

MOODY'S

RATINGS

Rating Action: Moody's affirms Missouri State University's A1 and A2 ratings; outlook stable

19 Mar 2024

New York, March 19, 2024 -- Moody's Ratings has affirmed Missouri State University's A1 issuer rating, underlying A1 revenue bond rating and A2 auxiliary ratings. Total debt outstanding was approximately \$163 million as of fiscal year-end 2023. The outlook remains stable.

RATINGS RATIONALE

The affirmation of the A1 issuer rating reflects its importance as the second largest public university in the state of Missouri with fall FTE enrollment of 16,000 and \$361 million of operating revenue in fiscal 2023. Further supporting the rating is MSU's favorable liquidity position, providing a cushion for the system as it continues to manage through softened margins driven by enrollment challenges and limited pricing flexibility. While near-term operating margins are expected to remain close to break-even, MSU has identified and started to implement several strategic initiatives to help drive enrollment growth. Initiatives include evaluating potential additional graduate programs, providing full tuition through the MO State Access Award, and its partnership with Cox Health, Ozarks Technical Community College & Springfield Public Schools for the Alliance for Healthcare Education. While direct debt remains moderate and there are no additional plans for debt, adjusted debt metrics will continue to be elevated due to the university's pension exposure.

The affirmation of the A1 on the university's revenue bonds reflects the university's issuer rating and the broad nature of the revenue pledge. The affirmation of the A2 on the Auxiliary Enterprise System bonds reflects the narrower pledge and limited revenue stream supporting debt service. Fiscal 2023 net revenues available for debt service provides 1.1x coverage of auxiliary debt.

RATING OUTLOOK

The stable outlook incorporates expectations that the system will continue to grow FTE enrollment supporting growth of revenue. Additionally, maintenance of wealth

levels and no plans for additional borrowing provide stability.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Improved and sustained revenue and cash flow growth
- Improvement in enrollment metrics resulting in growth of net tuition revenue
- Substantial growth in reserves relative to debt and operations
- Auxiliary Bonds: Material strengthening of pledged revenue coverage

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Further degradation of operating performance beyond fiscal 2023
- Material reductions in unrestricted liquidity
- Increase in debt without commensurate increases in revenue or reserves
- Auxiliary Bonds: Reductions in pledged revenues resulting inability to meet rate covenant

LEGAL SECURITY

The Educational Facilities Revenue Bonds (\$6.4 million outstanding at June 30, 2023) are unsecured general obligations of the university, payable from all legally available funds, excluding state appropriated funds, and funds pledged to payment of Auxiliary Enterprise System Revenue Bonds. The Educational Facilities Revenue Bonds have a sum sufficient rate covenant and a negative mortgage pledge.

The Auxiliary Enterprise System Revenue Bonds (\$26 million outstanding at June 30, 2023) are secured by a more limited pledge of the University's net income and revenues from its Auxiliary Enterprise System. The bonds are subject to a 1.1x coverage rate covenant.

PROFILE

Founded in 1905, MSU is the second largest public university in the state, with fiscal 2023 operating revenue of \$361 million and 16,000 full-time equivalent students in fall 2023. The university's enrollment reflects its doctoral/professional four-year campus in Springfield and an open admissions two-year program in West Plains. Business, education, and health sciences are among the most popular areas of study.

METHODOLOGY

The principal methodology used in these ratings was Higher Education Methodology published in August 2021 and available at <https://ratings.moodys.com/rmc->

[documents/72158](#). Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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