

Research Update:

University of Massachusetts System Series 2026 Bonds Assigned 'AA-' Rating

April 14, 2026

Overview

- S&P Global Ratings assigned its 'AA-' long-term rating to the [University of Massachusetts Building Authority](#)'s (UMBA) \$285.9 million senior series 2026-1 bonds and \$309.2 million series 2026-2 bonds issued for the [University of Massachusetts System](#) (UMass).
- At the same time, S&P Global Ratings affirmed its 'AA-' long-term rating and underlying rating (SPUR) on UMass bonds outstanding issued by the UMBA and other issuers.
- Finally, S&P Global Ratings affirmed its 'A-1' short-term rating on UMass' commercial paper (CP) program (series 2013A and 2013B).
- The outlook, where applicable, is stable.

Rationale

Security

All available funds of the system, payable to the authority under the contract for management and services, secure the bonds. We consider this equivalent to a general obligation pledge of the university system. As of June 30, 2025, the system had approximately \$3.4 billion in debt outstanding (including notes, leases, and CP). While all the system's debt is on parity, we rate only a portion. With the proposed transaction, pro forma long-term debt is expected to total \$3.7 billion, which reflects the proposed refunding and the potential for \$295 million of additional debt during the two-year outlook period.

The system is engaged in a CP program, which is authorized for \$200 million. As of June 30, 2025, the program had an approximately \$53 million balance. The series 2013-A and 2013-B CP programs are rated 'A-1' based on support by TD Bank's standby liquidity facilities. Each standby liquidity facility expires on July 24, 2030, unless extended, replaced, or terminated beforehand according to its terms. The series 2013-A and 2013-B liquidity facilities will cover up to \$200 million of principal and as much as 270 days' accrued interest at a maximum 12% rate. UMass also maintains about \$1.9 billion in 30-day liquidity. In addition, the system maintains a \$150 million line of credit for additional liquidity flexibility.

The series 2026-1 bond proceeds will be used to current refund the series 2014-1, 2015-1, and 2015-2 bonds (par value of \$318.3 million) with tax-exempt refunding bonds. The series 2026-2

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bond proceeds will refund the 2010-2 Build America Bonds (par value of \$342.4 million) with tax-exempt refunding bonds.

Credit highlights

We assessed the system's enterprise risk profile as extremely strong, characterized by its role as the leading provider of public higher education in Massachusetts, solid demand with growth in applications during the past few years, and sound management and governance oversight with comprehensive long-term strategic plans. We assessed the system's financial risk profile as strong, with historically positive operating margins and solid support from the state, offset by an elevated debt load and significant capital plan, which pressure already-low financial resources for the rating. We believe these credit factors, combined, lead to an anchor of 'aa-' and final rating of 'AA-'.

The ratings reflect our view of the system's:

- Historically healthy support by the Commonwealth of Massachusetts with geographically and academically diverse campuses located throughout the commonwealth;
- Positive operating performance in recent years with a surplus expected for fiscal 2026;
- Overall enrollment and demand trends that are consistent with the rating; and
- Comprehensive program offerings, including a law school and medical school, the system's healthy level of research, and expansive online education presence.

Partly offsetting the above strengths, in our view, are the system's:

- Elevated debt, which we expect will continue to pressure the balance sheet;
- Downward-trending matriculation and somewhat weakening graduate enrollment;
- Substantial remaining capital needs with additional debt plans through the next few years; and
- Low financial resources compared with medians.

We see heightened sector risks, including those related to federal funding. UMass is a R1 research institution, and grants and contract revenue totaled about \$856 million, about 17% of the university's adjusted operating revenue base, in fiscal 2025 (based on audited financial results). About three-quarters of those grants and contracts are at the Amherst and Chan campuses. The indirect cost recovery rates at those two campuses are 61.0% and 67.5%, respectively. To date, the number of terminated grants has been limited and represents a very small portion of the broader research portfolio. Given evolving federal policies, management continues to assess the potential effects of funding disruptions or reductions to federal funding. We believe that the university maintains sufficient liquidity and is assessing financial mitigations to provide it with flexibility to navigate reductions.

The University of Massachusetts, established in 1863, is a coeducational, state-supported institution with campuses in Amherst, Boston, Dartmouth, Lowell, and Worcester. The campuses are geographically dispersed throughout the commonwealth, with complementary missions. The Amherst campus is the system's flagship and the largest based on headcount. UMass Amherst acquired the campus of Mount Ida College in 2018 following the college's closure, with the intention of capitalizing on the campus' location to expand university-industry partnership and increase internship and career opportunities for its students in the greater Boston area. The UMass Chan Medical School (Worcester) campus is a graduate and professional campus housing the T.H. Chan School of Medicine, Morningside Graduate School of Biomedical Sciences, and the

Tan Chingfen Graduate School of Nursing. The Dartmouth campus also houses the UMass School of Law. UMass Global was established in September 2021 and provides online degree and certificate programs in a wide range of disciplines, serving adult learners.

Environmental, social, and governance

We analyzed the university's environmental, social, and governance factors pertaining to its market position, management and governance, and financial performance, and we view them as neutral in our credit rating analysis.

Outlook

The stable outlook reflects our view of UMass' expected full-accrual surpluses, maintenance of its role as the leading provider of higher education in Massachusetts, and relatively consistent balance sheet with some potential addition of debt.

Downside scenario

We could consider a negative rating action if the system's enrollment and demand measures weaken materially or if the additional debt strains the balance sheet such that financial metrics fall below historical levels.

Upside scenario

A positive outlook or higher rating could follow significantly improved resource ratios, especially relative to debt, consistent healthy surpluses, and maintenance of the enterprise profile.

Credit Opinion

Enterprise Risk Profile--Extremely Strong

Market position and demand

In our view, the system has moderate geographic diversity and is mostly regional. About three-quarters of all students hail from within the commonwealth. The system's full-time equivalent (FTE) enrollment was essentially flat for the past few years with a 0.1% decrease in fall 2025 and 0.6% and 0.4% increases in the previous two years. Our expectation is for FTE enrollment to remain relatively stable in fall 2026. Given the region's declining demographics, management is exploring trends in the area to determine strategies to maintain the university's position. Given the university's size and variety of geographic locations throughout the commonwealth, we believe it is somewhat insulated from prolonged declines. Total enrollment for fall 2025 was down at the Amherst and Dartmouth locations and, by residency, international enrollment overall was down 12%, which was more than budgeted. International students account for about 10% of total FTE enrollment. International enrollment had been increasing in recent years, mostly in the graduate programs. With changing visa and immigration policies, the university's international student demand and revenue may be pressured and management is monitoring developments.

First-year applications have grown in recent years, and indicators for fall 2026 point to continued growth for in-state and domestic students and a drop in international applications. Selectivity has fluctuated modestly in the past few years but remains consistent with the rating. The

matriculation rate has weakened, and we believe that this reflects New England's highly competitive public and private higher education market. UMass has a healthy transfer population and is also now sharing Amherst applications with the Dartmouth and Lowell campuses, which should yield some additional students. The system's mission remains access and affordability, and management expects to maintain moderate tuition increases for the near future.

The system has a large and growing online program, which we believe adds overall revenue and program diversity. Through fiscal 2024, UMass Global had operated under a Temporary Program Participation Agreement that did not allow for establishment of a new location or new programs. In March 2025 UMass Global entered into a provisional Program Participation Agreement, under which it can apply to the Department of Education to add new programs that could provide for further growth.

Management

Since our previous review, the leadership team has remained relatively stable except for the appointment of a new executive director at the building authority in January 2026. A search was completed April 7, 2026, for the next chancellor at the UMass Chan campus, and Dr. David McManus was named to the position. The administration structure has a centralized office headed by a president, and each campus has a chancellor. A board of trustees governs the system under the commonwealth's coordinating effort and authority. The board has 22 members, including three nonvoting members and 17 members appointed by the governor. Management reports that board membership was stable during the past year but for the replacement of outgoing Secretary of Education Patrick Tutwiler with Stephen Zrike.

The system remains engaged in a number of strategic initiatives, including a focus on financial sustainability and enrollment. The system has focused on maintaining sufficient liquidity in cash and investments, and has controlled expenses and generated revenue to allow for operating surpluses for the past several years. The system is also enhancing its capital investment approval process, and is tracking and reporting on key performance metrics. In our opinion, the system's historical operating performance, good enrollment, and demand metrics as well as its professional management team are credit strengths and allow for some cushion as the university works through the capital program. We understand that the university may benefit from the Build Resilient Infrastructure to Generate Higher Education Transformation (BRIGHT) and Discovery, Research, and Innovation for a Vibrant Economy (DRIVE) acts if they are finalized in the state. The BRIGHT Act will work to support capital, allowing the university to address projects and deferred maintenance while preserving the balance sheet. The DRIVE Act will serve as bridge funding to support research given the changing federal landscape. The ultimate timing and availability of funds will not be finalized until these are passed.

The UMBA is the statutory entity through which the University of Massachusetts system finances its debt issuance and provides project management oversight until facilities are available for occupancy. The authority is an independent entity and has an 11-member board appointed by the governor.

Fundraising

The system is building its fundraising capacity across the five campuses and intends to enhance its advancement effort. All campuses except Dartmouth have ongoing campaigns with goals totaling \$1.6 billion.

Financial Risk Profile--Strong

Financial performance

The system has a long history of operating surpluses, with management targeting surpluses. Our revenue adjustment includes audited operating revenue, state support, federal support, and gifts and endowment income, but excludes investment income. Our adjusted expenses include audited operating expenses and interest expense. The system's fiscal 2025 operating results were in line with projections, with each campus demonstrating improved operations. Improved enrollment at the Amherst location and increased occupancy at Amherst and Dartmouth contributed to revenue growth. In addition, commonwealth support of aid through the MassGrant+ program and state appropriations were favorable. The recent improvement also reflects management's concerted efforts to contain expense growth, with each campus expecting positive operating margins and a surplus in its fiscal 2026 projection. In the next few years, management has numerous initiatives planned to mitigate industry risks and maintain operating performance despite pressures.

The system participates in Massachusetts' fringe benefits programs, including health insurance, other postemployment benefits, and pension. Included in the system's financial statements and state-funded appropriation is an allocation to cover fringe benefit costs, and we view this as a positive credit factor. Appropriations have increased in recent years and a modest increase is expected for fiscal 2027. We view the history of strong funding from the commonwealth as positive from a credit standpoint and believe substantial support will continue.

Financial resources

In our view, cash and investments to operating expenses are relatively light for the rating category though improved from historical levels. Cash and investments relative to debt is somewhat improved from historical levels despite the additional debt. We expect financial resource ratios to hold or slightly weaken in the near term with the expectation of continued though modest operating surpluses and plans for some additional debt--about \$295 million remaining in likely debt issuances to support the capital plan.

The endowment, held by the foundation, had a market value of \$1.78 billion as of June 30, 2025. Management reports little change to asset allocation or liquidity in the near term. The spending policy for the foundation endowment fund is 4% of the endowment's average market value for the prior 12 quarters, with an actual spending rate typically below this level. Draws have been consistent with management's policy, and we anticipate no extraordinary draws or changes to the policy.

Debt and contingent liquidity

UMass' debt burden remains elevated compared with that of similarly sized and comprehensive universities and is higher than rating medians. Maximum annual debt service is somewhat frontloaded and the debt burden is above average at almost 5% of fiscal 2025 adjusted operating expenses (and does not include the potential additional debt expected in the outlook period). We understand that about \$246.5 million of principal will be amortized in the next two fiscal years, providing some capacity for the potential additional debt. Most of the system's debt is fixed rate. Contingent debt risk outstanding consists of the CP. The series A (\$20 million) was redeemed as of April 1, 2026. In fiscal 2013, the authority approved a CP program to help fund the system's

University of Massachusetts System Series 2026 Bonds Assigned 'AA-' Rating

capital plan. The program is authorized for \$200 million and is supported by a standby letter of credit.

In our opinion, high debt and elevated maximum annual debt service burden remain a challenge, particularly as the system handles enrollment challenges and has significant capital plans that will likely continue to limit balance sheet growth. Nevertheless, we believe that overall debt will remain manageable at the rating because of university trustee policies that limit debt service to 8% of operating expenses (including the Build America Bonds subsidy). In addition, debt service is conservatively somewhat frontloaded, which we believe provides some flexibility.

The university's capital plan for fiscal years 2026 to 2030 includes over 100 projects and totals about \$2 billion of capital spending. Funding sources consist of about \$465 million in total debt (the majority of which has already been issued), \$376 million of state funding, and the remainder other internal and external sources. Based on the capital plan, we expect debt to remain elevated compared with that of the system's peers and the rating medians. The plan anticipates about \$295 million of additional debt to complete the projects. Some recent projects include an engineering building, a computer sciences building, Goodell building renovations, and the School of Public Health addition on the Amherst campus.

The system built a 1,000-bed freshman housing facility on time and within budget, through a 501(c)(3) ownership structure on its Boston campus. While this project has been self-supporting, a recent burst pipe led to some students temporarily being placed off campus. UMass Dartmouth engaged in a 1,210-bed housing facility project through a 501(c)(3) ownership structure. The associated debt for the two projects totaled approximately \$260 million, which is not included in the calculation of resources to debt ratios. We understand that the system entered into a service concession agreement with a developer for an undergraduate and graduate housing project at UMass Amherst. As part of the deal, UMass received a \$20 million upfront payment and will retain ownership of the property.

UMass contributes to the Massachusetts state employees' retirement system, a cost-sharing, multiple-employer, defined benefit pension plan administered by the State of Massachusetts. We understand that the pension plan funded status in fiscal 2025 was approximately 73%, which we view as sufficient. UMass' contributions were what we consider manageable in fiscal 2025.

University of Massachusetts System--enterprise and financial statistics

	--Fiscal year ended June 30--					'AA' rated public college and university medians
	2026	2025	2024	2023	2022	2024
Enrollment and demand						
Full-time-equivalent enrollment	65,137	65,221	64,855	64,578	64,785	37,533
Undergraduates as % of total enrollment	77.9	76.7	76.9	77.7	78.3	80.3
First-year acceptance rate (%)	72.4	71.8	70.6	73.7	72.7	74.5
First-year matriculation rate (%)	15.3	15.9	16.8	17.7	17.4	25.4
First-year retention rate (%)	83.2	82.3	82.4	82.4	83.6	86.1
Six-year graduation rate (%)	69.6	68.5	70.0	71.4	70.9	71.0
Financial performance						
Adjusted operating revenue (\$000s)	N.A.	5,177,297	4,794,794	4,552,144	4,325,598	MNR
Adjusted operating expense (\$000s)	N.A.	5,044,898	4,637,143	4,402,361	4,195,611	MNR
Net adjusted operating margin (%)	N.A.	2.6	3.4	3.4	3.1	1.5

University of Massachusetts System--enterprise and financial statistics

	--Fiscal year ended June 30--					'AA' rated public college and university medians
	2026	2025	2024	2023	2022	2024
Estimated operating gain/loss before depreciation (\$000s)	N.A.	550,220	518,777	494,655	460,702	MNR
Tuition discount (%)	N.A.	31.4	31.1	28.2	26.9	29.2
Student dependence (%)	N.A.	38.8	40.7	42.4	41.9	36.0
State appropriations to revenue (%)	N.A.	23.4	24.0	22.2	20.3	19.1
Health care operations dependence (%)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Research dependence (%)	N.A.	16.5	17.2	16.4	16.6	15.1
Financial resources						
Endowment market value (\$000s)	N.A.	1,778,443	1,526,385	1,295,214	1,101,885	1,454,416
Related foundation market value (\$000s)	N.A.	1,411,841	1,194,640	992,278	816,452	MNR
Cash and investments including foundation (\$000s)	N.A.	4,168,974	3,629,902	3,203,468	2,952,084	2,961,293
Cash and investments including foundation to operations (%)	N.A.	82.6	78.3	72.8	70.4	123.4
Cash and investments including foundation to debt (%)	N.A.	121.7	101.8	91.1	80.7	323.7
Cash and investments including foundation to pro forma debt (%)	N.A.	114.1	N.A.	N.A.	N.A.	MNR
Debt						
Foundation debt (\$000s)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Total debt with foundation (\$000s)	N.A.	3,425,464	3,567,283	3,516,756	3,659,719	1,012,913
Proposed debt (\$000s)	N.A.	887,530	N.A.	N.A.	N.A.	MNR
Total pro forma debt (\$000s)	N.A.	3,652,374	N.A.	N.A.	N.A.	MNR
Current MADS burden (%)	N.A.	5.1	6.1	6.4	6.5	3.7
Pro forma MADS burden (%)	N.A.	5.3	N.A.	N.A.	N.A.	MNR
Average age of plant (years)	N.A.	11.6	12.7	12.4	12.2	13.4

Total adjusted operating revenue = unrestricted revenue less realized and unrealized gains/losses and financial aid. Total adjusted operating expense = unrestricted expense plus financial aid expense. Net operating margin = 100*(net adjusted operating income/adjusted operating expense). Student dependence = 100*(gross tuition revenue + auxiliary revenue) / adjusted operating revenue. Current MADS burden = 100*(maximum annual debt service expense/adjusted operating expenses). Cash and investments = cash + short-term and long-term investments. Average age of plant = accumulated depreciation/depreciation and amortization expense. MADS--Maximum annual debt service. MNR--Median not reported. N.A.--Not available.

Ratings List

New Issue Ratings

US\$285,885,000 University of Massachusetts Building Authority, Refunding Revenue Bonds, Senior Series 2026-1, dated: Date of Delivery, due: November 1, 2045

Long Term Rating AA-/Stable

US\$309,180,000 University of Massachusetts Building Authority, Refunding Revenue Bonds, Senior Series 2026-2, dated: Date of Delivery, due: November 1, 2041

Long Term Rating AA-/Stable

Ratings Affirmed

University of Massachusetts System Series 2026 Bonds Assigned 'AA-' Rating

Ratings List

Education

University of Massachusetts System, MA Unlimited Student Fees	AA-/Stable
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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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