S&P Global Ratings

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Delaware State University Debt Outstanding Downgraded To 'BBB+' From 'A-' On Continued Substantial Deficits

13-Feb-2018 09:21 EST

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CHICAGO (S&P Global Ratings) Feb. 13, 2018--S&P Global Ratings has lowered its long-term and underlying ratings on the debt outstanding that the Delaware Economic Development Authority has issued for Delaware State University (DSU) to 'BBB+' from 'A-'. The outlook is stable.

"The downgrade reflects our opinion of the university's continued substantial deficits on a full-accrual basis, despite higher net tuition revenues and positive cash operations, coupled with weak available resources and significant management turnover during the past couple of years," said S&P Global Ratings credit analyst Jessica Wood.

The 'BBB+' rating reflects our view of the university's financial profile as adequate, based on weak full-accrual operating performance and balance-sheet metrics. We view DSU's enterprise profile as strong, based on the university's position as one of two four-year public institutions in the state, stable enrollment, good selectivity and retention rates, and adequate matriculation rates. Combined, these factors lead to a stand-alone credit profile of 'bbb+' and a final rating of 'BBB+'.

DSU is a comprehensive, state-assisted, land-grant university whose 400-acre main campus is in Dover, approximately an hour south of Wilmington, Del. It is also a historically black college or university, and 74% of its full-time undergraduate student population is African-American.

The stable outlook reflects our view that DSU will improve operations in fiscal years 2018 and 2019 but continue to generate full-accrual deficit operations, while maintaining stable enrollment and demand metrics. We do not expect additional direct debt without a commensurate increase in resources at the current rating.

A positive rating action is unlikely during the two-year outlook period, in our view, given the university's weak balance sheet ratios and deficit full-accrual operations, but we would view significant and consistent improvement in operations, while all other metrics remain stable or improved, positively.

Although we view a further negative rating action as unlikely during the outlook period, factors that could lead to a downgrade include continued and larger full-accrual operating deficits, additional debt without a commensurate increase in resources, and any balance-sheet deterioration.

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Certain terms used in this report, particularly certain adjectives used to
express our view on rating relevant factors, have specific meanings ascribed
to them in our criteria, and should therefore be read in conjunction with such
criteria. Please see Ratings Criteria at www.standardandpoors.com for further
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