

Deficits

POLICY STATEMENT

In general, grants and restricted funds may not operate with a deficit balance. For purposes of this policy a grant deficit is defined as expenditures in excess of budget, while for non-grant funds a deficit occurs when expenses exceed revenue. The fund financial manager or Principal Investigator (“PI”) must contact their ND Research or Controller’s Group representative to correct deficits in a timely manner. Incurring additional expenses on a fund which is in a deficit position will not be allowed until it has been fully funded. The only exception to this rule pertains to “temporary” deficits. These are generally funded within thirty to ninety days after the deficit occurs. Temporary deficits on grant funds must be approved by ND Research through utilization of the Advance Fund Request Form. Temporary deficit positions on restricted funds must be approved in advance by the Controller and/or the Vice President or Finance.

1. Grant Funds

- a. In general, final federal reports are due within 90-120 days of a project’s end date. These reports cannot be filed when a budget deficit exists or the award contains outstanding encumbrances.
- b. If grant expenses are in excess of budget, the excess must be funded by other sources, such as:
 - i. A PI’s discretionary fund
 - ii. Other restricted funds, assuming the expenses are allowable under the fund’s restrictions
 - iii. Departmental or College funds if approved by the appropriate individual(s)
 - iv. Vice President incentive funds
- c. Revenue cannot be transferred to a grant fund to cover a deficit.
- d. Cost overruns *cannot* be covered by other grant funds, unless the excess expenditures meet the criteria of a closely related project. See the University [Cost Transfer Policy](#) for further guidance.

2. Restricted Funds

- a. If a fund’s expenses exceed its revenue the deficit may be covered by:
 - i. A financial manager’s discretionary fund(s)
 - ii. Other restricted funds, assuming the expenses are allowable under the fund’s restrictions
 - iii. Departmental or College funds if approved by the appropriate individual(s)

- iv. Vice President incentive funds
- b. Revenue may be transferred to a restricted fund to cover the deficit, or expenses may be moved out of the fund.
- c. Grant funds should not be used to cover deficits on restricted funds under any circumstance.

The Controller's Group will facilitate corrective action on a fund in a deficit position through the utilization of a quarterly deficit report. Departments and Financial Managers/PIs must have a plan for corrective action, and notify the Controller's Group and/or ND Research of the plan.