

02 JUN 2025

## Fitch Rates University of Massachusetts Ser 2025-1 Revs 'AA', Affirms 'AA' IDR; Outlook Stable

Fitch Ratings - Chicago - 02 Jun 2025: Fitch Ratings has assigned a 'AA' rating to approximately \$335.8 million in senior series 2025-1 project revenue bonds to be issued by the University of Massachusetts Building Authority (UMBA) on behalf of the University of Massachusetts (UMass). The bonds are expected to price in the near future, possibly as early as the week of July 14, 2025. The proceeds of the series 2025-1 bonds will be used to current refund about \$351 million in Senior Series 2010-2 Build America Bonds and pay cost of issuance.

Fitch has also affirmed UMass' 'AA' Issuer Default Rating (IDR), the 'AA' Long-Term ratings on approximately \$3.2 billion in outstanding bonds issued by the UMBA and the Massachusetts Health and Educational Facilities Authority (MHEFA), and the 'F1+' Short-Term rating on \$20 million in MHEFA variable rate demand bonds supported by self-liquidity.

The Rating Outlook is Stable.

The 'AA' IDR and revenue bond rating reflect UMass' role as the Commonwealth of Massachusetts' flagship public research system of higher education and the strong operating and capital support provided by the Commonwealth (AA+/Stable). The rating further reflects UMass' disciplined approach to its cash flow needs at both a campus and system level and its moderate available fund that equaled 63% of total expenses and 59% of adjusted debt levels at fiscal year-end 2024.

UMass has a track record of rigorous treasury controls and excellent fiscal management practices that have helped preserve sufficient financial flexibility, and its robust risk management function, following several years of investment across the system, should aid in mitigating challenges related to potential policy and funding changes.

The Stable Outlook reflects Fitch's expectation that UMass' financial and operating profile will remain resilient, with steady enrollment across the system and management's commitment to preserving a structural operating balance and self-sufficient capital management levels at each campus and across the system.

The 'F1+' rating is consistent with the university's strong long-term credit profile and reflects its ample liquid resources in support of its very modest self-liquidity obligations.

### SECURITY

UMass' revenue bonds are secured by a pledge of the university's gross unrestricted revenue and other legally available funds. The bonds and CP notes are special obligations of UMBA payable from payments made by UMass. Under a service contract UMass is required to remit to UMBA annually an amount sufficient to pay debt service and other costs associated with operating and maintaining the financed projects during the next year, referred to as the certified amount.

The annual certified amount is payable from a variety of revenue streams, including all legally available revenues of the university and UMBA, including state appropriations, as well as unrestricted net assets (UNA, defined as unrestricted fund accumulated surpluses, as well as quasi-endowment, unexpended plant, and unrestricted renewal and replacement fund).

## **KEY RATING DRIVERS**

### **Revenue Defensibility - 'aa'**

#### ***Resilient Enrollment Base; Strong State Support***

The 'aa' revenue defensibility assessment reflects UMass' steady enrollment trends over time, including expected YoY growth in fall 2025, and healthy pipeline prospects that should help counter relatively unfavorable regional demographic trends. The UMass system exhibits mixed demand characteristics reflective of a statewide public system, with overall freshman retention averaging just over 82% in fall 2024. Enrollment has remained within a narrow 2% band in recent years, with some mild pressure on undergraduate enrollment partly offset by growth in graduate enrollment, and relatively modest level of international enrollment.

The 'aa' assessment also reflects the consistent and sound support provided by the Commonwealth of Massachusetts (equal to about 27% of fiscal 2024 revenues), a research base at 15% of expenditures, and the sustainable operating support provided by UMass' sizable endowment. State budget expectations are generally stable to slightly favorable YoY on base appropriations, and once again fully funds the state share of collective bargaining expenditures. About 15% of UMass's expenditures are for research, the bulk of which is supported by National Institutes of Health grants, and therefore are subject to potential federal research funding cuts.

### **Operating Risk - 'aa'**

#### ***Resilient Operating Performance; Sizable Capital Plans***

The 'aa' operating risk assessment is driven by very steady and good operating results, with cash flow expected to remain near current levels (15.3% in fiscal 2024) via consistent and attentive budgetary controls. UMass continues to budget to a mild surplus on a GAAP basis, a level that has helped support consistent capital investment. UMass' systemwide operating and efficiency efforts continue to support healthy operating cash flow resilience in support of its robust systemwide capital improvement plan, which will be funded by a combination of external (debt and philanthropic) and internal resources.

UMass' current five-year capital plan through 2028 incorporates residual debt issuance, which should be relatively modest following the series 2024-1 bonds, and fiscal 2025 results are thus far trending ahead of budget. UMass also benefits from a relatively steady level of capital support from the Commonwealth, and consistent philanthropy.

### **Financial Profile - 'aa'**

#### ***Strong Financial Profile with Adequate Liquidity***

UMass is expected to maintain liquidity against its debt and expenses at a level consistent with the 'aa' assessment. It had approximately \$2.5 billion in available funds (AF) at fiscal YE 2024, equal to about 63% of total expenses and 59% of adjusted debt and improved over prior-year levels. The series 2025-1 refunding transaction will be neutral to leverage, and going forward, UMass' plans to incur modest new money debt issuance to support its strategic capital plans are expected to be absorbed at the current rating level. Leverage levels are expected to remain fairly consistent with the 'aa' assessment through Fitch's scenario analysis,

inclusive of these additional capital and debt plans, as well as a Fitch-modeled portfolio market downturn and operating stress.

UMass' \$4.3 billion in adjusted debt includes about \$3.4 billion in long-term bonded debt (fiscal YE 2024), a reported \$384.4 million in net pension liability, which Fitch adjusts to \$528.8 million to reflect a standard 6% discount rate, long term lease obligations, and commercial paper.

The 'F1+' rating reflects UMass' healthy liquid reserves, with over \$3.4 billion in investments (of which \$150 million is cash and money market funds) against just \$20 million in variable rate demand bonds supported by self-liquidity. In addition, UMass recently renewed its \$150 million line of credit.

## **Asymmetric Additional Risk Considerations**

No asymmetric additional risk considerations apply to UMass' ratings.

## **RATING SENSITIVITIES**

### **Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade**

- Failure to maintain steady leverage levels against expected increases in debt and sizable capital improvement plans may pressure the rating, should AF-to-total-adjusted debt fall persistently below 30%;
- A sustained decline in operating performance resulting in adjusted cash flow levels consistently below 12% could pressure the rating;
- Material erosion in internal liquid resources and/or significant downward movement in the university's long-term rating, while unlikely, would influence the short-term rating.

### **Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade**

- Continued favorable revenue growth and prudent expense management, translating to stronger cash flow and balance sheet strengthening, would prompt upward rating consideration, particularly as available AF levels approach 80% of adjusted debt even in a forward-looking stress case.

## **PROFILE**

UMass is the commonwealth's only public research university system. UMass was established in 1863 and encompasses five separate campuses: Amherst (the flagship campus), Boston, Dartmouth, Lowell and Worcester. The five campuses are geographically dispersed throughout the commonwealth and possess distinct and complementary missions. In fall 2024, the system enrolled 73,555 (headcount) students, of whom just over 73% were undergraduates. The UMBA, the university's debt issuance arm (reported as a blended component unit of the university), is a public instrumentality of the Commonwealth of Massachusetts; it is empowered to construct dormitory, auxiliary, academic and other facilities for the university's campuses.

## **Sources of Information**

In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by information from DIVER by Solve.

## **REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING**

The principal sources of information used in the analysis are described in the Applicable Criteria.

## ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

## Fitch Ratings Analysts

### Emily Wadhwani

Senior Director

Primary Rating Analyst

+1 312 368 3347

Fitch Ratings, Inc. One North Wacker Drive Chicago, IL 60606

### Akiko Mitsui, CFA

Director

Secondary Rating Analyst

+1 212 612 7822

### Mark Pascaris

Senior Director

Committee Chairperson

+1 312 368 3135

## Media Contacts





### Cristina Bermudez

New York








+1 212 612 7892

[cristina.bermudez@thefitchgroup.com](mailto:cristina.bermudez@thefitchgroup.com)

## Rating Actions

ENTITY/DEBT	RATING		RECOVERY	PRIOR
University of Massachusetts (MA)	LT IDR	AA 	Affirmed	AA 
<ul style="list-style-type: none"> <li>University of Massachusetts (MA) /General</li> </ul>	LT	AA 	Affirmed	AA 

**RATINGS KEY   OUTLOOK   WATCH**

POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

## Applicable Criteria

U.S. Public Finance College and University Rating Criteria (pub.19 Sep 2023) (including rating assumption sensitivity)

U.S. Public Sector, Revenue-Supported Entities Rating Criteria (pub.10 Jan 2025) (including rating assumption sensitivity)

## Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Portfolio Analysis Model (PAM), v2.0.1 (1)

## Additional Disclosures

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## Endorsement Status

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