



Rating Action: Moody's Ratings assigns Aaa to University of Michigan's (MI) general revenue bonds, affirms all ratings; outlook stable

25 Aug 2026

New York, August 25, 2026 -- Moody's Ratings (Moody's) has assigned a Aaa rating to University of Michigan, MI's (UofM) proposed approximately \$572 million of General Revenue Bonds, Series 2026A and \$250 million of General Revenue Bonds, Series 2026B (Taxable). The bonds are expected to have final maturities in 2046 and 2036, respectively. We have also affirmed the university's Aaa issuer and parity revenue bond ratings as well as the VMIG 1 and P-1 short-term ratings on the university's variable rate demand bonds and commercial paper notes, respectively. Total debt outstanding as of June 30, 2025, was approximately \$5.1 billion. The outlook on the issuer and long-term ratings is stable.

RATINGS RATIONALE

Affirmation of University of Michigan's Aaa issuer rating reflects its exceptional brand and strategic positioning, with an international reputation that continues to attract strong student demand, substantial research funding and significant philanthropy. The university's scale of operations is robust with fiscal 2025 operating revenue of \$14.7 billion. Business lines are diverse and growing, including an expansive research platform. UofM held over \$26 billion of cash and investments at June 30, 2025 and will report solid wealth gains in fiscal 2026. Unrestricted monthly liquidity of \$6.9 billion provides a strong financial cushion and stability to its operating model during a time in which higher education and healthcare are facing a difficult operating environment. The university's strong budgetary and planning framework and proactive treasury management aid credit stability, while the university's very modest pension exposure remains a key credit strength relative to public university peers.

UofM's key credit challenge continues to be its high and growing reliance on patient care revenue through Michigan Medicine, which exposes the university to the unique challenges facing the healthcare sector. Michigan Medicine's margins have strengthened and are positioned to further improve as several operational and fiscal strategies take hold. The health system's market-leading reputation and large network will sustain strong demand for its services.

Affirmation of the Aaa rated revenue bonds incorporates the broad general revenue pledge supporting the payment obligation and the Aaa issuer rating.

Affirmation of the Aaa/VMIG 1 on the variable rate general revenue bonds and affirmation of the P-1 short-term ratings on the commercial paper notes are based on the strength of UofM's underlying credit as well as strong internal liquidity and treasury management, dedicated bank lines and liquidity facilities, and market access.

RATING OUTLOOK

The stable outlook acknowledges the maintenance of solid margins at the university level as well as at Michigan Medicine. It incorporates ongoing significant capital needs that will continue to be well paced and matched with diverse sources of funding.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Not applicable

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Inability to sustain operating surpluses and EBIDA margins of around 10% to comfortably absorb debt service obligations and capital plans
- Deterioration of leverage profile through significant additional borrowing or sustained decline in cash and investments
- Erosion of strategic positioning, evidenced by weakening of student demand, philanthropic support or the competitive standing of the health care enterprise
- Consistently weak coverage of demand debt from self-liquidity or inability to align necessary financial resources in the event of a failed remarketing (for the self-liquidity ratings)

PROFILE

The University of Michigan is a large public research university and member of the Big Ten Academic Alliance (Big 10 Conference), with annual revenue of nearly \$15 billion in fiscal 2025. The university held over \$26 billion cash and investments in fiscal 2025 and has a strong international brand with exceptional student demand and fundraising support. With its growing and large academic medical center, the university derives approximately 60% of its revenue from health care operations.

METHODOLOGY

The principal methodology used in the issuer and long-term ratings was Higher Education published in July 2024 and available at <https://ratings.moodys.com/rmc-documents/425580>. The principal methodology used in the short-term ratings was US Municipal Short-term Debt published in October 2024 and available at <https://ratings.moodys.com/rmc-documents/430699>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of these methodologies.

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