

Research Update:

Palestine Independent School District, TX Series 2026 Unlimited-Tax School Building And Refunding Bonds Rated 'A'

March 31, 2026

Overview

- S&P Global Ratings assigned its 'AAA' long-term rating (based on credit enhancement) and 'A' underlying rating to [Palestine Independent School District](#), Texas' approximately \$92 million series 2026 unlimited-tax refunding bonds.
- At the same time, S&P Global Ratings affirmed its 'A' underlying rating on the district's general obligation bonds.
- The outlook is stable.

Rationale

Security

Revenue from an unlimited ad valorem tax levied on all taxable property secures the bonds. Bond proceeds will be used to fund the cost of acquiring, constructing, renovating, or equipping school buildings; the purchase of sites for school infrastructure; the purchase of new school buses; and to refund a portion of the district's bonds outstanding.

The long-term enhanced rating reflects our view of the district's eligibility for, and participation in, the Texas Permanent School Fund bond guarantee program. For more information, see "[Texas Permanent School Fund Bond Guarantee Program Rating Affirmed At 'AAA'](#)," Aug. 27, 2025.

Credit highlights

The underlying rating reflects the district's limited-yet-growing economy, negative operating performance in three of the past four years, and reserves that we view as nominally low.

Palestine Independent School District is 95 miles southeast of Dallas and 135 miles north of Houston. The district's tax base is very diverse, with assessed value (AV) increasing in recent years. The district projects an increase of 2%-3% in AV over the next few years, spurred by rising local property values. We anticipate the district will likely continue to experience AV growth given increased residential and commercial development.

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The district has experienced negative operating performance in three of the past four years. In fiscal 2022, the district realized a deficit of approximately \$1.7 million, driven by one-time capital outlay for improvements to athletic facilities and the construction of a career and technological facility. The approximately 5.5% deficit in fiscal 2024 was spurred by a funding dispute between the district and the Texas School Health and Related Services program. The district realized another deficit in fiscal 2025, driven by stagnant state funding and increased maintenance and operations (M&O) costs. The district expects to reduce some of its M&O costs through the renovations to be completed with this bond issuance. The district anticipates eliminating approximately \$500,000 annually from its custodial contract through the elimination of maintenance costs such as the need to wax floors. It also expects to save an estimated \$200,000 per year in electricity costs and an additional \$200,000-\$400,000 annually in maintenance and repairs and insurance costs after the bond projects are completed. The district adopted a breakeven budget for fiscal 2026 but is performing better than budgeted and management projects a surplus of \$500,000-\$750,000. The district projects a return to its general fund policy of maintaining two-three months of expenditure by fiscal 2028 at the latest through conservative budgeting practices and cost savings attributed to the completion of bond projects.

The rating reflects our opinion of the following credit factors:

- The district's tax base is stable with a local economy that is based in agriculture, manufacturing, and mineral production. Gross county product and per capita personal income metrics are lower than those of similarly rated peers.
- Reserves are low on a percentage basis when compared with those of peers, which we view as a credit weakness. The district anticipates a 10-cent increase in the interest and sinking tax rate in fiscal 2027 after the issuance of the bonds.
- Key management practices and policies include the use of the state aid formula and historical actual revenue and expenditure figures from a three- to five-year period to formulate revenue and expenditure projections for the next year's budget. The district amends the budget as needed and updates the board monthly. The district also has a formal investment policy and provides earnings and holdings reports to the board monthly. The district has an informal goal of maintaining two-three months of expenditures. The district also has an informal long-term capital plan and long-term financial plan that is projected out four years, and it reviews investments with the board annually. The district does not have a debt management policy. Cyber practices are in line with those of peers.
- Although the district's debt net debt per capita remains elevated, we anticipate direct debt will moderate, given the lack of future debt plans.
- For more information on our institutional framework assessment for Texas school districts, see "[Institutional Framework Assessment: Texas Local Governments](#)," Sept. 9, 2024.

Environmental, social, and governance

We consider Palestine Independent School District's environmental, social, and governance factors neutral in our credit analysis.

Outlook

The stable outlook reflects our expectation that the district will make significant progress toward returning to its general fund policy level, supported by its stable economy and enrollment.

Downside scenario

We could lower the rating if the district's reserves decrease further or if its finances do not perform as expected.

Upside scenario

We could raise the rating if the district sees a material increase in its reserve position.

Palestine Independent School District, Texas--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	3.50
Economy	6.0
Financial performance	3
Reserves and liquidity	2
Management	3.00
Debt and liabilities	3.50

Palestine Independent School District, Texas--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita % of U.S.	53	--	53	55
County PCPI % of U.S.	64	--	64	66
Market value (\$000s)	1,490,554	1,455,858	1,393,097	1,327,699
Market value per capita (\$)	69,486	67,869	64,943	61,938
Top 10 taxpayers % of taxable value	12.6	13.4	13.9	12.8
County unemployment rate (%)	3.9	3.9	4.4	4.1
Local median household EBI % of U.S.	76	--	76	71
Local per capita EBI % of U.S.	70	--	70	66
Local population	21,451	--	21,451	21,436
Financial performance				
Operating fund revenues (\$000s)	--	38,930	40,387	39,212
Operating fund expenditures (\$000s)	--	41,395	40,628	39,081
Net transfers and other adjustments (\$000s)	--	--	--	--
Operating result (\$000s)	--	(2,465)	(241)	131
Operating result % of revenues	--	(6.3)	(0.6)	0.3
Operating result three-year average %	--	(2.2)	(1.6)	(2.5)
Enrollment	--	3,170	3,247	3,278
Reserves and liquidity				
Available reserves % of operating revenues	--	14.7	20.3	21.5
Available reserves (\$000s)	--	5,721	8,191	8,431
Debt and liabilities				
Debt service cost % of revenues	--	7.9	7.5	7.1
Net direct debt per capita (\$)	4,580	1,758	1,912	2,392

Palestine Independent School District, Texas--key credit metrics

	Most recent	2025	2024	2023
Net direct debt (\$000s)	98,245	37,713	41,006	51,265
Direct debt 10-year amortization (%)	33	88	78	60
Pension and OPEB cost % of revenues	--	3.0	3.0	3.0
NPLs per capita (\$)	--	576	576	838
Combined NPLs (\$000s)	--	12,350	12,350	17,956

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\$91,825,000 Palestine Independent School District, Anderson County, Texas, Unlimited Tax School Building and Refunding Bonds, Series 2026, dated: May 1, 2026, due: February 15, 2053

Long Term Rating AAA/Stable

Underlying Rating for Credit Program A/Stable

Ratings Affirmed

Local Government

Palestine Indpt Sch Dist, TX Unlimited Tax General Obligation A/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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Palestine Independent School District, TX Series 2026 Unlimited-Tax School Building And Refunding Bonds Rated 'A'

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