Research Update:

# Independence Community School District, IA Series 2026 Revenue And Refunding Bonds Assigned 'A' Rating

**October 16, 2026**

## Overview

- S&P Global Ratings assigned its 'A' long-term rating to Independence Community School District (CSD), Iowa's anticipated $15.19 million series 2026 school infrastructure sales, services, and use tax revenue and refunding bonds
- The outlook is stable.

## Rationale

### Security

A first lien on state-collected sales and services tax revenue 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.

Iowa's Secure an Advanced Vision for Education (SAVE) legislation establishes a statewide one-cent sales tax for school infrastructure authorized through Jan. 1, 2071. 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% in fiscal 2031 from 7.1% in fiscal 2026. We expect this legislation will generally reduce debt service coverage (DSC).

The Iowa Department of Revenue transfers the amount of tax revenue attributable to each school district remitted in the preceding month on a per-pupil basis. The calculation compares actual in-district certified enrollment with total statewide enrollment. All districts receive the same amount of per-pupil revenue, which was $1,407 in fiscal 2026.

Proceeds will be used to complete expansion of the district's East Elementary School facility, remodel both of the district's primary school campuses, and refund a portion of the district's outstanding series 2020 SAVE bonds to restructure debt. The bond proceeds will also fund a debt service reserve fund to the lesser of the three-prong test.

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## Credit highlights

We anticipate SF 2472 will likely lead to a notable drop in pledged revenue. We project that maximum annual debt service (MADS) coverage will likely remain lower than the 1.3x additional bonds test (ABT) until 2031. We note that the district's certified enrollment has declined overall during the past decade, and we believe this decline could continue, although stable local demographic trends, ongoing development in the area, and the district's implementation of an online schooling program may lead to additional stability in the coming years.

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). Assuming 1.1% growth in statewide gross sales tax and using the state's enrollment projections, MADS coverage falls to a low of 1.18x in 2029 before recovering to 1.3x in 2031. The district's certified enrollment has fallen by 6.7% in the past 10 years, a trend we believe may stabilize given overall stable demographic trends in the area. We expect MADS coverage will remain consistent with the rating.

Factors incorporated into our analysis include:

- 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, which provides diversification and limits 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 equals 94% 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. Under the funding formula, districts with modest enrollment declines have generally reported flat-to-growing year-over-year revenue and stable DSC, although SF 2472 will likely interrupt this trend during its five-year phase-in.
- Weak-to-adequate coverage and liquidity. Fiscal 2026 collections provide 1.27x MADS coverage, which is projected to remain below the 1.3x ABT through at least 2030 due to SF 2472; MADS declines to $1,195,575 by fiscal 2031 from $1,495,763 in 2028, leading to improving coverage in our scenarios.
- A 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 the district's general creditworthiness does not constrain the pledged revenue structure's credit factors.
- The obligor's creditworthiness is reflective of significant deficits in recent years, with another material deficit expected in fiscal 2026. Management has reduced staffing to cut expenditures and maintain its solvency ratio above the district's formal minimum target of 10%. Although somewhat limited, the local economy is stable, and incomes are in line with county and national averages. The district has a referendum on the November 2026 ballot to authorize $24.99 million of general obligation bonds. While we expect the district's debt profile may deteriorate with this proposed issuance, we believe the sound economic base will support stable finances. The district has two privately placed obligations, which we do not view as a

source of liquidity pressure as terms do not include events of default or remedies that pose contingent liability risk.

# Outlook

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

## Downside scenario

Although we regard this as unlikely, we could lower the rating if statewide sales tax collections were to decrease, future legislative changes reduced net distributions, or if enrollment were to drop to such a degree that pledged revenue also significantly deteriorated, leading to lower-than-expected DSC.

## Upside scenario

In our opinion, a higher rating over the two-year outlook is unlikely due to an ongoing trend of declining enrollment. However, we could raise the rating if enrollment trends improve and the district increases coverage.

**Independence Community School District, Iowa--key credit metrics**

| | |
|---|---|
| **Economic data** | |
| Economy | Very strong |
| Pledged revenue taxing base | Iowa |
| EBI level per capita % of U.S. (taxing base) | 94 |
| Population (taxing base) | 3,238,742 |
| Broad and diverse MSA | Yes |
| **Financial data** | |
| Revenue volatility | Low |
| Coverage and liquidity | Weak-Adequate |
| Baseline coverage assessment | MADS Coverage |
| MADS coverage (x) | 1.22 |
| MADS year | 2028 |
| Annual debt service coverage (x) | 1.25 |
| Pledged revenue 2-year CAGR (%) | 2.25 |
| **Bond provisions** | |
| ABT (x) | 1.30 |
| ABT type | MADS |
| ABT period | Historical |
| DSRF type | Lesser of 3-prong |
| **Obligor relationship** | |
| 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. 2-year CAGR--2 periods of compound annual growth rate change over 3 years. ABT--Additional bonds test. DSRF--Debt service reserve fund. PL--Priority lien. OC--Obligor creditworthiness. 3-pronged test--MADS, 10% of principal, or 125% of average annual debt service.

| **Ratings List** | |
|---|---|
| **New Issue Ratings** | |
| US$15,190,000 Independence Community School District, Iowa, School Infrastructure Sales, Service And Use Tax Revenue And Refunding Bonds, Series 2026, dated: Date of Delivery, due: June 1, 2050 | |
| Long Term Rating | A/Stable |
| **New Rating** | |
| **Local Government** | |
| Independence Comnty Sch Dist, IA School Infrastructure Sales Tax | A/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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