



Fiscal Policy – Rule 03-150-106

Interest Earnings

1. Summary

- 1.1. Earnings on OSU's cash reserves is an important funding resource that requires a coherent investment management strategy to maximize returns, provide budgeting flexibility and facilitate operational efficiency. OSU central management is responsible for the oversight and accounting of investment returns (interest earnings) and ensuring compliance with all governing legal and statutory requirements.
- 1.2. Units are expected to maintain adequate reserves for operating contingencies and to assist with deferred maintenance needs. These reserves are intended to be a buffer for operating costs, not an investment fund. Given the large number of institutional needs, it is most prudent to collect unrestricted revenues like interest earnings centrally and budget them as a resource directed to the most pressing institutional needs. This rule provides guidance on when and how the interest earned or incurred on cash balances is distributed based on applicable legal and contractual requirements or executive directives.
- 1.3. Fund budget authorities and employees responsible for administering university funds should be informed and understand this rule.

2. General Requirements

- 2.1. **Unrestricted Earned Interest** – All interest earned is posted or remitted to the Internal Bank (IB) or an institutional management account as appropriate unless it is legally or contractually required to be posted to the underlying earning fund, set aside specifically for building and capital equipment renewal or earned on a Mxxxxx Gift Fund.
 - 2.1.1. Internal Bank Funds: Because the IB operates as a self-support activity within OSU, it is important that fund interest expense and income related to IB loans be appropriately attributed so that the IB's financial operating performance can be periodically evaluated.
 - a) Funds designated as IB-related funds include: 0960xx operating funds, 827xxx Unexpended Revenue Bond Plant funds and 803xxx IB Loan Project plant funds.
 - 2.1.2. Institutional Management Account: All other unrestricted interest earned is posted to the central management index/fund.

2.2. Funds Legally Required to Retain Earned Interest – Interest earned is distributed to the appropriate index or unit:

- 2.2.1.** Advance Payment Federal Grant Funds must be maintained in interest bearing accounts. The university may retain interest earned up to \$500 per year. Any additional interest earned must be remitted annually to the U.S. Department of Health and Human Services (DHHS).
- 2.2.2.** Perkins Federal Student Loan Funds are overseen by the U.S. Department of Education (DOE) which restricts interest earned to specific uses and mandates that it be deposited into the fund.
- 2.2.3.** Federal Student Loan Funds (except Perkins) are regulated by Federal Uniform Guidance Title 34 Code of Federal Regulations Part 668.163, which requires OSU to maintain Title IV program funds in an interest-bearing account. The university may retain interest earned up to \$500 per year. Any additional interest earned must be remitted annually to DHHS.
- 2.2.4.** Gift and Donation Funds made directly to OSU that were received by June 30, 2014, are required to earn interest and have it distributed directly to the earning fund. Once gifts received prior to that date are fully expended, interest earned on cash balances will be remitted to the central management fund.
- 2.2.5.** Unexpended Plant Funds or Associated Gift Funds contributed to provide match funds for Article XI-G bonds are required to earn interest.
- 2.2.6.** Agency and Deposit Trust Funds deposited to OSU from an external entity must have earned interest distributed directly to the earning fund.
- 2.2.7.** Article XI-F(1) Retirement of Indebtedness Fund interest earnings must be attributed to, and remain in, the earning fund when those funds reside in a bond fund or debt service reserve account in the Oregon State Treasury (OST).

2.3. Funds Contractually Required to Retain Earned Interest – Contractually required interest income is based on individual contract and agreement provisions, rather than on statutory or other legal requirements.

- 2.3.1.** Although generally infrequent, if contract provisions explicitly require a fund to earn interest income, OSU must honor the commitment and credit interest income directly to that fund.
- 2.3.2.** University accounting staff that become aware of any funds that entail contractual requirements to earn interest income should contact the Controller's unit to ensure that interest is properly credited.

- 2.4. Building and Capital Equipment** – Interest earned on funds specifically set aside for capital renewal is distributed to the appropriate index or unit.
- 2.5. Mxxxxx Gift Funds** – Interest earned is distributed to the appropriate index or unit to be used for strategic purposes.

3. Required Process

3.1. Computation of Interest Earnings

- 3.1.1.** Interest earnings are derived from multiple accounts with external banks and are distributed quarterly based on investment balances.
- 3.1.2.** University Shared Services Enterprises (USSE) calculates interest earned on Public University Fund (PUF) balances and distributes interest based on legal requirements and direction received from OSU management.
 - a) PUF funds with a positive balance earn interest, while those with a negative balance incur interest expense.

3.2. Distribution of Interest Earnings

- 3.2.1.** Bank codes are used to distribute interest earnings to the appropriate index/fund via journal vouchers in Banner.
- 3.2.2.** Index codes are used to redirect interest earned to other predetermined funds based on managerial discretion.

4. Related Information

- 4.1.** University Policy [03-100 Fiscal Policy Program Authority](#)
- 4.2.** Please refer to all other policies, standards, fiscal rules and related guidelines that may be applicable.
- 4.3.** Please check with your supervisor for unit-level procedures related to this rule.
- 4.4.** Following are other resources related to this policy:
 - 4.4.1.** Uniform Guidance Title 2 Code of Federal Regulations Part 200.305(8) and Part 200.305(9)
 - 4.4.2.** Uniform Guidance Title 34 Code of Federal Regulations Part 674.8 and Part 668.163
 - 4.4.3.** Title 7 United States Code Section 304 and 305
 - 4.4.4.** Oregon Revised Statutes 351.130, 293 and 286A.839(1)

4.4.5. Section 170(2) of Senate Bill 270 (2013 Oregon Laws, Chapter 768)

4.5. [Fiscal Policy Program Definitions of Terminology](#)

4.6. [Fiscal Policy Program Frequently Asked Questions](#) (FAQs)

5. History

5.1. Original Issue Date: 01/2003

5.2. Previous Versions: 12/2014 (FIS 200 & 201 Interest Earnings)

5.3. Next Scheduled Review Date: 07/2025

6. Contacts

6.1. Policy Steward: Director of Financial Accounting and Reporting ([contact info](#))

6.2. Program: Fiscal Policy Officer ([contact – for program inquiries only](#))