5 Questions Colleges Should Ask Before Engaging in a Public-Private Partnership.

More institutions are looking to these deals for projects central to academics, raising new questions for their oversight and objectives.

Public-private partnerships (P3s), or the practice of sharing responsibility for providing a good or service with a for-profit company, are not new to higher education. Colleges have long outsourced elements such as food and laundry services, bookstores, custodial work and building construction.

In recent years, however, those partnerships have expanded to include academics and other pieces of the student experience that traditionally have been closely held, including online education, recruitment and even immersive learning experiences.

Such partnerships, however, involve more risk and "a level of skill set and competency to be able to both negotiate and to start up and manage that many universities are not set up or haven't built themselves up to be able to address," said Michelle Marks, vice president for academic innovation and new ventures at George Mason University, during a conference on the topic hosted there last week. "The reality today is that we can't do it alone."

Colleges are looking to P3s to help them quickly and nimbly respond to the range of headwinds reshaping the sector, among them: employers demanding more and different types of skills from graduates, the need to offer a wider range of credentials, and growing financial pressures.

In a survey of 249 college executives by The Chronicle of Higher Education in conjunction with the conference, the majority of respondents (83%) said their institutions are partnering more with private firms. While more than half (53%) are doing so on campus infrastructure projects, others are using them to outsource online programs (42%), student housing (39%) and predictive analytics (31%). Colleges are drawn to these companies primarily for their specialized skills, access to investment capital and the ability to quickly bring a project to market, respondents said.

"We have seen a change in the appetite of the governing boards to go into these public-private partnerships," said Michael Amiridis, chancellor of the University of Illinois at Chicago (UIC). "That was not necessarily the case 20 years ago."

But colleges considering a P3 should be mindful that the arrangement is not one size fits all, panelists said during one session. They shared lessons learned from their P3s and advised institutions on what to consider before striking the deal.

Do you need a private partner?

Some P3s are sought after from the start and others are borne from necessity. The latter was the case for Metropolitan State University of Denver, which went over budget on its Aerospace and Engineering Science Building and needed help fitting out one floor. The solution, said Janine Davidson, the university's president, was to lease the space out to companies in the aerospace and engineering fields, requiring them to offer internships and other hands-on learning for students.

“It’s not just renting out space, like a coffee shop,” she said, adding that the situation must be “a win-win” for the university and the partner.

Additionally, institutions should be able to clearly articulate the P3’s value proposition. “Why are we better off having a partner than doing what we are doing on our own?” Amiridis asked. Beyond financial support, he added, the arrangement must safeguard or enhance a college’s core values, including affordability and access, academic freedom and the integrity and quality of its processes.

It should not, however, be redundant with its core competencies. He noted that The Ohio State University, which has an energy-management P3, has done a “fantastic job” explaining how that service is not a core offering of a university and thus a good candidate for such a deal.

Are core values preserved?

The university must also ensure the P3 enhances the student experience, panelists said. For instance, a P3 allowed Georgia State University to build a student housing project with about 300 more beds than it would have otherwise, and more quickly, said its President Mark Becker. The university, where 59% of undergraduates are Pell Grant-eligible, wanted to ensure the housing remained affordable to students and that they couldn’t tell another entity owned the building.

“We fill these up, we market it, it’s our reputation,” Becker said. “It would be of no use to us to have a 1,100-bed facility that our students couldn’t afford to live in.”

Another of Metropolitan State’s P3s, a commercial hotel connected with its academic hospitality program but run by a third-party company, was designed to direct a portion of its profits to the university’s foundation to fund scholarships and other student support. The program raised $2 million in the first three years, Davidson said, well above the $500,000 initially expected from the first five to 10 years.

“The fact that we had a partner that was interested in doing something philanthropic was a total win,” she said.

Concerns over who has control of what in a P3 are particularly relevant for universities, which historically have had a longer lifespan than the companies with which they partner.

That was true for perhaps the best-known P3 discussed on the panel, Georgia State’s purchase of the 68-acre Turner Field site with Atlanta-based developer Carter to build private student housing, market-rate multifamily units and retail in addition to refitting the stadium.

“We said, ‘Look, in 100 years you’re probably not going to be here,'” whether they go under, get bought out or merge, Becker said. “We’re going to be here in 100 years.”

The same is true for deals with education technology companies given the trend of consolidation among them. “Many of the contracts don’t work for us,” he said, because the university doesn’t want to give up control of its content. Plus, he added, “We don’t know whether (they’re) going to be in business in five years, 10 years or not.”

What is going to change?

Avoiding duplication or redundancy is important, the panelists advised. “What process are you going to change, what are you going to stop doing that you’ve been doing for a long time because it’s no longer necessary on this new platform?" Becker said, in the case of a technology partnership.

Davidson encouraged institutions to use pilots to ease in risk-averse stakeholders. Learning from efforts by peer institutions can also be helpful.

"One of my first questions to everybody is, 'What's the norm?'" she said. "Not that I want to jump on the norm, but if I'm going to deviate I'll do it out of conviction and not out of ignorance."

Ultimately, permission to think beyond rules, laws and conventions needs to come from the top, Davidson said.

The right legal support can also help. "You want a lawyer who sees her or his job as 'You tell me what you want to get done and I'll figure out a way to do it legally,'" Becker said, whether that's changing the law, obtaining a waiver or enduring a long wait to carry out some or all of the project.

"Once you start having those successes," he continued, "other people who have historically been risk-averse and lived in their lanes want to be part of the next big thing."

Who will be the point person?

P3s run the risk of consuming small institutions and slowing down operations at larger ones, Amiridis said. For that reason, placing someone in a role akin to a project manager is important. At UIC, a vice chancellor for innovation manages the P3 relationship and engages the rest of the university, he said.

Georgia State, meanwhile, spreads that responsibility across its vice presidents, Becker said; for instance, a partnership for online program management would fall under the purview of the senior vice president for academic affairs. The university's chief legal counsel works across the board to engage stakeholders and negotiate contracts.

George Mason created a separate position and office to run point on partnerships. That person became Marks, who shifted from her role as vice provost for academic affairs to lead the Office of Academic Innovation and New Ventures, which sits within the provost's office.

How will you engage the partner?

The outside partner in a P3 is, understandably, looking to profit from the venture. In that way, Becker said, it helped the Turner Field deal that two members of the foundation's board were experts in such projects and could "have a conversation of equals in the real estate business" with the partner. "What we got for free would have cost us $3 million to $5 million in consulting fees," he said.

Evaluating potential partners' track records and whether they are interested in a long-term relationship is also important, Amiridis said. For him, that means meeting face-to-face with that firm's leaders to learn more about why they are interested in such an arrangement and to ensure their missions are aligned.

In a P3, he said, "we change our role from being owners and managers of projects to managing relationships and managing contracts," he said. "It's two different sets of skills."

And while the shape and language of a P3 contract is critical to establishing purview and accountability, it can only protect against so much. "The glue in the system is the relationships," Davidson said. "We have tight relationships with these folks and where we didn't have a tight relationship, we had to tighten it up."

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by Hallie Busta

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