



Rating Action: Moody's Ratings revises New Jersey City University's (NJ) outlook to positive; affirms Ba2 ratings

19 May 2025

New York, May 19, 2025 -- Moody's Ratings (Moody's) has revised New Jersey City University's (NJ) outlook to positive from stable and has affirmed its Ba2 issuer and revenue bond ratings. The university recorded \$240 million of outstanding debt at fiscal end June 30, 2024.

Revision of New Jersey City University's (NJCU) outlook to positive from stable reflects continued financial improvement and significantly reduced operating losses. NJCU also has strategically monetized real estate assets, strengthening reserves and enabling critical capital investments. While challenges remain, swift operational realignment and continued state support strengthen its position as a viable partner in recently announced merger plans with Kean University. Improvements in financial strategy, risk management, and management credibility are governance considerations and key drivers of this rating action.

RATINGS RATIONALE

The affirmation of NJCU's Ba2 issuer rating reflects its role as a public university and Hispanic Serving Institution (HSI) for the State of New Jersey (A1 positive), providing critical access to a diverse student population. NJCU's leadership continues to execute strategic operational improvements, demonstrated by a 9% EBIDA margin, 1.7x debt service coverage, and 61 monthly days cash on hand (DCOH) in fiscal 2024. State stabilization funds totaling \$17 million across fiscal 2024 and 2025, along with oversight from a state-appointed fiscal monitor, further support credit quality.

Despite these improvements, NJCU faces ongoing challenges including enrollment pressure, high leverage, and weak wealth to expenses. Recent enrollment declines were exacerbated by the fall 2024 FAFSA-related disruptions and a July 2024 cyberattack. In response, the university adjusted its fiscal 2025 budget to reflect a 5% tuition decline, but projects a modest operating surplus. High leverage and age of plant are being addressed with deployment of real estate monetization, state funds, and subleases. Savings will help offset the roughly \$3 million increase in fiscal 2026 debt service.

On May 15, 2025, NJCU and Kean University (A2 stable) signed a non-binding Letter of Intent (LOI) outlining a proposed merger, under which Kean would assume control of NJCU. The LOI sets a framework for integration and regulatory approvals, with a target merger date of June 1, 2026. If no definitive agreement is reached by April 30, 2026, the LOI will expire. If completed, the proposed transaction offers strong potential to enhance NJCU's long-term sustainability and credit profile.

The Ba2 revenue bond ratings incorporate the university's issuer level credit characteristics and general obligation to pay, with a first lien pledge on tuition and fee revenue.

RATING OUTLOOK

The positive outlook reflects our expectation that NJCU's financial turnaround efforts will support a Moody's-calculated EBIDA margin of at least 8-10% in fiscal 2025, with debt service coverage exceeding 1x and at least steady monthly liquidity. Sustained financial stabilization enhances the university's positioning for a successful merger with Kean University, an outcome

likely to improve NJCU's long-term credit profile.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Successful completion of the merger with LOI partner Kean University, NJ
- Material and sustained improvement in operating performance, contributing to sustained debt service coverage of over 1.5x and liquidity over 60 days cash on hand
- Improved brand and strategic positioning reflected in stronger enrollment patterns and revenue growth
- Over time, deleveraging to a more sustainable debt profile

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Inability to continue financial and operational improvements resulting in deterioration of financial performance
- Decline in available financial reserves; breach of financial covenants

PROFILE

New Jersey City University is a four-year public university with several sites in Jersey City, NJ and in close proximity to New York City. NJCU also operates the A. Harry Moore School, a state-funded school for children with disabilities. For fiscal 2024, NJCU' recorded operating revenue of approximately \$147 million and in fall 2024, enrolled 4,497 full-time equivalent (FTE) students.

METHODOLOGY

The principal methodology used in these ratings was Higher Education published in July 2024 and available at <https://ratings.moody.com/rmc-documents/425580>. Alternatively, please see the Rating Methodologies page on <https://ratings.moody.com> for a copy of this methodology.

REGULATORY DISCLOSURES

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At least one ESG consideration was material to the credit rating action(s) announced and described above. Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at <https://ratings.moodys.com/rmc-documents/435880>.

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