

CREDIT OPINION

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Florida State University, FL

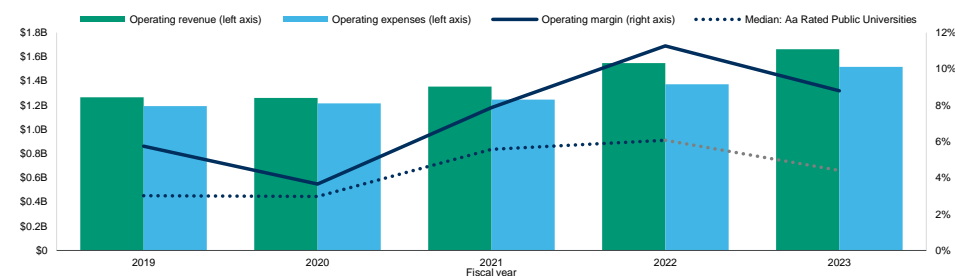
Update to credit analysis

Summary

[Florida State University's](#) (issuer rating Aa1 stable) strong credit quality incorporates its excellent strategic positioning as a prominent comprehensive university with notable student demand aided by strong operating and capital support from the Aaa-rated [State of Florida](#). Other strengths include donor support, total wealth of \$2.5 billion, manageable debt burden, strong operating performance, and well diversified revenues including gains in sponsored research. Offsetting factors include political limits on tuition and fee price setting and ongoing capital needs.

Exhibit 1

Sustained revenue growth and strategic expense discipline will continue to support FSU's favorable operating performance



2023 median operating margin is preliminary estimate

Source: Moody's Ratings

Credit strengths

- » Excellent strategic positioning as a prominent provider of higher education aided by strong operating and capital support from the State of [Florida](#)
- » Strong wealth with total cash and investments of \$2.5 billion coupled with manageable debt burden
- » Favorable operating performance with double digit EBIDA margins and well diversified revenue sources
- » Growing sponsored research prowess with \$236 million of research expenses in fiscal 2023
- » Donor support aids prospects for gains in wealth and program enhancement

Credit challenges

- » Political constraints include limits on tuition price setting especially for resident, undergraduate students
- » Considerable net pension and OPEB liabilities bring increased calls on funding over time
- » Ongoing capitals needs could drive measured increase in financial leverage over time

Rating outlook

The stable outlook incorporates Moody's expectations of strong operating performance with EBIDA margins over 15% and favorable state support. It also reflects expectations of excellent student demand and strong coverage of debt service from pledged revenues.

Factors that could lead to an upgrade

- » Sustained and substantial increase in total cash and investments
- » Ongoing gains in revenue diversity

Factors that could lead to a downgrade

- » Material weakening of operating performance with university-wide debt service coverage below 4x
- » Sustained decline in unrestricted liquidity
- » Weakening of pledged revenue streams

Key indicators

Exhibit 2

FLORIDA STATE UNIVERSITY, FL

	2019	2020	2021	2022	2023	2023 pro forma	Median: Aa Rated Public Universities
Total FTE Enrollment	40,167	40,720	42,147	41,406	40,618	40,618	30,783
Operating Revenue (\$000)	1,265,377	1,261,004	1,353,741	1,547,736	1,663,417	1,663,417	1,505,466
Annual Change in Operating Revenue (%)	6.6	-0.3	7.4	14.3	7.5	7.5	8.8
Total Cash & Investments (\$000)	1,708,006	1,710,028	2,074,687	2,147,226	2,462,239	2,462,239	1,947,594
Total Adjusted Debt (\$000)	1,371,963	1,385,292	1,502,768	1,564,062	1,496,974	1,818,124	1,862,165
Total Cash & Investments to Total Adjusted Debt (x)	1.2	1.2	1.4	1.4	1.6	1.4	1.0
Total Cash & Investments to Operating Expenses (x)	1.4	1.4	1.7	1.6	1.6	1.6	1.3
Monthly Days Cash on Hand (x)	253	257	286	290	320	320	191
EBIDA Margin (%)	13.3	11.6	15.4	18.0	16.1	16.1	14.4
Total Debt to EBIDA (x)	2.6	2.8	1.9	1.4	1.6	2.8	3.4
Annual Debt Service Coverage (x)	6.7	5.6	7.9	11.8	10.3	10.3	4.1

2023 pro forma includes incremental FSU Athletics Association Series 2024A and 2024B (Taxable) revenue bonds with proposed approximate par amounts of \$292 million, \$35 million, respectively

Source: Moody's Ratings

Profile

Florida State University is a public comprehensive research university with 18 separate colleges and institutes that offering over 300 undergraduate, graduate, doctoral, professional and specialist degree programs. In fiscal 2023, FSU generated operating revenue of \$1.7 billion and enrolled 40,618 full-time equivalent (FTE) students as of fall 2023. Florida State University Athletics Association is a nonprofit direct support organization created in 2016 and restructured in 2019. It was established to enhance the coordination and transparency regarding the operation of the university's Department of Intercollegiate Athletics.

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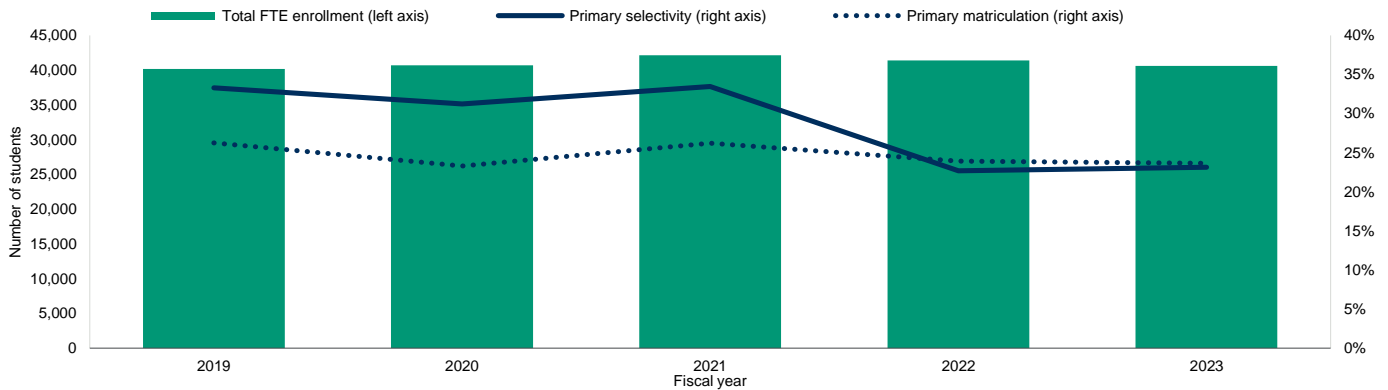
Detailed credit considerations

Market profile

FSU will maintain its strong market position as a designated Preeminent State Research University in Florida. Supported by strong state funding and student demand, FSU benefits from excellent strategic positioning. Higher than typical state support aids affordability, especially for in-state undergraduate students with well below median pricing, at \$6,517 in tuition for the 2023-2024 academic year. Approximately 84% of FSU's undergraduate students are Florida residents and the university is well positioned to maintain its market share in the growing state. The university has made material gains in graduation rates with a four-year graduation rate of 74% for the most recent cohort.

Exhibit 3

Favorable pricing and market demand will continue to support FSU's enrollment management



Source: Moody's Ratings

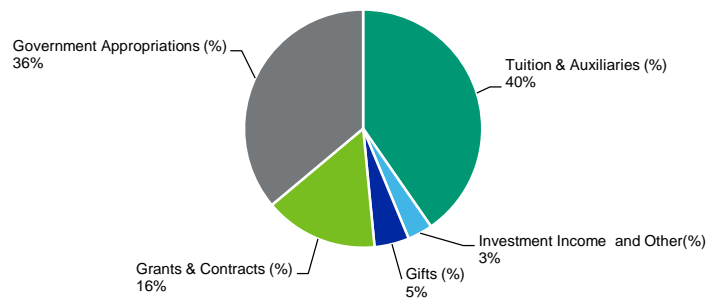
Graduate and professional enrollment comprised around 23% of fall 2023 FTE students and benefits from a diverse array of programs including a College of Medicine. Sponsored research bolsters the university's academic reputation with research expenditures totaling \$236 million in fiscal 2023.

Operating performance

FSU will continue to generate strong EBIDA margins, providing solid support for debt service. The university's EBIDA margin of 16% in fiscal 2023 benefitted from revenue growth in state support, grant funding and auxiliary revenue. State appropriations for fiscal 2024 and 2025 should be supportive of similar operating performance.

Exhibit 4

Tuition and Auxiliaries followed by state appropriations were the largest revenue drivers in fiscal 203



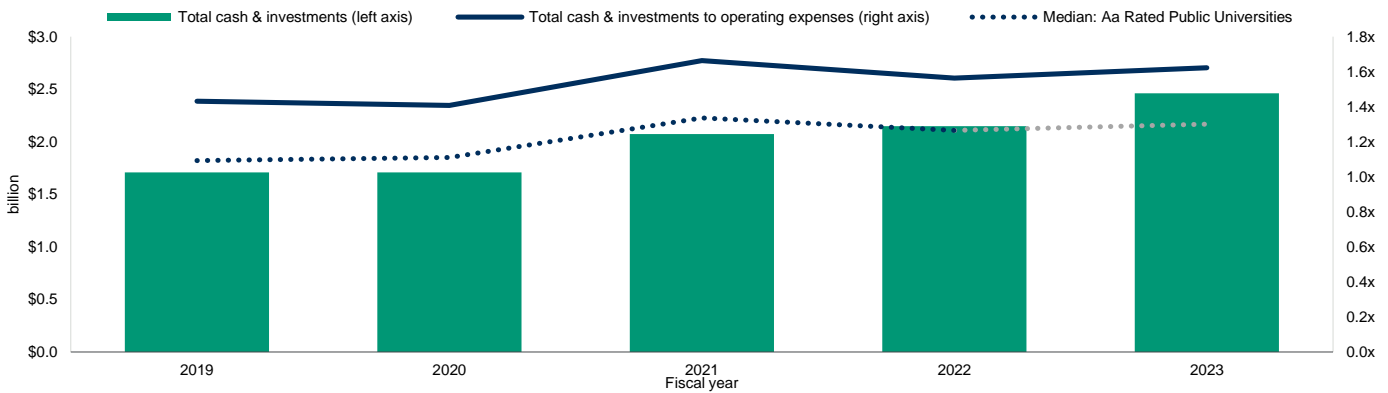
Source: Moody's Ratings

Financial resources and liquidity

FSU's financial reserves provide substantial flexibility and have solid prospects of long-term growth as a result of a strong history of fundraising and management discipline. Total cash and investments stood at \$2.5 billion at the end of fiscal 2023. Since the conclusion of the prior comprehensive campaign in 2018 through March 2024, the university has raised \$768 million in new gifts and commitments for various strategic priorities. The largest long-term pool at the university is managed by the FSU Foundation. The trailing 10-year annualized return for the pool through December 31, 2024 was 7.4%. FSU's liquidity profile is strong, especially in the context of highly limited unexpected calls on liquidity given its conservative fixed rate debt structure and steady operations. For fiscal 2023, FSU reported \$1.2 billion of monthly liquidity, providing 320 monthly days cash on hand.

Exhibit 5

Growing total cash and investments provides favorable coverage of expenses relative to Aa peers



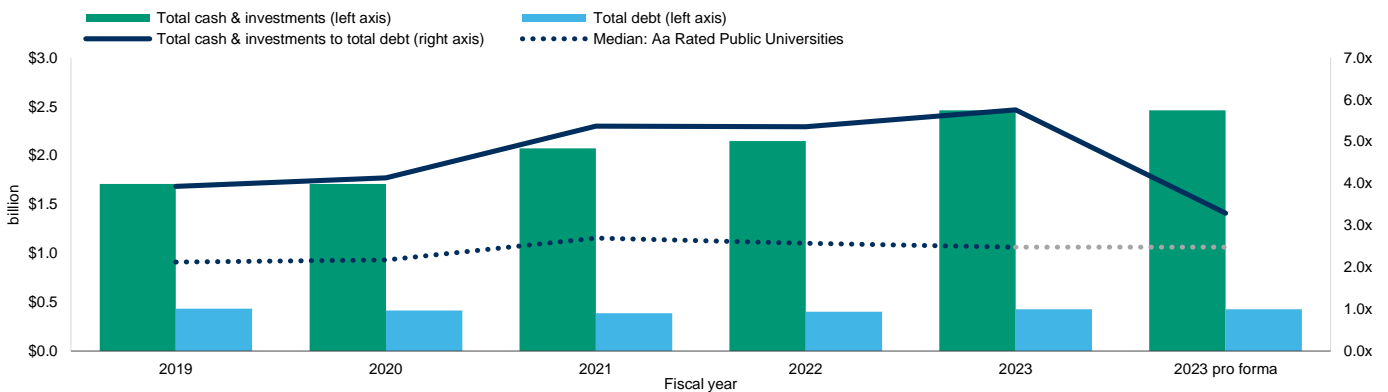
2023 median is preliminary estimate
 Source: Moody's Ratings

Leverage and coverage

FSU's credit profile will continue to benefit from manageable financial leverage. Based on diverse sources of capital funding, including state capital and donor support, management has limited plans for additional debt-funded capital investment beyond the estimated \$327 million calendar year 2024 planned use of incremental debt by the FSU Athletics Association. Total cash and investments for fiscal 2023 favorably cushion pro forma total debt of \$749 million by 3.3x. State capital support has fueled the ability of the university to invest in capital facilities with limited debt. The age of plant was 13.6 years in 2023 and the capital spending rate has average 1.2x over the last five years.

Exhibit 6

The planned 2024 incremental debt utilizes a good deal of the FSU total cash and investment to total debt headroom relative to Aa peers



2023 median is preliminary estimate
 Source: Moody's Ratings

Some of FSU's campus wide debt has been issued by its support organizations including the [Florida State Research Foundation](#) and [Florida State University Financial Assistance, Inc.](#) which have aided the broader university in fulfilling its mission including real estate needs. Credit quality of the university will depend on the active stewardship of those relationships as well as the underlying credit quality of the various organizations.

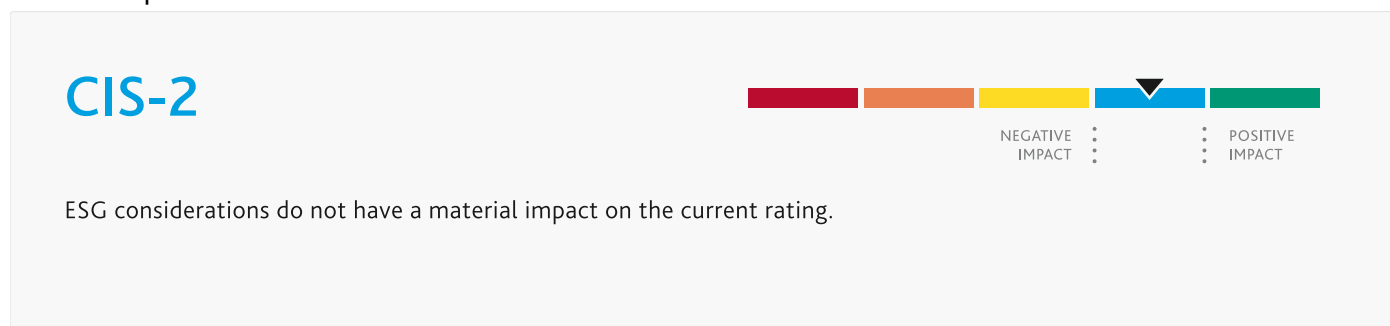
Pension and OPEB costs, including costs for both defined benefit (DB) and defined contribution (DC) plans, remain manageable, comprising around 3% of expenses in fiscal 2023. The three-year average Moody's adjusted net pension liability (ANPL) for the university is \$1.1 billion for fiscal 2023.

ESG considerations

Florida State University, FL's ESG credit impact score is CIS-2

Exhibit 7

ESG credit impact score



Source: Moody's Ratings

Florida State University's (FSU) **CIS-2** indicates that ESG considerations are not material to the rating. The university's **CIS-2** incorporates moderately negative exposure to environmental and governance risks, partially mitigated by strong financial reserves and favorable student demand.

Exhibit 8

ESG issuer profile scores



Source: Moody's Ratings

Environmental

The **E-3** considerations include higher than typical exposure to hurricanes and extreme rainfall, the physical climate risks are moderately negative. FSU's main campus benefits from lower tropical weather exposure than its smaller Panama City branch campus. The university is adept at online delivery of instruction, providing for some ability to continue educational services even if facilities were not available. FSU sustainability initiatives include energy conservation measures, green building technologies, and watershed management. In terms of academic degree production, the university offers various environmental degree programs including those under the State University System's designated Programs of Strategic Emphasis.

Social

FSU's **S-2** considerations include sound demographics and excellent demand generally supportive of the university's affordable academic programs. Gains in the expected number of high school graduates and young adults in Florida supports demographic

prospects while customer relations include strong state support. FSU has made concerted gains in retention and graduation rates, in keeping with its institutional commitment to student outcomes. Substantial state control of fringe benefit programs, faculty tenure exposure, and demand for specialized labor introduce moderately negative human capital risks. The research intensive university competes ably for sponsored research awards, maintaining sound relations with public and private sector grantors. Customer relations elements with the state as customer include performance funding and legislative power to set tuition pricing, which could lead to variability in funding.

Governance

FSU's governance risk is **G-3**. Financial stewardship has been sound with generally increasing state funding supporting low tuition pricing. A sound record of prudent capital planning and financial resource growth supports favorable elements of management credibility and track record. Board structure risks are introduced by the board selection process, with six members appointed by the governor, five members appointed by the Florida Board of Governors joining the faculty senate chair and student body president. Board structure considerations include the multiple layers of governance as a state university subject to oversight from the state and its legislature, the Board of Governors and Board of Trustees. The university partners with 12 diverse discretely presented support organization, including the Florida Medical Practice Plan, Inc. to assist in executing the university's strategies. Legislation has tended to increase centralization of control at the state level relative to other states, with increased statewide standards around accreditation, tenure review processes, and posting of course materials, potentially limiting institutional autonomy.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The principal methodology used in this rating was [Higher Education Methodology](#) published in August 2021. The Higher Education Methodology includes a scorecard that summarizes the factors that are generally most important to higher education credit profiles. Because the scorecard is a summary and may not include every consideration in the credit analysis for a specific issuer, a scorecard indicated outcome may or may not match an assigned rating. We assess brand and strategic positioning, financial policy and strategy, and operating environment on a qualitative basis.

Exhibit 9

Florida State University

Scorecard Factors and Sub-factors	Value	Score
Factor 1: Scale (15%)		
Adjusted Operating Revenue (USD Million)	1,663	Aa
Factor 2: Market Profile (20%)		
Brand and Strategic Positioning	Aa	Aa
Operating Environment	A	A
Factor 3: Operating Performance (10%)		
EBIDA Margin	16%	Aa
Factor 4: Financial Resources and Liquidity (25%)		
Total Cash and Investments (USD Million)	2,462	Aa
Total Cash and Investments to Operating Expenses	1.6	Aaa
Factor 5: Leverage and coverage (20%)		
Total Cash and Investments to Total Adjusted Debt	1.4	Aa
Annual Debt Service Coverage	10.3	Aaa
Factor 6: Financial Policy and Strategy (10%)		
Financial Policy and Strategy	Aa	Aa
Scorecard-Indicated Outcome		Aa2
Assigned Rating		Aa1

Data is based on most recent fiscal year available. Debt may include pro forma data for new debt issued or proposed to be issued after the close of the fiscal year.

For non-US issuers, nominal figures are in US dollars consistent with the Higher Education Methodology.

2023 pro forma includes pro forma plan of finance

Source: Moody's Ratings

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