S&P Global Ratings

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Research Update:

# Taylor Independent School District, TX GO Bond Rating Raised To 'A+' From 'A' On Expanding Economic Footprint

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## Overview

- S&P Global Ratings raised its underlying rating to 'A+' from 'A' on **Taylor Independent School District** (ISD), Texas' outstanding general obligation bonds.
- At the same time, we assigned our 'AAA' long-term rating (based on credit enhancement) and 'A+' underlying rating to the district's anticipated $176 million series 2026 unlimited-tax school building and refunding bonds.
- The outlook is stable.
- The upgrade reflects our view of the district's rapidly expanding economic footprint, which supports long-term enrollment growth and revenue stability, and the implementation of sophisticated planning methods that help offset an elevated debt burden.

## Rationale

### Security

The bonds are secured by revenue from an ad valorem tax levied on all taxable property within the district.

The 'AAA' long-term rating reflects our view of Taylor ISD's eligibility and participation in the Texas Permanent School Fund (PSF) bond guarantee program. For more information on the program rating, see, "Texas Permanent School Fund," Aug. 27, 2025.

Bond proceeds will be used to refund certain outstanding debt, finance various school renovations and construction, and purchase school buses.

### Credit highlights

The rating action reflects the district's expanding tax base, which is now anchored in advanced manufacturing; strong history of surplus financial results that have increased district reserves; and implementation of more robust long-term planning. These strengths slightly mitigate the district's elevated debt burden, even when compared with that of other expanding Texas districts.

Taylor ISD serves an expanding area encompassing the city of Taylor, located about 35 miles northeast of downtown Austin. The district has seen significant economic expansion since the announcement of the Samsung chip fabrication facility, expected to be operational by the end of 2026. Samsung's total investment in the area now totals $42 billion and is expected to create about 3,500 jobs. The district's tax base has doubled since fiscal 2024, using fiscal 2027 estimated figures. Recent announcements on additional development in the advanced manufacturing sector indicate new investments will total more than $4 billion and will add more than 1,300 jobs. Consequently, the district expects enrollment to double in the next decade.

Financial operations have also been positive during the past three years, with surpluses averaging 7% annually since fiscal 2023. Officials attribute these results to both a positive revenue environment from the additional revenues from various Chapter 313 agreements, and conservatively managing the budget on the expenditure side. For fiscal 2026, the district expects to end close to the breakeven budget, with year-to-date results for the first 11 months ending with a slightly positive variance. The district also expects to deliver another breakeven budget for fiscal 2027. Although enrollment has decreased slightly during the past five years, likely due to economic shifts as housing affordability challenges emerge, the district expects to double enrollment during the next decade due to the expanding economy.

We consider the district's debt burden elevated, with the current issuance more than doubling the total outstanding debt. However, we believe that the rapidly expanding tax base (and particularly, the industrial payers responsible for the rapid expansion) will shoulder a material portion of this burden. Although the district has no debt plans, the slow principal amortization will keep the overall debt burden elevated well past our outlook horizon.

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

- Rapidly expanding economy anchored by the development of the $17 billion Samsung fabrication facility, which we expect will fuel both population growth and strengthen local income metrics;
- Positive results in the past three fiscal years, with surpluses that have built healthy reserves both nominally and as a percentage of the district's revenue. The district expects similar results in fiscal 2026 supported by conservative budgeting practices and continued optimization efforts;
- Policies and practices we consider in line with those of similarly rated peers, including a hybrid zero-based budgeting approach with budget-to-actual reports provided to the board monthly, the maintenance of a 10-year Expenditure Projection Plan tool to forecast needs, and a formal investment policy with monthly reports on holdings provided to the board. However, the district does not have a debt or fund balance policy. Its cyber risk practices help mitigate risk, in our view, and are consistent with its overall management and governance;
- Elevated debt burden, but with no additional debt plans. We consider principal amortization particularly slow, with 20.9% paid during the next 10 years. The district considers its facility and maintenance needs during the next five to 10 years as wholly covered by this issuance;
- Pension and other postemployment benefit liabilities that we do not consider an immediate credit risk. The district participates in the Teacher Retirement System of Texas (TRS) and TRS-Care.

- For more information on our institutional framework assessment for Texas school districts, see, "Institutional Framework Assessment: Texas Local Governments," Sept. 9, 2024.

# Outlook

The stable outlook reflects our expectation that the ISD will sustain its stable operations and healthy available reserves during the two-year outlook horizon, supported by ongoing revenue growth and conservative budgeting practices.

## Downside scenario

We could lower the rating should the district begin to draw down reserves to levels below those of Texas peers, either from one-time measures or via budgetary imbalance, without plans to replenish.

## Upside scenario

We could raise the rating if the district's economy continues to expand, driving incomes in line with those of higher-rated peers, and if it formalizes policies and practices, all else equal.

### Taylor Independent School District, Texas--credit summary

| | |
|---|---|
| Institutional framework (IF) | 2 |
| Individual credit profile (ICP) | 2.41 |
| Economy | 3.0 |
| Financial performance | 2 |
| Reserves and liquidity | 1 |
| Management | 2.30 |
| Debt and liabilities | 3.75 |

### Taylor Independent School District, Texas--key credit metrics

| | Most recent | 2025 | 2024 | 2023 |
|---|---|---|---|---|
| **Economy** | | | | |
| Real GCP per capita % of U.S. | 71 | -- | 71 | 71 |
| County PCPI % of U.S. | 104 | -- | 104 | 103 |
| Market value ($000s) | 4,370,423 | 3,148,171 | 2,444,999 | 2,191,237 |
| Market value per capita ($) | 199,099 | 143,418 | 106,601 | 91,806 |
| Top 10 taxpayers % of taxable value | 16.7 | 11.4 | 16.3 | 12.3 |
| County unemployment rate (%) | 3.3 | 3.5 | 3.6 | 3.5 |
| Local median household EBI % of U.S. | 95 | -- | 95 | 95 |
| Local per capita EBI % of U.S. | 82 | -- | 82 | 83 |
| Local population | 21,951 | 21,951 | 22,936 | 23,868 |
| **Financial performance** | | | | |
| Operating fund revenues ($000s) | -- | 40,195 | 34,325 | 35,022 |
| Operating fund expenditures ($000s) | -- | 36,677 | 34,945 | 31,943 |
| Net transfers and other adjustments ($000s) | -- | 186 | 1,451 | 196 |
| Operating result ($000s) | -- | 3,704 | 831 | 3,275 |

## Taylor Independent School District, Texas--key credit metrics

| | Most recent | 2025 | 2024 | 2023 |
|---|---|---|---|---|
| Operating result % of revenues | -- | 9.2 | 2.4 | 9.4 |
| Operating result three-year average % | -- | 7.0 | 3.3 | 3.6 |
| Enrollment | -- | 2,930 | 3,063 | 3,161 |
| **Reserves and liquidity** | | | | |
| Available reserves % of operating revenues | -- | 45.5 | 42.5 | 39.2 |
| Available reserves ($000s) | -- | 18,295 | 14,589 | 13,714 |
| **Debt and liabilities** | | | | |
| Debt service cost % of revenues | -- | 16.4 | 14.5 | 9.2 |
| Net direct debt per capita ($) | 12,386 | 5,375 | 5,241 | 5,765 |
| Net direct debt ($000s) | 271,890 | 117,986 | 120,203 | 137,610 |
| Direct debt 10-year amortization (%) | 21 | 41 | 42 | -- |
| Pension and OPEB cost % of revenues | -- | 2.0 | 2.0 | 2.0 |
| NPLs per capita ($) | -- | 481 | 556 | 447 |
| Combined NPLs ($000s) | -- | 10,561 | 12,753 | 10,663 |

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$176.000 mil unltd tax sch bldg and rfdg bnds ser 2026 due 2/15/2056 | |
| **Current Ratings** | |
| **Local Government** | |
| Taylor Indpt Sch Dist, TX Permanent School Fund Program | AAA/Stable |
| Taylor Indpt Sch Dist, TX Unlimited Tax General Obligation | A/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.