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Moody's Downgrades Higher Ed's Outlook From 'Stable' to 'Negative'

By Adam Harris DECEMBER 05, 2017

The prospects for higher education are bleak, according to Moody's Investors

Service, a credit-rating agency that on Tuesday changed its outlook for the sector from "stable" to "negative."

In a report, the agency cited financial strains at both public and private four-year institutions, mainly muted growth in tuition revenue. But it also cited "uncertainty at the federal level over potential policy changes."

"The higher-education sector is highly exposed to changes in federal policy or funding," the report said. "Changes to financial-aid programs and tax reform could negatively affect enrollment and tuition-revenue growth, philanthropic support, and the cost of borrowing."

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Both the House of Representatives and the Senate have passed legislation in recent weeks that would overhaul the U.S. tax code. The bills have been harshly criticized by higher-education leaders. Provisions particularly at issue include a tax on graduate students' tuition waivers in the House version, and, in both the House and Senate versions, a 1.4-percent excise tax on the endowment earnings of some private colleges, and a doubling of the standard deduction, which critics argued would discourage charitable giving. (*The Chronicle* [outlined the differences in the House and Senate versions here.](#))

Moody's [assigned the "stable" designation](#) in 2015, citing expected increases in state funding and predicting that revenue growth would improve at four-year institutions.

That was an improvement from the “negative” rating the agency had assigned since 2013. Copies of the report are available to Moody’s subscribers.

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