UTHealth™

The University of Texas
Health Science Center at Houston

FY 2019

Operating Budget Instructions

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Budget Memo from Kevin Dillon
Senior Executive Vice President, Chief Operating and Financial Officer

In Fiscal Year (FY) 2019 UTHealth will continue to enhance its facilities, as projects largely funded by the tuition revenue bonds (TRB) approved by the 84th Legislature move from the drawing boards to reality. With the exception of the University Center Tower expansion necessary to accommodate the growth of the School of Biomedical Informatics, the TRB-funded deferred maintenance will extend the life of the McGovern Medical School Building, University Center Tower (UCT), and the Reuel A. Stallones (School of Public Health) Building which are all at mid-life with significant infrastructure improvements necessary. In addition, UTHealth will work with the Texas Department of Health and Human Services Commission (HHSC) to begin construction of a $125 million psychiatric hospital that will be funded by the state, owned by HHSC, and operated by UT Harris County Psychiatric Center (UTHealth) physicians and staff. The hospital will include short and long term care options, residential treatment, and supported housing. The total bed count is anticipated to be up to 304 beds.

Operationally there will continue to be opportunities and challenges. With FY 2019 being the second year of the biennium, state-funded education and research is much easier to budget as the Texas economy has rebounded nicely and a mid-biennium reduction to our state appropriation seems unlikely. At the federal level, it appears that research funding uncertainty as well as the desire to reduce indirect cost (IDC) recovery support has diminished. In addition, UTHealth's faculty are forecasted to continue the upward grant/contract award trend for the coming year, including a projected increase in IDC recovery. Consistent with prior years, IDC recoveries will be distributed 52.5% to the respective school and 47.5% will be retained centrally (which, as always, represents an "over-return" of IDC to schools, relative to how-and-where IDCs are actually earned at UTHealth).

For the most part, the methods of finance (which include tuition, state appropriations, and indirect cost recovery) are projected to stay flat in the coming year. Unfortunately, those funding sources and direct sponsored project funding make up less than 35% of UTHealth's budget. The majority of UTHealth's funding is associated with the clinical enterprise, which has become less predictable. On a positive note, the 1115 waiver's Delivery System Reform Incentive Payment (DSRIP) and Uncompensated Care (UC) programs, which have driven recent community-based clinical expansion, have been extended, as has the Network Access Improvement Program (NAIP), albeit with a 20% reduction forecasted. However, even though Hurricane *Harvey* is now seven months removed, the storm continues to have an impact on our economy and our community. Within UTHealth it has been most notable in our surgical and hospital-based programs where elective procedures have dropped, negatively impacting both professional fee revenue and our primary hospital partner, Memorial Hermann Health System. Payor mix has deteriorated somewhat as well. Although these trends will most likely reverse, it is a current reality we must factor into the coming year's budget.

Consistent with the current fiscal year, this year's instructions do not include merit raise guidance. This is more a matter of timing than a final determination. This issue was discussed at a recent Executive Budget Committee (EBC) meeting and it was decided that the merit issue should be tabled until early July when the institutional funding picture is clearer.

As we generally budget to breakeven results, this year's instructions continue to restrict any use of prior balances as a funding source for current year operations as such use negatively impacts overall institutional margin. In the event the use of a prior years' balance is requested and approved by the Executive Budget Committee, the expense budget should reflect the approved amount and no revenue budget should be entered as the prior years' balance is not a current year revenue source.

As always, I appreciate your cooperation as we move forward together through these fiscal challenges.

NEW/NOTEWORTHY FOR FY 2019

1. The indirect cost recovery (IDC) distribution will remain at 52.5% to the earning department/operating unit and 47.5% retained by central administration.

2. As with FY 2018, there will not be a need to request vacant positions as they will load as part of the initial budget upload (March 16 payroll) to the last funding source for that position prior to it becoming vacant. Carefully review your vacant positions, especially those that have been vacant for the entire fiscal year, and determine if they are positions needed in FY 2019. If you do not anticipate filling or re-using the position in the future, you can remove the funding, or leave the funding blank, in the budget. Make sure you then also submit a PASS transaction to have the position inactivated. New positions should not be requested for a vacancy that occurs during the budget process if that position is to be filled either in the current fiscal year or in FY 2019. Further position direction will be provided later in the instructions under Position Guidelines.

3. For FY 2019 you will again be required to enter the Pay Group and the Earn Code into the Requested tab only of the Position Budget Data Entry page for any new or vacant positions that do not currently have it pulled in. Instructions and examples for how to determine these amounts can be found in Appendix A at the conclusion of this document.

4. For new positions that are to start in FY 2018 and continue into FY 2019, a current FY 2018 effective date is required. After the new position is approved, the position will be available the next day for assigning funding. For new positions to start with FY 2019 budget an effective date of 9/1/2018 will be required. The funding source in your new position request will not carry over to the budget module. You will need to review and add a funding source in the Position Budget Data Entry page for these new positions.

5. Line item budget data entry will still need to be done at the expense pool level (i.e., 61006, 61007, etc.) for budget reporting purposes. The CC_SUM budget ledger that began with FY 2015 which combines the various expense pools (including salary pools) for budget checking purpose will continue for FY 2019. The CC_SUM ledger is loaded based on the combined expense pools entered in the budget system.

6. The PeopleSoft HCM UT Budgets online course was updated this year to accurately reflect the HCM 9.2 environment, and is available at the Learn2Succeed site https://go.uth.edu/learn. A corresponding Job Aid file is also available at https://inside.uth.edu/it-training/peoplesoft_training.htm.

7. The 90-day hiring delay will continue for FY 2019 on all vacant administrative positions (both Classified and Administrative & Professional). Administrative positions exempt from the hiring delay include those that provide direct patient care and sponsored program-funded positions (50000-57999 fund codes). Examples of direct patient care positions may include medical assistant, nurse, advance care providers and allied health roles. All faculty and public safety officer positions are exempt from the hiring delay.

BUDGET GUIDELINES

1. All budget guidelines must be explicitly followed when developing FY 2019 budgets.

2. All published budget timelines must be met.

3. FY 2019 State Operating Budgets take into consideration the benefit changes anticipated for the upcoming year. Budgets are not to exceed the method of finance amount provided.

4. Local income included in the State Method of Finance has been adjusted to account for the local portion of benefits associated with state funded salaries.

5. Except in cases where contractual revenue increases can be reliably projected or tuition/fee and indirect cost recovery adjustments have been approved by Finance, Designated and Auxiliary FY 2019 expense budgets must not exceed operating units' projected revenue budgets included in the distributed Method of Finance.

6. Prior year balances should not be budgeted as a revenue source. Upon prior approval of the Executive Budget Committee, an entity may budget a cost center's expense up to the projected year end fund balance.

7. With the exception of scholarship funds, investment income will no longer be distributed to gift and designated funds and should not be budgeted as a revenue source.

8. Faculty incentive programs should be accrued in the appropriate fiscal year in which it was earned.

9. The university may only provide a salary supplement to employees who are required to have cellular communication services to conduct university business and whose annual salary does not exceed $45,000. The recommendation to provide a salary supplement is made by the department head and must be supported by the dean or vice president. The Chief Operating and Financial Officer approves or disapproves all requests for salary supplements. Salary supplements can ONLY be paid from State or Designated funds. Grant funds cannot be used for salary supplements

   Departments may, with proper justification and authorization, pay for cellular phones and communication services that are required for university business and that are shared among department staff. Examples of a shared cellular phone include, but are not limited to "hot" phones rotated among different employees when they are on call, and phones affixed to university property such as cars and buildings. The department head and the dean or /vice president must authorize all requests for cellular phones and communication services (including upgrades) that are to be paid by department funds, and the Chief Operating and Financial Officer will approve or disapprove all requests. Grant funds may be used to pay for cellular phones and communication services regardless of whether the cellular phone will be shared or not, given that it is allowed by the grant, utilized exclusively for the grant, authorized by the principal investigator and approved by Post Award Finance. Cellular phones and communication services paid for by departmental or grant funds must be set up through Telecommunications Services and use university contracts.

10. For FY 2019, travel shall not be funded with state funding. International travel, funded from allowable sources, require the approval of the Dean.

11. NOTE: All internal services department rates and/or rate changes should be considered when determining operating expense budgets. Individual departments should contact these service departments and/or view their websites concerning any rate changes and must budget sufficient funds to cover all internal services in order to avoid account deficits during the fiscal year.

POSITION GUIDELINES

General Position Management and Approvals

Before you submit a new position PASS transaction, review and confirm that your funding chartfield has sufficient available budget, and review your vacant positions to determine whether you can reuse an existing vacant position.

Important: If you do not have the budget available in your funding chartfield to cover the new position, do not submit a new position request until you have either freed up funds, received additional funds, or transferred funds on the specific funding chartfield.

Once submitted, new position PASS transactions are reviewed by Accounting and Budget for budget availability, an approved request to recruit (RTR) (McGovern Medical School only), and whether a new position is necessary or if an existing vacant position could be modified. Please leave sufficient time for your position to work its way through the approval process. **Do not hire a person until your new position request has been approved in HCM**. Once Accounting and Budget approves the position transaction in HCM it then routes to SDR for approval.

There are system related issues requiring the creation of a new position, including the same termination and effective dates, retiree returning to work, position classification changing (ex: faculty to classified), position changing from CAS or Temp to Regular .5FTE and above, and position is a different pay cycle (ex: bi-weekly to semi-monthly).

If you have to request a new position due to one of the reasons above, and you are not planning to back-fill the existing vacant position (assuming availability of budget), you are required to submit a PASS transaction to inactivate the vacant.

Budgeting Positions

Both new and vacant positions will load as part of the initial budget. The budget will load the most recent funding source. If your position is currently on suspense, it will load into the budget on the last used departmental chartfield. Carefully review your vacant positions, especially those that have been vacant for the entire fiscal year, and determine if the positions are needed in FY 2019. If the vacant position has been on suspense for longer than 6 months, you should submit a PASS transaction to inactivate it.

If you need to request a new position for the FY 2019 budget year, make sure you have confirmed that you will still meet your budget target if you add an additional position. If you are not meeting your budget target, vacancies will be the first item reviewed and removed.

If an employee is being replaced by a new employee, or through the transfer of a current employee, try to reuse a current vacant position. For a position that will be filled in FY 2019, if you don’t have a vacant position available for reuse, request a new position through a PASS transaction with an effective date of 09/01/2018. Review all of your positions, both filled and vacant, to determine which ones you will need in FY 2019. If you have a position that loads to the budget that you do not anticipate filling in FY 2019, you have to remove the funding and make the row blank in the budget. Leaving the position’s funding row blank in the budget module will not remove the actual position so you will also have to submit a PASS transaction to inactivate the position. If you need to request a new position that will start in FY 2018 and continue into FY 2019, a current FY 2018 effective date is required.

After the new position is approved by all levels in HCM, an overnight job will allow the position to be available in the budget module the next day to assign funding. The funding source in your new position request will not carry over to the budget module. You will need to review and add a funding source in the Position Budget Data Entry page for these new positions. As a reminder, just because your new position PASS transaction related to an FY 2019 budget is approved in HCM, does not mean it’s approved for the final budget.

All positions must be funded for the full budget year. If your filled position is funded fully or partially by a restricted project that ends before the end of FY 2019, but you are confident the existing project will be renewed, you can leave the funding source on that project. If your position is funded fully or partially by a restricted project that ends before the end of FY 2019, and you believe it will be funded by a new project, you can budget the remainder of the year's funds on your departmental suspense chartfield. Do not budget to suspense unless you are confident you will be able to fund them.

For non-project funded new positions, if the position is expected to start after 9/1/18, and you don't have enough budget available to cover the full year of salary in the budget, put the actual expected salary for the year in Other Wages pool 61004. Request the new position closer to when it is expected to be filled in FY 2019.

Do not create new positions with funding on suspense, or with the expectation that it will immediately reside on suspense. The exception is if your purpose of putting a new position to suspense is due to an overlap of timing with another position. In this case, make sure you include comments on which position number you will be inactivating once you transition to the new position.

If an employee leaves after the budget is loaded, and you are planning on filling it for FY 2019 (and it follows the rules for reuse of a position), you do not have to request a new position. You can instead update the existing loaded position with any new salary, job code, or funding information.

You will be required to enter the Pay Group and the Earn Code into the Requested tab only of the Position Budget Data Entry page for any new or vacant positions that currently do not have it populated. Instructions and examples for how to determine these can be found in Appendix A at the conclusion of the budget instructions.

SALARY GUIDELINES

This year's instructions do not include guidance on a merit pool creation. This is more a matter of timing than a final determination. This issue was discussed at a recent Executive Budget Committee (EBC) meeting and it was decided that the issue of a pool should be tabled until the entire institutional funding picture is clearer. Upon determination, and a merit rate/range identified, the following guidelines prevail:

1. Management A&P Salary Guidelines:

a. The performance review period is from June 1, 2017 to May 31, 2018, and merits will be effective on September 1, 2018. Employees must have performance reviews in P2A prior to the granting of merits. Performance rating must be "fully meets expectation" or better. All merits for Management A&P employees will be reviewed by Compensation Services.

b. Promotion and reclassification requests will be reviewed by Compensation Services and must be approved by the Senior Executive Vice President, Chief Operating and Financial Officer and the President or his designee.

c. <u>Prior year balances cannot be used to fund salaries or salary increases</u>.

d. Temporary Administrative Supplemental (TAS) pay is capped at 15% of an individual's compensation. A TAS should not last more than 12 months. TAS requests must be reviewed by Compensation Services and approved by the Senior Executive Vice President, Chief Operating and Financial Officer and the President or his designee.

e. Achievement Awards must be in a written plan, be budgeted by the department, approved by the department head, and pre-approved by Human Resources Compensation Services prior to implementation.

f. Longevity Pay will continue as normal.

Exceptions to these guidelines must be approved by the Senior Executive Vice President, Chief Operating and Financial Officer and the President or his designee. Justification must be based on extraordinary circumstances. Please direct any additional questions regarding the Management A&P merit process to Human Resources and the Compensation Services office.

2. Classified Salary Guidelines:

a. Promotion and reclassification requests must be reviewed by Compensation Services and approved by the Senior Executive Vice President, Chief Operating and Financial Officer and the President or his designee.

b. Market or internal equity adjustments may also result in salary increases as warranted and approved by Compensation Services.

c. <u>Prior year balances cannot be used to fund salaries or salary increases</u>.

d. Temporary Administrative Supplemental (TAS) pay is capped at 15% of an individual's compensation. A TAS should not last more than 12 months. TAS requests must be reviewed by Compensation Services and approved by the Senior Executive Vice President, Chief Operating and Financial Officer and the President or his designee.

e. Achievement Awards must be in a written plan, be budgeted by the department, approved by the department head, and pre-approved by Human Resources Compensation Services prior to implementation.

f. Longevity, Hazardous Duty Pay, Certification Pay, and Shift Differentials will continue as normal.

g. Demotion requests must be reviewed by Employee Relations.

CLASSIFIED MERIT PROGRAM INSTRUCTIONS

- The performance review period is from September 1, 2017 to August 31, 2018, and merits will be awarded on a single date. Employees must have up-to-date performance reviews in P2A or on file prior to the granting of merits. Performance rating must be "fully meets expectation" or better. They will be effective December 1, 2018. Please do NOT include merits as part of the 9/1 panels.

- Employees must be a regular benefits eligible employee (0.5 FTE or more) with a minimum of six months of continuous employment with UT Health to receive a merit in FY2019.

- Employees must have completed their initial hire or rehire probation period.

- Employees must be actively employed at the time the merit is made. Employees who are on unpaid leave are eligible upon returning to work provided all other eligibility requirements are met.

- Eligible employees may not receive more than one merit increase per fiscal year.

- All documented, job-related required licenses and certifications must be current. Please refer to the appropriate job descriptions for further information.

- Merits are calculated using base compensation only.

- The department manager is responsible for ensuring that all employee eligibility requirements are satisfied and all appropriate approvals are met.

- Employees are eligible to receive base merit increases up to the pay range maximum.
  - Once the employee's base compensation is at the pay range maximum, any additional merit dollars will be given as a lump sum merit.

- Exceptions to these guidelines must be approved by the Senior Executive Vice President, Chief Operating and Financial Officer and the President or his designee. Justification must be based on extraordinary circumstances.

FACULTY COMPENSATION DEFINITIONS

Base Compensation – Compensation that is fixed for the fiscal year during the faculty member's appointment.

Augmentation Compensation – Permissive and long-term variable pay that is not guaranteed and is related to the overall success of the practice plan. This is established at the beginning of each fiscal year but can nonetheless vary during the same year under certain circumstances. Augmentation is used to recognize expected clinical performance.

Incentive Compensation – Additional variable pay recognizing the productivity of an individual. Incentive Compensation is earned by meeting specific anticipated clinical performance criteria, which is over and above expected clinical work.

Supplemental Pay – Short-term and temporary pay (one fiscal year or less) to recognize additional work and responsibility not recognized in base pay.

Total Compensation – Total compensation includes base compensation, augmentation compensation, incentive compensation and supplemental pay.

Administrative Supplement – Compensation for carrying out an administrative role. This supplement can remain in place until the role is relinquished.

CLARIFICATION OF TENURE STATUS

TENURE

Tenure is awarded by the UT System Board of Regents, acting upon the recommendation of the President of a UT System component institution. It denotes a status of continuing appointment as a full time member of the faculty at a component institution of The University of Texas System. The titles in which faculty members may hold tenure are Professor, Associate Professor or Assistant Professor.

TENURE TRACK

Tenure Track is the probationary period during which service is counted toward the fulfillment of a probationary period. The maximum period of probationary faculty service in non-tenured tenure track full time positions at a health related institution cannot exceed nine years. Faculty holding the titles of Assistant Professor, Associate Professor or, Professor are considered on tenure track until satisfaction of requirements for tenure is met. Faculty holding the title of Instructor are also considered on tenure track and time in this title (not to exceed one year) counts toward fulfillment of the probationary period, but tenure cannot be awarded to an individual in this title.

NON-TENURE

In health related components of the UT System, persons appointed to full-time positions for the primary purpose of patient care, or in research programs with the primary purpose of research, with only incidental teaching duties, are considered to be non-tenure track.

Faculty in such full-time clinical or research positions are appointed as Instructor of [*Specialty*], Assistant Professor of [*Specialty*], Associate Professor of [*Specialty*], Professor of [*Specialty*], with either “non-tenured clinical appointment” or “non-tenured research appointment” following in parenthesis.

Persons appointed to part-time positions for the primary purpose of patient care and other service activity, with only incidental teaching or research duties are considered non-tenure track.

Faculty in such part-time clinical positions are appointed as Clinical Instructor, Clinical Assistant Professor, Clinical Associate Professor or Clinical Assistant Professor with “non-tenured clinical appointment” following in parenthesis.

Other non-tenure track titles include Lecturer, Senior Lecturer, Assistant Instructor, Teaching Associate, Teaching Assistant, Faculty Associate or Specialist. Appointments to positions with these titles or positions with research clinical titles are for a period of one year. Service in these titles cannot be counted toward the fulfillment of a probationary period nor can tenure be awarded in these titles.

CAPITAL BUDGETS

Outlays for capital equipment and capital improvements to institutionally owned and leased buildings represent a significant UTHealth investment and, as such, should be an integral step in the annual budgeting process for the schools and other operating units. Each will be required to submit supplemental information regarding planned capital expenditures from State, HCPC, Service Department, Other Designated, MSRDP and Auxiliary funds with their budget submission. Supplemental information is to be submitted in the format provided in the Budget Supporting Schedules worksheet.

Schools and other operating units can continue to budget capital expenditures in individual departmental or other program accounts, or can consolidate these expenditures into a single "Capital Improvement/Capital Equipment" account.

REVENUE BUDGETS

Revenue Budgets for all income producing accounts (Service Department, Other Designated, MSRDP, DSRDP, and Auxiliary Enterprises) must be supported in detail. Income estimates should be based on prudent business practices and assumptions utilizing historical revenue data and reasonable projections of future activity. Projected income earned through formal agreements between parties must be supported by a fully executed contract. Remember that sufficient income must be available to cover all estimated expenditures. Prior year balances should not be budgeted as a revenue source. Budgets that inaccurately reflect actual revenue receipt will be adjusted down during the coming fiscal year.

In the event a contract has not been finalized when budgets are due, the revenue and expense budgets for that particular program or activity cannot exceed the previous fiscal year's budget. If a program or activity did not exist in the previous year, the anticipated value of the contract should be budgeted.

INTERNAL SERVICES DEPARTMENT FUNDS

Starting in FY 19, ALL Research related service departments must submit current completed budget templates and annual reports for each Service Fund Chart Field by March 28, 2018. Research related departments will submit to SharedResearchResources@uth.tmc.edu and any research service center questions should be sent to Amy L. Hazen. Appropriate budget and annual report templates can be found here.

Non-research related service departments will continue to submit justification for continuation of the service center. Non-research related service centers will submit to Accounting and Budget at budget@uth.tmc.edu by April 20, 2018. The templates for both templates/justifications are located at: https://inside.uth.edu/finance/general-accounting/annual-operating-budget.htm.

Service departments are established for the primary purpose of providing products or services to users within the institutional community, when the anticipated annual revenue exceeds $25,000 and must meet the following criteria:

- Must have an identifiable work product, good, or service.
- Must be able to attach a readily identifiable price to the work product or service, based on direct and indirect costs.
- Pricing structures and pricing practices must be consistent for all clients, regardless of funding source.
- Projections for the financial soundness must include a budget and must describe how the service department can fully recover its costs of operation.

Further Internal Service Department information and guidelines can be found on Accounting and Budget's web site at https://inside.uth.edu/finance/general-accounting/internal_service.htm.

Please note that personnel can only be loaded on the 9/1 panels to service departments who have submitted updated business plans/justifications for review and approval. FY 2019 budget load will also be delayed for any business plans/justifications not submitted.

UTHEALTH Custom Budgets System

Fiscal Year 2019

All Accounts

1. The Budget system will be available **March 13, 2018 through April 27, 2018** for authorized users. Verify departmental lockouts with your Deans' Offices.

2. Remember to budget all **vacant** as well as **filled** Faculty, Administrative and Professional, and Classified staff positions. Casual appointments, Stipends, Cell Phone Supplements and Longevity should be budgeted as lump amounts in budget pool 61004-Other Wages for all fund sources except state.

3. Salary amounts as well as cross appointments entered into the Budgets System will be reflected on the Appointment letters mailed to Faculty and Administrative and Professional staff effective September 1, 2018, unless otherwise changed subsequent to the approved budget.

4. Verify that the total of all departmental budgets agree with the operating unit budget and method of finance provided.

5. Complete all supplemental schedules in the online Budget Schedules Worksheet and submit to Accounting and Budget by May 11, 2018**.**

6. Position Budget Data Entry:

    a. Request new positions through the SDR Team using the same process as in HCM Production through the PASS system. Specify effective date of 09/01/2018 if the new position will not begin until FY 2019.
    b. Please note: the funding source in your new position request will not carry over to the budget module. You will need to review and add a funding source in the Position Budget Data Entry page for these new positions.
    c. For your new and vacant positions in the budget, you will need to add the pay group and the earn code to the Requested tab on UT Budgets → Use → Position Budget Data Entry. Please see Appendix A for instructions on how to determine the pay group. Note: you only need to update the Requested tab; you will not be able to update the Base tab. You may get a warning message that says This Earn Code is not valid for this pay group. If so, just click through it.
    d. Casual employees, Student Stipends, Cell Phone Supplements and Longevity are not budgeted at the position level in the Budget Process. Those amounts must be budgeted in budget pool 61004 for all fund sources except state.
    e. If a position will no longer be budgeted effective 09/01/2018, and you are unable to reuse the position, delete the position funding lines.
    f. If an employee is being replaced by a new employee, or through the transfer of a current employee, try to reuse a current vacant position. If you do not have a vacant position available for reuse, request a new position through SDR with an effective date of 09/01/2018. Please keep in mind that you can reuse a position that is the same classification, for example classified to classified, the same pay cycle (for example semi-monthly to semi-monthly), and between .5 FTE and above, or casual to casual (cannot reuse a casual position for a full time position). A change position PASS transaction can be submitted to update position information such as job code, funding source, and amount.
    g. To change a funding line, use the [−] button to delete the existing funding line. **Save** the change. **Log out** completely. **Search** the employee again, and then use the [+] button to add the new funding line.

7. Line Item Budget Data Entry:
   a. New Department IDs/Speed Types/Budget Centers will be requested through the Post Award Finance (PAF) team and the Budget Office by the same process used in FMS Production. Indicate the new department or speed type to be used for the FY 2019 Budget process effective 09/01/2018. Please allow for a 5-day turnaround process time when requesting new Departments.
   b. Budget all appropriate Revenue Accounts that will be used in the requested fiscal year. Analyze your current year recognized revenue accounts for commonly used revenue accounts. Do not budget everything in Miscellaneous Income or Transfers within a Fund Class.
   c. Zero out the “Requested” amount for an Expense Budget Pool or Revenue Account if that expense or revenue account will no longer be used or budgeted.
   d. Use the + button to insert a new Expense Budget Pool or Revenue Account. Typing over an existing Account chart field will corrupt the data if the line contains amounts in the Actuals, Original Budget or Adjusted Budget columns.
   e. State Funded Budget Centers/Speed Types cannot be deleted if amounts exist in the Original Budget column.

<u>State Accounts:</u>

8. The number of budgeted FTE’s cannot exceed the FTE cap with the exception of any <u>new</u> special items.

9. Use of prior year balances to fund FY2019 budgets is not allowed.

<u>Designated, Service and Auxiliary Accounts:</u>

10. In Designated, Service and Auxiliary Funds, sufficient amounts must be included in the benefits budget pool 61005 to cover estimated benefit expenditures for salaries budgeted in salary budget pools 61001, 61002, 61003 and 61004. A report in HCM > Main Menu > UT Budgets > Reports > Estimated Benefits Encumb Report – can be used to estimate benefits based on employees’ budgeted gross salaries times a tiered percentage rate. The report can be run by Employee ID, by Budget Center and/or by HCM position department ID.

11. Also include in budget pool 61005 sufficient benefit estimates calculated on longevity, casual employees, stipends and other wages budgeted in budget pool 61004. Review service dates and adjust longevity amounts where appropriate. In HCM > Main Menu > UT Budgets > Reports > Longevity Report – calculates total longevity for employees within an HCM department.

12. Revenues must be at least equal to and can be greater than Expenses on the Line Item Overview panel.

13. The most current University of Texas System Rules, Policies and Procedures for Budget, MSRDP, DSRDP, LERR and STARS can be found at https://www.utsystem.edu/offices/controller/budget-policies-and-rules.

FY 2019 UTHealth Budget Calendar

March 5	Begin Budget Module testing
March 13	Load current HCM position data, FMS data and reconcile
March 13	Release Budget system to users
March 22	Distribute Budget Instructions
March 28	Service Center Business Plans due (research service centers)
April 11	UT System Videoconference
April 11	Department Users deadline to request new positions
April 13	Lock out School Departmental Users – verify exact date with your Dean's office
April 18	School Deans' Offices deadline to request new positions
April 20	Service Center Justifications due (non-research service centers)
April 20	Lock out **<u>All</u>** Operating Unit – 01 user levels
April 27	Lock out all School Deans' Offices
April 30	BFR begins data verification and reconciliation, prepares Supplemental Data reports
May 11	Return Supplemental Budget Worksheets to Accounting and Budget
May 21	Budget Book and all Supplemental Documents due to UT System
May 23-31	Technical Budget Review with UT System
June 8	Final Budget and all Supplemental Documents due to UT System
July 18	FY 2019 Budget available to encumber in FMS -- **<u>pre-approval from Processor departments</u> <u>required</u>**

REQUIRED SUPPORTING SCHEDULES

To be consistent and efficient in providing additional supplemental budget information to UT System, we request that each school, operating unit and/or department submit the following completed schedules to the Office of Accounting and Budget **by May 11, 2018**.

- All MSRDP/DSRDP Funds
- Restricted Funds
- Use of Designated Tuition Increases
- Uses for Projected State Funds Carry Forwards
- Uses for Projected Non-State Funds Carry Forwards
- Transfers Within a Fund Class
- Capital Expenditures Worksheet
- Major Goals/Programs Starting in FY 2019
- Major Goals/Programs Ended in FY 2018

The above Excel worksheet can be downloaded from the Accounting and Budget website:

https://inside.uth.edu/finance/general-accounting/annual-operating-budget.htm

EXPENSE ACCOUNTS

Non-Restricted Funds – FMS Commitment Control Budget Pools

61001	Faculty Salaries (includes Augmentation)
61002	Administrative & Professional Salaries
61003	Classified Salaries
61004	Other Wages (Includes Longevity, Fringe Benefits, CEL)
61005	Staff benefits
61006	Maintenance and Operations (Other Operating Expenses)
61007	Travel
61008	Utilities
61009	Capital Equipment
61010	Reserves
61011	Expense Transfers/Debt Service (For HCM Budget purposes, this is strictly used for budgeting Debt Service Transfers to UT System.)

Budget pools 61012 through 61020, 61050 and 61099 are not used in the HCM Budgets System for UTHealth budget entry.

HCM Position Data Entry Detail Expense Accounts

67008	Faculty Salaries (rolls up to 61001 budget pool)
67010	Administrative & Professional Salaries (rolls up to 61002 budget pool)
67014	Student Employee Salaries (rolls up to 61003 budget pool)
67015	Classified Salaries (rolls up to 61003 budget pool)
69001	Augmentation (rolls up to 61001 budget pool)

FY 2019 Benefit Tiers for Budgeting Purposes

Listed below are the employee benefit tiers that will be loaded into HCM for 2019 budgeting purposes.

Based on an analysis of the current and forecasted payroll related expenditures, the benefit rates have changed slightly, in total, when compared to the prior year.

Non-students:

0 - $39,999	42%
$40,000 - $69,999	34%
$70,000 - $149,999	27%
$150,000 - $229,999	21%
$230,000 - $499,999	17%
$500,000 +	11%

Students have the following tiers due to their limited benefit eligibility.

Students:

0 - $9,999	6%
$10,000 +	27%

Individuals less than 50% FTE remain at 9%.

These percentages are solely for budgeting and encumbrance purposes.

The determination of the applicable tier should be based upon the total gross salary (including supplements), regardless of funding source.

Please note the availability of a standard HCM budget report for computing the total estimated benefit cost. This report will pull in the individual's gross salary and apply the appropriate tier. This report can be downloaded to excel and eliminates the need for you to manually enter individual employee information. (Location: HCM\UT BUDGETS\REPORTS\ESTIMATED BENEFITS ENCUM RPT FOR BENEFIT CALCULATION - note: you must use as of date 09/01/2018).

LIST OF COMMONLY USED REVENUE ACCOUNTS

LISTED BY FUND GROUP

(refer to Line Item Revenue Account Lookup Table for Complete List)

SERVICE DEPARTMENTS

40725 **Sales & Services - Educational:** Most sales to internal UTHSCH departments.

41022 **Lease Payments:** Lease payments collected through institutional lease management account.

41029 **Outside Sales and Services - Unrestricted:** Sales to entities outside UTHSCH.

DESIGNATED FUNDS

40802 **Hermann Hospital Contract:** MSRDP Patient revenues collected under contractual agreement with Memorial Hermann Hospital.

40808 **HCHD Contract:** MSRDP Patient revenues collected under contractual agreement with Harris County Hospital District.

40814 **Other Contract** – **MSRDP:** All contractual MSRDP revenue collections not previously identified to a specific contract.

40817 **Professional Fees – MSRDP/DSRDP:** MSRDP/DSRDP non-UCP patient revenue collections.

41007 **Continuing Education Fees:** Fees collected from continuing education courses offered by UTHealth.

41025 **Miscellaneous Income - Unrestricted:** Income received infrequently that does not represent income received during the normal course of operation.

41029 **Outside Sales & Services - Unrestricted:** Non-patient revenues from sales to entities outside UTHSCH.

41030 **Patient Charges - Unrestricted:** Patient collections recorded in a non-MSRDP Account. All non-MSRDP contractual revenue collections not previously identified to a specific contract.

41043 **Investment Income -** Revenue derived from investment of institutional cash balances.

55204 **Transfer UCP-Department Distribution and Assessment:** Medical School only.

55205 **Transfer Within a Fund Class:** Transfers between designated accounts.

55210 **IDC Reallocation Transfers:** Transfers of Indirect Cost Recovery revenues between the Other Designated Support accounts.

AUXILIARY ENTERPRISES

40181 **Student Services:** Fees paid by students for non-educational services provided.

40725 **Sales & Services – Educational:** Fees paid by non-students (parking, etc.)

40750 **Sales - Auxiliary Enterprise:** Collections from customer sales

41043 **Investment Income -** Revenue derived from investment of institutional cash balances.

55205 **Transfer Within a Fund Class:** Transfers between Auxiliary Enterprise chart fields.

* Revenue recognized in a prior year will not have current year revenue recognized against it.

U.T. SYSTEM HEALTH INSTITUTIONS
Guidelines for Processing RBC's and/or Obtaining Approval For Personnel Salary Changes, Incentive Pay Increases, Merit Raises, and Fringe Benefit Increases

1. Items requiring approval of the U. T. System Administration and subsequent approval by the U. T. System Board of Regents through the Consent Agenda

   a. New appointments of tenured faculty (Regents' Rule 31007).

   b. Award of tenure to any faculty member (Regents' Rule 31007).

   c. New appointments as Regental Professor, Dean Emeritus, Chair Emeritus, or Professor Emeritus (Regents' Rule 31001). Titles set forth in Regents' Rule 20301 including Chancellor Emeritus, President Emeritus and similar honorary designations are conferred by the U. T. System Board of Regents through the full agenda.

   d. Appointments, promotions, and salary increases involving the president (Regents' Rules 20201, 20202, 20203).

   e. New contracts or contract changes involving athletic directors or head coaches whose total annual compensation, or total contractual compensation, equals or exceeds the amounts specified by Regents' Rule 10501 Section 2.2.12.

   f. Compensation changes for employees whose total annual compensation is $1,000,000 or above (Regents' Rule 20204).

   g. Compensation changes for Key Executives as defined by Regents' Rule 20203.

   h. Increases in budgeted amounts from income or unappropriated balances for Educational and General, Auxiliary Enterprises, Designated Funds, Service Departments, Revolving Funds, and Plant Funds, subject to the thresholds established in B.5 below.

   i. Increases to Plant Funds which result from transfers from Educational and General Funds, Auxiliary Enterprises, Designated Funds, Service Departments, and Revolving Funds, subject to the thresholds established in B.5 below.

2. Items requiring approval of U. T. System Administration (no Consent Agenda approval required)

   a. Reappropriation of prior year Educational and General Fund balances, subject to the thresholds established in B.5 below.

   b. Increases in budgeted amounts from income or unappropriated balances for Educational and General, Auxiliary Enterprises, Designated Funds, Service Departments, Revolving Funds, and Plant Funds, subject to the thresholds established in B.5 below.

   c. Increases to Plant Funds which result from transfers from Educational and General Funds, Auxiliary Enterprises, Designated Funds, Service Departments, and Revolving Funds, subject to the thresholds established in B.5 below.

d. Compensation changes for employees whose total annual compensation is $500,000 or more but less than $1,000,000 (Regents' Rule 20204).

e. Compensation increases involving tenured faculty of $10,000 or more at academic institutions and $25,000 or more at health-related institutions. This includes one-time merit payments. Incentive payments and other compensation that are part of a tenured health faculty member's approved compensation plan (i.e. the XYZ Plan) do not require approval from U. T. System so long as the payments are within the approved plan maximum totals and the total of all compensation does not equal or exceed $500,000.

f. Appointments and promotions involving administrative and professional personnel reporting directly to the president.

g. Compensation increases of $10,000 or more involving administrative and professional personnel reporting directly to the president. This includes one-time merit payments.

Appendix A – Pay Group Determination Cheat Sheet

JOB FAMILY	FLSA STATUS	PP	MED SCHOOL (Y,N OR ALL)	PAYGROUP
C	NONEXEMPT	Y	ALL	CLH
C	NONEXEMPT	N	ALL	CLN
C	EXEMPT	N	ALL	CLX
C	EXEMPT	Y	ALL	CLX
A	EXEMPT (ALWAYS)	N/A	Y	EFA
M	EXEMPT (ALWAYS)	N/A	Y	EFA
F	NO	N/A	Y	EFA
L	EXEMPT (ALWAYS)	N/A	Y	EFA
A	EXEMPT (ALWAYS)	N/A	N	FAP
M	EXEMPT (ALWAYS)	N/A	N	FAP
F	NO	N/A	N	FAP
L	EXEMPT (ALWAYS)	N/A	N	FAP
S	NONEXEMPT	N/A	ALL	STN
S	EXEMPT	N/A	ALL	STX
			*ALL STIPENDS JOB CODE 0933 belong to the stipend pay group.	STI

Examples:

Job code 0775 in department 25720000

Job family F, no FLSA, job code ends in PP (N), department begins with 2 = Med School

Paygroup = EFA

Job code 0775 in department 38150000

Job family F, no FLSA, job code ends in PP (N), department begins with 3 = Non-Med School

Paygroup = FAP

Job code 1799PP in department 25720000

Job family C, job code ends in PP (Y), FLSA Status = Non-Exempt

Paygroup = CLH

Exempt status by job code link:

https://inside.uth.edu/hr/compensation/job-titles-descriptions/classified-by-job-descriptions.htm