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The Shrinking Classroom: Changing Demographics Are A Growing Credit Risk For California School Districts And Charter Schools - S&P

Key Takeaways

- S&P Global Ratings expects changing demographic trends will become a challenge for both school districts and charter schools in California, especially in the medium term, thanks to the state's slowing economy, which could negatively affect schools that rely on the state funding formula for operations.
- Average daily attendance (ADA) is the primary revenue driver for California public schools, and student population losses can cause budgetary pressures for institutions that fail to adequately adjust operations.
- Many school districts are experiencing significant enrollment declines, particularly in regions with high housing costs, and charter school competition is exacerbating negative trends in some areas of the state.
- Charter school enrollment is growing in the state overall but is not immune to demographic- and competition-driven demand declines in major metropolitan statistical areas.

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