

CREDIT OPINION

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Escambia County School District, FL

Update to credit analysis following downgrade

Summary

Escambia County School District, FL's (A3) credit profile has weakened materially due to continued operating deficits and reserve deterioration. Management estimates an \$11.9 million fiscal 2026 deficit, reducing available fund balance to about 3% of revenue, with further pressure expected through fiscal 2027 despite expenditure cuts and staffing adjustments. Credit strengths include the district's large and growing tax base, diverse regional economy, and manageable leverage and fixed costs.

Credit strengths

- » Large and diverse economic base anchored by military, healthcare, educational and tourism sectors
- » Above-average full value per capita supported by continued tax base growth
- » Manageable long-term liabilities and fixed costs despite recent debt issuance

Credit challenges

- » Multi-year trend of operating deficits resulting in very narrow reserves and liquidity
- » Persistent enrollment declines driven by growth in Florida school choice programs
- » Reduced state funding flexibility associated with continuing enrollment losses

Rating outlook

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

Factors that could lead to an upgrade

- » Sustained improvement in fund balance to levels above 10% or aligned with A-rated national medians
- » Positive enrollment trends

Factors that could lead to a downgrade

- » Further deterioration of fund balance and liquidity below 2% or worse than projected for fiscal 2027
- » Erosion of the local economy that drives further declines in enrollment
- » Material increases in long-term liabilities

Key indicators

Exhibit 1

ESCAMBIA COUNTY SCHOOL DISTRICT, FL

	2022	2023	2024	2025	A Medians
Economy					
Resident income	86.0%	87.3%	85.6%	N/A	N/A
Full value (\$000)	\$35,338,700	\$42,212,084	\$48,008,228	\$51,294,455	\$1,239,292
Population	321,296	323,275	325,923	N/A	12,617
Full value per capita	\$109,988	\$130,576	\$147,299	N/A	\$99,324
Enrollment	36,979	36,979	35,735	35,188	1,701
Enrollment trend	-1.8%	-1.6%	-1.7%	-1.6%	N/A
Financial performance					
Operating revenue (\$000)	\$418,083	\$496,205	\$474,215	\$464,403	\$31,734
Available fund balance (\$000)	\$24,207	\$33,613	\$33,307	\$18,822	\$8,037
Net cash (\$000)	\$41,324	\$56,842	\$45,441	\$57,880	\$9,442
Available fund balance ratio	5.8%	6.8%	7.0%	4.1%	25.7%
Net cash ratio	9.9%	11.5%	9.6%	12.5%	33.2%
Leverage					
Debt (\$000)	\$77,233	\$64,212	\$96,944	\$77,522	\$21,998
ANPL (\$000)	\$705,566	\$534,410	\$476,463	\$388,216	\$34,713
OPEB (\$000)	\$16,402	\$13,681	\$14,064	\$11,210	\$2,511
Long-term liabilities ratio	191.2%	123.4%	123.9%	102.7%	N/A
Implied debt service (\$000)	\$6,195	\$5,394	\$4,461	\$6,709	\$1,520
Pension tread water (\$000)	\$13,858	\$24,379	\$26,263	N/A	\$1,316
OPEB contributions (\$000)	\$1,071	\$1,657	\$2,188	\$1,403	\$187
Fixed-costs ratio	5.1%	6.3%	6.9%	7.4%	N/A

For definitions of the metrics in the table above please refer to the [US K-12 Public School Districts Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [K12 Median Report](#).

Sources: US Census Bureau, Escambia County School District, FL's financial statements and Moody's Ratings

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 of Mexico.

Detailed credit considerations

The district's financial operations have weakened materially in recent years, driven by recurring operating deficits and limited reserves and liquidity. Reserve deterioration reflects a structural imbalance following the expiration of federal ESSER funding and stagnant revenue because of enrollment losses. Fiscal 2026 results are expected to remain weak, with management projecting an approximately \$11.9 million deficit after transfers that would reduce available fund balance to about 3% of revenue. Management also projects a \$7 million to \$8 million deficit in fiscal 2027, with reserves remaining near current levels. Planned mitigation efforts includes at least 10% departmental spending reductions, staffing adjustments, transfers, and additional capital-outlay flexibility. Enrollment pressure from Florida's family empowerment scholarship program continues to redirect per pupil funding away from the district. Combined with rising operating costs, these trends significantly constrain the district's ability to restore financial balance.

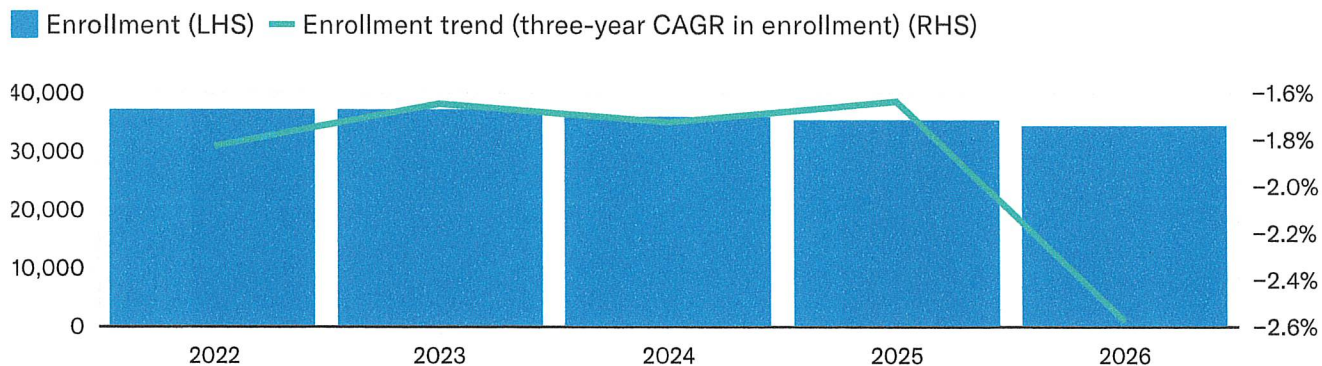
Escambia schools will continue to benefit from a growing local economy and manageable long-term liabilities. The county economy is driven by tourism, a significant naval and aviation presence, and military installations, with Naval Air Station Pensacola serving as a major regional employer. Although median household income is below average at 86%, full value per capita is stronger at \$163,800, supported by commercial growth and tax base expansion. Like many other Florida school districts, enrollment has significantly declined because of demographic trends, charter schools, and increasing school choice programs. Traditional school enrollment has fallen by about 4,600 students since fiscal 2020, with declines of roughly 500 FTE students expected in fiscal 2026 and 300 in fiscal 2027.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

Long-term liabilities are expected to remain manageable. In July 2025, the district issued Certificates of Participation (COPs) totaling \$62.7 million to support the expansion and renovation of its existing facilities. Leverage, including this issuance, is projected to reach 116%.

Exhibit 2

Enrollment will continue to decline driven by increasing school choice programs

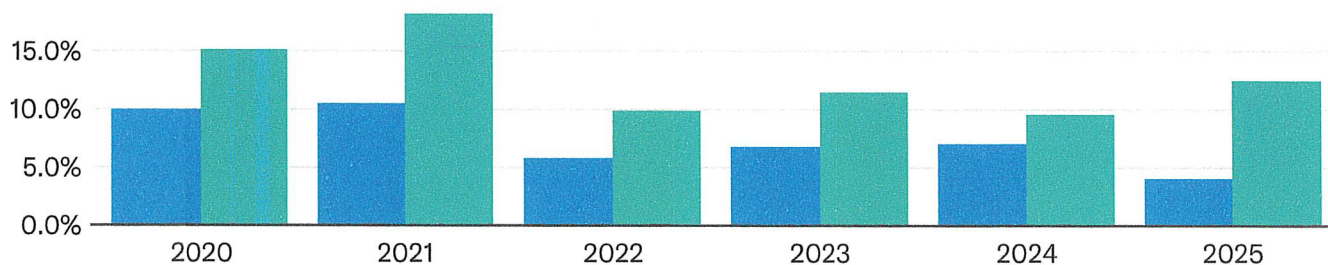


Source: Moody's Ratings

Exhibit 3

Financial Trends will remain weak with management projects reserves to remain at minimum levels over the near to medium term

■ Fund Balance as a % of Revenues ■ Cash Balance as a % of Revenues



Source: Moody's Ratings

ESG considerations

Environmental

The district's exposure to long-term environmental trends is consistent with that of the US local government sector, which as a whole, is low. However, environmental considerations are material to the district's credit profile given its proximity to the coast. According to data from Moody's ESG Solutions, the district has elevated exposure to hurricanes and sea level rise. This exposure is mitigated by federal and state support and a regional hazard mitigation plan, which is part of a regional resiliency effort.

Social

Social issues, which include demographics, labor force, and income metrics, are material to the district's credit quality and are incorporated by way of full value per capita and median family income. While social issues do not currently pose a credit risk, we will continue to monitor a variety of factors such as demographics, immigration trends, income levels, population trends and employment levels, as these remain important key credit metrics.

Governance

Governance considerations are material to this rating action. The district's ability to maintain balanced operations and keep available reserves above 3% of revenue will remain an important credit consideration.

Like issuers across every sector, governance considerations are material to the district's credit quality. Escambia County Schools will continue to benefit from prudent management, long-term budgeting practices, and adherence to formal fiscal policies.

Florida school districts have a fair ability to match revenues to expenditures. The state typically controls the bulk of school districts' revenue by setting per-pupil spending, which is comprised of state aid and local property taxes. The state has in recent years provided for modest annual increases in aid, but has modestly reduced allocations in the past. Districts can go to voters for additional millage or sales taxes for operations or capital.

Rating methodology and scorecard factors

The [US K-12 Public School Districts Methodology](#) includes a scorecard that summarizes the rating factors generally most important to school district credit profiles. Because the scorecard is a summary and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned. The difference between the scorecard-indicated outcome and the assigned rating is driven by a projected decline in available fund balance and liquidity to 3% and 9.5% respectively.

Exhibit 4

Escambia County School District, FL - Fiscal Year 2025	Measure	Weight	Score
Economy			
Resident Income (MHI Adjusted for RPP / US MHI)	85.6%	10.0%	A
Full value per capita (full valuation of the tax base / population)	163,800	10.0%	Aa
Enrollment trend (three-year CAGR in enrollment)	-2.6%	10.0%	Baa
Financial performance			
Available fund balance ratio (available fund balance / operating revenue)	4.1%	20.0%	Ba
Net cash ratio (net cash / operating revenue)	12.5%	10.0%	A
Institutional framework			
Institutional Framework	A	10.0%	A
Leverage			
Long-term liabilities ratio ((debt + ANPL + adjusted net OPEB) / operating revenue)	102.7%	20.0%	Aaa
Fixed-costs ratio (adjusted fixed costs / operating revenue)	7.4%	10.0%	Aaa
Notching factors			
No notchings applied			
Scorecard-Indicated Outcome			A2
Assigned Rating			A3

[] The complete list of outstanding ratings assigned to the Escambia County School District, FL is available on their issuer page. Details on the current ESG scores assigned to the Escambia County School District, FL are available on their ESGView page.

Sources: US Census Bureau, Escambia County School District, FL's financial statements for fiscal year 2025 and Moody's Ratings

Appendix

Exhibit 5

Key Indicators Glossary

	Definition	Typical Source*
Economy		
Resident income	Median Household Income (MHI), adjusted for Regional Price Parity (RPP), as a % of the US	MHI: American Community Survey (US Census Bureau) RPP: US Bureau of Economic Analysis
Full value (\$000)	Estimated market value of taxable property accessible to the district	State repositories, district's audited financial reports, offering documents or continuing disclosure
Population	Population of school district	American Community Survey (US Census Bureau)
Full value per capita	Full value / population of school district	
Enrollment	Student enrollment of school district	State data publications
Enrollment trend	3-year Compound Annual Growth Rate (CAGR) of Enrollment	State data publications; Moody's Ratings
Financial performance		
Operating revenue (\$000)	Total annual operating revenue in what we consider to be the district's operating funds	Audited financial statements
Available fund balance (\$000)	Committed, assigned and unassigned fund balances in what we consider to be the district's operating funds	Audited financial statements
Net cash (\$000)	Net cash (cash and liquid investments minus short-term debt) in what we consider to be the district's operating funds	Audited financial statements
Available fund balance ratio	Available fund balance / Operating Revenue	Audited financial statements
Net cash ratio	Net Cash / Operating Revenue	Audited financial statements
Leverage		
Debt (\$000)	District's direct gross debt outstanding	Audited financial statements; official statements
ANPL (\$000)	District's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
OPEB (\$000)	District's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
Long-term liabilities ratio	Debt, ANPL and OPEB liabilities as % of operating revenue	Audited financial statements, official statements; Moody's Ratings
Implied debt service (\$000)	Annual cost to amortize district's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Ratings
Pension tread water (\$000)	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Ratings
OPEB contributions (\$000s)	District's actual contribution in a given period, typically the fiscal year	Audited financial statements; official statements
Fixed-costs ratio	Implied debt service, pension tread water and OPEB contributions as % of operating revenue	Audited financial statements, official statements, pension system financial statements

*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US K-12 Public School Districts Methodology](#).

Source: Moody's Ratings