Research Update:

Stevens Institute Of Technology, NJ Rating Outlook Revised To Stable From Positive On Softening Performance

August 7, 2025

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Overview

- S&P Global Ratings revised its outlook to stable from positive and affirmed its 'BBB+' long-term rating on New Jersey Educational Facilities Authority's bonds, issued for Stevens Institute of Technology (Stevens or the university).
- The outlook revision reflects softening operating performance attributable in part to recent enrollment declines, particularly in its graduate student base, that will likely continue to tighten Stevens' tuition-reliant budget.

Rationale

Security

As of fiscal year-end 2024, Stevens had $311.6 million in debt and lease liabilities. All bonds are a general obligation of the university. Stevens has $1.2 million in operating leases included in the total debt, which we consider to be manageable. As per management, these operating leases are for off-campus administrative office space and are expected to be maintained for the next several years. No additional debt plans are reported for the outlook period. As of fiscal year-end, the university also had a line of credit with TD Bank for $50 million. The line is for general corporate purposes and expires in September 2025.

Credit highlights

We assessed Stevens' enterprise risk profile as strong, characterized by a seasoned and competent senior management team with expertise in key operations, robust student quality, and better than average selectivity rates for the rating category. We do, however, note that total enrollment declined 5% and nearly 6% in fall 2023 and fall 2024, respectively, primarily driven by the graduate student population. We assessed Stevens' financial risk profile as adequate, with consistent full-accrual operating performance despite limited revenue diversity offset by weaker financial resource ratios relative to the rating category. We believe these credit factors, combined, lead to an anchor of 'bbb+' and a long-term rating of 'BBB+'.

Our view of the following credit factors supports the 'BBB+' long-term rating:

- Niche program offering in science, technology, engineering, and math (STEM) at the undergraduate and graduate level that helps the university maintain differentiation from competition in the geographic location;
- Healthy operating history, with consecutive full-accrual operating surpluses posted though recent and prospective performance is softer due to recent enrollment declines; and
- Robust student demand characteristics for the rating category, with selective first-time, first-year acceptance rate and solid student quality metrics.

These strengths are partially offset by our view of Stevens':

- Declines of 6% and 5% in total full-time enrollment for fall 2024 and fall 2023 respectively, though we recognize that over the long term enrollment has grown approximately 13% cumulatively over the last five-year period;
- Weak matriculation rates, which is reflective of competition; and
- Moderate balance sheet, with cash and investments to operations at 82.6% and slightly stronger relative to debt at 135.2%.

In our view, there are heightened sector risks that could affect Stevens. Those risks are related to the university's research programs given evolving federal policies. However, we view Stevens' financial position as sound with sufficient liquidity and flexibility in the face of any short-term funding disruptions. Stevens expects approximately $70 million in sponsored research funding for fiscal 2025, 57% of which came from the Department of Defense, 10% of which came from the National Science Foundation, and 7% of which came from the National Institutes of Health. The negotiated indirect cost-recovery rate for Stevens varies. Management estimates that approximately $9.5 million of funding could be at risk if a 15% cap is imposed on indirect cost recoveries. Additionally, Stevens is monitoring changes to federal student aid, including Graduate PLUS loans, Parent PLUS loans, and Pell Grants (Pell) and the potential effects of these changes that could affect future student demand and enrollment. For fall 2024, approximately 23.9% of students were Pell eligible and 43.7% of Stevens' full time equivalent students were graduate students.

Stevens was founded in 1870 and is located along the Hudson River in Hoboken, N.J., across from New York City. It is one of the nation's oldest technology institutions and has a solid niche due to its program offerings in STEM.

Environmental, social, and governance

We analyzed Stevens' environmental, social, and governance (ESG) credit factors pertaining to its market position, management and governance, and financial performance. We view Stevens' environmental risk as elevated, as its exposure to the Atlantic coastline presents a chronic and physical climate risk that could affect it in the longer term. We view the social and governance factors as neutral in our credit rating analysis.

Outlook

The stable outlook reflects our opinion that despite some declines expected at the graduate student level, Stevens will continue to grow undergraduate enrollment while maintaining its student demand metrics such that they narrow the overall decline in total full-time equivalent (FTE) enrollment. We also expect the university will continue to generate, at least, balanced full-accrual operating surpluses and margins, as well as maintain its financial resource ratios. We do not expect any significant additional debt issuance over the outlook period.

Downside scenario

Credit factors that could lead to a negative rating action include continued declines in total full-time enrollment, sustained deficit operations, or material weakening of financial resources ratios. Additional debt issuance without commensurate growth in resources would also be viewed negatively.

Upside scenario

We could consider raising the rating if Stevens' financial resource ratios improve, enrollment trends stabilize while student characteristics remain stable, and operating margins remain near current levels.

Credit Opinion

Enterprise Risk Profile-- Strong

Market position and demand

In our view, Stevens has good geographical diversity and draws both domestic and international students. About 43% of total students (graduate and undergraduate) were New Jersey residents in fall 2024.

Stevens' demand profile overall is solid, characterized by growing long-term enrollment, robust student retention, and excellent student quality. After declining slightly in fall 2020 due to the pandemic, total FTE enrollment improved by 14% and 13% in fall 2022 and 2021, respectively, but has softened by 6% and 5% in fall 2024 and fall 2023, respectively, reversing previous years' trend of improvements. Management stated this was driven by lower enrollments on the graduate student population. Stevens has a significant graduate presence, with 43.7% of FTEs graduate students in fall 2024. Up until the pandemic, the graduate population had been growing. However, the graduate FTE enrollment decline of 15.2% in fall 2024 worsened from its 10% drop in fall 2023. The decline was largely from international students as other global education providers reintroduced competition once applications reopened post-pandemic. Stevens is working to expand its online graduate presence, and we understand that it is also working toward diversifying its international graduate student mix and increasing the proportion of domestic graduate students. That said, a slight improvement is projected for the fall 2025 incoming class, supporting Stevens' expectation of stabilization during the outlook period. However, uncertainties remain with regard to international students given current federal policies.

Undergraduate demand metrics remain solid even as the university continually focuses on recruiting higher-quality students, which increases competition. Freshman applications decreased sharply for fall 2024, reflecting the university's first-year rollout of its required applicant essay; however, this initiative simultaneously improved its yield by 4%, to 20.8% for fall 2024, after it had weakened in the three prior years. As Stevens has increased its reputation nationally, it also faces increased competition for higher-quality students, which has also affected matriculation. The admission profile remains well above rating category medians, in our view, despite a worsening in the acceptance rate to 47.6% in fall 2024 from 43.4% in fall 2023, partly attributable to its application essay requirement. For fall 2025, we anticipate that applications and yield will be comparable with fall 2024, with stable undergraduate enrollment.

Student quality is substantially higher than the national average, and Stevens has an excellent freshman retention rate. Its top cross-application institutions for fall 2025 include Rutgers University--New Brunswick, Northeastern University, Rochester Institute of Technology, Rensselaer Polytechnic Institute, Lehigh University, New Jersey Institute of Technology, New York University, University of Maryland--College Park, Purdue University, and Case Western University. Tuition for students continues to increase, with an all-in cost of tuition, fees, room and board of $85,606 for fall 2025, up by 3.6% year over year from fall 2024, although the net effective cost is lower for students receiving financial aid. We view Stevens' tuition increases as being in line with those of peer institutions. In addition, housing occupancy has been strong at 96.4% and 97.1% in fall 2024 and fall 2023, respectively.

Management expects fall 2025 undergraduate tuition discounts for first-time, first-year students to run modstly lower than its budgeted rate of 49.2% with the overall blended rate of 46.2%; the graduate blended rate is expected to be 13.0%. These rates are consistent with fall 2024. We view the stability the tuition discount rate as a positive factor.

Fundraising

Under the current president, several key fundraising changes have occurred in recent years that have strengthened fundraising success. The undergraduate engagement rate has remained consistent at 19% and 20.5% in fiscal years 2024 and 2023, respectively. We expect continued improvement in Stevens' alumni engagement rates as fundraising efforts have gained momentum in recent years due to management's ongoing efforts in reaching out to alumni donors. After extensive planning and discussions with the board of trustees, Stevens began the quiet (leadership) phase of its campaign on Jan. 1, 2025. The campaign has started well, with Stevens having experienced the most successful fundraising in its history for the first six months of 2025. Stevens intends to continue the quiet phase of the campaign until it secures at least one-half of its goal, at which point the goal will be made public.

Stevens' last comprehensive campaign, "The Power of Stevens," was the largest campaign in its history. The campaign went active in spring 2016 with an initial goal of $150 million. The university exceeded its goal and extended the campaign with a new goal of $200 million. The campaign closed in 2021 with a total amount raised of $200.6 million. This campaign had a broad focus on the endowment, academic programs, and capital projects. Given leadership's focus, we expect continuing improvement in the fundraising area due to its strategic importance to Stevens.

Management

Stevens' president has been in his position since 2011, and the senior leadership in the finance department has been largely stable. That said, the university's CFO, Vice President for Finance and Treasurer will be retiring at the end of calendar 2025, the Vice President and Chief Information Officer departed in September 2024, and the vice president for development and alumni engagement left Stevens at the end of July 2025. A national search is underway to replace the CFO and chief information officer while the administration works to ensure a smooth logistic and knowledge transfer. With the departure of the Vice President of Development and Alumni Engagement, an administrative reorgianization has unified the Division of Development and Alumni Engagement and University Relations under the current position of Vice President for University Relations. In terms of additions, Stevens has installed a Chief Online Officer and Dean of Professional Education to lead its recently established College of Online and Professional Education. Management reports that no further changes are expected. At the board level, Stevens added two new board members and there was no turnover outside of normal cycles. We view the stability in leadership and board favorably and believe it lends strength to the university.

The university is making progress on its new strategic plan, "Stevens 2032: Inspired by Humanity, Powered by Technology." This is a 10-year plan with nine major goals, most of which are an extension of the previous plan with an emphasis on student experience, research and innovation, culture and engagement, and sustainability. The plan details goals and metrics for each pillar, and the university will include annual updates on progress on each of them. We view the plan as robust and expect that it will help guide the university for the next decade. Stevens has robust cybersecurity measures and has reported no incidents since our last review. We view Stevens' financial management favorably as it includes budgeting on a full-accrual basis and monthly reporting on a full-accrual basis.

Financial Risk Profile--Adequate

Financial operations

Stevens has achieved more than a decade of consecutive years of positive unrestricted operating performance on a full-accrual basis since fiscal 2010, including fiscal 2024, and we expect this to continue, albeit not as strong as past results. We attribute historical operating surpluses largely to healthy enrollment increases and growing student-related revenues; implementation of several policies that have enhanced internal controls; and conservative budgeting practices, which include budgeting for depreciation as well as contingencies. Stevens also informally has a policy of generating a minimum net operating margin target of 3% to 5% and enhance its cash balance with a target to increase year-end uncommitted cash balances annually. The operating margin target has been reduced to a 2% goal in the past two years due to operating pressures. Operating performance has softened of late, which we expect will persist over the outlook period. Stevens closed fiscal 2024 with an unrestricted net adjusted operating surplus of $6.5 million (1.27% operating margin), with the muted results attributable to enrollment decline that drove a 2%, or $5.2 million, decline in net tuition revenue. Healthy increases to grant funding ($12 million, or 21.7% increase over the prior period) and strong auxiliary revenue performance somewhat mitigated the decline in tuition revenue.

For fiscal 2025, management is forecasting another surplus of approximately $4.2 million, or 1.1%, in line with fiscal 2024's softer results, with similar driving factors. For fiscal 2026, given the challenges in graduate international enrollment, inflationary challenges, and uncertainty surrounding federal policy shifts, the university is working diligently to identify additional expense reductions to adopt a balanced final budget that generates a 2% operating surplus. We view the university's continued financial resilience favorably.

As with many private colleges and universities, Stevens remains heavily dependent on student charges, which accounted for 83% of fiscal 2024 adjusted operating revenues. In our view, this makes it susceptible to potential enrollment shifts and tuition discounting. Tuition charges are expected to increase 3.4% for both undergraduates and graduates for fall 2025. Government grants and contracts accounted for 13.1% of fiscal 2024 adjusted operating revenue, and endowment income accounted for 1.8%. Stevens is focused on increasing its research grant revenues and expects to see research expand over time.

Financial resources

Stevens' financial resources (as measured by cash and investments) are weaker compared to the rating category. Stevens' cash and investments equaled $421.4 million as of June 30, 2024, which equaled 82.6% of adjusted operating expenses and 135.2% of debt. In our view, the balance sheet strength is somewhat a constraining factor for the rating.

In fiscal 2024, the total endowment increased to $374.6 million, which was up 17.4% from the previous year. In fiscal 2024, the endowment return was 12.5% which compares favorably with similarly sized endowments. We understand asset allocations remained fairly consistent with target allocation ranges, with no material changes expected in the near term. The endowment asset allocation as of May 2025 was 53% equities (including U.S. and non-U.S.), 17% private equity, 16% fixed income, 6% hedge funds, and the remaining 8% in other assets.

Almost all assets are categorized as level 1, according to fair-value disclosure in the fiscal 2024 audit, which we view as a proxy for liquidity and consider the most liquid. The endowment spending rate was 4.4% for fiscal 2023, a reduction from 4.5% in fiscal 2022 and the rate was further lowered to 4.3% in fiscal 2024 and 2025. For fiscal 2026, management has budgeted 4.3% as well. We consider these spending rates prudent given the need to increase the endowment over the long term.

Debt and contingent liabilities

As noted above, as of fiscal year-end 2024, Stevens had $311.6 million in debt and lease liabilities. This includes the $24 million outstanding series 2020B bonds that are held by PNC Bank. In our opinion, series 2020B held by PNC Bank does not present a credit risk given that Stevens has ample liquidity to cover the nominal proposed amount of directly placed debt. Stevens has $74.2 million in financial assets available in one year. In addition, Stevens has a $50 million line of credit available as well as $71.4 million in board-designated endowment that could be available for general operating purposes. The fiscal 2024 maximum annual debt service burden inclusive of lease payments is currently at 4.7%.

Stevens offers employees a defined-contribution retirement plan, which by definition is fully funded. It also provides other postretirement health benefits (OPEBs) to substantially all of its employees. We understand OPEB costs are funded on a pay-as-you-go basis, which is intended to continue. We view the liability associated with Stevens' OPEB health plan ($3.8 million as of June 30, 2024) as manageable given its current level of available resources.

Stevens Institute of Technology, New Jersey--enterprise and financial statistics

	--Fiscal year ended June 30 --					Medians for 'BBB' category rated private colleges and universities
	2025	**2024**	**2023**	**2022**	**2021**	**2024**
Enrollment and demand						
Full-time-equivalent enrollment	7,450	7,922	8,339	7,313	6,496	2,440
Undergraduates as a % of total enrollment	56.3	51.5	48.7	55.3	58.3	75.3
First-year acceptance rate (%)	47.6	43.4	46.2	52.7	53.1	79.1
First-year matriculation rate (%)	20.8	16.6	17.5	18.3	16.7	13.8

Stevens Institute of Technology, New Jersey--enterprise and financial statistics

	--Fiscal year ended June 30 --					Medians for 'BBB' category rated private colleges and universities
	2025	2024	2023	2022	2021	2024
First-year retention rate (%)	93.0	94.0	93.0	93.0	93.0	78.0
Six-year graduation rate (%)	87.0	90.0	88.0	87.0	88.0	65.9
Financial performance						
Adjusted operating revenue ($000s)	N.A.	516,431	499,346	443,635	365,764	MNR
Adjusted operating expense ($000s)	N.A.	509,955	479,649	415,856	349,080	MNR
Net operating margin (%)	N.A.	1.3	4.1	6.7	4.8	(2.3)
Change in unrestricted net assets ($000s)	N.A.	18,261	21,689	40,086	26,397	MNR
Tuition discount (%)	N.A.	33.5	33.0	34.0	34.2	48.3
Student dependence (%)	N.A.	82.9	84.8	84.0	83.3	83.6
Health care operations dependence (%)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Research dependence (%)	N.A.	13.1	11.1	13.0	13.2	1.2
Financial resources						
Endowment market value ($000s)	N.A.	374,598	318,947	262,151	272,887	126,552
Cash and investments ($000s)	N.A.	421,363	396,885	381,632	356,092	144,384
Cash and investments to operations (%)	N.A.	82.6	82.7	91.8	102.0	104.0
Cash and investments to debt (%)	N.A.	135.2	125.1	119.5	119.1	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.	311,605	317,150	319,276	298,869	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.	4.7	4.2	4.7	5.6	4.2
Pro forma MADS burden (%)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Average age of plant (years)	N.A.	9.8	9.6	10.5	11.3	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		
Outlook Action		
	To	**From**
Education		
Stevens Inst Of Tech, NJ General Obligation	BBB+/Stable	BBB+/Positive

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.