

University of North Carolina at Greensboro Revenue And Revenue Refunding Bond Rating Affirmed At 'A+'; Outlook Is Stable

June 3, 2025

Overview

- S&P Global Ratings affirmed its 'A+' long-term rating on the [University of North Carolina Board of Governors'](#) general revenue and revenue refunding bonds, issued for the [University of North Carolina at Greensboro](#) (UNCG).
- The outlook is stable.

Rationale

Security

The university's bonds are issued under UNCG's general trust indenture. The bonds are unsecured obligations of UNCG, payable solely from available funds that include broad revenues but exclude tuition, state appropriations, and restricted gifts and grants, the equivalent of what S&P Global Ratings considers an unlimited student fee pledge. At June 30, 2024, total debt outstanding was about \$250.1 million, which includes approximately \$135.4 million in public fixed-rate bonds, \$94.2 million in direct bank placements, and \$12.7 million in operating leases. All events of default and acceleration provisions for the direct placement bonds match those of UNCG's debt outstanding. In our view, the bonds do not pose a significant contingent liability risk, and UNCG has sufficient financial resources to manage its direct placements, with \$178.3 million in current cash and equivalents as of June 30, 2024. UNCG has no plans for additional debt during the outlook period.

Credit highlights

We assessed UNCG's enterprise risk profile as strong, supported by solid retention and average matriculation, partially offset by prior enrollment declines, which have recently stabilized. We assessed UNCG's financial risk profile as very strong, reflecting solid support from the state of North Carolina, a recent trend of healthy operating margins, and strong financial resource ratios, which are partially offset by a high debt service burden. We think that, combined, these credit factors led to an anchor of 'a+' and a final rating of 'A+'.

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The rating further reflects our opinion of UNCG's:

- Effective management team that has successfully right-sized operations and reported a trend of full-accrual surpluses, which we expect will continue;
- Historically stable appropriations and strong state support, providing good revenue diversity;
- Improving financial resource ratios for the rating, with cash and investments equal to 143.9% of operating expenses and 302.9% of debt as of fiscal 2024; and
- Conservative amortization schedule, with 69% of debt principal scheduled to retire over the next 10 years and no additional debt plans.

We believe somewhat offsetting factors are what we consider UNCG's:

- Enrollment declines through the pandemic, although total full-time-equivalent (FTE) enrollment has stabilized since fall 2023;
- Below-median selectivity, matriculation, and graduation rates for the rating category; and
- Above-median maximum annual debt service (MADS) burden relative to peers and medians, equal to 6% of fiscal 2024 operating expenses.

UNCG is one of 17 state-supported institutions that make up the University of North Carolina System. Located near the state's geographic center, UNCG was established in 1891 as State Normal & Industrial School to provide higher education to women. Today, it includes a college of arts and sciences, a college of visual and performing arts, a graduate school, and five professional schools. UNCG has a primarily regional draw, with about 92% of students from North Carolina.

Environmental, social, and governance

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

Outlook

The stable outlook reflects S&P Global Ratings' opinion that enrollment and demand metrics will remain stable over the next two years. Additionally, the outlook reflects our expectation that UNCG will likely generate positive full-accrual operating results and at least maintain its improved financial resource ratios. UNCG has no plans for additional debt over the two-year outlook period.

Downside scenario

We could consider a negative rating action during the next two years if enrollment decreases materially, full-accrual operating deficits emerge, or management adds significant additional debt without commensurate growth in financial resources.

Upside scenario

We could consider a positive rating action during the next two years if enrollment is stable or grows while demand metrics improve and financial resources are maintained near current levels. Continued operating surpluses would also be viewed positively.

Credit Opinion

Enterprise Risk Profile--Strong

Market position and demand

UNCG reported total FTE enrollment of 16,158 students in fall 2024, or a 1.1% increase from fall 2023. Total FTE decreased 0.5% in fall 2023 and has been relatively stable following decreases of 2%-5% in fall 2020 through fall 2022. Management attributes recent stabilization to several strategic initiatives, including elevating the office of enrollment management to a cabinet-level department, implementing more targeted marketing strategies, and creating new high school counselor and community college relationships. Recent programmatic initiatives include a PhD in computer science and an esports concentration within the bachelor of science degree in hospitality and tourism management. Additionally, UNCG constructed an esports arena, in partnership with the state and external partners, with plans to develop a statewide league. Management expects enrollment will be stable in fall 2025, which we view as likely.

UNCG received 12,948 first-year applications for the fall 2024 semester, a 4.6% year-over-year increase. Selectivity improved marginally to 88.5%, compared with 89.8% in fall 2023. The matriculation rate decreased to 21.2% from 23.5%. Student quality, measured by standardized tests, remained relatively stable, with an average SAT score of 1243 in fall 2024. In connection with the COVID-19 pandemic, and per requirements of the UNC System, UNCG was test-optional from 2020 through 2024. International enrollment was about 3% of total FTE enrollment in fall 2024, and about 61% of students are eligible for Pell Grants. Management does not anticipate any significant challenges with enrollment in the near term stemming from evolving federal policy, and we will continue to monitor these risks as more information becomes available.

The six-year graduation rate was 56%, and management is implementing strategic initiatives aiming to improve this rate to 65%. UNCG has kept in-state tuition flat, by UNC System mandate, for several years, with incremental increases to room, board, and other fees. Total charges were \$17,932 for in-state students and \$34,283 for nonresidents for the 2024-2025 academic year, fees we consider affordable compared with those of its peers. UNCG's tuition discount is 32.1%, which should remain relatively stable. In October 2021, UNCG announced the public launch of Light the Way, its first comprehensive capital campaign in 15 years. To date, UNCG has raised about \$211.8 million toward its \$200 million goal. Total gifts and commitments have exceeded \$20 million annually from fiscal 2022 through fiscal 2024.

Management and governance

A 13-member board of trustees governs UNCG. The University of North Carolina Board of Governors governs UNCG and other University of North Carolina schools. The board delegates certain powers to the local board of trustees. Chancellor Dr. Franklin Gilliam has been at UNCG since September 2015. Since our last review, management reports UNCG has promoted internally to fill the position of associate vice chancellor for finance. We view the turnover as moderate, and we expect a smooth transition with no material disruption to operations.

UNCG has positive financial management practices, including conservative budgeting as well as formal debt and investment management policies. It develops a biennial budget for inclusion in the governor's budget in even-numbered years. UNCG also prepares five-year financial plans when submitting tuition and fee plans to the University of North Carolina Board of Governors. UNCG has formal endowment, investment, debt management, and reserve liquidity policies.

UNCG meets standard annual disclosure requirements. The university maintains policies and procedures to protect assets and data from cyber attacks. Additionally, faculty and staff are required to complete information security awareness training. UNCG maintains cyber and multimedia liability insurance.

It operates according to a multiyear strategic plan, "Forward Together," which spans 2025-2030. UNCG's strategic priorities focus on three pillars, with specific goals and key performance indicators for each pillar. It has also increased first-generation and Pell-eligible students, and boosted recruiting of underprivileged students. The university has a strong mission of social mobility.

Financial Risk Profile--Very Strong

Financial performance

UNCG has reported a solid trend of full-accrual surpluses in recent years. In audited fiscal 2024, UNCG had a net adjusted surplus of \$41.8 million, or a 7.9% margin, a slight decline from the \$47.1 million surplus, or 8.9% margin, in fiscal 2023. The university realized the final \$34.2 million in institutional and financial aid through Higher Education Emergency Relief Fund funding in fiscal 2023. State appropriations totaled \$208.7 million, representing a 5.0% increase from fiscal 2023. In our view, management has successfully controlled expenses, including a plan to reduce faculty and staff headcount, which has contributed to strong surpluses despite lower revenues. In our view, state support remains stable and sufficient, providing UNCG with a diverse revenue base compared with those of peer institutions. We expect management will likely continue to manage expenses to ensure operational stability. In fiscal 2025, management anticipates another surplus, which we view as likely.

Grants and contracts accounted for about 10% of total adjusted operating revenues in fiscal years 2023 and 2024. In fiscal 2024, grant and research revenue totaled \$59 million, of which \$48 million came from federal sources, with the remainder from state grants. While changing federal policy presents some risk, in our view, to UNCG's plans to grow its research capabilities over time, we do not expect material weakening from current levels.

Financial resources

At June 30, 2024, cash and investments, which includes restricted funds and foundation funds, totaled \$757.5 million, equal to 143.9% of adjusted operating expenses and 302.9% of debt. UNCG's cash and investments grew approximately 13.7% from fiscal 2023 due to positive market returns, which were boosted from investment of excess unrestricted cash. UNCG's financial resource ratios were further improved by sound expense management and debt principal payments. Overall, these ratios remain sufficient, in our view, for the current rating.

At fiscal year-end 2024, the endowment fund had a market value of approximately \$430.4 million, including about \$219.4 million held with foundations. The endowment's majority, however, is restricted. In fiscal 2024, UNCG had an endowment draw of about 4.1%, which we consider sustainable. UNCG maintains good liquidity, in our view, with about \$131.6 million in unrestricted cash and cash equivalents as of fiscal 2024.

Debt and contingent liabilities

At June 30, 2024, total debt outstanding was \$250.1 million. The university has no new-money debt plans. MADS is about 6% of fiscal 2024 adjusted operating expenses, which we consider manageable.

In August 2021, UNCG entered into a forward bond purchase agreement with Morgan Stanley. Pursuant to the agreement, Morgan Stanley paid UNCG \$12.6 million, representing the net present-value savings on a hypothetical tax-exempt forward delivery refunding of UNCG's 2014 bonds. UNCG is using this money to fund the Arts Place at Tate & Gate project. Morgan Stanley exercised its option to purchase bonds at a predetermined price in 2024 to current refund the 2014 bonds. The university's debt outstanding and debt service was unchanged as result of the series 2024 issuance. While this increased UNCG's direct-placement exposure, we believe the university maintains sufficient liquidity to mitigate the risk of its bank debt. The university had total cash and investments, including restricted funds and funds held with foundations, of \$757.5 million as of June 30, 2024. While we understand most of the endowment is restricted, UNCG has nearly \$188.8 million in current cash and short-term investments, including \$131.6 million in unrestricted cash and cash equivalents, which provides sufficient offset, in our view.

UNCG contributes to North Carolina Teachers' & State Employees' Retirement Systems, a cost-sharing, multiple-employer, defined-benefit, public employee retirement system. The plans were 85% funded as of June 30, 2024. UNCG's pension and other postemployment benefits expense was 5.8% of fiscal 2024 adjusted operating expenses, which we view as manageable.

University of North Carolina at Greensboro, North Carolina--enterprise and financial statistics

	--Fiscal year ended June 30--				
	2025	2024	2023	2022	2021
Enrollment and demand					
Full-time-equivalent enrollment	16,158	15,989	16,070	17,025	17,812
Undergraduates as a % of total enrollment	82.4	82.2	81.3	82.3	83.1
First-year acceptance rate (%)	88.5	89.8	91.9	90.8	87.4
First-year matriculation rate (%)	21.2	23.5	22.1	26.2	28.2
First-year retention rate (%)	78.2	76.0	72.9	77.6	80.1
Six-year graduation rate (%)	56.0	57.6	57.7	57.4	59.7
Financial performance					
Adjusted operating revenue (\$000s)	N.A.	568,353	574,554	566,200	517,159
Adjusted operating expense (\$000s)	N.A.	526,527	527,462	541,437	510,216
Net adjusted operating margin (%)	N.A.	7.9	8.9	4.6	1.4
Estimated operating gain/loss before depreciation (\$000s)	N.A.	77,788	77,909	52,164	31,557
Tuition discount (%)	N.A.	32.1	33.9	32.7	30.5
Student dependence (%)	N.A.	33.9	32.1	33.0	36.0
State appropriations to revenue (%)	N.A.	36.7	34.6	33.4	34.8
Research dependence (%)	N.A.	10.4	10.3	8.7	7.3
Financial resources					
Endowment market value (\$000s)	N.A.	430,399	392,898	368,640	392,600
Related foundation net assets (\$000s)	N.A.	219,380	198,618	182,277	195,167
Cash and investments including foundation (\$000s)	N.A.	757,541	666,503	594,989	574,921

University of North Carolina at Greensboro, North Carolina--enterprise and financial statistics

	--Fiscal year ended June 30--				
	2025	2024	2023	2022	2021
Enrollment and demand					
Cash and investments including foundation to operations (%)	N.A.	143.9	126.4	109.9	112.7
Cash and investments including foundation to debt (%)	N.A.	302.9	256.1	217.5	199.3
Debt					
Foundation debt (\$000s)	N.A.	N.A.	N.A.	N.A.	N.A.
Total debt with foundation (\$000s)	N.A.	250,127	260,300	273,531	288,455
Current MADS burden (%)	N.A.	5.7	5.4	5.1	5.6
Average age of plant (years)	N.A.	11.4	12.0	12.6	13.0

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

University of North Carolina at Greensboro, NC Unlimited Student Fees	A+/Stable
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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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