

Research Update:

# North Central Texas College District Series 2026 Maintenance Tax Notes Assigned 'AA-' Rating

April 15, 2026

## Overview

- S&P Global Ratings assigned its 'AA-' long-term rating to [North Central Texas College District's](#) (NCTC) \$6.755 million series 2026 maintenance tax notes.
- At the same time, S&P Global Ratings affirmed its 'AA-' long-term rating on the college's limited-tax general obligation (GO) refunding bonds and tax notes.
- S&P Global Ratings also affirmed its 'A+' long-term rating and underlying rating on the district's combined lease fee revenue and refunding bonds outstanding.
- The outlook is stable.

## Rationale

### Security

The series 2026 tax note bonds are direct obligations of NCTC and payable from available funds secured by NCTC including an ad valorem tax levied, within limitations of the district's maintenance taxing authority. The bond proceeds will be used primarily to finance renovation, repair, and replacement of existing school facilities.

Total pro forma debt, inclusive of capital and operating leases, is approximately \$73.4 million: \$29.87 million of combined-fee revenue bonds (series 2025, 2022), \$7.1 million of GO debt, \$13.345 million in maintenance tax notes (series 2026, 2024, 2023), and \$22.6 million in long-term leases for various buildings and equipment.

The series 2025 combined revenue fee bonds are secured by a lease agreement between the respective LLC and the district, under which the district agrees to appropriate funds in its operating budget each year for annual rental payments in amounts that are at least equal to the annual debt service requirements on the bonds. The rating on the lease revenue bonds is based on the application of our criteria "[Issue Credit Ratings Linked To U.S. Public Finance Obligors' Creditworthiness](#)," Nov. 20, 2019. We consider the appropriation risk associated with the lease payment along with the affordability and likelihood of the lease payment, as well as our view of the district's general creditworthiness. We notch the long-term rating and underlying rating on

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the district's combined-fee revenue and refunding bonds outstanding one notch below the series 2026 and 2024 bond rating, based on the lease appropriation risk of the series 2025 debt.

## **Credit highlights**

The rating reflects our view of NCTC's strong enterprise risk and financial risk profiles. The enterprise risk profile reflects our view of stabilizing enrollment, following significant decreases in previous years, and a stable and tenured management team. The financial risk profile reflects our view of generally positive margins in recent years (with the exception of fiscal 2023), along with good cash reserves and manageable debt levels. The rating also reflects our view of NCTC's good and stable tax base, which provides some support for operations.

The rating reflects our view of NCTC's:

- Diverse property tax base, with significant flexibility in the operating tax rate, which remains well below the state's maximum rate;
- Good adjusted operating revenue diversity; and
- Ample cash reserves for the rating level and compared with those of peers.

We believe the preceding credit strengths are partially offset by:

- Stabilizing, yet somewhat modest enrollment base; and
- Moderate operating performance, including a full accrual deficit in fiscal 2023, with expectations of break-even to slightly positive performance through fiscal 2026.

## **Environmental, social, and governance**

We consider NCTC's environmental, social, and governance (ESG) factors neutral in our credit rating analysis.

## **Outlook**

The stable outlook reflects our expectation that over the two-year outlook NCTC will maintain balanced full accrual financial operations and that current financial resource ratios will hold or improve. The outlook also reflects our expectation that the college will continue to stabilize enrollment levels and maintain a steady demand profile.

## **Downside scenario**

We could consider a negative rating action if NCTC experiences significant enrollment decreases, causing financial operations and financial resources to decrease to levels that we no longer consider consistent with the rating, or if it issues a material amount of new debt that weakens leverage ratios.

## **Upside scenario**

We could take a positive rating action over the longer term if NCTC's property tax base experiences continued growth, leading to increased revenue diversity; financial resource ratios remain commensurate with those of higher-rated peers; and management maintains consistent enrollment trends and surplus operations.

## Credit Opinion

### Enterprise Risk Profile

NCTC, established in 1924, is the oldest continuously operating public two-year college in Texas. The district's tax base is Cooke County, approximately 65 miles northwest of Dallas and directly south of the Oklahoma border. NCTC's service area includes Denton, Montague, and Young counties, and about 80% of its students live in those counties, paying out-of-district tuition while attending the college. NCTC's tax base is diverse and likely to continue to grow over the near term, in line with the greater Dallas-Fort Worth metroplex.

Although relatively small, in our view, the college's tax base (in terms of assessed value [AV]) has shown healthy growth overall in recent years, to \$9.5 billion in fiscal 2026 from \$5.4 billion in fiscal 2021. The district levies taxes for operations and maintenance, but also has the ability to levy taxes for debt service. The top 10 leading taxpayers accounted for over 8% of fiscal 2026 AV, which we consider diverse.

Enrollment has stabilized in recent years, with about 5,868 full-time equivalents for fall 2025, compared with 5,516 in the previous year; however, enrollment remains lower than fall 2020 levels. Management reports that it has focused on creating additional academic pathways to align curriculum with student interests and four-year college transfer capabilities. Moreover, management anticipates fall 2026 enrollment will remain steady or improve. While in-district tuition is low compared with that of peer institutions, the majority of students are out-of-district and pay a rate about 85% higher, which we believe provides the college with some advantages.

In our view, NCTC follows good budgeting and financial management practices, as demonstrated by positive full accrual operations in most years. Balanced operating budgets are adopted by the board each year in August. The district maintains strong unrestricted cash and investment balances, and follows state investment and financial reporting guidelines. Management prepares budgets and interim financial statements on a cash basis, which is fairly typical for the community college districts we rate.

We consider management relatively stable and experienced, with expertise in members' respective business lines. The chancellor, Dr. G. Brent Wallace, has served in the role since August 2014, with numerous other senior members having served for almost a decade. Following the retirement of Dr. Van Miller, Annette Ferguson was named CFO in January 2026. Ferguson has an extensive experience in higher education management, and we believe the transition is smooth.

NCTC is a separate unit of government and is governed by a seven-member board of regents (BOR) that is elected by members of the public. Each member serves a six-year term, with elections staggered every two years. Supervision over district operations and policymaking responsibilities are vested in the BOR, which includes setting tuition and fees, approving annual operating and capital budgets, and approving debt issuances. Senior management at the district remains stable and seasoned, in our view, which is a credit strength.

### Financial Risk Profile

We view financial performance as generally positive, supported by stabilizing enrollment, a good tax base, and in part by operational savings related to the pandemic and Higher Education Emergency Relief Fund stimulus for one-time related expenditures. However, the expiration of

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federal stimulus, coupled with enrollment loss in fiscal 2023, led to budgeting shortfalls that pressured operations, resulting in a full accrual deficit of 4.7%. Fiscal 2025 saw a modest operating surplus improved from fiscal 2024 though in line with budgeted projections, supported by flat-growing enrollment trends and incremental growth in federal and local grants, coupled with additional state funding from House Bill 8. For fiscal 2026, management anticipates steady operating trends supported by growth in its taxing base revenue though tempered by somewhat softer additional state appropriation projections due to lower-than-anticipated enrollment levels over the last few years.

Adjusted operating revenue is relatively diverse, in our view, with 34.7% derived from tuition, fees, and auxiliary revenue; 22.7% from state operating appropriations; 7.8% from property taxes; and 9.1% from grants in fiscal 2025.

NCTC's financial resources have remained relatively steady over the last few years and are in line with those of similarly rated peers. Pro forma unrestricted cash and investments relative to operations were around 60% in fiscal 2025, and have been at or above 60% for five consecutive fiscal years. Relative to pro forma debt, adjusted cash and investments were 69%, which we consider slightly weaker, though still sufficient for the rating. The district maintains approximately \$54.5 million (which includes approximately \$24.4 million in bond proceeds) of its overall \$72.4 million at the college, with a smaller portion at the foundation level. We expect financial resource ratios will remain consistent, with at least balanced full accrual operations over the near term and no planned spenddown of reserves other than bond proceeds.

We view the overall pro forma maximum annual debt service burden as moderately high, at 8.1%. Amortization is average, following the series 2026 issuance, with 34% of debt to be retired within 10 years.

We consider the college's pension and other postemployment benefits (OPEB) liabilities a minimal credit pressure. Pension costs remain manageable, in our view, with pension and OPEB costs accounting for 2% of total operational expenditures.

The college participates in the following defined-benefit plans:

- Teacher Retirement System, a cost-sharing, multiple-employer plan measured as of Aug. 31, 2025: 88.80% funded, using a 7.00% discount rate, with the college's share of net pension liability of \$11.0 million.
- Employees Retirement System, a cost-sharing, multiple-employer OPEB plan, funded on a pay-as-you-go basis with the college's share of net OPEB liability of about \$21.0 million for fiscal 2025.

For more information on our view of Texas pensions, see "[Pension Spotlight: Texas](#)," April 4, 2023.

**North Central Texas College--enterprise and financial statistics**

	--Fiscal year ended Aug. 31--				Medians for 'AA-' rated community colleges
	2026	2025	2024	2023	2024
<b>Enrollment and demand</b>					
FTE enrollment	5,868	5,516	5,281	5,454	3,500
Annual full-time-equivalent change (%)	6.38	4.45	(3.17)	(8.21)	MNR
<b>Tax base</b>					
Service area population	63,653	62,653	62,653	62,653	182,447
Total AV (\$000s)	9,489,913	7,779,990	6,297,095	7,389,949	MNR

**North Central Texas College--enterprise and financial statistics**

	--Fiscal year ended Aug. 31--				Medians for 'AA-' rated community colleges
	2026	2025	2024	2023	2024
Top 10 taxpayers as % of total AV	8.2	10.2	12.6	10.7	MNR
Market value per capita (\$)	N.A.	N.A.	N.A.	N.A.	MNR
Per capita EBI as % of U.S.	N.A.	N.A.	98	95	MNR
Median household EBI as % of U.S.	N.A.	N.A.	100	100	MNR
Annual unemployment rate (%)	N.A.	4.4	3.1	3.3	MNR
<b>Income statement</b>					
Adjusted operating revenue (\$000s)	N.A.	85,518	75,442	67,702	MNR
Adjusted operating expense (\$000s)	N.A.	83,745	75,282	71,047	MNR
Net adjusted operating income (\$000s)	N.A.	1,773	160	(3,345)	MNR
Net adjusted operating margin (%)	N.A.	2.12	0.21	(4.71)	8.80
State appropriation dependence (%)	N.A.	22.7	24.5	21.2	24.3
Student dependence (%)	N.A.	34.7	35.3	37.7	20.2
Taxes and other local support dependence (%)	N.A.	7.8	7.6	7.1	25.3
<b>Financial resources</b>					
Cash and investments (\$000s)	N.A.	72,359	45,480	47,116	MNR
Cash and investments to operations (%)	N.A.	86.4	60.4	66.3	99.1
Cash and investments to total debt outstanding (%)	N.A.	108.6	113.7	110.5	147.2
<b>Debt</b>					
Total debt outstanding (\$000s)	N.A.	66,658	39,999	42,654	MNR
MADS (\$000s)	N.A.	5,858	4,842	3,742	MNR
MADS burden (%)	N.A.	7.0	6.4	5.3	8.1
<b>Pro forma metrics</b>					
Total pro forma debt (\$000s)	N.A.	73,413	70,314	72,969	MNR
Cash and investments to total pro forma debt (%)	N.A.	98.56	64.68	64.57	MNR
Pro forma MADS (\$000s)	N.A.	6,796	5,858	4,698	MNR
Pro forma MADS burden (%)	N.A.	8.1	7.8	6.6	MNR

Total adjusted operating revenue = total operating revenues + institutionally funded financial aid + government appropriations + government grants + endowment spending + tax revenues - realized and unrealized gains/losses. Total adjusted operating expense = operating expenses + institutionally funded financial aid + interest expense - noncash pension and other postemployment benefits expenses. Net operating margin = 100\*(net adjusted operating income/adjusted operating expense). Student dependence = 100\*(gross tuition revenue + auxiliary revenue) / adjusted operating revenue. MADS burden = 100\*(MADS/adjusted operating expenses). Cash and investments = cash + unrestricted and restricted financial investments + foundation cash and investments. Total outstanding debt = tax supported debt + revenue/ enterprise-secured debt + foundation debt + other debt. All debt metrics include revenue/enterprise-secured and foundation debt if applicable. FTE--Full-time-equivalent. AV--Assessed value. EBI--Effective buying income. MADS--Maximum annual debt service. N.A.--Not available. MNR--Median not reported.

**Ratings List**

**New Issue Ratings**

US\$6,755,000 North Central Texas Community College District, (A Political Subdivision of the State of Texas with a taxing area in Cooke County, Texas), Tax Notes, Series 2026, dated: April 15, 2026, due: August 15, 2036

Long Term Rating AA-/Stable

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Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352>. Complete ratings information is available to RatingsDirect subscribers at [www.capitaliq.com](http://www.capitaliq.com). All ratings referenced herein can be found on S&P Global Ratings' public website at [www.spglobal.com/ratings](http://www.spglobal.com/ratings).

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