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S&P School Bell Panic: U.S. K-12 Districts Race To Balance The Books

Key Takeaways

- Although reserves remain adequate to support U.S. K-12 districts through a period of fiscal adjustment, credit quality continues to weaken, leading to a rise in negative outlook revisions.
- Structural pressures are mounting beyond the expiration of federal pandemic aid, and are largely caused by declining enrollment, rising labor and special education costs, school choice expansion, and constrained revenue growth.
- Districts with limited reserves, heavy reliance on state funding, and less revenue-raising flexibility are likely to face notable struggles as state and local taxpayers confront their own affordability and budget pressures.
- Looking ahead, credit differentiation is likely to depend less on how districts managed their temporary stimulus funds and more on whether they can successfully adapt to a slower-growth, more financially constrained operating environment.

Continue reading.

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