

Research Update:

Perry Community School District, IA Series 2026 Infrastructure Sales, Services, And Use Tax Bonds Rated 'A'

March 10, 2026

Overview

- S&P Global Ratings assigned its 'A' long-term rating to [Perry Community School District](#), Iowa's \$3 million series 2026 school infrastructure sales, services, and use tax bonds.
- We also affirmed our 'A' long-term rating on the district's parity bonds outstanding.
- 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 meeting the standard three-prong 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.

The district intends to use the series 2026 bond proceeds to fund renovations to the elementary school. This is the final portion of the total \$13 million issued for the project.

Credit highlights

Primary Contact

Alison Kaye
Chicago
1-312-233-7162
alison.kaye
@spglobal.com

Secondary Contact

Helen Samuelson
Chicago
+ 1 (312) 233 7011
helen.samuelson
@spglobal.com

The rating reflects a statewide revenue base that has supported rising per-pupil distributions, offsetting modest enrollment declines, and sustaining maximum annual debt service (MADS) coverage above the 1.3x additional bonds test (ABT). We expect stable-to-growing per-pupil revenue will support consistent pledged revenue and prevent coverage deterioration even as management expects to lose approximately five students annually.

Based on our stress scenarios, we determine the district would still have 1x MADS coverage with 1,400 students, or a loss of 396, or a 22% decrease. In addition, if certified student enrollment were to remain constant at 1,796, we calculate that per-pupil revenue could decrease to \$1,058 and that the district would still have 1x MADS coverage.

Factors incorporated into our analysis include:

- Very strong economic fundamentals. 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.
- Low revenue volatility. 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.
- Weak-to-adequate coverage and liquidity. Based on a 1.3x ABT, fiscal 2025 collections provide 1.33x MADS coverage, while estimated fiscal 2026 collections provide 1.29x MADS coverage, which is slightly below the ABT. However, we expect growing per-pupil revenue will support weak-to-adequate MADS coverage over the long term. MADS occurs in fiscal 2026. The district has no near-term debt plans, and the bonds benefit from a cash-funded debt service reserve meeting the standard three-prong test.
- 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.
- The obligor's creditworthiness reflects the district's improving financial position after implementing deficit reduction measures. Fiscal 2025 estimates reflect a near-breakeven result and management expects fiscal 2026 results will reflect a surplus, with the unassigned general fund balance reaching approximately \$6 million, bringing reserves to approximately 17% of revenues. Management is forward-looking and maintains investment and debt policies with a 10%-15% reserve target. The district experienced population and enrollment decline in 2024 following a Tyson plant closure affecting 1,200 employees, but its proximity to Des Moines and Dallas County's robust population growth (45.6% over 10 years) provides offsetting strengths. Management also notes that new jobs are slowly being added to the district, suggesting a gradual recovery.

Environmental, social, and governance

We have analyzed the district's environmental, social, and governance factors and view them as neutral in our credit analysis. However, social capital risks weigh somewhat negatively on the credit rating given a sustained negative enrollment trend could result in lower pledged revenue over time. Nevertheless, districts can typically sustain a modest degree of enrollment losses and still generate revenue growth because of consistently rising per-pupil revenue.

Outlook

The stable outlook reflects our expectation that pledged revenue will provide sufficient coverage.

Downside scenario

Although unlikely, we could lower the rating if statewide sales tax collections decrease or enrollment falls to a degree that pledged revenue also significantly deteriorates, leading to lower-than-expected DSC. We could also take a negative rating action if the obligor creditworthiness weakens.

Upside scenario

We could take a positive rating action if the district sustains stronger DSC or if the enrollment trend sustainably improves.

Perry Community School District, Iowa--economic data

Economy	Very strong
EBI level per capita % of U.S.	93
Statewide revenue base	Yes
Population (statewide)	3,216,993
Population (MSA)	Not applicable
Financial data	
Revenue volatility	Low
Coverage and liquidity	Weak - adequate
Baseline coverage assessment	MADS
MADS coverage (x)	1.34
MADS year	2026
Annual debt service coverage (x)	2.02
2-year pledged revenue change (%)	15.42
Bond provisions	
ABT (x)	1.30
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

Perry Community School District, Iowa--economic data

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. 3-pronged test--MADS, 10% of principal, or 125% of average annual debt service.

Ratings List

New Issue Ratings

US\$3.000 mil sch infrastructure sales, svcrs & use tax rev bnds ser 2026 due 07/01/2046

Long Term Rating	A/Stable
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Ratings Affirmed

Local Government

Perry 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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