

Research Update:

Saint Francis University, PA Revenue Bond Rating Lowered To 'BBB-' On Enrollment, Deficit Operations; Outlook Stable

January 16, 2026

Overview

- S&P Global Ratings lowered its long-term rating to 'BBB-' from 'BBB' on Cambria County General Finance Authority, Pa.'s revenue bonds issued for Saint Francis University (SFU).
- The outlook is stable.
- The downgrade reflects our view of SFU's trend of decreasing enrollment, with a nearly 8% drop in fall 2025, as well as its deficit operations in fiscal 2025 and expected deficit operations in fiscal 2026. The downgrade further reflects our view of SFU's balance sheet metrics, which have been consistently weak compared to those of peers and medians.

Rationale

Security

As of June 30, 2025, the university had \$45 million in total debt outstanding, including \$34 million in general obligation (GO) bonds, \$630,000 in finance and operating leases, and \$9.8 million outstanding on an \$11.5 million line of credit. All of SFU's debt is on parity, a GO of the college, and subject to a 1.1x rate covenant. The university was in compliance with these covenants as of June 30, 2025, with 2.7x coverage. An event of default could occur if SFU's coverage falls below 1.0x for two consecutive years. Financial assets available to meet cash needs for general expenditures within one year were \$11.4 million in fiscal 2025, and the university does not have any additional debt plans during the outlook period.

Credit highlights

We assessed SFU's enterprise risk profile as adequate, with four years of enrollment deterioration and weakened demand metrics in fall 2025. These weaknesses are somewhat offset by SFU's matriculation and graduation rates, which decreased in fall 2025 but remain solid

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compared to those of peers and medians. We assessed SFU's financial risk profile as adequate, with a material deficit of 6.6% in fiscal 2025 and expectations of another, albeit smaller, deficit in fiscal 2026, and weak financial resources compared to those of category medians. These weaknesses are partially offset by a low maximum annual debt service (MADS) burden and moderate average age of plant. Combined, these credit factors lead to an anchor of 'bbb-' and a final rating of 'BBB-.'

The rating reflects our view of the university's:

- Trend of enrollment declines, including a 7.6% decrease in fiscal 2025;
- Material operating deficit of 6.6% in fiscal 2025, and another, smaller, deficit expected in fiscal 2026; and
- Weak financial resources compared with peers and medians, with cash and investments making up 62% of operations and 149% of debt.

Somewhat offsetting those weaknesses is the university's:

- Low debt burden, as measured by MADS of 2.3% in fiscal 2025, with no additional debt plans;
- Solid and stable management team; and
- Good matriculation and graduation rates compared to those of peers and medians.

Founded as a boys' school in 1847 by six Franciscan friars from Ireland, SFU is now a residential, Catholic, coeducational, liberal arts institution of higher learning. SFU is located in southwestern Pennsylvania in the rural borough of Loretto, about 80 miles east of Pittsburgh.

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. We view all factors as neutral in our analysis.

Outlook

The stable outlook reflects our expectation that operating deficits will shrink over time as the university works to stabilize enrollment and demand metrics. It also reflects that we do not expect additional debt or significant deterioration in financial resources during the outlook period.

Downside scenario

We could consider a negative rating action if the university's declining enrollment trend continues, operating deficits are larger than expected, or financial resources deteriorate from current levels. We would also view additional debt issuance without commensurate growth in financial resources negatively.

Upside scenario

We could consider a positive rating action if the university stabilizes enrollment while producing breakeven-to-positive operations and its financial resources improve to levels commensurate with a higher rating.

Credit Opinion

Enterprise Risk Profile--Adequate

Market position and demand

SFU has seen four consecutive years of enrollment declines, including a 2.6% decrease in fall 2024 and a 7.6% decrease in fall 2025, bringing total full-time equivalent enrollment to 1,651 in fall 2025. The recent enrollment declines can be attributed to several factors, including a smaller incoming class of 352 first-year students in fall 2025 and lower retention in fall 2025. Both the smaller incoming class and the lower retention in fall 2025 are due largely to many athletes deciding not to attend SFU (or transfer) after the university announced it would be moving to division III athletics from division I athletics beginning in the 2026-2027 academic year. SFU's other demand metrics also weakened in fall 2025, with selectivity increasing from 80% in fall 2024 to 85% in fall 2025, and matriculation weakening from 20% to 18%. Despite being somewhat weaker in fall 2025, SFU's matriculation remains solid compared to the category median of 14%, and SFU's graduation rate of 70% remains solid compared to that of peers and the category median of 66%.

The university continues to assess the feasibility of new programs to increase demand in a highly competitive environment, and many of its newer programs have helped increase demand over time, including aviation maintenance, executive Doctor of Education, occupational therapy, and patient care technician programs. In addition, SFU continues to partner with the University of Pittsburgh Medical Center (UPMC) in diploma and digital certificate programs in order to expand their workforce impact, and UPMC has continued to invest in SFU through nursing scholarship programs and a new patient care technician program. The university has also invested in transfer recruitment and continues to expand and strengthen partnerships with community colleges in the area.

Management and governance

The Rev. Malachi Van Tassell, a member of the Province of the Most Sacred Heart of Jesus of the Third Order Regular Franciscans (TOR), who is a certified public accountant with a masters in taxation and doctorate in Higher Education Leadership, began as president in May 2014. The management team has remained stable and cohesive over the last several years, which we view positively. We believe the overall tenure of the leadership team lends stability to the overall credit profile, despite recent enrollment and operational pressures.

The university operates according to a five-year strategic plan and is governed by a board of trustees, which sets the number of members through its bylaws. Currently, the board consists of 24 trustees who are elected for a term of four years and who may serve no more than three consecutive terms. At least 20% of the board members must be members of TOR.

As part of SFU's strategic plan, the university will make the transition from division I to division III athletics beginning in the 2026-2027 academic year as part of its long-term stability strategy. Management expects the change to eliminate up to \$6 million in expenses for the university and increase its financial aid flexibility.

Financial Risk Profile--Adequate

Financial performance

SFU has seen variable operating results in recent years, with a deficit of 5.3% in fiscal 2023 followed by a surplus of 5.2% in fiscal 2024 and another deficit of 6.6% in fiscal 2025. The surplus in fiscal 2024 can largely be attributed to an increase in net assets released from restriction and included a roughly 11% endowment draw. SFU returned to a normal endowment draw of 4% in fiscal 2025; however, given decreasing net tuition revenue and increasing operating expenses, the university saw a larger-than-expected deficit of \$7.1 million (6.6%). Management is budgeting for a slightly smaller deficit in fiscal 2026 of about \$5 million, which includes costs related to the division III transition and expected heavy transfer portal activity for many of SFU's athletes. The fiscal 2026 budget also includes a board-approved extraordinary endowment draw, if necessary, of approximately 8%. SFU expects operations to improve over time, with a small deficit projected for fiscal 2027, followed by break-even or slightly positive operations in fiscal 2028. Management also expects the expense savings from the athletic division transition to be seen mostly in fiscal 2027.

Like many similar institutions, SFU has limited revenue diversity, as student-supported revenues accounted for about 85.6% of total adjusted operating revenue in fiscal 2025. The tuition discount has increased over the past several years, growing from 47.4% in fiscal 2022 to 51.5% in fiscal 2025. Management expects the tuition discount to remain somewhat stable over time.

Financial resources

SFU's financial resources, measured by cash and investments, improved modestly in fiscal 2025, bringing total cash and investments to \$67.1 million. As of June 30, 2025, cash and investments made up 62% of operations and 149% of outstanding debt, a modest improvement compared to operations but a deterioration compared to debt. Despite the improvement, financial resource ratios remain weak compared with those of category medians of 104% and 198%, respectively.

As of June 30, 2025, the endowment was valued at \$64.9 million, and the majority remains restricted. SFU had its largest unrestricted giving year of the last several years in fiscal 2025, with \$3.1 million in total unrestricted gifts. The university also recently raised about \$2.5 million for the renovation of the chapel on campus.

Debt and contingent liabilities

As of June 30, 2025, the university had \$45 million total debt outstanding, including \$34 million in GO bonds, \$630,000 in finance and operating leases, and \$9.8 million outstanding on an \$11.5 million line of credit. SFU's MADS burden remains low at 2.3% of fiscal 2025 operating expenses, which we view positively. The university does not have any additional debt plans during the outlook period.

Saint Francis University, Pennsylvania--Enterprise and financial statistics

	--Fiscal year ended June 30--					Medians for 'BBB' category rated private colleges & universities
	2026	2025	2024	2023	2022	2024
Enrollment and demand						
Full-time-equivalent enrollment	1,651	1,786	1,833	2,022	2,090	2,440
Undergraduates as a % of total enrollment	75.5	76.1	73.4	76.7	75.4	75.3
First-year acceptance rate (%)	84.8	79.8	75.4	73.1	81.5	79.1

Saint Francis University, Pennsylvania--Enterprise and financial statistics

	--Fiscal year ended June 30--					Medians for 'BBB' category rated private colleges & universities
	2026	2025	2024	2023	2022	2024
First-year matriculation rate (%)	17.7	20.4	21.8	21.0	23.1	13.8
First-year retention rate (%)	74.4	82.5	88.1	85.3	85.4	78.0
Six-year graduation rate (%)	70.0	73.4	71.7	70.0	76.7	65.9
Financial performance						
Adjusted operating revenue (\$000s)	N.A.	100,577	108,572	101,126	106,324	MNR
Adjusted operating expense (\$000s)	N.A.	107,698	103,215	106,810	103,396	MNR
Net operating margin (%)	N.A.	(6.6)	5.2	(5.3)	2.8	(2.3)
Change in unrestricted net assets (\$000s)	N.A.	(6,461)	4,048	(4,761)	2,050	MNR
Tuition discount (%)	N.A.	51.5	50.2	48.6	47.4	48.3
Student dependence (%)	N.A.	85.6	77.6	83.8	80.2	83.6
Health care operations dependence (%)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Research dependence (%)	N.A.	2.2	2.8	2.6	1.8	1.2
Financial resources						
Endowment market value (\$000s)	N.A.	64,866	60,554	60,051	56,612	126,552
Cash and investments (\$000s)	N.A.	67,104	61,642	62,891	63,726	144,384
Cash and investments to operations (%)	N.A.	62.3	59.7	58.9	61.6	104.0
Cash and investments to debt (%)	N.A.	149.1	144.5	168.0	166.6	197.7
Cash and investments to pro forma debt (%)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Debt						
Outstanding debt (\$000s)	N.A.	45,021	42,664	37,428	38,242	65,181
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.	2.3	2.9	2.8	2.7	4.2
Pro forma MADS burden (%)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Average age of plant (years)	N.A.	14.1	15.1	14.2	15.6	16.7

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

Downgraded;Outlook Action

	To	From
Education		
Saint Francis University, PA General Obligation	BBB-/Stable	BBB/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

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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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