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S&P: U.S. Public K-12 Schools Credit Quality Is Not Currently At Risk From Proposed Changes To Department Of Education

Key Takeaways

- S&P Global Ratings does not expect President Trump's recent executive order that would eliminate the U.S. Department of Education (DOE) to result in widespread credit deterioration or downgrades, but some kindergarten to 12th-grade (K-12) education providers may experience operating pressure.
- Public K-12 schools currently receive the majority of their annual revenues from state and local funds.
- All 50 states operate their own departments of education and, therefore, determine how school operations are funded. Should federal funding to K-12 schools decrease, we expect that each state will determine its response to the shifts.
- It's uncertain how the details of Trump's executive order will unfold and what that would mean for federal funding to local education agencies. If there are significant federal aid cuts or delays, liquidity–particularly for those schools or districts more dependent on federal dollars–would become increasingly important.

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