

REBUDGETING OF SPONSORED PROJECTS

PURPOSE

To provide a best practice for determining when sponsored projects should be rebudgeted and how to facilitate the process.

GENERAL INSTRUCTIONS

Budget reallocations involve moving funds from one budget category to another without increasing the total amount of the award. Depending on the sponsor and type of award, the procedure for reallocating budgets will vary.

Specific circumstances which may require budget reallocations:

1. When the Principal Investigator (PI) determines that expenditures, in existing categories, are required for items not anticipated in the proposed budget.
2. When a transaction results in a shift between categories that impacts indirect costs- rebudgeting may be needed. In this case, rebudgeting between the direct and indirect costs, as well as between the direct cost categories affected is required.
3. When costs will be incurred in a category that was not in the original budget. For example, equipment was not included in the budget, but a piece of specialized equipment, necessary to perform the research, is purchased.
4. When an increase in a subcontract/consortium agreement results in the total agreement for the project period exceeding the \$25K threshold.

Types of Budget Reallocations

1. Federal Grants Awarded under Expanded Authorities

Most federal agencies have waived cost-related prior approvals and allow an institution to decide minor budget changes under expanded authorities. Under expanded authorities, significant rebudgeting means that a single direct cost category changes more than 25 percent of the total award or \$250,000, whichever is less. These expanded authorities are automatically in force for grants that support research, but they do not apply to contracts.

2. Awards from Private Foundations, States and Other Sponsors

Each Sponsor will have its own rules for rebudgeting. Some will allow rebudgeting within categories up to a certain percentage or dollar limit. Some will allow rebudgeting within categories so long as particular categories are not increased. Many will require the written permission of the sponsor outside the stated limits.

3. Contracts

Conform to the specific language of the contract.

PROCEDURES

If rebudgeting is necessary, a brief justification explaining why the rebudgeting action is needed and how it will benefit the grant must be provided.

Refer to the terms and conditions of the award, the original budget and the sponsor's guidelines to determine if the proposed rebudgeting action is allowable. If under expanded authorities, verify that the rebudgeting does not exceed 25% of the original budget. A prior approval matrix reflecting requirements of select agencies in relation to budget reallocations and other general requirements can be found on the Federal-wide Research Terms and Conditions [website](#) which is currently maintained by the National Science Foundation.

If the proposed budget reallocation is allowable, determine whether it is within the AU's authority or if the permission of the sponsor is required.

If the proposed budget reallocation is within AU's authority, initiate an e-Journal Voucher.

If the proposed budget reallocation requires the permission of the sponsor, the principal investigator must submit a request to the sponsor stating clearly what budget reallocation is proposed and how that reallocation will benefit the project (dependent upon sponsor requirements, the correspondence may be an e-mail, letter, form or electronic system submission). This correspondence should be coordinated with the Office of Sponsored Programs. Select sponsors require institutional approval.

When the sponsor's permission is obtained, initiate an e-Journal Voucher.

In all cases, retain the original authorization from the sponsor or the PI's justification for the department grant file. Forward a copy of the sponsor's authorization of PI's request via the e-Journal Voucher System to the Office of Sponsored Programs for inclusion in the grant file (which will be forwarded to the Office of Contracts & Grants Accounting as well). This will avoid many problems when it is time to close out the grant.

Whenever funds are to be rebudgeted, the following documentation is required:

- E-journal voucher; and
- Justification (which should detail: (1) the need for the reallocation; (2) where funds are being reallocated from; and (3) why residual funds are available for this purpose).

The following documentation should be included as required or applicable:

- Sponsor approval (as required);
- Copy of revised budget (as required); and/or
- Direct cost justification (as applicable).

In addition to this documentation, a cover form is required when a formal award modification is required/provided by a sponsor for rebudgeting of funds.

Please note that in **ALL** cases, sponsor terms and conditions (including prior approval requirements or rebudgeting restrictions or limitations) will determine the required documentation necessary to process a rebudgeting request. However, in the absence of specific guidance from the sponsor, the following matrix is provided to assist in determining the appropriate documentation for processing a rebudget request.

| Type of Agreement | E-journal Voucher | Justification | Revised Budget Document for File |
|--|--------------------------|----------------------|---|
| Cost Reimbursable (CR) Federal Grant | YES | YES | NOT REQUIRED |
| Cost Reimbursable (CR) Federal Contract | YES | YES | AS REQUIRED |
| Fixed Price (FP) Federal Grant | YES | YES | NOT REQUIRED |
| Fixed Price (FP) Federal Contract | YES | YES | NOT REQUIRED |
| Agreements with the State of Alabama (CR/FP) | YES | YES | YES |
| Cost Reimbursable (CR) Grant (Federal-flow) | YES | YES | NOT REQUIRED |
| Cost Reimbursable (CR) Contract (Federal-flow) | YES | YES | AS REQUIRED |
| Cost Reimbursable (CR) Agreements (Other sponsors) | YES | YES | YES |
| Fixed Price (FP) Agreements (Federal-flow) | YES | YES | NOT REQUIRED |
| Fixed Price (FP) Agreements (Other sponsors) | YES | YES | NOT REQUIRED |