

Research Update:

George Washington University, DC Bond Rating Outlook Revised To Negative From Stable On High Debt Burden

August 28, 2025

Overview

- S&P Global Ratings revised the outlook to negative from stable and affirmed its 'A+' long-term rating on [George Washington University](#) (GWU or the university), D.C.'s various series of taxable bonds outstanding.
- The outlook revision reflects our view of GWU's financial resource ratios that are below medians for the rating category, and a somewhat high debt burden, with recent weak financial operating performance despite a firm enrollment trend.

Rationale

Security

All debt outstanding is a general obligation (GO) of the university. GWU's total debt outstanding is \$2.2 billion. The university is also party to finance and operating leases, and total debt \$14.4 million in financing and \$98.1 million in operating leases. All of GWU's long-term debt was issued with 30-year bullet maturities. The university has issued no direct placement debt with banks or other financial institutions and has no swaps in place on any of its bonds. Management reports that GWU does not plan to issue additional new-money debt backed by its GO pledge in the near term.

Credit highlights

Our rating reflects our belief that GWU's enterprise risk profile is very strong as a comprehensive research university, with more than half of its enrollment coming from graduate and professional programs (including its notable law and medical schools), strong student quality, and stable-to-slightly rising enrollment. Also, the rating reflects our view that the university's financial risk profile is strong, mainly reflecting healthy revenue diversity, a moderate tuition discount rate, and endowment growth spurred by investment performance and philanthropy, amid unfavorable

Primary Contact

Ken W Rodgers
Augusta
1-212-438-2087
ken.rodgers
@spglobal.com

Secondary Contact

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

Additional Contact

Mary Ellen E Wriedt
San Francisco
1-415-371-5027
maryellen.wriedt
@spglobal.com

financial resource and debt-related ratios and weak financial operating performance that are pressuring the rating. The investment and debt portfolio also have riskier characteristics that include an investment portfolio with a concentration in real estate holdings that we generally view as being less liquid and a debt structure with extensive use of bullet maturities with most now due in 20 years or less. The combined enterprise and financial risk profiles lead to an anchor of 'a+' and a final long-term rating of 'A+'.

The rating and outlook further reflect our view of the university's:

- Continued weak financial resources ratios relative to rating category medians and compared with those of peers;
- High smoothed maximum annual debt service burden (MADS), with most debt structured with bullet maturities;
- Investment portfolio with a heavy real estate allocation that we view as a less liquid asset; and
- Deficit adjusted operating margins that might not reverse until fiscal 2027.

Factors supporting the current rating include:

- A firm enrollment trend, robust student quality, moderate tuition discount rate, and comprehensive undergraduate, graduate and professional programs;
- Good revenue diversity, with student-dependent revenue accounting for about 62% of adjusted operating revenue, and reflecting revenue derived from health care operations, research grants and contracts, and private philanthropy; and
- A sizable endowment per full-time-equivalent (FTE) student.

GW was established in 1821 as Columbian College by an act of congress, and in 1904, its name was changed to The George Washington University. Its main campus is in the Foggy Bottom neighborhood in northwest Washington, D.C., with additional facilities in the Mount Vernon Campus in D.C. and the Virginia Science and Technology Campus in Loudoun County, Va.

We see heightened sector risks related to GWU's research and health care endeavors, given evolving federal policies from the new administration in Washington, D.C., although overall we view the university's financial position as adequate for the rating category, with sufficient liquidity and flexibility to face short-term funding disruptions. We understand GWU generated slightly more than \$243 million in research grants and contracts (sponsored programs) in fiscal 2024 and also derived \$313 million in net patient care revenue.

Approximately 40% of the grants and contracts revenue in fiscal 2024 is derived from the federal Department of Health and Human Services, almost exclusively from the National Institutes of Health (NIH). The negotiated indirect cost-recovery rate for on-campus organized federal research in fiscal 2024 was 59%. Given evolving federal policies, management is assessing the potential effects of funding disruptions or reductions to federal funding or the imposition of caps on indirect cost recoveries, and estimates no impact in fiscal 2025 as the proposed 15% cap on indirect cost recoveries from NIH was blocked by the courts and it is still uncertain if a cap will be forthcoming in fiscal 2026. We believe that GWU's liquidity would be adequate to provide flexibility should a cap on indirect recovery rates be imposed.

Environmental, social, and governance

We analyzed GWU's environmental, social, and governance credit factors pertaining to the university's market position, management and governance, and financial performance, and found them to be neutral in our credit rating analysis.

Outlook

The negative outlook reflects our belief that the university's financial resources ratios will remain under pressure given our expectation of weak financial operations in fiscal 2025 and possibly fiscal 2026 before a gradual recovery anticipated in fiscal 2027. The negative outlook further reflects our assumption that the university's enrollment trend and demand characteristics will remain firm over the outlook period. We do not expect GWU to issue any additional new-money debt over the outlook period.

Downside scenario

A lower rating could result from a failure to improve financial resource ratios and a continuation of operating deficits. In addition, an increase in debt without a commensurate growth of financial resources could also lead to a lower rating as could a material decline in enrollment.

Upside scenario

Any consideration of a positive rating action would be predicated on GWU's enrollment remaining stable, a significant improvement of financial resource ratios, and improved and sustainable financial operating performance on a full-accrual basis.

Credit Opinion

Enterprise Risk Profile--Very Strong

Market position and demand

The university consists of 10 schools. Eight schools offer both undergraduate and graduate degrees, and two offer graduate and professional degrees: the Law School and the Graduate School of Education and Human Development. It appears GWU can flex demand through tuition pricing and discounting strategies.

As of fall 2024, the university enrolled 25,374 students, or 21,973 FTEs, at all of its campuses. FTE enrollment improved by 1% in fall 2024 compared with fall 2023 FTE enrollment of 21,763, but was a 7.6% decline from the pre-pandemic enrollment peak of 23,798 in fall 2018. Management states applications for fall 2025 were strong and expects enrollment will be near a record high; however, owing to a softness in international enrollment, the university had to access its waitlist to fill some additional enrollment spots. GWU has a large number of graduate and professional students; undergraduates constituted 49.3% of total enrollment for fall 2024.

We expect enrollment will remain firm, as the university fine tunes its strategies in light of competitive challenges and as it continues to leverage its somewhat unique and advantageous location in the nation's capital to attract a diverse student body. In our view, GWU has fairly strong geographic diversity, as we understand that approximately 70% of its students come from outside the D.C, Maryland, and Virginia regions.

GWU is selective, accepting only 47% of applicants in fall 2024; however, somewhat less so than pre-pandemic when it accepted a low of 40.8% in fall 2019. Evidencing the competitiveness of the market, the matriculation rate was about 24% before the pandemic but was 19.3% in fall 2024. In our view, student quality is strong for fall 2024, with an average SAT score of 1409 for incoming freshmen.

Management and governance

On July 1, 2023, Dr Ellen M. Granberg became the university's 19th president. Before joining GWU, President Granberg served as provost and senior vice president for academic affairs at Rochester Institute of Technology and was a professor and senior leader at Clemson University. In July 2022, Bruno Fernandes became the executive vice president, CFO, and treasurer of the university. Mr. Fernandes has considerable experience in finance; before serving as the vice president of finance and treasurer at GWU since April 2021, Mr. Fernandes held a similar role for the District of Columbia. He has been instrumental in implementing rigorous budget practices to improve the university's margins, aligning costs with built-in contingencies. More recently in June 2024, Hemant Bakshi became the vice president for finance and assistant treasurer. Mr. Bakshi previously served as the senior associate vice president for financial planning and operations. On July 1, John Lach became the university's interim provost and executive vice president for academic affairs after the previous provost returned to the faculty of the law school.

Financial Risk Profile--Strong

Financial performance

GWU's financial performance has generally been pressured in large part due to the need to support the medical school's faculty practice plan that has operated at a deficit for some time. In fiscal 2024, the net adjusted operating income was negative 4.3%, largely attributable to the faculty practice plan's slightly more than \$100 million operating loss on total operating revenue of \$377 million.

In our view, GWU generally has good revenue diversity, with tuition revenue accounting for 61.8% of total adjusted operating revenue in fiscal 2024, followed by health care operations at 17.7%, grants and contracts at 11.2%, auxiliary operations at 6.3%, and endowment income at 5.0%.

Management took steps in the past to limit the university's exposure to health care risk by selling a majority interest (80%) in its hospital (GW Hospital) to Universal Health Services (UHS) in 1997; creating a separately incorporated faculty practice plan, Medical Faculty Associates-MFA, in 2000; discontinuing its health care plan in 2002; and restructuring its relationship with MFA in 2018 by consolidating the group into GWU's financial statement. In May 2022, GWU's School of Medicine and Health Sciences and MFA finalized a new agreement with UHS; under this agreement, UHS became the sole owner of GW Hospital by purchasing the 20% interest from the university, and a new partnership was created based on updated structures and practices. Management continues to work with all parties to ensure a more effective and efficient health delivery system.

Financial resources

At fiscal year-end June 30, 2024, GWU's cash and investments totaled \$2.9 billion, a slight improvement compared with that posted in fiscal 2023. When compared with adjusted operating expenses, cash and investments were adequate, at 128.7%, but below the median for the rating

category of 159% and generally slightly below those of peers. Cash and investments were 131.5% compared with debt at fiscal year-end 2024, slightly lower than the previous year's 138.5%, with a slight increase in total debt relating to MFA's \$75 million revolving credit facility contributing to the decline. The median ratio for cash and investments to debt for the rating category is significantly higher at 347.2%. We understand management has been funding capital investments, including real estate acquisitions, with cash, and that has contributed to lower absolute levels of cash. We believe GWU's cash and investments and related ratios are just adequate to support the current rating, and benefit from strong annual contributions and gifts. However, additional debt issuance without a commensurate increase in financial resources will likely pressure the rating.

GWU's endowment rose to a high of \$2.6 billion as of fiscal-year end 2024 from \$2.5 billion at fiscal year-end 2023. The endowment per FTE is \$121,200 at fiscal year-end 2024 and well above the rating category median and most peers' ratios. Starting in fiscal 2021, GWU changed its endowment payout policy to 4.5% from 5.0%, based on a three-year rolling average market value, adjusted for new gifts received during the year. The actual endowment spending in fiscal 2024 was 4.4%. Although the university's significant investments in real estate are typically less liquid; management closely monitors liquidity required to meet its operating needs and commitments. Furthermore, the real estate portfolio is integrated into the broader investment strategy and policy of the pooled endowment. Strategies are in place to improve returns and monetize real estate in the future, providing liquidity.

Debt and contingent liabilities

All of GWU's long-term debt is fixed rate, which we believe provides predictability to the debt portfolio. However, as of fiscal year- end 2024, the debt load is high, in our opinion, at \$2.2 billion including: \$1.8 billion in bonds, \$14.4 million finance lease, a \$98.1 million operating lease, a \$51 million MFA term loan, and a \$198 million GWU and MFA revolving credit facility. The university issued most of its long-term debt as taxable bonds with 30-year bullet maturities to take advantage of low interest rates, and most issues are now due in 20 years or fewer. At fiscal year-end June 30, 2024, GWU had a \$300 million credit agreement with PNC Bank as administrative agent for liquidity purposes; the agreement has no financial maintenance covenants, and management is attempting to get this line increased to \$450 million .

Certain financial and investment practices might seem somewhat risky (e.g., issuing debt with bullet maturities, thus creating refinancing risk and having an investment portfolio with a significant allocation of real estate, which is typically considered less liquid). However, management reports that its overall cost of capital is favorable and that many of its real estate holdings (and related debt) are due to transactions with governmental or related entities such that GWU gets a guaranteed cash flow and comfort from knowing that its ability to expand is assured by controlling properties and buildings that are not currently needed but will be available in the future. Smoothed MADS is about \$173.2 million; this equals 7.6% of fiscal 2024 adjusted operating expenses, which we consider moderately high.

GWU has no off-balance-sheet debt and has not entered into any swaps or other derivative arrangements.

We also expect that further investment in real estate will be limited to deals that have a clear long-term advantage to the university and an associated cash flow that does not jeopardize the liquidity position.

Over the past decade, we believe GWU tackled several deferred maintenance projects and made other key investments in new buildings; these large projects were funded from either cash flow,

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real estate investments, or philanthropy, or a combination thereof. Management is evaluating future capital needs and considering these funding sources as well as long-term debt, if it is prudent, to support any associated costs. We understand GWU has no additional new-money GO debt plans at present.

The university participates in a defined-contribution plan and its contributions to the retirement plan totaled \$41.2 million and \$42.8 million for the years ended June 30, 2023, and June 30, 2024, respectively. GWU provides health care and life insurance benefits to certain retired employees.

George Washington University, District Of Columbia--enterprise and financial statistics

	--Fiscal year ended June 30--					Medians for 'A (2024)' category rated private colleges and universities
	2025	2024	2023	2022	2021	2024
Enrollment and demand						
Full-time-equivalent enrollment	21,973	21,763	21,777	22,218	22,306	MNR
Undergraduates as a % of total enrollment	50.7	49.3	49.0	48.3	48.0	84.7
First-year acceptance rate (%)	47.1	43.5	49.0	49.7	43.0	67.8
First-year matriculation rate (%)	19.3	21.5	22.0	19.0	17.4	MNR
First-year retention rate (%)	92.2	91.9	89.6	90.7	87.7	MNR
Six-year graduation rate (%)	83.9	85.1	84.8	83.7	85.0	MNR
Financial performance						
Adjusted operating revenue (\$000s)	N.A.	2,177,807	2,044,267	1,983,228	1,897,774	MNR
Adjusted operating expense (\$000s)	N.A.	2,274,906	2,118,645	2,046,715	1,939,233	MNR
Net operating margin (%)	N.A.	(4.3)	(3.5)	(3.1)	(2.1)	0.5
Change in unrestricted net assets (\$000s)	N.A.	(234,711)	(51,102)	(107,646)	84,368	MNR
Tuition discount (%)	N.A.	32.8	32.2	31.4	30.9	45.1
Student dependence (%)	N.A.	61.8	62.0	61.6	56.0	MNR
Health care operations dependence (%)	N.A.	17.7	18.4	18.7	18.4	MNR
Research dependence (%)	N.A.	11.2	10.4	11.2	12.1	1.5
Financial resources						
Endowment market value (\$000s)	N.A.	2,639,708	2,522,442	2,340,361	2,411,272	MNR
Cash and investments (\$000s)	N.A.	2,927,074	2,885,920	2,871,558	3,200,579	393,804
Cash and investments to operations (%)	N.A.	128.7	136.2	140.3	165.0	162.1
Cash and investments to debt (%)	N.A.	131.4	138.5	136.2	144.6	MNR
Cash and investments to pro forma debt (%)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Debt						
Outstanding debt (\$000s)	N.A.	2,226,807	2,083,203	2,108,792	2,213,864	129,836
Proposed debt (\$000s)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Total pro forma debt (\$000s)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Current MADS burden (%)	N.A.	7.6	7.9	6.3	6.7	MNR
Pro forma MADS burden (%)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Average age of plant (years)	N.A.	13.5	13.1	13.2	12.5	16.3

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

George Washington University, District Of Columbia--enterprise and financial statistics

--Fiscal year ended June 30--					Medians for 'A (2024)' category rated private colleges and universities
2025	2024	2023	2022	2021	2024

depreciation/depreciation and amortization expense. N.A.--Not available. MNR--Median not reported. MADS--Maximum annual debt service.

Ratings List

Outlook Action

To From

Education

George Washington Univ, DC General Obligation A+/Negative A+/Stable

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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