

Research Update:

Lake Travis Independent School District, TX GO Bond Rating Outlook Revised To Negative On Deficit Spending Trend

July 23, 2026

Overview

- S&P Global Ratings revised the outlook to negative from stable on [Lake Travis Independent School District](#) (ISD), Texas' outstanding general obligation (GO) bonds.
- At the same time, we assigned our 'AAA' program rating and 'AA+' underlying rating to the district's approximately \$108.1 million series 2026 unlimited-tax school building bonds.
- The negative outlook reflects the recent trend of deficit spending, offset by what we view as sustainable reductions in recurring operating expenditures, which we expect will contribute to a return to at least balanced operations in fiscal 2027 and beyond.

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Rationale

Security

The bonds are secured by an unlimited ad valorem tax levied annually on all taxable property within the district. Bond proceeds will finance construction of athletic facilities in the district.

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

Credit highlights

The negative outlook primarily reflects recent operating deficits, offset by management's credible cost-cutting measures and revenue-raising initiatives, which we expect will restore at least balanced operations beginning in fiscal 2027. The district posted negative revenue variances in fiscal years 2024 and 2025, attributed to several factors including modest enrollment losses, increased homestead exemptions, decreasing certified values, and reductions in school health and related services funding. Although the district anticipates a \$5.3 million surplus for fiscal 2026, this is a technical result of the transition to a June 30 fiscal year-end rather than a

true operational surplus. Management estimates fiscal 2026 ending reserves of approximately \$37 million—approximately 25% of revenue.

We expect the district's ability to sustain balanced operations in fiscal 2027 and beyond will depend on the successful execution of its cost-containment strategies and revenue-raising initiatives. Management has demonstrated a commitment to fiscal discipline by identifying 46 position reductions (campus and administrative) for fiscal 2027 and utilizing one-time measures—such as the \$5.3 million land sale—to replenish fund balances and fund employee retention incentives. We view as credible the district's plans to increase recurring revenues, including the implementation of open enrollment and expanded pre-kindergarten programs to mitigate decrease in enrollment, though they are dependent on successful implementation.

The rating further reflects our view of the following:

- Lake Travis ISD's access to the Austin-Round Rock-San Marcos metropolitan statistical area, which has exceptionally strong income and economic output metrics compared with the U.S. average. A recent cooling of home prices and increased homestead exemptions contributed to a modest reduction in taxable value for fiscal 2026. However, officials expect assessed value (AV) to return to growth of approximately 2% in the next two to three years as several subdivisions and commercial additions near completion. For fiscal 2027, we expect the district to adhere to tight expenditure controls and implement programs and initiatives to increase recurring revenues. The ability to sustain balanced operations without relying on one-time measures, such as land sales, remains a key credit consideration in the near term.
- Management's proactive approach to fiscal stabilization through the implementation of cost-containment measures and strategic initiatives to bolster recurring revenues. Budget assumptions are generally conservative, though there are negative revenue variances in the past two audited years due to what we view as optimistic assumptions for enrollment, average daily attendance, and AV growth. Management plans to assume a 1% drop in annual enrollment in the near term to be more conservative on state aid assumptions. The district also plans to continue regular budget monitoring, use formal long-term financial projections, and sustain fund balance in line with the reserve target of 25% of expenditures, net of recapture. We view the issuer's cyber risk mitigation measures as consistent with our view of its credit fundamentals.
- We expect debt and liabilities to remain manageable but elevated compared with those of peers during the outlook period. Although significant capital needs are anticipated—including the completion of a second high school and potential elementary school expansion—the district's long-term capital planning is structured around phased residential growth. Officials expect to issue the \$309.2 million in authorized but unissued debt from the November 2022 referendum for these projects. We do not expect an additional issuance of this size will materially influence our view of debt and liabilities due to steady expansion of population and tax base.
- For more information on our institutional framework assessment for Texas schools, see ["Institutional Framework Assessment: Texas Local Governments,"](#) Sept. 9, 2024.

Outlook

The negative outlook reflects a one-in-three chance that we could lower the rating in the next two years if the district's efforts to align revenues and expenditures do not result in balanced operations as currently expected.

Downside scenario

We could lower the rating if deficit spending continues in fiscal 2027, sustaining reserves below those of similarly rated peers. We could also lower the rating if additional debt issuance materially worsens debt metrics to levels we view as outsized relative to those of peers.

Upside scenario

All other credit factors equal, we could revise the outlook to stable if the district sustains balanced-to-positive operations, contributing to a strengthening of financial performance and reserves compared with those of peers.

Lake Travis Independent School District, Texas--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	2.36
Economy	1.0
Financial performance	3
Reserves and liquidity	1
Management	2.3
Debt and liabilities	4.50

Lake Travis Independent School District, Texas--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita % of U.S.	179	--	179	179
County PCPI % of U.S.	135	--	135	134
Market value (\$000s)	19,933,707	20,660,380	20,135,617	19,221,545
Market value per capita (\$)	292,129	302,778	295,088	286,923
Top 10 taxpayers % of taxable value	5.1	5.1	5.9	5.6
County unemployment rate (%)	3.2	3.4	3.3	3.5
Local median household EBI % of U.S.	183	--	183	189
Local per capita EBI % of U.S.	188	--	188	189
Local population	68,236	--	68,236	66,992
Financial performance				
Operating fund revenues (\$000s)	--	157,656	153,255	178,000
Operating fund expenditures (\$000s)	--	167,329	160,441	178,254
Net transfers and other adjustments (\$000s)	--	146	2,289	146
Operating result (\$000s)	--	(9,527)	(4,897)	(108)
Operating result % of revenues	--	(6.0)	(3.2)	(0.1)
Operating result three-year average %	--	(3.1)	(1.4)	0.4
Enrollment	--	11,008	11,272	11,399
Reserves and liquidity				
Available reserves % of operating revenues	--	20.0	26.8	25.8
Available reserves (\$000s)	--	31,513	41,089	45,929

Lake Travis Independent School District, Texas--key credit metrics

	Most recent	2025	2024	2023
Debt and liabilities				
Debt service cost % of revenues	--	25.9	24.9	22.2
Net direct debt per capita (\$)	8,689	7,654	8,242	8,371
Net direct debt (\$000s)	592,919	522,309	562,389	560,760
Direct debt 10-year amortization (%)	33	36	38	--
Pension and OPEB cost % of revenues	--	2.0	2.0	1.0
NPLs per capita (\$)	--	510	495	558
Combined NPLs (\$000s)	--	34,789	33,759	37,389

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\$108,090,000 Lake Travis Independent School District, Texas, Unlimited Tax School Building Bonds, Series 2026, dated: August 1, 2026, due: February 15, 2056		
Long Term Rating	AAA/Stable	
Underlying Rating for Credit Program	AA+/Negative	
Outlook Action		
	To	From
Local Government		
Lake Travis Indpt Sch Dist, TX Unlimited Tax General Obligation	AA+/Negative	AA+/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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