

Research Update:

Missouri State University Series 2016A, 2019A, And 2019B Revenue Bond Ratings Affirmed At 'A+'; Outlook Stable

August 5, 2025

Overview

- S&P Global Ratings affirmed its 'A+' long-term rating on [Missouri State University's](#) (MSU) series 2016A and 2019A auxiliary enterprise revenue bonds.
- S&P Global Ratings also affirmed its 'A+' rating on [Missouri Health & Educational Facilities Authority's](#) (MOHEFA) 2019B educational facilities revenue bonds, issued for MSU.
- The outlook is stable.

Rationale

Security

As of June 30, 2024, MSU's debt outstanding totaled \$151.8 million. This includes \$81.7 million of auxiliary enterprise system revenue bonds, \$46.5 million of MOHEFA bonds, and \$23.5 million in various leases. MSU's auxiliary enterprise bonds are secured by a pledge of net income from the university's auxiliary enterprise system that includes housing, dining, social, recreational, athletics, and parking facilities charges and fees. Among the revenue streams for the auxiliary enterprise system are mandatory fees for the student union, sports complex, health center, and shuttle system, which we consider to be equivalent to an unlimited student fee pledge. The university covenants to maintain net income of the auxiliary enterprise system of at least 1.1x annual debt service, of which it is in compliance as of fiscal year-end 2024. There is no debt service reserve. The revenue bonds issued by MOHEFA are general unsecured obligations of the university.

Credit highlights

We assessed MSU's enterprise risk profile as strong, characterized by recent improvement in total enrollment following consecutive declines and healthy retention rate, offset by a weak selectivity rate. We assessed the university's financial risk profile as very strong, with healthy

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financial resources and a low maximum annual debt service (MADS) burden, offset by deficit operations in recent years. We believe these combined credit factors lead to an anchor of 'a+' and a final rating of 'A+'.

The long-term rating reflects our view of the university's:

- Growing enrollment the past two years following three years of consecutive declines, which we expect will continue given investments in these areas;
- Sufficient financial resource ratios for the rating category; and
- Manageable MADS burden of 3.9% when including leases, with a fairly front-loaded debt service schedule.

Offsetting factors, in our opinion, include MSU's:

- Deficit operations in recent years driven by increased capital spending, primarily funded by rising capital appropriations and contributions;
- Competitive market pressure due to the state's demographic trend and the university's largely in-state geographic draw, which could destabilize enrollment; and
- Small endowment compared with the university's size, with low endowment per full-time equivalent (FTE) relative to rating category medians and peers.

MSU, founded in 1905, is one of 13 four-year public colleges and universities in Missouri and the state's second-leading university, after the University of Missouri. Under a state-recognized public affairs mission, MSU offers a broad array of academic programs on three campuses in the Springfield, West Plains, and Dalian, China. It operates one of the largest colleges of business in Missouri and participates in NCAA Division I athletics. The main Springfield campus is in southwest Missouri on a 225-acre site.

Environmental, social, and governance

We analyzed MSU's environmental, social, and governance credit factors pertaining to the university's market position, management and governance, and financial performance. We believe there to be demographic challenges in the region, given the lower number of high school graduates in Missouri, which could pressure MSU's enrollment. We evaluated the university's environmental and governance risks and view them to be neutral within our credit analysis.

Outlook

The stable outlook reflects the university's solid financial resource ratios and manageable debt burden, which remain consistent for the rating despite operations being negative on a full-accrual basis. It also reflects the recent improvement in enrollment after multiple years of declines. No additional debt is expected.

Downside scenario

A negative rating action is possible if MSU's operating deficits accelerate such that financial resources materially deteriorate from current levels. A trend of declining enrollment or weakening of demand metrics would be viewed negatively.

Upside scenario

A positive rating action is possible if enrollment and demand metrics improve to levels more comparable with those of higher-rated peers, operations are consistently positive apart from one-time funding, and financial resources show continued improvement.

Credit Opinion

Enterprise Risk Profile--Strong

Market position and demand

MSU's total FTE enrollment improved by 2.1% to 17,558 in fall 2024 following a 3.4% increase in fall 2023. Before fall 2023, enrollment had declined for three consecutive years. The improvement is attributed to increases in new freshmen matriculants, which rose to 2,841 in fall 2023 and a lower 2,689 in fall 2024, from 2,332 in fall 2022. Applications declined modestly by 2.7% in fall 2024 following a considerable 24% increase the previous year due to the introduction of the Common Application. At the same time, the selectivity rate has been consistent at about 90%, which we consider weak for the rating category.

Financial aid strategies are being implemented with the aim of enhancing access, recruiting more Pell-eligible students, and to improve retention among current students. Management also continues to expand employer partnerships, implement new graduate and other credential programs, and expand health science offerings and pathways through its Alliance for Healthcare Education. Also, the university was recently granted approval to independently offer PhDs, which management believes will support graduate enrollment. Retention is a priority for MSU and, in fall 2024, decreased modestly to 77.3% from 79.0% the previous year, which is in line with the historical retention levels. We consider the retention rate sufficient for the rating.

Management and governance

A nine-member board of governors, appointed by the governor with the advice and consent of the Missouri legislature, governs MSU. Each member serves a six-year term. No major changes have occurred at the board level, outside of normal rotations. Currently, there are four vacancies at the board level that the university anticipates will be filled by the governor in the near term.

Dr. Richard Williams has been president of MSU since July 2024, and has 25 years of leadership in higher education. Formerly, he was the president of Utah Tech University from 2014 through 2024. Senior leaders on the finance team are experienced and have long tenure. Recently, the university welcomed a new provost, Dr. Clarendia Phillips, who brings more than 30 years of higher education experience. In addition, MSU recently appointed a new vice president for enrollment management, effective August 2025. This is a new position created to address the challenges in higher education. Aside from these changes, the university's senior management team remains stable.

Under the new president, MSU recently developed a new strategic plan for 2025-2030, which it plans to launch in September 2025. Leadership is very transparent about the various initiatives, publishing updates regularly on the website. Recently, the university transitioned to joining Conference USA, an athletic conference that management maintains is a key strategic priority. We view management's financial practices as thorough, with conservative budget assumptions and good cash management. Decisions about whether to use reserves or debt to fund various

capital needs are typically well-thought through, and market conditions are monitored to ensure all opportunities are considered. Management also produces efficiency reports that highlight specific financial risks for the organization and specific actions planned to mitigate or offset those risks, which we view positively.

Financial Risk Profile--Very Strong

Financial performance

Operations for fiscal 2024 weakened to a negative 3.3% margin following a negative 1.7% margin in fiscal 2023. These results also include pension and other postemployment benefits contribution adjustments, net of expenses. Fiscal 2024 saw higher expenses spurred by capital projects funded by increased capital appropriations and contributions/grants. At the same time, revenues increased due to higher net tuition revenue as enrollment increased, in addition to growing state appropriations of about \$106.6 million in fiscal 2024, compared with \$102.6 million in fiscal 2023. Tuition discounting remains low for a public institution, at 26.6% for fiscal 2024, and the university continues to benefit from good revenue diversity, with 50% of revenue generated from tuition and fees, 24% from state appropriations, and 11% from research grants and contracts. Approximately 70% of this funding comes from federal sources. While the current federal funding environment is uncertain, we believe MSU's well-diversified research partnerships across agencies provide some stability for operations.

Management budgets conservatively and have budgeted for break-even results in fiscal 2025; according to management, revenues are tracking close to budget and expenses were tracking slightly lower than budget. In addition, the university received significant appropriations related to continuation of building projects, which should also see corresponding higher expenses year over year.

Financial resources

MSU has healthy financial resources relative to both operations and debt for the rating. Total cash and investments, including foundation net assets, accounted for 85% of operating expenses and 260% of debt, which is healthy relative to rating category medians. In 2022, MSU also completed a comprehensive campaign, raising more than \$274 million, exceeding the \$250 million goal, which we view positively. According to management, fundraising remains a top priority, and it is focused on raising funds for specific initiatives on campus.

As of June 30, 2024, the university foundation's market value was \$120 million. Approximately \$103 million can be liquidated within 30 days. MSU's endowment spending policy is a standard 4.5% of a rolling three-year market value average. Management reports that it does not anticipate any material changes to its asset allocation or endowment spending policy.

Debt and contingent liabilities

MSU's debt outstanding as of June 30, 2024, totaled \$151.8 million, including \$81.7 million of auxiliary revenue bonds. As of fiscal 2024 year-end, the university had \$92.9 million in direct-purchase debt. Although we do not rate the direct-purchase bonds, we have looked at the legal documents and determined that the risks for default and remedies are the same as the publicly rated debt; therefore, there are no additional contingent risks. There are no plans for additional debt in the outlook period.

Pension plans and other postemployment benefits

MSU contributes to Missouri State Employees' Retirement System (MOSERS), a single-employer, defined-benefit public employees' pension plan administered by the state. As of fiscal year-end 2024, MOSERS has a funded status of 52%. OPEB, offered through a single-employer retiree benefit plan, is funded on a pay-as-you-go basis. MSU's pension and OPEB cost relative to adjusted operating expense is about 6.7%, which we view as manageable.

Missouri State University, Missouri--enterprise and financial statistics

	--Fiscal year ended June 30--					Medians for 'A' category rated public colleges and universities
	2025	2024	2023	2022	2021	2023
Enrollment and demand						
Full-time-equivalent enrollment	17,558	17,192	16,625	17,283	19,360	12,526
Undergraduates as a % of total enrollment	85.3	83.8	83.4	84.1	80.4	84.3
First-year acceptance rate (%)	90.5	91.1	92.6	93.9	86.6	83.1
First-year matriculation rate (%)	25.6	26.2	26.2	28.1	31.9	22.8
First-year retention rate (%)	77.3	79.0	76.0	75.2	79.2	76.6
Six-year graduation rate (%)	58.0	57.0	59.6	59.9	58.6	58.4
Financial performance						
Adjusted operating revenue (\$000s)	N.A.	447,018	421,134	438,195	415,170	MNR
Adjusted operating expense (\$000s)	N.A.	462,369	428,345	419,307	383,782	MNR
Net adjusted operating margin (%)	N.A.	(3.3)	(1.7)	4.5	8.2	(1.0)
Estimated operating gain/loss before depreciation (\$000s)	N.A.	19,996	26,229	50,730	62,990	MNR
Tuition discount (%)	N.A.	26.6	25.0	23.5	22.5	28.4
Student dependence (%)	N.A.	49.9	49.7	47.0	48.3	47.8
State appropriations to revenue (%)	N.A.	23.9	24.4	21.6	20.0	23.3
Research dependence (%)	N.A.	10.8	11.3	8.1	7.7	8.7
Financial resources						
Endowment market value (\$000s)	N.A.	120,071	113,245	105,795	100,567	152,720
Related foundation market value (\$000s)	N.A.	203,952	182,283	178,684	189,073	MNR
Cash and investments including foundation (\$000s)	N.A.	394,562	373,243	407,454	395,705	386,032
Cash and investments including foundation to operations (%)	N.A.	85.3	87.1	97.2	103.1	90.1
Cash and investments including foundation to debt (%)	N.A.	260.0	227.5	241.8	233.4	215.9
Cash and investments including foundation to pro forma debt (%)	N.A.	N.A.	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.	151,775	164,084	168,477	169,545	227,298
Proposed debt (\$000s)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Total pro forma debt (\$000s)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Current MADS burden (%)	N.A.	3.1	3.3	3.5	3.9	4.2
Pro forma MADS burden (%)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR

Missouri State University, Missouri--enterprise and financial statistics

	--Fiscal year ended June 30--						Medians for 'A' category rated public colleges and universities
	2025	2024	2023	2022	2021	2023	
Average age of plant (years)	N.A.	15.1	15.6	15.6	14.9	14.4	

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. N.A.--Not available. MNR--Median not reported. MADS--Maximum annual debt service.

Ratings List

Ratings Affirmed

Education

Missouri St Univ, MO Unlimited Student Fees	A+/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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