MEMORANDUM

TO: Financial Managers

FROM: Kyle Clark, Vice President for Administration and Finance and Chief Financial Officer

DATE: May 21, 2012

SUBJECT: FY 2013 Operating Budget Policy and Guidelines

The goal of the FY 2013 Operating Budget is a budget that supports the University’s strategic priorities.

A 2% merit program for faculty and staff has been recommended by President Guy Bailey. The recommended merit will be effective September 1, 2012 for Fiscal Year 2013. The criteria and procedures for awarding merits to employees who exhibited meritorious performance are outlined in the Merit Policy section of this document. There will be a separate memo provided by the Provost Office concerning additional requirements for faculty merit.

The FY 2013 Budget Prep modules are now open to users. The final budget requests will be due back to the Budget Office on June 8, 2012 at 5:00 pm. Intermediate deadlines should be determined and communicated by each college and/or division.

Budget Office staff will be providing hands-on “Budget Prep Workshops” beginning Tuesday, May 22nd. If you will be a user of the system, please register via the AFISM Training website:
http://www.depts.ttu.edu/afism/AFISMCClassRegistration/ClassRegistration.aspx.
Staff Merit Policy for FY 2013

Eligibility Criteria
- Benefits eligible staff (i.e., appointed at least as a .5 FTE, excluding benefits eligible working retirees and temporary workers).
- Employed on or before September 1, 2011 and continuously employed.
- Employees must have a current performance evaluation (dated April 2012 or after) with an overall rating of 3.0 or above on file with Human Resources by June 1, 2012.

Ineligibility Criteria
- Employees who received any increase in compensation after March 1, 2012 (i.e., merit, promotion, reclassification, etc.) except for staff who received an increase after March 1, 2012 on the basis of completing a work related certification or college degree.
- Non-benefits eligible employees.
- Employees who are scheduled to retire or terminate prior to August 31, 2012 are excluded from merit consideration.
- Employees hired after September 1, 2011.

Other Criteria
- Supplements are excluded from merit calculations.
- The existing criteria and procedures established by each department and/or college are to be considered in determining merit priorities.
- Selection of individuals or allocation of merit funds must not be made based on race, color, religion, sex, age, disability, genetic information, national origin, veteran status, or other protected classifications.

Merit Pool Funding
- Merit pools were determined by taking 2% of all eligible employees’ base salary. Please use the chart below to determine which merit pools will receive merit and fringe funding centrally, and which will require merits to be absorbed within the Fund’s current budget.

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>Funding Method</th>
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</thead>
<tbody>
<tr>
<td>E&amp;G State FOPs (11A)</td>
<td>Budget increase to cover merit pool defined above will be provided to respective 11A FOP(s).</td>
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<tr>
<td>Competitive Knowledge Fund (11B014)</td>
<td>Budget increase to cover merit pool defined above will be provided to a central 11A FOP.</td>
</tr>
<tr>
<td>Designated Tuition Funds (16A)</td>
<td>Budget increase to cover merit pool defined above plus estimated fringes of 18% will be provided to respective 16A FOP(s).</td>
</tr>
<tr>
<td>ALL Other Funds</td>
<td>No additional budget provided centrally.</td>
</tr>
</tbody>
</table>
Merit Process

- The equity fields in Salary Planner should not be used for FY 2013.
- Faculty and staff merits should be entered into the Merit Percent or Merit Amount fields in Salary Planner.
- Merits awarded in Salary Planner to individuals who are currently eligible but become ineligible for any reason will be removed from Salary Planner and may NOT be reallocated once the budgets have been locked in the Budget Prep System.
- Merit amounts (or percentages) will be applied to the job labor distribution allocations in place when the merit is added.

Merit Reports

- **RPT_SPLAN_008  Merit Pools** – This report establishes the pools for faculty and staff based on employees who are eligible for a merit. The merit pools are based on the funding for eligible employees at the time the merits were loaded. Because evaluations are not due until after the merit is loaded, employees deemed ineligible due to evaluation score or no evaluation on file may appear to be eligible.
- **RPT_SPLAN_006  Merit Eligible Report** – This report provides a list of eligible employees on a specific FOAP at the time the merits were loaded.
- **RPT_SPAL_007  Merit Ineligible Report** – This report lists all employees and their associated positions that are ineligible for the merit. If an employee has a supplement position, the employee may appear on both the Merit Eligible and Merit Ineligible reports. In this case, only the supplement position is ineligible for the merit. The employee’s primary position remains eligible.
- **RPT_SPLAN_009  Ineligible Merit Recipient** – This report lists merits awarded to employees (or supplement positions) who were ineligible for a merit.
- **RPT_SPLAN_010  Salary Increase by FOAP** – this report identifies employee merits awarded by FOAP. (Other increase fields should all show 0.00)
- **RPT_SPLAN_011  Merit Awarded by Pool** – This report compares the merits awarded to the merit pool.

Salary and Personnel Guidelines

Faculty

- Faculty promotions approved by the Board of Regents will be entered by the HR Compensation Office prior to the new fiscal year. Individuals promoted from Assistant to Associate Professor will receive a $3,000 annual increase, from Associate Professor to Professor a $5,000 increase, and promotions to
Horn Professorship, an $8,000 increase. These promotions are funded centrally by the Provost Office. The Provost Office will provide a list of faculty members receiving promotions – funding will then be added to the appropriate FOPs by the Budget Office.

Non-Faculty

- **Pay Plan Adjustments** – There are no pay plan adjustments for FY 2013.
- **Staff Promotions** – Promotions will not be facilitated through Budget Prep. Promotions are to be made in accordance with OP 70.11, which requires that vacant staff positions be properly posted and filled through a competitive selection process. Exceptions require the President’s approval.

New Positions, Reclassifications, and Equity Increases

- New Position requests and/or Reclassifications will follow the same approval and procedural guidelines used during the year.
- Reclassifications submitted and applied prior to June 18th will be reflected in Salary Planner for FY 2013. Subsequent submissions will be updated by HR Compensation and Budget prior to 9/1/12.
- Pay changes and/or FTE changes submitted via ePAF in FY 2012 will be adjusted in Salary Planner for FY 2013 by the Budget Office.
- New position requests, reclassifications, equity increases, and Board-approved faculty promotions for September 1st must be received by the Budget Office by June 8th. Documentation received after June 8th may not be effective until a later pay period.

Non-Exempt Employees

Please consider the following when estimating salary budget amounts needed for FY 2013:

- All non-exempt employees will be paid overtime when either hours worked exceeds 40 hours in a work week, or the combination of eligible leave and/or holiday pay hours worked exceeds 40 hours in a work week.
- When over 40 hours in a week are worked, the amount of time over 40 hours will be paid at 1 1/2 times the regular hourly rate.
- When the combination of eligible leave, holiday pay, and hours worked exceeds 40 hours in a work week, but hours worked does not exceed 40 hours, the amount of time worked over 40 hours will be paid at the regular hourly rate.
- Full time hourly employee estimated annual cost is calculated by multiplying the hourly rate by 2080 hours. Employment for less than full time should be prorated based of the FTE of the employee.
Vacant Positions

- Vacant positions budgeted at a salary less than the minimum pay grade will be canceled (including those budgeted at 0.00).

Temporary FOPs for use in Salary Planner for anticipated Sponsored Project (Grant) funding

- As in prior years, temporary FOPs will be made available to Colleges during the upcoming Budget Prep process. The purpose of the temporary FOPs is to allow colleges to budget salaries for anticipated Sponsored Project funding. The use of the FOPs should be limited to the intended purpose and should not be used as a matter of convenience. Additionally, it is recommended that the temporary FOPs be used only when the college does not have other funding sources.

- If you had a temporary FOP in the prior year, that FOP will be available again in Fiscal Year 2013. However, you will need to first provide a “backup” or default FOP to FST before the FOP will be reactivated. Please send an email to fst@ttu.edu providing the temporary FOP and the “backup” FOP information. You will receive a reply once the temporary FOP has been reactivated.

- If you need to establish a temporary salary FOP, please complete the Fund Request Form at http://www.depts.ttu.edu/afism/AFResources/financeResources/financeFormOutline.asp and submit to FST. The form should include the following:
  - Fund Class – 28A
  - Fund Title – Temporary Salary FOP [College Name]
  - Default FOP (cannot be a sponsored project FOP) – should be provided in the “Source of Funds” section of Fund Request Form

- Prior approval from the Managing Director of SPAR is required to charge payroll to the temporary FOP after October 31, 2012. Additionally, all charges must be transferred off the temporary FOP by November 30, 2012. After this date, FST will automatically transfer payroll charges to the default FOP.

Other Expenditure Guidelines

Requests for New FOPs

- Upon proper approval for new initiatives or for realigning existing FOPs, complete and submit the appropriate Finance Forms, a Fund Request Form and/or a FOP Combination Form. Immediately upon approval and entry into the system by Financial Services and Tax, the FOP will be available for entry into Budget Prep (key in the new FOP number into Budget Development and
Salary Planner, access/security will automatically follow the ORGN as assigned in TeamAPP).

TA/RA/GA/GPTI Waivers
- Departments appointing Teaching Assistants, Research Assistants or Graduate Part-Time Instructors on local or grant FOPs must fund the TA/RA/GPTI waiver from that FOP. Budget an estimated waiver amount of $2,500 per student per term in budget pool code 7P0 on the local or grant FOPs that you intend to pay the students. This amount is based on nine semester credit hours. Split appointments may be divided proportionately. If a restricted account does not allow expenditures for student waivers, please budget the waiver expenditures in the local FOP that it will be charged to. Please note: Graduate Assistants appointed with a GA title will not receive a fee waiver in FY 2013.

Current Restricted and Matching Funds
- Budget Development does not include current restricted or matching FOPs. Budget Development requests associated with Current Restricted and Matching FOPs will be removed.
- Current restricted FOPs which will be active in FY 2013 can be added to employee/position labor distributions in Salary Planner, but should not be budgeted in Budget Development.
- All current restricted FOPs which will become inactive prior to FY 2013 must be removed from all labor distributions in Salary Planner.
- Temporary FOPs may be used to budget salaries for anticipated sponsored project funding. The use of the FOPs should be limited to the intended purpose and should not be used as a matter of convenience.

Longevity
- For each two years of service, employees receive longevity pay of $20 per month after the first 2 years of service. Incremental increases begin after 4 years of service. Please refer to OP 70.25 for further guidelines and the incremental payment schedule.
- Budget longevity cost within the FOP in budget pool code 6A5.
- A longevity estimate report is available in the Budget Prep folder of Cognos.

Fringe Benefits
- Fringe benefits must be budgeted for all local & auxiliary FOPs in code 6B4.
- A fringe benefit estimate report is available in the Budget Prep folder of Cognos.
Contingency (Code 6Z1)

- Funds should be set aside in code 6Z1 for any jobs submitted as “overloads.” A list of overload jobs can be viewed in the Budget Prep folder of Cognos Reports. The Budget Office will reallocate to the correct budget pools based on the type of overload (i.e. cell phone allowance budget will be moved to ‘6A9’)

Unallocated Expenses (Code 7Z6)

- To cover unanticipated, non-salary expenses, funds are budgeted in code 7Z6.

Utilities

- A $3.50 per square foot rate is to be used in estimating utility requirements for auxiliary units. This needs to be budgeted in the budget pool code 7D0.

Revenue and Transfer Guidelines

Revenue Estimates

- Conservative estimates should be used in projecting revenue. Managers need to check the FOP’s total revenue that was generated in FY 2011 and current projected FY 2012 in order to project for FY 2013. If no revenue was generated in the last two years, please remove this revenue source and related expenses from your FOP in Budget Development. The Budget Development module includes a comment feature to be completed for any FY 2013 revenue estimate that exceeds actual revenue received during FY 2011.
- The revenue budget pool codes should correspond with the actual revenue codes where funds were received in FY 2012.

Transfers

- Transfers will be updated in the Budget Prep Transfer System.
- If the source of revenue is a transfer from another fund, the FOAP for the transfer in and the transfer out must be entered.
- Only permanent transfers are allowed on budget book FOPs, whether they are mandatory or non-mandatory transfers, and should be listed in the Budget Transfer System.

Service Departments

- *Service FOPs should review carefully the rates they charge* the departments so that all costs are recouped for the services rendered.
Contact Information

If you have any questions concerning these guidelines, or if you need help in entering data in the Budget Prep modules, please refer to the Budget Contacts listed in the Budget Office website at http://www.depts.ttu.edu/budget/ or phone the Budget Office at 742-3228.