

LONGWOOD UNIVERSITY OPERATING BUDGET AND PLAN FY 2021-2022

Development of Citizen Leaders



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2021-2022 BUDGET SUMMARY

This section provides an overview of the University's FY 2022 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.
- Budgeted expenses incorporate the expected salary increase approved by the Governor for July 1, 2021. Classified and adjunct employees will received a 5% increase. Faculty and Administrative Professional will be eligible to receive merit increases.
- The University is continuing 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 2022 is \$135,981,511 which excludes \$6,577,179 in state appropriation for student financial assistance. The proposed expenditure budget for the total University is \$135,981,511.
- The work of the Assessment Committee of the University Planning Council identified several key items through its campus-wide assessment work for inclusion in this FY 2022 operating budget of the University: \$25,000 for implementation of an applicant tracking system in Hirezon; \$5,000 to increase open position posting on diverse web-sites; and \$2,500 for professional development for landscaping employees.
- 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 2022 are \$75,445,272.
- 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 2022 is \$60,536,239.

2020-2021 ACTIONS OF THE GENERAL ASSEMBLY

This year, the General Assembly met in a combination of regular and special sessions that began January 13, 2021 and ended on March 1, 2021. The General Assembly finalized amendments to the budget for 2020-22 on February 27, 2021. The General Assembly approved all of the Governor's recommended changes to the budget on April 7, 2021.

Longwood's current total Educational and General (E&G) operating appropriation will increase from \$74,370,260 to \$74,507,670 - \$31,636,303 GF and \$42,871,367 NGF. There was a continuation of additional GF appropriation of \$1,500,000 to maintain access and affordability. The General Assembly also appropriated \$675,300 to address affordability issues due to unavoidable cost increases and required spending. The budget restored \$137,410 for Early Childhood and \$787,400 for undergraduate financial aid that had been previously un-allotted. The budget also includes \$396,000 in federal COVID-19 relief funds for Longwood to conduct COVID-19 testing, and directs additional federal COVID-19 relief funds for one-time need-based financial aid, though Longwood's allocation is not known at this time. The budget also includes \$3,773,000 in bond funding for Longwood's HVAC controls and equipment replacement project.

Department of Planning and Budget will provide an additional \$1,840,692 in FY 2022, as a central adjustment. This adjustment is due to the state mandated salary, benefit, health insurance increases, cardinal system charges and other miscellaneous adjustments that will occur in FY 2022.

Financial Aid

General fund support for student financial assistance in FY 2022, is \$6,577,179. The additional \$787,400 that was unallotted in FY 2021 has been allotted for FY 2022.

Southside Virginia Regional Technology Consortium (SVRTC)

Funding remained at \$108,905 for the SVRTC in FY 2022.

Salary Increases

Included in the FY 2022 budget are the state authorized five percent salary increases. Employees in salaried positions as of March 10, 2021 and remaining employed on June 10, 2021 are eligible. Classified employees must have also achieved a performance rating of Contributor or higher to be eligible. Instructional Faculty and Administrative Professional staff are eligible for an increase based on performance and other employment related factors. Classified and Administrative Professional staff

increases are effective on June 10, 2021. Instructional faculty increases will be effective August 10, 2021. Adjunct faculty are also eligible for the five percent increase and will be applied beginning with the second semester summer session.

Higher Education Equipment Trust Fund

Funding for the FY 2022 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 21st Century Program remains unchanged at \$106,149.

Capital Projects

Longwood's Maintenance Reserve funding for FY 2022 is \$1,899,815, no increase over FY 2021.

2021-2022 EDUCATIONAL AND GENERAL PROGRAM PRIORITIES

The University's 2021-2022 Educational and General budget is based on priorities that support the strategic plan. After carefully examining the revenue projection for FY 2022, and evaluating request from institutional areas, funds were allocated for strategic initiatives. The recommended expenditures include funds for the following:

- Core Curriculum CIVITAE \$ 1,277,164
- Add two new out-of-state recruiters \$ 154,035
- Faculty promotions \$ 25,000

2021-2022 AUXILIARY SERVICES PROGRAM PRIORITIES

The University's 2021-2022 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 4, 2020. Comprehensive fees will be approved June 10, 2021.

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 2020-2022 biennium is 13.87 percent. This is a .32 percent decrease from the prior biennium.

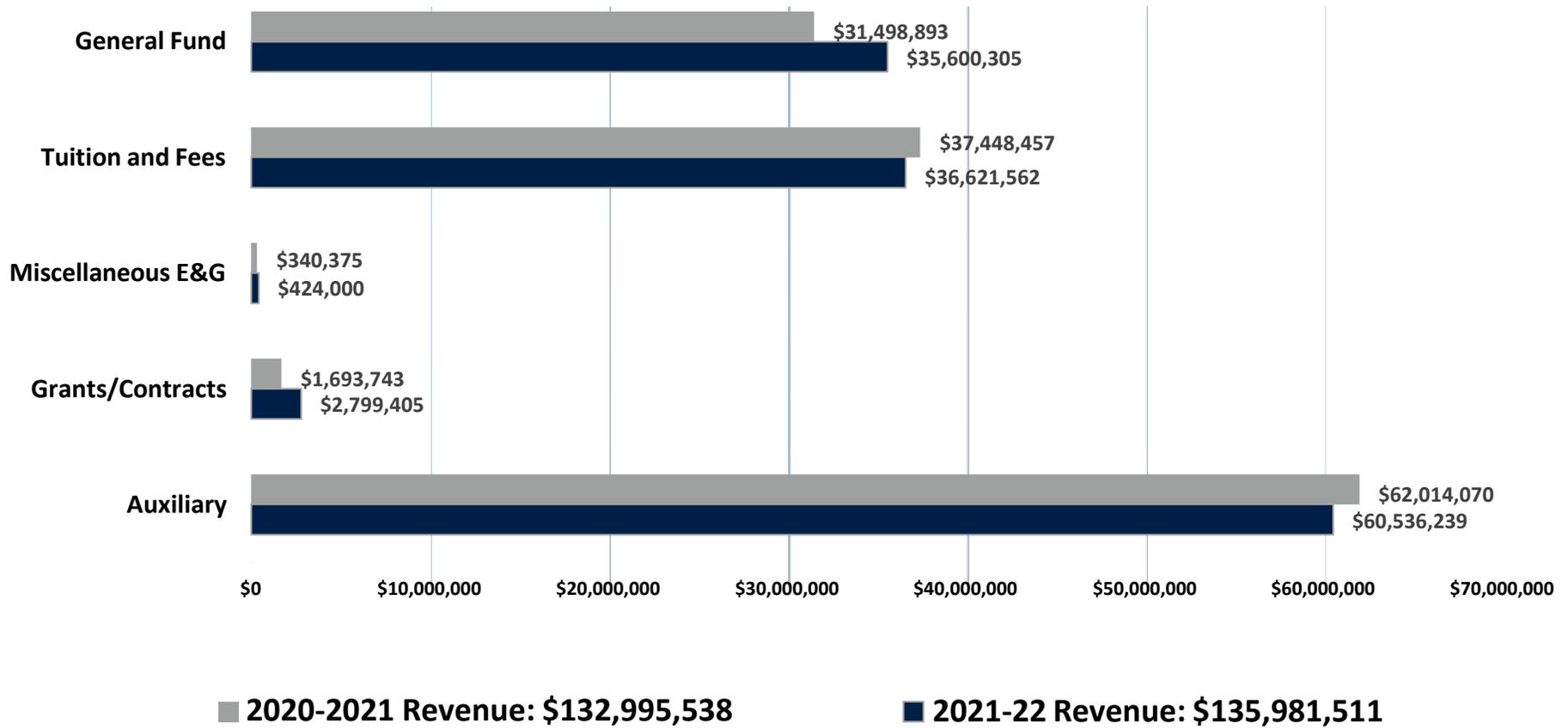
Housing & Dining

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

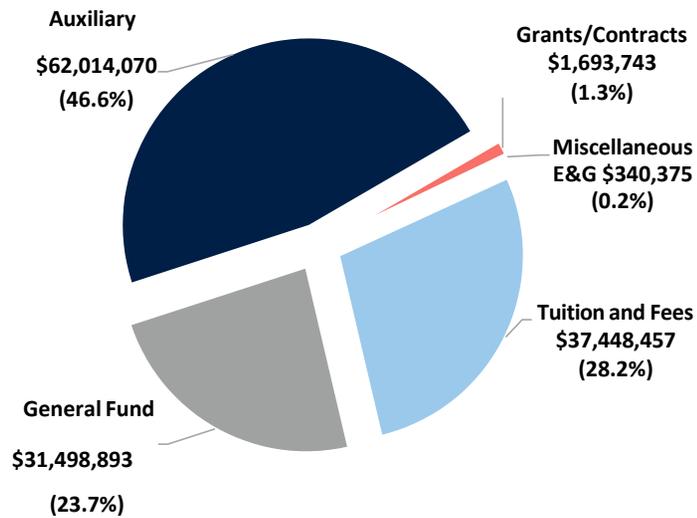
Comprehensive Fee Budgets

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.

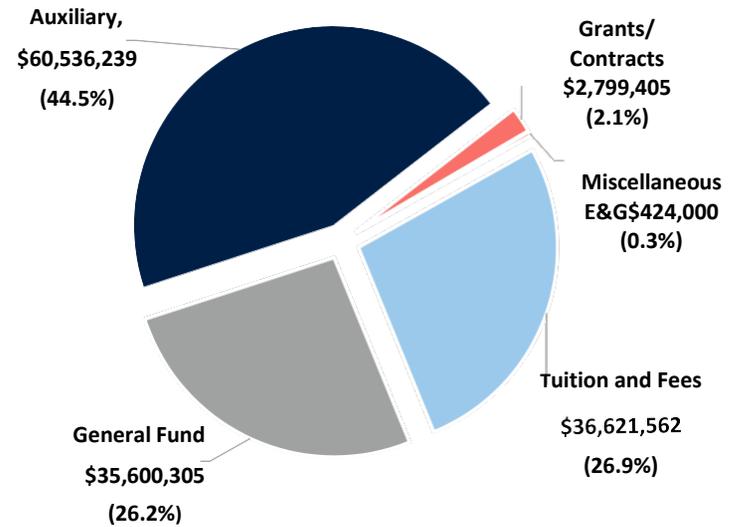
Total Revenue



Total Revenue Comparison by Category

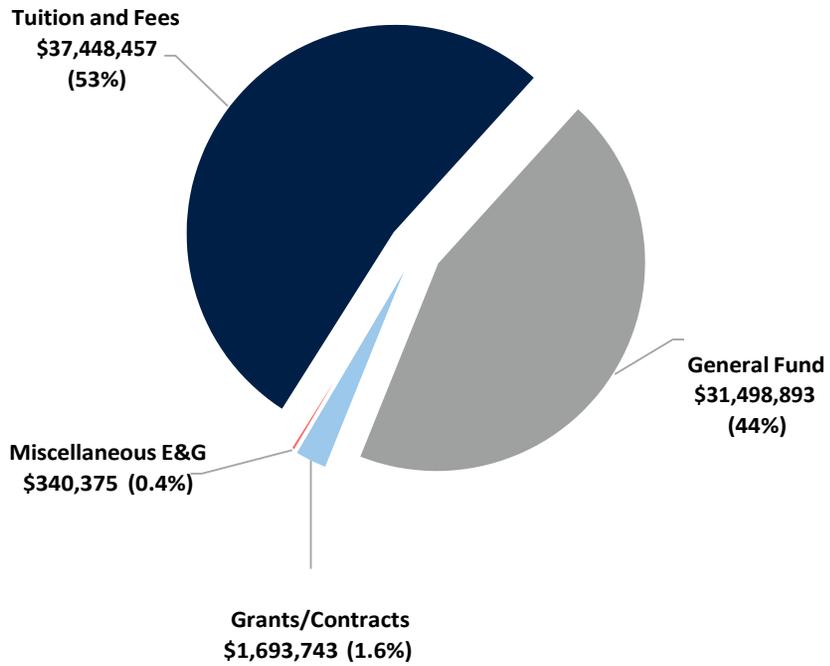


2020-21 Total Revenue: \$132,995,538

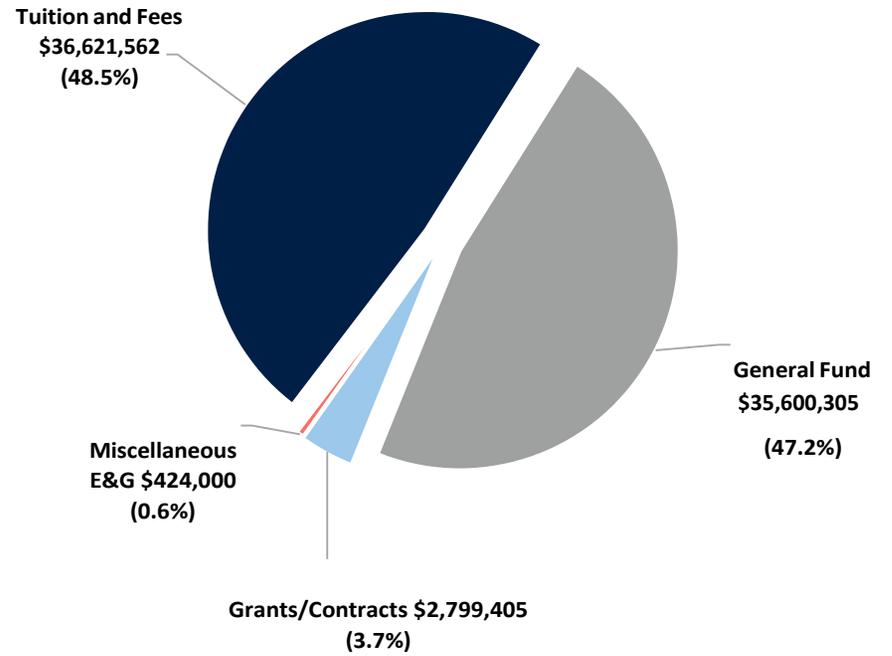


2021-22 Total Revenue: \$135,981,511

E&G Revenue Comparison by Category

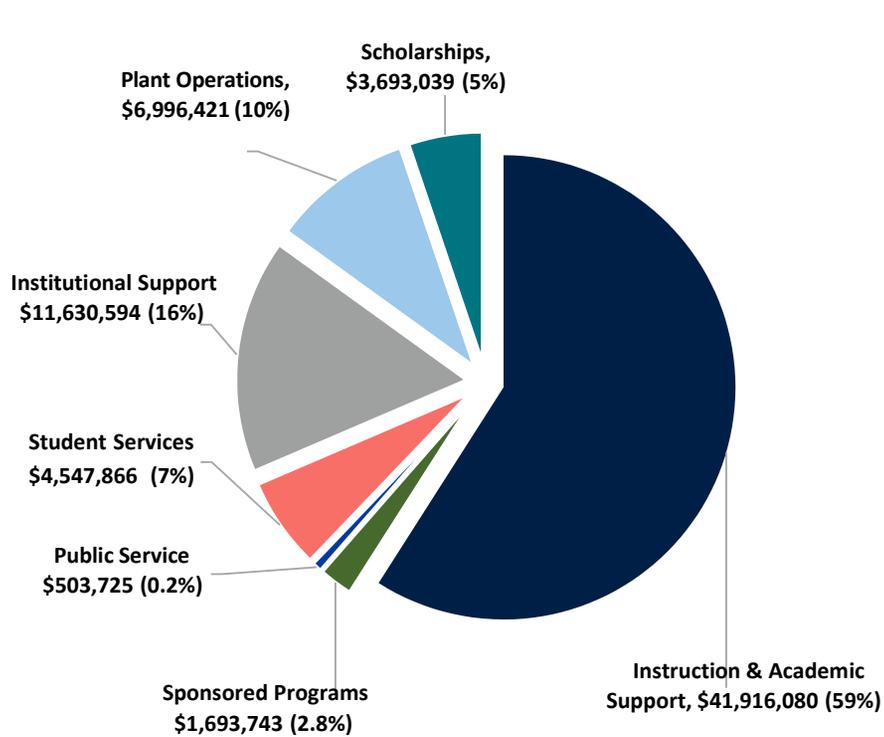


2020-21 E&G Revenue: \$70,981,468

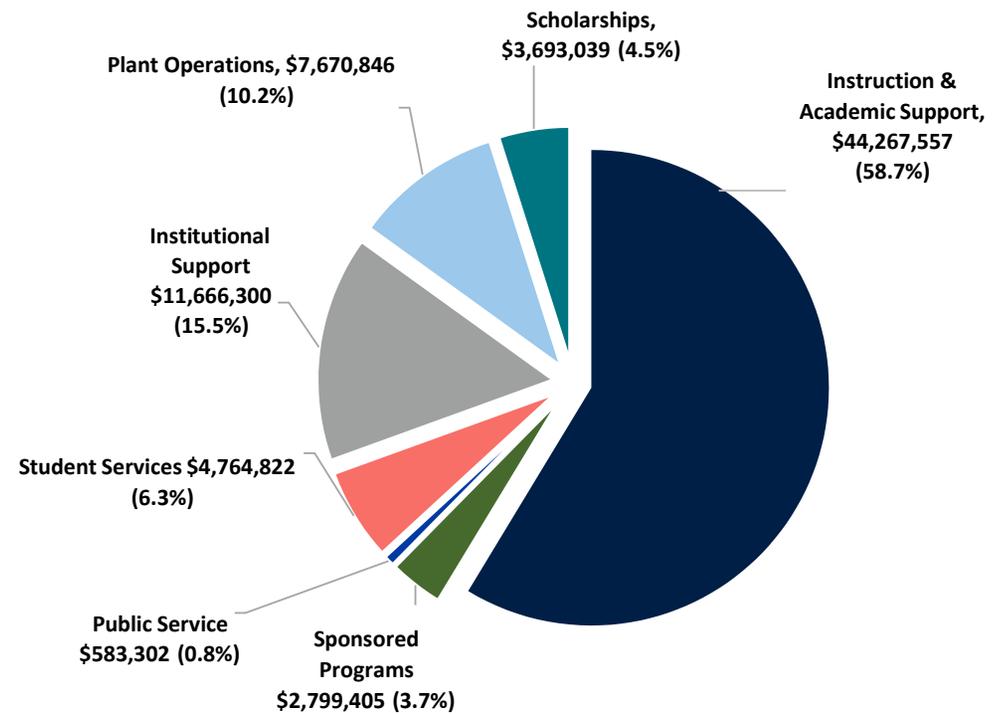


2021-22 E&G Revenue: \$75,445,272

E&G Expenditure Comparison by Category

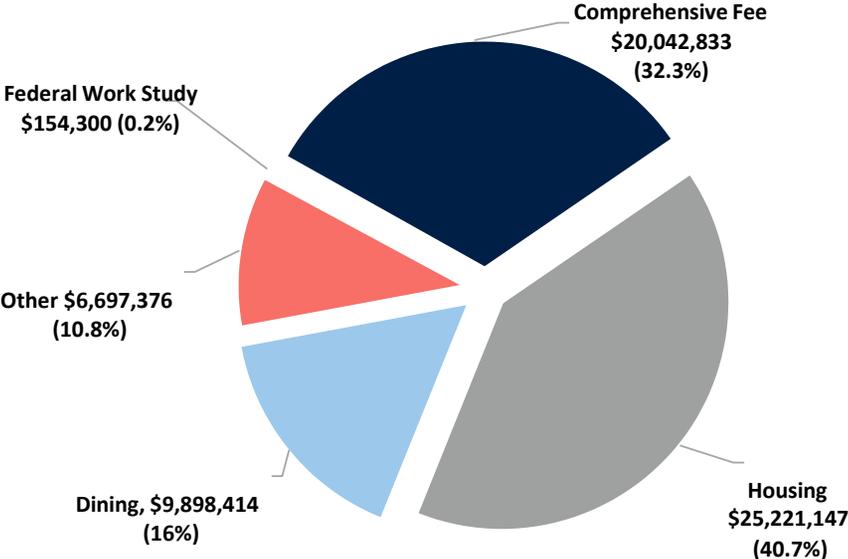


2020-21 E&G Expenditures: \$70,981,468

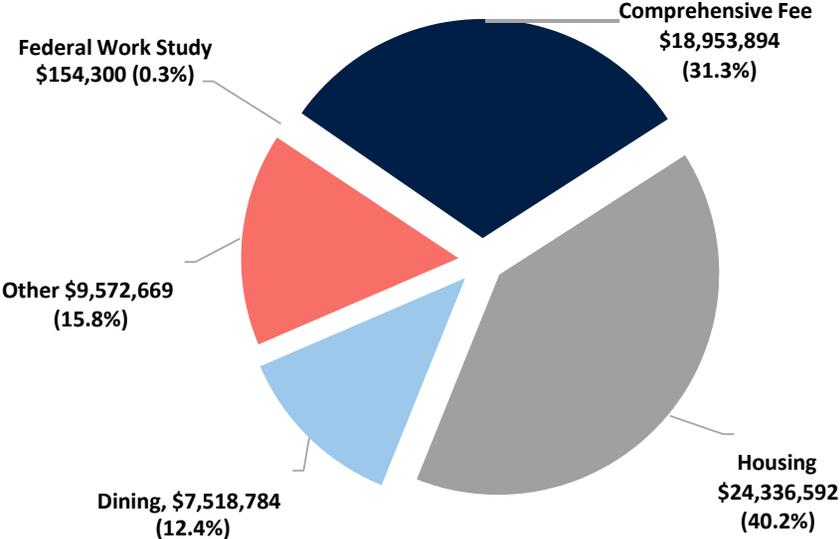


2021-22 E&G Expenditures: \$75,445,272

Auxiliary Services Revenue Comparison by Category

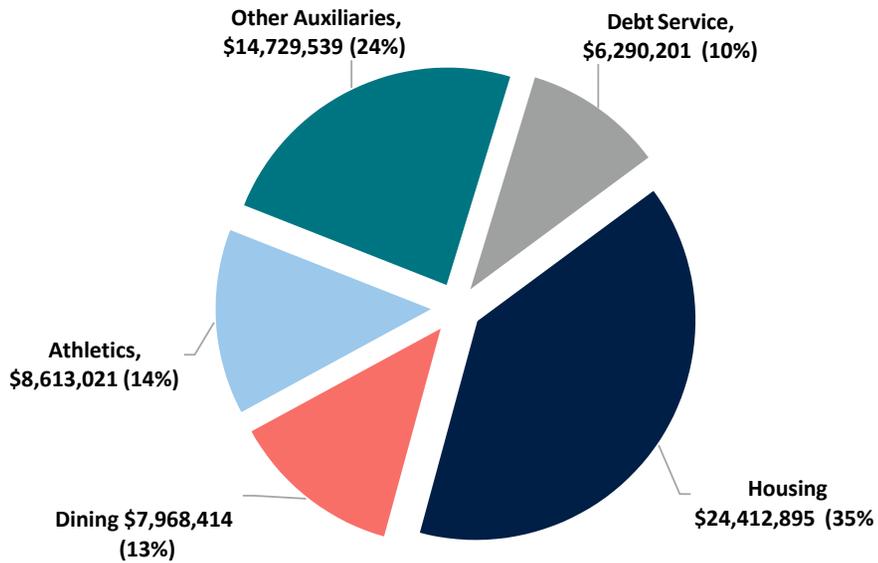


2020-21 Auxiliary Revenue: \$62,014,070

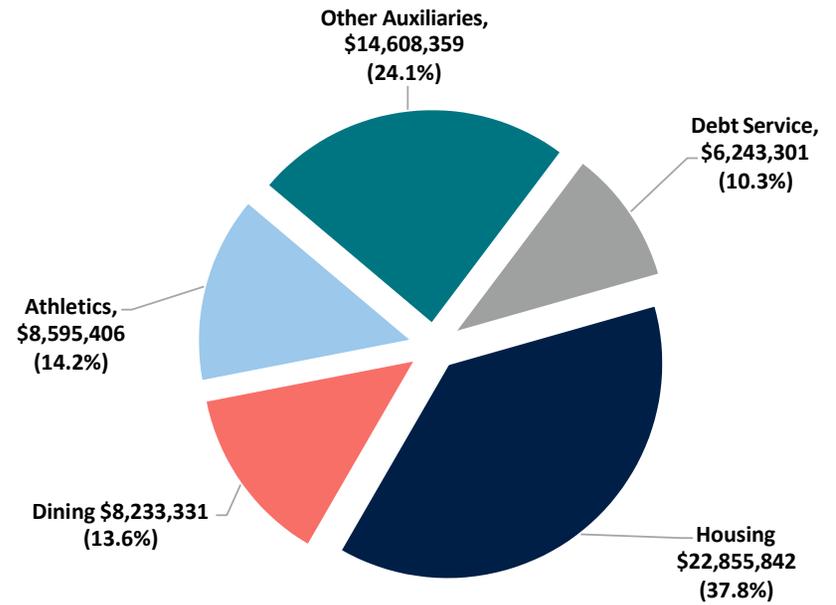


2021-22 Auxiliary Revenue: \$60,536,239

Auxiliary Services Expenditure Comparison by Category



2020-21 Auxiliary Expenditures: \$62,014,070



2021-22 Auxiliary Expenditures: \$60,536,239

**TABLE 1
REVENUE SUMMARY**

	Estimated 2020-2021	Proposed 2021-2022
EDUCATIONAL AND GENERAL		
Tuition and Fees	37,448,457	36,621,562
Commonwealth Appropriations *	31,498,893	35,600,305
Federal Grants and Contracts	1,362,993	1,844,987
State/Local/Private Grants and Contracts	330,750	954,418
Other Sources	340,375	424,000
Total Educational and General	70,981,468	75,445,272
AUXILIARY ENTERPRISES		
Total Auxiliary Enterprises	62,014,070	60,536,239
INSTITUTIONAL TOTAL	132,995,538	135,981,511

*Appropriation excludes Higher Education Student Financial Assistance of \$5,789,779 in FY 2021 and \$6,577,179 in FY 2022.

**TABLE EXPENDITURE
SUMMARY**

	Estimated 2020-2021	Proposed 2021-2022
EDUCATION AND GENERAL		
Instruction	35,250,016	37,067,554
Sponsored Programs	1,693,743	2,799,405
Public Service	503,725	583,302
Academic Support	6,666,604	7,200,003
Student Services	4,547,866	4,764,822
Institutional Support	11,630,594	11,666,300
Plant Operation & Maintenance	6,996,421	7,670,846
Scholarships & Fellowships ¹	3,693,039	3,693,039
Total E&G Expenditures	70,981,468	75,445,272
AUXILIARY ENTERPRISES		
Housing Services	24,412,895	22,855,842
Dining Services	7,968,414	8,233,331
Athletics	8,613,021	8,595,406
Other Services	14,729,539	14,608,359
Transfers Debt Service (Mandatory)	6,290,201	6,243,301
Total Auxiliary Enterprises	62,014,070	60,536,239
INSTITUTIONAL TOTAL		
	132,995,538	135,981,511

¹Appropriation excludes Higher Education Student Financial Assistance of \$5,789,779 in FY 2021 and \$6,577,179 in FY 2022.

Budget Allocation Ratio

Fiscal Year	2019	2020	2021	2022
Instruction and Academic Support	62.47%	60.54%	59.05%	58.68%
Public Service	0.77%	0.69%	0.71%	0.77%
Student Services	6.81%	6.54%	6.41%	6.32%
Institutional Support	16.05%	16.59%	16.39%	15.46%
Operation and Maintenance of Plant	9.80%	9.77%	9.86%	10.071%
Student Aid	2.72%	4.03%	5.20%	5.89%
Sponsored Programs	1.38%	1.88%	2.39%	3.71%

Formula

Expenditure Budget (by function)

Total Educational & General Expenditure Budget

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:

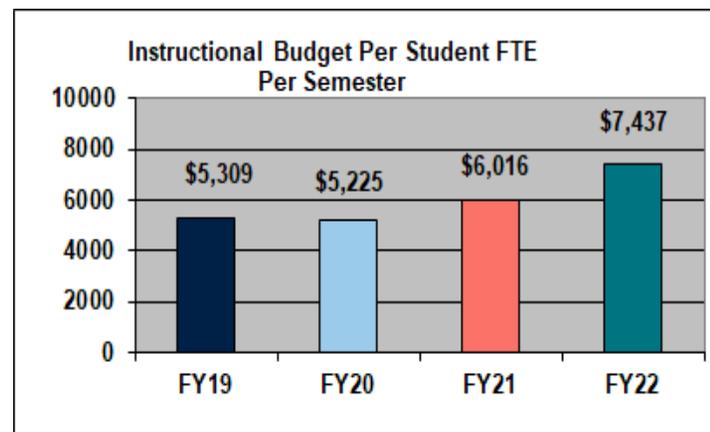
- ❖ Instruction and Academic Support ratio decreased as a percentage of total but increased in dollars spent due to the transfer of the Andy Taylor Center, Moton Museum and Longwood Center for the Visual Arts to Instruction and Academic Support from auxiliary.
- ❖ Public Service, Student Services, Institutional Support, Operation and Maintenance of Plant and percentages decreased as a percentage of total budget but increased in dollar amounts from the prior year. This is due to the significant increase in federal grants which changed the distribution percentages.
- ❖ Student Aid funding increased in percentage from prior year, although the dollar amount is unchanged.
- ❖ Sponsored Programs increased due to additional 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 FY20 the decrease was due to a projected increase in student FTE's.

In FY21 the increase is due to a projected decrease in student FTE compared to the prior year.

In FY22 the increase is primarily due to moving the Andy Taylor Center, Moton Museum, and Longwood Center for the Visual Arts to Instruction and Academic Support programs from auxiliary.

The total annual Educational & General budget per in-state FTE is \$23,717 which is an increase of \$4,755 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 4.69 percent for FY 2022. This calculation is based on scheduled debt payments for FY 2022 and total budgeted expenditures less reserves.

The actual debt burden ratio per unaudited financial statements in FY 2020 was 5.91 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.