S&P Global
Ratings

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Research Update:

Bettendorf Community School District, IA Tax Revenue Bond Rating Affirmed At 'A+' And Removed From CreditWatch

July 22, 2026

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Overview

- S&P Global Ratings affirmed its 'A+' long-term rating and underlying rating (SPUR) on **Bettendorf Community School District** (CSD), Iowa's 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 from CreditWatch reflects our expectation that, while recently enacted legislation will likely reduce pledged revenue, coverage will remain consistent with the 'A+' rating, partly as a result of an extension of the series 2026 maturity schedule and restructuring of debt.

Rationale

Security

A first lien on a statewide one-cent sales and services tax distributed to school districts on a per pupil basis for school infrastructure 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.

Senate File (SF) 2472, signed by the governor on May 18, 2026, incrementally increases the share of the 1.0% sales tax that is diverted for property tax relief. Under the legislation, the diversion rate will gradually increase to 25.0% in fiscal 2031 from 7.1% in fiscal 2026. We expect this legislation will generally reduce debt service coverage and thus placed all Iowa school district sales tax bond ratings on CreditWatch with negative implications on May 13, 2026. (For more information, see our report, May 13, 2026.)

When we assigned a rating to the series 2026 bonds, the final maturity was July 1, 2046. In response to SF 2472, the district extended the final maturity to July 1, 2050, and is restructuring about $1.8 million more in existing sales tax debt than originally planned. The bonds have not yet closed.

Credit highlights

Although SF 2472 will likely lead to a significant drop in pledged revenue, our coverage assessment remains weak-to-adequate, reflecting our expectation that maximum annual debt service (MADS) coverage will remain above the district's 1.25x additional bonds test (ABT).

To account for SF 2472, we applied stress tests assuming different enrollment and revenue scenarios, such as if enrollment were to decline at a similar pace as in recent years, and MADS coverage remained consistent with the rating. The district's sales tax bonds are structured with MADS that decreases after fiscal years 2027 and 2028, leading to MADS coverage in these stress tests that generally remains close to or above 1.30x during SF 2472's five-year phase-in.

We expect enrollment declines (7% drop in the past five years) to continue as a result of lower birth rates and limited developable land and housing within Bettendorf CSD. However, we view the district's location within the Quad Cities as a potentially stabilizing influence on enrollment over the longer term, and we note the local population is stable. Management's understanding is also that private schools in the area appear to be at capacity, so we do anticipate a significant loss of students in the near term related to the state's private school voucher program.

The rating reflects our opinion of the district's:

- Very strong economic fundamentals, 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 been below the U.S. rate. Iowa's per capita effective buying income is 93% of the national level.
- Low revenue volatility that reflects that statewide retail sales have been consistent with 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 generally report flat-to-increasing year-over-year revenue and stable debt service coverage, although SF 2472 will likely interrupt this trend during its five-year phase-in.
- Weak-to-adequate coverage and liquidity. The district has no additional parity debt plans. Iowa school districts tend to issue debt to the full extent of the ABT, given that pledged revenue can be used only for capital or debt service.
- Direct receipt of pledged revenue from the state, responsibility for paying debt service, and lack of benefit from a limited scope of operations or extraordinary expenditure flexibility, which together limit the rating to one notch higher than the obligor's creditworthiness.
- Creditworthiness highlighted by stable finances, supported by a practice of rightsizing staffing through attrition and early retirement incentives to offset recent enrollment declines. Management expects modest deficits in fiscal years 2026 and 2027 as a result of declining enrollment, bringing reserves to slightly less than 20% of operating revenue. The district plans to continue to eliminate positions through attrition and to use the cash reserve levy to ensure that reserves remain within its 15%-20% informal target. We believe this is achievable given its track record of successfully managing recent enrollment declines through spending reductions and long-term financial planning. Residents have access to ample employment opportunities in neighboring cities and in Bettendorf, and local incomes exceed the national

average. Debt and pension costs are manageable. Despite Bettendorf CSD's location along the Mississippi River, we believe that a flood wall at least partly mitigates flood risk.

Outlook

The stable outlook reflects our expectation that, despite the change brought by SF 2472, MADS coverage will remain supportive of the rating as revenue is diverted.

Downside scenario

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

Upside scenario

The possibility of a positive rating action is limited given the relatively low ABT.

Bettendorf Community School District, Iowa--key credit metrics

Economic data	
Economy	Very strong
EBI level per capita as % of U.S.	93
Statewide revenue base	Yes
Population (obligor)	23,483
Population (statewide)	3,216,993
Financial data	
Revenue volatility	Low
Coverage and liquidity	Weak to adequate
Baseline coverage assessment	ABT
MADS coverage (x)	1.39
MADS year	2027
Annual debt service coverage (x)	1.52
Two-year pledged revenue change (%)	8.1
Bond provisions	
ABT (x)	1.25
ABT type	MADS
ABT period	Historical
DSRF type	Lowest of 3-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. 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**
Local Government		
Bettendorf Community School District, IA School Infrastructure Sales, Services, and Use 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.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.