



LOUISIANA DEPARTMENT OF EDUCATION

MEMORANDUM

TO: Parish and City Business Managers
Charter School Business Officials
RSD-LDE Business Manager
SU and LSU Lab School Business Managers
State Agency Business Managers

FROM: Leslie Jewell *lj*
Director of Appropriation Control

DATE: August 14, 2012

SUBJECT: Interest Income Requirements

The code of federal regulation, Title 34-Education, Part 80 section 80.21, requires grantees and sub-grantees to promptly, but at least quarterly, remit interest earned on advances to the appropriate federal agency. The grantee or sub-grantee may keep interest amounts up to \$100 per year for administrative purposes. Federal regulations do not require grantees and sub-grantees to return interest earned on federal funds on an individual program basis, interest may be returned in total for all federal programs. To ensure compliance with federal administrative requirements, school district and charter school fiscal officials should develop internal controls and a sound methodology to calculate and return, at least quarterly, interest earned in excess of \$100 on federal program funds. Interest calculation methodologies must be based on actual, not estimated, interest earnings on federal funds. The following guidelines are designed to assist federal program grantees and sub-grantees (referred to below as grantee or grantees) in calculating interest on unspent federal program cash advances.

- **Calculating Interest When Federal Cash is or can be Segregated from Other Grantee Resources**

If federal funds are maintained in a manner in which the local education agency can specifically determine the amount of interest earned on federal funds for a particular period (at least quarterly), then that is the interest amount that should be reported and remitted to La. Department of Education. The interest due on federal cash balances should reflect the actual amount of interest earned on the unspent federal program funding advances. Therefore, interest calculations should be based on applicable interest rates applied to actual federal cash held in the grantee's bank.

- **Calculating Interest When Federal Cash is Pooled with Non-Federal Funds**

If federal funds are pooled with non-federal funds in the grantee's bank, then the grantee must reasonably determine the federal portion of total earned interest for the period. Since the amount of federal cash available for program costs can change daily, the grantee should apply applicable interest rates to the reporting period's average daily federal cash balances. Average daily federal cash balances can be calculated by combining all federal program cash, both negative and positive, for each day of the reporting period, using federal program resource codes, then dividing by the actual number of days in the reporting period. If the combined federal cash available under this approach is negative for any day during the period, the grantee

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must record the average daily federal cash balance as zero to avoid reducing or offsetting federal interest earnings for the temporary use of non-federal cash resources for federal programs (see the sample calculation methodology below for an example of this situation).

If the grantee includes non-federal match funding in the federal program resource codes, the grantee may reduce the daily federal cash balances by the corresponding proportionate share of required cash match for each program. For example, if federal program Title XYZ has a 20 percent match requirement and the grantee accounts for the non-federal match in the Title XYZ federal program resource code, then the 20 percent proportionate share of match may be excluded from the calculated daily and average daily balances.

- **Sample Calculation Methodology – Federal Interest**

Total of all Federal Daily Balances in Reporting Period (e.g. January 1 – January 31) = \$17,700

Step 1: Calculate the Average Daily Balance

- Divide the Total of all Daily Balances in Reporting Period by the actual number of days in reporting period
- Total of all Daily Balances in Reporting Period = \$17,700
- Actual Number of Days in Reporting Period = 31
- Average Daily Balance = \$571

Step 2: Calculate the Annual Interest Amount

- Multiply the Average Daily Balance by the Actual Interest Rate
- Average Daily Balance = \$571
- Actual Interest Rate = 2.4267%
- Annual Interest Amount = \$14

Step 3: Calculate the Daily Interest Amount

- Divide interest amount by number of days in year.
- Annual Interest Amount = \$14
- Number of days in year = 365
- Daily Interest Amount = \$0.038

Step 4: Calculate the Total Federal Interest Due

- Multiply the Daily Interest Amount by number of days in reporting period
- Daily Interest Amount = \$0.038
- Number of days in reporting period = 31
- Total Federal Interest Due = \$1.18

Note: For federal interest calculation purposes, combined daily cash balances cannot be negative. Negative combined daily balances would reduce or offset federal interest earnings due to the temporary use of non-federal cash resources. Therefore, any negative combined daily balances should be zero in calculating interest on federal cash balances. A sample interest calculating worksheet is attached for your review.

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- **State Funds**

All state funds interest earned on grant funds may be retained by the grantee and become part of grant principal, unless stated otherwise in the written grant agreement. All interest earned on state grant funds during the grant period must be spent by the grantee during the grant period. Interest funds not expended or obligated at the end of the grant period and any interest earned on grant funds after the grant period has expired, must be returned to the state within 45 days following the end of the grant period.

- **Returning Interest**

Interest should be returned using the following guidelines:

- Checks for interest earned on state and federal funds should be made payable to the Louisiana Department of Education.
- Checks should not include the return of unexpended disbursements from the Louisiana Department of Education. Even though unexpended disbursements and interest payments are made payable to the Louisiana Department of Education, separate checks should be issued for both.
- Checks should be accompanied by a statement identifying the program and the program year from which the interest was earned.
- All checks should be mailed to:

Louisiana Department of Education
Appropriation Control Division
P.O. Box 94064
Baton Rouge, La 70804

The attached document may be used to calculate interest earned that should be returned to the Louisiana Department of Education (LDOE). You may access this worksheet and the interest income requirements at the following link: http://www.doe.louisiana.gov/divisions/appr/downloadable_forms.html

If further guidance is needed, please contact the Division of Appropriation Control at (225)342-3830.

LJ:mh

Attachment

c: Parish and City School Superintendents
Charter School Board Presidents
RSD-LDE Chief Fiscal Officer
SU and LSU Lab School Principals
State Agency Executive Directors
Charlotte Stevens, Director of Education Finance
Marella Houghton, CPA, Audit Manager
Rashaunda Matthews, Grants Management Budget Administrator
LDOE Grants Management Staff

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Attachment

Calculating Interest Earned

January 1 -January 31,201X

Step 1	\$	17,700.00	Cash on Hand	
		31	Number of days in reporting period	Annual Interest Rate
	\$	570.97	Average Daily Balance	2.4267% Actual rate per bank
Step 2 & 3	\$	13.86	Annual Interest Amount	
		365.00	Number of days in a year	
	\$	0.038	Daily Interest Amount	
Step 4	\$	0.038	Daily Interest Amount	
		31	Number of days in reporting period	
	\$	1.18	Interest earned	
January Interest	\$	1.18		
February Interest	\$	-		
March Interest	\$	-		
April Interest	\$	-		
May Interest	\$	-		
June Interest	\$	-		
July Interest	\$	-		
August Interest	\$	-		
September Interest	\$	-		
October Interest	\$	-		
November Interest	\$	-		
December Interest	\$	-		
(Less Administrative allowed)	\$	(100.00)		
Amount Due	\$	(98.82)		