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Fitch Revises Escambia County FL Schools' Outlook to Negative; Affirms IDR at 'AA-'

Fitch Ratings - New York - 26 Jun 2026: Fitch Ratings has affirmed the following ratings for Florida's Escambia County School District (the district):

--District's Issuer Default Rating (IDR) at 'AA-'

--Outstanding sales tax revenue bonds at 'AA-'

--Outstanding certificates of participation (COPs) at 'A+'

The Rating Outlook has been revised to Negative from Stable.

The Negative Outlook reflects the district's fiscal 2025 reserve decline and the expectation of further reserve weakening in fiscal 2026 amid continued near-term operating pressure. The operating environment has become more challenging due to declining traditional enrollment tied to expanded school choice. This revenue pressure, together with expenditure growth, contributed to available reserves declining modestly below 5% of spending in fiscal 2025, the minimum threshold for a 'bbb' financial Resilience assessment.

The Outlook revision also reflects implementation risk related to planned expenditure alignment measures and the district's ability to restore structural balance and maintain unrestricted general fund balance at or above 5% of spending over the two-year Outlook period. Fiscal and operational progress sufficient to support these expectations could support revising the Outlook to Stable. The affirmation of the 'AA-' IDR reflects the district's low long-term liability burden, offset by generally weaker demographic and economic metrics. The 'A+' COP rating is one notch below the IDR, reflecting appropriation risk.

The 'AA-' sales tax revenue bond rating reflects Fitch's application of its "U.S. Public Finance Dedicated Tax and Revenue Bond Rating Criteria," including an overall 'aa' Revenue Risk assessment and a 'aaa' Resilience assessment. The 'aa' Revenue Risk assessment reflects broad-based pledged revenues with moderate sensitivity to cyclical stress and solid long-term growth prospects. The 'aaa' Resilience assessment is supported by strong debt service coverage from Fitch-stressed pledged revenues. The district's IDR caps the sales tax revenue bond rating.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- An inability to mitigate/eliminate potential structural imbalances leading to a sustained decline in unrestricted general fund reserve levels sustained at below 5% of spending, which would lower Fitch's assessment of financial resilience to below 'bbb'.
- A sustained approximate 60% increase in long-term liabilities due to additional debt and/or growth in net pension liabilities and increased carrying costs, without a commensurate increase in personal income or governmental resources.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

For Sales Tax Revenue Bonds

-- Negative action on the IDR, given the sales tax rating is equal to and capped by the district's IDR.

-- Material pledged revenue declines or additional leveraging of the structure that drives stressed MADS coverage closer to or below 2.5x on a sustained basis, incorporating the standard 5% stress for an 'aa' Revenue Risk Profile.

-- Higher pledged revenue volatility and/or expectations for slower revenue growth, which may result in a Revenue Risk profile of 'a' or lower.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

-- Despite expectations for fund balance to fall below 5% for fiscal 2026, demonstrated progress in resolving structural imbalances to maintain unrestricted general fund reserves of at least 5% of spending could return the Outlook to Stable.

-- A stabilization or reversal of enrollment growth trends, or structural shifts in the state funding environment, that support expectations for improved revenue growth and budget stabilization.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

For Sales Tax Revenue Bonds

-- Positive rating action on the IDR.

SECURITY

The COPs are supported by lease payments subject to annual appropriation by the school board, pursuant to a master lease-purchase agreement. Upon certain events of default, or the school board's failure to appropriate funds, all leases under the master lease will terminate, and the school board is required to immediately surrender possession of all facilities subject to the master lease.

Fitch's Local Government Rating Model

The Local Government Rating Model generates Model Implied Ratings, which communicate the issuer's credit quality relative to Fitch's local government rating portfolio. (The Model Implied Rating will be the IDR, except in certain circumstances explained in the applicable criteria.) The Model Implied Rating is expressed via a numerical value calibrated to Fitch's long-term rating scale that ranges from 10.0 or higher (AAA), 9.0 (AA+), 8.0 (AA) and so forth, down to 1.0 (BBB- and below).

Model Implied Ratings reflect the combination of issuer-specific metrics and assessments to generate a Metric Profile and a structured framework to account for Additional Analytical Factors not captured in the Metric Profile that can either mitigate or exacerbate credit risks. Additional Analytical Factors are reflected in notching from the Metric Profile and are capped at +/-3 notches.

Ratings Headroom & Positioning

Escambia County School District Model Implied Rating: 'AA-' (Numerical Value: 7.48)

-- Metric Profile: 'AA-' (Numerical Value: 7.48)

-- Net Additional Analytical Factor Notching: 0.0

Escambia County School District's Model Implied Rating is 'AA-'. The associated numerical value of 7.48 is in the middle of the 7.0 to 8.0 range for a 'AA-' rating.

Key Rating Drivers

Financial Profile

Financial Resilience - 'bbb'

Escambia County School District's financial resilience is driven by the combination of its 'Low' revenue control assessment and 'Midrange' expenditure control assessment, culminating in a 'Limited' budgetary flexibility assessment.

-- Revenue control assessment: Low

-- Expenditure control assessment: Midrange

-- Budgetary flexibility assessment: Limited

-- Minimum fund balance for current financial resilience assessment: $\geq 5.0\%$

-- Current year fund balance to expenditure ratio: 4.9% (2025)

-- Lowest fund balance to expenditure ratio for the fiscal-year period 2021-2025: 5.0% Analyst Input (vs. 4.9% actual in fiscal 2025)

Revenue Volatility - 'Weak'

Escambia County School District's weakest historic three-year revenue performance has a modest negative impact on the Model Implied Rating.

The revenue volatility metric is an estimate of potential revenue volatility, based on the issuer's historical experience relative to the median for the Fitch-rated local government portfolio. The metric helps to differentiate issuers by the scale of revenue loss that would have to be addressed through revenue raising, cost controls or utilization of reserves through economic cycles.

-- Lowest three-year revenue performance (based on revenues dating back to 2005): 9.2% decrease for the three-year period ending fiscal 2011

-- Median issuer decline: -3.7% (2025)

Analyst Inputs to the Model

Analyst inputs to the model reflect metric adjustments to account for historical data anomalies, forward-looking performance shifts, or nonrecurring events that may otherwise skew the time series.

Fitch adjusted the district's five-year low unrestricted general fund balance to 5%, rather than the reported 4.9% in fiscal 2025, to reflect the district's historical maintenance of reserves at or above that level and Fitch's expectation that unrestricted reserves will be restored and maintained at or above 5% over time. A sustained decline below 5% could lead to negative rating action.

Demographic and Economic Strength

Population Trend - 'Weak'

Based on the median of 10-year annual percentage change in population, Escambia County School District's population trend is assessed as 'Weak'.

Population trend: 0.7% 2025 median of 10-year annual percentage change in population (38th percentile)

Unemployment, Educational Attainment and MHI Level - 'Weak'

The overall strength of Escambia County School District's demographic and economic level indicators (unemployment rate, educational attainment, median household income [MHI]) in 2025 are assessed as 'Weak' on a composite basis, performing at the 39th percentile of Fitch's local government rating portfolio. This is due to relatively midrange education attainment levels and unemployment rate, low median-issuer indexed adjusted MHI.

-- Unemployment rate as a percentage of national rate: 100.0% 2025 (46th percentile), relative to the national rate of 4.3%

-- Percent of population with a bachelor's degree or higher: 29.7% (2024) (49th percentile)

-- MHI as a percent of the portfolio median: 83.2% (2024) (23rd percentile)

Economic Concentration and Population Size - 'Strongest'

Escambia County School District's population in 2025 was of sufficient size and the economy was sufficiently diversified to qualify for Fitch's highest overall size/diversification category.

The composite metric acts asymmetrically, with most issuers (above the 15th percentile for each metric) sufficiently diversified to minimize risks associated with small population and economic concentration. Downward effects of the metric on the Metric Profile are most pronounced for the least economically diverse issuers (in the fifth percentile for the metric or lower). The economic concentration percentage shown below is defined as the sum of the absolute deviation of the percentage of personal income by major economic sectors relative to the U.S. distribution.

-- Population size: 333,834 (2025) (above the 15th percentile)

-- Economic concentration: 35.1% (2025) (above the 15th percentile)

Long-Term Liability Burden

Long-Term Liability Burden - 'Strongest'

Escambia County School District's long-term liability metrics remain broadly strong across each of the three dimensions: liabilities to personal income, liabilities to governmental revenue, and carrying costs to governmental expenditures. The long-term liability composite metric in 2025 is at the 92nd percentile, indicating a low liability burden relative to the Fitch's local government rating portfolio.

-- Liabilities to personal income: 1.8% Analyst Input (90th percentile) (vs. 1.5% 2025 Actual)

-- Liabilities to governmental revenue: 70.2% Analyst Input (95th percentile) (vs. 60.3% 2025 Actual)

-- Carrying costs to governmental expenditures: 7.7% Analyst Input (92nd percentile) (vs. 7.1% 2025 Actual)

Analyst inputs for the long-term liability metrics include amortization of outstanding principal through fiscal year-end 2026 and the net change in debt following the issuance of the series 2025A COPs. Carrying costs were adjusted to include fiscal 2026 debt service for the series 2025A COPs.

Dedicated Tax And Revenue Bond Security

The sales tax revenue bonds are payable from the proceeds of a voted one-half cent school capital outlay discretionary sales surtax (capital outlay sales tax) levied within the district. The current sales tax extends through Dec. 31, 2027, with outstanding bonds maturing Sept. 1, 2027. The sales tax was renewed in November 2024 for an additional 10 years commencing Jan. 1, 2038.

Dedicated Tax And Revenue Bond Key Rating Drivers

Revenue Risk - 'aa'

Fitch assesses Revenue Risk at 'aa', reflecting the broad-based nature of the countywide sales surtax pledge, expected stable performance through economic cycles with moderate cumulative declines and relatively rapid recovery to pre-stress levels, and solid long-term growth prospects above long-run U.S. inflation.

Resilience - 'aaa'

The 'aaa' Resilience assessment reflects robust coverage of MADS from fiscal 2025 pledged revenues of over 6.5x, incorporating Fitch's 5% stress assumption for a 'aa' Revenue Risk assessment. The assessment is based on current MADS as the district has no current plans to further leverage the pledged revenues.

Exposure To Related Government Operations

Fitch does not view the bonds as insulated from the operating risk of the district. The sales tax bond structure could support a higher rating were it not constrained by the district's IDR.

PROFILE

Escambia County School District serves a county in northwest Florida anchored by Pensacola. The local economy is supported by military presence, healthcare and tourism, with Naval Air Station Pensacola serving as a key employment center.

Sources of Information

In addition to sources of information identified in Fitch's applicable criteria specified below, this action was informed by data from DIVER by Solve.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

Climate Vulnerability Signals

The results of our Climate.VS screener did not indicate an elevated risk for Escambia County School District (FL).

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

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Rating Actions

ENTITY/DEBT	RATING			RECOVERY	PRIOR
Escambia County School District (FL)	LT IDR	AA-	⬇️	Affirmed	AA- ⬆️
• Escambia County School District (FL) /Issuer Default Rating/1 LT	LT	AA-	⬇️	Affirmed	AA- ⬆️
• Escambia County School District (FL) /Lease Obligations - Standard/1 LT	LT	A+	⬇️	Affirmed	A+ ⬆️

ENTITY/DEBT	RATING		RECOVERY	PRIOR		
• Escambia County School District (FL) /Sales Tax Revenues/1 LT	LT	AA-	⊖	Affirmed	AA-	◼

RATINGS KEY
OUTLOOK
WATCH

POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

Applicable Criteria

- U.S. Public Finance Dedicated Tax and Revenue Bond Rating Criteria (pub.01 May 2026)
- U.S. Public Finance Local Government Rating Criteria (pub.01 May 2026) (including rating assumption sensitivity)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

U.S. Local Government Rating Model, v1.2.0 (1)

Additional Disclosures

Solicitation Status

Endorsement Status

Escambia County School Board (FL) EU Endorsed, UK Endorsed

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