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## [S&P U.S. Local Governments 2026 Outlook: Local Governments Show Resilience, K-12 School Districts Are On Shaky Ground](#)

### **Sector View: Stable**

- S&P Global Ratings' view of the U.S. local government (LG) sector remains stable overall, but increasing pressure on K-12 schools from federal, state, and local factors is weakening this cohort.
- State policy choices in response to federal fiscal retrenchment will be increasingly important for LG credit quality, while a tighter revenue environment with more downside than upside adds uncertainty.
- The strong revenue environment schools and LGs enjoyed in recent years ended in 2025. Although reserves remain high, struggling LGs may spend them down quickly.
- The ultimate impact to credit quality will depend on the depth and duration of mounting credit pressures, and on management's ability to adjust to disruptions.

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