

Research Update:

East Central Independent School District, TX Series 2026 Unlimited-Tax School Building Bonds Rated 'A+'; Outlook Stable

October 29, 2026

Overview

- S&P Global Ratings assigned its 'AAA' long-term rating (based on credit enhancement) and 'A+' underlying rating to [East Central Independent School District \(ISD\)](#), Texas' \$100 million series 2026 unlimited-tax school building bonds.
- The outlook is stable.

Rationale

Security

The bonds are payable from ad valorem taxes levied annually against all taxable property in the district without legal limitation as to rate or amount.

The 'AAA' long-term rating reflects our view of East Central ISD'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. 31, 2026.

The bond proceeds will be used for the completion of a high school and an elementary school, along with the construction of a new elementary school.

Credit highlights

The rating reflects our view of the district's recent track record of deficits, which has led to a material drawdown of its reserve position. However, the district is taking measures to mitigate expenditures in the near future, with its most recent fiscal 2026 unaudited results showing a minor surplus. We will monitor whether these measures successfully stabilize operations. In previous years, Elementary and Secondary School Emergency Relief funding supported instructional costs, but with it being fully expended in fiscal 2025, the district has to support these costs from the general fund. In addition, East Central ISDs growth, supported by its

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proximity to San Antonio, is leading to further increases in enrollment that, if not managed, could lead to further pressure.

Management attributes the deficits in fiscal years 2023 and 2024 to School Health Related Services reimbursement reductions and hail damage that, while covered by insurance, still required the district to pay a deductible. For fiscal 2025, East Central ISD had a voter-approved tax rate election (VATRE) to add more to the revenue stream. However, while the revenues were budgeted for in fiscal 2025, the VATRE did not pass. This, along with payments to the health insurance fund, led to the fiscal 2025 deficit.

The district reports its most recent unaudited fiscal 2026 results show an approximate \$100,000 surplus. In fiscal 2026, East Central ISD held another VATRE to provide raises for teachers; however, the VATRE did not pass. Teacher salary raises were already in effect, so the district began reducing expenditures by eliminating non-essential travel, conducting a hiring freeze, and eliminating other discretionary costs. In addition, the district has moved to a new health insurance provider for cost savings. For fiscal 2027, it is holding another VATRE in November, which, if passed, could bring approximately \$8 million in additional revenue and balance the budget, along with assisting the district in returning to compliance with its formal fund balance policy of two-and-a-half months of expenditures in reserves. Management is taking additional measures to mitigate expenditures in the upcoming fiscal year including eliminating librarian positions at elementary school campuses (which could produce savings of approximately \$4 million-\$5 million) and increasing class sizes. Should the VATRE not pass, the district will take additional measures to minimize expenditures including implementing a hiring freeze, reducing overtime, halting travel, and stopping salary raises. Although East Central ISD is taking measures to mitigate its fund balance, management will be opening two new schools for capacity along with the construction of an additional elementary school, slated for completion by spring 2027; this, combined with growing enrollment, could cause additional financial pressure. The district is cautiously moving existing staff into the new schools to minimize additional hiring. Should East Central ISD's measures to stabilize the budget fail and deficits persist, continued reserves drawdowns will further pressure credit quality.

The rating further reflects our view of the following factors:

- The district's growing economy, paired with strong population growth, has led to enrollment growth. Future developments include an H-E-B grocery store, and East Central ISD expects additional commercial development will follow.
- The recent history of deficits, paired with two failed VATRE attempts, has led to a reserves drawdown to levels no longer comparable with those of peers as a percentage of general fund revenue.
- We consider East Central ISD's financial policies and practices in line with those of similarly rated peers, including the use of historical trend analysis for revenue and expenditure assumptions; budget-to-actual reports provided to the board monthly, with budget amendments able to be made as needed; an investment policy following state guidelines, with monthly investment reports provided to the board; and a formal fund balance policy requiring two-and-a-half months of operating expenditures in available reserves, which the district is currently not meeting. We believe East Central ISD's cyber security position helps mitigate risk and is consistent with its overall management and governance.
- We consider the district's debt as elevated on a per capita basis. However, we believe the debt and pension contributions are manageable and do not perceive them as a credit risk in our outlook horizon. Due to favorable weather conditions leading to construction projects being on

track and potentially ahead of schedule, the district was able to move its potential 2027 debt issuance forward. After the current issuance, East Central ISD will have approximately \$129.15 million remaining in authorized but unissued debt.

- 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 view that its nominal reserve level provides some budgetary flexibility despite deficits, and that we expect cost-cutting measures will stabilize performance.

Downside scenario

Should deficits persist and reserves continue to decline, we could lower the rating.

Upside scenario

We could raise the rating if East Central ISD rebuilds and sustains reserves at levels comparable with those of higher-rated peers.

East Central Independent School District, Texas--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	3.12
Economy	3.0
Financial performance	4
Reserves and liquidity	2
Management	3.35
Debt and liabilities	3.25

East Central Independent School District, Texas --key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita % of U.S.	88	--	88	88
County PCPI % of U.S.	83	--	83	84
Market value (\$000s)	8,542,767	8,456,216	7,073,740	6,135,617
Market value per capita (\$)	117,677	116,485	103,845	93,568
Top 10 taxpayers % of taxable value	15.7	15.7	12.1	9.9
County unemployment rate (%)	3.9	4.0	3.9	3.8
Local median household EBI % of U.S.	98	98	98	96
Local per capita EBI % of U.S.	75	75	75	72
Local population	72,595	72,595	68,118	65,574
Financial performance				
Operating fund revenues (\$000s)	--	115,722	108,345	97,044
Operating fund expenditures (\$000s)	--	122,199	116,200	106,939
Net transfers and other adjustments (\$000s)	--	(257)	6,012	4,793

East Central Independent School District, Texas --key credit metrics

	Most recent	2025	2024	2023
Operating result (\$000s)	--	(6,734)	(1,843)	(5,102)
Operating result % of revenues	--	(5.8)	(1.7)	(5.3)
Operating result three-year average %	--	(4.3)	(0.2)	1.4
Enrollment	--	11,497	11,176	10,617
Reserves and liquidity				
Available reserves % of operating revenues	--	17.6	25.0	29.9
Available reserves (\$000s)	--	20,405	27,117	29,013
Debt and liabilities				
Debt service cost % of revenues	--	13.3	9.6	6.9
Net direct debt per capita (\$)	6,571	5,333	3,399	2,634
Net direct debt (\$000s)	477,039	387,169	231,507	172,703
Direct debt 10-year amortization (%)	21	27	36	--
Pension and OPEB cost % of revenues	--	3.0	2.0	2.0
NPLs per capita (\$)	--	467	498	572
Combined NPLs (\$000s)	--	33,907	33,907	37,497

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\$100,000,000 East Central Independent School District, Texas, Unlimited Tax School Building Bonds, Series 2026, dated: Date of Delivery, due: August 15, 2056

Long Term Rating	AAA/Stable
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Underlying Rating for Credit Program	A+/Stable
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