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Fitch Ratings Revises Outlook for U.S. Colleges and Universities to Stable.

Fitch Ratings-Chicago-07 July 2021: U.S. colleges and universities are heading into the second half of this year with more cautious optimism as they plan for largely in-person instruction heading into the 2021-2022 academic year, according to Fitch Ratings in a new report.

Fitch has revised both the sector and Rating Outlook to Stable with affirmations likely to dominate rating activity for colleges and universities in the coming months.

‘The \$76 billion federal stimulus offset tuition and auxiliary losses associated with the coronavirus pandemic, as well as unplanned coronavirus expenses,’ said Fitch Senior Director Emily Wadhvani. ‘The application pipeline is growing, especially for top choice schools, while improved revenue prospects for state budgets could lead to improved auxiliary and student fee revenues in the coming academic year as students return to campus.’

Areas of risk still remain. The benefits of federal stimulus continue to prop up operations and have aided in improving state budget conditions and funding expectations. Some near-term downgrades are possible for institutions with persistent and insurmountable operating and cash flow pressures due to constrained revenues from enrollment, auxiliary systems, fundraising and state appropriations.

Enrollment will be a key area to watch, with undergraduate enrollment likely to recover somewhat this fall. A rise in test-optional admissions has led to a meaningful increase in applications, though FAFSA application rates have lagged, forcing some institutions to extend their application deadlines. A more uncertain fall 2021 admissions cycle may disproportionately affect regional public colleges/universities and less selective private institutions.

‘Although the risk of a resurgence in the pandemic remains, colleges and universities are generally better positioned to navigate these conditions after a year of hybrid delivery,’ said Wadhvani.

‘Fitch Ratings 2H21 Outlook: U.S. Public Finance Colleges and Universities’ is available at www.fitchratings.com.

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