S&P Global Ratings

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Research Update:

St. Tammany Parish Wide School District No.12, LA 2026 GO School Bonds Assigned 'AA' Rating; Outlook Is Stable

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Overview

- S&P Global Ratings assigned its 'AA' long-term rating to **St. Tammany Parish Wide School District No. 12**, Louisiana's anticipated $25 million series 2026 general obligation (GO) school bonds.
- At the same time, S&P Global Ratings affirmed its 'AA' long-term rating on the district's outstanding GO debt.
- The outlook is stable.

Rationale

Security

The bonds are general obligations of the issuer, payable from an unlimited ad valorem tax levied annually on all taxable property within the boundaries of the district.

Bond proceeds will finance various capital expenditures for building construction and improvements, along with equipment and furnishings.

Credit highlights

In our view, the district's large, expanding economy and robust reserves support the ‘AA’ rating. Offsetting these credit strengths are the recent enrollment declines that we expect will accelerate during the next few years along with economic metrics that are lower than those of its higher-rated national peers.

Enrollment is projected to decline significantly starting in fiscal 2027 (ending June 30), spurred by the opening of a new charter school in district boundaries expected to draw approximately 1,100 students, most of whom will likely come from District 12. The subsequent planned opening of a charter high school could draw an additional 1,500 students, further reducing the district's state revenue. We expect these challenges, coupled with a legislatively mandated $10 million expenditure for staff stipends, to spur a deficit in fiscal 2027. To bridge this gap, officials may use around $20 million from its Community Disaster Loan Fund (separate from the general fund) along with a portion of its general fund balances, which we estimate will be above $147 million at fiscal year-end 2026. We will monitor the district's financial performance and its ability to make notable progress in restoring balance to operations beyond fiscal 2027, as continued deficits and further reserve drawdowns could pressure the rating.

We do not expect material deterioration in fund balances beyond fiscal 2027: Board policy requires a balanced budget within one year of a deficit, and officials are developing a long-term stabilization plan that includes attrition, layoffs, and program reductions. To bolster future enrollment, the district is investing in career and technical education and a new discovery center focused on science, technology, engineering, arts, and medicine.

The district has posted general fund surpluses each year since fiscal 2012, with another year of break-even-to-positive results expected for fiscal 2026. Despite a cumulative 9% decrease in enrollment since 2020, stable performance has been sustained through prudent budget management: The district eliminated many positions through attrition, working to minimize expenditures across all departments; increase sales tax collections, stabilize health insurance costs after years of material increases, and increase local revenues from sales and property taxes; we expect officials will continue to make the budgetary adjustments they deem necessary to sustain a stable financial profile.

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

- Location north of Lake Pontchartrain and the City of New Orleans. District residents benefit from employment opportunities in New Orleans, though St. Tammany's Economic Development Corp. is working on initiatives to attract more industrial and commercial development to the area. We anticipate the mostly residential local economy will continue experiencing stable growth, including steady population growth, with various residential and commercial developments underway.

- Physical risks which we view as elevated compared with those of peers due to its location near the Gulf, as a major hurricane or flooding event could lead to outmigration and exacerbate enrollment declines. The district has strong reserves that we view as slightly mitigating the immediate effects of a severe weather event on school buildings and operations. The district also maintains a written disaster plan for all departments and schools, which discusses plans and coordination between the schools, federal, state, and local agencies to ensure safety of students and personnel, minimize property damage, and ensure continuity in operations.

- Historically stable finances, which may be pressured by a drop in enrollment in the coming years, though the district's strong reserves provides cushion as it addresses the sudden uptick in enrollment declines. In addition to a strong general fund balance, the district holds reserves in a community disaster fund; as of fiscal year-end 2025, it held $22.7 million (4.5% of estimated general fund revenues). The money in this fund came from a Hurricane Katrina community disaster loan (which has been forgiven) and is available for operations, so if officials anticipate a deficit for a given year they could use some of this fund to balance operations. We view these funds as an additional source of liquidity given the funds are not restricted for a certain purpose.

- Some formalized policies, with conservative budgeting and the use of a capital plan to incorporate capital needs into the budget and plan bond issuances. The district has a formalized investment policy and a formal reserve policy of holding two months' expenditures in its general fund balance, with a goal of three months. The district is taking steps to mitigate cybersecurity risk that we view as in line with its overall credit profile.

- Debt, which we expect to remain elevated. The district had its largest authorization to date ($325 million in May 2025), and anticipates issuing in similar tranches of approximately $25 million about once yearly for the next six to eight years, with the exact timing and amounts depending on construction progress. Pension and other postemployment benefits costs are elevated, and liabilities are elevated compared with those of national peers. The Louisianan Teacher's Retirement System plan's discount rate of 7.2% could introduce contribution volatility.
- For more information on our institutional framework assessment for Louisiana local governments, see "Institutional Framework Assessment: Louisiana Local Governments," Sept. 9, 2024.

Outlook

The stable outlook reflects our expectation that reserves will decline in fiscal 2027 but remain above the district's policy to hold more than two months of expenditures in fund balance. We believe reserves will not decline materially beyond 2027.

Downside scenario

We could lower the rating if reserves drop below the district's formal reserve policy, or if the district is unable to implement a plan that we view as reasonable to significantly close the budgetary gap in fiscal 2028 and beyond.

Upside scenario

We could consider a higher rating if the district's economic metrics strengthen to levels comparable with those of its higher-rated peers and it adopts a formal and comprehensive approach to long-term planning while maintaining reserves near current levels.

St. Tammany Parish Wide School District No. 12, Louisiana--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	2.52
Economy	3.0
Financial performance	3
Reserves and liquidity	1
Management	2.35
Debt and liabilities	3.25

St. Tammany Parish Wide School District No. 12, Louisiana--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita as % of U.S.	70	--	70	70
County PCPI as % of U.S.	112	--	112	112
Market value ($000s)	28,767,509	28,212,027	23,613,282	22,735,127
Market value per capita ($)	103,418	101,422	84,889	83,119
Top 10 taxpayers as % of taxable value	6.4	6.5	6.8	6.6

St. Tammany Parish Wide School District No. 12, Louisiana--key credit metrics

	Most recent	2025	2024	2023
County unemployment rate (%)	3.7	3.9	3.8	3.2
Local median household EBI as % of U.S.	97	--	97	99
Local per capita EBI as % of U.S.	100	--	100	98
Local population	278,166	--	278,166	273,524
Financial performance				
Operating fund revenues ($000s)	--	509,366	493,469	492,976
Operating fund expenditures ($000s)	--	480,300	482,983	479,414
Net transfers and other adjustments ($000s)	--	(21,057)	(10,485)	(11,872)
Operating result ($000s)	--	8,009	1	1,690
Operating result as % of revenues	--	1.6	--	0.3
Operating result three-year average %	--	0.6	0.8	1.3
Enrollment	--	35,099	35,733	36,005
Reserves and liquidity				
Available reserves as % of operating revenues	--	28.9	28.3	28.4
Available reserves ($000s)	--	147,198	139,766	140,135
Debt and liabilities				
Debt service cost as % of revenues	--	5.9	5.8	5.8
Net direct debt per capita ($)	1,082	999	1,097	1,194
Net direct debt ($000s)	300,896	277,805	305,013	326,600
Direct debt 10-year amortization (%)	66	72	69	--
Pension and OPEB cost as % of revenues	--	13	14	14
NPLs per capita ($)	--	1,658	1,658	1,773
Combined NPLs ($000s)	--	461,252	461,252	484,917

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$25.000 mil GO sch bnds ser 2026 due 3/1/2046	
Long Term Rating	AA/Stable
Ratings Affirmed	
Local Government	
St. Tammany Parish Wide Sch Dist #12, LA Unlimited Tax General Obligation	AA/Stable

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.

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. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.