Cash Management Improvement Act Agreement
between
The State of Tennessee
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 Tennessee (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 Tennessee shall be the Commissioner of the Department of Finance and Administration 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 federal funds expended reported in the States Single Audit Report 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.

4.1.1 Total Federal assistance reported in the Schedule of Expenditures of Federal Awards for fiscal year 2014 exceeded $10,000,000,000. According to CFR 31 Part 205.5 Table A, the State's threshold for major Federal assistance programs is $60,000,000.

4.2 The State's threshold for major Federal assistance programs is $60,000,000.

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

10.551 Supplemental Nutrition Assistance Program
10.553 School Breakfast Program
10.555 National School Lunch Program
10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
10.558 Child and Adult Care Food Program
10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
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
84.395 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
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.767 Children's Health Insurance Program
93.778 Medical Assistance Program
96.001 Social Security -- Disability Insurance

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

14.195 Section 8 Housing --- Exclusion:Non-State
84.032 Federal Family Education Loans --- Exclusion:Non-State
84.063 Federal Pell Grant Program --- Exclusion:Non-State
84.268 Federal Direct Student Loan --- Exclusion:Non-State
93.268 Immunization Grants --- Exclusion:Non-Cash
93.568 Low-Income Home Energy Assistance --- Exclusion:Non-State

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:

Bureau of TennCare
Department of Education
Department of Health
Department of Human Services
Department of Labor and Workforce Development
Department of Transportation

5.2 Entities that meet the definition of a Fiscal Agent per 31 CFR Part 205 shall be subject to the terms of this Agreement. The following is a list of Fiscal Agents that administer funds under the programs listed in the Section 4.0 of this Agreement:

CSC Convansys Corporation 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
FIS Government Solutions, DBA eFUNDS Corp. 10.551 Supplemental Nutrition Assistance Program
FIS Government Solutions, DBA eFUNDS Corp. 93.558 Temporary Assistance for Needy Families

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.

There are no funding techniques listed in Section 6.2.1

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

There are no funding techniques listed in Section 6.2.2

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

There are no funding techniques listed in Section 6.2.3

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

Cost Allocation - Actual Costs - Estimated Allocation (Modified)

The State shall request daily the Federal share of administrative and/or indirect costs such that funds are deposited with the Modified Post Issuance drawdown. The request for funds shall be made in accordance with the appropriate request cut-off time specified in Exhibit I. The request shall be equal to an estimated allocation based on actual daily costs, distributed in accordance with allocation statistics of the prior period. At the end of each quarter, the State shall adjust estimated drawdowns to the actual allocation based on the approved cost allocation plan. This funding technique is interest neutral.

Edison Indirect Costs

Federal funds equal to amounts billed on the Grants Invoice shall be requested on the billing report date of the Edison Billing Worksheet and shall be received on the next Federal Reserve business day. The request for funds shall be made in accordance with the appropriate request cut-off time specified in Exhibit I. The State shall request the appropriate federal share of the indirect costs based on the agencys Federally approved indirect cost rate plan, public assistance cost allocation plan, or other methodologies. This funding technique is interest neutral.

Edison Modified Post Issuance

Federal funds equal to the amounts billed on the Grants Invoice shall be requested on the billing report date of the Edison Billing Worksheet and shall be received the next Federal Reserve business day. The request for funds shall be made in accordance with the appropriate request cut-off time specified in Exhibit I. The State shall request the appropriate federal share of warrants, Automated Clearinghouse (ACH) payments, electronic funds transfer (EFT) payments, and journals processed and billed to the program through the grant invoicing module of the Edison ERP System. This funding technique is interest neutral.

Edison Transportation Modified Post Issuance (Modified)

The weekly request shall be the sum of the billable federal share of the payments issued in the series of disbursements and shall be received in two Federal Reserve business days. The request for funds shall be made in accordance with the appropriate request cut-off time specified in Exhibit I. The State shall request the appropriate federal share of warrants, Automated Clearinghouse (ACH) payments, electronic funds transfer (EFT) payments, and journals processed and billed to the program through the grant invoicing module of the Edison ERP System. This funding technique is interest neutral.

Edison Unemployment Insurance Modified Post Issuance

Federal funds equal to the amounts billed on the Grants Invoice shall be requested on the billing report date of the Edison Billing Worksheet and shall be received by wire transfer on the same Federal Reserve business day. The request for funds shall be made in accordance with the appropriate request cut off time specified in Exhibit I. The State shall request the appropriate federal share of warrants, Automated Clearinghouse (ACH) payments, electronic funds transfer (EFT) payments, and journals processed and billed to the program through the grant invoicing module of the Edison ERP System. This funding technique is interest neutral.

Modified Zero Balance Accounting

Payment from the federal government shall be received the next Federal Reserve business day. The request for funds shall be made in accordance with the appropriate request cut-off time specified in Exhibit I. The State shall request funds equal to actual voucher presentments net of vendor reclaims and infant formula adjustments the same day funds are expended. No request of federal funds should be made if rebate funds are available to offset presentments. This funding technique is interest neutral.

Zero Balance Accounting - Same Day Payment (Modified)

A Federal agency will deposit the funds by wire transfer the same day as requested. The request for funds shall be made in accordance with the appropriate request cut-off time specified in Exhibit I. The State shall request funds equal to actual recipient draws the same day funds are expended. This funding technique is interest neutral.

6.2.5 The State establishes a minimum draw criterion of $5,000 for each program identified in the Agreement. For example, the State is not required to make fund requests until accumulated expenditures for a particular program are equal to or exceed $5,000.

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: Electronic Benefit Transfer (EBT) Client Benefit Payments
Technique: Zero Balance Accounting - Same Day Payment (Modified)
Average Day of Clearance: N/A

10.553 School Breakfast Program
Recipient: Department of Education
% of Funds Agency Receives: 100.00
Component: All Costs - Meal Reimbursement for Local Education Agencies, Correctional Institutions, and Children in State Custody
Technique: Edison Modified Post Issuance
Average Day of Clearance: N/A

10.555 National School Lunch Program
Recipient: Department of Education
% of Funds Agency Receives: 100.00
Component: All Costs - Meal Reimbursement for Local Education Agencies, Correctional Institutions, and Children in State Custody
Technique: Edison Modified Post Issuance
Average Day of Clearance: N/A

10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
Recipient: Department of Health
% of Funds Agency Receives: 2.00
Component: Indirect Costs
Technique: Edison Indirect Costs
Average Day of Clearance: N/A

Recipient: Department of Health
% of Funds Agency Receives: 28.00
Component: Administrative and Payroll Costs
Technique: Edison Modified Post Issuance
Average Day of Clearance: N/A

Recipient: Department of Health
% of Funds Agency Receives: 70.00
Component: Vouchers
Technique: Modified Zero Balance Accounting
Average Day of Clearance: N/A

10.558 Child and Adult Care Food Program
Recipient: Department of Human Services
% of Funds Agency Receives: 100.00
Component: Provider Claims
Technique: Edison Modified Post Issuance
Average Day of Clearance: N/A

10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
Recipient: Department of Human Services
% of Funds Agency Receives: 1.00

Component: Indirect and Administrative Costs
Technique: Cost Allocation - Actual Costs - Estimated Allocation (Modified)
Average Day of Clearance: N/A

Recipient: Department of Human Services
% of Funds Agency Receives: 93.00
Component: All except Indiret and Administrative
Technique: Edison Modified Post Issuance
Average Day of Clearance: N/A

Recipient: Department of Labor and Workforce Development
% of Funds Agency Receives: 6.00
Component: Client Travel Cost Payments
Technique: Edison Modified Post Issuance
Average Day of Clearance: N/A

17.225F Unemployment Insurance -- Federal Benefit Account and Administrative Costs
Recipient: Department of Labor and Workforce Development
% of Funds Agency Receives: 0.40
Component: Indirect Costs
Technique: Edison Indirect Costs
Average Day of Clearance: N/A

Recipient: Department of Labor and Workforce Development
% of Funds Agency Receives: 5.10
Component: Unemployment Insurance Administrative Costs
Technique: Edison Modified Post Issuance
Average Day of Clearance: N/A

Recipient: Department of Labor and Workforce Development
% of Funds Agency Receives: 94.50
Component: Benefit Payments
Technique: Edison Unemployment Insurance Modified Post Issuance
Average Day of Clearance: N/A

17.225S Unemployment Insurance -- State Benefit Account
Recipient: Department of Labor and Workforce Development
% of Funds Agency Receives: 100.00
Component: Benefit Payments
Technique: Edison Unemployment Insurance Modified Post Issuance
Average Day of Clearance: N/A

20.205 Highway Planning and Construction
Recipient: Department of Transportation
% of Funds Agency Receives: 100.00
Component: All Project Cost Updates

Technique: Edison Transportation Modified Post Issuance (Modified)
Average Day of Clearance: N/A

84.010 Title I Grants to Local Educational Agencies
Recipient: Department of Education
% of Funds Agency Receives: 1.00
Component: Indirect and Administrative Costs
Technique: Edison Indirect Costs
Average Day of Clearance: N/A

Recipient: Department of Education
% of Funds Agency Receives: 99.00
Component: Local Education Agencies and Vendor Payments
Technique: Edison Modified Post Issuance
Average Day of Clearance: N/A

84.027 Special Education -- Grants to States
Recipient: Department of Education
% of Funds Agency Receives: 1.00
Component: Indirect and Administrative Costs
Technique: Edison Indirect Costs
Average Day of Clearance: N/A

Recipient: Department of Education
% of Funds Agency Receives: 99.00
Component: Local Education Agencies and Vendor Payments
Technique: Edison Modified Post Issuance
Average Day of Clearance: N/A

84.395 State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act
Recipient: Department of Education
% of Funds Agency Receives: 1.00
Component: Indirect and Administrative Costs
Technique: Edison Indirect Costs
Average Day of Clearance: N/A

Recipient: Department of Education
% of Funds Agency Receives: 99.00
Component: Local Education Agencies and Vendor Payments
Technique: Edison Modified Post Issuance
Average Day of Clearance: N/A

93.558 Temporary Assistance for Needy Families
Recipient: Department of Human Services
% of Funds Agency Receives: 4.00

Component: Indirect and Administrative Costs
Technique: Cost Allocation - Actual Costs - Estimated Allocation (Modified)
Average Day of Clearance: N/A

Recipient: Department of Human Services
% of Funds Agency Receives: 46.00
Component: All except Continuing Benefit and Retroactive Payments and Indirect and Administrative Costs
Technique: Edison Modified Post Issuance
Average Day of Clearance: N/A

Recipient: Department of Human Services
% of Funds Agency Receives: 50.00
Component: Continuing Benefit and Retroactive Payments
Technique: Zero Balance Accounting - Same Day Payment (Modified)
Average Day of Clearance: N/A

93.575 Child Care and Development Block Grant
Recipient: Department of Human Services
% of Funds Agency Receives: 1.00
Component: Indirect and Administrative Costs
Technique: Cost Allocation - Actual Costs - Estimated Allocation (Modified)
Average Day of Clearance: N/A

Recipient: Department of Human Services
% of Funds Agency Receives: 99.00
Component: All Except Indirect and Administrative Costs
Technique: Edison Modified Post Issuance
Average Day of Clearance: N/A

93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
Recipient: Department of Human Services
% of Funds Agency Receives: 1.00
Component: Indirect and Administrative Costs
Technique: Cost Allocation - Actual Costs - Estimated Allocation (Modified)
Average Day of Clearance: N/A

Recipient: Department of Human Services
% of Funds Agency Receives: 99.00
Component: All Except Indirect and Administrative Costs
Technique: Edison Modified Post Issuance
Average Day of Clearance: N/A

93.767 Children's Health Insurance Program
Recipient: Bureau of TennCare
% of Funds Agency Receives: 100.00
Component: Medical and Dental Payments

Technique: Edison Modified Post Issuance
Average Day of Clearance: N/A

93.778 Medical Assistance Program
Recipient: Bureau of TennCare
% of Funds Agency Receives: 100.00
Component: All Medical Assistance Payments
Technique: Edison Modified Post Issuance
Average Day of Clearance: N/A

96.001 Social Security -- Disability Insurance
Recipient: Department of Human Services
% of Funds Agency Receives: 1.00
Component: Indirect and Administrative Costs
Technique: Cost Allocation - Actual Costs - Estimated Allocation (Modified)
Average Day of Clearance: N/A

Recipient: Department of Human Services
% of Funds Agency Receives: 99.00
Component: All Except Indirect and Administrative Costs
Technique: Edison Modified Post Issuance
Average Day of Clearance: N/A

6.3.3 Materiality Exemptions

Agencies exempt from coverage on the basis of materiality:

Department of Environment and Conservation 20.205 Highway Planning and Construction

7.0 CLEARANCE PATTERNS

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

There are currently no program components listed in Section 7.1.

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

Tennessee Department of Treasury
Tennessee Department of Finance and Administration

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

State Treasurer's Accounts Reconciliation Package (ARP) system
State's central accounting system (Edison)

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.

7.4.1 Under this agreement, in Section 7.4, "99% of the funds disbursed, from issuance to clearance" refers to and is equal to "99% of the funds clearing and net of cancellations". The tracking period shall be at least three consecutive 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.

7.5.1 In Section 7.5 (1) "the date the check was released" refers to and is equal to "the date the check was issued".

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:

Not applicable.

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:

Cost Allocation - Actual Costs - Estimated Allocation (Modified)

Edison Indirect Costs
Edison Modified Post Issuance
Edison Transportation Modified Post Issuance (Modified)
Edison Unemployment Insurance Modified Post Issuance
Modified Zero Balance Accounting
Zero Balance Accounting - Same Day Payment (Modified)

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

8.1.3 In addition, for each disbursement, the State shall be able to identify the Federal funding percentage and the date of clearance.

8.2 Federal Interest Liabilities

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

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

For the following funding techniques:

Modified Zero Balance Accounting
Zero Balance Accounting - Same Day Payment
Edison Modified Post Issuance
Edison Transportation Modified Post Issuance
Edison Unemployment Insurance Modified Post Issuance

A Federal interest liability shall accrue from the date that the State should have received funds based on the specified funding technique to the day Federal funds are credited to a State account.

A State interest liability shall accrue from the day Federal funds are credited to a State account to the date the State offsets the funds with future expenditures or repays the funds to the federal program.

With Federal-State matching programs and programs that require maintenance of effort, interest shall be calculated on the Federal percentage of the disbursement.

8.2.3 Under this agreement "the day the State pays out its own funds for program purposes" refers to and is equal to "the compliance date".

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 has implemented the zero balance accounting-same day payment funding technique for funds withdrawn from the State and Federal accounts with the Unemployment Trust Fund (UTF). This funding technique is interest neutral so when properly applied, no interest is incurred of calculated. For transfers of funds that do not follow the technique resulting in a positive balance, the State shall calculate interest as follows:

Interest Liability - State Unemployment Account
On a monthly basis, the States Treasury Department publishes a State Pooled Investment Fund Average Earnings Rate as well as an Administrative Fee Rate. Actual interest earnings and banking cost are determined by applying these rates to the average daily cash balance of the unemployment compensation benefit payment account.

At the end of the 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 Unemployment Trust Fund (UTF) by multiplying the amount of the actual interest earnings and related banking costs of the account as a whole by the State %. 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.

Interest Liability - Federal Unemployment Accounts
The interest liability is calculated by multiplying the net daily balance (as defined in 8.6.2.4) by the annualized rate equal to the average equivalent yields of the 13-week Treasury bills auctioned during the 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 to Interest Neutral Programs

The State interest liability shall be based on the difference in whole days between the date the refund is deposited in a State account and the date the refund is offset against a subsequent deposit of Federal funds where the following funding techniques are applied:

Modified Zero Balance Accounting
Zero Balance Accounting Same Day Payment
Edison Modified Post Issuance
Edison Transportation Modified Post Issuance
Edison Unemployment Insurance Modified Post Issuance

For programs to which the Edison Modified Post Issuance funding technique is applied, the State shall maintain records identifying the:

Amount of the refund
Compliance date of the refund
Date the refund is offset against subsequent deposit of Federal funds
Warrant issue date for the disbursement if the amount is repaid by warrant to the federal program

For refunds greater than $50,000, interest shall be calculated based on the difference in whole days between the date the refund is credited to a State account and the compliance date of the refund paid out for program purposes. The compliance date is based on the funding technique for each program component.

This applies where the federal portion of the refund for a single CFDA number is greater than $50,000 and the refund is for a program covered by this agreement.

8.4.4 Under this agreement "the date the refund is credited to a State account" refers to and is equal to the "compliance date of the refund". "The date the refund is debited from the State account" refers to and is equal to "the date the refund is paid out".

8.5 Exemptions

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

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

8.6 State Interest Liabilities

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

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

8.6.2.1 Measuring Time Funds Are Held

To determine the total time Federal funds are held, the State shall measure the time between the date Federal funds are received and credited to a State's account and the compliance date those funds are used for program purposes. This time is measure in whole days.

8.6.2.2 Source of Data

All time periods shall be determined from information captured in the Edison ERP System, Accounts Reconciliation Package (ARP), and information supplied by State agencies from agency-specific reporting systems or mechanisms.

8.6.2.3 Standards Applied

The net daily cash balance of Federal funds in the programs account reflects the actual activity based on each days net cash transactions. The amount of funds received for a given day is assumed to be for that compliance dates net expenditures.

8.6.2.4 Calculation Procedure

Interest liability for each program shall be calculated by applying the following formula:

Net Daily Balance

I = NDB X R where

I = State or Federal Governments total interest liability

NDB = Net Daily Balance of cash in a programs account

R = Annualized rate equal to the average equivalent yields of 13-week Treasury bills auctioned during the States fiscal year.

The interest liability calculations shall be based on whole days.

8.7 The State shall make daily inquiries in the appropriate federal payment system to determine funds availability and request funds, if available. If Federal funds are not available, inquiries will be made daily in the system until funds are available and can be requested.

9.0 REVERSE FLOW PROGRAMS

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

10.0 INTEREST CALCULATION COSTS

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

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

Interest calculation, Computer programming time, Preparation of annual report.

10.3 The State shall submit all claims for reimbursement of interest calculation costs with its Annual Report in accordance with 31 CFR 205.

10.4 The interest calculation costs claimed for reimbursement are recorded as direct charges to a CMIA Direct Cost task profile ID in the Edison ERP System or allocated to the task profile ID through the Edison ERP System Human Capital Management (HCM) and the Department of Finance and Administration Office of Cash Management cost allocation plan, which is prepared in accordance with OMB Circular A-87.

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

Larry B. Martin
Commissioner
Department of Finance and Administration
State of Tennessee

Signature: [redacted] Date Signed: 9/1/15

Date Submitted 08/25/2015

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

Signature: Corvelli A. McDaniel Date Signed: 10/9/15

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

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 Tennessee

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	Electronic Benefit Transfer (EBT) Client Benefit Payments	Zero Balance Accounting - Same Day Payment (Modified)	N/A
10.553	School Breakfast Program	Department of Education	100.00	All Costs - Meal Reimbursement for Local Education Agencies, Correctional Institutions, and Children in State Custody	Edison Modified Post Issuance	N/A
10.555	National School Lunch Program	Department of Education	100.00	All Costs - Meal Reimbursement for Local Education Agencies, Correctional Institutions, and Children in State Custody	Edison Modified Post Issuance	N/A
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Department of Health	70.00	Vouchers	Modified Zero Balance Accounting	N/A
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Department of Health	28.00	Administrative and Payroll Costs	Edison Modified Post Issuance	N/A
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Department of Health	2.00	Indirect Costs	Edison Indirect Costs	N/A
10.558	Child and Adult Care Food Program	Department of Human Services	100.00	Provider Claims	Edison Modified Post Issuance	N/A
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Department of Human Services	1.00	Indirect and Administrative Costs	Cost Allocation - Actual Costs - Estimated Allocation (Modified)	N/A
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Department of Human Services	93.00	All except Indiret and Administrative	Edison Modified Post Issuance	N/A
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Department of Labor and Workforce Development	6.00	Client Travel Cost Payments	Edison Modified Post Issuance	N/A
17.225F	Unemployment Insurance -- Federal Benefit Account and Administrative Costs	Department of Labor and Workforce Development	5.10	Unemployment Insurance Administrative Costs	Edison Modified Post Issuance	N/A
17.225F	Unemployment Insurance -- Federal Benefit Account and Administrative Costs	Department of Labor and Workforce Development	0.40	Indirect Costs	Edison Indirect Costs	N/A

CFDA	Program Name	Recipient	%	Component	Technique	Rounded days
17.225F	Unemployment Insurance -- Federal Benefit Account and Administrative Costs	Department of Labor and Workforce Development	94.50	Benefit Payments	Edison Unemployment Insurance Modified Post Issuance	N/A
17.225S	Unemployment Insurance -- State Benefit Account	Department of Labor and Workforce Development	100.00	Benefit Payments	Edison Unemployment Insurance Modified Post Issuance	N/A
20.205	Highway Planning and Construction	Department of Transportation	100.00	All Project Cost Updates	Edison Transportation Modified Post Issuance (Modified)	N/A
84.010	Title I Grants to Local Educational Agencies	Department of Education	99.00	Local Education Agencies and Vendor Payments	Edison Modified Post Issuance	N/A
84.010	Title I Grants to Local Educational Agencies	Department of Education	1.00	Indirect and Administrative Costs	Edison Indirect Costs	N/A
84.027	Special Education -- Grants to States	Department of Education	99.00	Local Education Agencies and Vendor Payments	Edison Modified Post Issuance	N/A
84.027	Special Education -- Grants to States	Department of Education	1.00	Indirect and Administrative Costs	Edison Indirect Costs	N/A
84.395	State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	Department of Education	99.00	Local Education Agencies and Vendor Payments	Edison Modified Post Issuance	N/A
84.395	State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	Department of Education	1.00	Indirect and Administrative Costs	Edison Indirect Costs	N/A
93.558	Temporary Assistance for Needy Families	Department of Human Services	50.00	Continuing Benefit and Retroactive Payments	Zero Balance Accounting - Same Day Payment (Modified)	N/A
93.558	Temporary Assistance for Needy Families	Department of Human Services	4.00	Indirect and Administrative Costs	Cost Allocation - Actual Costs - Estimated Allocation (Modified)	N/A
93.558	Temporary Assistance for Needy Families	Department of Human Services	46.00	All except Continuing Benefit and Retroactive Payments and Indirect and Administrative Costs	Edison Modified Post Issuance	N/A
93.575	Child Care and Development Block Grant	Department of Human Services	1.00	Indirect and Administrative Costs	Cost Allocation - Actual Costs - Estimated Allocation (Modified)	N/A
93.575	Child Care and Development Block Grant	Department of Human Services	99.00	All Except Indirect and Administrative Costs	Edison Modified Post Issuance	N/A
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Department of Human Services	1.00	Indirect and Administrative Costs	Cost Allocation - Actual Costs - Estimated Allocation (Modified)	N/A
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Department of Human Services	99.00	All Except Indirect and Administrative Costs	Edison Modified Post Issuance	N/A
93.767	Children's Health Insurance Program	Bureau of TennCare	100.00	Medical and Dental Payments	Edison Modified Post Issuance	N/A
93.778	Medical Assistance Program	Bureau of TennCare	100.00	All Medical Assistance Payments	Edison Modified Post Issuance	N/A
96.001	Social Security -- Disability Insurance	Department of Human Services	1.00	Indirect and Administrative Costs	Cost Allocation - Actual Costs - Estimated Allocation (Modified)	N/A
96.001	Social Security -- Disability Insurance	Department of Human Services	99.00	All Except Indirect and Administrative Costs	Edison Modified Post Issuance	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: 9/1/15

Printed Name: Larry B. Martin

Certifying Signature: [redacted]

Title: Commissioner of Finance and Administration