

## **Guidance for Drawdown of Funds During the G5 Shutdown Period from 9:00 p.m., February 17 through 6:00 a.m., February 22, 2016**

### **I. Reminders**

The U.S. Department of Education (Department) will be performing maintenance on the platform that hosts the G5 Grants Management System production application. The G5 System will be unavailable for all activities, including the drawdown of payments, from 9:00 p.m. Eastern Standard Time (EST), Wednesday, February 17, 2016, until 6:00 a.m. EST, Monday, February 22, 2016. This guidance gives early notice of this period of unavailability to enable you to plan accordingly.

### **II. Cash Management Improvement Act (CMIA) Procedures for States and Certain State Institutions of Higher Education**

The U.S. Department of the Treasury, Bureau of the Fiscal Service (Fiscal Service), has authorized the following special procedures. The Fiscal Service will also advise State CMIA Coordinators of these procedures.

#### **A. Grants to States subject to the CMIA**

Consistent with the purposes of the CMIA, a State must minimize the time between the transfer of funds from the U.S. Treasury and the State's disbursement of those funds for program purposes. The CMIA Treasury-State Agreement (TSA) establishes the terms and conditions for the timing and drawdown of these funds. The Fiscal Service has advised the Department that, during this shutdown period, States have three options.

- (1) Estimate expenditures to be incurred during the shutdown period, then draw down half of that estimated amount on the day that G5 shuts down and the second half on the day G5 becomes available again. **This is the preferred funding technique and will produce an interest-neutral outcome for CMIA purposes.**
- (2) If the State's TSA permits the early drawdown of funds (pre-issuance funding), the State may estimate expenditures to be incurred during the shutdown period and draw down those estimated funds on the day that G5 shuts down. This will result in an interest liability for the State for the period of time from when the funds are deposited into the State's account until the funds are paid out for program purposes (31 CFR 205.12).
- (3) Use State funds during the shutdown period and draw down the amount of actual expenditures for the period of the shutdown on the day that G5 becomes available again (6:00 a.m. EST, Monday, February 22, 2016). This will result in a Federal interest liability. The Fiscal Service advises that **this third option is the least preferred alternative** but that it is available to accommodate the situation in which each of the other options would be administratively burdensome. This option (3) will result in the State using its funds during the transition period but not receiving CMIA

interest compensation until the CMIA interest exchange in March of 2017 (31 CFR 205.28).

### **B. Institutions of higher education where assistance is subject to the CMIA**

Some State institutions of higher education are considered part of the State and are subject to CMIA coverage. Because the Pell Grant program is subject to the CMIA, the Fiscal Service permits States to include the Pell Grant program under a State's TSA if the program otherwise meets CMIA criteria. If the Pell Grant program is covered by a State's TSA, the institution should use one of the three options outlined in II. A. above in drawing down Pell Grant funds.

### **III. Procedures for Grants (Including Pell Grants) That Are Not Subject to the CMIA**

- A.** If assistance to a State under a grant (including Pell Grants) is not subject to the CMIA, we recommend, if feasible, that States estimate expenditures to be incurred during the shutdown period, then draw down half of that estimated amount on the day that G5 shuts down and the second half on the day G5 becomes available again. If that process is infeasible, please include in the last payment request for each program the amount of funds that are needed to cover the immediate cash needs of that assistance during the entire period for which G5 is unavailable. Under Subpart B of the Treasury regulations in 31 CFR part 205, neither a State nor the Federal government is due interest for the other party's delay in disbursing funds. The recommended drawdown procedure minimizes the interest lost to each party for the period that G5 is not available.
- B.** If assistance is provided to any entity other than a State under a grant (including Pell Grants), please include in the last payment request for each grant or program the amount of funds that are needed to cover the immediate cash needs of that assistance during the entire period for which G5 is unavailable.

**Note:** For grantees other than States, the Department's grant administration regulations regarding interest earned on advances apply. All new and continuation grants awarded during Federal fiscal year 2016 are subject to the regulations implementing the Uniform Guidance in 2 CFR part 200. The regulations in 2 CFR 200.305(b)(8) require non-State recipients to maintain advances in interest-bearing accounts unless certain conditions described in that paragraph exist. Also, §200.305(b)(9) authorizes non-State recipients to retain up to \$500 to pay for administrative expenses related to maintaining the interest-bearing account. All interest earned on these accounts in excess of \$500 must be remitted to the Department of Health and Human Services at the appropriate address specified in §200.305(b)(9).

For FSA programs, interest rules are set forth at 34 CFR 668.166.

If you have any questions or concerns, please call the G5 Hot Line at 202-401-6238 or toll free at 888-336-8930. Thank you for your understanding and cooperation during this shutdown period.