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

Overview

California school districts available fund balances remain strong as a result of significant federal stimulus funds received in the past several fiscal years. However, we expect school district finances will begin to meaningfully weaken in the medium term, as most districts across the state are projecting deficits and use of funds over the three-year period, spurred by expiration of stimulus funds, rising fixed costs, and the state's slower economic growth relative to recent years, which could pose a risk to per-pupil funding.

California school districts' median available reserves increased by 1% compared to our previous October 2024 report, but financial performance has weakened across our rated universe this year. We believe available reserve levels peaked as of fiscal 2025, with most available COVID-19 related state grants set to expire over the next two fiscal years. This has occurred as more school districts contend with rising fixed costs and declining enrollment—which will lead to reduced state aid for most-looming decisions about which stimulus-funded services and resources to continue offering students and staff, and an uncertain federal funding environment.

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