

# UC Santa Cruz Budget Policies and Procedures

## INTEREST INCOME DISTRIBUTION POLICY

**Effective:** 07/01/2023

**Supersedes:** Fall 1996 policy and any subsequent amendments

**Issuing Office:** [Budget Analysis & Planning](#)

### SCOPE

This document updates the UC Santa Cruz policy for distributing interest income from campus investments and applies all campus units.

### POLICY SUMMARY

This policy defines and updates the calculations and conditions under which interest income from campus investments is distributed across campus, based on positive fund balances. For calculations and conditions under which units are charged interest based on negative fund balances, see the campus's Financial Deficit Policy (<https://planning.ucsc.edu/budget/guidelines-systems-training/index.html>) and the Policy on Negative Balances (<https://planning.ucsc.edu/budget/rates-and-assessments/negative-stip-charges>).

### WHY WE HAVE THIS POLICY

The University of California's cash balances are invested in a portfolio of liquid assets intended to support the university mission by generating additional income for operations. These cash balances reflect the cumulative revenues received less expenses paid, adjusted by market gains or losses. The balances appear in the campus operating budget as carryforward balances (prior year ending balances) plus current year financial activity. Currently the investments include the Short-Term Investment Pool (STIP), the Total Return Investment Pool (TRIP), and the Blue and Gold Endowment Pool (BGP). The UC Regents has delegated management of the portfolio to the UC Chief Investment Officer at Office of the President.

UC Business and Finance Bulletin A-60 defines the accounting procedures for distributing interest income. In March 2022 the Office of the President's Executive Vice President and Chief Financial Officer informed UC Santa Cruz the finance bulletin is outdated and certain sections are no longer relevant to campuses. The Chancellor has full authority to establish policies for the distribution of interest income on campus. This policy asserts that authority and defines and updates local campus policy and practices.

In Fall 1996 the campus adopted a local policy which allowed for distribution of interest earnings on accumulated operating balances in gift funds and endowment payout funds, including for gift-funded capital projects, as an incentive to boost fundraising efforts. This policy ends the incentive as it is no longer necessary. Gift funds and endowment payouts are intended (by the donor) to be spent quickly, within one year of their receipt, not saved to earn interest.

This policy updates the 1996 local policy, supplants the irrelevant sections of the business and finance bulletin, and sets forth the full conditions under which interest income is distributed at UC Santa Cruz under the Chancellor's authority.

### DEFINITIONS

**Interest Income** – Interest earned from the investment of daily operating cash balances of the campus.

**Short-Term Investment Pool (STIP)** – A cash fund invested daily in short-term securities that earn interest.

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**STIP rate** – The net interest income recorded by the campus from the combined balances of the STIP and TRIP investments for a given period of time, expressed as a percentage.

**Total Return Investment Pool (TRIP)** – A liquid asset of the UC Regents for intermediate-term needs invested in a mix of public equity, fixed income, private assets and derivatives.

## POLICY STATEMENT

This policy updates the 1996 local policy and later amendment, supplants the irrelevant sections of the business and finance bulletin, and sets forth the full conditions under which interest income is distributed at UC Santa Cruz under the Chancellor’s authority.

Effective July 1, 2023 all interest income earned from campus investment of cash balances shall be distributed on a quarterly basis as follows:

- Federal Perkins loan and other federal, state, or local government agencies, including extramural contracts and grants, will receive interest earnings distributions at the then-relevant STIP rate if required by regulation or contractual obligation.
- Gift funds will receive interest earnings distributions at the then-relevant STIP rate ONLY if an exception has been granted by the Vice Chancellor of University Relations in the form of a contractual obligation with the donor at the initiation of the gift fund. [A rarity]
- Housing Services will receive interest earnings distributions at the rate of 1% per annum, or the then-relevant STIP rate if lower, based on fund level 32A and dedicated UC housing capital reserve fund balances. This decision is intended to contribute to resources for building housing and is made in light of the housing crisis on campus and in the community. A future decision to cease providing interest earnings may be made as student housing stock increases.

All remaining interest earnings will be distributed to campus central provisions. This revenue source is part of UCSC’s permanent operating budget and is allocated to various student support and public facing units where state funds may not be allocated, to backfill for state funding gaps, and for unrestricted funds purposes such as capital projects.

## RELATED INFORMATION

UC policies related to the investment portfolios for STIP and TRIP <https://www.ucop.edu/investment-office/investment-policies/stip-trip-policy/index.html>

## REVISION HISTORY

2023-07-01 New policy published.