

# Budget Shifts

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## Objectives

- Partner has a clear understanding of proper procedures for requesting a budget shift
- Partner will better understand when ADF approval is needed prior to shifting funds
- Grantee will receive better guidance on how to request a budget shift and when it is necessary
- Grantee will receive better guidance on how a budget shift can be a grant management tool



## Course Content

### 1. What is a budget shift?

- A budget shift is the transfer of funds between line items in a grant budget.
- It does not increase or decrease the amount of the grant.
- Budget shifts allow the grantee to address any unanticipated savings and costs encountered during project implementation.
- They are not used to substantially change the focus or activities of a grant.

### 2. Shift Rules- Small Shifts

- A. Shifts should be initiated by the grantee because the Grantee is responsible for executing the project within the grant budget. ADF staff or Partners may suggest the need for a shift, but the final decision lies with the Grantee.
- B. WITHOUT prior ADF approval, Grantees may increase a line item up to 15% by shifting funds from other line items within the same category and may increase a category by up to 3% by shifting funds from line items in other categories if:
  - (1) The shift does not compromise the overall purpose of the grant,
  - (2) The funds are no longer needed in the line item being reduced,
  - (3) The shift does not result in an increase in the total grant amount, and
  - (4) The shift does not take funds out of a training category.
- C. After the shift has been completed, the Grantee will notify ADF of the shift as soon as

possible and submit the shift with the next Quarterly Report. A rationale for the shift should be included as well.

### 3. Shift Rules- Large Shifts

- A. Grantees may NOT shift funds without prior written approval from the Foundation if the shift:
  - Is in excess of 15% of a line item,
  - Is in excess of 3% of a category, OR
  - Removes funds from training categories
- B. The shift approval process:
  - (1) The grantee must submit a memo to the Partner including:
    - (a) A table showing the shift (new QRs include a tab for this)  
*For more information see Quarterly Report course* ⓘ
    - (b) A brief explanation of why it is necessary to move funds into a specific line item
    - (c) A brief explanation of why funds are no longer needed in the line items from which they are being removed
  - (2) The Partner reviews the shift and submits the Grantee request to ADFW along with a review memo concurring with the request. The review memo should provide any additional background information necessary to make an informed decision on whether to approve the shift. In making a recommendation, the Partner should consider the following:

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- (a) Will the grantee be able to complete the project if the shift is approved?
  - (b) Is an amendment needed instead because the shift substantially alters the nature of the project or adds new activities?
  - (c) Is the shift consistent with the Grantee progress to date and does it make programmatic sense?
- (3) ADFW will review the shift request and the RPD will approve, reject, or suggest modifications to the request. Once approved, ADFW will send the signed approval to the Partner for distribution to the Grantee.
- (4) The shift **MUST** be approved before the Grantee can commit funds.

- Memos from the Grantee and from the Partner can be as short as one paragraph as long as they clearly justify the shift.
- The Partner memo should not restate information provided in the Grantee memo. Instead, it should state clearly whether the Partner concurs with the shift and give any relevant background information the grantee may have left out.
- Grantees often request shifts from capacity building line items to equipment, building, or overhead line items. These types of shifts are viewed as changing the nature of the grant, are highly discouraged and often not approved when received at ADFW.
- If you are unsure whether a shift is consistent with the intent of the Grant, discuss the options with ADFW before settling on a final solution with the Grantee.

#### 4. Advice from the Experts

- Always check whether a shift is needed with a quarterly report. Shifts are often needed to correct small over-expenditures on the quarterly report.

## Handouts

Budget Shift Quiz