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S&P Medians And Credit Factors: Illinois School Districts

Overview

S&P Global Ratings maintains ratings on 417 school districts in Illinois. Currently, 64% of Illinois school districts are in the 'A' category, 34% are in the 'AA' category or above, and 2% have debt rated in the 'BBB' category or lower. During the period of Jan. 1, 2018 to July 29, 2019, more entities' GO ratings/ICRs were upgraded (27) than downgraded (8).

We anticipate continued overall stability in the Illinois school district portfolio for the coming year. Most Illinois districts continue to see stable and growing tax bases and steady to growing enrollment in most of the state. We note that some districts in Illinois, however, are challenged by stagnant tax bases and declining enrollment. Due to the implementation of the new evidence based funding formula (EBF) that went into effect for school districts in fiscal 2018, declining enrollment is not as big of a factor in district finances as it traditionally has been. Thanks to the "hold harmless" provision, school districts with declining enrollment will not receive less funding than they initially received in fiscal 2018 (this is called the "base funding minimum") for perpetuity. However, these school districts will not receive new dollars released into the school district funding pool. Overall, we believe state sources of revenue should remain stable in the near term, even if the district is in a declining enrollment environment. Long term, we believe the state's financial situation could affect future school funding via the evidence-based formula, whether it is timeliness or ability to fully fund the formula.

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