

MOODY'S

RATINGS

Rating Action: Moody's Ratings downgrades Escambia Co. S.D. FL's, issuer and special tax ratings to A1 from Aa3 and COPs to A2 from A1

13 Nov 2025

New York, November 13, 2025 -- Moody's Ratings (Moody's) has downgraded Escambia County School District, FL's issuer and special tax ratings to A1 from Aa3. Concurrently we have downgraded the district's certificates of participation (COPs) to A2 from A1. The district has approximately \$136.8 million in outstanding debt.

The downgrade reflects the weaker than expected operating performance in fiscal 2025 and the expectation that the district's reserve position will remain narrow and pressured by limited revenue raising flexibility over the medium term.

RATINGS RATIONALE

The downgrade of the issuer rating is attributed to the district's ongoing difficulties in achieving balanced operations which have led to significantly constrained reserves. For fiscal year 2025, the district projects a \$10.2 million deficit in the General Fund, with unassigned and assigned fund balances estimated at approximately \$18.9 million, representing about 5.5% of operating revenues and for fiscal 2026, management forecasts an additional deficit of \$9.5 million. Similar to other school districts in the state, Escambia has experienced declines in enrollment, resulting in pressure on expenditures in order to maintain a balanced budget. This trend is expected to persist in the near to medium term, influenced by the growth of the family empowerment scholarship program. The district's rating also reflects its robust and stable local economy, supported by a significant military presence and vibrant tourism associated with its beach communities and proximity to Pensacola International Airport. While resident income falls below the national median, full value per capita is relatively strong, highlighting the notable commercial components of the expanding and diverse economic base. Long-term liabilities and fixed costs for the district are expected to remain manageable in the foreseeable future.

The A2 on the COPs reflects a one-notch distinction from the issuer rating and incorporates the risk of non-appropriation, the essentiality of leased facilities (school buildings) and the strong underlying credit quality of the issuer.

The A1 special tax rating reflects strong debt service coverage by pledged revenues. Legal protections are strong with an additional bonds test of 1.25 times and a debt service reserve funded at the lesser of the 3-pronged test.

RATING OUTLOOK

We do not assign outlooks to issuers with this amount of debt outstanding.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Significant improvement in fund balance and liquidity to levels above or aligned with A-rated national medians
- Positive enrollment trends
- Improved debt service coverage (sales tax rating)

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Further deterioration of fund balance and liquidity

- Erosion of the local economy that drives further declines in enrollment
- Material increases in long-term liabilities
- Significant erosion in debt service coverage (sales tax rating)

PROFILE

Escambia County School District is located in the northwestern Florida Panhandle and is headquartered in Pensacola, approximately 175 miles east of Tallahassee and adjacent to the Alabama state line on the Gulf Coast.

METHODOLOGY

The principal methodology used in these ratings was US K-12 Public School Districts published in July 2024 and available at <https://ratings.moodys.com/rmc-documents/425431>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of these methodologies.

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