



Moody's Upgrades UConn's Special Obligation Revenue Bonds to "Aa3" Rating

Upgrade Reflects Strength of the UConn Brand and its Fiscal Management

Oct. 20, 2022

STORRS, Conn. – Moody's Investors Service has upgraded its ratings on the University of Connecticut's outstanding revenue bonds and assigned the same equally attractive rating to bonds in an upcoming sale, affirming the strength of the UConn brand and its fiscal management.

Moody's announced recently that UConn's outstanding revenue bonds were being rated "Aa3," an increase from the previous "A1" level, and assigned them a stable outlook. That new rating also will apply to UConn's planned \$50 million Special Obligation Student Fee Revenue Bonds, 2022 Refunding Series A, to be sold this fall.

The University's strong fiscal management, institutional reputation, conscientious financial practices during the COVID pandemic, and continued attractiveness to potential students were cited among factors that prompted the upgrade, Moody's [said in its announcement](#).

"The affirmation of UConn's Aa3 issuer rating is supported by its excellent brand and strategic positioning, strong state financial support, and substantial wealth and scale," Moody's said. "It maintains a regionally important role as a flagship land-grant university with favorable student demand, growing research activity, and comprehensive academic programming."

Although the bond rating increase does not generate an immediate increase in revenue or reduction to interest expense on existing debt, the vote of confidence in UConn bonds as a stable, attractive investment can help increase demand and reduce borrowing costs over time.

"The Moody's rating upgrade highlights the University's strong academic and research profile, record student demand, and commitment to our financial bottom line," says Lloyd Blanchard, UConn's Interim Vice President for Finance and Chief Financial Officer. "We are proud to earn this rating upgrade, which we expect will reduce our long-term borrowing costs and allow us to invest additional resources on our students."

The University's credit quality is also boosted by its strong ties to the State of Connecticut, the rating agency said, noting the state pays the debt service on about 86% of UConn's debt

obligations, which are issued under the UConn 2000 program, including the 21st Century UConn and Next Generation Connecticut initiatives, and Bioscience Connecticut.

Those programs, approved by the Connecticut General Assembly, have transformed the University over the past several decades through major initiatives to modernize or replace academic facilities, research space, and other offerings at Storrs, UConn Health, and the regional campuses.

“Moody's decision to upgrade UConn's Student Fee Revenue Bonds is great news for Connecticut. It reflects Moody's assessment of UConn's importance to the State of Connecticut as both a research institution and an economic hub,” Connecticut State Treasurer Shawn T. Wooden said.

“The partnership between the Office of the Treasurer and UConn on the highly successful UConn 2000 bonding program has been longstanding,” he added. “Congratulations to everyone involved!”

Like many other higher education institutions, UConn experienced fiscal challenges during the COVID pandemic. However, Moody’s noted in its assessment, the University actively managed its finances in a way that ensured it could still cover its bond-repayment obligations despite the significant disruptions.

Colleges, universities, state and local governments, and other entities often sell bonds to finance large-scale capital projects such as construction of new academic buildings, research facilities, student housing, or other on-campus initiatives.

Moody’s is among the entities that [assign ratings](#) to the bond issuances, a way for investors to assess risk as they consider which bonds to purchase. Higher ratings translate to lower borrowing costs for those issuing the bonds. The bond sale proceeds are used for the project costs, and the borrowers repay the bond debts over a set period of time.

In UConn’s case, the bond debts are repaid either directly by the State of Connecticut or, depending on the project, with fee revenue from users of the specific buildings or amenities, such as the Student Recreation Center or new housing complexes.

When possible, UConn refinances earlier bond issuances to attain lower interest rates and experience savings. That will be the case with the upcoming \$50 million Special Obligation Student Fee Revenue Bonds, 2022 Refunding Series A.