



Illinois Department of Commerce & Economic Opportunity

Interest Earned on Grant Funds

Overview

Grantees must maintain all grant funds received in advance of grant expenditures in an insured account, whenever possible, that bears interest, unless exempted under 2 CFR 200.305(b)(11). Unless a grant is bond-funded or otherwise restricted by grant program requirements, statutes or rules, Grantees may retain up to \$500 in interest earned (per year) for “administrative expenses.” Interest earned on grant funds must be applied to grant expenditures before additional funds are distributed. Details regarding specific requirements are contained within the grant agreements that grantees receive from the Department of Commerce & Economic Opportunity (DCEO).

Interest on grant funds apply to all funds received in advance (*i.e.* not reimbursement) of grant expenditures.

Bond-funded grants are not eligible to retain any interest earned on grant funds.

Details

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

Interest-Bearing and Insured Accounts

4.7. Interest.

(a) All interest earned on Grant Funds held by a Grantee or a subrecipient will be treated in accordance with 2 CFR 200.305(b)(12), unless otherwise provided in **PART TWO** or **PART THREE**. Grantee and its subrecipients must remit annually any amount due in accordance with 2 CFR 200.305(b)(12) or to Grantor, as applicable.

(b) Grant Funds must be placed in an insured account, whenever possible, that bears interest, unless exempted under 2 CFR 200.305(b)(10), (b)(11).

What it Means

- Grant funds received in advance of grant expenditures need to be placed in an insured account, whenever possible.
- 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.
- Advanced grant funds must be placed in an interest-bearing account unless an exemption applies in 2 CFR 200.305(b)(11):
 - (i) The Grantee receives less than \$250,000 in State or federal funding per year;

- (ii) The best available interest-bearing account would not reasonably be expected to earn interest in excess of \$500 per year on State or federal cash balances;
- (iii) The depository would require an average or minimum balance so high that it would not be feasible with the expected governmental cash resources;
- (iv) A foreign government or banking system prohibits or precludes interest-bearing accounts; or
- (v) An interest-bearing account is not readily accessible (for example, due to public or political unrest in a foreign country).

Interest Earned on Grant Funds

26.1. 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 29.2 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 29.2 herein. All interest earned on Grant Funds must be accounted for and reported to the Grantor as provided in ARTICLE X herein. If applicable, the Grantor will remit interest earned and returned by 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)(12), or as otherwise directed by the federal awarding agency. The provisions of this Paragraph are inapplicable to the extent any statute, rule or program requirement provides for different treatment of interest income. Any provision that deviates from this paragraph is set forth in **PART THREE**.

What it Means

- Unless prohibited by program requirements, statutes or rules, grantees can keep any interest earned on advanced grant funds up to \$500 per year for “administrative expenses.”
- Any additional interest earned on grant funds above \$500 per year must be returned to DCEO, or as otherwise instructed by the Grant Manager.
- Part Three of the grant agreement, may provide additional guidance or instructions on interest, especially if there is a statute, rule or program requirement provides for different treatment of interest.
- Interest earned must be expended prior to grant funds.
- Interest earned on grant funds must be accounted for and reported to DCEO through periodic financial reports.