



## Illinois Department of Commerce & Economic Opportunity

### Interest Earned on Grant Funds

#### Overview

Grantee must maintain all grant funds received in advance of (or more than) grant expenditures in an insured, interest-bearing account. Interest earned on grant funds must be applied to grant expenditures before additional funds are distributed. Grantees may retain up to \$500 in interest earned (per year) for “administrative expenses”, unless prohibited elsewhere in the grant agreement. Details are contained within the grant agreements that grantees receive from the Department of Commerce & Economic Opportunity (DCEO).

Interest on grant funds apply to 1) all funds received in advance (i.e. not reimbursement) of grant expenditures, 2) grant funds that exceed grant expenses, and/or on grant funds received but expenditures were delayed.

#### Details

Below is text from the Grant Agreement. Text and citations may be updated, so please refer to your grant agreement or speak to your grant manager for guidance.

#### Interest

(a) All interest earned on grant funds held by a Grantee shall be treated in accordance with 2 CFR 200.305(b)(9), unless otherwise provided in PART TWO or PART THREE. Any amount due shall be remitted annually in accordance with 2 CFR 200.305(b)(9) or to the Grantor, as applicable.

(b) Grant funds shall be placed in an insured account, whenever possible, that bears interest, unless exempted under 2 CFR 200.305(b)(8).

#### *What it Means*

Grant funds received in advance of grant expenditures, whether from an advance of grant funds prior to expenditures, funds received that exceed grant expenditures or delays in payments of grant expenditures, need to be placed in insured, interest-bearing accounts. Grant funds received as a reimbursement for grant expenditures already incurred (including pre-award costs, if allowed) are not required to be maintained in interest-bearing accounts. Grantees can keep up to \$500 in annual interest for “administrative expenses” without requiring interest to be applied to grant expenditures or returned to DCEO.

### Penalty for Non-Interest-Bearing Account.

If Grantee is required to keep grant funds paid in advance of the actual expenditure of funds in an interest-bearing account pursuant to paragraph 4.7 of this Agreement, Grantee will be responsible for the payment of interest to Grantor at a rate equal to twelve percent (12%) per annum on any grant funds kept in a non-interest-bearing account, unless Grantee receives prior written approval from Grantor. Grant funds paid in reimbursement of previously paid costs may be kept in a non-interest bearing account at the Grantee's discretion. Exceptions to this paragraph are not permissible without prior written approval by Grantor.

#### *What it Means*

If a Grantee receives any grant funds prior to incurring the related grant expenditures, the Grantee MUST keep those funds in an interest-bearing account. Failure to do so will incur a 12% interest penalty to be refunded to DCEO. If a Grantee has not been using an interest-bearing account, they should contact their Grant Manager immediately to request written approval for this exception. Grant funds which are received after the related grant expenditures are paid (i.e. reimbursement) do not have to be maintained in an interest-bearing account.

**NOTE: Given the significant penalty for non-compliance, it is in the Grantee's best interest to always maintain the grant funds received in an interest-bearing account.**

### Interest Earned on Grant Funds.

Interest earned on grant funds in an amount up to \$500 per year may be retained by the Grantee for administrative expenses unless otherwise provided in PART THREE. Any additional interest earned on grant funds above \$500 per year must be returned to the Grantor pursuant to paragraphs 4.3 and 33.2 herein, or as otherwise instructed by the Grant Manager or as set forth in PART THREE. All interest earned must be expended prior to grant funds. Any unspent grant funds or earned interest unspent must be returned as grant funds to the Grantor as described in paragraphs 4.3 and 33.2 herein. All interest earned on grant funds must be accounted for and reported to the Grantor as provided in Article XIII herein. If applicable, the Grantor will remit interest earned and returned by the Grantee to the U.S. Department of Health and Human Services Payment Management System through the process set forth at 2 CFR 200.305(b)(9), or as otherwise directed by the federal awarding agency. The provisions of this paragraph 30.2 are inapplicable to the extent any statute or rule provides for different treatment of interest income. Any provision that deviates from this paragraph is set forth in PART THREE.

#### *What it Means*

The Grantee can keep any interest earned on grant funds up to \$500 per year for "administrative expenses". Any interest above \$500 needs to be used before using the grant funds themselves, or returned to DCEO as unused grant funds, or handled as set forth in PART THREE. Contact your Grant Manager to confirm how to handle these funds for your grant.