

Bond Case Briefs

Municipal Finance Law Since 1971

S&P: U.S. Higher Education - Amidst Continuing Pressures, the Ratings Outlook is Bifurcated.

For 2016, Standard & Poor's Ratings Services' outlook on the U.S. higher education sector is bifurcated. Higher education in the U.S. has always been a relatively stable sector, and we've generally affirmed most of our ratings in any given year. During the past few years, of the rating changes we have seen, downgrades have outnumbered upgrades by a significant and increasing ratio. Although we expect downgrades to outpace upgrades again this year, we anticipate fewer downgrades than in previous years. In addition, while the sector continues to face longer-term challenges and opportunities, we believe most institutions have adapted to the "new normal" of more competition for students and limited tuition flexibility and are taking advantage of their individual strategic positions to continue operating successfully. However, these factors are not affecting all institutions equally. Schools with national or international reputations and growing resources will likely be able to capitalize on opportunities to further strengthen their positions, while smaller, regional schools will continue to struggle to differentiate their brands, which will require additional investment and resources that could weaken their credit profiles in 2016.

This outlook is our view of possible rating performance within the sector over the intermediate term, as gauged in part by the ratio of upgrades to downgrades, the trend in positive versus negative outlooks, broader key trends, and issuer-level credit drivers. The macroeconomic conditions and general financing conditions in North America, as well as those risks Standard & Poor's Credit Conditions Committees have identified, provide the foundation for our U.S. public finance sector outlooks. (See "Volatility Risk Lingers As North America Readies Itself For Less Accommodative Credit Conditions" dated Dec 4, 2015). Our macroeconomic forecasts for the U.S., down to the regional and sector level, if applicable, also inform our outlooks. (See "U.S. Public Finance 2016 Credit Conditions Outlook: Expect Growth But Hold The Cheer" dated Jan. 11, 2016.)

We recently published revised criteria for rating not-for-profit colleges and universities. This outlook and the following discussion of overall trends in the sector reflects our view of the possible effects such trends could have on the credit of a college or university, without regards to changes in our rating methodology. For additional information on our revised criteria, please see "Methodology: Not-For-Profit Public and Private Colleges and Universities" published Jan. 6, 2016, on RatingsDirect.

Overview

- Higher education institutions with strong demand, growing resources, and national or international reputations will continue to improve their credit quality in 2016.
- Smaller, regional institutions will continue to struggle to differentiate their brands, which will require additional investment and resources that could weaken their credit profiles in 2016.

[Continue reading.](#)

14-Jan-2016

