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## **Research Universities Face Credit Risk from NIH Funding Cut.**

- **Policy change would reduce research funding for universities**
- **Federal judge temporarily blocked the Trump-directed cuts**

Proposed cuts by the Trump administration to a type of federal funding from the National Institutes of Health would pose a credit challenge to universities that receive the funds, analysts at JPMorgan Chase & Co. said.

The NIH has been ordered to slash funding for research at universities and hospitals, though on Monday a federal judge temporarily paused the change. A hearing date is scheduled for Feb. 21.

"The announcement is another demonstration of the new administration's focus on cost cutting, reinforcing our view that credits with significant direct exposure to the federal government warrant a higher degree of credit scrutiny," JPMorgan analysts led by Peter DeGroot wrote.

Some schools have warned about the cuts. Such a drop would lower the University of Pennsylvania's annual federal funding by about \$240 million, interim president J. Larry Jameson said in a statement on Tuesday to the school community. Stanford said the change will create a reduction in NIH funding of approximately \$160 million per year.

Still, most of the universities threatened by efforts to pare back government spending currently have high-grade credit ratings, according to Barclays Plc. strategists including Mikhail Foux and Bobby Zauner. The exception is the Icahn School of Medicine at Mount Sinai. The school has \$411 million in outstanding municipal debt and is operating with thin margins and increasingly higher leverage due to new capital leases, according to Foux. It received \$95 million in federal contracts during fiscal year 2023.

The school is rated Baa3 after being downgraded by Moody's Ratings from Baa1 in August.

"The school relies on the hospital for a sizable portion of patient care revenue and interim liquidity," Foux said. "In our view, possible government contract cancellations might have a negative effect on this credit."

Lucia Lee, a spokesperson for Mount Sinai, said the health system conducts lifesaving biomedical research. "These investments are important, and the indirect costs are real costs," she said in an emailed statement.

### **Bloomberg Industries**

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