

Research Update:

# Galva-Holstein Community School District, IA Series 2026 Revenue Bonds 'A' Rating Affirmed, Removed From CreditWatch

May 29, 2026

## Overview

- S&P Global Ratings affirmed its 'A' long-term rating on Galva-Holstein Community School District (CSD), Iowa's anticipated \$6.1 million series 2026 school infrastructure sales, services, and use tax revenue bonds and removed the rating from CreditWatch, where it had been placed with negative implications on May 13, 2026.
- The outlook is stable.
- The removal of the rating from CreditWatch reflects our view that coverage will remain supportive of the rating. While recently enacted legislation will likely reduce future pledged revenue, the restructuring of the bonds to mature five years later than originally planned provides sufficient capacity to accommodate this anticipated reduction, in our view.

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## Rationale

### Security

A first lien on state-collected sales and services tax revenue for school infrastructure, along with the 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), secures the bonds. 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 Senate File (SF) 2472, signed by the governor on May 18, 2026, incrementally increases the share of the sales tax that is diverted for property tax relief to 25.0% in fiscal 2031 from 7.1% currently. We expect this legislation may reduce debt service coverage (DSC), and therefore we placed all Iowa school district sales tax ratings on CreditWatch with negative implications on May 13, 2026. (For more information, see "[Iowa School District Priority-Lien Ratings Put On CreditWatch Negative Due To Legislative Changes To Property Tax Reform](#)," May 13, 2026.)

Officials will use series 2026 bond proceeds to fund infrastructure improvements and maintenance throughout facilities. When we initially rated the series 2026 bonds, the principal

amount anticipated was \$6.3 million, but in response to SF 2472, the par has been lowered slightly to \$6.1 million, and the maturities have been extended by five years. The bonds have not yet closed.

## Credit highlights

We believe SF 2472 will likely lead to a drop in pledged revenue, indicating to us that MADS coverage could trend below the district's additional bonds test (ABT) of 1.35x unless statewide gross taxable sales show healthy year-over-year growth. Further rating limitations include the district's relatively small enrollment base, its historic and projected modest enrollment declines, and the local economy's limited growth prospects.

Accounting for SF 2472, we have applied stress tests assuming different variations of flat enrollment, flat gross sales tax revenue, enrollment declines in line with state projections, and 2.44% gross sales tax revenue growth (which is the 25-year average retail sales growth in Iowa). In most scenarios, near-term MADS coverage drops to as low as 1.28x by fiscal 2028, below the ABT. Galva-Holstein CSD's enrollment has dropped by 4% in the past five years, a trend we expect could continue given the modestly declining local population (1.4% in the past 10 years) and state enrollment projections.

The rating further reflects our view of the district's:

- 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, providing diversification and limiting 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 is 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.
- Weak-to-adequate coverage and liquidity. While projected pledged revenue collections for fiscal 2026 start out strong, providing 1.45x MADS coverage, we believe the effects of SF 2472 may cause weakening coverage, potentially to levels below the district's ABT. The 2026 bonds are structured with level debt service when the remaining \$760,000 of privately placed series 2013 bonds mature in fiscal 2030. The district has no parity debt plans. A debt service reserve fund cash-funded from bond proceeds meets the standard three-pronged test.
- 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 general creditworthiness does not constrain the pledged revenue structure's credit factors.
- The obligor's creditworthiness is underpinned by strong financial health, supported by conservative budgeting practices and proactive management. This approach has resulted in a robust five-year average reserve position equal to 53% of general fund revenue. Officials anticipate continued positive financial performance in fiscal 2026 and as they prepare the fiscal 2027 budget. Located in rural Ida County, the district serves a small population and is characterized by a significant agricultural presence. The district currently has approximately \$11 million in outstanding general obligation debt, and its overall debt profile remains manageable.

## Environmental, social, and governance

The Midwest's exposure to tornadoes and flooding presents episodic environmental risk that could affect district finances. Social risk is modestly negative as a result of sustained enrollment declines that could pressure pledged revenue over time. We view governance factors as credit-neutral.

## Outlook

The stable outlook reflects S&P Global Ratings' opinion that despite the change brought by SF 2472, pledged revenue will likely provide sufficient annual DSC given the district's absence of debt plans, its growing per-pupil allocations, and liquidity provided by the debt service reserve fund.

## Downside scenario

We could lower the rating if pledged revenue significantly deteriorated due to decreases in statewide sales tax collections, future legislative changes reducing net distributions, or declines in certified enrollment, leading to lower-than-expected DSC, or if the obligor's creditworthiness materially weakened.

## Upside scenario

We could raise the rating if pledged revenue trends improve, and if DSC is sustained at higher-than-expected levels.

## Galva-Holstein Community School District, Iowa--Key credit metrics

	Metric
<b>Economic data</b>	
Economy	Very strong
EBI level per capita % of U.S.	93
Statewide revenue base	Yes
Population (obligor)	2,662
Population (statewide)	3,216,993
<b>Financial data</b>	
Revenue volatility	Low
Coverage and liquidity	Weak - adequate
Baseline coverage assessment	MADS
MADS coverage (x)	1.38
MADS year	2028
Annual debt service coverage (x)	2.86
2-year pledged revenue change (%)	6.88
<b>Bond provisions</b>	
ABT (x)	1.35
ABT type	MADS
ABT period	Historical
DSRF type	Lowest of 3-pronged test

## Galva-Holstein Community School District, Iowa--Key credit metrics

	Metric
<b>Obligor relationship</b>	
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

Outlook Action	To	From
<b>Local Government</b>		
Galva-Holstein Comnty Sch Dist, IA School Infrastructure Sales Tax	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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