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S&P U.S. Not-For-Profit Private College And University Fiscal 2019 Median Ratios: Changing Landscape Leads To Weakening Credit Measures

S&P Global Ratings' key median indicators for U.S. not-for-profit private colleges and universities in fiscal 2019 saw credit quality deteriorate, reflecting the sector's increasing challenges and vulnerability to a changing higher education landscape. A variety of stresses, including increased competition for a shrinking pool of students and a heightened focus on affordability, contributed to the declining metrics. Generally, most demand metrics, such as retention and graduation rates, declined year over year, which is consistent with overall industry trends. The only exception was student quality as measured by SAT scores, which improved slightly. Full-time equivalent (FTE) enrollment saw an overall decline in medians for our rated universe, although the 'AA' rating category increased due to certain rating movement in the category. Similarly, operating margins remained compressed year over year, although the sectorwide median operating margin remained positive along with a decline in median available resource ratios.

Although the fiscal 2019 medians do not reflect financial stress from COVID-19, we expect that the repercussions associated with the pandemic, which have contributed to a trend of unfavorable rating and outlook actions throughout the sector this year, will be evident in the medians based on fiscal 2020 results and even more so in fiscal 2021.

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