

**Cash Management Improvement Act Agreement**  
**between**  
**The State of Arizona**  
**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 Arizona (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 Arizona shall be the Statewide Chief Financial Officer, Department of Administration, State of Arizona 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 07/01/2022 and shall remain in effect until 06/30/2025.

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 Single Audit Report for fiscal year ending 06/30/2021.

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 \$94,680,838.

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

CFDA	Program Name
10.542	Pandemic EBT Food Benefits
10.551	Supplemental Nutrition Assistance Program
10.555	National School Lunch Program
10.559	Summer Food Service Program for Children
17.225F	Unemployment Insurance -- Federal Benefit Account and Administrative Costs
17.225S	Unemployment Insurance -- State Benefit Account
20.205	Highway Planning and Construction
84.010	Title I Grants to Local Educational Agencies
84.027	Special Education -- Grants to States
84.425	Education Stabilization Fund
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)
93.558	Temporary Assistance for Needy Families
93.575	Child Care and Development Block Grant
93.658	Foster Care -- Title IV-E
93.659	Adoption Assistance
93.767	Children's Health Insurance Program
93.778	Medical Assistance Program

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

CFDA	Program Name	Exclusion Reason
21.019	Coronavirus Relief Fund	Federal Statute - Full Exemption
84.425	Education Stabilization Fund	Federal Statute - Partial Exemption
93.268	Immunization Cooperative Agreements	Non-Cash
97.050	Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	Discontinued

**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:

Arizona Health Care Cost Containment System  
 Department of Child Safety  
 Department of Economic Security  
 Department of Education

Department of Health Services  
 Department of Transportation  
 Supreme Court

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:

Fiscal Agent	CFDA	Program Name
Fidelity National Bank	10.542	Pandemic EBT Food Benefits
Fidelity National Bank	10.551	Supplemental Nutrition Assistance Program
Bank of America	17.225F	Unemployment Insurance -- Federal Benefit Account and Administrative Costs
Bank of America	17.225S	Unemployment Insurance -- State Benefit Account

## 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.

Funding Technique Name	Description
Actual Clearance, ZBA - Same Day Payment	The State shall request funds the same day it pays out funds, in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. A Federal agency will

	deposit funds in a State account the same day as requested. The amount of the request shall be for the amount of funds that clear the State's account that day. This funding technique is interest neutral.
Average Clearance	The State shall request funds such that they are deposited by ACH on the dollar-weighted average day of clearance for the disbursement, in accordance with the clearance pattern specified in Exhibit II. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of the request shall be for the exact amount of that disbursement. This funding technique is interest neutral.
Pre-Issuance	The State shall request funds such that they are deposited in a State account not more than three business days prior to the day the State makes a disbursement. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of the request shall be the amount the State expects to disburse. This funding technique is not interest neutral.

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

There are currently no funding techniques listed in Section 6.2.2.

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

There are currently 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.

Funding Technique Name	Description
Bi-weekly Estimated Allocation	The State shall request funds at bi-weekly intervals, such that they are deposited in a State account on the dollar-weighted average day of clearance for payroll payments, as specified in section 7.3. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of the request for each bi-weekly period shall be an estimate based on the related cost allocation of the last three months for which an allocation has been performed. The bi-weekly requests shall also be adjusted for the difference between estimated and actual allocated expenditure amounts following the actual allocation. This funding technique is interest neutral.
Composite Average Day of Clearance (ADOT)	The Arizona Department of Transportation (ADOT) shall bill FHWA weekly for all major contractor and consultant payments, miscellaneous supplies and service payments, and payroll payments. The funds shall be requested such that they are deposited in a State account on the average day of clearance for the major contractor payment component which accounts for approximately 85% of all program dollars expended by ADOT. Per Federal Regulations, Federal interest may be calculated from the last day of the last billing if billings are weekly. 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 Federal share of the disbursement per the specific Federal Project Agreement. This funding technique is interest neutral.
Pre-Issuance Grant Anticipation Revenue Vehicle (GARVEE) Bond Repayment	The State of Arizona Department of Transportation will request funds for the repayment of GARVEE bonds issued. The Federal legislation that enables reimbursement of such costs is described in Title 23, United States Code, Section 122. Funds may be requested up to seven business days in advance of the bond payment. This early drawdown has been approved by the Federal Highway Administration (FHWA). Funds will be requested for payments of principal and interest on the bonds. This funding technique is interest neutral.

Reimbursement	The State requests funds such that they are deposited in a State account after the State has disbursed funds for Federal assistance program purposes. This funding technique is interest neutral.
WIC Formula Rebates	The State shall deposit the rebates in a State account and use them to offset the subsequent draw downs for food voucher redemptions until another draw down is necessary to meet redemption demands. Interest earned on rebate money deposited in State accounts shall be used for program purposes. No other liability shall be incurred using this funding technique. This funding technique is not 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.

10.542 Pandemic EBT Food Benefits  
 Recipient: Department of Economic Security  
 % of Funds Agency Receives: 100  
 Component: Payment to Beneficiaries  
 Technique: Actual Clearance, ZBA - Same Day Payment  
 Average Day of Clearance: 0 Days

10.551 Supplemental Nutrition Assistance Program  
 Recipient: Department of Economic Security  
 % of Funds Agency Receives: 100  
 Component: Payment to Beneficiaries  
 Technique: Actual Clearance, ZBA - Same Day Payment  
 Average Day of Clearance: 0 Days

10.555 National School Lunch Program  
 Recipient: Department of Education  
 % of Funds Agency Receives: 1  
 Component: Payments to Local Agencies  
 Technique: Pre-Issuance  
 Average Day of Clearance: N/A

10.555 National School Lunch Program  
 Recipient: Department of Education  
 % of Funds Agency Receives: 99  
 Component: Payments to the School Districts  
 Technique: Pre-Issuance  
 Average Day of Clearance: N/A

10.559 Summer Food Service Program for Children  
 Recipient: Department of Education  
 % of Funds Agency Receives: 1  
 Component: Payments to Local Agencies  
 Technique: Pre-Issuance  
 Average Day of Clearance: N/A

10.559 Summer Food Service Program for Children  
 Recipient: Department of Education  
 % of Funds Agency Receives: 99  
 Component: Payments to the School Districts  
 Technique: Pre-Issuance  
 Average Day of Clearance: N/A

17.225F Unemployment Insurance -- Federal Benefit Account and Administrative Costs

Recipient: Department of Economic Security  
% of Funds Agency Receives: 98.66  
Component: Payments to Beneficiaries  
Technique: Actual Clearance, ZBA - Same Day Payment  
Average Day of Clearance: 0 Days

17.225F Unemployment Insurance -- Federal Benefit Account and Administrative Costs

Recipient: Department of Economic Security  
% of Funds Agency Receives: .01  
Component: Payments to Beneficiaries  
Technique: Pre-Issuance  
Average Day of Clearance: N/A

17.225F Unemployment Insurance -- Federal Benefit Account and Administrative Costs

Recipient: Department of Economic Security  
% of Funds Agency Receives: 1.33  
Component: Payroll and Other Administrative Costs  
Technique: Bi-weekly Estimated Allocation  
Average Day of Clearance: 0 Days

17.225S Unemployment Insurance -- State Benefit Account

Recipient: Department of Economic Security  
% of Funds Agency Receives: 100  
Component: Payments to Beneficiaries from the Unemployment Trust Fund (UTF)  
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: 96  
Component: All Other Program Costs  
Technique: Composite Average Day of Clearance (ADOT)  
Average Day of Clearance: 3 Days

20.205 Highway Planning and Construction

Recipient: Department of Transportation  
% of Funds Agency Receives: 4  
Component: GARVEE Bonds  
Technique: Pre-Issuance Grant Anticipation Revenue Vehicle (GARVEE) Bond Repayment  
Average Day of Clearance: 7 Days

84.010 Title I Grants to Local Educational Agencies

Recipient: Department of Education  
% of Funds Agency Receives: 5  
Component: Payroll and Other Administrative Costs  
Technique: Pre-Issuance  
Average Day of Clearance: N/A

84.010 Title I Grants to Local Educational Agencies

Recipient: Department of Education  
% of Funds Agency Receives: 95  
Component: Payments to Local Education Agencies  
Technique: Pre-Issuance  
Average Day of Clearance: N/A

84.027 Special Education -- Grants to States  
Recipient: Department of Education  
% of Funds Agency Receives: 5  
Component: Payroll and Other Administrative Costs  
Technique: Pre-Issuance  
Average Day of Clearance: N/A

84.027 Special Education -- Grants to States  
Recipient: Department of Education  
% of Funds Agency Receives: 95  
Component: Payments to the School Districts and Contractors  
Technique: Pre-Issuance  
Average Day of Clearance: N/A

84.425 Education Stabilization Fund  
Recipient: Department of Education  
% of Funds Agency Receives: 95  
Component: Payments to the School Districts and Contractors  
Technique: Pre-Issuance  
Average Day of Clearance: N/A

84.425 Education Stabilization Fund  
Recipient: Department of Education  
% of Funds Agency Receives: 5  
Component: Payroll and Other Administrative Costs  
Technique: Pre-Issuance  
Average Day of Clearance: N/A

93.323 Epidemiology and Laboratory Capacity for Infectious Diseases  
(ELC)  
Recipient: Department of Health Services  
% of Funds Agency Receives: 3  
Component: Payroll and Other Administrative Costs  
Technique: Reimbursement  
Average Day of Clearance: N/A

93.323 Epidemiology and Laboratory Capacity for Infectious Diseases  
(ELC)  
Recipient: Department of Health Services  
% of Funds Agency Receives: 97  
Component: Payments to Vendors and Subrecipients  
Technique: Pre-Issuance  
Average Day of Clearance: N/A

93.558 Temporary Assistance for Needy Families  
Recipient: Department of Economic Security  
% of Funds Agency Receives: 10.73  
Component: Payments to Beneficiaries-non-EBT  
Technique: Average Clearance  
Average Day of Clearance: 3 Days

93.558 Temporary Assistance for Needy Families  
Recipient: Department of Economic Security  
% of Funds Agency Receives: 73.67  
Component: Payments to Beneficiaries  
Technique: Actual Clearance, ZBA - Same Day Payment  
Average Day of Clearance: 0 Days

93.558 Temporary Assistance for Needy Families  
Recipient: Department of Economic Security  
% of Funds Agency Receives: 15.6



Component: Payroll and Other Operating Costs  
Technique: Bi-weekly Estimated Allocation  
Average Day of Clearance: 0 Days

93.575 Child Care and Development Block Grant  
Recipient: Department of Economic Security  
% of Funds Agency Receives: 88.35  
Component: Payments to Vendors and Service Providers  
Technique: Actual Clearance, ZBA - Same Day Payment  
Average Day of Clearance: 0 Days

93.575 Child Care and Development Block Grant  
Recipient: Department of Economic Security  
% of Funds Agency Receives: 11.65  
Component: Payroll and Other Operating Costs  
Technique: Bi-weekly Estimated Allocation  
Average Day of Clearance: 0 Days

93.658 Foster Care -- Title IV-E  
Recipient: Department of Child Safety  
% of Funds Agency Receives: 53.82  
Component: Payments to Vendors, Courts, Universities, and Service Providers  
Technique: Average Clearance  
Average Day of Clearance: 2 Days

93.658 Foster Care -- Title IV-E  
Recipient: Department of Child Safety  
% of Funds Agency Receives: 41.31  
Component: Payroll and Other Operating Costs  
Technique: Bi-weekly Estimated Allocation  
Average Day of Clearance: 0 Days

93.658 Foster Care -- Title IV-E  
Recipient: Supreme Court  
% of Funds Agency Receives: 4.87  
Component: Payments to Counties and Payroll  
Technique: Reimbursement  
Average Day of Clearance: N/A

93.659 Adoption Assistance  
Recipient: Department of Child Safety  
% of Funds Agency Receives: 97.45  
Component: Payments to Vendors and Service Providers  
Technique: Average Clearance  
Average Day of Clearance: 2 Days

93.659 Adoption Assistance  
Recipient: Department of Child Safety  
% of Funds Agency Receives: 2.55  
Component: Payroll and Other Operating Costs  
Technique: Bi-weekly Estimated Allocation  
Average Day of Clearance: 0 Days

93.767 Children's Health Insurance Program  
Recipient: Arizona Health Care Cost Containment System  
% of Funds Agency Receives: 1.1  
Component: Payroll Costs  
Technique: Actual Clearance, ZBA - Same Day Payment  
Average Day of Clearance: 0 Days

93.767 Children's Health Insurance Program  
Recipient: Arizona Health Care Cost Containment System  
% of Funds Agency Receives: 98.9  
Component: Programmatic Payments to AHCCCS Health Plans or  
Providers and Non-Payroll Administrative Costs  
Technique: Pre-Issuance  
Average Day of Clearance: N/A

93.778 Medical Assistance Program  
Recipient: Arizona Health Care Cost Containment System  
% of Funds Agency Receives: .5  
Component: Payroll Costs  
Technique: Actual Clearance, ZBA - Same Day Payment  
Average Day of Clearance: 0 Days

93.778 Medical Assistance Program  
Recipient: Arizona Health Care Cost Containment System  
% of Funds Agency Receives: 99.5  
Component: Programmatic Payments to AHCCCS Health Plans or  
Providers and Non-Payroll Administrative Costs  
Technique: Pre-Issuance  
Average Day of Clearance: N/A

### 6.3.3 Materiality Exemptions

Agencies exempt from coverage on the basis of materiality:

- Arizona State Schools for the Deaf and Blind (10.555)
- Department of Corrections (10.555)
- Department of Juvenile Corrections (10.555)
- Office of Economic Opportunity (17.225)
- Office of Economic Opportunity (20.205)
- Department of Game and Fish (20.205)
- Department of Public Safety (20.205)
- Arizona Schools for the Deaf and Blind (84.010)
- Arizona Schools for the Deaf and Blind (84.027)
- Department of Corrections (84.027)
- Department of Juvenile Corrections (84.027)
- Arizona Schools for the Deaf and Blind (84.425D)
- Department of Corrections (84.425D)
- Department of Juvenile Corrections (84.425D)
- Governor's Office (84.425D)
- Department of Administration (93.323)
- Department of Health Services (93.575)
- Governor's Office (93.575)
- Department of Health Services (93.767)

## 7.0 CLEARANCE PATTERNS

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

The programs as described in section 4.2 that meet or exceed the threshold.

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

- Department of Child Safety
- Department of Economic Security
- Department of Transportation

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

The average clearance days are derived from the verification of clearance patterns done in May 2020 (20.205 Highway Planning and Construction), April 2021 (93.558 Temporary Assistance for Needy Families) and June 2021 (93.658 Foster Care-Title IV-E and 93.659 Adoption Assistance) using an AFIS report and sampling transactions.

The State has documented that over 99% of all current payrolls are paid by direct deposit. Bank of America is paid via wire on Wednesday of pay week for payroll. Therefore, when applying funding techniques that require Federal funds to be deposited in a State account on the average clearance day of payroll, Wednesday of the pay week has been established as the date to receive Federal funds.

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:

No exceptions.

The State shall also adjust each clearance pattern to reflect:

No additional adjustments.

7.8 Each of the State's clearance patterns is calculated in Business 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  
Average Clearance  
Bi-weekly Estimated Allocation  
Composite Average Day of Clearance (ADOT)  
Pre-Issuance Grant Anticipation Revenue Vehicle (GARVEE) Bond Repayment  
Reimbursement

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:

Where an interest-neutral funding technique is being applied to a program, the State will use accepted methods to determine potential interest charges resulting from non-compliance or late Federal funding. Where Average Clearance is being applied, and the State pays out its own funds for program purposes prior to receiving Federal funds, a Federal interest liability will be calculated from the average date of clearance to the date Federal funds are credited to a State account.

## 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's interest liability on funds withdrawn from the State Account in the Unemployment Trust Fund shall consist of actual interest earnings attributable to such funds while held in a State account, less banking costs associated with such funds. This interest shall be deposited in the State's account in the Unemployment Trust Fund. For funds withdrawn from the Federal Benefit Accounts in the Unemployment Trust Fund, the State's interest liability shall be based on the average daily balance of such funds, multiplied by the 13-week Treasury Bill Rate specified in 31 CFR Part 205.

## 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:

For programs to which an interest-neutral funding technique is applied (as identified in Section 8.1.1), the State's 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.

For programs to which Pre-issuance Funding is being applied, the State's interest liability will be captured in the State's calculation of interest for each program. Refunds will be included as deposits to the program's account, and subsequent payments from the account will include the amounts of refunds deposited.

## 8.5 Exemptions

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

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

## 8.6 State Interest Liabilities

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

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

### 8.6.2.1 Measuring Time Funds Are Held

Deposit to Clearance:

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

### 8.6.2.2 Source of Data

Central Accounting System:

The time period from deposit to issuance shall be determined from information captured by the Arizona Financial Information System (AFIS).

### 8.6.2.3 Standards Applied

Census (Average Daily Balance):

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 issuance or clearance, whichever is pertinent.

### 8.6.2.4 Calculation Procedure

Average Daily Balance:

$I = ADB \times R$ , 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

8.7.0 Interest will be calculated consistent with the requirements of CMIA.

## **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:

In addition to the costs stated in section 10.1, the costs associated with maintenance and improvement of current reports used to calculate interest and document clearance patterns. The State may also develop new reports to perform these tasks if necessary.

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**

Angela Dillard  
Statewide Chief Financial Officer State of Arizona

DocuSigned by:  
*Angela Dillard* 3/14/2023  
Signature: \_\_\_\_\_ Date Signed: \_\_\_\_\_  
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Date Submitted 3/14/2023

Sandra R. Paylor  
Assistant Commissioner  
Revenue Collections Management  
Bureau of the Fiscal Service  
U.S. Department of the Treasury

DocuSigned by:  
*Sandra Paylor* 3/15/2023  
Signature: \_\_\_\_\_ Date Signed: \_\_\_\_\_  
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**Exhibit I - Funds Request and Receipt Times Schedule****State of Arizona**

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	2 days
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	5:00 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	1:00 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 Arizona****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
10.542	Pandemic EBT Food Benefits	Department of Economic Security	100.0	Payment to Beneficiaries	Actual Clearance, ZBA - Same Day Payment	0 Days
10.551	Supplemental Nutrition Assistance Program	Department of Economic Security	100.0	Payment to Beneficiaries	Actual Clearance, ZBA - Same Day Payment	0 Days
10.555	National School Lunch Program	Department of Education	1.0	Payments to Local Agencies	Pre-Issuance	N/A
	National School Lunch Program	Department of Education	99.0	Payments to the School Districts	Pre-Issuance	N/A
10.559	Summer Food Service Program for Children	Department of Education	1.0	Payments to Local Agencies	Pre-Issuance	N/A
	Summer Food Service Program for Children	Department of Education	99.0	Payments to the School Districts	Pre-Issuance	N/A
17.225 F	Unemployment Insurance -- Federal Benefit Account and Administrative Costs	Department of Economic Security	98.66	Payments to Beneficiaries	Actual Clearance, ZBA - Same Day Payment	0 Days
	Unemployment Insurance -- Federal Benefit Account and Administrative Costs	Department of Economic Security	0.01	Payments to Beneficiaries	Pre-Issuance	N/A
	Unemployment Insurance -- Federal Benefit Account and Administrative Costs	Department of Economic Security	1.33	Payroll and Other Administrative Costs	Bi-weekly Estimated Allocation	0 Days
17.225 S	Unemployment Insurance -- State Benefit Account	Department of Economic Security	100.0	Payments to Beneficiaries from the Unemployment Trust Fund (UTF)	Actual Clearance, ZBA - Same Day Payment	0 Days
20.205	Highway Planning and Construction	Department of Transportation	96.0	All Other Program Costs	Composite Average Day of Clearance (ADOT)	3 Days
	Highway Planning and Construction	Department of Transportation	4.0	GARVEE Bonds	Pre-Issuance Grant Anticipation Revenue Vehicle (GARVEE) Bond Repayment	7 Days

84.010	Title I Grants to Local Educational Agencies	Department of Education	5.0	Payroll and Other Administrative Costs	Pre-Issuance	N/A
	Title I Grants to Local Educational Agencies	Department of Education	95.0	Payments to Local Education Agencies	Pre-Issuance	N/A
84.027	Special Education -- Grants to States	Department of Education	5.0	Payroll and Other Administrative Costs	Pre-Issuance	N/A
	Special Education -- Grants to States	Department of Education	95.0	Payments to the School Districts and Contractors	Pre-Issuance	N/A
84.425	Education Stabilization Fund	Department of Education	95.0	Payments to the School Districts and Contractors	Pre-Issuance	N/A
	Education Stabilization Fund	Department of Education	5.0	Payroll and Other Administrative Costs	Pre-Issuance	N/A
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Department of Health Services	3.0	Payroll and Other Administrative Costs	Reimbursement	N/A
	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Department of Health Services	97.0	Payments to Vendors and Subrecipients	Pre-Issuance	N/A
93.558	Temporary Assistance for Needy Families	Department of Economic Security	10.73	Payments to Beneficiaries-non-EBT	Average Clearance	3 Days
	Temporary Assistance for Needy Families	Department of Economic Security	73.67	Payments to Beneficiaries	Actual Clearance, ZBA - Same Day Payment	0 Days
	Temporary Assistance for Needy Families	Department of Economic Security	15.6	Payroll and Other Operating Costs	Bi-weekly Estimated Allocation	0 Days
93.575	Child Care and Development Block Grant	Department of Economic Security	88.35	Payments to Vendors and Service Providers	Actual Clearance, ZBA - Same Day Payment	0 Days
	Child Care and Development Block Grant	Department of Economic Security	11.65	Payroll and Other Operating Costs	Bi-weekly Estimated Allocation	0 Days
93.658	Foster Care -- Title IV-E	Department of Child Safety	53.82	Payments to Vendors, Courts, Universities, and Service Providers	Average Clearance	2 Days
	Foster Care -- Title IV-E	Department of Child Safety	41.31	Payroll and Other Operating Costs	Bi-weekly Estimated Allocation	0 Days
	Foster Care -- Title IV-E	Supreme Court	4.87	Payments to Counties and Payroll	Reimbursement	N/A
93.659	Adoption Assistance	Department of Child Safety	97.45	Payments to Vendors and Service Providers	Average Clearance	2 Days

	Adoption Assistance	Department of Child Safety	2.55	Payroll and Other Operating Costs	Bi-weekly Estimated Allocation	0 Days
93.767	Children's Health Insurance Program	Arizona Health Care Cost Containment System	1.1	Payroll Costs	Actual Clearance, ZBA - Same Day Payment	0 Days
	Children's Health Insurance Program	Arizona Health Care Cost Containment System	98.9	Programmatic Payments to AHCCCS Health Plans or Providers and Non-Payroll Administrative Costs	Pre-Issuance	N/A
93.778	Medical Assistance Program	Arizona Health Care Cost Containment System	0.5	Payroll Costs	Actual Clearance, ZBA - Same Day Payment	0 Days
	Medical Assistance Program	Arizona Health Care Cost Containment System	99.5	Programmatic Payments to AHCCCS Health Plans or Providers and Non-Payroll Administrative Costs	Pre-Issuance	N/A

**Certification**

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.

3/14/2023

Date: \_\_\_\_\_

Angela Dillard

Printed Name: \_\_\_\_\_

Certifying Signature:  \_\_\_\_\_  
DocuSigned by: Angela Dillard  
 FA937AE6055041E

Title: Statewide Chief Financial Officer