

10 December 2024

The Honorable Mary Kadera
Chair
Arlington School Board
Arlington, VA 22204

RE: FY 2026 Pre-Budget Release Recommendations

Dear Ms. Kadera,

On behalf of the Advisory Council on School Facilities and Capital Programs (FAC), I am submitting comments, as requested, on recommendations that the FAC has made that should be considered during the upcoming fiscal year (FY) 2026 Arlington Public Schools (APS) budget cycle because of potential to reduce expenses or line-items that need to be preserved.

School Board Budget Direction (BD)

We were also asked to consider our recommendations through the lens of the Board's BD, which among other things, directs the Superintendent to propose a budget that does not default to across-the-board percentage cuts and that minimizes the use of reserve funds for operating expenses – strategies that have been used in the past, including last FY. The FAC supports these BD parameters. That said, the BD provides that up to 25% of reserve funds may be used for ongoing operating expenses. We have expressed concern about this caveat.¹

Elephant in the Room

FAC is mindful of projections of a multi-million revenue shortfall and the difficulties the Board may have in balancing the FY 2026 budget, since it is anticipated that all identified needs will not be met.² Foremost, managing budget costs and expectations rests on staffing decisions. Salary and benefit costs totaled 80.1% of the Board's FY 2025 approved budget and 89.9% of the APS' total operating fund.

The BD lists four priorities of which three are directed at staffing. They include "recruiting, supporting, and retaining highly qualified staff, with a focus on competitive compensation," preserving "student-facing ... roles," and implementing "a first phase of the staffing changes recommended by the 2024 Planning Factor Study" (PFS). The PFS prompted a work session discussion by the Board on September 24th that proposed adding 252 new full-time positions (FTP) and a 3% cost-of-living increase over the next three years. To achieve this goal alone without cutting funds elsewhere, the school system would need to find an additional \$65M in revenue in FY 2026. Whether additional tax revenue may be in the offing above that based on the Arlington County Government (ACG)/APS revenue sharing agreement is unknown, given expected revenue shortfalls for other ACG needs. Whether ACG would be willing to dip into its reserve funds to help,

¹ FAC comments on the draft FY 26 School Board Budget Direction (October 17, 2024).

² FY 2026 School Funding Gap: \$35 million to \$55 million.

<https://www.arlingtonva.us/files/sharedassets/public/v/1/budget/documents/fy-2026/public-presentation-fy-2026-preliminary-projections.pdf>

as it did in FY 2025, if APS does not exhaust its drawdown from reserve funds, is unknown. Similarly, changes, if any, to state and federal support may not be known by the time the FY 2026 budget needs to be approved, especially in light of the incoming Trump administration's views on the future of the US Department of Education.

If we have misunderstood these facts, please let us know. Meanwhile, these establish that a balanced, sustainable budget will not be achievable without looking at ways to reduce staff costs. With this perspective, the FAC offers the following additional observations and recommendations:

Operating Accounts that should be Protected, Preserved, and Potentially Increased

- **Debt Service:** The BD calls out the importance of maintaining general reserves to cover debt service needs. This account is also of primary importance to the FAC. Debt service pays for the cost of bonds needed to finance major construction projects. While the current average cost of borrowing may be higher due to higher Federal fund rates not seen in recent years, the cost of bond-funded projects is lower because the Board and Arlington County Government are committed to retaining the County's triple A bond rating. The FAC commends the Board for this cost-saving practice.
- **Deferred Maintenance & Minor Construction/Major Maintenance (MC/MM):** The APS 2024-2030 Strategic Plan states that students will be assured a learning environment that is "high-quality [and] safe." To achieve this goal, the Board needs to invest in the maintenance and upkeep of APS' school facilities and other physical properties.³ During the last several budget cycles, the FAC has heard repeated calls from citizens for APS to address "deferred maintenance"⁴ and to invest in Minor Construction/Major Maintenance (MC/MM) priorities as identified in the F&O's Facilities Condition Assessment report.

Despite public support, the FY 2025 budget was balanced in part by significant cuts to F&O and MC/MM accounts. As you know, the MC/MM account took a \$1.5 million reduction in the approved FY 2025 budget, on the heels of a \$1.8 million reduction in FY 2024. The F&O account was subject to a 15% across-the-board cut to its discretionary operating accounts,⁵ while also picking up planning responsibilities that were previously housed in the Chief of Staff's office and absorbing other service functions formerly under the Office of School Support including

³ The Facilities & Operations Department (F&O) manages and maintains almost 5.0 million square feet of space in 43 buildings and more than 350 acres of land. As a metric of maintenance demand, a typical roof has a 20-year lifecycle. APS would need to be systematically replacing at least two roofs each year.

⁴ Last March, the FAC requested a list of systemwide deferred maintenance projects. We imagine this list is dynamic and we would welcome more insight into how these needs are placed in queue, priorities, tracked, and the outcome.

⁵ F&O discretionary accounts cover such services as, Real Property Management, Risk Management, Plant Operations (including custodial services), Maintenance Services, Stormwater Management, Transportation Demand Management, and Transportation Services. F&O also has responsibility of Aquatics Management, which is funded under the Community Activities Fund.

safety⁶ and risk management.⁷ This forced reduction is now the new baseline going into the FY 2026 budget cycle. A baseline that makes no adjustment for inflation or the fact that MC/MM funded building system replacements are not “like” for “like.” Board directives, APS’ standards, and community expectations are that replacement systems meet updated performance codes.

While the BD outlines an agreement with the Superintendent to “maintain general reserves ... within a range of ... 3% [to] 5.5% of the annual School Operating Fund” and, as noted above, to “minimize the use of general reserves”⁸ to fund ongoing operating expenses, the Board includes a caveat that up to 25 percent of reserve funds could be allocated to ongoing operations, if needed, in FY 2026. Using FY 2025 figures, we understand this to mean that the \$20.7 million to \$38.0 million set-aside for reserve fund accounts could be reduced to between \$15.5 and \$28.5 million and that the “Compensation Reserve” account would be protected from the 25 percent reduction. In short, knowing that there will be no short-changing of the debt service account, it seems that the full 25 percent reduction will need to come from the MC/MM⁹ or Future Budget Years accounts.

As we look forward to FY 2026, we are concerned that these accounts may be targeted again. We urge you to reject any cuts to MC/MM reserve funds and to, at minimum, provide a cost-of-living adjustment to F&O’s FY 2025 baseline accounts.

Recommendations with Potential for Cost-Savings or Revenue-Generation

As requested, the FAC reviewed recommendations it has made to the Board since the beginning of SY 2023-24 to present. In no order of priority, the following FAC recommendations may have potential cost-saving value.

- **Boundary Adjustments:** Direct staff to include in boundary changes options presented to the School Board, what the consequences of boundary change inaction would be.
- **Arlington Resident Verification:** Maintain an on-going process to verify the residency of students enrolled in APS. APS currently verifies Arlington home addresses for all 5th and 8th grade students and siblings. The address verification process has several benefits. One ensures that APS scarce budget resources are used only for bonafide Arlington students.
- **MC/MM Projects at “Deep Dive” (DD) Facilities:** Withhold MC/MM funding at schools undergoing DDs until it is determined if renovation/rebuild at the schools would negate the need for MC/MM projects.

⁶ “Safety” covers building and equipment safety responsibilities such as playground inspections and fire alarm testing.

⁷ “Risk management” covers responsibilities for APS’ Risk Management Plan, which includes oversight of insurance providers, investigations, and claims, and for assessing potential risks, recommending hazard mitigation strategies, and facilitating the contractual transfer of risks.

⁸ Defined to include Compensation, Future Budget Years, Debt Service, and MC/MM reserve accounts.

⁹ We are disappointed to see that the Superintendent is not recommending that any of the \$21.8M in FY 2024 close out funds be earmarked for the MC/MM reserve account, let alone a restoration of the full FY 2025 \$1.5M cut. All these funds are slated for the Compensation (\$9M) and Future Budget Years (\$12.8M) reserve accounts. (Recommendation presented as an information item at the Board’s 12 December 2024 meeting.)

- **Under-utilized Facilities:** Take under-utilized facilities off-line, but not out of inventory, if it would save funds. This includes a commensurate reduction in staff. Our justification is that land in Arlington is scarce. APS should not relinquish ownership of Arlington properties unless equivalent property is provided elsewhere in the County. Over time, the APS student population is expected to increase. In the meantime, under-utilized or decommissioned facilities would be offered for repurposing to ACG or others for day care, social, health services, or other community purposes at terms that at minimum cover costs.
- **Joint-Use Facilities:** Consider prioritizing more joint-use facilities with AGC as a way to share costs while expanding public services or other community amenities. ACG and APS are successfully operating multiple joint-use facilities that include educational and community spaces (e.g., Gunston Middle School, Thomas Jefferson Middle School, the Langston-Brown Community Center).
- **Public/Private Partnerships:** Consider public/private partnerships that would allow APS to leverage privately owned properties to meet APS instructional or other needs, especially in areas of the County where existing APS facilities lack capacity to accommodate growing student enrollment. This option also has the potential to reduce construction and maintenance costs, especially if the facilities are considered part of an owner's community benefit contribution. The agreement with Amazon to house the Arlington Community High School is one such partnership. "Satellite classrooms," as allowed by Virginia Code, are another type of partnership option.¹⁰ The Code allows school boards to enter into agreements with private businesses or industries "for the establishment, installation, renovation, remodeling, or construction of satellite classrooms for grades kindergarten through three on a site owned by [such private entity] and leased to the school board at no cost" for the enrollment of children of the entity's employees, to include students who reside outside the attendance zone for such classrooms.
- **Regional Options:** Consider regional options that would open Arlington's unique educational opportunities to non-resident students for the cost of tuition. For example, the programs at Arlington's soon-to-be-opened Grace Hopper Center (GHC) could be a magnet for non-resident students. As capacity permits, non-resident students would be charged fees to cover costs, either directly or through the non-resident's school district, positioning the GHC to be Arlington's counterpart to Fairfax County's Thomas Jefferson High School for Science & Technology.
- **Transportation Efficiency:** Explore options to substitute use of the iRide program for seats on school buses to reduce commuting costs incurred by high school students to and from school. Both APS and ART buses are under-utilized. Higher iRide participation would better utilize ART buses and reduce the need for APS-provided buses, especially at a time when bus parking is at a premium and hiring drivers is a challenge. This recommendation is consistent with APS' 2024-30 APS Strategic Plan. The Plan lists as a strategy to improve student transportation outcomes that APS "partner with Arlington government and community agencies to provide efficient and safe alternatives to student transportation to improve access to academic programs and supports or when there are interruptions."

¹⁰ Code of Virginia §22.1-26.1.

- **Prevailing Wages:** Monitor cost impacts of prevailing wage requirements applicable to MC/MM projects, particularly as requirements may impact the pool of small business applicants, and to track cost impacts, if any. Earlier this year, the School Board adopted a Prevailing Wage Resolution. The “cost-saving” aspect of this recommendation proposes to gather data to determine whether and how much contracting for MC/MM projects is affected and whether adjustments to the policy are warranted.

We urge the Board to ensure that our buildings and properties are well-maintained to serve the educational needs of our students and provide APS’ workforce with an environment that supports the Board’s goal to recruit and retain highly qualified staff. We cannot afford reductions to the MC/MM or F&O accounts to balance this year’s budget as happened in FY 2025.

The FAC appreciates the opportunity to submit these comments. Please let me know if you have any questions.

Respectfully,

Cynthia Hilton

Cynthia Hilton
Chair

cc: Arlington School Board