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S&P: Outlooks Revised On Certain U.S. Not-For-Profit Higher Education Institutions Due To COVID-19 Impact

Table of Contents

- All Rated Higher Education Institutions Face COVID-19-Related Credit Pressures
- Outlook Revisions To Negative
- Outlook Revisions To Stable
- Issuer-Specific Reviews Will Be Conducted
- Certain Not-For-Profit Higher Education Institutions Excluded From These Outlook Revisions

CHICAGO (S&P Global Ratings) April 29, 2020–S&P Global Ratings revised the outlooks to negative from stable and affirmed its ratings on certain U.S. not-for-profit colleges and universities (including all related entities), due to the heightened risks associated with the financial toll caused by the COVID-19 pandemic and related recession (see tables 1 and 2). For the same reasons, S&P Global Ratings revised the outlooks to stable from positive and affirmed the ratings on certain other U.S. not-for-profit higher education institutions (see table 3).

The public and private colleges and universities affected by these actions include primarily those with lower ratings ('BBB' rating category and below), but also those entities that, in our opinion, have less holistic flexibility (from both a market position and financial standpoint) at their current rating level. Although liquidity, as measured by available resources compared to debt and operating expenses, was the primary metric assessed, an institution's overall credit profile, including draw, selectivity, matriculation rates, operating margins, and revenue diversity, was also considered. For public institutions, reliance on state operating appropriations and expectations around future funding levels was also an important part of our assessment.

A negative outlook reflects our view that there is at least a one-in-three chance that operating and economic conditions will worsen to a degree that affects the ability of the college or university to maintain credit characteristics in line with the current rating level.

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