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## **S&P U.S. Local Governments Credit Brief: California School Districts Means And Medians**

### **Overview**

California school districts entered fiscal 2025 in a position of financial strength, partly as a result of record per pupil funding and unprecedented one-time state and federal stimulus through the years following the peak of the pandemic. These extraordinary fiscal supports have thus far helped mitigate the challenges of broad school-age population declines and rising fixed costs. However, in S&P Global Ratings' view, key challenges could lead to credit pressure over the near term, including the risk that state aid will fail to keep up with rising fixed costs and increased expenditures. We also expect California school districts' reserve positions will weaken over the next year as districts focus on aligning continuously growing expenditures with revenue in the absence of Elementary and Secondary School Emergency Relief (ESSER) funding.

S&P Global Ratings evaluates the ratings on 687 school districts across California, including school facilities improvement districts. In the period from Aug. 24, 2023, to Aug. 12, 2024, we raised ratings on 16 school districts (2% of the total) and lowered nine (1%). Furthermore, we revised the rating outlook on 15 districts (2%), putting six (1%) on positive and nine (1%) on negative. The rating outlooks on the remaining 672 districts (98%) remained stable during this period. Following the release of our "Methodology for Rating U.S. Governments," published Sept. 9, 2024, on RatingsDirect, we placed 63 California school district ratings under criteria observation (UCO), signaling that we could affirm the ratings or change them as a result of the application of new criteria. For more information on the UCO designation and our plan for reviewing ratings under the new criteria, see the UCO list and "FAQ: A Closer Look At The New Methodology For Rating U.S. Governments," published Sept. 9, 2024.

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