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S&P Credit FAQ: How COVID-19 And The Recession Could Affect Credit Quality For U.S. K-14 Schools

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Since the onset of the COVID-19 pandemic the U.S. educational landscape has changed markedly, and it may never go back to the way it was. This means that schools–from local districts to charter schools to independent schools and community colleges–will transform their operations to respond to a situation that may last no longer than a year. While this is daunting enough considering the number of students enrolled in these schools, for many there is the added pressure of possible funding cuts stemming from tighter state budgets. The blow could be cushioned a bit for some districts after they ended the 2019-2020 school year with lower-than-budgeted expenditures following several months of savings from not having students in their buildings. However, while it may provide a little extra cushion, we don't expect this to solve all the problems facing schools in 2020-2021.

We held a "back-to-school" webcast in August covering this wide range of K-14 education operators. (For more on higher education, also covered in our webcast, see "Not-For-Profit Higher Education Mid-Year Sector View: Fall 2020 Enrollments Will Drive Credit," published Aug. 15 on RatingsDirect). While each type of educational environment has its unique challenges, there are two common themes: revenue uncertainty and enrollment fluctuation. This FAQ details where schools stand to date during the pandemic, some key issues facing credit quality in this uncertain environment, and what we will be watching for as schools ramp up across the country this fall.

Continue reading.

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