As I prepared to present the FY 2013 Proposed Operating Budget to this newly constituted School Board, I spent time thinking about the fundamentals of why we exist as a public school system. Beyond the laws and Constitutional provisions that create Loudoun County Public Schools, we know that public schools exist to improve individuals and our society. You know that, and I know that, but in the midst of discussions about discrete numbers, programs, and things, I think it is good for all of us to remember that our students are the focus of this budget and all that we do. I understand that you, as elected leaders, and we as staff who support you, answer to many constituencies, but I also understand that you and we, working together, have the responsibility to influence the future. As Chairman Scott York of the Board of Supervisors said recently, we must develop a long-term view of where we want this school system and our students to be, not just next year, but in the decades ahead.
For the second year in a row, we in Loudoun find ourselves returning to a more stable economy. After several years of national recession that have literally changed the economic rules by which we all live, I believe that the budget we are presenting tonight is our second “recovery” budget. I know that you, as our School Board, and your counterparts on the Board of Supervisors want to do what is best for Loudoun’s students, and tonight I present you a budget that should help us all accomplish our common goal. In recent difficult financial years it has been too easy to have the focus of our budget discussions be only what we perceived we could afford without giving fair play to the growing needs of our students as they prepare for a world that will be far more competitive for individuals than any we have ever known. What we do know is that countries like China and India are focusing great attention on the top ten percent of their children, and we know that their top ten percent outnumbers all the students we have in America. The business of public education in America, where we believe in educating every child to his or her maximum potential, will continue to challenge the resources, ideas, and leadership abilities of all of us.

But as Marian Wright Edelman, the founder of the Children's Defense Fund, says, “The question is not whether we can afford to invest in every child; it is whether we can afford not to.”

We know that at the heart of our educational enterprise are the people who work in our classrooms and all of those who support them. For three years LCPS staff saw their salaries remain the same, until this year when they were granted a
three percent increase. We know that it was the freezing of salaries, combined with increases in class size, which allowed us to absorb large reductions in budget revenues and expenditures even as we grew by almost 8,700 students. I am proud of LCPS staff for continuing their commitment to Loudoun’s children in difficult economic times, but I also believe that we must continue to reward that commitment. Therefore, I am proposing in this budget that all employees receive a 3% increase in their salaries. Although this increase probably will not restore our relative standing in salaries in Northern Virginia, it will send a clear message to those who work for LCPS that their work is valued. It will be an indication that as the economy recovers their compensation should also recover. I had hoped to be able to include both a Step and COLA increase, but of the two the COLA will provide benefit to all of our employees.

In Loudoun we have been investing in every child by investing in our public schools. We have met the challenges of increased student diversity, be they manifested in language, wealth, or family origin. We knew in the mid 1990’s that the role of technology in the future of education was assured, and, for us, the infrastructure needed was missing. So as a community we passed a $27 million bond referendum to fully equip and network all schools so that, and I quote, “students and staff had individual password-protected access to age-appropriate software and Internet tools; personal folders for electronic portfolios of individual work; and shared folders for collaborative work.” In today’s world that goal sounds almost simplistic. Technology has already enabled so much more for our students. Through the will of Loudoun’s citizens it was achieved, and now none of us can imagine an environment without the technology on which we all depend.

The state of Virginia is piloting the use of Apple iPads in place of textbooks in social studies. We know that whatever the device that replaces them, the large textbooks of the past are becoming physically unbearable, and they lack the dynamic nature needed in today’s classrooms. We have presented a plan for migration to digital media for all students in grades four to twelve, but that plan must be reviewed by this new Board before it can be implemented. For now we have to work to maintain the technical infrastructure we have. After four years of delaying and deferring needed upgrades and maintenance we must address those needs.

As I stand before you tonight I am grateful for the never-ending efforts of our Senior Staff as well as hundreds of other LCPS staff who have contributed directly to the preparation of this budget. In setting priorities I have sought input from our whole community. In addition we continue to get budget feedback at faculty meetings. A common theme of ideas and responses is that we must increase our investment in public education if we are to be competitive.

At the beginning of last year, two of our Assistant Superintendents reminded us that “we are all in this together.” And Leigh Burden even created a PowerPoint presentation using the song from which the saying comes, and that presentation has been seen around the country. We are all in this together—nothing could be truer. Although sometimes the School Board
and Board of Supervisors are cast in conflicting roles, the truth is that both Boards believe deeply in our public education system. All of our elected and business leaders understand that an outstanding public education system is a primary requirement for meaningful economic development and sustaining and improving our quality of life in Loudoun.

I believe that whatever our debates have been in the past, we all realize that our future is tied to the success of our students, and their success is tied directly to our willingness to invest in them.

Over the past three years we watched our Cost per Pupil decrease by more than 15% or almost $2,000 before beginning to rebound this year by $180. To absorb those reductions we have made all of the structural and economizing changes we could without undoing the progress we, as a community, have worked so hard to achieve. From advanced and specialized academic offerings, to string music, to better special education programs, to ever-growing efforts to collaborate with our community college and other higher education partners, everything done for the past three years has allowed us to come through the economic recession with our outstanding school system still intact.

So now let me share with you some information about the FY 2013 Proposed Budget and some history of recent years.
The total LCPS School Operating Budget has remained relatively flat over the past few years despite an enrollment increase of almost 8,700 students. We cannot continue to absorb the cost of new students indefinitely.

This chart shows the School Operating Budget over the past 4 years.

The total LCPS School Operating Budget has remained relatively flat over the past few years despite an enrollment increase of almost 8,700 students during the same time period. The enrollment increase is 15.2%.

In fact, we’ve really tightened our belts over the past few years – you can see that the budget now is only about $300 thousand more than in FY 09 – a less than 1/10th of 1 percent increase, compared to an enrollment increase of 15.2%.

But we cannot continue to absorb the cost of new students indefinitely.
Over the past four years we have grown by almost 8,700 students. The number of school buildings has increased from 75 to 80 in the same time period.

This chart shows details of student growth over the past 4 years.

FY 08-09  57,009
FY 11-12  65,668

Again, our enrollment has increased over 15% in the past four years and we are expecting about 2,500 more new students next fall.

The number of school buildings during this same time period has gone from 75 to 80 and next fall we will have two more with the opening of Frederick Douglass Elementary School and John Champe High School.
This chart identifies the expenditure environment we faced when we were developing the FY 13 budget.

- A desire to increase employee compensation and remain competitive with surrounding jurisdictions.
- A VRS rate proposed by the Governor which attempts to pay back previous reductions.
- An increase in Healthcare costs,
- An expected increase of 2,502 students I mentioned earlier and
- An expressed desire on the part of the community to begin implementation of Full Day Kindergarten.
The primary FY 2013 expenditure changes can be attributed to Salary and Benefit increases, Student Growth, Full Day Kindergarten, Technology and other operational cost increases. Salary and benefit changes include the 3% salary improvement I have already discussed and feel strongly about at a cost of $17 million.

Unprecedented VRS rate increases conveyed in the Governor's proposed budget are also reflected here ($36 million) plus projected increases in other benefits. Salary and Benefit line item increases are partially offset by an assumption of $12.5 million in lapse and turnover.

Funding for growth totals $22.6 million and includes staffing to support the additional 2,502 students we are expecting next year in addition to staff to open Frederick Douglass Elementary School and John Champe High School.

Technology increases include minimum funding for equipment, infrastructure and software on the instructional side; administrative technology includes additional funding for systemwide Microsoft licenses and systemwide e-mail replacement. Obviously the increases will be discussed in much more detail during the work sessions.

The total increase in expenditures is $85.7 million.
Where does the money go?—Investment in students.

You can see by this chart, which is Cost Per Pupil distributed by State categories, that the bulk of funding goes to instruction, and that does not include instructional technology, which now has a separate code.

The total proposed Cost per Pupil is $11,924, and I'll talk about that more in a minute.
I think it is important to note that many difficult decisions have already been made.

You may not be aware that budget managers within each dept are given direction that when developing their budgets, they should request funding that meets the needs of their programs.

They must also provide justification for any increases. Once the baseline budgets are completed, Senior staff and I review the budgets in great detail over several weeks time. However, we recognize that each and every item requested cannot be funded.

As a result, we have already reduced the budget from the original request by almost $30 million with step increases as the largest item not included.
FY 13 Revenue Environment

- **County**
  - Fiscal guidance maximum local increase $63m (Co. memo, Nov 21)

- **State**
  - LCI change (from 58.54% to 56.66%)
  - Governor’s budget estimates

- **Federal**
  - Slight increase

- **Other**
  - Elimination of AP test fees and athletic fees

This chart identifies the revenue environment we faced when we were developing the FY 13 budget.

In November, the County conveyed the fiscal guidance set by the County Board which resulted in a potential maximum increase in County funding of $63 million for LCPS. I have since been told that the new Board revisited this issue yesterday and the maximum the schools can now hope to receive is $31.9 million. This info has not yet been conveyed formally and my budget was already completed at the time this decision was made. Plus as you know, I am required to provide a budget to you based on “needs.”

Our Local Composite Index was reduced and we are expecting more enrollment, thus State funding is expected to increase.

Federal funding remains essentially flat.

As part of my proposal, I have eliminated AP fees and athletic fees.
The FY 13 revenue changes that make up my request are provided here and reflect the environment described on the previous chart.

An increase in County funding of $56.1 million. Remember the original maximum was $63 million; that number has been reduced to $31.9 million or $24.2 million less than I am requesting.

Also listed is the reserve to assist with expected VRS rate increases.

State funding is expected to increase over $20 million.

Federal funding will increase by about $400 thousand.

“Other” is projected to decrease $1.4 million due to elimination of AP fees and athletic fees.
The projected FY13 CPP is $11,924.

This chart shows historically our Cost per Pupil over the past eight years.

You can see that the Cost per Pupil decreased 6% in FY 10 and decreased 9.7% in FY 11.

In FY 12, the CPP increased slightly but still remained lower than in previous years.

This year my budget proposes an increase that brings our spending per pupil to a cost similar to that of FY 2010.
Another slide about Cost per Pupil shows how we compare to our neighbors, and illustrates our efficiency.

FY 13 data is not yet available, although our standing will likely remain the same—next to lowest among our neighbors.

Only Prince William spends less per pupil, and we know they have achieved that by increasing class sizes to at or near state maximums.

I can safely say that LCPS will continue to be a good investment for our community.

<table>
<thead>
<tr>
<th>Division</th>
<th>FY 12</th>
<th>The projected FY13 CPP is $11,924. LCPS’s ranking should remain near the bottom compared to neighboring jurisdictions.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arlington</td>
<td>$17,618</td>
<td></td>
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<tr>
<td>Alexandria</td>
<td>$18,047</td>
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<tr>
<td>Fairfax</td>
<td>$12,820</td>
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<td><strong>Loudoun</strong></td>
<td><strong>$11,014</strong></td>
<td></td>
</tr>
<tr>
<td>Prince William</td>
<td>$9,852</td>
<td></td>
</tr>
</tbody>
</table>
Reminder - Budget Question Process

• Question and answer period January - April
• Budget questions are directed to the Business Department
• Questions and responses tracked
  • Assigned to Senior Staff member
  • Budget Office compiles and edits
• Senior Staff reviews responses
• Responses are reviewed at work sessions
• Published on Board Docs and LCPS website

• First the budget question and answer period begins with introduction of the Supt Proposed and lasts until final reconciliation in April.

• All budget questions are directed to Ms. Burden -- you can send them via email or by telephone.
• Any questions that come up during the worksession we try to answer at the time. But if we are unable to answer, we will throw those into the question process also
• Each question is tracked in a database
• The Budget Office then assigns the questions to the appropriate department Sr Staff member. The Sr Staff member will direct their staff to complete the answer.
• The Budget Office then compiles the answers and puts together a packet for review by the Supt & Sr Staff. Questions will not come back in order asked.
• We then review each question and answer packet briefly at the beginning of the worksession
• Responses are published on Board Docs and on the web-site in the form of a single document that is periodically updated during the fiscal year.
This slide reflects the current budget work session schedule. We will keep the web-page updated to reflect the most current budget calendar so our community can participate in the budget process. To enhance community participation I will be sending a Connect Ed message to all LCPS families and staff encouraging them to visit our web site to examine the budget and to see a brief video about the budget that I would like to show to you now. This video was produced by George Mason University interns working with Assistant Public Information Officer Ivy Allen.

**BUDGET VIDEO**
Investing for the Future . . .

A “Climate for Success”

Working together with your counterparts on the Board of Supervisors and your legislative partners in Richmond I am convinced that the time is right to enhance what LCPS offers its students. They are growing into a world of electronic connectedness where School Boards and Board of Supervisors make use of laptop computers, and even iPads, to provide the connectivity they need and to help government go green. Loudoun’s wealth has been affirmed again in national comparisons, and it is most prudent to invest some of that wealth in our children’s education. Our business community has come forth to support additional STEM education in our schools, and we continue to work with our business partners to enhance our school programs.

The expenditures in this proposed budget are strategic and should be able to be funded within the resources of our County. We know that no matter how large we get as a school system, it all comes down to the individual student. As George Mason University President Alan Merten said recently: While he was helping thousands of freshmen move into the dormitories, he realized that for their parents GMU was not growing by thousands, but by one important student at a time. Our community’s commitment to each important student in our public schools has allowed us to achieve a true Climate for Success. We look forward to working with you, the Board of Supervisors, and our community in meeting the investment needs of each of our important students.