



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE CHIEF INFORMATION OFFICER

JUN - 9 2016

Dear U.S. Department of Education Grantees and Payees:

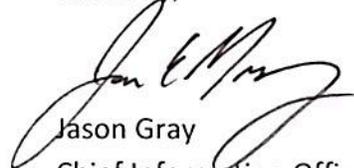
The U.S. Department of Education will be performing maintenance on the platform that hosts the G5 Grants Management System (G5 System or G5). This will require that the G5 System be unavailable for all activities, including the drawdown of payments, from 9:00 p.m. Eastern Standard Time (EST), Tuesday, July 19, 2016, until 6:00 a.m. EST, Tuesday, July 26, 2016. This guidance gives early notice of this period of unavailability to enable you to plan accordingly. We apologize for any inconvenience this may cause you.

You will find guidance on the Welcome page for the G5 Web site, www.G5.gov, describing the recommended drawdown process in preparation for the shutdown period. The guidance describes Cash Management Improvement Act (CMIA) procedures for States and certain State institutions of higher education, as well as procedures for grant and Federal Student Aid (FSA) programs that are not subject to the CMIA. The U.S. Department of the Treasury, Bureau of the Fiscal Service, which is responsible for oversight of the CMIA, concurs with these recommended procedures.

In the forthcoming electronic announcement on the Information for Financial Aid Professionals (IFAP) Web site (www.ifap.ed.gov), FSA will provide guidance regarding the operational impact of this G5 System shutdown period on the Common Origination and Disbursement (COD) System used to process financial data. This guidance, which FSA plans to post in late June 2016, will assist schools in ensuring the availability of funds for drawdown prior to the outage period. Please monitor the IFAP Web site for the forthcoming guidance.

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 maintenance.

Sincerely,



Jason Gray
Chief Information Officer

Guidance for Drawdown of Funds During the G5 Shutdown Period from 9:00 p.m., July 19 through 6:00 a.m., July 26, 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, July 19, 2016, until 6:00 a.m. EST, Tuesday, July 26, 2016. This guidance gives early notice of this period of unavailability to enable you to plan accordingly, and provides U.S. Department of the Treasury, Bureau of the Fiscal Service, approved procedures for the orderly drawdown of funds during the period of unavailability.

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, Tuesday, July 26, 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 for most States in March of 2018, however, for eight States that have fiscal years ending in August or September, the CMIA interest compensation will take place in March, 2017¹ (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.

¹ These eight States are Alabama, American Samoa, Commonwealth of the Northern Marianas, District of Columbia, Guam, Michigan, Texas, and Virgin Islands