

Category: Budget Flexibility

Issue: Program Budget Variances & Revisions

Definitions: *budget (or program budget)* -a spending plan for expenses covered by the contract

budget revision request- a form submitted by a provider to amend the funding amount for a cost category or line item in a previously approved budget

budget variance- a discrepancy between (1) the approved funding amount for a cost category or line item and (2) the actual expenditure for that cost category or line item, as reported by a provider

disallowed expenditure - funds expended by a provider that the SCA deems unallowable, unreasonable, or unnecessary due to noncompliance with (1) the standard policy for program budget variances and revisions, as stated herein, (2) the purposes specified or authorized by the contract, (3) the stated objectives of the funded program, or (4) OPM's Cost Standards

SCA - acronym for "State contracting agency"

Finding: Pursuant to the POS contract, a provider agrees to expend funds in accordance with the approved program budget. That said, projected and actual expenses may sometimes vary during the term of the contract. In such situations, a provider may find it necessary (1) to report expenditures that vary from the approved budget or (2) to request a revision of the approved budget.

The SCAs have established differing business rules and procedures for handling such budget variances and revisions. Whereas these business rules and procedures are not stipulated by law or regulation, the SCAs see an opportunity to standardize them and give providers more fiscal flexibility at the same time. The intent is to reduce the amount of time-consuming paperwork and, thereby, achieve administrative cost savings for both providers and State contracting agencies.

Standard Policy: **1. Budget Variances Less Than or Equal To 20% or \$5,000, whichever is more***

A provider may incur expenses that vary up to twenty percent (20%) or \$5,000, whichever is more*, for any program budget's cost category or line item without requesting prior approval. All approved budget amounts and corresponding expenditures must be accurately reflected on all required expenditure reports submitted to the SCA. Upon review, any budget variance that the SCA disallows must be reimbursed or reconciled in accordance with the SCA's policy.

2. Budget Variances Greater Than 20% or \$5,000, whichever is more*

If a provider incurs expenses that vary more than twenty percent (20%) or \$5,000, whichever is more*, for any program budget's cost category or line item, a written justification must be submitted to the SCA with the required expenditure report. Upon review, any budget variance that the SCA disallows must be reimbursed or reconciled in accordance with the SCA's policy.

*Note: For the Department of Public Health, the threshold amounts will not include "or \$5,000, whichever is more" provision.

3. Salary And Wage Variances

A provider may vary an individual salary or wage without prior approval if the variance is less than or equal to 15%. If the variance is greater than 15%, a provider must request prior approval from the SCA. *Providers with DDS contracts are exempt from the prior approval requirement for individual wage or salary variances.*

4. Budget Revisions

If a provider anticipates a significant variance from the approved budget, the SCAs strongly recommend that the provider submit a budget revision request. Significant variances include, but are not limited to, (1) anticipation of over-expenditures greatly exceeding the twenty percent threshold, (2) addition of a cost category or line item not currently included in the approved budget, or (3) a material change related to the performance of services under the contract, such as subcontracting services that the contract specifies shall be performed by the provider. The purpose of a budget revision request is to realign contract requirements for expenditures going forward and to assure a provider that any anticipated over-expenditures will be allowable. Upon approval, the amounts of the cost categories or line items will be adjusted in a revised program budget.

Budget revision requests must be submitted not later than 45 calendar days prior to the end of the applicable fiscal year or funding period. Requests submitted after the deadline will not be accepted. A provider shall not implement any significant variance prior to receiving a revised program budget from the SCA. Should a provider not adhere to this process, any variances above the 20% or more than \$5,000, whichever is greater (note DPH and A&G exceptions above), threshold that the SCA deems unacceptable, unnecessary or unallowable will be subject to reimbursement or reconciliation in accordance with the SCA's policy.

Applicability: Cost categories (1) or line items (2) *within* a program budget, as defined by the SCA:

1. Developmental Services (DDS), ~~Mental Health & Addiction Services~~
 2. Children and Families (DCF), Correction, ~~Mental Health & Addiction Services (DMHAS)~~,
~~Public Health (DPH)~~, Social Services (DSS), Office of Early Childhood (OEC),
~~Department of Housing (DOH)~~, Department of Rehabilitation Services (DORS)
 - 2.3. _____
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Notes: A provider wishing to transfer funds *between* programs funded by a SCA must request prior approval.

Contract award amounts can be changed only through a formal contract amendment. Therefore, all variances and revisions must be budget neutral and have no impact on the contract's total cost or value.

Override: If any federal or State law or regulation prescribes a policy or requirement that differs from the one established herein, such policy or requirement shall control and govern.

Effective Date: This policy shall be effective on or before July 1, 201~~3~~⁷ for all POS contracts.