

6. **U. T. System: Approval of the Fiscal Year 2007 Budget Preparation Policies and Calendar for budget operations**

RECOMMENDATION

With the concurrence of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and the Executive Vice Chancellor for Health Affairs, the Chancellor recommends that the U. T. System Board of Regents approve the Budget Preparation Policies and Calendar for use in preparing the Fiscal Year 2007 Operating Budget for the U. T. System as set out below:

U. T. System Fiscal Year 2007 Budget Preparation Policies

General Guidelines - The regulations and directives included in the General Appropriations Act enacted by the 79th Texas Legislature serve as the basis for these guidelines and policies. In preparing the draft of the 2007 Operating Budget, the president of each institution should adhere to guidelines and policies as detailed below and as included in the General Appropriations Act. The Chancellor will issue detailed instructions regarding the implementation of those regulations and directives into the institutional budget process.

Overall budget totals, including reasonable reserves, must be limited to the funds available for the year from General Revenue Appropriations, Estimates of Educational and General Income, and limited use of institutional unappropriated balances.

Salary Guidelines - Recommendations regarding salary policy are subject to the following directives:

1. **Salaries Proportional by Fund** - Unless otherwise restricted, payment for salaries, wages, and benefits paid from appropriated funds, including local funds and educational and general funds as defined in *Texas Education Code* Section 51.009 (a) and (c), shall be proportional to the source of funds.
2. **Merit Increases and Promotions** - Subject to available resources and resolution of any major salary inequities, institutions should give priority to implementing merit salary increases for faculty and staff.

Merit increases or advances in rank for faculty are to be on the basis of teaching effectiveness, research, and public service.

Merit increases or promotions for staff are to be based on evaluation of performance in areas appropriate to work assignments.

To be eligible for a merit increase, staff must have been employed by the institution for at least six consecutive months ending August 31, 2006, and at least six months must have elapsed since the employee's last merit salary increase.

3. Other Increases - Equity adjustments, competitive offers, and increases to accomplish contractual commitments should also consider merit where appropriate, subject to available resources.
4. New Positions - Subject to available resources, new administrative positions are to be requested only when justified by workloads or to meet needs for developing new programs.
5. Reporting - The Chancellor will issue guidance on reporting of salary changes and amounts. It is expected that required reports will encompass high-ranking and highly compensated staff along with those staff receiving significant changes in compensation.

Staff Benefits Guidelines - Recommendations regarding the State contribution for employee staff benefits such as group insurance premiums, teacher retirement, and optional retirement are subject to legislative determination via the General Appropriations Act.

Other Employee Benefits - Employer contributions to the self-insured Unemployment Compensation Fund are based on an actuarial study. Workers' compensation insurance rates are experience rated for each institution. Appropriate instructions will be issued regarding the implementation of Unemployment Compensation Fund and Workers' Compensation Insurance Benefits.

Other Operating Expenses Guidelines - Increases in Maintenance, Operation, Equipment, and Travel are to be justified by expanded workloads, for developing new programs, or for correcting past deferrals or deficiencies.

Budget Reductions and Limitations - The General Appropriations Act contains provisions requiring budget reductions and budget restrictions.

BACKGROUND INFORMATION

The U. T. System Fiscal Year 2007 Budget Preparation Policies are consistent with the regulations and directives included in the General Appropriations Act enacted by the 79th Texas Legislature. As written, this policy provides general direction to the U. T. System institutions.

Historically, the planning and execution required to develop a proposed institutional budget within required timelines make it difficult to make determinations on individual salary recommendations. A Board Committee, chaired by former Regent Lowell Lebermann, recognized this challenge and recommended that individual salaries not be included in the institutional operating budgets submitted for approval to the Board of Regents but be available for review in separate salary rosters. This recommendation was adopted by the Board in December 1994. In August 2005, the Board of Regents adopted a recommendation no longer requiring separate salary rosters in advance of the August meetings. This change does not impact the current procedure for the Board to review the salaries for U. T. System executive officers, presidents, those reporting directly to the Board, and those earning \$1 million or greater.

FY 2007
Operating Budget Calendar

February 9, 2006	U. T. System Board of Regents approves budget policies
April 3 - 14, 2006	Major goals, priorities, and resource allocation hearings with System Administration
May 12, 2006	Draft budget documents due to System Administration
May 15 - 26, 2006	Technical budget review with System Administration
June 9, 2006	Final budget documents due to System Administration
June 22, 2006	High-ranking and highly compensated salary reports due to System Administration
July 13 - 14, 2006	U. T. System Board of Regents to approve executive compensation
July 27, 2006	Operating Budget Summaries mailed to U. T. System Board of Regents
August 10, 2006	U. T. System Board of Regents approves Operating Budget
August 14, 2006	Salary change report due to System Administration