

## BEHAVIORAL HEALTH SYSTEM BALTIMORE

### BUDGET MODIFICATION INSTRUCTIONS

#### **Overview**

A budget modification is a revised budget which restates the original budget and incorporates line item changes desired by either the Provider or BHSB to achieve a new approved budget. A budget modification does not affect the total amount of the BHSB award but may affect the total amount of other funded services. A budget modification is to be distinguished from a supplemental award budget. Both are revised budgets. However, the former does not alter the amount of the BHSB grant/contract award, whereas the latter increases the amount of the BHSB grant/contract award.

A budget modification, when signed by both parties, becomes an addendum to the agreement and supersedes the original budget or any intervening supplemental budget or budget modification. All budget forms included in the last approved budget application are required to be completed and submitted to BHSB as part of the modification request, even if there are no changes on individual forms.

#### **When must a budget modification be submitted?**

A budget modification must be submitted whenever the following line items (referred to as "controlled" line items) change by the indicated percentages:

1. Total of salaries, fringe, consultants by 3%.
2. Equipment by \$1,000.
3. Purchase of Service by the greater of 3% or \$2,000.
4. Renovation/Remodeling by 10%.
5. Estimated third party fee collections by 5%.

The following conditions also require a budget modification:

1. BHSB has specified in the funding agreement, a condition requiring submission of a budget modification, and that condition occurs.
2. Expenditures have been or will be made in an unbudgeted line item.
3. Creation, abolishment or reclassification of positions, e.g. changes in staffing patterns.
4. Significant changes in line-items other than the "controlled" line items. Contact your grants accountant if you require guidance on when a change would be considered "significant".

If one of the above conditions existed and there is not an approved budget modification, **BHSB may disallow the unbudgeted expenditures or expenditures above the tolerance level at the time of Year End Report (440 Forms) submission.** See EXAMPLES of conditions requiring and not requiring budget modifications on the last page of this document.

Explanation or justification for ALL "**controlled**" line item expenditure variances (under and over- spending) will be required at the time the Annual Report 440 submission regardless of the tolerance level.

Explanation or justification for over expenditures in the "**non-controlled**" line items if the over expenditure exceeds 10% of the budgeted line item or \$500 will be required at the time of the Annual Report 440 submission.

## **Submitting the budget modification request**

If the Provider decides to submit a budget modification, the **BHSB 436 Budget Modification Forms** should be completed per the instructions below.

Completed and signed in blue ink original should be submitted as a PDF file with attached excel copy and e-mailed to the Provider's assigned Contract Administrator.

Upon receipt, various BHSB staff may be responsible to review the budget modification. For example, any computer equipment purchases are reviewed by BHSB's Management Information Systems department; staffing or other changes related to special projects are reviewed by BHSB Program Leads. Providers may be contacted by BHSB if there are any questions about the request.

Providers will be notified by Contract Administrator's in writing, within 30 days of the date that the Contract Administrator receives the budget modification request and forms, regarding approval decisions. Providers should contact their Grants Accountant if they have any questions about the status of a pending budget modification.

## **Instructions**

The vendor must list in the appropriate columns the last approved line item budget for BHSB funding, "Other" funding, and the requested budget for both. The current total program budget, requested total program, as well as the remaining columns will be auto-generated based (highlighted in blue) on the current and requested budget items. Subsidiary schedules for salaries, consultant, and equipment costs are attached and should be completed to support the budget summary. It is recommended that they are completed first as the totals are linked to the budget summary page. All proposed budget changes requiring justification, as indicated by a "Yes" in the "JUSTIFICATION REQUIRED?" column require a written explanation on the "Justification" page of this packet.

All budget forms are required to be completed as part of the modification request, even if there are no changes on individual forms.

## **BHSB 436B - Schedule of Salary Costs**

Please include the following information:

- If the most recently approved budget contained a vacant position, and the position becomes filled:
  - Date the position was filled
- If the most recently approved budget contained a filled position, and the position becomes vacant and you anticipate hiring a new staff person:
  - Date original staff person left the position or date position became vacant
  - Date you anticipate new staff will fill the position or actual date if known
- If a new position is being added to the budget:
  - Use a new and unique Job Number
  - Indicate in the Job Title column if the position is full-time or part-time
  - Date new position was added to the budget
  - Justification for the new position should be included on the Budget Modification Request Explanation Page

- If you are deleting an existing position:
  - Date position was abolished/eliminated
  - Do not re-use the deleted position job number
  - Justification for eliminating the position should be included on the Budget Modification Request Explanation Page
  
- Identify positions that satisfy "Required Staffing Pattern" as listed in the Attachment A "Scope of Service and Deliverables."

### **BHSB 436C - Schedule of Consultant Costs**

This schedule must be revised if the consultant costs are different from the BHSB consultant costs on the last approved budget.

### **BHSB 436D - Schedule of Equipment Costs**

This schedule must be revised if the equipment costs are different from the equipment on the last approved budget. Attached to this schedule should also be a copy of the purchase order or cost quote for the equipment being purchased. Please include the following information for each piece of equipment:

- Make and model
- Cost per unit
- In Justification column include:
  - Staff positions who will use the equipment. Note - Equipment must be used by staff positions that are included in the budget.
  - If the new equipment is identical to equipment purchased in the previous year or previous few years, include a justification for the new equipment.
- For replacements, indicate the date the previous equipment was purchased or the age of the replaced equipment. If the old equipment was originally purchased using BHSB funds, indicate the disposal method and disclose any income received from the disposal. This income must be reported on the Annual Report – BHSB 440.
- If the equipment purchase is approved in the budget modification, please note that in addition to the make and model number, the serial number(s) must also be included on the Annual Report – BHSB 440.

### **BHSB 436E – Line Item Budget Narrative (Modification)**

This schedule should be revised if the amount(s) of individual line items are changed. This schedule must contain line item justifications, i.e. detailed description of costs and basis for calculation of the line item expenditure. Show the calculation that supports the amount budgeted. *Note: If the line item changes, it is expected that the basis for calculation of the line item expenditure will also change*

### **BHSB 436F - Anticipated Sources of Funding Page**

This schedule must be revised if the anticipated funding has changed since the last approved budget.

### **BHSB 436G –Budget Modification Explanation Page**

Use this schedule to provide explanations or justifications for modified line items, i.e. the reason(s) why the line item requires modification. Loss of funding from another revenue source is not an acceptable justification for a modification request.

## **EXAMPLES**

### **Examples in which budget modifications *are* required**

Example 1: Tolerance Level for the "Purchase of Service" Line Item is above the greater of 3% of the line item or \$2,000:

Purchase of Service budgeted line item	\$125,000
Purchase of Service expenditures	\$129,000
Overspending	\$4,000
(3% of \$125,000=\$3,750; If budget modification not submitted, \$250 (\$4,000 less \$3,750) may be disallowed by BHSB.)	

Example #2- Expenditure in an unbudgeted line item (Any unbudgeted line item amount Requires that a Budget Modification be submitted to BHSB):

Unbudgeted line item	\$ 0
Unbudgeted Office Supplies expenditures	\$50
(If budget modification not submitted, \$50 may be disallowed by BHSB.)	

### **Examples in which budget modifications are *not* required**

Example #3 - Overspent item is under the \$1,000 tolerance level for equipment:

Equipment budgeted line item	\$2,000
Equipment expenditures	\$2,300
Overspending	\$300

Example #4- Changes to the staffing pattern and variance is under the 3% tolerance level for total of salaries, consultants and budgeted line items:

Total of salaries, and consultants budgeted line item	\$550,000
Salary and consultant expenditures	\$561,000
Overspending	\$11,000
(Change in salary was 2% and therefore under the tolerance level.)	