

U. T. System: Approval of A) the Fiscal Year 2022 Budget Preparation Policies, including the Calendar for budget operations, and B) an amendment to the Annual Operating Budget Rules and Procedures

RECOMMENDATION

With the concurrence of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, and the Executive Vice Chancellor for Health Affairs, the Chancellor recommends that the U. T. System Board of Regents approve A) the Budget Preparation Policies as set out below, including the Calendar for budget operations on the following pages, B) an amendment to the Annual Operating Budget Rules and Procedures for use in preparing the Fiscal Year (FY) 2022 Annual Operating Budget for the U. T. System, also as set out below:

A. U. T. System Fiscal Year 2022 Budget Preparation Policies

1. General Guidelines - The regulations and directives included in the *General Appropriations Act* as enacted by the 86th Texas Legislature serve as the basis for these guidelines and policies. In preparing the draft of the FY 2022 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 Assistant Vice Chancellor, Budget and Planning will issue detailed instructions regarding the implementation of those regulations and directives into the institutional budget process.

The president of each institution should examine the resources used at the institution and, where possible, redirect resources toward high priority mission critical activities and strategic competitive investments that are consistent with the goals and objectives included in the institution's Strategic Plan.

Overall budget totals, including retaining reasonable reserves for potential future financial shortfall, 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.

2. Maintenance of Operating Margin and Use of Prior Year Balances - Institutions should make all reasonable efforts to maintain a favorable operating margin within the FY 2022 Operating Budget. Use of prior year balances should be limited to critical items, unique opportunities, or projects funded from prior year income committed for that purpose. Generally, balance usage should be reserved for nonrecurring activities. Balance usage cannot be recommended to the U. T. System Board of Regents for approval without the consent of the Chancellor, the appropriate Executive Vice Chancellor, and the Assistant Vice Chancellor, Budget and Planning.

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

A. 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.

B. Merit Increases and Promotions - Institutions should consider available resources and resolution of any major salary inequities when implementing merit salary increases for faculty and staff.

As defined in *Texas Education Code* Section 51.962, an employee must have been employed by the institution for the six months immediately preceding the effective date of the increase to be eligible for a merit increase, and at least six months must have elapsed since the employee's last merit salary increase. These limitations also apply to one-time merit payments.

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 administrative and professional staff and classified staff are to be based on evaluation of performance in areas appropriate to work assignments.

In accordance with Regent's *Rules and Regulations*, performance appraisals are to be conducted annually for all employees of the U. T. System. The U. T. System Administration Office of Talent and Innovation will issue specific guidance related to this requirement.

C. Other Increases - Equity adjustments, competitive offers, and increases to accomplish contractual commitments should also consider merit where appropriate, subject to available resources. Subject to guidance issued by the Assistant Vice Chancellor, Budget and Planning, such increases should be noted and explained in the supplemental data accompanying the budget.

D. New Positions - Subject to available resources, new administrative and professional staff, classified staff, and faculty positions are to be requested only when justified by workloads or to meet needs for developing new programs.

E. Reporting - The Assistant Vice Chancellor, Budget and Planning will issue guidance on reporting of compensation. It is expected that required reports will encompass personnel covered by Regent's *Rules and Regulations*, Rules 20203 and 20204 along with the top-ten highest compensated individuals and those administrative and professional staff reporting directly to the president.

4. 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*. Payments for benefits, including for retirees, should comply with the provisions of Accounting Policy Statements No. 11, "Benefits Proportional by Fund" and the *General Appropriations Act*. The Assistant Vice Chancellor, Budget and Planning will issue instructions regarding the implementation of the benefits into the budget process.
5. 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.
6. 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.
7. Calendar - In the event of unforeseen circumstances, authority is delegated to the Assistant Vice Chancellor, Budget and Planning to modify the Calendar.

B. Addition to the Annual Operating Budget Rules and Procedures

It is also recommended that the Board approve a change to the Annual Operating Budget Rules and Procedures for FY 2022 by adding the following:

B. Budget Amendments

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5. Budget Amendment criteria

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e. Notwithstanding a., b., and c. of this section may authorize any budget amendment related to hospital patient care activities or Medical, Dental, Nursing, and Faculty Services Research and Development Plans, the Allied Health Faculty Services Plan or the Physicians Referral Service Plan without limitation if the budget increase is supported by a corresponding increase in revenue. This exception does not apply to increases from unappropriated balances.

The full text of the FY 2022 Budget Rules and Procedures is available online [Board office to link to attachment in Diligent Resource Center]

BACKGROUND INFORMATION

The U. T. System FY 2022 Budget Preparation Policies are consistent with the regulations and directives included in the *General Appropriations Act* and other general law to be enacted by the 87th Texas Legislature. As written, this policy provides general direction to the U. T. System institutions. The proposed addition to the Annual Operating Budget Rules and Procedures for FY 2022 will allow greater flexibility for institutions with healthcare operations to respond to growth in patient care activities and will result in fewer approvals being required from U. T. System Administration or the Board of Regents, except with regard to increases from unappropriated balances.



THE UNIVERSITY OF TEXAS SYSTEM

FY 2022 OPERATING BUDGET CALENDAR

April 16, 2021	Request for Library, Equipment, Repair and Rehabilitation new project instructions and information on balances subject to lapse are sent to institutions
May 5-6, 2021	Board of Regents takes appropriate action on budget preparation policies and budget rules
May 15, 2021	Budget instructions issued by U. T. System Administration
June 1-11, 2021	Institution Budget Meetings with U. T. System Administration
June 4, 2021	New Library, Equipment, Repair and Rehabilitation project requests due to U. T. System Administration
June 28, 2021	Draft budget documents due to U. T. System Administration (summary-level with optional detail)
July 1-6, 2021	Technical budget review with U. T. System Administration
July 12, 2021	Reports on highly compensated staff covered by Regents' Rule 20204, institutional top ten salaries and high-ranking staff salaries due to U. T. System Administration
July 13, 2021	Final budget documents due to U. T. System Administration (summary-level and optional detail)
July 31, 2021	Operating Budget Summaries provided to the Office of the Board of Regents
August 15, 2021	Detail budget due date (if not previously submitted)
August 19, 2021	Board of Regents takes appropriate action on Operating Budget and compensation of Presidents and Executive Officers
November 18, 2021	Board of Regents takes appropriate action on budget changes resulting from August 15 detail budget