January 31, 2012
Department of Psychology
Guidelines for pre-awards, deficit spending, and fixed price grants

Deficit Spending
Deficit spending may be necessary on some sponsored grants. The PI assumes responsibility for any deficit if an award is not made or if there is a deficit balance at project end. Approval by the Department Chair is necessary before deficit spending is allowed. Deficit spending will be considered if sufficient evidence is provided to indicate the grant will be funded, continue to be funded, or that additional funding will be made. A non-sponsored account may be required to cover a potential deficit or non-funding of the award. An internal agreement between the department and the PI will be established prior to deficit spending. The agreement will set forth the terms of deficit spending. For instance, the department may agree to allow a temporary deficit for a maximum of 3 months or up to $15,000. An email of the agreement should be forwarded to Liz Gates for further processing and dissemination to appropriate staff. Additional forms may be needed for Sponsored Projects Administration or the funding agency.

Three cases in which deficit spending may occur are:

A. Pending/Pre-awards
A pre-award is a request by the PI to begin research prior to the official date of funding or before the final approval of the contract. The University requires a pre-award form signed by the department and the PI to assume responsibility for any deficit if the award is not funded. A pre-award will be considered by the department if the contract or institution allows/approves pre-award spending and if there is sufficient evidence to indicate the grant will be funded.

B. Awarded.
Multi-year awards can be delayed for one reason or another, including a pending sub contract amendment, funding reductions which require re-budgeting, or agency delays.

C. Non Reversion of Funds/Fixed Price Contracts.
By signing this type of contract, the PI agrees to perform specific tasks for a specific cost. The details are spelled out in the contract. For example, “Fifty percent (50%) payable upon the actual initiation of an applicable Study, and the remaining fifty percent (50%) payable following (a) completion of each of the applicable Study and (b) timely receipt of the final report described in Article 2.9(a).”

If the costs are lower than the award, the funds remain in the department. A deficit will occur if the costs are higher than the award. Prior to signing the Proposal Routing Form (PRF) for this type of grant, the Chair and PI should discuss how non-reverted funds and a potential deficit will be handled.