Interest Earned on Grant Funds

Overview

Grantees must maintain all grant funds received in advance of grant expenditures in an insured account, whenever possible. The account must bear 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 Illinois Law Enforcement Training and Standards Board (ILETSB). Interest on grant funds apply to all funds received in advance of grant expenditures.

Details

Below is text from the ILETSB Uniform Grant Agreement. Text and citations may be updated, so please refer to your grant agreement or speak with a member of the ILETSB Grant Team for guidance.

Interest-Bearing and Insured Accounts

4.7 <u>Interest</u>

(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 <u>PART TWO</u> or <u>PART THREE.</u> 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 this Means

- Grant funds received as Advance Payment (i.e. in advance of grant expenditures) need to be placed in an insured, interest-bearing account, whenever possible.
- Grant funds received as a reimbursement for grant expenses already incurred (including pre-award costs, if allowed) are not required to be maintained in an interest-bearing account.
- Advanced grant funds must be placed in an interest-bearing account unless an <u>exemption</u> applies in 2 CFR 200.305(b)(11):
  (i) The Grantee receives less than $250,000 in State or Federal funding per year (see note below);
  (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).
- 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 ILETSB at the end of each fiscal year.
- Interest earned on grant funds must be accounted for and reported to ILETSB through periodic financial reports.
- If a grantee believes they qualify for an exemption under 2 CFR 200.305(b)(11), they must provide a statement explaining the basis for the exemption to PTB.grants@illinois.gov.

Note: Grantees must consider the **total combined amount of all** state and federal grant awards when determining whether they fall below the $250,000 annual threshold for an exemption.