M E M O R A N D U M

TO: Vice Chancellors and Financial Managers

FROM: Jim Brunjes, Vice Chancellor and Chief Financial Officer

DATE: May 15, 2015

SUBJECT: FY 2016 Operating Budget Policy and Guidelines

The goal of the FY 2016 Operating Budget is a budget that supports Texas Tech University System's strategic priorities.

I am pleased to inform you that Chancellor Duncan is recommending a 2% merit program for staff for all centrally funded positions. The recommended merit will be effective September 1, 2015 for Fiscal Year 2016 upon approval by the Board of Regents at the August meeting. The criteria and procedures for awarding merits to employees who exhibited meritorious performance during FY 2015 are outlined in the Merit Policy section of this document.

The Budget Prep modules will open to users on May 18, 2015. The final budget requests will be due back to our office on May 29, 2015 at 5:00 pm. Intermediate deadlines should be determined and communicated by each Vice Chancellor to his or her departments.

At this time, the legislature has not approved the 2016-2017 Biennial General Appropriations Bill. The budget is not considered final and is subject to change until the state budget is finalized and the Board of Regents have approved.

Budget Office staff will be providing hands-on "Budget Prep Workshops" beginning May 18, 2015. If you will be a user of the system, please register via the AFISM Training website: http://webapps.tosm.ttu.edu/itts/sumtotalsystems.

Merit Policy for FY 2015

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, 2014 and continuously employed.
- Staff must have a current performance evaluation (dated February 2015 or after) with an overall rating of 4.0 or above on file with Human Resources by April 15, 2015.
- ***Merit increases should be based on FY 2015 performance. The Chief Financial Officer's office will be reviewing merit amounts awarded to ensure the level of the merit increase is consistent with the staff performance evaluation.***

Ineligibility Criteria
- Employees who received any increase in compensation after March 1, 2015 (i.e., merit, promotion, reclassification, etc.) except for staff who received an increase after March 1, 2015 on the basis of completing a work related certification or college degree.
- Non-benefits eligible employees.
- Employees who are scheduled to retire or terminate on or before August 31, 2015 are excluded from merit consideration.
- Employees hired after September 1, 2014.

Other Criteria
- Supplements are excluded from merit calculations.
- The existing criteria and procedures established by each department 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, or veteran status.
- Increases in compensation should be awarded for meritorious performance during FY 2015, guided by existing department and/or college criteria and not across the board adjustments.

Merit Process
- The equity fields in Salary Planner should not be used.
- Staff merits should be entered into the Merit Percent or Merit Amount fields in the Salary Planner Employee Detail screen.
- 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 (FOPs) in place when the merit is calculated.
- Merit reports are available in Cognos at the following location: Budget>Budget Prep>TTU and TTU System>Merit.

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.

Funds	Funding Method
11A001 and 11A002	Budget increase to cover merit pool defined above will be provided to respective FOP(s).
16A001 and 16A010	Budget increase to cover merit pool defined above plus estimated fringes of 18% will be provided to respective FOP(s).
ALL Other Funds	No additional budget provided centrally.

Salary and Personnel Guidelines

Staff
- **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 Chancellor's approval.

New Positions, Reclassifications, Equity Increases and Permanent Future Changes
- New Position requests, Reclassifications, and Equity Increases will follow the same approval and procedural guidelines used during the year.
- HR activity submitted in FY 2015 that impacts FY 2016 will be updated in Salary Planner with an offsetting adjustment to the appropriate budget pool as necessary. This will occur until August 31, 2015 to ensure budgets remain in line with salary activity.

Non-Exempt Employees
Please consider the following when estimating salary budget amounts:
- 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 plus 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 ½ 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

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

Current Restricted and Matching Funds

- Current restricted FOPs which will be active in FY 2016 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 2016 must be removed from all labor distributions in Salary Planner.

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).

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.

Longevity (Code 6A5)

- 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.

Cell Phone Allowance (6A9)

- Cell Phone Allowances should be reviewed annually to ensure appropriate business purpose and funding source. Funds should be set aside in code 6A9 for cell phone allowances. A list of overload jobs (including cell phone allowances) can be viewed in the Human Resources folder of Cognos Reports. All other overloads should be budgeted in 6Z0.

Fringe Benefits (Code 6B4)

- Fringe benefits must be budgeted for local FOPs in code 6B4.
- A fringe benefit estimate report is available in the Budget Prep folder of Cognos.

Contingency (Code 6Z0)

- Funds should be set aside in code 6Z0 for any jobs submitted as overloads, with the exception of cell phone allowances which should be budgeted in 6A9. A list of overload jobs can be viewed in the Human Resources folder of Cognos Reports. The Budget Office will reallocate to the correct budget pools based on the type of overload.

Materials and Supplies (Code 7C0)

- Funds should be set aside for the annual mail stop fee in code 7C0.

Communications and Utilities (Code 7D0)

- Funds should be set aside in 7D0 to facilitate the annual communications fee for the ongoing support of Microsoft Lync Unified Communications and TTU System Communication Services. The rate remains the same as FY2015 and the annual amounts will be communicated to financial managers by May11th.

Unallocated Expenses (Code 7Z6)

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

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 2014 and current projected FY 2015 in order to project for FY 2016. 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 2016 revenue estimate that exceeds the base revenue budget.

Carry Forwards (5Z8)

- Carry forward of prior year fund balance may only be used in special circumstances and require approval of the Vice Chancellor and Chief Financial Officer as the prior year fund balance cannot be determined until fiscal year-end.

Transfers

- If the source of revenue is a transfer from another fund, the FOAP for the transfer in and the transfer out must be entered in the Budget Prep Transfer System.
- 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.

Contact Information

If you have any questions concerning these guidelines, please contact Amanda Clark (834-6462) or Chelle Hillis (742-9000). 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.

cc: Chancellor Duncan