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## College of William and Mary, Virginia

Credit Profile  
College Of William & Mary  
Issuer Credit Rating  
AA  
Sale date:  
OUTLOOK:  
STABLE

### Rationale

Standard & Poor's Ratings Services assigned its 'AA' issuer credit rating to College of William and Mary, Va. The outlook is stable.

The rating reflects the college's:

- Impressive student quality and national reputation, with more than 80% of incoming students graduating in the top 10% of their high school class and more than 68% of all students scoring more than 1300 on the SAT (the fall 2004 average was 1335 and 1342 is estimated for fall 2005);
- Low levels of outstanding debt as a result of strong support from the Commonwealth of Virginia for facilities;
- Good operating performance and healthy levels of liquidity; and
- Good fundraising, as the college has currently raised \$402 million of the \$500 million campaign goal, with an alumni participation rate of 30%.

### Outlook

The stable outlook reflects Standard & Poor's expectation that student demand will continue to be strong, financial operations will remain balanced, and additional debt plans will be fairly limited. It is also expected that the restructuring plan for higher education in the commonwealth will not have a negative effect on the college and instead, it will benefit from greater autonomy.

### Finances

College of William and Mary benefits from its diverse revenue stream. In 2004, the largest component of the total revenue base was student tuition and fees, at 28%; followed by state appropriations, at 24%; auxiliary revenues, at 20%; and grants and contracts, at approximately 17%.

During the last few years, state appropriations have fluctuated, dropping from a high of \$73 million in 2002 to \$59 million in 2004. During the periods of decline, the college was able to manage through the cuts by eliminating vacant positions and implementing tuition increases. However, there has been some rebound recently in the appropriation environment, with an 8% increase expected in fiscal 2006, bringing the total to approximately \$70 million.

A 9.3% tuition increase was implemented for fall 2005, bringing the total cost (including tuition/fees and room and board) to \$14,195 for in-state residents, versus \$29,603 for out-of-state students. For in-state residents, the tuition and fee charge is well below the average for a peer group of institutions against which the college frequently benchmarks (\$7,096 versus \$20,107). For out-of-state students, the charge is \$21,902, much closer to the peer group average of \$24,559.

There continues to be strong growth in research revenues, reflected by a compound annual growth rate of approximately 14% since 2002. The 2005 receipts are expected to represent approximately \$36.4 million of revenue. The largest grant providers are National Oceanic & Atmospheric Administration, National Science Foundation, and the U.S. Department of Education.

Liquidity levels are somewhat weak for the rating category if unrestricted net assets of the various endowments are not included. However, Standard & Poor's considers the unrestricted net assets of the college to include unrestricted foundation assets, which produces healthy ratios. This resource level is roughly \$154 million, or 66% of operations and 376% of debt (excluding commonwealth obligations).

At the same time, total net assets (only those of the college) increased \$23.3 million in 2004, on a revenue base of \$239.8 million, of which \$161.1 million was operating revenue and \$78.7 million was nonoperating revenue and included commonwealth appropriations. In contrast, there was a \$3.6 million increase in net assets in 2003.

The college's fund-raising efforts have been strong. A \$500 million capital campaign is currently in progress and has raised approximately \$402 million, which is above the targeted level at this point in the campaign. The alumni participation rate is strong at 30%.

The college's endowment assets are split primarily among four entities: the College of William and Mary Board of Visitors Endowment, the Endowment Assoc. (holds the bulk of the assets), the Law Foundation, and the Business Foundation. In total, the June 30, 2005, value is estimated to be \$343 million. The asset allocation is fairly conservative, with a target of 50% equities, 20% fixed income, 19% marketable alternative investments, and 11% private capital. The college has been reducing the spending draw in recent years from approximately 5.5% to the current range, 3.75% and 4.75%, for the Endowment Assoc. and Law Foundation portions.

### **Debt**

As of June 30, 2004, the college's outstanding debt totaled only \$41 million (excluding \$35.8 million of commonwealth-backed GO debt, but including \$21 million of notes issued subsequent to fiscal year-end 2004) and there are no debt plans anticipated for the next three years. However, the current board of visitors approved a six-year capital plan that totals approximately \$367 million and is expected to be funded by approximately \$99 million of college-supported debt, \$256 million of state funds, and \$13 million of internal cash and gifts. The debt that is likely to be issued by the college is expected to be self-supporting, paid for by dedicated revenue streams (housing, parking, and dining fees).

### **Demand**

Student demand is very strong at the college, and on par with the highest rated public universities. Also, enrollment is relatively stable. In fall 2004, total enrollment was 7,575, reflecting a slight decline of 3% over the prior year. Of this total, approximately 75% of students are undergraduates. For fall 2005, there were 10,610 applications (up 10% over 2004 and more than 30% since 2000). The college accepted 31% of the applicants and, of those, 41% matriculated. The acceptance rate is as low as we see for any rated public university. In the last few years, the matriculation rate has remained fairly constant, but the acceptance rate has improved significantly from a 37% level in fall 2001.

Demand is also strong for the graduate programs and law school. In the past three years, the acceptance rate for graduate applicants has averaged 44%, while the matriculation rate has averaged 51%. Selectivity is even stronger for the law school, with a three-year average acceptance rate of 21% and a three-year average matriculation rate of 26%.

Total enrollment is projected to grow to approximately 8,000 by 2012, with some of this coming from the school of business and the fact that new housing opportunities will be coming on line. In addition, there are likely to be more transfers entering from the commonwealth's community colleges. Overall, approximately 50% of the growth is expected at the graduate level.

Approximately 65% of undergraduate students are residents of Virginia. The out-of-state students primarily come from the Mid-Atlantic or Northeast, principally New Jersey, Pennsylvania, and New York. In addition, the college is actively recruiting international students.

The graduation rates are high, with 90% of students graduating in six years and 78% within four years. The retention rate is also strong, with 95% of freshmen returning for their sophomore year.

The top five overlap schools include the University of Virginia, Duke University, Georgetown, Cornell, and Vanderbilt.

### **History/Description**

College of William and Mary is the nation's second-oldest university. It was founded in 1693 by royal charter from King William III and Queen Mary II of Great Britain. The institution is deeply rooted in tradition, with one element being the historic position of chancellor, most recently held by Henry Kissinger, who succeeded the former prime minister of England, Lady Margaret Thatcher.

The college is a four-year state-assisted coeducational university and is primarily a residential campus. Currently, approximately 75% of all students live on campus, and there is a freshman residency requirement.

The college offers bachelor's, master's, doctoral, and professional degrees in arts and sciences, business administration, education, law, and marine science. In total, the college offers 29 undergraduate degrees, 20 master's degrees, and 12 doctoral degrees.

Many of the college's programs are highly ranked by various organizations, with the colonial history program ranked second in the nation and the School of Marine Science internationally known for estuarine research. In addition, the college is a regional sponsor of the Jefferson National Laboratory and works closely with the Department of Energy- Newport News, and the law school is a pioneer in the usage of courtroom technology. Some recent accolades received by the school include the U.S. News & World Report's rankings: it was ranked sixth among national public universities and 31st among all national universities; the education program was ranked 47th in the nation, the law school ranked 27th in the nation, and the college was ranked the top public university in commitment to teaching. This year, Newsweek named William and Mary the "hottest small state school" in the nation.

The campus consists of approximately 1,200 acres and is located in the center of Williamsburg, Va., 50 miles from Richmond and Norfolk and 150 miles from Washington, D.C.

## **Contacts**

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