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S&P U.S. Local Governments Credit Brief: California School Districts

Overview

Despite the effects of the COVID-19 pandemic, California school districts demonstrated generally stable credit quality in fiscal years 2020 and 2021, and S&P Global Ratings expects this will continue in fiscal 2022. State revenue significantly outperformed budget during fiscal 2021, and the enacted budget for fiscal 2022 provides the highest funding per pupil in the state's history. Nevertheless, if school districts that are more reliant on state funding and have experienced enrollment declines do not prepare accordingly, they could face budgetary challenges in fiscal 2023 with the expiration of provisions that have held them harmless against enrollment declines during the pandemic.

S&P Global Ratings maintains general obligation (GO) ratings on 662 school districts in California. Fifty-seven percent of California school districts are in the 'A' category, 42% are in the 'AA' category or above, and fewer than 1% are in the 'BBB' category or lower. In addition, 97% of the ratings have a stable outlook, while approximately 2% have a negative outlook. One school district has a positive outlook.

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