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Fitch Ratings: Problems to Persist for U.S. Higher Education in 2020

Fitch Ratings-Chicago-10 December 2019: U.S. colleges and universities will continue to struggle against operating pressures and numerous other industry challenges headed into next year, according to Fitch Ratings in its 2020 outlook report.

Fitch maintains its negative sector outlook for 2020 as tuition growth continues to soften. Stagnancy in both high school graduation rates and state and federal funding levels are also key pressure points for the sector, according to Director Emily Wadhwani.

'Online and non-traditional educational alternatives are becoming more commonplace, which could serve as an additional disruptor for a sector already grappling with numerous other pressures,' said Wadhwani. 'State support for schools, while steady, is still below pre-recession levels and not likely to reverse course with states grappling with ongoing revenue volatility, continued demands for infrastructure investment, and projected slower economic growth.'

While these developments are likely to pressure margins for colleges and universities across the sector, the good news is that they are not expected to trickle down into rating performance for Fitch-rated schools. Fitch maintains a Stable Outlook on 91% of its ratings headed into 2020 with Positive Outlooks for another 4% in Fitch's portfolio. That said, 'the credit gap will also continue to widen next year between financially stronger colleges and schools that are more reliant on tuition and/or in demographically challenged or competitive markets,' said Wadhwani.

'Fitch Ratings 2020 Outlook: U.S. Public Finance Colleges and Universities' is available at 'www.fitchratings.com'.

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