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University of Puerto Rico System Revenue Bond Rating Lowered To 'CC' From 'CCC-' Following Commonwealth Downgrade

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DALLAS (Standard & Poor's) Sept. 11, 2015--Standard & Poor's Ratings Services lowered its long-term rating and underlying rating (SPUR) to 'CC' from 'CCC-' on the University of Puerto Rico (UPR) existing university system revenue bonds. Some of these bonds were issued by the Puerto Rico Industrial, Tourist, Educational, Medical, and Environmental Control Facilities Authority. In addition, we withdrew the stand-alone credit profile (SACP) on the university. We no longer consider UPR a government-related entity given the inability of the commonwealth to provide extraordinary support.

The downgrade reflects the downgrade of the general obligation rating on the Commonwealth of Puerto Rico to CC/Negative (see "Puerto Rico Tax-Backed Debt Downgraded To 'CC' From 'CCC-' Following Release Of Fiscal Commission Report," published on RatingsDirect, on Sept. 10, 2015). The rating on the university has moved in tandem with the commonwealth rating given the university's significant dependence on the commonwealth (about 68% of 2014 revenues). Although appropriations are not pledged to the bonds, they make up the largest portion of revenues available for operations. Any delay or reduction in appropriations could have a serious effect on the university's operations.

The university system's revenue bonds are obligations of the University of Puerto Rico, secured primarily by a first lien on tuition and fees and certain other specifically pledged revenues. We view this as an unlimited student fee equivalent pledge.

For more information, see the article published Feb. 4, 2015, on RatingsDirect.

The negative outlook mirrors that on the general obligation bonds of Puerto Rico in that we could lower the rating on the university if the rating on Puerto Rico falls or if the state appropriation payment to the university is delayed or reduced such that operating liquidity is pressured. Given the negative outlook on Puerto Rico, we do not believe a positive rating action on the university is possible during the one-year outlook period.

RELATED CRITERIA AND RESEARCH

Related Criteria

- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012
- USPF Criteria: Higher Education, June 19, 2007

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