

## Research Update:

# Washington Township Board Of Education, NJ GO Debt Rating Lowered To 'AA-' On Fund Balance, Reserves; Outlook Stable

February 6, 2026

## Overview

- S&P Global Ratings lowered its long-term rating and underlying rating to 'AA-' from 'AA' on Washington Township Board of Education (BOE) (Gloucester County), N.J.'s general obligation (GO) debt outstanding.
- At the same time, S&P Global Ratings assigned its 'AA-' long-term rating and underlying rating to the BOE's \$15.495 million series 2026 energy savings GO refunding bonds.
- The outlook is stable.
- The downgrade reflects the district's continued reductions in fund balance, including lower-than-anticipated reserves in its draft fiscal 2025 audit following consecutive operating deficits. The district's available fund balance is no longer comparable to that of higher-rated peers, and we anticipate that materially rebuilding reserves could take the district multiple years.

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## Rationale

### Security

The district's full-faith-and-credit pledge secures its debt. The bonds are further secured by the New Jersey Fund for the Support of Free Public Schools program, which pledges a portion of the state fund's assets for a school district's debt service should the district be unable to meet principal and interest payments (for more information, see "[New Jersey Credit Enhancement Programs](#)," July 11, 2024 on RatingsDirect). The bond rating reflects our opinion of the district's underlying credit quality and is higher than the current state program rating.

Proceeds will be used to finance costs related to the district's energy savings improvement program.

### Credit highlights

Our view of the BOE's credit profile reflects its weakened financial flexibility following years of decreasing reserves tied to a combination of decreasing state aid and increasing costs, and is partially offset by a stable local economy with higher incomes than those of surrounding peers, as well as by very low debt and liabilities.

According to the district's draft 2025 audit, total fund balance decreased further as persistent struggles continue following years of state aid reductions as well as a combination of keeping services consistent while being constrained by New Jersey's 2% tax levy limit. Year-end results reflect a \$2.5 million drawdown in reserves that brings the district's available fund balance to \$12.5 million, its lowest point in the past five years. The state allowed the district to raise its tax levy above the 2% level in two consecutive years, which should contribute to a more balanced year-end result than the previous year's. District management has shown willingness to cut expenditures by reducing staff and programs and implementing mid-year spending freezes. Management has not appropriated fund balance in its fiscal 2026 budget as part of a concerted effort to not rely on its reserves for operations. The fiscal 2026 budget totals \$166 million, a 2.7% decrease from the year prior, and includes an 8.26% increase in the district's tax levy.

Following this issuance, the district will have \$28.4 million in direct debt outstanding, which we view as low on a per capita basis and relative to its overall market value and budget size. We expect the cost of debt and liabilities will also remain low. Any long-term needs will likely be financed through the capital reserve accounts. While the district has no plans for additional debt over the two-year outlook horizon, officials anticipate a referendum is likely in the next five years to address the need to remediate aging buildings and expand school facilities, as current debt fully amortizes in fiscal 2030.

The rating further reflects our view of Washington Township BOE's:

- Rural and mainly residential community experiencing strong assessed valuation growth, which we anticipate will continue given the district's desirability and connection to the Philadelphia-Camden-Wilmington metropolitan statistical area. The district's residential incomes are above county and national averages, although county-level economic output lags the national average.
- Decline in financial performance despite implementation of strategic cost-containment strategies, such as cost-cutting, spending freezes, and raising the levy to generate new revenues. We expect the district's financial performance will improve in fiscal 2026 with roughly break-even results, and management is hopeful it can begin making small additions back to its total fund balance.
- Management policies and practices that are largely similar to those of other districts throughout the state. The district keeps tight budget controls and monitors the budget through monthly budget-to-actual reporting. It has a cash management policy and, while it does not have formal debt management or fund balance policies, it adheres to state guidelines and limitations. Officials do not currently perform budget forecasting but update the state-mandated long-range facilities plan as needed. In our view, the district has taken steps to mitigate its cyber risk.
- Very low debt and retirement liabilities, with no new debt expected over the outlook period, although expected in the next five years. New Jersey contributes a majority of the district's pension and other postemployment benefit (OPEB) costs; therefore, we consider budgetary pressure from retirement expenses limited.
- Institutional framework assessment in line with the portfolio, reflecting some state limitations on operations. For more information on our institutional framework assessment for New

Jersey school districts, see "[Institutional Framework Assessment: New Jersey Local Governments](#)," Sept. 9, 2024.

Environmental, social, and governance

We have analyzed the district's environmental and social factors and have concluded they are neutral within our credit rating analysis. The state makes pension and OPEB payments on behalf of the district for nearly all employees, and district expenses to service retirement benefits remain minimal. However, the state's pension funding discipline and assumption choices present long-term governance risk, as it could shift those costs onto school districts. The township has a creek running along its southern border, but we believe district assets are protected and there is no risk associated with flooding.

Outlook

The stable outlook reflects our opinion that the district will likely maintain reserves at current levels during the two-year outlook period while its debt and liabilities remain low.

Downside scenario

We could lower the rating if the district continues its trend of operational deficits, leading to a weaker reserve position.

Upside scenario

We could raise the rating if the district significantly increases its reserves while demonstrating structurally balanced financial operations.

Washington Township Board of Education, New Jersey--Credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	2.48
Economy	3.5
Financial performance	3
Reserves and liquidity	2
Management	2.65
Debt and liabilities	1.25

Washington Township Board of Education, New Jersey--Key credit metrics

	Most recent	2025	2024	2023
<b>Economy</b>				
Real GCP per capita % of U.S.	--	--	--	70
County PCPI % of U.S.	--	--	--	95
Market value (\$000s)	--	7,939,171	7,170,596	6,489,082
Market value per capita (\$)	--	161,201	145,596	132,826
Top 10 taxpayers % of taxable value	--	4.9	4.9	5.1
County unemployment rate (%)	--	4.5	4.4	4.2
Local median household EBI % of U.S.	--	--	143	139

## Washington Township Board of Education, New Jersey--Key credit metrics

	Most recent	2025	2024	2023
Local per capita EBI % of U.S.	--	--	132	124
Local population	--	--	49,250	48,854
<b>Financial performance</b>				
Operating fund revenues (\$000s)	--	179,121	175,278	175,026
Operating fund expenditures (\$000s)	--	184,947	186,668	177,754
Net transfers and other adjustments (\$000s)	--	3,242	448	2,717
Operating result (\$000s)	--	(2,584)	(10,942)	(11)
Operating result % of revenues	--	(1.4)	(6.2)	--
Operating result three-year average %	--	(2.6)	(2.5)	0.9
Enrollment	--	7,209	7,210	7,096
<b>Reserves and liquidity</b>				
Available reserves % of operating revenues	--	7.0	8.6	14.9
Available reserves (\$000s)	--	12,547	15,131	26,074
<b>Debt and liabilities</b>				
Debt service cost % of revenues	--	0.8	0.7	0.7
Net direct debt per capita (\$)	578	347	368	373
Net direct debt (\$000s)	28,488	17,090	18,112	18,214
Direct debt 10-year amortization (%)	60	100	100	--
Pension and OPEB cost % of revenues	--	1.0	1.0	1.0
NPLs per capita (\$)	--	465	465	542
Combined NPLs (\$000s)	--	22,908	22,908	26,460

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

## Ratings List

## New Issue Ratings

US\$15.495 mil energy savings oblig rfdg sch bnds ser 2026 due 8/1/2046

Long Term Rating AA-/Stable

Underlying Rating for Credit Program AA-/Stable

## Downgraded;Outlook Action

	To	From
<b>Local Government</b>		
Washington Twp Brd of Ed (Gloucester Cnty), NJ Unlimited Tax General Obligation	AA-/Stable	AA/Negative

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have

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different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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