

# LEWIS & CLARK DISCOVERY INITIATIVE

## Questions & Answers

### **1. What's the essence of this proposal?**

The Lewis and Clark Discovery Initiative essentially does three things.

- It provides a one-time infusion of approximately \$300 million for capital improvement projects at our state's higher education institutions and establishes approximately \$125 million for an endowed student scholarship program, matching endowments for retention and recruitment of top professors, and an endowed fund to facilitate and accelerate commercialization of technology companies.
- It creates a new, public-private partnership that will benefit students, educators, and research scientists at our higher education institutions.
- It realizes a hidden asset available to the state. By tapping into the high market value of the Missouri Higher Education Loan Authority (MOHELA), we can invest in our students and state institutions to help spur economic growth and employment opportunities in an area in which Missouri is poised to excel – science and technology.

### **2. How will this be accomplished?**

MOHELA will be transformed into a public-private partnership. The money realized through the partnership will be available for higher education projects. The plan is similar to a department store selling its credit card line to realize a gain on its investment. We believe that the core functions of MOHELA can be maintained after a public-private partnership without students or institutions feeling any significant changes.

### **3. What is MOHELA?**

MOHELA is one of the nation's largest student finance authorities. It provides students with capital to finance their educations through partnerships with local, regional, and nationwide lending institutions. MOHELA was created by the General Assembly in 1981 to provide a secondary market for buying college loans from Missouri banks. The establishment of secondary lending entities was important to ensure that banks continued to maintain the reserves necessary to offer loans to students under the Federal Family Education Loan Program.

### **4. What happens to MOHELA in this sale?**

We are proposing to engage in a public bid process to realize the highest value for MOHELA. Higher education would benefit substantially from one of the largest, most comprehensive initiatives in the state's history, while student loan holders would receive equal or improved service.

### **5. What is the estimated value of this public private partnership?**

Goldman Sachs has estimated that the creation of this new public-private partnership could be valued in the range of \$375 to \$425 million.

**6. What types of projects are being funded?**

Because MOHELA was designed to further the goal of creating opportunities for students in higher education, the proceeds of this public-private partnership would be allocated toward higher education priorities, primarily in the area of science and technology. The plan invests the proceeds from the partnership into one-time expenditures for capital improvements, a new endowed scholarship program, an endowment for enhancing the state's commercialization continuum to help institutions create a permanent stream of revenue, and matching funds for endowed professorships. Twenty major capital improvement projects totaling \$536 million are included in this proposal. The state's investment would be approximately \$300 million.

**7. Why these projects?**

The capital improvement projects are designed to enhance Missouri's position as a global leader in conducting cutting-edge research and education in science and technology. Eleven projects were derived from the Coordinating Board for Higher Education's recommendation list. The capital improvement projects are distributed throughout the state, from Kansas City to Columbia to St. Louis; from the Northwest to Southeast, to Kirksville, Rolla, Springfield, Joplin, and the Bootheel. This is truly a statewide initiative.

**8. What about the balance of the money?**

Approximately \$100 million would be used to create endowments for a new student scholarship program; an endowment of \$5 million would be created to enhance the growth and development of the state's technology industry; and matching funds of \$20 million would be available for endowed professorships.

**9. How does this initiative compare to other recent investments in higher ed?**

Only Kansas City and Columbia have realized any kind of capital improvement projects for higher education in the last four years. UMKC is currently finishing construction of a \$30.49 million Health Sciences Center on Hospital Hill, which will house the pharmacy and nursing schools as well as scientific researchers, and the state invested \$29.9 million in the Kit Bond Life Sciences Building at MU.

**10. What is the process for getting this done?**

First, the Commissioner of the Office of Administration will set up the Lewis and Clark Discovery Fund. Under his authority as Commissioner, he can set up new funds to receive new sources of revenue for the state. Second, a new five-member board will be instituted by legislation to manage the sale, comprised of the Governor, Lieutenant Governor, Attorney General, Commissioner of the Office of Administration, and the Commissioner of the Department of Higher Education. The five-member board will oversee a process whereby the opportunity to manage the sale will be offered for public bid. Similarly, subsequent to the transaction handler being selected, the board will enter into a public bid process for the actual sale, ensuring taxpayers receive full value for the public-private partnership. The plan calls for the introduction of a separate capital improvements bill in the Legislature. All of the capital improvement projects that are

part of the Lewis & Clark Discovery Initiative will be funded via an appropriation from the Lewis and Clark Discovery Fund.

**11. What gives the Governor the authority to enter into this public-private partnership? What is the Legislature's role?**

Governor Blunt feels that it is important that this process take place through the State Legislature. Although it is possible to implement the public-private partnership with a majority vote of the MOHELA board, the Legislature's input and support is valued and essential for this vision to become as successful as we know it can be.

**12. Has this type of public private partnership been created before?**

A similar partnership was created in Virginia where the Virginia Education Loan Authority agreement realized \$61 million. Similar initiatives have taken place in Rhode Island, Maine, and Washington.

**13. Why is this plan the best use for the money?**

This plan directly, strategically, and substantially benefits students, Missouri's higher education institutions, the Missouri economy, and the state's General Revenue fund.

**14. Why not leave the money in MOHELA?**

This plan would provide the same or equal service to student loan recipients with the added benefits of a new scholarship fund, major infrastructure improvements to classrooms and laboratories, and improved job opportunities upon graduation.

**15. Why not use all the funds for scholarships?**

Certainly scholarships are a great use of these funds, which is why this plan utilizes \$100 million to create an endowed scholarship fund to provide scholarships to Missouri students in perpetuity. The remainder of the funds address demonstrated needs such as education and research facility upgrades, an incentive program to ensure that top professors are teaching Missouri students, and a program to facilitate high-tech business development near college campuses. This plan also results in a revenue gain (\$37.6 million annually on average) to the General Revenue fund, returning dollars for more scholarships in the future or other pressing uses.

**16. Why not use the funds to pay off existing state debt.**

The governor's budget request for FY07 already includes approximately \$30 million to meet our bond payments due from the revenue bonds approved in 2003. Plus, the state cannot pay off bond holders early. The bonds can only be defeased, which is to say that sufficient money can be set aside to retire the outstanding debt when due. The Lewis and Clark Initiative represents a compelling investment opportunity. By investing in our students, higher education institutions, and scientific research and commercialization capacity, we can realize a substantial return of state tax dollars over the long term, while simultaneously improving opportunities for our students. And perhaps as importantly, MOHELA was designed to benefit Missouri college students; funds derived from the public-private partnership should be put toward that same goal.

**17. Won't students be harmed by partnering with a for-profit?**

It is important to note that many Missouri colleges and universities do not use MOHELA. Some believe that MOHELA offers inferior service compared to other providers and that it has not invested the funds necessary to stay competitive, offering, for example, outdated on-line software applications for loan administration. In addition, other providers have included with their package services that MOHELA does not offer. In short, substantial expertise and competition exist in the marketplace, which we believe will ensure that MOHELA students continue receiving excellent servicing and rates, just like those students at Missouri colleges and universities who do not utilize MOHELA's services.

**18. What about services MOHELA provides other than providing loans? Will these continue?**

The public-private partnership being proposed will be carried out in a way that ensures vital services are preserved. The new five-member board that will oversee the transaction will have the ability to write in as a condition of the sale any provision it deems necessary or advantageous.

**19. Will the realization of this partnership affect the state's bond rating?**

No. MOHELA is a statutorily created entity as a body politic and corporate. By statute, MOHELA's bonds and other forms of indebtedness cannot be deemed a debt or liability of the state. Likewise, the proceeds of all bonds or other forms of indebtedness and all other revenues of the Authority are not considered a part of state revenues under current law. The Authority's bonds are secured solely by its own revenues. For these reasons, the sale of MOHELA's portfolio should have no impact on the state's AAA credit rating.

**20. What is the economic impact to the state and how many jobs will be created as a result of this public-private partnership?**

According to the Missouri Economic Research and Information Center, the initiative will create an average of 4,880 jobs annually paying an average wage of \$45,314. The total economic impact is expected to be \$554.2 million in new economic activity/output on average each year.