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

FROM: Deborah Wright
Executive Director of Budget and Planning

SUBJECT: Preparation of Texas A&M University Operating Budget for FY 2010

The Texas A&M University operating budget for FY 2010 is due to the System on June 15th 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/fy2010/2010-System-Budget-Instructions.pdf as outlined below, must be followed.

**FY 2010 BUDGET CHANGES/REMINDERS**

- In Phase I, budget ALL accounts funding salaries and/or operations, as well as restricted accounts.
- 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. Vice President, Dean, or designee should notify the budget office via email when budget entry for unit is complete.
- Merit pool allocation (the actual funding) for centrally-funded accounts will be by source account, based on 9/01/2008 Gold Plate (FY 2009 Salary Budget).
- Merit pool authority (regardless of how a unit is funded) will be by ADLOC, based on active budgeted, non-graduate salaries as of 3/1/2009.
- Phase II (individual salary entry in BPP) – Entry may be completed by using the BPP Electronic Feed Template http://finance.tamu.edu/budget/guidelines/fy2010/Prep-Budget-Update-Template.xls or by manual BPP entry. BPP Electronic Feed template will be populated with employee, source and recommendation 1 data and sent to departments. Recommendations for merit, equity, promotion, etc., along with changes to source accounts may be entered in the template. Once entry is complete in the template, the unit will forward to the Budget Office via email. The Budget Office will compile the templates and then send to BPP to be loaded electronically into BPP Prep. Training for this process is tentatively scheduled for July 1 and 2, 2009.
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 the first phase. 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. The budget worksheet (Form 908) may be utilized to record lump sum budgets. Account administrators should enter lump sum recommendations, prepare income estimates (for local fund accounts), and obtain appropriate approvals. All entries must be completed by 4:00 p.m. on Thursday, June 11, 2009. 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.

Note that while individual salary recommendations are not required in Phase I, detailed salary information contained in BPP Form 901 will be available in the Division of Finance imaging system. Please contact the Budget Office for more information.

Phase II of budget preparation will begin July 6, 2009. All salary increases (merit increases, faculty promotions, equity adjustments, etc.) 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 17, 2009. BPP data entry and corrections must be complete by July 28, 2009.

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

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 2010. These amounts are in addition to allocations and should not be re-budgeted.
GUIDELINES

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. Unallocated Merit
What is merit and when and how can it be given:
- A merit increase is defined as an increase in recognition of meritorious job performance but is not associated with a promotion or a change in job title resulting from a demonstrable, substantive change in job duties.
- To be eligible for a merit award, an employee must have been employed for the six months immediately preceding the effective date of the merit salary increase, and six months have elapsed since the employee’s last merit salary increase or lump sum merit payment (See University Rule 31.01.01.M7, Employee Compensation Administration for further information).
- To receive a merit increase, an employee must have demonstrated meritorious performance as documented on a current year, formal performance evaluation with a “Meets Expectation” or higher overall rating that has been conducted in accordance with university rules. The employee must not be currently subject to formal disciplinary action.
- Although not required for FY2010 merit awards, it is recommended that an employee’s compliance status with required employee training be taken into consideration when determining merit awards.
- A merit award may be given as a combination of a merit salary increase and a one-time lump sum merit payment with the same effective date.
- Merit increases for individuals exceeding ten percent (10%), whether as a merit salary increase or as a combination of salary increase and one-time lump sum, require documented approval of the appropriate Vice President or Provost.
- Merit pool allocation for centrally-funded accounts (E&G, Designated Tuition and Enhancement Fee funds) with salaries will receive an allocation of 2% based on SOURCE account data.
- The merit pool authority for a unit will be calculated by multiplying March 1st active budgeted, non-graduate salaries by ADLOC at 3%. Units must budget at least a 2% merit pool, but may go up to 3%. (Contact Budget Office for data).
- Tenured/tenure track faculty positions may not be eliminated to internally fund the additional 1%. All other eliminations should be carefully considered and fully justified.
- Merit must be budgeted in the Unallocated Merit category for faculty and non faculty.
Please note: Consistent with previous years, merit increases awarded during Phase II, aggregated at the division level, will be reviewed to verify total merit dollars are within the unit’s available merit pool.

a. Faculty Merit Increases
   For FY 2010, merit increases for faculty should not exceed an aggregate average of 3% for each college (excluding promotion, one-time merit and equity increases) of the Budgeted Faculty positions that are eligible for merit raises, as defined above. In order to help support these increases, 2% of the FY 2009 faculty salary budget for Educational & General, Designated Tuition, and Enhancement Fee funds has been allocated to each unit. For Phase I purposes, these funds should be budgeted in the Unallocated Merit – Faculty category.

b. Staff Merit Increases
   For FY 2010, merit increases for staff should not exceed an aggregate average of 3% for each college or division (excluding promotions, one-time merit or equity) of the Budgeted Non-Faculty positions that are eligible for merit raises as defined above. In order to assist in funding these increases, 2% of the FY 2009 non-faculty salary budget for Educational & General, Designated Tuition, and Enhancement Fee funds has been allocated to each unit. For Phase I purposes, these funds should be budgeted in the Unallocated Merit – Non-Faculty category.

2. 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.

3. New Positions and Title Changes for Existing Non-Faculty Positions
   New positions and title changes for existing non-faculty positions must be approved in advance and must be funded within existing allocations. If the position has not received final approval, it should be budgeted in the appropriate Unallocated Salaries category. Please be aware that the University is subject to a faculty and staff FTE cap set by the 81st Legislature.

a. Non-classified
   With the exception of faculty positions, new positions and title changes to current positions must be approved through normal administrative procedures prior to being budgeted.

b. Classified
   Current classified positions may be reclassified, and new classified positions added to the budget, only after the appropriate approval document or electronic approval has been issued by Human Resources.

Human Resources guarantees a July 1 completion of FY 2010 requests for new positions and reclassifications, if received by May 15. Requests received between May 16 and July 15 will be completed for a September 1 effective date. Requests received after July 15 can be processed to be effective September 1 if they are approved within the biweekly or monthly pay period that includes September 1.
4. **Equity 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; a portion of the merit pool may also be used to fund equity increases for faculty as noted in 1.a above. 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, 2009.**

5. **Other Salary Adjustments**
   No university-wide Classified Pay Plan adjustments are planned for FY2010.

**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.

2. **New Retirees**
   The employment of any new retirees will require the employer to fund the cost of BOTH the employee and employer retirement contribution amounts. This increased employer cost does not apply to retirees who were employed before September 1, 2005.

3. **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 2010 is $7.25. This new rate of $7.25 becomes effective as of July 24, 2009. 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**
   No regular position will be included in *Wages*. A regular position is defined as one requiring a work schedule of 20 hours, or more, per week for at least 4 ½ continuous months or more (excluding positions for which student status is required).

**Utilities**
To view the Approved Utility Rates for Fiscal Year 2010, please refer to the budget website at: [http://finance.tamu.edu/budget/guidelines/FY2010/FY10-UtilityRate.pdf](http://finance.tamu.edu/budget/guidelines/FY2010/FY10-UtilityRate.pdf). Any questions related to budget guidance on utility billings should be directed to Kathy Hubbard, Director of Facilities-Finance; email: kchubbard@tamu.edu; telephone: 458-3957.

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

**Capital Equipment**
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/FY2010/CapitalBudgetingInstructions.pdf](http://finance.tamu.edu/budget/guidelines/FY2010/CapitalBudgetingInstructions.pdf).

Building purchases, construction and improvements can be capitalized; however, building maintenance and repair *cannot* be capitalized (must be expensed).

**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*. This includes items such as supplies, travel, telephone, computing, etc. Travel Expenses in E&G accounts should be budgeted based upon the following *tentative* reimbursement rates:

Personal auto mileage:
- *State Accounts:* $0.55 (as determined by the State Comptroller)
- *Local Accounts:* $0.55 (as determined by the State Comptroller)

Meals and lodging:
- *In-state:* Meals (Actual cost, not to exceed $36/day)    Lodging (Max $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.

**Self-Supporting Activities (Auxiliary Enterprises, Service Centers, etc.)**
Guidance below applies specifically to self-supporting activities

a. **Estimated Account Balance**
   Budgets will be entered on FAMIS screen 599, indicating specifically the estimated account balance as of September 1, 2010, estimated income or receipts, estimated transfers, budgeted expenses, and the estimated account balance at August 31, 2010.
b. **Retirement Contributions**

Budgeting instructions for Retirement Contributions are described below:

1) **Contribution Rates**
   - 6.58% for members of Teacher Retirement System
   - 6.58% 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 2009 - 7.65%
     - (6.2% for the first $106,800 for Social Security tax, 1.45% of all earnings for Medicare)
   - Calendar year 2010 - 7.65%
     - (6.2% for the first estimated $111,300 for Social Security tax, 1.45% of all earnings for Medicare)

d. **Workers’ Compensation Insurance**

The rate will be .0015 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**

The rate for all leave eligible salaries after merit will be .0056 for faculty and .0034 for non-faculty and should be budgeted in *Fringe Benefits*.

g. **Group Insurance Premiums**

Monthly employer contributions for Health and Basic Life premiums for each qualified employee and retiree have not changed. The rates for FY 2010 are as follows:

<table>
<thead>
<tr>
<th></th>
<th><strong>Full Time (100%)</strong></th>
<th><strong>Part Time (50.00% - 99.99%)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Only</td>
<td>$385.82</td>
<td>$192.91</td>
</tr>
<tr>
<td>Employee and Spouse</td>
<td>567.81</td>
<td>283.91</td>
</tr>
<tr>
<td>Employee and Children</td>
<td>499.57</td>
<td>249.79</td>
</tr>
<tr>
<td>Employee and Family</td>
<td>658.81</td>
<td>329.41</td>
</tr>
<tr>
<td>Waiver</td>
<td>192.91</td>
<td>96.46</td>
</tr>
</tbody>
</table>

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.

**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. Exceptions to using these SCH and headcount estimates in preparing budget projections must be submitted to and approved by the Budget Office. When preparing revenue projections, it is important to remember that fee rates must be reflective of actual costs.

**Interest Income**
For departments receiving interest income, earnings should be calculated at .05% of the average monthly balance.