CREDIT OPINION
5 August 2026

Send Your Feedback

Contacts

Brittany Burrell +1.214.979.6896
AVP-Ratings
brittany.burrell@moodys.com

Adebola Kushimo +1.214.979.6847
Exec Dir-Ratings
adebola.kushimo@moodys.com

Hays Consolidated I.S.D., TX

Update to credit analysis following downgrade

Summary

The credit profile of Hays Consolidated Independent School District, TX (A1 stable) is underpinned by the district's growing economy favorably located just south of Austin, which has contributed to steady enrollment growth. Enrollment growth, which will continue over the next several years though at a slightly slower pace, has led to increases in operating expenses and capital needs, pressuring the district's finances. Reserve have seen material declines in recent years but are expected to remain stable through fiscal 2027. Leverage will remain elevated as the district issues remaining authorized debt in the coming years.

Credit strengths

» Trend of positive enrollment growth

» Above average resident income and property wealth

Credit challenges

» Elevated long-term liabilities and fixed costs

» Enrollment growth will continue to drive capital needs

» Though stabilizing, operating reserves remain below similarly-rated peers

Rating outlook

The stable outlook reflects our view that the district's reserves will stabilize in fiscals 2026 and 2027, supported by material, recurring expenditure reductions and expected one-time revenues. The stable outlook also reflects the expectation that economic, enrollment, and revenue growth will keep the high leverage ratios manageable. Failure to maintain balanced operations will negatively pressure the rating.

Factors that could lead to an upgrade

» Trend of surplus operations leading to improved financial reserves more in line with higher rated peers, typically well above 25% of revenue

» Sustained moderation of long-term liabilities and fixed costs below 400% and 20% of revenue, respectively

Factors that could lead to a downgrade

» Actual financial results weaker than current fiscal 2026 estimates and fiscal 2027 projections

» Inability to sustain structural balance and rebuild available reserves, particularly if declines are concentrated in the general fund

» Long-term liabilities exceeding 550% of revenue

» Lower than expected or reduced enrollment, tax base, or operating revenue growth that reduces debt affordability

Key indicators

Exhibit 1

Hays Consolidated Independent School District, TX

	2022	2023	2024	2025	A Medians
Economy					
Resident income	122.5%	124.6%	128.4%	N/A	N/A
Full value ($000)	$11,802,567	$15,936,555	$17,979,419	$19,500,186	$1,239,292
Population	117,878	123,650	131,682	N/A	12,617
Full value per capita	$100,125	$128,884	$136,537	N/A	$99,324
Enrollment	21,405	22,297	23,313	24,330	1,701
Enrollment trend	2.4%	2.4%	4.7%	4.4%	N/A
Financial performance					
Operating revenue ($000)	$258,474	$285,428	$317,792	$349,309	$31,734
Available fund balance ($000)	$91,444	$81,043	$65,956	$61,253	$8,037
Net cash ($000)	$89,839	$91,558	$55,159	$64,023	$9,442
Available fund balance ratio	35.4%	28.4%	20.8%	17.5%	25.7%
Net cash ratio	34.8%	32.1%	17.4%	18.3%	33.2%
Leverage					
Debt ($000)	$567,886	$695,948	$951,179	$885,878	$21,998
ANPL ($000)	$215,644	$177,535	$165,277	$169,902	$34,713
OPEB ($000)	$49,751	$35,149	$30,827	$40,983	$2,511
Long-term liabilities ratio	322.4%	318.3%	361.0%	314.0%	N/A
Implied debt service ($000)	$33,949	$39,661	$48,344	$65,830	$1,520
Pension tread water ($000)	$4,024	$7,488	$8,739	$8,113	$1,316
OPEB contributions ($000)	$1,308	$1,454	$1,462	$1,562	$187
Fixed-costs ratio	15.2%	17.0%	18.4%	21.6%	N/A

For definitions of the metrics in the table above please refer to the US K-12 Public School Districts Methodology or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published K12 Median Report.

Sources: US Census Bureau, Hays Consolidated Independent School District, TX's financial statements and Moody's Ratings

Profile

Hays Consolidated Independent School District is located just south of Austin. The district lies primarily within Hays County but also reaches into Caldwell and Travis counties. The district provides K-12 education services to approximately 25,000 students.

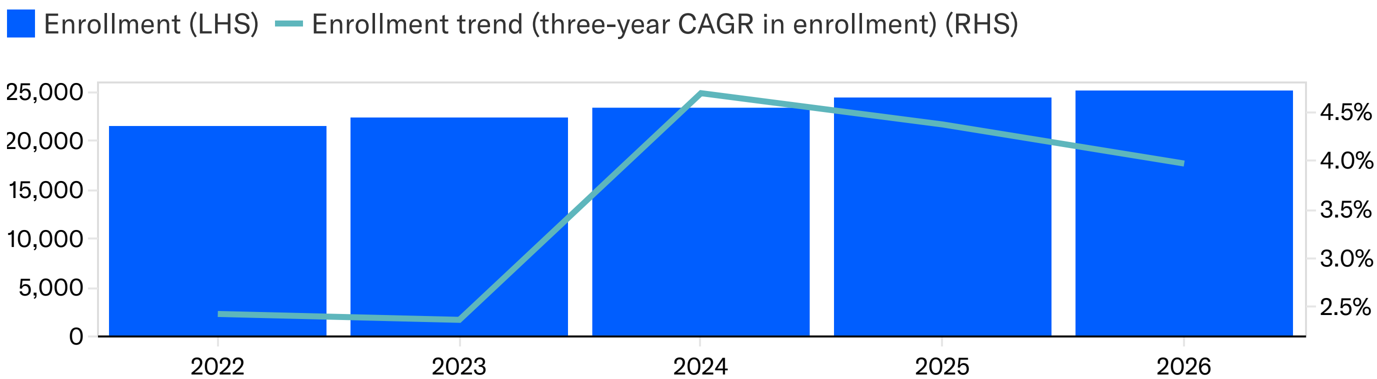
Detailed credit considerations

Economy: growing district in the greater Austin area

The district, favorably located along the I-35 corridor within the greater Austin area, will continue to benefit from ongoing development in the area. Several single family developments are expected to add thousands of homes over the next 10 years and will continue to drive enrollment growth. Enrollment has increased at an average annual rate of 4% over the past three years, reaching 25,000 students at the end of fiscal 2026. Management expects this trend to continue, though at a slightly slower pace, as residential development remains strong.

The district's assessed valuation has seen modest declines in recent years, largely due to increased homestead exemptions, but continues to generate above median full value per capita of about $146,000. Resident incomes remain above the national average at 128% of the US median.

Exhibit 2
Ongoing development continues to drive enrollment growth



Source: Moody's Ratings

Financial operations: return to balanced operations will stabilize reserves

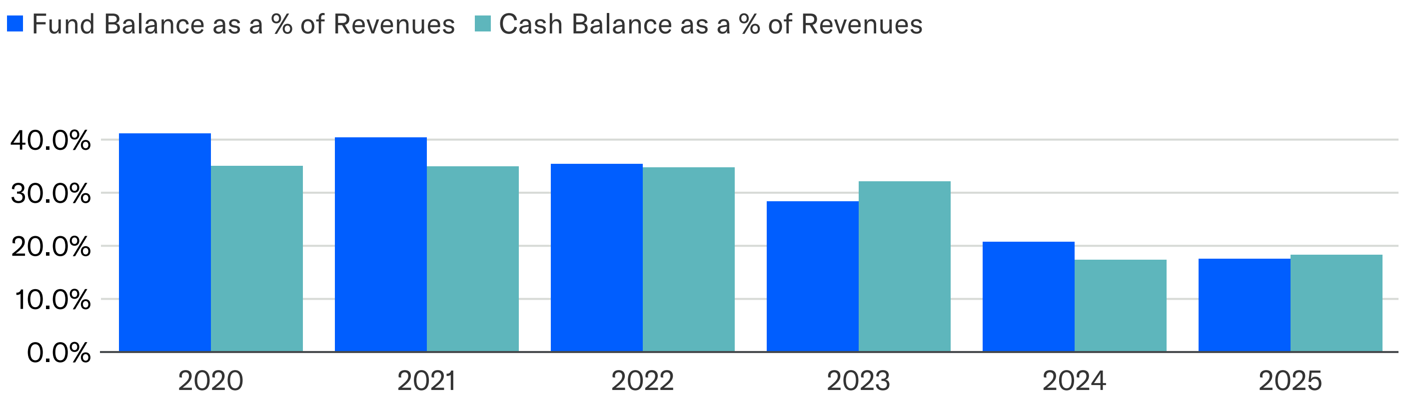
The district's financial position has steadily declined in recent years (see Exhibit 3) but reserves are expected to stabilize in fiscals 2026 and 2027. Deficit operations were due to staff salary increases and higher operating costs from enrollment growth coupled with stagnant state aid. The district has recently made material, recurring expense reductions that are expected to produce surplus general fund operations in 2027. Additionally, the district will sell surplus properties that will provide a one-time boost to reserves of between $4 million and $10 million, though reserves will continue to lag peers over the next few years.

Preliminary fiscal 2026 (June 30 year-end) results indicate stabilization, with balanced operations expected in the general fund and an increase in debt service reserves anticipated. Fiscal 2027 reserves are also expected to remain relatively stable. The adopted fiscal 2027 budget includes a $12 million increase in general fund reserves, though the debt service fund will decline in support of the current issuance.

Management remains committed to right sizing operations and are exploring other measures that could positively impact financial operations, including the creation of a virtual school program to increase student enrollment and generate additional state funding, a year delay in opening the district's new high school and middle school, or a potential voter-approved tax rate election (VATRE) to support growing operational expenses.

The district ended fiscal 2025 with a $6.4 million general fund deficit, bringing available general fund balance to $21 million, or 8.3% of general fund revenue, which is well below sector peers. When including the debt service fund, the available operating fund balance is $61.3 million or 17.5% of revenue, which is also below the median of the rating category.

Exhibit 3
Reserves have steadily declined in recent years



Source: Moody's Ratings

Liquidity
Similar to fund balance, cash levels are projected to stabilize in fiscal 2026. The district will use debt service funds in support of the current issuance in fiscal 2027, but this will be offset by expected surpluses in the general fund. The district closed fiscal 2025 with $64 million in operating liquidity, representing a below median 18% of operating revenue.

Leverage: leverage will remain elevated but manageable
The district's long-term liabilities and fixed costs will remain high over because of ongoing infrastructure needs created by enrollment growth. Even so, leverage ratios will remain manageable supported by the district's growing economy which will support continued revenue growth. Inclusive of the Series 2026 debt, the district's long-term liabilities ratio will be about 450% of adopted 2027 operating revenue, which is elevated relative to similarly rated peers.

District voters approved $962.6 million in GO bonds in May 2025 to fund facilities projects throughout the district to accommodate steady enrollment growth. After the current issuance, the district will have about $189.6 million in authorized unissued debt remaining, which will likely be issued over the next couple of years, dependent on capacity within the I&S tax rate.

Debt structure
All of the district's debt is fixed rate and amortizes over the long-term with final maturity in fiscal 2056.

Pensions and OPEB
The district participates in the Texas Teachers Retirement System (TRS) pension plan. The State of Texas annually makes the majority of the employer pension contributions on behalf of districts statewide. Given this continued support, budgetary pressure associated with the plan will remain minimal.

For fiscal 2025, the district reported a GASB net pension liability of $75 million, based on a 7% discount rate. Comparatively, the Moody's adjusted net pension liability (ANPL) based on a 5% discount rate (FTSE pension liability index), was $169.9 million or a modest 0.5 times annual operating revenues in fiscal 2025.

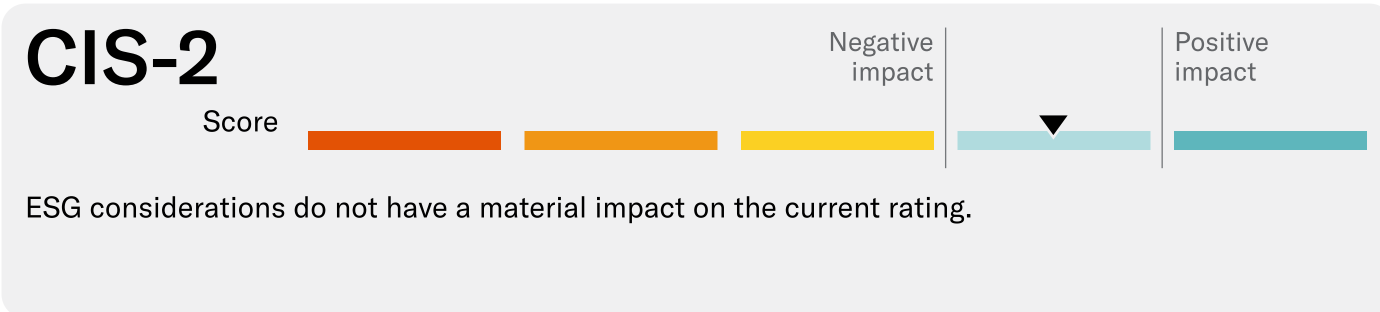
In fiscal 2025 the district made $7.6 million in pension contributions, net of self-supporting contributions. This contribution was below the Moody's calculated "tread water" level of $8.1 million. The "tread water" indicator measures the annual government contributions required to prevent reported net pension liabilities from growing, under reported assumptions.

The district funds other post-employment benefits (OPEB) on a pay-as-you-go basis and contributed $1.6 million in fiscal 2025. Moody's adjusted net OPEB liability (ANOL) is $41 million, or a manageable 12% of operating revenue.

ESG considerations

Hays Consolidated I.S.D., TX's ESG credit impact score is CIS-2

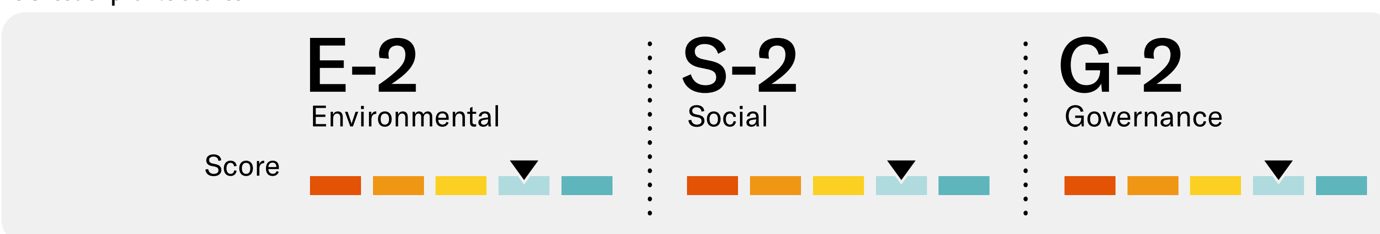
Exhibit 4
ESG credit impact score



Source: Moody's Ratings

Hays CISD's **CIS-2** indicates that ESG considerations are not material to the rating. The district has low exposure to environmental, social, and governance risks.

Exhibit 5
ESG issuer profile scores



Source: Moody's Ratings

Environmental

The district's **E-2** issuer profile score reflects low exposure to environmental risks across all categories including physical climate risks, carbon transition, water management, natural capital, and waste and pollution.

Social

The district's **S-2** issuer profile score reflects strong demographics as evidenced by a history of population and enrollment growth. The district has relatively low exposure to social risks across all categories, including labor and income, education, housing, health and safety, and access to basic services.

Governance

The district's **G-2** issuer profile score reflects the district's budget management which has been challenged by an ability to maintain structurally balanced operations given rising costs associated with rapid enrollment growth and a stagnant state funding environment. The district has made material expenditure cuts to right-size operations which is expected to stabilize its financial trajectory. The district has a history of solid policy credibility and effectiveness as evidenced by a high capture rate (the percentage of school-aged children within the district's boundaries who attend the district). The district's commitment to transparency and disclosure is on par with peers with timely posting of annual budgets and financial statements. The institutional structure for all Texas school districts is strong.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The US K-12 Public School Districts Methodology includes a scorecard that summarizes the rating factors generally most important to school district credit profiles. Because the scorecard is a summary and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

Exhibit 6
Hays Consolidated I.S.D., TX

	Measure	Weight	Score
Economy			
Resident Income (MHI Adjusted for RPP / US MHI)	128.4%	10.0%	Aaa
Full value per capita (full valuation of the tax base / population)	145,996	10.0%	Aa
Enrollment trend (three-year CAGR in enrollment)	4.0%	10.0%	Aaa
Financial performance			
Available fund balance ratio (available fund balance / operating revenue)	17.5%	20.0%	Aa
Net cash ratio (net cash / operating revenue)	18.3%	10.0%	Aa
Institutional framework			
Institutional Framework	Aa	10.0%	Aa
Leverage			
Long-term liabilities ratio ((debt + ANPL + adjusted net OPEB) / operating revenue)	450.7%	20.0%	Baa
Fixed-costs ratio (adjusted fixed costs / operating revenue)	21.6%	10.0%	A
Notching factors			
No notchings applied			
Scorecard-Indicated Outcome			Aa3
Assigned Rating			**A1**

The complete list of outstanding ratings assigned to the Hays Consolidated Independent School District, TX is available on their issuer page. Details on the current ESG scores assigned to the Hays Consolidated Independent School District, TX are available on their ESGView page.
Sources: US Census Bureau, Hays Consolidated Independent School District, TX's financial statements and Moody's Ratings

Appendix

Exhibit 7
Key Indicators Glossary

	Definition	Typical Source*
Economy		
Resident income	Median Household Income (MHI), adjusted for Regional Price Parity (RPP), as a % of the US	MHI: American Community Survey (US Census Bureau) RPP: US Bureau of Economic Analysis
Full value ($000)	Estimated market value of taxable property accessible to the district	State repositories, district's audited financial reports, offering documents or continuing disclosure
Population	Population of school district	American Community Survey (US Census Bureau)
Full value per capita	Full value / population of school district	
Enrollment	Student enrollment of school district	State data publications
Enrollment trend	3-year Compound Annual Growth Rate (CAGR) of Enrollment	State data publications; Moody's Ratings
Financial performance		
Operating revenue ($000)	Total annual operating revenue in what we consider to be the district's operating funds	Audited financial statements
Available fund balance ($000)	Committed, assigned and unassigned fund balances in what we consider to be the district's operating funds	Audited financial statements
Net cash ($000)	Net cash (cash and liquid investments minus short-term debt) in what we consider to be the district's operating funds	Audited financial statements
Available fund balance ratio	Available fund balance / Operating Revenue	Audited financial statements
Net cash ratio	Net Cash / Operating Revenue	Audited financial statements
Leverage		
Debt ($000)	District's direct gross debt outstanding	Audited financial statements; official statements
ANPL ($000)	District's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
OPEB ($000)	District's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
Long-term liabilities ratio	Debt, ANPL and OPEB liabilities as % of operating revenue	Audited financial statements, official statements; Moody's Ratings
Implied debt service ($000)	Annual cost to amortize district's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Ratings
Pension tread water ($000)	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Ratings
OPEB contributions ($000s)	District's actual contribution in a given period, typically the fiscal year	Audited financial statements; official statements
Fixed-costs ratio	Implied debt service, pension tread water and OPEB contributions as % of operating revenue	Audited financial statements, official statements, pension system financial statements

*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the US K-12 Public School Districts Methodology.
Source: Moody's Ratings

REPORT NUMBER 1490419

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454