

DIVISION OF FINANCE POLICY ON FUNDS CREDITED WITH INVESTMENT INCOME UNDER MOU WITH TREASURY (Revised 9/6/99MF).

The Department of Revenue, Division of Treasury (Treasury) relies on the Department of Administration, Division of Finance (Finance) to determine which funds or accounts are authorized to receive their own share of the general investment pool income. This has been agreed upon in the MOU between Finance and Treasury. Some funds (e.g. the Public School fund) are required by statute to be separately invested and thus have their own treasury investment pool. This policy is only for funds, which are credited with a share of the general investment pool income under the terms of the MOU with Treasury.

- State legislation creating a fund may require that the fund is credited with investment income, or an appropriation may be required before income is credited to the fund. The legislative language regarding investment earnings of a fund has varied over the years. If the language states that the fund consists of income from investment of money in the fund, then investment income has been credited directly to the fund. If the language states that investment income may be appropriated to a fund, then the income is calculated and tracked but continues to be credited to the general fund unless appropriated.
- As a general rule, funds received from outside third parties and held by the State in trust for a substantial period of time are credited with investment income. This is based upon Attorney General (AG) Opinion #366-103-85 dated September 10, 1984. Trust funds held for short periods of time are generally not credited with investment income unless required by statute, court decree, or an AG opinion.
- Funds may be credited with investment income as a result of a court order or decree e.g. funds related to the Exxon Valdez oil spill. This may include funds held by the State in trust or funds owned by the State if there is a court order or decree.
- Funds may be credited with investment income if required by federal law or regulations, or by a federal contract or grant agreement. Federal regulations generally require investment income when the federal funds are given to the State in advance. Sometimes the federal regulations require the required state match amount that is deposited to the fund with the federal dollars also be credited with investment income as part of the fund balance.
- If the legislation creating a fund is unclear or silent on the issue of investment income, or if there is any question on the nature of a trust fund or the length of time funds are held in trust, it is Finance policy that the fund is not credited with investment income unless an AG opinion is obtained which says that the fund should be credited with investment income. This policy is to avoid any violation of the constitutional provision against dedication of funds.