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Fitch: Coronavirus Fallout to Worsen for U.S. Higher Education in 2021

Fitch Ratings-Chicago-08 December 2020: Struggles brought on by the coronavirus pandemic will intensify next year for the U.S. higher education sector, according to Fitch Ratings in its 2021 outlook report for the sector.

The pandemic has taken a heavy toll on fall 2020 enrollment and eroded student fee and auxiliary system revenues that stimulus funds have only partially offset. 'Rising discount rates across the sector continue to pose increasing pressures on net tuition revenue, particularly in a pressured enrollment and unfavorable demographic environment,' said Director Emily Wadhvani.

Universities will continue to grapple with enrollment volatility, pressure on key sources of operating revenue including student fees, auxiliaries, and state support, with renewed student focus on access and affordability. 'More highly selective and flagship research universities will weather these challenges better due to their strong demand profiles, greater revenue diversity and typically larger financial resources,' said Director Emily Wadhvani.

Downgrades and negative Outlooks will likely outweigh upgrades and positive Outlooks in 2021. That said, a few bright spots exist, according to Wadhvani. Student demand for a return to the physical classroom appears strong. Market recovery of most endowment portfolios to date in calendar 2020 has also helped ease some pressure. And while a divided Congress may create obstacles, it is likely some key tenets of President-Elect Biden's platform regarding Deferred Action for Childhood Arrivals (DACA) students and other student debt relief policies may proceed in some form.

'Fitch Ratings 2021 Outlook: U.S. Public Finance Colleges and Universities' is available at 'www.fitchratings.com'.

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