



Outlook for US Higher Education

**Connecticut Conference of Independent Colleges
December 2, 2014**

Agenda

1. Portfolio and the Team
2. US Higher Education Outlook
3. The Connecticut Market
4. Recent Rating Activity
5. Recent Publications



Portfolio and the Team

Moody's Rates Universities Around the World

» Team of 30 credit analysts bring sector and regional expertise to ratings

- >520 public & private four-year universities
- >200 two-year colleges
- 100 not-for-profit organizations
- 40 private K-12 schools

United States



- 10 public universities
- Ratings from Aa1-A3

Canada



- 4 public universities
- 1 not-for-profit organization
- Ratings from Aaa-Aa2

England



- 3 public universities
- Ratings from Aa1-Aa2

Australia



- 2 public universities
- Both rated Aaa

Singapore



- 1 public university
- Rated Baa3

Mexico



- 1 public university based on a guaranty by a regional government

Spain



US Higher Education and Not-for-Profits Team

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Susan Fitzgerald	x 6832	Mary Kay Cooney	x 7815	Mike Osborn	x 7108
		Dennis Gephardt	x 7209	Susan Shaffer	x 4132
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			Team Assistant	Devika Ramdat	x 4953



US Higher Education Outlook

Outlook for US Higher Ed is Negative

Outlook Horizon: 12-18 months

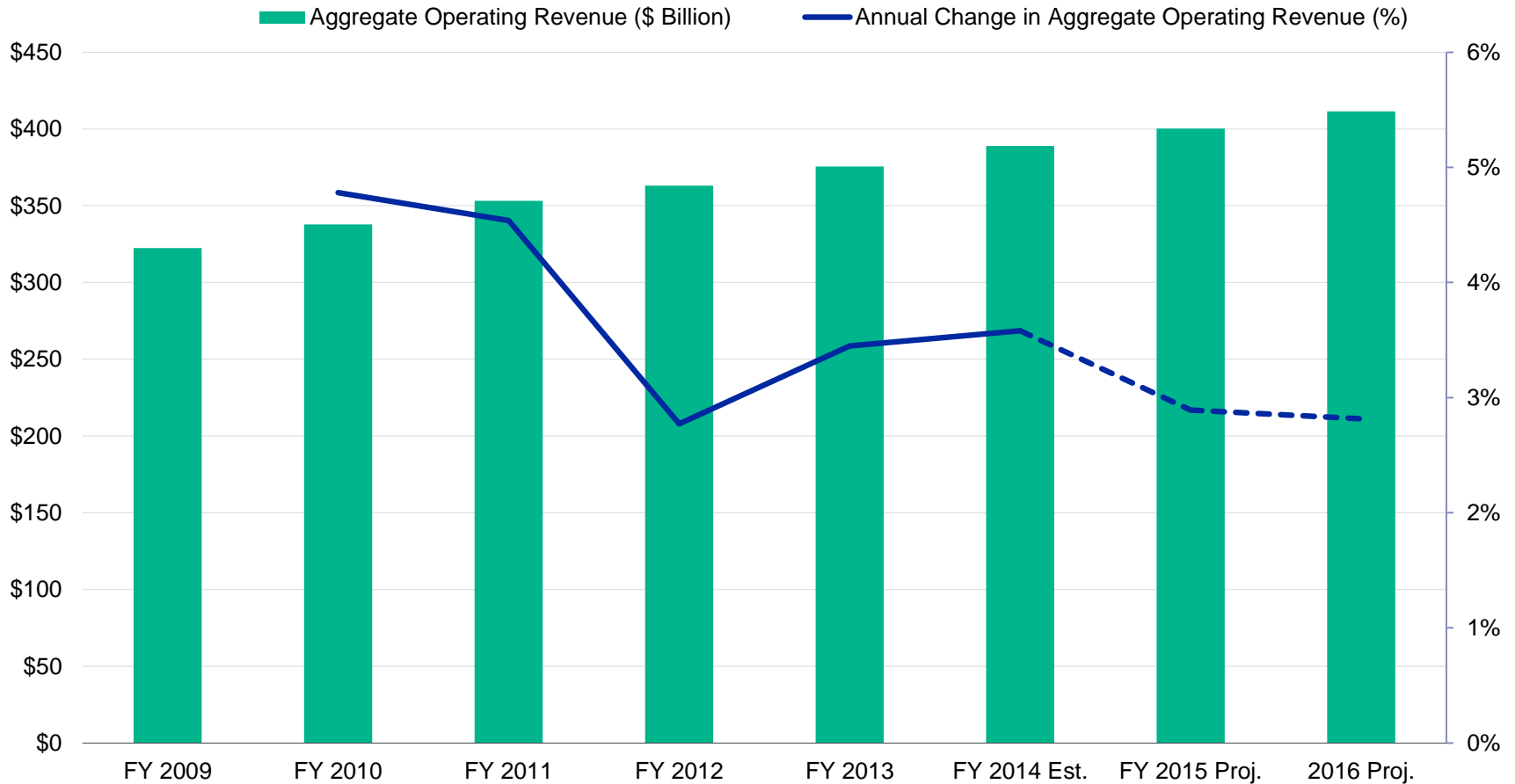
Key Drivers

- » Operating revenue growth slowing to below 3%, coupled with mounting expenses
- » Price sensitivity constrains net tuition revenue growth
- » State funding is growing, but remains below pre-recession levels; some strings attached
- » Research & patient care revenue increasingly competitive

Signs of Stability

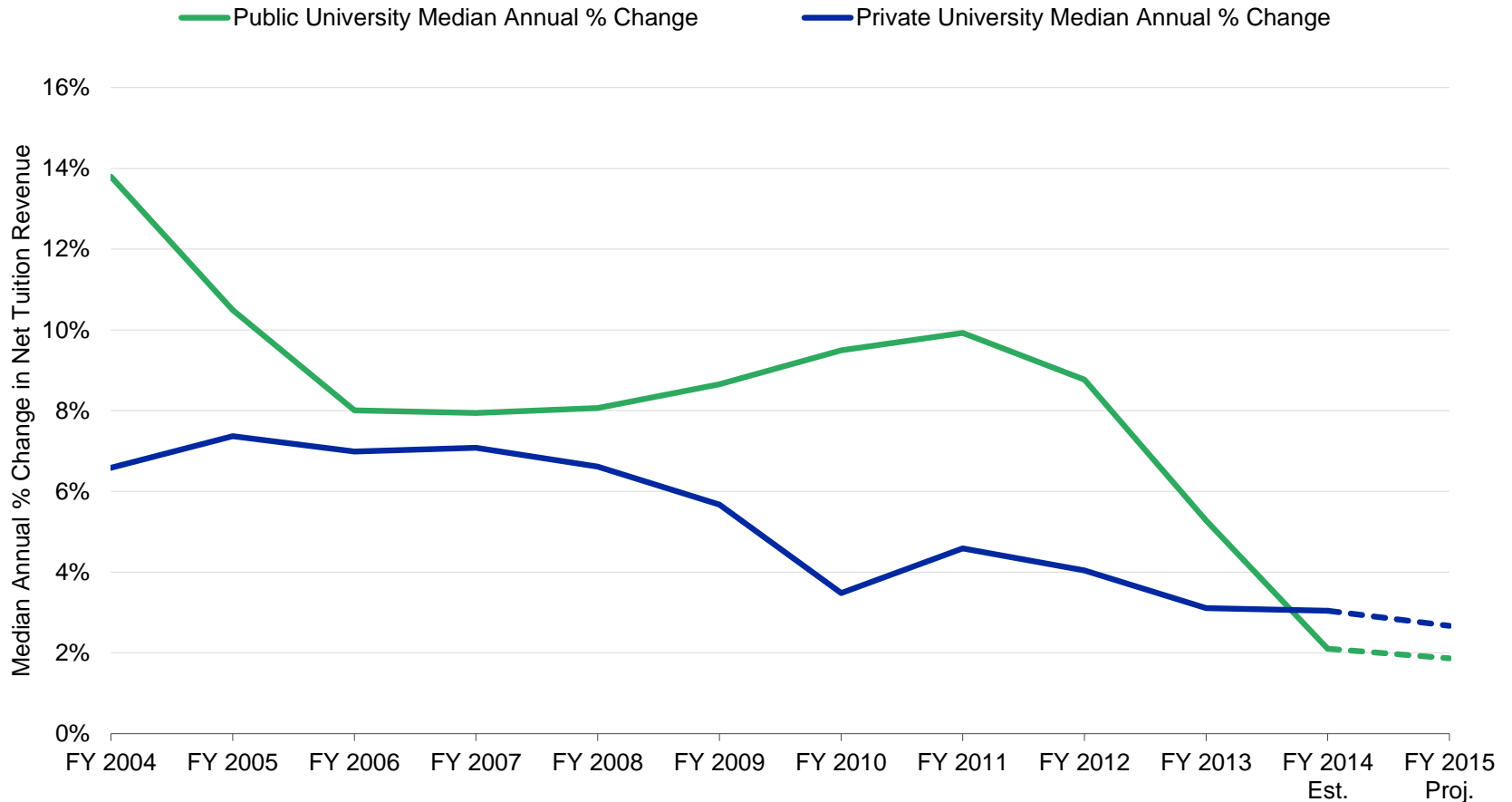
- » Strong overall student demand
- » Equity market returns bolster fundraising and investment income

Aggregate Revenue Growth Remains Depressed



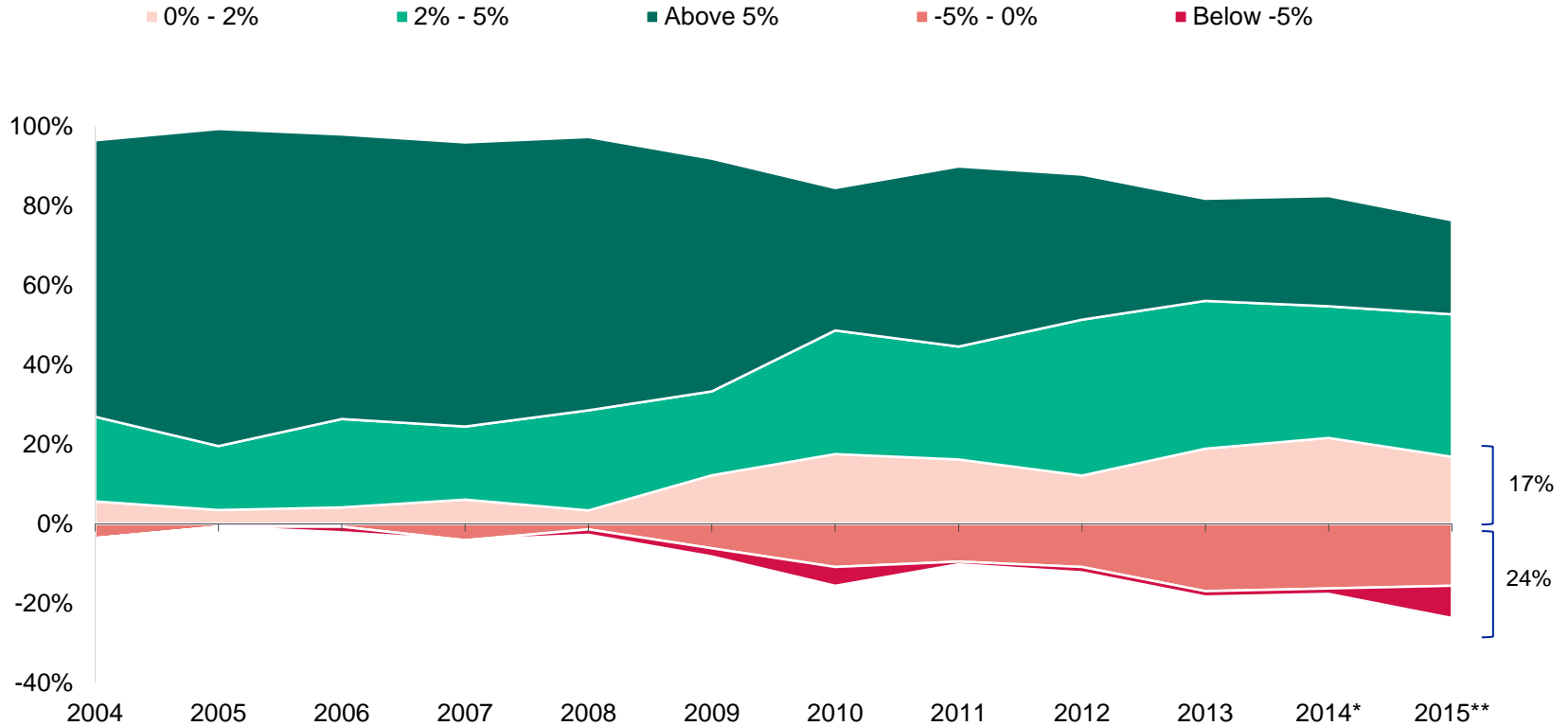
Source: Moody's Investors Service, *2014 and 2015 are projected by Moody's

Pricing Power Continues to Erode for Public and Private Universities



Source: Moody's Investors Service, *2014 and 2015 are projected by Moody's

Private Universities Continue to Confront Constrained Net Tuition Revenue Growth

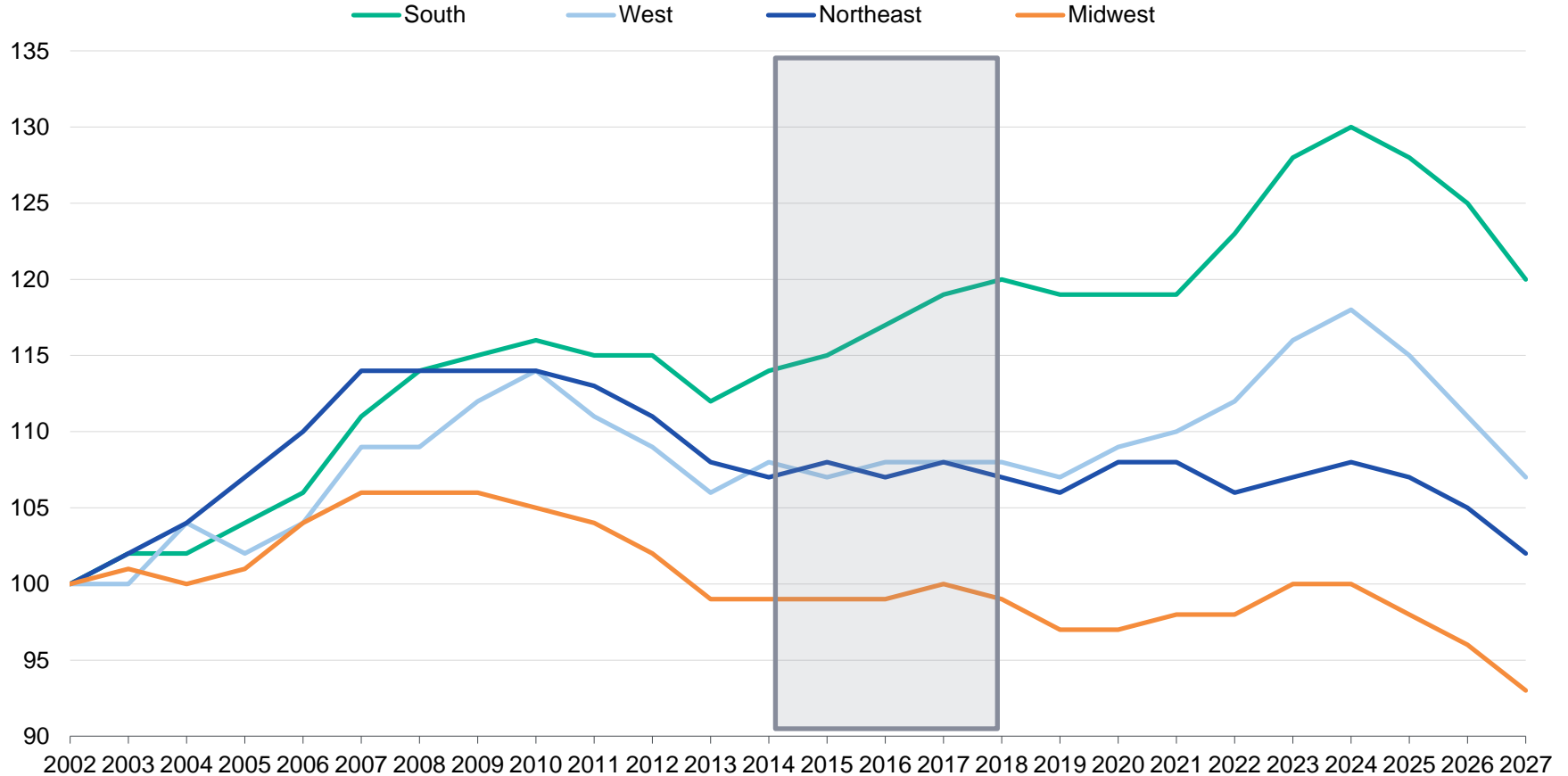


Note: *FY2014 estimated, **FY 2015 forecasted

Source: Moody's Investors Service

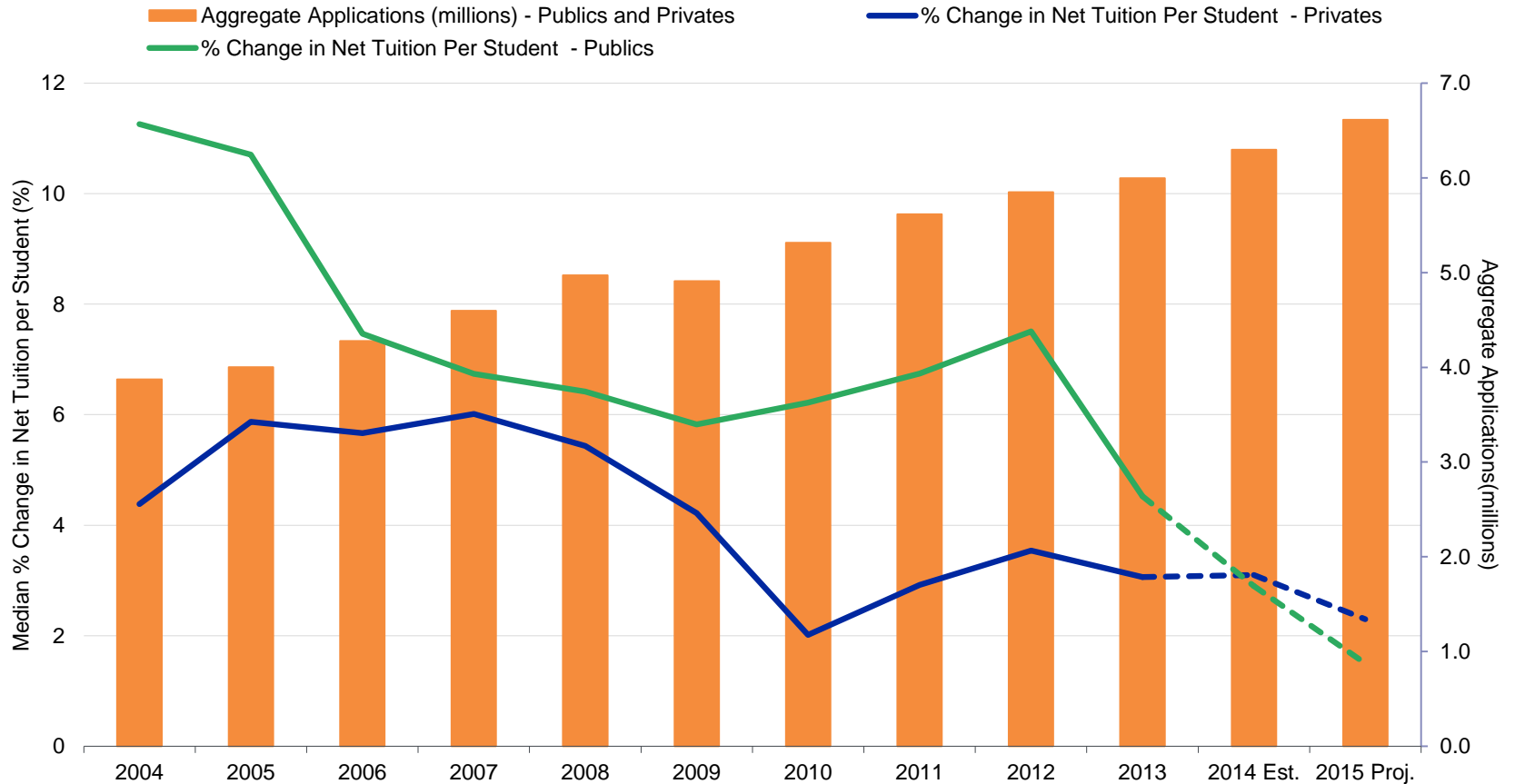
Flat High School Graduates Over Next Several Years

Projected High School Graduates (Base period: 2002 = 100)



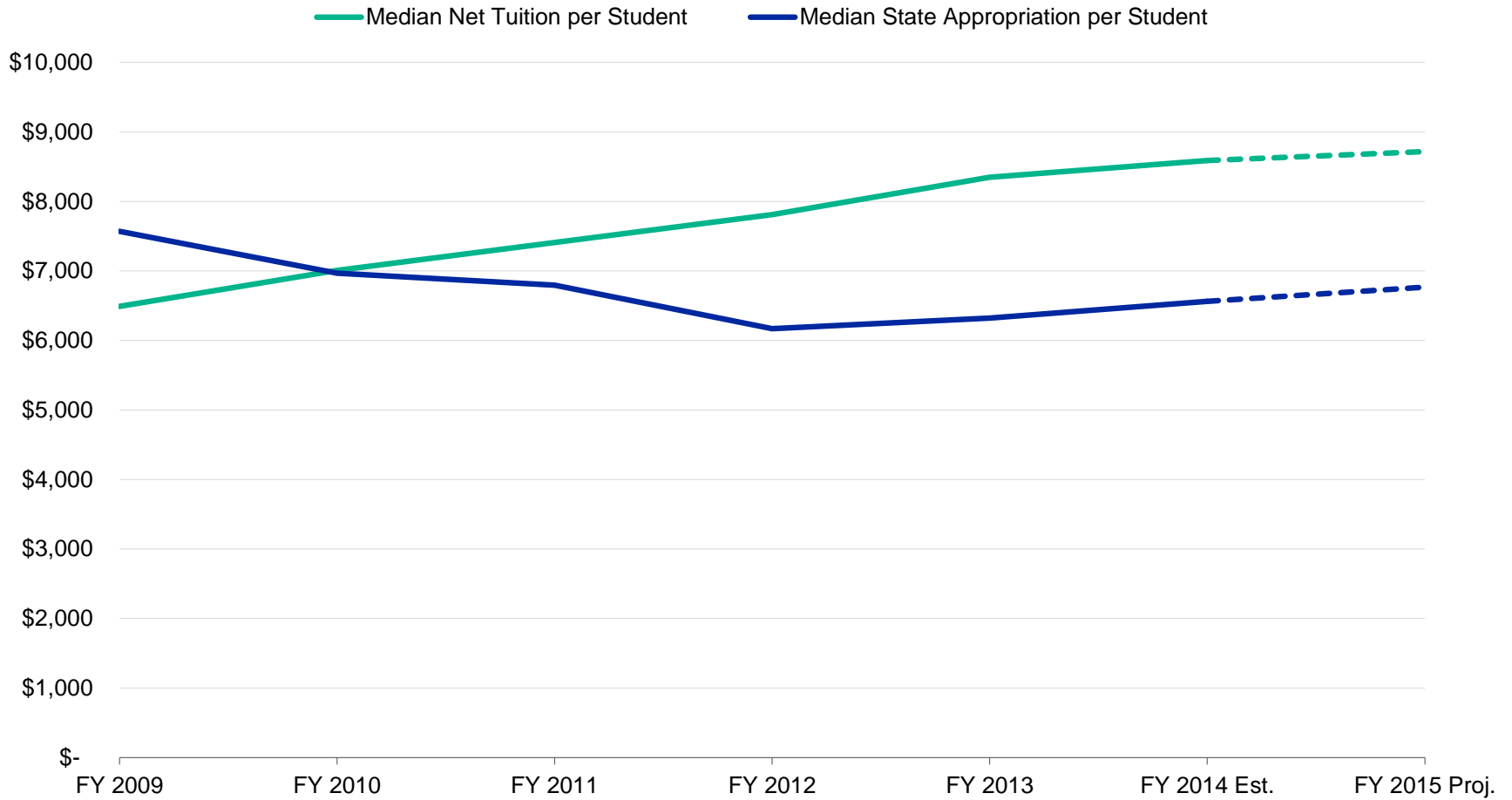
Source: WICHE, Moody's Economy.com

Growth in Net Tuition Per Student Slows Despite Increase in Applications



Source: Moody's Investors Service

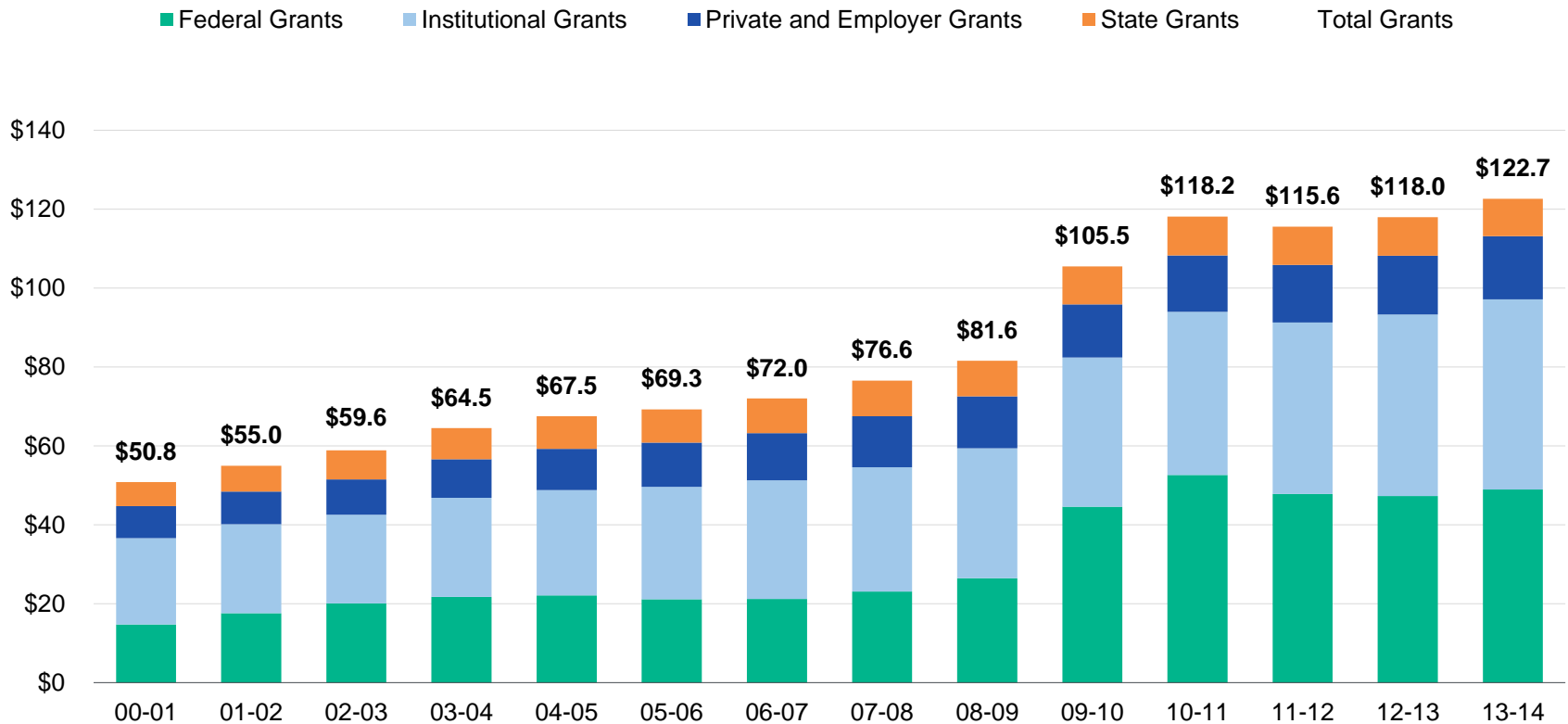
Growth in Net Tuition Per Student Eclipses State Appropriations at Public Universities



Source: Moody's Investors Service, *2014 and 2015 are projected by Moody's

Financial Aid Grants Begin to Stagnate

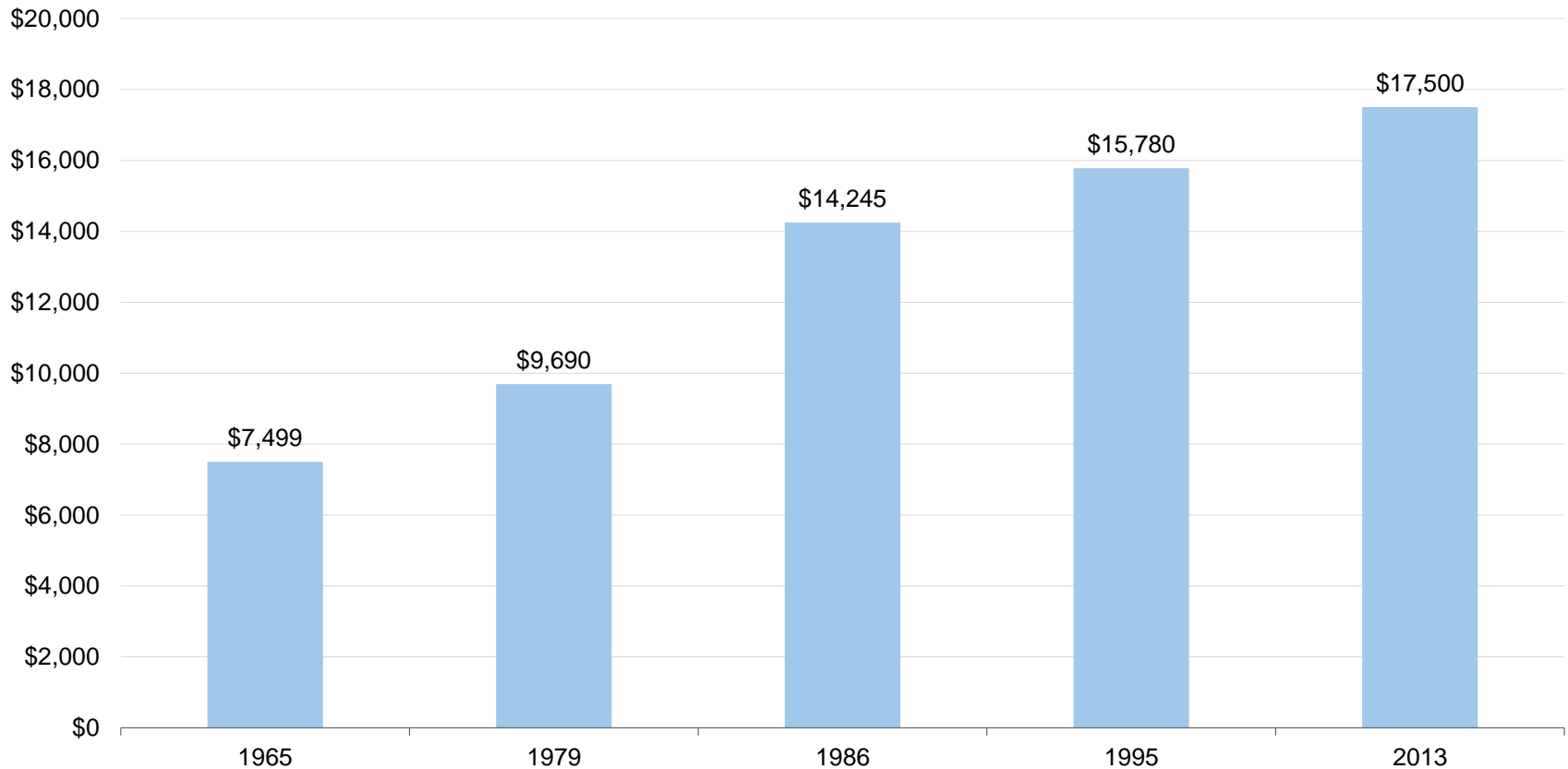
Growth of Various Grants Dollars in 2013 dollars (\$ billions)



Source: College Board, Trends in Student Aid 2014

Growing Earnings Disparity Drives Long-Term Demand

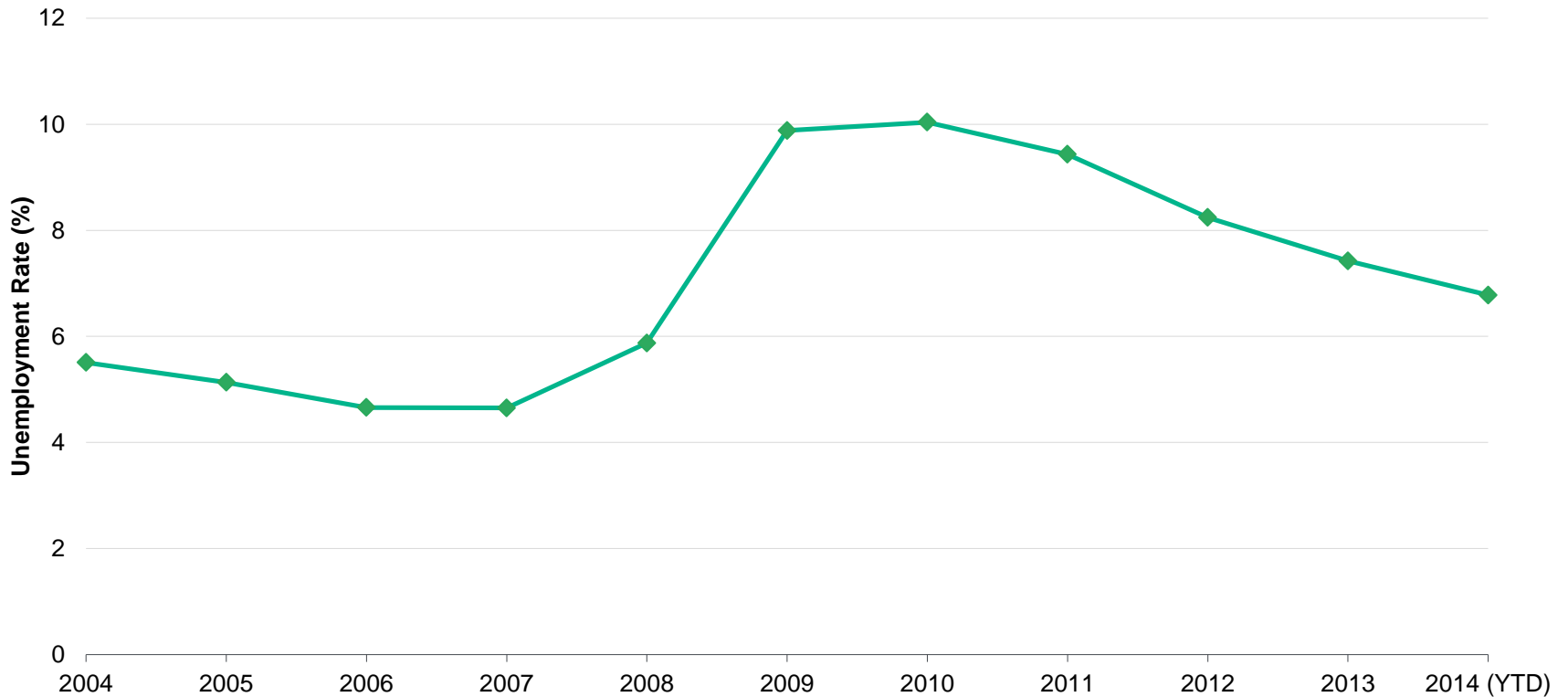
Difference in median annual earnings of college and high school graduates at the ages of 25 to 32 (2012 dollars)



Source: *Pew Research Center, February, 2014, "The Rising Cost of Not Going to College"*

Employment Outlook for Recent Grads Slowly Improving

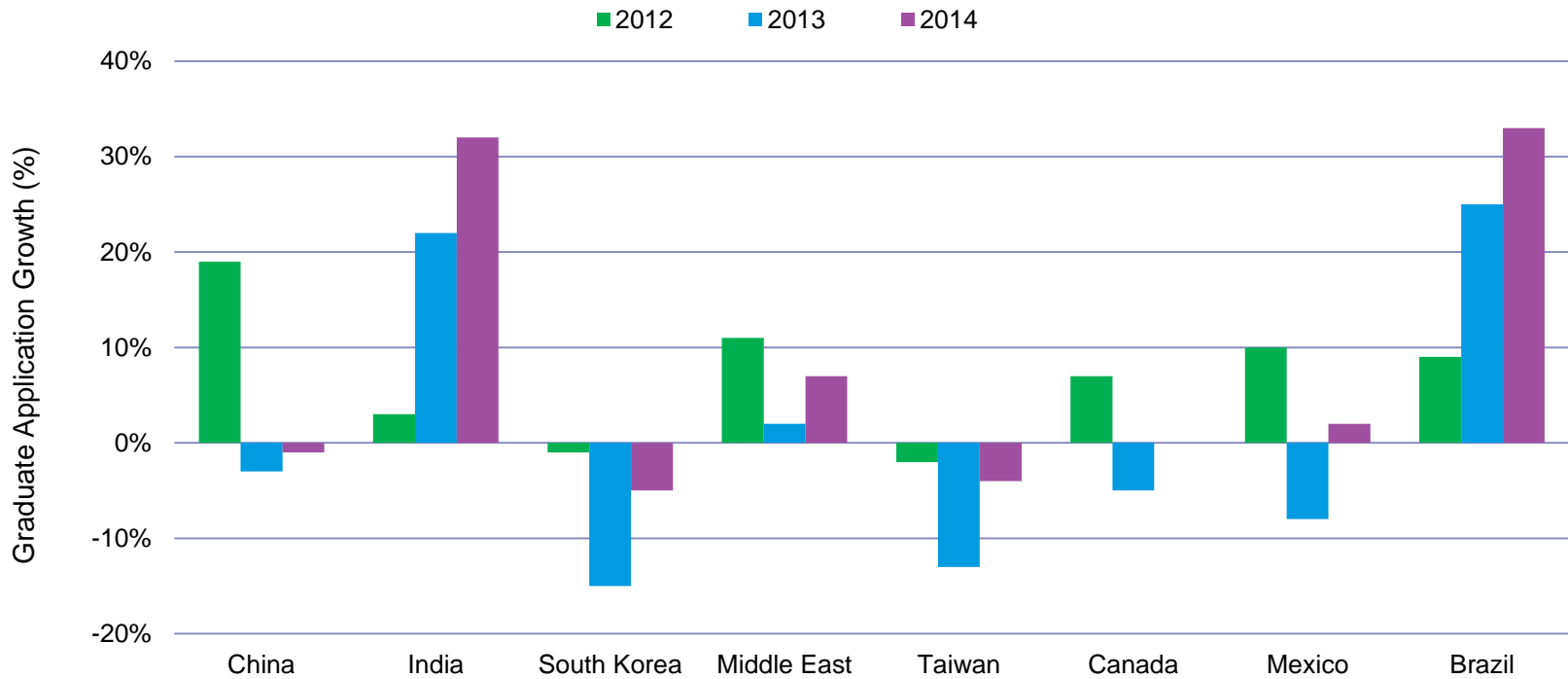
Average Unemployment Rate (%): 24 to 34 Year



Source: Bureau of Labor Statistics

Increased International Graduate School Applications to US Universities

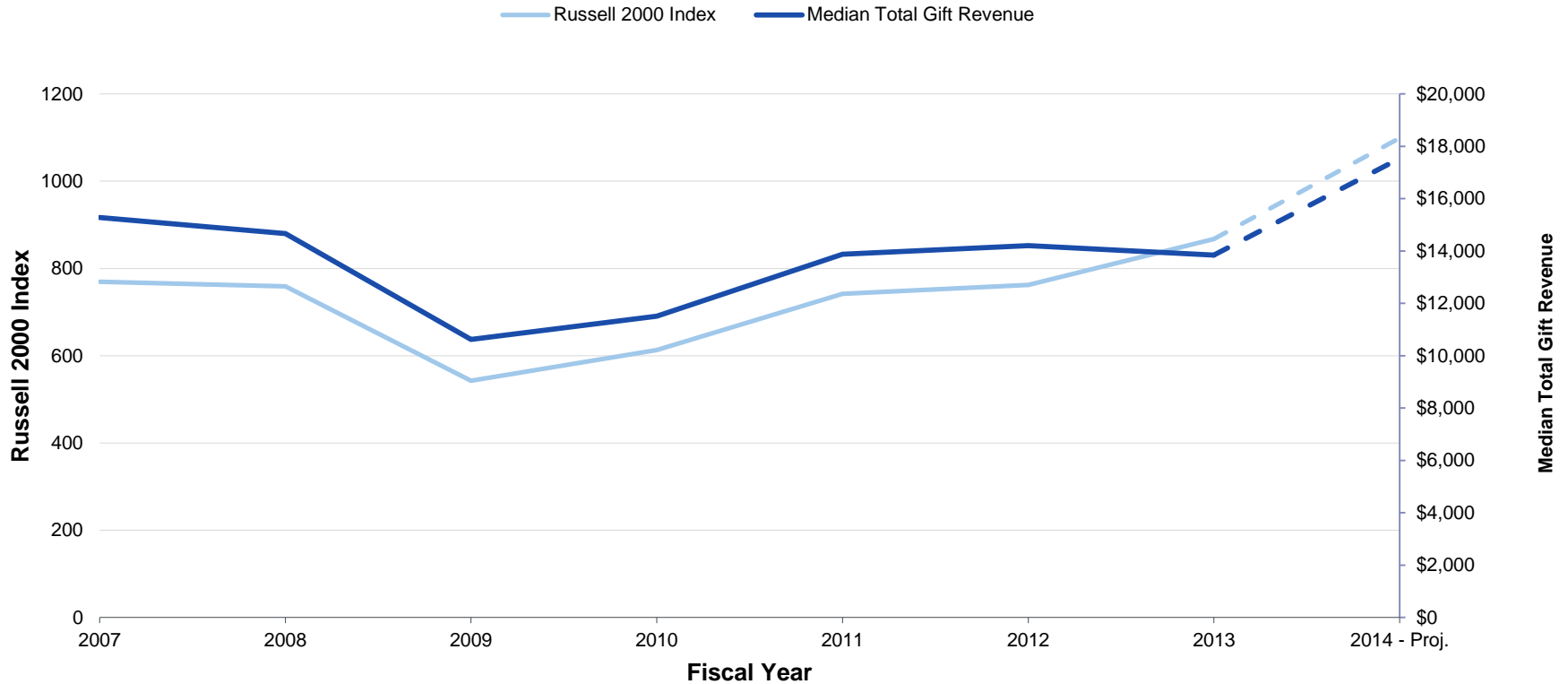
Annual Change in International Graduate Application Volume Sorted by Largest Source of Enrollment (left to right)



Source: Council of Graduate Schools (CGS) Graduate Admissions Survey (2014)

Bull Market Run in Equities Aids Gift Revenue Outlook

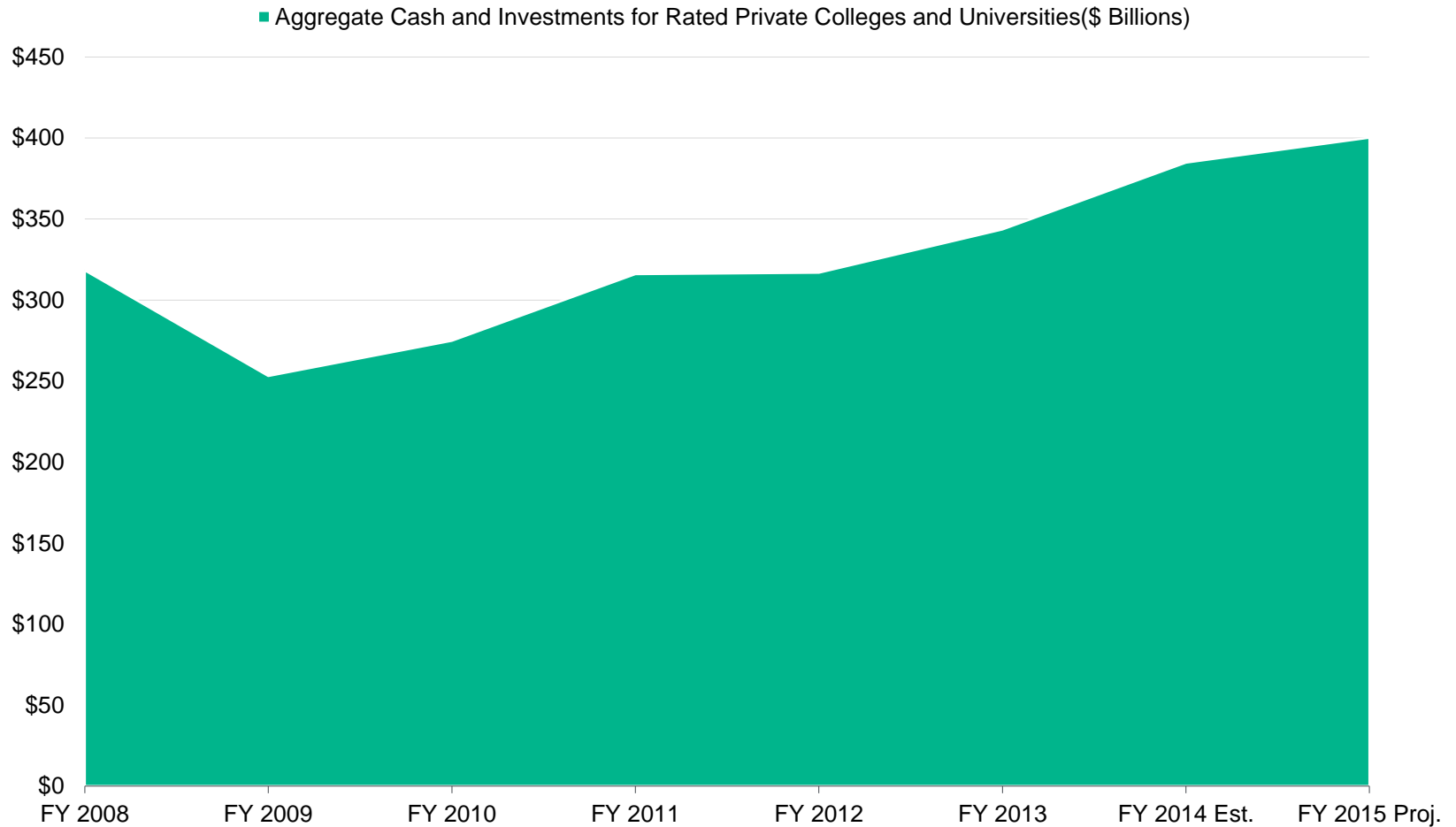
Gift Revenues Highly Correlated with Market Returns



Asset recovery will also increase endowment support for operations with the median private university seeing year-over-year increases in 6% range for fiscal years 2014 and 2015.

Source: Moody's Investors Service

Strong Endowment Returns and Gifts Bolster Cash and Investments After Recession



Source: Moody's Investors Service, *2014 and 2015 are projected by Moody's



The Connecticut Market

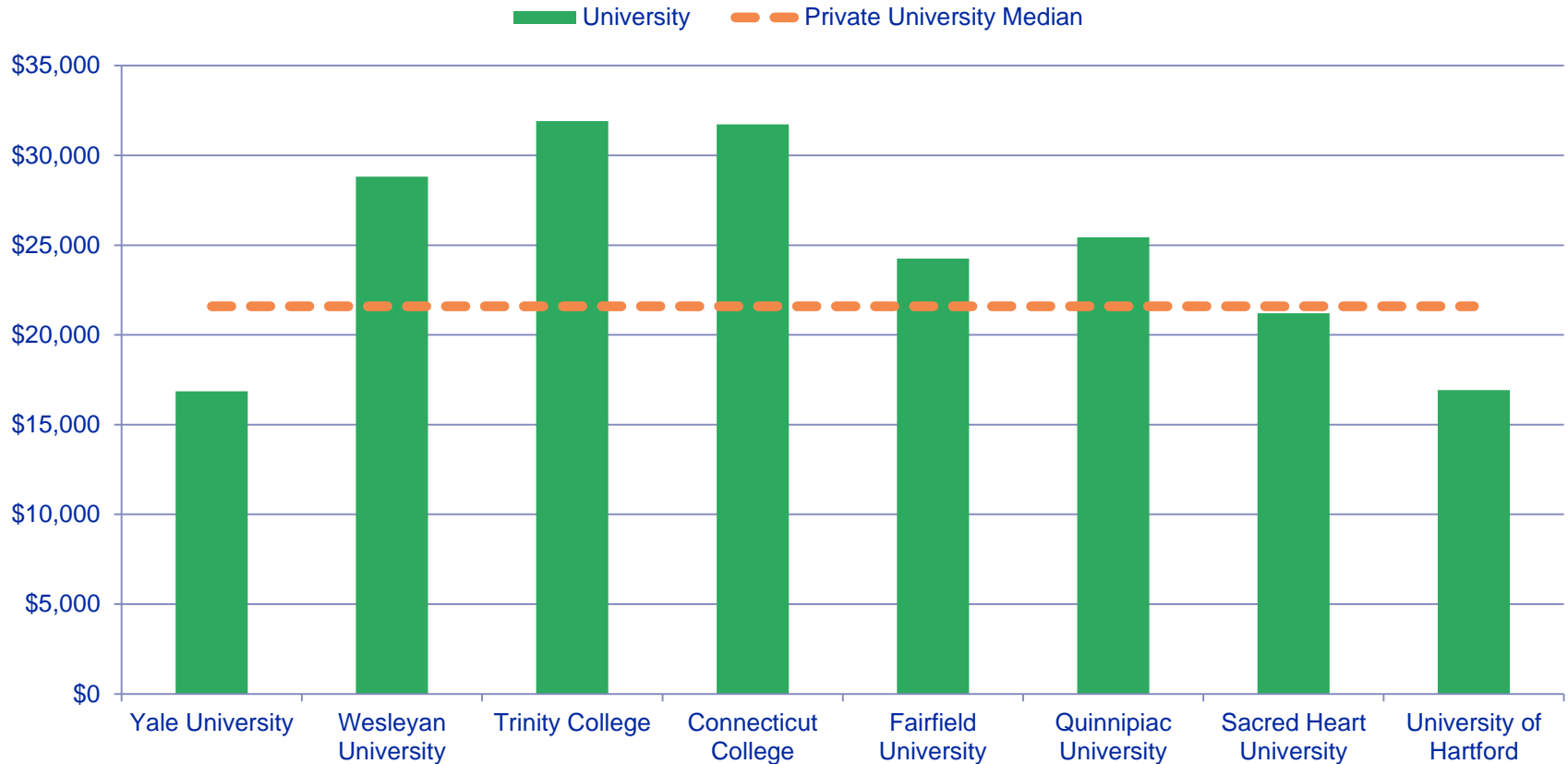
Moody's Rated Connecticut Private Colleges & Universities

College/University	Rating	Outlook	Operating Revenue (\$'000)	Debt Outstanding (\$'000)	Total Cash & Investments (\$'000)	Total Enrollment FTE
Yale University	Aaa	Stable	2,879,839	3,552,682	22,359,764	12,018
Wesleyan University	Aa3	Stable	200,034	210,102	756,906	3,135
Trinity College	A1	Stable	135,385	141,699	502,414	2,219
Connecticut College	A2	Stable	104,719	69,636	256,645	1,883
Fairfield University	A3	Stable	191,719	218,316	334,238	5,161
Quinnipiac University	A3	Stable	294,195	455,982	328,702	8,363
Sacred Heart University	Baa1	Stable	165,646	124,049	162,408	5,742
University of Hartford	Baa3	Stable	172,824	106,246	155,058	6,026
FY 2013 US PRIVATE MEDIAN			128,967	106,231	290,974	3,257

Source: Moody's Investors Service, FY 2013, fall 2013 enrollment

CT Privates' Net Tuition: Combination of Pricing Power, Program Mix, and Mission

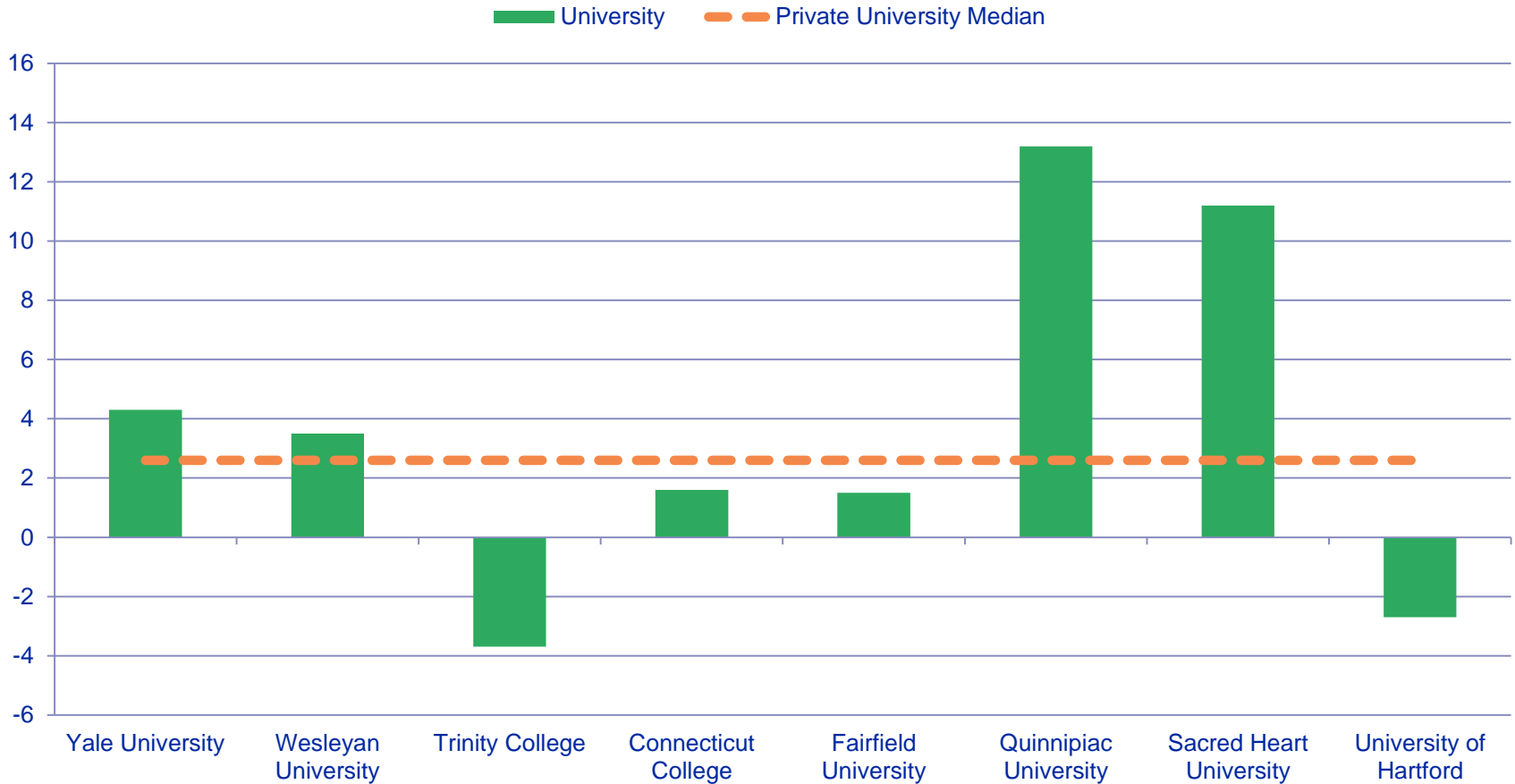
Net Tuition per Student (\$)



Source: Moody's Investors Service, FY 2013

Enrollment Trends at CT Universities Vary

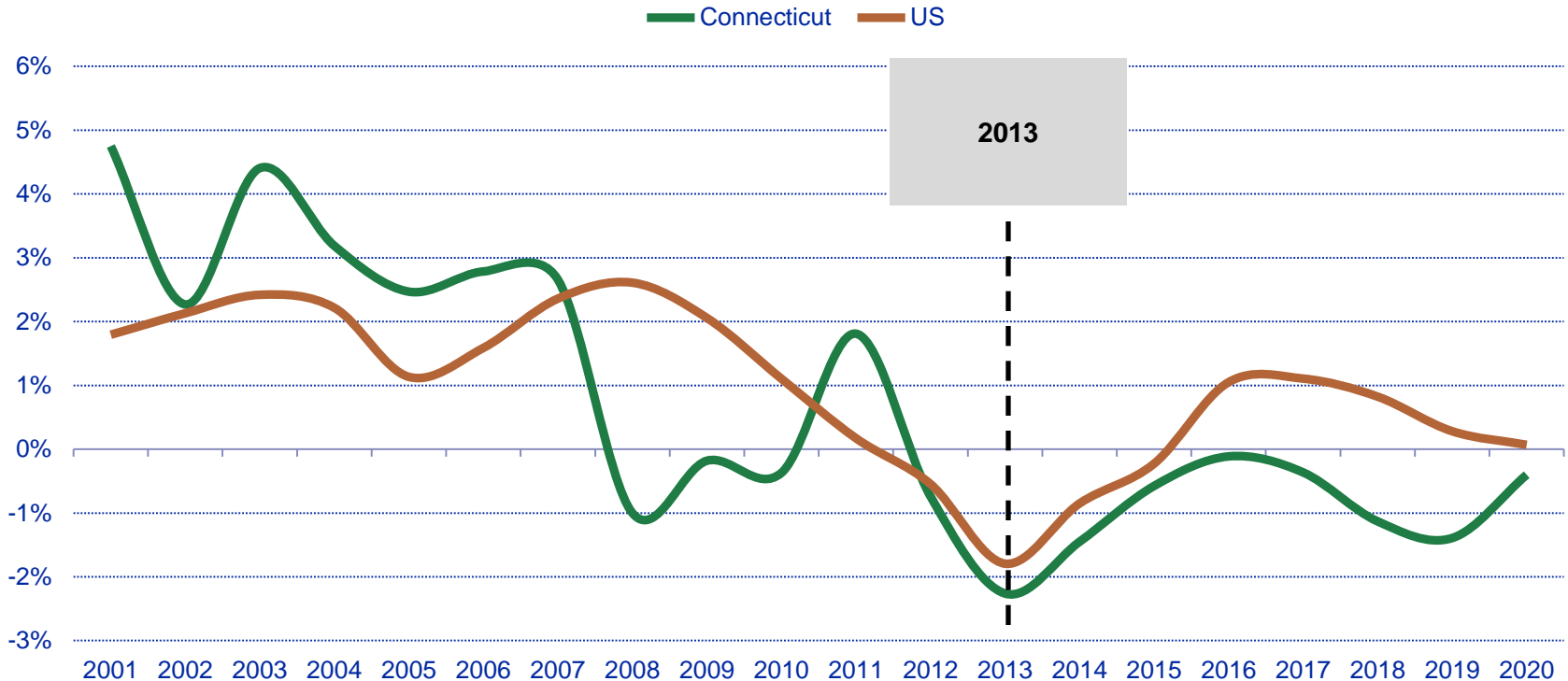
5-Year Change in Total FTE Enrollment, 2009-2013 (%)



Source: Moody's Investors Service, FY 2009 - 2013

CT has Weaker Projected Growth in High School Graduates than the National Average

Three-year average of % change in HS graduates



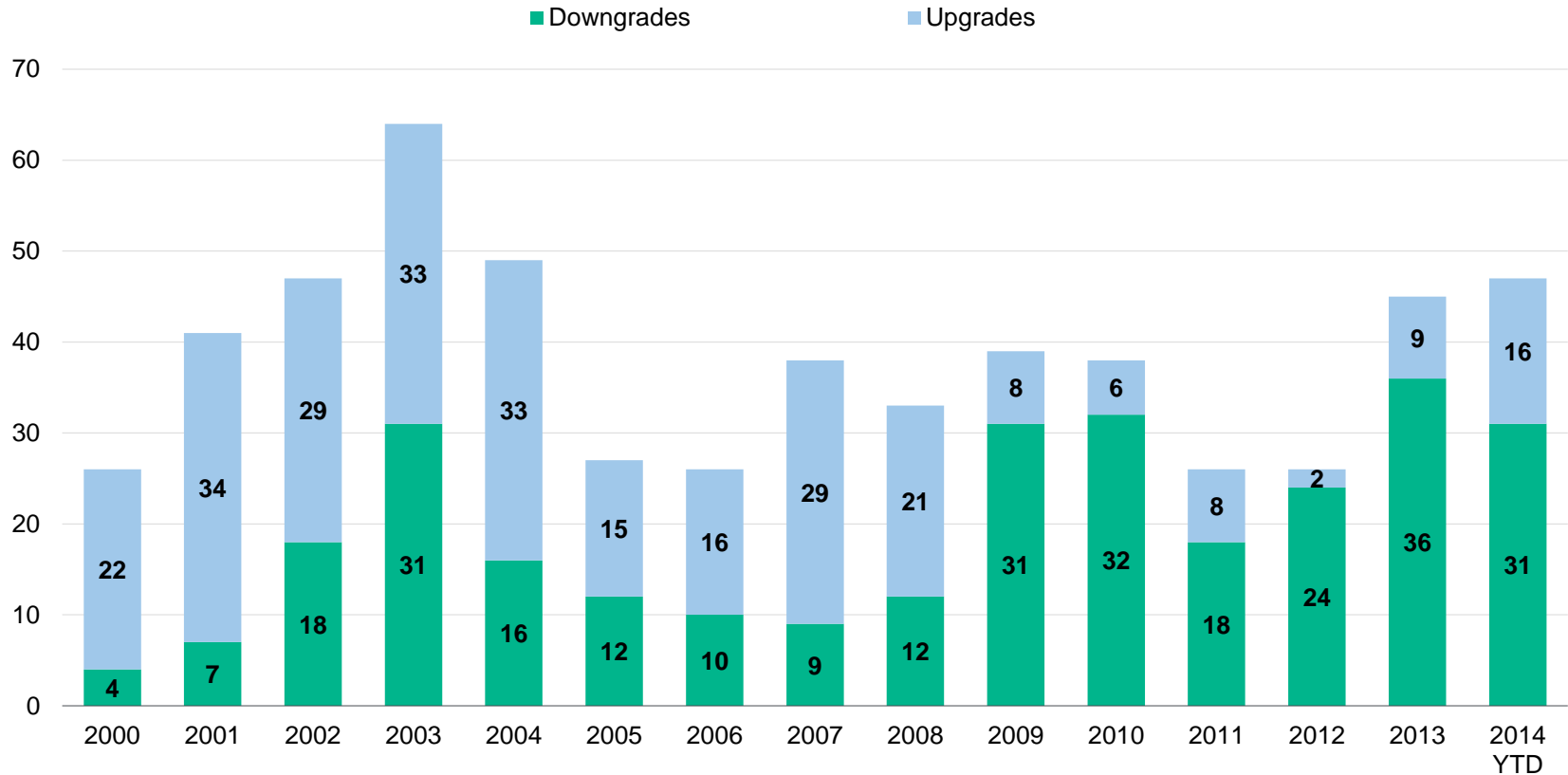
Source: Western Interstate Commission for Higher Education, *Knocking at the College Door* 2012



Recent Rating Activity

Downgrades Continue to Outpace Upgrades

US Public and Private Universities





Recent Publications

Partial List of Recent Higher Education Publications

- » Sector Outlooks
- » Annual Tuition Survey
- » Annual Medians Reports:
 - » Private universities, including Flashcard
 - » Public universities, including Flashcard
 - » K-12 independent schools
 - » Not-for-Profit sector
- » New Methodology: K-12 Independent Schools
- » New Methodology: Not-for-Profit Methodology
- » Quarterly Self-Liquidity Reports
- » Topical Research
 - » Academic Medical Centers
 - » US Enrollment Trends
 - » US Federal and State Budgets for Higher Education
 - » Fundraising Trends
 - » Impact of Non-Degree Credentials
 - » International Credit Comparisons and Trends

Source: Moody's as of Nov. 15, 2014

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