

COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548



D-149441

Subject Copy

APR 16 1976

The Honorable Albert H. Quie
House of Representatives

Dear Mr. Quie:

This is in response to your inquiry on behalf of Mr. James A. Perkins, President of Chatfield Brass Band, Inc., Chatfield, Minnesota, concerning the proper disposition of interest earned on funds which Chatfield Brass Band, Inc., was granted early in 1976 by the American Revolution Bicentennial Administration and the Minnesota Bicentennial Commission.

According to Mr. Perkins' January 28, 1976 letter to you, his company received \$1500 from the Minnesota Bicentennial Commission and \$1500 from the American Revolution Bicentennial Administration in early 1976. Apparently a portion of the grant proceeds has been placed in a savings account, pending disbursements for the program as they become due. The Minnesota Bicentennial Commission has informed Mr. Perkins that any interest which accumulates on the Federal funds in the savings account must be returned to the Federal Government, citing Attachment E to (GSA) Federal Management Circular No. 74-7.

Our Office has uniformly held that, except as otherwise provided by law, interest earned on funds granted by the United States belongs to the United States rather than to the grantee which received the funds. All such interest is required to be deposited into the Treasury as miscellaneous receipts. 40 Comp. Gen. 81 (1960); 42 *id.* 289 (1962). (A copy of our 1962 decision is enclosed herewith.)

This general rule applies whether the grantee is a public or private agency. Congress has the authority to exempt any grantee from this requirement, but we are aware of no such exemption for grants made by the American Revolution Bicentennial Administration. The rationale for this rule is that the statutes providing for grants do not contemplate that recipients shall profit other than in the manner and to the extent that is provided by law and that it is contemplated that funds received shall be promptly applied to the purpose for which furnished. Any interest realized on grant funds prior to their use must be accounted for as funds of the United States.

The Congress has recognized the validity of this general principle for most situations and therefore has enacted legislation to provide specific exceptions to certain grants-in-aid where a different position seemed appropriate. For example, section 203 of the Intergovernmental Cooperation Act

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Federal grants etc. to other States than
interest earned

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of 1968, 42 U.S.C. § 4212 (1970), requires that the transfer of grants-in-aid to States be scheduled in a manner to minimize the time elapsing between the transfer of such funds and their disbursement. The last sentence of that section specifically provides that States shall not be held accountable for interest earned on such grant-in-aid funds pending their disbursement for program purposes.

We are unaware of any statutory provision which would authorize the retention by Chatfield Brass Band, Inc., of interest which was realized on funds received from the American Revolution Bicentennial Administration. Therefore such interest must be refunded by Chatfield Brass Band, Inc. We express no view as to the treatment of interest attributable to State funds granted by the Minnesota Bicentennial Commission, which would be a matter for State law.

Sincerely yours,

R. F. KELLER

Deputy Controller General
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