

Research Update:

University Of Michigan Series 2026A And B General Revenue Bonds Rated 'AAA'; Outlook Stable

August 28, 2026

Overview

- S&P Global Ratings assigned its 'AAA' long-term rating to the [University of Michigan Board of Regents](#)' \$823.1 million series 2026A and 2026B (taxable) fixed-rate general revenue bonds, issued for the [University of Michigan](#) (UM).
- S&P Global Ratings affirmed its 'AAA' long-term rating on the University of Michigan Board of Regents' fixed-rate general revenue bonds and its 'AAA/A-1+' dual rating on the University of Michigan Board of Regents' variable-rate general revenue bonds (variable-rate demand bonds, or VRDBs),
- S&P Global Ratings also affirmed its 'A-1+' short-term rating on UM's commercial paper (CP) notes.
- The outlook, where applicable, is stable.

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Rationale

Security

UM issues debt for both university and health system purposes under its general revenue credit pledge. Total debt as of fiscal year-end June 30, 2025 (its latest audited fiscal period), is about \$5.3 billion, including \$243 million of CP outstanding but not the current fully authorized \$300 million, as well as about \$429 million in leases. For the series 2026 issuance, total pro forma debt outstanding increases to about \$5.8 billion. UM will use proceeds from the new issuance for various capital projects; a small amount will be used to refinance about \$119 million that is currently in taxable CP into tax-exempt bonds.

The amount of general revenue debt that University of Michigan Health (UMH), UM Health-Sparrow, and UM Health-West support is approximately 32% of total consolidated debt outstanding, including leases and commercial paper. Securing UM's general revenue bonds is a broad pledge that is its strongest and includes all student fees. The pledge also includes UMH's (but not UM Health-Sparrow's or UM Health-West's) gross revenue.

The 'A-1+' short-term rating on the CP and VRDBs reflects our view of the university's overall liquidity in the event of an unremarketed tender or a scheduled CP rollover and includes supplemental support from \$150 million in dedicated credit lines. As of June 30, 2026 (unaudited), the university provides self-liquidity for about \$574 million of debt including authorized CP and various VRDBs, in the event of an unremarketed tender or a scheduled CP rollover. As of June 30, 2026, UM had \$3.6 billion of liquid available investments (discounted), and we consider self-liquidity coverage from all sources more than sufficient.

Post issuance, UM currently plans to increase its CP program authorization by \$300 million to \$600 million and possibly reduce its \$1.9 billion in general-use operating lines of credit (in place to backstop liquidity) by \$300 million to \$1.6 billion. UM has not drawn on its general use or dedicated lines and has no current plans to do so; therefore, we have not included them in our debt calculations.

Credit highlights

We assess UM's enterprise risk profile as extremely strong, with robust enrollment and demand, as well as exceptional student quality, retention and graduation rates. In addition, the enterprise risk profile incorporates UMH's good business position, including its strong reputation for providing specialized tertiary and quaternary medical services to patients from the state and region, albeit in an increasingly competitive market. We assess UM's financial risk profile as very strong, bolstered by a robust balance sheet and research presence, and manageable debt burden. On a consolidated basis, UM's adjusted financial operating margins remain positive. When we combine the enterprise and financial risk profiles, we believe these factors lead to an anchor of 'aa+' and a final rating of 'AAA', with the latter reflecting UM's very strong demand, solid fundraising capabilities and sizable financial resources.

The ratings further reflect our view of the university's:

- National reputation for academics, research, and patient care;
- Endowment, which is one of the largest among U.S. public universities, with a market value of \$21.2 billion as of June 30, 2025, and most likely a larger amount for fiscal year ended June 30, 2026;
- Good revenue diversity and limited dependence on state operating support, which accounted for 3% of consolidated 2025 adjusted operating revenue;
- Ranking as one of the nation's top research institutions, with \$2.2 billion of research expenditure (about \$1.3 billion from federal sources) in fiscal 2025;
- Manageable pro forma maximum annual debt service burden, at about 3.5% of 2025 operating expenses; and
- Robust fundraising, as UM was the first public university to raise more than \$5 billion in a campaign, and announced its latest campaign, "Look to Michigan," with a goal of raising \$7 billion.

Partially offsetting these strengths, in our view, are:

- UM's increasing debt load, supporting an extensive ongoing capital program; and
- Reimbursement and operational risks associated with its material and growing healthcare operations.

UM is one of 15 public universities in Michigan. It was founded in 1817 in the state constitution and has a publicly elected board. Although UM is a political subdivision of the state, it is not a component unit in the state's audit. The university has extensive hospital and other healthcare operations, located in Ann Arbor and other places in the state. UMH, an approximately \$9 billion revenue clinical enterprise, primarily consists of the clinical departments and entities within Michigan Medicine, including the Academic Medical Center (AMC) and the Regional Health Network that consists of UM Health-Sparrow and UM Health-West. Along with UMH, Michigan Medicine includes the UM Medical School and Michigan Health Corp., a wholly owned corporation created for joint venture and managed care initiatives. Michigan Medicine consistently ranks among the best healthcare systems in the nation.

The various medical operations are included in the university's combined financial statements. The AMC operates four hospitals on one main campus (the D. Dan and Betty Kahn Health Care Pavilion, University Hospital, the C.S. Mott Children's Hospital, and Von Voigtlander Women's Hospital), several ambulatory care centers, and various other healthcare programs across Michigan. The University of Michigan healthcare enterprise is now one of the state's largest healthcare systems, with 12 hospitals and approximately 2,259 licensed beds.

In our view, there are heightened sector risks related to UM's significant research and healthcare endeavors, due to evolving federal policies. However, we view UM's financial position as solid, with significant liquidity and flexibility to manage any short-term funding disruptions. UM's ability to generate significant research funding is a key credit strength, with \$2.2 billion of research expenditures in fiscal 2025. Federal research accounts for about 58% of funding, spread across various agencies. The negotiated indirect cost-recovery rate for on-campus organized research in fiscal 2025 was 56%. Given evolving federal policies, management regularly assesses the potential effects of federal funding disruptions or reductions and the possible imposition of caps on indirect cost recoveries. We believe the university maintains significant liquidity to provide operating flexibility should it experience any short- to medium-term funding disruptions or research funding curtailments.

Rating above the sovereign

UM's bonds can be rated above the sovereign given a moderate sensitivity to country risk. The university has a diverse revenue stream and while federal funds are important to the university, it is not overly dependent upon them. The institutional framework in the U.S. is predictable, and UM has significant autonomy, independent treasury management, and no history of government intervention. Financial flexibility is demonstrated by the market value of the university's large endowment that is invested globally with manageable debt service.

Outlook

The stable outlook reflects our expectation that, in the next two years, UM will maintain its very strong demand and balance sheet strength relative to operating expenses and debt. The outlook also reflects our expectation that operating performance will remain positive.

Downside scenario

For the combined entity, unexpected declines in enrollment or patient admissions, significant unreimbursed costs related to evolving federal policies around research funding, increasing healthcare business risk from expansion, and uncertain reimbursement policies that result in materially weaker financial operating performance could lead us to lower the rating. In addition, a

significant weakening of balance sheet ratios due to capital spending plans could lead to a negative rating action.

Credit Opinion

Enterprise Risk Profile: Extremely Strong

Management and governance

UM's leadership has experienced some turnover in key positions at both the university and UMH during the past couple of years. Following a national search, the Board of Regents selected C. Cybele Raver as the university's 17th president, pending a formal vote of the Regents on September 1, 2026. Raver is an American developmental psychologist who has served as provost of Vanderbilt University since July 2021; she will become UM's president in December 2026. President Domenico Grasso will lead the university through Nov. 30, 2026, and work closely with Raver to support a smooth transition, which we view positively. An eight-member board (the regents), which is elected at large for overlapping eight-year terms oversees UM. The university president serves as an ex officio board member. Board members meet regularly and work closely with senior management.

Robert Hewlett III serves as the president's chief advisor on financial matters and principal advisor on financial strategy and management. His responsibilities include oversight of the university's investment office, finance and accounting, enterprise strategic risk management, staff ombuds, facilities and campus operations, campus sustainability, human resources and shared services. Hewlett was named interim executive vice president and CFO in November 2025, following 14 years of service at the university. Laurie McCauley has been the provost and executive vice president for academic affairs at UM since 2022, overseeing the university's academic and budgetary affairs.

On the health system side, David Miller is CEO of Michigan Medicine and executive vice president for medical affairs for the university. In July, UM announced Miller had been named president and CEO of Vanderbilt Health and dean of Vanderbilt University School of Medicine, effective Jan. 1, 2027. To ensure continuity and support a smooth transition for Michigan Medicine, Miller may remain in his current role at the university through Dec. 1, 2026. Furthermore, on Sept. 15, 2025, Thomas Wang succeeded Marschall S. Runge as dean of the UM Medical School. Wang was previously professor and chair of the Department of Internal Medicine at the University of Texas Southwestern Medical Center. In our view, while turnover in key health system positions presents some heightened strategic and operational risks, we believe UMH has a deep bench of medical related administrative talent and we anticipate--owing to its national reputation--the university will recruit an able successor to Miller in a reasonable amount of time.

We view the university's integrated management team as a credit strength, particularly as UM focuses on improving overall efficiencies, managing more risk-based reimbursement, extending its clinical reach to the broader Michigan market, and presenting a focused strategy for the different missions of Michigan Medicine. The rest of the executive team is relatively stable, with normal turnover of deans and senior staff. The university has formal policies for debt, endowment and investments. It operates according to a multiyear strategic plan and has a formal reserve liquidity policy (for remarketing of VRDBs) and a debt policy. UM is a complex organization and we believe its underlying management and governance structure remains sound. We also view cybersecurity as a part of risk management in our assessment of

management and governance, and believe management has been proactive in bolstering systems, policies, and trainings to prevent cybersecurity threats, although it has had some breaches in recent years.

Market position and demand

Ann Arbor is the largest of the three campuses; just less than 50% of students at Ann Arbor come from Michigan. Graduate students typically constitute about 30% of total enrollment, reflecting UM's strong research base and prestigious professional schools. International enrollment represents 13% of the university's full-time equivalent enrollment, which management reports may see some decline given stronger enforcement of immigration policies by federal administration that have had an adverse impact on international enrollment levels nationally.

Because of strong national demand for its extensive undergraduate, graduate, and professional programs, the Ann Arbor campus is very selective for a public university. First-year applications are increasing and, due to a growing applicant pool, selectivity rates have remained strong during the last few academic cycles, at 16% in fall 2025, which we consider extremely strong for a large public flagship institution. Furthermore, student quality is very high. For fall 2026, projected data shows a selectivity to be at or below last year's level. The smaller Dearborn and Flint campuses are more oriented toward undergraduates and older nontraditional students, with largely in-state student populations.

In our view, UM's robust fundraising results support its financial resource ratios and capital initiatives, with its most recent campaign raising \$5.3 billion and concluding in 2018. UM was the first public university to raise more than \$5 billion in a fundraising campaign and is underway with its \$7 billion "Look to Michigan" campaign. UM is using strategic matching and marketing programs to attract new donors and gifts. Management reports that fundraising continued to be strong in fiscal 2026 and that as of July 1, 2026, total raised to date was \$4.9 Billion, or 70% of its goal with the campaign only 62.5% over, assuming an eight-year campaign.

Michigan Medicine market position

We continue to view the AMC as the main driver of Michigan Medicine's clinical enterprise, although we believe that UM Health-Sparrow, UM Health-West, and other partnerships and joint ventures strengthen the overall enterprise profile. The AMC's sound business position is a result of its leading academic medical center with nationally recognized programs and the provision of tertiary and quaternary healthcare services through clinical facilities located both regionally and statewide, although its market is increasingly competitive. In addition, the AMC benefits from a large active and loyal physician base that consists of mostly university faculty. Despite the aforementioned strengths, the AMC's approximately 10% local primary service area market share indicates the highly competitive nature of the market that, despite recent consolidation, still maintains an element of fragmentation. The AMC provides high-acuity services not typically found at other community and even some tertiary hospitals; however, there are many competitors across the region and state that compete on certain services or by price.

As mentioned, Michigan Medicine has continued to pursue partnerships and affiliations across the region and state, including UM Health-Sparrow, UM Health-West, Trinity Health at St. Joseph Mercy Ann Arbor, a 49% joint-venture interest in Trinity Health's Chelsea Hospital, and a minority interest in MyMichigan Health in northern Michigan. We expect Michigan Medicine's network will continue to expand statewide. Michigan Medicine has also increased its capacity to serve patients at the AMC campus with the new D. Dan and Betty Kahn Health Care Pavilion that opened in November 2025. Over the next few years, we expect that management will continue to

expand outpatient services, other health facilities and possibly other inpatient facilities as many of UMHs' main facilities consistently operate at high occupancy.

The AMC, UM Health-Sparrow, and UM Health-West receive the majority of patient care revenue under contractual arrangements with governmental and private payers. We view the payer mix as slightly more dependent upon governmental payers and typical of most academic medical centers, with Medicare policies becoming increasingly important, similar to trends across the country. Volumes at UMH have been good and, unlike many providers, UMH has experienced inpatient growth, although it has slowed in recent years, partially due to high occupancy. The overall growth is a result of the large physician base, increased capacity, referrals from partner organizations and improved throughput at clinic sites. UMH management reports it continuously monitors federal policy changes for potential impacts.

In 2026, Michigan Medicine and Blue Cross Blue Shield of Michigan reached a five-year contract agreement, keeping the academic health system facilities in-network, and averting a planned out-of-network cutoff that would have taken place after the previous contract expired on June 30, 2026. In 2026, UM also reached a three-year agreement with the Michigan Nurses Association--the union representing 7,500 nurses--that provides wage increases, improved staffing ratios and stronger workplace safety protections.

Financial Risk Profile: Very Strong

Financial operations

UM's audit consolidates extensive academic, research, and healthcare operations. UM's combined adjusted operating results have been breakeven to positive for the last few years. Management expects fiscal 2026 operations will be similar to fiscal 2025 results, but notes audited results are not yet final. Because UM holds its extensive endowment directly, net results are more indicative of general investment market cycles than operations, in our view; therefore, we adjust for endowment gains and losses and include only distributions from investments and spendable endowment draw in our calculation of adjusted operations. Furthermore, adjusted operating results are substantially stronger on a cash basis, given significant depreciation expense. UM's extensive research and hospital operations and large endowment provide revenue diversity, which we consider a credit strength. We believe this diversity has contributed to UM's ability to weather state-appropriation cutbacks or flat funding, although state funding has increased modestly in recent years. Patient care revenue (for the hospital and other clinical activities) represented the largest share of fiscal 2025 adjusted revenue (about 58%), followed by net tuition and fees and student auxiliary income.

Audited results for fiscal year 2026 are not yet available, but estimated unaudited figures reflect operating revenues of \$14.0 billion, up from \$12.9 billion for fiscal 2025, or an increase of 8.5%. Operating expenses are projected to be \$15.4 billion, up from \$14.4 billion for fiscal 2025, or an increase of 6.9%. UMH, which is a large driver of university-wide operating performance, is projected to post an improved operating margin of 2.4%, up from 1.3% for fiscal 2025.

Financial resources

UM's consolidated financial resources remain high, in our view, for the rating category. Total cash and investments of \$26.3 billion at fiscal year-end 2025 equaled 175% of operations and 452% of total pro forma debt. UM's endowment and other investments are primarily managed in a long-term portfolio (LTP), a daily portfolio, and a monthly portfolio. The LTP is the investment vehicle

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for the university's long-term investments and core endowment and has a diversified set of equity and equity-like investments. For the fiscal year ended June 30, 2025, the university generated an annual endowment return of 15.5%, growing the endowment to \$21.2 billion. Preliminary estimates for the fiscal 2026 endowment return are expected to be of a similar magnitude to fiscal 2025.

We consider the university's long-term investment portfolio relatively aggressive; capital calls outstanding are above average, in our opinion, at about 21% of the LTP market value, but reduced from 42% in fiscal 2020, which we considered extremely high. The pool's illiquid alternative investment program, which has been in place for more than 20 years, is mature, and generates significant cash flow for reinvestment. Also, the cash and fixed-income investments in the LTP equal about \$1.4 billion, which is more than 2.6x UM's annual endowment draw. In addition, the university has separate short- and intermediate-term portfolios outside of the LTP (holding approximately \$4.2 billion as of June 30, 2025).

Debt and contingent liabilities

UM plans to make further capital investments in its campus. Campus Plan 2050 focuses on creating environments at the Ann Arbor campus that support UM's strategic vision. For Michigan Medicine, capital plans support the clinical strategy, increasing capacity to accommodate tertiary and quaternary care needs.

UM offers eligible employees a defined-contribution retirement plan, which by definition is fully funded. UM has a large retiree healthcare and long-term disability obligation, which results in a significant liability of \$3.8 billion as of June 30, 2025.

University of Michigan--enterprise and financial statistics

	--Fiscal year ended June 30--					Medians for 'AAA' rated public colleges and universities
	2026	2025	2024	2023	2022	2025
Enrollment and demand						
Full-time-equivalent enrollment	64,395	63,145	61,766	60,866	60,438	64,963
Undergraduates as a % of total enrollment	69.9	69.0	68.7	67.7	68.3	77.6
First-year acceptance rate (%)	16.4	15.6	17.9	17.7	20.2	49.8
First-year matriculation rate (%)	45.6	47.3	47.5	47.3	45.4	30.5
First-year retention rate (%)	97.0	97.0	98.0	97.0	97.0	95.8
Six-year graduation rate (%)	93.0	93.0	93.0	94.0	93.0	90.1
Financial performance						
Adjusted operating revenue (\$000s)	N.A.	15,170,758	14,143,096	12,805,048	11,798,266	MNR
Adjusted operating expense (\$000s)	N.A.	15,103,990	13,875,248	13,047,772	10,912,369	MNR
Net adjusted operating margin (%)	N.A.	0.4	1.9	(1.9)	8.1	7.9
Estimated operating gain/loss before depreciation (\$000s)	N.A.	786,699	955,994	442,638	1,492,420	MNR
Tuition discount (%)	N.A.	26.7	26.1	25.0	23.9	26.5
Student dependence (%)	N.A.	17.1	17.3	18.1	18.7	23.0
State appropriations to revenue (%)	N.A.	3.3	3.0	3.1	3.3	10.7
Health care operations dependence (%)	N.A.	57.7	56.7	56.6	47.5	MNR

University of Michigan--enterprise and financial statistics

	--Fiscal year ended June 30--					Medians for 'AAA' rated public colleges and universities
	2026	2025	2024	2023	2022	2025
Research dependence (%)	N.A.	11.3	11.5	11.6	11.5	15.5
Financial resources						
Endowment market value (\$000s)	N.A.	21,200,625	19,166,266	17,875,691	17,347,188	7,886,722
Cash and investments including foundation (\$000s)	N.A.	26,371,618	24,420,520	23,774,297	23,413,838	12,975,256
Cash and investments including foundation to operations (%)	N.A.	174.6	176.0	182.2	214.6	193.8
Cash and investments including foundation to debt (%)	N.A.	514.3	464.0	419.5	435.7	671.8
Cash and investments including foundation to pro forma debt (%)	N.A.	452.3	N.A.	N.A.	N.A.	MNR
Debt						
Total debt with foundation (\$000s)	N.A.	5,128,169	5,263,368	5,667,309	5,373,842	3,919,919
Proposed debt (\$000s)	N.A.	821,665	N.A.	N.A.	N.A.	MNR
Total pro forma debt (\$000s)	N.A.	5,831,024	N.A.	N.A.	N.A.	MNR
Current MADS burden (%)	N.A.	2.6	2.9	3.3	3.9	3.2
Pro forma MADS burden (%)	N.A.	3.5	N.A.	N.A.	N.A.	MNR
Average age of plant (years)	N.A.	15.1	15.1	14.4	13.7	12.2

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

New Issue Ratings

US\$250,000,000 Regents of the University of Michigan, General Revenue Bonds, Series 2026B (Taxable), dated: Date of Delivery, due: April 1, 2036

Long Term Rating AAA/Stable

US\$571,665,000 Regents of the University of Michigan, General Revenue Bonds, Series 2026A, dated: Date of Delivery, due: April 1, 2046

Long Term Rating AAA/Stable

Ratings Affirmed

Education

University of Michigan, MI Unlimited Student Fees AAA/Stable

University of Michigan, MI Unlimited Student Fees A-1+

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

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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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