

Summary:

Massachusetts Health & Educational Facilities Authority University Of Massachusetts; CP

Primary Credit Analyst:

Marc Savaria, Boston (1) 617-530-8315; marc_savaria@standardandpoors.com

Secondary Credit Analyst:

Blake Cullimore, Boston (1) 617-530-8312; blake_cullimore@standardandpoors.com

Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

Massachusetts Health & Educational Facilities Authority University Of Massachusetts; CP

Credit Profile

Massachusetts Hlth & Ed Fac Auth, Massachusetts

University of Massachusetts, Massachusetts

Massachusetts Hlth & Educl Facs Auth (Univ of Massachusetts) VRDB rev bnds ser A

Unenhanced Rating

NR(SPUR)

Short Term Rating

A-1

Rationale

Standard & Poor's Ratings Services revised its 'A-1' short-term rating to an 'A+' long-term rating on the Massachusetts Health and Educational Facilities Authority's series 2000A variable-rate demand revenue bonds, issued for University of Massachusetts (UMass). The rating revision is due to the conversion of the bonds from a one-year mandatory tender to a three-year mandatory tender. The rating outlook is stable.

The 'A+' rating also reflects our assessment of UMass':

- Leading role in the Commonwealth of Massachusetts' (AA/Stable) public higher education system and a solid history of state support for operations;
- Relatively stable enrollment and demand trends;
- Historically good financial operations, balanced by adequate financial resources relative to operating expenses and debt; and
- Debt level that, while manageable as a percentage of operating expenses, has risen significantly over the past several years.

Partially offsetting factors include what we consider a high level of outstanding debt as well as substantial remaining capital needs and additional debt plans. In addition, the system's fundraising activities and endowment levels are significantly lower than other flagship institutions across the country. The system has received significant state appropriation cuts for fiscal years 2009 and 2010 but most of the cuts have been absorbed through tuition increases, one-time federal education stabilization funds, and cost-reduction strategies implemented at the university's campuses and the central offices.

Series 2000A bonds, originally issued in an aggregate amount of \$40 million of which \$20 million remains outstanding, are currently trading in a long-term-rate period that ends March 31, 2010. Due to the scheduled expiration of the long-term-rate period, the university has elected to remain in the long-term rate but with a three-year-long term fixed rate expiring on March 31, 2013. The system will determine alternative interest rate modes subsequent to the initial term-rate period. Given the three-year term of these bonds, Standard & Poor's has

change its rating from the short-term rating of 'A-1', which was based on self-liquidity to a long-term rating of 'A+' on conversion date. The payments pursuant to the loan and trust agreement are a general obligation of the university to pay from any source legally available for expenditure by the board of trustees of the institution for such purpose.

In accordance with our criteria for government-related entities (GREs), we based our view of a "moderate" likelihood of extraordinary support on our assessment of the University of Massachusetts' "limited" link with the Commonwealth of Massachusetts (AA/Stable) given the state's limited involvement with the university's day-to-day operations, history of annual operating appropriation, but no history of extraordinary support. The university trustees govern the university and the governor appoints 17 of the 19 voting trustees. We also based our assessment on UMass' "important" role in the state's economy compared with that of other states' GREs, given its role as the state's flagship institution of higher education and provider of economic development programs.

(For additional information, see "University of Massachusetts," published March 24th 2010, on RatingsDirect.)

Outlook

The stable outlook reflects our expectation that despite appropriation cuts, the university's financial operations will remain balanced, demand will remain relatively stable to slightly growing, and financial resources will remain adequate. The system still has very large capital plans, some of which it will fund with additional debt. Standard & Poor's will continue to evaluate the new debt at the time of issuance. Furthermore, we will be evaluating the system's progress in balancing its budget in 2010 and 2011 and significant operating deficits would be a rating concern.

Related Criteria And Research

USPF Criteria: Higher Education, June 19, 2007

Complete ratings information is available to RatingsDirect on the Global Credit Portal subscribers at www.globalcreditportal.com and RatingsDirect subscribers at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

Copyright © 2011 by Standard & Poors Financial Services LLC (S&P), a subsidiary of The McGraw-Hill Companies, Inc. All rights reserved.

No content (including ratings, credit-related analyses and data, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P. The Content shall not be used for any unlawful or unauthorized purposes. S&P, its affiliates, and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P's opinions and analyses do not address the suitability of any security. S&P does not act as a fiduciary or an investment advisor. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.