

MOODY'S

RATINGS

Rating Action: Moody's Ratings assigns Aa2 to Texas State University System's, (TX) revenue bonds; outlook stable

21 Apr 2026

New York, April 21, 2026 -- Moody's Ratings (Moody's) has assigned a Aa2 rating to the Board of Regents of Texas State University System's (TSUS or the system) proposed approximately \$573.7 million Revenue Financing System Revenue and Refunding Bonds, Series 2026A, and \$29.7 million Revenue Financing System Refunding Bonds, Taxable Series 2026B and \$158.8 million Series 2026C (Forward Delivery). We have also affirmed Texas State University System's Aa2 issuer rating, the outstanding Aa2 debt ratings, and the P-1 rating on Commercial Paper Notes, Taxable and Tax-Exempt. Post issuance the system will have approximately \$1.8 billion in total debt outstanding. The outlook is stable on the issuer and long-term ratings.

RATINGS RATIONALE

The affirmation of the Aa2 issuer ratings incorporates the system's excellent strategic positioning with a sizable and growing student base, serving around 78,000 full-time equivalent (FTE) students across seven component institutions throughout central Texas (Austin, Houston and southwest regions). The system is supported by robust operating support from the Aaa-rated State of Texas, amounting to approximately 31% of operating revenue as well as capital support that covers 20% of total outstanding revenue bonds. Operating performance is a credit strength, generating EBIDA margins averaging almost 19% since fiscal 2021, providing very good debt service coverage and supporting the system's excellent financial policy and strategy. Overall wealth is excellent, with total cash and investments of \$2.8 billion, inclusive of the system's share of the Texas University Fund, covering total adjusted debt and expenses by a sound 1.6x and 1.4x, respectively, in fiscal 2025. Ongoing net tuition and state funding growth will support continued strong operating performance. Leverage is high but manageable, including the planned new debt issuance and moderate exposure to the state's underfunded pension liability.

The assignment and affirmation of the Aa2 rating on the system's revenue bonds incorporates the system's issuer rating and a broad pledge of tuition and other revenue along with state support for debt service on approximately 20% of total outstanding bonds, including the Series 2026 bonds.

The short-term P-1 rating on the Commercial Paper Notes, Taxable and Tax-Exempt Series A program, which consists of extendable commercial paper (ECP) notes, primarily reflects the system's ability to access the market based on its Aa2 long-term rating. Its growing pool of unrestricted cash and investments also supports the highest short-term rating.

RATING OUTLOOK

The stable outlook on the issuer and long-term ratings reflects our expectations that the system will continue to benefit from consistently favorable state support while generating EBIDA margins of at least 15% and maintaining wealth and liquidity.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Strengthen brand and strategic positioning reflected in broader geographic reach, increase in fundraising and greater revenue diversity
- Continued growing student demand, driving sustained increases in enrollment and net tuition revenue
- Material growth in wealth to absorb identified capital and debt plans

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Inability to generate EBIDA margins of at least 15% and debt service coverage of 1.5x
- Additional borrowing beyond the current multi-year debt plans, given already high leverage levels

PROFILE

The Texas State University System is comprised of seven institutions, both four-year and two-year, located throughout southeastern, central, and southwestern Texas. The two largest institutions are Texas State University in San Marcos and Sam Houston State University in Huntsville. The system recorded operating revenue of \$1.8 billion in fiscal 2025 and served headcount enrollment of 102,540 students in fall 2025.

METHODOLOGY

The principal methodology used in these ratings was Higher Education published in July 2024 and available at <https://ratings.moodys.com/rmc-documents/425580>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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