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Fitch: US Higher Education Revenue Pressures Accelerated by Coronavirus

Fitch Ratings-New York/Chicago-28 October 2020: The coronavirus has heightened enrollment and revenue pressures that higher education faced prior to the pandemic, Fitch Ratings says. Universities already navigating demographic changes, tuition affordability concerns, discounting pressures, and state funding declines have less flexibility to manage the pandemic revenue hit to operating budgets. We anticipate rating changes will remain predominantly negative into 2021.

We expect more highly selective and flagship research universities to weather these challenges due to stronger demand profiles and greater revenue diversity. Some smaller, rural campuses that preserved or even grew enrollment are also bright spots, likely benefitting from the perceived safety and institutional trust of their student base. However, other private colleges with limited financial strength may face steep budget cuts and outsized use of reserves, and have borne the brunt of most negative rating actions to date in 2020.

According to preliminary National Center for Education Statistics data, enrollment across the US higher education sector fell 3% in fall 2020 over last year, better than Fitch's initial expectations for a 5%-10% decline, with significant variability by institution type. Undergraduate enrollment fell 4% overall, with a 2% decline at four-year non-profit private institutions. First-time students declined 16%, accounting for nearly 70% of the undergraduate decline. Public two-year/community college enrollment fell by 9.4% yoy, and international enrollment saw a sharp 13% drop following several years of milder, consistent declines.

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