

Research Update:

Fairfield Community School District, IA 2026 School Infrastructure Sales, Services, And Use Tax Revenue Bonds Rated 'A+'

March 12, 2026

Overview

- S&P Global Ratings assigned its 'A+' long-term rating to [Fairfield Community School District](#) (CSD), Iowa's anticipated \$21.690 million series 2026 school infrastructure sales, services, and use tax revenue bonds.
- The outlook is stable.

Rationale

Security

The bonds are secured by a first lien on state-collected sales and services tax revenue for school infrastructure and benefit from a cash-funded debt service reserve equal to the lowest of maximum annual debt service (MADS), 10% of principal, or 125% of average annual debt service (the standard three-pronged test). We rate the bonds under our [priority-lien tax revenue debt](#) criteria (Oct. 22, 2018), which considers pledged revenue strength and stability and the district's creditworthiness.

Iowa's Secure an Advanced Vision for Education legislation establishes a statewide one-cent sales tax for school infrastructure authorized through Jan. 1, 2051, which exceeds final bond maturity on June 1, 2045. The Iowa Department of Revenue transfers the amount of tax revenue attributable to each school district remitted in the preceding month on a per-pupil basis. The per-pupil calculation compares actual in-district certified enrollment with total statewide enrollment. All districts receive the same amount of per-pupil revenue, most recently \$1,323 in fiscal 2025. Projected per-pupil revenue for fiscal 2026 is \$1,358.

Officials intend to use series 2026 bond proceeds to fund renovations, security enhancements, and facility improvements for the district's middle school.

Credit highlights

The rating reflects a statewide revenue base that has supported rising per-pupil distributions, stable enrollment, and MADS coverage above the 1.35x additional bonds test (ABT). We expect

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stable-to-growing per-pupil revenue will support consistent pledged revenue and prevent coverage deterioration despite the district's declining enrollment trend.

Based on our stress scenarios and fiscal 2025 revenue, we determine the district would need 1x MADS coverage with 1,116 students, or a loss of 364, or a 25% decrease. In addition, if certified student enrollment were to remain constant at 1,480, we calculate that per-pupil revenue would need to decline to \$1,040 for the district to have 1x MADS coverage.

Factors incorporated into our analysis include the following credit factors:

- Economic fundamentals are very strong. Because pledged revenue is derived from a statewide base and allocated by enrollment, we use the state as the economic foundation, which provides diversification and limits exposure to local economic volatility. Iowa's population (about 3.2 million) and employment growth have trailed those of the nation, although unemployment has historically remained below the U.S. rate. Per capita effective buying income equals 93% of the national level.
- Revenue volatility is low. Macroeconomic volatility reflects historical volatility of taxed activity and societal, demographic, political, and other structural factors. Sales tax collections have historically exhibited relatively stable performance across economic cycles at the state level. At the microeconomic level, we see no offsetting risks. Under the funding formula, districts with modest enrollment declines have generally reported flat-to-growing year-over-year revenue and stable debt service coverage (DSC), supporting revenue stability even in localized demographic softness.
- Coverage and liquidity is adequate-to-strong. Based on a 1.35x ABT, fiscal 2025 collections provide 1.35x MADS coverage, which is structured to increase to 1.39x in fiscal 2029 and remain level through maturity in fiscal 2050 with no assumed growth; MADS occurs in fiscal 2027. The district currently does not plan to issue additional SAVE bonds, and the bonds benefit from a cash-funded debt service reserve meeting the standard three-pronged test.
- There is a close relationship between the priority-lien pledge and the obligor's pledge because the flow of funds leads to a one-notch upward limitation compared with the district's general creditworthiness. The close linkage with the district's general creditworthiness does not constrain the pledged revenue structure's credit factors.

Environmental, social, and governance

Midwestern exposure to tornadoes and flooding presents episodic environmental risk that could affect district finances. Social risk is modestly negative due to sustained enrollment declines that could pressure pledged revenue over time, though rising per-pupil distributions typically offset modest losses. We view governance factors as neutral.

Outlook

The stable outlook reflects S&P Global Ratings' opinion that pledged revenue will likely provide sufficient annual DSC due to the lack of debt plans, growing per-pupil allocations, and external liquidity provided by the district's debt service reserve fund.

Downside scenario

Although unlikely, we could lower the rating if statewide sales tax collections were to decrease or if enrollment were to drop to such a degree that pledged revenue also significantly deteriorated, leading to lower-than-expected DSC.

Upside scenario

In our opinion, a higher rating during the two-year outlook is unlikely due to a relatively low ABT. However, we could raise the rating if bond provisions were to strengthen, reinforcing our view of the obligor's commitment to maintain adequate to strong coverage.

Fairfield Community School District, Iowa--key credit metrics

	Metric
Economic data	
Economy	Very strong
EBI level per capita % of U.S.	93
Statewide revenue base	Yes
Population (obligor)	3,216,993
Population (MSA)	N/A
Financial data	
Revenue volatility	Low
Coverage and liquidity	Adequate - Strong
Baseline coverage assessment	ABT
MADS coverage (x)	1.35
MADS year	2027
Annual debt service coverage (x)	2.84
2-year pledged revenue change (%)	7.74
Bond provisions	
ABT (x)	1.35
ABT type	MADS
ABT period	Historical
DSRF type	Lowest of 3-pronged test
Obligor relationship	
Obligor linkage	Close
PL rating limit (number of notches above OC)	1

Data points and ratios may reflect analytical adjustments. EBI--Effective buying income. MSA--Metropolitan statistical area. MADS--Maximum annual debt service. ABT--Additional bonds test. DSRF--Debt service reserve fund. PL--Priority lien. OC--Obligor creditworthiness. N/A--Not available. 3-pronged test--MADS, 10% of principal, or 125% of average annual debt service.

Ratings List

New Issue Ratings

US\$21.69 mil sch infrastructure sales, svcrs & use tax rev bnds ser 2026 due 06/01/2050

Long Term Rating A+/Stable

New Rating

Local Government

Ratings List

Fairfield Comnty Sch Dist, IA School Infrastructure Sales Tax	A+/Stable
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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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