

BUDGET MODIFICATION: WHAT'S THE PROCESS?



When is a budget modification needed?

Agencies often find that between the time a proposal is submitted and the time a grant is officially awarded anticipated costs for specific budgeted lines may need to be revised. Case in point: The ABC Program included a \$10,000 line item budget for registration fees for a Teacher Training Workshop to be conducted by the local County Office of Education (COE). Later, however, the COE advises that all fees associated with the workshop have been waived and training will be provided free of charge. Now there's a dilemma – \$10,000 of grant funding has been designated specifically for a training cost that will not be realized. The program is then made aware that the local K-12 school district has identified 200 additional students who would benefit from attending ABC's Summer Camp at a cost of \$50 per student. This is where that request for a budget modification would be needed.

ABC Project - Original Budget

Account	Description	Amount
660009	Training & Professional Development	\$ 10,000
	<i>COE Teacher Training Workshop: \$400 x 25 teachers</i>	
660829	Participant Expense	\$ 20,000
	<i>ABC Program Summer Camp: \$50 x 400 K-12 students</i>	

ABC Project - Budget Modification Request

Account	Description	Amount	Budget Adjustment Requested	Revised Budget Amount
660009	Training & Professional Development	\$ 10,000	\$ (10,000)	\$ -
	<i>Registration fees for COE Teacher Training Workshop waived</i>			
660829	Participant Expense	\$ 20,000	\$ 10,000	\$ 30,000
	<i>ABC Program Summer Camp: Increase number of K-12 students from 400 to 600 x \$50 per student</i>			



Please note: Sponsor agency approval must first be obtained before the program can move forward with making the identified budget revisions.



How do I request a budget modification?

The first step in the budget modification process is to contact your Grant Accountant for assistance. The avenue for requesting a budget revision may vary depending on the sponsor agency and whether it follows Federal/State guidelines or is a private/non-governmental entity. Usually, instructions are provided in the sponsor agency agreement, but the language can sometimes be difficult to find – this is where Post Award can help.

Normally, a budget modification request must be submitted in writing. As part of the narrative, the following would need to be included:

- The line item budget where there will be cost savings.
- The line item budget to be increased.
- An explanation of what caused the cost savings.
- How the program will benefit from moving the budget from one line item to another.

The request needs to come from the Principal Investigator/Program Director to the sponsor agency's Program Officer. This can sometimes be just a simple email request, or for those agencies that require something more formal, the request may need to be done on campus letterhead and sent as an email attachment or through the mail. For Federal/State awards, a standard form may be required or the agency may have an online process for submitting budget modification requests.



Can I submit additional budget modification requests throughout the life of the grant?

Situations may arise throughout the lifecycle of the grant that dictate the need to move portions of budgets from one line item to another. Maybe the program anticipated utilizing a faculty member to teach a "specialized" summer camp course, but due to unforeseen circumstances, the professor was unable to meet the commitment and an outside guest lecturer was brought in as a replacement. The faculty member would have been paid through payroll, whereas a guest lecturer is paid through the accounts payable system. Here again, there would be a dilemma as the budget would be under "Faculty Overload/Additional Pay" (a payroll account) but the actual cost would be charged to "Guest Lecturer" (non-payroll). With payroll accounts, there are also benefits costs to consider; which is why it's important to work with your Grant Accountant before submitting budget modification requests.

ABC Project - Financial Statement

Category	Account	Description	Budget	Actual Cost	Budget Balance Available
601 Payroll	601302	Faculty Overload/Additional Pay	\$ 15,000	\$ -	\$ 15,000
660 Supplies & Services	660830	Honorarium/Guest Lecturer	\$ -	\$ 7,500	\$ (7,500)



What is the “Ten Percent Rule”?

The ten percent rule means that no modification is necessary if costs do not exceed a specific expense category by more than ten percent. For example, the budget for Purchased Services is \$15,000. As ten percent of \$15,000 is \$1,500, based on this rule the program could incur additional costs of \$1,499 in this line item for a total of \$16,499 without having to request a budget modification. Be aware, however, that not all agencies allow for or follow the ten percent rule, and oftentimes, Federal agencies apply the rule to the cumulative total award amount rather than specific line item categories and only for awards that exceed \$100,000 in funding. **This is where it pays to verify the budget flexibility guidelines for each awarding agency to ensure compliance.**



I've submitted my budget modification request. Now what?

Wait for a response. Remember, sponsor agency approval must first be obtained before the program can move forward with implementing any budget adjustments. There is no guarantee that the grantor will approve the request. Depending on the agency, request for approval, as in the case of a Foundation, may need to go before a Board for review and final determination. Whatever the decision, the Grant Accountant needs to be made aware. If the request is granted, the Grant Accountant will record a budget adjustment in the PeopleSoft financial system for on-going tracking of budget versus expenditures. If the request is denied, it's back to the drawing board. Further discussion may be needed to come up with an alternate spending plan.

