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Ratings

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Research Update:

University Of Washington, WA Series 2026 General Revenue And Refunding Bonds Rated 'AA+'; Outlook Stable

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Primary Contact

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

Secondary Contact

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

Overview

- S&P Global Ratings assigned its 'AA+' long-term rating to the University of Washington's (UW) approximately $85.2 million series 2026 general revenue refunding bonds (GRBs).
- At the same time, we affirmed our 'AA+' long-term rating on the UW's existing GRBs.
- In addition, we affirmed our 'A-1+' short-term rating on UW's commercial paper (CP) notes.
- The outlook, where applicable, is stable.

Rationale

Security

Securing the GRBs is a pledge of general revenue, which is made up of all non-appropriated revenue not restricted by law or contract--excluding appropriations, grant direct costs, restricted gifts, some fees, Metro Tract revenue, and certain auxiliary revenue. We consider the security pledge equivalent to an unlimited student fee pledge. General revenue in fiscal 2025 totaled $6.0 billion, including net patient services revenue ($2.7 billion), student tuition and fees ($1.1 billion), and auxiliary services ($557 million).

Total debt at fiscal year ended June 30, 2025, was approximately $3.4 billion, including $1.0 billion of leases and $132.9 million of notes payable with no outstanding CP. The series 2026 GRBs are being issued to refund a portion of the university's general revenue bonds series 2015C bonds. Total pro forma debt is $3.4 billion.

Credit highlights

We assessed the UW's enterprise risk profile as extremely strong, characterized by its role as the flagship higher education institution in Washington with growing enrollment, impressive other demand metrics, and a major research and health care focus with its UW Medical Center and associated facilities d/b/a UW Medicine having a broad market position in the Pacific Northwest. We assessed its financial risk profile as very strong, with ample financial resources, a conservative debt profile, and somewhat recent weak financial performance. We believe these credit factors, combined, lead to an anchor of 'aa+' and a final rating of 'AA+'.

The 'A-1+' short-term rating on UW's CP notes is based, in part, on our 'AA+' long-term rating on the university and its provision of self-liquidity to support the CP program, including its ability and experience managing its CP tender needs from its liquid assets of high credit quality that are part of its investment portfolio. The maximum size of the CP program is $750 million; CP notes may not be issued if such issuance would result in an aggregate principal of more than $200 million maturing in any five consecutive business days or more than $75 million maturing on any one business day. The tax-exempt CP notes may be used for any eligible capital purpose, including refunding outstanding CP notes; taxable CP can be used for any authorized and legal purpose. As of Sept. 25, 2025, UW had $2.2 billion in discounted assets with same-day liquidity, which we consider ample, and no CP outstanding. In our opinion, in addition to ample liquidity, UW has financial flexibility and appropriate policies in effect to support its CP program.

The 'AA+' unlimited student fee ratings reflect our view of the university's:

- Position as one of the nation's top research universities, with $1.8 billion in federal and nonfederal grant and contract awards in fiscal 2025;
- Recent rising enrollment with 62,967 full-time-equivalent (FTE) students for fall 2025 up 1.5% from fall 2024's 62,054;
- Manageable 3.6% pro forma maximum annual debt service (MADS) burden; and
- Impressive fundraising efforts and a healthy endowment, with an estimated market value of $6.0 billion as of June 30, 2025, contributing to an overall cash and investment position of $10.1 billion.

Partly offsetting credit factors, in our opinion, are the university's:

- Historical variability in operating margins with deficits recorded in two of the three most recent fiscal years and only a slight surplus of $10.4 million, or a net operating income of 0.1%, in fiscal 2025; and
- Health care risk more prone to inflationary pressures and variable reimbursement methodologies.

The University of Washington is the largest of the state's four-year public higher education institutions. It was founded in 1861 in Seattle and has two additional smaller campuses, in Tacoma and Bothell. The university provides baccalaureate, master's, doctoral, and professional degree programs, with over 600 degree options. UW is a major research institution, ranked fourth in the nation among public institutions and fifth overall for federally-funded sponsored projects based on National Science Foundation data.

In our view, there are heightened sector risks related to UW’s significant research, given evolving federal policies under the administration in Washington, D.C. Approximately 80% of grant and contract awards came from federal sources, with the School of Medicine being the biggest generator of research expenditures. Grants and contracts awards declined slightly in fiscal 2025 to $1.8 billion from $1.9 billion in fiscal 2023 largely due to anticipated lower federal grant and contract revenue derived from pandemic disaster relief. The indirect cost recovery rate is 55.5%. We view UW’s financial position as sound, given the robust liquidity and financial flexibility to face short-term funding disruptions, with the university poised to act quickly should it have to curtail research expenses as a result of a funding disruption at the federal level.

Environmental, social, and governance

We analyzed the university's environmental, social, and governance credit factors pertaining to its market position, management and governance, and financial performance. The region has exposure to environmental risk with rising sea levels and earthquakes, but we feel the university's location and building standards mitigate some of this risk. We view UW's social and governance factors as neutral in our credit rating analysis.

Outlook

The stable outlook reflects our expectation that the university's enrollment trend will remain solid, its financial resources will remain ample, and its debt burden will stay low to moderate while financial performance continues to exhibit some variability but not weaken key balance-sheet metrics.

Downside scenario

Credit factors that could lead to a negative rating action include an unexpected drop in student demand, leading to large operating deficits that weaken key financial resource ratios or a significant increase in debt that does the same.

Upside scenario

A positive rating action could be considered if UW's operating performance is positive on a sustained basis and balance-sheet metrics increase to levels more in line with those of 'AAA' rated peer institutions.

Credit Opinion

Enterprise Risk Profile--Extremely Strong

Market position and demand

UW is the flagship university in the state of Washington with a healthy enrollment trend and mostly favorable student demand metrics. Management expects enrollment to remain stable for fall 2026 and in the near future. UW has effectively capped enrollment at its main campus, although there is the possibility of limited expansion at the Bothell and Tacoma campuses. While the university has well recognized graduate programs, it is still primarily an undergraduate institution, with approximately 67.8% of the student body consisting of undergraduate students in fall 2025. Although the university draws students from across the nation, it is still largely regional, with approximately 64% of students coming from the state, which is consistent with its mission to educate Washingtonians.

Combining metrics for the three UW campuses, first-year applications were at their second highest level at 75,412 following their historic high of 78,418 in fall 2024. Due to the growth in applications, the acceptance was at 47% in fall 2025, down from 59.8% in fall 2020. The matriculation rate was 25% in fall 2025 and is considered somewhat below that of a number of similarly rated colleges and universities. Student quality has improved and is strong, in our view, with the average fall 2025 ACT score of 31 and SAT score of 1345. The retention rate is solid and steady, at 93%, and the six-year graduation rate is stable at approximately 82%.

UW Medicine is a leading health care provider throughout the WWAMI region (Alaska, Idaho, Montana, Washington, and Wyoming). Key services include cardiology, trauma, oncology, transplants, and a broad array of adult and pediatric medical and surgical specialty and subspecialty services. UW Medicine includes the University of Washington School of Medicine, Harborview Medical Center (HMC), University of Washington Medical Center (UWMC), UW Physicians, UW Medicine Primary Care, and Airlift Northwest. UWMC realized FEMA recoveries for costs associated with the pandemic of $43.4 million and $68.6 million in fiscal years 2023 and 2024, respectively. It also received Medicaid Directed Payments of $46.4 million, $123.9 million, and $134 million in fiscal years 2023, 2024, and 2025, respectively. HMC received $211 million in fiscal 2025. In addition, UW Medicine was successful in late 2024 in garnering from King County a new tax to support the operating and capital costs of HMC. The King County Council approved $87 million in operating and capital support to HMC for 2025 and is currently considering $138 million in operating and capital taxing authority for 2026.

We understand in December 2024, Valley Medical Center's elected board of commissioners voted to end its strategic affiliation with UW Medicine effective Dec. 31, 2026. Management does not believe this development will have a material effect on UW Medicine. Other strategic collaborations exist with Fred Hutchinson Cancer Center (FHCC or Fred Hutchinson; a major cancer and infectious diseases research and patient care organization), Peace-Health, Seattle Children's, Skagit Regional Health, Bloodworks Northwest, Husky Health Center, MultiCare Health System, NW Kidney Centers, and VA Puget Sound/Boise/American Lake. As part of the restructure related to the FHCC merger and new corporate structure, Fred Hutchinson is a clinically integrated component of UW Medicine. Together, Fred Hutchinson and UW Medical Center operate a clinically integrated adult oncology program that operates at both Fred Hutchinson's facilities and UWMC (a separately licensed hospital) and its clinics. Fred Hutchinson and UWMC share in the combined earnings of the adult oncology program.

Management and governance

The university is governed by an 11-member board of regents and managed by Robert J. Jones, Ph.D., who became president of UW in August 2025. President Jones also holds a faculty position in the department of biology; he previously served as chancellor of the University of Illinois Urbana-Champaign. Tricia Serio began serving as the provost and executive vice president for academic affairs on Aug. 1, 2023; as provost, she is the university's chief academic and budget officer. Effective Jan. 1, 2026, Jason Campbell became the chief financial officer and senior vice president of finance planning and budgeting; Campbell had been serving as interim CFO since Aug. 1, 2025, and has been with UW since 2017. Dr. Timothy H. Dellit was named CEO of UW Medicine, executive vice president for medical affairs, and dean of the UW Medical School on Nov. 28, 2023, having held those same roles on an interim basis since July 1, 2022. The regents review and approve all large capital projects. In our view, the culture of planning regarding debt issuance allows for a certain degree of predictability.

The University of Washington maintains a mature information security program to ensure the confidentiality, integrity, and availability of all Information Technology (IT) systems and data. The university's risk management strategy includes contractual partnerships with various external resources, such as legal counsel, incident response teams, and cyber security insurers, to manage and mitigate operational, legal, and financial risks stemming from cyber threats. We understand the university hasn't had a serious data breach in the past two years and believe its cyber security preparedness against a potential data breach is comparable to peers.

Financial Risk Profile--Very Strong

Financial performance

Operating performance has fluctuated over the years. After reporting operating surpluses in fiscal years 2021 and 2022, UW posted operating deficits in fiscal years 2023 and 2024. In fiscal 2025, operations were slightly positive. S&P Global Ratings calculates operating performance by removing unrealized gains/losses on investments and adjusting for pension and other postemployment benefit (OPEB) contribution net of expense, which resulted in a surplus of $10.4 million, or a net operating income of 0.1%, in fiscal 2025. Historical operating margins were negative 4.1% in fiscal 2024, negative 2.5% in fiscal 2023, 4.7% in fiscal 2022, and 4.2% in fiscal 2021.

Management is pursuing an enterprise-wide financial resilience initiative dubbed "Together We Thrive" that was kicked off in December 2024 and is designed to address ongoing concern about expense growth possibly outpacing revenue growth. Management has implemented 5.0% ($76 million) expenditure reductions across core academic operating resources, placed hiring restrictions, and consolidated administrative operations; work on incentive-based budgeting is underway, with deployment planned for fiscal 2028.

Revenue sources are diverse, in our view, and include health care revenue (35%), student-dependent revenue (21%), research grants (20%), and state operating appropriations (7%), in addition to other sources. UW's low 13% tuition discount rate is a bright spot for student-dependent revenue and is well below average relative to peers and the 'AA' category median of 24%.

State support has been solid, growing consistently since 2015 to a total of $621 million in fiscal 2025, up from $604 million in operating support in fiscal 2024 and $532 million in fiscal 2023. The state's biennial operating budget passed during the 2025 legislative session decreased UW's funding for the 2025-2027 biennium by $126.3 million to a total of $1.1 billion due primarily to expiring one-time funds. While the legislature has limited the growth in the in-state undergraduate tuition rate, it has permitted a 3.3% rise in recent years, including academic years 2023-2024, 2024-2025, and 2025-2026.

Consolidated endowment funds on June 30, 2025, totaled $6.0 billion a new record high, up from $5.5 billion in fiscal 2024. The total spending rate for fiscal years 2025 and 2026 is 4.50%, including program distributions of 3.60% and an administrative fee of 0.90%. Beginning in fiscal 2027 the total spending rate will increase incrementally to 4.75%, including program distributions of 4.0% and an administrative fee of 0.75%. The duration of the phase-in period is subject to change and will be reviewed in early 2026. In fiscal years 2023, 2024, and 2025, the endowment draw for program distributions were $202 million, $217 million, and $232 million, respectively.

Financial resources

UW's financial resources are ample and have demonstrated continuous growth over the past five fiscal years. Financial resources as measured by cash and investments are sound for supporting the university's operations and capital needs, augmented from time to time with a modest amount of new debt issuance to support the capital plan. Cash and investments totaled $10.1 billion at fiscal year-end 2025, up 7.0% from the $9.4 billion on hand at fiscal year-end 2024. While both cash and investments to operations and cash and investments to debt slightly trail the medians for the rating category, it's our belief that the reason for this reflects the size of the university and its large research and health care operations. Cash and investments relative to operations for fiscal 2025 stood at 106.7% compared with the rating category median of 123.4%. Cash and investments relative to pro forma debt at fiscal year-end 2025 was 293.0% compared with the rating category median of 323.7%.

Fundraising has been strong, in our opinion. Fiscal 2025 gifts and private grants were impressive at $756 million, up from $632 million in fiscal 2024. While not currently in a campaign, the most recent campaign, "Be Boundless," reached its $5 billion goal two years ahead of schedule as of October 2018. We understand foundational pre-campaign planning work is underway across all three campuses, plus UW Medicine.

Debt and contingent liabilities

As of June 30, 2025, the university had pro forma debt of $3.4 billion including the refunding series 2026 bonds currently being issued. In our opinion, the debt profile is conservative with virtually almost all debt fixed rate and a low-to-moderate debt burden. The debt service amortization schedule is also front-loaded. By our estimate, UW will pay down approximately 45% of outstanding debt principal in the next 10 years, thereby providing opportunities for additional debt issuance over that period. We understand management plans to sustainably deploy debt to fund key initiative while keep the overall amount of debt relatively level.

The university provides retirement benefits through four contributory pension plans: the Washington State Public Employees' Retirement System (PERS) plan, the Washington State Teachers' Retirement System (TRS) plan, the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) plan, and the University of Washington Retirement Plan. PERS, TRS, and LEOFF are cost-sharing multiple-employer defined-benefit pension plans administered by the Washington State Department of Retirement Systems (DRS). Both pension and OPEB expense were accretive, i.e., lowered rather than added to expense, in fiscal 2025 and are manageable, in our view.

University of Washington, Washington--enterprise and financial statistics

	--Fiscal year ended June 30--					Medians for 'AA' category rated public colleges and universities
	2026	2025	2024	2023	2022	2024
Enrollment and demand						
Full-time-equivalent enrollment	62,967	62,054	60,494	60,421	60,359	37,533
Undergraduates as a % of total enrollment	67.8	67.5	66.9	66.5	66.5	80.3
First-year acceptance rate (%)	47.1	44.8	47.7	52.0	57.1	74.5
First-year matriculation rate (%)	25.4	25.7	26.4	29.4	27.7	25.4
First-year retention rate (%)	93.0	92.6	92.6	91.5	90.7	86.1
Six-year graduation rate (%)	82.3	83.3	82.4	82.5	82.2	71.0
Financial performance						
Adjusted operating revenue ($000s)	N.A.	9,466,372	8,689,709	8,246,657	7,972,503	MNR
Adjusted operating expense ($000s)	N.A.	9,455,935	9,060,702	8,461,270	7,615,975	MNR
Net adjusted operating margin (%)	N.A.	0.1	(4.1)	(2.5)	4.7	1.5

University of Washington, Washington--enterprise and financial statistics

	--Fiscal year ended June 30--					Medians for 'AA' category rated public colleges and universities
	2026	2025	2024	2023	2022	2024
Estimated operating gain/loss before depreciation ($000s)	N.A.	540,378	136,407	308,681	819,363	MNR
Tuition discount (%)	N.A.	12.8	13.2	13.5	14.4	29.2
Student dependence (%)	N.A.	20.6	22.1	22.6	23.5	36.0
State appropriations to revenue (%)	N.A.	6.6	7.0	6.5	6.1	19.1
Health care operations dependence (%)	N.A.	35.2	35.1	31.1	30.6	MNR
Research dependence (%)	N.A.	20.4	19.5	22.6	20.8	15.1
Financial resources						
Endowment market value ($000s)	N.A.	5,963,000	5,457,000	4,940,000	4,678,000	1,454,416
Related foundation market value ($000s)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Cash and investments including foundation ($000s)	N.A.	10,087,991	9,431,887	8,511,873	8,397,065	2,961,293
Cash and investments including foundation to operations (%)	N.A.	106.7	104.1	100.6	110.3	123.4
Cash and investments including foundation to debt (%)	N.A.	293.0	283.8	249.9	252.8	323.7
Cash and investments including foundation to pro forma debt (%)	N.A.	293.8	N.A.	N.A.	N.A.	MNR
Debt						
Foundation debt ($000s)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Total debt with foundation ($000s)	N.A.	3,443,212	3,323,017	3,405,926	3,321,978	1,012,913
Proposed debt ($000s)	N.A.	85,155	N.A.	N.A.	N.A.	MNR
Total pro forma debt ($000s)	N.A.	3,433,802	N.A.	N.A.	N.A.	MNR
Current MADS burden (%)	N.A.	3.6	3.5	3.5	3.5	3.7
Pro forma MADS burden (%)	N.A.	3.6	N.A.	N.A.	N.A.	MNR
Average age of plant (years)	N.A.	14.1	14.0	12.4	13.2	13.4

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	
New Issue Ratings	
US$85.155 mil gen rev rfdg bnds ser 2026 dtd 02/04/2026 due 12/01/2040	
Long Term Rating	AA+/Stable
Ratings Affirmed	
Education	
University of Washington, WA Unlimited Student Fees	AA+/Stable
University of Washington, WA Unlimited Student Fees	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.