INTEREST EARNED ON GRANTS

I. BACKGROUND

This IGR informs municipalities of the recent change in law relating specifically to interest earned on public works grants and clarifies the Bureau's position on the general treatment of grant interest earnings.

Several grant programs have included as a grant condition the requirement that interest earned on grant funds become part of the grant. Although the amount of the grant may be expended without appropriation in accordance with Chapter 44, Section 53A, in the past the Bureau has consistently taken the position that Chapter 44, Section 53 requires that all interest earned from investment of city or town funds be paid into the general fund and not be expended or used thereafter without specific appropriation.

The only exception to this general rule is in instances where there is an express statutory provision as part of a grant which clearly stipulates that interest earned on grant funds become part of the grant.

II. PUBLIC WORKS GRANTS:

Effective in 1986, interest earned on certain grants received from the Massachusetts Department of Public Works may now be expended without further appropriation and is not subject to the requirements of Ch. 44, S. 53. Chapter 81.1 of the Acts of 1985, which became effective on January 11, 1986, contains a specific provision (Section 30) that governs the treatment of interest earned on deposits and investments of certain public works grant funds.

A. Use of Interest:

Section 30 of this Act requires that all interest earned on any deposits or investments of grant funds be used without further appropriation for the purposes that the grants were made available.

Grants programs affected by this Act, in addition to those found in Chapter 811 itself, are grants received under:

Chapter 732 of the Acts of 1981 (Chapter 90 Highway Program)

Chapter 335 of the Acts of 1982 (Accelerated Highway, Bridge and Economic Development Program)

Chapter 637 of the Acts of 1983 (Transportation Development and Improvement Program)

B. Prior Interest Earned:

This section also applies to interest earned prior to the effective date of this act and still available for expenditure. Therefore, any accumulated interest earnings which have been set aside for program expenditures may continue to be dedicated to these programs.

Further, any interest earnings on these grant funds which have been credited to estimated receipts or revenue accounts during the current fiscal year should be transferred back to these grants.

However, grant projects which were completed, final reports submitted to the Department of Public Works, and earnings closed out to unreserved fund balance or surplus revenue prior to July 1, 1985 are not to be considered as available and therefore, no action should be taken.

III. INTEREST EARNED IN OTHER GRANT PROGRAMS:
As a further point of clarification, again, it has been the Bureau's position that interest earned on grants must be transferred to the general treasury in accordance with Ch. 44, S. 53 unless there is a specific statutory requirement to do otherwise. Such a process does not however, preclude a from appropriating an amount equal to the interest earned on any particular grant to comply with the grants terms and conditions which require interest earnings to be returned to the Commonwealth.

The Division of Local Services is responsible for oversight of and assistance to cities and towns in achieving equitable property taxation and efficient fiscal management.

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