

## Cash Management Improvement Act Agreement Compliance

**Purpose:** This overview of the Federal Cash Management Improvement Act (CMIA) details information that allows for full compliance with the act, timely posting of financial transactions, and the flexibility to change to meet future CMIA requirements.

**Background:** CMIA is Federal legislation enacted to ensure that the transfer of funds between Federal and State government is conducted in a timely manner. The Act requires that the State minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes.

A Federal Program Agency must limit fund transfers to the State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project. The timing and amount of fund transfers must be as close as administratively feasible to the State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs.

**Federal regulations provide for the classification of Federal Programs administered by the State into two (2) types: Major programs and all other Federal programs.**

1. **Major programs** are determined by a monetary threshold calculated as a percentage of the total Federal participation with the State and are governed by Subpart A of the Regulations. Under Subpart A, all major programs are defined and covered by an agreement between the State and the Federal Treasury called a Treasury State Agreement (TSA). The TSA specifies the pattern of the draw of Federal funds for each covered program and the methodology for calculating interest liability.
  - A. For Core-CT Project Costing Modules purposes, the only program covered by the 2007 TSA is the Highway Planning and Construction Program, CFDA 20.205.
  - B. Previous TSAs have covered the Federal Transit Capital Improvement Grants, CFDA 20.500, and the Federal Transit Capital and Operating Assistance Formula Grant, CFDA 20.507.

The TSA specifies a Twice Monthly Draw for the Highway Planning and Construction Program defined as follows: The State shall request funds such that they are deposited in a State account in accordance with the clearance pattern specified in Exhibit II of the TSA. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I of the TSA.

The State shall draw two times a month. The amount of the draw shall be based on all expenses recorded during the semi-monthly period nine days prior to the submission of each bill. This funding technique is interest neutral.

2. **All other Federal programs** under the threshold amount are covered by Subpart B of the Regulations. Subpart B covers all other Federal programs that are not covered by the TSA and no interest liability calculation is required. The State is expected to time their draws so that the Federal funds are deposited in State bank accounts at the time payments clear the bank account. Based upon the current check clearing patterns established by Office of the State Treasurer, State agencies are expected to time their draws (the time constraints imposed by the Federal agencies to act upon the draw request must also be considered) so that the Federal funds are deposited in State bank accounts on the fifth (5<sup>th</sup>) day after a vendor payment check is dated and on the first (1<sup>st</sup>) day after the payroll check is dated. These check clearing patterns are calculated randomly and are subject to change.

**NOTE:** This agreement becomes effective annually on a fiscal year basis and may be amended at any time by written, mutual consent of the State and the Assistant Commissioner, Federal Finance, Financial Management Service, (FMS). A copy of the Cash Management Improvement Act (CMIA) can be obtained through the Office of the State Comptroller.

For further clarification in following CMIA procedures, please contact the Office of the State Comptroller, Budget and Financial Analysis, Cost Unit.