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Penn State Will Likely Take On Up to \$700M in Debt for Beaver Stadium Upgrades. How Will It Pay It Back?

STATE COLLEGE — Penn State is prepared to take on up to \$700 million in debt to renovate Beaver Stadium, a price tag drawing scrutiny at a time when the university is implementing steep budget cuts and offering buyouts to some employees.

The school has emphasized that the athletics department, which has a self-sustaining budget, will pay back the debt and interest incurred through the renovation process. Students' tuition and taxpayer dollars will not fund the project, the university has said.

However, Penn State University is likely to take on the necessary debt rather than the athletics department. One expert told Spotlight PA this setup is typical for universities and allows an organization like Penn State to secure better financing costs.

Penn State generally uses its standing as a public university with tens of thousands of tuition-paying students to secure bonds and provide financial backing for debt, according to a review of bond documents. For example, last year Penn State sold \$204 million in bonds under the university's authority. That sale was used in part to finance "replacements to and renovations of Beaver Stadium," though the university said at the time the bonds would be repaid by athletics.

Penn State declined to make an official available for an interview for this story. A university spokesperson wrote in an email that the university's support for the project "is a signal of the commitment to bettering our student-athletes' experience and as a land-grant university, elevating Beaver Stadium's significance in driving local and state economies."

Christopher Collins, vice president and senior municipal credit analyst at Moody's Ratings, told Spotlight PA that although universities could have specific departments take out debt — perhaps as a way to increase accountability — issuing bonds through the entire university lowers financing costs. A university generally has a better credit rating, and a wider source of possible repayment, than a specific department, said Collins, who has analyzed Penn State's credit rating.

Some university trustees questioned what would happen if Penn State defaults on the debt. Penn State's athletic department reported \$126,000 in profit off of a \$202 million total budget in fiscal year 2023.

By Wyatt Massey Spotlight PA State College Aug 22, 2024