**Question:** How is the 10% budget modification rule applied to Consolidated Payments Grants?

**Answer:** Forest Service grant management policy require prior approval of budget changes that exceed 10% within a single program. Requests to move funding from one program area to another are not allowed.

**Background:** Modifications to grants are described in 7 CFR 3016.30 *Changes*. Specific to this issue, the following sections are included as reference.

(a) *General.* Grantees and subgrantees are permitted to rebudget within the approved direct cost budget to meet unanticipated requirements and may make limited program changes to the approved project. However, unless waived by the awarding agency, certain types of post-award changes in budgets and project shall require the prior written approval of the awarding agency.

(c) *Budget changes (1) Nonconstruction projects.* Except as stated in other regulations or an award document, grantees or subgrantees shall obtain the prior approval of the awarding agency whenever any of the following changes is anticipated under a nonconstruction award:

(ii) Unless waived by the awarding agency, cumulative transfers among direct cost categories, or if applicable, among separately budget programs, projects, functions, or activities which exceed or are expected to exceed ten percent of the current total approved budget, whenever the awarding agency’s share exceeds $100,000.

**FS Policy:** The following section is a draft from proposed interim directive to the Forest Service State & Private Forestry manual, FSM 3000. This provides clarification of the Forest Service policy on modification of Consolidated Payments Grants (CPG).

**Modifications.** Modifications to a CPG require formal approval by the Forest Service if any of the following conditions apply:

a. A budget modification to a single program within a CPG is more than 10% of the total budget for that program.

b. A budget modification decreases funding allotted for training allowances.

c. A revision to the scope of work or objective, regardless of whether there is an associated budget revision.

d. A need to extend the performance period.

e. A need to contract out, subgrant, or otherwise obtain the services of a third party, if not originally included in the budget and scope of work.
The Forest Service will not approve a budget modification requesting movement of funding from one program to another, regardless of the dollar amount. This type of modification is not allowed, even though OMB Circulars allow for a recipient to cumulatively move up to 10% of the total award budget among direct cost categories or programs without prior approval by the awarding agency.

The OMB Circulars state that no Federal awarding agency shall permit a transfer that would cause any Federal appropriation or part thereof to be used for purposes other than those consistent with the original intent of the appropriation. This is reinforced in Section 12 of the Cooperative Forestry Assistance Act of 1978 which allows the use of consolidated payments as long as the use does not adversely affect or eliminate any program authorized under the Act.

Adjustment of State matching funds between programs or within cost categories does not require formal or prior approval as long as the total match amount does not change.