

# OPERATING BUDGET AND PLAN FY 2020-2021

*Development of Citizen Leaders*



LONGWOOD  
UNIVERSITY



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## 2020-2021 BUDGET SUMMARY

This section provides an overview of the University's FY 2021 operating budget. Detailed budget information is provided in the supporting tables. Highlights of the proposed plan are presented below.

- COVID-19 has uniquely impacted this year's budget development and created uncertainty surrounding projections on revenue and expenses. Particularly challenging is the lack of clarity around enrollment, upper-class retention, state funding, as well as the additional cost required to operate campus while COVID-19 is still a threat. As in all years, the University will adapt as things become clear and operate within its means. The budget for FY 2021 will certainly need to be agile and flexible as we gain clarity on three main areas: enrollment, state funding, and finalization of plans for the return to on-campus instructional and residency.
- 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 savings that will result from the payroll reductions that were announced on May 12, 2020, in the estimated amount of \$3.3 million and the impact of holding currently open positions during the required hiring freeze announced by the state.
- It is notable that at this time we expect to incur COVID-19 related operating costs of \$1,326,357 that will currently need to be funded within the existing budgets unless the University receives funding from state distribution of federal CARES Act Coronavirus Relief Fund, which is uncertain at this time.
- In coordination with the Commonwealth, the University is developing contingencies to make agile and appropriate adjustments to operations as needed to address shortfalls in revenues and/or state funding reductions. A broad review of contracts, non-mission critical spending, and opportunities to create operating efficiency is ongoing.

- The General Assembly approved a state budget on March 12, 2020 that included new funding in FY 2021 for an In-State Undergraduate Tuition Moderation for institutions of higher education that freeze tuition for in-state undergraduates. Additional financial aid in the amount of \$747,800 was approved. As a result of the COVID-19 pandemic's impact on state revenues, the Tuition Moderation and financial aid funding has been placed on hold with no assurance that it will become available. Should such funding be restored, Longwood would be able to revisit tuition charges for the upcoming year.
- 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 2021 is \$132,995,538, which excludes \$5,789,779 in state appropriation for student financial assistance. The proposed expenditure budget for the total University is \$132,995,538.
- 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 2021 are \$70,981,468.
- In FY 2021, Longwood will contribute \$69,000 to fund faculty promotions.
- Longwood will fund the Core Curriculum *CIVITAE* implementation cost for FY 2021 with \$1,277,164.
- 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 Service budget for FY 2020 is \$62,014,070.

## **2020-2021 ACTIONS OF THE GENERAL ASSEMBLY**

The General Assembly session began January 8, 2020, and ended on March 12, 2020. The General Assembly finalized a budget for 2020-22 and a caboose budget for 2018-20 on March 12, 2020. After the General Assembly voted on the Governor's recommended changes to both budgets on April 22, 2020, the Governor signed the caboose budget for 2018-20 on April 24, 2020 and the budget for 2020-22 on May 21, 2020.

As a result of the COVID-19 pandemic's impact on state revenues, the amended budget for 2020-22 approved by the General Assembly on April 22nd freezes new state spending, with no assurance that this funding will become available. The state will reforecast revenues later this summer, and the Governor will call the General Assembly back for a special session on the budget, which may result in additional reductions in state funding to agencies and institutions of higher education.

Longwood's current total Educational and General (E&G) operating appropriation will increase from \$73,380,925 to \$74,370,260 - \$31,498,893 GF and \$42,871,367 NGF. There was additional GF appropriation of \$137,400 for Early Childhood and \$787,400 for financial aid that have been unappropriated at this time due to COVID-19.

The budget will provide an additional \$989,335 in FY 2021. This is due to the state mandated salary increase that occurred in FY 2020. Longwood's FY 2021 general fund increased \$281,787. Longwood's non-general fund operating base increased \$707,548. These changes will be reflected in our appropriation received from the state on July 1, 2020.

### **Financial Aid**

General fund support for student financial assistance in FY 2021 will remain at the FY 2020 level \$5,789,779. The previously approved \$787,400 in additional general fund financial aid has been unappropriated due to the uncertainty of the COVID-19 pandemic. Due to these circumstances Longwood will fund the \$747,800 in additional aid from tuition and fee revenue. Due to the timing of the financial aid being unappropriated, it had already been committed.

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

Funding remained at \$108,905 for the SVRTC in FY 2021.

### **Salary Increases**

No salary increases are included in FY 2021 budget.

## **Higher Education Equipment Trust Fund**

Funding for the FY 2021 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 remains unchanged at \$106,149.

## **Capital Projects**

Longwood's Maintenance Reserve funding for FY 2021 is \$1,899,815, an increase of \$20,950 over FY 2020.

## **2020-2021 EDUCATIONAL AND GENERAL PROGRAM PRIORITIES**

The University's 2020-2021 Educational and General budget is based on priorities that support the strategic plan. After carefully examining the revenue projection for FY 2021, funds were allocated for strategic initiatives. The recommended expenditures include funds for the following:

- Core Curriculum *CIVITAE* \$ 1,277,164
- Increase Scholarships \$ 787,400
- Increase in Faculty Promotions \$ 69,000

## **2020-2021 AUXILIARY SERVICES PROGRAM PRIORITIES**

The University's 2020-2021 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 6, 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 2020-2022 biennium is 13.87 percent. This is a .32 percent decrease from the prior biennium.

### **Housing & Dining**

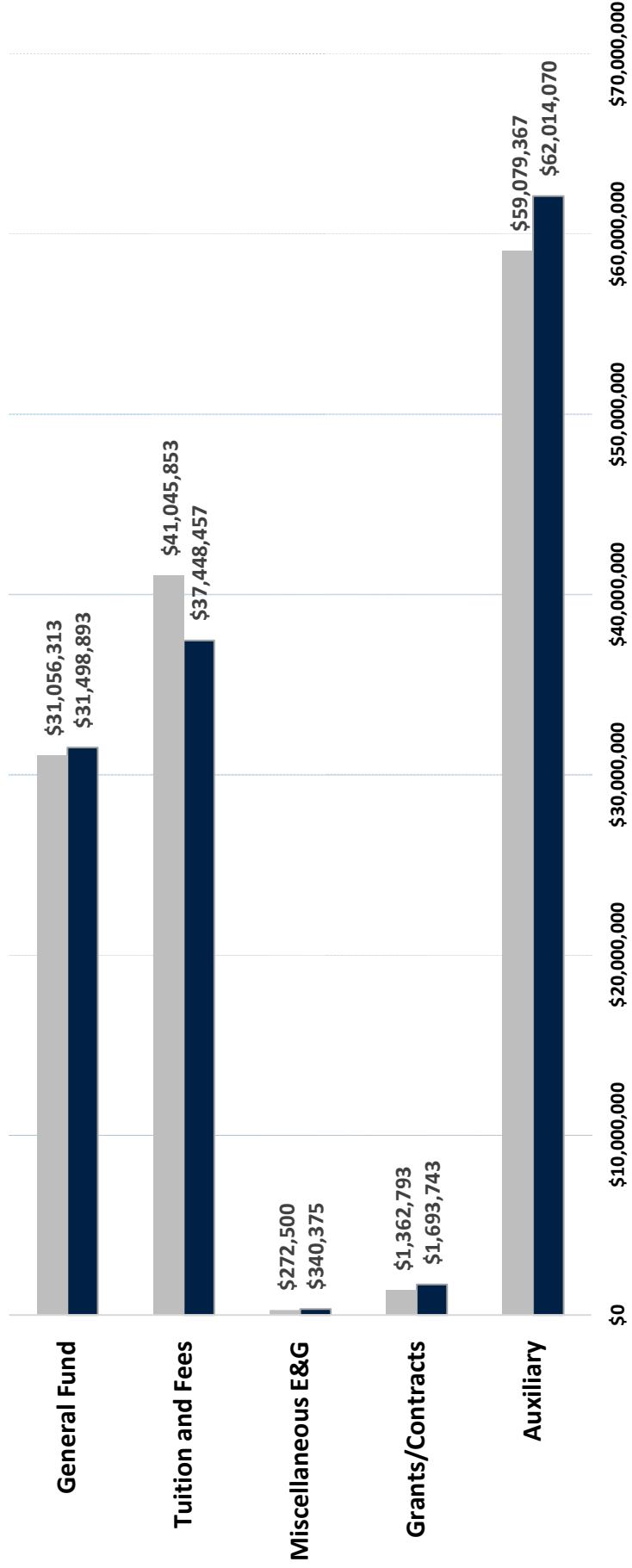
Combined, Housing and Dining are self-supporting operations and contribute to any needs in comprehensive fee budgets.

### **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.

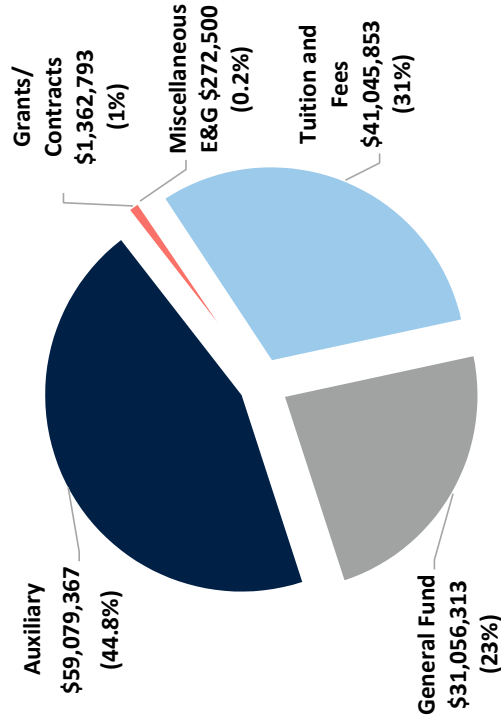


# Total Revenue

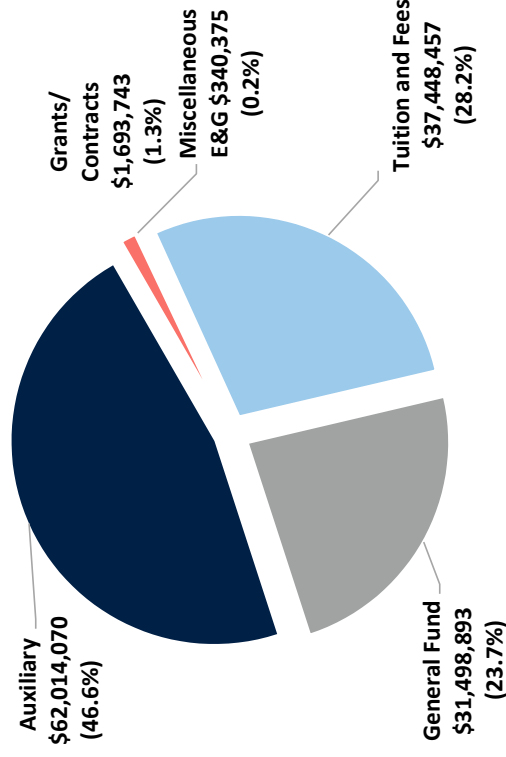


■ 2019-20 Revenue: \$132,816,826 ■ 2020-21 Revenue: \$132,995,538

# Total Revenue Comparison by Category

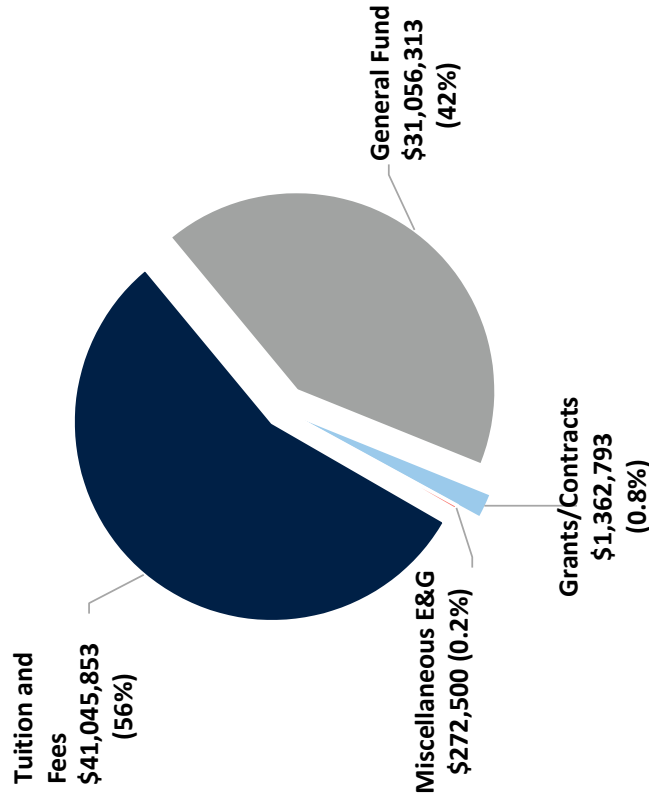


**2019-20 Total Revenue: \$132,816,826**

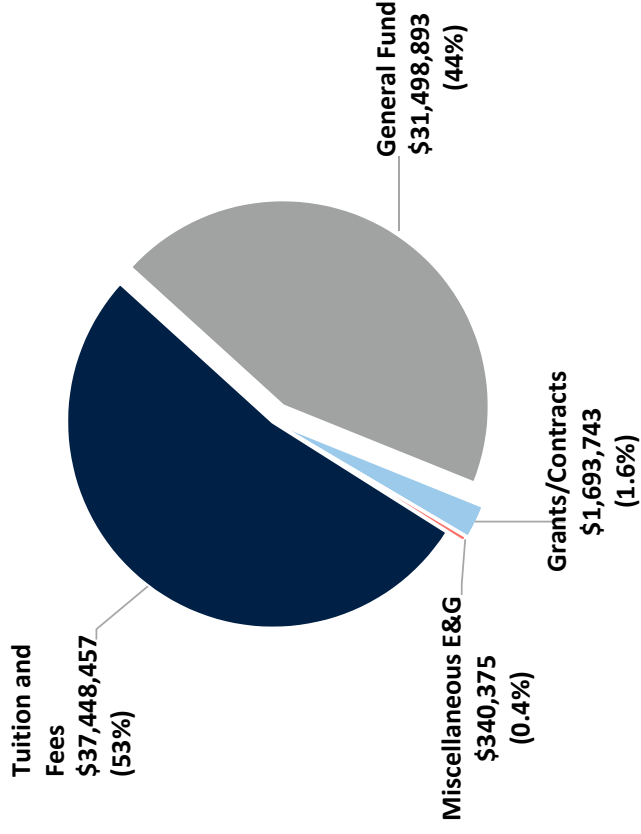


**2020-21 Total Revenue: \$132,995,538**

# E&G Revenue Comparison by Category

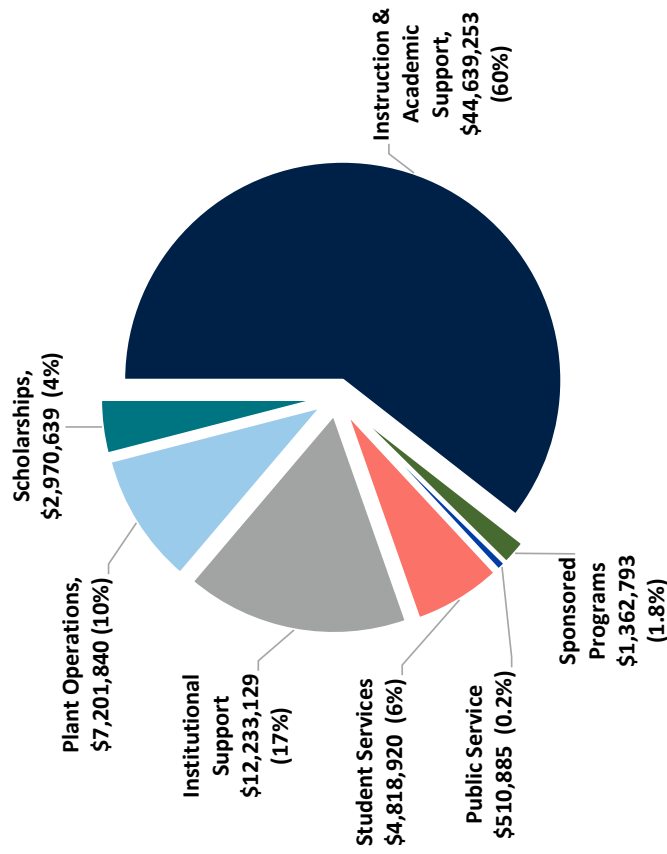


**2019-20 E&G Revenue: \$73,737,459**

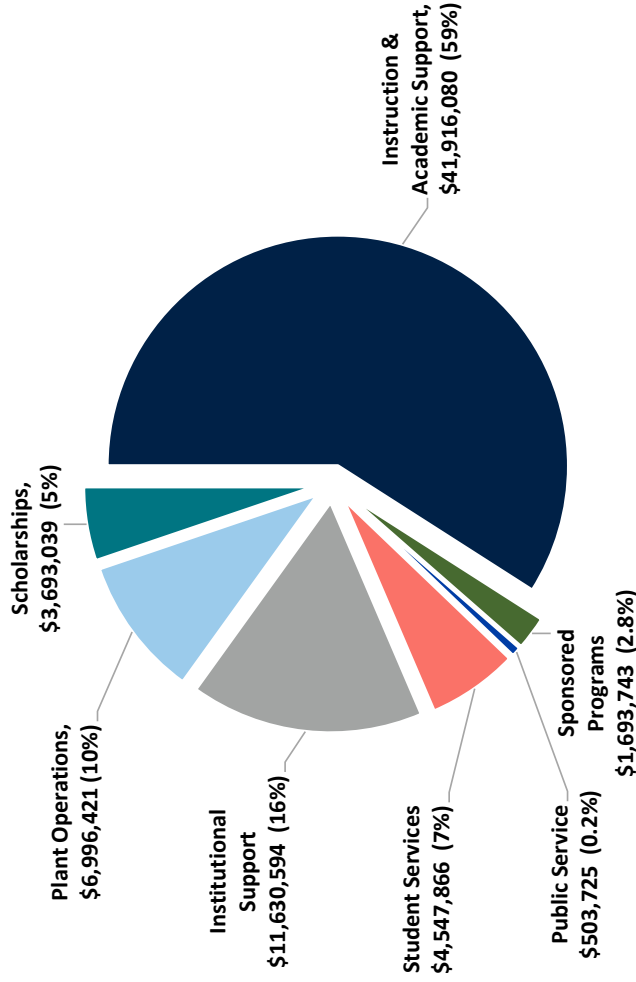


**2020-21 E&G Revenue: \$70,981,468**

# E&G Expenditure Comparison by Category

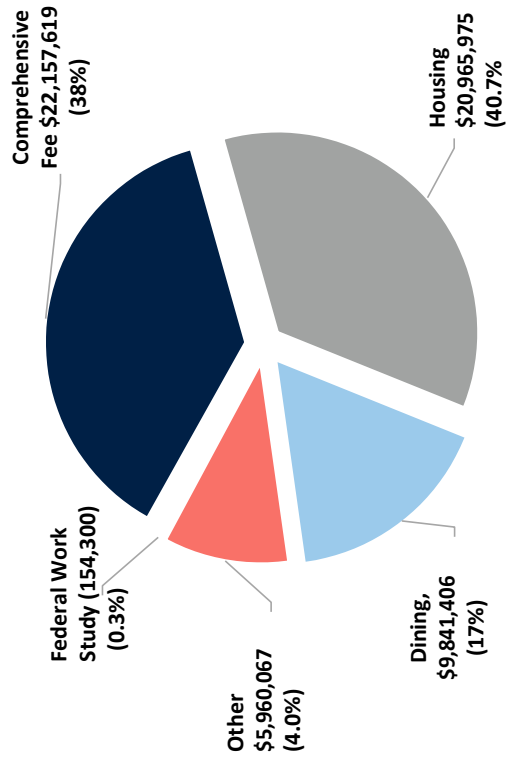


**2019-20 E&G Expenditures: \$73,737,459**

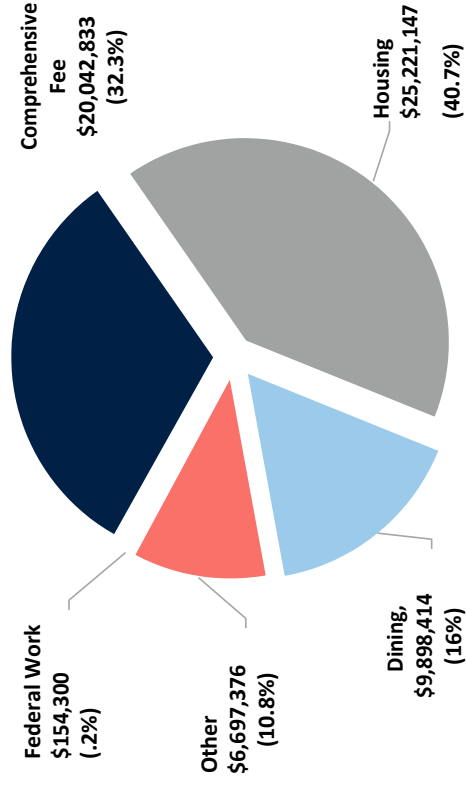


**2020-21 E&G Expenditures: \$70,981,468**

# Auxiliary Services Revenue Comparison by Category

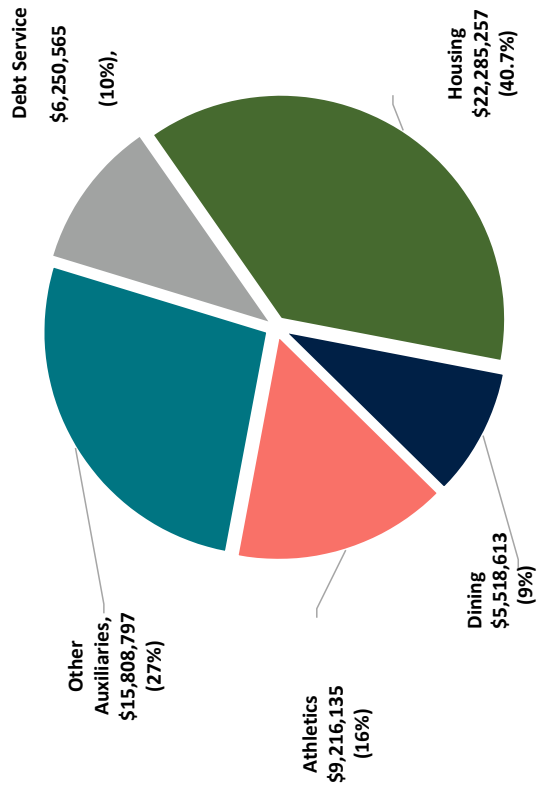


**2019-20 Auxiliary Revenue: \$59,079,367**

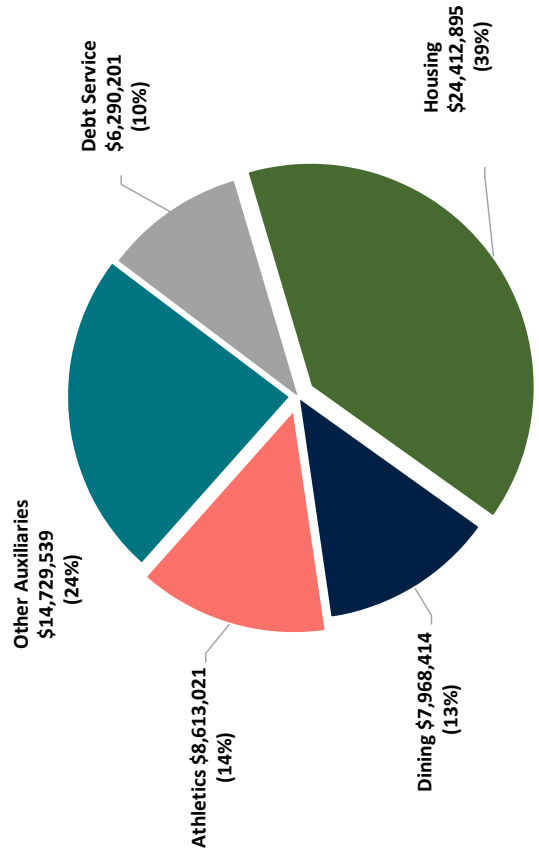


**2020-21 Auxiliary Revenue: \$62,014,070**

# Auxiliary Services Expenditure Comparison by Category



**2019-20 Auxiliary Expenditures: \$59,079,367**



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

**TABLE 1  
REVENUE SUMMARY**

	<b>BOV Budget 2019-2020</b>	<b>BOV Proposed 2020-2021</b>
<b>EDUCATIONAL AND GENERAL</b>		
Tuition and Fees	41,045,853	37,448,457
Commonwealth Appropriations *	31,056,313	31,498,893
Federal Grants and Contracts	1,101,408	1,362,993
State/Local/Private Grants and Contracts	261,385	330,750
Other Sources	272,500	340,375
Total Educational and General	73,737,459	70,981,468
<b>AUXILIARY ENTERPRISES</b>		
Total Auxiliary Enterprises	59,079,367	62,014,070
<b>INSTITUTIONAL TOTAL</b>	132,816,826	132,995,538

\*Appropriation excludes Higher Education Student Financial Assistance of \$5,789,779 in FY 2020 and \$5,789,779 in FY 2021, with an additional \$787,400 unappropriated at this time due to COVID-19.

**TABLE  
EXPENDITURE SUMMARY**

	<b>BOV Budget 2019-2020</b>	<b>BOV Proposed 2020-2021</b>
<b>EDUCATION AND GENERAL</b>		
Instruction	37,265,918	35,250,016
Sponsored Programs	1,362,793	1,693,743
Public Service	510,885	503,725
Academic Support	7,373,335	6,666,064
Student Services	4,818,920	4,547,866
Institutional Support	12,233,129	11,630,594
Plant Operation & Maintenance	7,201,840	6,996,421
Scholarships & Fellowships <sup>1</sup>	2,970,639	3,693,039
Total E&G Expenditures	<b>73,737,459</b>	<b>70,981,468</b>
<b>AUXILIARY ENTERPRISES</b>		
Housing Services	22,493,273	24,412,895
Dining Services	5,518,613	7,968,414
Athletics	9,216,135	8,613,021
Other Services	15,392,765	14,729,539
Transfers Debt Service (Mandatory)	6,250,565	6,290,201
Total Auxiliary Enterprises	<b>58,871,351</b>	<b>62,014,070</b>
<b>INSTITUTIONAL TOTAL</b>		
	<b>132,608,810</b>	<b>132,995,538</b>

<sup>1</sup> Appropriation excludes Higher Education Student Financial Assistance of \$5,789,779 in FY 2020 and \$5,789,779 in FY 2021, with an additional \$787,400 unappropriated at this time due to COVID-19.



## 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.

## Budget Allocation Ratio

Fiscal Year	2018	2019	2020	2021
<b>Instruction and Academic Support</b>	61.86%	62.47%	60.54%	59.05%
<b>Public Service</b>	0.72%	0.77%	0.69%	0.71%
<b>Student Services</b>	6.54%	6.81%	6.54%	6.41%
<b>Institutional Support</b>	15.61%	16.05%	16.59%	16.39%
<b>Operation and Maintenance of Plant</b>	10.74%	9.80%	9.77%	9.86%
<b>Student Aid</b>	3.29%	2.72%	4.03%	5.20%
<b>Sponsored Programs</b>	1.24%	1.38%	1.85%	2.39%
<b>Formula</b>	<u>Expenditure Budget (by function)</u>			
	<b>Total Educational &amp; General Expenditure Budget</b>			

## 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 the salary reductions.
- ❖ Public Service percentage increased however, in total the budget did not increase.
- ❖ Student Services decreased over the previous year due to the salary reductions.
- ❖ Institutional Support decreased primarily as a result of salary reductions.
- ❖ Operation and Maintenance of Plant percentage increased, however in total the budget decreased.
- ❖ Student Aid funding increased due to \$787,400 in additional aid being funded.
- ❖ Sponsored Programs increased due to more federal grants.

## Instructional Budget per Student FTE

### Significance of Indicator

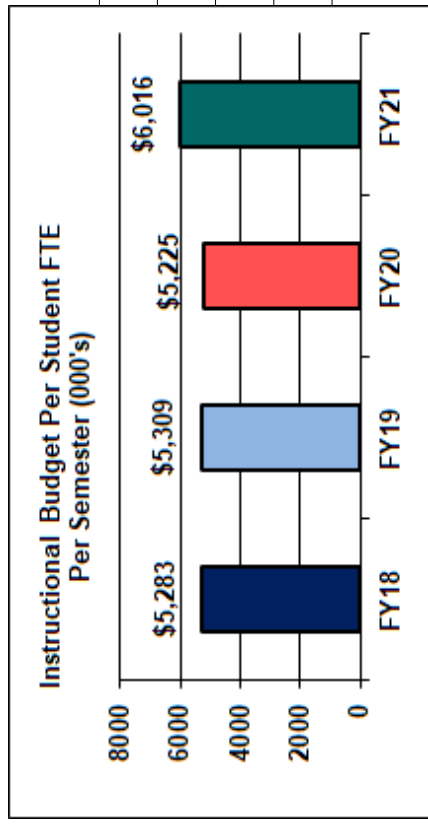
This indicator reflects the amount of funds expended for Instruction and Academic Support per each full-time equivalent student.

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 2021 the University will experience an increase of \$1,582 in the Instructional Budget per Student FTE, which is the result of actual enrollment decreases over the last two years.

The total annual Educational & General budget per in-state FTE is \$18,962 which is an increase of \$3,474 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 4.73 percent for FY 2021. This calculation is based on scheduled debt payments for FY 2021 and total budgeted expenditures less reserves.

The actual debt burden ratio per unaudited financial statements in FY 2019 was 4.59 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.