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Fitch Ratings: Fiscal Renaissance Continues for California

Link to Fitch Ratings' Report(s): [Are All California Credits Ready for the Next Recession? \(Levels of Government Exhibit Different Strengths, Weaknesses\)](#)

Fitch Ratings-San Francisco-20 September 2019: Strong budget management contributed to California's rating upgrade last month and have positioned the state quite well for the next economic downturn, according to Fitch Ratings in a new report.

Fitch upgraded California to 'AA' in August 2019, reflecting improved fiscal management that has become institutionalized across administrations. In Fitch's view, this allows the state to better withstand economic and revenue cyclicalities. "California has repaid all budgetary borrowing accumulated through two recessions and now has a structurally balanced budget, which is a big plus this late in the broader economic cycle," said Senior Director Karen Ribble.

"Fitch-rated cities and counties have increased their financial resilience throughout the economic expansion, increasing available fund balances to 35.5% and 23.5% of spending at the end of fiscal 2018, respectively," said Ribble.

While the state and cities and counties appear well-prepared, risks remain. Median available fund balance for Fitch-rated California school districts declined in fiscal 2018 compared to fiscal 2017, though they are still above fiscal 2008 levels. The median available fund balance finished at 16.4% at the end of fiscal 2018, down from 17.9% of spending at the end of fiscal 2017. "Slower growth in school funding and continued pension cost pressures are leading many school districts to draw more out of their reserves," said Ribble.

'Are All California Credits Ready for the Next Recession?' is available at 'www.fitchratings.com' or by clicking on the link.

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