

# Market Insights

## Sector Intelligence | U.S. Public Finance

March 6, 2024 | Data as of Feb. 29, 2024

This report does not constitute a rating action.

### Key Takeaways

- There have been more than 250 rating actions in U.S. public finance (USPF) through Feb. 29, 2024.
- Upgrades outpaced downgrades, driven primarily by rating activity in the local governments sector.
- Outlook activity was mixed across sectors.

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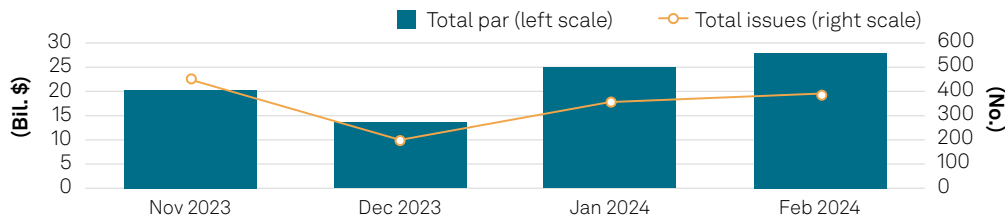
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## U.S. public finance at a glance

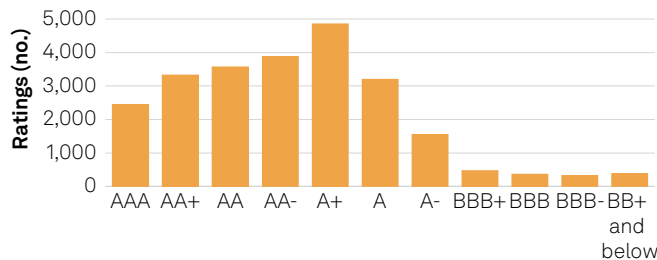
24,000+ Ratings 

Rating changes	Feb 2024 (no.)	2024 (no.)
<b>Upgrades</b>	47	86
<b>Downgrades</b>	24	39
Outlook and CW changes		
<b>Favorable</b>	17	77
<b>Unfavorable</b>	32	50

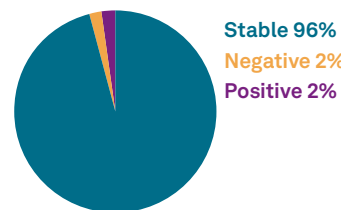
### S&P Global Ratings rated new issuance



### Rating distribution



### Outlook distribution



Source: S&P Global Ratings.

## Recent Research

Outlook For U.S. Independent Schools: Healthy Demand Trends Drive Steady Sector Performance, Feb. 22, 2024

Sustainability Insights Research: U.S. Muni Sustainable Bonds: Moderate Growth In 2024, Feb. 15, 2024

SLIDES: U.S. Municipal Sustainable Bonds: Projecting Moderate Growth In 2024, Feb. 15, 2024

U.S. Not-For-Profit Health Care Rating Actions, January 2024, Feb. 14, 2024

Financial Aid Delay Is The Latest Hurdle For U.S. Higher Education, Feb. 12, 2024

U.S. Not-For-Profit Acute Health Care Rating Actions, 2023 Year-End Review, Feb. 8, 2024

U.S. Public Finance: Five States Upgraded In 2023, Feb. 5, 2024

For more Research click here



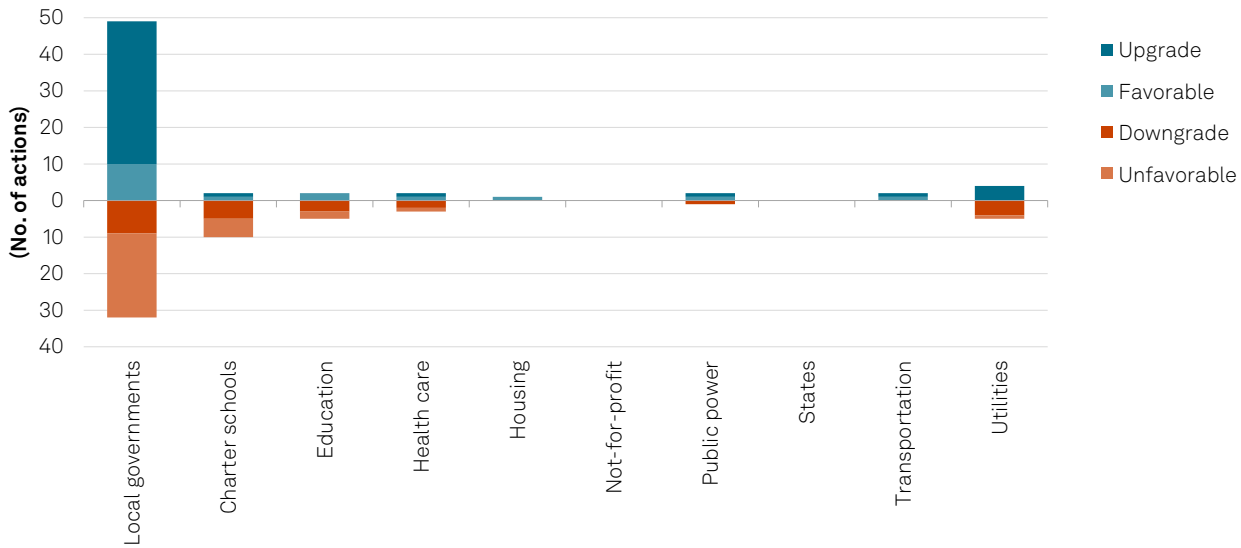
An Excel workbook containing a master list of rating actions by security type and by issues year to date can be downloaded [here](#).

Note: In this report, we define "rating changes" as rating upgrades and downgrades; "rating actions" as rating changes, in addition to outlook changes and CreditWatch assignments or resolutions; "favorable" actions as outlook changes to stable from negative and to positive from stable, or placement of a rating on CreditWatch with positive implications; and "unfavorable" actions as outlook changes to negative from stable and to stable from positive, or placement of a rating on CreditWatch with negative implications. For local governments, we exclude school program rating actions tied to state rating actions.

## USPF Rating Activity

Chart 1

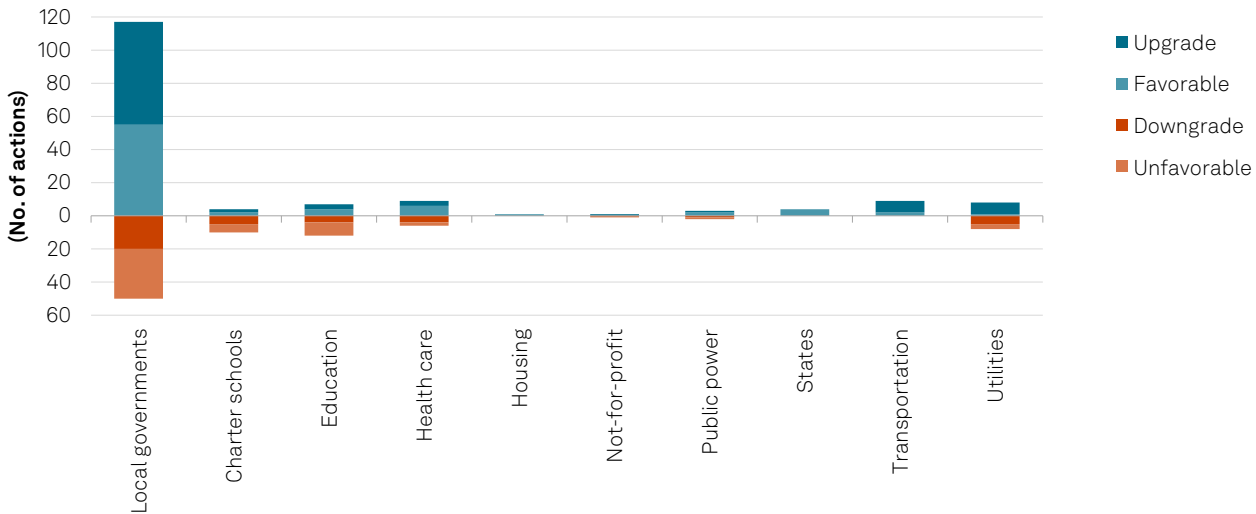
USPF February rating actions by sector



Source: S&P Global Ratings.

Chart 2

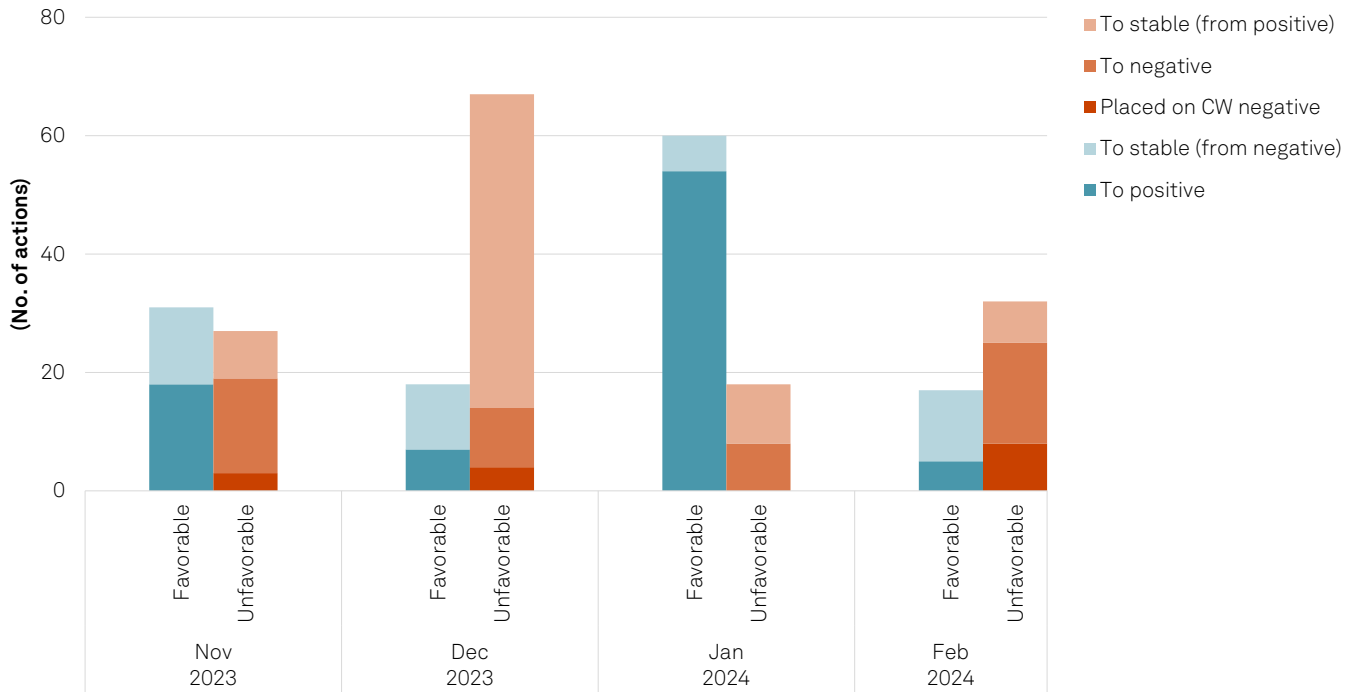
USPF rating actions by sector YTD 2024



Source: S&P Global Ratings.

Chart 3

USPF outlook and CreditWatch actions by month



CW—CreditWatch. Source: S&P Global Ratings.

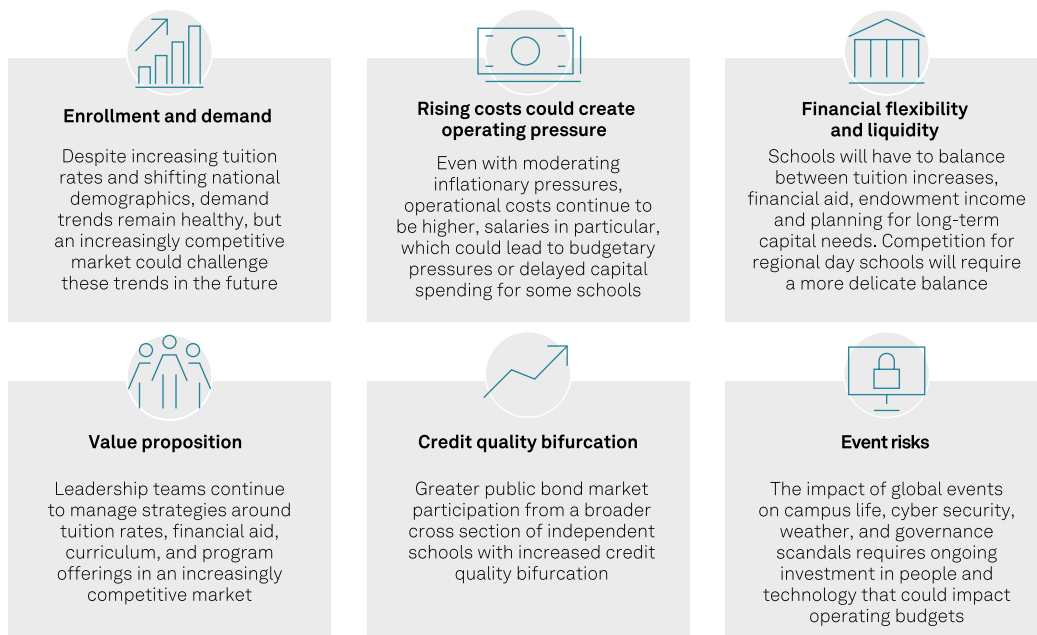
# Sector Spotlight—Independent Schools

## Sector View: Stable

S&P Global Ratings' outlook on the U.S. independent school sector is stable, anchored by continued healthy demand trends, steady operating performance, and strengthened resources due to a rebound in market returns. In 2024, we expect schools will remain focused on sustaining demand and demonstrate nimble financial planning to support stability, despite rising expense pressures, slower economic growth, and an increasingly competitive landscape.

Chart 4

### What we're watching – independent schools sector



Source: S&P Global Ratings.

## What's Behind Our Sector View?

### Our sector view remains stable, supported by healthy sector demand and continued operating stability

A majority of rated independent schools continue to experience enrollment growth, coupled with improving selectivity and matriculation rates, demonstrating healthy sector demand. While these demand trends have fueled solid operating performance, S&P Global Ratings notes that slowing economic growth could lead to challenges for independent schools in 2024, with potential for more modest investment returns or impacts on fundraising efforts. We expect independent schools will see moderated fiscal 2024 operating performance, given elevated costs related to salaries and benefits, despite easing inflation rates. However, given continued high demand in the sector, we believe many of these schools retain tuition-rate flexibility, which could offset increased operating costs. While the independent school sector is somewhat self-selecting, it does remain bifurcated, as long-standing schools with stronger demand and legacy endowments maintain greater financial flexibility in the face of rising operational headwinds, while smaller or less-selective schools with weaker endowment levels and financial resources could face greater

## Recent Research

Webinar: U.S. K-12 Independent Schools: Fiscal 2023 Medians and Outlook, March 7, 2024

Outlook For U.S. Independent Schools: Healthy Demand Trends Drive Steady Sector Performance, Feb. 22, 2024

Financial Aid Delay Is The Latest Hurdle For U.S. Higher Education, Feb. 12, 2024

U.S. Charter Schools 2024 Outlook: Credit Stability, For Now, Jan. 17, 2024

Outlook For Global Not-For-Profit Higher Education: Credit Quality Divergence Continues, Dec. 7, 2023

credit risk. Although there is potential for slowing economic growth in 2024, we believe those schools with steady demand and elevated financial resources have cushion at the current ratings to withstand a moderate degree of financial pressure and mitigate credit risks.

**Outlooks and rating actions indicate continued credit stability**

As of the end of January 2024, 43 of the schools that we rate had a stable outlook and one school had a positive outlook. In addition, we added four new public ratings in the past year, at varying rating levels. Throughout the year we raised one rating to 'A-' from 'BBB+', and placed another rating on positive outlook, with stable ratings across the remainder of the sector. We expect this trend of stability will continue in 2024.

Chart 5

**Independent school sector: by the numbers**

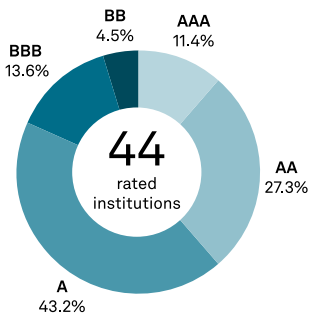


**4**  
new public ratings in the past year



**98%**  
currently on stable outlook

**RATING CATEGORY DISTRIBUTION**



**MEDIANS**



**5.2%**  
median MADS burden



**\$127.5 mil.**  
median endowment



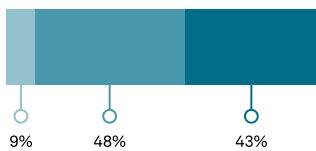
**582%**  
median cash and investments to debt



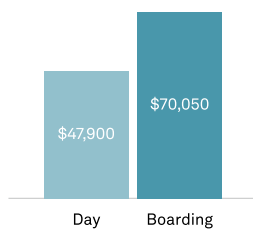
**21.5%**  
median tuition discount rate

**PROGRAM TYPE**

Boarding only    Day only  
Boarding and day



**MEDIAN TUITION AND FEES**



**50%**  
of schools enroll international students



**12.2%**  
Average international student enrollment

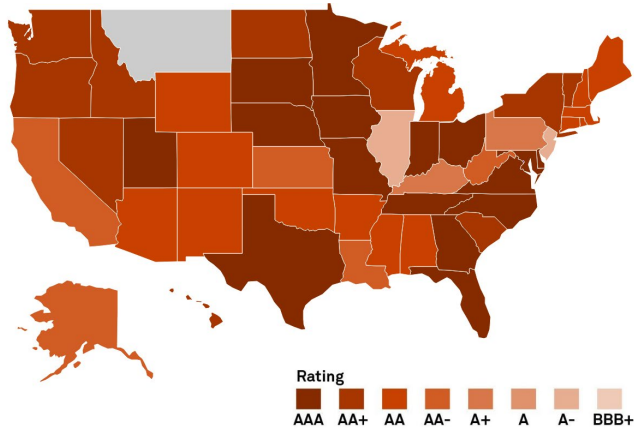
Rating and outlook distribution as of Jan. 31, 2024. MADS—Maximum annual debt service. Source: S&P Global Ratings.

# U.S. State Ratings

Ratings represented in table 1 are the state general obligation debt ratings or issuer credit ratings. Ratings on other debt issued by the state will vary based on the security backing the bonds. For more information, see our [History Of U.S. State Ratings](#), and [U.S. State Ratings And Outlooks: Current List](#).

Chart 6

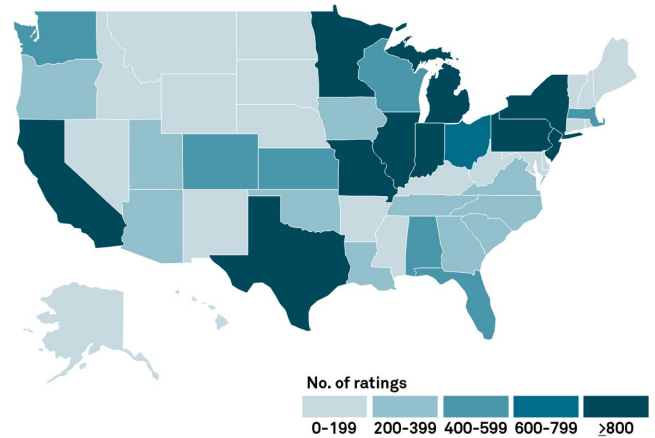
## U.S. state ratings



Unrated states are in grey. Source: S&P Global Ratings.

Chart 7

## No. of ratings by state



Includes all sectors. Source: S&P Global Ratings.

Table 1

## U.S. state rating actions in 2023 and YTD 2024

State	Rating action	Outlook action	Current rating	Previous rating	Current outlook	Previous outlook	Date of rating action
Washington	Affirmation	Outlook to positive	AA+	AA+	Positive	Stable	Jan. 11, 2024
California	Affirmation	Outlook to stable	AA-	AA-	Stable	Positive	Dec. 15, 2023
Ohio	Upgrade	No change	AAA	AA+	Stable	Stable	Dec. 8, 2023
Montana*	Withdrawn	Stable to N.M.	NR	AA	N.M.	Stable	Nov. 14, 2023
Pennsylvania	Affirmation	Outlook to positive	A+	A+	Positive	Stable	Sept. 22, 2023
Oklahoma	Affirmation	Outlook to positive	AA	AA	Positive	Stable	July 20, 2023
Kentucky	Upgrade	Outlook to stable	A+	A	Stable	Positive	June 29, 2023
Massachusetts	Upgrade	Outlook to stable	AA+	AA	Stable	Positive	April 14, 2023
New Jersey	Upgrade	Outlook to stable	A	A-	Stable	Positive	April 12, 2023
Louisiana	Affirmation	Outlook to positive	AA-	AA-	Positive	Stable	March 31, 2023
Kansas	Affirmation	Outlook to positive	AA-	AA-	Positive	Stable	Feb. 28, 2023
Illinois	Upgrade	No change	A-	BBB+	Stable	Stable	Feb. 23, 2023

\*We withdrew our rating on Montana's debt because of debt defeasance. N.M.--Not meaningful. NR--Not rated. Source: S&P Global Ratings.

# Appendix

Table 2

## Number of rating actions by sector February 2024

Sector	Rating changes		Outlook changes			CW changes	
	Upgrade	Downgrade	Outlook to positive	Outlook to negative	Outlook to stable	Placed on CW negative	Removed from CW
Charter schools	1	5	0	4	2	0	0
Education	0	3	1	1	1	1	0
Health care	1	2	0	1	1	0	0
Housing	0	0	0	0	1	0	0
Local governments	39	9	4	11	12	6	3
Not-for-profit	0	0	0	0	0	0	0
Public power	1	1	0	0	1	0	0
States	0	0	0	0	0	0	0
Transportation	1	0	0	0	1	0	0
Utilities	4	4	0	0	0	1	1

CW—CreditWatch. Source: S&P Global Ratings.

Table 3

## Number of rating actions by sector YTD 2024

Sector	Rating changes		Outlook changes			CW changes	
	Upgrade	Downgrade	Outlook to positive	Outlook to negative	Outlook to stable	Placed on CW negative	Removed from CW
Charter schools	2	5	1	4	2	0	0
Education	3	4	2	4	5	1	0
Health care	3	4	4	2	2	0	0
Housing	0	0	0	0	1	0	0
Local governments	62	20	46	12	21	6	5
Not-for-profit	1	0	0	1	0	0	0
Public power	1	1	1	1	1	0	0
States	0	0	4	0	0	0	0
Transportation	7	0	1	0	1	0	0
Utilities	7	5	0	1	2	1	2

CW—CreditWatch. Source: S&P Global Ratings.

## Editor's note

*In this report we present rating actions at the debt type level (e.g., general obligation, sales tax, parking revenue, etc.) rather than at the issuer level. Therefore, an issuer may have multiple rating actions associated with it in different sectors in the tables and charts.*

*Because we present the rating actions at the debt level, the metrics presented in this above may not be comparable to other research published by S&P Global Ratings or by other S&P Global divisions.*

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