



U.S. Municipal Bond Market

Private Higher Education - Impact from Social Distancing

Higher Education: We Look at the Private Institutions

Many point to Harvard announcing its classes were moving online as the starting point to coronavirus' (COVID-19) impact becoming real for the higher education sector.¹

Now, just three weeks later, many of the almost 20 million university students across the country have been sent home. There are accounts of empty student dorms being transitioned to make-shift hospitals in some cities. Students are left with either online classes, or in some cases potentially without the ability to finish the semester.

The impact from social distancing and/or shelter-in-place measures are likely to upend the higher-education sector, generally, and disrupt private higher education institutions' capacities to carry out their educational missions. Much is going to depend upon the enrollment trends and financial condition of each private institution before the COVID-19 crisis began. While there may be some overlap with regard to the factors stressing public and private institutions, we believe these are some of the leading issues impacting private higher education institutions:

- For most, the impact to enrollment is going to depend upon how long the social distancing measures continue. Even those set up to deliver online learning or who have Massive Open Online Course (MOOC) partnerships will be impacted to a degree.
- To get an idea of the liquidity private universities possess, we can look at the monthly days cash on hand. The median for Moody's rated private higher-ed institutions is a solid 338 days, and this ranges widely from a sturdy 1,997 days all the way down to a thin 58 days in the list of schools we included in the page 4 table.
- The downturn in the economy and capital markets could impact privates more reliant on endowment and investment income;
- Philanthropy and gift giving could also take a hit and hurt revenue at privates;
- The federal government's recent CARES Act allocates almost \$14 billion to higher education and \$12.5 billion of that will be allocated to institutions based on enrollment of Pell Grant and non-Pell Grant recipients. The total amount allocated to the schools on our list below totals only \$285 million.² When it comes down to it, those amounts are not all that meaningful when compared to overall institutions' revenues.

Recent Higher Education and Related Rating Agency Actions

Moody's Investor Service on Higher Education (not just Privates):

- Moody's lowered its Higher Education Sector outlook to Negative, March 18, 2020;

S&P Global on Higher Education Related Actions:

- S&P already assigned a "Negative" outlook to the Higher Education sector.
- S&P lowered its outlook on Privatized Student Housing Projects to Negative, March 25, 2020;

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Fitch Ratings on Higher Education Outlook:

- Fitch Ratings also had a “Negative” outlook on the higher education sector before the COVID-19 pressures.

¹ Fernandes, Deirdre and Steve Annear; [Harvard moves classes online in wake of coronavirus outbreak](#); Boston Globe; March 10, 2020.

² According to [American Council on Education Simulations](#).

Please see Select Private Higher Education Metrics on page 3.

Comparison of Select Private Higher Education Metrics, FY2018

Private University	Moody's Rating	System Description	Simulated Distribution of CARES Act Amounts (\$000)	Long-Term & Plant Debt (\$000)	Total Enroll. FTE	Monthly Days Cash on Hand (x)	Total Cash & Invest (\$ in milli)	Spendable Cash & Invest to Operating Exp. (x)	Tuition & Aux (% of Total Rev)
Median for Total Private Universities (253 issuers)	A2	-	7,135	148,436	3,659	338	399	1.4	73.6
Abilene Christian University, TX	A3	Moderate Sized Private Uni	3,303	145,710	4,586	434	451	2.5	71.6
American University, DC	A1	Moderate Sized Private Uni	6,070	558,674	13,090	592	1,107	1.7	78.7
Amherst College, MA	Aaa	Small Private College	1,575	378,646	1,855	1,384	3,172	13.1	25.0
Boston College, MA	Aa3	Moderate Sized Private Uni	6,493	1,092,504	13,526	668	2,979	2.4	70.9
Boston University, MA	Aa3	Moderate Sized Private Uni	14,301	1,511,842	28,193	289	3,231	1.4	67.2
Bowdoin College, ME	Aa2	Small Private College	1,107	214,161	1,826	430	1,885	8.1	45.6
Brandeis University, MA	A1	Moderate Sized Private Uni	3,480	271,546	5,443	160	1,099	1.3	60.3
Brown University, RI	Aa1	Moderate Sized Private Uni	4,920	774,661	9,953	334	4,264	2.9	47.9
Colgate University, NY	Aa3	Small Private College	1,649	337,698	2,951	428	985	2.9	65.8
Colorado College, CO	Aa3	Small Private College	1,213	175,347	2,117	552	744	3.8	63.0
Columbia University, NY	Aaa	Comprehensive Private Uni	12,658	2,205,568	29,074	287	12,315	2.0	27.3
Cornell University, NY	Aa1	Comprehensive Private Uni	12,369	1,428,203	24,848	177	7,744	1.0	20.5
Creighton University, NE	A2	Moderate Sized Private Uni	2,732	203,502	8,180	418	749	1.4	67.5
Dartmouth College, NH	Aa1	Moderate Sized Private Uni	3,477	962,771	6,481	669	6,718	6.0	32.3
Drexel University, PA	A3	Comprehensive Private Uni	12,259	427,134	21,666	102	846	0.5	67.0
Duke University, NC	Aa1	Comprehensive Private Uni	6,575	3,793,663	16,022	291	14,418	2.0	11.8
Emory University, GA	Aa2	Comprehensive Private Uni	6,786	1,709,897	14,498	194	7,515	1.2	9.2
George Washington Uni, DC	A1	Comprehensive Private Uni	8,655	1,855,922	23,788	315	2,667	1.8	65.3
Georgetown University, DC	A3	Comprehensive Private Uni	5,676	1,018,139	17,203	135	1,914	0.5	58.2
Harvard University, MA	Aaa	Comprehensive Private Uni	8,309	5,300,921	20,121	470	45,086	7.4	12.6
Johns Hopkins University, MD	Aa2	Comprehensive Private Uni	6,874	1,246,992	18,731	157	6,003	0.6	12.5
Massachusetts Institute of Tech, MA	Aaa	Comprehensive Private Uni	5,248	3,082,880	11,459	362	20,274	4.7	13.3
New York University, NY	Aa2	Comprehensive Private Uni	25,719	6,628,689	46,042	120	6,370	0.4	20.1
Northeastern University, MA	A1	Comprehensive Private Uni	9,888	876,585	30,806	293	1,306	0.9	80.5
Northwestern University, IL	Aa1	Comprehensive Private Uni	8,189	2,555,136	18,976	468	11,444	4.0	29.6
Princeton University, NJ	Aaa	Moderate Sized Private Uni	4,750	2,572,973	8,294	737	26,433	14.2	11.0
Rice University, TX	Aaa	Moderate Sized Private Uni	3,561	957,360	6,885	1,356	6,745	8.1	30.4
Southern Methodist University, TX	Aa3	Comprehensive Private Uni	4,732	845,741	10,146	214	1,704	1.6	63.6
Stanford University, CA	Aaa	Comprehensive Private Uni	7,325	6,216,589	16,564	305	38,758	3.1	5.9
Swarthmore College, PA	Aaa	Small Private College	1,186	261,681	1,644	1,997	2,188	11.7	36.9
Syracuse University, NY	Aa3	Comprehensive Private Uni	10,826	432,323	20,573	419	1,705	1.3	74.3
Texas Christian University, TX	Aa3	Comprehensive Private Uni	5,694	607,639	10,698	586	1,904	2.9	74.2
University of Chicago, IL	Aa2	Comprehensive Private Uni	6,067	4,426,732	16,184	179	9,289	1.5	15.1
University of Miami, FL	A3	Comprehensive Private Uni	7,766	1,384,200	16,700	58	1,403	0.3	20.5
University of Notre Dame, IN	Aaa	Comprehensive Private Uni	6,082	1,112,441	12,417	980	12,182	7.8	42.8
University of Pennsylvania, PA	Aa1	Comprehensive Private Uni	9,750	3,574,192	23,260	227	17,025	1.4	11.0
University of Southern California, CA	Aa1	Comprehensive Private Uni	18,681	1,426,610	43,071	196	6,901	1.0	36.5
Washington University, MO	Aa1	Comprehensive Private Uni	5,433	2,030,781	14,825	276	9,481	2.4	15.5
Yale University, CT	Aaa	Comprehensive Private Uni	6,898	3,534,877	13,309	426	31,677	7.7	9.7
		Total	285,411						

Source: Moody's medians, American Council on Education simulations, and HilltopSecurities.

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- [Agreement on the \\$2+ Trillion CARES Act, Not Nearly Enough for State and Local Governments](#), March 25, 2020
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- [Congress Working on \\$2+ Trillion of Stimulus; Fed Provides More Targeted Support for Municipals](#), March 23, 2020
- [Tax Deferrals Could Create a Cashflow Crunch; Market Needs Help With Liquidity; Federal Government Provided Some, Working on More Targeted Support](#), March 20, 2020
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- [March 18 Market Activity – A Focus on the Significant Pressure in the VRDO Market](#), March 18, 2020
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- [Lowered Airport Sector Outlook: Recent COVID-19 Impact](#), March 11, 2020
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- [Uncertainty – What the Municipal Market Knows and Doesn't Know About COVID-19](#), March 4, 2020
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- [Runaway Markets Ignore Massive Payroll Number](#), March 6, 2020
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