

## Research Update:

# Merkel Independent School District, TX Series 2026 Unlimited-Tax School Building Bonds Assigned 'A+' Rating

February 5, 2026

## Overview

- S&P Global Ratings assigned its 'AAA' long-term rating (based on credit enhancement) and 'A+' underlying rating to Merkel Independent School District (ISD), Texas' \$20 million series 2026 unlimited-tax school building bonds.
- At the same time, S&P Global Ratings affirmed its 'A+' long-term rating on the district's general obligation debt outstanding.
- The outlook is stable.

## Rationale

### Security

Revenue from an ad valorem tax, levied without legal limitation as to rate or amount on all taxable property within the district, secures the bonds.

Bond proceeds will be used to fund the construction of a new middle school academic facility.

The 'AAA' rating reflects our view of the district's eligibility for, and participation in, the Texas Permanent School Fund bond guarantee program. For more information on the program rating, see "[Texas Permanent School Fund Bond Guarantee Program Rating Affirmed At 'AAA'](#)," Aug. 27, 2025, on RatingsDirect.

### Credit highlights

The rating reflects our view of Merkel ISD's stable but limited economy, paired with its healthy reserves. Located to the east of Abilene, the district serves a population of approximately 6,600. Assessed valuation (AV) has seen modest growth through appreciation of existing properties. Management reports that there are no significant residential or commercial developments under way or planned. Due to this, the district has typically budgeted for single-digit percent increases

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in AV year over year, a trend it expects to continue through the near future. While values have been stable, we note that there is tax base concentration within the district's top ten taxpayers (primarily oil and gas), who account for nearly 27% of the total tax base.

Historically, the district has maintained positive operating performance but ended fiscal 2024 with a deficit. However, management attributes this primarily to one-time expenditures and purchases paid from general fund balance, including stadium and gymnasium improvements and a new roof for the district's middle school. Management reports that fiscal 2025 has also ended with a deficit due to carryover expenses from the prior year. However, fiscal 2026 is budgeted for a breakeven year-end result, and moving forward the district plans to add back to its general fund balance, monitoring staff levels and discretionary expenditures to keep costs down.

We view the district's net direct debt as elevated on a per capita basis. However, we do not expect costs or debt burden to increase in the near term as the district has no plans for any additional debt. Management reports that there are no facility concerns that would require future authorizations. In addition, the district is planning a 21-cent increase to its interest and sinking (I&S) tax rate to accommodate its new debt, bringing the tax rate to approximately 39 cents from 18.28 cents. For more information on Texas schools, please see "[U.S. Local Governments Credit Brief: Texas School Districts Means And Medians](#)," April 3, 2024.

The rating further reflects our view of the district's:

- Local income metrics that are comparable to those of the county but lower than those of the U.S, paired with a limited but historically stable tax base.
- Historically positive financial performance with recent deficits. However, the fiscal 2026 is budgeted to be balanced and, moving forward, management plans to build fund balance.
- Healthy reserves as a percent of general fund revenue, allowing for additional budgetary flexibility if needed. The district maintains an additional \$1.25 million in committed funds.
- Financial policies and practices in line with those of similarly rated peers, including three years of historical budget and audit analysis, with monthly budget-to-actual reports provided to the board; an informal reserve target of approximately six months of operating expenses in reserves; and a formalized investment policy adhering to state guidelines, with quarterly reports on holdings to the board. In addition, the district is taking measures to mitigate its cyber risk.
- Net direct debt per capita above that of national peers, but no plans for additional debt. Approximately 49.5% of the district's debt is scheduled to mature within the next ten years.
- Pension and other postemployment benefit (OPEB) liabilities we consider flexible and not an immediate credit risk. The district participates in the Teacher Retirement System of Texas (TRS), which assists with the district's contributions and unfunded liability.
- For more information on our institutional framework assessment for Texas school districts, see "[Institutional Framework Assessment: Texas Local Governments](#)," Sept. 9, 2024.

## Environmental, social, and governance

We view Merkel ISD's environmental, social, and governance factors as neutral in our analysis.

## Outlook

The stable outlook reflects our view that the district is likely to maintain a healthy level of reserves through our outlook horizon, despite its near-term drawdowns.

## Downside scenario

Should there be indication that the district is entering into a period of deterioration of its financial operations, leading to a material drawdown of its reserves, we could consider lowering the rating.

## Upside scenario

Should the district experience material growth and diversification of its tax base, we could consider raising the rating.

### Merkel Independent School District, Texas--Credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	2.90
Economy	4.5
Financial performance	3
Reserves and liquidity	1
Management	3.00
Debt and liabilities	3.00

### Merkel Independent School District, Texas--Key credit metrics

	Most recent	2024	2023	2022
<b>Economy</b>				
Real GCP per capita % of U.S.	76	--	76	76
County PCPI % of U.S.	85	--	85	85
Market value (\$000s)	620,679	566,940	539,235	482,049
Market value per capita (\$)	94,199	86,043	82,251	74,597
Top 10 taxpayers % of taxable value	26.8	26.3	25.2	--
County unemployment rate (%)	3.1	3.4	3.4	3.5
Local median household EBI % of U.S.	82	82	89	--
Local per capita EBI % of U.S.	73	73	83	--
Local population	6,589	6,589	6,556	6,462
<b>Financial performance</b>				
Operating fund revenues (\$000s)	--	14,204	13,604	12,900
Operating fund expenditures (\$000s)	--	14,764	12,621	12,430
Net transfers and other adjustments (\$000s)	--	(245)	40	--
Operating result (\$000s)	--	(805)	1,023	470
Operating result % of revenues	--	(5.7)	7.5	3.6
Operating result three-year average %	--	1.8	5.9	5.7
Enrollment	--	1,127	1,140	1,087
<b>Reserves and liquidity</b>				
Available reserves % of operating revenues	--	37.1	44.7	39.2

**Merkel Independent School District, Texas--Key credit metrics**

	Most recent	2024	2023	2022
Available reserves (\$000s)	--	5,274	6,079	5,055
<b>Debt and liabilities</b>				
Debt service cost % of revenues	--	10.7	6.8	7.9
Net direct debt per capita (\$)	4,254	1,258	1,666	1,771
Net direct debt (\$000s)	28,026	8,291	10,920	11,446
Direct debt 10-year amortization (%)	49	88	--	--
Pension and OPEB cost % of revenues	--	2.0	2.0	2.0
NPLs per capita (\$)	--	494	559	470
Combined NPLs (\$000s)	--	3,256	3,662	3,037

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\$20,000,000 Merkel Independent School District, (A political subdivision of the State of Texas located in Taylor and Jones Counties), Unlimited Tax School Building Bonds, Series 2026, dated: March 15, 2026, due: August 15, 2046

Long Term Rating	AAA/Stable
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Underlying Rating for Credit Program	A+/Stable
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**Ratings Affirmed****Local Government**

Merkel Indpt Sch Dist, TX Unlimited Tax General Obligation	A+/Stable
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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 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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