

Research Update:

# Le Mars Community School District, IA 2026 Revenue Bond Rating Removed From CreditWatch With Negative Implications

May 21, 2026

## Overview

- S&P Global Ratings affirmed its 'A+' rating on [Le Mars Community School District](#) (CSD), Iowa's \$22.905 million series 2026 school infrastructure sales, services, and use tax revenue bonds, and removed the rating from CreditWatch with negative implications, where it was placed on May 13, 2026.
- The outlook is stable.
- The removal from CreditWatch reflects our view that while recently enacted legislation will likely reduce debt service coverage (DSC), we expect coverage will remain consistent with the 'A+' rating, due in part to a reduction in principal on the proposed series 2026 bonds and an existing coverage cushion.

## Primary Contact

**Charlie G Salmans**  
Chicago  
1-312-233-7039  
charlie.salmans  
@spglobal.com

## Secondary Contact

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

## Rationale

### Security

The bonds are secured by a first lien on net distributions from a statewide one-cent sales and services tax allocated to school districts on a per pupil basis for school infrastructure. 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.

The district will use the bond proceeds to fund the construction of an elementary school to replace three aging and undersized elementary school buildings, with \$50 million in voter-authorized general obligation debt providing separate funding. When we initially rated the series 2026 bonds the principal amount anticipated was \$24 million, but according to the district, the project scope ultimately required a modestly smaller principal amount of \$22.905 million. The bonds have not yet sold.

Senate File (SF) 2472, signed by the governor on May 18, 2026, incrementally increases the share of the 1% sales tax that is diverted for property tax relief from 7.1% to 25% in fiscal 2031. We

expect this legislation will generally reduce DSC, and therefore, we placed all Iowa school district sales tax bond ratings on CreditWatch with negative implications on May 13, 2026. (For more information, see our [research update](#), May 13, 2026.)

## Credit highlights

Although SF 2472 will likely lead to a notable drop in Le Mars CSD's DSC, our coverage assessment is unchanged from our previous full review at adequate, reflecting that we expect maximum annual debt service (MADS) coverage to remain above the district's 1.30x additional bonds test (ABT). Therefore, we continue to base our coverage assessment on the ABT.

Accounting for SF 2472, we have applied stress tests assuming different enrollment and revenue scenarios, including if enrollment declines at a similar pace as it has in recent years, and coverage remains consistent with the rating.

Certified enrollment has generally hovered at 2,100-2,200 in the past 10 years, with recent modest decreases within this range due to larger graduating classes. Enrollment could continue to drop modestly as a result of slightly larger graduating classes in the near term, but local population growth (5% in the past 10 years), access to employment opportunities in Sioux City 25 miles southwest, and ongoing residential development could lead enrollment to level out.

The local economy relies somewhat on Wells Enterprises Inc., an ice cream producer that is the dominant employer, presenting some risk to enrollment if the company were to relocate or downsize operations. However, Wells has been headquartered in the district for more than 100 years and has added 800 jobs in the past 10 years, indicating that it will likely remain a stable presence.

The rating further reflects our view of the following:

- Economic fundamentals are very strong, reflecting the depth and breadth of the statewide pledged revenue base. 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. Iowa's per capita effective buying income equals 93% of the national level.
- Revenue volatility is low, reflecting that the volatility of the statewide base has been consistent with that of national retail and food services sales, performing in a relatively stable manner across economic cycles. At the local level, we see no risks warranting a lower score. Districts with modest downturns in enrollment have generally reported flat-to-increasing year-over-year revenue and stable DSC, though SF 2472 will likely interrupt this trend during its five-year phase-in.
- Coverage and liquidity are adequate. Fiscal 2025 collections provide 1.70x MADS coverage, though MADS coverage will likely weaken as SF 2472 is phased in. MADS occurs in fiscal 2031, though debt service is approximately level until the final maturity in 2046. Although the district has no additional parity debt plans, we base our coverage assessment on the 1.30x ABT, reflecting that most Iowa school districts tend to issue debt to the ABT's full extent given that pledged revenue can be used only for capital or debt service.
- The rating is limited to no more than one notch higher than the obligor's creditworthiness because the CSD receives pledged revenue from the state, is responsible for paying debt service, and does not benefit from a limited scope of operations or extraordinary expenditure flexibility.
- The district's operating performance has been consistently positive as a result of long-term planning and a strategic buildup of reserves in anticipation of a reduction in state aid growth.

Unaudited fiscal 2025 results show an approximately \$300,000 general fund surplus (1% of operating revenue), and management expects another slight surplus in fiscal 2026. Management expects a modest \$500,000 (2%) deficit in fiscal 2027 due to the recent drop in enrollment, but in our view this budget gap is manageable, particularly given the district's track record of well-managed finances, and our expectation that reserves will remain healthy. For more information on our view of the obligor's creditworthiness, see [our report](#) on the district's general obligation debt, June 5, 2025.

## Environmental, social, and governance

In our view, the district is exposed to physical risk given that agriculture is a meaningful portion of Plymouth County's economic output and that northwestern Iowa has a long-term susceptibility to drought, which could negatively affect enrollment and therefore, pledged revenue. Social and governance factors are neutral in our credit analysis.

## Outlook

The stable outlook reflects our expectation that despite the change brought by SF 2472, the district's MADS coverage will remain supportive of the rating as revenues are diverted, with the expanding local population, ongoing residential development, and access to Sioux City supporting enrollment.

## Downside scenario

We could lower the rating if pledged revenue deteriorated significantly as a result of decreases in statewide sales tax collections, future legislative changes reducing net distributions, or declines in certified enrollment, leading to lower-than-expected coverage. We could also do so if the obligor's creditworthiness were to significantly weaken.

## Upside scenario

A positive rating action is limited given the lower ABT relative to that of higher-rated issuers.

## Le Mars Community School District, Iowa--key credit metrics

<b>Economy</b>	Very strong
EBI level per capita as % of U.S.	93
Statewide revenue base	Yes
Population (obligor)	14,167
Population (statewide)	3,207,748
<b>Financial data</b>	
Revenue volatility	Low
Coverage and liquidity	Adequate
Baseline coverage assessment	ABT
MADS coverage (x)	1.70
MADS year	2031
Annual debt service coverage (x)	N.M.
Two-year pledged revenue change (%)	8.34

## Le Mars Community School District, Iowa--key credit metrics

### Bond provisions

ABT (x)	1.30
ABT type	MADS
ABT period	Historical
DSRF type	Lowest of three-pronged test

### Obligor relationship

Obligor linkage	Close
PL rating limit (number of notches above OC)	1

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

### Ratings List

#### Outlook Action

	To	From
<b>Local Government</b>		
Le Mars Comnty Sch Dist, IA Sales Tax Revenues	A+/Stable	A+/Watch Neg

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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