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S&P: Texas Schools Face Uncertain Fiscal 2026 Budget Cycle Amid Rising Costs, Stagnant State Funding

Key Takeaways

- Texas public schools faced significantly increased credit pressure in 2024, with downgrades and outlook revisions to negative outpacing upgrades and positive outlooks.
- We took negative rating actions on Texas school districts experiencing weaker local taxing base growth, declining enrollment, or management's difficulty in closing structural gaps due to constrained revenue or expenditure flexibility.
- State legislative negotiations continue on increases to per-pupil funding and the establishment of a statewide Educational Savings Account (ESA) program for private and alternative school options, which could affect long-term funding for public schools.

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