

LONGWOOD

U N I V E R S I T Y



OPERATING BUDGET AND PLAN

FY 2018 – 2019

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BUDGET SUMMARY

This section provides an overview of the University's 2018-2019 operating budget. Detailed budget information is provided in the supporting tables. Highlights of the proposed plan are presented below.

- The budget is based on assumptions related to enrollment projections, actions taken by the General Assembly and Governor, revenue calculations and expenditure estimates. Tuition revenue calculations are based on prior credit hour production.
- \$2,830,061 of current year anticipated surplus funds for FY 2019 are utilized to balance the FY 2019 budget.
- Tuition and fees, as approved for full time Virginia undergraduates, will increase by an average of \$620, a 4.87 percent increase. This includes a discount of \$250 on the 30th credit hour. Tuition for Virginia undergraduates was increased by \$320, based on a thirty-credit-hour schedule. Tuition rates for in-state graduate, out-of-state undergraduate, and out-of-state graduate students were increased to \$480, \$785 and \$995 per credit hour, respectively. In compliance with guidance set forth by the Governor and the General Assembly, auxiliary student fees and room and board charges may be increased to cover changes in inflationary costs, debt service expenses, and costs associated with base salary and benefit increases.
- The projected revenue budget for FY 2019 is \$129,558,946 which excludes \$5,045,497 in state appropriation for student financial assistance. The proposed expenditure budget for the total University is \$128,592,314.
- The budget consists of two major components: the Educational and General Programs budget and the Auxiliary Services budget.
- The Educational and General Programs budget, which includes both general and nongeneral funding sources, is composed primarily of expenditures and revenues in the Instructional programs, as well as Sponsored Programs (grants and contracts). The total planned expenditures for FY 2019 are \$71,677,986.
- Longwood will contribute \$61,000 in FY 2019 to fund faculty promotions. Additional funding of \$29,021 is included in the faculty salary pool to continue the July 10, 2017, two percent faculty salary increase.
- Longwood will fund the Core Curriculum *CIVITAE* implementation cost for FY19 with \$888,908.

- The second major component of the University's total budget is Auxiliary Services, which includes activities such as student housing, dining services, parking and athletics. The proposed Auxiliary Services budget for 2018-2019 is \$56,914,328. A total of \$937,462 will be held in debt reserve for future use.

2018-2019 ACTIONS OF THE GENERAL ASSEMBLY

The General Assembly session began January 10, 2018, and ended on March 10, 2018. The General Assembly did not finalize a budget before the end of the regular session, and negotiations continue. As of this writing, the Senate Finance Committee is scheduled to consider a proposed budget proposal put forward by the House Appropriations chairman and a co-chairman of the Senate Finance Committee on May 29, 2018.

If that budget proposal is adopted, Longwood's total Educational and General (E&G) operating appropriation will increase from \$69,099,081 to \$69,796,261 -- \$28,182,452 GF and \$41,613,809 NGF.

The budget would provide an additional \$697,180 in FY19. Longwood's FY 2019 general fund operating base increased by a net \$1,291,604 (4.8%) from 2018. This is primarily due to additional funding for benefit cost increases. Longwood's FY 2019 nongeneral fund operating base decreased \$594,424. These changes will be reflected in our appropriation received from the state on July 1, 2018.

Financial Aid

General fund support for student financial assistance in FY19 would increase \$376,476 for a total of \$5,045,497.

Southside Virginia Regional Technology Consortium (SVRTC)

Funding remained at \$108,905 for the SVRTC in FY 2019.

Salary Increases

Funding for salary increases is not included in FY19 of the budget proposal.

Higher Education Equipment Trust Fund

Funding for the FY 2019 Equipment Trust Fund (ETF) program of \$743,433 general fund would be appropriated to Longwood under the budget proposal. This is unchanged from the previous year.

Out-of-State Capital Fee

Out-of-state students are required to pay 100 percent of the average cost of their education. Additionally, non-resident students will pay \$20 per credit hour as a mandatory capital fee. The amount of capital fees that will be paid by the University to support state capital project debt

service on bonds issued under the 21st Century Program decreased \$8,238 from \$106,149 to \$97,911.

Capital Projects

The budget proposal provides \$2,488,000 for equipment for the New Academic Building. The budget also authorizes Longwood to begin planning the renovation and expansion of the Facilities Annex Building project.

Longwood's Maintenance Reserve funding for FY19 would be \$1,878,865, an increase of \$535,574 from FY18.

2018-2019 EDUCATIONAL AND GENERAL PROGRAM PRIORITIES

The University's 2018-2019 Educational and General budget is based on priorities that support the strategic plan. After carefully examining the revenue projection for FY 2019, funds were allocated for strategic initiatives and fixed costs increases. The recommended expenditures include funds for the following:

- | | |
|-------------------------------------------------------------------------------------------------------------------|-----------|
| • Merit based and compression related salary adjustments funding for Faculty, A/P, Classified and Wage positions. | \$449,900 |
| • Estimated Nongeneral Fund Portion of Health Insurance and other Benefits Increases | \$416,819 |
| • Core Curriculum <i>CIVITAE</i> | \$888,908 |
| • Data Analytics | \$232,954 |
| • Increase in Faculty Promotions | \$ 61,000 |

2018-2019 AUXILIARY SERVICES PROGRAM PRIORITIES

The University's 2018-2019 Auxiliary Services budget is based on the program priorities listed below. Auxiliary activities are required to be self-supporting and must maintain sufficient fund balances for operations, renewal and equipment replacement and capital reserves. The Board approved housing and dining rate increases on December 1, 2017. Comprehensive fees were approved May 18, 2018.

Auxiliary Indirect Cost Rate

The Auxiliary Services operations are charged an indirect cost recovery rate for services provided by educational and general operations (such as payroll processing, purchasing, billing services and facilities administration). The auxiliary cost study is submitted to SCHEV prior to the beginning of each biennium. The indirect cost rate for the 2018-2020 biennium is 14.19 percent. This is a .55 percent decrease from the prior biennium.

Housing

Housing revenue will continue to provide funds for maintenance reserve projects in the residence halls. Housing revenues are projected to exceed expenses by \$2,000,000. These net revenues, will be utilized to support comprehensive fee budgets in FY 2019.

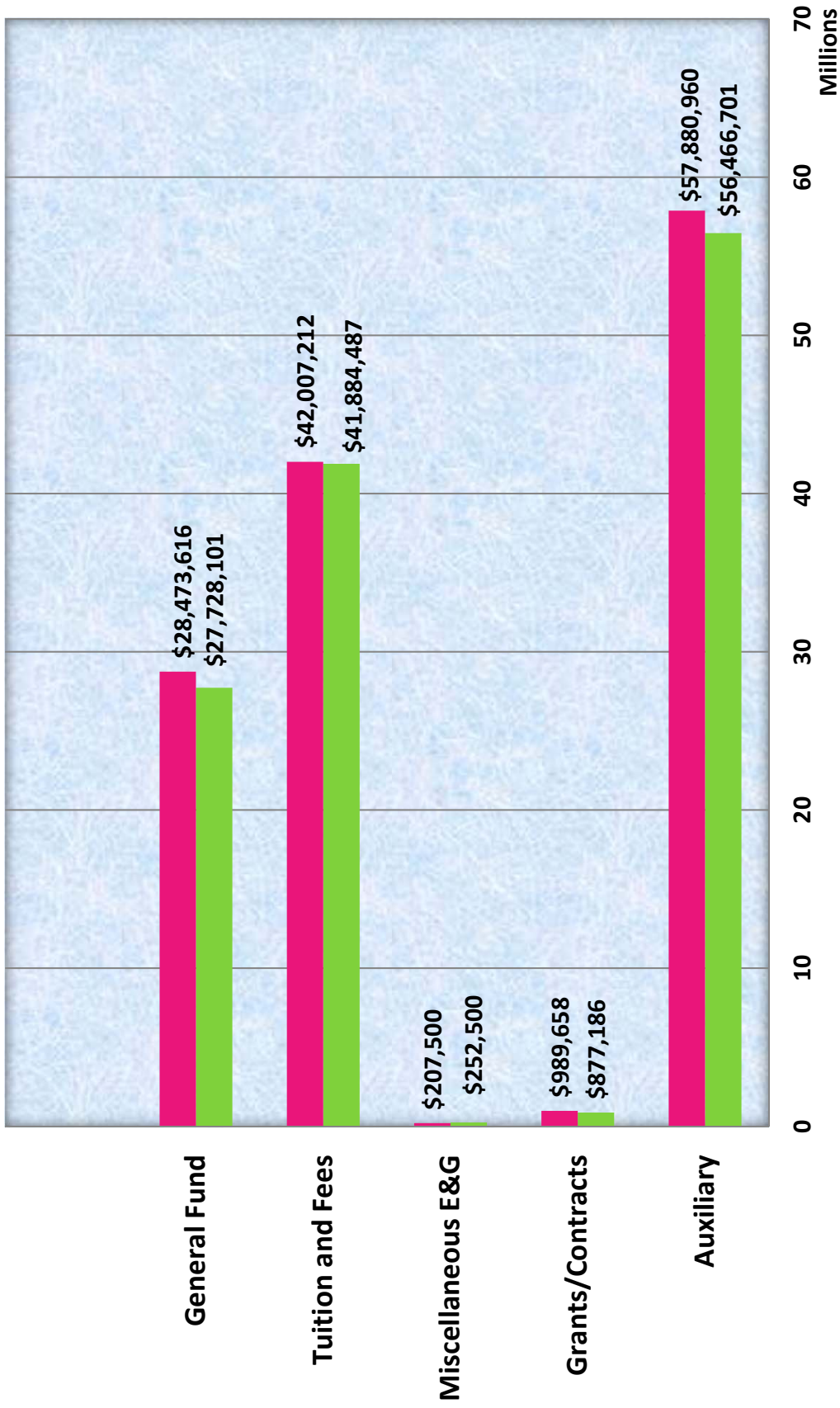
Dining

Dining revenues are projected to exceed expenses by \$830,061. These net revenues will be utilized to support comprehensive fee budgets in FY 2019.

Comprehensive Fee Budgets

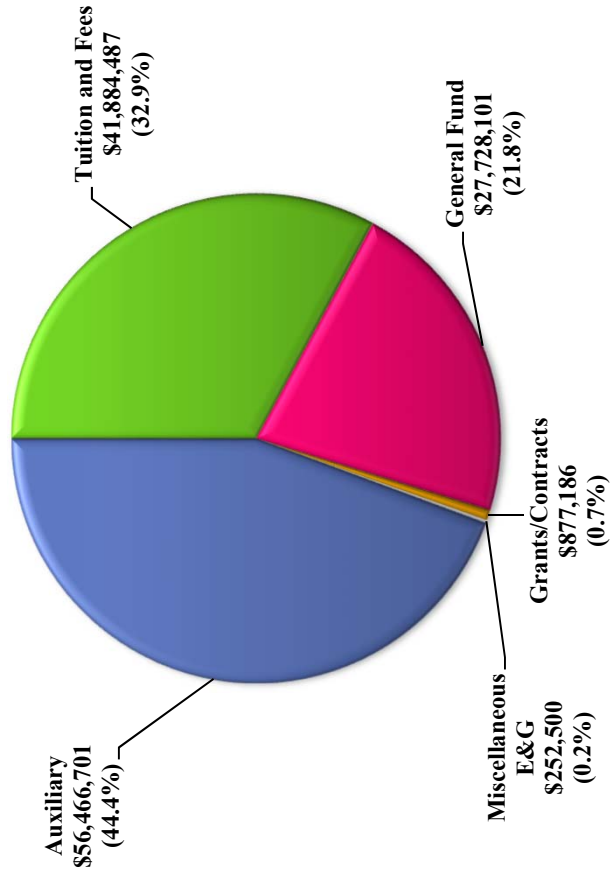
The comprehensive fee is used to support many auxiliary programs and services including: intercollegiate athletics, recreation and intramural programs, the student union, student health and wellness services, the Farmville Area Bus services, debt service, and repair and maintenance on nongeneral fund supported facilities. FY2019 planned contributions to reserves total \$937,462. These reserves are for operating cost associated with the new university center and debt service to replace the Steam Distribution System on Wheeler Mall.

Total Revenue

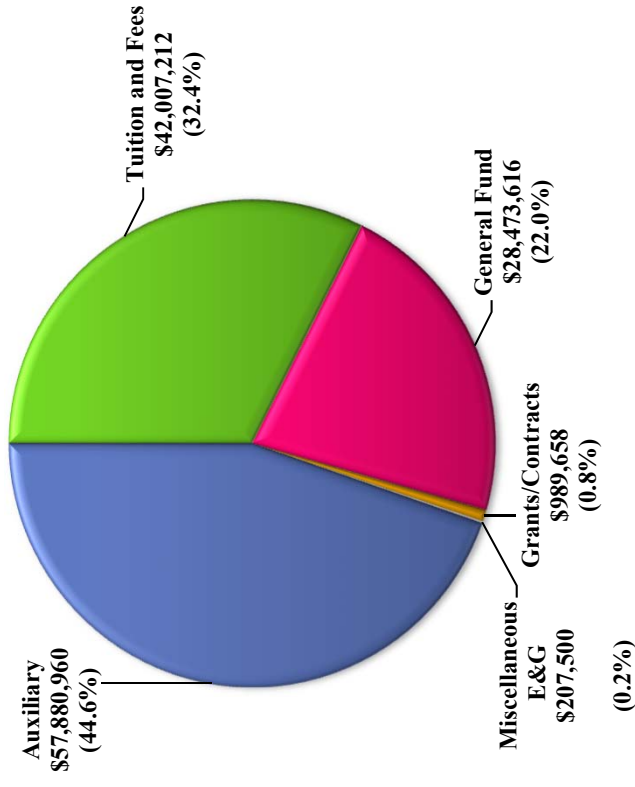


■ 2018-19 Revenue: \$129,558,946
■ 2017-18 Revenue: \$127,208,975

Total Revenue Comparison By Category

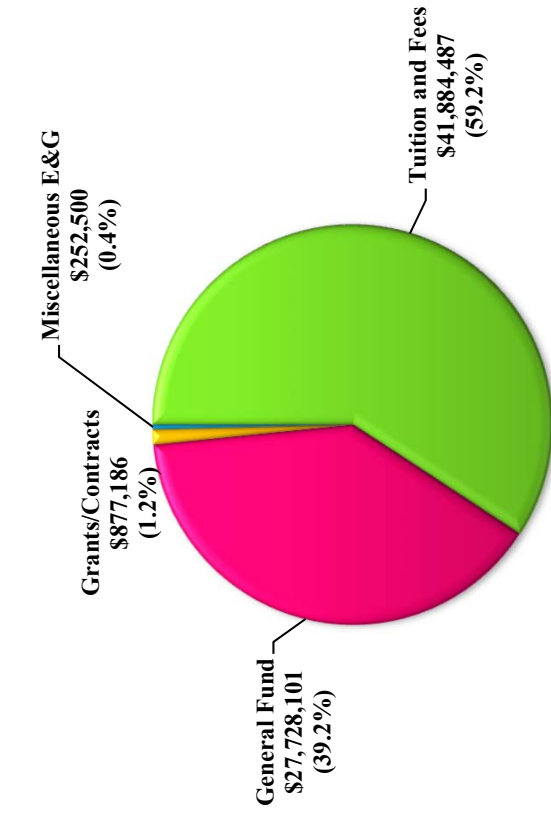


2017-18 Total Revenue: \$127,208,975

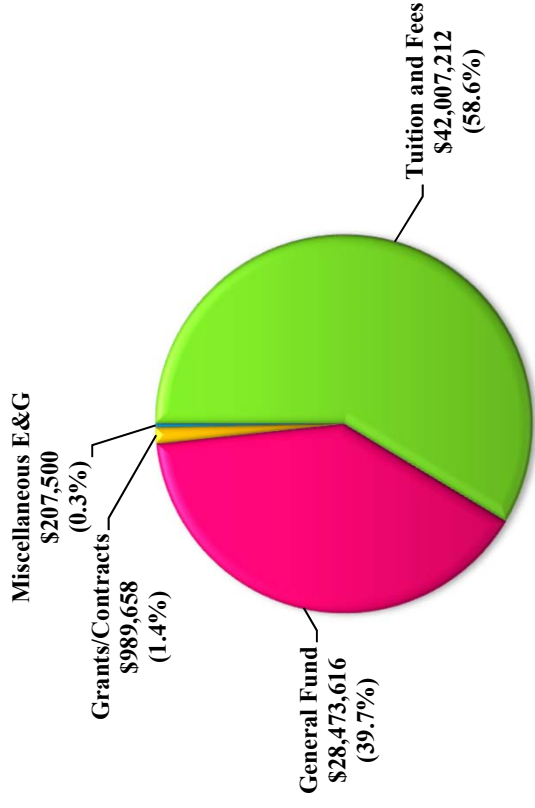


2018-19 Total Revenue: \$129,558,946

E&G Revenue Comparison By Category

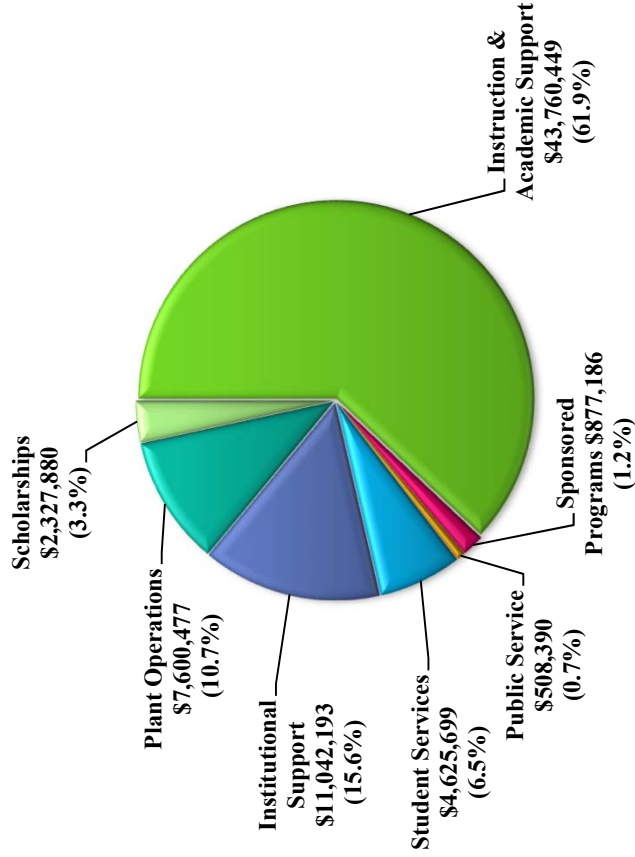


2017-18 E&G Revenue: \$70,742,274

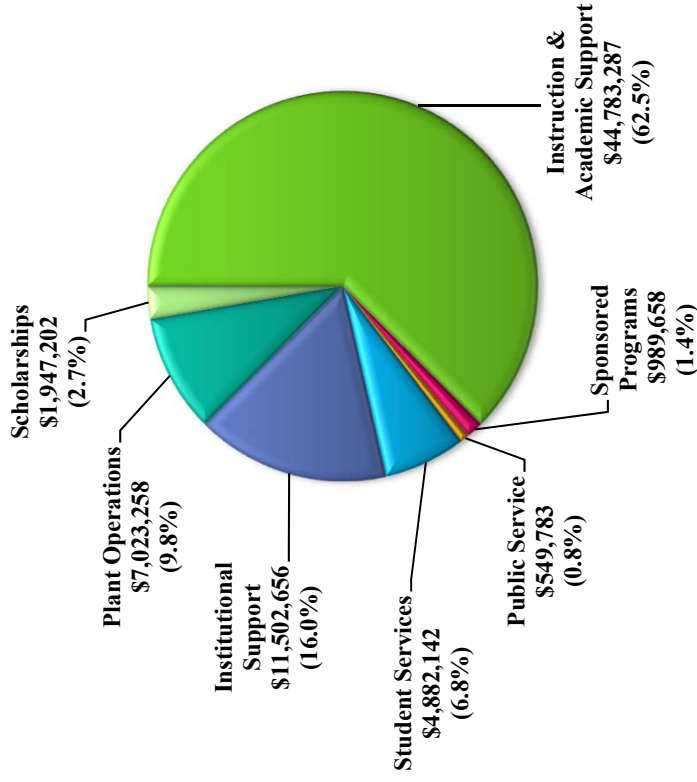


2018-19 E&G Revenue: \$71,677,986

E&G Expenditure Comparison By Category

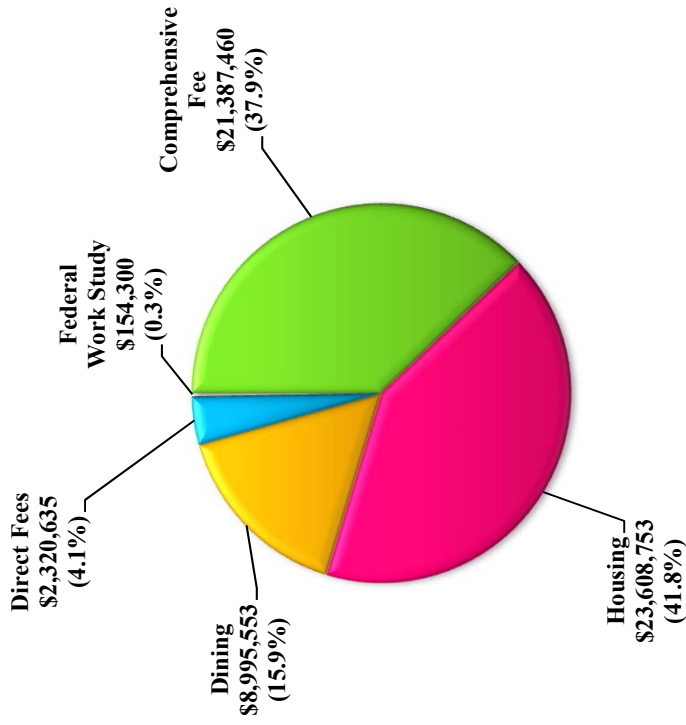


2017-18 E&G Expenditures: \$70,742,274

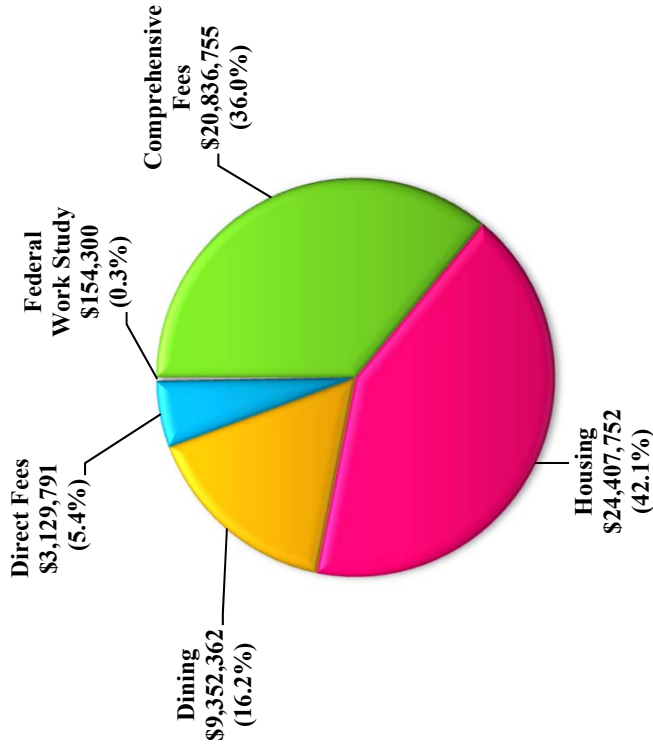


2018-19 E&G Expenditures: \$71,677,986

Auxiliary Services Revenue Comparison By Category

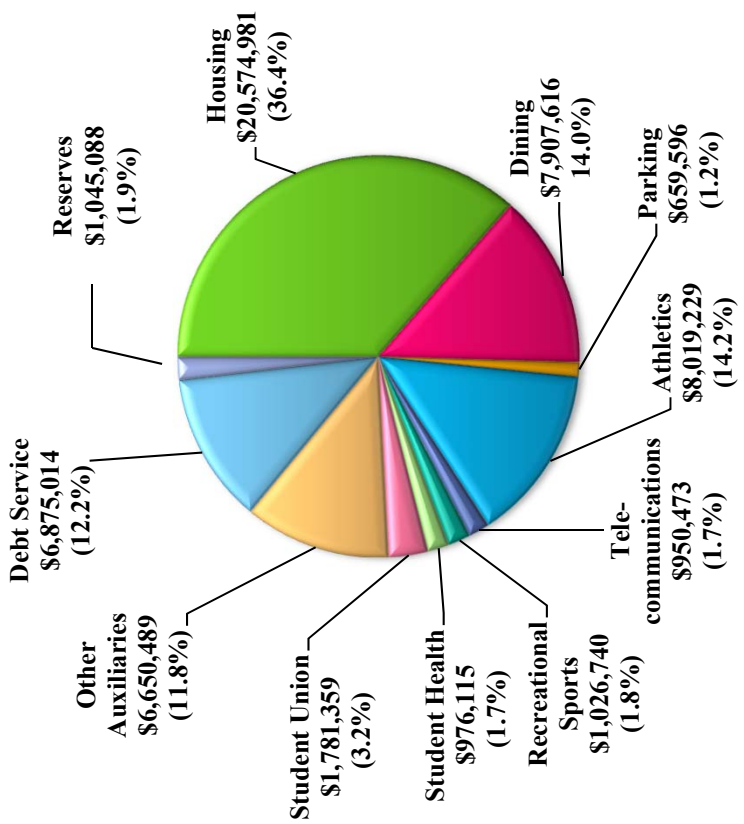


2017-18 Auxiliary Revenue: \$56,466,701

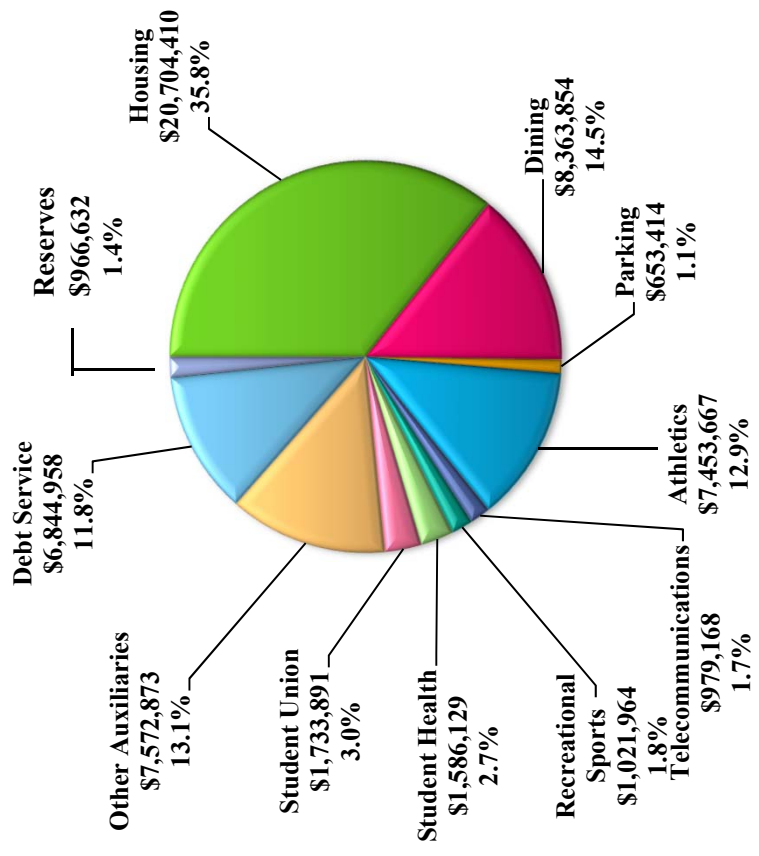


2018-19 Auxiliary Revenue: \$57,880,960

Auxiliary Services Expenditure Comparison By Category



2017-18 Auxiliary Expenditures: \$56,466,700



2018-19 Auxiliary Expenditures: \$57,880,960

**TABLE 1
REVENUE SUMMARY**

	Budget 2017-2018	Proposed 2018-2019
EDUCATIONAL AND GENERAL		
Tuition and Fees	41,884,487	42,007,212
Commonwealth Appropriations *	27,728,101	28,473,616
Federal Grants and Contracts	663,649	828,827
State/Local/Private Grants and Contracts	213,537	160,831
Other Sources	252,500	207,500
Total Educational and General	70,742,274	71,677,986
AUXILIARY REVENUE		
Total Auxiliary Revenue	56,466,701	57,880,960
INSTITUTIONAL TOTAL	<u>127,208,975</u>	<u>129,558,946</u>

*Appropriation excludes Higher Education Student Financial Assistance of \$4,669,021 in FY 2018 and \$5,045,497 in FY 2019.

**TABLE 2
EXPENDITURE SUMMARY**

	Budget 2017-2018	Proposed 2018-2019
EDUCATION AND GENERAL		
Instruction	35,497,000	37,249,231
Sponsored Programs	877,186	989,658
Public Service	508,390	549,783
Academic Support	8,263,449	7,534,056
Student Services	4,625,699	4,882,142
Institutional Support	11,042,193	11,502,656
Plant Operation & Maintenance	7,600,477	7,023,258
Scholarships & Fellowships ^{1,2}	2,327,880	1,947,202
Total E&G Expenditures	70,742,274	71,677,986
AUXILIARY ENTERPRISES		
Expenditures	48,546,598	50,069,370
Transfers		
Debt Service (Mandatory)	6,875,014	6,844,958
Non-Mandatory		
Total Auxiliary Enterprises	55,421,612	56,914,328
INSTITUTIONAL TOTAL	126,163,886	128,592,314

¹ FY 2018 and FY 2019 exclude \$4,669,021 and \$5,045,497 respectively in Higher Education Financial Assistance from State Appropriations

² Scholarships of \$580,678 will be paid by the Longwood Foundation

TABLE 3
SUMMARY OF AUXILIARY SERVICES
INCOME AND EXPENDITURES

	Budget 2017-2018	Proposed 2018-2019
RESIDENCE HALLS		
Direct Income	117,800	2,117,800
Income (Room Fees)	23,563,253	22,362,252
Expense	20,574,981	20,704,410
Debt Service (Mandatory)	1,779,128	1,775,642
Non-Mandatory Transfers	(1,326,944)	(2,000,000)
Net (Contribution to Fund Balance)	0	0
FOOD SERVICES		
Direct Sales	113,000	136,000
Income (Meal Plans)	8,952,553	9,286,362
Expense	7,907,616	8,363,854
Debt Service (Mandatory)	231,642	228,447
Non-Mandatory Transfers	(926,295)	(830,061)
Net (Contribution to Fund Balance)	0	0
BOOKSTORE		
Income (Sales and Contracts)	375,000	375,000
Expense	273,195	345,830
Debt Service (Mandatory)	0	0
Non-Mandatory Transfers	0	0
Net (Contribution to Fund Balance)	101,805	29,170
ATHLETICS		
Income (Direct Sales and Services)	309,580	309,580
Student Fees	8,748,724	8,170,912
Expense	8,019,229	7,453,667
Debt Service (Mandatory)	1,039,075	1,026,825
Non-Mandatory Transfers	0	0
Net (Contribution to Fund Balance)	0	0
PARKING AND TRANSPORTATION		
Income (Direct Sales and Services)	650,000	685,000
Student Fees	339,399	299,119
Expense	659,596	653,414
Debt Service (Mandatory)	329,803	330,705
Non-Mandatory Transfers	0	0
Net (Contribution to Fund Balance)	0	0
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**TABLE 3
SUMMARY OF AUXILIARY SERVICES
INCOME AND EXPENDITURES**

	Budget 2017-2018	Proposed 2018-2019
TELECOM SYSTEMS		
Income (Direct Sales and Services)	1,000	1,000
Student Fees	949,473	978,168
Expense	950,473	979,168
Debt Service (Mandatory)	0	0
Non-Mandatory Transfers	0	0
Net (Contribution to Fund Balance)	0	0
STUDENT HEALTH		
Income (Direct Sales and Services)	50,000	375,200
Student Fees	926,115	1,210,929
Expense	976,115	1,586,129
Debt Service (Mandatory)	0	0
Non-Mandatory Transfers	0	0
Net (Contribution to Fund Balance)	0	0
STUDENT UNION		
Income (Direct Sales and Services)	5,000	5,000
Student Fees	3,179,415	3,128,597
Expense	1,781,359	1,733,891
Debt Service (Mandatory)	1,403,056	1,399,706
Non-Mandatory Transfers	0	0
Net (Contribution to Fund Balance)	0	0
RECREATION AND INTRAMURALS		
Income (Direct Sales and Services)	50,000	50,000
Student Fees	2,121,300	2,113,847
Expense	1,026,740	1,021,964
Debt Service (Mandatory)	1,144,560	1,141,883
Non-Mandatory Transfers	0	0
Net (Contribution to Fund Balance)	0	0
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TABLE 3
SUMMARY OF AUXILIARY SERVICES
INCOME AND EXPENDITURES

	Budget 2017-2018	Proposed 2018-2019
CONFERENCES		
Income (Direct Sales and Services)	374,555	358,225
Student Fees	0	0
Expense	374,555	358,225
Debt Service (Mandatory)	0	0
Non-Mandatory Transfers	0	0
Net (Contribution to Fund Balance)	0	0
OTHER AUXILIARY		
Income (Direct Sales and Services)	517,500	982,786
Student Fees	5,123,033	4,935,183
Expense	6,002,739	6,868,818
Debt Service (Mandatory)	947,750	941,750
Non-Mandatory Transfers In	2,253,239	2,830,061
Net (Contribution to Fund Balance)	943,283	937,462
TOTAL AUXILIARY ENTERPRISES		
Income (Direct Sales and Services)	2,563,435	5,395,591
Student Fees	53,903,265	52,485,369
Expense	48,546,598	50,069,370
Debt Service (Mandatory)	6,875,014	6,844,958
Prior Year General Auxiliary Surplus		
Net (Contribution to Fund Balance)	1,045,088	966,632

TABLE 4**LONGWOOD UNIVERSITY FOUNDATION
INSTITUTIONAL SUPPORT SUMMARY**

	2018-2019
Academic Departments	750,000
Administrative & Student Services	250,000
Advancement	325,000
Marketing & Operations	125,000
Athletics	325,000
Facilities & Grounds	125,000
Sub Total	1,900,000
Scholarships	
Educational & General	580,678
Auxiliary	571,413
Sub Total	1,152,091
Grand Total	3,052,091

Significance of Ratio

This ratio reflects the amount of expenditures, by function, as a percentage of total educational and general expenditures and mandatory transfers.

Major shifts in the various percentages may reflect a change in funding priorities.

Longwood University's Current Status

The allocation ratios for Longwood University show shifts over the last four years. The following contributed to changes in expenditure budgets:

- ❖ Instruction and Academic Support budgets increased primarily due to additional funds to support Core Curriculum, faculty positions and salary increases.
- ❖ In total Student Services increased over the previous year due to salary, benefits and operating increases.
- ❖ Institutional Support increased primarily as a result of a redistribution of operating funding and salary and benefit increases.
- ❖ Operation and Maintenance of Plant decreased due to a redistribution of operating funding
- ❖ Student Aid funding decreased due to \$380,678 in scholarships being funded in FY19 by the foundation.
- ❖ Sponsored Programs increase is primarily due more federal grants.

Budget Allocation Ratio

Fiscal Year	2016	2017	2018	2019
Instruction and Academic Support	61.55%	62.02%	61.86%	62.47%
Public Service	0.81%	0.73%	0.72%	0.77%
Student Services	6.79%	6.81%	6.54%	6.81%
Institutional Support	14.49%	14.63%	15.61%	16.05%
Operation and Maintenance of Plant	10.52%	10.57%	10.74%	9.80%
Student Aid	2.99%	3.41%	3.29%	2.72%
Sponsored Programs	2.85%	1.83%	1.24%	1.38%

Formula Expenditure Budget (by function)
Total Educational & General Expenditure Budget

Instructional Budget per Student FTE

Significance of Indicator

This indicator reflects the amount of funds expended for Instruction and Academic Support per each full-time equivalent student.

A dramatic change in the ratio signals a shift in the funding priorities of the institution. A significant change also can accompany an enrollment increase or decline.

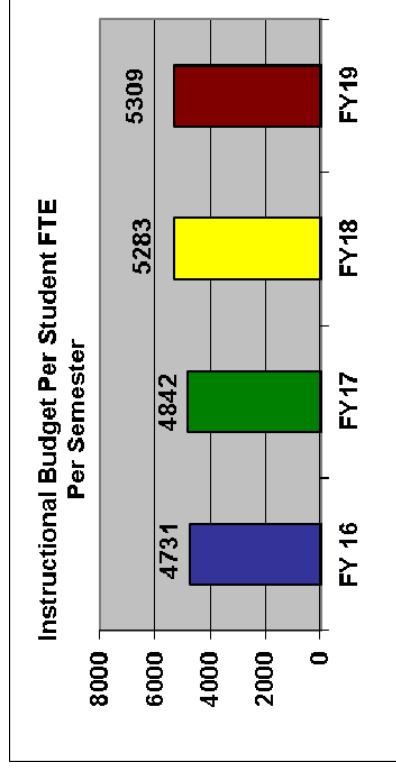
Longwood University's Current Status

In FY 2017 the increase of \$111 is primarily due to additional funding for student research, scholarships and proposed pay increases.

In FY 2018 the increase is primarily due to additional funding for core curriculum and salary increases.

In FY19 the increase is primarily for additional funding for core curriculum *CIVITAE* and merit based and compression related salary adjustments.

The total annual Educational & General budget per in-state FTE is \$15,683 which is a decrease of \$372 compared to the previous year. This excludes the amount budgeted for Sponsored Programs and State Higher Education Financial Aid.



Source: SCHEV 2B Enrollment Projections – Fall and Spring Semesters (On and Off Campus)

Formula: Instruction and Academic Support Budgets
Fall and Spring Enrollment Projections

Debt Burden Ratio

Significance of Ratio

The debt burden ratio examines the University's dependence upon borrowed funds as a means of financing its mission. It compares the level of debt service with the institution's budgeted expenditures.

Formula:
$$\frac{\text{Debt Service}}{\text{Total Expenditure Budget}}$$

A level trend or a decreasing ratio over time indicates that debt service has sufficient coverage without impinging further on other functional areas. The standard for higher education is a maximum of 7 percent, meaning that current principal and interest expense should not be greater than 7 percent of the total budget.

Although the 7 percent level is an acceptable threshold, this percentage can range between 5 percent and 10 percent. The actual percentage will vary based upon the financial strength of the institution. Institutions with greater flexibility in allocating funds will be able to take on additional debt. Longwood participates in the state bond program which is based on fixed rates. Debt is not increased without budgeting an increase in funds available to pay the financial obligations.

In March 2007, the Board of Visitors approved an institutional debt ratio of up to 9 percent to facilitate the completion of nongeneral fund projects approved by the General Assembly.

Longwood University's Current Status

Longwood's Debt Service to Total Budgeted Expenditures is 5.36 percent for FY 2019. This calculation is based on scheduled debt payments for FY 2019 and total budgeted expenditures less reserves.

Glossary

Academic Support: Includes activities conducted to provide support services to the institution's three primary programs: instruction, research and public service. Examples include the library, deans, academic technology, academic service center and disability resources.

Appropriation: An expenditure authorization with specific limitations as to amount, purpose, and time; formal advance approval of an expenditure from designated resources available or estimated to be available.

Auxiliary Services: Activities within the University that exist to furnish goods or services directly or indirectly to students, faculty and staff. These activities charge fees directly related to, but not necessarily equal to, the cost of the service. Auxiliary services must be self-supporting.

Banner: Longwood's administrative information system that integrates Finance, Student and Human Resources modules within a single enterprise system.

Direct Sales (Auxiliary): Sales of auxiliary services, to include facility rental, bookstore income, parking decals/fines and recreation center memberships.

Educational & General (E&G): Term used to describe all operations related to the institution's educational objectives.

Full-Time Equivalent (FTE): A means for expressing part-time students or faculty as a full-time unit. The formula is generally based on credit hours. Example: An institution may define full-time as being twelve credit hours, so a student (or faculty member) taking (or teaching) three credit hours would then equal .25 FTE.

General Funds: Revenue received from the State from the collection of taxes, fees and other charges.

Grants and Contracts (Sponsored Programs): Sponsored program funds are generated through a grant or contractual agreement. Funds may be provided by state, federal, local or private entities. Sponsored program funds must be expended for the purposes outlined in the respective grant/agreement.

Indirect Costs: Fee charged to grants or contracts to pay for the use of University facilities, i.e., overhead.

Institutional Support: Activities whose primary purpose is to provide operational support for the day-to-day functioning of the institution, excluding physical plant operations. Examples include the President, Vice-Presidents, institutional research and assessment, administrative technology, public relations, financial operations, internal audit, human resources, and safety and security.

Instruction: Includes all activities that are part of the institution's instructional program, primarily all academic departmental operations.

Mandatory Transfers: Transfers arising out of (1) binding legal agreements related to the financing of the educational plant, such as amount for debt retirement, interest and required provisions for renewals and replacements of plant, not financed from other sources, and (2) grant agreements with agencies of the federal government, donors, and other organizations to match gifts and grants to loan funds and other funds.

Miscellaneous E&G Revenues: Includes nongeneral fund revenues derived from the sale of goods or services that are incidental to the conduct of instruction, research or public service. Examples include revenues from facility rentals, payment plan fees, administrative fees and indirect costs.

Nongeneral Funds: Tuition, fees, and all other funds not received from the State. This includes grants and contracts income.

Nonmandatory Transfers: These transfers serve a variety of objectives such as moving monies generated in auxiliary enterprise fund groups to an E&G fund group or to a capital outlay fund group for use in providing project funding.

Operation and Maintenance of Plant: This category includes the operation and maintenance of the physical plant. It includes all operations established to provide services and maintenance related to campus grounds and facilities. It also includes utilities, insurance, facilities management, custodial services, sustainability and power plant operations.

Public Service: Includes all funds expended for those noninstructional services established and maintained to provide services to the general community or special sectors within the community. Community service is concerned with making available to the public various resources and unique capabilities that exist within the institution. The Longwood Small Business Development Center is included in this category.

Restructuring: Legislation that allows institutions of higher education varying levels of decentralization in the areas of procurement, personnel and capital outlay while establishing commitments and performance measures for the institutions.

Student Fees (Auxiliary): Student dining, housing and comprehensive fees.

Student Services: Those activities whose primary purpose is to contribute to students' emotional and physical well-being and to their intellectual, cultural and social development outside the context of the formal instruction program. Examples include academic and career advising, admissions, registration, financial aid and student success.

Tuition and Fees: Nongeneral funds that include all tuition and fees assessed against students for current operating purposes. Fees include application fees, registration fees, course fees and on-line fees.