

Flagship Institutions Continue To Be Among The Strongest In The U.S. Public University Sector

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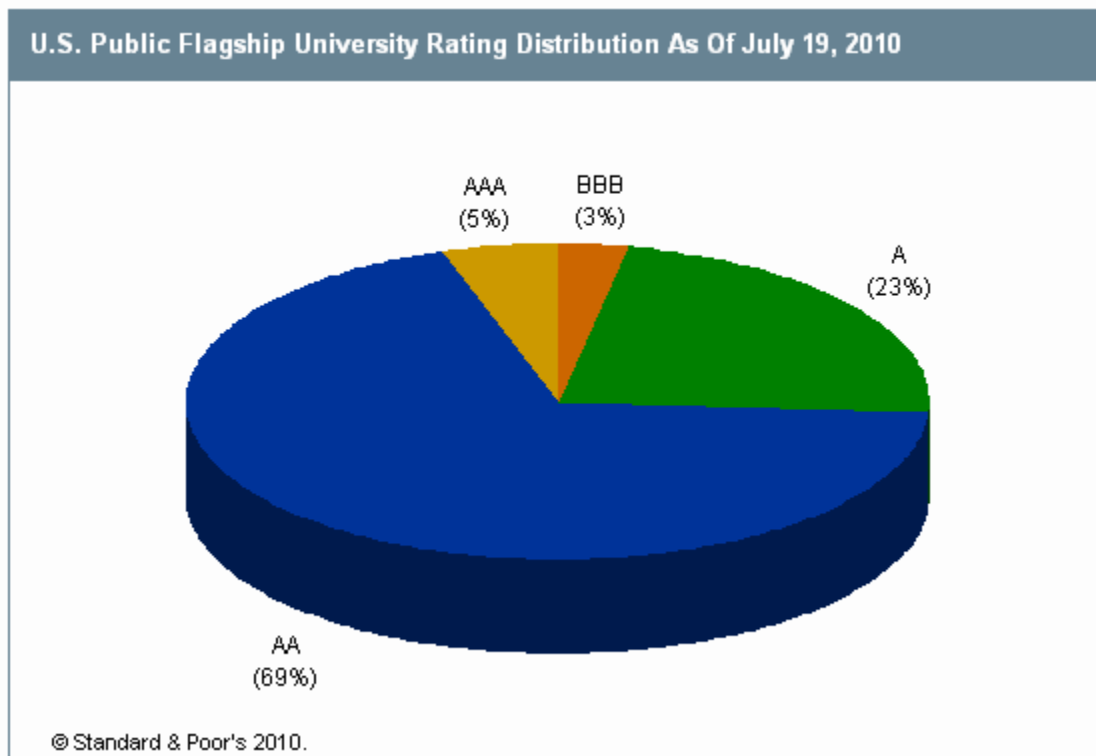
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Flagship Institutions Continue To Be Among The Strongest In The U.S. Public University Sector

In Standard & Poor's Ratings Services' opinion, U.S. public university flagship institutions continue to be among the strongest credits we review in the public university sector. We believe this is due to their generally strong financial resources, demand stability, and revenue diversity. As such, we typically assign the highest ratings to such public higher-education institutions within their respective states. However, we believe that flagships are undergoing a period of transition: accounting changes, weak investment markets, federal stimulus programs, and broad state appropriation cuts to public higher education are all affecting the institutions' financial results. The flagship designation is within Standard & Poor's discretion.

We recently published an article that discussed the myriad issues the public university sector as a whole is now facing (see "U.S. Higher Education Braces For More State Cuts As The Federal Stimulus Subsides," published April 14, 2010, on RatingsDirect on the Global Credit Portal). In our view, the credit trends and concerns that we cited in that report also apply to flagship universities. In addition to continued state appropriation pressures, challenges include, in our view, a discontinuation of federal stimulus money in fiscal years 2011 and 2012, growing deferred maintenance, the affordability of higher education, slowed fundraising, and demographic pressures. As a result, our credit view of the public university sector is "mixed." However, we believe the flagship institutions, as a group, reflect a more stable credit quality than other institutions within the public university sector.

U.S. Public Flagship University Rating Distribution As Of July 19, 2010



Flagship Ratings Tend To Be Strong And Stable

The debt and issuer credit ratings of flagship universities typically carry the highest ratings among public colleges and universities that we review in their respective states, and we believe that, as a class, these institutions demonstrate strong credit quality. As seen in the chart above, of the 64 flagship public universities with debt or issuer credit ratings by Standard & Poor's, 69% have unlimited student fee (USF) ratings in the 'AA' rating category, 23% are in the 'A' category, two institutions (3%) are in the 'BBB' category, and three (5%) are rated 'AAA'. Of the three public universities that we rate 'AAA', all are flagships: University of Michigan (UM), University of Virginia (UVA), and The University of Texas System. Table 1 shows current institution ratings and outlooks.

In 2009 Standard & Poor's expanded its government-related entity (GRE) criteria to U.S. public finance, and particularly to public universities (see "How Standard & Poor's Applies Its GRE Rating Criteria to Public Universities," published May 27, 2010, on RatingsDirect on the Global Credit Portal). As discussed in our article, we raised the USF ratings on the bonds of only eight public universities due to our view of the institutions' strong links to their respective states and important roles within their states, resulting, we believe, in the probability of state credit intervention in extraordinary circumstances. Of the public universities with GRE ratings greater than their stand-alone credit profiles, only one, Iowa State University (ISU), is one of our listed flagships. We list ISU's rating as 'AA' in the statistical charts, and noted in its published credit rationale that ISU's stand-alone credit profile is, in our view, 'AA-'. In general, most flagship institutions are rated fairly close to their respective state general obligation (GO) ratings; thus, typically, our ratings of a flagship institution do not benefit from a higher rating with the application of GRE criteria.

The preponderance of stable rating outlooks among flagship institutions further demonstrates, in our view, the stability of the sector -- despite the effects of the recession and state budget deficits. Of the 64 institutions in table 1, the ratings on 57, or 89%, have stable outlooks. Only two, Arizona State University and the University of Illinois, have underlying ratings with negative outlooks. The outlook on five universities' bond ratings is positive: Florida State University, Indiana University, Purdue University, Ind., The University of Missouri System, and Clemson University, S.C.

In addition, there have been relatively few rating upgrades, downgrades, and outlook changes among the flagships. Recent changes include the following:

- In June 2010, we raised our rating to 'A+' from 'A' on South Dakota State University bonds and the University of South Dakota bonds issued through the Board of Regents;
- In March 2010, we revised the outlook on Arizona State University's bond rating to negative from stable;
- In January 2010, we revised the outlook to negative from stable on the University of Illinois' ratings (and all other rated Illinois public universities) due to our assessment of state cash flow stress;
- In November 2009, we revised the outlook on Indiana University's bond ratings to positive from stable;
- In November 2009, we revised the rating outlook on the University of Kentucky's bonds to stable from positive;
- In June 2009, we raised the rating on Oklahoma State University's bonds to 'AA-' from 'A+';
- In May 2009, we revised the outlook on Florida State University's USF bond rating to positive from stable;
- In April 2009, we revised the rating outlook on California State University's debt to stable from positive; and
- In March 2009, we revised the rating outlook on Purdue University's USF-secured bonds to positive from stable.

What Insulates The Flagships During Recessions?

In our opinion, flagship institutions tend to have characteristics that insulate them from recessions: large endowments, broad and favorable demand, strong financial performance, and strong revenue diversity with lower reliance on state appropriations than other public universities. Eight institutions (13%) have USF-equivalent ratings that are higher than their state's GO rating: UM, and Michigan State University, The University of Texas System, University of Arizona, Arizona State University, University of California System, California State University System, and University of Illinois. Of the listed flagships in table 1, eight, or 13%, have USF ratings that are equal to their state's GO rating.

What Makes A Public University A Flagship?

We exercised our judgment in making the flagship designations used in this article. Within each U.S. state, there is typically one -- sometimes two -- institution of higher education that has what we consider to be flagship characteristics. We believe that one defining characteristic is a broad academic scope: these institutions typically provide a significant number of undergraduate and graduate degrees, including professional degrees such as law, medicine, the health sciences, engineering, or veterinary medicine. Many flagship institutions own, operate, or are affiliated with an academic medical center. Most flagships (or flagship campuses within a system) are the largest institutions in terms of enrollment in their respective states, and also have a significant research base. In addition, most flagships are what we consider to be strong fundraisers and their endowments tend to be larger than those of the smaller regional public universities. Fundraising often correlates with enrollment size, specialized programs, and health science or research activity. Athletic affiliations can also contribute to publicity, an enrollment niche, and fundraising. Of the approximately 26 public universities in the Big 10, Big 12, and Pac 10 athletic conferences, all are what we consider flagships, and all but two are among the flagships listed in this article. Finally, most of the flagship universities listed in this article receive a proportionally larger share of their state capital and operating support, which funding level is related to enrollment size, broad academic scopes, research, and relationship to state economic development initiatives.

Public flagships operate under individual state systems of higher education and are organized differently, resulting in a wide variety of systems, stand-alone campuses, and debt pledges. However, in our view, there are enough similarities in size, scope, and specialization among the institutions to allow comparisons. Several are multicampus systems, with Standard & Poor's credit ratings based on system-wide debt pledges. Examples include State University of New York (SUNY; about 218,000 students); University of California (220,000 students); California State University (435,000 students); The University of Texas System (195,000 students); and the University of Maine System (32,600 students). Others are primarily single-campus institutions, such as the University of Oklahoma (26,200); Rutgers University, N.J. (52,000); University of Wyoming (the only four-year public institution in the state; about 13,000); and Clemson University, S.C. (18,300). In several states we consider the designated land-grant institution to be a co-flagship due to similar (or in some cases larger) enrollment, a separate but significant research base, and strong demand due to specialized graduate programs. Such combinations include Indiana University and Purdue University, University of Iowa and ISU, the University of Alabama-Tuscaloosa and Auburn University, and The Texas A&M University System and The University of Texas System. Some institutions are both the flagship and the designated land-grant university within their state, such as The Ohio State University and the University of Illinois.

Who's Not On The Flagship List?

Some large public universities -- ones that clearly play flagship roles within their states -- are not listed in the various statistical tables of this report. For example, we have chosen not to include the University of Wisconsin System or the University of Oregon because their states issue state GO bonds on behalf of their respective public universities. Those state GO ratings are not, in our view, comparable to the typical USF pledge of most U.S. flagship institutions. Another example is the University of Florida -- its enrollment exceeds 52,000 students, but its Standard & Poor's debt rating is backed solely by net auxiliary revenues (not an USF pledge). Other examples are the University of Georgia and Georgia Tech, both of which issue lease-backed debt. We did not list the University of Tennessee, as its debt rating is based on our view of a broad pledge of revenues across all the state's public universities and a state intercept system. We do not have a USF rating for the University of Louisiana at this time.

Flagships Demonstrate Stable Enrollment And Demand

The public flagships typically have a demand and cost advantage over their private counterparts and, in our view, tend to demonstrate stable enrollment over time. They compete well with smaller public universities because of broader academic offerings and research activity. Generally, they charge lower tuition than most private colleges and universities due to state operating and capital subsidies. The enrollment and demand statistics in table 1 are data from fiscal 2009, which also corresponds to enrollment data for the fall 2008 semester. Based on our observations, fiscal 2010 (or fall 2009) enrollment for the flagships appears to be stable or up slightly, with universities reporting growth in applications. We are also seeing increases in transfer applications. These trends are in contrast to what we see in much of the private university sector. We attribute this growth to, among other factors, the academic and demand niche discussed earlier, the attractiveness of comparatively lower-cost flagship universities to students with families sensitive to costs during the current U.S. economic downturn, and the fact that most flagship campuses are close to capacity or can only grow modestly without expanding their academic and auxiliary facilities extensively.

Demand metrics vary widely among the flagships. Their average fiscal 2009 (fall 2008) freshman selectivity ratio was 70.3%. Stand-alone research campuses tend to be the most selective of their incoming freshman classes. For example, UVA has a 36.7% freshman acceptance rate, while University of North Carolina-Chapel Hill is at 34%, and UM and Florida State University are both at around 42%. Some flagships are required by state law to accept nearly all applicants (such as the University of Wyoming), and others (particularly designated land-grant institutions) may have a statutory mission to accept as many qualified students as possible. This selectivity measure compares less favorably to private universities, an example of how we view the two university sectors differently. Because private universities have smaller enrollments and typically are more tuition dependent, they also tend to be more selective. The average fiscal 2009 freshman selectivity ratios for Standard & Poor's-rated 'A' and 'AA' private universities is about 59% and 38%, respectively.

Matriculation (the percentage of accepted freshman students who actually enroll) is a metric that demonstrates the lower-cost demand niche of many public universities, and the attractiveness of flagships specifically due to their broader academic offerings. The average flagship matriculation rate for fiscal 2009 was 44.6%. We believe there is diversity among the universities, as seen in table 1. The strongest matriculation rates are 70.5% for University of Alaska, 87.3% for the University of Puerto Rico (due in part, in our opinion, to geographical distance and fewer large private universities in both states), and 88.9% for Idaho State University (which we attribute to a demand

niche as well as location). Several institutions in New England have much weaker matriculation rates, reflecting, in our view, strong regional competition from a significant number of private colleges and universities. Fiscal 2009 examples include the University of Massachusetts (27%), University of Rhode Island (URI; 24.9%), and University of Vermont (18%). We believe this demonstrates the existence of regional differences in evaluating demand. For comparison, the freshman matriculation rate for private universities tends to be weaker due to greater competition. The average fiscal 2009 freshman matriculation rate for Standard & Poor's-rated 'A' and 'AA' private universities is about 27% and 36%, respectively.

State Appropriations And Tuition Are Under Stress

In our opinion, flagships tend to have greater revenue diversity than smaller public universities due to research funding, investment and endowment income, in some cases large academic medical centers with patient care revenues, and broader fundraising profiles. However, state operating and capital appropriations remain important funding sources, and, in our view, remain a key reason why public universities charge lower tuition and have wider access missions than most private colleges and universities. This remains the case even though the proportion of state funding in most public university operating budgets has declined over the last several decades (see table 2). The percentage of fiscal 2009 state operating appropriations relative to operating revenues averages 26%. Examples of institutions with relatively low proportions of state aid include some of Standard & Poor's higher-rated universities, indicating our view of some revenue diversity and budgetary flexibility. These include the Pennsylvania State University and the University of Pittsburgh (11.1% and 9.4%, respectively, as both are quasi-public universities in Pennsylvania); UM (7.4% due to extensive research, patient care revenue, fundraising and endowment income); the University of California System (13.0% due to extensive patient care and research activity); and the University of Utah (10.6% due to substantial patient care revenue). Examples of flagship institutions with relatively high state aid proportions include the University of Alaska (44.8%) and University of Hawaii (51.2%) -- both have unique geographical constraints -- and the University of Wyoming (54.7%), a state that typically benefits from substantial energy revenue. In table 2, the University of Colorado shows a very low dependence on appropriations, but, we believe that percentage is not meaningful due to the accounting treatment of the state's stipend payments and fee-for-service payments. These state payments are not recorded in the financial statements as "appropriations."

In our view, flagship institutions are no more immune to state appropriation cuts than other public universities. However, we believe that their greater revenue diversity may help them more easily weather cuts. The fiscal 2009 appropriations shown in table 2 reflect the beginning of the U.S. economic recession, with more states making appropriation cuts than in fiscal 2008. Most appropriations, however, do not reflect state application of federal stimulus dollars, which somewhat stabilized funding for fiscal years 2010 and 2011. For the entire public sector, what we consider to be significant funding uncertainty continues into fiscal 2012 and beyond as federal stimulus dollars end, and states continue to struggle with balancing their own budgets. Historically, there is a lag between state revenue recovery and funding recovery for university appropriations. We understand that some states, such as Colorado and Oregon, are evaluating their entire higher-education funding systems.

In addition, we believe that the demand niche of many flagship institutions provides them with greater capacity to raise tuition than smaller regional public institutions have. To date, we have observed some tuition increases for fiscal 2011 (the fall 2010 semester) at some flagship universities that are well in excess of inflation. In our view, lower tuition charges, in combination with a flagship's demand and programmatic niche, keep the flagships in a competitive position. Higher education remains a discretionary product.

Fiscal 2009 Operating Performance -- Many Moving Parts Limit Comparability

Our analysis of fiscal 2009 operating performance for public universities is more difficult than historically has been the case. We attribute this to such factors as recognition of other postemployment benefit (OPEB) liabilities for some (but not all) institutions beginning in fiscal 2008, with continuing balance sheet impact into fiscal 2009 and subsequent years; recognition of OPEB expense accruals in the statement of operations (also with cumulative effects); and market value losses for investments or endowments that are held at the university level (instead of in a separate foundation) due to the volatile investment markets in fiscal 2009. In addition, on a case-by-case basis, some states have adopted the Unified Prudent Management of Institutional Funds Act (UPMIFA) accounting standards related to quasi-endowment, which has resulted in re-categorizations of some endowment assets out of "unrestricted net assets" (UNA) into "temporarily restricted" net assets on the balance sheet. UPMIFA effects could be on a university balance sheet, or in a related foundation. Both adjustments could negatively impact Standard & Poor's financial resource calculations, which we base on UNA.

We have found that these factors tend to be more significant for larger institutions and those with large endowments -- both of which tend to be the flagship universities. Thus, it is not uncommon that the audited "change in UNA" for an institution in fiscal 2009 does not reflect actual operating performance. As a result, there is less comparability of financial results among flagship institutions.

Fiscal 2009 Financial Resource Ratios

Table 3 summarizes fiscal 2009 financial resources for the U.S. public flagship institutions. The average flagship UNA value is \$529 million, although the institutions range from a high of \$3.5 billion at the huge University of California System to negative \$287 million at SUNY (largely because of the recognition of OPEB liabilities), \$19 million at the University of Montana, and \$7 million at the much smaller University of the Virgin Islands. Where we consider it to be analytically appropriate in computing financial resource ratios, we might adjust the audited UNA for items such as quasi-endowment, UNA of the main affiliated foundation, or restricted reserves that are dedicated to debt service. The largest adjustment tends to be for foundation/endowment UNA, and it adds more comparability among flagships that hold extensive endowment at the university level (such as The University of Texas System and UM), and those with separate foundations (such as the University of Oklahoma and the University of Illinois).

We evaluate UNA (or adjusted UNA) relative to both operating expenses and debt. In table 3 the average flagship adjusted UNA in fiscal 2009 relative to debt was about 78%, and adjusted UNA relative to operating expenses was 27%. Our ratio expectations for public universities are somewhat lower than for private universities due to our view of the public sector's stronger revenue diversity, the historically stabilizing effect of state appropriations, benefits of periodic state capital grants, and in some cases state restrictions on the accumulation of reserves.

Operating Performance

The same factors discussed above make both balance sheet and operating performance comparisons among flagship institutions difficult. Under Government Accounting Standard Board Statement 45, some public institutions report OPEB liability accruals on their own balance sheets, while others have no adjustments to make because the liability (and subsequent accruals) is recognized at the state level. In addition, those institutions that recorded their own

OPEB liabilities had the choice of recording the entire liability, or accruing it over a period of time (typically 30 years). Volatile investment markets in 2009 further complicated the picture, in our opinion, by creating large realized and unrealized investment losses for those universities holding substantial consolidated investments -- but not for those holding endowment in separate, but affiliated foundations.

Some examples illustrate how we analyzed operating performance in 2009:

- UM had OPEB and investment adjustments and held what we consider to be substantial endowments (about \$6 billion at fiscal 2009 year-end) on its own balance sheet. UM's audit reported a negative operating result (before capital) of \$2.186 billion. However, after we adjusted for unrealized investment losses, spendable endowment draws, and working capital income, we estimated consolidated operating results at positive \$52 million (including depreciation expense). In addition, UM operates its own retirement system and in fiscal 2008 chose to record a one-time, \$1.3 billion OPEB liability, most of which impacted UNA. UM chose not to spread its OPEB liability over 30 or 40 years. (For more information, see the analysis published Dec. 18, 2009.)
- Montana State University's (MSU) operations had what we consider to be substantial OPEB accruals. For the fiscal year ended June 30, 2009, MSU's UNA decreased nearly \$9 million. The university had an operating deficit of \$8.7 million for fiscal 2009 due primarily to, according to management, the amortization of OPEB liabilities, which it began to record in fiscal 2008. Without this expense, operations would, in our view, have been positive. The university recorded \$25.7 million of depreciation expense and its budget is consistently balanced on a cash basis. (For more information, see the analysis published Dec. 18, 2009.)
- URI is, in our view, a relatively straight-forward contrast. For fiscal 2009, the university generated net income, including state appropriations, investment income, and interest expense, of \$2 million on an expense base of \$400 million. When including additional capital funding from the state, the surplus grew to \$6.5 million. URI does not have a large endowment, and because much of it is held in a separate foundation, there were minimal investment losses. In addition, OPEB liabilities are recorded at the state level. (For more information, see the analysis published May 12, 2010.)

Flagship Debt Trends

Table 4 shows selected debt and debt burden measures for the flagship universities for fiscal 2009. Given the wide variety of university enrollments and system configurations, debt per full-time-equivalent (FTE) students is, in our view, a more meaningful and comparable measure than the principal amount of outstanding debt. The average debt per FTE student in fiscal 2009 was \$19,090. As the table illustrates, there is a lot of diversity. UVA had the highest debt per capita of \$48,149, but due to its size and revenue base retained what we consider a manageable 5.5% debt burden. The University of Wyoming had what we consider to be the low value at \$3,338 debt per capita due to a strong history of state capital support, in our opinion. Evaluating debt per FTE requires some recognition of each state's distinct capital funding system. For example, in Minnesota, two-thirds of state capital money does not show on the University of Minnesota's balance sheet, but one-third does. Some states fund substantial capital directly, such as Florida. In some states (Indiana, Iowa, Texas, and Delaware), universities get debt service subsidies, but the state-supported debt shows on the university's balance sheet. When Illinois funds capital (which it hasn't for almost a decade), the funding does not show as debt on the university's balance sheet.

In our view, deferred maintenance can impact the quality and competitiveness of university facilities, as well as future debt burden. In states with declining numbers of high school graduates, and pressures to recruit from out of

state or internationally, facility quality could influence enrollment in the long term. We believe these factors are particularly true given the size and magnitude of facilities at the large public universities, limited or sporadic funding of state capital over the last decade in many states, capital and enrollment pressures in some regions, and the aging replacement life-cycle of many key academic and auxiliary buildings. We have observed some of the larger flagship universities -- frequently those with the greatest fundraising capacity or larger operating margins -- funding renovations or building new academic facilities with internal funds or dedicated capital fees. In prior years, those institutions may have funded many of those projects with state capital dollars.

Because many of these institutions are sizable and have significant operating budgets, the average fiscal 2009 debt burden was, in our view, a manageable 3.75%. While we look at numerous factors in analyzing debt burden for public universities, we typically consider a debt burden of 5% or lower to be manageable. We believe that this debt capacity should give flagship universities some breathing room as they continue to face state budget stress, further cut-backs in state operating and capital grants, political pressure to limit tuition increases, and tight university budgets in general.

Table 1

Demand for U.S. Flagship Universities for Fiscal 2009 (Fall 2008 Enrollment)						
Flagship University	USF Rating	USF Rating Outlook	Headcount	FTE Students	Selectivity Ratio (%)	Matriculation Ratio (%)
University of Alaska	AA-	Stable	32,328	17,607	69.7	70.5
Auburn University	AA-	Stable	24,530	22,438	70.8	33.0
University of Alabama	AA-	Stable	27,052	25,269	60.4	45.8
Arizona State University	AA	Negative	67,082	64,011	78.9	39.7
University of Arizona	AA	Stable	38,057	35,195	80.5	36.9
University of California	AA	Stable	220,034	222,264	77.9	44.7
California State University	A+	Stable	435,663	362,086	53.4	23.8
University of Colorado	AA-	Stable	54,174	46,078	74.3	34.7
University of Connecticut	AA-	Stable	29,383	25,225	70.0	31.0
University of Delaware	AA-	Stable	20,500	18,422	58.7	29.1
Florida State University	AA-	Positive	39,136	31,329	42.2	34.7
University of Hawaii	A+	Stable	53,526	36,265	66.7	39.8
Iowa State University	AA	Stable	26,856	25,225	87.3	41.5
State University of Iowa	AA	Stable	30,561	27,573	82.3	33.1
Idaho State University	A	Stable	12,653	9,352	77.5	88.9
University of Idaho	A+	Stable	11,791	10,209	77.9	44.5
University of Illinois	AA-	Negative	69,678	70,648	65.4	41.6
Indiana University	AA	Positive	101,727	76,239	72.3	42.2
Purdue University	AA	Positive	67,359	58,053	71.5	33.0
Kansas State University	AA-	Stable	23,520	19,932	55.9	67.5
University of Kansas	AA	Stable	30,102	24,503	91.8	44.8
University of Kentucky	AA-	Stable	26,913	23,936	78.8	46.9
University of Louisville	AA-	Stable	21,761	17,540	69.6	47.7
University of Massachusetts	A+	Stable	63,127	53,140	65.5	27.0
University System of Maryland	AA+	Stable	143,457	107,712	52.8	32.9
University of Maine System	AA-	Stable	32,608	23,688	78.4	37.1

Flagship Institutions Continue To Be Among The Strongest In The U.S. Public University Sector

Table 1

Demand for U.S. Flagship Universities for Fiscal 2009 (Fall 2008 Enrollment) (cont.)						
University of Michigan	AAA	Stable	56,857	50,461	42.2	46.0
Michigan State University	AA	Stable	46,428	42,847	70.0	40.9
University of Minnesota	AA	Stable	66,312	58,504	57.1	35.8
University of Missouri System	AA	Positive	66,719	51,025	84.9	46.9
University of Mississippi	AA-	Stable	15,289	14,582	83.4	37.3
Montana State University	A+	Stable	20,545	16,407	66.5	49.8
University of Montana	A+	Stable	18,900	16,388	95.9	45.5
North Carolina State University	AA	Stable	32,872	28,888	58.7	45.0
University of North Carolina-Chapel Hill	AA+	Stable	28,567	26,356	34.0	52.9
North Dakota State University	A+	Stable	13,229	11,797	80.0	58.6
University of North Dakota	A+	Stable	12,748	11,137	75.4	63.3
University of Nebraska System	AA	Stable	47,523	40,560	71.4	58.9
University System of New Hampshire	A+	Stable	30,180	24,581	67.7	32.3
Rutgers University	AA	Stable	52,471	45,224	59.9	36.1
New Mexico State University	AA	Stable	31,318	20,709	82.2	52.5
University of New Mexico	AA	Stable	25,820	20,864	67.9	54.1
Nevada System of Higher Education	AA-	Stable	110,427	66,447	78.4	53.7
State University of New York	AA-	Stable	218,528	189,637	62.0	NA
Ohio State University	AA	Stable	61,523	59,708	67.9	50.9
Oklahoma State University	AA-	Stable	22,768	18,791	89.0	53.9
University of Oklahoma	AA-	Stable	26,201	21,243	73.3	47.8
University of Pittsburgh	AA	Stable	34,485	31,492	55.4	30.4
Pennsylvania State University	AA	Stable	92,613	79,808	82	35.1
University of Puerto Rico	BBB-	Stable	66,057	59,021	77.5	87.3
University of Rhode Island	A+	Stable	15,328	11,998	80.1	24.9
Clemson University	AA-	Positive	18,317	16,818	53.8	35.0
South Dakota State University	A+	Stable	11,995	9,900	NA	NA
University of South Dakota	A+	Stable	9,291	6,803	NA	NA
University of Texas System	AAA	Stable	195,107	151,161	68.2	49.5
Texas A&M University	AA+	Stable	109,441	88,267	66.1	51.7
University of Utah	AA	Stable	28,211	23,428	80.2	52.5
University of Virginia	AAA	Stable	21,057	20,592	36.7	48.3
University of the Virgin Islands	BBB	Stable	2,400	2,100	75.5	59.2
University of Vermont & State Agricultural College	A+	Stable	12,800	11,594	64.8	18.1
University of Washington	AA+	Stable	46,653	46,228	60.8	45.8
Washington State University	AA	Stable	25,135	24,097	72.4	42.8
West Virginia University	A+	Stable	28,840	26,997	87.7	38.8
University of Wyoming	AA-	Stable	13,106	12,314	96.1	49.3
Number of active entities			64	64	62	61
Average			53,744	45,511	70.3	44.6
Median			30,371	25,247	71.1	44.7

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Table 1

Demand for U.S. Flagship Universities for Fiscal 2009 (Fall 2008 Enrollment) (cont.)					
High		435,663	362,086	96.1	88.9
Low		2,400	2,100	34.0	18.1

Freshman selectivity ratio: Percentage of accepted applications. Freshman matriculation ratio: Percentage of accepted freshmen who matriculate. NA: Not available.

Table 2

Appropriations for U.S. Flagship Universities for Fiscal 2009 (Fall 2008 Enrollment) (\$000)					
Flagship University	USF Rating	Tuition	State Approp.	State Approp. per FTE \$	State Approp. as a % of Revenue
University of Alaska	AA-	5,173	351,272	19,951	44.8
Auburn University	AA-	6,500	261,691	11,663	31.1
University of Alabama	AA-	6,400	156,521	6,194	23.7
Arizona State University	AA	5,410	402,452	6,287	26.9
University of Arizona	AA	5,274	348,941	9,915	24.4
University of California	AA	8,325	2,576,544	11,592	13.0
California State University	A+	3,048	2,153,251	5,947	32.9
University of Colorado	AA-	8,682	17,997	391	0.9
University of Connecticut	AA-	9,338	327,751	12,993	37.3
University of Delaware	AA+	8,646	126,744	6,880	15.9
Florida State University	AA-	3,987	362,682	11,577	40.7
University of Hawaii	A+	2,672	731,394	20,168	51.2
Iowa State University	AA	6,360	287,611	11,402	31.0
State University of Iowa	AA	6,524	301,546	10,936	13.6
Idaho State University	A	4,664	88,048	9,415	39.0
University of Idaho	A+	4,632	127,768	12,515	36.9
University of Illinois	AA-	11,599	1,185,060	16,774	27.7
Indiana University	AA	7,368	572,578	7,510	22.3
Purdue University	AA	7,750	393,250	6,774	22.1
Kansas State University	AA-	6,627	173,275	8,693	29.5
University of Kansas	AA	7,042	262,687	10,721	26.3
University of Kentucky	AA-	7,736	315,162	13,167	15.5
University of Louisville	AA-	7,944	163,620	9,328	22.5
University of Massachusetts	A+	10,232	545,761	10,270	21.9
University System of Maryland	AA+	8,005	1,030,646	9,569	26.9
University of Maine System	AA-	6,602	193,893	8,185	29.6
University of Michigan	AAA	10,848	373,816	7,408	7.4
Michigan State University	AA	10,690	356,993	8,332	20.0
University of Minnesota	AA	10,273	707,806	12,098	25.5
University of Missouri System	AA	7,077	479,478	9,397	21.2
University of Mississippi	AA-	5,107	86,677	5,994	23.7
Montana State University	A+	4,696	106,023	6,462	24.1
University of Montana	A+	3,739	79,966	4,880	22.4
North Carolina State University	AA	3,872	463,006	16,028	42.4
University of North Carolina-Chapel Hill	AA+	3,705	538,328	20,425	28.0

Flagship Institutions Continue To Be Among The Strongest In The U.S. Public University Sector

Table 2

Appropriations for U.S. Flagship Universities for Fiscal 2009 (Fall 2008 Enrollment) (\$000) (cont.)					
North Dakota State University	A+	5,264	92,974	7,881	29.1
University of North Dakota	A+	6,513	81,077	7,280	22.7
University of Nebraska System	AA	5,393	501,794	12,372	28.3
University System of New Hampshire	A+	9,420	100,000	4,068	14.0
Rutgers University	AA	9,268	450,134	9,953	25.5
New Mexico State University	AA	4,758	211,752	10,225	38.0
University of New Mexico	AA	3,816	323,186	15,490	19.9
Nevada System of Higher Education	AA-	4,035	623,417	9,382	47.0
State University of New York	AA-	4,660	3,062,915	16,151	38.3
Ohio State University	AA	8,679	497,601	8,334	12.0
Oklahoma State University	AA-	6,201	277,965	14,792	30.9
University of Oklahoma	AA-	6,493	155,949	7,341	21.2
University of Pittsburgh	AA	13,642	177,902	5,649	9.4
Pennsylvania State University	AA	13,014	460,503	5,770	11.1
University of Puerto Rico	BBB-	NA	NA	NA	NA
University of Rhode Island	A+	7,454	62,319	5,194	15.0
Clemson University	AA-	9,886	128,279	7,627	19.8
University of Texas System	AAA	8,532	2,114,967	13,991	21.8
Texas A&M University	AA+	7,844	997,101	11,296	33.4
University of Utah	AA	4,453	266,761	11,386	10.6
University of Virginia	AAA	9,300	170,178	8,264	13.6
University of the Virgin Islands	BBB	4,100*	31,446	14,794	47.7
University of Vermont & State Agricultural College	A+	12,844	42,477	3,664	9.4
University of Washington	AA+	6,802	384,810	8,324	13.4
Washington State University	AA	6,720	246,599	10,234	27.3
West Virginia University	A+	5,100	206,352	7,664	25.4
University of Wyoming	AA-	2,820	207,464	16,848	54.7
Number of active entities		61	61	61	61
Average		6,991	467,642	10,063	26
Median		6,615	301,546	9,415	24
High		13,642	NA	14,794	55
Low		2,820	NA	5,649	7

* Estimated tuition: Mandatory tuition and fees only; excludes room and board. NA: Not available.

Table 3

Financial Ratios of U.S. Flagship Universities for Fiscal 2009 (\$000)								
Flagship University	USF Rating	UNA (\$)	Change in UNA (\$)	Adjusted UNA (\$)	Adjusted UNA to Debt (%)	Adjusted UNA to Operations (%)	Total Net Assets (\$)	Change in Total Net Assets (\$)
University of Alaska	AA-	107,136	13,492	138,369	108.1	18.0	952,183	13,380
Auburn University	AA-	469,870	11,553	489,852	86.4	61.4	1,209,912	59,493
University of Alabama	AA-	248,505	(39,032)	257,068	71.0	39.2	1,366,545	37,050
Arizona State University	AA	165,914	138,546	165,914	17.6	11.4	952,012	57,624

Flagship Institutions Continue To Be Among The Strongest In The U.S. Public University Sector

Table 3

Financial Ratios of U.S. Flagship Universities for Fiscal 2009 (\$000) (cont.)								
University of Arizona	AA	179,821	22,587	204,916	19.7	14.2	881,177	9,815
University of California	AA	3,548,513	(1,832,023)	3,874,872	36.0	16.8	19,875,663	(2,285,122)
California State University	A+	892,243	(574,597)	983,658	29.8	12.4	7,036,993	(368,523)
University of Colorado	AA-	555,038	(14,312)	555,038	53.2	25.0	2,129,674	(2,084)
University of Connecticut	AA-	147,249	11,465	158,804	14.5	15.1	1,418,479	40,383
University of Delaware*	AA+	910,676	(120,490)	653,011	254.5	82.4	1,614,737	(319,337)
Florida State University	AA-	342,678	30,023	405,530	163.4	46.0	1,795,879	65,753
University of Hawaii	A+	89,376	(60,696)	89,376	24.9	6.1	1,720,058	30,815
Iowa State University	AA	244,520	(29,962)	279,578	73.6	29.0	931,991	42,279
State University of Iowa	AA	665,982	(66,493)	782,528	97.9	32.7	2,397,098	73,701
Idaho State University	A	33,771	6,526	33,771	43.4	15.7	152,678	11,209
University of Idaho	A+	36,245	(1,956)	39,453	25.9	11.4	372,801	(13,035)
University of Illinois	AA-	65,456	(24,408)	324,393	18.2	7.0	2,357,758	2,409
Indiana University	AA	784,455	47,559	1,059,929	129.9	42.8	2,417,561	132,071
Purdue University	AA	867,200	(15,187)	971,170	119.6	56.8	2,813,983	(147,808)
Kansas State University	AA-	69,969	(824)	81,938	47.0	11.4	397,331	24,092
University of Kansas	AA	145,279	(8,746)	275,541	95.0	25.9	881,958	19,934
University of Kentucky	AA-	626,730	(57,415)	630,051	93.1	30.7	2,213,080	(83,504)
University of Louisville	AA-	88,025	(594)	358,340	128.3	47.8	757,437	46,511
University of Massachusetts	A+	473,651	7,987	462,890	33.8	18.8	1,741,305	70,259
University System of Maryland	AA+	898,801	35,081	958,519	93.2	25.1	3,925,232	183,948
University of Maine System	AA-	83,597	6,400	85,139	40.1	13.0	651,505	10,245
University of Michigan	AAA	1,542,083	(1,378,501)	3,046,652	204.8	59.5	8,666,975	(2,087,699)
Michigan State University	AA	554,882	(274,932)	956,765	175.5	53.2	2,282,016	(300,580)
University of Minnesota	AA	162,156	(67,813)	207,042	27.8	7.1	2,825,233	(279,785)
University of Missouri System	AA	868,199	(36,657)	924,639	109.1	38.6	3,364,777	(65,665)
University of Mississippi	AA-	152,034	3,259	149,940	116.5	41.9	659,281	43,103
Montana State University	A+	60,923	(8,821)	63,040	53.0	13.6	296,946	17,435
University of Montana	A+	18,764	(7,180)	13,904	10.3	3.8	232,915	27,730
North Carolina State University	AA	147,485	4,330	169,924	61.0	14.7	1,428,963	(10,481)
University of North Carolina-Chapel Hill	AA+	602,209	(69,762)	602,209	48.3	26.3	3,462,441	(246,995)
North Dakota State University	A+	48,959	(957)	63,807	50.1	18.3	205,531	6,432
University of North Dakota	A+	51,843	(944)	56,577	52.9	14.5	339,937	3,965
University of Nebraska System	AA	613,857	29,985	800,790	122.8	36.3	2,080,642	48,074

Flagship Institutions Continue To Be Among The Strongest In The U.S. Public University Sector

Table 3

Financial Ratios of U.S. Flagship Universities for Fiscal 2009 (\$000) (cont.)								
University System of New Hampshire	A+	114,322	(10,155)	114,322	24.1	16.6	824,242	(11,632)
Rutgers University	AA	529,677	26,849	540,348	68.1	31.0	2,309,115	(1,321)
New Mexico State University	AA	111,832	2,089	117,453	131.1	20.5	477,801	(14,542)
University of New Mexico	AA	442,494	20,570	465,844	71.4	26.6	1,351,473	(4,960)
Nevada System of Higher Education	AA-	302,264	(32,090)	361,771	68.6	24.6	1,999,929	(103,870)
State University of New York	AA-	(287,146)	(395,857)	(30,926)	(0.5)	(0.4)	897,203	(1,034,341)
Ohio State University	AA	1,218,934	200,737	1,329,375	97.7	32.6	4,285,945	(339,756)
Oklahoma State University	AA-	154,697	(2,746)	227,695	51.7	24.4	729,033	40,000
University of Oklahoma	AA-	54,669	(27,167)	117,320	19.1	13.0	683,653	33,563
University of Pittsburgh*	AA	1,528,372	(202,972)	1,576,408	149.4	87.90	2,599,687	(540,549)
Pennsylvania State University*	AA	3,185,475	5,024	1,554,991	141.9	40.2	4,403,571	(185,883)
University of Puerto Rico	BBB-	NA	NA	NA	NA	NA	NA	NA
University of Rhode Island	A+	37,147	14,895	25,661	11.6	6.3	314,302	52,509
Clemson University	AA-	45,723	(4,720)	56,219	41.8	7.3	744,843	23,774
University of Texas System	AAA	2,353,150	(394,238)	3,570,595	56.5	29.8	24,025,266	(3,592,314)
Texas A&M University	AA+	1,782,126	(7,641)	1,791,581	98.4	55.6	3,604,957	125,331
University of Utah	AA	840,653	27,167	1,011,491	266.0	34.0	2,864,137	177,096
University of Virginia	AAA	1,099,922	(447,386)	1,314,342	132.6	60.2	4,802,744	(835,875)
University of the Virgin Islands	BBB	7,523.00	(2,953)	15270	34.9	20.9	257	257
University of Vermont & State Agricultural College	A+	46,560	(38,522)	81,267	16.6	14.1	441,762	(115,777)
University of Washington	AA+	930,163	(92,880)	930,163	90.1	26.8	4,762,770	(374,540)
Washington State University	AA	72,032	2,346	73,812	24.6	8.8	1,510,223	71,130
West Virginia University	A+	72,128	(19,425)	73,498	20.8	8.7	752,059	9,374
University of Wyoming	AA-	68,791	3,928	86,064	209.4	21.2	792,887	75,002
Number of active entities		61	61	61	61	61	61	61
Average		529,108	(93,421)	602,943	78	27	2,524,402	(191,479)
Median		179,821	(4,720)	279,578	61	24	1,428,963	9,374

*University uses FASB accounting. UNA is from audit, and includes net plant and equipment (PPE). Adjusted UNA for these three institutions only is expendable resources. ER = UNA less net PPE plus debt. NA: Not available.

Table 4

Debt Ratios for U.S. Flagship Universities for Fiscal 2009 (\$000)				
Flagship University	USF Rating	Debt (\$)	Current Debt Service Burden (%)	Debt per FTE (\$)
University of Alaska	AA-	128,013	1.98	7,271
Auburn University	AA-	567,036	3.35	25,271
University of Alabama	AA-	361,894	3.41	14,322
Arizona State University	AA	942,401	5.29	14,722
University of Arizona	AA	1,040,130	5.57	29,553
University of California	AA	10,772,027	3.87	48,465
California State University	A+	3,301,402	5.47	9,118
University of Colorado	AA-	1,043,770	3.22	22,652
University of Connecticut	AA-	1,095,275	12.88	43,420
University of Delaware	AA+	249,518	2.5	13,545
Florida State University	AA-	248,230	2.39	7,923
University of Hawaii	A+	358,630	1.94	9,889
Iowa State University	AA	379,622	3.76	15,049
State University of Iowa	AA	799,593	2.78	28,999
Idaho State University	A	77,846	3.05	8,324
University of Idaho	A+	152,301	3.01	14,918
University of Illinois	AA-	1,783,351	3.30	25,243
Indiana University	AA	815,782	3.95	10,700
Purdue University	AA	811,882	4.29	13,985
Kansas State University	AA-	174,236	2.39	8,742
University of Kansas	AA	290,163	3.07	11,842
University of Kentucky	AA-	677,037	2.89	28,285
University of Louisville	AA-	279,335	4.49	15,926
University of Massachusetts	A+	1,368,337	5.48	25,750
University System of Maryland	AA+	1,028,524	3.65	9,549
University of Maine System	AA-	212,185	2.76	8,957
University of Michigan	AAA	1,487,316	2.32	29,475
Michigan State University	AA	545,081	1.83	12,722
University of Minnesota	AA	743,704	2.28	12,712
University of Missouri System	AA	847,342	2.12	16,606
University of Mississippi	AA-	128,738	2.29	8,829
Montana State University	A+	119,049	2.43	7,256
University of Montana	A+	135,424	3.77	8,264
North Carolina State University	AA	278,645	1.74	9,646
University of North Carolina-Chapel Hill	AA+	1,246,862	4.35	47,308
North Dakota State University	A+	127,454	3.08	10,804
University of North Dakota	A+	106,982	3.46	9,606
University of Nebraska System	AA	652,329	3.10	16,083
University System of New Hampshire	A+	474,878	4.05	17,930
Rutgers University	AA	793,703	2.40	17,550
New Mexico State University	AA	89,617	2.47	4,327

Table 4

Debt Ratios for U.S. Flagship Universities for Fiscal 2009 (\$000) (cont.)				
University of New Mexico	AA	652,185	2.79	31,259
Nevada System of Higher Education	AA-	527,697	3.27	7,942
State University of New York	AA-	6,410,676	7.87	33,805
Ohio State University	AA	1,360,245	2.45	22,782
Oklahoma State University	AA-	440,391	2.14	23,436
University of Oklahoma	AA-	614,375	6.36	28,921
University of Pittsburgh	AA	1,055,341	10.7	33,511
Pennsylvania State University	AA	1,095,722	2.41	13,729
University of Puerto Rico	BBB-	NA	NA	NA
University of Rhode Island	A+	220,775	4.36	18,401
Clemson University	AA-	134,462	2.89	7,995
University of Texas System	AAA	6,316,591	4.10	41,787
Texas A&M University	AA+	1,821,361	4.92	20,635
University of Utah	AA	380,211	2.96	16,229
University of Virginia	AAA	991,490	5.50	48,149
University of the Virgin Islands	BBB	43,738	4.46	20,828
University of Vermont & State Agricultural College	A+	490,783	7.73	42,331
University of Washington	AA+	1,032,320	2.79	22,331
Washington State University	AA	299,846	2.84	12,443
West Virginia University	A+	353,458	2.16	13,092
University of Wyoming	AA-	41,099	3.40	3,338
Number of active entities		61	61	61
Average		1,000,302	3.75	19,090
Median		545,081	3.10	15,049
High		NA	12.88	48,149
Low		NA	1.74	3,338

Current debt burden: Annual debt service as a percentage of operating expenses. Debt per FTE: Outstanding debt at the end of fiscal 2009 divided by FTE enrollment for fall 2008. NA: Not available.

Jose Cruz contributed to this report.

Related Criteria And Research

- General Criteria: Enhanced Methodology And Assumptions For Rating Government-Related Entities, June 29, 2009
- USPF Criteria: Higher Education, June 19, 2007

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