June 3, 2013

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

FROM: Deborah Wright
Associate Vice President for Finance

SUBJECT: Preparation of the FY 2014 Texas A&M University Budget

The FY 2014 Texas A&M University Budget is due to System Offices on June 21st and will be presented to the Board of Regents for final approval on August 8, 2013. In order to meet this deadline, the following Budget Instructions have been established.

**IMPORTANT REMINDERS**

- Phase I-Lump Sum Budget Process will run from Tuesday, June 4 until Monday, June 17, 2013. Phase II-Salary Budget Process will run from Friday, July 5 through Friday, July 26, 2013. For further details, please reference the FY2014 Budget Calendar on the Budget & Planning website.

- A merit program is planned, but the final amount has not yet been determined. Once the University’s 2014 merit program has been finalized, central allocations will be provided for 1xxxxx, 237xxx, 24xxxx, and 337xxx accounts to assist in funding the merit awards. All other merit awards will be self-funded. Merit pool budget should be budgeted in the unallocated merit – faculty or unallocated merit – non-faculty category. Merit recommendations applied during Phase II should be made in Recommendation 2 ONLY. See the addendum to these instructions for a more detailed explanation of merit awards and funding.

- **ALL accounts that will be funding salaries and/or operations in FY 2014 must be budgeted in Phase I of the budget process.** This includes accounts in the restricted range (4xxxxx – 6xxxxx). For salary changes to be implemented in Phase II, a lump sum amount must have been budgeted in Phase I. The Phase I and Phase II budgets will be reconciled in total for the university and must match. Departments may use discretion as to the materiality of budgets on accounts that have no salaries and minimal expense volume.

- If new FAMIS accounts are needed for the FY 2014 Budget, please submit a [New Account Request](#) to Financial Management Operations. Please submit your requests as early as possible as time is limited during the budget process. Also, new accounts that will be funding salaries in Phase II, please contact [Payroll Services](#) to have the account set up in BPP. If you do not see any budget categories on your new account in FAMIS, contact the Office of Budget & Planning to add a budget pattern.

- Texas A&M University has a decentralized budget and has delegated budget authority down to division and departmental levels. It is up to each division/department to adequately document the proper approval of all budgets that are entered into FAMIS. This will ensure that proper authority and documentation exists for audit purposes.
**ACCESS TO FAMIS BUDGET SCREENS**  
in Phase I and Phase II

Entry of budgets will again occur in the FAMIS Budget Module in Phase I. Budgets can be modified in Phase II if salary changes in BPP affect any of your submitted Phase I budgets.

- **Recurring FAMIS Budget Module Access:**
  - Current users who had update access to the FAMIS Budget Module screens in the previous year will automatically have their update access turned on prior to the beginning of Phase I. If you have changed departments since last year, you may need to submit a new [FD-805: Financial Systems Access Request Form](mailto:fd-805@tamu.edu) to make sure you have update access for your new department. Any access difficulties should be reported to FAMIS Training & Security directly at 458-5555 or [fmo-fts@tamu.edu](mailto:fmo-fts@tamu.edu).

- **First-time FAMIS Budget Module Access:**
  - For users who will be accessing the FAMIS Budget Module for the first time, please submit the [FD-805: Financial Systems Access Request Form](mailto:fd-805@tamu.edu). List the DEPTS for which you are requesting budget access in Section 4 and return to FAMIS Training & Security at the address/e-mail listed. Please do not return to the Office of Budget & Planning.
  - For users who will be accessing BPP Prep for the first time, please submit a [BPP Statement of Responsibility](mailto:payroll@tamu.edu) to the Texas A&M University Payroll Services at Mail Stop 1261 or [payroll@tamu.edu](mailto:payroll@tamu.edu).

**ACCESS TO BPP PREP SCREENS**  
in Phase II

Everyone is again encouraged to use the BPP Prep Upload template to input their salary changes in BPP during Phase II. However, manual entry into BPP Prep will be available if needed. The **deadline for requesting BPP Prep Access is noon on Wednesday, June 26, 2013.**

- **Recurring BPP Prep Access:**
  - Current users must request update access to BPP Prep Screens by sending an e-mail to [payroll@tamu.edu](mailto:payroll@tamu.edu) to the attention of Danny Grimes or Laura Quirino. Please note “Prep Budget Access” in the subject line of the message.

- **First-time BPP Prep Access:**
  - For users who will be accessing BPP Prep for the first time, please submit a [BPP Statement of Responsibility](mailto:payroll@tamu.edu) to the Texas A&M University Payroll Services at Mail Stop 1261 or [payroll@tamu.edu](mailto:payroll@tamu.edu).

- Further BPP Update Access instructions are available on our website: [Prep Budget Access for Entry of Data into the Payroll System](mailto:preprepaccess@tamu.edu)

- Staff will be available in Payroll and the Office of Budget & Planning to assist you with BPP manual entry if needed.
THE BUDGET PROCESS

Budget preparation will once again be in two phases. Lump sum amounts for budgeted revenues and expenses are entered into FAMIS by account in Phase I. This budget is submitted to the Board of Regents for approval as the official Texas A&M University budget. In Phase II, individual salary recommendations are entered into BPP by PIN. Any salary adjustments in BPP will require the lump sum amounts in FAMIS to change to keep the Phase I and Phase II budgets in balance. The Phase II budget in FAMIS becomes the Operating Budget that is loaded into the accounting module for the next fiscal year. The Phase II prep budget becomes the basis for the beginning active payroll budget for the next fiscal year.

Phase I

Phase I lump sum amounts can be entered into FAMIS on Screen 599 beginning Tuesday, June 4, 2013. The Excel Document: Budget Worksheet (Form 908) may be utilized to prepare lump sum budgets. Central allocations will be made prior to the opening of Phase I and users will be notified by e-mail of the amounts. Internal allocations and transfers can be made using Screens 560-563. Income estimates and beginning balances should be determined for local accounts. Lump sum recommendations for expenses should be determined for all accounts. All entries must be completed by 5:00 p.m. on Monday, June 17, 2013.

Phase II

Phase II will begin Friday, July 5, 2013. Approved salary recommendations should be entered either in the BPP Prep electronic feed template or manually into the BPP Prep Budget in Phase II. The deadline for uploading BPP Prep Template data is Friday, July 19, 2013. Departments requiring manual data entry assistance must contact the Office of Budget & Planning or Payroll Services no later than Thursday, July 25, 2013. Phase II will end on Friday, July 26, 2013.

Account administrators should verify salary recommendations submitted during Phase II using Prep Salary Reports. Lump sum budget totals in FAMIS on accounts that have had salary changes will be adjusted automatically to remain within Board Approved budgets. It is important that account administrators also check their FAMIS budgets to ensure that everything is still in balance to their Phase I lump sum budgets.
SOURCES OF FUNDING

BEGINNING ACCOUNT BALANCES

Account administrators are encouraged to estimate their September 1, 2013 beginning balance and enter it in FAMIS on local, non-centrally funded Service Department and Auxiliary accounts. Based on whether or not an account has a budgeted surplus or deficit, a projected ending balance as of August 31, 2014 will be calculated by FAMIS.

Ending FY 2013 Unencumbered E&G, Designated Tuition, and University Advancement Fee (designated fund group only) account balances will be automatically carried forward to FY 2014. These amounts are in addition to allocations and should not be re-budgeted as beginning balances in FAMIS. In order to utilize the carry forward balance as a source of funding for salaries or other expenditures, the following conditions must be met:

1. The account must not receive or distribute a new allocation in the upcoming fiscal year
2. Account administrators must notify the Office of Budget & Planning to set the account to “Not Feed” into accounting

For guidance on whether or not to budget a beginning balance on a specific account, please contact the Office of Budget & Planning for assistance.

ESTIMATED REVENUES

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.

1. 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.
   
   a. When determining fee revenue for mandatory student fees, units should:
   b. Use 1,350,000 semester credit hours for fees charged by the semester credit hour or a headcount of 114,000 (Fall 50,000; Spring 47,000; Summer 17,000) for fees charged per semester.
   c. Receive approval from the Office of Budget and Planning for exceptions to using the above SCH and headcount estimates in preparing budget projections.
   d. Remember that fee rates must be reflective of actual costs when estimating revenue.
   e. Remember to consider the impact of the Hazlewood Act and its effects on revenue

2. Interest Income: For departments receiving interest income, earnings should be calculated at 1.5% of the average monthly balance.
BUDGETED EXPENDITURES

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.

BUDGETED PERSONNEL COSTS

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.

Unallocated Merit

1. A merit award 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.

2. 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).

3. To receive a merit increase, an employee must have demonstrated meritorious performance as documented on a current year, formal performance evaluation with an “Achieves” or higher overall rating (or equivalent language in modified performance evaluation forms approved by Human Resources) that has been conducted in accordance with university rules.

4. Although not required for FY2014 merit awards, it is recommended that an employee’s compliance status with required employee training be taken into consideration when determining merit awards.

5. 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.
6. 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.

7. Each ADLOC will receive notification of the total amount of Merit Awards they have authority to grant.

   a. **Faculty Merit Increases:** For FY 2014, merit increases for faculty should not exceed an aggregate average of the approved merit percentage 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. For Phase I purposes, these funds should be budgeted in the **Unallocated Merit – Faculty** category.

   b. **Staff Merit Increases:** For FY 2014, merit increases for staff should not exceed an aggregate average of the approved merit percentage 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. For Phase I purposes, these funds should be budgeted in the **Unallocated Merit – Non-Faculty** category.

8. 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 authority.

9. Please see the end of this document for an explanation of the difference between Merit Authority and Merit Pool funding.

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**Unallocated Salaries**

1. **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**.

2. **New Positions** (Faculty & Non-Faculty) and **Title Changes for Existing Non-Faculty Positions**:

   a. New positions and title changes for existing non-faculty positions must have advance written approval through administrative channels for that division.

   b. All requests must demonstrate how the increases will be funded from existing allocations within BPP and are sustainable in future years.

   c. Approved increases should be made effective no earlier than September 1, 2013.

   d. 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.
e. If the position has not received final approval, the salary amount should be budgeted in the appropriate **Unallocated Salaries** category.

3. **Equity/Retention Adjustments**
   a. 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.
   
   b. 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.
   
   c. Non-faculty equity adjustments must be reviewed and approved by Human Resources prior to being submitted to the Vice President or Provost for approval.
   
   d. 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, 2013.

4. **Classification Reviews** are submitted using the PATH (Portal Access for Total HR) system, which can be accessed via Single Sign On (SSO) using the menu option labeled: PATH Portal Access Total HR. For additional information or questions, contact Human Resources Classification and Compensation at 845-4170.

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**Longevity Pay**

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:
   a. Service Departments and Designated Funds (2xxxxx)
   b. Auxiliary Enterprises (3xxxxx)
   c. 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. The maximum monthly longevity amount caps on the 42nd year of service or a maximum of $420/month.

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**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 2014 is $7.25 per hour.

In addition, this category will contain anticipated overtime costs for both wage and classified positions. 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.

**Fringe Benefits**

E&G and certain designated accounts are considered fringe-bearing and therefore the fringe benefits (other than Accrued Absences Payable or ACAP) are paid centrally by the university. Guidance below applies specifically to self-supporting activities (Service Department, Designated Fund, Auxiliary Enterprises, and Restricted Fund accounts). These amounts should be budgeted in the Fringe Benefits category.

1. **Retirement Contributions**: Should include employer contributions only.

   **Contribution Rates**
   
   a. 6.8% for members of Teacher Retirement System
   b. 6.6% for Optional Retirement Program (ORP) participants hired on or after September 1, 1995
   c. 8.5% for ORP participants on the state payroll as of August 31, 1995

2. **Social Security and Medicare Tax – FICA (Employer’s Matching Portion)**: Includes Old Age and Survivors Insurance (OASI) and Old Age Health Insurance (OAHI).

   **Rates**
   
   a. Calendar year 2013 - 7.65% (6.2% for the first $113,700 for Social Security tax, 1.45% of all earnings for Medicare)
   b. Calendar year 2014 - 7.65% (6.2% for the first estimated $116,000 for Social Security tax, 1.45% of all earnings for Medicare)

3. **Workers’ Compensation Insurance (WCI)**: The rate will be .0010 (.10%) of all salaries and wages.

4. **Unemployment Compensation Insurance (UCI)**: The rate will be .0009 (.09%) of all salaries and wages.

5. **Accrued Compensable Absences Payable – All Funds**: Applies to all leave eligible salaries, regardless of funding.

   **Rates**
   
   a. The rate will be .0075 for faculty and
   b. The rate will be .0062 for non-faculty

6. **Group Insurance Premiums (GIP)**:

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

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

**Employer Rates:**

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<th>Medical</th>
<th>Basic Life</th>
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<td>Employee Only</td>
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<td>Employee + Spouse</td>
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<td>693.63</td>
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<td>Employee + Children</td>
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<th>Medical</th>
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7. **Auxiliaries ONLY – Auxiliary Retiree GIP:** Auxiliary Retiree GIP remains $1,500/FTE.
BUDGETED OPERATING EXPENSES (NON-PERSONNEL)

1. **Utilities**
   a. Budget guidance on utility billings should be directed to Yasuko Sakurai, Manager of Utilities Analytical Services
      1) Email: ysakurai@utilities.tamu.edu;
      2) Telephone: 845-1055.
   b. More information can be found at the Utilities Website.

2. **Travel**
   a. Reimbursement rates on E&G accounts:
      Personal auto mileage: $.565/mile
      Meals & Lodging: Actual cost up to the Federal Travel Limit as specified on the General Services Administration (GSA) website. (if destination is not listed on the GSA website, then Meals are limited to $46/day and Lodging $77/day).
   b. No funds should be budgeted for the reimbursement of partial per diem when traveling on official business that does not require an overnight stay.
   c. Travel on local accounts should follow University guidelines.
   d. A $7.58 charge will be billed per every CONCUR Expense report. This should be budgeted under Operations & Maintenance below.
   e. More information can be found at the Travel Website.

3. **Supplies & Materials**
   Supplies & Materials include consumable supplies such as office supplies, computer consumables, paper goods & janitorial goods, fuels & lubricants, parts, building and shop supplies, etc.

4. **Communications**
   a. This category includes charges related to telephones and other communication devices.
   b. Rates and more information on telecommunications can be found at the Telecommunications Website.

5. **Maintenance & Repair**
   This category includes non-capitalized maintenance & repairs on vehicles, equipment, buildings and land improvements.

6. **Scholarships and Fellowships**
   This category only includes scholarship and fellowships related to Texas A&M students.
7. **Capital Equipment (8XXX)**
   a. Capital assets are items whose value is $5,000 or greater AND have a useful life of greater than one year. This includes equipment, furniture, software, licenses (intellectual property), etc.
   
   b. Building purchases, construction and improvements can be capitalized; however, building maintenance and repair that does not extend the usual life of the building should be expensed and not capitalized.
   
   c. Contact the Office of Budget & Planning for further guidance.

8. **Operations and Maintenance**
   This category refers to items such as dues, training, rentals, fees and other items that do not fit into one of the other listed categories.

9. **Services**
   a. Services include amounts paid for services rendered including, but not limited to, contracted services, data processing and other computer services, advertising, administrative cost recovery (auxiliary assessment), etc.
   
   b. General Computing Rates from Computing Information Services can be found at the CIS Website.

10. **Furnishings & Equipment**
    Furnishings & Equipment includes items that are not consumable supplies but do not qualify as capitalized assets. Examples are computers, computer software, office equipment, cameras, etc.
ADDENDUM: Merit Authority vs. Merit Pool (Funding for Merit Awards)

Merit Authority is based on ADLOC organization and is defined as the total dollar amount that has been delegated to grant merit awards for the next fiscal year (beginning September 1). This amount is determined as of March 1 of the current fiscal year, which is the eligibility date for employees (six months immediately preceding the effective date of the increase).

The Merit Pool is based on salary source accounts and is the total dollar amount of funds that a department must provide to fund the merit increases that have been approved for positions sourced on their departmental accounts. When budgeting salaries on an account, careful consideration must be given to positions that are sourced on their departmental accounts but ADLOC’d elsewhere.

Non-centrally funded accounts must fund this pool from their own revenues. Centrally-funded accounts will receive an allocation to assist in the funding of these merit increases during the annual budget process. The amount of this allocation is equal to the total salaries on the final submitted Phase II FAMIS budget of the current fiscal year times the merit percentage. This will be equal to the “Goldplate” salary budget that will be loaded from the Prep Budget to the Active Budget at the end of Phase II. Changes made after the Prep Budget is loaded are not included. The total salaries amount includes salaries categorized as Faculty, Non-Faculty and Summer Teaching but does not include Wage or Graduate Student Positions.

The amount of the allocated pool may or may not equal the amount of the delegated authority, depending on how many salary changes have occurred since the beginning of the current fiscal year.

If the Merit Pool allocation to centrally-funded areas is greater than the delegated Merit Authority, the organization may use these additional funds for other salary increases (within their delegated limits) or for operating expenses. If the allocated Merit Pool is smaller than the delegated Merit Authority, the organization must make adjustments to their budget or use reserves to make up the total amount of delegated Merit Authority.