

Research Update:

# Laredo College, TX Debt Rating Raised To 'AA+' From 'AA' On Strong Finances And Enrollment; Outlook Stable

July 17, 2026

## Overview

- S&P Global Ratings raised its long-term rating and underlying rating (SPUR) on [Laredo College, Texas](#)' combined fee revenue debt and general obligation (GO) debt to 'AA+' from 'AA'.
- The outlook is stable.
- The upgrade reflects material growth in the college's financial resource ratios and robust financial performance, as well as continued enrollment increases.

## Rationale

### Security

A limited ad valorem property tax pledge secures the college's GO debt. Securing the revenue bonds is a first lien on student fees, not to exceed 25% of the total tuition charges collected (\$50 per semester credit hour) and \$50 per semester credit hour of general-use fees (no limit). Both GO- and revenue-supported debt are considered pledges central enough to equalize the issue credit ratings with the issuer credit rating on the college.

As of Aug. 31, 2025, total debt was \$124.7 million, including \$84.4 million of GO and contractual-obligation bonds and tax notes, \$36.7 million of revenue bonds, \$3.6 million of subscription-based information technology arrangements, and a modest amount of capital leases.

Management does not plan to issue additional revenue or GO debt within the two-year outlook horizon.

### Credit highlights

The rating reflects our view of the college's strong enterprise risk profile and very strong financial risk profile. Our opinion of the enterprise risk profile reflects the college's experienced management team and large enrollment base, which is expected to show modest growth over the next few years. The financial risk profile reflects the college's history of very healthy operations and growing financial resources to operating expenses and debt, as well as a rapidly

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amortizing debt schedule with more than 99% of principal maturing within the next 10 years. The rating also reflects the sizable property-tax support the college receives.

The rating reflects our opinion of the college's:

- Consistently positive full-accrual operations with no revenue concentration and a historical ability to make revenue adjustments as needed;
- Growing financial resources with more than \$120 million in cash and investments in fiscal 2025, up from \$95 million in fiscal 2020, and no plans to materially spend down reserves; and
- Stable property-tax base, supported by an expanding and diversifying economy on the Mexican border, although potential shifts in trade and border policy create some uncertainty.

In our opinion, partially offsetting credit factors include:

- Elevated leverage with cash and investments accounting for about 88% of debt outstanding as of fiscal 2025 after adjusting for unspent bond proceeds, although the college's debt amortizes rapidly, with more than 99% maturing in the next 10 years; and
- Above-average maximum annual debt service burden at 13% of fiscal 2025 operating expenses.

## Outlook

The stable outlook reflects our expectation that, during the outlook period, Laredo College will maintain at least stable enrollment trends, continue to post positive full-accrual operating results, and maintain financial resource ratios. We anticipate no additional debt within the two-year outlook period.

### Downside scenario

We could take a negative rating action if the college cannot sustain its consistently positive full-accrual operations due to pressure in the local economy or otherwise, or if its financial resources decrease to levels no longer commensurate with the rating.

### Upside scenario

In our view, a higher rating is unlikely during the outlook period, although we could consider it over time if Laredo College is able to improve financial metrics to levels commensurate with those of higher-rated peers.

## Credit Opinion

## Enterprise Risk Profile

### Market position

The college is coterminous with Laredo, a growing city on the U.S.-Mexico border. Located at the southern terminus of Interstate 35, on the main freight corridor between the U.S. and Mexico, Laredo is a leading center for international trade. It is the sixth-largest U.S. Customs District and the largest port of entry on the border. The college's service area population is estimated at 263,578, despite some potential headwinds in the local economy and service area related to

federal trade and immigration policies. Long-term growth will likely result from the expansion of transportation, manufacturing operations, and homeland security in Laredo and Nuevo Laredo, Mexico. Laredo's income is acceptable for the rating, which is characteristic of communities along the Texas-Mexico border.

Full-time equivalent (FTE) enrollment continues to increase, rising to 19,934 in fiscal 2026, translating to FTE enrollment growth of 4% compared with the previous year. Fiscal 2027 is expected to show another modest increase to more than 20,000 FTEs. Over the past few years, management has implemented enrollment strategies, including starting a free-meal program, lengthening the time of course registration, adjusting existing programmatic offerings, and adding new programs with more emphasis on dual-enrollment programs. With these efforts, management expects enrollment will increase over the outlook period at 3%-4% annually, which we would view favorably.

## **Management and governance**

We consider management seasoned and competent, with expertise in its respective business lines. The college's current president joined the college in July 2022 and has more than 40 years of experience in the higher education sector. Other leadership positions include the vice president of finance and administration, who has long institutional tenure with the college. The college follows what we consider conservative budgeting, which has translated to very healthy financial performance. Management uses stated goals to prioritize expenditures for each campus, and conservatively budgets revenue based on student hours and certified assessed value. The budget also includes built-in contingency reserves. Management provides monthly budget reports to the school board that show year-to-date results for all funds and investments. The board can amend the budget at any meeting, which we view favorably.

## **Financial Risk Profile**

### **Financial performance**

The college's financial performance has historically been robust and further benefited in fiscal 2025 from continued increases in state funding following the implementation of Texas House Bill 8 prior to fiscal 2024, resulting in an increase of more than 50% in state support compared with fiscal 2023. For fiscal 2026, management anticipates an additional operating surplus due to good momentum across all major revenue sources, including state, local, and student-generated revenue. Therefore, we anticipate relatively stable and favorable operations in the near term.

Total operating revenue is moderately diverse, with the largest portion (35%) coming from taxes and local support, which we view as a very stable source of funding, although we acknowledge some uncertainty because Laredo's economy is largely based on international trade. Student-generated revenue and state appropriations accounted for 21% and 18.5% of fiscal 2025 operating revenue, respectively. Laredo College expects to continue to benefit from Texas House Bill 8, which moves community college funding to an outcome-based approach and will likely support continued healthy performance over the outlook period.

### **Financial resources and debt**

Laredo College's financial resources relative to debt, although historically somewhat light when compared with those of similarly rated peers, have improved due to healthy cash flow and rapidly amortizing debt. However, its investments are somewhat inflated because they include

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previously issued bond proceeds of about \$2 million in fiscal 2025. After adjusting for these proceeds, cash and investments to operating expenses and debt decline to 88% and 98%, respectively. We expect financial resource ratios could show some improvement in the near term. The college has no additional debt plans.

We consider the college's pension and other postemployment benefits (OPEB) liabilities a minimal credit pressure. Pension costs are manageable, with pension and OPEB accounting for 2% of total operational expenditure. Recent contribution increases have improved the outlook for Texas pension plans. Despite the improved funded ratios, attributes that introduce contribution volatility risk persist.

The college participates in the following defined-benefit plans:

- Teacher Retirement System, a cost-sharing, multiple-employer plan measured as of Aug. 31, 2025: 77.5% funded using a 7.0% discount rate, with the college's share of net pension liability at \$16.3 million; and
- Employees Retirement System, a cost-sharing, multiple-employer OPEB plan funded on a pay-as-you-go basis with the college's share of net OPEB liability at \$36.3 million.

### Laredo College, Texas--enterprise and financial statistics

|                                              | --Fiscal year ended Aug. 31-- |            |            |            |            | Medians for 'AA+'<br>rated community<br>colleges |
|----------------------------------------------|-------------------------------|------------|------------|------------|------------|--------------------------------------------------|
|                                              | 2026                          | 2025       | 2024       | 2023       | 2022       | 2024                                             |
| <b>Enrollment and demand</b>                 |                               |            |            |            |            |                                                  |
| FTE enrollment                               | 19,934                        | 19,167     | 19,151     | 16,691     | 16,886     | 14,953                                           |
| Annual full-time-equivalent change (%)       | 4.00                          | 0.08       | 14.74      | (1.15)     | (9.39)     | MNR                                              |
| <b>Tax base</b>                              |                               |            |            |            |            |                                                  |
| Service area population                      | 263,578                       | 263,578    | 255,949    | 255,293    | 267,780    | 846,542                                          |
| Total AV (\$000s)                            | 25,122,597                    | 22,806,414 | 19,962,595 | 17,670,190 | 16,152,838 | MNR                                              |
| Top 10 taxpayers as % of total AV            | 4.2                           | 4.7        | 4.6        | 4.7        | 5.1        | MNR                                              |
| Market value per capita (\$)                 | 95,314                        | 86,526     | 77,994     | 69,215     | 60,321     | MNR                                              |
| Per capita EBI as % of U.S.                  | N.A.                          | N.A.       | 58         | 63         | 58         | MNR                                              |
| Median household EBI as % of U.S.            | N.A.                          | N.A.       | 79         | 86         | 85         | MNR                                              |
| Annual unemployment rate (%)                 | N.A.                          | 4.6        | 4.2        | 4.1        | 4.1        | MNR                                              |
| <b>Income statement</b>                      |                               |            |            |            |            |                                                  |
| Adjusted operating revenue (\$000s)          | N.A.                          | 165,259    | 153,874    | 130,422    | 127,366    | MNR                                              |
| Adjusted operating expense (\$000s)          | N.A.                          | 139,052    | 126,194    | 113,861    | 109,610    | MNR                                              |
| Net adjusted operating income (\$000s)       | N.A.                          | 26,207     | 27,680     | 16,561     | 17,756     | MNR                                              |
| Net adjusted operating margin (%)            | N.A.                          | 18.85      | 21.93      | 14.54      | 16.20      | 5.00                                             |
| State appropriation dependence (%)           | N.A.                          | 18.5       | 18.0       | 12.2       | 12.0       | 22.5                                             |
| Student dependence (%)                       | N.A.                          | 20.9       | 20.2       | 21.5       | 17.9       | 15.3                                             |
| Taxes and other local support dependence (%) | N.A.                          | 34.9       | 36.7       | 41.0       | 40.3       | 33.6                                             |

## Laredo College, Texas--enterprise and financial statistics

|                                                    | --Fiscal year ended Aug. 31-- |         |         |         |         | Medians for 'AA+'<br>rated community<br>colleges |
|----------------------------------------------------|-------------------------------|---------|---------|---------|---------|--------------------------------------------------|
|                                                    | 2026                          | 2025    | 2024    | 2023    | 2022    | 2024                                             |
| <b>Financial resources</b>                         |                               |         |         |         |         |                                                  |
| Cash and investments (\$000s)                      | N.A.                          | 123,756 | 121,539 | 113,480 | 112,358 | MNR                                              |
| Cash and investments to operations (%)             | N.A.                          | 89.0    | 96.3    | 99.7    | 102.5   | 98.8                                             |
| Cash and investments to total debt outstanding (%) | N.A.                          | 99.2    | 91.3    | 77.9    | 70.9    | 145.3                                            |
| <b>Debt</b>                                        |                               |         |         |         |         |                                                  |
| Total debt outstanding (\$000s)                    | N.A.                          | 124,728 | 133,060 | 145,729 | 158,516 | MNR                                              |
| MADS (\$000s)                                      | N.A.                          | 18,013  | 18,071  | 18,071  | 18,071  | MNR                                              |
| MADS burden (%)                                    | N.A.                          | 13.0    | 14.3    | 15.9    | 16.5    | 9.5                                              |

Total adjusted operating revenue = total operating revenues + institutionally funded financial aid + government appropriations + government grants + endowment spending + tax revenues - realized and unrealized gains/losses. Total adjusted operating expense = operating expenses + institutionally funded financial aid + interest expense - noncash pension and other postemployment benefits expenses. Net operating margin = 100\*(net adjusted operating income/adjusted operating expense). Student dependence = 100\*(gross tuition revenue + auxiliary revenue) / adjusted operating revenue. MADS burden = 100\*(MADS/adjusted operating expenses). Cash and investments = cash + unrestricted and restricted financial investments + foundation cash and investments. Total outstanding debt = tax supported debt + revenue/ enterprise-secured debt + foundation debt + other debt. All debt metrics include revenue/enterprise-secured and foundation debt if applicable. FTE--Full-time-equivalent. AV--Assessed value. EBI--Effective buying income. MADS--Maximum annual debt service. N.A.--Not available. MNR--Median not reported. N.M.--Not Meaningful.

### Ratings List

#### Upgraded;Outlook Action

|                                                                  | To         | From        |
|------------------------------------------------------------------|------------|-------------|
| <b>Education</b>                                                 |            |             |
| Laredo Comnty Coll Dist, TX Limited Tax General Operating Pledge | AA+/Stable | AA/Positive |
| Laredo Comnty Coll Dist, TX Unlimited Student Fees               | AA+/Stable | AA/Positive |

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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