

Research Update:

Union County, TN's Series 2026 GO School Bonds Assigned 'AA-' Rating; Outlook Is Stable

March 16, 2026

Overview

- S&P Global Ratings assigned its 'AA-' long-term rating to [Union County](#), Tenn.'s \$7.55 million series 2026 general obligation (GO) school bonds.
- At the same time, we affirmed our 'AA-' rating on the county's existing debt outstanding.
- The outlook is stable.

Rationale

Security

The GO bonds are a full-faith-and-credit obligation of Union County, payable from unlimited ad valorem property taxes.

The series 2026 bond proceeds will fund the remaining construction of the county's new middle school.

Credit highlights

The rating reflects Union County's stable financial position, with the ability to cash fund capital projects, low debt burden, and below-average economic metrics. In fiscal 2025, the county reported a \$61,000 deficit, following a \$504,000 transfer to its capital projects fund. Management projects ending fiscal 2026 with \$300,000 surplus, leading to general fund balance of approximately \$4.5 million. County officials expect to draw down approximately \$550,000 from its capital projects fund to purchase land for a new jail in the next couple of years. Beyond this project, the county has no additional capital plans nor does it plan to draw down on general fund reserves. In the long term, management expects to maintain general fund reserves within its reserve policy of 35%-45% of expenditures. We will continue to assess Union County's ability to address the county's capital needs without significant deterioration of its financial profile.

The rating further reflects our view of the following:

Primary Contact

Mona Elfar
New York
1-212-438-0963
mona.elfar
@spglobal.com

Secondary Contact

Alex Tomczuk
Hartford
1-617-530-8314
alex.tomczuk
@spglobal.com

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- Union County is located between the Appalachian and Cumberland mountains, and approximately 25 miles north of the city of Knoxville. Its market values have risen approximately 20% in the last three years. Officials report favorable economic momentum, given the widening of Highway 33, which will connect to the interstate and attract visitors to the county. Officials expect modest increases in market values and report several residential developments will be completed in the near term. Despite ongoing developments and population expansion, we view the county's local economy as limited and consider income levels to be below the national average.
- Management is conservative and proactive with its forward-looking budgeting, some long-term planning, and formal policy framework. Union County has well-founded budget assumptions based on historical trends and reasonable projections, and it reports budget-to-actual performance to the board monthly. The county also has formal debt and reserve policies. The reserve policy calls for maintaining general fund reserves at 35%-45% of expenditures. The county is working on a five-year long-term capital plan to account for upcoming heating, ventilation, and air conditioning installations, roofing, and jail projects.
- The debt burden is expected to remain low and manageable despite capital needs. Debt service costs are about 7% of revenues. Within the next three-to-five years, the county plans to issue about \$30 million to break ground on building a new jail, which we have factored into our analysis.
- Minimal pension and other postemployment benefit costs. Union County participates in the Public Employee Pension Plan of the Tennessee Consolidated Retirement System, which is an agent multiple-employer plan. As of 2024, the county's component is 96% funded.
- For more information on our institutional framework assessment for Tennessee municipalities, see "[Institutional Framework Assessment: Tennessee Local Governments](#)," Sept. 11, 2024.

Environmental, social, and governance

We view the county's environmental, social, and governance factors as neutral within our analysis.

Outlook

The stable outlook reflects S&P Global Ratings' view that Union County will experience strengthening of tax base, which will generate revenues further supporting its positive operations.

Downside scenario

We could lower the rating if the county's financial position weakens and reserves fall below the county's policy without a plan to replenish.

Upside scenario

We could raise the rating if Union County's economy were to significantly expand and diversify, coupled with stronger sociodemographic metrics, in line with those of higher-rated peers and if reserves materially increase.

Union County, Tennessee--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.75
Economy	6.0
Financial performance	2
Reserves and liquidity	1
Management	3.00
Debt and liabilities	1.75

Union County, Tennessee--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita % of U.S.	26	--	--	26
County PCPI % of U.S.	63	--	--	63
Market value (\$000s)	2,810,731	2,810,731	1,917,994	1,888,491
Market value per capita (\$)	133,284	133,284	92,442	93,833
Top 10 taxpayers % of taxable value	2.6	2.6	3.2	--
County unemployment rate (%)	3.4	3.4	3.5	3.3
Local median household EBI % of U.S.	83	--	83	74
Local per capita EBI % of U.S.	77	--	77	71
Local population	20,748	--	20,748	20,126
Financial performance				
Operating fund revenues (\$000s)	--	11,088	11,330	9,487
Operating fund expenditures (\$000s)	--	10,651	10,320	9,072
Net transfers and other adjustments (\$000s)	--	(498)	(2,481)	258
Operating result (\$000s)	--	(61)	(1,471)	673
Operating result % of revenues	--	(0.6)	(13.0)	7.1
Operating result three-year average %	--	(2.1)	(0.9)	7.3
Reserves and liquidity				
Available reserves % of operating revenues	--	37.8	33.2	56.7
Available reserves (\$000s)	--	4,194	3,756	5,376
Debt and liabilities				
Debt service cost % of revenues	--	5.2	3.7	4.1
Net direct debt per capita (\$)	1,353	511	119	157
Net direct debt (\$000s)	28,066	10,766	2,467	3,169
Direct debt 10-year amortization (%)	46	51	100	100
Pension and OPEB cost % of revenues	--	1.0	1.0	1.0
NPLs per capita (\$)	--	30	31	27
Combined NPLs (\$000s)	--	639	639	538

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.

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Ratings List

New Issue Ratings

US\$7.550 mil GO sch bnds ser 2026 due 6/1/2046

Long Term Rating AA-/Stable

Ratings Affirmed

Local Government

Union Cnty, TN 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.

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