As Public Funding Dwindles, Colleges and Universities Turn to Private Sector Partners.

Historically, the federal government played the dominant role in funding large infrastructure projects across the country – in many cases funding all or nearly all of project costs. In recent decades, however, public funding has been harder and harder to come by, while the need for infrastructure investment has soared across various sectors of the economy. Ironically, there is no clearer than the adoption of the recent $1 trillion federal infrastructure bill that the historic public financing model is dead. The bill provides only a small fraction of the resources required to meet the country's infrastructure needs and expressly encourages projects that leverage the limited federal dollars with private capital through public-private partnerships (commonly known as P3s).

P3s are contractual agreements between a government and a private entity in which the private sector takes on the risks associated with developing, financing, operating, and maintaining public infrastructure. P3s are a proven and cost-effective approach to building critical infrastructure projects in less time, while minimizing the public sector's risk.

In recent years, Higher Education institutions have been among the most successful users of the P3 model. The P3 model provides a number of benefits to these institutions, including the provision of a higher quality housing product, the transfer of risks to the private sector, and the retention of school personnel and financial resources for educational projects more aligned with the school's mission.

These benefits are now more pronounced than ever before, as dwindling public funding nationwide has increased financial pressure on public colleges and universities. At the same time, many colleges and universities are growing at a rapid pace and have a need for new educational facilities and other campus resources. The P3 model permits growing institutions to expand their campuses quickly, and without expanding and diverting existing staff or resources to operate and maintain the new facilities.

Most recently, Louisiana State University awarded a P3 agreement for modernization of energy plants on its Baton Rouge Campus to a team led by CenTrio Energy and LAW Energy partners. Louisiana State University is just following suit. Several universities have utilized a P3 model to modernize and expand their campuses, which has proven to deliver far more educational infrastructure in less time, than a public institution could hope to provide using the traditional delivery model.

We have also previously highlighted a number of successful P3 education projects taken on by higher education institutions, including the Michigan State University P3 for a planned expansion of the university's health and research facilities at the Grand Rapids campus, a P3 for off-campus student housing at Florida International University, and Plenary Properties Merced's completed construction on the well-known UC Merced 2020 campus expansion project – a $1.2-billion,1.-
-million-square-foot social-infrastructure P3 that has been called the largest social-infrastructure project completed in the United States to date.

Of course, not all colleges and universities require larger campuses, and in light of an increased focus on virtual learning, many institutions are now finding that they need less physical space, not more. P3s can help colleges and universities address this situation, as well. The private sector is able to both help modernize and shrink educational facilities and monetize land resources that are no longer needed for educational purposes, thereby both reducing the institution’s operating costs and creating new revenue sources. The P3 model is a flexible one, and in the light of the diverse and changing infrastructure needs of colleges and universities, we expect to see many more higher-education P3s in the future.

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