

# OPERATING BUDGET AND PLAN FY 2019-2020

*Development of Citizen Leaders*



# TABLE OF CONTENTS

<b>Budget Summary.</b> .....	<b>3</b>
<b>2019-2020 Actions of the General Assembly</b> .....	<b>5</b>
<b>2019-2020 Educational and General Program Priorities</b> .....	<b>7</b>
<b>2019-2020 Auxiliary Services Program Priorities</b> .....	<b>8</b>
<b>Graph Comparing FY 2019 to 2020 Total University Revenue</b> .....	<b>9</b>
<b>Graph Comparing FY 2019 to 2020 Total Revenue</b> .....	<b>10</b>
<b>Graph Comparing FY 2019 to 2020 E&amp;G Revenue</b> .....	<b>11</b>
<b>Graph Comparing FY 2019 to 2020 E&amp;G Expenditures</b> .....	<b>12</b>
<b>Graph Comparing FY 2019 to 2020 Auxiliary Revenue</b> .....	<b>13</b>
<b>Graph Comparing FY 2019 to 2020 Auxiliary Expenditures</b> .....	<b>14</b>
<b>Table 1: Revenue Summary</b> .....	<b>15</b>
<b>Table 2: Expenditure Summary</b> .....	<b>16</b>
<b>Budget Allocation Ratio</b> .....	<b>17</b>
<b>Instructional Budget per Student FTE</b> .....	<b>18</b>
<b>Debt Burden Ratio</b> .....	<b>19</b>
<b>Glossary</b> .....	<b>20</b>

## 2019-2020 BUDGET SUMMARY

This section provides an overview of the University's FY 2020 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. Revenue projections utilize historic revenue calculations, prior credit hour production and enrollment forecasts to estimate revenues.
- Continuing a commitment to being Virginia's leading public university when it comes to keeping college costs affordable for students and families, we were proud to freeze tuition rates for all students for the upcoming year. A modest increase in approved mandatory fees for full time undergraduates represents an average increase of \$180 (1.35 percent) to their total tuition and fees. The University is also returning to a single semester rate, rather than a per-credit charge, for full time students taking between 12 and 18 credit hours per semester.
- In compliance with guidance set forth by the Governor and the General Assembly, 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 2020 is \$132,816,826, which excludes \$5,789,779 in state appropriation for student financial assistance. The proposed expenditure budget for the total University is \$132,608,810, creating a surplus of \$208,016 that will be held in a reserve for future use.
- 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 non-general 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 2020 are \$72,737,459.
- In addition to the \$1,046,659 allocated for salary increases in FY 2020, Longwood will contribute \$93,000 to fund faculty promotions.

- Longwood will fund the Core Curriculum *CIVITAE* implementation cost for FY 2020 with \$1,377,747, an increase of \$488,839 over the prior year funding.
- 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 FY 2020 is \$58,871,351. A total of \$208,016 will be held in a reserve for future use.

## **2019-2020 ACTIONS OF THE GENERAL ASSEMBLY**

The General Assembly session began January 9, 2019, and ended on February 24, 2019. The General Assembly finalized a budget on February 24, 2019. After the General Assembly voted on the Governor's recommended changes to the budget on April 3, 2019, the Governor signed the budget on May 2, 2019.

Longwood's total Educational and General (E&G) operating appropriation will increase from \$70,346,261 to \$74,200,362 -- \$31,108,303 GF and \$43,092,059 NGF.

The budget would provide an additional \$3,854,101 in FY 2020. Longwood's FY 2020 general fund operating base will increase by a net \$2,925,851 (7.6%) from FY 2019. This is primarily due to additional funding for tuition moderation, additional degrees and operating maintenance, and salary increases. Longwood's FY 2020 non-general fund operating base increased \$1,478,250. These changes will be reflected in our appropriation received from the state on July 1, 2019.

### **Financial Aid**

General fund support for student financial assistance in FY 2020 will increase \$744,282 to a total of \$5,789,779.

### **Southside Virginia Regional Technology Consortium (SVRTC)**

Funding remained at \$108,905 for the SVRTC in FY 2020.

### **Salary Increases**

Funding for salary increases is included in FY 2020 budget.

### **Higher Education Equipment Trust Fund**

Funding for the FY 2020 Equipment Trust Fund (ETF) program of \$743,433 general fund will be appropriated to Longwood. 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 21<sup>st</sup> Century Program increased \$8,238 from \$97,911 to \$106,149.

## **Capital Projects**

The budget provides authorization of \$2,163,000 in non-general funds for detailed planning for the Wygal Hall Replacement project. Longwood's Maintenance Reserve funding for FY 2020 is \$1,878,865, the same as FY 2019.

## 2019-2020 EDUCATIONAL AND GENERAL PROGRAM PRIORITIES

The University's 2019-2020 Educational and General budget is based on priorities that support the strategic plan. After carefully examining the revenue projection for FY 2020, funds were allocated for strategic initiatives. The recommended expenditures include funds for the following:

- Merit based and compression related salary adjustments, funding for Faculty, A/P, Classified and Wage positions. \$ 1,046,659
- Core Curriculum *CIVITAE* \$ 1,377,747
- Increase Scholarships \$ 580,678
- Increase in Faculty Promotions \$ 93,000

## **2019-2020 AUXILIARY SERVICES PROGRAM PRIORITIES**

The University's 2019-2020 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, 2018. Comprehensive fees were approved May 17, 2019.

### **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 & Dining**

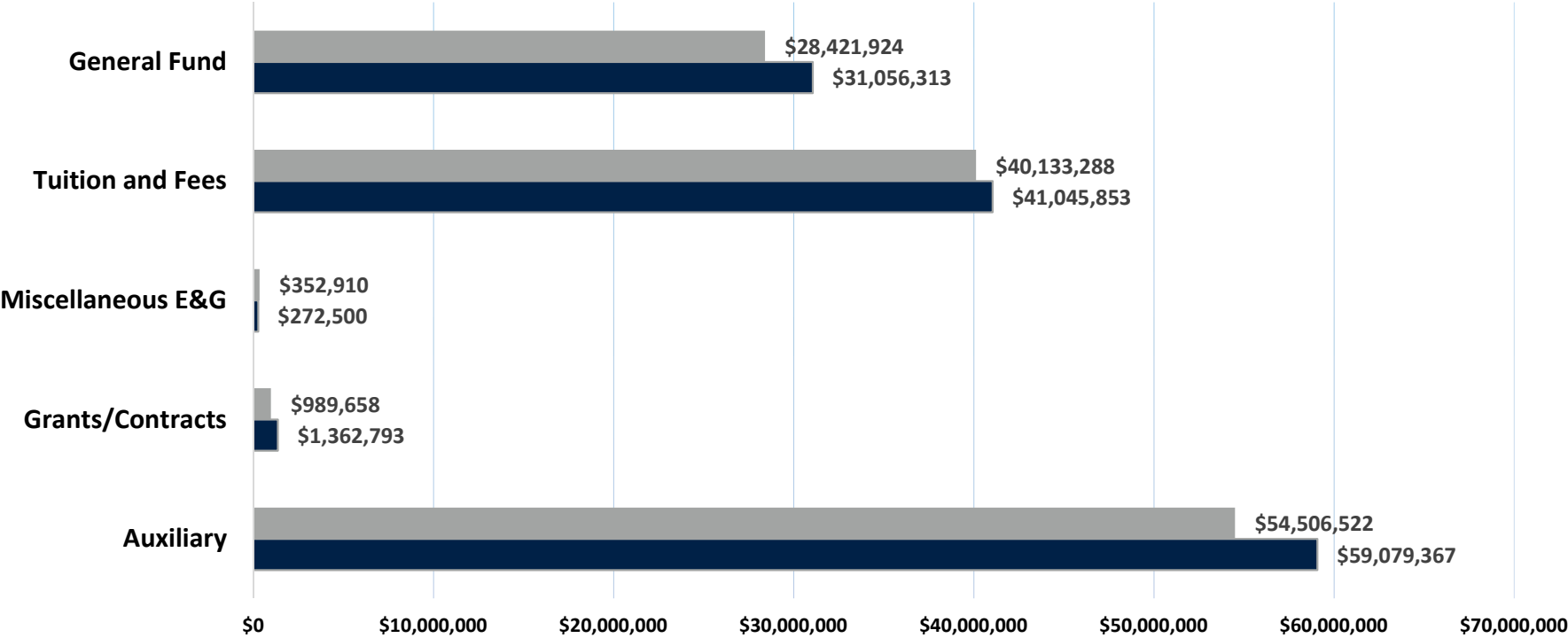
Combined, Housing and Dining are self-supporting operations and contribute to any needs in comprehensive fee budgets.

### **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 non-general fund supported facilities.



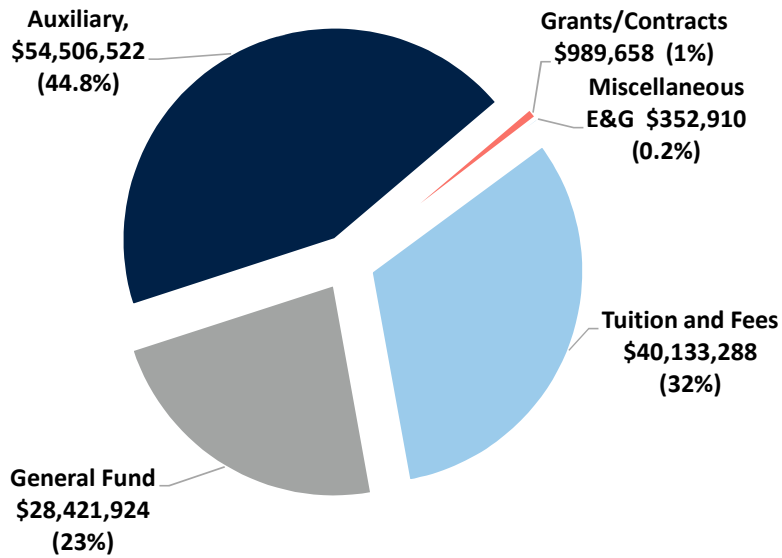
# Total Revenue



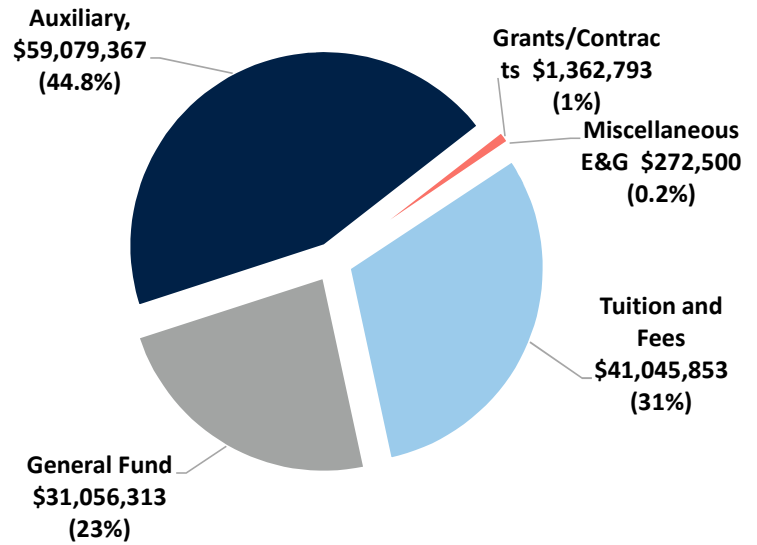
**2018-19 Est. Revenue: \$124,404,302**

**2019-20 Revenue: \$132,816,826**

## Total Revenue Comparison by Category

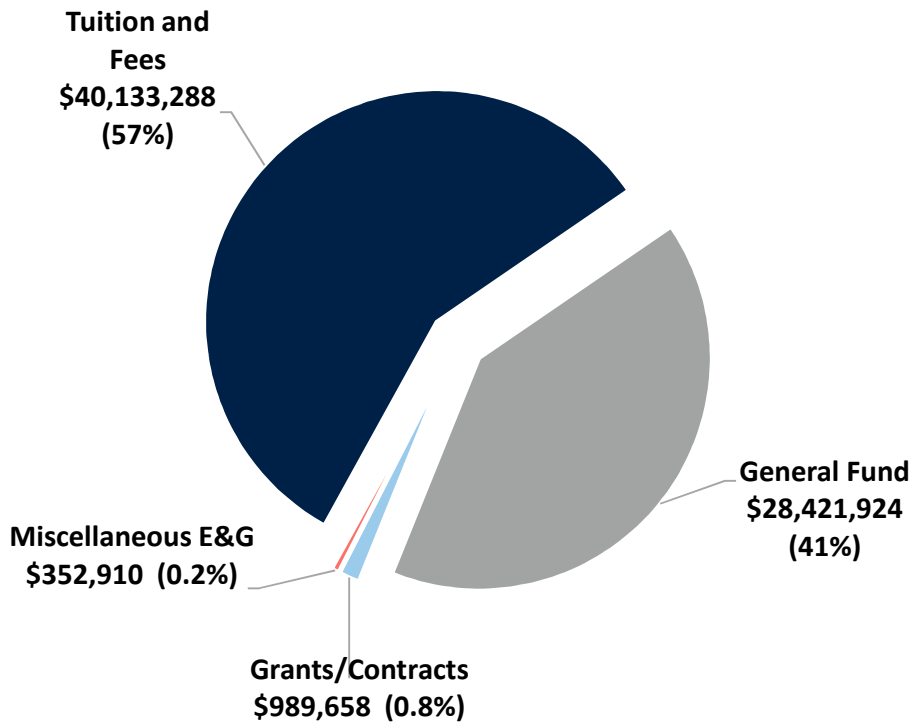


**2018-19 Est. Revenue: \$124,404,302**

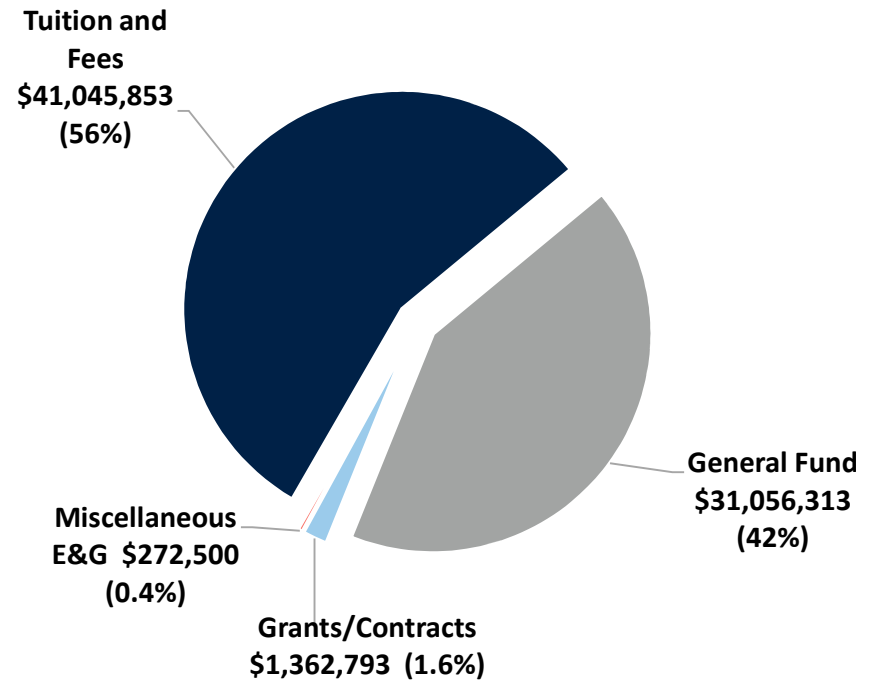


**2019-20 Total Revenue: \$132,816,826**

# E&G Revenue Comparison by Category

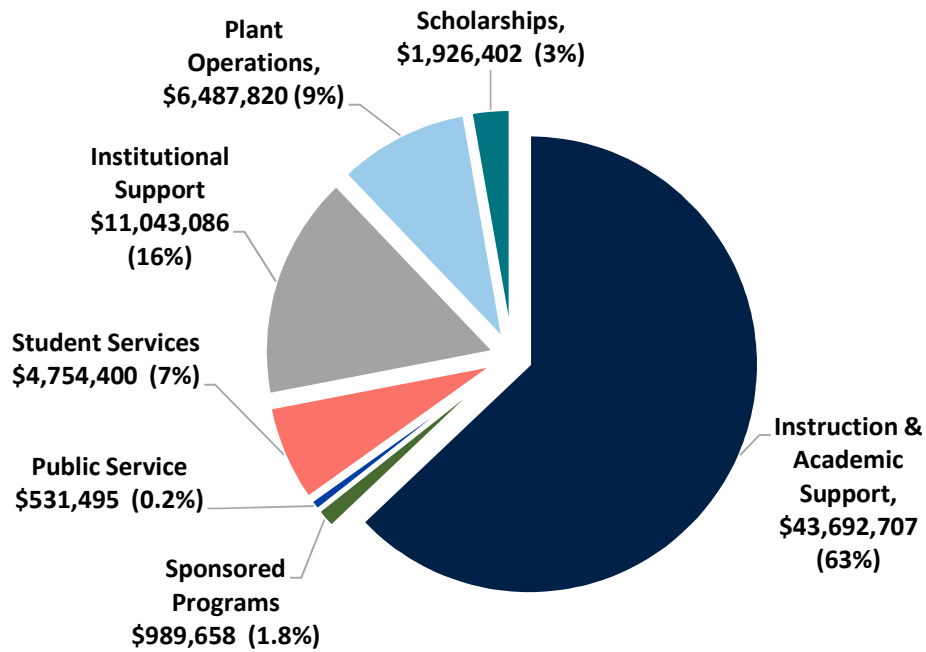


**2018-19 Est. E&G Revenue: \$69,897,780**

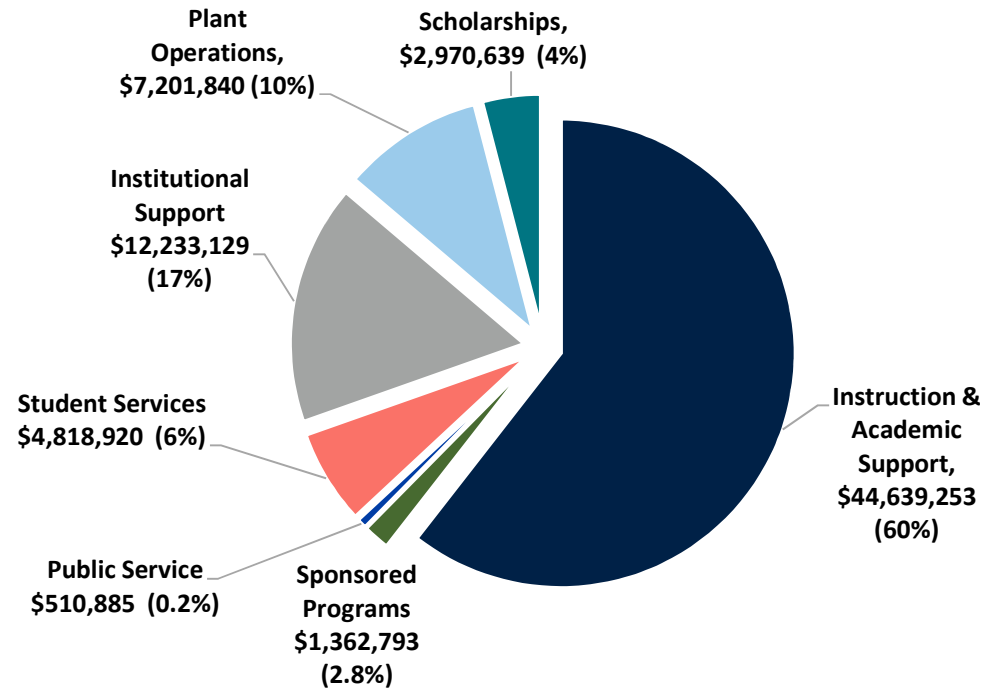


**2019-20 E&G Revenue: \$73,737,459**

# E&G Expenditure Comparison by Category

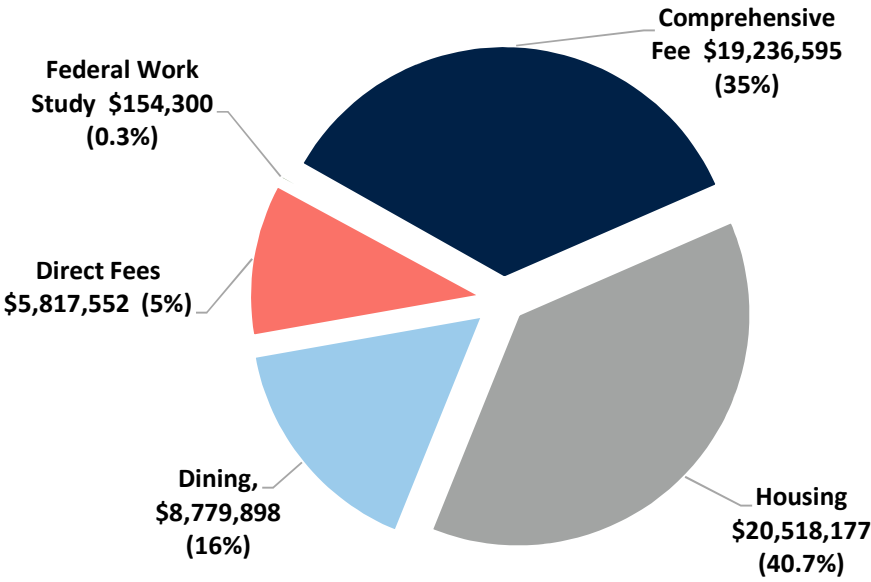


**2018-19 Est. E&G Expenditures: \$69,425,568**

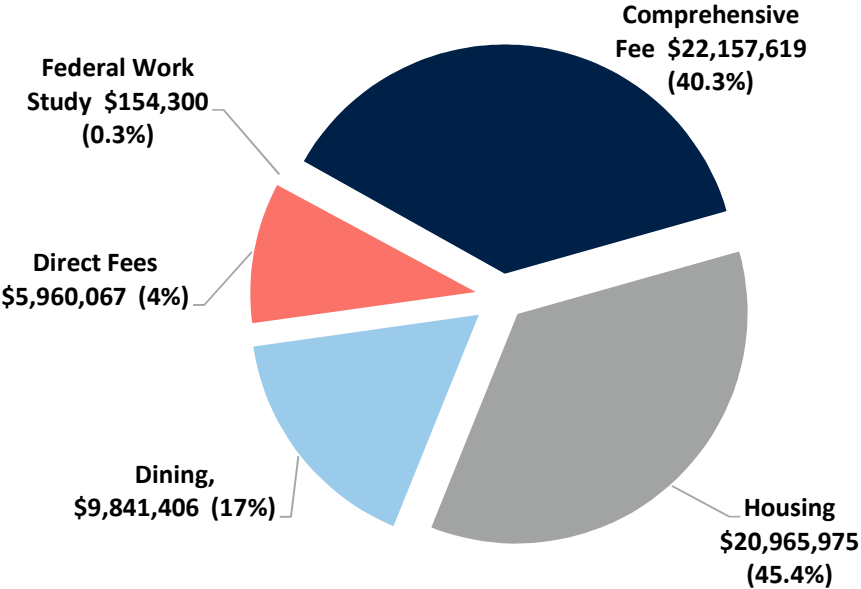


**2019-20 E&G Expenditures: \$73,737,459**

# Auxiliary Services Revenue Comparison by Category

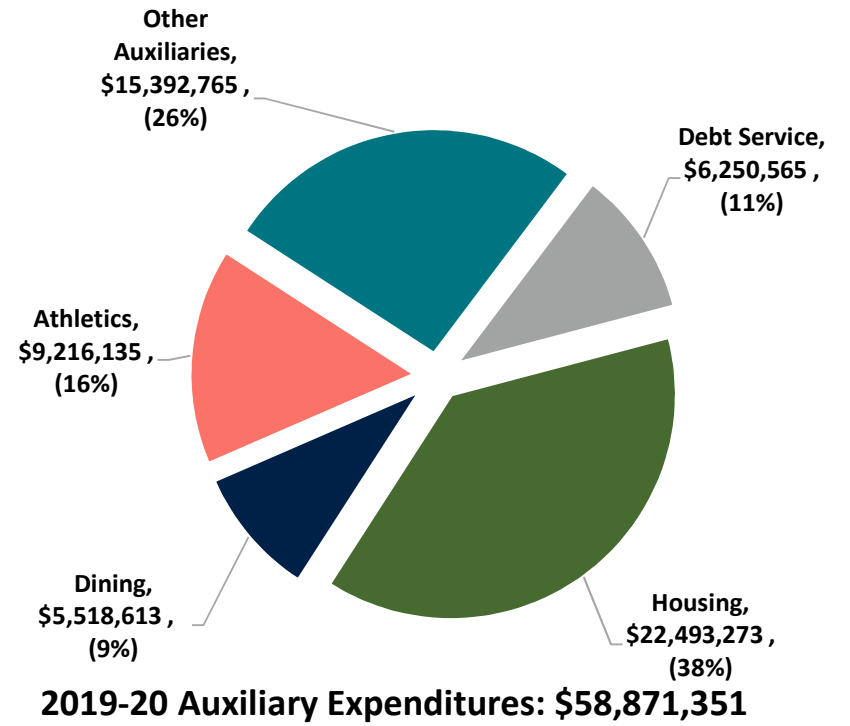
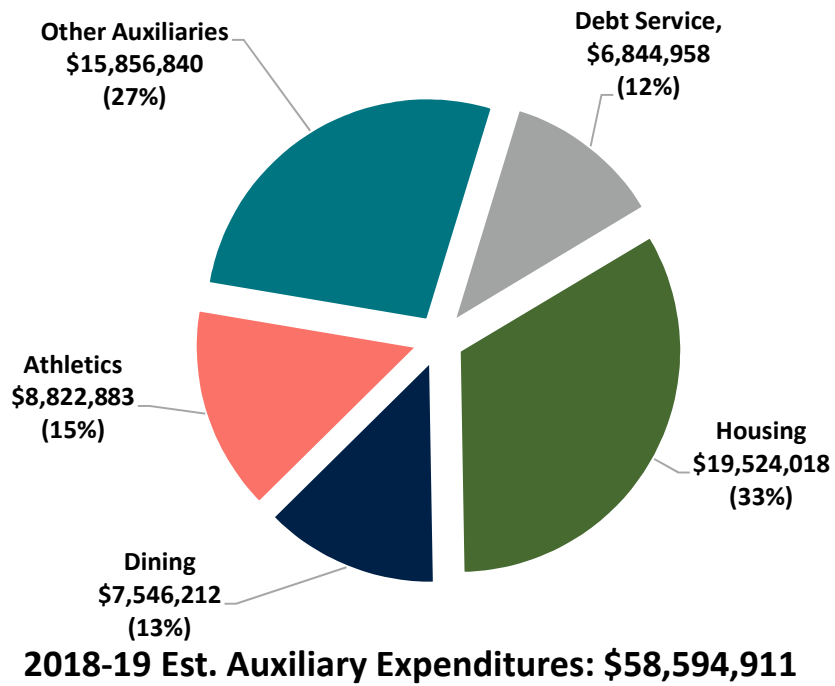


2018-19 Est. Auxiliary Revenue: \$54,506,522



2019-20 Auxiliary Revenue: \$59,079,367

# Auxiliary Services Expenditure Comparison by Category



**TABLE 1  
REVENUE SUMMARY**

	<b>Estimated 2018-2019</b>	<b>Proposed 2019-2020</b>
<b>EDUCATIONAL AND GENERAL</b>		
Tuition and Fees	40,133,288	41,045,853
Commonwealth Appropriations *	28,421,924	31,056,313
Federal Grants and Contracts	828,827	1,101,408
State/Local/Private Grants and Contracts	160,831	261,385
Other Sources	352,910	272,500
Total Educational and General	69,897,780	73,737,459
<b>AUXILIARY ENTERPRISES</b>		
Total Auxiliary Enterprises	54,506,522	59,079,367
<b>INSTITUTIONAL TOTAL</b>	124,404,302	132,816,826

\*Appropriation excludes Higher Education Student Financial Assistance of \$5,045,497 in FY 2019 and \$5,789,779 in FY 2020.

**TABLE 2  
EXPENDITURE SUMMARY**

	<b>Estimated 2018-2019</b>	<b>Proposed 2019-2020</b>
<b>EDUCATION AND GENERAL</b>		
Instruction	36,103,396	37,265,918
Sponsored Programs	989,658	1,362,793
Public Service	531,495	510,885
Academic Support	7,589,311	7,373,335
Student Services	4,754,400	4,818,920
Institutional Support	11,043,086	12,233,129
Plant Operation & Maintenance	6,487,820	7,201,840
Scholarships & Fellowships <sup>1</sup>	1,926,402	2,970,639
Total E&G Expenditures	69,425,568	73,737,459
<b>AUXILIARY ENTERPRISES</b>		
Housing Services	19,524,018	22,493,273
Dining Services	7,546,212	5,518,613
Athletics	8,822,883	9,216,135
Other Services	15,856,840	15,392,765
Transfers Debt Service (Mandatory)	6,844,958	6,250,565
Total Auxiliary Enterprises	58,594,911	58,871,351
<b>INSTITUTIONAL TOTAL</b>	<b>128,020,479</b>	<b>132,608,810</b>

<sup>1</sup> FY 2019 and FY 2020 exclude \$5,045,497 and \$5,789,779 respectively in Higher Education Financial Assistance from State Appropriations



## Budget Allocation Ratio

Fiscal Year	2017	2018	2019	2020
<b>Instruction and Academic Support</b>	62.02%	61.86%	62.47%	60.54%
<b>Public Service</b>	0.73%	0.72%	0.77%	0.69%
<b>Student Services</b>	6.81%	6.54%	6.81%	6.54%
<b>Institutional Support</b>	14.63%	15.61%	16.05%	16.59%
<b>Operation and Maintenance of Plant</b>	10.57%	10.74%	9.80%	9.77%
<b>Student Aid</b>	3.41%	3.29%	2.72%	4.03%
<b>Sponsored Programs</b>	1.83%	1.24%	1.38%	1.85%
<b>Formula</b>	<b><u>Expenditure Budget (by function)</u></b> <b>Total Educational &amp; General Expenditure Budget</b>			

## 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 ratio decreased primarily due to a redistribution of funding to Institutional Support and Operation and Maintenance of Plant. Additional funds were added to support Core Curriculum, faculty positions and salary increases.
- ❖ Student Services decreased over the previous year due to changes in positions in the ESL/English Bridge program.
- ❖ Institutional Support increased primarily as a result of a redistribution of operating funding and salary and benefit increases.
- ❖ Operation and Maintenance of Plant increased due to a redistribution of operating funding
- ❖ Student Aid funding increased due to \$380,678 in scholarships being funded in FY20 by Longwood.
- ❖ Sponsored Programs increase is primarily due to more federal grants.

## 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.

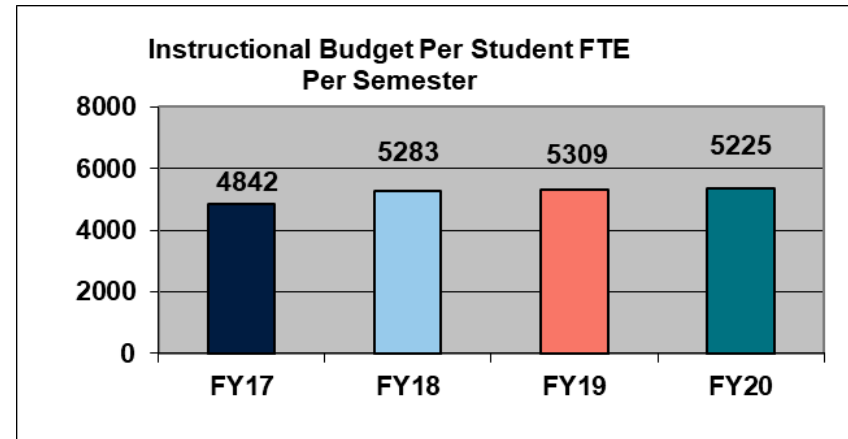
### Longwood University's Current Status

In FY 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.

In FY20 the decrease is primarily for a projected decrease in student FTE.

The total annual Educational & General budget per in-state FTE is \$15,448 which is a decrease of \$175 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: 
$$\frac{\text{Instruction and Academic Support Budgets}}{\text{Fall and Spring Enrollment Projections}}$$

## **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 4.76 percent for FY 2020. This calculation is based on scheduled debt payments for FY 2020 and total budgeted expenditures less reserves.

The actual audited debt burden ratio per unaudited financial statements in FY 2018 was 4.91 percent.

## 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.