

WASHINGTON STATE  
**OPPORTUNITY**  
SCHOLARSHIP

**BOARD MEETING**

**07.28.2023**

# AGENDA

1. Welcome
2. Public Comment
3. Program Administration Discussion and Actions
  1. Short term supports for current contract
  2. Long term solution for program administration
4. Closing

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**PUBLIC COMMENT**

# PROGRAM ADMINISTRATION OPTIONS

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# The Problem:

## Inability to identify and maintain a long-term Program Administrator (PA) relationship creates instability and risk

- **Context:**
  - Three Program Administrators (PAs) since inception: College Success Foundation, WA STEM, and 501 Commons.
  - Scale of the program and differences in fiscal sponsorship and program administration models have led to challenges.
  - 2022 request for proposal (RFP) cycle resulted in a single submission.
  - Statute change allows the WSOS Board to partner with multiple PAs and create one or more non-profit corporations to perform the PA function.
- **Broadly stated, the problem is:**
  - The success of WSOS hinges on our ability to partner long-term with a Program Administrator to support our program needs. We don't exist without a Program Administrator, so a long-term solution is critical.

# Goals for today's meeting

1. **Determine the support needed to stabilize the finance and accounting function with 501 Commons**
2. **Discuss and determine options for a long-term solution for program administration**
  - Search for a new Program Administrator
  - Create a 501c3 non-profit organization to serve as Program Administrator

# Questions that came up when discussing the program administration options:

## 501 Commons:

- Could 501 Commons be successful long-term if the overall contract value was increased?
- What actions can be taken immediately to support 501 Commons in delivering on the contract?

## Cost:

- Are there more cost-effective solutions to our problem?
- Where is the pro forma for starting and running a non-profit?
  - Can you get the cost down further?

## Risks:

- How do we ensure that launching a non-profit foundation doesn't distract from programmatic goals?
- How do we protect ourselves from what could go wrong?
  - What if establishing a non-profit doesn't work?
  - Can you do this in eight to twelve months?

# Short Term Supports for Current Contract

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# Short term steps that can be taken to support current 501 Commons contract

- **No path to increase the value of the contract for 501 Commons without ending contract**
  - Procurement law limits significant amendments to the contract or significant expenditures
- **WSOS can take on additional expenses to close experience gaps (\$200K)**
  - Technical bridge
  - Controller support
  - Consulting

# Discussion and Proposed Board Action

- Authorize WSOS Interim Executive Director to spend up to \$200,000 on services and supports to stabilize the 501 Commons partnership and protect WSOS' financial interests

# Long Term Program Administration Options

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# Address the increased cost and complexity to run the WSOS program long term

- **Garnering new contract bidders will require an annual contract amount of \$1.2M or higher**
  - Fee structures for program administration/fiscal sponsorship range from 8 – 15% of incoming revenue
- **Pursuing a new Program Administrator may be cost-effective because of cost-sharing, but it comes with risks**
  - Availability of suitors
  - Culture and values mismatch
  - Partnership dynamics

# Launching a foundation may be more cost-effective than partnering with a new Program Administrator

- Cost predictability
- Staffing efficiencies
- Ability to scale with the program

	Current		
	501 Commons	New PA	WSOS Foundation
<b>TOTAL NON-SCHOLARSHIP EXPENSES</b> <i>(\$ shown in thousands)</i>	<b>\$ 5,668</b>	<b>\$ 6,317</b>	<b>\$ 6,304</b>
SCHOLAR LEAD STIPENDS	\$ 289	\$ 289	\$ 289
SALARIES, TAXES, BENEFITS	\$ 3,800	\$ 3,800	\$ 3,487
CONSULTING, PROFESSIONAL SERVICES & LOBBYING	\$ 480	\$ 480	\$ 480
PROGRAM ADMIN FEE	\$ 552	\$ 1,200	\$ 1,500
ALL OTHER OPERATING COSTS	\$ 547	\$ 547	\$ 547

*Expenses excluding Program Admin fee taken from 2023 budget*

# WSOS Foundation Pro Forma

Fiscal Year ending June 30

Foundation	2023-24	2024-25	2025-26	2026-27	
	Year One	Year Two	Year Three	Year Four	Total
<b>Revenue</b>					
Program Admin Fee	\$ 687,701	\$ 1,453,808	\$ 1,471,789	\$ 1,452,137	\$ 5,065,435
<b>Expenses</b>					
Personnel	\$ 259,228	\$ 1,012,678	\$ 1,073,912	\$ 1,042,843	\$ 3,388,661
Professional Services	\$ 150,000	\$ 61,740	\$ 64,827	\$ 68,068	\$ 344,635
Office	\$ 448	\$ 5,725	\$ 6,011	\$ 6,312	\$ 18,495
Information Technology	\$ 55,232	\$ 147,193	\$ 154,553	\$ 162,281	\$ 519,258
Occupancy	\$ 500	\$ 6,300	\$ 6,615	\$ 6,946	\$ 20,361
Travel	\$ 150	\$ 630	\$ 662	\$ 695	\$ 2,136
Other	\$ 25,658	\$ 29,915	\$ 31,410	\$ 32,981	\$ 119,963
<b>Total Expenses</b>	<b>\$ 491,215</b>	<b>\$ 1,264,181</b>	<b>\$ 1,337,990</b>	<b>\$ 1,320,124</b>	<b>\$ 4,413,510</b>
Contingency Fee	\$ 196,486	\$ 189,627	\$ 133,799	\$ 132,012	\$ 651,925
<b>Combined Total</b>	<b>\$ 687,701</b>	<b>\$ 1,453,808</b>	<b>\$ 1,471,789</b>	<b>\$ 1,452,137</b>	<b>\$ 5,065,435</b>

Year one represents build year and one month of program administration services delivered  
 Year two through four assumes full year of program administration services delivered

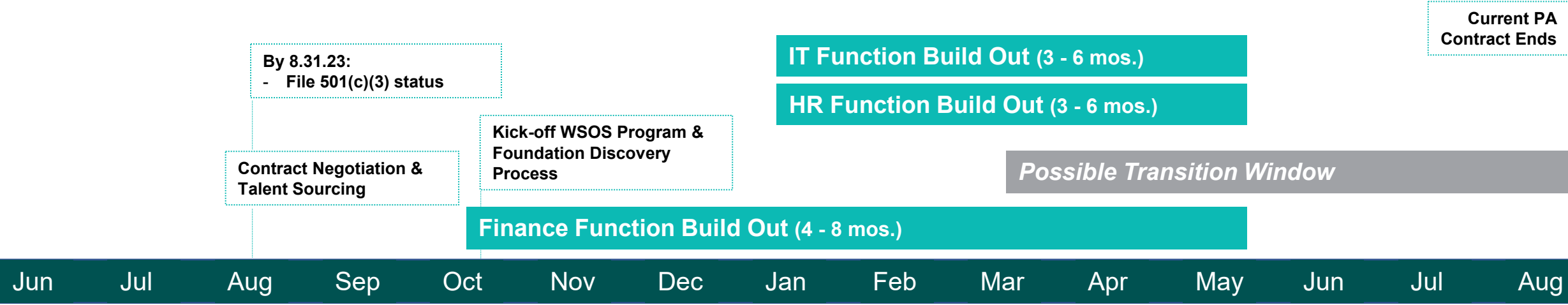
## Considerations:

- Adjusted staff levels
- Professional services expense driven by legal & consulting fees
- IT expense includes managed services cost to support WSOS program members
  - Most program administrators do not support IT
- Insurance estimate driving “other” expenses

# Risks

Risks	New Program Administrator	WSOS Foundation	Key Consideration(s)
Timeline to execute	High	Medium	<ul style="list-style-type: none"> <li>• Availability of suitors</li> <li>• Sourcing talent</li> </ul>
Detract from WSOS program mission	Low	Low	
Cost to maintain the partnership	Medium	Low	<ul style="list-style-type: none"> <li>• Dictated by contract</li> <li>• WSOS can influence Foundation costs</li> </ul>
Culture/Value misalignment	Medium	Low	
Integration	Low	Low	<ul style="list-style-type: none"> <li>• WSOS uses widely adopted platforms</li> </ul>
Performance challenges	Medium	Low	<ul style="list-style-type: none"> <li>• Greater opportunity to influence performance w/Foundation</li> </ul>

# Timeline to launch WSOS Foundation





# Discussion and Proposed Board Action

- Cause the creation of a 501c3 to serve as the Program Administrator of record at a future date
- Delegate authority to the (Interim) Executive Director to enter into a six-month agreement and up to \$200,000 in spending with the WSOS Foundation to support the build of the Foundation and transition of the WSOS Program

# Summary of Requested Board Votes

- Authorize WSOS (Interim) Executive Director to spend up to \$200,000 on services and supports to stabilize the 501 Commons partnership and protect WSOS' financial interests
- Cause the creation of a 501c3 to serve as the Program Administrator of record at a future date
- Delegate authority to the (Interim) Executive Director to enter into a six-month agreement and up to \$200,000 in spending with the WSOS Foundation to support the build of the Foundation and transition of the WSOS Program

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**NEXT BOARD MEETING**

**October 3, 2023**