

Research Update:

American University, DC 'A+' Issuer Credit Rating Affirmed; Outlook Negative

March 3, 2026

Overview

- S&P Global Ratings affirmed its 'A+' issuer credit rating (ICR) on [American University](#) (AU), D.C., and its 'A+' long-term rating on various series of bonds issued for AU.
- In addition, S&P Global Ratings affirmed its 'A-1' short-term rating on the university's series 2011 commercial paper (CP) program.
- The outlook, where applicable, is negative.

Rationale

Security

All of the university's debt is secured by a general obligation of AU. As of fiscal 2025 year-end, total debt was \$804.7 million, largely composed of long-term, fixed rate debt. Total debt outstanding also includes minor finance and operating leases. AU also maintains a \$125 million CP program, through which four \$15 million CP notes were issued in fiscal 2025. We understand that the notes were repaid on their repayment dates in July and August 2025. There is currently no CP outstanding. Pro forma debt of \$744.7 million accounts for the repayment of the CP notes. The series 2015, series 2017, and series 2019 bonds are structured with bullet maturities, the first of which is payable in fiscal 2028 with the remainder payable between fiscal 2045 and fiscal 2049. Management indicates that there are no plans to issue further debt over the outlook period.

Credit highlights

We assessed AU's enterprise risk profile as strong, characterized by the university's broad draw for students and its historically stable student demand and student success metrics. However, AU's market position and demand picture has weakened over recent years due to increasing competition across the region that has contributed to softening first-year matriculation and enrollment declines across the undergraduate and graduate levels. We assessed the financial risk profile as strong, with a low tuition discount rate compared with that of peers and a solid financial management team that has, through revenue enhancement and cost-reduction

Primary Contact

Nicholas K Fortin

Augusta
1-312-914-9629
Nicholas.Fortin
@spglobal.com

Secondary Contact

Jessica H Goldman

Hartford
+ 1 (212) 438 6484
jessica.goldman
@spglobal.com

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measures, contained the magnitude of deficit operations over the past three years despite steady 5%-7% enrollment declines. AU's somewhat risky bullet structure for all bonds outstanding and its financial resource metrics, which are modest compared with those of similarly rated peers, offset the aforementioned strengths. We believe these credit factors, combined, lead to an anchor of 'a'. As our criteria indicate, the final rating can be within one notch of the anchor. In our opinion, the 'A+' final rating better reflects the university's student demand and success metrics, which have historically been solid compared with rating category medians and with those of similarly rated peers.

The 'A-' short-term rating reflects our view of AU's CP program reflects our view of the university's general credit strengths and experience managing its own liquidity. In our view, AU demonstrates sufficient liquid assets of high credit quality, largely in U.S. Treasury bonds and investment-grade debt, that can be used to cover the CP if it cannot be remarketed. The university's taxable CP program has a capacity of \$125.0 million. In fiscal 2025, the university issued four \$15 million CP notes totaling \$60 million. We understand the notes were repaid in July and August 2025 and that there is currently no balance outstanding. As of Jan. 31, 2026, AU identified about \$93.4 million of discounted assets available same day and another \$128.6 million of discounted available next day. We will monitor both the sufficiency and liquidity available monthly to ensure the university can cover a failed remarketing for the existing CP. In our opinion, AU has ample and sufficient same-day liquidity in the event of a failed remarketing of its CP program.

The rating reflects our assessment of AU's:

- Demonstrated ability to implement meaningful budgetary adjustments to limit operating losses in the face of enrollment and demand challenges;
- Low tuition discount rate compared with that of many rating category and regional peers, reflecting some pricing flexibility;
- Student demand and success metrics that, despite some softening in recent years, remain in line with rating category medians and with those of similarly rated peers; and
- Experienced and highly capable management team that we believe can guide the university through adversity.

Offsetting these strengths, in our view, are the university's:

- Sizable enrollment declines in each of the past four years due, in part, to campus capacity management, but also to rising competition across the sector;
- Financial resource metrics, particularly relative to debt, which are somewhat light compared with those of peers; and
- Somewhat risky debt profile that is structured exclusively with bullet maturities.

AU is an independent, private, coeducational institution, with its main campus situated on nearly 90 acres in northwest Washington, D.C. The university's academic programs are offered through eight major divisions: The College of Arts and Sciences, The School of Public Affairs, Kogod School of Business, Washington College of Law, The School of Communication, The School of Education, The School of International Service, and The School of Professional Studies and Executive Education. Within these divisions, the university offers 83 bachelor's degrees; 89 master's degrees; 12 doctoral degrees; JD, LL.M., SJD, and MLS degrees and certificates; and undergraduate and graduate certificate programs.

Environmental, social, and governance

We analyzed AU's environmental, social, and governance (ESG) factors pertaining to the university's market position, management and governance, and financial performance. We view AU's ESG factors as neutral in our credit rating analysis.

Outlook

The negative outlook reflects our expectation that enrollment and demand challenges could persist over the next two years, hampering management's ongoing efforts to return AU to positive operating results. Although we recognize that cost-reduction initiatives have already yielded, and will likely continue to yield, cost savings over the outlook period, we believe that continued enrollment challenges could lead to further revenue declines that outpace those expense savings, particularly given the university's relatively high reliance on student-derived revenue.

Downside scenario

We could consider a negative rating action if the current trend of declining enrollment continues or if demand metrics continue to deteriorate. Given that AU's financial performance has historically been a strength and has supported the rating, we could consider a negative rating action if management is unable to materially improve operations during the outlook period. Finally, we would view negatively a weakening of financial resource metrics.

Upside scenario

We could revise the outlook to stable if enrollment begins to stabilize and management's strategic initiatives materialize, leading to a trend of improved full-accrual operating results. An outlook revision to stable would also likely be contingent on AU maintaining its current financial resource metrics.

Credit Opinion

Enterprise Risk Profile--Strong

Market position and demand

Over the past four years, AU has seen enrollment fall precipitously due initially to right-sizing efforts following a record-breaking first-year class, but most recently due to the impacts of federal financial aid delays and heightened regional and sector pressure that've led first-year class sizes and, in turn, full-time equivalent (FTE) enrollment down to record lows. In fall 2025, following declines of 5%-6% in the preceding three years, total FTE enrollment slipped 6.25% to 10,551 from 11,254. Undergraduate FTE enrollment, which has generally account for about 60% of total FTE enrollment, fell by 9.7% in fall 2025, due in part to the university's matriculation of increasingly small classes. In fall 2025, while AU received 22.3% more first-year applications than the previous year and admitted 3,000 more applications, the university welcomed a class of 1,545, its smallest in at least the past 10 years. This smaller class continues a declining trend, with 1,856 matriculated in fall 2023 and 1,662 in fall 2024. Following three consecutive years of steep declines, AU's graduate FTE enrollment turned the corner in fall 2025, rising 3.3% to 2, 575. Management attributed the recent declines to new competition for graduate students across the

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Washington, D.C., area, but also to a settling of demand for these programs after a boom during the height of the pandemic. AU also offers a number of doctoral programs and operates a law school; enrollment to these programs has largely remained steady in recent years.

We expect total enrollment at AU could continue to face some pressure. On the undergraduate side, management indicated that first-year applications are down slightly year over year and that deposits are also slightly behind, though we note that the deposit deadline is still more than two months away. Given smaller first-year class sizes in each of the past three years, we believe that undergraduate enrollment declines are likely to continue through at least fall 2026. On the graduate side, we expect enrollment will largely remain stable over the outlook period. AU's new strategic plan includes significant investment in student experience and student success that we believe could both attract new students to the university and also help retain students if implemented effectively. AU has historically done relatively well retaining and graduating students, and we understand management has set higher targets for the current strategic plan, which we view positively.

In September 2024, AU officially concluded its seven-year Change Can't Wait campaign, with more than \$507 million raised on a \$500 million goal. Over the past seven years, philanthropic support has helped enhance the AU student experience, increase faculty research and training, and build on the university's brand in the D.C. area while also connecting with the community. The campaign raised \$34 million for capital projects, including the Student Thriving Complex, and approximately \$127 million for research and faculty support, as well as adding \$120 million to the endowment.

Management and governance

In July 2024, Jonathan Alger was appointed AU's 16th president. Before joining AU, Mr. Alger served for 12 years as president of James Madison University (JMU), during which time JMU materially expanded its external research funding and attained the R2 national research university designation under the Carnegie Classification. In April 2025, Vicky Wilkins was appointed permanent provost following a national search. Ms. Wilkins had been at AU since 2014 and became acting provost after the university's then-provost, Peter Starr, stepped down from the role in June 2023. The finance team has been led by Bronte Burleigh-Jones since October 2021. Before AU, Ms. Burleigh-Jones most recently served as vice president of finance at Dickinson College for eight years. Finally, in November 2023, AU welcomed Mark Newcomb as its new assistant vice president for endowment and treasury management. We believe that, overall, the senior team remains stable, and the detailed financial management and tenure of the financial management team provide stability at the current rating.

In January 2026, AU launched its new strategic plan, Meet Our Moment, which will span five years through fiscal 2030. The new plan is guided by three strategic pillars: readiness, community, and curiosity. To support the strategy, AU has outlined seven foundations: enrollment and access; brand and reputation; student life, engagement, and belonging; resources and operations; inclusive excellence; global engagement; and university advancement. Overall, we believe that the strategic plan is created intentionally, with the university's strengths and weaknesses and clear vision for AU in mind. We believe that management generally budgets well, with two-year detailed operating budgets reflecting contingencies, deferred maintenance, and routine plant renewal (which is less than annual depreciation expense), though the budgets do not reflect generally accepted accounting principles.

Financial Risk Profile--Strong

Financial performance

Spurred in part by ongoing demand challenges and lasting expense pressure, AU has recorded operating losses over the past three years. In the face of continued enrollment declines, in November 2024, AU's board of trustees approved a revised fiscal 2025 budget that supported a variety of cost-reduction measures aimed at closing what had become a more than \$30 million budget gap. With the implementation of these measures largely successful, AU closed the fiscal year with about a \$13.4 million, or 1.5%, full-accrual operating deficit. We understand this deficit was covered by a transfer from the enrollment reserve, which was approved in the original fiscal 2025 budget, plus an additional \$8.2 million reserve transfer. In fiscal 2025, due to declining enrollment, net tuition revenue slipped by a modest 0.7% decline while grants and contracts declined by about 9%. Due to the aforementioned cost-reduction measures, adjusted operating expense remained nearly flat on the year.

In December 2024, management identified a more than \$80 million gap in the fiscal 2026 budget that it quickly took steps to fill, including the implementation of a voluntary retirement incentive program (VRIP), the slowing of hiring, and reductions to discretionary spending, among other measures. We understand the team was largely successful in filling this gap, though with a weaker-than-expected first-year class in fall 2025, fewer returning students than budgeted, and expense pressure remaining, management indicated that about a \$30 million gap for fiscal 2026 emerged. We understand that gap has been partially covered by savings generated by the VRIP, in addition to higher-than-normal gift revenue, expense savings due to hiring slowdown, and other cost-saving initiatives. Currently, management expects operating results will likely finish in line with fiscal 2025. Longer term, we expect the ongoing cost-saving strategies could help bring back the university to operating success but believe that success of any plan will rely on the stabilization of enrollment.

Financial resources

In our view, AU's financial resources are sufficient for the size and scale of university operations. AU's cash and investments have recorded steady, albeit modest, growth in recent years, rising 11.4% to \$1.51 billion in fiscal 2025 from \$1.36 billion in fiscal 2022. Although the university's investment pool has generated solid returns in the past three years, increased spending on capital improvements and strategic initiatives has limited, to some degree, cash and investment growth during this period. However, AU's financial resource growth has outpaced expense growth in the past three years, resulting in modest improvements to the university's cash and investments-to-adjusted operating expense ratio. With investment returns showing promise through the first half of fiscal 2026 and management expected to remain disciplined in managing expenses, we believe AU will achieve continued incremental growth over the outlook period. Cash and investments to debt has also improved over time; when accounting for the CP note paydown in August 2025, cash and investments to pro forma debt is 203.0% in fiscal 2025, up from under 200% the previous year. Despite this improvement, we believe this metric is particularly weak compared with rating category medians and with that of similarly rated peers. We expect AU's financial resources will continue to benefit from market returns and fundraising, but also believe that cost-containment initiatives and a lack of additional debt plans could lead to some improvement to financial resource metrics over time.

As of fiscal 2025 year-end, management identified approximately \$454 million of assets that could be used for operations within one year, including \$29.5 million of cash and another \$380 million of working capital funds. In addition, AU has \$494 million of board-designated funds that could be made available, if necessary, and a \$125 million CP program that, as of February 2026, is

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untapped. The university's combined investment pool has solid liquidity, with about 55% of the total \$1.26 billion investment pool liquid in 30 days.

AU's endowment was valued at just over \$1.1 billion as of fiscal year-end 2025, up from about \$1.0 billion in fiscal 2024. According to management, the university can access almost 55% of the endowment on a monthly basis. AU's endowment spending policy is 5% of a rolling 12-quarter average although the effective rate is generally about 4%. Management does not plan any changes to the endowment draw in the near term.

Debt and contingent liabilities

All of AU's long-term debt is fixed rate and secured by a general obligation of the university. As of fiscal 2025 year-end, total debt was \$804.7 million, which includes \$740.5 million related to the series 2015, series 2017, and series 2019 bonds; approximately \$4.1 million of operating leases; and immaterial capital leases. AU also maintains a \$125 million CP program through which four \$15 million CP notes were issued in fiscal 2025. We understand that the notes were repaid on their repayment dates in July and August 2025. There is currently no CP outstanding. Pro forma debt of \$744.7 million accounts for the repayment of the CP notes. We believe AU's CP program exposes the university's to some contingent liquidity risk. The program is supported by the university's own self-liquidity. We've identified approximately \$222.0 million of discounted assets available with same- or next-day liquidity, which we believe partially mitigates this risk.

AU's long-term debt is structured as bullet maturities, which we view as a credit risk. However, management indicates that, while there are no designated sinking funds established, funds are being set aside each year for the purpose of repaying each series of debt as they come due. Given the bullet maturities, in accordance with our criteria, we smooth debt service over the remaining life of the university's debt and estimate maximum annual debt service of \$56.1 million, equivalent to 6.1% of fiscal 2025 adjusted operating expense, which we view as somewhat high.

American University, District Of Columbia--enterprise and financial statistics

	--Fiscal year ended June 30--				Medians for 'A' category rated private colleges and universities	
	2026	2025	2024	2023	2022	2024
Enrollment and demand						
Full-time-equivalent enrollment	10,551	11,254	11,950	12,654	13,400	3,513
Undergraduates as a % of total enrollment	61.4	63.7	62.7	59.7	59.9	85.1
First-year acceptance rate (%)	65.5	61.9	47.4	40.6	64.1	67.8
First-year matriculation rate (%)	11.2	15.7	22.0	22.3	18.8	17.4
First-year retention rate (%)	87.3	88.2	86.0	86.3	90.5	85.0
Six-year graduation rate (%)	74.8	75.5	78.5	79.5	78.8	75.8
Financial performance						
Adjusted operating revenue (\$000s)	N.A.	905,377	909,969	893,958	934,522	MNR
Adjusted operating expense (\$000s)	N.A.	918,798	918,276	910,767	863,992	MNR
Net operating margin (%)	N.A.	(1.5)	(0.9)	(1.8)	8.2	0.0
Change in unrestricted net assets (\$000s)	N.A.	36,141	54,722	23,993	(44,020)	MNR
Tuition discount (%)	N.A.	30.9	31.6	30.8	30.5	45.1
Student dependence (%)	N.A.	82.9	83.5	84.8	82.2	80.9
Research dependence (%)	N.A.	5.4	5.8	5.4	6.7	1.5

American University, District Of Columbia--enterprise and financial statistics

	--Fiscal year ended June 30--				Medians for 'A' category rated private colleges and universities	
	2026	2025	2024	2023	2022	2024
Financial resources						
Endowment market value (\$000s)	N.A.	1,123,330	1,050,811	961,166	908,905	352,821
Cash and investments (\$000s)	N.A.	1,511,733	1,461,361	1,420,716	1,356,754	419,028
Cash and investments to operations (%)	N.A.	164.5	159.1	156.0	157.0	162.1
Cash and investments to debt (%)	N.A.	187.9	196.2	190.6	182.0	364.1
Debt						
Outstanding debt (\$000s)	N.A.	804,653	744,870	745,248	745,406	131,811
Current MADS burden (%)	N.A.	6.1	6.0	5.9	6.1	4.0
Average age of plant (years)	N.A.	20.7	19.4	17.0	14.3	16.4

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

American Univ, DC General Obligation	A+/Negative
American Univ, DC General Obligation	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 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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