

LONGWOOD UNIVERSITY OPERATING BUDGET AND PLAN FY 2022-2023

Development of Citizen Leaders



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2022-2023 BUDGET SUMMARY

This section provides an overview of the University's FY 2023 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, revenue calculations and expenditure estimates. Revenue projections utilize historic revenue calculations, prior credit hour production and enrollment forecasts to estimate revenues.
- The General Assembly approved a budget on June 1, 2022 to submit to the Governor for signature. This budget assumes \$2.4 million in general fund for affordable access.
- 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 2023 is \$142,584,876 which excludes \$6,577,179 in state appropriation for student financial assistance.
- The work of the Assessment Committee of the University Planning Council identified several items through campus-wide assessment work. These items were endorsed by the Finance Committee of the University Planning Council, with funding planned from existing sources in FY 2023 operating budgets (Equipment Trust Fund and Academic Affairs/academic department budgeting). They are:
\$2,000 for a laptop for the Title IX Office for secured on and off campus investigative purposes; \$2,000 for two iPads for the Title IX Office for ongoing program evaluations/engagement with faculty, staff, and students; and \$125 for brochures from the American Sociological Association as a technique to increase enthusiasm for and recruit students to the Sociology program.
- 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 2023 are \$85,631,902.
- In FY 2023, Longwood will contribute \$57,000 to fund faculty promotions.
- 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 2023 is \$56,952,974.

2022-2023 ACTIONS OF THE GENERAL ASSEMBLY

This year, the work of the General Assembly has occurred in both regular and special sessions through June.

The state appropriations amounts included in this operating plan assume Longwood's current total Educational and General (E&G) appropriation will increase \$2,400,000 for in state student access and affordability over the 2022 level.

This operating plan assumes The Department of Planning and Budget will provide an estimated central adjustment of \$1,071,148 in FY 2023. 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 2023.

Capital Projects

Longwood's Maintenance Reserve funding for FY 2023 includes \$138,060 in restored funding and adds an additional \$52,569 in 2023 for a total of \$1,942,384.

The budget maintains construction funding for Wygal Hall replacement.

The budget maintains funding for Facilities Annex furniture, fixtures and equipment (FFE)

2022-2023 EDUCATIONAL AND GENERAL PROGRAM PRIORITIES

The University's 2022-2023 Educational and General budget is based on priorities that support the strategic plan. After carefully examining the revenue projection for FY 2023, and evaluating requests from institutional areas, funds were allocated for strategic initiatives. The recommended expenditures include funds for the following:

- Banner Cloud Computing Project \$ 476,643
- Faculty promotions \$ 57,000

2022-2023 AUXILIARY SERVICES PROGRAM PRIORITIES

The University's 2022-2023 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, 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 2022- 2024 biennium is 13.60 percent. This is a .27 percent decrease from the prior biennium.

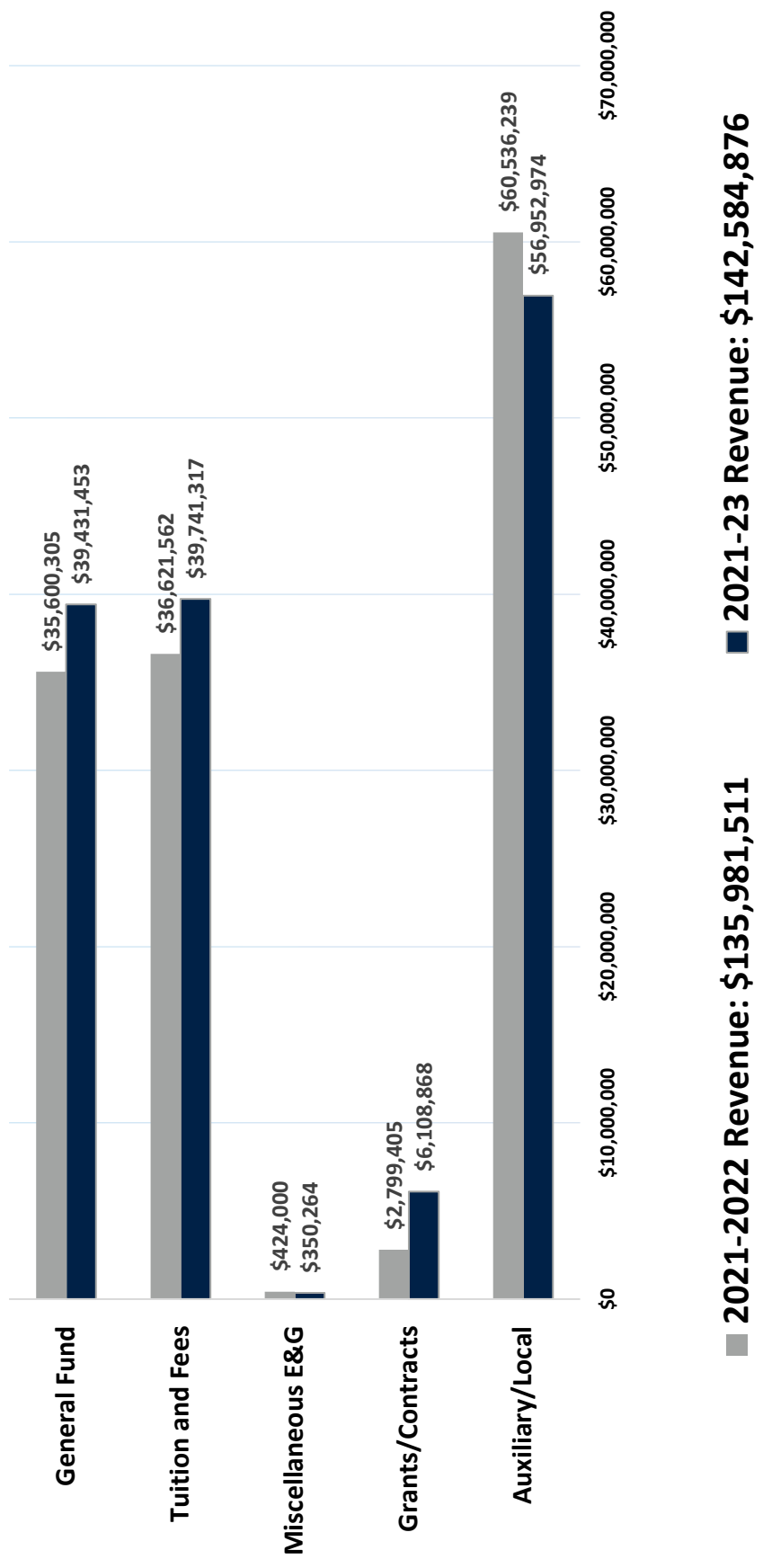
Housing & Dining

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

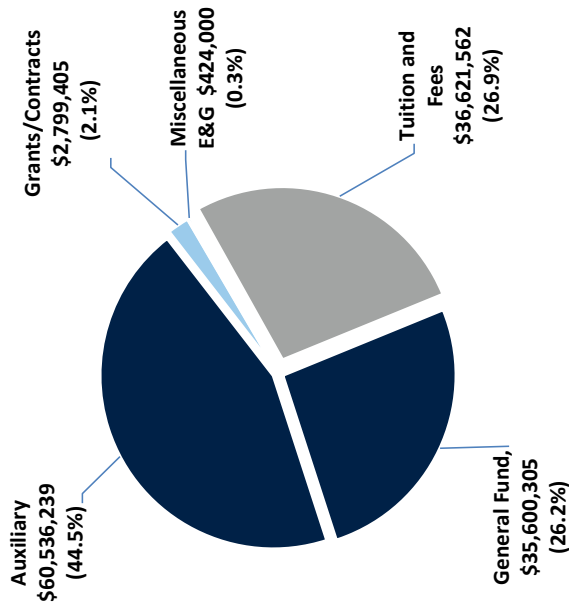
Comprehensive Fee Budgets

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.

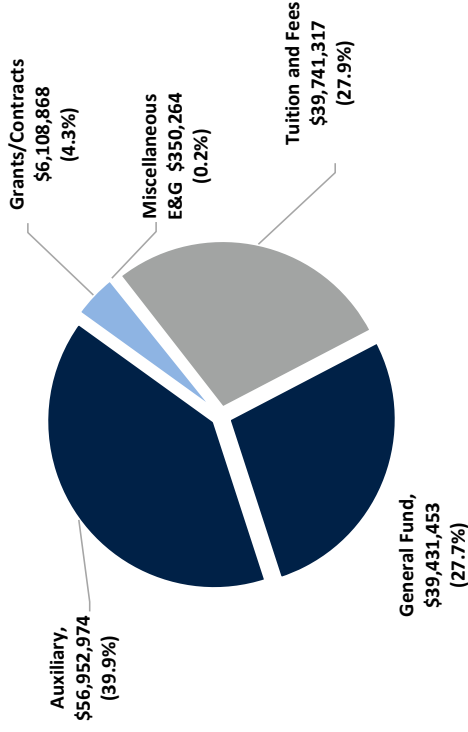
Total Revenue



Total Revenue Comparison by Category

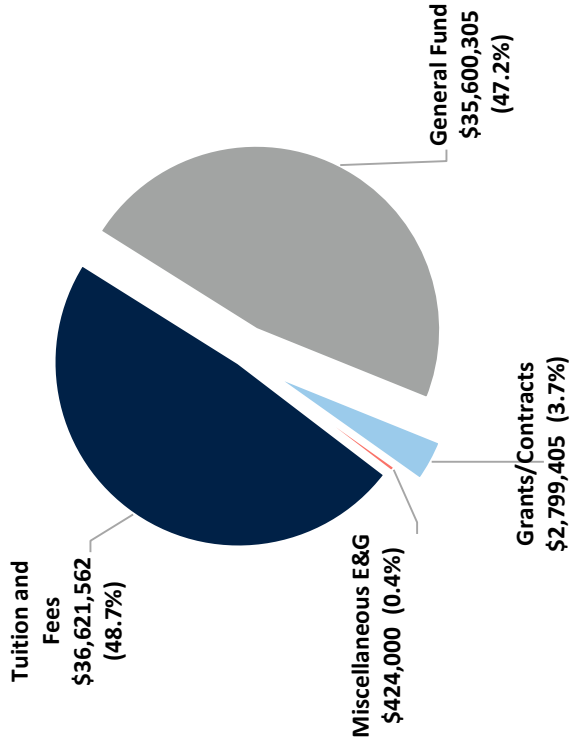


2021-22 Total Revenue: \$135,981,511

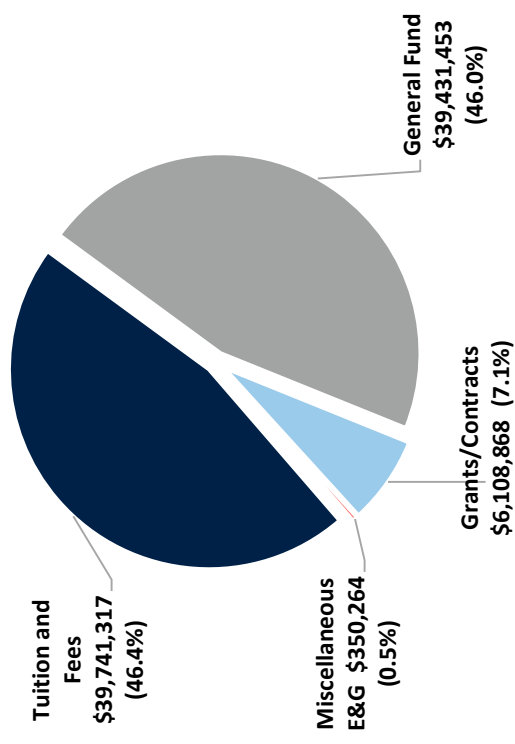


2022-23 Total Revenue: \$142,584,876

E&G Revenue Comparison by Category

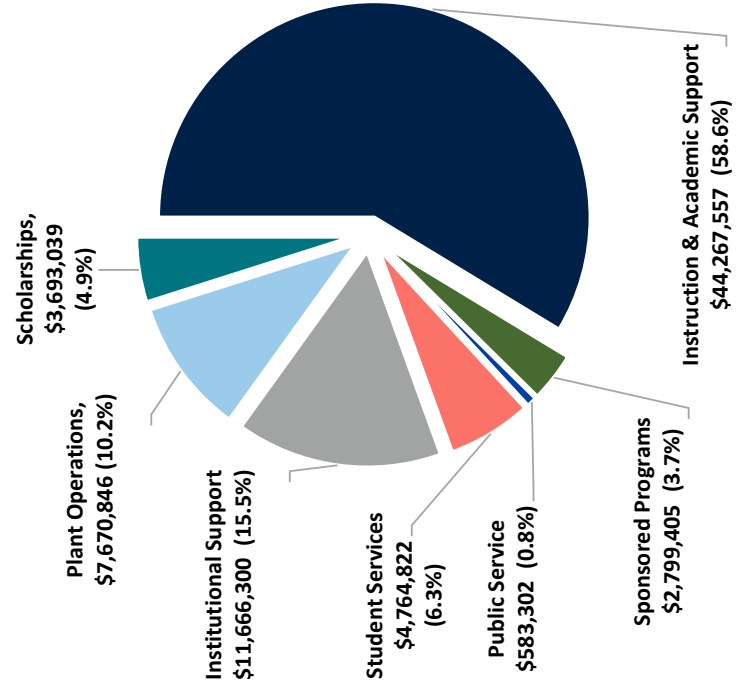


2021-22 E&G Revenue: \$75,445,272

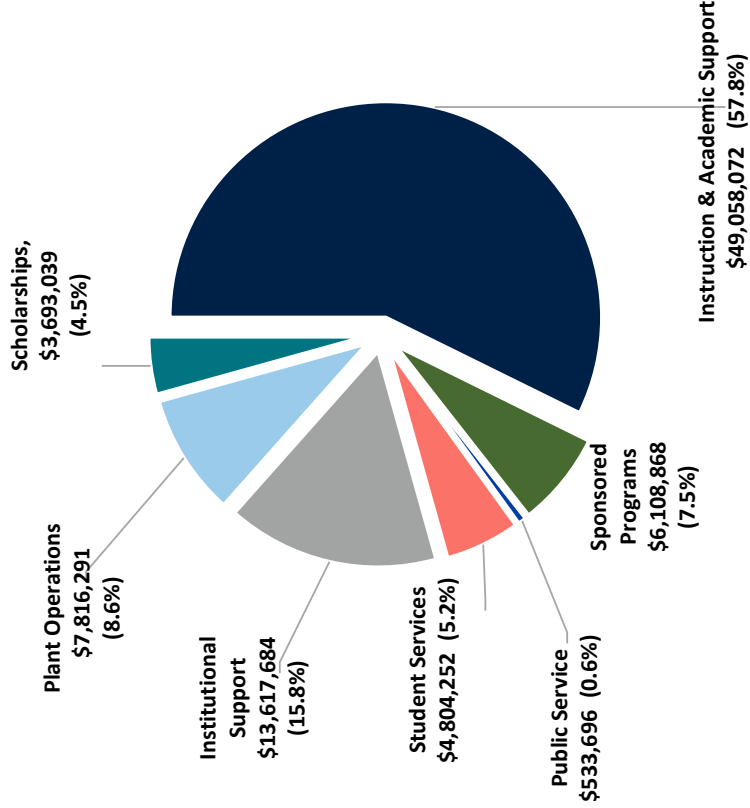


2022-2023 E&G Revenue: \$85,631,902

E&G Expenditure Comparison by Category

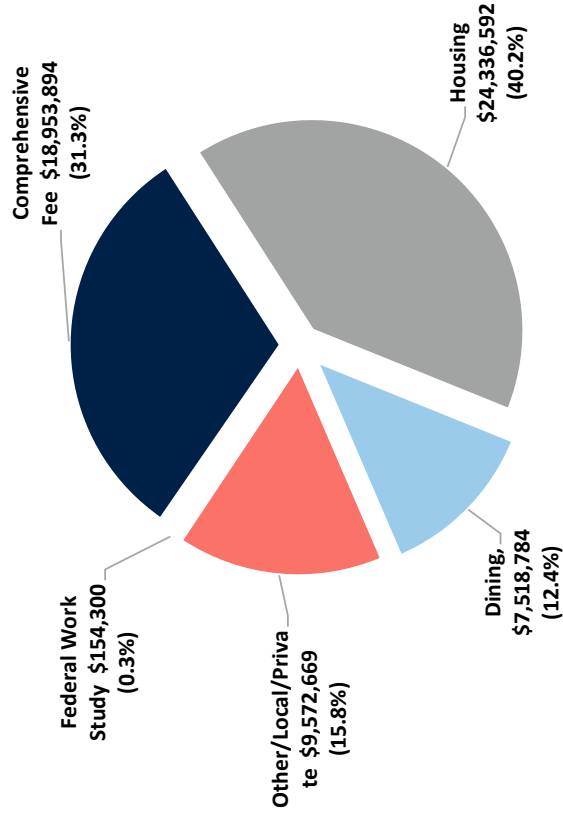


2021-22 E&G Expenditures: \$75,445,271

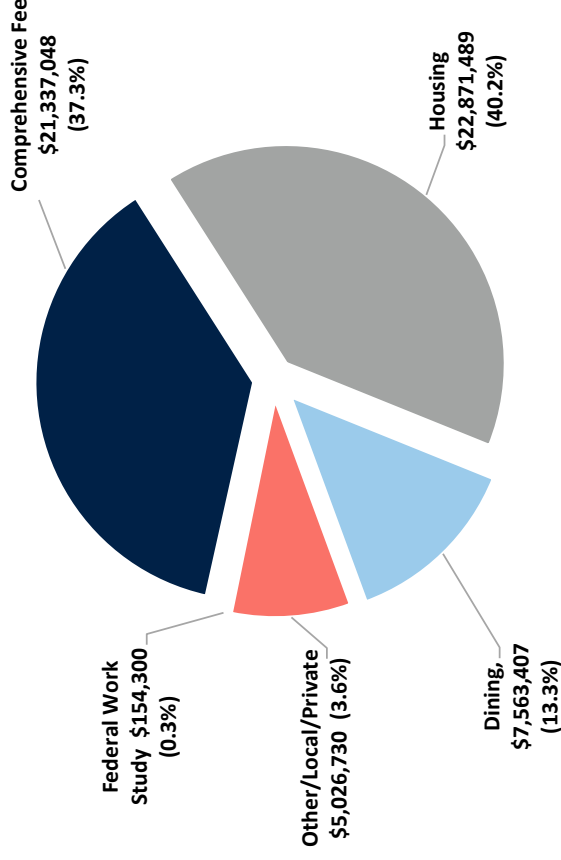


2022-23 E&G Expenditures: \$85,631,902

Auxiliary Services Revenue Comparison by Category

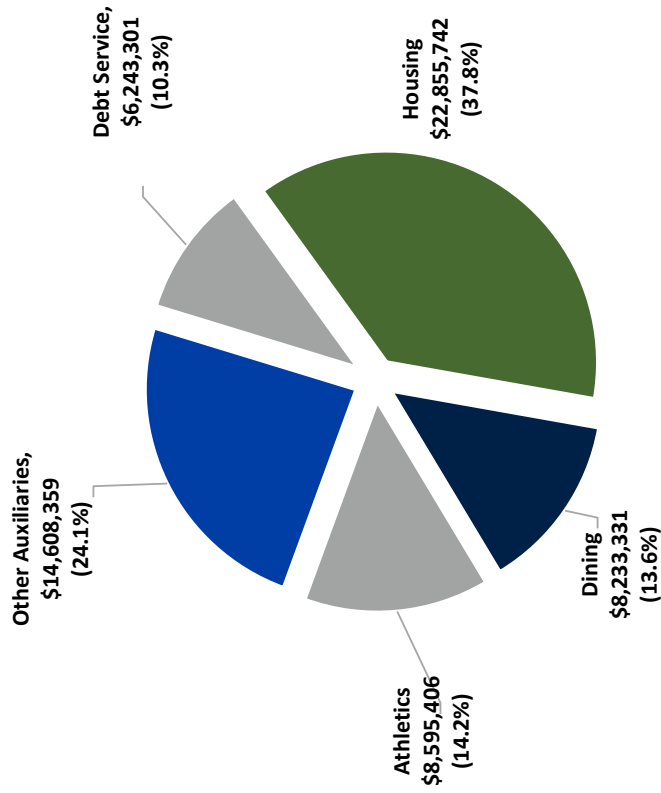


2021-22 Auxiliary Revenue: \$60,536,239

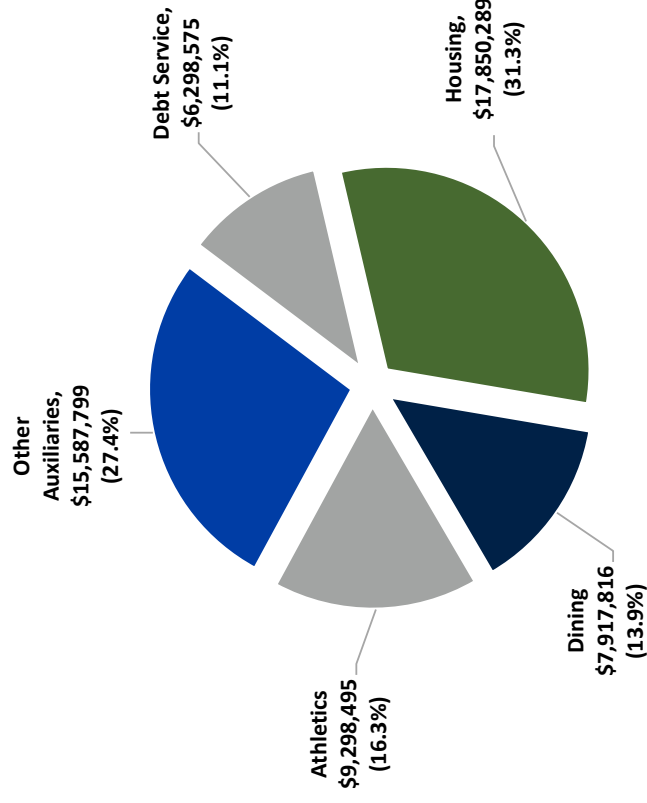


2022-23 Auxiliary Revenue: \$56,952,974

Auxiliary Services Expenditure Comparison by Category



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



2022-23 Auxiliary Expenditures \$56,952,974

**TABLE 1
REVENUE SUMMARY**

	Budget 2021-2022	Proposed 2022-2023
EDUCATIONAL AND GENERAL		
Tuition and Fees	36,621,562	39,741,317
Commonwealth Appropriations *	35,600,305	39,431,453
Federal Grants and Contracts	1,844,987	5,508,980
State/Local/Private Grants and Contracts	954,418	599,888
Other Sources	424,000	350,264
Total Educational and General	<u>75,445,272</u>	<u>85,631,902</u>
AUXILIARY ENTERPRISES/LOCAL/PRIVATE		
Total Auxiliary/Local/Private Revenue	60,536,239	56,952,974
INSTITUTIONAL TOTAL	<u>135,981,511</u>	<u>142,584,876</u>

*Appropriation excludes Higher Education Student Financial Assistance of \$6,577,179 in FY 2022 and \$6,577,179 in FY 2023.

**TABLE 2
EXPENDITURE SUMMARY**

	Budget 2021-2022	Proposed 2022-2023
EDUCATION AND GENERAL		
Instruction	37,067,554	41,258,975
Sponsored Programs	2,799,405	6,108,868
Public Service	583,302	533,696
Academic Support	7,200,003	7,799,097
Student Services	4,764,822	4,804,252
Institutional Support	11,666,300	13,617,684
Plant Operation & Maintenance	7,670,846	7,816,291
Scholarships & Fellowships	3,693,039	3,693,039
Total E&G	75,445,271	85,631,902
AUXILIARY ENTERPRISES/LOCAL/PRIVATE		
Housing Services	22,855,842	17,850,289
Dining Services	8,233,331	7,917,816
Athletics	8,595,406	9,298,495
Other Services	14,608,359	15,587,799
Transfers		
Debt Service (Mandatory)	6,243,301	6,298,575
Non-Mandatory		
Total Auxiliary Enterprises/Local/Private	60,536,239	56,952,974
INSTITUTIONAL TOTAL		
	135,981,510	142,584,876

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	2020	2021	2022	2023
Instruction and Academic Support	60.54%	59.05%	58.68%	57.29%
Public Service	0.69%	0.71%	0.77%	0.62%
Student Services	6.54%	6.41%	6.32%	5.61%
Institutional Support	16.59%	16.39%	15.46%	15.90%
Operation and Maintenance of Plant	9.77%	9.86%	10.71%	9.13%
Student Aid	4.03%	5.20%	5.89%	4.31%
Sponsored Programs	1.88%	2.39%	3.71%	7.13%
Formula	<u>Expenditure Budget (by function)</u>			
	Total Educational & General Expenditure Budget			

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 significant growth in the MBA program. Institutional Support increase is due primarily to funding the Banner Cloud project, which will provide better security for Longwood's data.
- ❖ Student Services, Operation and Maintenance of Plant percentages decreased as a percentage of total, however dollars spent increased slightly.
- ❖ Public Service decrease is due to the identification of savings and efficiencies.
- ❖ Student Aid funding decreased in percentage from prior year, although the dollar amount is unchanged.
- ❖ Sponsored Programs increased due to additional federal grants.

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 4.51 percent for FY 2023. This calculation is based on scheduled debt payments for FY 2023 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.