



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE CHIEF FINANCIAL OFFICER

THE CHIEF FINANCIAL OFFICER

AUG 11 2006

Dear Program Director:

To improve service to the public, the U.S. Department of Education is in the process of modifying our technical system platform. **During the transition period, commencing Saturday evening, September 30, 2006, at 8:00 p.m. EDST and ending Tuesday morning, October 10, 2006, at 8:00 a.m. EDST, the Grant Administration and Payment System (GAPS) will be unavailable for all activities.** However, there will be limited payment requests permitted during the transitional period for the legislatively mandated formula programs listed in the attachment. All payment requests for these formula grant awards will be completed on behalf of the grantees by the Department of Education's GAPS Hot Line staff between 8 a.m. and 8 p.m. EDST on October 3, 2006, and between 8 a.m. and 12 p.m. EDST on October 4, 2006. The GAPS Hot Line can be reached at 1-888-336-8930.

Enclosed is a document describing how recipients can (1) submit payment requests for the identified formula programs, (2) apply Cash Management Improvement Act (CMIA) procedures during the transition period, and (3) obtain assistance under certain programs of the Office of Federal Student Aid to allow them to draw funds prior to the shutdown period. Federal Student Aid will be providing further information on the "Information for Financial Aid Professionals" Web site at: www.ifap.ed.gov.

Grantees who have grants that expire on September 30, 2006 will not be able to draw down funds after 8:00 p.m. EDST on September 30, 2006. However, those grantees will be able to continue their liquidation process beginning on October 10, 2006 for the remainder of the 90-day close out period.

If you have any questions about the effects of the GAPS interruption in service or our efforts to minimize the interruption, please call the GAPS Hot Line at **1-888-336-8930**. Thank you for your understanding during this period of transition to a new operating environment.

Sincerely,

Lawrence A. Warder

Enclosure

Guidance for Drawdown of Funds During EDCAPS/GAPS Transition

I. Limited Payment Availability

Payment requests for only the following formula grants programs will be accepted during the transition period. These exceptions are made according to legislative requirement, and represent only programs that are subject to advance funding (Federal fiscal year 2006 dollars that are legislated to become available in October, the beginning of Federal fiscal year 2007). These programs include:

- 84.010A = Title I Grants to Local Education Agencies
- 84.027A = Special Education – Grants to States, State Grants
- 84.048A = Vocational Education – Basic Grants to States
- 84.357A = Reading First
- 84.367A = Improving Teacher Quality State Grants
- 84.367B = Improving Teacher Quality State Grants - SAHEs

Payment requests must be submitted by calling the GAPS Hot Line at 1-888-336-8930 between 8 a.m. and 8 p.m. EDST on October 3, 2006, or between 8 a.m. and 12:00 p.m. EDST on October 4, 2006.

Thus, States drawing funds under these programs that decide to draw funds on October 3 or 4, 2006, should treat the period of unavailability as two periods of unavailability and apply the procedures in Section II – CMIA Procedures for States and Certain State Institutions of Higher Education – to both periods. The first period would be between 8:00 p.m. EDST on September 30, 2006 and 8 a.m. EDST on October 3, 2006 and the second period would be between 12:00 p.m. EDST on October 4, 2006 and 8:00 a.m. EDST on October 10, 2006.

The GAPS payment systems will be unchanged after the transition in relation to user activities. Thus, no new procedures are required for you to continue receiving funds under the ACH or FEDWIRE payment system that you currently use.

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

The following special procedures have been authorized by the U.S. Treasury, Financial Management Service (FMS). FMS 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 elapsing 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. FMS has advised the Department that during this transition period states have three options.

- (1) Estimate expenditures needed during the transition period, then draw down half of that estimate by 8 p.m. EDST on September 30, 2006 (the day that GAPS shuts down) and the second half beginning at 8 a.m. EDST on October 10, 2006 (the day GAPS becomes available again). ***This is the preferred funding technique and will produce an interest-neutral outcome for CMIA purposes.***
- (2) If the state's Treasury-State Agreement (TSA) permits the early drawdown of funds (pre-issuance funding), the state may estimate expenditures needed during the transition period and draw down

those estimated funds by 8 p.m. EDST, September 30, 2006. This will result in an interest liability for the state for the period of time 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 transition period and draw down actual expenditures for the period of the transition on the day that GAPS becomes available again. This will result in a federal interest liability. FMS advises that this latter option is the least preferred alternative but is available to accommodate the situation where the selection of another option is administratively burdensome. 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 2007 (31 CFR 205.13(e)).

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 FMS views the Pell Grant program as covered by the CMIA, FMS 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 Pell Grant funds.

C. Timeline for processing payment requests for grants and the Pell Grant funds covered by the CMIA

September 30, 2006	Each final request for funds under a grant subject to the CMIA must be placed no later than 8:00 PM EDST on September 30, 2006.
October 10, 2006	States may start requesting funds for each grant and Federal Student Aid program on Tuesday, October 10, 2006 at 8:00 AM EDST .

III. Procedures for Grants and Federal Student Aid Programs That Are Not Subject to the CMIA

A. If assistance to a state under a grant or Pell Grant program is **not** subject to the CMIA, the state should include in the last payment request for each grant or Federal Student Aid program those funds needed to cover the immediate cash needs of that assistance during the entire period of unavailability before GAPS becomes unavailable.

B. If assistance is provided to any entity other than a state under a grant or Federal Student Aid program, the grantee should include in the last payment request for each grant or program those funds needed to cover the immediate cash needs of that assistance during the entire period of unavailability before GAPS becomes unavailable.

C. Here is the timeline for processing payment requests for grants and assistance to entities other than a state.

September 30, 2006	Each final request for payment under a grant <i>not</i> subject to the CMIA must be placed no later than 8:00 PM EDST on September 30, 2006.
October 10, 2006	All users may start requesting funds for each grant on Tuesday, October 10, 2006 at 8:00 AM EDST .

IV. Procedures for Institutions Receiving Funds on a Reimbursement Basis

Institutions that anticipate funding needs during the October 1st through 10th transition period must provide reimbursement documents to their respective reimbursement analysts by close of business on Friday, August 25, 2006. Please call the GAPS Payee Hot Line, **1-888-336-8930**, with any questions.