

Research Update:

# Gallaudet University, DC Series 2021 Revenue Bonds 'A-' Rating Affirmed; Outlook Negative

May 8, 2026

## Overview

- S&P Global Ratings affirmed its 'A-' long-term rating on [District of Columbia](#)'s series 2021A revenue bonds, issued for [Gallaudet University](#) (GU).
- The outlook remains negative.

## Rationale

### Security

A general obligation of the university secures the bonds. As of Sept. 30, 2025, Gallaudet had \$75.8 million in debt outstanding, consisting of \$40.4 million from the series 2021 bonds, \$19.1 million in bank debt, \$8.4 million in capital and finance leases, and \$8 million on a \$25 million line of credit. The university's bank debt consists of a term loan issued in fiscal 2023 to fund the microgrid project, and a small taxable term loan issued in fiscal 2022. Management reports that, as of fiscal year-to-date 2026, it has paid off the line of credit balance outstanding.

GU's debt includes a liquidity covenant, requiring a liquidity without donor restriction to total debt ratio of at least 0.5x. As of fiscal year-end 2025, GU is in compliance with a ratio of 0.75x.

Although we have not reviewed the bank loan documents, as of fiscal 2025, the university has \$39.7 million in financial assets available to meet cash needs for general expenditures in the event of acceleration.

### Credit highlights

We assessed Gallaudet's enterprise risk profile as strong, with healthy matriculation and selectivity, and a geographically diverse student body. These strengths are offset by fluctuating enrollment in the last few years with challenges that we expect will continue, and weak retention for the rating. We assessed Gallaudet's financial risk profile as strong, with solid federal support, a moderate tuition discount, and a manageable debt burden. These strengths are offset by operating deficits prior to fiscal 2025 and somewhat weak financial resource ratios compared with those of peers. These credit factors, combined, lead to an anchor of 'a'. As our criteria indicate, the final rating can be within one notch of the anchor. In our view, the 'A-' long-term

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rating better reflects our view of Gallaudet's status as a specialty school with a narrower demand profile compared with other universities.

The rating reflects our assessment of the university's:

- Solid support from the federal government, with federal appropriations close to 70% of operating revenue in most years, and our expectation of flat funding in the future;
- Moderate tuition discount of approximately 36% in fiscal 2025;
- Good matriculation and selectivity rates compared with those of peers; and
- Manageable debt burden (3.3%) as of fiscal 2025.

Partially offsetting credit factors include our view of the university's:

- Recent enrollment difficulties, with a trend of fluctuation in recent years, although graduate student enrollment has been growing;
- Trend of full-accrual operating deficits prior to fiscal 2025, despite drawing funds from the quasi-endowment to support operations;
- Somewhat weak financial resources for the rating, particularly relative to operating expenses; and
- Recession, sequestration, and annual approval risk related to federally appropriated funds, although partially mitigated by the university's demonstrated ability to manage these struggles in the past.

Founded in 1864 in District of Columbia by a federal charter, Gallaudet provides educational programs and training for individuals who are deaf or hard of hearing, and for hearing individuals interested in pursuing careers in areas related to deafness. Gallaudet operates five schools; Science, Technology, Accessibility, Mathematics, and Public Health; Civic Leadership, Business and Social Change; Language, Education, and Culture; Human Services and Sciences; and Arts and Humanities. The university also offers graduate and professional programs, with select degrees available online. It also operates the Laurent Clerc National Deaf Education Center, which provides elementary and secondary education to deaf or hard-of-hearing students. Although established as a private institution, Gallaudet receives most of its revenues from annual federal appropriations due to its mission to ensure the advancement of deaf and hard-of-hearing individuals.

## **Environmental, social, and governance**

We analyzed the university's environmental, social, and governance credit factors relative to its market position, management and governance, and financial performance. We view environmental, social, and governance credit factors as neutral in our analysis.

## **Outlook**

The negative outlook reflects our expectation that enrollment and operations will remain pressured during the outlook period, resulting in declining net tuition revenue and a potential decrease in financial resources that may no longer be in line with the rating. We do not expect additional debt issuance during the outlook period.

## **Downside scenario**

We could lower the rating if enrollment does not stabilize, such that the university returns to consistent deficit operations, which could become more pronounced in the event of material federal funding decreases. We would also negatively view the deterioration of financial resource ratios, an increase in debt, or additional capital spending beyond what has already been expressed by management.

### **Upside scenario**

We could consider a revision to stable if the university's enrollment and operations stabilize, supporting the maintenance of its financial resource ratios.

## **Credit Opinion**

### **Enterprise Risk Profile--Strong**

#### **Market position and demand**

Gallaudet's enrollment has fluctuated in recent years, with a general downturn in the last 10 years. Enrollment fell by 6.5% in fall 2022, followed by a 1.2% increase in fall 2023, a 6.1% decrease in fall 2024, and a 2% increase in fall 2025. However, since fall 2017, total full-time equivalent enrollment has dropped about 17%, to 1,248 in fall 2025 from 1,507 in fall 2017.

In fall 2025, applications decreased by 18%, leading to higher selectivity of 70%, although undergraduate and graduate enrollment both increased. Management is working on several aspects of its recruiting strategy and programmatic offerings, including new online and on-campus programs that focus on student experience and vocational rehabilitation. The undergraduate matriculation rate remains very healthy, at 61% in fall 2025, indicative of the university's niche in educating deaf or hard-of-hearing students. Despite good selectivity and matriculation, the university's retention remains weak, dropping to 65% in fall 2025 from 71% in fall 2024. For fall 2026, management reports positive indicators for applications and deposits; however, management expects reduced enrollment will persist throughout the next several years.

Gallaudet's receipt of federal appropriations caps the percentage of hearing students it can admit at the undergraduate level at 8% and the percentage of international students at 15%. The university remains in compliance with these requirements.

#### **Management and governance**

The university is governed by a 20-member board of trustees, which includes three members of Congress--the Honorable Sherrod Brown, Betty McCollum, and Burgess Owens. Management keeps a close relationship with the U.S. Department of Education and members of Congress to maintain appropriations each year. Although there was some volatility in appropriation in the past with federal funding and midyear cuts, the university has secured appropriations at the current level through the end of fiscal 2026.

Gallaudet appointed a new provost in 2023 and a new controller in 2024, but the rest of the executive management has been stable. Roberta Cordano joined the university as president in January 2016. The university is in phase two of its strategic plan, which runs through 2030, with goals focused on academic excellence, student experience, collaborating with the deaf community, and operational excellence.

## Financial Risk Profile--Strong

### Financial performance

After several years of operating deficits, GU produced a full-accrual operating surplus of \$4.8 million, or just more than 2%. The fiscal 2025 surplus was due to slightly higher net tuition revenue from increased graduate enrollment and cost savings implemented by the management team. Operating expenses fell by about 6% from fiscal 2024 to fiscal 2025, and management expects to sustain most of the expense savings. Management is budgeting for balanced operations in fiscal 2026, and we expect breakeven to positive full-accrual results, although the university is planning to further draw from the quasi-endowment to support operations.

Congress determines federal appropriations to Gallaudet annually as authorized under the Education of the Deaf Act, which is part of the Higher Education Act. Appropriations are specifically designated for GU and operating appropriations have been relatively stable in the last several years, at \$155.5 million in 2025. Management is budgeting for flat federal appropriations in fiscal 2026, and it does not currently expect a significant disruption in future appropriations. We consider the large percentage of federal appropriations in the budget a credit strength, due to the U.S. government's strong history of support. However, the high reliance on potentially volatile appropriations limits budgetary flexibility, in our opinion. While there is uncertainty around general federal appropriations at a high level, we believe the university has a strong track record of federal funding and strong bipartisan relationships with lawmakers.

### Financial resources

Gallaudet's cash and investments improved again in fiscal 2025, with \$278 million total as of Sept. 30, 2025. Financial resource ratios also strengthened slightly with cash and investments at 122% of operations (compared with the median of 162%), and cash and investments at 367% of debt (compared with the median of 364%).

The university has undertaken several significant capital projects in the last few years, including the completed microgrid project, and the Sixth Street project, which has been in development for many years but is currently on hold. Gallaudet is still identifying funding sources for the project and will likely consist of a combination of fundraising and debt. We will fully incorporate the capital spending associated with the Sixth Street project when information becomes available.

GU is renovating a building on campus to become the Research and Innovation Hub. The nearly \$80 million project is funded by a mix of prior bond proceeds, fundraising, cash, and the university's federal construction appropriation.

### Debt and contingent liabilities

As of Sept. 30, 2025, Gallaudet had \$75.8 million in debt outstanding. Its maximum annual debt service burden as of Sept. 30, 2025, is approximately 3.3%, which we view as manageable. The university does not have any additional debt plans during the outlook period.

## Gallaudet University, District of Columbia--enterprise and financial statistics

	--Fiscal year ended Sept. 30--					Medians for 'A' category rated private colleges and universities
	2026	2025	2024	2023	2022	2024
<b>Enrollment and demand</b>						
Full-time-equivalent enrollment	1,248	1,225	1,304	1,289	1,379	3,513
Undergraduates as a % of total enrollment	63.5	64.0	66.0	68.0	69.0	85.1
First-year acceptance rate (%)	70.9	58.1	61.0	59.2	62.4	67.8
First-year matriculation rate (%)	61.1	60.7	57.3	71.6	60.6	17.4
First-year retention rate (%)	65.0	71.0	77.0	73.0	80.0	85.0
Six-year graduation rate (%)	52.0	47.0	47.0	44.0	58.0	75.8
<b>Financial performance</b>						
Adjusted operating revenue (\$000s)	N.A.	233,638	230,283	238,454	229,189	MNR
Adjusted operating expense (\$000s)	N.A.	228,794	240,965	245,003	233,037	MNR
Net operating margin (%)	N.A.	2.1	(4.4)	(2.7)	(1.7)	0.0
Change in unrestricted net assets (\$000s)	N.A.	8,217	(3,692)	(3,143)	(13,664)	MNR
Tuition discount (%)	N.A.	35.5	33.4	39.9	43.0	45.1
Student dependence (%)	N.A.	21.5	21.3	20.3	19.5	80.9
Health care operations dependence (%)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Research dependence (%)	N.A.	4.3	3.5	3.3	4.1	1.5
<b>Financial resources</b>						
Endowment market value (\$000s)	N.A.	251,288	235,095	207,445	191,649	352,821
Cash and investments (\$000s)	N.A.	278,230	254,305	235,610	205,652	419,028
Cash and investments to operations (%)	N.A.	121.6	105.5	96.2	88.2	162.1
Cash and investments to debt (%)	N.A.	367.0	290.7	277.3	383.6	364.1
Cash and investments to pro forma debt (%)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
<b>Debt</b>						
Outstanding debt (\$000s)	N.A.	75,813	87,484	84,956	53,612	131,811
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.	3.3	3.7	2.9	2.7	4.0
Pro forma MADS burden (%)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Average age of plant (years)	N.A.	16.7	15.4	15.4	14.6	16.4

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

## Ratings Affirmed

## Education

Gallaudet University, DC General Obligation

A-/Negative

## Gallaudet University, DC Series 2021 Revenue Bonds 'A-' Rating Affirmed; Outlook Negative

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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