

Office of Sponsored Programs Procedure 30013 Re-Budgeting for Sponsored Projects

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Introduction

Responsible Officials: Assistant Vice President, Research and Innovation and Director, Sponsored Programs; Director of Post-Award Sponsored Agreements

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This procedure outlines the requirements necessary to re-budget sponsored awards. Re-budgeting, also known as budget reallocations, refers to the process of reallocating direct and indirect costs within a sponsored project's approved budget to better align financial resources with project needs, while maintaining compliance with sponsor regulations and institutional policies. The reallocation or re-budget moves funds from one budget cost category to another without increasing the total costs of the award to the sponsor. Reallocating funds between budget categories may impact the indirect costs recovered for that category, which may impact direct costs available in other categories.

Scope

This procedure applies to all principal investigators (PIs), department administrators, and other personnel involved in managing sponsored project budgets at Virginia Tech. It covers federally and non-federally sponsored projects, detailing when sponsor approvals are required and the internal processes to follow.

Procedure Statement

The Office of Sponsored Programs (OSP) functions as the steward of Virginia Tech's research portfolio and is responsible for ensuring that all research proposals and projects comply with university, federal, and sponsor regulations, policies, and procedures. Sponsor policies, guidelines, or requirements would have ascendancy over university guidelines when the sponsor is more restrictive.

Re-budgeting must adhere to sponsor regulations, award terms and conditions, and university policies. Principal investigators (PI) are responsible for ensuring that all re-budgeting activities are justified, documented, and approved as required. If the proposed re-budget requires sponsor approval, the principal investigator must submit an Award Change Request (ACR) in Summit Agreements.

Reason for the Procedure

Re-budgeting accommodates unforeseen project requirements or changes in scope or changes to expenditures in existing categories, ensuring awarded funds are allocated effectively to achieve project objectives. This procedure provides clarity on institutional and sponsor-specific re-budgeting requirements to minimize administrative delays and compliance risks.

Definitions

Re-budgeting: The process of reallocating budgeted funds across categories within a sponsored award.

Facilities and Administrative (F&A) Costs: Indirect costs that apply to direct cost categories, except as exempted (e.g., equipment).

Modified Total Direct Costs (MTDC): The university uses Modified Total Direct Costs (MTDC) in all budgets to federal and commercial research sponsors, and most budgets for foundation awards. MTDC is a subset of direct costs used as the basis for calculating indirect costs (F&A) in grants and contracts. MTDC excludes specific categories of costs that are not subject to indirect cost recovery. The purpose is to ensure fairness and consistency when allocating indirect costs to different projects.

Typical direct costs in which the indirect is excluded in MTDC budgets include

- Equipment (costing \$5,000 or more per unit and having a useful life of more than one year);
- Capital expenditures;
- Participant support costs;
- Graduate student tuition remission;
- Subawards over \$25,000;
- Rental costs for facilities used for project performance.

Consequently, if approved budget funds are reallocated/re-budgeted from one of the above categories for salary/wages, travel, and/or supplies, indirect costs must be allocated to these changes. Also, an Award Change Request must be submitted to re-adjust the budget for the total indirect costs of the award.

Department General Guidelines

- Departments should submit re-budgeting requests in Summit Agreements as an Award Change Request.
 - Each request must include
 - Award number;
 - Copy of the revised budget;
 - Specific amounts and categories to be revised;
 - Written justification tied to project objectives;
 - Sponsor approval documentation, if applicable.
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OSP Procedure

Step 1: Determine Sponsor Requirements

1. A grants management associate reviews the award terms and sponsor guidelines for re-budgeting thresholds and restrictions.
2. Identify if prior sponsor approval is required. Common triggers include the following:
 - Changes in scope or objectives.
 - Adjustments in participant support costs.
 - Reallocation impacting F&A cost recovery.
 - Addition of items not included in original budget, such as the addition of a subaward or equipment.

Step 2: Internal Review Process

1. Department to submit an Award Change Request in Summit Agreements with all necessary details, including the following:
 - Revised budget allocation
 - Justification for changes
 - Impact on project deliverables
2. Post-Award grants management associate will
 - Verify compliance with sponsor and institutional policies.
 - Assess potential F&A cost implications.

Step 3: Sponsor Approval (if required)

1. The principal investigator drafts and submits a justification letter addressing the scientific or programmatic rationale for changes.
2. The grants management associate routes the request for sponsor review and ensures timely follow-up.

Step 4: Implementation

1. Upon approval (internal or sponsor):
 - Award set up team (or the BOT) initiates updates in Banner with the revised budget. This revised budget will be reflected in the Award Management System.
 - The grants management associate sends notification to PI and relevant stakeholders.

2. If denied:
 - The grants management associate communicates the decision to the PI with reasons for rejection.
3. Impact on F&A
 - Rebudgeting may have an impact on the Facilities and Administrative (F&A) costs collected on a project, depending on which categories of costs are being increased and decreased.
 - Departments should review any potential changes to F&A throughout the rebudget process and seek clarification from the post-award grants management associate, if necessary.

Direct Cost/Indirect Cost Categories

When an award uses Modified Total Direct Costs (MTDC) and applies the university's full indirect rate, indirect rates must be applied to specific direct cost categories. Virginia Tech's Negotiated Indirect Rate Agreement requires consistent application of indirect rates to certain direct cost categories even if the direct costs are reallocated (re-budgeted) during the term of the award.

The following table shows direct costs categories and identifies whether indirect rates need to be applied. The chart also lists applicable Banner codes.

Account Group	Category Description (Direct Cost)	Indirect Cost Applied?
111	Employee Fringe Benefits	Yes
112	Salaries	Yes
114	Wages	Yes
120	Contractual Services	Yes
128	Travel, Conventions, Education	Yes
130	Supplies and Materials	Yes
140	Fellowships and Tuition Remission	No
220	Equipment (over \$2K)	No
	Participant Support Costs; Patient Care Cost	No
150	Rental Costs	No
190	Subawards	Yes, but only the first \$25K.

Note that there is no account code for Participant Support Costs/Patient Care Costs; these are set up as a subfund without indirect costs. Under the subfund, travel, contractual services and supplies may be used, but no indirect would be applied because it supports the participant support costs/patient care costs.

Problems with reallocation of costs occur when switching between cost categories that have indirect applied to one without, and vice versa. For example: moving direct costs funds from an equipment purchase (no indirect) to salary and wages (with indirect). Or when the direct cost for graduate student tuition (no indirect) is moved to paying wages to a post doc (with direct). Both examples require a rebudget that correctly charges the indirect rate to the direct cost category.

References

- [Uniform Guidance, 2 CFR Part 200](#)
- Sponsor-Specific Guidelines

Roles and Responsibilities

- **Principal Investigator (PI) or Department:** Initiates and provides justification for re-budgeting requests.
- **Grants Management Associate (GMA):** Reviews and processes rebudgeting requests.
- **Office of Sponsored Programs (OSP):** Ensures compliance with policies and communicates with sponsors.

Approval and Revisions

Approved: September 2, 2025 by the Assistant Vice President, Research and Innovation and Director, Sponsored Programs.

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