

Research Update:

# Hamilton Independent School District, TX Series 2025 Unlimited-Tax Bonds Rated 'A+'; Outlook Is Stable

July 24, 2025

## Overview

- S&P Global Ratings assigned its 'AAA' long-term rating (based on credit enhancement) and 'A+' underlying rating to [Hamilton Independent School District](#) (ISD), Texas' anticipated \$19.8 million series 2025 unlimited tax school building bonds.
- The outlook is stable.
- The underlying rating is based on the application of our "[Methodology For Rating U.S. Governments](#)," Sept. 9, 2024.

## Rationale

### Security

Revenue from an unlimited ad valorem tax levied on all taxable property in the district secures the bonds.

The long-term enhanced 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, see our [analysis](#) on the Texas PSF, July 3, 2024.

Proceeds of the 2025 bonds will finance the renovation and improvement of the district's existing facilities and purchase new school buses. The district has no plans to issue additional debt within the outlook period.

### Credit highlights

The rating reflects the district's concentrated but stable economy, stable financial position and healthy reserves despite a recent draw for capital, elevated debt burden following this issuance, limited financial policies, and a manageable pension liability.

#### Primary contact

**Daniel Golliday**  
Dallas  
214-505-7552  
daniel.golliday  
@spglobal.com

#### Secondary contact

**Kristin Button**  
Dallas  
1-214-765-5862  
kristin.button  
@spglobal.com

Hamilton ISD operates three schools that provide educational services to rural communities in central Texas, where the local economy is primarily driven by the agricultural and related businesses, health care, retail, and public administration. Beyond organic economic activity in the local economy, we anticipate a significant increase in the district's assessed value (AV) due to ongoing solar farm developments, which have yet to realize their peak valuations, as well as the construction of a pipeline that will soon be incorporated into the tax base. However, the expected rise in AV will also further entrench concentration within the tax base, which we consider a credit weakness. Furthermore, given the relatively rapid depreciation associated with solar assets, we anticipate potential volatility in the tax base's post-valuation peak. Notably, the district has mitigated the adverse effects of solar farm depreciation by entering into Chapter 313 agreements, which allow the district to levy full taxation on the solar farms for debt service purposes while limiting operational taxation.

The district's financial position has remained relatively stable, enabling the maintenance of healthy reserves. This stability has been partially reinforced by COVID-19 pandemic stimulus resources, which have helped counterbalance a stagnant funding environment. Year-to-date projections for fiscal 2025 indicate a minor shortfall of approximately \$200,000 due to the district's use of fund balance for property acquisition. Nevertheless, bolstered by the recent increase in per-pupil funding and the strategic deployment of bond authorization to finance essential capital projects, the district anticipates strengthening its reserve position in the outyears.

The district's 2025 bond authorization has substantially elevated its debt burden relative to its population. However, we assess this debt load as manageable owing to the relative strength of its tax base and levy capacity. Beyond the near term, we assess the district's credit stability to be contingent on maintenance of its reserves to sustain operations if per-pupil funding does not keep pace with inflation legislation, adversely affecting the state school-funding environment. However, we expect the district's fiscal position will remain stable in the near term, aligning with what we typically observe among similarly rated peers, due to the conservative management team's prudent budgeting practices.

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

- Rural-yet-stable economy, characterized by a concentrated tax base, which exhibits lagging economic output as measured by gross county product, while maintaining high per capita personal income. Our expectations for continued AV growth are bolstered by a development pipeline that includes a solar farm and a new mid-stream pipeline, which will contribute to maintaining elevated levels of tax base concentration.
- Operating results that are generally positive, contributing to the maintenance of healthy reserves and stable financial conditions. We anticipate continued favorable budgetary variances that are likely to preserve strong reserves and liquidity in the near term, despite a projected drawdown of fund balance to support capital expenditures. This strategy should enable the district to mitigate potential tax base volatility if it arises. The district also maintains additional resources in its committed general fund balance, which can be used for operational needs upon board approval. The committed fund balance amounted to \$510,000 in 2024, translating to an adjusted available fund balance of \$3.4 million, or 29% of fiscal 2024 operating revenues.
- Limited formal financial policies, but management employs budgeting practices aimed at ensuring budget stability. This is achieved using conservative revenue and expenditure assumptions, grounded in historical trend analysis, along with monthly budget-to-actual performance reporting to the governing body. A formalized investment management policy is

- in place, aligning closely with state guidelines, but the district lacks an adopted debt management policy. It maintains an informal reserve target to keep general fund balance equivalent to three months of operating expenditures, a level it currently exceeds. The district does not engage in formal long-term financial or capital planning. Lastly, the district is actively undertaking measures to mitigate cyber-security risk.
- Elevated direct debt burden relative to its population with a slow, but level, amortization schedule with no debt plans after this issuance. To support this bond authorization, the district will increase its interest-and-sinking-fund levy to 22 cents. Despite higher debt-servicing costs, we note budgetary pressure is limited due to an electorate-approved unlimited ad valorem tax that supports all the district's debt outstanding.
  - Limited near-term credit risk associated with pension and other postemployment benefits, as the state covers a significant portion of the employer contributions and assumes responsibility for the corresponding share of the unfunded liability. (For more information on Texas' pension landscape, see "[Pension Spotlight: Texas](#), April 4," April 4, 2023, on RatingsDirect.)
  - For more information on our institutional framework assessment for Texas school districts, see "[Institutional Framework Assessment: Texas Local Governments](#)," Sept. 9, 2024.

Environmental, social, and governance

Communities across the southern U.S. are susceptible to episodic tornado and flood events, which can create adverse conditions that could affect district finances and the broader economy. We view social and governance factors as neutral.

Outlook

The stable outlook reflects our expectation that the district will continue to adjust its budget as needed to sustain stable finances and maintain a healthy reserve position that we asses offset its taxpayer concentration.

Downside scenario

We could lower the rating if increasing operating costs or one-time capital outlay result in the depletion of available reserves to levels that we no longer consider sufficient to offset taxpayer concentration.

Upside scenario

All else being equal, we could raise the rating if local economic expansion materially improved economic metrics and a more diversified tax base coupled with the adoption of more comprehensive financial management policies.

Hamilton Independent School District, Texas--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	2.75
Economy	4.5
Financial performance	2
Reserves and liquidity	1

## Hamilton Independent School District, Texas--credit summary

Management	3.00
Debt and liabilities	3.25

## Hamilton Independent School District, Texas--key credit metrics

	Most recent	2024	2023	2022
<b>Economy</b>				
Real GCP per capita % of U.S.	50	--	50	50
County PCPI % of U.S.	102	--	102	105
Market value (\$000s)	691,726	658,333	599,927	423,858
Market value per capita (\$)	124,344	114,294	107,591	76,220
Top 10 taxpayers % of taxable value	27.4	--	--	--
County unemployment rate (%)	4.2	4.1	3.8	3.8
Local median household EBI % of U.S.	74	--	74	82
Local per capita EBI % of U.S.	73	--	73	86
Local population	5,563	5,760	5,576	5,561
<b>Financial performance</b>				
Operating fund revenues (\$000s)	--	11,771	10,491	10,595
Operating fund expenditures (\$000s)	--	11,517	11,077	9,997
Net transfers and other adjustments (\$000s)	--	(173)	(124)	118
Operating result (\$000s)	--	81	(710)	716
Operating result % of revenues	--	0.7	(6.8)	6.8
Operating result three-year average %	--	0.2	1.6	5.7
Enrollment	--	--	--	833
<b>Reserves and liquidity</b>				
Available reserves % of operating revenues	--	29.1	36.3	42.6
Available reserves (\$000s)	--	3,421	3,803	4,512
<b>Debt and liabilities</b>				
Debt service cost % of revenues	--	--	--	--
Net direct debt per capita (\$)	3,559	--	--	--
Net direct debt (\$000s)	19,800	--	--	--
Direct debt 10-year amortization (%)	22	--	--	--
Pension and OPEB cost % of revenues	--	3.0	3.0	3.0
NPLs per capita (\$)	--	642	746	553
Combined NPLs (\$000s)	--	3,699	4,160	3,076

Financial data might 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\$19.8 mil unlt'd tax sch bldg bnds ser 2025 due 08/15/2055

Long Term Rating AAA/Stable

Hamilton Independent School District, TX Series 2025 Unlimited-Tax Bonds Rated 'A+'; Outlook Is Stable

Ratings List

Underlying Rating for Credit Program	A+/Stable
New Rating	
Local Government	
Hamilton Indpt Sch Dist, TX Permanent School Fund Program	AAA/Stable
Hamilton Indpt Sch Dist, TX Unlimited Tax General Obligation	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.

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](http://www.capitaliq.com). All ratings referenced herein can be found on S&P Global Ratings' public website at [www.spglobal.com/ratings](http://www.spglobal.com/ratings).

Copyright © 2025 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Some of the Content may have been created with the assistance of an artificial intelligence (AI) tool. Published Content created or processed using AI is composed, reviewed, edited, and approved by S&P personnel.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.spglobal.com/ratings](http://www.spglobal.com/ratings) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.spglobal.com/usratingsfees](http://www.spglobal.com/usratingsfees).

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.