

Texas State University System

New Issue Summary

Sale Date: On or about Jan. 12.

Series: Revenue Financing System (RFS) Revenue and Refunding Bonds, Series 2021A, and RFS Refunding Bonds, Taxable Series 2021B.

Purpose: To fund certain capital improvements (\$1 million), fix out a portion of outstanding extendible commercial paper (ECP) notes (\$92 million), refund a portion of series 2014 bonds (\$30 million) and pay certain costs of issuance.

Security: Pledged revenues including all legally available revenues, funds and balances of the system, but excluding state appropriations and other restricted funds.

The 'AA' Issuer Default Rating (IDR) and bond ratings reflect Texas State University System's (TSUS, or the system) strong financial profile, with its solid resource base and the very strong state support offsetting relatively high debt, in the context of a stronger overall operating profile. The large statewide system has good student demand and continued growth prospects supported by solid demographic trends, while sizable capital plans are either flexible or well-supported by external funding sources.

The 'F1+' short-term rating on the ECP program corresponds to the system's 'AA' IDR, which implies strong market access and financial flexibility to take out notes inside the extended maturity window, if necessary.

Coronavirus Impact

The ongoing coronavirus pandemic and related government-led containment measures create an uncertain environment for the U.S. public finance higher-education sector. Fitch Ratings' forward-looking analysis is informed by management expectations and our macroeconomic scenarios, and scenarios will evolve as needed during this dynamic period. Fitch's expectations include an accelerated rebound from 3Q20, followed by some stagnation through 1Q21 before accelerating through 2H21.

For TSUS, the baseline case assumes the spring 2021 term will proceed similarly to its fall 2020 term, with a mix of in-person, hybrid and online instruction across its system, as well as housing occupancy and other auxiliary utilization below historical levels but still adequate in aggregate.

Given TSUS's ratings in the 'AA' category, the ratings and sensitivities also address potential rating implications under a downside scenario. Fitch's downside stress scenario assumes a slower economic recovery and prolonged or recurring pandemic-induced disruptions lasting through at least 2H21, including further tuition, auxiliary and other related revenue pressures into the 2021-2022 academic year. Fitch believes that TSUS's stronger operating and financial profiles would allow it to manage through this downside scenario at the current rating level.

Key Rating Drivers

Revenue Defensibility: 'aa'; Growing Statewide System; Strong State Support: TSUS is a large public university system with seven component institutions serving over 87,000 students across several regions of Texas (IDR: AAA/Stable). Systemwide enrollment was effectively flat in fall 2020, despite the effects of the pandemic, and Fitch expects sound demand to support further enrollment growth over time. The system also benefits from the state's strong funding framework for operations and capital.

Ratings

| | |
|---------------------------------|----|
| Long-Term Issuer Default Rating | AA |
|---------------------------------|----|

New Issues

| | |
|--|----|
| \$79,245,000 Texas State University System Board of Regents Revenue Financing System Revenue and Refunding Bonds, Series 2021A | AA |
| \$32,235,000 Texas State University System Board of Regents Revenue Financing System Refunding Bonds (Taxable), Series 2021B | AA |

Outstanding Debt

| | |
|---|-----|
| Texas State University System Board of Regents Revenue Financing System Bonds | AA |
| Texas State University System Board of Regents Extendible CP Notes, Series A and (Taxable) Series B | F1+ |

Rating Outlook

Stable

Applicable Criteria

[Public Sector, Revenue-Supported Entities Rating Criteria \(March 2020\)](#)

[U.S. Public Finance College and University Rating Criteria \(October 2020\)](#)

Related Research

[Fitch Rates Texas State University System's Series 2021 RFS Bonds 'AA' ; Outlook Stable \(December 2020\)](#)

Analysts

Tipper Austin
+1 212 908-9199
tipper.austin@fitchratings.com

Susan Carlson
+1 312 368-2092
susan.carlson@fitchratings.com

Operating Risk: 'a'; Strong Cost Management; Flexible Capital Plans with State Support: The system has demonstrated good cost flexibility with consistent Fitch-adjusted cash flow margins of about 12% or better in recent years, including 12% in fiscal 2020. Fairly large stated capital plans are offset by recurring state support for capital and a high degree of flexibility around major capital investments.

Financial Profile: 'aa': Resource Base and State Support Offset Debt Load: TSUS has a solid resource base offsetting relatively high absolute debt levels, including pensions, with available funds to adjusted debt equal to approximately 55% as of Aug. 31, 2020. In addition, direct state support for over 20% of outstanding debt and the ability to pay certain other debt from capital appropriations further anchor TSUS's financial profile.

Asymmetric Additional Risk Considerations: No asymmetric risk considerations affected the ratings.

Rating Sensitivities

Factors that could, individually or collectively, lead to positive rating action/upgrade:

- Near-term upward rating movement is unlikely in the current environment, but the following could result in rating improvement over time.
 - Significantly stronger and sustained Fitch-adjusted cash flow margins exceeding 18%.
 - Improved leverage position with cash to adjusted debt increasing toward 80%-100%.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

- Trend of declining enrollment and weaker demand indicators systemwide.
- Sustained Fitch-adjusted cash flow margins below 8%.
- Significant and sustained declines in state operating and capital support, including unexpected loss of annual state appropriations for tuition revenue bond (TRB) debt service.
- Material and unexpectedly higher debt leverage, such that available funds to adjusted debt falls sustainably below 30%.

Credit Profile

Created in 1911, TSUS is the oldest university system in Texas. Seven component institutions with campuses located across the state provide both two- and four-year degree programs in addition to graduate and research programs. Fall 2020 headcount was 87,068 (64,966 full-time equivalents [FTEs]). The largest campuses are Texas State University in San Marcos (30,831 FTEs) and Sam Houston State University (17,531 FTEs). The diversity of member institutions by geography and programmatic focus benefits the system, which has achieved consistent enrollment and revenue growth, even through periods of mild volatility at individual institutions.

Revenue Defensibility

TSUS has healthy student demand, as evident in consistent systemwide growth trends and solid fall 2020 enrollment, despite the stressed pandemic environment. Systemwide headcount has grown steadily since fall 2007, reaching 87,068 as of fall 2020. Recent growth has been at a manageable pace, averaging about 1% to 2% per year. FTE enrollment has generally increased at a similar pace.

TSUS had a solid fall 2020 enrollment cycle, and two-year program enrollments notably outperformed national trends. Management attributes this to additional state funding and a related tuition cut beginning in fall 2019 for the state colleges, together with allocation of additional funds, including from its institutional share of CARES Act grant funds, to cover aid and other student support.

Rating History (IDR)

| Rating | Action | Outlook/ Watch | Date |
|--------|----------|-------------------|----------|
| AA | Affirmed | Stable | 12/29/20 |
| AA | Revised | Stable | 4/30/10 |
| AA- | Assigned | Stable | 11/06/03 |

While systemwide headcount increased, FTEs declined less than 1% to approximately 65,000 in fall 2020, with more students taking less than full-time course loads online. Based on solid performance to date through the pandemic, as well as due to supportive demographic trends in Texas, Fitch expects the system to have good prospects for continued manageable growth.

Strong student demand is supported by a diversified and solid statewide market position that should support TSUS's strategic aim to achieve enrollment at or above 90,000 over the next few years. Demand indicators are competitive at the four-year institutions, while the other institutions typically have more moderate demand indicators, but serve different geographies and roles within the system.

The system's statewide presence in the growing Texas market and the state's commitment to increase college-going rates support TSUS's long-term growth plans. TSUS's largest institutions are well positioned to serve high-growth areas in the state. The Texas State University campus is in San Marcos, mid-way between Austin and San Antonio, while Sam Houston State University and Lamar University serve the growing southeastern part of the state.

TSUS also has strong revenue source characteristics with additional pricing power, if needed, and strong state operating support. State operating appropriations were a solid 28% of fiscal 2020 operating revenues. Net student revenues have grown generally in line with enrollment over time and now make up just under half of the system's operating revenues. Growth in net tuition per FTE has averaged slightly over 2% per year over the past five years. Fitch believes TSUS has flexibility to increase tuition and fees if necessary given its demand profile and relatively affordable tuition rates.

Although TSUS's board is legally able to raise tuition, it has intentionally moderated net tuition growth, which will likely continue as the system prioritizes affordability goals. For example, TSUS recently increased student aid and announced a reduction in state college tuition for fall 2019. Efforts to improve access and affordability are balanced by state operating support as well as by strong expense management. While state funding could soften somewhat over the next biennium, Fitch expects the state will maintain its historically strong operating support over time. TSUS has sufficient operating flexibility to manage through a period of mild volatility in state funding.

Operating Risk

TSUS has a track record of strong expense management and financial performance, with Fitch-adjusted cash flow margins consistently near 12% or better when including state HEF capital appropriations. Results were bolstered in fiscal 2020 by approximately \$64 million of CARES Act funds (\$32 million institutional share). However, margins may be somewhat softer, albeit still adequate, in fiscal 2021 with a full fiscal year of lingering pandemic-related disruptions that may not be fully offset by additional extraordinary support. Still, the system has financial flexibility to address revenue fluctuations, and Fitch expects the system will maintain solid cash flow margins similar to historical performance over time.

The system also has capital expenditure flexibility. TSUS has invested heavily in facilities to support enrollment growth, with capital expenditures averaging more than twice the depreciation expense over the past five years. Capital spending is expected to moderate going forward. The system's full capital improvement plan (CIP) through 2026 remains fairly large, although certain major projects would only proceed with receipt of state capital support.

Sizable recent investments and a 13-year aggregate average age of plant also position the system well in terms of flexibility to defer or downsize projects without harming its competitive position. TSUS evaluates and specifically approves individual projects before proceeding, and, in practice, much of the CIP depends on availability of external funding sources. Of the \$1.3 billion six-year CIP, approximately \$1.0 billion is tied to state capital funding, grants or gifts, including over \$700 million contingent on future state TRB authorizations.

Financial Profile

The system maintains a solid financial position and has grown its available funds (cash and investments less certain restricted net assets) in recent years to balance against total debt. University-only available funds totaled \$940 million as of Aug. 31, 2020 (slightly inflated by about \$40 million of bond proceeds), up from about \$791 million in 2016. Available funds

equaled a solid 55% of adjusted debt (\$1.7 billion, including a \$466 million Fitch-adjusted net pension liability [NPL] attributable to the system and a small amount of Fitch-capitalized operating leases).

Fitch expects TSUS's financial profile will remain strong and generally stable through potentially softer fiscal 2021 operations and near-term capital plans. The system's financial profile is also resilient to a period of additional operating or investment stress in Fitch's downside stress analysis.

Strong state capital support and a conservative debt structure help mitigate risk from the system's relatively high total adjusted debt. A notable portion of outstanding debt is directly state supported. Approximately \$229 million of RFS bonds (approximately 21% of pro forma debt) are for TRB-authorized projects; the state Legislature has a long and consistent history of appropriating annual debt service for authorized TRB projects.

In addition, the university may use its constitutionally appropriated capital funding for debt service payments related to eligible projects. The system's conservatively front-loaded aggregate debt service structure will result in principal amortization of about \$350 million in the next five years. State support for pension obligations also bolsters TSUS's financial profile, as direct state funding of a portion of the pension contributions related to TSUS employees reduces TSUS's reported pension liability and improves its Fitch-calculated leverage metrics.

TSUS liquidity and coverage are neutral considerations. TSUS maintains university-only available funds equal to a solid 58% of operating expenses and has maintained annual debt service coverage between 1.7x and 3.0x in recent years. Coverage metrics are also somewhat conservative, as state-funded TRB bonds account for approximately 30% of expected annual debt service costs in fiscal 2021.

TSUS's resource base for purposes of debt leverage ratios is also somewhat understated. In addition to the available funds held directly by system institutions, separate foundations supporting the individual component units hold additional funds, largely as endowed or project-restricted funds. These funds are not included in available funds for data availability and comparability reasons, but would modestly improve TSUS's Fitch-adjusted debt leverage metrics if included.

Extendible Commercial Paper Program

The program is authorized to up to \$240 million and has approximately \$98 million outstanding, of which roughly \$92 million will be fixed out with the series 2021 bonds. The ECP structure provides sufficient time for TSUS to access the long-term capital markets and provide takeout proceeds in the event of a failed remarketing. ECP notes are issued with a maximum original maturity of 90 days. However, TSUS may extend the maturity of any note to 270 days from issuance, and the extension is automatic for notes not redeemed on the original maturity date. TSUS may redeem notes at any time during the extension period.

Repayment of the ECP notes is largely dependent on TSUS's ability to refinance or fix out maturing notes. Fitch considers market access risk to be tied directly to the system's overall creditworthiness. Therefore, the 'F1+' Short-Term rating corresponds to the system's 'AA' IDR. TSUS's practice is to pass each year a resolution authorizing revenue refunding bonds to take out the maximum ECP balance to speed up market access in the event of a failed remarketing or maturity extension.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

Financial Summary

| (\$000, Audited Fiscal Years Ended Aug. 31) | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|------------------|------------------|------------------|------------------|------------------|
| Unrestricted Operating Revenues | | | | | |
| Gross Tuition & Fees | 721,079 | 737,381 | 753,794 | 780,435 | 801,427 |
| Less: Student Aid | 184,824 | 187,557 | 207,926 | 217,162 | 225,253 |
| Net Tuition & Fees | 536,255 | 549,824 | 545,868 | 563,272 | 576,174 |
| Sales & Services of Auxiliary Enterprises | 157,926 | 152,935 | 160,052 | 153,389 | 143,093 |
| Federal Grants & Contracts | 159,599 | 170,935 | 185,014 | 193,352 | 246,923 |
| State / Local Grants & Contracts | 61,449 | 60,835 | 63,540 | 69,435 | 69,890 |
| Other Grants & Contracts | 10,477 | 9,176 | 9,225 | 12,296 | 13,450 |
| State Appropriations | 367,879 | 399,538 | 404,942 | 402,221 | 435,470 |
| Gifts & Contributions | 38,542 | 30,998 | 31,403 | 30,278 | 26,982 |
| Dividend & Interest Income | 10,722 | 16,486 | 25,084 | 31,609 | 19,500 |
| All Other Operating Revenues | 36,761 | 30,401 | 30,040 | 29,949 | 26,811 |
| Total Operating Revenue | 1,379,610 | 1,421,128 | 1,455,167 | 1,485,801 | 1,558,294 |
| Unrestricted Operating Expenses | | | | | |
| Instruction | 384,042 | 405,850 | 385,844 | 476,131 | 483,295 |
| Academic Support | 130,574 | 132,535 | 130,610 | 160,081 | 168,123 |
| Institutional Support | 109,146 | 105,868 | 101,388 | 125,138 | 134,897 |
| Student Services | 73,710 | 77,311 | 73,799 | 91,547 | 94,130 |
| Public Service | 19,542 | 21,005 | 19,730 | 25,047 | 21,544 |
| Research | 55,332 | 61,640 | 64,664 | 79,837 | 84,450 |
| Auxiliary Enterprises | 160,937 | 155,581 | 151,780 | 179,301 | 161,165 |
| Student Aid | 123,668 | 125,500 | 130,612 | 147,877 | 205,822 |
| Healthcare Operations | 0 | 0 | 0 | 20 | 1,314 |
| Operation & Maintenance of Plant | 85,536 | 89,461 | 91,438 | 101,599 | 102,894 |
| Depreciation | 91,371 | 95,111 | 100,365 | 112,751 | 123,670 |
| Interest Expense | 34,631 | 38,678 | 44,883 | 43,260 | 39,552 |
| Total Operating Expense | 1,268,488 | 1,308,540 | 1,295,113 | 1,542,589 | 1,620,856 |
| Change in Net Assets from Operations | 111,122 | 112,588 | 160,055 | (56,787) | (62,562) |
| Unrestricted Non-Operating Revenues/(Expenses) | | | | | |
| Realized & Unrealized Gain/(Loss) on Investments | 3,822 | 12,477 | 20,458 | (16,758) | 21,164 |
| Additions to Permanent Endowment | 5,753 | 5,764 | 6,629 | 8,086 | 3,741 |
| Capital Grants & Gifts | 363 | 0 | 0 | 0 | 0 |
| Other Non-Operating Revenue/(Expense) | 4,995 | 15,014 | 3,123 | 3,775 | 7,490 |
| Total Non-Operating Revenue/(Expense) | 14,933 | 33,256 | 30,210 | (4,896) | 32,395 |
| Change in Net Assets | 126,055 | 145,843 | 190,264 | (61,684) | (30,167) |
| Adjusted Change in Net Assets from Operations | 111,122 | 112,588 | 160,055 | (56,787) | (62,562) |
| Add: Interest Expense | 34,631 | 38,678 | 44,883 | 43,260 | 39,552 |
| Add: Pension Expense | N.A. | 14,983 | 12,850 | 47,742 | 53,290 |
| Add: Depreciation Expense | 91,371 | 95,111 | 100,365 | 112,751 | 123,670 |
| Less: Pension Contributions | N.A. | 12,319 | 13,888 | 20,635 | 18,623 |
| Add: Non-Cash OPEB Expenses | N.A. | N.A. | N.A. | 61,769 | 60,552 |
| Cash Flow | 237,123 | 249,040 | 304,265 | 188,101 | 195,879 |
| Adjusted Change in Net Assets from Operations | 111,122 | 112,588 | 160,055 | (56,787) | (62,562) |
| Add: Interest Expense | 34,631 | 38,678 | 44,883 | 43,260 | 39,552 |
| Add: Pension Expense | N.A. | 14,983 | 12,850 | 47,742 | 53,290 |
| Add: Depreciation Expense | 91,371 | 95,111 | 100,365 | 112,751 | 123,670 |
| Total Pension Service Cost | N.A. | 16,995 | 19,085 | 28,508 | 30,020 |
| Add: Non-Cash OPEB Expenses | N.A. | N.A. | N.A. | 61,769 | 60,552 |

Financial Summary (continued)

| (\$000, Audited Fiscal Years Ended Aug. 31) | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|------------------|------------------|------------------|------------------|------------------|
| Cash Flow – Adjusted | 237,123 | 244,364 | 299,069 | 180,227 | 184,483 |
| Current Debt Service | 81,857 | 117,080 | 119,226 | 111,443 | 114,621 |
| Balance Sheet - Assets | | | | | |
| Cash & Cash Equivalents | 551,378 | 812,117 | 639,899 | 477,677 | 601,047 |
| Investments | 405,035 | 450,600 | 479,227 | 567,768 | 537,879 |
| Total Cash & Investments | 956,413 | 1,262,717 | 1,119,126 | 1,045,445 | 1,138,926 |
| Property, Plant & Equipment, Gross | 2,809,190 | 3,086,502 | 3,365,241 | 3,617,766 | 3,776,254 |
| Less: Accumulated Depreciation | 1,258,341 | 1,342,750 | 1,406,622 | 1,506,465 | 1,621,882 |
| Property, Plant & Equipment, Net | 1,550,849 | 1,743,752 | 1,958,618 | 2,111,301 | 2,154,372 |
| Balance Sheet - Liabilities & Net Assets | | | | | |
| Fixed Rate Bonds Payable | 859,304 | 1,218,678 | 1,150,415 | 1,083,427 | 1,130,035 |
| Notes Payable | 4,912 | 0 | 0 | 0 | 0 |
| Commercial Paper | 162 | 10,058 | 48,600 | 124,980 | 94,840 |
| Other Obligations | 5,074 | 10,058 | 48,600 | 124,980 | 94,840 |
| Total Long-Term Debt | 864,378 | 1,228,736 | 1,199,015 | 1,208,407 | 1,224,875 |
| Operating Lease Expense | 1,661 | 2,354 | 2,382 | 2,444 | 2,300 |
| Fitch Adjusted Net Pension Liability (NPL, UAAL) | 326,931 | 318,364 | 337,970 | 491,223 | 466,486 |
| Debt Equivalents (5.0x Lease Expense + Fitch-Adjusted NPL) | 335,236 | 330,136 | 349,882 | 503,443 | 477,984 |
| Adjusted Debt | 1,199,615 | 1,558,872 | 1,548,897 | 1,711,850 | 1,702,859 |
| Unrestricted Net Assets | 320,699 | 341,151 | 312,328 | 91,831 | 34,621 |
| Invested In Capital | 691,545 | 514,835 | 757,456 | 904,317 | 929,160 |
| Restricted Net Assets - Non-Expendable (Fitch-Adjusted) | 165,228 | 435,226 | 233,163 | 197,681 | 198,833 |
| Restricted Net Assets - Expendable (Fitch-Adjusted) | 111,774 | 138,006 | 154,696 | 136,263 | 139,292 |
| Total Net Assets | 1,289,245 | 1,429,218 | 1,457,643 | 1,330,093 | 1,301,906 |
| Balance Sheet - Resources & Liquidity | | | | | |
| Available Funds (AF) | 791,186 | 827,492 | 885,963 | 847,764 | 940,093 |
| Statement of Cash Flows | | | | | |
| Depreciation | 91,371 | 95,111 | 100,365 | 112,751 | 123,670 |
| Net Cash Generated (Used) in Operating Activities | (249,815) | (265,802) | (302,911) | (317,562) | (358,774) |
| Additions of PP&E/Capital Assets | 219,241 | 280,998 | 316,384 | 272,685 | 175,837 |
| Payments on Bonds Payable | 89,586 | 80,158 | 286,709 | 335,157 | 885,400 |
| Cash Paid for Interest | 72,847 | 36,922 | 50,963 | 44,455 | 40,254 |
| Pension Plans | | | | | |
| Total Pension Liability (TPL, AAL) | N.A. | 664,644 | 762,396 | 1,283,908 | 1,117,063 |
| Fiduciary Net Position (FNP, AVA) | N.A. | 518,422 | 626,461 | 946,754 | 840,479 |
| Fitch Adjusted Total Pension Liability (TPL, AAL) | 326,931 | 836,787 | 964,431 | 1,437,977 | 1,306,964 |
| Fitch Adjusted Net Pension Liability (NPL, UAAL) | 326,931 | 318,364 | 337,970 | 491,223 | 466,486 |
| Fitch Adjusted Ratio of Assets to Liabilities (FNP/TPL, AVA/AAL) (%) | N.A. | 62.0 | 65.0 | 65.8 | 64.3 |
| Add: Pension Expense | N.A. | 14,983 | 12,850 | 47,742 | 53,290 |
| Less: Pension Contributions | N.A. | 12,319 | 13,888 | 20,635 | 18,623 |
| Total Pension Service Cost | N.A. | 16,995 | 19,085 | 28,508 | 30,020 |

Note: Fitch may have reclassified certain financial statement items for analytical purposes. N.A. – Not applicable.
Source: Fitch Ratings, Fitch Solutions, Texas State University System.

Financial Ratios

| (Audited Fiscal Years Ended Aug. 31) | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---------|---------|---------|---------|---------|
| Revenue Diversity (% Operating Revenues) | | | | | |
| Tuition | 38.9 | 38.7 | 37.5 | 37.9 | 37.0 |
| Student Fees (Tuition & Auxiliary Revenues) | 50.3 | 49.5 | 48.5 | 48.2 | 46.2 |
| Total Grants & Contracts | 16.8 | 17.0 | 17.7 | 18.5 | 21.2 |
| State Appropriations | 26.7 | 28.1 | 27.8 | 27.1 | 28.0 |
| Gifts & Contributions | 2.8 | 2.2 | 2.2 | 2.0 | 1.7 |
| Total Investment Return | 0.8 | 1.2 | 1.7 | 2.1 | 1.3 |
| Expense Ratios (% Operating Expenses) | | | | | |
| Instruction | 30.3 | 31.0 | 29.8 | 30.9 | 29.8 |
| Research | 4.4 | 4.7 | 5.0 | 5.2 | 5.2 |
| Healthcare Operations | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 |
| Operation & Maintenance of Plant | 6.7 | 6.8 | 7.1 | 6.6 | 6.4 |
| Depreciation | 7.2 | 7.3 | 7.8 | 7.3 | 7.6 |
| Interest | 2.7 | 3.0 | 3.5 | 2.8 | 2.4 |
| Financial Aid Ratios | | | | | |
| Tuition Discounting (%) | 25.6 | 25.4 | 27.6 | 27.8 | 28.1 |
| Net Tuition & Fees (\$000) | 536,255 | 549,824 | 545,868 | 563,272 | 576,174 |
| Change in Net Tuition & Fees (%) | 4.9 | 2.5 | (0.7) | 3.2 | 2.3 |
| Net Tuition Revenue / FTE (\$) | 8,567 | 8,646 | 8,451 | 8,586 | 8,806 |
| Change in Net Tuition Revenue / FTE (%) | 3.6 | 0.9 | (2.3) | 1.6 | 2.6 |
| Five-Year Net Tuition Revenue per FTE Enrollment CAGR (%) | 5.4 | 3.9 | 2.8 | 2.1 | 1.3 |
| Operating Performance Ratios (%) | | | | | |
| Operating Margin | 8.1 | 7.9 | 11.0 | (3.8) | (4.0) |
| Cash Flow Margin - Adjusted | 17.2 | 17.2 | 20.6 | 12.1 | 11.8 |
| Capital Expenditures as % of Depreciation | 239.9 | 295.4 | 315.2 | 241.8 | 142.2 |
| Average Age of Plant (Years) | 13.8 | 14.1 | 14.0 | 13.4 | 13.1 |
| Balance Sheet and Leverage Ratios | | | | | |
| Available Funds / Total Operating Expense (%) | 62.4 | 63.2 | 68.4 | 55.0 | 58.0 |
| Available Funds / Total Debt (%) | 91.5 | 67.3 | 73.9 | 70.2 | 76.8 |
| Available Funds / Adjusted Debt (%) | 66.0 | 53.1 | 57.2 | 49.5 | 55.2 |
| Current Debt Service Coverage (x) | 2.9 | 2.1 | 2.6 | 1.7 | 1.7 |
| Current Debt Burden (%) | 5.9 | 8.2 | 8.2 | 7.5 | 7.4 |
| Variable-Rate Bonds as % of Total Bonds | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Hedged Variable-Rate Bonds as % of Total Bonds | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Note: Fitch may have reclassified certain financial statement items for analytical purposes.
Source: Fitch Ratings, Fitch Solutions, Texas State University System.

Demand Summary

| (Fall Semester of Fiscal Years Ended Aug. 31) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Headcount | | | | | | |
| Undergraduate | 69,089 | 70,738 | 71,524 | 71,583 | 72,320 | 71,706 |
| Graduate | 13,373 | 13,169 | 12,548 | 13,060 | 13,622 | 15,362 |
| Total Headcount | 82,462 | 83,907 | 84,072 | 84,643 | 85,942 | 87,068 |
| Total Undergraduate / Total Headcount Enrollment (%) | 83.8 | 84.3 | 85.1 | 84.6 | 84.2 | 82.4 |
| Full-Time Equivalent (FTE) | | | | | | |
| Total FTE Enrollment | 62,598 | 63,596 | 64,593 | 65,600 | 65,428 | 64,966 |
| Five-Year FTE Enrollment CAGR (%) | 1.6 | 1.8 | 1.5 | 1.6 | 1.1 | 0.7 |
| Admissions | | | | | | |
| Freshman Applications | 38,999 | 42,514 | 43,986 | 43,750 | 44,784 | 48,136 |
| Freshman Admissions | 28,698 | 30,687 | 32,456 | 34,597 | 34,341 | 39,405 |
| Acceptance Rate (%) | 73.6 | 72.2 | 73.8 | 79.1 | 76.7 | 81.9 |
| Freshman Matriculants | 10,339 | 10,432 | 10,691 | 10,917 | 10,875 | 10,396 |
| Matriculation Rate (%) | 36.0 | 34.0 | 32.9 | 31.6 | 31.7 | 26.4 |
| Market | | | | | | |
| In-State Undergraduate Student (%) | 95.1 | 95.5 | 96.0 | 96.1 | 96.3 | 96.6 |
| Out-of-State Undergraduate Student (%) | 4.9 | 4.5 | 4.0 | 3.9 | 3.7 | 3.4 |

Source: Fitch Ratings, Fitch Solutions, Texas State University System.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTPS://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](https://fitchratings.com/understandingcreditratings). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE AT WWW.FITCHRATINGS.COM. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR WHICH THE LEAD ANALYST IS BASED IN AN ESMA- OR FCA-REGISTERED FITCH RATINGS COMPANY (OR BRANCH OF SUCH A COMPANY) CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH RATINGS WEBSITE.

Copyright © 2021 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.