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Fitch: Strong Margins, Significant Gains Boost Some 2021 Medians for US Colleges & Universities

Fitch Ratings-Chicago/New York-11 July 2022: U.S. colleges and universities bounced back from a rough 2020 with solid operating performance and balance sheet growth in fiscal 2021, according to the latest medians report from Fitch Ratings.

The aftershock of the pandemic has been far-reaching with uneven enrollment, a third straight annual decline in student fee revenues, and the first drop in net tuition in several years. Nonetheless, institutions preserved margins by curbing spending, keeping median ratings unchanged at 'AA' for public institutions and 'A-' for private institutions. Fitch downgraded five colleges and upgraded four in 2021, a much milder output after 22 downgrades and one upgrade in 2020.

"Strong operating and expense controls have been key, particularly for those more reliant on student fee and auxiliary revenue," said Senior Director Emily Wadhwani. "Mixed enrollment trends are pressuring those colleges more reliant upon tuition and student fees in demographically challenged or competitive markets, and will be key areas to watch as we head into fall."

Revenue mix shifted materially in 2021, with the largest student-fee component falling and federal stimulus adding weight to the federal grants component of operating revenue. That said, "federal stimulus has a finite shelf life with the bulk of those funds realized during fiscal 2021 and 2022, so it will be necessary for colleges to adjust once those funds run out," said Wadhwani. This is on top of ever-present sector headwinds, the most immediate of which include inflation and labor pressures.

Fitch will be providing a 2022 mid-year update on U.S. higher education during a webinar set for later this week (Details in the registration link:

<https://events.fitchratings.com/ushighereducationmidyearupdate>). 'Fiscal 2021 Median Ratios for U.S. Colleges and Universities' is available at 'www.fitchratings.com'.

Contact:

Emily Wadhwani
Senior Director
+1 312 368 3347
Fitch Ratings, Inc.
One N Wacker Drive
Chicago, IL 60606

Media Relations: Sandro Scenga, New York, Tel: +1 212 908 0278, Email: sandro.scenga@thefitchgroup.com

Additional information is available on www.fitchratings.com

