The Texas A&M University operating budget for FY 2006 is due to SAGO in early July. To meet this deadline, we must follow the preparation procedures and schedules adapted from the System budget instructions.

**BUDGET PROCESS**

Budget preparation will once again be in two phases this year. Individual salary recommendations will **not** be addressed in the first phase. The official budget submitted to the Board of Regents will be in lump sum format as in recent years. The primary lump sum categories are **Faculty Salaries, Non-Faculty Salaries, Longevity Pay, Wages, Fringe Benefits, Utilities, Scholarships and Fellowships**, and **Operation and Maintenance**.

Phase I budget preparation will be entered into the FAMIS accounting system using the lump sum items listed above. Form 908 may be utilized to record lump sum budgets (available on the web at [http://budget.tamu.edu](http://budget.tamu.edu)). Account administrators should enter lump sum recommendations, prepare income estimates (for local fund accounts), and obtain appropriate approvals. All entries must be complete by 5 p.m. on Monday, June 27, 2005. **One signed copy of Form 908 with Vice President or designee approval should be returned to the Office of Budgeting and Analytical Services, MS 1183.**

Note that Form 901, listing salary detail, will be available as a reference tool and may be picked up on the 3rd floor of Rudder Tower.

Phase II of budget preparation will begin approximately July 18, 2005. Updated salary Forms 900 and additional instructions will be provided at that time. All salary increases (equity adjustments, faculty promotions, merit increases, etc.) should be entered on-line into the BPP Prep Budget in Phase II. **Forms 900 requiring data entry should be completed, signed, and returned to the Office of Budgeting and Analytical Services, MS 1183, by July 29, 2005. Departments entering data electronically must submit signed forms by August 9, 2005.**
Updated Forms 901 will be distributed by August 8, 2005. Account administrators should verify salary recommendations previously submitted on Forms 900. Lump sum totals will be adjusted automatically by FAMIS in order to remain within Board approved budget allocations. More detailed information about the final budget adjustment process will be provided when related forms are distributed in July.

Budget expenditure recommendations must not exceed estimated funds available. In self-supporting activities, total funds budgeted shall not exceed realistic departmental estimates of income and balances brought forward. These amounts must be shown on the Form 908 and entered on FAMIS screen 599. Caution should be used in budgeting balances brought forward as these budgets must be sustainable in future years.

Unencumbered Educational and General (E&G) balances will be automatically carried forward to FY 2006. These amounts are in addition to allocations provided by each Vice President and should not be re-budgeted.

**GUIDELINES**

The following guidelines must be followed to ensure that budgeted expenditures remain within funds available:

**SALARIES**

Individual salary increase recommendations are not to be submitted in Phase I of the budget process. 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 compliance with federally required cost allocations in computing the Texas A&M University indirect cost rate. Funding has been provided in accordance with the Salary Funding Model (see below) for E&G, Designated Tuition, and University Enhancement Fee funded activities.

1. **Merit Increases**

   A merit increase is defined as an increase in salary for work performed beyond the basic expectations of the job, but not associated with a promotion or a change in job title resulting from a demonstrable, substantive change in job duties. **Meritigious performance must be documented by a performance evaluation that has been conducted in accordance with University policy.** Recommended individual increases exceeding ten percent (10%) require approval of the appropriate Vice President. A merit increase may be awarded if an employee has 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 System Rule 31.01.08, Merit Salary Increases, for further information).

   Note that the available merit pool provided by the University has been reduced by an amount necessary to fund recommendations from the Wage and Benefits Task Force. Instructions related to this pool of funds will be provided at a later date.

   a. **Faculty Merit Increases**

      For FY 2006, merit increases for faculty should not exceed an aggregate average of 2.82% for each college (excluding promotions and equity increases) of the Budgeted Faculty positions that are eligible for merit raises as defined above. Exceptions to this rule will require prior written approval of the Executive Vice President and Provost. In order to support these increases, an allocation of 2.82% of the FY 2005 E&G faculty salary budget (including Designated Tuition and Enhancement Fees) has been allocated to each unit. These funds should be budgeted in the Unallocated Merit – Faculty category. The Dean of each college may set aside a portion of the faculty merit pool to address special cases such as salary compression, salary inequities, and retention.
b. **Staff Merit Increases**

For FY 2006, merit increases for staff should not exceed an aggregate average of 2.82% for each college or division (excluding promotions, equity or pay plan adjustments) of the Non-Faculty positions that are eligible for merit raises as defined above. Exceptions to this rule will require prior written approval of the President. In order to assist in funding these increases, an allocation of 2.82% of the FY 2005 E&G non-faculty salary budget (including Designated Tuition and Enhancement Fees) has been allocated to each unit. These funds should be budgeted in the Unallocated Merit – Non-Faculty category.

2. **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 including, for faculty, part of the merit pool mentioned 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. All equity adjustments must have Vice President approval in advance, must be sustainable in future years, and should be made effective no earlier than September 1, 2005.

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. **Classified Pay Plan**

Please refer to the Human Resources Department Internet homepage at [http://hr.tamu.edu/classification/pay-changes.pdf](http://hr.tamu.edu/classification/pay-changes.pdf) for information that identifies job titles and corresponding minimum salary rates. Departments must ensure that minimum rates are adhered to for all classified positions as of September 1, 2005.

5. **Other**

a. **New Positions**

New positions (including 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 of the impacts to the faculty and staff FTE cap as set by the 79th legislature when establishing new positions.

1) **Non-classified**

   With the exception of faculty positions, new positions (including current position title changes) must be approved through normal administrative procedures prior to being budgeted.

2) **Classified**

   Current classified positions may be reclassified, and new classified positions added to the budget, only after the appropriate Position Allocation Notice (PAN) has been issued.
b. **Longevity Pay**

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

1) 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.

2) 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)

3) Longevity pay shall be paid to eligible employees at the rate of $20 per month for each two years of lifetime service credit. Note that this is a change resulting from new legislation passed by the 79th Legislature.

c. **Legislation Affecting New Retirees**

As a result of new legislation passed by the 79th Legislature, the employment of any new TRS retirees beginning September 1, 2005, will require the employer to fund the cost of BOTH the employee and employer retirement contribution amounts. The hiring department will be required to fund these expenses. This increased employer cost does not apply to retirees currently employed or those employed before September 1, 2005.

**WAGES, OPERATION AND MAINTENANCE, AND SELF-SUPPORTING ACTIVITIES**

1. **Wages**

Required funding for student workers and other temporary employees (part-time clerk, etc.) should be budgeted as *Wages*. In addition, this category will contain the following:

a. **Overtime**

   Anticipated overtime costs for both wage and classified positions should be included in this category. Persons 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.

b. **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 1/2 continuous months or more (excluding student positions).

2. **Operations and Maintenance**

   Recommendations 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, capital equipment, etc. State guidelines for Travel Expenses in E&G accounts should be projected upon the following tentative reimbursement rates:
Personal auto mileage: $.405 (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.
- Please be reminded that the budget categories for Utilities and Scholarships and Fellowships should be used for budgeting related requirements rather than Operation and Maintenance.

3. Self-Supporting Activities

a. Estimated Account Balance
Budget requests will be submitted on Form 908 or entered on FAMIS screen 599, indicating specifically the estimated account balance as of September 1, 2005, estimated income or receipts, estimated transfers, budgeted expenses, and the estimated account balance at August 31, 2006.

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

1) Contribution Rates
   - 6.0% for members of Teacher Retirement System
   - 6.0% 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. Old Age and Survivors Insurance (Employer’s Matching Portion)
Funds to be budgeted in Fringe Benefits are computed using the following rates:
   - Calendar year 2005 - 7.65%
     (6.2% for the first $90,000 for Social Security tax, 1.45% of all earnings for Medicare)
   - Calendar year 2006 - 7.65%
     (6.2% for the first estimated $93,000 for Social Security tax, 1.45% of all earnings for Medicare)

d. Workers’ Compensation Insurance
The rate will be .0040 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. Group Insurance Premiums

Monthly employer contributions for each qualified employee and retiree have changed. The rates for FY 2006 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>$344.41</td>
<td>172.21</td>
</tr>
<tr>
<td>Employee and Spouse</td>
<td>486.66</td>
<td>243.33</td>
</tr>
<tr>
<td>Employee and Children</td>
<td>433.32</td>
<td>216.66</td>
</tr>
<tr>
<td>Employee and Family</td>
<td>557.79</td>
<td>278.9</td>
</tr>
<tr>
<td>Waiver</td>
<td>172.21</td>
<td>86.10</td>
</tr>
</tbody>
</table>

Only regular employees and students admitted to a graduate program who are appointed to budgeted positions with titles of Graduate Assistant Teaching, Nonteaching, 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 percent 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.

While accounts funded from General Revenue should not include a budgeted amount for Group Insurance Premiums, amounts applicable to accounts funded from Designated, Auxiliary, or Restricted Funds should be budgeted in each account within the Fringe Benefits category. In addition, departments are reminded that there will be higher out-of-pocket costs to employees for some plans due to the escalating cost of insurance premiums.

**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. Departments receiving support from centrally funded operations will prepare budget requests based upon approved allocations from the appropriate Vice President.