TO: Vice Presidents, Associate and Assistant Vice Presidents, Associate and Assistant Provosts, Deans, Directors, and Department Heads

FROM: Deborah Wright
Assistant Vice President, Budget and Planning

SUBJECT: Preparation of Texas A&M University Operating Budget for FY 2012

The Texas A&M University operating budget for FY 2012 is due to the System on June 13th to facilitate Board of Regents approval in July. In meeting this deadline, the process and guidelines adapted from the System’s budget instructions [http://finance.tamu.edu/budget/guidelines/fy2012/2012-System-Budget-Instructions.pdf](http://finance.tamu.edu/budget/guidelines/fy2012/2012-System-Budget-Instructions.pdf) as outlined below, must be followed.

**FY 2012 BUDGET REMINDERS**

- **FAMIS Budget Module/BPP Prep Access** – For first time FAMIS Budget module or BPP Prep users, please complete the following access forms and send to [FAMIS-aid@tamu.edu](mailto:FAMIS-aid@tamu.edu) or [payroll@tamu.edu](mailto:payroll@tamu.edu) respectively:
  - [FAMIS Budget Module Access Form](http://finance.tamu.edu/fmo/ts/forms/fd-805.pdf)
  - [BPP Statement of Responsibility](http://www.tamus.edu/assets/files/bpp/pdf/BPPSystemMainframeSOR.pdf)

- Due to budgetary constraints, a merit program will not be available. No merit recommendations may be applied during Phase II.

- In Phase I, budget ALL accounts funding salaries and/or operations, as well as restricted accounts.

- New Accounts – if a new FY 2012 account will be funding salaries, please be sure to email [Payroll@tamu.edu](mailto:Payroll@tamu.edu) requesting this account be set up in BPP.

- **Vice President, Dean, or designee should notify the Budget Office via email when budget entry for unit is complete in both Phase I and Phase II.** The budget worksheet (formally known as the Form 908) is not required to be submitted to the Budget Office, but a copy of your budget, signed by a Vice President, Dean, or designee, should be filed internally for audit purposes.

- Phase II (individual salary entry in BPP) – Entry may be completed by using the BPP Electronic Feed Template or by manual BPP entry. Training for the BPP Electronic Feed template is scheduled for May 23 – 26, 2011. To register, please go to: [http://vpfnweb3.tamu.edu/twa/do/events/list?submit=true&eventCategory=102](http://vpfnweb3.tamu.edu/twa/do/events/list?submit=true&eventCategory=102).
BUDGET PROCESS

Budget preparation will once again be in two phases. As in recent years, Phase I will represent the lump sum format budget which will be submitted to the Board of Regents for approval. Individual salary recommendations will not be addressed in Phase I. The primary lump sum categories are Faculty Salaries, Non-Faculty Salaries, Unallocated Salaries, Unallocated Merit, Longevity Pay, Wages, Fringe Benefits, Utilities, Scholarships and Fellowships, Capital Equipment (8xxx), Travel, Supplies & Materials, Communications, Maintenance & Repair, Services, Furniture & Equipment and Operations and Maintenance.

Phase I budget preparation will be entered into the FAMIS accounting system using the lump sum items listed above beginning Monday, May 23, 2011. The budget worksheet (Form 908) may be utilized to prepare lump sum budgets http://finance.tamu.edu/budget/guidelines/FY2012/FY2012-Budget-Workpaper.xlsx. Account administrators should enter lump sum recommendations, prepare income estimates (for local fund accounts), and obtain appropriate approvals. All entries must be completed by 5:00 p.m. on Wednesday, June 8, 2011. Signed copies of the budget work paper with Vice President, Dean, or designee approval should be filed internally for audit purposes. Please send notification to the Budget Office that budget entry has been completed and approval has been granted via email to budget@tamu.edu.

Phase II of budget preparation will begin Monday, June 27, 2011. Approved salary recommendations should be entered either in the BPP Prep electronic feed template or on-line into the BPP Prep Budget in Phase II. Departments requiring manual data entry assistance must contact the Budget Office no later than July 11, 2011. BPP data entry and corrections must be complete by Thursday, July 14, 2011.

Account administrators should verify salary recommendations submitted during Phase II. Lump sum totals will be adjusted automatically by FAMIS to remain within Board approved budgets. More detailed information about the final budget adjustment process will be provided when related forms are distributed in June.

All departments must ensure budgeted expenditures do not exceed estimated funds available. In self-supporting activities, total funds budgeted shall not exceed realistic departmental estimates of income and balances brought forward. Caution should be used in budgeting balances brought forward as these budgets must be sustainable in future years.

Unencumbered Educational and General (E&G) and Designated Tuition balances will be automatically carried forward to FY 2012. These amounts are in addition to allocations and should not be re-budgeted.
The following guidelines must be followed to ensure that budgeted expenditures remain within funds available:

**Salaries**

Budgeted salaries should be entered as Salaries Non-Faculty or Salaries Faculty, as appropriate. In developing these amounts, the applicable appointments should be split between accounts and/or fund groups, based on effort. This will ensure consistency with actual results, and thus, compliance with federally required cost allocations in computing the Texas A&M University indirect cost rate. As indicated previously, Phase I consists of lump sum salary budgets, while Phase II will include individual salary increases.

1. **Mandatory Increase for Employees at or below $34,500 annualized salary**
   Recognizing the impact of increases in out-of-pocket benefit costs, a salary increase for budgeted employees earning $34,500 or less has been approved.
   - Hourly employees earning $16.53 or less will receive a $0.29/hour increase.
   - Monthly employees earning $2,875 or less will receive a $50/month increase.
   - Budgeted part-time employees whose annualized 100% effort salary is $34,500 or less will receive a prorated increase based on percent effort.
   - Graduate students are not included.
   - Vacant positions filled on or before 8/31/2011 shall receive the increase.
   - Positions filled on or after 9/1/2011 may receive the increase, but shall be funded internally by the department.

   Note the IRS 15% tax bracket for a single person claiming zero dependents was used as the basis for determining the salary amount criteria. During the budget process, the University will provide allocations to cover this amount for Educational & General, Designated Tuition, and Enhancement Fee Funds only. For Phase I, budget this increase in **Unallocated Salaries**. In Phase II, this increase will be made automatically by the BPP System for affected employees currently in the System.

2. **Merit**
   Due to budgetary constraints, a merit program will not be available. No merit recommendations may be applied during Phase II.

3. **Faculty Promotions**
   Funds have been provided for salary increases for promotions in faculty rank based on 5% of the current 9-month salary of the individuals being promoted. Colleges may supplement these funds from internal sources. In Phase I, these funds should be budgeted in **Unallocated Salaries - Faculty**.

4. **New Positions (Faculty & Non-Faculty) and Title Changes for Existing Non-Faculty Positions**
   New positions and title changes for existing non-faculty positions in the Academic Affairs division must have advance written approval from the Vice President or Provost. For all other divisions, new positions and title changes for existing non-faculty positions must have advance written approval through administrative channels for that division.
All requests must demonstrate how the increases will be funded from existing allocations within BPP and are sustainable in future years. Approved increases should be made effective no earlier than September 1, 2011. With the exception of research titles, new existing non-faculty positions may be reclassified and new non-faculty positions added to the budget, only after the appropriate approval has been issued by Human Resources. If the position has not received final approval, it should be budgeted in the appropriate **Unallocated Salaries** category. See “due dates” section below for information about deadlines for guaranteed completion of HR review.

5. **Equity/Retention Adjustments**
   In some cases, equity adjustments may be necessary to address gender and ethnic disparities, internal salary compression or high external demand for both faculty and staff. These should be made from existing funds available to the department. All equity adjustment requests must be supported by strong evidence of necessity and should be budgeted in the appropriate **Unallocated Salaries** category for Phase I purposes. **All equity adjustments must have Vice President or Provost approval in advance**, must be sustainable in future years, and should be made effective no earlier than September 1, 2011.

6. **Other Salary Adjustments**
   No university-wide Classified Pay Plan adjustments are planned for FY 2012.

7. **Due Dates**
   Human Resources set deadlines for guaranteed completion of requested FY 2012 budgeted staff position classification reviews. Based on the volume of new position and reclassification requests, Human Resources (HR) guarantees the reviews will be completed if requests are received by the following dates:

   - If received by HR (or by the Provost’s office for Deans and Academic units) by Monday, May 2, review completion by Friday, July 1 is guaranteed.
   - If received by HR (or by the Provost’s office for Deans and Academic units) between Tuesday, May 3 and Thursday, July 14, review completion for a September 1 effective date is guaranteed. Note: If approved after September 1, the request can be made effective if it is approved within the biweekly or monthly pay period that includes September 1.

   Please note that requests are submitted for approval and routed as appropriate for the stated deadlines using the Online Employment, Position Description and Performance Evaluation system ([https://tamujobs.tamu.edu/hr](https://tamujobs.tamu.edu/hr)). For additional information or questions, contact Human Resources Classification and Compensation at 845-4170.

**Other**

1. **Longevity Pay**
   Budgeting for Longevity Pay will be handled in the following manner:

   a. Longevity Pay for accounts funded from General Revenue (12xxxx through 16xxxx) will be budgeted in a special account to be centrally administered, and no action is required.
b. Sufficient amounts should be budgeted to cover the estimated fiscal year's expenditures in the lump sum item **Longevity Pay** in each salary paying account in the following fund groups:
   - Service Departments and Designated Funds (2xxxxx)
   - Auxiliary Enterprises (3xxxxx)
   - Restricted Funds (4xxxxx and 5xxxxx)

c. Longevity pay shall be paid to eligible employees at the rate of $20 per month for each **two** years of lifetime service credit. The maximum monthly longevity amount caps on the 42nd year of service or a maximum of $420/month.

2. **Wages**
   Required funding for student workers and other temporary employees (part-time clerk, etc.) should be budgeted as **Wages**. Minimum wage for student workers and other temporary employees in FY 2012 is $7.25. In addition, this category will contain the following:

   1. **Overtime**
      Anticipated overtime costs for both wage and classified positions should be included in this category. Wage and classified employees who work in excess of 40 hours per week must be compensated at 1.5 times their regular rate of pay, unless the extra hours worked are banked as compensatory time.

   2. **Regular Position**
      A regular employee is defined as one who is budgeted by name for 50% or more time for at least 4 ½ continuous months, excluding students other than those described above holding positions for which student status is a requirement.

4. **Utilities**

5. **Travel**
   Travel Expenses in E&G accounts should be budgeted based upon the following **tentative** reimbursement rates:
   - **Personal auto mileage:**
     - **State Accounts:** $0.51 (as determined by the State Comptroller)
     - **Local Accounts:** $0.51 (as determined by the State Comptroller)
   - **Meals and lodging:**
     - **In-state:** Meals (Actual cost, not to exceed $36/day) Lodging (~ $85/day)
     - **Out-of-state:** Shall not exceed amount in Federal Travel Regulations

   - Travel on non-E&G accounts should follow University guidelines.
   - No funds should be budgeted for the reimbursement of partial per diem when traveling on official business that does not require overnight stay.

6. **Supplies & Materials**
   Budgets should be based on careful estimates of actual needs. The appropriate amount should be entered on FAMIS screen 599 as **Supplies & Materials**.
7. **Communications**  
Budgets should be based on careful estimates of actual needs. The appropriate amount should be entered on FAMIS screen 599 as *Communications*.

8. **Maintenance & Repair**  
Budgets should be based on careful estimates of actual needs. The appropriate amount should be entered on FAMIS screen 599 as *Maintenance & Repair*.

9. **Scholarships and Fellowships**  
This category only includes scholarship and fellowships related to students.

10. **Capital Equipment (8XXX)**  
Capital assets are real or personal property that have an estimated life of greater than one year. An asset that has a value equal to or greater than the capitalization threshold must be capitalized. For a complete list of capitalization thresholds, please refer to the budget website at: [http://finance.tamu.edu/budget/guidelines/FY2012/Capital-Budgeting.pdf](http://finance.tamu.edu/budget/guidelines/FY2012/Capital-Budgeting.pdf). Building purchases, construction and improvements can be capitalized; however, building maintenance and repair cannot be capitalized (must be expensed).

11. **Operations and Maintenance**  
Budgets should be based on careful estimates of actual needs. The appropriate amount should be entered on FAMIS screen 599 as *Operation and Maintenance*.

12. **Services**  
Budgets should be based on careful estimates of actual needs. The appropriate amount should be entered on FAMIS screen 599 as *Services*.

13. **Furnishings & Equipment**  
Budgets should be based on careful estimates of actual needs. The appropriate amount should be entered on FAMIS screen 599 as *Furnishings & Equipment*.

14. **Fringe Benefits for Self-Supporting Activities**  
Guidance below applies specifically to self-supporting activities (those accounts not receiving central allocations). Item f - *Accrued Compensable Absences Payable* below applies to **ALL** accounts.

   a. **Estimated Account Balance**  
   Budgets will be entered on FAMIS screen 599, indicating specifically the estimated account balance as of September 1, 2011, estimated income or receipts, estimated transfers, budgeted expenses, and the estimated account balance at August 31, 2012.

   b. **Retirement Contributions**  
   Budgeting instructions for Retirement Contributions are described below:

      1) **Contribution Rates** *(subject to change during 82nd Legislative session)*
      - 6.644% for members of Teacher Retirement System
      - 6.4% for Optional Retirement Program (ORP) participants hired on or after September 1, 1995
      - 8.5% for ORP participants on the state payroll as of August 31, 1995
2) **Account Instructions**
   - Service Department, Designated Fund, Auxiliary Enterprises, and Restricted Fund accounts should include employer contributions in the budget category, *Fringe Benefits*.

c. **Social Security and Medicare Tax – FICA (Employer's Matching Portion)**
   Includes Old Age and Survivors Insurance (OASI) and Old Age Health Insurance (OAHI). Expenditures should be budgeted in *Fringe Benefits* and are computed using the following rates:
   - Calendar year 2011 - 7.65%
     (6.2% for the first $106,800 for Social Security tax, 1.45% of all earnings for Medicare)
   - Calendar year 2012 - 7.65%
     (6.2% for the first estimated $106,800 for Social Security tax, 1.45% of all earnings for Medicare)

d. **Workers’ Compensation Insurance**
   The rate will be .0010 of all salaries and wages. The calculated amount should be budgeted in *Fringe Benefits*.

e. **Unemployment Compensation Insurance**
   The rate for Texas A&M University departments will be .0009 of all salaries and wages, and the resulting amount should be budgeted in *Fringe Benefits*.

f. **Accrued Compensable Absences Payable – All Funds**
   The rate for all leave eligible salaries, regardless of funding, will be **.0066** for faculty and **.0050** for non-faculty and should be budgeted in *Fringe Benefits*.

g. **Group Insurance Premiums – Preliminary**
   Monthly employer contributions for Health and Basic Life premiums for each qualified employee and retiree have changed. The following GIP rates are preliminary based on the current (C.S. HB1) legislative funding and premium estimates. The GIP rates below will be updated when the appropriations and premiums are finalized. Preliminary rates for FY 2012 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Full Time (100%)</th>
<th>Part Time (50.00% – 99.99%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Only</td>
<td>$366.71</td>
<td>$183.36</td>
</tr>
<tr>
<td>Employee and Spouse</td>
<td>551.60</td>
<td>275.80</td>
</tr>
<tr>
<td>Employee and Children</td>
<td>482.27</td>
<td>241.14</td>
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<tr>
<td>Employee and Family</td>
<td>644.04</td>
<td>322.02</td>
</tr>
<tr>
<td>Waiver</td>
<td>183.36</td>
<td>91.68</td>
</tr>
</tbody>
</table>

   Notification about the Final GIP rates will be communicated via the listserv as soon as the decision has been made by the State.

   Only regular employees and students admitted to a graduate program and who are appointed to budgeted positions with titles of Graduate Assistant Teaching, Non-Teaching, Research, and Lecturer will be eligible to receive contributions toward insurance premium payments. Eligibility for these graduate students requires employment for at least 20 hours per week for
a period of at least 4 ½ months. A regular employee is defined as one who is budgeted by name for 50% or more time for at least 4 ½ continuous months, excluding students other than those described above holding positions for which student status is a requirement.

For joint and/or split positions, the monthly contribution will be prorated between accounts and/or parts of the system.

Group Insurance Premiums applicable to accounts funded from Designated, Auxiliary, or Restricted Funds should be budgeted in each account within the Fringe Benefits category.

h. Auxiliaries ONLY – Auxiliary Retiree GIP
Auxiliary Retiree GIP remains $1,500/FTE.

**ESTIMATED INCOME**

Estimates of income should be made on a realistic basis, taking into consideration the projected enrollment for the budget year, and other factors affecting individual departmental operations. These estimates will be reviewed for reasonableness before being finalized.

**Fee Revenue**
The following section concerning fee revenues applies only to those departments that actually budget fee revenues, not those areas that just receive a fee revenue allocation.

When determining fee revenue for mandatory student fees, units should:
- Use 1,300,000 semester credit hours for fees charged by the semester credit hour or a headcount of 109,500 (Fall 47,355; Spring 43,371; Summer 18,774) for fees charged per semester.
- Receive approval from the Office of Budget and Planning for exceptions to using the above SCH and headcount estimates in preparing budget projections.
- Remember that fee rates must be reflective of actual costs when estimating revenue.
- Become familiar with the Hazlewood Act and its potential impact to revenue:
  
  The **Hazlewood Act** provides qualified veterans, spouses, and children with an education benefit of up to 150 hours of tuition and fee exemptions at state supported colleges or universities.

  Effective Fall 2009, this benefit was extended to the dependent children and spouses of eligible veterans who died in the line of duty or as a result of injury, are MIA or totally disabled.

  As of March 2011, the dollar amount of Hazlewood exemptions has already more than DOUBLED for the entire FY 2010. Please contact Tracy Foster at tfoster@vpfn.tamu.edu for anticipated FY 2012 impacts.

**Interest Income**

For departments receiving interest income, earnings should be calculated at 1.5% of the average monthly balance.