Bond Case Briefs

Municipal Finance Law Since 1971

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

New Jersey school district ratings have remained relatively stable the past year despite more districts experiencing budgetary pressures, which have led to an increase in negative rating actions across the sector. These pressures have stemmed from a combination of rising costs, the impact of 2018 state aid formula changes, exhaustion of federal stimulus funding, and revenue-raising limitations. In response, this has some districts using reserves to bridge structural budgetary gaps and maintain operations. At the same time, credit stability for many other New Jersey school districts is supported by strong local incomes, consistent financial operations, comparatively high property values, and overall low debt and liabilities.

S&P Global Ratings maintains ratings on 283 New Jersey school districts. Overall credit quality for the sector remains stable although negative rating actions have increased to 4.6%, compared with 2% the previous year, and only two school districts have experienced positive rating actions. These were associated with material improvements in reserves, strong local incomes, and overall low debt and retirement liabilities. Conversely, negative rating actions have primarily followed weakened operating results, drawdowns on reserves, and potential future budgetary pressures because of reduced state aid.

Impact of state aid formula changes and revenue-raising limitations

Some school districts in New Jersey have experienced substantial declines in state aid since the school aid formula was rewritten in 2018. The funding loss has increased local property tax dependency in the past few years. In some cases it has led to a sharp increase in property taxes, reductions in staff, school closures, and reliance on one-time revenue all within a short period to make up for the loss of state revenue. In addition, for some districts, increase in pandemic-era federal stimulus funds temporarily masked the loss of state aid. Once federal funds were exhausted and state aid declines continued, some districts were left to use large portions of fund balance to bridge the structural gaps, while making cuts to their operations or raising local revenue.

Continue reading.

09-Sep-2026 | 14:29 EDT

Copyright © 2026 Bond Case Briefs | bondcasebriefs.com