Arlington Public Schools

BUSINESS AND MANAGEMENT SERVICES

2110 Washington Boulevard • Arlington, VA 22204 • Phone: (703) 228-7652

MEMORANDUM

TO: School Board Members

DATE: February 19, 2026

THROUGH: Dr. Francisco Durán, Superintendent

FROM: Andy Hawkins, Business Officer
Rudbel Alfaro, Director of Finance

SUBJECT: FY 2026 Mid-Year Fiscal Status and CIP Quarterly Report (as of December 31, 2025)

Based on December 31, 2025, year-to-date financial reports, the following report of Arlington Public Schools mid-year fiscal status is provided.

School Operating Funds

Revenue	Budget	Actuals	Projection Q3/Q4	Total Projected	Variance
County	$ 635,982,035	$ 269,555,192	$ 363,426,843	$ 632,982,035	$ (3,000,000)
State	$ 117,741,851	$ 54,180,222	$ 65,355,614	$ 119,535,836	$ 1,793,985
Federal	$ 2,500,000	$ -	$ 1,000,000	$ 1,000,000	$ (1,500,000)
Other	$ 3,167,700	$ 2,120,592	$ 2,120,592	$ 4,241,184	$ 1,073,484
Reserve	$ 19,316,309	$ -	$ 19,316,309	$ 19,316,309	$ -
Total	**$ 778,707,895**	**$ 325,856,006**	**$ 451,219,358**	**$ 777,075,364**	**$ (1,632,531)**

Overall revenue is projected $1.6M below expected levels due to:

- Lower than expected County tax revenue (3M)
- Challenges in federal entitlement billing (1.5M), along with elevated costs to administer the program.

These are offset stronger than expected state revenue 1.79M, and revenue from operations 1.07M.

Expenditures	Budget	Actuals	Projection Q3/Q4	Total Projected	Variance
Salary and Wages	$ 463,232,046	$ 178,099,886	$ 280,349,091	$ 458,448,977	$ 4,783,069
Benefits	$ 159,164,802	$ 63,304,534	$ 99,648,374	$ 162,952,908	$ (3,788,106)
Operations	$ 156,311,047	$ 113,098,923	$ 31,902,135	$ 145,001,058	$ 11,309,989
Total	**$ 778,707,895**	**$ 354,503,343**	**$ 411,899,600**	**$ 766,402,943**	**$ 12,304,952**

Based on a review of Operating Fund expenditures, some savings are projected; below are accounts projected to end the year over or under budget.

Identified Savings and Overage Items are: $10,672,421

- **Lapse and Turnover**
  Current projections are for lapse and turnover savings of $4.78M, with most positions remaining filled through the first half of the fiscal year, and tighter labor market conditions.

- **Fringe Benefits**
  Current estimates indicate a budget shortfall in fringe benefit expenditures of $3.78 million for FY 2026. Fringe benefits include health insurance, life insurance, retirement costs, disability costs, workers compensation and FICA taxes.

- **Operations**

  Debt Service

  Actual debt service payments will result in savings of $6.2 in FY 2026, primarily due to a shift in cash/debt management practices.

  Operating Expenditures

  It is estimated that there will be savings of $6.1 million in other expenditures in FY 2026. These savings are projected as many small amounts from various accounts in the School Operating Fund.

Overall, school operating funds are expected to be under budget by $10,672,421 when considering revenue and expenditures.

Community Activity Funds

Community Activity fund expenditures are expected below budget by $517,945, while stronger than anticipated operating revenue collections are expected. Unspent funds will be reincorporated in the school operating funds.

Expenditures	Budget	Actuals	Projection Q3/Q4	Total Projected	Variance
Salary and Wages	$ 12,894,628	$ 5,651,968	$ 7,872,111	$ 13,524,079	$ (629,451)
Benefits	$ 3,578,379	$ 1,484,877	$ 2,246,751	$ 3,731,628	$ (153,249)
Operations	$ 5,619,447	$ 3,318,802	$ 1,000,000	$ 4,318,802	$ 1,300,645
Total	**$ 22,092,454**	**$ 10,455,647**	**$ 11,118,862**	**$ 21,574,509**	**$ 517,945**
Revenue					
County	$ 7,460,515	$ 2,504,961	$ 4,955,554	$ 7,460,515	$ -
Operating	$ 14,531,058	$ 7,910,934	$ 7,910,934	$ 15,821,868	$ 1,290,810
Reserve	$ 100,881	$ -	$ 100,881	$ 100,881	$ -
Total	**$ 22,092,454**	**$ 10,415,895**	**$ 12,967,369**	**$ 23,383,264**	**$ 1,290,810**
			Projected Year-End Close-Out		**$ 1,808,755**

Capital Improvement Projects (CIP) Funds

Minor Construction/Major Maintenance

Of the 17M budgeted in FY 2026, $10.4M in expenditures are projected in FY 2026. Funding designated for projects will be carried forward into FY 2027. The figures below do not account for unexpected bond premiums that may materialize in the second half of FY 2026 due to the anticipated sale of bonds. As of December 31, 2026, the reserves in the fund were 20.9M in uncommitted funds.

Expenditures	Budget	Actuals	Projection Q3/Q4	Total Projected	Variance
Salary and Wages	$ 130,641	$ 64,196	$ 66,445	$ 130,641	$ -
Benefits	$ 41,356	$ 19,692	$ 21,664	$ 41,356	$ -
Operations	$ 17,201,679	$ 7,784,928	$ 2,500,000	$ 10,284,928	$ 6,916,751
Total	**$ 17,373,676**	**$ 7,868,816**	**$ 2,588,109**	**$ 10,456,925**	**$ 6,916,751**
Revenue					
County	$ 3,536,226	$ 3,536,226	$ -	$ 3,536,226	$ -
Operating	$ -	$ -	$ -	$ -	$ -
Reserve	$ 13,837,450	$ -	$ 13,837,450	$ 13,837,450	$ -
Total	**$ 17,373,676**	**$ 3,536,226**	**$ 13,837,450**	**$ 17,373,676**	**$ -**
			Projected Year-End Close-Out		**$ 6,916,751**

Bond Construction

Funding from previous bond sales is expected to be fully expensed in the third quarter of FY 2026. Proceeds from new bond sales will cover additional spending in FY 2026 and into FY 2027.

Expenditures	Budget	Actuals	Projection Q3/Q4	Total Projected	Variance
Salary and Wages	$ -	$ 332,457	$ 531,723	$ 864,180	$ (864,180)
Benefits	$ -	$ 112,020	$ 179,162	$ 291,182	$ (291,182)
Operations	$ 56,876,095	$ 53,249,450	$ 26,353,422	$ 79,602,872	$ (22,726,777)
Total	**$ 56,876,095**	**$ 53,693,927**	**$ 27,064,307**	**$ 80,758,234**	**$ (23,882,139)**
Revenue					
County	$ -	$ -		$ -	$ -
Reserve	$ 56,876,095	$ -	$ 80,758,234	$ 80,758,234	$ 23,882,139
Total	**$ 56,876,095**	**$ -**	**$ 80,758,234**	**$ 80,758,234**	**$ 23,882,139**
			Projected Year-End Close-Out		**$ -**

Recommendation: As noted above, we are projecting the total operating funds available at the closeout of FY2026 to be $10.6 million (compared with $40 million at FY2025 closeout). We are recommending that no funds be reallocated at this time. The next update would be the usual third quarter fiscal monitoring report in June.