Cash Management Improvement Act Agreement
between
The State of Hawaii
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 Hawaii (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 Hawaii shall be the Director of Finance in all matters concerning this Agreement.

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

2.0 AUTHORITY

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

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

3.0 DURATION, AMENDING, TERMINATING, AND MISCELLANEOUS PROVISIONS

3.1 This Agreement shall take effect on 07/01/2014 and shall remain in effect until 06/30/2015.

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.

4.0 PROGRAMS COVERED

4.1 The State's threshold and its major Federal assistance programs shall be determined based on the State's most recent Single Audit Reports. The State determined its threshold based on the Single Audits performed for its agencies receiving Federal financial assistance for fiscal year ending 06/30/2013.

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 $17,069,699.

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
10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
12.401 National Guard Military Operations and Maintenance (O&M) Projects
14.195 Section 8 Housing
14.850 Public and Indian Housing
14.871 Section 8 Housing Choice Vouchers
17.225F Unemployment Insurance -- Federal Benefit Account and Administrative Costs
17.225S Unemployment Insurance -- State Benefit Account
20.106 Airport Improvement Program
20.205 Highway Planning and Construction
66.458 Capitalization Grants for State Revolving Funds
84.010 Title I Grants to Local Educational Agencies
84.027 Special Education -- Grants to States
84.041 Impact Aid
84.395 State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act
93.558 Temporary Assistance for Needy Families
93.575 Child Care and Development Block Grant
93.767 Children's Health Insurance Program
93.778 Medical Assistance Program
96.006 Supplemental Security Income

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

There are currently no programs listed for Section 4.4.

4.5 State must notify Fiscal Service in writing within 30 days of the time State becomes aware of a Federal Assistance program change.

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 Defense
Department of Education
Department of Health
Department of Human Services
Department of Labor and Industrial Relations
Department of Transportation
Governor's Office
Hawaii Public Housing Authority

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:

Affiliated Computer Services 93.767 Children's Health Insurance Program
Affiliated Computer Services 93.778 Medical Assistance Program
Citizens Alliance Bank 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
JP Morgan Electronic Financial Services, Inc. 10.551 Supplemental Nutrition Assistance Program
JP Morgan Electronic Financial Services, Inc. 93.558 Temporary Assistance for Needy Families
JP Morgan Electronic Financial Services, Inc. 93.575 Child Care and Development Block Grant

6.0 FUNDING TECHNIQUES

6.1 General Terms

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

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

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

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

6.1.5 Supplemental Funding:
Unless otherwise defined by program rules, Supplemental Funding is the award of additional funds to provide for an

increase in costs due to unforeseen circumstances.

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

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

The State must submit a revised Medicaid Program Budget Report (CMS-37) to request supplemental funding. The CMS guidelines and instructions for completing the CMS-37 are provided in Section 2600F of the State Medicaid Manual (SMM). The CMS/CO must receive the revised Form CMS-37 through the Medicaid Budget Expenditure System/Children's Budget Expenditure System (MBES/CBES) no later than 10 calendar days before the end of the quarter for which the supplemental grant award is being requested.

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

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

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

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

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

d. Approval Process
Upon receipt of the state's request for additional funding authority for a quarter, the ACF Regional Office will promptly review the supporting documentation. If the request is properly justified, so long as ACF has adequate funding

availability, the State's request will be expedited and supplemental funding will be issued within 5 days of ACF receiving the request. The State will be notified by the Regional Office when the supplemental award has been transmitted to the Payment Management System (PMS) and when it may initiate drawdowns against the supplemental funding.

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

6.2 Description of Funding Techniques

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

Actual Clearance, ZBA - ACH

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 for the amount of funds that clear the State's account on the settlement date. This funding technique is interest neutral.

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.

Payment Schedule - Monthly

The State shall request funds such that they are deposited in a State account on the median business day of the 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 a prorated share of the lesser of (1) the annual grant divided by 12, or (2) the total amount of Federal funds expected to be paid out for program purposes during the year divided by 12. This funding technique is interest neutral.

Post-Issuance

The State shall request funds such that they are deposited in a State account after the State issues checks, but before the checks clear.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 of the disbursement. This funding technique is not 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.

Direct Administrative Costs - Drawdowns on a Payroll Cycle

The State shall request funds for all direct administrative costs such that they are deposited on the dollar-weighted average date of clearance of payroll.The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I.The amount of funds requested shall be based on the amount of liabilities recorded for direct administrative costs since the last request for funds. This funding technique is interest neutral.

Indirect Cost Rates - Proportionate Shares

The State shall include a proportionate share of the indirect cost allowance in each request for funds by applying the indirect cost rate to the appropriate cost base of each drawdown.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 the appropriate cost base estimated in accordance with the drawdowns. 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.

Capitalization Grants for State Revolving Funds

The State shall request funds to minimize the time between the drawdown of funds from Treasury and their deposit into the revolving fund. The timing of the drawdown of Federal funds for deposit to the revolving fund is subject to the interest provisions of 31 CFR Part 205, however there is an interest exemption for the interest the State earns once the funds are deposited into the revolving fund.The request for funds shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I.The amount of the request shall be for the amount of the funds to be used for immediate program purposes. The State will not incur an interest liability for interest earned on revolving fund loans. This funding technique is interest neutral.

Reverse Flow Program - SSI (CFDA 96.006)

In accordance with the terms in Section 9.0 of this Agreement,the Federal Government makes payments on behalf of the Statefor the Supplemental Security Income (SSI) program, CFDA No. 96.006. This funding technique is interest neutral.

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.

Average Clearance: CFDA 20.106 Airport Improvement Program

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. In accordance with Title 49 United State Code, Section 47111, payment request over 90% of the grant will require FAA manual approval. Payment will be released after all financial close out documentation has been provided and approved. The request shall be made in accordance with the appropriated Federal agency cut-off time specified in Exhibit I. The amount of the request shall be for the exact amount of funds that clear the State's account that day. This funding technique is interest neutral.

Monthly Billing

The State shall bill and request Highway Planning and Construction funds monthly during the month immediately following the month vendors were paid and the second month following the month payroll was disbursed. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. Since the State does not bill weekly, the Federal interest liability shall not accrue prior to the day the State submits a request for funds. This funding

technique is not interest neutral.

Monthly Drawdown (HUD)

The State shall request funds at the beginning of each month when funds are available. The funds shall be made in accordance with appropriate Federal agency cut-off time specified in Exhibit I. Total funding determined at the beginning of the calendar year; however, monthly increments are determined at the discretion of HUD via monthly award notices. Accordingly, there is no fixed amount received each month. This funding technique is interest neutral.

Payment Schedule (Monthly Drawdown)

The State shall request funds once a month for amounts that were disbursed in the prior month. The State shall not draw down the funds earlier than the dollar-weighted average day of the clearance pattern for checks issued by the applicable program. Neither the Federal Government nor the State shall incur an interest liability under the application of this technique. This funding technique is interest neutral.

Payment Schedule - Variation (Impact Aid Program, CFDA 84.041)

The Federal Government shall make periodic payments to the State in accordance with 34 CFR Part 219 and 34 CFR Part 222. The State Department of Education is solely responsible for education and public instruction throughout the State, including education at the pre-school, primary and secondary school levels. The State does not drawdown the funds. The U. S. Secretary of Education determines when the State is to receive the funds and in what amount. Neither the Federal Government nor the State shall incur an interest liability. This funding technique is interest neutral.

Payment Schedule: CFDA 10.555 National School Lunch Program Payments

The State shall request funds once a month from the United States Department of Agriculture (USDA) for other private schools, charter schools, and residential institutions. The request will be made within 25 business days after the State has submitted the Food Nutrition Services (FNS)-10 (30 day) report to USDA in accordance with the appropriate Exhibit I cut-off time. The funds request is based on the FNS-10 (30 day) report -number of meals served and the reimbursement rate prescribed under 7 Code of Federal Regulations (CRF) 210. The State shall request additional funds within 25 business days after the State has submitted the FNS-10 (90 day) report to USDA for any claim adjustments to the FNS-10 (30 day) report. This funding technique is interest neutral.

6.3 Application of Funding Techniques to Programs

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

6.3.2 Programs

Below are programs listed in Section 4.2 and Section 4.3.

10.551 Supplemental Nutrition Assistance Program
Recipient: Department of Human Services
% of Funds Agency Receives: 100.00
Component: All Program Funds
Technique: Actual Clearance, ZBA - ACH
Average Day of Clearance: 0 Days

10.555 National School Lunch Program
Recipient: Department of Education
% of Funds Agency Receives: 100.00
Component: National Lunch Program Payments to Private and Public Charter Schools and Residential Child Care Institutions
Technique: Payment Schedule: CFDA 10.555 National School Lunch Program Payments
Average Day of Clearance: 0 Days

10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
Recipient: Department of Health
% of Funds Agency Receives: 78.78
Component: Food Rebate (16.17%); Food Benefit (62.61%)
Technique: Actual Clearance, ZBA - Same Day Payment
Average Day of Clearance: 0 Days

Recipient: Department of Health
% of Funds Agency Receives: 1.87
Component: (Nutrition Services and Administrative [NSA]) Indirect Costs
Technique: Indirect Cost Rates - Proportionate Shares
Average Day of Clearance: N/A

Recipient: Department of Health
% of Funds Agency Receives: 19.35
Component: (Nutrition Services and Administrative [NSA]) Direct Administrative and Payroll (not including Indirect Costs)
Technique: Pre-Issuance
Average Day of Clearance: N/A

12.401 National Guard Military Operations and Maintenance (O&M) Projects
Recipient: Department of Defense
% of Funds Agency Receives: 100.00
Component: Hawaii Army National Guard Facility Management Office
Technique: Payment Schedule - Monthly
Average Day of Clearance: 0 Days

14.195 Section 8 Housing
Recipient: Hawaii Public Housing Authority
% of Funds Agency Receives: 100.00
Component: All Program Funds
Technique: Payment Schedule - Monthly
Average Day of Clearance: 0 Days

14.850 Public and Indian Housing
Recipient: Hawaii Public Housing Authority
% of Funds Agency Receives: 100.00
Component: All Program Funds

Technique: Monthly Drawdown (HUD)
Average Day of Clearance: 0 Days

14.871 Section 8 Housing Choice Vouchers
Recipient: Hawaii Public Housing Authority
% of Funds Agency Receives: 100.00
Component: All Program Funds
Technique: Payment Schedule - Monthly
Average Day of Clearance: 0 Days

17.225F Unemployment Insurance -- Federal Benefit Account and Administrative Costs
Recipient: Department of Labor and Industrial Relations
% of Funds Agency Receives: 100.00
Component: Administrative Costs (Payroll 75%, Other Costs 25%)
Technique: Direct Administrative Costs - Drawdowns on a Payroll Cycle
Average Day of Clearance: 0 Days

17.225S Unemployment Insurance -- State Benefit Account
Recipient: Department of Labor and Industrial Relations
% of Funds Agency Receives: 100.00
Component: Benefit Payments (100% State Funds)
Technique: Actual Clearance, ZBA - Same Day Payment
Average Day of Clearance: 0 Days

20.106 Airport Improvement Program
Recipient: Department of Transportation
% of Funds Agency Receives: 99.60
Component: Construction and Consultant Cost (99.60%)
Technique: Average Clearance: CFDA 20.106 Airport Improvement Program
Average Day of Clearance: 7 Days

Recipient: Department of Transportation
% of Funds Agency Receives: 0.40
Component: Administrative Cost (0.40%)
Technique: Payment Schedule (Monthly Drawdown)
Average Day of Clearance: 0 Days

20.205 Highway Planning and Construction
Recipient: Department of Transportation
% of Funds Agency Receives: 100.00
Component: All Program Funds
Technique: Monthly Billing
Average Day of Clearance: 8 Days

66.458 Capitalization Grants for State Revolving Funds
Recipient: Department of Health
% of Funds Agency Receives: 100.00
Component: All Program Funds
Technique: Capitalization Grants for State Revolving Funds
Average Day of Clearance: N/A

84.010 Title I Grants to Local Educational Agencies
Recipient: Department of Education
% of Funds Agency Receives: 100.00
Component: All Program Funds
Technique: Payment Schedule (Monthly Drawdown)
Average Day of Clearance: 0 Days

84.027 Special Education -- Grants to States
Recipient: Department of Education
% of Funds Agency Receives: 100.00
Component: All Program Funds
Technique: Payment Schedule (Monthly Drawdown)
Average Day of Clearance: 0 Days

84.041 Impact Aid
Recipient: Department of Education
% of Funds Agency Receives: 100.00
Component: All Program Funds
Technique: Payment Schedule - Variation (Impact Aid Program, CFDA 84.041)
Average Day of Clearance: 0 Days

84.395 State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act
Recipient: Governor's Office
% of Funds Agency Receives: 100.00
Component: All Program Funds
Technique: Payment Schedule (Monthly Drawdown)
Average Day of Clearance: 0 Days

93.558 Temporary Assistance for Needy Families
Recipient: Department of Human Services
% of Funds Agency Receives: 88.00
Component: Electronic Benefit Payments for Temporary Assistance to Needy Family
Technique: Actual Clearance, ZBA - ACH
Average Day of Clearance: 0 Days

Recipient: Department of Human Services
% of Funds Agency Receives: 12.00

Component: Administrative Costs
Technique: Payment Schedule (Monthly Drawdown)
Average Day of Clearance: 0 Days

93.575 Child Care and Development Block Grant
Recipient: Department of Human Services
% of Funds Agency Receives: 88.00
Component: Electronic Benefit Payments to Child Care Recipients
Technique: Actual Clearance, ZBA - ACH
Average Day of Clearance: 0 Days

Recipient: Department of Human Services
% of Funds Agency Receives: 12.00
Component: Administrative Costs
Technique: Payment Schedule (Monthly Drawdown)
Average Day of Clearance: 0 Days

93.767 Children's Health Insurance Program
Recipient: Department of Human Services
% of Funds Agency Receives: 100.00
Component: All Program Funds
Technique: Post-Issuance
Average Day of Clearance: 1 Day

93.778 Medical Assistance Program
Recipient: Department of Human Services
% of Funds Agency Receives: 100.00
Component: Benefit Payments - Medquest and Medicaid
Technique: Post-Issuance
Average Day of Clearance: 1 Day

96.006 Supplemental Security Income
Recipient: Department of Human Services
% of Funds Agency Receives: 100.00
Component: Benefit payment
Technique: Reverse Flow Program - SSI (CFDA 96.006)
Average Day of Clearance: N/A

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:

a. Functional Payment: Payroll - State Central Payroll Checks
b. The programs as described in section 4.2 that meet or exceed the threshold (except CFDA 96.006)

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

Department of Budget and Finance
Department of Accounting and General Services, Information & Communication Services Division

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

State's central Financial Accounting and Management Information System (FAMIS), Check Reconciliation System, Check Writing System and the Department of Education's Central Accounting System.

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

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

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

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

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

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

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

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

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

None.

The State shall also adjust each clearance pattern to reflect:

The State shall adjust each clearance pattern to reflect actual date the checks cleared the State's bank account for other than Department of Education checks. To arrive at the date the check was debited from the State's account (7.5, Item 2) the average day of clearance must be reduced by 1.45 days. The State computer files show the cashed date as the date the checks were returned to the State Treasury by the drawee bank. However, the checks were redeemed and charged to the State's bank account by the drawee bank on the prior banking day. Accordingly, the average day of clearance is overstated by approximately 1.45 calendar days. The "rounded average day of clearance" in Exhibit II is adjusted to reflect the day the checks were cashed at the drawee bank and charged to the State's bank account. The following is the

computation of the 1.45 days factor:
State of Hawaii Agencies (Other than Department of Education)
Clearance Pattern Adjustment:

Check Cashed by Bank; Recorded Cashed by State; Difference-Cashed & Recorded

Monday;	Tuesday;	1 day
Tuesday;	Wednesday;	1 day
Wednesday;	Thursday;	1 day
Thursday;	Friday;	1 day
Friday;	Monday;	3 days

Total difference = 7 days

Computation to determine number of days to be adjusted:

39 weeks x (7/5) = 54.60
(Holiday Factor) 13 weeks x (8/5) = 20.80
52 weeks = 75.40 / 52 weeks = 1.45 days

1.45 days will be reduced from the State-calculated clearance pattern to arrive at the clearance pattern to be used by the State in Exhibit II.

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 - ACH
Actual Clearance, ZBA - Same Day Payment
Average Clearance: CFDA 20.106 Airport Improvement Program
Capitalization Grants for State Revolving Funds
Direct Administrative Costs - Drawdowns on a Payroll Cycle
Indirect Cost Rates - Proportionate Shares
Monthly Drawdown (HUD)
Payment Schedule - Monthly
Payment Schedule - Variation (Impact Aid Program, CFDA 84.041)
Payment Schedule (Monthly Drawdown)
Payment Schedule: CFDA 10.555 National School Lunch Program Payments
Reverse Flow Program - SSI (CFDA 96.006)

8.1.2 The State shall maintain information on disbursements and receipts of funds to verify the implementation of any funding technique and document interest liabilities.
For each disbursement, the State shall be able to identify:
(1) amount of the issuance
(2) date of issuance
(3) date Federal funds are received and credited to a State account
(4) amount of Federal funds received
(5) date funds were requested

8.2 Federal Interest Liabilities

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

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

Average Daily Balance:
The State shall track the actual cash activity for each Federal program by its own account. A negative cash balance at the close of business indicates the State paid out its own funds for program purposes in the absence of supporting Federal funds. The Federal interest liability shall be calculated by applying the daily interest to a program's negative cash balance.

8.3 The Unemployment Trust Fund

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

Federal and State Funds are Not Interest Neutral:
The State shall use the following methodology to calculate State interest liabilities on funds withdrawn from the several accounts in the UTF under the Unemployment Insurance program.

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

At the end of the 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:

Refunds Deposited Randomly to Program:
With programs to which applicable interest neutral funding techniques shall be applied, the State shall determine the actual amount of refunds received during the State fiscal year for each program using the information in its standard Federal financial status reports. For each program, the State shall estimate the number of days that refunds are held prior to being offset against a subsequent deposit of Federal funds. This shall be calculated as the average number of days between drawdown deposits, which is determined by dividing the total number of drawdowns into 365, and assuming that all refunds are received at the midpoint of the average number of days between drawdowns.

With programs to which applicable non-interest neutral funding techniques shall be applied, the State shall also calculate the time refunds are in a State account by comparing the date the refund is offset against a subsequent deposit of Federal funds and the date the refund is paid out for program purposes. This period will be measured for each program in accordance with the State method for calculating interest under pre-issuance funding, and will be applied independently to the amount of refunds under each program to calculate the interest on refunds.

8.4.4 Refunds for the Special Supplemental Food program (CFDA 10.557) is exempt from interest liabilities as long as the interest earned from the refund is used for program purposes.

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

The time period from the date Federal funds are received and credited to a State's account and the date those funds are expended by check from the State's account shall be determined from information captured in the Department of Education Central Accounting System, the Highways Billing System or the State's FAMIS. The check expended (issued) date is adjusted by the check clearance pattern specified in Exhibit II to arrive at the cash disbursed date.

8.6.2.3 Standards Applied

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

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

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

9.2 Definitions

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

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

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

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

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

9.3 Funding Technique

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

Component: State Supplementary Payment

Technique: SSI Funding Technique

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

9.4 Clearance Pattern

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

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

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

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

9.5 Interest Calculations

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

To calculate the interest liability, SSA shall record the Deposit Date of each monthly SSP payment and compare it to the

SSI/SSP Transfer Date for each month. The liability for interest will be based on the following:

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

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

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

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

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

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

9.6 Refunds

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

10.0 INTEREST CALCULATION COSTS

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

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

The State expects to incur the following costs for interest calculation and clearance pattern maintenance:

Computer Programming

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

Kalbert K. Young
Director of Finance
State of Hawaii
Department of Budget and Finance

Signature: [redacted] (b) (6) Date Signed: AUG 2 5 2014

Date Submitted 08/10/2014

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: 9/16/14

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

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 Hawaii

LIST OF STATE CLEARANCE TIMES

(Rounded Dollar-Weighted Average Day of Clearance)

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

CFDA	Program Name	Recipient	%	Component	Technique	Rounded days
10.551	Supplemental Nutrition Assistance Program	Department of Human Services	100.00	All Program Funds	Actual Clearance, ZBA - ACH	0 Days
10.555	National School Lunch Program	Department of Education	100.00	National Lunch Program Payments to Private and Public Charter Schools and Residential Child Care Institutions	Payment Schedule: CFDA 10.555 National School Lunch Program Payments	0 Days
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Department of Health	19.35	(Nutrition Services and Administrative [NSA]) Direct Administrative and Payroll (not including Indirect Costs)	Pre-Issuance	N/A
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Department of Health	78.78	Food Rebate (16.17%); Food Benefit (62.61%)	Actual Clearance, ZBA - Same Day Payment	0 Days
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Department of Health	1.87	(Nutrition Services and Administrative [NSA]) Indirect Costs	Indirect Cost Rates - Proportionate Shares	N/A
12.401	National Guard Military Operations and Maintenance (O&M) Projects	Department of Defense	100.00	Hawaii Army National Guard Facility Management Office	Payment Schedule - Monthly	0 Days
14.195	Section 8 Housing	Hawaii Public Housing Authority	100.00	All Program Funds	Payment Schedule - Monthly	0 Days
14.850	Public and Indian Housing	Hawaii Public Housing Authority	100.00	All Program Funds	Monthly Drawdown (HUD)	0 Days
14.871	Section 8 Housing Choice Vouchers	Hawaii Public Housing Authority	100.00	All Program Funds	Payment Schedule - Monthly	0 Days
17.225F	Unemployment Insurance -- Federal Benefit Account and Administrative Costs	Department of Labor and Industrial Relations	100.00	Administrative Costs (Payroll 75%, Other Costs 25%)	Direct Administrative Costs - Drawdowns on a Payroll Cycle	0 Days
17.225S	Unemployment Insurance -- State Benefit Account	Department of Labor and Industrial Relations	100.00	Benefit Payments (100% State Funds)	Actual Clearance, ZBA - Same Day Payment	0 Days
20.106	Airport Improvement Program	Department of Transportation	0.40	Administrative Cost (0.40%)	Payment Schedule (Monthly Drawdown)	0 Days
20.106	Airport Improvement Program	Department of Transportation	99.60	Construction and Consultant Cost (99.60%)	Average Clearance: CFDA 20.106 Airport Improvement Program	7 Days
20.205	Highway Planning and Construction	Department of Transportation	100.00	All Program Funds	Monthly Billing	8 Days
66.458	Capitalization Grants for State Revolving Funds	Department of Health	100.00	All Program Funds	Capitalization Grants for State Revolving Funds	N/A
84.010	Title I Grants to Local Educational Agencies	Department of Education	100.00	All Program Funds	Payment Schedule (Monthly Drawdown)	0 Days
84.027	Special Education -- Grants to States	Department of Education	100.00	All Program Funds	Payment Schedule (Monthly Drawdown)	0 Days

CFDA	Program Name	Recipient	%	Component	Technique	Rounded days
84.041	Impact Aid	Department of Education	100.00	All Program Funds	Payment Schedule - Variation (Impact Aid Program, CFDA 84.041)	0 Days
84.395	State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	Governor's Office	100.00	All Program Funds	Payment Schedule (Monthly Drawdown)	0 Days
93.558	Temporary Assistance for Needy Families	Department of Human Services	12.00	Administrative Costs	Payment Schedule (Monthly Drawdown)	0 Days
93.558	Temporary Assistance for Needy Families	Department of Human Services	88.00	Electronic Benefit Payments for Temporary Assistance to Needy Family	Actual Clearance, ZBA - ACH	0 Days
93.575	Child Care and Development Block Grant	Department of Human Services	12.00	Administrative Costs	Payment Schedule (Monthly Drawdown)	0 Days
93.575	Child Care and Development Block Grant	Department of Human Services	88.00	Electronic Benefit Payments to Child Care Recipients	Actual Clearance, ZBA - ACH	0 Days
93.767	Children's Health Insurance Program	Department of Human Services	100.00	All Program Funds	Post-Issuance	1 Day
93.778	Medical Assistance Program	Department of Human Services	100.00	Benefit Payments - Medquest and Medicaid	Post-Issuance	1 Day
96.006	Supplemental Security Income	Department of Human Services	100.00	Benefit payment	Reverse Flow Program - SSI (CFDA 96.006)	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: AUG 25 2014

Printed Name: Kalbert K. Young

Certifying Signature: [redacted]

Title: Director of Finance