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Fitch Ratings: U.S. Colleges Turning to P3s More Frequently.

Fitch Ratings-New York-10 September 2018: Strains on revenue are leading more U.S. colleges and universities to seek extra help in the form of public private partnerships, according to Fitch Ratings in a new report.

Colleges and universities are finding P3s increasingly more attractive in addressing campus infrastructure and physical plant needs in an effort to keep demand high for their institutions while retaining both students and staff. Use of P3s could prove to be pivotal in certain parts of the country where enrollment in colleges has dropped off considerably.

'The number of high school graduates in the Northeast and Midwest has declined over the last decade,' said Director Emily Wadhwani. 'Additionally, recent private institution closures and consolidation among some public intuitions are showing that demand can vary greatly by market and by institution.'

Digging deeper, the number of high school graduates is expected to plateau over the next decade, with schools in the Northeast and Midwest likely to see more declines. As such, 'a university's strategy to address its housing and other auxiliary needs must be executed in the context of an increasingly competitive and revenue-strained environment,' said Senior Director Seth Lehman.

P3s for financing around student housing, parking and other auxiliary assets have become more commonplace in recent years, but they do come with cost risks that could prove to be more difficult to control over time. 'Adding and upgrading amenities to keep up facility attractiveness also adds to cost risks,' said Lehman. Completion risk also remains an important component in evaluating higher education P3s, particularly when there is no backstop support from the college or university itself.

'Higher Education Demand-Based Project Financings' is available at www.fitchratings.com.

Contact:

Seth Lehman
Senior Director
+1-212-908-0755
Fitch Ratings, Inc.
33 Whitehall Street
New York, NY 10004

Emily Wadhwani
Director
+1-312-368-3347

Media Relations: Sandro Scenga, New York, Tel: +1 212 908 0278, Email: sandro.scenga@fitchratings.com

Additional information is available on www.fitchratings.com

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