

Rising Premiums, Falling Opportunities: ***The Budgetary Impact of Healthcare Costs on School Districts*** **Executive Summary**

Healthcare costs have surged in the years following the COVID-19 pandemic, placing substantial financial pressure on U.S. public school systems. As school districts devote an increasingly larger share of their budgets to healthcare expenditures, fewer resources remain available for educational programs, educator salaries, instructional materials, facility improvements, and student services. Compounding this challenge, district leaders face significant constraints in redesigning employee health benefits to reduce costs while remaining competitive in recruiting and retaining a high-quality workforce. To better understand the scale and consequences of these pressures, AASA and ASBO International conducted a membership survey in Spring 2026. The resulting report, *Rising Premiums, Falling Opportunities: The Budgetary Impact of Health Care Costs on School Districts*, is the first national study of its kind examining how rising healthcare costs are affecting public school district budgets, staffing and operational decisions, and educational opportunities for students.

Key Findings

98%

Rising healthcare costs are affecting nearly every district.

Ninety-eight percent (98%) of district leaders surveyed reported that rising health care costs are having a measurable impact on their budgets.

Health insurance expenses consume a significant share of districts' operating budgets.

During the 2025–26 school district fiscal year, the vast majority of districts (92%) spent up to 30% of their general fund on employee insurance benefits.

Prescription drugs and high-cost treatments are driving up costs.

District leaders identified increasing prescription drug costs (60%), more claims for expensive treatments (56%), and increased utilization of high-cost specialty drugs such as GLP-1s (56%) as the leading causes for rising health insurance premiums.



Districts are making painful tradeoffs to manage rising costs, even as employee benefits continue to erode.

The most common strategies districts reported using to navigate increasing healthcare costs was tapping reserves or “rainy day” funds to cover premium increases (52%), followed by modifying employee benefits packages (46%), delaying hiring new staff (34%), reducing spending or delaying upgrades for instructional materials and technology (31%), and offering less generous health insurance plans for individuals and families (28%).

💰 **Tapping reserves/
rainy day funds**

📦 **Modifying benefit
packages**

👥 **Delaying hiring
new staff**



Rising healthcare costs are crowding out important investments that support student learning and success.

District reserves are not designed to subsidize recurring and escalating expenses such as healthcare obligations, raising concerns about long-term financial sustainability. Schools require strong, stable, and predictable local, state, and federal funding to manage rising costs without undermining educational opportunities for students.