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S&P: Pennsylvania School Districts Could Face More Funding Pressure Due To Sluggish State Revenue Growth, Rising Costs.

Debate over funding for public education has contributed to Pennsylvania's last two budget impasses. Generally, state lawmakers have agreed that public education spending should increase over the past two budget cycles, but given slow revenue growth and other rising required costs (e.g., pensions), they have struggled over how to increase education funding. In our view, recently projected budget deficits for fiscal years 2017 and 2018 increase the likelihood that education funding could be a key budget issue again in fiscal 2018, potentially contributing to another year of protracted deliberations. In addition to the possibility of a late budget, given limited discretionary spending, lawmakers could turn to education funding cuts to balance the budget. Both outcomes would increase credit pressure on Pennsylvania school districts.

Overview

- Education funding could again become a key budget issue as Pennsylvania grapples with projected deficits in fiscal 2017 and 2018.
- Rising pension costs will be an ongoing burden for all school districts.
- Reliance on state aid varies from district to district.

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