these type costs in its routine processing. The Department of Education, Department of Public Health, and the Alabama Medicaid Agency will include these type costs in their routine processing. For these agencies, drawdowns of Federal funds are based on actual invoices and/or amounts due to be paid out to the recipients, providers, contractors, and employees. If at the time of the next drawdown there is either a deficiency or balance remaining from the previous draw, an adjustment is made to increase or reduce the current drawdown by that amount.

7.1.3 The State will not develop clearance patterns for the component parts of the programs that will use Actual Clearance, ZBA - Same Day Payment.

7.1.4 The State will not develop clearance patterns for the component parts of the programs that will use Scheduled Draws Funding.

7.1.5 The State will not develop clearance patterns for the programs that will use Payment Schedule Funding.

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

Each State Agency will be responsible for developing the clearance pattern(s) for its applicable federal programs.

7.2.1 For the programs they administer, the Department of Education and the Department of Rehabilitation Services will use warrant clearance patterns developed using a census approach of 100% of the data. Warrant issue dates will be compared to the dates the warrants are redeemed (paid) by the State Treasurer. For the purposes of this calculation, all warrants will be deemed cleared when 99% of the total dollar amount has been paid. From that information, estimated daily clearance patterns and average clearance patterns are developed.

7.2.2 The Department of Human Resources (DHR) will use an actual activity clearance pattern where it is developed using 100% of the data for its programs. Warrant issue dates will be compared to the dates the warrants are redeemed (paid) by the State Treasurer. For the purposes of this calculation, all warrants will be deemed cleared when 99% of the total dollar amount has been paid. From that information, estimated daily clearance patterns and average clearance patterns are developed.

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

Departmental accounting files, payment voucher dates, warrant issue dates, warrant redemption dates, and any other relevant data needed.

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

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

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

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

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

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

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

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

7.6.1 The same method will be used to calculate dollar weighted average pre-issuance time using the date Federal funds are deposited and the warrant issue date to calculate pre-issuance time. (Dollar weighted average pre-issuance time is

added to dollar weighted average clearance time to get total days Federal cash is on hand to calculate interest.)

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:

None

The State shall also adjust each clearance pattern to reflect:

N/A

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.

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, ZBA - Same Day Payment
Actual Costs - Estimated Allocation - Monthly
Highway Composite (Average Clearance)
Scheduled Draws Funding

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 Federal funds drawn down by the State on an accural basis for future or contingency needs, as in the case of self-insurance reserve funds or accrued employee leave, will be excluded from the interest calculations and reporting set forth in this Agreement.

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:

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:

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

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

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

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

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

8.4 Refund Liabilities

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

8.4.2 For each refund, the State shall maintain information identifying:
(1) date a refund is credited to a State account
(2) date of the subsequent deposit of Federal funds against which the refund is offset

(3) amount of the refund

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

With programs 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 Funds received by the Department of Transportation from rentals of property and/or sale of property acquired with Federal program funds of the Highway Planning and Construction and the Appalachian Development Highway System, are considered to be program income. Under these conditions the State and Fiscal Service agree no interest liability will be incurred or calculated.

8.4.5 Funds received by the Alabama Medicaid Agency from drug rebates, property liens, recoupments from recipients, and third party insurance in the administration of the Medical Assistance Program will be estimated at the beginning of each quarter. Draws of Federal funds during the quarter will be reduced prorata (one-sixth) by these estimates with the final estimate of each quarter being adjusted to actual for the quarter. Under these conditions the State and Fiscal Service agree no interest liability will be incurred or calculated.

8.4.6 Funds received by the Alabama Department of Public Health from rebates under the Special Supplemental Nutrition Program for Women, Infants and Children will be treated as program income. When rebates are received, no federal funds will be drawn until the rebate is depleted. Under these conditions the State and Fiscal Service agree no interest liability will be incurred or calculated.

8.5 Exemptions

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

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

8.6 State Interest Liabilities

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

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

8.6.2.1 Measuring Time Funds Are Held

To determine the total time Federal funds are held, the State shall measure the time between the date Federal funds are received and credited to the State Treasury and the date those funds are debited from the State Treasury through warrant redemption.

8.6.2.2 Source of Data

The time period from receipt to issuance of Federal funds shall be determined from information captured by State agencies managing those funds. State agencies are required to maintain records of Federal fund drawdowns for each Federal program. Records of Federal fund drawdowns will be recorded by CFDA# and will include date requested, date available at the bank, date credited to the State Treasury, amount of draw, etc. The time period from issuance of Federal funds to the date funds are debited from the State Treasury through warrant redemption shall be determined from information captured by the agencies from information captured in the Financial Resource Management System (FRMS) administered by the State Comptroller's Office. The FRMS will track warrant issuance date and warrant redemption (paid) date.

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 warrant 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 warrant 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 warrant

The State shall then sum the dollar-weighted pre-issuance time for each warrant 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

Pre-Issuance Time + Clearance Time:
$I = P \times r \times \{PI + CT\}$, where

I = State's total interest liability

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

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

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

CT = Dollar-weighted average number of days Federal funds are held by State between issuance and clearance of checks, as determined by the appropriate clearance pattern in Exhibit II

9.0 REVERSE FLOW PROGRAMS

The State is not required to cover any reverse flow programs under the terms of this Agreement because the State does not participate in the program.

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:

Actual staff time, actual computer time, and other actual expenses incurred to establish clearance patterns, make interest calculations, and prepare the annual report.

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.

11.2 The provisions of 31 CFR Part 205.32-205.35 Sub-Part B covering Federal Assistance Programs not included in this agreement (Non-Major Programs) provide that if a State demonstrates an unwillingness or inability to comply with this Subpart, the Secretary may require the State and a Federal agency to cover additional programs in the same manner as Major Federal Programs. The State and the Secretary agree to a reasonable period of time of no less than 90 days to correct any funding problems within a Non-Major Federal Program prior to the Secretary mandating their inclusion under this agreement in the same manner as Major Federal Programs.

12.0 AUTHORIZED SIGNATURES

Thomas L. White, Jr., CPA
State Comptroller (b) (6) [redacted]

Signature: [redacted] Date Signed: 10/6/14

Date Submitted 10/01/2014 (b) (6) [redacted]

Corvelli A. McDaniel
Acting Assistant Commissioner
Revenue Collections Management
Bureau of the Fiscal Service
U.S. Department of the Treasury

Signature: Corvelli A. McDaniel Date Signed: 10/17/14

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

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 Alabama

LIST OF STATE CLEARANCE TIMES

(Rounded Dollar-Weighted Average Day of Clearance)

Clearance Times Where the Timing of A Draw Down Is Based on A Clearance Pattern

CFDA	Program Name	Recipient	%	Component	Technique	Rounded days
10.551	Supplemental Nutrition Assistance Program	Department of Human Resources	100.00	Payments to Beneficiaries	Actual Clearance, ZBA - Same Day Payment	0 Days
10.553	School Breakfast Program	Department of Education	100.00	Payments to local Education Agencies (LEAs) and Other Recipients	Pre-Issuance	N/A
10.555	National School Lunch Program	Department of Education	100.00	Payments to LEA and other recipients	Pre-Issuance	N/A
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Department of Public Health	77.00	Vendor Payments to Food Providers	Actual Clearance, ZBA - Same Day Payment	0 Days
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Department of Public Health	23.00	Administrative Costs-Payroll, Indirect Costs, Clinic Administration, and Administrative Costs-Other	Scheduled Draws Funding	0 Days
17.225F	Unemployment Insurance -- Federal Benefit Account and Administrative Costs	Department of Labor	17.00	Payments to Beneficiaries	Actual Clearance, ZBA - Same Day Payment	0 Days
17.225F	Unemployment Insurance -- Federal Benefit Account and Administrative Costs	Department of Labor	83.00	Administrative Costs-Payroll, Administrative Costs-Other and Indirect Costs	Scheduled Draws Funding	N/A
17.225S	Unemployment Insurance -- State Benefit Account	Department of Labor	100.00	Payments to Beneficiaries (UC)	Actual Clearance, ZBA - Same Day Payment	0 Days
20.205	Highway Planning and Construction	Department of Transportation	100.00	All Costs (Construction and Consultant Contracts, Administrative, Payroll, Indirect and Reallocated)	Highway Composite (Average Clearance)	10 Days
23.003	Appalachian Development Highway System	Department of Transportation	100.00	All Costs (Construction and Consultant Contracts, Administrative, Payroll, Indirect and Reallocation)	Highway Composite (Average Clearance)	10 Days
84.010	Title I Grants to Local Educational Agencies	Department of Education	1.00	Indirect Costs	Actual Clearance, ZBA - Same Day Payment	0 Days
84.010	Title I Grants to Local Educational Agencies	Department of Education	1.00	Administrative Costs-Payroll; Administrative Costs-Other	Pre-Issuance	N/A
84.010	Title I Grants to Local Educational Agencies	Department of Education	98.00	Payments to Local Education Agencies (LEAs) and Other Recipients	Pre-Issuance	N/A
84.027	Special Education -- Grants to States	Department of Education	1.00	Indirect Costs	Actual Clearance, ZBA - Same Day Payment	0 Days

CFDA	Program Name	Recipient	%	Component	Technique	Rounded days
84.027	Special Education -- Grants to States	Department of Education	9.00	Administrative Costs-Payroll; Administrative Costs-Other	Pre-Issuance	N/A
84.027	Special Education -- Grants to States	Department of Education	90.00	Payments to Local Education Agencies (LEAs) and Other Recipients	Pre-Issuance	N/A
84.126	Rehabilitation Services -- Vocational Rehabilitation Grants to States	Department of Rehabilitation Services	7.00	Indirect Costs	Actual Clearance, ZBA - Same Day Payment	0 Days
84.126	Rehabilitation Services -- Vocational Rehabilitation Grants to States	Department of Rehabilitation Services	28.00	Administrative Costs - Payroll	Pre-Issuance	N/A
84.126	Rehabilitation Services -- Vocational Rehabilitation Grants to States	Department of Rehabilitation Services	65.00	Vendor Payments for Client Services and Other Recipients	Pre-Issuance	N/A
93.558	Temporary Assistance for Needy Families	Department of Human Resources	47.00	Payments to Beneficiaries	Actual Clearance, ZBA - Same Day Payment	N/A
93.558	Temporary Assistance for Needy Families	Department of Human Resources	44.00	Administrative Costs-Other and Indirect Costs	Scheduled Draws Funding	N/A
93.558	Temporary Assistance for Needy Families	Department of Human Resources	9.00	Administrative Costs-Payroll	Actual Costs - Estimated Allocation - Monthly	1 Day
93.767	Children's Health Insurance Program	Department of Public Health	94.00	Medical Payments	Actual Clearance, ZBA - Same Day Payment	0 Days
93.767	Children's Health Insurance Program	Department of Public Health	6.00	Administrative Costs	Scheduled Draws Funding	N/A
93.778	Medical Assistance Program	Alabama Medicaid Agency	5.00	Benefits Grant (CMS Medicare Premium Payments)	Actual Clearance, ZBA - Same Day Payment	0 Days
93.778	Medical Assistance Program	Alabama Medicaid Agency	92.00	Benefits Grant (Payments to Service Providers through the Fiscal Agent)	Actual Clearance, ZBA - Same Day Payment	0 Days
93.778	Medical Assistance Program	Alabama Medicaid Agency	3.00	Administrative Costs-Payroll, Administrative Costs-Other and Indirect Costs	Scheduled Draws Funding	N/A
96.001	Social Security -- Disability Insurance	Department of Education	8.00	Indirect Costs	Actual Clearance, ZBA - Same Day Payment	0 Days
96.001	Social Security -- Disability Insurance	Department of Education	61.00	Administrative Costs - Payroll; Administrative Costs - Other	Pre-Issuance	0 Days
96.001	Social Security -- Disability Insurance	Department of Education	31.00	Vendor Payments for Client Services	Pre-Issuance	0 Days

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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: 10/6/14

Printed Name: Thomas L. White, Jr.

Certifying Signature: (b) (6) [redacted]

Title: State Comptroller