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## S&P U.S. Local Governments Credit Brief: Texas Municipal Utility Districts Means And Medians

**Overview**

Texas municipal utility districts (MUDs) demonstrated continued stability, as favorable property tax base growth, well-defined debt issuance oversight, and rapid population growth statewide supported improved direct debt metrics and high reserves. Texas MUDs have exhibited stable ratings performance despite economic and event cycles such as the Great Recession, Hurricane Harvey, and the pandemic–which supports our view of a stable outlook despite growing uncertainty with current economic conditions (see “Economic Outlook U.S. Q3 2025: Policy Uncertainty Limits Growth,” June 24, 2025). We think Texas benefits from economic growth that outpaces that of the nation, which will likely contribute to ratings stability over time.

S&P Global Ratings maintains general obligation ratings on 320 Texas MUDs. Currently, about 17% of the ratings are in the ‘BBB’ category, 72% are in the ‘A’ category, and 11% are in the ‘AA’ category. From January 2024 through August 2025, there were 20 upgrades (15 in 2024 and five from January 2025 through August 2025), a trend that continued despite substantial rating movement in 2023, when 145 MUD ratings were raised due to robust economic and tax base growth. There were no downgrades in 2024 or in 2025 so far. The continued upward rating movement is reflective of strong property tax base growth, stable finances, and moderating debt burdens as the MUDs continue to reach mature development status.

As Texas MUDs become largely or fully developed and their additional capital needs decrease, direct debt requirements and tax rates decline. MUDs typically exhibit strong credit fundamentals, including favorable tax base growth and maintenance of high reserves, usually above 100% of annual expenses, in operating and debt service funds, providing flexibility to cash-fund ongoing maintenance of infrastructure, particularly during periods when interest rates are high, as is currently the case.

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