

# LONGWOOD UNIVERSITY



## OPERATING BUDGET AND PLAN FY 2017 – 2018

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## BUDGET SUMMARY

This section provides an overview of the University's 2017-2018 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.
- \$2,253,239 of current year anticipated surplus funds for FY2018 are utilized to balance the FY 2018 budget.
- Tuition and fees, as approved for full time Virginia undergraduates, will increase by an average of \$480, a 3.92 percent increase. Tuition for Virginia undergraduates was increased by \$270, 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 \$340, \$732 and \$940 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 2018 is \$127,208,975 which excludes \$4,669,021 in state appropriation for student financial assistance. The proposed expenditure budget for the total University is \$126,163,886.
- 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 2018 are \$70,742,274.
- Longwood will contribute \$90,000 in FY 2018 to fund faculty promotions. Additional funding of \$84,089 is included in the faculty salary pool to continue the August 10, 2016, three percent faculty salary increase. Funding of \$319,229 is included to fund the two percent increase for faculty effective July 10, 2017.
- Longwood will fund the Core Curriculum implementation cost for FY18 with \$422,209.

- 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 2017-2018 is \$55,421,612. A total of \$943,283 will be held in debt reserve for future use.

## **2017-2018 ACTIONS OF THE GENERAL ASSEMBLY**

The General Assembly session began January 11, 2017, and ended on February 25, 2017. Governor McAuliffe signed the Budget Bill on April 28, 2017.

As a result of the final actions taken by the Governor and the General Assembly in the 2017 session, Longwood's total Educational and General (E&G) operating appropriation decreased from \$69,656,242 to \$69,099,081 -- \$26,890,848 GF and \$42,208,233 NGF.

Longwood's FY 2018 general fund operating base decreased by a net \$328,960 (1.20%) from 2017. This is primarily due to a budget reduction partially offset by additional funding for salary increases and benefit cost. The budget provides an additional \$1,236,532 in FY18 for access, affordability, quality and increased degrees. Longwood's FY 2018 nongeneral fund operating base remained unchanged at \$42,208,233. These changes will be reflected in our appropriation received from the state on July 1, 2017.

### **Financial Aid**

General fund support for student financial assistance in FY18 increased \$6,196 for a total of \$4,669,021. The budget provides \$20,664 for graduate financial aid in FY18.

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

Funding remained at \$108,905 for the SVRTC in FY 2018.

### **Salary Increases**

In FY 2018, a 3% salary increase will be appropriated for full-time classified employees, who meet the employed as of date April 10, 2017 and who received a rating of Contributor or above on their last performance evaluation. The increase is to be effective July 10, 2017. Administrative Professional and Faculty positions may receive a merit-based salary increase effective July 10, 2017. The total administrative professional and faculty increase will be equivalent to 2% of the salary pool. Pay for wage employees may be increased by up to 3%, with the full cost borne by the institution.

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

Funding for the FY 2018 Equipment Trust Fund (ETF) program of \$743,433 was appropriated to Longwood. There is no change 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 \$1,002,000 for equipment for the New Admissions Office.

Longwood's Maintenance Reserve funding for FY 2018 is \$1,343,291. The funding amount increased \$96,080 from FY 2017.

The Governor and General Assembly approved a bond bill in the prior year that will fund the replacement of Wheeler Mall steam distribution system and construction of the New Admissions Office and the New Academic Building, which will include flexible classroom space, lab space for undergraduate research and faculty offices. The previously approved bond bill also provides funding for equipment for the Student Success Center.

## 2017-2018 EDUCATIONAL AND GENERAL PROGRAM PRIORITIES

The University's 2017-2018 Educational and General budget is based on priorities that support the strategic plan. After carefully examining the revenue projection for FY 2018, funds were allocated for strategic initiatives and fixed costs increases. The recommended expenditures include funds for the following:

- Estimated Nongeneral Fund Portion of funding salary increase for Faculty; A/P and for classified effective July 10, 2017. \$ 401,954
- Estimated Nongeneral Fund Portion of Health Insurance Increase \$ 279,672
- Core Curriculum \$ 422,209
- Brock Experiences \$ 115,794
- Increase in Faculty Promotions \$ 90,000

## **2017-2018 AUXILIARY SERVICES PROGRAM PRIORITIES**

The University's 2017-2018 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, 2016. Comprehensive fees were approved May 19, 2017.

### **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 2016-2018 biennium is 14.74 percent. This is a .39 percent increase 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 \$1,326,944. These net revenues, will be utilized to support comprehensive fee budgets in FY 2018.

### **Dining**

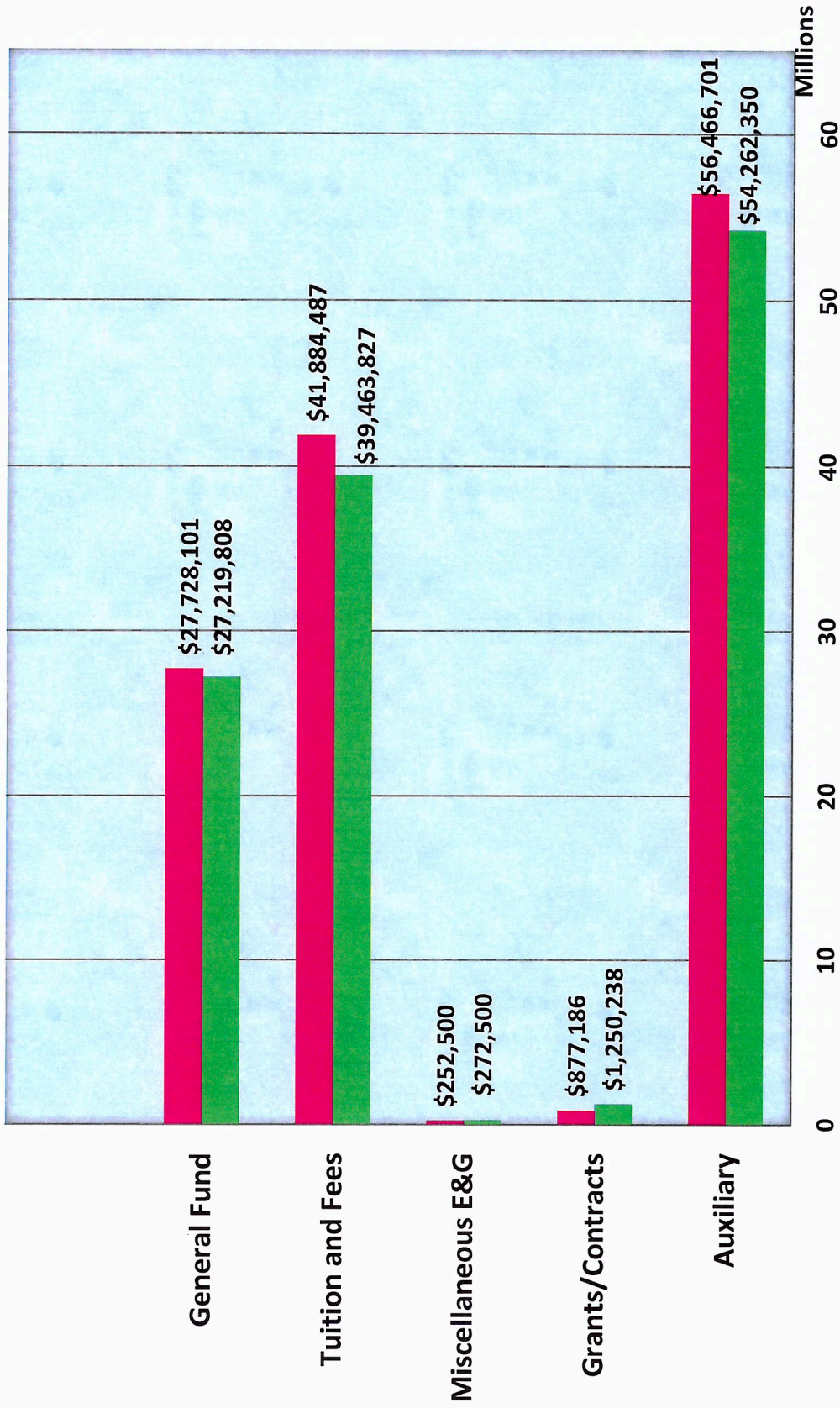
Dining revenues are projected to exceed expenses by \$926,295. These net revenues will be utilized to support comprehensive fee budgets in FY 2018.

### **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. FY 2018 planned contributions to reserves total \$943,283. These reserves are for operating cost associated with the new university center.

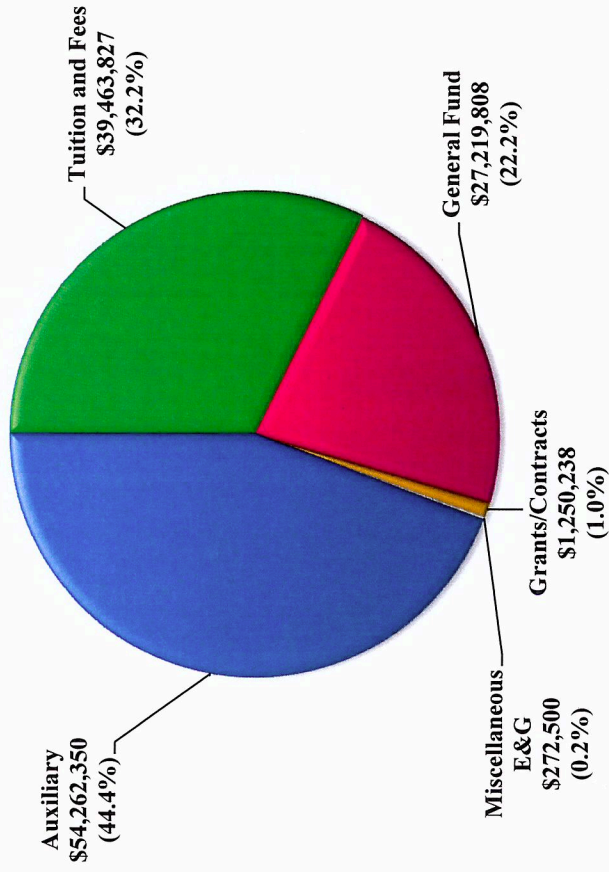


# Total Revenue

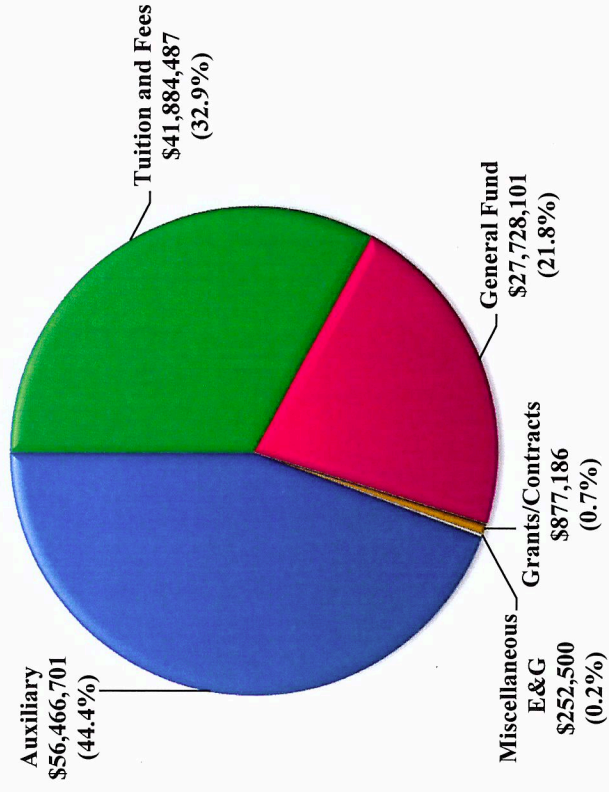


■ 2017-18 Revenue: \$127,208,975  
■ 2016-17 Revenue: \$122,468,723

# Total Revenue Comparison By Category

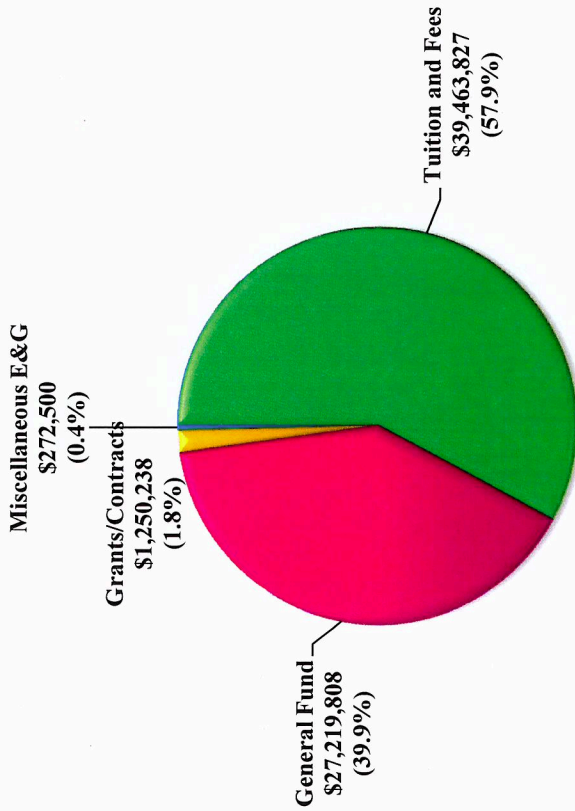


**2016-17 Total Revenue: \$122,468,723**

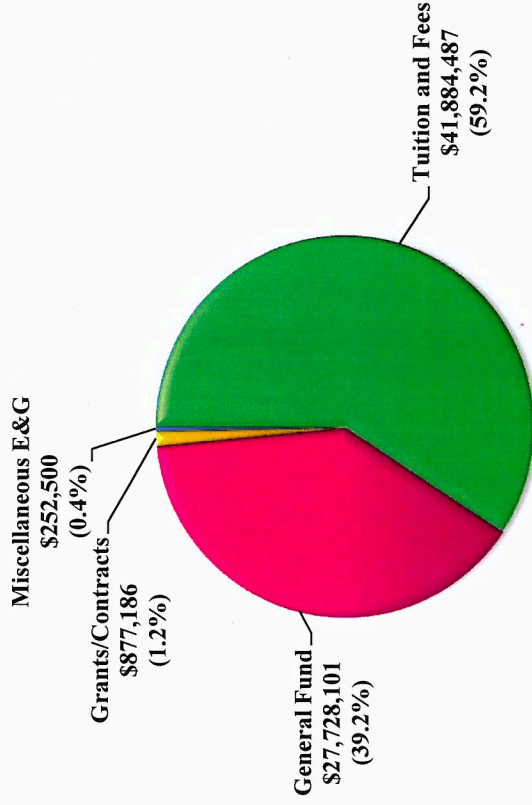


**2017-18 Total Revenue: \$127,208,975**

# E&G Revenue Comparison By Category

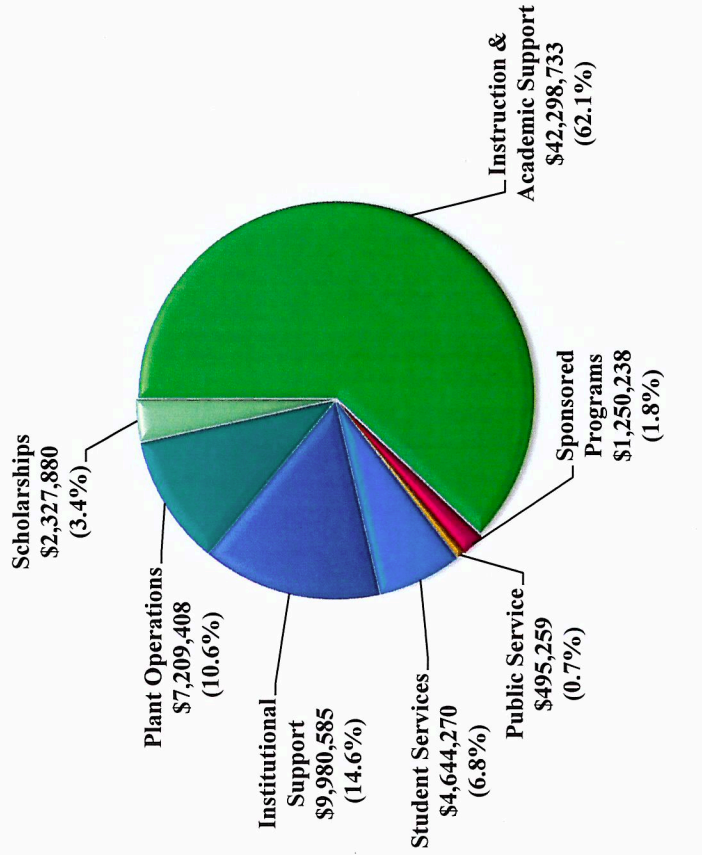


**2016-17 E&G Revenue: \$68,206,373**

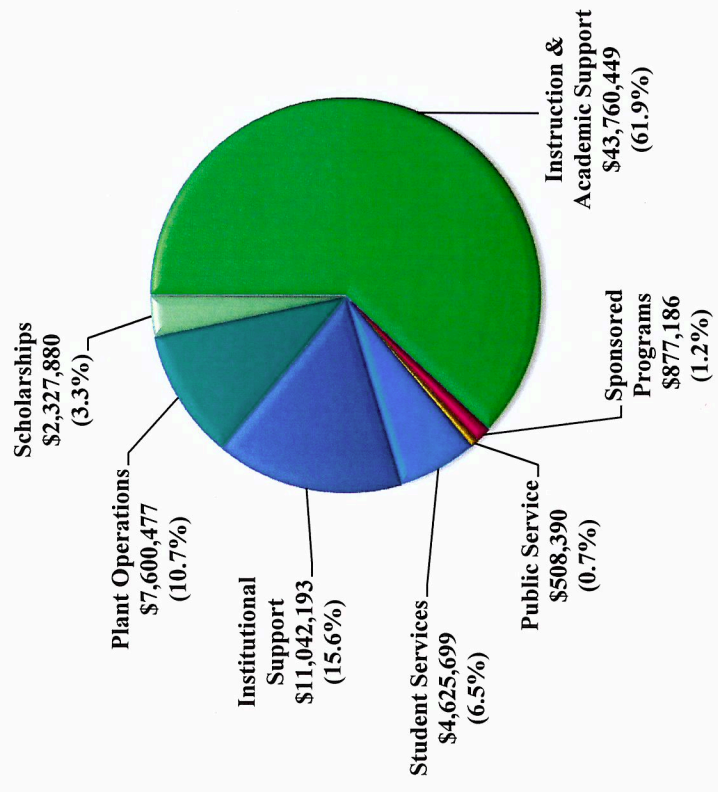


**2017-18 E&G Revenue: \$70,742,274**

# E&G Expenditure Comparison By Category

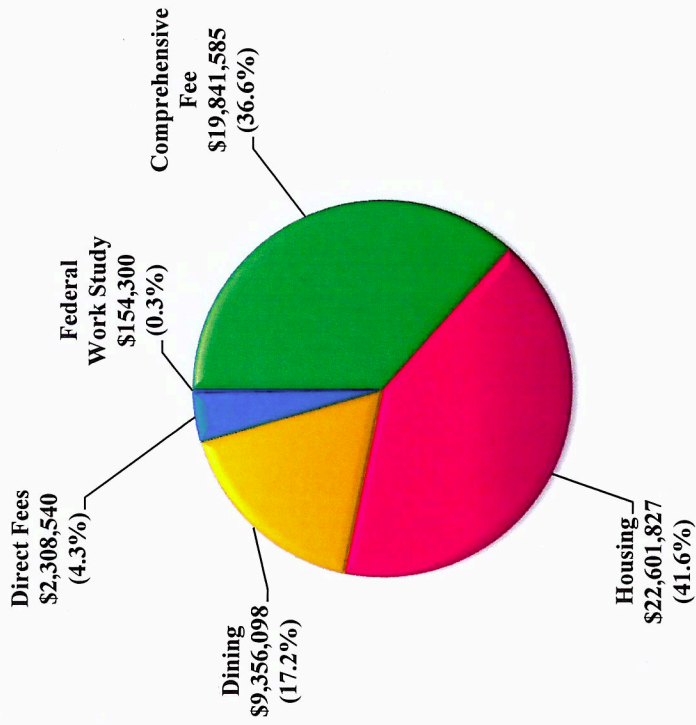


**2016-17 E&G Expenditures: \$68,206,373**

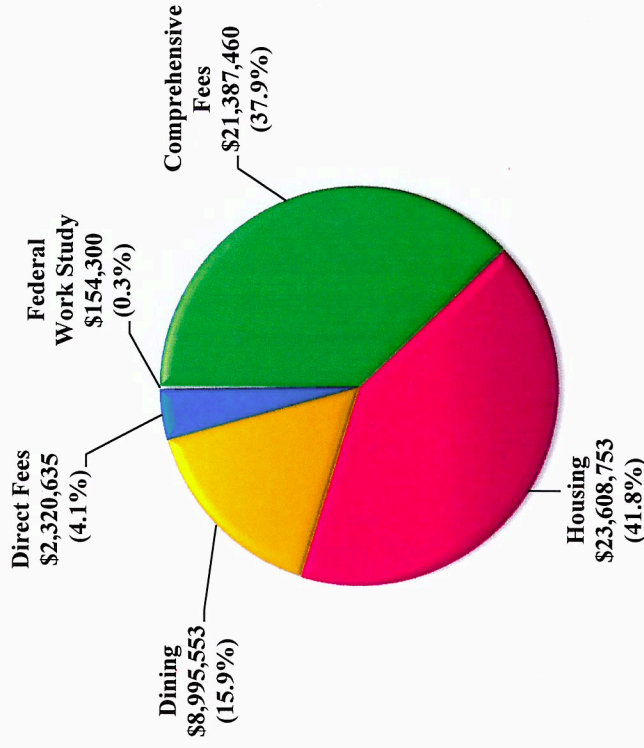


**2017-18 E&G Expenditures: \$70,742,274**

# Auxiliary Services Revenue Comparison By Category

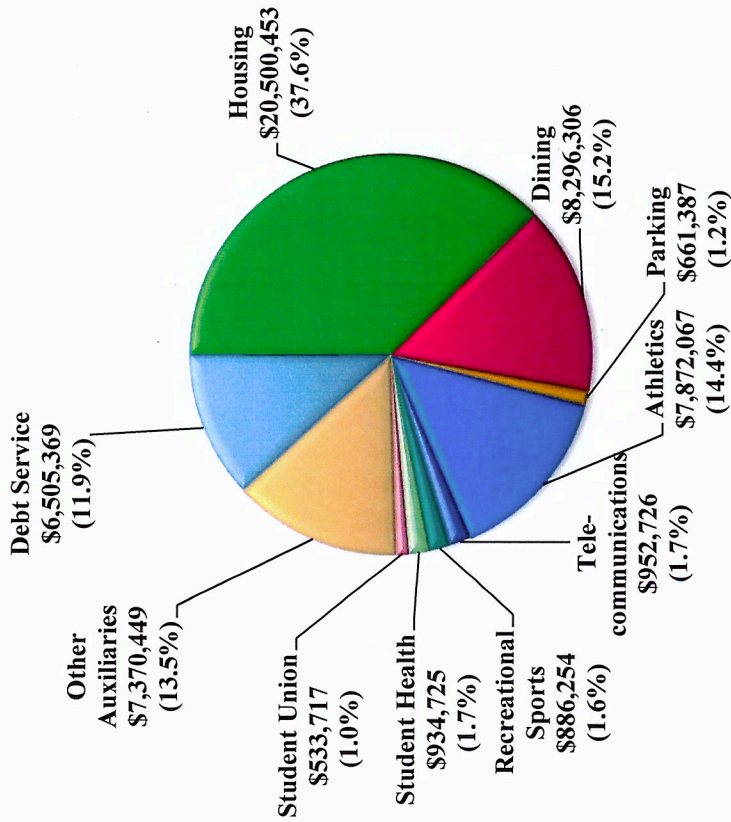


**2016-17 Auxiliary Revenue: \$54,262,350**

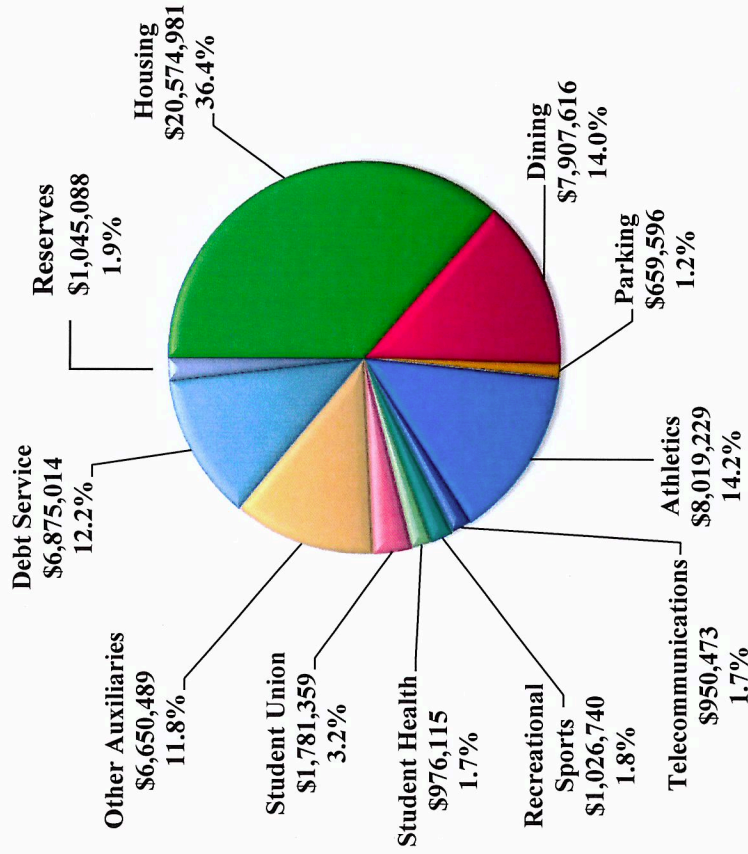


**2017-18 Auxiliary Revenue: \$56,466,701**

# Auxiliary Services Expenditure Comparison By Category



**2016-17 Auxiliary Expenditures: \$54,513,453**



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

**TABLE 1**  
**REVENUE SUMMARY**

	<b>Budget 2016-2017</b>	<b>Proposed 2017-2018</b>
<b>EDUCATIONAL AND GENERAL</b>		
Tuition and Fees	39,463,827	41,884,487
Commonwealth Appropriations *	27,219,808	27,728,101
Federal Grants and Contracts	987,281	663,649
State/Local/Private Grants and Contracts	262,957	213,537
Other Sources	272,500	252,500
Total Educational and General	68,206,373	70,742,274
<b>AUXILIARY ENTERPRISES</b>		
Total Auxiliary Enterprises	54,262,350	56,466,701
<b>INSTITUTIONAL TOTAL</b>	122,468,723	127,208,975

\*Appropriation excludes Higher Education Student Financial Assistance of \$4,662,825 in FY 2017 and \$4,669,021 in FY 2018.

**TABLE 2  
EXPENDITURE SUMMARY**

	<b>Budget 2016-2017</b>	<b>Proposed 2017-2018</b>
<b>EDUCATION AND GENERAL</b>		
Instruction	34,305,254	35,497,000
Sponsored Programs	1,250,238	877,186
Public Service	495,259	508,390
Academic Support	7,993,479	8,263,449
Student Services	4,644,270	4,625,699
Institutional Support	9,980,585	11,042,193
Plant Operation & Maintenance	7,209,408	7,600,477
Scholarships & Fellowships*	2,327,880	2,327,880
Total E&G Expenditures	68,206,373	70,742,274
<b>AUXILIARY ENTERPRISES</b>		
Expenditures	48,008,084	48,546,598
Transfers		
Debt Service (Mandatory)	6,505,369	6,875,014
Non-Mandatory		
Total Auxiliary Enterprises	54,513,453	55,421,612
<b>INSTITUTIONAL TOTAL</b>	122,719,826	126,163,886

\*FY 2017 and FY 2018 exclude \$4,662,825 and \$4,669,021 respectively in Higher Education Financial Assistance from State Appropriations



**TABLE 3**  
**SUMMARY OF AUXILIARY SERVICES**  
**INCOME AND EXPENDITURES**

	<b>Budget 2016-2017</b>	<b>Proposed 2017-2018</b>
<b>RESIDENCE HALLS</b>		
Direct Income	117,800	117,800
Income (Room Fees )	22,556,327	23,563,253
Expense	20,500,453	20,574,981
Debt Service (Mandatory)	1,783,201	1,779,128
Non-Mandatory Transfers	(390,473)	(1,326,944)
Net (Contribution to Fund Balance)	0	0
<b>FOOD SERVICES</b>		
Direct Sales	125,000	113,000
Income ( Meal Plans)	9,301,098	8,952,553
Expense	8,296,306	7,907,616
Debt Service (Mandatory)	232,080	231,642
Non-Mandatory Transfers	(897,712)	(926,295)
Net (Contribution to Fund Balance)	0	0
<b>BOOKSTORE</b>		
Income (Sales and Contracts)	375,000	375,000
Expense	273,195	273,195
Debt Service (Mandatory)	0	0
Non-Mandatory Transfers	0	0
Net (Contribution to Fund Balance)	101,805	101,805
<b>ATHLETICS</b>		
Income (Direct Sales and Services)	309,580	309,580
Student Fees	8,594,812	8,748,724
Expense	7,872,067	8,019,229
Debt Service (Mandatory)	1,032,325	1,039,075
Non-Mandatory Transfers	0	0
Net (Contribution to Fund Balance)	0	0
<b>PARKING AND TRANSPORTATION</b>		
Income (Direct Sales and Services)	650,000	650,000
Student Fees	347,807	339,399
Expense	661,387	659,596
Debt Service (Mandatory)	336,420	329,803
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**

	<b>Budget 2016-2017</b>	<b>Proposed 2017-2018</b>
<b>TELECOM SYSTEMS</b>		
Income (Direct Sales and Services)	1,000	1,000
Student Fees	951,726	949,473
Expense	952,726	950,473
Debt Service (Mandatory)	0	0
Non-Mandatory Transfers	0	0
Net (Contribution to Fund Balance)	0	0
<b>STUDENT HEALTH</b>		
Income (Direct Sales and Services)	50,000	50,000
Student Fees	884,725	926,115
Expense	934,725	976,115
Debt Service (Mandatory)	0	0
Non-Mandatory Transfers	0	0
Net (Contribution to Fund Balance)	0	0
<b>STUDENT UNION</b>		
Income (Direct Sales and Services)	5,000	5,000
Student Fees	1,529,074	3,179,415
Expense	533,717	1,781,359
Debt Service (Mandatory)	1,000,357	1,403,056
Non-Mandatory Transfers	0	0
Net (Contribution to Fund Balance)	0	0
<b>RECREATION AND INTRAMURALS</b>		
Income (Direct Sales and Services)	50,000	50,000
Student Fees	1,992,065	2,121,300
Expense	886,254	1,026,740
Debt Service (Mandatory)	1,155,811	1,144,560
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**

	<b>Budget 2016-2017</b>	<b>Proposed 2017-2018</b>
<b>CONFERENCES</b>		
Income (Direct Sales and Services)	350,960	374,555
Student Fees	0	0
Expense	350,960	374,555
Debt Service (Mandatory)	0	0
Non-Mandatory Transfers	0	0
Net (Contribution to Fund Balance)	0	0
<b>OTHER AUXILIARY</b>		
Income (Direct Sales and Services)	529,000	517,500
Student Fees	5,541,376	5,123,033
Expense	6,746,294	6,002,739
Debt Service (Mandatory)	965,175	947,750
Non-Mandatory Transfers In	1,288,185	2,253,239
Net (Contribution to Fund Balance)	(352,908)	943,283
<b>TOTAL AUXILIARY ENTERPRISES</b>		
Income (Direct Sales and Services)	2,563,340	2,563,435
Student Fees	51,699,010	53,903,265
Expense	48,008,084	48,546,598
Debt Service (Mandatory)	6,505,369	6,875,014
Prior Year General Auxiliary Surplus	352,908	
Net (Contribution to Fund Balance)	101,805	1,045,088

## Budget Allocation Ratio

Fiscal Year	2015	2016	2017	2018
Instruction and Academic Support	60.74%	61.55%	62.02%	61.86%
Public Service	0.84%	0.81%	0.73%	0.72%
Student Services	6.90%	6.79%	6.81%	6.54%
Institutional Support	14.80%	14.49%	14.63%	15.61%
Operation and Maintenance of Plant	10.10%	10.52%	10.57%	10.74%
Student Aid	3.06%	2.99%	3.41%	3.29%
Sponsored Programs	3.56%	2.85%	1.83%	1.24%

Formula  $\frac{\text{Expenditure Budget (by function)}}{\text{Total Educational \& General Expenditure Budget}}$

## 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 budgets increased primarily due to additional funds to support Core Curriculum and salary increases.
- ❖ In total Student Services increased over the previous year due to proposed salary increases.
- ❖ Institutional Support increased primarily as a result of salary increases
- ❖ Student Aid funding remained unchanged. The percentage changed due to increase in overall budget due to salary increase.
- ❖ Sponsored Programs decrease is primarily due to a reduction in 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.

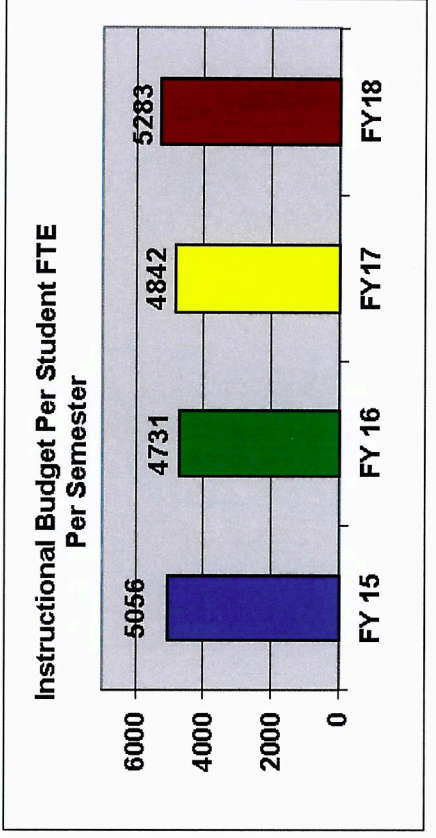
### Longwood University's Current Status

In FY 2016 a decrease of \$325 is primarily the result of increased enrollment projected.

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

In FY18 the increase is primarily due to additional funding for core curriculum and salary increases.

The total annual Educational & General budget per in-state FTE is \$16,035 which is an increase of \$1,801 over 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 5.49 percent for FY 2018. This calculation is based on scheduled debt payments for FY 2018 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.