Research Update:

East Ouachita Parish School District, LA Series 2026 GO School Bonds Rated 'AA-'; Outlook Stable

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Overview

- S&P Global Ratings assigned its 'AA-' rating to East Ouachita Parish School District, Louisiana's approximately $25 million series 2026 general obligation (GO) school bonds.
- At the same time, we affirmed our 'AA-' rating on the district's previously issued GO bonds.
- The outlook is stable.

Rationale

Security

Revenue from an unlimited ad valorem tax levied on all taxable property within the district's boundaries secures the bonds. Bond proceeds will be used to fund various capital improvements, including the construction of a new elementary school and other districtwide facility improvements.

Our rating on East Ouachita School District's GO bonds is based on the application of our criteria "Issue Credit Ratings Linked To U.S. Public Finance Obligors' Creditworthiness," Nov. 20, 2019. Ouachita Parish School Board (OPSB) is the governing and operating authority for the district; East Ouachita Parish School District represents a portion of the school board's overall boundaries and exists solely as a taxing entity for the issuance and repayment of locally voted GO bonds. Although the ad valorem taxes from the East Ouachita Parish School District are derived from subset of the board's tax base, we do not view the district as being exposed to materially different or disproportionate tax base risks relative to the school board. Therefore, we rate the district's bonds on par with our view of the overall board's general creditworthiness.

Credit highlights

The rating reflects our view of OPSB's strong financial position, manageable debt burden, and stable economic base, strengths that are somewhat offset by the board's elevated retirement liabilities and economic metrics that consistently lag those of similarly rated national peers. OPSB's track-record of financial stability and healthy reserves underpins the rating; however, an inability to maintain reserves at levels sufficient to offset its sources of relative credit weakness could pressure the rating lower.

Following a sizable reserve build-up during the pandemic, the board remains amid a period of intentional fund balance drawdowns for targeted investments in both personnel and facilities. The reserve appropriations have largely been reflected in a reduction in fund balances in the board's operations and maintenance (O&M) sales tax fund in 2025, 2026, and budgeted for 2027. By comparison, general fund results remain effectively balanced with stable reserves. Our view of operating performance and reserves is inclusive of both the general fund and the O&M sales tax fund.

The draft budget for fiscal 2027 reflects a combined net deficit of about $4.5 million or 2.7% across the general fund and O&M sales tax fund. We understand that the projected deficit is largely tied to board-approved stipends for staff (about $6.1 million); however, the OPSB and finance staff have continued to identify expenditure reductions to offset the cost of this investment as well as less-favorable adjustments to state funding for the current budget year. For 2027, combined reserve balances are budgeted to end at about $38 million, or 23% of revenues; however, reserves could end higher than budgeted depending on the size and scope of additional expenditure reductions enacted during the fiscal year.

The rating reflects our view of the board's:

- Broad economic base in terms of size given the district's large resident population, tax base, and multi-parish draw as Ouachita Parish anchors the regional economy in northeast Louisiana. However, economic metrics that drive our initial assessment are projected to continue lagging the national average over the next few years. Near-term growth prospects are positive given the potential positive effects of spillover growth tied to the large Meta data center development in nearby Richland Parish.
- Track record of strong finances despite a recent trend of modest fund balance drawdowns. Based on unaudited results for fiscal 2026, available reserves in the combined operating fund are projected to be $41 million, or 24% revenue. State revenue (77% of fiscal 2026 general fund revenue) is based on enrollment, which, consistent with trends throughout the state, has declined for the past several years because of the pandemic, according to officials. District officials expect enrollment to stabilize, and potentially grow, with the Meta data center development creating jobs near the parish. OPSB's financial stability remains supported by voter-approved sales tax levies to supplement state funding. The O&M sales tax fund is financed by the proceeds of a 0.5% sales tax most recently renewed by voters in 2021 for another 10-year period.
- Well-embedded framework of financial practices, including routine budget updates with the board each quarter, further supported by oversight from the OPSB's finance committee. The board has formalized policies for debt, investment management and reserves. The general fund balance policy that calls for the maintenance of total reserves equal to 10%-15% of annual operating expenses. Financial leadership does not performance multiyear budget forecasting, nor does the board have a formal, rolling capital improvement plan. However, we understand that facilities maintenance remains central to the district's annual planning process given its large physical footprint with more than 30 school sites. Internal discussions and maintenance plans help to identify priority, facility condition, and maintenance status before assigning a funding source for imminent projects. Our assessment in this area (capital planning) is weakened by the lack of transparency into the timeline and scope of identified need. The board's cyber risk mitigation measures align with our view of OPSB's overall risk management policies and practices.

- Moderate debt burden, with total carrying charges that will likely remain just below 20% of revenues in the near term. The board does not have immediate additional debt plans. Retirement liabilities are projected to remain high, although state level funding improvements have spurred stronger pension plan funding in recent years. The stand-alone other postemployment benefit liability remains large and unfunded at about $210 million in fiscal 2025.
- For more information on our institutional framework assessment for Louisiana school boards, see "Institutional Framework Assessment: Louisiana Local Governments," Sept. 9, 2024.
- Ouachita Parish does not have outsized exposure to physical climate risk factors compared with that of the U.S. However, the area remains exposed to certain physical risks, including flooding tied to severe storms and rainfall events that could damage district property.

Outlook

The stable outlook reflects our expectation that the OPSB will maintain its financial strength including available reserves through our two-year outlook period. We believe the board is actively reviewing its budget to ensure long-term alignment of revenues and expenditures with the expectation that reserve appropriations in the combined operating fund will slow compared with fiscal years 2025 and 2026, supporting the strength of reserves.

Downside scenario

We could lower the rating if the board's finances continue to weaken compared with that of peers, or if the debt and liabilities profile materially worsens.

Upside scenario

We could raise the rating if OPSB's debt and unfunded retirement liabilities significantly decline while economic metrics improve, and if financial reserves increase materially to levels comparable with those of those of higher-rated peers.

Ouachita Parish School Board, Louisiana--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	2.73
Economy	4.0
Financial performance	3
Reserves and liquidity	1
Management	2.40
Debt and liabilities	3.25

Ouachita Parish School Board, Louisiana--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita % of U.S.	68	--	68	68
County PCPI % of U.S.	71	--	71	71
Market value ($000s)	13,007,264	13,007,264	12,370,724	11,527,681

Ouachita Parish School Board, Louisiana--key credit metrics

	Most recent	2025	2024	2023
Market value per capita ($)	117,666	117,666	111,406	102,879
Top 10 taxpayers % of taxable value	22.0	22.0	23.4	21.2
County unemployment rate (%)	4.5	4.5	4.5	3.9
Local median household EBI % of U.S.	71	71	78	75
Local per capita EBI % of U.S.	73	73	75	74
Local population	110,544	110,544	111,042	112,051
Financial performance				
Operating fund revenues ($000s)	--	169,990	171,645	160,016
Operating fund expenditures ($000s)	--	175,314	171,929	162,602
Net transfers and other adjustments ($000s)	--	2,599	3,388	3,550
Operating result ($000s)	--	(2,725)	3,104	964
Operating result % of revenues	--	(1.6)	1.8	0.6
Operating result three-year average %	--	0.3	1.4	0.9
Enrollment	--	17,568	17,838	18,176
Reserves and liquidity				
Available reserves % of operating revenues	--	28.5	29.6	29.8
Available reserves ($000s)	--	48,380	50,821	47,649
Debt and liabilities				
Debt service cost % of revenues	--	9.2	6.0	5.8
Net direct debt per capita ($)	1,407	1,039	1,234	1,342
Net direct debt ($000s)	155,505	114,819	137,025	150,320
Direct debt 10-year amortization (%)	61	76	76	73
Pension and OPEB cost % of revenues	--	13.0	14.0	14.0
NPLs per capita ($)	--	1,728	1,720	1,827
Combined NPLs ($000s)	--	190,966	190,966	204,766

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$25,000,000 East Ouachita Parish School District, Louisiana, General Obligation School Bonds, Series 2026, dated: Date of Delivery, due: March 1, 2046	
Long Term Rating	AA-/Stable
Ratings Affirmed	
Local Government	
East Ouachita Parish Sch Dist, 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.