

SAM - CASH

MAXIMIZATION OF INTEREST EARNINGS

8099

(Revised 03/2013)

The state is vitally concerned in maximizing its interest earnings. Every dollar earned from investments reduces the need for taxes or other income by an equal amount. Interest earnings can be maximized by the earliest practical deposit of receipts and the latest reasonable disbursement of money. Adherence on a day-to-day basis by all departments to sound cashiering, depositing, and other cash flow management practices is an important factor in permitting the state to realize the most interest from the dollars that flow through its system. The state earns approximately \$27 on each million dollars per calendar day for each 1 percent of interest earning rate.

Various sections of the State Administrative Manual (SAM), as summarized below, refer to practices that state departments will follow. For further information, refer to the specific section in the SAM. The following is a synopsis of all significant SAM sections related to this subject.

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8099 (Cont. 1)

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- [8001](#) **Centralized State Treasury System** - The purpose of the centralized State Treasury System (CTS) is to maximize the earning of interest consistent with safe and prudent treasury management and to assure that depository banks provide the state with proper and adequate security for deposits of state money. With few exceptions, all money collected by or in the possession of any state department will be deposited in the CTS.
- [8003](#) **Receipt of Federal Funds** – The purpose of the Federal Letter of Credit is to enable the state department to withdraw cash from the U.S. Treasury concurrently with disbursements. This practice prevents state cash from being utilized for federal program disbursements resulting in a loss of interest earning.
- [8032.1](#) **When to Deposit** – Departments will use the most efficient procedure that provides timely deposits.
- [8032.2](#) **Method of Depositing** – Outlines various methods used to deposit money into the CTS in a timely manner to maximize interest earnings.
- [8422](#) **Purchase and Expense Claims** – Disbursements reduce cash available and therefore reduces interest earned.
- [8776](#) **Accounts Receivable** – Provides instructions for prompt invoicing for amounts due the state to maximize cash flow and subsequent interest earnings.
- [8776.6](#) **NonEmployee Accounts Receivable** – Provides instructions for prompt invoicing for amounts due the state to maximize cash flow and subsequent interest earnings.
- [8776.7](#) **Employee Accounts Receivable** – Provides instructions for prompt invoicing for amounts due the state to maximize cash flow and subsequent interest earnings.