



U.S. Public Finance

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MHEFA 2025 –Higher Education Update

Agenda

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Change in Moody's outlook to negative

2

Focus on Minnesota

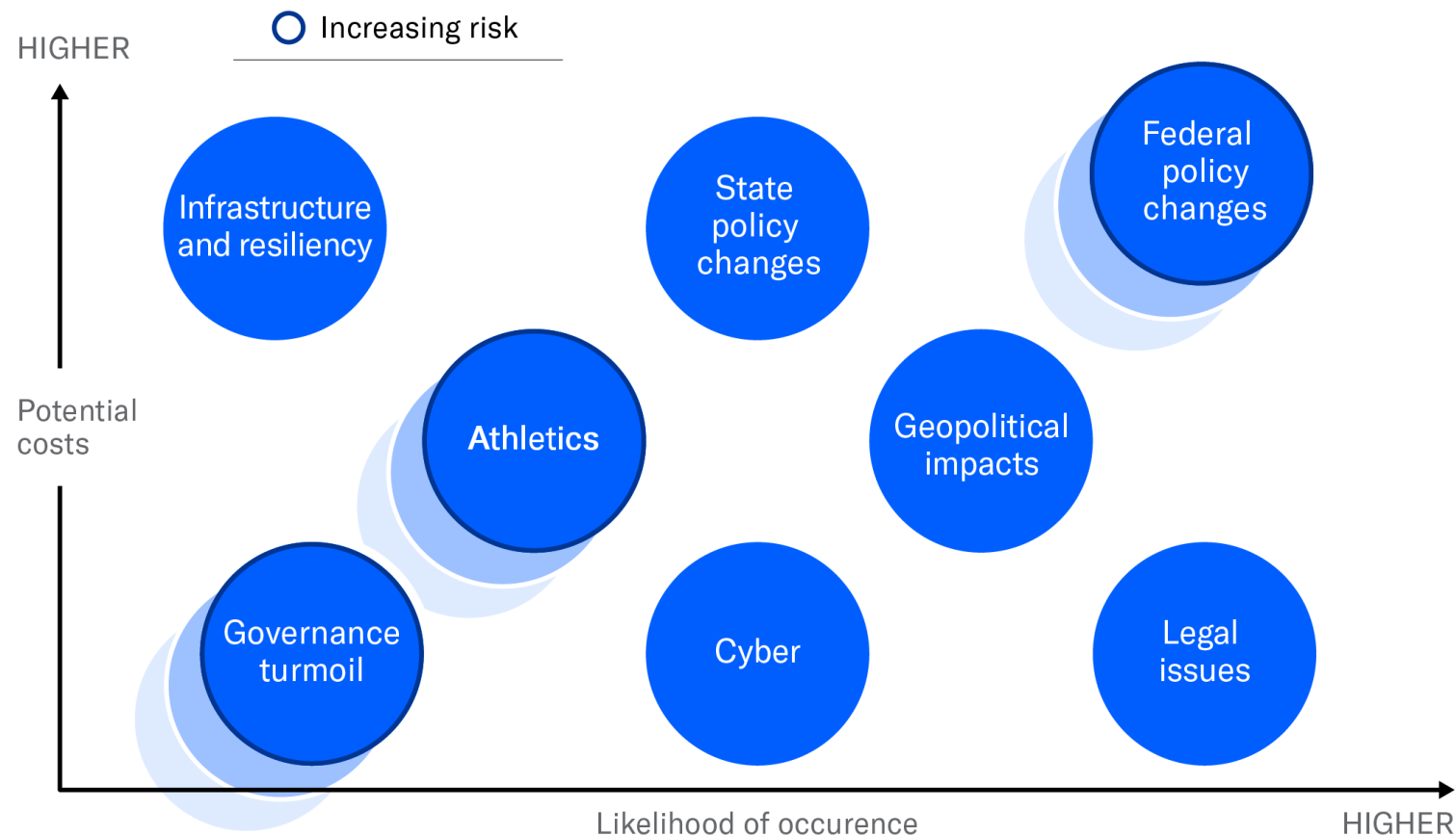
A large, dark blue graphic consisting of a stylized letter 'M' followed by a closing quotation mark, positioned in the upper right background of the slide.

2025 Outlook

Revised from stable to negative















Risks from policy changes and geopolitical impacts heighten risk of rising costs

Risks identified last year are emerging



Federal policy actions raise risk across the US higher education sector

EXHIBIT 1

		Credit impact		Severity	
		Negative	Neutral	Positive	
		High	Medium	Low	
Policy risk	Institutions affected	Credit impact	Severity		
Federal research cuts	All, predominantly R1 institutions				
Enforcement actions related to DEI programs	All				
Department of Education restructuring	All				
Reduction or interruption in Pell Grants	All, institutions serving low-income students				
Changes or disruptions to federal student loans	All				
Endowment tax	Wealthy private colleges and universities				
Reduction in foreign student visas	Many, especially those with STEM or art and design programs				

Source: Moody's Ratings

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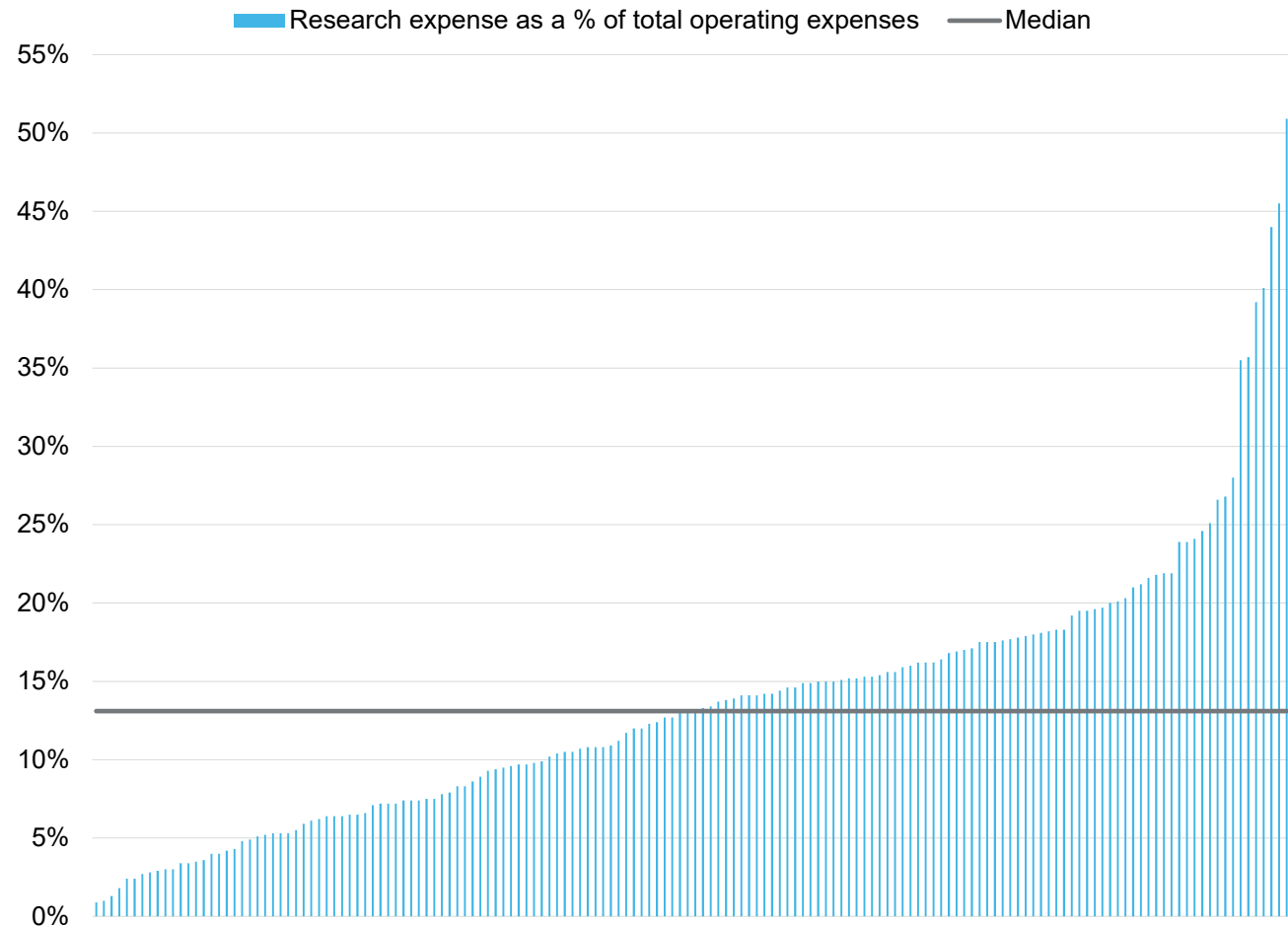
Exposure to potential NIH grant indirect cost cap

- Proposed cap without any offsetting actions taken by universities could cause some to lose \$100 million or more
- Risk to future pipeline as administrative processes for new grant review slows
- Potential reductions to other agency funding lead universities to pause investments
- Impact muted by flexibility to adjust research spending allocations



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Greatest impact would fall on research intensive colleges and universities



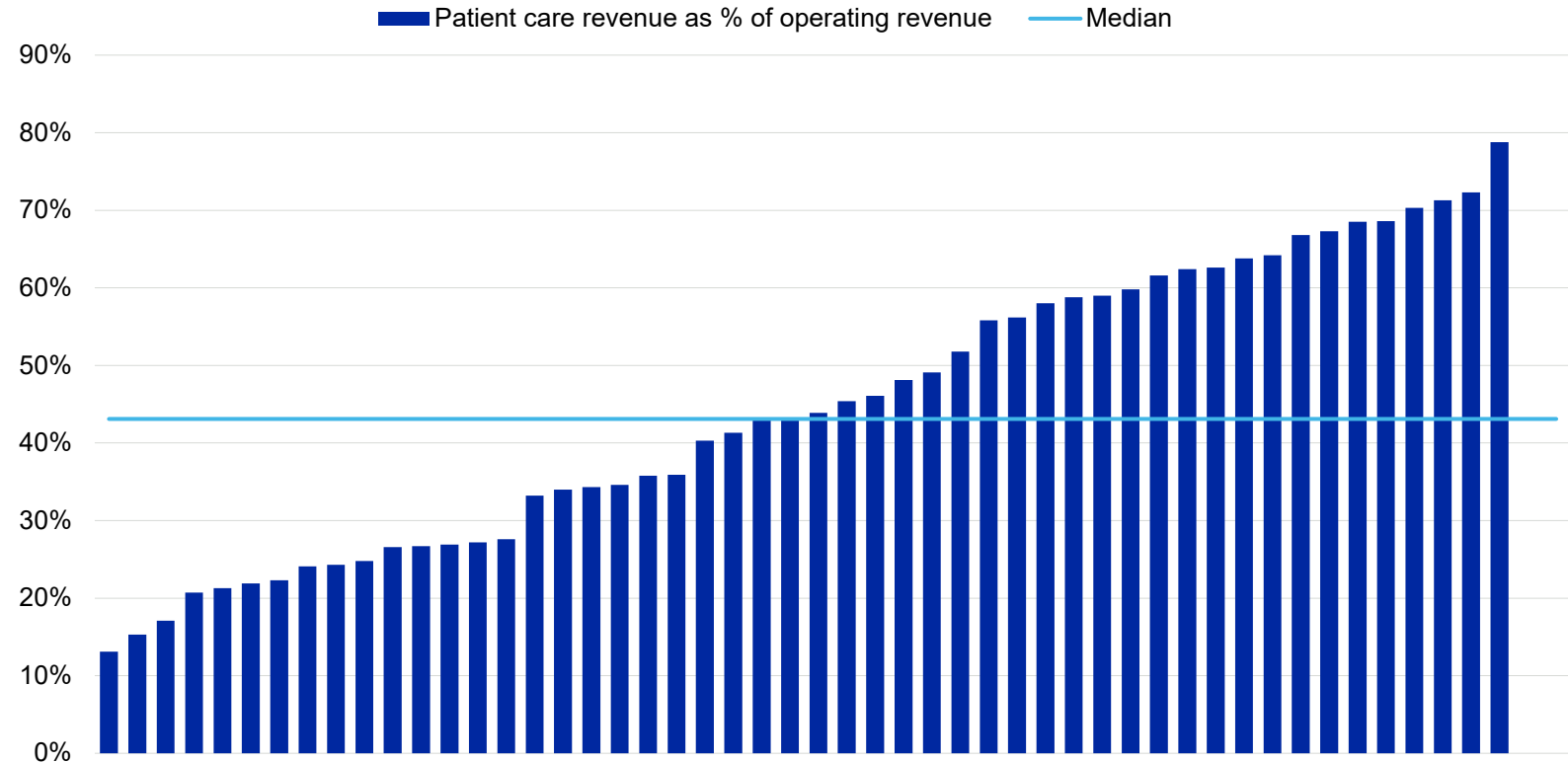
Source: Moody's Ratings

Universities with healthcare operations face uncertainty

- Risks more pronounced for universities with large academic medical centers
- Many of these entities also exposed to NIH grant reductions
- Many university hospitals rely heavily on Medicaid funding from the state and federal government



Reductions to Medicaid funding would be negative for many

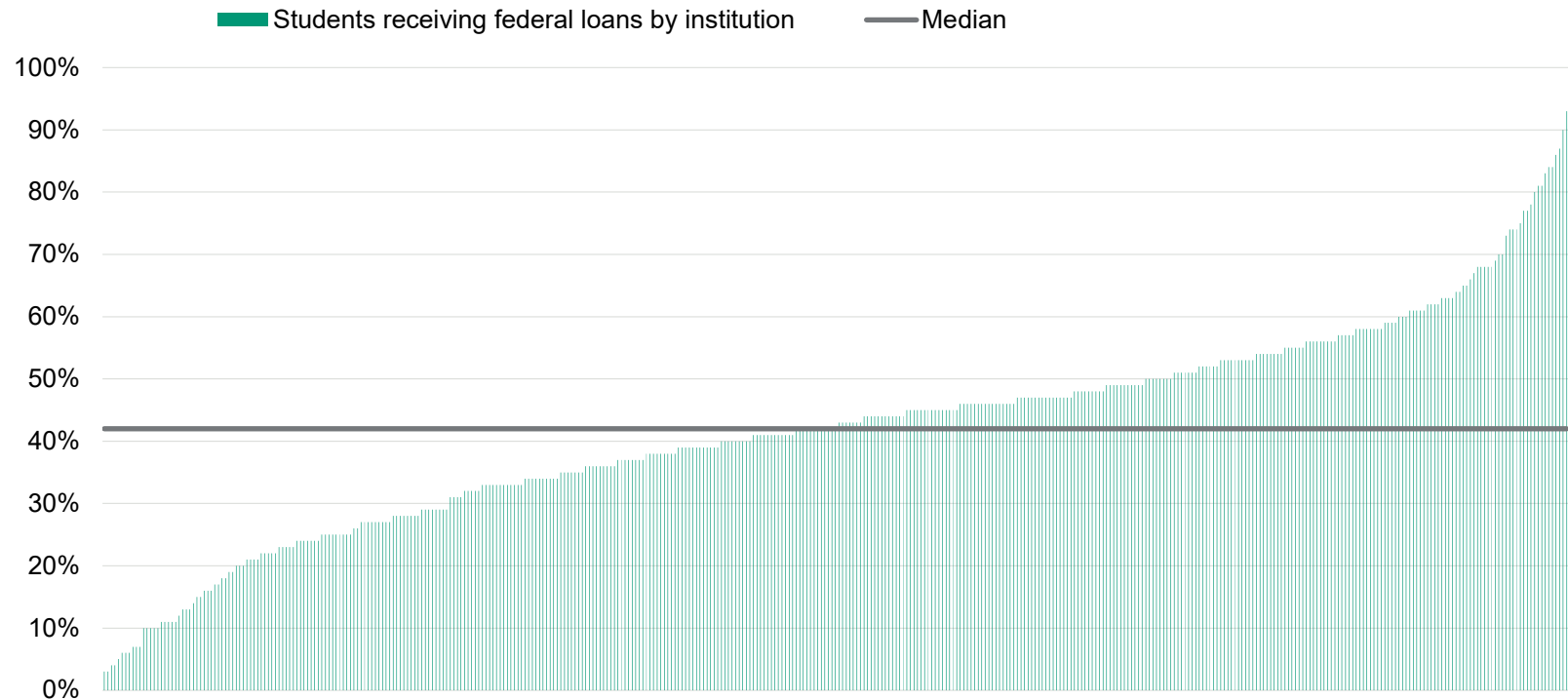


Exposure to disruption in student financial aid

- Students highly reliant on federal government financial aid and loans
- Median for federal loans is over 40%



Federal financial aid could face administrative disruption or changes with cuts at DOE



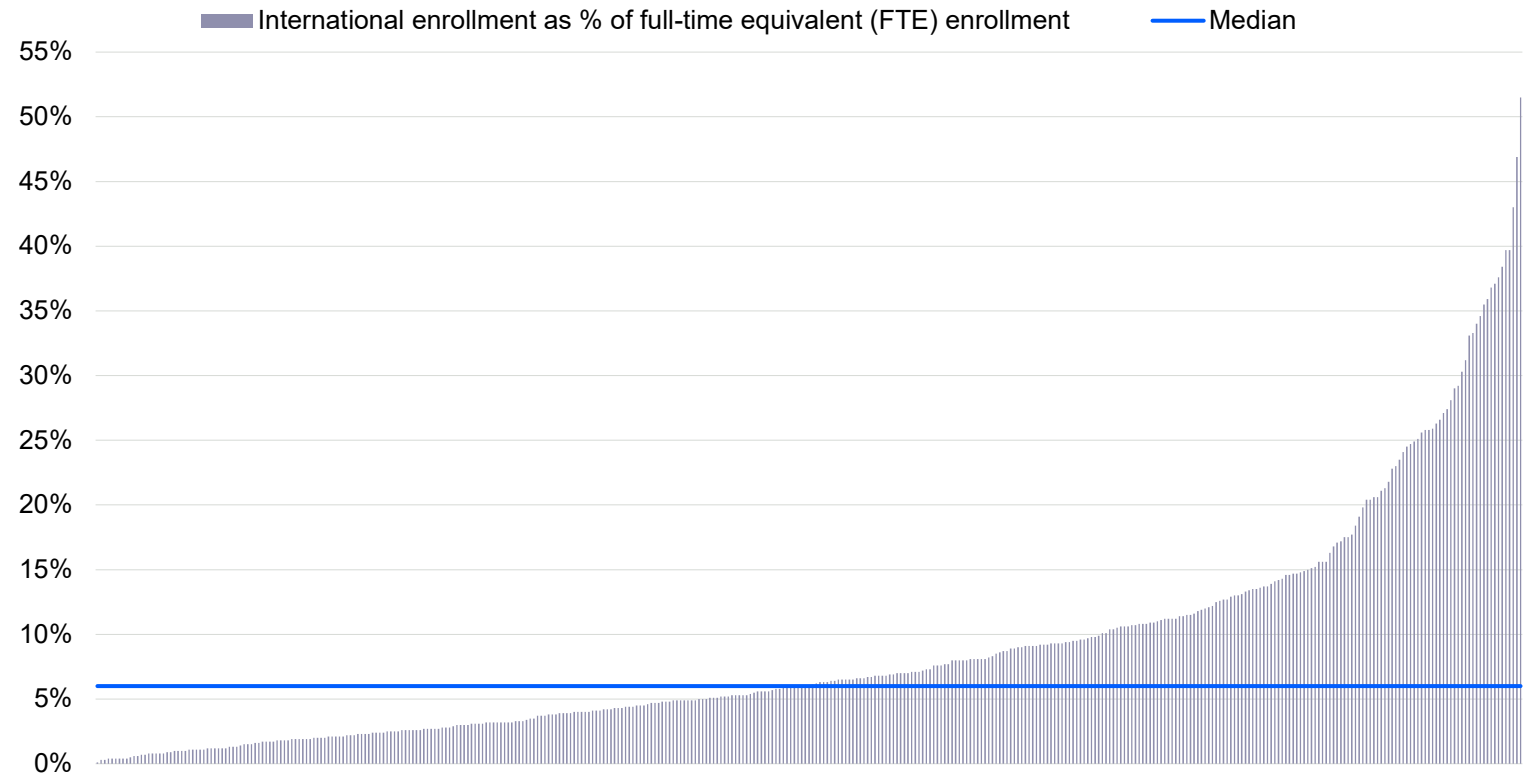
Source: U.S. Department of Education, College Scorecard

Exposure to declines in international enrollment

- US universities exposure to international students is relatively low with median just over 5%
- But over 10% of rated universe has greater than 20% exposure and graduate schools in STEM have more overseas students
- Ability to attract greater domestic students is critical; selectivity counts



Evolving government policy stance holds the potential to impact the influx of international students



Source: Moody's Ratings

Enhanced risk management takes many forms

- Federal policy changes and market turmoil lead to heightened uncertainty
- Many institutions are focusing on risk management
- Universities build cushions to face negative consequences



Shoring up liquidity through expansion of commercial paper programs, lines of credit, or taxable bonds



Temporary hiring freezes in research departments and other operations



Enhanced risk management planning with leadership/board focus on monitoring federal announcements



Identifying specific budgetary measures in advance for various scenarios



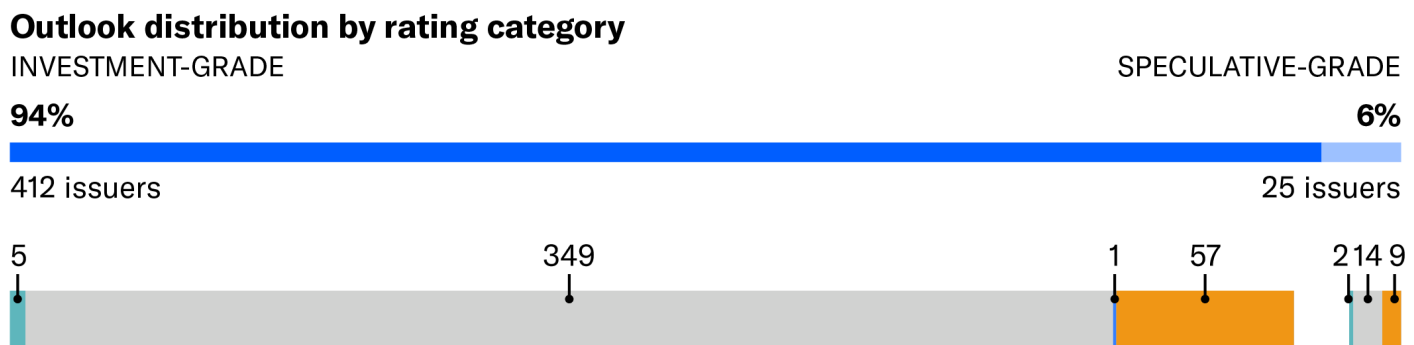
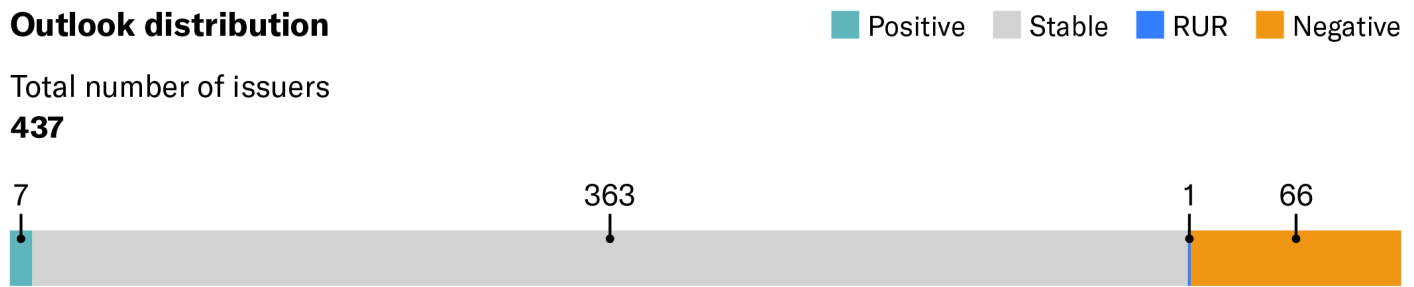
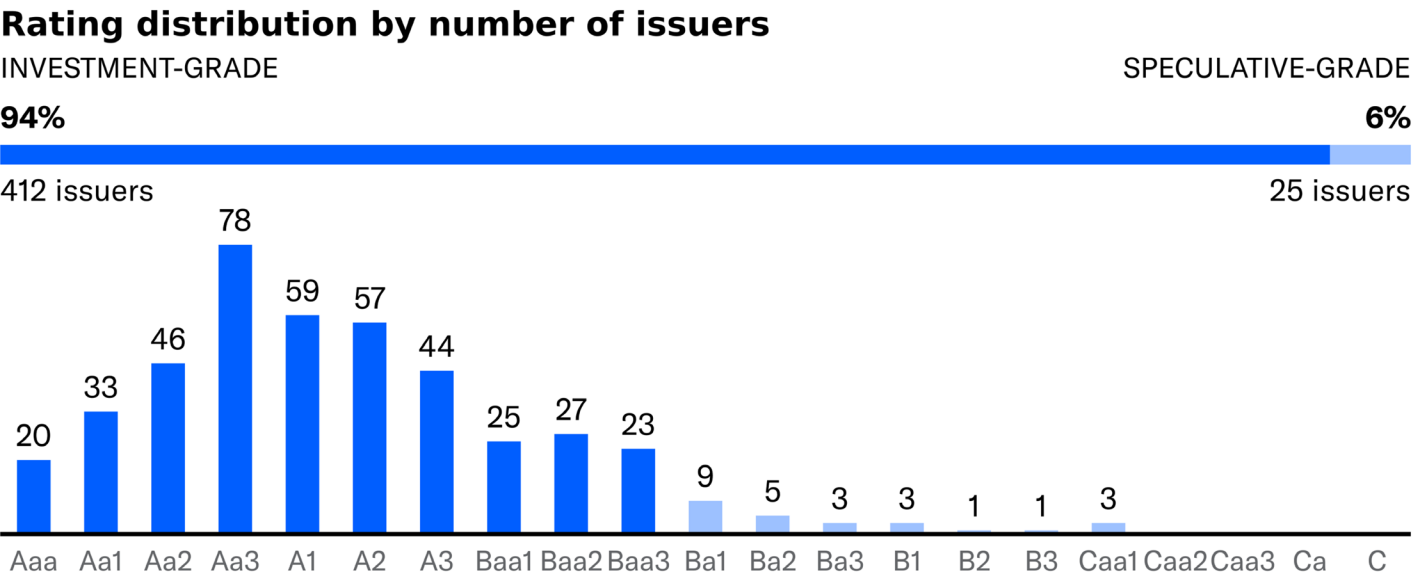
Acceleration of borrowing for capital purposes in advance of potential changes to tax exempt financing



Increasing contingencies for capital projects underway that rely on steel, aluminum or other material imports

Higher education ratings remain sound

- Higher education remains highly rated
- As of April 3, 2025, 82% of rated colleges and universities were A or above
- 15% of our rated universe has negative outlooks but that will likely rise

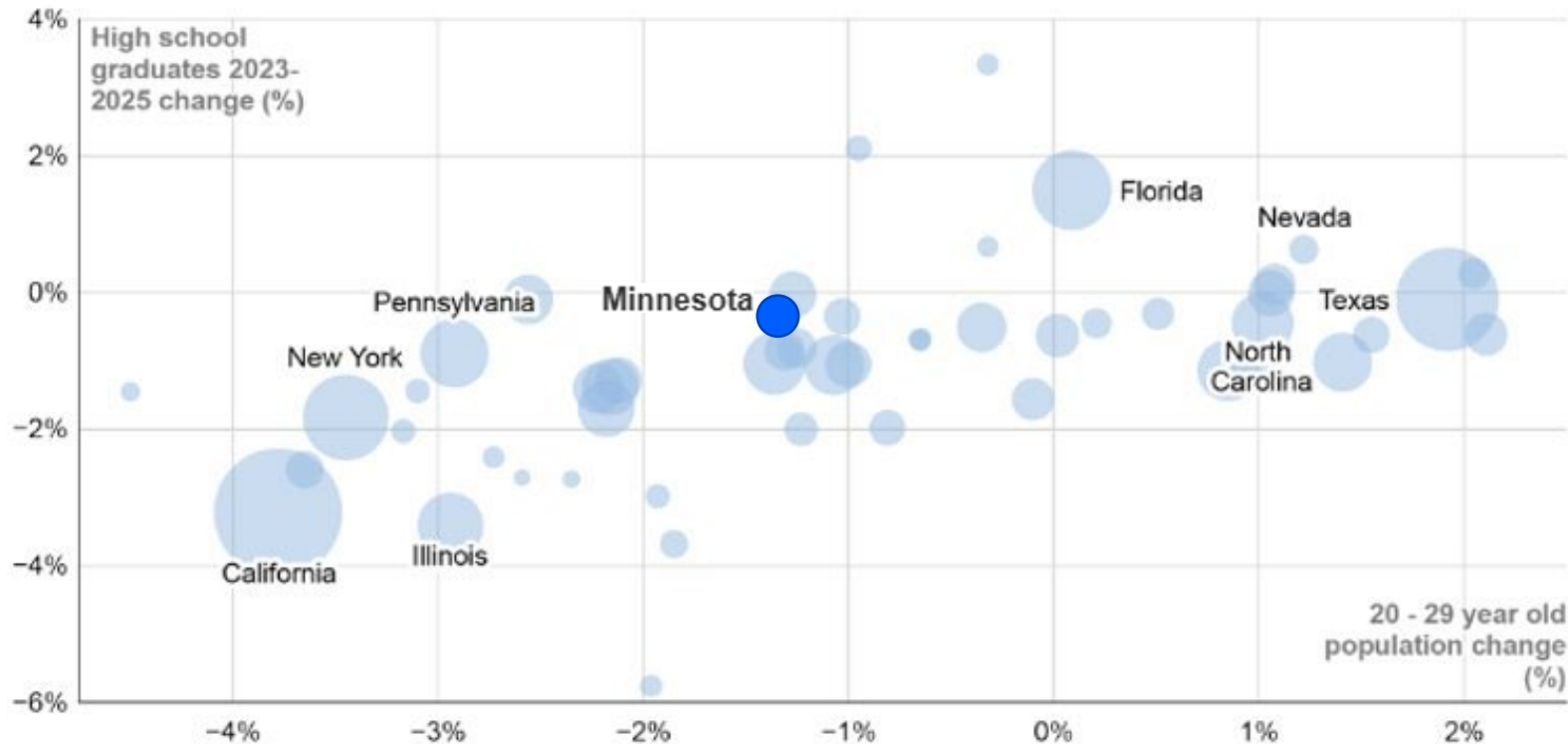




Focus on Minnesota

Shifting demographics contribute to enrollment pressures

Challenges emerge with schools vying for a shrinking pool of prospective students

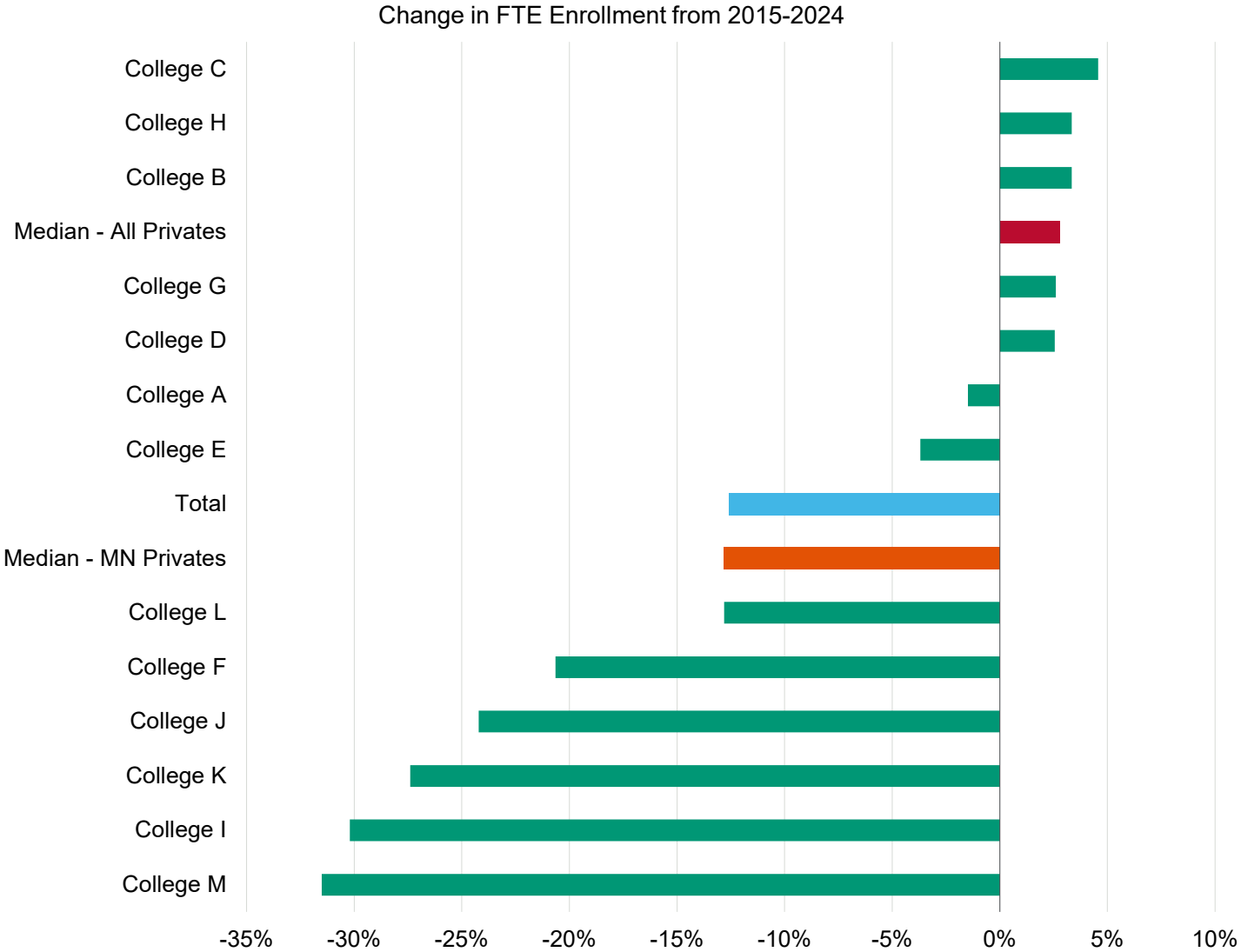


- “Demographic cliff” will primarily impact smaller, less selective private schools
- Competition is heightened by large public universities with strong state funding, allowing them to offer lower cost tuition
- Strategies to combat enrollment loss carry significant financial and execution risks
- Institutions with heavy reliance on tuition and auxiliary revenue are most heavily impacted

Source: Western Interstate Commission for Higher Education, Moody's Economy and National Student Clearinghouse

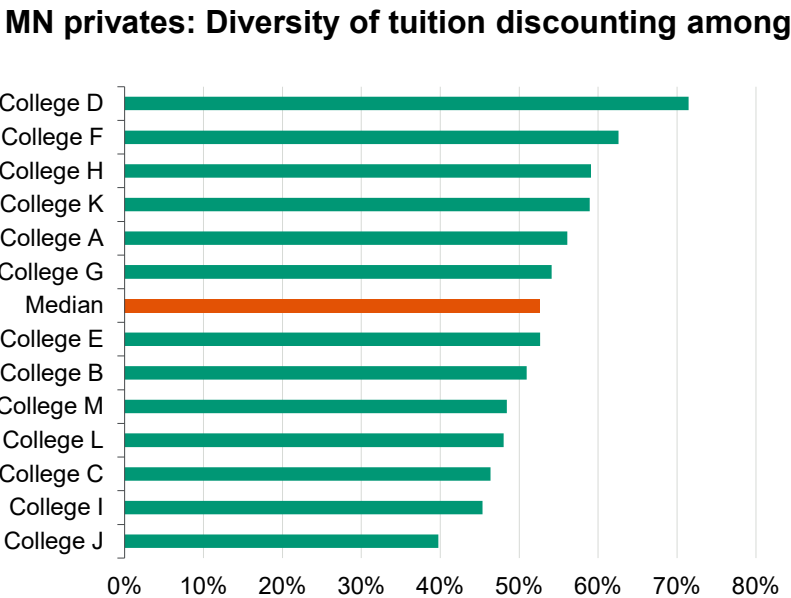
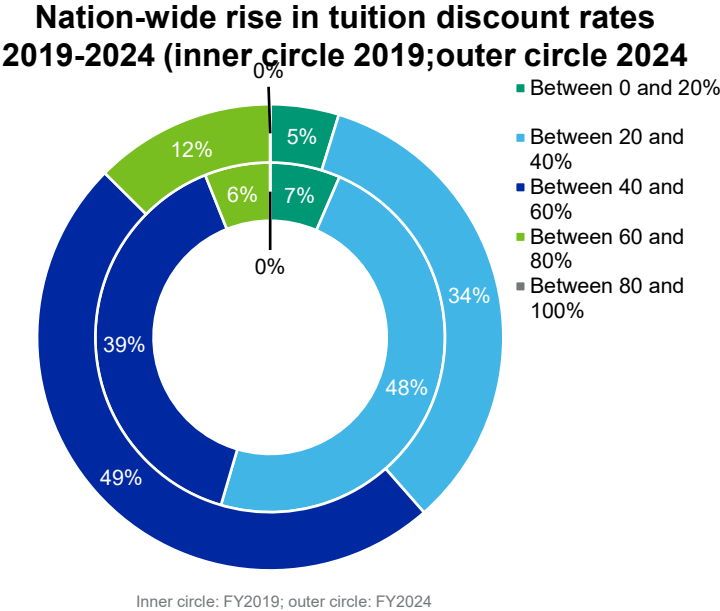
Minnesota private universities face enrollment challenges

- Demographics and competition reflected in declining enrollments
- Ten-year trends show median decline just over 12%

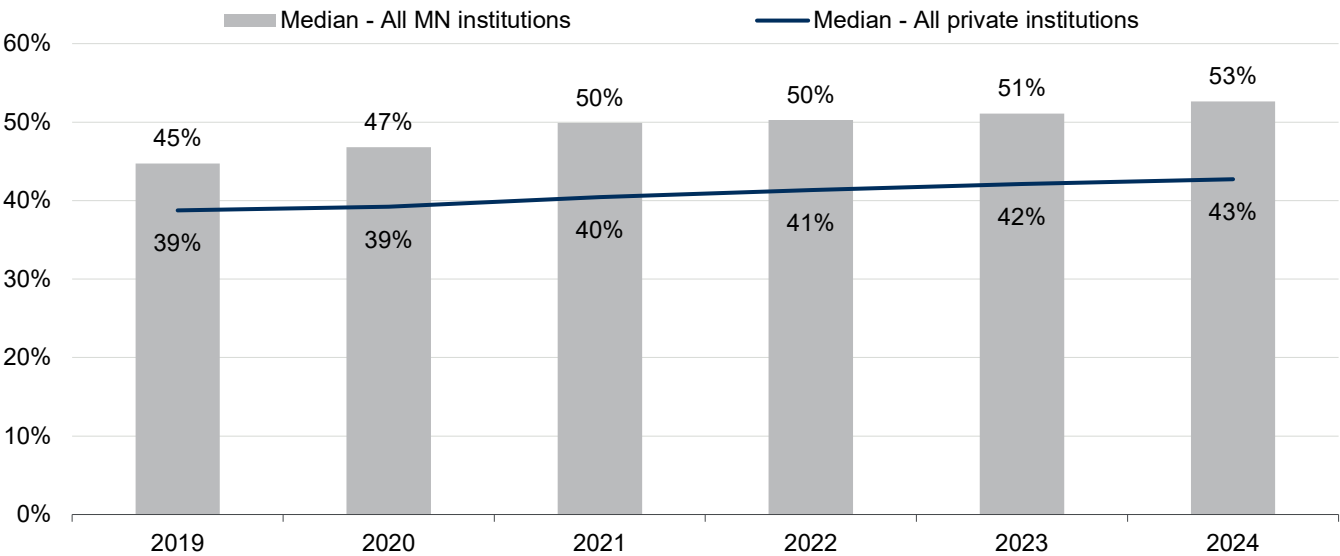


Tuition discount rates rise

- Discount rates continue to rise with nearly half of schools between 40% and 60% nationwide
- Wide range of discount rates for Minnesota privates, also rising
- Coupled with enrollment declines increased discounting further depresses income



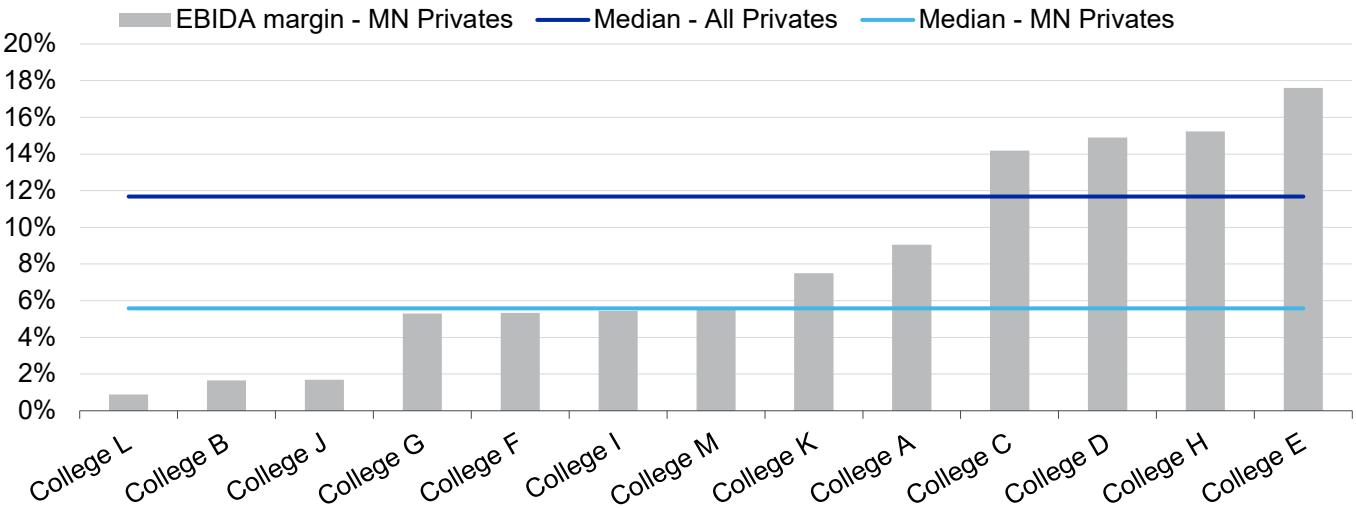
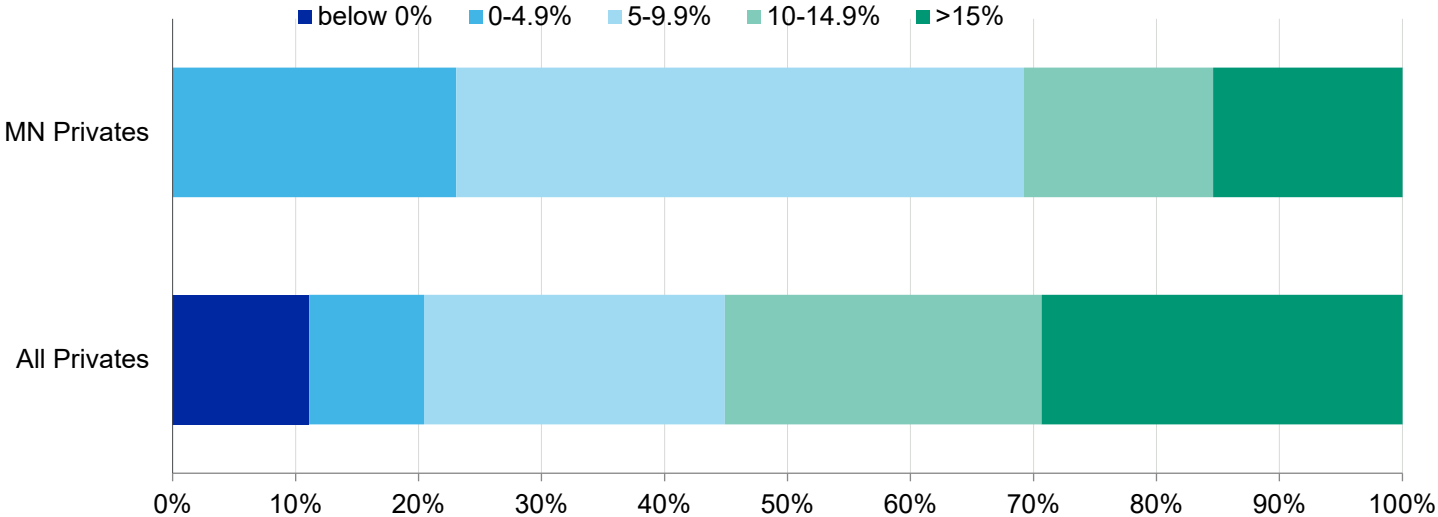
MN privates vs. privates nation-wide: 5-year trend in tuition discount rates



Source: Moody's Ratings

EBIDA margins will be challenged by rising expenses

- Expense pressures remain challenge to EBIDA margins
- Margins are weaker for MN schools than peers



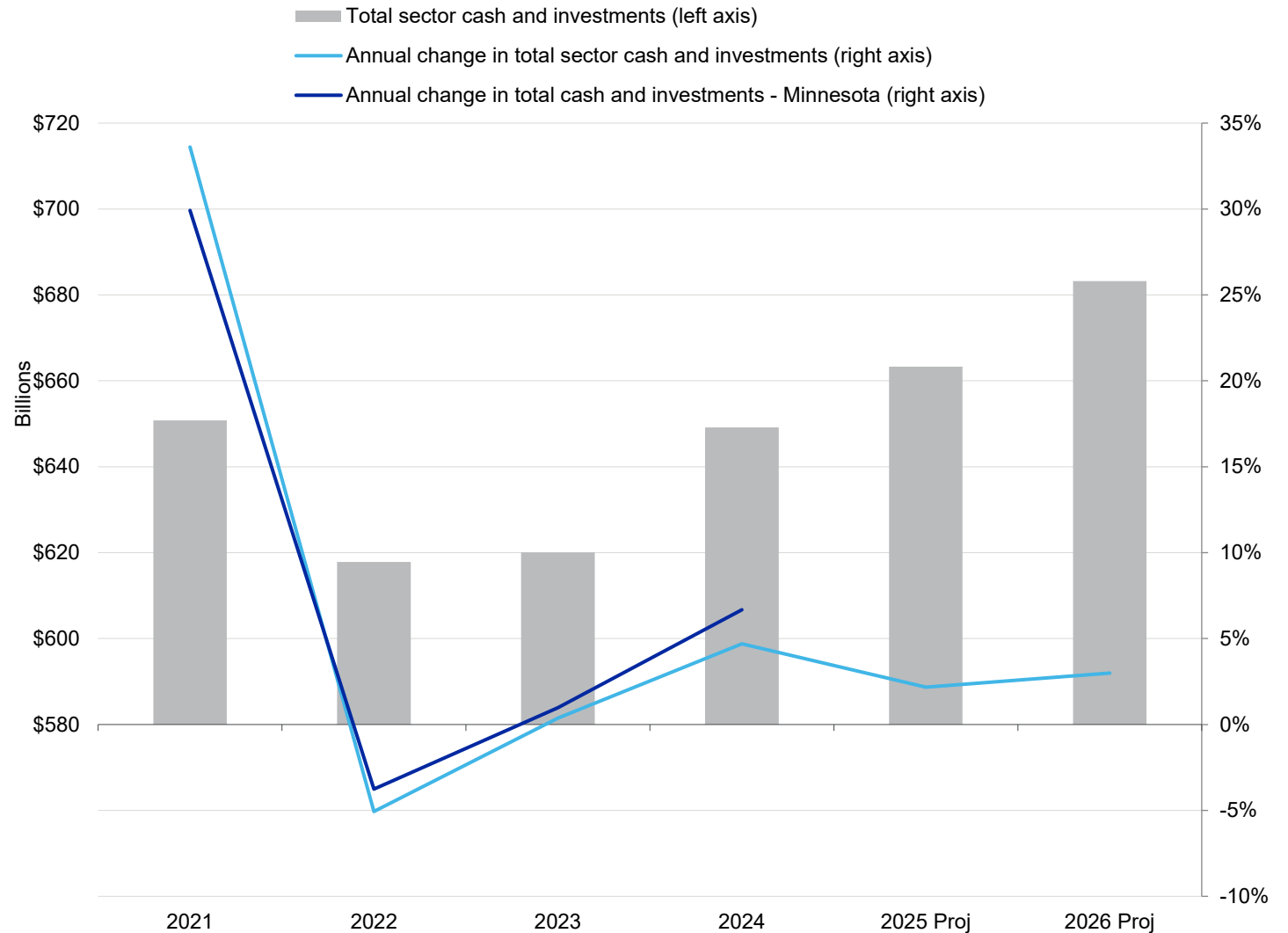
Source: Moody's Ratings

Growth in financial reserves provides buffer to challenges

- Generally strong balance sheets help to cushion weak operating performance, though this is not a long-term solution
- Potential risks could stem from volatile investment performance



Minnesota privates grow cash and investments in line with private universities nationally



Source: Moody's Ratings



Questions?

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Thank you

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