

RatingsDirect®

Summary:

University of Puerto Rico; Appropriations; Public Coll/Univ - Unlimited Student Fees

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Credit Profile

University of Puerto Rico		
<i>Long Term Rating</i>	CCC+/Watch Neg	Downgraded, On CreditWatch Negative
Univ Of Puerto Rico univ sys (MBIA) (SEC MKT) (National)		
<i>Unenhanced Rating</i>	CCC+(SPUR)/Watch Neg	Downgraded, On CreditWatch Negative
Puerto Rico Indl Tourist Educl Med Environ Cntl Facs Fincg Auth, Puerto Rico		
University of Puerto Rico, Puerto Rico		
Puerto Rico Indl Tour Ed Med & Environ Ctrl Fac Fin Auth ed fac rev bnnds (Plaza Universitaria Proj) ser 2000A		
<i>Unenhanced Rating</i>	CCC+(SPUR)/Watch Neg	Downgraded, On CreditWatch Negative

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services lowered its long-term rating and underlying rating (SPUR) to 'CCC+' from 'B' on the University of Puerto Rico's (UPR) existing university system revenue bonds. We also lowered the stand-alone credit profile (SACP) on the university to 'ccc+' from 'b'. At the same time, we are placing the ratings on CreditWatch with negative implications. Some of these bonds were issued by the Puerto Rico Industrial, Tourism, Educational, Medical, & Environmental Control Facilities Financing Authority.

The downgrade reflects the lowering of the general obligation rating of the Commonwealth of Puerto Rico to CCC+/Watch Neg (see "Puerto Rico Downgraded To 'CCC+' From 'B' On Weakened Market Access; Placed On CreditWatch Negative" on RatingsDirect) on April 24, 2015. Pursuant to our 'CCC' category rating definition, we believe that adverse economic conditions of the commonwealth would affect the size and stability of UPR's appropriations and operating liquidity, which, therefore, will not likely have the capacity to meet its financial commitment on a timely basis for its debt obligations. The rating on the university has moved in tandem with the commonwealth rating given its significant dependence (about 68% of 2014 revenues). Although appropriations are not pledged to the bonds, they make up the largest portion of revenues available for operation. Any delay or reduction in appropriations could have a serious effect on its 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.

Total debt is \$619 million, including the remaining balance on the term loan with the Government Development Bank

(\$58 million), and the remaining balance of the \$75 million line of credit (\$47 million) used for capital projects. Management reports that it does not intend to issue any additional debt.

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

Related Criteria And Research

Related Criteria

- Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, Dec. 9, 2010
- USPF Criteria: Higher Education, June 19, 2007

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