

Escambia County School District, Florida

The 'AA-' Issuer Default Rating (IDR) reflects Escambia County School District's low long-term liability metrics, assessed as 'Strongest' on a composite basis, relative to Fitch's local government rating portfolio. This credit strength is somewhat offset by the district's 'bbb' financial resilience assessment, which reflects a limited level of budgetary flexibility due primarily to the inability to raise revenues independently, and Fitch's expectation that unrestricted general fund reserves (sum of unassigned, assigned and committed) will be maintained at between 5% and 10% of spending.

Demographic and economic metrics are midrange, reflecting a sizable population with modest growth within a diversified economy. The sizable military presence in the community has supported unemployment levels that compare favorably to the nation's, but income levels are below Fitch's portfolio median.

The 'A+' rating on the certificates of participation (COPs) is one notch below the IDR, reflecting the slightly higher degree of optionality associated with lease payments subject to appropriation.

The 'AA-' sales tax revenue bond rating reflects the structure's sound maximum annual debt service (MADS) coverage of over 6.8x, solid revenue growth prospects and a very strong expected resilience to a moderate economic downturn. The sales tax revenue bond rating is capped by the district's IDR.

Rating Sensitivities

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

- Structural budget imbalances due to an inability to adjust spending to match revenue changes, resulting in unrestricted general fund balances sustained at below 5% of spending, which would lower Fitch's assessment of financial resilience to 'bb'.
- A sustained approximate 70% 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.
- Weakened underlying economic and demographic performance, including persistent population loss, rising unemployment, lower resident income and sustained traditional enrollment declines.

For Sales Tax Revenue Bonds:

- Negative action on the IDR, given the sales tax rating is capped.
- Additional leveraging of the pledged revenue stream beyond Fitch's expectations that weakens the structure's resilience.

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

- Fitch's expectations for maintenance of unrestricted general fund reserves consistently at or above 10% of spending, leading to an improved level of financial resilience consistent with an assessment of 'a'.
- Notable improvement in demographic and economic trends and levels.

For Sales Tax Revenue Bonds:

- Positive rating action on the IDR.

Ratings

Long-Term IDR AA-

Outlooks

Long-Term IDR Stable

New Issues

55,915,000 Certificates of Participation, Series 2025A A+

Sale Date

On or about July 15 via negotiation.

Outstanding Debt

[Issuer Ratings Information](#)

Applicable Criteria

[U.S. Public Finance Local Government Rating Criteria \(April 2024\)](#)

Related Research

[Fitch Rates Escambia County School Board, FL's \\$56MM Series 2025A COPs 'A+'; Outlook Stable \(July 2025\)](#)

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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.

Rating Headroom & Positioning

Escambia County School District's Model Implied Rating: 'AA-' (Numerical Value: 7.67)

- **Metric Profile: 'AA-' (Numerical Value: 7.67)**
- **Net Additional Analytical Factor Notching: 0.0**

Escambia County School District's Model Implied Rating is 'AA-'. The associated numerical value of 7.67 is at the upper end of the 7.0 to 8.0 range for a 'AA-' rating.

Current Developments

Escambia County School District, similar to other Florida school districts, continues to face pressure from the increasing presence of charter schools and the expanded use of Family Empowerment Scholarship (FES) vouchers for private schools and home schooling. While FES trends have somewhat moderated compared to prior years, management anticipates that moderate declines in traditional enrollment will persist until the FES program reaches capacity and its growth trend flattens.

The district ended fiscal 2024 with a general fund net operating surplus of \$3.7 million (1.1% of spending) and an unrestricted fund balance of \$32.7 million, or 9.4% of spending. Higher salary and benefit expenditures were supported by higher year-over-year ad valorem property tax revenues, increased per pupil state funding allocations, insurance recoveries from previous hurricane damage and the use of remaining ESSER funds.

Management reports that the original fiscal 2025 general fund operating budget of \$352.5 million was increased to accommodate higher salary costs stemming from additional instructional staff and salary increases. Unrestricted reserves are projected to decline to approximately 7%-7.5% from 9.7% of operating revenues by fiscal year end. The original budget included a \$2.4 million reduction in total fund balance (\$1.7 million reduction in unrestricted fund balance) compared to fiscal 2024.

The district revised its unrestricted fund balance policy in fiscal 2023, raising the minimum unassigned/assigned fund balance target to 8% of operating revenues from the prior 3.5%. This policy change followed a reduction in the district's unrestricted reserves to a low of 5.4% of spending in fiscal 2022, primarily attributable to the expansion of the FES program, which resulted in a midyear reduction in state revenues. Prior to 2021, unrestricted reserve levels had remained around 9%-10% of spending. The district plans to make spending adjustments following the expiration of federal stimulus funds to align reserves with its policy.

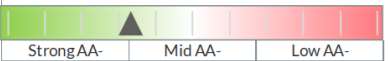
Following the issuance of the series 2025A COPs, the district's near-term debt plans include an additional COP issuance of similar size within the next 1.5 years. Other capital funds available to support near-term capital needs include proceeds of the non-voted capital outlay millage and proceeds from the district's voter-approved half-cent capital outlay sales tax. Sales tax revenues received in fiscal 2024 totaled \$40.3 million, which accounted for nearly one-half of local capital improvement revenue sources. The current sales tax period runs through Dec. 31, 2027. Voters renewed the sales tax in November 2024 for an additional 10 years, commencing Jan. 1, 2028.

Profile

The district is coterminous with Escambia County, which is located in the northwest corner of Florida, bordering Alabama and the Gulf of America (Gulf of Mexico), and spans approximately 661 square miles. Pensacola is the county's largest city and the county seat. District enrollment was about 34,800 students in fiscal 2024, not including students in charter schools or those receiving Family Empowerment Scholarship funds to attend private schools (equal to about 11% of the total student population).

The local economy is dependent upon the military, with the Naval Air Station Pensacola providing significant uniformed and civilian employment. Healthcare and tourism are also major economic sectors. The county's 2024 population of about 331,000 has grown by about 11% since 2010.

Key Drivers

| | | | | | | |
|--|--|---------------------------------|--|------|---|--|
| Issuer: Escambia County School District (FL) | | Financial Profile | | 0.0 | Issuer Position Within AA- Model Implied Rating  Strong AA- Mid AA- Low AA- Rating position post application of analytical overlay | |
| Type: School District General Obligations | | Demographic & Economic Strength | | 0.0 | | |
| Current: AA-, RO:Sta (2025/04/10) | | Long-Term Liability Burden | | 0.0 | | |
| Fiscal Year | | AAF Notching Total(4) | | 0.0 | | |
| Metric Profile | | MIR - Metric | | 7.67 | | |
| Metric Profile Mapping | | MIR - Mapping | | AA- | | |
| | | | | | | |
| | | | | | | |

| Metric | Analyst Input | | Metric | | Composite | | |
|---|---------------|----------|------------|--------|--------------------|------------|--------|
| | 2024 | 2024 | Percentile | Weight | Percentile / Value | Assessment | Weight |
| Financial Profile | | | | | | | |
| Financial Resilience Components | | | | | | | |
| Available Reserves (FB/Expenditures: 5-Year Low) (%) | 5.4 | | | | | | |
| Revenue Control Assessment | Low | Low | | | | | |
| Expenditure Control Assessment | Midrange | Midrange | | | | bbb | 35% |
| Budgetary Flexibility | Limited | Limited | | | | | |
| Financial Resilience | bbb | bbb | | 100% | | | |
| Lowest Cumulative 3 Year Revenue Performance (+/-) since 2008 (%) | -9.2 | | | | | | |
| Revenue Volatility(1) | 0.96 | 0.96 | 30% | 100% | | Weak | 0% |
| Demographic and Economic Strength | | | | | | | |
| Trend | | | | | | | |
| Population Trend (%) (2) | 0.6 | 0.7 | 39% | 100% | 39% | Weak | 8% |
| Unemployment Rate as Percentage of National Rate (%) (5) | 90.0 | | 61% | 33% | | | |
| Population w/ Bachelor's Degree and Higher (%) (2) | 28.9 | | 47% | 33% | 45% | Midrange | 26% |
| MHI as a % of the Portfolio Median (2) | 86.5 | | 28% | 33% | | | |
| Concentration & Size | | | | | | | |
| Population Size (2) (3) | 328,034 | 331,275 | 100% | 50% | 100% | Strongest | 9% |
| Economic Concentration (%) (2) (3) | 37.3 | | 100% | 50% | | | |
| Long-Term Liability Burden | | | | | | | |
| Liabilities/Personal Income (%) | 1.9 | 2.1 | 88% | 35% | | | |
| Liabilities/Governmental Revenues (%) (6) | 61.7 | 69.5 | 95% | 25% | 91% | Strongest | 21% |
| Carrying Costs/Governmental Expenditures (%) | 7.7 | 8.0 | 91% | 40% | | | |

(1) Model directly uses revenue volatility. Percentiles are for information only; metric percentile represents the issuer; composite percentile represents the average of the issuer's class. The Revenue Volatility metric represents the issuer's revenue volatility relative to the median revenue volatility of the total issuer portfolio.

Revenue Volatility is treated asymmetrically, where weight is marginal for issuers that exhibit low to moderate revenue volatility. For issuers with higher revenue volatility, this factor will moderately lower the metric profile, implying a somewhat reduced weighting for all other variables in these instances.

(2) Population, Concentration, MHI and Educational Attainment data is lagged by one year e.g. 2021 data is used and displayed for fiscal year 2022.

(3) Percentiles represent the class. Economic concentration is defined as the sum of the absolute deviation of the issuer from the national average proportion across major economic sectors.

Sector data is on the county level for all entities or the MSA level for cities that span multiple counties. If data is unavailable for an issuer, median figures based on reported data for all counties within the issuer's state are used as proxy values.

(4) Additional Analytical Factors (AAF) have a potential notching range of +2/-2 for each of the three categories and an overall IDR notching range of +3/-3.

(5) County level data used for sub-county entities when prior year's data is unavailable. If county data is unavailable, MSA data is used. MSA level data is used for cities that span multiple counties.

(6) As a proxy for per capita personal income for sub-county levels of local government, Fitch calculates the ratio of money income to per capita income for the county in which the rated entity is located and applies that ratio to the entity's money income. The estimated per capita personal income figure is multiplied by population to estimate total personal income.

Source: Fitch Ratings

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:** 9.4% (2024)
- **Lowest fund balance to expenditure ratio for the fiscal-year period 2020-2024:** 5.4% (2022)

Revenue Volatility - 'Weak'

Escambia County School District's weakest historical 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 ended fiscal 2011
- **Median issuer decline/increase:** -4.5% (2024)

State-Specific Revenue/Expenditure Context & Budgetary Control

The Florida Education Finance Program (FEFP) is the primary mechanism for funding the operating costs of Florida school districts. The FEFP process determines a base per-student funding level. The funding is split between state funds, largely derived from statewide sales tax revenue, and local funds via the required local millage rate established pursuant to state statutory procedure. The district levies discretionary taxes for operations at the statutory maximum rate of 0.748 mills and at 1.214 mills for capital outlay (which is subject to a 1.5 mill cap). State aid made up about 60% of the district's fiscal 2024 general fund revenues, with 36% generated by property taxes.

Due to the state funding mechanism, Florida school districts have very limited ability to independently increase general fund revenues. However, the district capital outlay millage is currently levied at 1.2 mills, moderately below the maximum permitted 1.5 mills, providing for a modest level of additional revenue flexibility as capital outlay moneys are permitted by law to cover certain eligible general fund expenditures.

The district has the ability to modify class sizes, reduce personnel, adjust curriculum and make other cuts if needed, providing for a solid level of expenditure flexibility.

Wages and benefits are collectively bargained between the district and unions representing teachers and support staff. Under Florida law, a bargaining impasse is ultimately resolved by action of the governing body of the local government following the conclusion of a non-binding mediation process.

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% Analyst Input (39th percentile) (vs. 0.6% 2023 median of 10-year annual percentage change in population)

Unemployment, Educational Attainment and MHI Level - 'Midrange'

The overall strength of Escambia County School District's demographic and economic level indicators (unemployment rate, educational attainment and median household income [MHI]) in 2024 are assessed as 'Midrange' on a composite basis, performing at the 45th percentile of Fitch's local government rating portfolio. This is due to low unemployment rate offsetting midrange education attainment levels and low median-issuer indexed adjusted MHI.

- **Unemployment rate as percentage of national rate:** 90.0% 2024 (61st percentile), relative to the national rate of 4.0%
- **Percentage of population with bachelor's degree or higher:** 28.9% (2023) (47th percentile)
- **MHI as a percentage of portfolio median:** 86.5% (2023) (28th percentile)

Economic Concentration and Population Size - 'Strongest'

Escambia County School District's population in 2024 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:** 331,275 Analyst Input (above the 15th percentile) (vs. 328,034 2023 actual)
- **Economic concentration:** 37.3% (2024) (above the 15th percentile)

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.

Population trend and size were adjusted to reflect the latest available 2024 census population value.

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 2024 is at the 91st percentile, indicating a low liability burden relative to Fitch's local government rating portfolio.

- **Liabilities to personal income:** 2.1% Analyst Input (88th percentile) (vs. 1.9% 2024 actual)
- **Liabilities to governmental revenue:** 69.5% Analyst Input (95th percentile) (vs. 61.7% 2024 actual)
- **Carrying costs to governmental expenditures:** 8.0% Analyst Input (91st percentile) (vs. 7.7% 2024 actual)

Pension Adjustments

On an aggregate basis for all pension plans as of the most recent measurement date, the reported asset to liability ratio was 82.4%, or an estimated 75.9%, using Fitch's standard 6% rate of return adjustment. The Fitch-adjusted NPL was equal to \$253.4 million, or about 1.4% of personal income.

Analyst Inputs to the Model

Analyst inputs for the long-term liability metrics include amortization of outstanding principal through fiscal year-end 2025 and the anticipated 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. Annual debt service associated with the series 2025A COPs increases to \$4.5 million in fiscal 2028, compared with \$1.4 million in fiscal 2026. However, the roll off of certain outstanding obligations and expected growth in governmental spending is expected to maintain carrying costs at or near current levels.

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>.

Financial Summary

| (\$000, Audited Fiscal Years Ended June 30) | 2020 | 2021 | 2022 | 2023 | 2024 |
|--|----------------|----------------|----------------|----------------|----------------|
| General Fund Revenues | | | | | |
| Property Tax | 93,740 | 96,589 | 99,971 | 108,090 | 120,178 |
| Sales Tax | - | - | - | - | - |
| Income Tax | - | - | - | - | - |
| Other Tax | - | - | - | - | - |
| Total Taxes - Undifferentiated | - | - | - | - | - |
| Intergovernmental | 213,526 | 211,465 | 192,385 | 203,812 | 207,062 |
| Other Revenue | 5,490 | 5,966 | 6,793 | 9,967 | 10,857 |
| Total | 312,756 | 314,021 | 299,148 | 321,869 | 338,097 |
| General Fund Expenditures | | | | | |
| General Government | - | - | - | - | - |
| Public Safety | - | - | - | - | - |
| Educational | 213,654 | 213,716 | 209,354 | 206,702 | 219,460 |
| Debt Service | - | - | - | - | 954 |
| Capital Outlay | 1,184 | 1,040 | 1,116 | 835 | 1,864 |
| Other Expenditures | 103,506 | 104,939 | 110,285 | 122,426 | 127,437 |
| Total | 318,343 | 319,695 | 320,755 | 329,963 | 349,715 |
| Transfers In and Other Sources | 7,302 | 7,757 | 9,864 | 14,114 | 15,365 |
| Transfers Out and Other Sources | - | - | - | - | - |
| Net Transfers & Other | 7,302 | 7,757 | 9,864 | 14,114 | 15,365 |
| Adjustment for Bond Proceeds and Extraordinary One-Time Uses | - | - | - | - | - |
| Net Op. Surplus (Deficit) After Transfers | 1,715 | 2,083 | -11,744 | 6,020 | 3,748 |
| Net Op. Surplus (Deficit)/ (Total Expenditures + Transfers Out and Other Uses) (%) | 0.54 | 0.65 | -3.66 | 1.82 | 1.07 |
| Total Fund Balance | 45,830 | 47,913 | 36,169 | 42,189 | 45,936 |
| Unrestricted Fund Balance | 28,546 | 32,003 | 17,392 | 26,761 | 32,701 |
| Other Available Fund Balances | - | - | - | - | - |
| Total Available Unrestricted Reserves (GF + Other) | 28,546 | 32,003 | 17,392 | 26,761 | 32,701 |
| Available Reserves as % of Spending (Adj. for Bond Proceeds and Other One-Time Uses) | 8.97 | 10.01 | 5.42 | 8.11 | 9.35 |

Source: Fitch Ratings, Fitch Solutions, Escambia County School District (FL)

Long-Term Liability Burden

| (\$000, Audited Fiscal Years Ended June 30) | 2024 |
|--|----------------|
| Direct Debt | 87,633 |
| Less: Self-Supporting Debt | - |
| Net Direct Debt | 87,633 |
| Fitch Adjusted Net Pension Liability (NPL) | 253,401 |
| Net Direct Debt + Fitch-Adjusted NPLs | 341,033 |
| Population | 331,275 |
| Per Capita Personal Income (\$) | 55,416 |
| Estimated Personal Income | 18,117,197 |
| Net Debt + Fitch-Adjusted NPL /Personal Income (%) | 1.9 |
| Total Governmental Revenues | 552,843 |
| Net Direct Debt + Fitch Adjusted NPL as % of Governmental Revenue | 61.69 |
| Debt Service (Net of State Support) | 19,328 |
| Actuarially Determined Pension Contributions | 24,310 |
| Actual OPEB Contributions | 1,657 |
| Total Governmental Expenditures | 584,996 |
| Carrying Costs/Governmental Expenditures (%) | 7.74 |

Note: Figures above do not reflect any analyst input adjustments.
Source: Fitch Ratings, Fitch Solutions, Escambia County School District (FL)

Summary

| Description | Final Value |
|---|-------------|
| Budgetary Flexibility Assessments | |
| Revenue Control Assessment | Low |
| Expenditure Control Assessment | Midrange |
| Collective Bargaining and Resolution Framework | Midrange |
| Workforce Outcomes | Midrange |
| Cost Drivers | Midrange |
| Metrics Assessments | |
| Financial Profile - Financial Resilience | bbb |
| Financial Profile - Revenue Volatility | Weak |
| Demographic & Economic Strength - Trend | Weak |
| Demographic & Economic Strength - Level | Midrange |
| Demographic & Economic Strength - Concentration & Size | Strongest |
| Long-Term Liability Burden | Strongest |
| Metric Profile Mapping | AA- |
| Metric Profile | 7.67 |
| Additional Analytical Factors | - |
| Total Notching - capped | - |
| Financial Profile | - |
| Fiscal Oversight | |
| Revenue Capacity | |
| Contingent Risks | |
| Nonrecurring Support or Spending Deferrals | |
| Political Risks | |
| Management Practices | |
| Demographic & Economic Strength | - |
| Economic and Institutional Strength | |
| Revenue Concentration Risks | |
| School District Resources | |
| Long-Term Liability Burden | - |
| Pension Funding Assumptions | |
| Pension Contributions | |
| OPEB | |
| Debt Structure | |
| Capital Demands and Affordability | |
| Model Implied Rating - Mapping | AA- |
| Model Implied Rating - Metric | 7.67 |
| Outliers and Developing Situations Considerations | No |
| Notching Rationale - 1 | |
| Notching Rationale - 2 | |
| Issuer Default Rating/ Issuer Default Credit Opinion | AA- |
| Outlook/Watch | RO: Stable |
| Source: Fitch Ratings | |

SOLICITATION & PARTICIPATION STATUS

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