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

FROM: K. Sue Redman

SUBJECT: Preparation of Texas A&M University Operating Budget for FY 2005

May 21, 2004

The Texas A&M University operating budget for FY 2005 is due to SAGO June 11, 2004. To meet this deadline, we must follow the preparation procedures and schedules adapted from the System budget instructions. After deliberation by the President, the Executive Vice President and Provost, the Vice Presidents, and the Deans, the following guidelines are issued.

**BUDGET PROCESS**

Budget preparation will once again be in two phases this year. Salary recommendations will not be handled 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 and will require utilization of the lump sum items listed above. Primarily, personnel at the Dean/Director’s level or their designees will accomplish entry of budget data.

Form 908 to record lump sum budgets is available on the web at [http://budget.tamu.edu](http://budget.tamu.edu). Form 901, which lists salaries, is intended for reference only and is available for pickup at the Business Management Services Building (BMSB). Related budget instructions are included herein. Account administrators should enter lump sum recommendations, prepare income estimates (for local fund accounts), and obtain appropriate approvals. **Vice Presidents should return one signed copy of the budget Forms 908 or equivalent to the Office of Budgeting and Analytical Services, MS 1183, by 5 p.m. June 4, 2004.**

The second phase of budget preparation will begin approximately July 19, 2004. 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 2. **Forms 900 requiring data entry should be completed, signed, and returned to the Office of Budgeting and Analytical Services,**

Updated Forms 901 will be distributed by August 9, 2004. 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. Preparation of specific justification forms is not required. However, all departments should be prepared to justify their budget requests.

Unencumbered Educational and General (E&G) balances will be automatically carried forward to FY 2005. 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 appropriately as Salaries Non-Faculty or Salaries Faculty. 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, UAT, 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. **Meritorious 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).

   a. **Faculty Merit Increases**

      For FY 2005, merit increases for faculty should not exceed an aggregate average of 3% 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 3% of the FY 2004 E&G faculty salary budget (including UAT and Enhancement Fees) has been allocated to each unit. These funds should be budgeted in the Unallocated Merit – Faculty category.

   b. **Staff Merit Increases**

      For FY 2005, merit increases for staff should not exceed an aggregate average of 3% 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 3% of the FY 2004 E&G non-faculty salary budget (including UAT and Enhancement Fees) has been allocated to each unit. These funds should be budgeted in the Unallocated Merit – Non-Faculty category.

c. Graduate Assistants
For FY 2005, merit increases for graduate assistants should not exceed an average of 3% of the Graduate Assistant positions that are eligible for merit raises as defined above. In order to assist in funding these increases, an allocation of 3% of the FY 2004 E&G graduate assistant lump sum budget (including UAT and Enhancement Fees) has been allocated to each unit and should be budgeted in the Unallocated Merit – Graduate Assistants category.

2. Equity Adjustments
In some cases, equity adjustments may be required to address gender and ethnic disparities, internal salary compression or high external demand. 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. 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, 2004.

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 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, 2004.

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. Impacts to the FTE cap as set by the 78th legislature should be considered 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 three years of lifetime service credit.

WAGES, OPERATION AND MAINTENANCE, AND SELF-SUPPORTING ACTIVITIES

1. Wages
   Required funding for non-budgeted employees (part-time clerk, student labor, 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 ½ 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: between $.35 and $.375 (as determined by the State Comptroller)
   - Meals and lodging: In-state Meals (Maximum $30/day)  Lodging (Maximum $80/day)
     Out-of-state Shall not exceed amount in Federal Travel Regulations
   - Travel on local 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, 2004, estimated income or receipts, estimated transfers, budgeted expenses, and the estimated account balance at August 31, 2005.

   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 2004 - 7.65%  
        (6.2% for the first $87,900 for Social Security tax, 1.45% of all earnings for Medicare)
      - Calendar year 2005 - 7.65%  
        (6.2% for the first $90,500 for Social Security tax, 1.45% of all earnings for Medicare)

   d. **Workers’ Compensation Insurance**
      The rate will be .0045 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 state contributions for each qualified employee and retiree have not changed. The rates for FY 2005 are as follows:

      |                      | Full Time (100%) | Part Time (50.00% – 99.99%) |
      |----------------------|------------------|-----------------------------|
      | Employee Only        | $291.20          | $145.60                     |
      | Employee and Spouse  | $422.93          | $211.47                     |
      | Employee and Children| $373.54          | $186.77                     |
      | Employee and Family  | $488.80          | $244.40                     |
      | Waiver               | $145.60          | $72.80                      |

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