

COMMENTS — 25 Jul, 2023 | 14:45

U.S. Not-For-Profit Private College And University Fiscal 2022 Medians And Ratios: As Pandemic Risks Abate, Enrollment Pressures Persist



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(Editor's Note: This article, originally published July 12, 2023, is being republished to provide the link to the medians interactive dashboard.)

Key Takeaways

- As U.S. not-for-profit private colleges and universities return to pre-pandemic operations, enrollment and demand pressures persist, except at higher-rated institutions, indicating widening divergence within the industry
- Bolstered by remaining federal pandemic relief funds, most institutions across all rating categories generated positive operating performance in fiscal 2022.
- Fiscal 2022 market volatility has weakened financial resources compared with fiscal 2021, though overall, investments are stronger than pre-pandemic levels.
- Despite rising borrowing costs, overall debt increased in fiscal 2022, specifically in the 'AA' to 'BBB' rating categories.

As COVID-19 risks have subsided, most U.S. not-for-profit private higher education institutions across rating categories returned to pre-pandemic operations in fiscal 2022. However, because of persistent demographic shifts and students' affordability concerns, enrollment continues to decline in most rating categories. Higher Education Emergency Relief Funds (HEERF) have generally offset both one-time expenses associated with the return to pre-pandemic operations and the ongoing enrollment pressure, resulting in positive median operating performance across most rating categories, despite these challenges. While market volatility in fiscal 2022 reduced financial resources across the sector, median levels of cash and investments remain elevated compared with pre-pandemic

levels. Finally, higher total adjusted operating expenses and the increase in the median total debt outstanding notwithstanding, balance-sheet ratios are stronger than they were before the pandemic.

Chart 1

U.S. private college and university medians: by the numbers



273

Rated private colleges and universities across 39 states and territories

10%

Private colleges and universities with a negative outlook as of June 1, 2023, compared with 16% last year at this time

Median FTE improved in



'AAA', 'AA'

declined in



'A', 'BBB', and speculative-grade rating categories

Overall median FTE enrollment remained relatively flat, increasing



0.3%

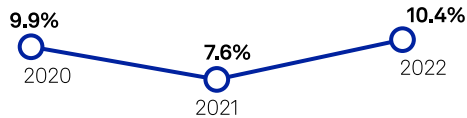
19 vs. 9

Downgrades versus upgrades June 15, 2021-June 15, 2022



Median net operating income with positive operating performance in most rating categories

Auxiliary revenue dependence

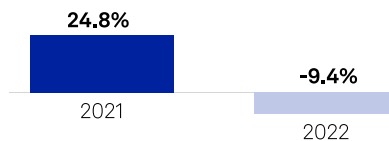


58.2% vs. 36.9%

Median tuition discount rate in small institutions (fewer than 1,400 FTE) versus large institutions (more than 15,000 FTE)



Median cash and investments declined 9.4% in fiscal 2022 compared to an increase of 24.8% in fiscal 2021



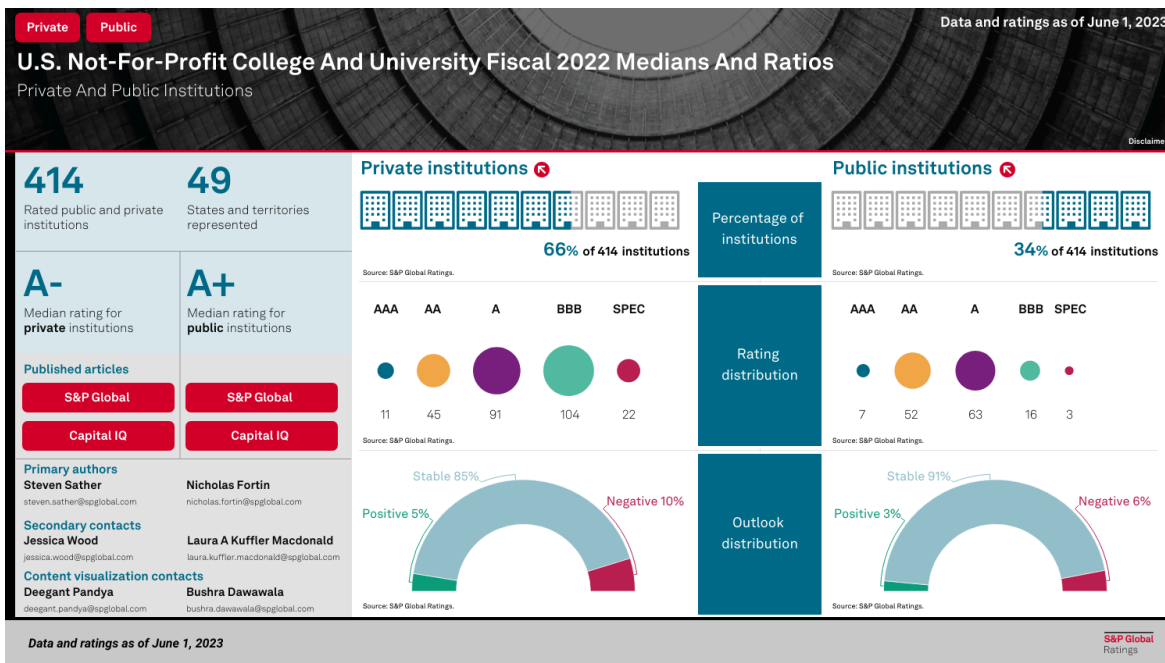
FTE-- full-time-equivalent. Source: S&P Global Ratings.

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Full details of the medians are available through our interactive dashboard, by clicking here:

<https://www.spglobal.com/ratings/en/research-insights/sector-intelligence/interactives/us-pf-highereducation-median-2023>

. The below image is a preview.



Rating Distribution And Characteristics

S&P Global Ratings maintained 273 debt ratings on U.S. not-for-profit private colleges and universities as of June 1, 2023. Since our last published medians report on July 12, 2022, we have assigned ratings to four new private institutions. On April 24, 2023, S&P Global Ratings released revised criteria for the higher education sector (see "Global Not-For-Profit Education Providers"). In accordance with our criteria, our analytical metrics evaluate both the enterprise and financial risk profiles. Many institutions' overall demand profiles were pressured during the pandemic, but we believe most of these pandemic-related concerns have subsided. As a result, median full-time-equivalent (FTE) enrollment rose modestly in fiscal 2022 (fall 2021) from fiscal 2021 (fall 2020) but remains below pre-pandemic levels; the highest rating categories saw the most improvement. Furthermore, illustrating the highly competitive environment for students, median demand metrics weakened slightly, including matriculation, selectivity, and graduation rates. Because of the pandemic, most of the private colleges and universities we rate did not require standardized test scores as part of the application process, and

very few are requiring them as of June 1, 2023, leading to higher application rates but lower selectivity and slightly lower matriculation rates.

For fiscal 2022, financial performance was still bolstered by federal COVID-19 relief funding, with most colleges and universities posting strong operating margins. However, for fiscal 2023, with the exhaustion of relief funds combined with rising expenses, we anticipate that overall operating margins will be weaker, which could depress financial resources.

In our assessment of the medians (tables 1 and 2), we observed the following:

- Median FTE enrollment remained relatively flat (0.3% increase), thanks mostly to growth at the highest-rated institutions (14.8% at 'AAA' rated universities), offset by continued enrollment decreases at lower-rated institutions (2.2% and 3.8% at the 'BBB' and speculative-grade levels, respectively).
- Other demand metrics including median selectivity, matriculation, and graduation rates remained at or below fiscal 2021 levels.
- Median operating performance across all rating categories, except for speculative-grade, remained positive, and the overall median was only slightly weaker than that of fiscal 2021.
- As the cost of borrowing rose, debt burdens increased among the 'AA', 'A', and 'BBB' rating categories.
- Balance-sheet ratios compared to both debt and total adjusted operating expenses remain above pre-pandemic levels, albeit slightly lower than in fiscal 2021.

Table 1

Private colleges and universities -- sectorwide ratios

	2018	2019	2020	2021	2022
Sample size	252	260	265	276	273
ENROLLMENT AND DEMAND					
Total FTE enrollment					
Median	3,275	3,199	3,174	3,004	3069
Mean	6,398	6,343	6,331	6,088	5944
FTE enrollment change (%)					
Median	0.3	0.4	-0.3	-2.7	0.3
Mean	-0.4	-0.1	-0.5	-2.6	1.4
Undergraduates as a % of total enrollment					
Median	75.2	75.9	73.5	79.1	74.3
Mean	74.1	74.4	72.7	77.0	73.7
First year acceptance rate					
Median	62.4	65.5	66.0	71.4	74.0
Mean	56.1	57.0	58.2	61.3	63.4
First year matriculation rate (%)					
Median	22.0	22.0	21.0	18.8	18.6
Mean	26.2	26.1	25.3	23.1	24.0
Average SAT					
Median	1,206	1,213	1,206	1,192	1,219
Mean	1,228	1,232	1,232	1,222	1,248
Average ACT					
Median	26	26	26	26	27
Mean	26	27	27	27	27
Retention rate (%)					
Median	85.0	83.1	84.0	83.0	83.8

Mean	83.9	83.3	83.5	82.2	82.3
Six-year graduation rate (%)					
Median	71.3	70.9	71.4	71.6	71.3
Mean	70.8	70.9	71.5	71.5	71.6
In-state students (%)					
Median	53.0	52.7	54.5	54.0	53.0
Mean	50.5	51.3	51.7	51.8	49.5
FINANCIAL PERFORMANCE					
Net adjusted income					
Median	0.8	0.9	0.3	1.8	1.1
Mean	1.0	1.3	0.7	2.5	1.7
Net tuition revenue					
Median	66,491	66,470	63,919	61,366	60,882
Mean	150,291	156,144	158,790	154,954	168,148
REVENUE DIVERSITY					
Student-generated revenue (%)					
Median	84.8	84.0	84.0	81.7	79.7
Mean	77.2	77	77.1	74.5	73.6
Auxiliary revenue (%)					
Median	11.4	11.4	9.9	7.6	10.4
Mean	11.3	11.2	9.5	8.0	10.3
Grants and contracts revenue (%)					
Median	1.2	1.2	2.2	4.4	5.0
Mean	3.6	3.5	4.3	6.7	6.3
Gifts and pledges revenue (%)					
Median	2.0	1.8	1.9	1.9	1.9
Mean	2.5	2.6	2.6	2.7	2.7
FINANCIAL AID AND EXPENSE RATIOS					
Financial aid burden					

Median	26.6	27.6	28.9	30.0	29.5
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Mean	25.2	25.9	27.0	28.4	27.9
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Instruction expense (% of expenses)

Median	26.9	27.1	27.1	26.0	25.5
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Mean	27.9	28.3	28.2	27.1	26.5
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Tuition discount rate (%)

Median	39.2	40.0	41.0	41.9	43.3
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Mean	39.2	40.1	41.1	42.8	44.1
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FINANCIAL RESOURCES RATIOS

Cash and investments (\$)

Median	218,630	224,553	225,569	281,617	257,427
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Mean	1,536,554	1,601,177	1,683,629	2,223,590	2,121,390
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Cash and investments to operations (%)

Median	132.2	126.6	126.5	161.4	141.6
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Mean	204.1	196.4	195.4	256.9	221.3
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Cash and investment to debt (%)

Median	259.1	264.1	245.6	298.3	281.2
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Mean	341.6	339.3	322.9	398.4	361.9
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DEBT

Total debt outstanding (\$000s)

Median	96,633	97,015	98,420	96,580	105,384
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Mean	374,727	373,862	421,814	448,459	467,667
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Average age of plant (years)

Median	14.2	14.4	14.8	15.1	15.6
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Mean	14.6	14.9	15.4	15.7	16.2
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Maximum annual debt service burden (%)

Median	4.2	4.1	4.0	4.4	4.3
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Mean	4.8	4.6	4.8	5.0	4.9
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FULL-TIME EQUIVALENT (FTE) RATIOS

Total debt per FTE (\$)					
Median	28,471	28,964	31,463	33,207	34,791
Mean	49,548	48,962	53,614	57,727	57,460
Endowment per FTE					
Median	55,265	54,827	53,884	69,511	68,781
Mean	188,690	186,869	185,774	257,903	225,958

The sample size for our private college and university median ratios for fiscal 2022 was 273 (table 1). Consistent with previous years, we do not include universities and colleges that we consider specialty schools in our ratio calculations. Given the niche focus of these institutions (such as medical schools, stand-alone law schools, and music or arts schools), certain metrics used to measure credit quality might be skewed and would not be directly comparable with those of similarly rated institutions with a wider array of program offerings.

Our analysis of any particular institution involves a holistic view of its creditworthiness, which includes a qualitative assessment that is not captured in this article. The mean or median metrics (table 2) should not be considered thresholds to achieving a particular rating.

Table 2

Private colleges and universities -- fiscal 2022 ratios

	AAA	AA	A	BBB	Speculative-grade	Sectorwide
Sample size	11	45	91	104	22	273
ENROLLMENT AND DEMAND						
FTE (full-time equivalent) enrollment						
Median	11,837	7,733	3,352	2,484	2,219	3,069

Mean	11,829	11,088	6,763	3,120	2,448	5,944
FTE change (%)						
Median	14.8	6.9	-0.2	-2.2	-3.8	0.3
Mean	13.4	7.6	0.2	-0.8	-1.6	1.4
Undergraduates (% of total enrollment)						
Median	51.2	67.4	81.6	71.5	74.0	74.3
Mean	59.3	69.3	79.2	71.9	75.6	73.7
Freshman acceptance rate (%)						
Median	5.3	17.8	72.9	80.3	81.9	74.0
Mean	6.1	22.6	68.2	79.1	80.6	63.4
Freshman matriculation rate (%)						
Median	66.2	38.8	17.8	15.2	15.4	18.6
Mean	65.8	39.5	19.8	18.0	17.8	24.0
Average SAT score						
Median	1499	1434	1225	1149	1102	1219
Mean	1502	1442	1247	1166	1103	1248
Average ACT score						
Median	34	33	27	25	20	27
Mean	34	33	28	25	24	27
Retention rate (%)						
Median	96.5	95	86.0	77.0	69.4	83.80
Mean	96.7	94.1	84.4	76.4	70.2	82.3
Six-year graduation rate (%)						
Median	95.0	90.3	74.5	64.4	57.9	71.3
Mean	94.5	89.4	73.9	63.2	54.4	71.6
FINANCIAL PERFORMANCE						
Total adjusted operating revenue						
Median	2,665,251	693,572	234,650	111,191	95,479	174,508
Mean	3,289,594	2,537,491	420,081	161,853	101,488	760,679

Total adjusted operating expenses

Median	2,333,713	661,052	223,552	116,822	95,676	169,861
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Mean	3,139,599	2,433,847	405,616	159,880	102,720	732,077
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Net tuition revenue

Median	387,874	269,660	85,091	46,010	35,788	60,882
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Mean	429,568	414,139	165,283	63,877	39,037	168,148
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Net adjusted operating margin (%)

Median	3.9	4.1	0.7	0.7	-0.9	1.1
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Mean	7.8	3.7	2.0	0.3	-0.3	1.7
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REVENUE DIVERSITY

Student-generated revenue (%)

Median	33.5	59.7	81.0	82.7	81.6	79.7
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Mean	33.5	53.8	79.4	80.5	78.0	73.6
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Auxiliary revenue (%)

Median	3.7	8.8	11.1	10.7	12.0	10.4
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Mean	4.7	8.3	11.2	10.6	11.5	10.3
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Grants and contracts revenue (%)

Median	13.6	5.4	4.6	4.9	5.2	5.0
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Mean	14.5	8.5	5.6	4.8	7.2	6.3
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Gifts and pledges revenue (%)

Median	2.7	3.0	1.6	1.6	2.3	1.9
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Mean	3.2	3.3	2.3	2.5	3.4	2.7
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FINANCIAL AID AND EXPENSE RATIOS

Financial aid burden (%)

Median	14.3	20.4	30.5	32.0	32.0	29.5
--------	------	------	------	------	------	------

Mean	14.6	18.7	29.8	31.3	29.2	27.9
------	------	------	------	------	------	------

Instruction expense (% of expenses)

Median	34.9	27.3	25.0	24.1	23.0	25.5
--------	------	------	------	------	------	------

Mean	33.3	29.5	26.0	26.0	22.5	26.5
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Tuition discount (%)

Median	47.3	39.5	42.4	45.2	45.6	43.3
Mean	47.3	40.4	43.6	45.5	44.6	44.1

ENDOWMENT

Endowment market value (\$000s)

Median	13,279,846	2,391,304	316,898	104,416	47,178	220,712
Mean	20,764,417	4,008,970	480,339	141,236	49,559	1,739,140

CASH AND INVESTMENTS RATIOS

Cash and investments

Median	16,014,726	2,852,879	386,704	128,133	53,098	257,427
Mean	24,494,560	5,260,146	600,121	164,326	58,723	2,121,390

Cash and investments to operations (%)

Median	951.9	377.8	157.0	95.2	57.7	141.6
Mean	946.3	426.7	188.4	118.1	62.9	221.3

Cash and investments to debt (%)

Median	882.2	463.1	355.7	184.5	110.7	281.2
Mean	983.1	536.6	379.3	249.7	152.8	361.9

DEBT

Total debt outstanding (\$000s)

Median	2,496,373	596,725	130,281	65,565	49,683	105,384
Mean	2,792,590	1,416,332	226,269	109,219	57,743	467,667

Average age of plant (years)

Median	13.2	14.4	16.1	16.1	15.8	15.6
Mean	13.4	15.4	16.1	16.7	17.1	16.2

Current maximum annual debt service burden (%)

Median	6.0	5.2	4.0	4.1	4.1	4.3
Mean	7.5	5.8	4.4	4.7	5.1	4.9

FTE RATIOS

Total debt per FTE (\$)

Median	199,921	90,361	35,187	26,698	25,352	34,791
Mean	232,204	128,285	39,011	31,389	24,774	57,460
Endowment market value per FTE (\$)						
Median	1,651,659	436,821	75,115	35,914	20,281	68,781
Mean	1,876,965	514,471	116,269	57,765	27,151	225,958

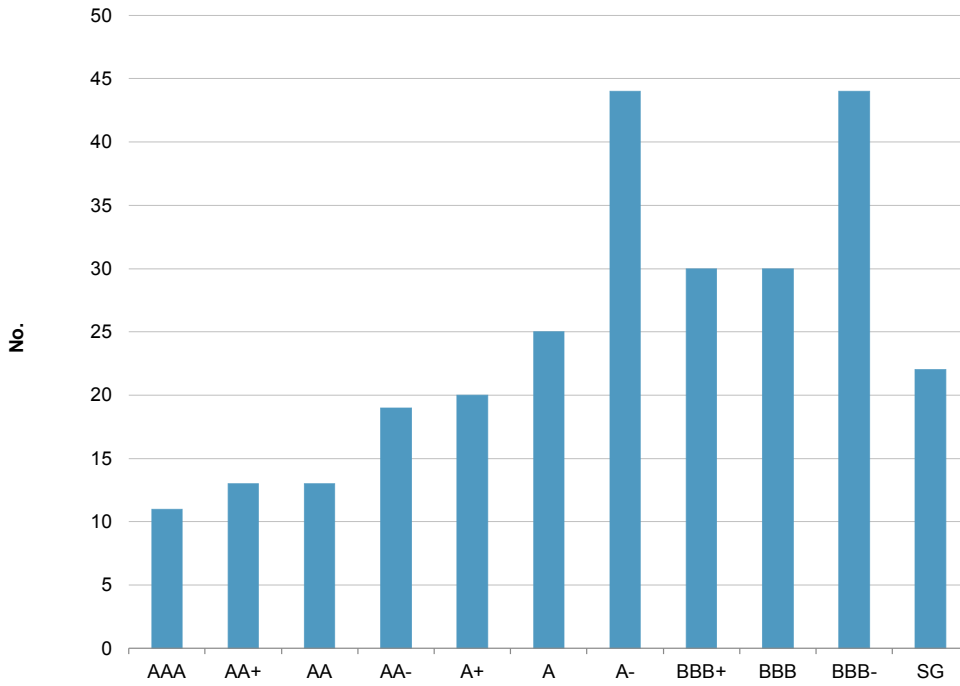
Ratings Stabilize As Pandemic Uncertainty Recedes

Since June 15, 2022, S&P Global Ratings has assigned four new credit ratings: two in the 'BBB' category and two in the speculative-grade category. In addition, we lowered 19 ratings, including two to the 'BBB' category from the 'A' category. We raised nine ratings, including one to 'AAA' from the 'AA' category, one to the 'A' category from the 'BBB' category, and three to the 'BBB' category from the speculative-grade category. All other rating actions, positive or negative, remained in the same rating category.

We continue to see a standard rating distribution, with 71% of rated private higher education institutions in the 'A' and 'BBB' categories (chart 2). The outlook distribution reflects the abating pandemic uncertainty, with 85% of the ratings having stable outlooks as of June 1, 2023, a significant improvement from 80% on June 15, 2022. In addition, only 10% of our ratings had a negative outlook and 5% of ratings had a positive outlook, considerably improved from 16% and 4%, respectively, as of June 15, 2022 (chart 4). The decrease in negative outlooks and increase in stable outlooks reflect that most private colleges and universities returned to operational normality in fiscal 2022.

Chart 2

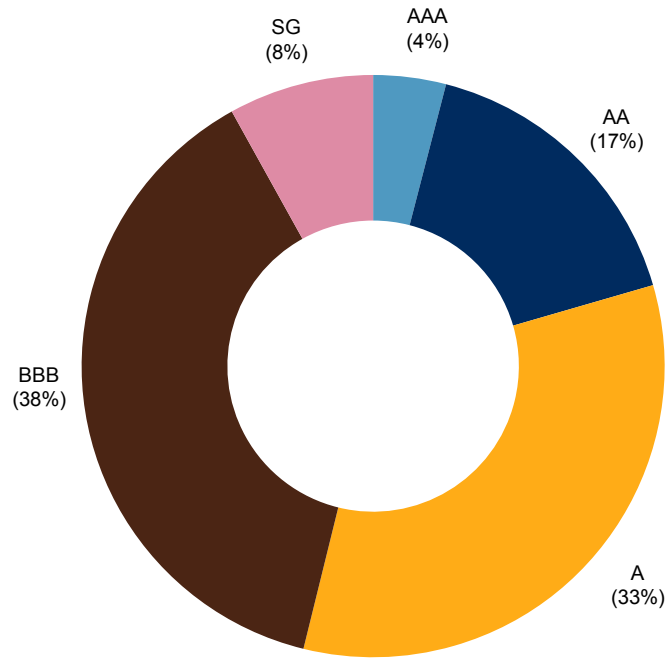
Private colleges and universities -- rating distribution
As of June 1, 2023



SG--Speculative-grade. Source: S&P Global Ratings.
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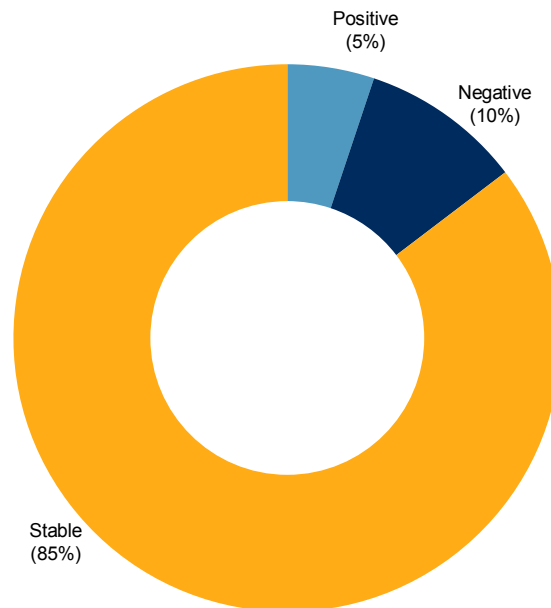
Chart 3

Private colleges and universities -- rating distribution by category
As of June 1, 2023



Source: S&P Global Ratings.
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Chart 4

Private colleges and universities -- outlook distribution
As of June 1, 2023

Source: S&P Global Ratings.
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Enrollment And Demand Metrics

Post-COVID enrollment exemplifies growing divergence in the sector

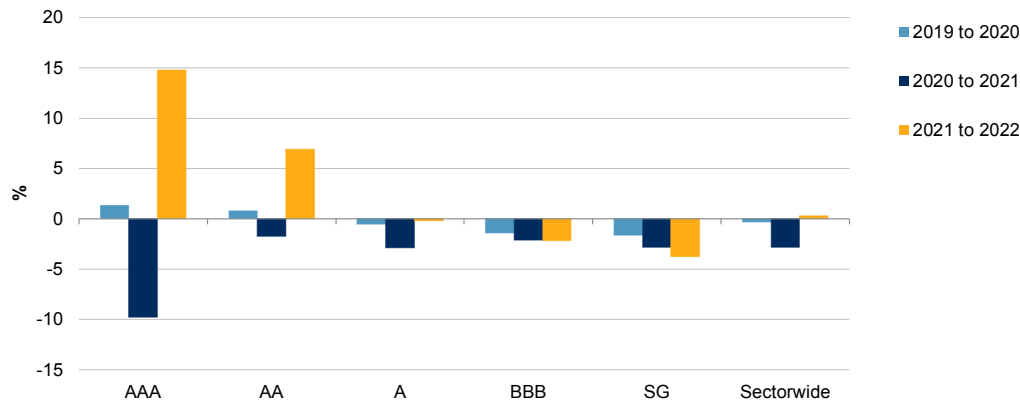
Ongoing concerns from the pandemic resulted in FTE enrollment declines across all rating categories in fiscal 2021, and while many of these concerns had eased by the fall semester in fiscal 2022, FTE enrollment remained relatively flat overall (table 1). However, this stability was not experienced equally across rating categories, with FTE enrollment growing at most 'AAA' and 'AA' rated universities even compared with pre-pandemic levels, while the other rating categories faced continued FTE enrollment losses even compared with fiscal 2021. These declines increased at the lower-rated categories, with 'BBB' and speculative-grade

median enrollments falling at a greater percentage than they did in fiscal 2021 (chart 5). This dichotomy illustrates that demand for colleges with stronger market position, high selectivity, high retention rates, and, typically, exceptional student quality has returned to pre-pandemic levels or better, despite the swelling competition for a shrinking population of college-age students across many areas of the country. Meanwhile, private institutions with less geographic diversity, limited program offerings, or weaker market position (especially on the lower end of the rating spectrum) are experiencing falling enrollment as a result of the increased competition.

In response, many of these lower-rated institutions have expanded recruitment strategies to attract international and out-of-state students, and have supplemented their offerings to include graduate and certificate programs. Despite these efforts, undergraduate enrollment continues to drop and median tuition discount rates continue to rise (chart 6) for most of the lower rating categories, as the competition for students intensifies. We expect the increasing struggle for students will result in the continuation of the current trends and widening disparity between universities in the higher and lower rating categories.

Chart 5

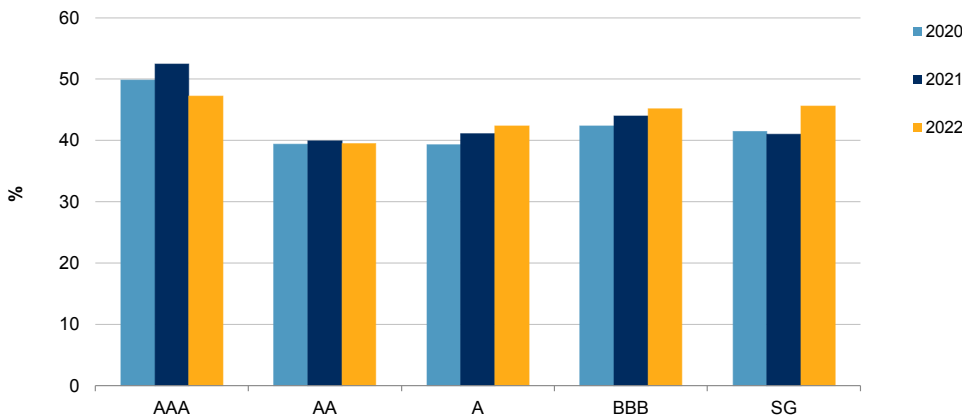
Private colleges and universities -- median full-time equivalent enrollment change, year over year



SG--Speculative-grade. Source: S&P Global Ratings.
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Chart 6

Private colleges and universities -- tuition discount rate



SG--Speculative-grade. Source: S&P Global Ratings.
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Most other demand metrics remain at or near pandemic levels

As a result of the pandemic, most private colleges and universities transitioned to test optional, no longer requiring SAT or ACT scores as part of the application process, in fiscal 2020. However, post-pandemic, many institutions are still not requiring applicants to submit test scores, and

only about 80% of our rated schools are reporting test scores. Historically, the shift to test optional has resulted in improved reported test scores, in part due to self-selectivity, as only applicants with stronger scores submit their score with their application, while applicants with weaker scores elect not to submit theirs. This selective reporting has resulted in both median ACT and SAT scores being stronger than pre-pandemic levels (table 1).

One side effect of the move to a test-optional application process has been an increase in freshman applications for many private higher education institutions. However, median selectivity and matriculation rates have continued to weaken from pandemic levels, further illustrating the highly competitive environment. And while private colleges and universities have invested in initiatives to ensure student success and to better justify the costs associated with a college education, retention and graduation rates remained relatively flat in spite of the pressure of the pandemic (table 1). Many of these demand metrics are lagging factors, so it may take more time to see the full effect of the pandemic, specifically in graduation rates. We expect that acceptance and matriculation rates could continue to drop for many private higher education institutions that are no longer requiring tests and are facing more intense competition for college-aged students. Given the passing of the recent affirmative action ruling, we will probably see colleges increase targeted recruitment and expand financial aid programs, while a broader move to test optional is expected across the industry.

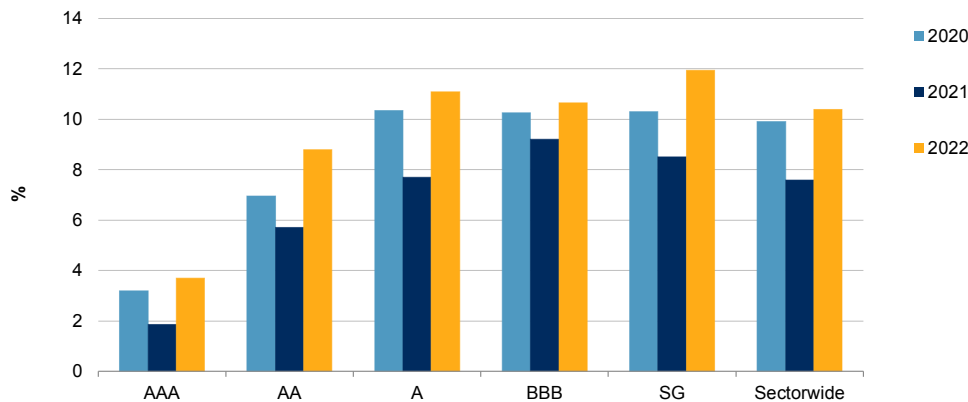
Financial Metrics

Revenue diversity is slow to return to pre-pandemic levels

For fiscal 2022, private colleges and universities returned to in-person instruction, with student housing opening to full capacity. The reopening of campuses boosted auxiliary revenue, which represented a larger portion of total adjusted operating revenue while remaining considerably lower than pre-pandemic levels (chart 7). Lagging auxiliary revenues were offset by federal money, as the majority of private colleges and universities benefited from the remaining HEERF in fiscal 2022, resulting in an increase in the percentage of revenue derived from government grants and contracts (chart 8). We expect that the vast majority of universities have now exhausted remaining COVID-19 relief funds, resulting in grants and contracts returning to historical levels. However, with increasing enrollment pressures, student-related revenues such as auxiliary revenue could be slower to return to pre-pandemic levels.

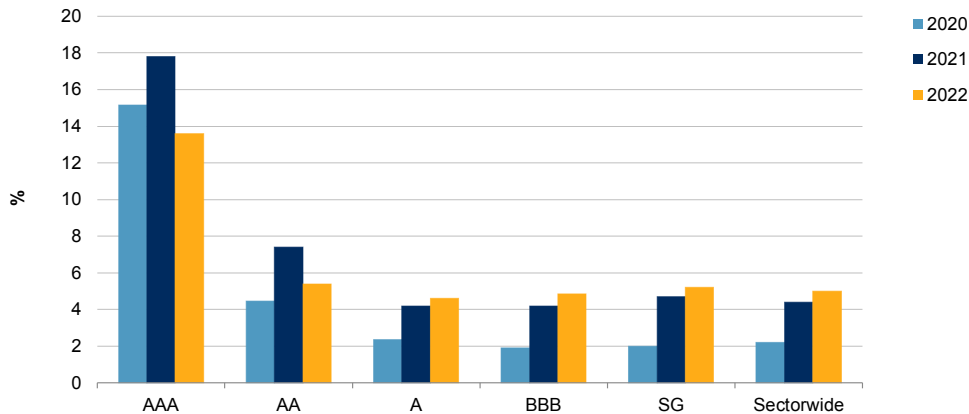
Chart 7

Private colleges and universities -- auxiliary revenue dependence



SG--Speculative-grade. Source: S&P Global Ratings.
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Chart 8

Private colleges and universities -- grants and contracts revenue dependence

SG--Speculative-grade. Source: S&P Global Ratings.

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COVID-19 funds bolstered operating performance in fiscal 2022

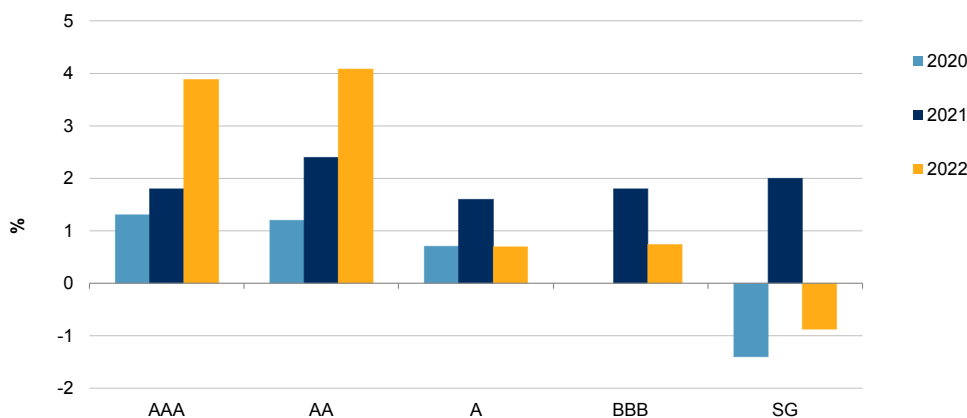
During fiscal 2022, many private colleges' and universities' total adjusted operating expense were elevated because of one-time costs associated with fully reporting campuses. The increase in total adjusted operating expenses resulted in slightly weaker median operating performance than fiscal 2021's (table 1). However, because many private colleges and universities used their remaining HEERF money to stabilize operations, median operating performance remained positive and well above pre-pandemic levels. However, further illustrating the widening contrast between rating categories, speculative-grade private institutions produced modest median deficits as they continued to experience more severe drops in net tuition revenue and high competition for both graduate and undergraduate students.

Financial aid remains a key factor in attracting students. We assess institutional financial aid spending through the tuition discount rate, which is calculated as financial aid as a percentage of gross tuition and fees. Tuition discounting has increased across rating categories except for

'AAA' and 'AA', with the lower categories seeing the largest year-over-year growth. For higher-rated private institutions, median tuition discount rates have returned to pre-pandemic levels (chart 6), while lower-rated private colleges and universities have seen rising tuition discount rates for the past six years. In addition, while the higher-rated universities can often offset the costs associated with financial aid thanks to strong fundraising and healthy endowments, we view the higher discount rates at lower-rated universities to be a greater risk due to limited financial flexibility and more modest balance sheets to support higher levels of aid. Because of intensifying competition in the sector as a result of a shrinking pool of college-age students, combined with the increased concerns surrounding college affordability, discount rates are likely to rise further for most rating categories. In addition, as most private colleges and universities have exhausted their remaining HEERF money, and at the same time are facing inflation pressure, we expect that some will still see pressured operations, specifically at the lower end of the rating spectrum.

Chart 9

Private colleges and universities -- net operating performance



SG--Speculative-grade. For 'BBB' category, net operating margin was 0.0% in fiscal 2020.

Source: S&P Global Ratings.

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Despite market volatility, investments remain stronger than pre-pandemic levels

Fiscal 2021 market returns were unprecedented and robust, bolstering total endowment funds. However, in fiscal 2022, some market volatility resulted in decreases in median endowments across all rating categories (table 3), most significantly speculative-grade schools. However, they remain considerably stronger than pre-pandemic levels. Although these levels of endowment still provide some financial cushion for universities, market volatility and high inflation have already started to mute fundraising, specifically at the lower end of the rating spectrum, which could suppress endowment growth.

Table 3

Private colleges and universities -- endowment change (\$000s)

	2021	% change	2022
AAA	14,349,970	-7.5	13,279,846
AA	2,559,082	-6.6	2,391,304
A	321,376	-1.4	316,898
BBB	108,836	-4.1	104,416
Speculative-grade	57,496	-17.9	47,178
Sectorwide	242,543	-9.0	220,712

Source: S&P Global Ratings.

Cash and investments remain elevated

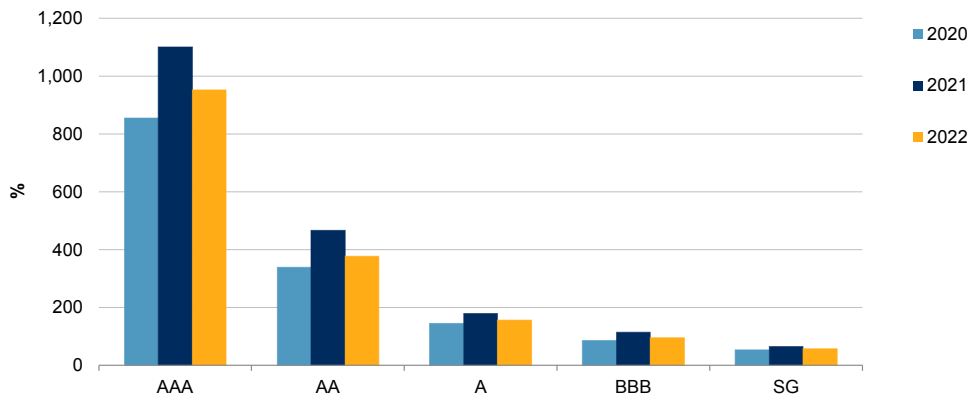
With the adoption of the revised higher education criteria on April 24, 2023, we no longer use expendable resources to evaluate balance-sheet strength. Rather, we now use "cash and investments" as an input into financial metrics in place of "available resources" (i.e., expendable

resources or unrestricted net assets). Recent market volatility resulted in a modest 8.6% decrease in median cash and investment levels in fiscal 2022 from fiscal 2021. However, this was partially offset by positive operating performance and robust market returns in fiscal 2021, resulting in cash and investments remaining higher than pre-pandemic levels across rating categories. Similarly, cash and investments compared to operations remain stronger than pre-pandemic levels (chart 10), though the higher operating expenses as a result of retuning to full operations deflate these ratios slightly.

The higher cost of borrowing in fiscal 2022 did little to deter institutions in most rating categories from issuing additional debt. Median total debt outstanding increased in most categories but dropped in the 'AAA' and speculative-grade categories. Similarly, debt per FTE rose in all categories except 'AAA' (chart 12). Despite the increased debt, the median maximum annual debt service burden, calculated as a percentage of total operating expenses, fell slightly in fiscal 2022 to 4.3% from 4.4% in fiscal 2021. Finally, across the higher rating categories, cash and investment ratios (compared to debt) weakened slightly, falling just below pre-pandemic levels; however, in the 'A', 'BBB', and speculative-grade categories, they remained higher than pre-pandemic levels.

Chart 10

Private colleges and universities -- cash and investments as % of operating expenses



SG--Speculative-grade. Source: S&P Global Ratings.
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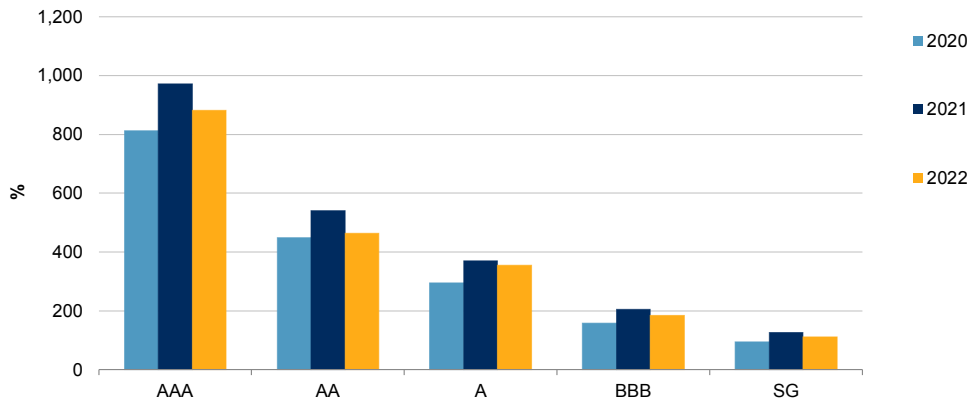
Table 4

Private colleges and universities -- change in debt (\$000s)

	2021	% change	2022
AAA	2,661,558	-6.2	2,496,373
AA	534,327	11.7	596,725
A	120,721	7.9	130,281
BBB	61,241	7.1	65,565
Speculative-grade	50,416	-1.5	49,683
Sectorwide	97,400	8.2	105,384

Chart 11

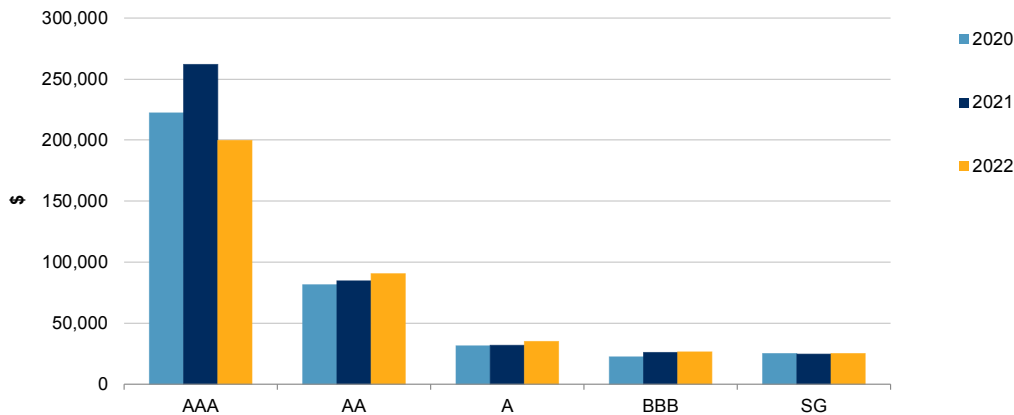
Private colleges and universities -- cash and investments to debt



SG--Speculative-grade. Source: S&P Global Ratings.
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Chart 12

Private colleges and universities -- median debt per FTE by rating category



FTE--Full-time equivalent. SG--Speculative-grade. Source: S&P Global Ratings.
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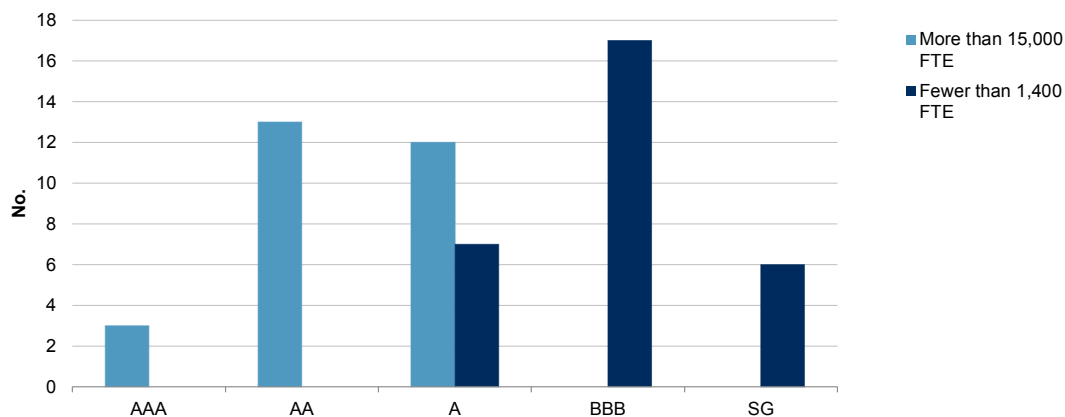
Credit Quality By Enrollment Size

Intensifying competition for undergraduate students, rising expenses, and increasing tuition discount rates are challenges for most private colleges and universities. However, these conditions are particularly vexing for smaller institutions (those with fewer than 1,400 FTE students), which typically lack the revenue diversity of the very large ones (those

with more than 15,000 FTE students). In addition, most of the larger private colleges and universities have more revenue diversity, healthy endowments, and a broader alumni base to assist with fundraising, resulting in a higher degree of financial flexibility. While institutions with fewer than 1,400 FTE students are not precluded from higher ratings, there is some correlation between enrollment size and overall credit characteristics. In the 'AAA' and 'AA' rating categories, there are no private institutions with fewer than 1,400 FTE students, while schools with more than 15,000 FTE students account for 27% of 'AAA' ratings and 29% of the 'A' rating category for all private higher education institutions. In addition, within the 'A' rating category, 13% of institutions have more than 15,000 FTE students and only 8% have fewer than 1,400 FTE students. None of the institutions in the 'BBB' or speculative-grade categories have more than 15,000 FTE students, while 16% of institutions in the 'BBB' category and 27% in the speculative-grade category have fewer than 1,400 FTE students (chart 13).

Chart 13

Private colleges and universities -- rating distribution by enrollment size



FTE--Full-time equivalent. SG--Speculative-grade. Source: S&P Global Ratings.
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Comparing metrics, especially those associated with demand and financial flexibility, is particularly revealing (table 5). Total FTE enrollment at the larger institutions typically consists of a smaller percentage of undergraduate enrollment, a stronger selectivity rate, and greater geographical diversity, signifying a higher resilience to demographic changes. As a result of the higher levels of demand and a strong graduate presence, larger private colleges and universities typically have significantly lower tuition discount rates, which, when combined with more diverse revenue sources, leads to more positive operations.

On the other hand, very small private colleges and universities tend to face a more competitive environment for first-year students due to typically more limited geographic diversity and more modest course offerings. This competition leads to more aggressive tuition discounting and ultimately weaker total adjusted operating performance. Although many of the smaller institutions have a relatively strong balance sheet with a limited amount of debt per FTE student, we do not consider this enough to offset the highly competitive enrollment environment, which we anticipate will intensify over the next few years.

Consistent with our methodology for this report, we have excluded specialty schools from table 5 as well as from chart 13. Although there are many specialty schools that would be classified as very small, none of them have an FTE population of more than 15,000.

Table 5

Private colleges and universities -- fiscal 2022 ratios by full-time equivalent enrollment size

	More than 15,000	Fewer than 1,400	All private institutions
Sample size	28.0	30.0	273.0

Undergraduate as a % of total enrollment	46.3	95.2	74.3
Freshman acceptance rate (%)	13.3	74.6	74.0
Six-year graduation rate (%)	87.9	64.2	71.3
Net adjusted operating margin (%)	4.2	-0.9	1.1
Student-generated revenue dependence (%)	48.1	72.1	79.7
Tuition discount rate (%)	36.9	58.2	43.3
Cash and investments to operations (%)	159.0	194.2	141.6
Cash and investments to debt (%)	354.9	434.5	281.2
Total debt per full-time equivalent (\$)	78,504	33,455	34,791

What We're Watching

Fall 2023 enrollment

Due to the growing competition for first-year students, we expect that enrollment pressure will persist for smaller, more regional and lower-rated private higher education institutions. In addition, we expect that most private colleges and universities will continue to leverage early decisions, focus on recruiting a more geographically diverse student body, and will look to modify their program offerings to meet market demand and demographic pressure. In addition, we expect that most institutions will remain test optional at least for the near term, which could weaken selectivity further. Finally, we believe the cost of higher education will remain an important tool in student recruitment, leading to continued increases in tuition discounting.

Operations without relief funds

We anticipate operations will remain pressured as most private colleges and universities have exhausted their HEERF money. In addition, while many invested in long-term cost-saving programs during the pandemic, we expect that these savings may be offset by higher expenses as a result of inflation.

Financial resources

Market volatility could result in more modest amounts of cash and investments. However, because many private higher education institutions recorded substantial net growth of financial resources from fiscal years 2021 and 2022, we expect that balance sheets will remain at or above pre-pandemic levels, specifically in the higher rating categories.

Capital investments

With the current rate of inflation, we expect that many private colleges and universities might struggle to fund capital projects, resulting in changes in overall capital plans with the focus remaining on attracting and retaining students. In addition, as hybrid work has become more normal for many private colleges and universities, they may elect to alter previously designed capital plans to better repurpose space on campuses. In this environment, we expect that institutions with more financial resources will differentiate themselves and improve their overall demand profile, resulting in a widening gap between rating categories within the sector.

Appendix

Table 6

Private colleges and universities by rating

Institution	State	Outlook
AAA		
Columbia University	NY	Stable
Grinnell College	IA	Stable
Harvard University	MA	Stable
Massachusetts Institute of Technology	MA	Stable
Pomona College	CA	Stable
Princeton University	NJ	Stable
Rice University	TX	Stable
Stanford University	CA	Stable
Swarthmore College	PA	Stable
Vanderbilt University	TN	Stable
Yale University	CT	Stable
AA+		
Amherst College	MA	Stable
Brown University	RI	Stable
Bryn Mawr College	PA	Stable
Dartmouth College	NH	Positive
Davidson College	NC	Stable
Duke University	NC	Stable
Northwestern University	IL	Stable
Smith College	MA	Stable
University of Pennsylvania	PA	Stable
University of Richmond	VA	Stable

Washington University	MO	Stable
Wellesley College	MA	Stable
Williams College	MA	Stable
AA		
Carnegie Mellon University	PA	Positive
Colby College	ME	Positive
Colgate University	NY	Stable
Colorado College	CO	Stable
Cornell University	NY	Stable
Denison University	OH	Stable
Emory University	GA	Stable
Johns Hopkins University	MD	Stable
Middlebury College	VT	Stable
University of Southern California	CA	Negative
Wake Forest University	NC	Stable
Washington & Lee University	VA	Stable
Wesleyan University	CT	Stable
AA-		
Boston College	MA	Stable
Boston University	MA	Stable
California Institute of Technology	CA	Stable
Case Western Reserve University	OH	Stable
College of the Holy Cross	MA	Stable
Haverford College	PA	Stable
Lehigh University	PA	Stable
New York University	NY	Stable
Oberlin College	OH	Stable
Pepperdine University	CA	Stable
Reed College	OR	Stable

Saint Louis University	MO	Stable
Southern Methodist University	TX	Stable
Syracuse University	NY	Stable
Trinity University	TX	Stable
Tufts University	MA	Stable
University of Chicago	IL	Stable
University of Rochester	NY	Stable
Villanova University	PA	Stable
A+		
American University	DC	Stable
Babson College	MA	Stable
Bates College	ME	Stable
Baylor University	TX	Positive
Belmont University	TN	Stable
Brandeis University	MA	Stable
Dickinson College	PA	Stable
Franklin & Marshall College	PA	Negative
George Washington University	DC	Stable
Lafayette College	PA	Stable
Loyola University of Chicago	IL	Stable
Rhodes College	TN	Stable
Southern New Hampshire University	NH	Stable
Trinity College	CT	Stable
Tulane University	LA	Stable
University of Dayton	OH	Stable
University of Denver (aka Colorado Seminary)	CO	Stable
University of Puget Sound	WA	Stable
University of the South	TN	Stable
Vassar College	NY	Stable

A

Barnard College	NY	Stable
Buena Vista University	IA	Stable
Catholic University of America	DC	Negative
Centre College of Kentucky	KY	Stable
DePaul University	IL	Stable
Duquesne University	PA	Stable
Fairfield University	CT	Stable
Fordham University	NY	Stable
Franciscan University of Steubenville	OH	Stable
Gettysburg College	PA	Stable
Hampden-Sydney College	VA	Stable
Hampton University	VA	Stable
Hofstra University	NY	Stable
Hope College	MI	Stable
Kenyon College	OH	Stable
Loyola University in Maryland	MD	Stable
Mercy College	NY	Stable
Mount St. Mary's University	CA	Stable
Providence College	RI	Stable
Randolph-Macon College	VA	Stable
Sacred Heart University	CT	Stable
Seattle University	WA	Stable
St. Lawrence University	NY	Stable
University of Portland	OR	Stable
Worcester Polytechnic Institute	MA	Stable
A-		
Adelphi University	NY	Stable
Agnes Scott College	GA	Stable

Allegheny College	PA	Stable
Assumption College	MA	Stable
Baldwin Wallace University	OH	Stable
Bryant University	RI	Stable
Butler University	IN	Stable
Calvin University	MI	Stable
Doane College	NE	Stable
Drake University	IA	Stable
Drexel University	PA	Stable
Earlham College	IN	Stable
Flagler College	FL	Stable
George Fox University	OR	Stable
Georgetown University	DC	Stable
High Point University	NC	Stable
Hobart and William Smith Colleges (Colleges of the Seneca)	NY	Stable
Holy Family University	PA	Stable
Illinois Wesleyan University	IL	Stable
Johnson & Wales University	RI	Positive
Kettering University	MI	Stable
Lewis & Clark College	OR	Stable
Long Island University	NY	Stable
Lycoming College	PA	Negative
Manhattan College	NY	Negative
Mercer University	GA	Stable
Messiah College	PA	Stable
Milwaukee School of Engineering	WI	Stable
New England Institute of Technology	RI	Stable
Nova Southeastern University	FL	Stable
Ohio Wesleyan University	OH	Stable

Quinnipiac University	CT	Stable
Saint John Fisher College	NY	Stable
Saint Joseph's University	PA	Positive
Saint Mary's College	IN	Stable
St. Ambrose University	IA	Stable
St. John's University	NY	Stable
Stetson University	FL	Negative
Taylor University and Affiliates	IN	Stable
Transylvania University	KY	Stable
Universidad Interamericana de Puerto Rico	PR	Stable
University of Miami	FL	Stable
University of Scranton	PA	Stable
University of Tampa	FL	Stable
Wofford College	SC	Stable
York College of Pennsylvania	PA	Stable
BBB+		
Albion College	MI	Stable
Bradley University	IL	Stable
Columbia College	IL	Negative
Concordia University Irvine	CA	Stable
Emerson College	MA	Stable
Fisher College	MA	Stable
Gannon University	PA	Stable
Goucher College	MD	Stable
Illinois College	IL	Stable
Knox College	IL	Stable
Lesley University	MA	Stable
Lynchburg College	VA	Negative
Manchester University	IN	Negative

Meredith College	NC	Negative
Moravian College	PA	Stable
Mount Aloysius College	PA	Stable
Mount Vernon Nazarene University	OH	Stable
Nazareth College of Rochester	NY	Stable
New York Institute of Technology	NY	Stable
Niagara University	NY	Stable
Randolph College (fka Randolph-Macon Woman's College)	VA	Stable
Rensselaer Polytechnic Institute	NY	Stable
Roanoke College	VA	Stable
Seattle Pacific University	WA	Negative
Seton Hall University	NJ	Stable
St. Bonaventure University	NY	Stable
Stevens Institute of Technology	NJ	Positive
The New School, A University	NY	Stable
Washington & Jefferson College	PA	Stable
Wayland Baptist University	TX	Negative
BBB		
Arcadia University	PA	Negative
D'Youville College	NY	Stable
Gwynedd-Mercy College	PA	Stable
Iona College	NY	Stable
Juniata College	PA	Stable
Kings College	PA	Stable
Lenoir-Rhyne University	NC	Stable
Lewis University	IL	Stable
Lindsey Wilson College	KY	Stable
Loyola University of New Orleans	LA	Stable
Marian University	IN	Positive

McDaniel College	MD	Positive
Molloy College	NY	Stable
Neumann University	PA	Stable
Pacific University	OR	Stable
Queens University of Charlotte	NC	Stable
Regent University	VA	Stable
Saint Francis University	PA	Stable
Simmons University	MA	Stable
Springfield College	MA	Negative
St. Edward's University	TX	Negative
St. John's College	MD	Positive
University of Dubuque	IA	Negative
University of Indianapolis	IN	Stable
University of St. Thomas	TX	Stable
Ursinus College	PA	Stable
Washington College	MD	Negative
Westminster College	PA	Stable
Widener University	PA	Stable
Willamette University	OR	Stable
BBB-		
Augustana University	SD	Stable
Ave Maria University	FL	Stable
Bard College	NY	Positive
Barton College	NC	Stable
Benedictine University	IL	Stable
Cabrini University	PA	Stable
Capital University	OH	Stable
Carlow University	PA	Stable
Champlain College	VT	Stable

Chatham University	PA	Stable
Dominican University	IL	Stable
Eastern University	PA	Stable
Elizabethtown College	PA	Stable
Florida Institute of Technology	FL	Stable
Georgian Court University	NJ	Stable
Guilford College	NC	Negative
Hendrix College	AR	Negative
Houghton College	NY	Stable
Houston Baptist University	TX	Positive
Howard University	DC	Positive
Lake Forest College	IL	Stable
Lawrence Technological University	MI	Stable
Lipscomb University	TN	Stable
Lubbock Christian University	TX	Negative
Merrimack College	MA	Stable
Oklahoma City University	OK	Stable
Pace University	NY	Stable
Sarah Lawrence College	NY	Stable
Seton Hill University	PA	Stable
Southwest Baptist University	MO	Negative
St. Michael's College	VT	Stable
Stevenson University	MD	Stable
The Master's University	CA	Stable
Tiffin University	OH	Stable
University of Northwestern Ohio	OH	Stable
University of Evansville	IN	Stable
University of Findlay	OH	Stable
University of Hartford	CT	Negative

University of New Haven	CT	Stable
Western New England University	MA	Stable
Westminster College	UT	Stable
Wilkes University	PA	Stable
Wingate University	NC	Stable
Yeshiva University	NY	Stable
BB+		
Alvernia University	PA	Stable
Bethel University	MN	Stable
Chaminade University of Honolulu	HI	Stable
Greenville University	IL	Stable
Marymount University	VA	Stable
Marywood University	PA	Stable
Mount St. Mary's University	MD	Stable
Saint Leo University	FL	Stable
BB		
Anna Maria College	MA	Stable
Hartwick College	NY	Stable
Hawaii Pacific University	HI	Stable
Hiram College	OH	Stable
La Salle University	PA	Negative
Lasell College	MA	Negative
Mercyhurst College	PA	Stable
Methodist University	NC	Stable
Pacific Lutheran University	WA	Negative
Rider University	NJ	Stable
Saint Elizabeth University	NJ	Stable
Sweet Briar College	VA	Positive
University of the Sacred Heart	PR	Stable

CCC

Medaille College

NY

Negative

Table 7

Glossary of ratios and terms

Metric or ratio	Definition
ENROLLMENT AND DEMAND	
Average ACT scores	Average ACT scores for entering first-year students
Average SAT scores	Average combined math and reading SAT scores for entering first-year students
First-year acceptance rate (%)	Number of students accepted/total number of first-year applications
FTE enrollment	Total students enrolled on a full-time-equivalent basis
In-state students (%)	Students enrolled who come from within the state/total students enrolled
Retention rate (%)	Freshmen students who matriculated for sophomore year/total students who completed their first year
Six-year graduation rate (%)	Students who graduate from the university within 6 years/total students in the first-year cohort
Undergraduate students (%)	Total number of undergraduate students/total students
FINANCIAL PERFORMANCE	
Net adjusted operating margin (%)	Total adjusted operating income/total adjusted operating expenses
REVENUE DIVERSITY	
Gifts and pledges revenue (%)	Gifts and pledges/total adjusted operating revenues
Grants and contracts revenue (%)	Government grants and contracts/total adjusted operating revenues

Investment and endowment revenue (%)	Endowment spending income and investment income/total adjusted operating revenues
Student-generated revenue (%)	(Gross tuition and fees + auxiliary revenues)/total adjusted operating revenues
FINANCIAL AID/EXPENSE RATIOS	
Financial aid burden (%)	Total financial aid expense/total adjusted operating expenses
Instruction (%)	Instructional expense/total adjusted operating expenses
Tuition discount rate (%)	Total financial aid expense/gross tuition revenue
ENDOWMENT	
University endowment market value (\$000s)	Market value of endowment as of fiscal year end
FINANCIAL RESOURCE RATIOS	
Cash and investments to debt (%)	Total cash and investments/total debt
Cash and investments to expenses (%)	Total cash and investments/total adjusted operating expenses
DEBT	
Average age of plant	Accumulated depreciation/depreciation expense
MADS burden (%)	Maximum annual debt service/total adjusted operating expense
FULL-TIME EQUIVALENT RATIOS	
Endowment per FTE (\$)	Market value of foundation and endowment/FTE
State appropriations per FTE (\$)	Total state operating appropriations/FTE
Total debt per FTE (\$)	Total debt/FTE
DEFINITIONS	
Cash and investments	Total cash, short term and long term investments
Total adjusted operating expenses	Total operating expenses + institutionally funded financial aid + interest expense - non-cash pension and other postemployment benefit expenses

Total adjusted operating revenues Total operating revenues + institutionally funded financial aid + state appropriations + federal and state grants + endowment spending - realized and unrealized gains

This report does not constitute a rating action.

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