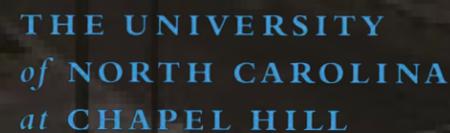


State of the P3 Higher Education Industry

October 2, 2017 | 2:00 PM – 3:00 PM



Introduction



Jeffrey Turner
Executive Vice President

- More than **450 higher education projects** across the country
- Advisor to clients on more than **\$1 billion** in P3 projects
- Presented on related topics more than **30 times** at industry events across the country



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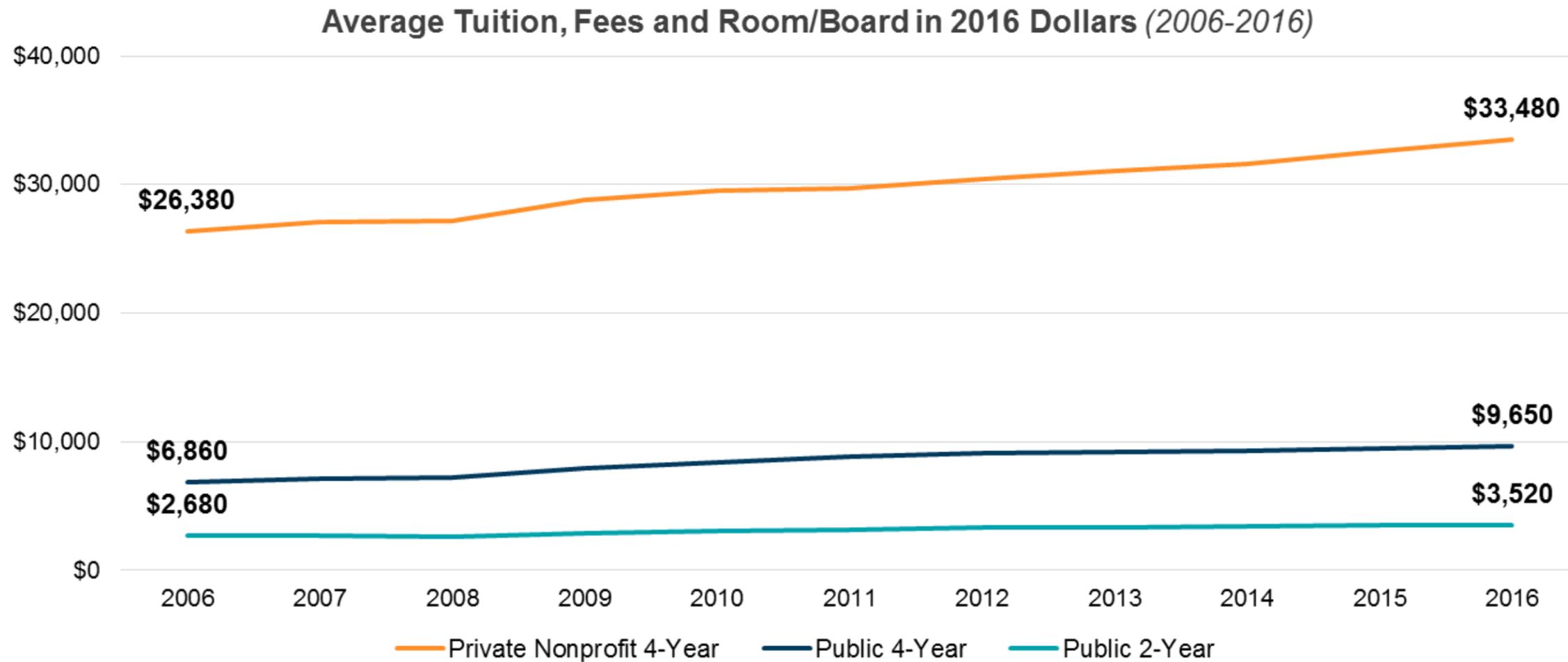


Evolving Industry Context

Evolving Context

The Cost of Education is on the Rise

In the last decade, tuition, fees, room, and board rates have risen **27%** at private institutions and **41%** at public institutions.



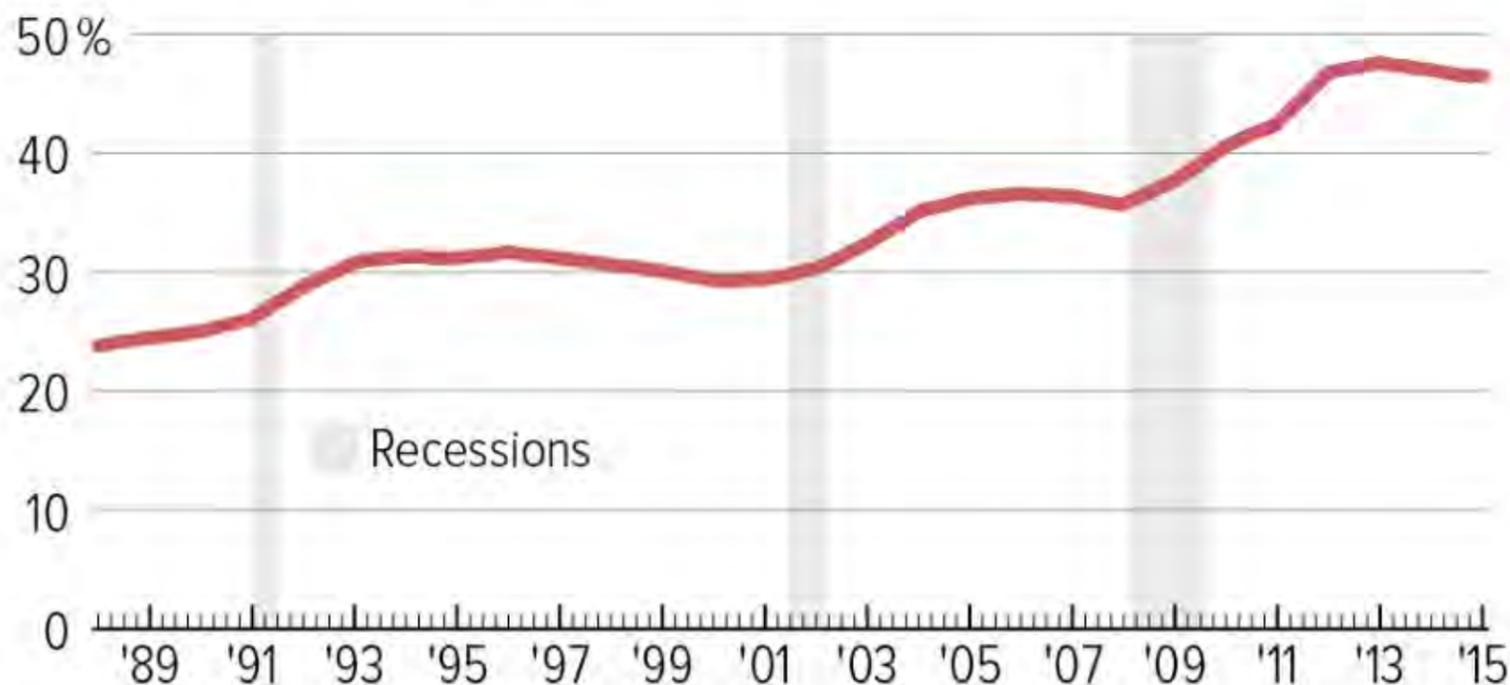
Source: "Trends in College Pricing 2016." College Board, 2016.

Evolving Context

Students are Covering the Gap

Students Funding Larger Share of Education Funds After Recessions

Tuition as a percent of "total educational revenue," 1988 -2015



Source: State Higher Education Financing FY2015, State Higher Education Executive Officers Association. Total educational revenue is the sum of educational appropriations and net tuition revenue excluding any tuition revenue used for capital and debt service. It measures the amount of revenue available to public institutions to support instruction (excluding medical students).

Students are covering the gap left by reductions in state funding. Between 1988 and 2015, student tuition and fees went from covering 20% to 50% of Total Educational Revenue.

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

Source: Center on Budget and Policy Priorities.

Evolving Context

Student Debt Has Surpassed All But Mortgage Debt in America

Type of Debt	Total Debt	Average per Household	% of Households With This Type	Average per Household With This Type of Debt
Mortgages	\$8.48 trillion	\$67,301	38.2%	\$176,222
Student loans	\$1.31 trillion	\$10,397	18.4%	\$49,905
Auto loans	\$1.16 trillion	\$9,206	31.8%	\$28,948
Credit cards	\$779 billion	\$6,183	36.9%	\$16,748
Any debt	\$12.58 trillion	\$99,836	74.1%	\$134,642

DATA SOURCE: NERDWALLET 2016 AMERICAN HOUSEHOLD CREDIT CARD DEBT STUDY. CALCULATIONS AND CHART BY AUTHOR.

Evolving Context

Deferred Maintenance



Again, backlogs at public and private institution diverge. In 2015, public campuses had an average backlog of over \$108 per GSF. Maintenance backlogs for private campuses averaged \$88 per GSF, about 19 percent lower. Remember that private campuses invest about \$0.50 more per GSF than public campuses, which may explain some of the difference. Still, the backlog in maintenance, modernization, and infrastructure has grown steadily for both public and private institutions since 2007.

Source: Sightlines

Evolving Context

Higher Ed Ratings



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Announcement: **Moody's: Trump blueprint budget credit negative for US higher education, other non-profits**

Global Credit Research - 28 Mar 2017

New York, March 28, 2017 -- Moody's Investors Service says the Trump administration's first draft budget for FY 2018, if unchanged by Congress, would be credit negative for the US higher education and not-for-profit sector owing to steep cuts in federal funding and the elimination or reduction of some programs. However, the credit rating agency believes there is a high probability the proposal would be modified.

A proposed \$5.8 billion, or over 18%, cut in funding for the National Institutes of Health (NIH) would have the most significant negative credit impact on the sectors.

"The budget proposal signals reductions as well as potentially large shifts in the administration's research funding priorities, including a material cut to biomedical research funding," Susan Fitzgerald, a Moody's Associate Managing Director, says.

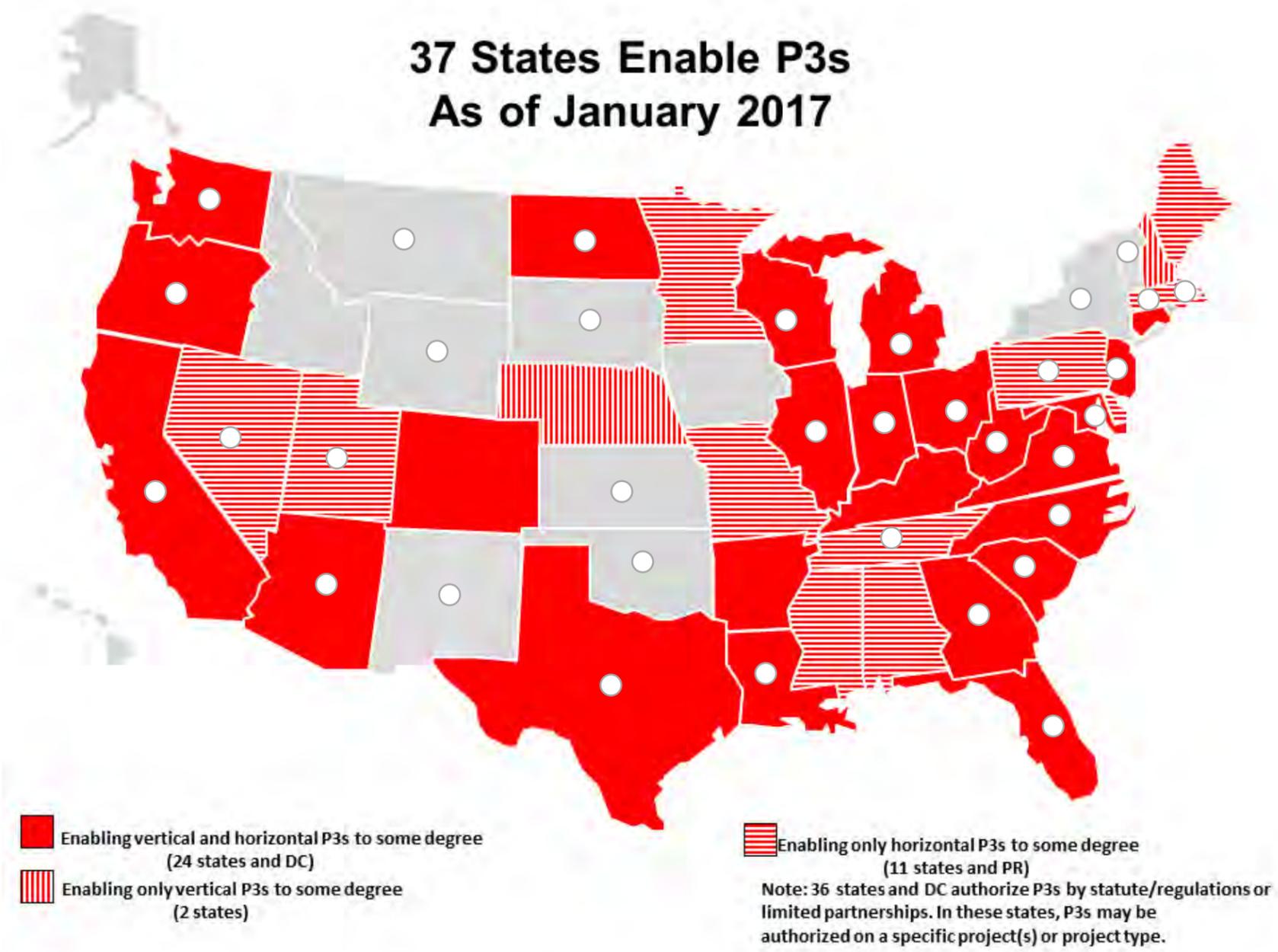
Standalone research institutions focusing on biomedical projects would be most challenged under this budget, including Scripps Research Institute (A1 stable), Fred Hutchinson Cancer Research Center (A3 stable), and the Wistar Institute (Baa1 stable). The NIH funds 15%-60% of biomedical research budgets at Moody's rated research institutes.

Large research universities also receive significant NIH funding, but these institutions tend to have more diversified research portfolios, larger budgets, and significant reserves that would help them adjust to the new funding environment over several years.

The Department of Education (DoE) could experience a \$9 billion, or 13%, decline in funding below the 2017 continuing resolution level of \$68 billion. Colleges and universities are highly dependent on federal financial aid programs distributed or managed by the DoE, which distribute \$45 billion in federal grants and administers student loans.

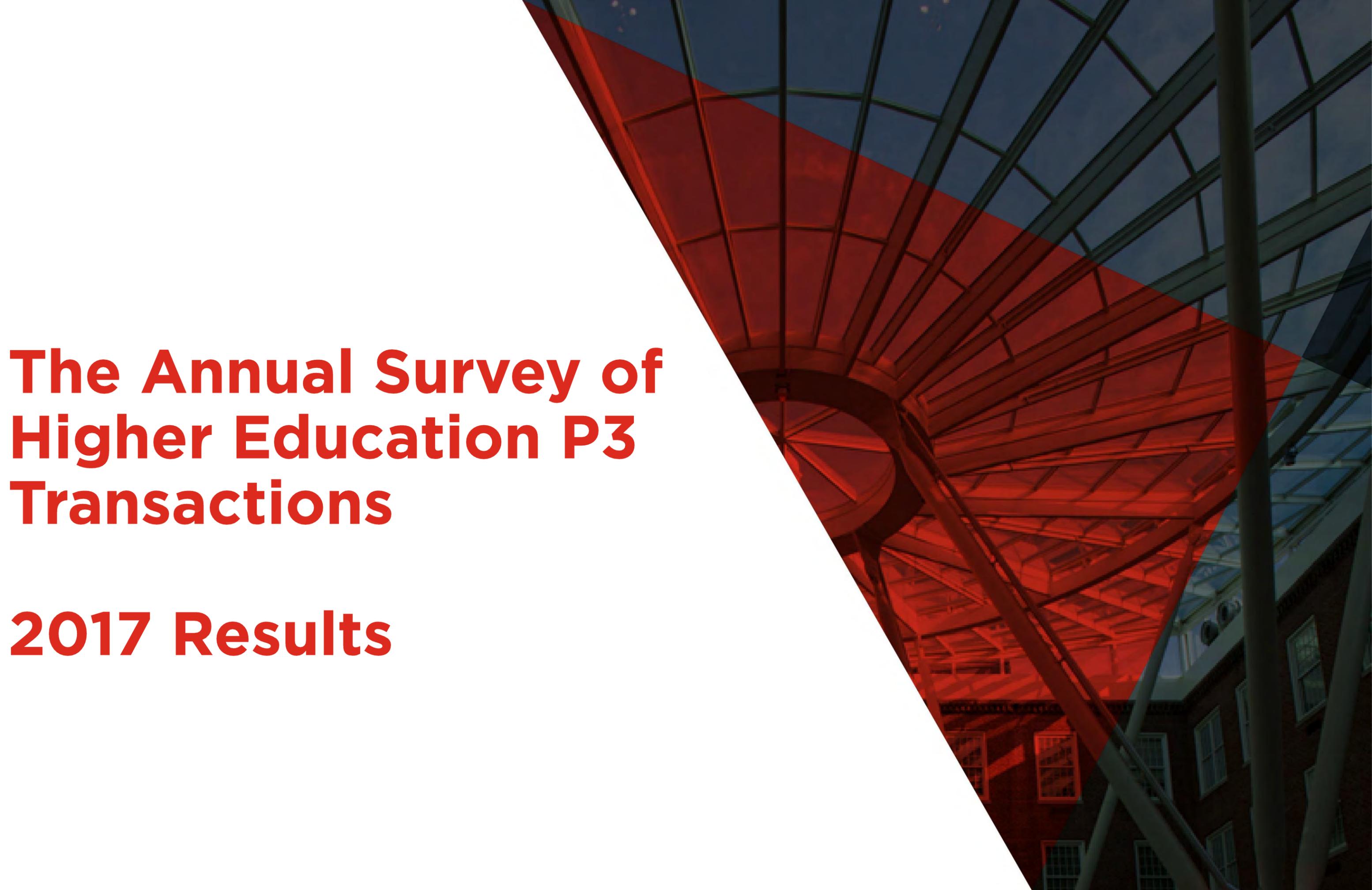
Alternative Delivery/P3

States Have Taken Notice of Private Sector Interests



(Source: Associated Builders and Contractors, Inc)

● B&D Involvement in Higher Education



The Annual Survey of Higher Education P3 Transactions

2017 Results

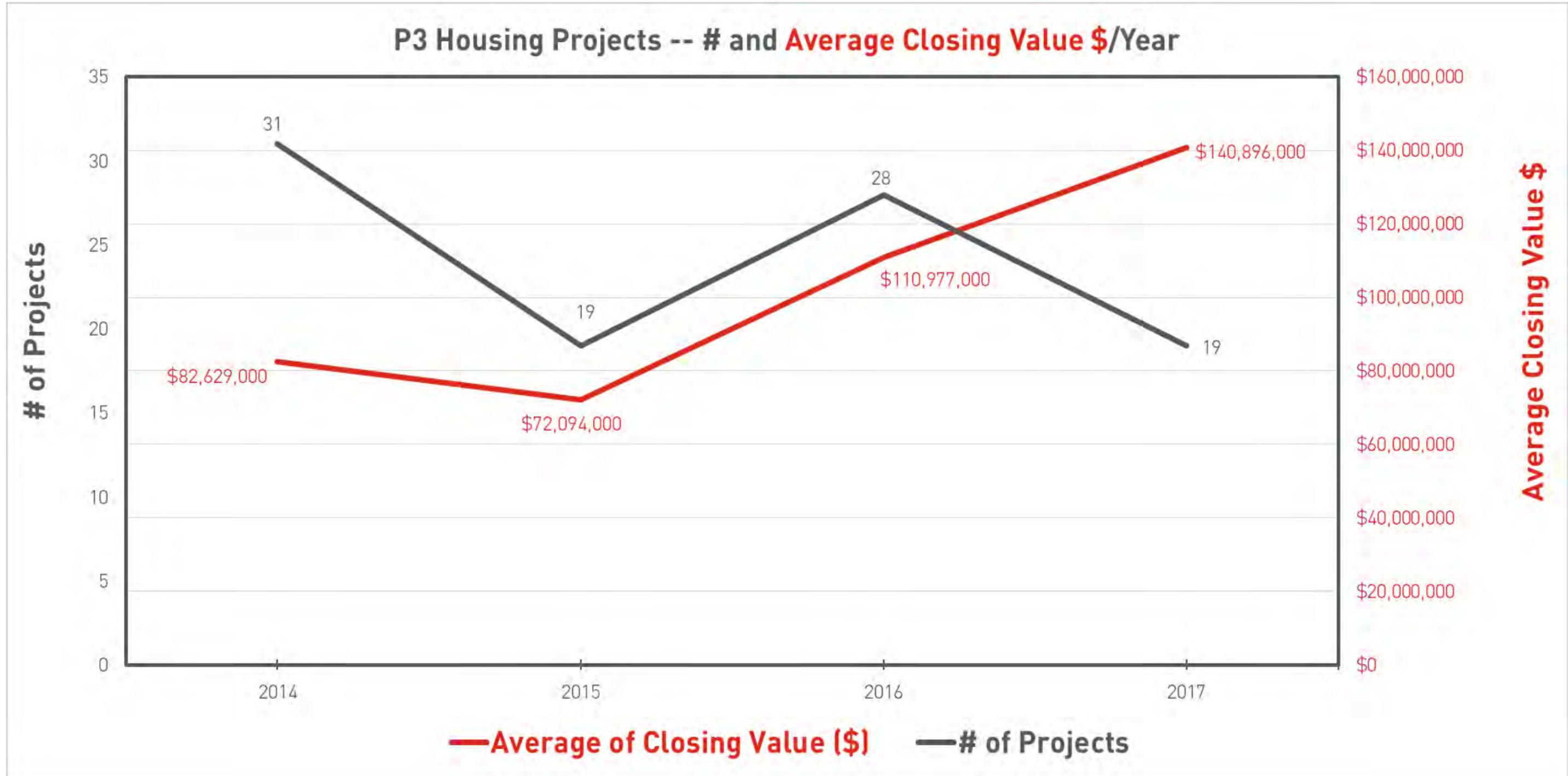
Higher Ed P3 Survey

2017 Survey



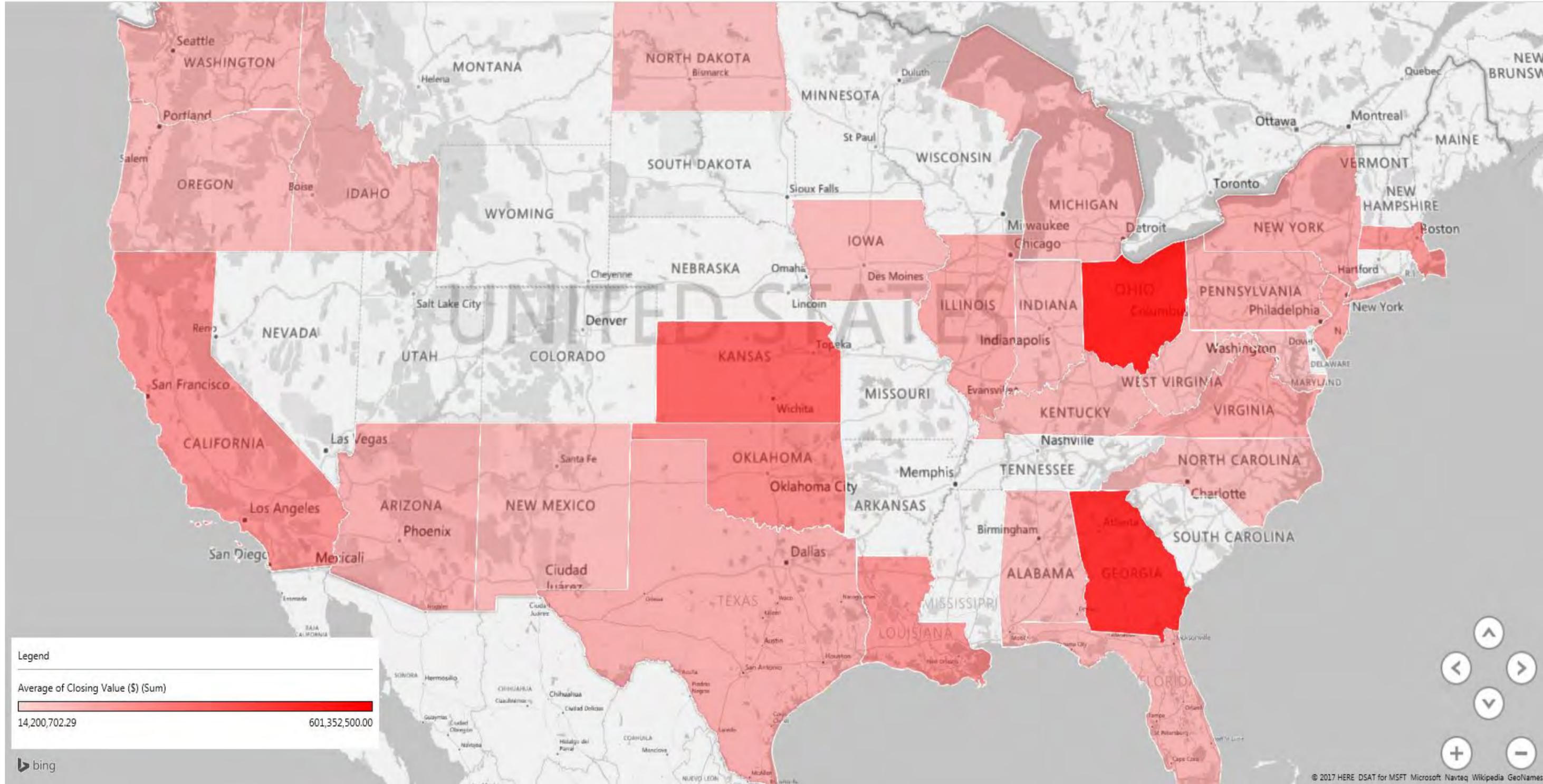
Higher Ed P3 Survey

Key Findings



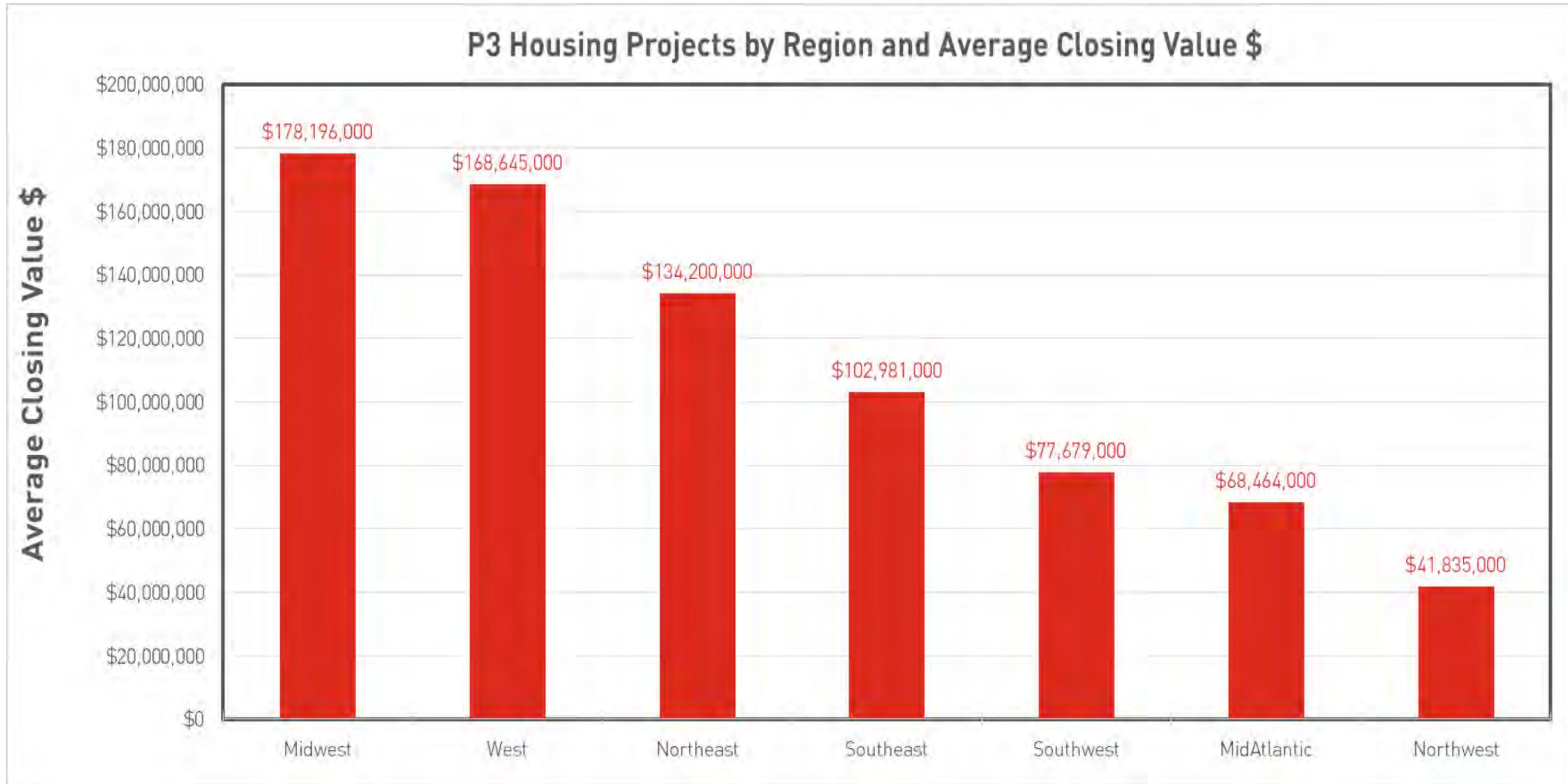
Higher Ed P3 Survey

Key Findings



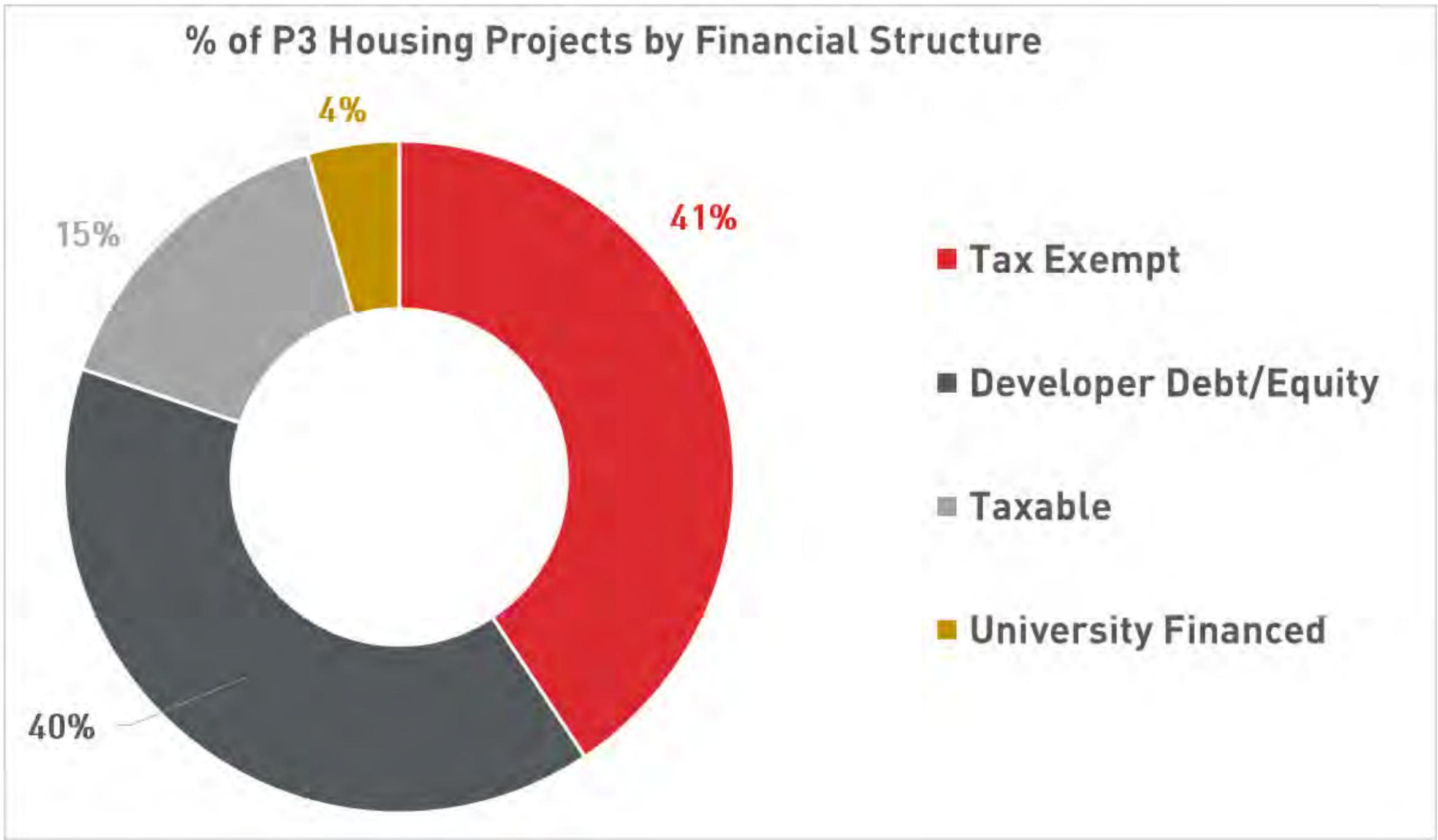
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Key Findings



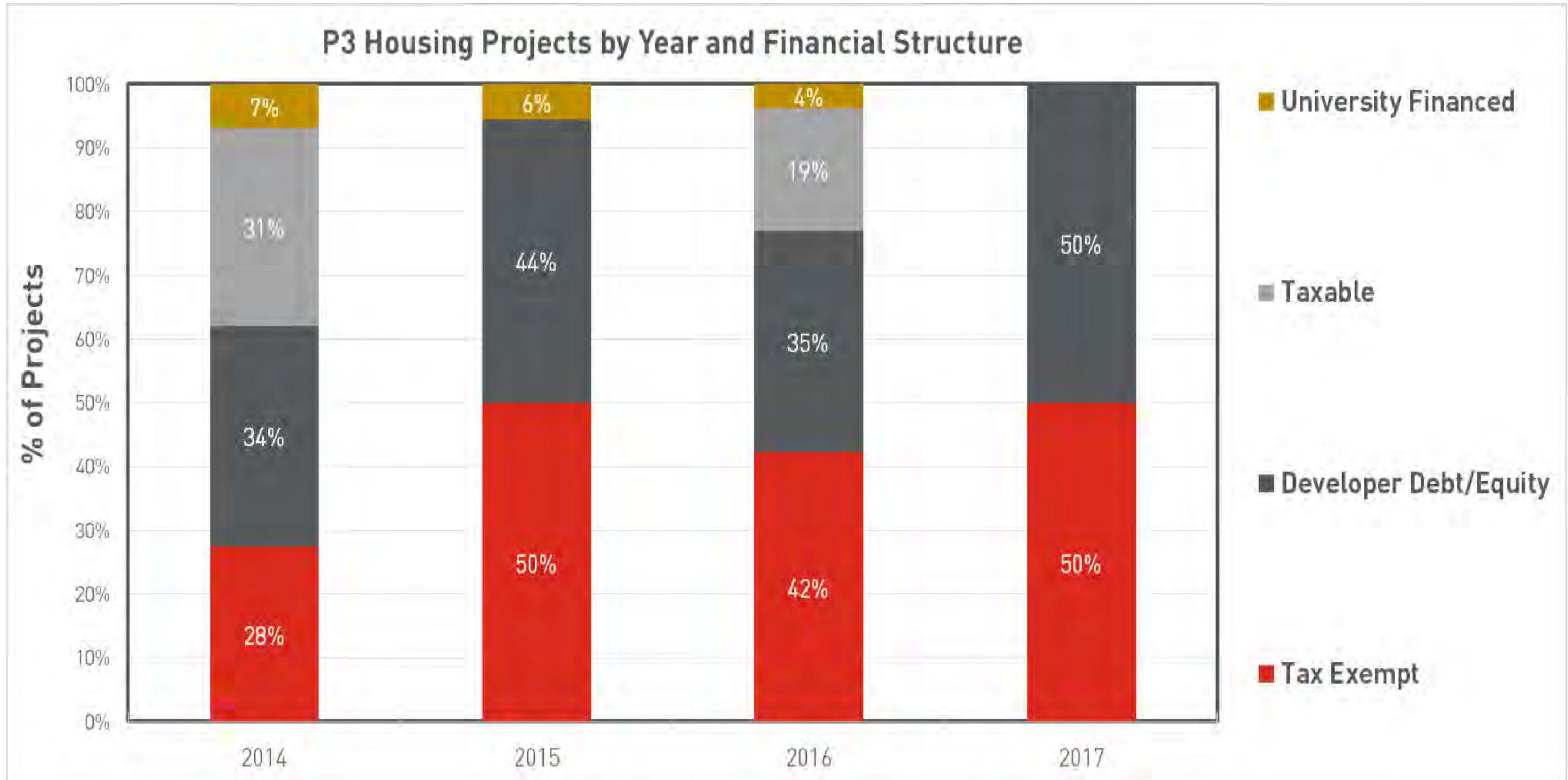
Higher Ed P3 Survey

Key Findings



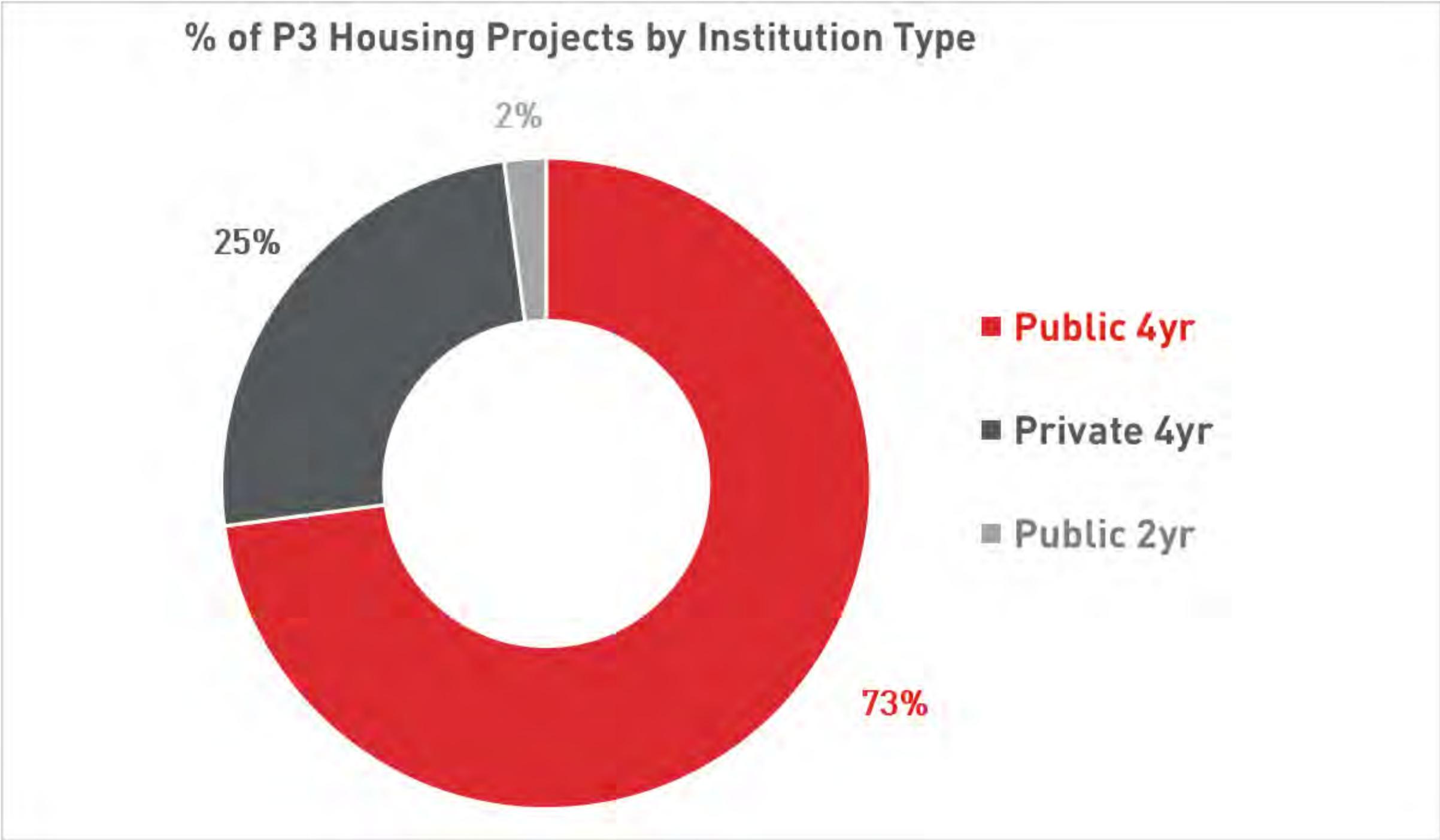
Higher Ed P3 Survey

Key Findings



Higher Ed P3 Survey

Key Findings



Higher Ed P3 Survey

Next Steps

- ◆ Announcing new **Higher Education P3 Resource Center** powered by Brailsford & Dunlavey: www.p3resourcecenter.com
- ◆ Continue dialogue of the ever expanding role of P3 in higher education
- ◆ Expand 2018 survey to include smaller and regional developers including more projects (health care, energy, etc.) – *Check out **P3 Resource Center** for more details to come!*





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