



WASHINGTON STATE
OPPORTUNITY
SCHOLARSHIP

Inaugural Board Meeting

February 14, 2012

Board Introductions

Jim Albaugh

President and CEO of Boeing Commercial Airplanes and Executive Vice President of The Boeing Company

Theresa Gillespie

Co-founder and Managing Director of Trilogy Partnership

Jerry Grinstein

Co-founder and Strategic Director of Madrona Venture Group and former CEO of Delta Air Lines

Kimberly Harris

President and CEO of Washington-based Puget Sound Energy

Mack Hogans

President, Puget Sound BOLD Initiative and Affiliate Professor, School of Forest Resources, Univ. of Washington

Jim Sinegal

Director, Costco Wholesale Corporation

Brad Smith

Executive Vice President and General Counsel, Microsoft Corporation

Higher Education Funding Task Force

- Recommendations
 - Increase the number of Washington residents graduating with bachelor’s degrees from Washington’s colleges and universities, especially in high demand fields - science, technology, engineering, and math
 - Provide universities with increased flexibility to set tuition – linked to the level of state support and to the tuition charged by peer colleges

Higher Education Funding Task Force

- Recommendations, continued
 - Expand financial assistance to low- and middle-income students through combination of private and public strategies, including a \$1 billion endowment fund and tax incentives
 - Hold each public university accountable for graduating more students with bachelor’s degrees, giving incoming students credit for high school coursework, community college studies and prior learning experiences, and revamping some academic programs.

Bill HB 2088

- Creates Opportunity Scholarship Program and Opportunity Expansion Program
 - Students must receive their high school diploma or GED in Washington State
 - Students must be Washington State residents
 - Annual scholarship awards must be at least \$1000
 - Family incomes must be less than or equal to 125% of Washington State median family income at time of application

Bill HB 2088, continued

- Students must declare intent to earn degrees in approved field of study
- Scholarships must be renewed if students meet eligibility requirements
- Scholarships can be renewed for up to 125% of applicant’s normal program length
- Students enrolled at 2-year colleges who intend to transfer to eligible education programs at 4-year schools must be eligible to apply for scholarship



Bill HB 2088, continued

- Requires State to provide matching funds to match private contributions for scholarships

Bill HB 2088, continued

- **Creates Opportunity Scholarship Board**
 - Select program administrator
 - Identify eligible education and training programs
 - Determine conditional/non-conditional status of scholarship
 - Select scholarship model
 - Select institutions of higher education to receive opportunity expansion awards
 - Solicit funds and set annual fundraising goals

Current Status

- Funding
 - \$25 million - Boeing
 - \$25 million - Microsoft
 - \$5 million - State of Washington
- Naming of CSF as interim planning administrator
- Appointment of Board by Governor Gregoire on 12-20-11

Board Governance

- **Open Meeting Act**
- **Public Records Act**
- **State Ethics Law**
- **Delegating Authority**

Two-Party Contract between HECB and CSF

- Purpose
- Payment and Planning Phase
- Statement of Work

Board Decisions

1. Select program administrator
2. Identify eligible education programs
3. Determine conditional/non-conditional status
4. Adopt scholarship program model
5. Select institutions of higher education to receive expansion awards
6. Set fundraising goals

Program Administrator

- Introducing the College Success Foundation
 - Bob Craves, CSF Chair and CEO
- Scope of Work
 - Dr. Deborah Wilds, CSF President and COO
- Budget and Expenses to Date
 - John McDowell, CSF Chief Financial Officer
- Scholarship Model
 - Steve Thorndill, CSF Director of Scholarship Services

Program Administrator

Scope of Work

- CSF's Role as Planning Administrator
 - Developed scholarship model and awarding recommendations
 - Created WSOS branding and website
 - Received and invested initial contributions from Microsoft and Boeing
 - Developed budget and financial, accounting and reporting systems
 - Consulted with the HECB, initial donors and AG
 - Developed materials to brief OS Board members
 - Hosted planning meetings and coordinated initial WSOS Board meeting

Program Administrator

Scope of Work

- Proposed Scope of Work for Serving as Program Administrator
 - 3 Major Areas of Support
 - Scholarship Management 3.5 FTEs
 - Support to WSOS Board 3.0 FTEs
 - Investment Management .5 FTEs
 - Calculated level of effort to perform required functions
 - Leverage existing CSF staff and infrastructure
 - CSF In-kind Support .3 FTEs



Program Administrator Budget

Funding Received & Commitments

Donor	Year	Total	Scholarship Account	Endowment Account
1 Microsoft	2011	\$ 5,000,000	\$ 2,500,000	\$ 2,500,000
2 Boeing	2011	5,000,000	2,500,000	2,500,000
3 Total Received To Date	2011	10,000,000	5,000,000	5,000,000
4 Washington State	2012	5,000,000	5,000,000	-
5 Boeing/Microsoft	2012	10,000,000	5,000,000	5,000,000
6 Boeing/Microsoft	2013	10,000,000	5,000,000	5,000,000
7 Total \$20M Threshold		35,000,000	20,000,000	15,000,000
8 Boeing/Microsoft	2014 -15	20,000,000	-	20,000,000
9 Washington State Match	?	?	?	?
Total		\$ 55,000,000	\$ 20,000,000	\$ 35,000,000



Program Administrator Budget

Proposed 2011 - 2013 Budget

	Six Months Actual Ended Dec 31, 2011	Six Months Budget Ended June 30, 2012	Year # 1 July 1, 2011 - June 30, 2012	Year # 2 July 1, 2012 - June 30, 2013
Funds Received:				
Contribution Revenue	\$ 10,000,000	\$ 5,000,000	\$ 15,000,000	\$ 10,000,000
Investment Income	1,000	56,241	57,241	518,063
Total Revenue	10,001,000	5,056,241	15,057,241	10,518,063
Funds Expended:				
Scholarship Distributions	-	-	-	3,000,000
Program Expenditures:				
Salary, Benefits and Taxes	187,933	328,123	516,056	669,370
Contracted Staff	23,027	7,575	30,602	15,453
Staff, Professional Fees and Other Exp	46,707	131,861	178,568	268,996
Total Program Expenses	257,667	467,558	725,225	953,819
Total Scholarship and Program Exp	257,667	467,558	725,225	3,953,819
Net Funds	\$ 9,743,333	\$ 4,588,682	\$ 14,332,015	\$ 6,564,244

Program Administrator

WASHINGTON STATE
OPPORTUNITY
SCHOLARSHIP

Expenses to Date

PLANNING ADMINISTRATOR

<u>Six Months Ended December 31, 2011</u>			
	<u>Actual</u>	<u>Original</u>	<u>Variance</u>
		<u>Budget</u>	<u>Fav (Unfav)</u>
Program Expenses:			
Salary, Benefits and Taxes	\$ 187,933	\$ 215,705	\$ 27,772
Contracted Staff	23,027	63,150	40,123
Staff Expenses	156	2,360	2,204
Professional Fees	8,409	46,500	38,091
Other Expenses	4,581	31,450	26,869
Capital Projects	-	30,000	30,000
Indirect Expenses	33,561	65,391	31,830
Total Program Expenses	\$ 257,667	\$ 454,556	\$ 196,889

Board Decision

1. Select Program Administrator

- CSF to be program administrator
- Board approves budget
- Board approves expenses to date

Board Decision

2. Identify eligible education programs

- CSF Recommendation: Eligible education programs are STEM and health care fields



Board Decision

3. Determine Conditional/Non-Conditional Status

- CSF Recommendation: None of the scholarships are conditional (not repaid if recipient does not complete eligible program of study)

Board Decision

4. Adopt scholarship program model

- Student Eligibility:
 - May apply as freshman, sophomore, junior or senior in college this first year
 - Must be Washington resident
 - Must receive high school diploma or GED in Washington State
 - Must attend college full-time
 - Must intend to complete a bachelor's degree from an eligible Washington college or university
 - Must be pursuing an eligible program of study
 - Must meet the prescribed family income standards of having family income levels of less than or equal to 125% of median Washington family incomes (e.g. an applicant from a family of four must have family income of \$102,200 or less)
 - At the time of application, must have a high school or college grade point average (GPA) of 2.75 or higher

Board Decision

4. Adopt scholarship model, *continued*

- Scholarship Award Amounts:
 - \$1000 per academic year
 - Awards renewed for students making satisfactory progress and continuing in an eligible program of study
 - For new freshmen, maximum eligibility is five years
 - Total maximum funds to be received per applicant is \$5000
 - With available committed funds, 3000 students could receive funding the first year – assuming that first year selected students are 25% each for freshmen, sophomores, juniors and seniors



Board Decision

4. Adopt scholarship model, *continued*

- Eligible Colleges and Universities:
 - Students may attend all of the Washington state public community and technical colleges
 - Students may attend any other college or university in the state that participates in the Washington State Need Grant program and offers bachelor’s degrees in eligible programs of study
 - Colleges will be required to verify Washington residency, full-time enrollment, attendance in eligible programs of study (for students accepted in their majors) and select family financial information from FAFSA submission

Board Decision

4. Adopt scholarship model, *continued*

- Selection criteria:
 - For applicants meeting all other criteria (i.e. residency, income, eligible programs of study, etc.) GPA would be the remaining selection variable
 - GPAs required for selection could vary by class standing, based on the applicant pool

Board Decision

4. Adopt scholarship model, continued

- Application Calendar for First Year:
 - Applications available on-line March 1, 2012
 - Applicants and colleges notified beginning May 1 of selection decisions
 - Colleges will verify student eligibility over summer months
 - Funds to be disbursed to colleges for eligible recipients beginning in August 2012 for 2012-13 academic year

Next Steps

- Set future meeting dates
- Set fundraising goals and strategy
- Decide possible committee structure
- Discuss Opportunity Scholarship Expansion Awards





Adjournment and Signing of Contracts

- Contract Agreement between the State of Washington Higher Education Coordinating Board and Washington State Opportunity Scholarship Board and College Success Foundation
- Compensation Agreement – The Opportunity Scholarship Board and College Success Foundation



WASHINGTON STATE

OPPORTUNITY

SCHOLARSHIP

1. Higher Education Funding Task Force
2. Bill 2088
3. Two Party Contract
4. Scope of Work
5. Budget
6. Expenses to Date
7. Scholarship Model
8. Compensation Agreement
9. Three Party Contract



Higher Education Funding Task Force

Higher Education Funding Task Force

January 3, 2011

Dear Governor Gregoire:

Over the past eight months, our group has worked to address a critical long-term issue for Washington State – ensuring that more of the kids who grow up here have the opportunity to earn a college degree.

As we come together to release this report at the start of a New Year, we believe more passionately than ever that the State needs to renew its longstanding commitment to higher education. In the short term, this will play a vital role in creating new jobs and strengthening economic recovery. In the long term, this will fundamentally improve our children's ability to attain a prosperous standard of living in an increasingly competitive world. These twin goals – jobs and opportunity – are even more important in a time of challenging economics.

The Higher Education Coordinating Board's Master Plan calls for a 27 percent increase in the number of students receiving bachelor's degrees by 2018. Recent economic data suggest this focus is well placed. The current state unemployment rate for residents with a college degree is less than half the rate for those with only a high school diploma. And by 2020, we expect that two-thirds of the new jobs in Washington State will require postsecondary education.

The situation is clear: if we want the next generation to be successful, we need to increase the number of students graduating from college.

In order to realize this goal and maintain the longstanding commitment to quality education, the State needs to modernize the financial foundation for the six public four-year universities. This will require a variety of reforms and a willingness to embrace change. The only way to do this effectively will be to share in these changes together – as students, parents, businesses, universities, and other stakeholders.

First, we recommend the State adopt a new financial formula for the public four-year universities that better combines state budget support with increased flexibility for the universities to set their own tuition rates.

As discussed in the report, this would better enable our four-year universities to increase per-student funding to a level at or above the 60th percentile of each institution's global challenge state peer group. Under this formula, if state budget support grows in the future, tuition increases will be smaller. We urge

the legislature to sustain its financial support for higher education in the short term and grow it in the long term. But if state funding falls short, under this formula the universities will have the flexibility to fill in the gap through higher tuition.

Second, we recommend the State take an innovative and sustainable step to establish a new source of revenue to provide financial aid for low- and middle-income students who want to attend college. Specifically, we recommend the creation of a new Washington Pledge Scholarship Program.

As reflected by the existing budget challenges, the current approach to financing student financial aid leaves the State ill-prepared for economic downturns. Yet students' ability to attend college should not depend on whether the State is enjoying good economic times when they turn 18. And given the current budgetary and tax climate, it's not feasible simply to budget more money from existing revenue sources. Instead, we need to create a new revenue source and use this to establish a long-term, sustainable foundation for financial aid.

Our goal is to create over the next decade a \$1 billion endowment for Washington Pledge Scholarships, funded by new, voluntary individual and business donations and incentivized by federal and state tax provisions. By establishing this as a private nonprofit fund, the State can guarantee these funds will always be used for one purpose and one purpose only – ensuring that the gates of our community colleges and public universities remain open to students of all economic backgrounds.

While individuals who contribute to the endowment will benefit from a federal income tax deduction, we recommend the State create an incentive for businesses to contribute as well, by providing within specified limits a 50 percent credit on Business and Occupation and public utilities taxes. While these tax credits would be earned upon making a contribution, they would be exercisable against these taxes only when the overall revenue generated from these taxes rises above FY2008 levels.

Third, we recommend concrete steps to strengthen accountability and performance by the State's public universities.

Although we share a very high regard for the existing management at all six universities, we believe it's important to take new steps that will strengthen these areas even further. These should start with the adoption of certain mandatory measurements from the National Governors Association's *Complete to Compete* effort.

The State should also institute a new incentive system that borrows from both the success of Washington's recent program for community colleges and the success of the federal government's recent *Race-to-the-Top* program. This will enable the legislature to invest limited additional funds to reward campuses that help more students complete their degrees.

Finally, we believe the State should encourage new plans by the four-year universities to develop action plans to meet the State's degree completion targets.

We believe these recommendations will give our families and children the educational opportunities they need and deserve. They will create a stronger financial foundation for the universities, provide new scholarships for low- and middle-income students, and provide more public accountability for our tax dollars. If combined, they will enable more young adults in Washington State to go to college, and they will help our businesses create more jobs.

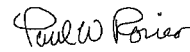
Sincerely,



Brad Smith, Chair
Senior Vice President and
General Counsel, Microsoft
Corporation



Michael Kluse, Senior Vice
President, Battelle



Paul Rosier, Executive Director,
Washington Association of
School Administrators



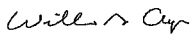
Dean Allen, CEO, McKinstry
Company



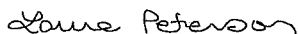
Alex McGregor, President
& CEO, The McGregor
Company



Judith Runstad, Foster Pepper
LLC



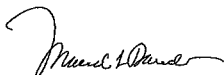
Bill Ayer, Chair and CEO,
Alaska Air



Laura Peterson, Vice
President, Boeing Company



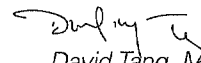
Ray Stephanson, Mayor of
Everett



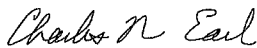
Maud Daudon, President
& CEO, Seattle Northwest
Securities



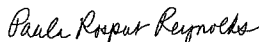
Thomas L. "Les" Purce,
President, Evergreen State
College



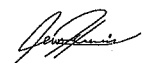
David Tang, Managing Partner,
Asia, K&L Gates LLP



Charlie Earl, Director, State
Board for Community and
Technical Colleges



Paula Reynolds, CEO,
Preferwest LLC



Jesus Hernandez, Chair,
Higher Education Coordinating
Board



Chris Rivera, President,
Washington Biotechnology
and Biomedical Association



Funding Our Future: A Financial Blueprint for Strengthening Higher Education in Washington State

Recommendations of the Governor's Higher Education Funding Task Force

Executive Summary

Washington's future economic vitality will depend on expanding access to high-quality postsecondary education. By 2018, two-thirds of the jobs — and almost all good-paying jobs — will require workers with college degrees.

The Higher Education Funding Task Force was appointed by the Governor to develop a plan for tackling this challenge.

In the long term, Washington needs to renew and reshape its commitment to higher education and make sure the next generation is equipped to compete for the best jobs available. In the short term, the state must embrace a new way of delivering higher education, with a new incentive system that ties college graduates to state funds, a new source of revenue for college scholarships, and improved accountability at all six public universities.

The Higher Education Funding Task Force recommends:

- Increasing the number of Washington residents graduating with bachelor's degrees from Washington's colleges and universities, especially in high demand fields — science, technology, engineering, and math.
- Providing the universities with increased flexibility to set tuition — linked to the level of state support and to the tuition charged by each institution's peer colleges.
- Expanding financial assistance to low- and middle- income students through a combination of private and public strategies, including a \$1 billion endowment fund and tax incentives.
- Holding each public university accountable for graduating more students with bachelor's degrees, giving incoming students credit for high school coursework, community college studies and prior learning experiences, and revamping some academic programs.

Higher Education Funding Task Force

Challenges

The issues confronting our state are:

- Washington's future economic vitality will depend on expanding access to high-quality postsecondary education. By 2018, two-thirds of the jobs will require workers with college degrees. According to a fall 2010 study by the Georgetown University Center on Education and the Workforce, Washington will rank 6th in jobs that require postsecondary education or special training.
- Washingtonians who have only a high school degree have more difficulty finding work during the recession. In 2009, the average unemployment rate for individuals with a bachelor's degree and higher was 4.6 percent, while the unemployment rate for those with only a high school diploma was 10.5 percent.
- The legislature's commitment to making higher education a top priority in future state budgets is essential, as Washington's economic vitality relies on a robust college system, even in difficult financial times.
- Helping more students complete bachelor degrees will depend on the collaborative efforts of the education system to prepare our children for college, including preparation in K-12 and academic transfers from community colleges and technical schools.

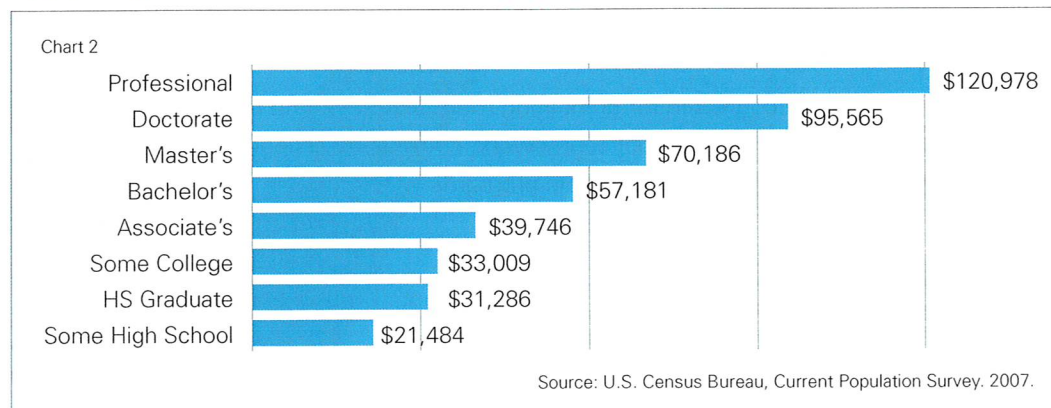
Washingtonians with a Bachelor's Degree or More Education are Less Likely to be Unemployed

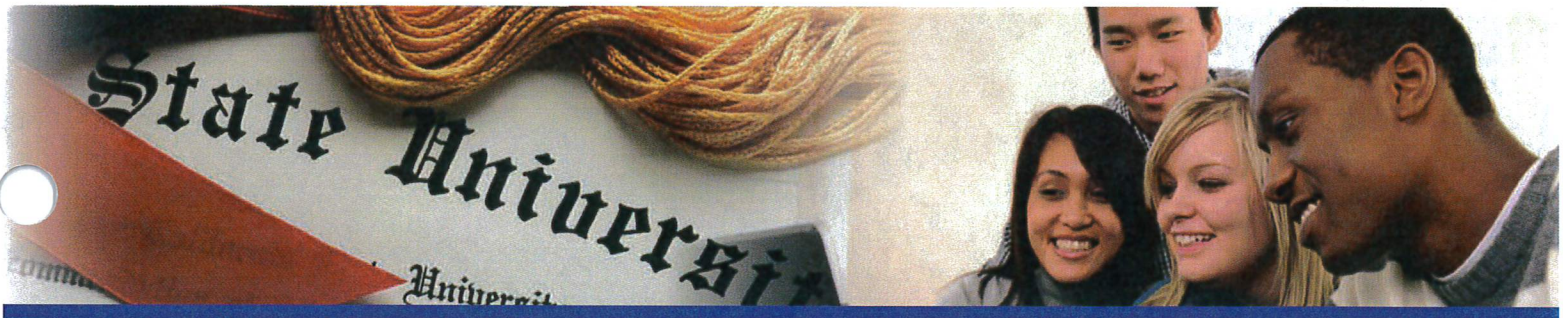
Chart 1

Educational Level	2009 Washington Average Unemployment Rate
Bachelor's Degree or Higher	4.6%
Some College or Assoc. Degree	7.7%
High School Diploma	10.5%
Less than High School Diploma	10.8%

Source: Bureau of Labor Statistics; Current Population Survey. 2009 Geographic Profile of the Employed and Unemployed. Compiled by the Washington State Employment Security Department.

Nationally, Income Increases with Educational Attainment





Initial Charge

The Task Force was asked to:

- Develop a **realistic and viable long-range funding strategy** that provides Washington's students with affordable higher education opportunities.
- Recommend ways to **improve accountability and performance** in our public four-year higher education institutions to ensure we get the highest value for the State's and student's investment. And,
- Consider whether the higher education system's current **governance** model should be modified to improve overall performance and accountability. *(Note: The Task Force decided not to address governance issues in order to focus its efforts on funding and other measures that will improve accountability.)*

Recommendation 1:

Over the next decade, our higher education system must create the opportunities for more Washington residents to earn bachelor's degrees.

The following bachelor's degree completion targets should be set for 2018:

- **Increase the number of bachelor's degrees by 2018:** Washington's six public universities should graduate at least 6,000 more Washington resident students with bachelor's degrees annually in 2018 than they did in 2010. This recommendation, which is in sync with the Higher Education Coordinating Board's goal in the 2008 Master Plan, represents a minimum threshold for the bachelor's degree production our economy needs. In 2010, more than 22,000 students earned bachelor's degrees at our public universities. By 2018, more than 28,000 students, or an increase of 27 percent, should be graduating with bachelor's degrees.
- Increase degrees in science, technology, engineering, and mathematics: Washington's six public universities should see 2,000 more Washington resident students graduating annually with bachelor's degrees in science, technology, engineering, and mathematics (STEM). This would represent roughly a 40 percent increase compared to current STEM degrees. Of the 22,000 bachelor degrees awarded at our public universities in 2010, just over 5,000 were earned in these academic areas.
- Expand opportunity for underrepresented groups: By 2018, at least 19 percent of the bachelor degrees awarded should go to graduates from historically underrepresented groups. This percentage is based on changing demographics and our belief that college campuses must include more low-income and first-time college students.

Washington Ranks 36th in the Nation in the Production of Bachelor's Degrees

All institutions, public and private, among 18-24 year olds.

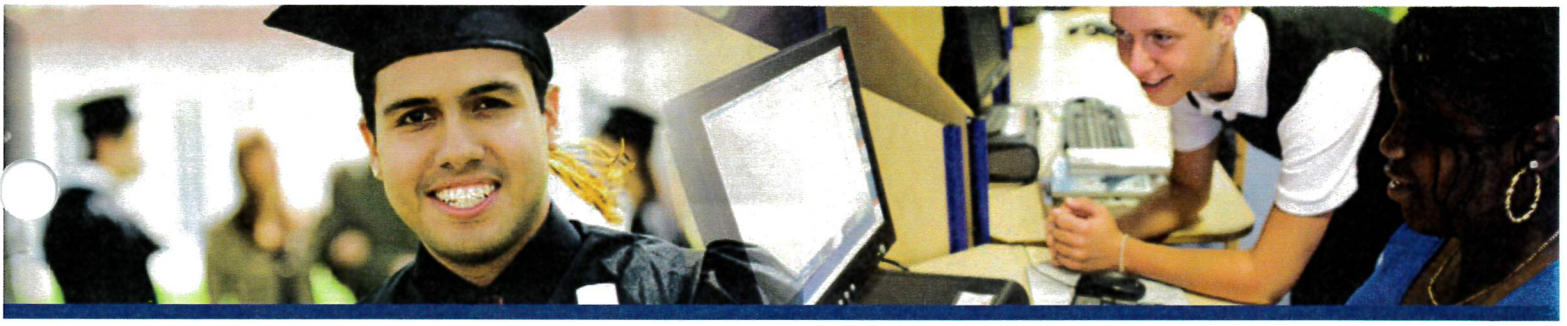
Source: U.S. Department of Commerce. 2006.
Compiled by the Puget Sound Regional Council.



Recommendation 2:

Provide sufficient investment by linking tuition and state support. This is fundamental to providing an affordable, accessible, higher quality education for Washington's citizens and to meeting the degree and access goals for 2018. As we climb out of the recession and build for the future beginning in 2013, it's clear that educational access and attainment can be delivered only with a realistic financing framework in place. Our universities need certainty to plan for the future. State investment and tuition must be integrated to provide predictable and stable funding as follows:

- **Benchmarking total per student funding:** Total per-student funding is benchmarked against two figures: a baseline of the fiscal year 2011 per-student funding and an aspirational level at or above the 60th percentile of each university's global challenge state peer group.
 - **If state funding rises to the aspirational funding level or above,** tuition may be frozen or even reduced if the State provides more support. The universities would increase enrollment to meet or exceed the degree production goals.
 - **If state funding remains at the baseline level or above,** the universities will commit to continue serving fiscal year 2011 enrollment levels and tuition increases will be capped at the 60th percentile of that university's state peer group.
 - **If state funding falls below the baseline level,** in order to maintain the baseline level, the universities would have the option to reduce enrollments or increase tuition without a cap or do both.
- **Give universities the authority to set tuition rates:** The governing boards of each university should be allowed to set tuition. The following limits would be placed on that authority:
 - If state funding is at or above the **baseline**, tuition cannot exceed the 60th percentile of that university's state peer group. A percentage of tuition increases shall be dedicated to financial aid.
 - If state funding falls below the **baseline**, in order to maintain the baseline level, the institutions would have the option to reduce enrollments or could increase tuition without a cap, or do both.
 - Tuition may go down if the **aspirational** funding level is exceeded.



Recommendation 3:

Help low- and middle-income Washington students earn a bachelor's degree by creating the Washington Pledge Scholarship Program.

- **Establish the Washington Pledge Scholarship:** A new endowment program should be created with a goal of raising \$1 billion by the end of this decade as a legacy that will help future generations of Washington students attend college. This scholarship will provide much needed help for low- to middle-income Washington students at our public two- and four-year colleges and universities.
- **This endowment would be created with new money and would come from new sources of revenue.** Private donations from both individuals and business will fund the endowment. In working through the details to create this fund, consideration should be given to enabling donations to target specific programs or students, potentially with a special priority for students who want to pursue STEM degrees.
 - o **Individual Donations:** The endowment should accept individual donations and should be set up as a nonprofit to qualify for federal tax deductions. This structure would help incentivize individual donations and ensure that the endowment will always be used for these scholarships and for no other purpose. The Higher Education Coordinating Board could administer the program.
 - o **Business Donations:** The endowment should also accept contributions from the business community. The State should establish a credit equal to 50 percent of the amount donated to be applied against the Business and Occupation tax and public utilities tax that could be earned under the new program. This would both create a financial incentive for businesses to make these new voluntary donations and, in effect, enlist State resources to help build a sustainable, long-term financial foundation for the education of future generations.
- Given current State budget challenges, we need to take a pragmatic approach to the timing and recognition of this tax credit. We recommend that the credit could be earned upon making the contribution but could not be claimed until state sales, use and Business & Occupation tax collections exceed FY 2008 collections by 10 percent and would not be available earlier than January 1, 2014. The credit would be a percentage of the amount donated. A cap would be placed on the amount of credit that could be claimed in a year both under the program and by a single business.



Recommendation 4:

Strengthen accountability and performance in higher education.

Through specific accountability measures, improved performance and recognizing credits earned, students will be better served.

- **Adopt the National Governors Association’s *Complete to Compete* measures:** Washington should adopt the association’s *Complete to Compete* indicators as statewide accountability measures. This will provide universities and the state a way to collect comparable data to make better policy decisions, pinpoint areas for improvement, and measure success.
 - o The measures include:
 - Outcome metrics: Degrees awarded, graduation rates, transfer rates, and time and credits to degree.
 - Progress metrics: Enrollment in remedial education, success in remedial education, success in first-year college courses, credit accumulation, retention rates, and course completion.
- **Develop an incentive system for improved accountability and performance:** The legislature should also create limited financial incentives to reward progress by the six public universities in meeting bachelor degree completion targets. In designing the system, the State should clearly articulate each individual university’s role and action plan. Each university should be required to participate in the incentive system. The Higher Education Coordinating Board should design and oversee the incentive program. Incentive awards should be provided for progress based on the following:
 - o Increases in the number of degrees awarded in the physical and health sciences, technology, engineering, and mathematics.
 - o Increases in the retention of first-year students receiving need-based assistance.
 - o Time and credit to degree, including a reduction in the number of credits accrued beyond what is required to earn a bachelor’s degree.
 - o Total number of bachelor’s degrees awarded.
- **Have universities develop action plans to meet goals and reduce costs.** The State should encourage the universities to develop action plans that specify degree completion targets, the action steps taken to reach the targets, and the results. Results should be reported annually to the legislature. The potential menu of options could include but not be limited to:
 - o Innovative use of technology in instruction, particularly for large introductory courses.
 - o Increasing administrative efficiencies among the universities and campuses.
 - o Eliminating under-used majors and courses.
 - o Creating three-year bachelor degree programs.
 - o Limiting state support for students taking credits beyond those needed to earn a degree.



- o Recognizing prior learning experiences based on competency assessments.
- o Recognizing advanced high school work, such as advanced placement or international baccalaureate courses with proficiency exams and college credits earned in high school through programs such as *Running Start*.
- o Recognizing transfer credits – particularly credits earned in academic programs at two-year or four-year institutions.
- **Recognize credit from high school and other colleges:** Students should receive credit at the six public universities for college-level work completed at a high school, a community college or another four-year university.
 - o **College credit earned in high school:** The universities should be required to have uniform policies for awarding credit to high school students who successfully complete college-level work through *Running Start* or college in the high school programs. The universities should also have uniform policies for awarding credit to high school students who successfully complete both the coursework and exams in advanced placement or international baccalaureate programs. The universities should make information widely available to students about the ability to earn a college degree in three years after high school when a high school student completes academic work qualifying for college credit.
 - o **Transfer of credits:** The universities should be required to provide for a seamless transfer process and maximize academic credits earned at other institutions of higher education.
 - o **Prior learning experiences:** The universities should be required to strengthen policies for awarding credit for prior learning experiences with demonstrated competencies through proficiency exams. Information about proficiency exams to earn college credit should be consistent and widely available.

Higher Education Funding Task Force Members:

Brad Smith, Chair, Senior Vice President and General Counsel, Microsoft Corporation

Dean Allen, CEO, McKinstry Company

Bill Ayer, Chair and CEO, Alaska Air

Maud Daudon, President & CEO, Seattle Northwest Securities

Charlie Earl, Director, State Board for Community and Technical Colleges

Jesus Hernandez, Chair, Higher Education Coordinating Board

Michael Kluse, Senior Vice President, Battelle

Alex McGregor, President & CEO, The McGregor Company

Laura Peterson, Vice President, Boeing Company

Thomas L. "Les" Purce, President, Evergreen State College

Paula Reynolds, CEO, Preferwest LLC

Chris Rivera, President, Washington Biotechnology and Biomedical Association

Paul Rosier, Executive Director, Washington Association of School Administrators

Judith Runstad, Foster Pepper LLC

Ray Stephanson, Mayor of Everett

David Tang, Managing Partner, Asia, K&L Gates LLP

Washington State Opportunity Scholarship and Expansion Programs

Summary

The Washington State Opportunity Scholarship Fund opened with a pledge of \$100,000,000. Boeing and Microsoft both pledged \$25,000,000, and Washington State will match these payments.

- On June 6, the Governor signed legislation to enact the Washington State Opportunity Scholarship & Expansion Programs, overwhelmingly approved by the Legislature on a bi-partisan basis: House 91-5 and Senate 43-2.
- This legislation sets the stage to create a billion dollar scholarship fund to be developed over the next ten years. The Private Sector will invest \$500,000,000 and the State will match the \$500,000,000. These scholarships are for both low and middle income students.
- To kick off this program, \$20,000,000 will be invested. Microsoft, Boeing, and the State will each contribute \$5,000,000, and the final \$5,000,000 will come from other sources. Brad Smith (Microsoft) and Jim Albaugh (Boeing) will lead the fund-raising effort.
- \$10,000,000 will be used for scholarships awarded this year or early next year, and \$10,000,000 will be put into an endowment.
- After the first \$20,000,000 the donors may designate where their contributions will go: pass-through or endowment.
- The Governor will select seven WA State Opportunity Scholarship board members. Four members will be from the business community, and the other three may or may not be from the business community. These board members will be responsible for raising the money, the type and size of scholarships, eligibility, and general operating principles.
- At the moment, the College Success Foundation (CSF) has been appointed as Planning Administrator of the fund. Eventually, the board will appoint the administrator, and hopefully, it will be CSF.

Overview

- **Problem.** Reduced state funding and higher tuition at Washington's public higher education institutions will place additional financial pressures on Washington's middle income families and our universities.
- **Legislative Action.** This month the Legislature passed E2SHB 1795 to aggressively address the needs of our state's students and higher education institutions by providing (1) tuition-setting authority, (2) financial aid to students and (3) performance and accountability measures. But E2SHB 1795 is just the first step of a long-term higher education funding strategy.
- **Next Step.** Now, the private sector wants to partner with the state to contribute additional funding toward higher education financial aid assistance and increased high demand degree production. This unique public-private partnership will evidence the state's and its employers' shared commitment to meet the growing critical needs of our students and our state. (See Fig. 1)
- **Solution.** HB 2088 is the solution. It creates opportunity scholarship and opportunity expansion programs overseen by the opportunity scholarship board (board) to (1) mitigate the impact of tuition increases for students, (2) increase the number of baccalaureate degrees in high employer demand programs and (3) invest in programs and students to meet the state's market demand fields.

Funds Opportunity Scholarship and Opportunity Expansion Programs

- A public-private partnership is created to fund the new opportunity scholarship (scholarship account) and opportunity expansion (endowment account) programs.
- At least 50% of all private contributions must be deposited into the scholarship account until total receipts in that account reach \$20 million. Thereafter, contributors may designate where their contributions go, and the board determines the distribution of undesignated contributions, carefully balancing the long-term need to grow the endowment fund and the short-term need for scholarships.
- The state match, which must be appropriated by the Legislature, is earned for private contributions made after the effective date and paid beginning the later of January 1, 2014, or the first year with state revenues 10% higher than those received in Fiscal Year 2008. (See Fig. 2) These payments are capped at \$50 million annually and will be deposited into the two accounts in equal proportion to the private contributions deposited into each account.

Creates the Washington State Opportunity Scholarship Program to Mitigate the Impact of Tuition Increases

- Scholarship recipients must (1) be accepted into an eligible education program, (2) declare an intention to obtain a baccalaureate degree and (3) have family income at or below 125% median family income.
- This program will be administered by a 501(c)(3) organization through a contract with the state.
- Funds from the scholarship account may be used immediately. Funds from the endowment account may be issued from state earnings only after the state match has been paid to both the scholarship account and the endowment account, state appropriations to the State Need Grant (SNG) meet or exceed such appropriations made in 2011-13 and eligibility for the SNG is maintained at a minimum of 70% of median family income (\$98,000 for a family of four).

Creates the Opportunity Expansion Program to Increase Baccalaureate Degrees in High Demand Fields

- Opportunity Expansion Program moneys will be distributed to institutions of higher education that propose programs designed to increase the number of baccalaureate degrees produced in high employer demand and other programs of study.
- These programs must have a strong emphasis on serving students who received their high school diploma or GED in Washington or are adult Washington residents who are returning to school.
- This program will be funded through voluntary contributions of the existing high tech research and development (R&D) tax credits. The Department of Revenue (DOR) reports the amount contributed to the State Treasurer and the Legislature appropriates the funds.

Fig. 1: Private donations of \$15 million annually for three years with \$10 million annual increases thereafter and corresponding state match

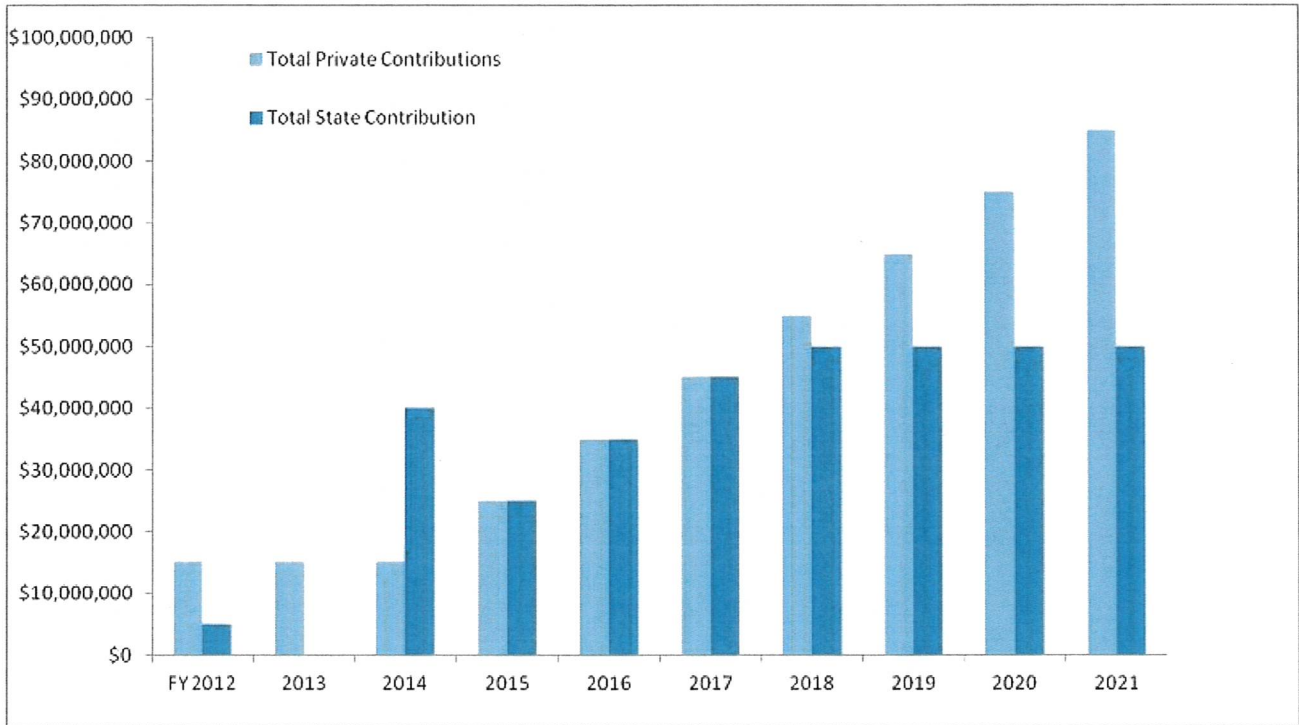
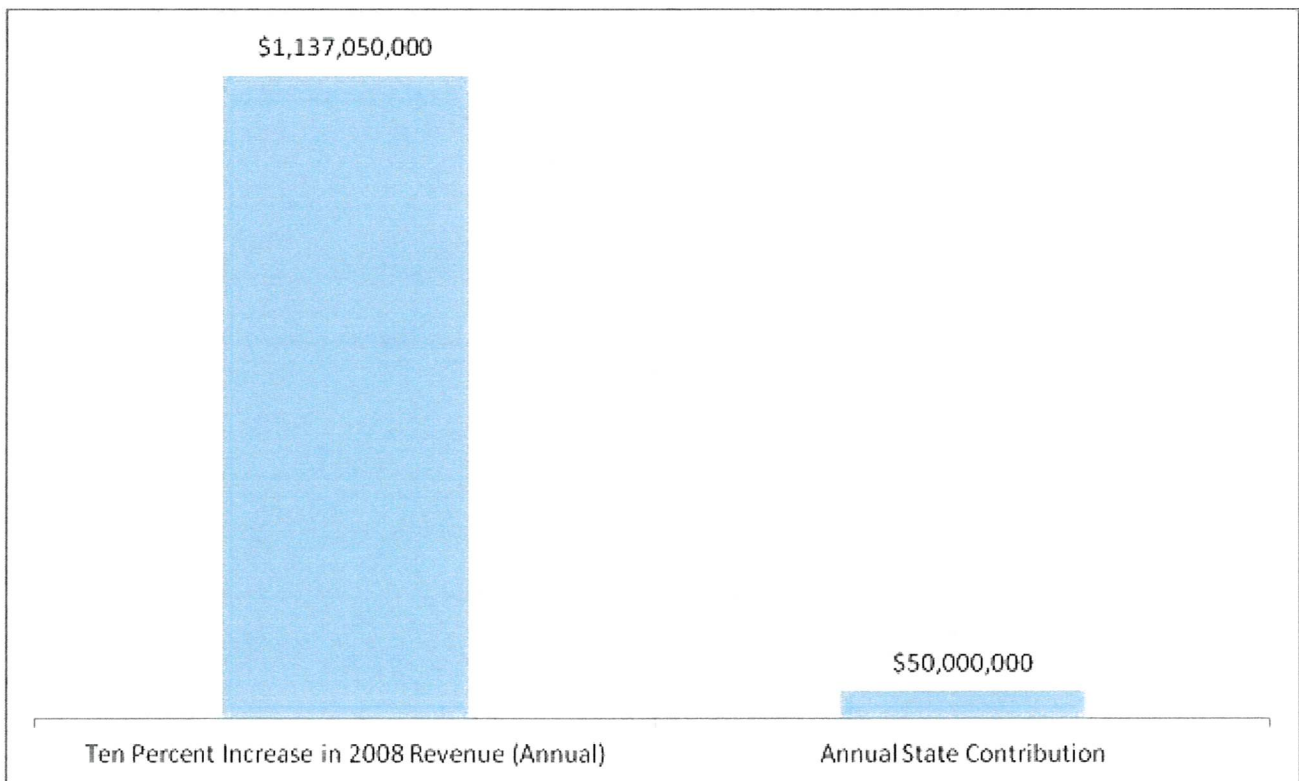


Fig. 2: Increase in state revenue required under HB 2088 before the maximum annual state contribution is made



HOUSE BILL REPORT

ESHB 2088

As Passed Legislature

Title: An act relating to creating the opportunity scholarship board to assist middle-income students and invest in high employer demand programs.

Brief Description: Creating the opportunity scholarship board to assist middle-income students and invest in high employer demand programs.

Sponsors: House Committee on Ways & Means (originally sponsored by Representatives Probst, Haler, Frockt, Zeiger, Tharinger, Asay, Orwall, Armstrong, Carlyle, Maxwell, Springer, Kenney, Seaquist, Finn, Haigh, Dammeier, Smith, Goodman, Lytton, Stanford, Dahlquist, Ladenburg, Wylie and Rivers).

Brief History:

Committee Activity:

Ways & Means: 5/11/11, 5/17/11 [DPS].

First Special Session

Floor Activity:

Passed House: 5/17/11, 84-8.

Senate Amended.

Passed Senate: 5/25/11, 43-2.

House Concurred.

Passed House: 5/25/11, 91-5.

Passed Legislature.

Brief Summary of Engrossed Substitute Bill

- Creates the Opportunity Scholarship Program and the Opportunity Expansion Program to mitigate the impact of tuition increases, increase the number of baccalaureate degrees in high employer demand and other programs, and invest in programs and students to meet market demand fields of study while filling middle-income jobs with a sufficient supply of skilled workers.
- Creates the Opportunity Scholarship Board to identify eligible education and training programs for purposes of the opportunity scholarship, select institutions of higher education to receive opportunity expansion awards, set fundraising goals, and solicit funds.
- Requires the state to provide matching funds to match private contributions for scholarships.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

HOUSE COMMITTEE ON WAYS & MEANS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 23 members: Representatives Hunter, Chair; Darneille, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Carlyle, Cody, Dickerson, Haigh, Haler, Hinkle, Hudgins, Hunt, Kagi, Kenney, Ormsby, Parker, Ross, Schmick, Seaquist, Springer, Sullivan and Wilcox.

Minority Report: Do not pass. Signed by 3 members: Representatives Hasegawa, Vice Chair; Orcutt, Assistant Ranking Minority Member; Chandler.

Staff: Trista Zugel (786-7157).

Background:

There are various kinds of student financial aid; some is privately supported, some is federally supported, and some is supported by the state, such as the State Need Grant (SNG). The SNG program helps the state's lowest-income undergraduate students pursue education. Students may use the grants at eligible institutions (public two- and four-year colleges and universities, and many accredited independent colleges, universities, and career schools) in Washington. Grants are awarded to individuals with family income up to 70 percent of the median family income.

The Legislature has created public-private partnership scholarship programs in the past. As an example, the GET Ready for Math and Science Program was authorized under RCW 28B.105. Per this statute, the Higher Education Coordinating Board contracted with a program administrator, and the administrator solicited funds from private contributors. The state then matched those contributions and the administrator awarded conditional math and science focused scholarships.

Summary of Engrossed Substitute Bill:

The Opportunity Scholarship and Opportunity Expansion programs are created to mitigate the impact of tuition increases, increase the number of baccalaureate degrees in high employer demand and other programs, and invest in programs and students to meet labor market demands. The scholarships are funded by a combination of private and state moneys. The expansion awards are funded with voluntary contributions of high technology research and development tax credits.

Opportunity Scholarship Board.

These two programs are overseen by the Opportunity Scholarship Board (Board), made up of persons appointed by the Governor. With respect to two of these appointments, the Governor is to consider names from a list provided by the Speaker of the House and the President of the Senate. Four of the persons appointed by the Governor are to be selected from a list of nominees provided by the private sector donors to the Opportunity Scholarship and Opportunity Expansion programs. Upon request, the Governor may request an additional list or lists.

The Board will identify eligible education and training programs for purposes of the opportunity scholarship, select institutions of higher education to receive opportunity expansion awards, and make recommendations with respect to funding sources for opportunity expansion awards. The Board's oversight and guidance must be consistent with legislative priorities. Together, with the program administrator, the Board must set annual fund raising goals and solicit funds.

Program Administrator.

The Higher Education Coordinating Board (HECB), or its successor, contracts with a program administrator, defined as a college scholarship organization that is a private nonprofit entity with expertise in managing scholarships and college advising. The program administrator sets up and manages the scholarship and endowment accounts, staffs the Board and administers the Opportunity Scholarship Program. The program administrator is paid an administrative fee as determined by the Board.

Opportunity Scholarships.

Scholarship recipients must: (1) be accepted into a high employer demand program, deemed an eligible education program by the Board; (2) declare an intention to obtain a baccalaureate degree (whether starting at two- or four-year school); (3) have a family income at or below 125 percent of the median family income; and (4) have received their high school diploma or General Educational Development (GED) in Washington. Generally, the annual amount of a scholarship is \$1,000 or the dollar difference between tuition fees charged in the 2008-09 academic year and the academic year for which a scholarship is being distributed, but the amount may be an amount necessary to cover all eligible expenses, as determined by the administrator.

Opportunity scholarships are issued from one of two accounts set up and managed by the program administrator, either the scholarship account or the endowment account. These scholarships are funded by a combination of private contributions and state match moneys.

At least 50 percent of all private contributions must be deposited into the scholarship account until total receipts in that account reach \$20 million, after which the Board determines the distribution between scholarship and endowment accounts, carefully balancing the need for a long-term funding mechanism and short-term needs of students and families. State match, which must be appropriated by the Legislature, is earned for private contributions made after the effective date and must be paid beginning the later of January 1, 2014, or the first year with state revenues 10 percent higher than those received in fiscal year 2008. These state match payments are capped at \$50 million annually.

Scholarships may be issued from principal and earnings in the scholarship account, and disbursement from this account must commence in December 2011 as long as at least \$5 million in state match has been received in the Opportunity Scholarship Account.

By contrast, the principal in the endowment account may not be invaded. Additionally, scholarships may be issued from the endowment account only after: state match has been paid to both the scholarship account and the endowment account; state appropriations to the State Need Grant (SNG) meet or exceed such appropriations made in 2011-13; and eligibility

for the SNG is maintained at a minimum of 70 percent of the median family income. Additionally, progress must have been made toward reaching global challenge state funding goals, meaning that the state must demonstrate progress toward the goal of total per-student funding levels, from state appropriations plus tuition of at least the 60th percentile of total per-student funding at similar public institutions of higher education in Washington's global challenge states. Washington's global challenge states are California, Colorado, Maryland, New Jersey, Connecticut, Virginia, Minnesota, and North Carolina.

Opportunity Expansion Program.

Opportunity expansion moneys will be distributed to public institutions of higher education that propose programs designed to increase the number of baccalaureate degrees produced in high employer demand and other programs of study. These programs must have a strong emphasis on serving students who received their high school diploma or GED in Washington or are adult Washington residents who are returning to school. This program will initially be funded through voluntary contributions of the existing high tech research and development (R&D) tax credits. The Department of Revenue (DOR) reports the amount contributed to the State Treasurer and the Legislature appropriates the funds.

Reporting Requirements.

The Office of Financial Management must report annually, by December 1, regarding the percentage of Washington households with incomes in the middle-income bracket or higher. The HECB must report regarding the increase in the number of degrees in high employer demand or other programs of study over the average of the preceding 10 academic years. The Workforce Training and Education Board must include in its comprehensive plan specific strategies to reach the goal of increasing the percentage of Washington households living in the "middle-income bracket" or higher. The DOR must report to the State Treasurer on the amount of R&D tax credits voluntarily contributed to the Opportunity Expansion Program.

By December 1, 2012, and annually thereafter, the Board and the program administrator must report to the HECB, the Governor, and the Legislature with respect to the two programs.

In 2018 the Joint Legislative Audit and Review Committee must evaluate and report upon the Opportunity Scholarship and Expansion programs.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) This bill is an innovative answer to the problem caused by budget cuts in the higher education arena. House Bill 1795 has addressed concerns that quality might suffer with the cuts. This bill addresses affordability concerns, and the danger of pricing middle-income and some low-income students out of higher education. The bill offers a new private-public partnership. Many companies in the state have stepped up to make offers of

major monetary contributions. Originally, the talk was of an endowment to fund future scholarships. This bill includes an endowment plus scholarships that will be immediately available. In House Bill 1666, a state tax credit was included for private contributions. That is replaced in this bill with the requirement that the state match private contributions in the future. While the requirement that the state match contributions up to \$50 million annually causes some concerns, the removal of this requirement would be a significant change and would affect the ability to secure private funding. The opportunity expansion award will be built into an institution's base budget only if there is an increase in the number of high employer demand degrees. The Legislature may decide that what was once a high employer demand degree no longer meets that criteria and discontinue funding in the base budget. The State Need Grant will remain the same as it is today except that it will be rebranded as opportunity awards. The opportunity scholarships included in this bill will reach middle-income students up to 125 percent of the median family income. It is very much within the recommendations of the Governor's Higher Education Funding Task Force. The bill creates a new board because the private sector donors want to have some influence. Passage of House Bill 1795 was pleasing. House Bill 2088 will enact the final piece of the Governor's Task Force's recommendations. There is a pressing need for this. The business community wants to meet this need, maintaining the long-term endowment and meeting the short-term need with immediate scholarships. Accountability by the institutions and financial aid for students is key. This bill breaks new ground. It is complicated, and many things still need to be worked out in this year and in future years. Significant new, additional private contributions are expected on top of contributions that the business community makes already. Investment in high employer demand fields is key to Washington's employers. Currently, there are many jobs in the state that are unfilled and cannot be filled by Washington graduates which causes employers to have to look elsewhere. A balance of trust between the public and private partners is key. This is a call to action for the state and the workforce. While House Bill 1795 does include some provisions for financial aid for middle income students, tuition must be over \$15,000 per year before these provisions kick in. So, in reality, that bill really does not provide for middle income students. Students are feeling like they have been mugged and then handed a tin cup to go begging. It is very disheartening. Today's students want to have the opportunities that others have had over the past 50 years. House Bill 2088 is one very small blessing in this session. Thus far, the products of this session will cause students to have to incur tremendous debt. Many are afraid that they will not be able to finish school, or they will have to work two jobs in order to do so. House Bill 2088 is but a tiny scrap, like a bandage on a broken arm. It will not fill the gap. What is needed is at least a splint, and preferably a cast.

(Opposed) None.

Persons Testifying: Representative Probst, prime sponsor; Laura Peterson, Boeing Company; Greg Pierce, Microsoft Corporation; Margaret Shepherd, Council of Presidents; Mike Bogatay, Washington Student Association; Mahmoud Hammad, Geoduck Student Union of The Evergreen State College; and Mike Merz, Associated Students of Central Washington University.

Persons Signed In To Testify But Not Testifying: None.

CERTIFICATION OF ENROLLMENT
ENGROSSED SUBSTITUTE HOUSE BILL 2088

62nd Legislature
2011 1st Special Session

Passed by the House May 25, 2011
Yeas 91 Nays 5

Speaker of the House of Representatives

Passed by the Senate May 25, 2011
Yeas 43 Nays 2

President of the Senate

Approved

Governor of the State of Washington

CERTIFICATE

I, Barbara Baker, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED SUBSTITUTE HOUSE BILL 2088** as passed by the House of Representatives and the Senate on the dates hereon set forth.

Chief Clerk

FILED

**Secretary of State
State of Washington**

ENGROSSED SUBSTITUTE HOUSE BILL 2088

AS AMENDED BY THE SENATE

Passed Legislature - 2011 1st Special Session

State of Washington 62nd Legislature 2011 1st Special Session

By House Ways & Means (originally sponsored by Representatives Probst, Haler, Frockt, Zeiger, Tharinger, Asay, Orwall, Armstrong, Carlyle, Maxwell, Springer, Kenney, Seaquist, Finn, Haigh, Dammeier, Smith, Goodman, Lytton, Stanford, Dahlquist, Ladenburg, Wylie, and Rivers)

READ FIRST TIME 05/17/11.

1 AN ACT Relating to creating the opportunity scholarship board to
2 assist middle-income students and invest in high employer demand
3 programs; adding a new section to chapter 82.32 RCW; adding a new
4 chapter to Title 28B RCW; and declaring an emergency.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** The legislature finds that, despite
7 increases in degree production, there remain acute shortages in high
8 employer demand programs of study, particularly in the science,
9 technology, engineering, and mathematics (STEM) and health care fields
10 of study. According to the workforce training and education
11 coordinating board, seventeen percent of Washington businesses had
12 difficulty finding job applicants in 2010. Eleven thousand employers
13 did not fill a vacancy because they lacked qualified job applicants.
14 Fifty-nine percent of projected job openings in Washington state from
15 now until 2017 will require some form of postsecondary education and
16 training.

17 It is the intent of the legislature to provide jobs and opportunity
18 by making Washington the place where the world's most productive
19 companies find the world's most talented people. The legislature

1 intends to accomplish this through the creation of the opportunity
2 scholarship and the opportunity expansion programs to help mitigate the
3 impact of tuition increases, increase the number of baccalaureate
4 degrees in high employer demand and other programs, and invest in
5 programs and students to meet market demands for a knowledge-based
6 economy while filling middle-income jobs with a sufficient supply of
7 skilled workers.

8 NEW SECTION. **Sec. 2.** The definitions in this section apply
9 throughout this chapter unless the context clearly requires otherwise.

10 (1) "Board" means the higher education coordinating board or its
11 successor.

12 (2) "Eligible education programs" means high employer demand and
13 other programs of study as determined by the opportunity scholarship
14 board.

15 (3) "Eligible expenses" means reasonable expenses associated with
16 the costs of acquiring an education such as tuition, books, equipment,
17 fees, room and board, and other expenses as determined by the program
18 administrator in consultation with the board and the state board for
19 community and technical colleges.

20 (4) "Eligible student" means a resident student who received their
21 high school diploma or GED in Washington and who:

22 (a) (i) Has been accepted at a four-year institution of higher
23 education into an eligible education program leading to a baccalaureate
24 degree; or

25 (ii) Will attend a two-year institution of higher education and
26 intends to transfer to an eligible education program at a four-year
27 institution of higher education;

28 (b) Declares an intention to obtain a baccalaureate degree; and

29 (c) Has a family income at or below one hundred twenty-five percent
30 of the state median family income at the time the student applies for
31 an opportunity scholarship.

32 (5) "High employer demand program of study" has the same meaning as
33 provided in RCW 28B.50.030.

34 (6) "Participant" means an eligible student who has received a
35 scholarship under the opportunity scholarship program.

36 (7) "Program administrator" means a college scholarship
37 organization that is a private nonprofit corporation registered under

1 Title 24 RCW and qualified as a tax-exempt entity under section
2 501(c)(3) of the federal internal revenue code, with expertise in
3 managing scholarships and college advising.

4 (8) "Resident student" has the same meaning as provided in RCW
5 28B.15.012.

6 NEW SECTION. **Sec. 3.** (1) The opportunity scholarship board is
7 created. The opportunity scholarship board consists of seven members:

8 (a) Three members appointed by the governor. For two of the three
9 appointments, the governor shall consider names from a list provided by
10 the president of the senate and the speaker of the house of
11 representatives; and

12 (b) Four foundation or business and industry representatives
13 appointed by the governor from among the state's most productive
14 industries such as aerospace, manufacturing, health sciences,
15 information technology, and others. The foundation or business and
16 industry representatives shall be selected from among nominations
17 provided by the private sector donors to the opportunity scholarship
18 and opportunity expansion programs. However, the governor may request,
19 and the private sector donors shall provide, an additional list or
20 lists from which the governor shall select these representatives.

21 (2) Board members shall hold their offices for a term of four years
22 from the first day of September and until their successors are
23 appointed. No more than the terms of two members may expire
24 simultaneously on the last day of August in any one year.

25 (3) The members of the opportunity scholarship board shall elect
26 one of the business and industry representatives to serve as chair.

27 (4) Five members of the board constitute a quorum for the
28 transaction of business. In case of a vacancy, or when an appointment
29 is made after the date of expiration of the term, the governor or the
30 president of the senate or the speaker of the house of representatives,
31 depending upon which made the initial appointment to that position,
32 shall fill the vacancy for the remainder of the term of the board
33 member whose office has become vacant or expired.

34 (5) The opportunity scholarship board shall be staffed by the
35 program administrator.

36 (6) The purpose of the opportunity scholarship board is to provide
37 oversight and guidance for the opportunity expansion and the

1 opportunity scholarship programs in light of established legislative
2 priorities and to fulfill the duties and responsibilities under this
3 chapter, including but not limited to determining eligible education
4 programs for purposes of the opportunity scholarship program. Duties,
5 exercised jointly with the program administrator, include soliciting
6 funds and setting annual fund-raising goals.

7 (7) The opportunity scholarship board may report to the governor
8 and the appropriate committees of the legislature with recommendations
9 as to:

10 (a) Whether some or all of the scholarships should be changed to
11 conditional scholarships that must be repaid in the event the
12 participant does not complete the eligible education program; and

13 (b) A source or sources of funds for the opportunity expansion
14 program in addition to the voluntary contributions of the high
15 technology research and development tax credit under section 10 of this
16 act.

17 NEW SECTION. **Sec. 4.** (1) The program administrator, under
18 contract with the board, shall staff the opportunity scholarship board
19 and shall have the duties and responsibilities provided in this
20 chapter, including but not limited to publicizing the program,
21 selecting participants for the opportunity scholarship award,
22 distributing opportunity scholarship awards, and achieving the maximum
23 possible rate of return on investment of the accounts in subsection (2)
24 of this section, while ensuring transparency in the investment
25 decisions and processes. Duties, exercised jointly with the
26 opportunity scholarship board, include soliciting funds and setting
27 annual fund-raising goals. The program administrator shall be paid an
28 administrative fee as determined by the opportunity scholarship board.

29 (2) With respect to the opportunity scholarship program, the
30 program administrator shall:

31 (a) Establish and manage two separate accounts into which to
32 receive grants and contributions from private sources as well as state
33 matching funds, and from which to disburse scholarship funds to
34 participants;

35 (b) Solicit and accept grants and contributions from private
36 sources, via direct payment, pledge agreement, or escrow account, of

1 private sources for deposit into one or both of the two accounts
2 created in this subsection (2)(b) in accordance with this subsection
3 (2)(b):

4 (i) The "scholarship account," whose principal may be invaded, and
5 from which scholarships must be disbursed beginning no later than
6 December 1, 2011, if, by that date, state matching funds in the amount
7 of five million dollars or more have been received. Thereafter,
8 scholarships shall be disbursed on an annual basis beginning no later
9 than May 1, 2012, and every May 1st thereafter;

10 (ii) The "endowment account," from which scholarship moneys may be
11 disbursed from earnings only in years when:

12 (A) The state match has been made into both the scholarship and the
13 endowment account;

14 (B) The state appropriations for the state need grant under RCW
15 28B.92.010 meet or exceed state appropriations for the state need grant
16 made in the 2011-2013 biennium, adjusted for inflation, and eligibility
17 for state need grant recipients is at least seventy percent of state
18 median family income; and

19 (C) The state has demonstrated progress toward the goal of total
20 per-student funding levels, from state appropriations plus tuition and
21 fees, of at least the sixtieth percentile of total per-student funding
22 at similar public institutions of higher education in the global
23 challenge states, as defined, measured, and reported in RCW 28B.15.068.
24 In any year in which the office of financial management reports that
25 the state has not made progress toward this goal, no new scholarships
26 may be awarded. In any year in which the office of financial
27 management reports that the percentile of total per-student funding is
28 less than the sixtieth percentile and at least five percent less than
29 the prior year, pledges of future grants and contributions may, at the
30 request of the donor, be released and grants and contributions already
31 received refunded to the extent that opportunity scholarship awards
32 already made can be fulfilled from the funds remaining in the endowment
33 account; and

34 (iii) An amount equal to at least fifty percent of all grants and
35 contributions must be deposited into the scholarship account until such
36 time as twenty million dollars have been deposited into the account,
37 after which time the private donors may designate whether their
38 contributions must be deposited to the scholarship or the endowment

1 account. The opportunity scholarship board and the program
2 administrator must work to maximize private sector contributions to
3 both the scholarship account and the endowment account, to maintain a
4 robust scholarship program while simultaneously building the endowment,
5 and to determine the division between the two accounts in the case of
6 undesignated grants and contributions, taking into account the need for
7 a long-term funding mechanism and the short-term needs of families and
8 students in Washington. The first five million dollars in state match,
9 as provided in section 5 of this act, shall be deposited into the
10 scholarship account and thereafter the state match shall be deposited
11 into the two accounts in equal proportion to the private funds
12 deposited in each account;

13 (c) Provide proof of receipt of grants and contributions from
14 private sources to the board, identifying the amounts received by name
15 of private source and date, and whether the amounts received were
16 deposited into the scholarship or the endowment account;

17 (d) In consultation with the higher education coordinating board
18 and the state board for community and technical colleges, make an
19 assessment of the reasonable annual eligible expenses associated with
20 eligible education programs identified by the opportunity scholarship
21 board;

22 (e) Determine the dollar difference between tuition fees charged by
23 institutions of higher education in the 2008-09 academic year and the
24 academic year for which an opportunity scholarship is being
25 distributed;

26 (f) Develop and implement an application, selection, and
27 notification process for awarding opportunity scholarships;

28 (g) Determine the annual amount of the opportunity scholarship for
29 each selected participant. The annual amount shall be at least one
30 thousand dollars or the amount determined under (e) of this subsection,
31 but may be increased on an income-based, sliding scale basis up to the
32 amount necessary to cover all reasonable annual eligible expenses as
33 assessed pursuant to (d) of this subsection, or to encourage
34 participation in baccalaureate degree programs identified by the
35 opportunity scholarship board;

36 (h) Distribute scholarship funds to selected participants. Once
37 awarded, and to the extent funds are available for distribution, an
38 opportunity scholarship shall be automatically renewed until the

1 participant withdraws from or is no longer attending the program,
2 completes the program, or has taken the credit or clock hour equivalent
3 of one hundred twenty-five percent of the published length of time of
4 the participant's program, whichever occurs first, and as long as the
5 participant annually submits documentation of filing both a free
6 application for federal student aid and for available federal education
7 tax credits, including but not limited to the American opportunity tax
8 credit; and

9 (i) Notify institutions of scholarship recipients who will attend
10 their institutions and inform them of the terms of the students'
11 eligibility.

12 (3) With respect to the opportunity expansion program, the program
13 administrator shall:

14 (a) Assist the opportunity scholarship board in developing and
15 implementing an application, selection, and notification process for
16 making opportunity expansion awards; and

17 (b) Solicit and accept grants and contributions from private
18 sources for opportunity expansion awards.

19 NEW SECTION. **Sec. 5.** (1) The opportunity scholarship program is
20 established.

21 (2) The purpose of this scholarship program is to provide
22 scholarships that will help low and middle-income Washington residents
23 earn baccalaureate degrees in high employer demand and other programs
24 of study and encourage them to remain in the state to work. The
25 program must be designed for both students starting at two-year
26 institutions of higher education and intending to transfer to four-year
27 institutions of higher education and students starting at four-year
28 institutions of higher education.

29 (3) The opportunity scholarship board shall determine which
30 programs of study, including but not limited to high employer demand
31 programs, are eligible for purposes of the opportunity scholarship.

32 (4) The source of funds for the program shall be a combination of
33 private grants and contributions and state matching funds. A state
34 match may be earned under this section for private contributions made
35 on or after the effective date of this section. A state match, up to
36 a maximum of fifty million dollars annually, shall be provided
37 beginning the later of January 1, 2014, or January 1st next following

1 the end of the fiscal year in which collections of state retail sales
2 and use tax, state business and occupation tax, and state public
3 utility tax exceed, by ten percent the amounts collected from these tax
4 resources in the fiscal year that ended June 30, 2008, as determined by
5 the department of revenue.

6 NEW SECTION. **Sec. 6.** (1) The opportunity scholarship match
7 transfer account is created in the custody of the state treasurer as a
8 nonappropriated account to be used solely and exclusively for the
9 opportunity scholarship program created in section 5 of this act. The
10 purpose of the account is to provide matching funds for the opportunity
11 scholarship program.

12 (2) Revenues to the account shall consist of appropriations by the
13 legislature into the account and any gifts, grants, or donations
14 received by the director of the board for this purpose.

15 (3) No expenditures from the account may be made except upon
16 receipt of proof, by the director of the board from the program
17 administrator, of private contributions to the opportunity scholarship
18 program. Expenditures, in the form of matching funds, may not exceed
19 the total amount of private contributions.

20 (4) Only the director of the board or the director's designee may
21 authorize expenditures from the opportunity scholarship match transfer
22 account. Such authorization must be made as soon as practicable
23 following receipt of proof as required under subsection (3) of this
24 section.

25 NEW SECTION. **Sec. 7.** (1) The opportunity expansion program is
26 established.

27 (2) The opportunity scholarship board shall select institutions of
28 higher education to receive opportunity expansion awards. In so doing,
29 the opportunity scholarship board must:

30 (a) Solicit, receive, and evaluate proposals from institutions of
31 higher education that are designed to directly increase the number of
32 baccalaureate degrees produced in high employer demand and other
33 programs of study, and that include annual numerical targets for the
34 number of such degrees, with a strong emphasis on serving students who
35 received their high school diploma or GED in Washington or are adult

1 Washington residents who are returning to school to gain a
2 baccalaureate degree;

3 (b) Develop criteria for evaluating proposals and awarding funds to
4 the proposals deemed most likely to increase the number of
5 baccalaureate degrees and degrees produced in high employer demand and
6 other programs of study;

7 (c) Give priority to proposals that include a partnership between
8 public and private partnership entities that leverage additional
9 private funds;

10 (d) Give priority to proposals that are innovative, efficient, and
11 cost-effective, given the nature and cost of the particular program of
12 study;

13 (e) Consult and operate in consultation with existing higher
14 education stakeholders, including but not limited to: Faculty, labor,
15 student organizations, and relevant higher education agencies; and

16 (f) Determine which proposals to improve and accelerate the
17 production of baccalaureate degrees in high employer demand and other
18 programs of study will receive opportunity expansion awards for the
19 following state fiscal year, notify the state treasurer, and announce
20 the awards.

21 (3) The state treasurer, at the direction of the opportunity
22 scholarship board, must distribute the funds that have been awarded to
23 the institutions of higher education from the opportunity expansion
24 account.

25 (4) Institutions of higher education receiving awards under this
26 section may not supplant existing general fund state revenues with
27 opportunity expansion awards.

28 (5) Annually, the office of financial management shall report to
29 the opportunity scholarship board, the governor, and the relevant
30 committees of the legislature regarding the percentage of Washington
31 households with incomes in the middle-income bracket or higher. For
32 purposes of this section, "middle-income bracket" means household
33 incomes between two hundred and five hundred percent of the 2010
34 federal poverty level, as determined by the United States department of
35 health and human services for a family of four, adjusted annually for
36 inflation.

37 (6) Annually, the higher education coordinating board must report
38 to the opportunity scholarship board, the governor, and the relevant

1 committees of the legislature regarding the increase in the number of
2 degrees in high employer demand and other programs of study awarded by
3 institutions of higher education over the average of the preceding ten
4 academic years.

5 (7) In its comprehensive plan, the workforce training and education
6 coordinating board shall include specific strategies to reach the goal
7 of increasing the percentage of Washington households living in the
8 middle-income bracket or higher, as calculated by the office of
9 financial management and developed by the agency or education
10 institution that will lead the strategy.

11 NEW SECTION. **Sec. 8.** (1) By December 1, 2012, and annually each
12 December 1st thereafter, the opportunity scholarship board, together
13 with the program administrator, shall report to the board, the
14 governor, and the appropriate committees of the legislature regarding
15 the opportunity scholarship and opportunity expansion programs,
16 including but not limited to:

17 (a) Which education programs the opportunity scholarship board
18 determined were eligible for purposes of the opportunity scholarship;

19 (b) The number of applicants for the opportunity scholarship,
20 disaggregated, to the extent possible, by race, ethnicity, gender,
21 county of origin, age, and median family income;

22 (c) The number of participants in the opportunity scholarship
23 program, disaggregated, to the extent possible, by race, ethnicity,
24 gender, county of origin, age, and median family income;

25 (d) The number and amount of the scholarships actually awarded, and
26 whether the scholarships were paid from the scholarship account or the
27 endowment account;

28 (e) The institutions and eligible education programs in which
29 opportunity scholarship participants enrolled, together with data
30 regarding participants' completion and graduation;

31 (f) The total amount of private contributions and state match
32 moneys received for the opportunity scholarship program, how the funds
33 were distributed between the scholarship and endowment accounts, the
34 interest or other earnings on the accounts, and the amount of any
35 administrative fee paid to the program administrator; and

36 (g) Identification of the programs the opportunity scholarship

1 board selected to receive opportunity expansion awards and the amount
2 of such awards.

3 (2) In the next succeeding legislative session following receipt of
4 a report required under subsection (1) of this section, the appropriate
5 committees of the legislature shall review the report and consider
6 whether any legislative action is necessary with respect to either the
7 opportunity scholarship program or the opportunity expansion program,
8 including but not limited to consideration of whether any legislative
9 action is necessary with respect to the nature and level of focus on
10 high employer demand fields and the number and amount of scholarships.

11 NEW SECTION. **Sec. 9.** (1) Beginning in 2018, the joint legislative
12 audit and review committee shall evaluate the opportunity scholarship
13 and opportunity expansion programs, and submit a report to the
14 appropriate committees of the legislature by December 1, 2018. The
15 committee's evaluation shall include, but not be limited to:

16 (a) The number and type of eligible education programs as
17 determined by the opportunity scholarship board;

18 (b) The number of participants in the opportunity scholarship
19 program in relation to the number of participants who completed a
20 baccalaureate degree;

21 (c) The total cumulative number of students who received
22 opportunity scholarships, and the total cumulative number of students
23 who gained a baccalaureate degree after receiving an opportunity
24 scholarship and the types of baccalaureate degrees awarded;

25 (d) The amount of private contributions to the opportunity
26 scholarship program, annually and in total;

27 (e) The amount of state match moneys to the opportunity scholarship
28 program, annually and in total;

29 (f) The amount of any administrative fees paid to the program
30 administrator, annually and in total;

31 (g) The source and amount of funding, annually and cumulatively,
32 for the opportunity expansion program;

33 (h) The number and type of proposals submitted by institutions for
34 opportunity expansion awards, the number and type of proposals that
35 received an award of opportunity expansion funds, and the amount of
36 such awards;

1 (i) The total cumulative number of additional high employer demand
2 degrees produced in Washington state due to the opportunity expansion
3 program, including both the initial opportunity expansion awards and
4 the subsequent inclusion in base funding; and

5 (j) Evidence that the existence of the opportunity scholarship and
6 opportunity expansion programs have contributed to the achievement of
7 the public policy objectives of helping to mitigate the impact of
8 tuition increases, increasing the number of baccalaureate degrees in
9 high employer demand and other programs, and investing in programs and
10 students to meet market demands for a knowledge-based economy while
11 filling middle-income jobs with a sufficient supply of skilled workers.

12 (2) In the event that the joint legislative audit and review
13 committee is charged with completing an evaluation of other aspects of
14 degree production, funding, or other aspects of higher education in
15 2018, and to the extent that it is economical and feasible to do so,
16 the committee shall combine the multiple evaluations and submit a
17 single report.

18 NEW SECTION. **Sec. 10.** A new section is added to chapter 82.32 RCW
19 to read as follows:

20 A person eligible for the high technology research and development
21 tax credit under RCW 82.04.4452 may contribute all or any portion of
22 the credit to the opportunity expansion account hereby created in the
23 state treasury. The department must create the forms and processes to
24 allow a person to make such an election easily and quickly by means of
25 checking a box. By May 1, 2012, and by May 1st of every year
26 thereafter, the department must report the amount so contributed and
27 certify the amount to the state treasurer. By July 1, 2012, and by
28 July 1st of every year thereafter, the state treasurer must transfer
29 the amount into the opportunity expansion account. Money in the
30 account may only be appropriated for the purposes specified in section
31 7 of this act.

32 NEW SECTION. **Sec. 11.** This chapter may be known and cited as the
33 opportunity scholarship act.

34 NEW SECTION. **Sec. 12.** Sections 1 through 9 and 11 of this act
35 constitute a new chapter in Title 28B RCW.

1 NEW SECTION. **Sec. 13.** This act is necessary for the immediate
2 preservation of the public peace, health, or safety, or support of the
3 state government and its existing public institutions, and takes effect
4 immediately.

--- END ---

**MEMORANDUM OF UNDERSTANDING
BETWEEN
THE STATE OF WASHINGTON HIGHER EDUCATION COORDINATING BOARD
AND
COLLEGE SUCCESS FOUNDATION**

A. PURPOSE

The purpose of this Memorandum of Understanding is to set forth the agreement between the Higher Education Coordination Board and the College Success Foundation to allow for planning of the Opportunity Scholarship Application process and selection criteria. The College Success Foundation is named as the Opportunity Scholarship Planning Administrator (OSPA).

ESHB 2088 enacted by the 2011 Washington legislature created the Opportunity Scholarship program to assist low-income and middle-income students and invest in high employer demand programs with the first scholarships to be disbursed beginning no later than December 1, 2011 which requires that planning begin immediately.

An Opportunity Scholarship Board (OS Board) will be created with members appointed by the Governor to provide oversight and guidance for the Opportunity Scholarship and Opportunity Expansion program. An Opportunity Scholarship Administrator (OS Administrator) will be named after the OS Board is appointed. The work related to the administration of the Opportunity Scholarship by the OS Administrator will be overseen by the OS Board which will determine the administrative fee for the OS Administrator. The Higher Education Coordinating Board (HECB) will manage the opportunity scholarship match transfer account.

This planning agreement does not guarantee that the College Success Foundation will be designated as the Opportunity Scholarship Administrator.

B. PAYMENT AND PLANNING PHASE

The OS Board will determine payment for the planning administrator retroactive to July 1, 2011. This agreement will terminate when superseded by a three-party agreement between the HECB, OS Board, and the (to be determined) OS Administrator. All planning materials will be forwarded to the OS Administrator when this agreement is terminated. The planned scholarship provisions will be subject to the approval of the OS Board.

C. STATEMENT OF WORK

The College Success Foundation - OS Planning Administrator

The OS Planning Administrator shall determine the criteria and processes to administer the distribution of Opportunity Scholarships in December 2011.

Primary responsibilities include:

1. Design the initial awarding phase of the scholarship program.
2. Develop and initiate a promotion, application, selection, and notification process for awarding opportunity scholarships
3. Determine a recommended scholarship award amount to be approved by the OS Board.
 - a. The award shall be at least one thousand dollars or the difference in tuition and fees from 2008-09 to the academic year of disbursements.

- b. Awards may be increased on an income-based sliding scale to cover eligible expenses or encourage participation in targeted programs.
 - c. Scholarships should be renewable to the extent funds are available.
- 4: Consult with the HECB and State Board for Community and Technical Colleges to determine eligible educational expenses.

Higher Education Coordinating Board

The Higher Education Coordinating Board will provide technical support in the development of the initial scholarship awarding phase.

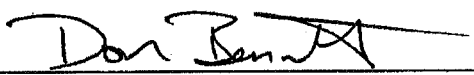
Primary responsibilities include:

- 1. Attend planning meetings and provide technical assistance.
- 2. Provide data and information as requested.

D. ASSURANCES

The parties to this contract agree that all activity pursuant to this contract will be in accordance with all the applicable current federal, state and local laws, rules, and regulations.

Higher Education Coordinating Board

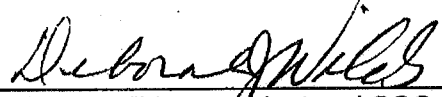


Don Bennett, Director

8-15-11

Date

College Success Foundation



Deborah Wilds, President and COO

8-12-11

Date

**College Success Foundation
Proposed Scope of Work:
Management of the Opportunity Scholarship and Expansion Program**

- I. Direct Scholarship Management FTE 3.5**
- A. Scholarship Program Management and Coordination**
1. Manage and coordinate the development of Opportunity Scholarship criteria, application design and renewal process
 2. Collaborate with financial aid professionals at colleges and universities
 3. Manage student data in a system supported by Education Edge
 4. Manage scholarship award and disbursement data in its own Financial Aid System Tracking (FAST)
- B. Scholarship Selection**
1. Manage application process for up to 10,000+ applicants per year
 2. Develop and implement a selection process for identifying 3,000+ scholarship recipients per year
 3. Develop content to be included in an electronic application portal that enables applicants to apply electronically
 4. Communicate with applicants via website, email and phone
 5. Make selection decisions based on OSB criteria
- C. Scholarship Awarding and Renewals (Note: All notifications to be made by email)**
1. Notify all applicants of selection decisions
 2. Notify all applicants of renewal criteria and decisions
 3. Notify college and university of OS candidates and verify eligibility
- D. Scholarship Disbursements**
1. Manage scholarship awarding (initial and renewal) and disbursement process through electronic database--(Financial Aid System Tracking-FAST)
 2. Reconcile scholarship disbursements with the college partners
 3. Ensure that funds are returned to CSF for any students who do not enroll for the funded period and for those requiring partial refunds due to institutional refund policies
- E. Scholarship Reporting**
1. Prepare semi-annual reports on scholarship disbursements for OSB
 2. Prepare annual report for OSB on student and program outcomes
 3. Provide reports on outcome information based on the OSB agreement

F. Information Technology

1. Provide server infrastructure sufficient to run an online application process
2. Configure and maintain a secure web based environment to receive scholarship applications from 10,000+ applicants
3. Provide database with appropriate data structures to track applicants, recipients and to interact with higher education institutions
4. Build and maintain informational website per the design specifications
5. Implement automation to apply approved selection criteria
6. Provide email and other electronic communication tools to CSF departments in order to communicate with applicants and selected recipients on an automated basis
7. Provide software development, data analyst and project management staffing
8. Provide data warehouse capacity for data analysis purposes

II. WSOS Board Support

FTE 3.0

A. General Management

1. Provide general leadership and management for all functional areas to ensure coordination and efficiencies are realized, OSB is fully supported, and OSP goals are met
2. Interact with the HECB regarding various aspects of the program
3. Engage higher education institutional leadership regarding OSP
4. Provide general support to the Opportunity Scholarship Board
5. Support fundraising efforts of the Opportunity Scholarship Board

B. Scholarship Marketing and Outreach

1. Develop and implement branding, messaging and outreach strategies to build visibility and awareness for the OSP at state, regional and local levels
2. Provide content for the development and maintenance of an interactive website
3. Implement a cohesive marketing and communications strategy that includes:
 - a) *Social media*
 - b) *Interactive media*
 - c) *Advertising*
 - d) *Collateral materials*
 - e) *Donor communications*
 - f) *E-news and analytics*
4. Manage media outreach and public relations activities
5. Manage production and distribution of all needed printed materials

C. Staffing Support to WSOS Board

1. Provide fundraising support to OSB
 - a) *Support the OSB in setting annual fundraising goals*

- b) *Assist the OSB in soliciting funds from prospective donors; activities include creating prospect lists, researching potential donors, and arranging pitch meetings*
- 2. Provide administrative support to OSB and individual members on matters related to OSP
 - a) *Coordinate meetings of OSB*
 - b) *Provide communications and recordkeeping support*
 - c) *Scheduling coordination support for OSB members related meetings and activities*
 - d) *Provide general administrative support to OSB members as it relates to the activities of the OSB*
- 3. Provide support to OSB for setting and monitoring annual budget

III. Investment Management

FTE .5

A. Provide cash management and investment management of the Scholarship and Endowment Accounts funds

1. Achieve the maximum possible rate of return on account balances
2. Form an Investment Committee
3. Develop investment guidelines and obtain approval of the OSB and Investment Committee
4. Update investment guidelines as needed
5. Facilitate meetings of the investment committee to review the performance of the investment portfolio compared to the investment guidelines
6. Monitor performance of the investment manager

B. Comply with the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA)

1. Utilize a total asset management approach consistent with the approach of a "Prudent Investor"
2. Ensure transparency in investment decisions and processes
3. Maintain processes and policy and procedures to ensure compliance with the endowment and other provisions of UPMIA

C. Select and utilize the services of a professional investment manager at such time as appropriate

1. Working with the investment committee facilitate the competitive bid process to select an independent investment manager
2. Obtain approval of investment manager from the OSB

D. Publish investment Reports

1. Publish investment reports on a quarterly basis within 45 days of quarter's end
2. Meet with the OSB or designated committee as needed to address investment related strategy and issues

IV. Indirect Overhead Rate of 15% Provides Support in the Following Areas:

A. Finance and Accounting

1. Conduct financial analysis support to OSB support
2. Provide financial and tax accounting--performed within the CSF legal entity, but in separate funds, grants and programs to allow segmented reporting
3. Prepare account reconciliations and internal financial reports on a monthly basis
4. Process time sheets, employee allocations to OSP
5. Process OSP scholarship disbursements and non-scholarship and non-salary related obligations

B. Human Resources

1. Recruit, screen, hire and orient additional CSF staff to support OSP
2. Plan and administer benefits program to employees allocated to OSP
3. Process payroll for employees allocated to OSP
4. Provide employee relations support for employees allocated to OSP
5. Manage performance review process for OSP related staff

C. Research and Evaluation

1. Facilitate meetings to define key OSP indicators for tracking and data collection strategy
2. Gather and report on baseline data about students qualified for OSP scholarship
3. Contribute to design of OSP application to ensure efficiency in gathering student information
4. Liaison between CSF and JLARC on ensuring successful summative evaluation to be filed in 2018
5. Gather data from students and stakeholders (college partners, CSF staff, etc.) through surveys and focus groups
6. Track degree completion of OSP students

V. In Kind Services

A. In-Kind Services are provided by CSF in the following areas:

1. Bob Craves, CEO: Fundraising and management
2. Deborah Wilds COO: Overall organizational and program management
3. IT Infrastructure support provided by utilization of existing CSF IT software and hardware systems, including related expertise in the areas of scholarship management and process design

Washington State Opportunity Scholarship Fund

Budgeted Income Statements

July 1, 2011 -- June 30, 2013



DRAFT

	July 1, 2011 - June 30, 2012			July 1, 2012 - June 30, 2013			Total Combined
	Projected	Budget	Total	Budget	Budget	Total	
	7/1 - 12/31/2011	1/1 - 6/30/2012	Fiscal Year One	7/1 - 12/31/2012	1/1 - 6/30/2013	Fiscal Year Two	
Revenue:							
Washington State		5,000,000	5,000,000			-	5,000,000
Microsoft	5,000,000		5,000,000	5,000,000		5,000,000	10,000,000
Boeing	5,000,000		5,000,000	5,000,000		5,000,000	10,000,000
Other Private			-			-	
Total Contribution Revenue	10,000,000	5,000,000	15,000,000	10,000,000	-	10,000,000	25,000,000
Investment Income-net of fees	1,000	56,241	57,241	241,712	276,351	518,063	575,304
Total Revenue	10,001,000	5,056,241	15,057,241	10,241,712	276,351	10,518,063	25,575,304
Program Expenses:							
Salary, Benefits and Taxes	226,147	328,123	554,270	328,123	341,247	669,370	1,223,640
Contracted Staff	26,880	7,575	34,455	7,575	7,878	15,453	49,908
Staff Expenses	103	2,400	2,503	2,400	2,496	4,896	7,399
Professional Fees	-	30,200	30,200	30,200	31,408	61,608	91,808
Other Expenses	500	15,725	16,225	15,725	16,354	32,079	48,304
Capital Projects	-	22,550	22,550	22,550	23,452	46,002	68,552
Indirect Expenses	38,045	60,986	99,030	60,986	63,425	124,411	223,442
Total Operating Expenses	291,675	467,558	759,233	467,558	486,261	953,819	1,713,052
Scholarship Expenses:							
Total Scholarship Expenses			-	3,000,000		3,000,000	3,000,000
Total Scholarship and Program Expenses	291,675	467,558	759,233	3,467,558	486,261	3,953,819	4,713,052
Net Income	9,709,325	4,588,682	14,298,007	6,774,153	(209,910)	6,564,244	20,862,251

Program Administrator

Expenses to Date

PLANNING ADMINISTRATOR

Six Months Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Program Expenses:			
Salary, Benefits and Taxes	\$ 187,933	\$ 215,705	\$ 27,772
Contracted Staff	23,027	63,150	40,123
Staff Expenses	156	2,360	2,204
Professional Fees	8,409	46,500	38,091
Other Expenses	4,581	31,450	26,869
Capital Projects	-	30,000	30,000
Indirect Expenses	33,561	65,391	31,830
Total Program Expenses	\$ 257,667	\$ 454,556	\$ 196,889



Washington State Opportunity Scholarship Program

Purpose

The purpose of the Washington State Opportunity Scholarship is to provide scholarships that will help low- and middle-income Washington State residents earn bachelor's degrees in high employer demand fields and encourage recipients to work in Washington State.

Washington State Public Policy Objectives

The legislation requires in 2018 that the Washington State Joint Legislative Audit and Review Committee report to the appropriate committees of the Legislature evidence that the program has contributed to the achievement of three public policy objectives (pages 11 and 12):

1. Help mitigate tuition increases
2. Invest in programs and students to meet market demands for a knowledge-based economy while filling middle-income jobs with a sufficient supply of skilled workers
3. Increase the number of bachelor's degrees in high employer demand fields and other programs

Establishment of Scholarship and Endowment Accounts

The legislation established both an expendable scholarship account and an endowment account. At least 50% of the private funding must be deposited into the expendable scholarship account until such time as 20 million dollars has been deposited into this account. Once 20 million dollars is reached, donors may designate whether their donations are to be deposited into the scholarship or the endowment accounts.

Opportunity Scholarship Commitments

As of December 2011, 50 million dollars has been committed over five years by The Boeing Company and Microsoft Corporation. In addition, the Washington State Legislature has approved 5 million dollars in funding for the expendable scholarship awards. By 2014, the Legislature plans to match additional private contributions raised on a dollar-for-dollar basis.

Washington Opportunity Scholarship Legislative Requirements

- Students must have received their high school diplomas or GEDs in Washington State (page 2)
- Students must be Washington State residents (pages 2, 3 and 7)
- Annual scholarship awards must be at least \$1,000 (page 6)
- Family incomes must be less than or equal to 125% of the Washington State median family income at the time of application (page 2) [e.g. the 2010 family income for a family of four must be less than or equal to \$102,200]
- *Note: Page references refer to the HB 2088 Legislation passed on May 25, 2011 that created the Washington State Opportunity Scholarship Board and Scholarship Program*

- Students must declare their intents to earn bachelor's degrees in approved programs of study (page 2)
- Scholarships must be automatically renewed if students continue to meet eligibility criteria and funds are available (pages 6 and 7). To be eligible for renewal funds, scholarship recipients must:
 - submit the Free Application for Federal Student Assistance (FAFSA) annually
 - apply for the available Federal Education Tax Credits
 - remain in eligible programs of study
- Scholarships can be renewed for up to 125% of an applicant's normal program length (i.e. this allows for up to five years of scholarship support for many recipients who receive their first awards as freshmen. Over a four to five-year period these students will be eligible to receive \$4,000 to \$5,000 each in total funding from the Opportunity Scholarship Program.)
- Students enrolled at two-year colleges who intend to transfer to eligible education programs at four-year institutions of higher education must be eligible to apply for the Opportunity Scholarship (pages 2 and 7).

Legislated Decisions for the Opportunity Scholarship Board

- Determine eligible programs of study, including but not limited to high employer demand programs, for recipients to use their Opportunity Scholarships (pages 4 and 7). For the first application year, CSF recommends that the Board approve STEM (science, technology, engineering and mathematics) fields and health care as the eligible programs of study. These areas were specifically highlighted in the legislation as high employer demand areas with acute shortages in the Washington workforce (page 1).
- The Board may also recommend to appropriate legislative committees if some or all of the scholarships should be changed to conditional scholarships that must be repaid if participants do not complete their eligible education programs (page 4).

Legislated Decisions for the Program Administrator

- Determine the annual amount of the scholarship for each selected participant. The amount shall be at least \$1,000 or other amounts determined under the legislation (page 6). CSF recommends that the Board approve scholarship annual award amounts of \$1,000 per year for all years that students receive Opportunity Scholarships.

CSF Recommendations for Board Approval

- Require students be enrolled as full-time students to receive Opportunity Scholarships. This will be important to ensure that students complete their bachelor's degrees in a timely manner so they can enter the Washington State job market more quickly.
- Allow students enrolled in eligible programs leading to bachelor's degrees to attend any Washington higher education institution that is also eligible to participate in the Washington State Need Grant program. This requirement will assure that participating colleges and universities have met stringent state educational criteria and that eligible students can receive both federal and Washington State grant assistance.
- Use cumulative grade point averages (GPAs) as the major selection criterion for first cohort applicants who meet all other program requirements. This will allow for an application process that will be easy for both applicants and the selection process.

Using cumulative GPAs will allow the program administrator to make decisions expeditiously after the scholarship closing deadline.

- Require a minimum GPA of 2.75 at the time of application. Students at schools or colleges not reporting grade point averages will be able to have their institutions provide GPA conversions to the program administrator during the scholarship selection process.

Funds Available for First Cohort of Opportunity Scholarship Recipients

CSF projects that 7.5 million dollars will be available from the expendable scholarship account to fund the first cohort to receive their first disbursements for the fall term 2012. These funds are expected to be disbursed over a five year period to allow for new freshmen selected to receive funding for up to five years.

\$2,500,000	Year 1 Boeing Corporation Commitment
\$2,500,000	Year 1 Microsoft Corporation Commitment
\$2,500,000	<u>One Half of State of Washington 2011 Funds Available</u>
\$7,500,000	Total Estimated Funds Available for Cohort 1 Recipients

Funds Available for Subsequent Cohorts of Opportunity Scholarship Recipients

An equal amount of expendable scholarship funds are expected to be available for the second cohort, based on the current Boeing, Microsoft and State of Washington commitments. As additional funds are raised, the Board will decide on funds available for each subsequent cohort.

CSF Recommendation for First Cohort of Opportunity Scholarship Applicants

CSF recommends that the first year scholarship program allow eligible students who will enroll in all four college classes (freshmen through senior) to apply for this scholarship. CSF believes that by selecting 750 students for each of four classes, sufficient funding will be available to assist these 3,000 students through the completion of their bachelor's degrees. Each recipient will be assured of receiving \$1,000 per year. Scholarships will be renewed for all students meeting the renewal requirements. If additional funds become available, the Board could increase the annual awards each year to reflect the expected percentage increase in tuition.

The retention rates shown below assume that not all selected students will continue to pursue approved programs of study each year. Scholarships will not be renewed for those students. Scholarships will be renewed for all other students who remain in eligible programs of study and meet other renewal requirements.

CSF believes this first year awarding approach will:

- Demonstrate that the Board and State of Washington are interested in assisting students enrolling in all four undergraduate classes and not just in assisting new freshmen.
- Engage more people around the state the first year when they learn that students planning to enroll in all college class levels will be eligible to apply.
- Provide assistance to Washington State employers in high employer demand areas as early as 2013 by providing them with high-quality employees.
- Create Opportunity Scholarship alumni as soon as 2013, many of whom will become program emissaries and mentors to other Opportunity Scholars.

First Cohort - (Estimated) - Students Selected, Renewed and Total Funds Spent

First Year Awards to:	Academic Year Disbursements				
	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Freshmen	750	600	510	485	184
Sophomores	750	638	606	230	
Juniors	750	713	271		
Seniors	750	285			
Totals	3000	2235	1386	715	184
Amount per Student	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Annual Disbursements	\$3,000,000	\$2,235,000	\$1,386,000	\$715,000	\$184,110
Cumulative Disbursements	\$3,000,000	\$5,235,000	\$6,621,000	\$7,336,000	\$7,520,000

1. Sophomore program retention is assumed to be 80%
2. Junior program retention is assumed to be 85%
3. Senior program retention is assumed to be 95%
4. Assumes 38% of seniors will enroll in fifth years and receive continued funding

First Cohort Application, Selection and Disbursement Timelines

The first year application period will be February 1, 2012 – March 15, 2012. Applicants and their colleges and universities will hear of selection decisions by May 1, 2012. Scholarship disbursements will be sent to colleges and universities in August and September 2012, according to normal fall term scholarship and grant disbursement schedules.

Applicants for Subsequent Cohorts of Opportunity Scholarships

The Board will decide, based on the first year experience the percent of new funds to be awarded to each class of students. The Board may wish to increase the number and percent of awards made each year to new freshmen in order to encourage higher enrollment of new students entering into high demand areas each year.

**COMPENSATION AGREEMENT
THE
OPPORTUNITY SCHOLARSHIP BOARD
AND
COLLEGE SUCCESS FOUNDATION**

The Opportunity Scholarship Board, hereinafter referred to as the OS Board; and the College Success Foundation, hereinafter referred as CSF, agree, along with the Higher Education Coordinating Board (HECB), to the terms and conditions contained in Contract No. 13-PE 113 for administration of the Opportunity Scholarship and Expansion programs as outlined in Ch 13, L 2011 (ESHB 2088). Additionally, the OS Board and CSF now agree to the terms and conditions outlined in this Agreement which supplements the Contract between HECB, OSB and CSF dated February 14, 2012.

PURPOSE

The OS Board provides oversight and guidance for the Opportunity Scholarship program as outlined in the statute and the contract between the Higher Education Coordinating Board (HECB), the OS Board; and CSF and dated February 14, 2012, which sets forth primary responsibilities of the OS Board.

CSF, serving as the OS Administrator, shall staff the OS Board and provide the duties and responsibilities as outlined in the statute and as set forth in the above referenced contract between the HECB, OS Board and CSF to manage the scholarship fund accounts and administer the scholarship program.

The purpose of this Compensation Agreement is to set forth total compensation the OS Board has agreed to pay CSF as OS Administrator for satisfactory performance of the work under the aforementioned contract for services rendered by CSF.

OS Administrator Fee

Total compensation payable to CSF shall be a Base Administration Fee for satisfactory performance of the work under this Agreement, and the contract dated February 14, 2012, and as set forth in the attached Exhibit A, Scope of Work, and Exhibit B, 2011/13 Budget. In addition, CSF shall be reimbursed for media purchases and other expenses approved by the OS Board that are not included in Exhibit A, Scope of Work.

1. The Base Administrator Fee together with the cost of marketing and media purchases and other expenditures of CSF for Program Administration shall be paid to CSF on a monthly basis except that a one time catch up payment will be made for the period July 1, 2011 through December 31, 2011. Monthly payments to CSF for the period January 1, 2012 through June 30, 2013 will be made based on the unpaid balance of the contract divided by 18
2. The above payments to CSF shall be made within 15 days of receipt of invoice from the CSF. The amount of the invoice will include the Base Fee of the OS Administrator plus the OSB approved marketing and media purchases and other approved OS Administration expenses that are not covered in Exhibit A, Scope of Work.
3. The cost of scholarships disbursed, the OS Administrator Base Administrator Fee, and OSB approved marketing and media expenses, shall be paid from the Opportunity Scholarship Account and the Opportunity Endowment Account income or

principal as appropriate under general accepted accounting principles and Washington State law.

4. Distributions to the OS Administrator for Administration Fees will be made from the Opportunity Scholarship Account and the Opportunity Endowment Account on a pro-rata basis based on level of effort.

OS Administrator Budget

Attached as Exhibit B is the 2011/2013 OS Administrator budget approved by the OS Board. Not later than April 30 in the last year of any two-year period of performance agreement the OS Administrator will submit a budget for the next two-year period of performance to the OS Board for approval. The OS Board will approve the budget for OS Administrator for the next two-year period of performance by June 15 and inform the OS Administrator of such approval.

PERIOD OF PERFORMANCE

The period of performance of this Agreement shall be from July 1, 2011 through June 30, 2013. This Agreement shall be renewed for successive two-year periods, provided Contract No. 13-PE113 between the parties and the HECB, or a successor service agreement remains in place..

ORDER OF PRECEDENCE

Each of the exhibits listed below is by this reference hereby incorporated into this contract. In the event of an inconsistency in this contract, the inconsistency shall be resolved by giving precedence in the following order:

1. Exhibit A - CSF Scope of Work
2. Exhibit B - 2011/2013 Budget

APPROVAL

This Agreement becomes binding and enforceable after signature by both parties. Signators represent and warrant that they have authority to execute this Agreement on behalf of each respective party. The contract may be altered, amended, or waived only by a written amendment executed by both parties.

ENTIRE AGREEMENT

This contract, including referenced exhibits, represents all the terms and conditions agreed upon by the parties. No other statements or representations, written or oral, shall be deemed a part hereof.

CONFORMANCE

If any provision of this contract violates any statute or rule of law of the state of Washington, it is considered modified to conform to that statute or rule of law.

IN WITNESS WHEREOF, the Opportunity Scholarship Board members and the College Success Foundation Chief Executive Officer have executed this Agreement on the dates indicated on the page following:

College Success Foundation

By: _____
Signature

Bob Craves, Chief Executive Officer
Name/Title (*please print*)

Date

Opportunity Scholarship Board

By: _____
Signature

Name/Title (*please print*) Chair

Date

Who certifies that this person is duly qualified and authorized to bind the Contractor so identified to the foregoing Agreement.

**COMPENSATION AGREEMENT
THE
OPPORTUNITY SCHOLARSHIP BOARD
AND
COLLEGE SUCCESS FOUNDATION**

The Opportunity Scholarship Board, hereinafter referred to as the OS Board; and the College Success Foundation, hereinafter referred as CSF, agree, along with the Higher Education Coordinating Board (HECB), to the terms and conditions contained in Contract No. 13-PE 113 for administration of the Opportunity Scholarship and Expansion programs as outlined in RCW 28B.145. Additionally, the OS Board and CSF now agree to the terms and conditions outlined in this Agreement which supplements the Contract between HECB, OSB and CSF dated February 14, 2012.

PURPOSE

The OS Board provides oversight and guidance for the Opportunity Scholarship program as outlined in the statute and the contract between the Higher Education Coordinating Board (HECB), the OS Board; and CSF and dated February 14, 2012, which sets forth primary responsibilities of the OS Board.

CSF, serving as the OS Administrator, shall staff the OS Board and provide the duties and responsibilities as outlined in the statute and as set forth in the above referenced contract between the HECB, OS Board and CSF to manage the scholarship fund accounts and administer the scholarship program.

The purpose of this Compensation Agreement is to set forth total compensation the OS Board has agreed to pay CSF as OS Administrator for satisfactory performance of the work under the aforementioned contract for services rendered by CSF.

OS Administrator Fee

Total compensation payable to CSF shall be a Base Administration Fee for satisfactory performance of the work under this Agreement, and the contract dated February 14, 2012, and as set forth in the attached Exhibit A, Scope of Work, and Exhibit B, 2011/13 Budget. In addition, CSF shall be reimbursed for media purchases and other expenses approved by the OS Board that are not included in Exhibit A, Scope of Work.

1. The Base Administrator Fee together with the cost of marketing and media purchases and other expenditures of CSF for Program Administration shall be paid to CSF on a monthly basis except that a one time catch up payment will be made for the period July 1, 2011 through December 31, 2011. Monthly payments to CSF for the period January 1, 2012 through June 30, 2013 will be made based on the unpaid balance of the contract divided by 18
2. The above payments to CSF shall be made within 15 days of receipt of invoice from the CSF. The amount of the invoice will include the Base Fee of the OS Administrator plus the OSB approved marketing and media purchases and other approved OS Administration expenses that are not covered in Exhibit A, Scope of Work.
3. The cost of scholarships disbursed, the OS Administrator Base Administrator Fee, and OSB approved marketing and media expenses, shall be paid from the Opportunity Scholarship Account and the Opportunity Endowment Account income or

principal as appropriate under general accepted accounting principles and Washington State law.

4. Distributions to the OS Administrator for Administration Fees will be made from the Opportunity Scholarship Account and the Opportunity Endowment Account on a pro-rata basis based on level of effort.

OS Administrator Budget

Attached as Exhibit B is the 2011/2013 OS Administrator budget approved by the OS Board. Not later than April 30 in the last year of any two-year period of performance agreement the OS Administrator will submit a budget for the next two-year period of performance to the OS Board for approval. The OS Board will approve the budget for OS Administrator for the next two-year period of performance by June 15 and inform the OS Administrator of such approval.

PERIOD OF PERFORMANCE

The period of performance of this Agreement shall be from July 1, 2011 through June 30, 2013. This Agreement shall be renewed for successive two-year periods, provided Contract No. 13-PE113 between the parties and the HECB, or a successor service agreement remains in place..

ORDER OF PRECEDENCE

Each of the exhibits listed below is by this reference hereby incorporated into this contract. In the event of an inconsistency in this contract, the inconsistency shall be resolved by giving precedence in the following order:

1. Exhibit A - CSF Scope of Work
2. Exhibit B - 2011/2013 Budget

APPROVAL

This Agreement becomes binding and enforceable after signature by both parties. Signators represent and warrant that they have authority to execute this Agreement on behalf of each respective party. The contract may be altered, amended, or waived only by a written amendment executed by both parties.

ENTIRE AGREEMENT


This contract, including referenced exhibits, represents all the terms and conditions agreed upon by the parties. No other statements or representations, written or oral, shall be deemed a part hereof.

CONFORMANCE

If any provision of this contract violates any statute or rule of law of the state of Washington, it is considered modified to conform to that statute or rule of law.

IN WITNESS WHEREOF, the Opportunity Scholarship Board members and the College Success Foundation Chief Executive Officer have executed this Agreement on the dates indicated on the page following:


College Success Foundation

By: 
Signature

Bob Craves, Chief Executive Officer
Name/Title (please print)

2/14/2012
Date

Opportunity Scholarship Board

By: 
Signature

Bradford L. Smith
Name/Title (please print) Chair

2-14-12
Date

Who certifies that this person is duly qualified and authorized to bind the Contractor so identified to the foregoing Agreement.

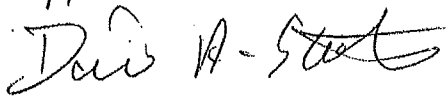
Approved as to Form

Sr Assistant Attorney General
2/15/12

Exhibit A

**College Success Foundation
Proposed Scope of Work:
Management of the Opportunity Scholarship and Expansion Program**

- I. Direct Scholarship Management FTE 3.5**
- A. Scholarship Program Management and Coordination**
1. Manage and coordinate the development of Opportunity Scholarship criteria, application design and renewal process
 2. Collaborate with financial aid professionals at colleges and universities
 3. Manage student data in a system supported by Education Edge
 4. Manage scholarship award and disbursement data in its own Financial Aid System Tracking (FAST)
- B. Scholarship Selection**
1. Manage application process for up to 10,000+ applicants per year
 2. Develop and implement a selection process for identifying 3,000+ scholarship recipients per year
 3. Develop content to be included in an electronic application portal that enables applicants to apply electronically
 4. Communicate with applicants via website, email and phone
 5. Make selection decisions based on OSB criteria
- C. Scholarship Awarding and Renewals (Note: All notifications to be made by email)**
1. Notify all applicants of selection decisions
 2. Notify all applicants of renewal criteria and decisions
 3. Notify college and university of OS candidates and verify eligibility
- D. Scholarship Disbursements**
1. Manage scholarship awarding (initial and renewal) and disbursement process through electronic database--(Financial Aid System Tracking-FAST)
 2. Reconcile scholarship disbursements with the college partners
 3. Ensure that funds are returned to CSF for any students who do not enroll for the funded period and for those requiring partial refunds due to institutional refund policies
- E. Scholarship Reporting**
1. Prepare semi-annual reports on scholarship disbursements for OSB
 2. Prepare annual report for OSB on student and program outcomes
 3. Provide reports on outcome information based on the OSB agreement

F. Information Technology

1. Provide server infrastructure sufficient to run an online application process
2. Configure and maintain a secure web based environment to receive scholarship applications from 10,000+ applicants
3. Provide database with appropriate data structures to track applicants, recipients and to interact with higher education institutions
4. Build and maintain informational website per the design specifications
5. Implement automation to apply approved selection criteria
6. Provide email and other electronic communication tools to CSF departments in order to communicate with applicants and selected recipients on an automated basis
7. Provide software development, data analyst and project management staffing
8. Provide data warehouse capacity for data analysis purposes

II. WSOS Board Support

FTE 3.0

A. General Management

1. Provide general leadership and management for all functional areas to ensure coordination and efficiencies are realized, OSB is fully supported, and OSP goals are met
2. Interact with the HECB regarding various aspects of the program
3. Engage higher education institutional leadership regarding OSP
4. Provide general support to the Opportunity Scholarship Board
5. Support fundraising efforts of the Opportunity Scholarship Board

B. Scholarship Marketing and Outreach

1. Develop and implement branding, messaging and outreach strategies to build visibility and awareness for the OSP at state, regional and local levels
2. Provide content for the development and maintenance of an interactive website
3. Implement a cohesive marketing and communications strategy that includes:
 - a) *Social media*
 - b) *Interactive media*
 - c) *Advertising*
 - d) *Collateral materials*
 - e) *Donor communications*
 - f) *E-news and analytics*
4. Manage media outreach and public relations activities
5. Manage production and distribution of all needed printed materials

C. Staffing Support to WSOS Board

1. Provide fundraising support to OSB
 - a) *Support the OSB in setting annual fundraising goals*

- b) *Assist the OSB in soliciting funds from prospective donors; activities include creating prospect lists, researching potential donors, and arranging pitch meetings*
- 2. Provide administrative support to OSB and individual members on matters related to OSP
 - a) *Coordinate meetings of OSB*
 - b) *Provide communications and recordkeeping support*
 - c) *Scheduling coordination support for OSB members related meetings and activities*
 - d) *Provide general administrative support to OSB members as it relates to the activities of the OSB*
- 3. Provide support to OSB for setting and monitoring annual budget

III. Investment Management

FTE .5

A. Provide cash management and investment management of the Scholarship and Endowment Accounts funds

- 1. Achieve the maximum possible rate of return on account balances
- 2. Form an Investment Committee
- 3. Develop investment guidelines and obtain approval of the OSB and Investment Committee
- 4. Update investment guidelines as needed
- 5. Facilitate meetings of the investment committee to review the performance of the investment portfolio compared to the investment guidelines
- 6. Monitor performance of the investment manager

B. Comply with the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA)

- 1. Utilize a total asset management approach consistent with the approach of a "Prudent Investor"
- 2. Ensure transparency in investment decisions and processes
- 3. Maintain processes and policy and procedures to ensure compliance with the endowment and other provisions of UPMIA

C. Select and utilize the services of a professional investment manager at such time as appropriate

- 1. Working with the investment committee facilitate the competitive bid process to select an independent investment manager
- 2. Obtain approval of investment manager from the OSB

D. Publish investment Reports

- 1. Publish investment reports on a quarterly basis within 45 days of quarter's end
- 2. Meet with the OSB or designated committee as needed to address investment related strategy and issues

IV. Indirect Overhead Rate of 15% Provides Support in the Following Areas:

A. Finance and Accounting

1. Conduct financial analysis support to OSB support
2. Provide financial and tax accounting--performed within the CSF legal entity, but in separate funds, grants and programs to allow segmented reporting
3. Prepare account reconciliations and internal financial reports on a monthly basis
4. Process time sheets, employee allocations to OSP
5. Process OSP scholarship disbursements and non-scholarship and non-salary related obligations

B. Human Resources

1. Recruit, screen, hire and orient additional CSF staff to support OSP
2. Plan and administer benefits program to employees allocated to OSP
3. Process payroll for employees allocated to OSP
4. Provide employee relations support for employees allocated to OSP
5. Manage performance review process for OSP related staff

C. Research and Evaluation

1. Facilitate meetings to define key OSP indicators for tracking and data collection strategy
2. Gather and report on baseline data about students qualified for OSP scholarship
3. Contribute to design of OSP application to ensure efficiency in gathering student information
4. Liaison between CSF and JLARC on ensuring successful summative evaluation to be filed in 2018
5. Gather data from students and stakeholders (college partners, CSF staff, etc.) through surveys and focus groups
6. Track degree completion of OSP students

V. In Kind Services

A. In-Kind Services are provided by CSF in the following areas:

1. Bob Craves, CEO: Fundraising and management
2. Deborah Wilds COO: Overall organizational and program management
3. IT Infrastructure support provided by utilization of existing CSF IT software and hardware systems, including related expertise in the areas of scholarship management and process design

EXHIBIT B

Program Administrator

Budget

Proposed 2011 - 2013 Budget

	Six Months		Year # 1		Year # 2	
	Actual Ended Dec 31, 2011	Budget Ended June 30, 2012	July 1, 2011 - June 30, 2012	July 1, 2012 - June 30, 2013		
Funds Received:						
Contribution Revenue	\$ 10,000,000	\$ 5,000,000	\$ 15,000,000	\$ 10,000,000		
Investment Income	1,000	56,241	57,241	518,063		
Total Revenue	10,001,000	5,056,241	15,057,241	10,518,063		
Funds Expended:						
Scholarship Distributions	-	-	-	3,000,000		
Program Expenditures:						
Salary, Benefits and Taxes	187,933	328,123	516,056	669,370		
Contracted Staff	23,027	7,575	30,602	15,453		
Staff, Professional Fees and Other Exp	46,707	131,861	178,568	268,996		
Total Program Expenses	257,667	467,558	725,225	953,819		
Total Scholarship and Program Exp	257,667	467,558	725,225	3,953,819		
Net Funds	\$ 9,743,333	\$ 4,588,682	\$ 14,332,015	\$ 6,564,244		

EXHIBIT B

**CONTRACT BETWEEN
THE STATE OF WASHINGTON
HIGHER EDUCATION COORDINATING BOARD
AND
WASHINGTON STATE OPPORTUNITY SCHOLARSHIP BOARD
AND
COLLEGE SUCCESS FOUNDATION**

The State of Washington Higher Education Coordinating Board, hereinafter referred to as the HECB; the Washington State Opportunity Scholarship Board, hereinafter referred to as the OS Board, or OSB; and the College Success Foundation, hereinafter referred to as CSF, agree to the terms and conditions contained in Contract No. 13-PE113 for administration of the Opportunity Scholarship and Expansion programs as outlined in RCW 28B.145.

PURPOSE

RCW 28B.145 enacted by the 2011 Washington legislature created the Washington State Opportunity Scholarship Act to assist low-income and middle-income students and invest in high employer demand programs. The OS Board was created with members appointed by the Governor to provide oversight and guidance for the Opportunity Scholarship and Opportunity Expansion programs. The CSF shall act as the OS Program Administrator, shall staff the OS Board, and shall manage the Opportunity Scholarship program. The HECB shall manage the opportunity scholarship match transfer account. This contract establishes the responsibilities for each of the three parties in the administration of the Opportunity Scholarship and Opportunity Expansion programs.

The OS Program Administrator is defined in RCW 28B.145 as “a college scholarship organization that is a private nonprofit corporation registered under Title 24 RCW and qualified as a tax-exempt entity under section 501(c)(3) of the federal internal revenue code, with expertise in managing scholarships and college advising.” The CSF is a nonprofit scholarship organization devoted to improving higher education opportunities for underserved students in Washington through early college awareness, mentoring, advising, and scholarships.

The work related to the administration of the Opportunity Scholarship and Opportunity Expansion programs by the CSF will be overseen by the OS Board which will determine the administrative fee for the OS Administrator.

APPOINTMENT/TERMINATION

The OSB and HECB hereby engage and retain CSF as OS Program Administrator (OS Administrator) to perform the services described herein. The appointment may be terminated by the OSB for unsatisfactory performance, including failure to satisfactorily perform the duties set for in RCW 28B.145.030, upon 90 days notice. CSF may resign at any time upon 90 days notice to the OS Board and the HECB.

STATEMENT OF WORK

OS Board

The OS Board provides oversight and guidance for the Opportunity Scholarship and Opportunity Expansion programs as outlined in RCW 28B.145. Primary responsibilities include:

1. Determine the administrative fee to the CSF as the OS Program Administrator.
2. Solicit funds and set annual fund-raising goals for both the scholarship account and the endowment account with support from CSF. Goals should include:

- a. Maintaining a robust scholarship program.
 - b. Maximizing private sector contributions to both accounts.
 - c. Considering the needs for a long-term funding mechanism while balancing the needs of current students.
3. Determine eligible programs of study leading to bachelor's degrees that scholarship recipients must pursue to receive scholarship funding.
 4. Provide general program guidance and ensure the fulfillment of duties and responsibilities assigned to CSF as the Program Administrator.
 5. Determine, with the assistance of CSF, the division of funds between the scholarship and endowment accounts in the case of undesignated grants and contributions.
 6. Report to the Governor, the HECB, and Higher Education Legislative committees regarding the Opportunity Scholarship program including:
 - a. The selected education programs for the scholarships.
 - b. The number of scholarship applicants and participants and their demographic information.
 - c. The number and amount of scholarships awarded and from which account they were paid.
 - d. The institutions and education programs in which participants enrolled.
 - e. The total amount of private contributions and state matching funds, how funds were distributed between the scholarship and endowment accounts, including investment income and administrative fee paid to CSF.
 7. Ensure that principal and income held in the Opportunity Scholarship Account and income from the Opportunity Endowment Account is used to cover the cost of scholarships disbursed and administrative fee.
 8. Select institutions of higher education to receive opportunity expansion awards as provided in RCW 28B.145.060.
 9. Comply with all applicable state laws and rules including but not limited to the open public meetings act (Ch 42.30 RCW), ethics in public service (Ch 42.52 RCW), public records act (Ch 42.56.RCW), and state budgeting, accounting and reporting system (Ch 43.88 RCW).

CSF

CSF, serving as the OS Administrator, shall staff the OS board and perform the duties and responsibilities as outlined in the statute to manage the scholarship fund and expansion fund accounts and administer the scholarship program. Primary responsibilities include:

1. Provide administrative support to the OS Board.
2. Manage the opportunity scholarship fund accounts.
 - a. Establish and manage two separate investment accounts: the Opportunity Scholarship Account and the Opportunity Endowment Account to receive grants and contributions from private sources and state matching funds and to disburse scholarship awards.
 - i. Manage the Opportunity Scholarship and Opportunity Endowment Accounts to achieve the maximum rate of return on the investment accounts in accordance with the prudent investor standard and the Uniform Prudent Management of Institutional Funds Act (UPMIFA), RCW 24.55.

- ii. All assets held in the Scholarship Account and in the Endowment Account are held in trust by CSF for the exclusive benefit of the OSB to carry out the purposes set forth in RCW 28B.145.
 - iii. Should the appointment of CSF as OS Administrator be terminated, or should CSF resign as OS Administrator, or should CSF cease operations for any reason while it is still under contract as the OS Administrator, CSF will promptly transfer all assets held in the Scholarship Account and in the Endowment Account to a successor OS Administrator or to the OS Board, as directed by the OS Board.
 - b. Award funds from the scholarship account on an annual basis beginning May 1, 2012.
 - c. Consult with the HECB and the Office of Financial Management prior to disbursing funds from the endowment account.
 - i. Endowment account scholarship disbursements occur only if the state match has been made into both accounts; the appropriations for State Need Grant meets or exceeds biennial appropriations for 2011-2013 for students at 70 percent of median family income or below; and the state has made progress in per-student funding levels.
 - d. Ensure transparency in the investment decisions and process.
- 3. Support the OS Board in developing annual fund raising goals and soliciting funds.
 - a. Solicit and accept grants and contributions from private sources, via direct payment, pledge agreement, or otherwise for deposit into one or both of the two accounts.
 - b. Provide proof of receipt of grants and contributions from private sources to the HECB, identifying the amounts received by name of private source and date, and whether the amounts received were deposited into the scholarship or the endowment account as determined by the legislation.
 - c. Deposit at least fifty percent of all grants and contributions into the scholarship account until twenty million dollars have been deposited.
 - i. After twenty million dollars in total from all sources have been deposited into the scholarship account, private donors may designate whether their contributions must be deposited to the scholarship or the endowment account.
 - d. Verify that state matching fund expenditures do not exceed the total amount of private contributions.
- 4. Design and manage the scholarship program.
 - a. Develop and implement a promotion, application, selection, and notification process for awarding opportunity scholarships.
 - b. Make first awards beginning May 1, 2012 and every May 1 thereafter.
 - c. Provide verification that scholarship awards disbursed from the endowment account from earnings occur only in years that meet the criteria described in RCW 28B.145.
 - d. Determine the scholarship award amounts.
 - i. The award shall be at least one thousand dollars or the difference in tuition and fees from 2008-09 to the academic year of disbursements.

- ii. Awards may be increased on an income-based sliding scale to cover eligible expenses or encourage participation in targeted programs.
 - iii. Scholarships should be renewable to the extent funds are available.
 - e. Disburse scholarships to eligible Washington resident students at or below 125 percent median family income enrolled in eligible programs up to 125 percent of the length of the program, and other criteria as specified in RCW 28B.145.
 - i. Students must file a Free Application for Federal Student Aid and apply for educational tax credits if applicable.
 - f. Notify institutions of scholarship recipients and terms of the student's eligibility.
 - g. Consult with the HECB and State Board for Community and Technical Colleges to determine eligible educational expenses.
5. Manage the Opportunity Expansion Program (OEP)
- a. Assist the OS Board with development and implementation of an application, selection, and notification process for making OEP awards to institutions of higher education.
 - b. Accept grants and contributions from private sources for OEP awards.
6. CSF shall maintain the following insurance at the following limits to satisfy its obligations under this Agreement:

Directors & Officers Liability Full Prior Acts Coverage	\$5,000,000
Employment Practices Liability Full Prior Acts Coverage	\$5,000,000
Fiduciary Liability	\$1,000,000
Employee Dishonesty with ERISA Fidelity	\$500,000
Forgery Alteration	\$50,000

HECB

The HECB will manage the opportunity scholarship match transfer account. Primary responsibilities include:

1. Subject to the availability of funds, authorizing the transfer of the first five million dollars in state match to be deposited into the scholarship account of CSF.
2. Ensuring that any future transfers of state contributions into the scholarship account and the endowment account do not exceed the total amount of private contributions deposited in each account.
3. Authorizing transfers in a timely manner following receipt of proof of private contributions.
4. Ensuring that expenditures from the transfer account do not exceed the private contributions amount.
5. Contracting with the Program Administrator on behalf of the OS Board.

COMPENSATION

Total compensation payable to CSF for satisfactory performance of the work as Program Administrator shall be determined by the OS Board on the basis of good faith negotiations between the OS Board and CSF under a separate contract.

PERIOD OF PERFORMANCE

The period of performance of this Contract shall be from July 1, 2011 through June 30, 2013.

ASSURANCES

The parties to this contract agree that all activity pursuant to this contract will be in accordance with all the applicable current federal, state and local laws, rules, and regulations.

ACCESS TO DATA

In compliance with RCW 39.29.080, CSF shall provide access to data generated under this contract to the HECB, the Joint Legislative Audit and Review Committee, and the State Auditor at no additional cost. This includes access to all information that supports the findings, conclusions, and recommendations of the CSF'S reports, including computer models and methodology for those models.

AMENDMENTS

This contract may be amended by mutual agreement of the parties. Such amendments shall not be binding unless they are in writing and signed by personnel authorized to bind each of the parties.

AMERICANS WITH DISABILITIES ACT (ADA) OF 1990, PUBLIC LAW 101-336, also referred to as the "ADA" 28 CFR Part 35

The CSF must comply with the ADA, which provides comprehensive civil rights protection to individuals with disabilities in the areas of employment, public accommodations, state and local government services, and telecommunications.

APPROVAL

This contract becomes binding and enforceable after signature by all parties. Signators represent and warrant that they have authority to execute this Contract on behalf of each respective party. The contract may be altered, amended, or waived only by a written amendment executed by both parties.

ASSIGNMENT

Neither this contract, nor any claim arising under this contract, shall be transferred or assigned by the CSF without prior written consent of the HECB and the OSB.

ATTORNEYS' FEES

In the event of litigation or other action brought to enforce contract terms, each party agrees to bear its own attorney fees and costs.

ENTIRE CONTRACT

This contract, including referenced exhibits, represents all the terms and conditions agreed upon by the parties. No other statements or representations, written or oral, shall be deemed a part hereof.

GOVERNING LAW

This contract shall be construed and interpreted in accordance with the laws of the State of Washington and the venue of any action brought hereunder shall be in the Superior Court for Thurston County. If any provision of this contract violates any statute or rule of law of the state of Washington, it is considered modified to conform to that statute or rule of law.

INDEMNIFICATION

Each party shall be responsible for the negligence of its own employees or agents in the performance of this Contract.

To the fullest extent permitted by law, The OS Board and CSF expressly agree to indemnify, defend, and hold harmless the HECB for any claim arising out of or incident to the CSF's performance or failure to perform the contract. This indemnification includes any claim by or against the CSF or the OS Board, or their agents, employees, representatives, or any subcontractor or their employees.

INDEPENDENT CAPACITY OF CSF

The parties intend that an independent CSF relationship will be created by this contract. The CSF and its employees or agents performing under this contract are not employees or agents of the HECB or the OSB. CSF will not hold himself/herself out as or claim to be an officer or employee of the HECB, OSB, or of the State of Washington by reason hereof, nor will CSF make any claim of right, privilege, or benefit that would accrue to such employee under law. Conduct and control of the work will be solely with the CSF.

INDUSTRIAL INSURANCE COVERAGE

CSF shall comply with the provisions of Title 51 RCW, Industrial Insurance. If CSF fails to provide industrial insurance coverage or fails to pay premiums or penalties on behalf of its employees, as may be required by law, HECB may collect from the CSF the full amount payable to the Industrial Insurance accident fund. The HECB may deduct the amount owed by the CSF to the accident fund from the amount payable to the CSF by the HECB under this contract, and transmit the deducted amount to the Department of Labor and Industries (L&I) Division of Insurance Services. This provision does not waive any of L&I's rights to collect from CSF.

NONDISCRIMINATION

During the performance of this contract, CSF shall comply with all federal and state nondiscrimination laws, regulations, and policies.

ORDER OF PRECEDENCE

Each of the exhibits listed below is by this reference hereby incorporated into this contract. In the event of an inconsistency in this contract, the inconsistency shall be resolved by giving precedence in the following order:

1. Applicable federal and state of Washington statutes and regulations
2. Terms and conditions contained in this contract

3. Any other provision, term or material incorporated herein by reference or otherwise incorporated

PUBLICITY

CSF agrees to submit all advertising and publicity matters relating to the Opportunity programs for approval in concept by the OS Board prior to publication.

RECORDS MAINTENANCE

CSF shall maintain books, records, documents, data, and other evidence relating to this contract and performance of the services described herein, including but not limited to accounting procedures and practices that sufficiently and properly reflect all direct and indirect costs of any nature expended in the performance of this contract.

CSF shall retain such records for a period of six (6) years following the date of final payment. At no additional cost, these records, including materials generated under the contract, shall be subject at all reasonable times to inspection, review, or audit by the HECB, OSB, the Office of the State Auditor, and federal and state officials so authorized by law, regulation, or agreement.

If any litigation, claim, or audit is started before the expiration of the six-year period, the records shall be retained until all litigation, claims, or audit findings involving the records have been resolved.

REGISTRATION WITH DEPARTMENT OF REVENUE

CSF shall complete registration with the Washington State Department of Revenue and be responsible for payment of all taxes due on payments made under this contract.

RIGHT OF INSPECTION

CSF shall provide right of access to its facilities at all reasonable times, to the HECB, OSB, or to any other agent or official of the state of Washington or the federal government, authorized for these purposes, to monitor and evaluate performance, compliance, and/or quality assurance under this contract.

SEVERABILITY

The provisions of this contract are intended to be severable. If any term or provision is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity of the remainder of the contract.

TAXES

All payments accrued because of payroll taxes, unemployment contributions, any other taxes, insurance, or other expenses for CSF or its staff shall be the sole responsibility of CSF.

WAIVER

Waiver of any default or breach shall not be deemed a waiver of any subsequent default or breach. Any waiver shall not be construed to be a modification of the terms of this contract unless stated to be such in writing and signed by authorized representative of the HECB.

IN WITNESS WHEREOF, the Higher Education Coordinating Board, Executive Director, the Chair of the Opportunity Scholarship Board and the College Success Foundation Chief Executive Officer have executed this Contract on the dates indicated:

Higher Education Coordinating Board

College Success Foundation

By: _____
Don Bennett, Executive Director

By: _____
Bob Craves, Chief Executive Officer

Date: _____

Date: _____

Opportunity Scholarship Board

By: _____
Signature

Name, Chair of the Board (*please print*)

Date: _____

**CONTRACT BETWEEN
THE STATE OF WASHINGTON
HIGHER EDUCATION COORDINATING BOARD
AND
WASHINGTON STATE OPPORTUNITY SCHOLARSHIP BOARD
AND
COLLEGE SUCCESS FOUNDATION**

The State of Washington Higher Education Coordinating Board, hereinafter referred to as the HECB; the Washington State Opportunity Scholarship Board, hereinafter referred to as the OS Board, or OSB; and the College Success Foundation, hereinafter referred as CSF, agree to the terms and conditions contained in Contract No. 13-PE113 for administration of the Opportunity Scholarship and Expansion programs as outlined in RCW 28B.145.

PURPOSE

RCW 28B.145 enacted by the 2011 Washington legislature created the Washington State Opportunity Scholarship Act to assist low-income and middle-income students and invest in high employer demand programs. The OS Board was created with members appointed by the Governor to provide oversight and guidance for the Opportunity Scholarship and Opportunity Expansion programs. The CSF shall act as the OS Program Administrator, shall staff the OS Board, and shall manage the Opportunity Scholarship program. The HECB shall manage the opportunity scholarship match transfer account. This contract establishes the responsibilities for each of the three parties in the administration of the Opportunity Scholarship and Opportunity Expansion programs.

The OS Program Administrator is defined in RCW 28B.145 as "a college scholarship organization that is a private nonprofit corporation registered under Title 24 RCW and qualified as a tax-exempt entity under section 501(c)(3) of the federal internal revenue code, with expertise in managing scholarships and college advising." The CSF is a nonprofit scholarship organization devoted to improving higher education opportunities for underserved students in Washington through early college awareness, mentoring, advising, and scholarships.

The work related to the administration of the Opportunity Scholarship and Opportunity Expansion programs by the CSF will be overseen by the OS Board which will determine the administrative fee for the OS Administrator.

APPOINTMENT/TERMINATION

The OSB and HECB hereby engage and retain CSF as OS Program Administrator (OS Administrator) to perform the services described herein. The appointment may be terminated by the OSB for unsatisfactory performance, including failure to satisfactorily perform the duties set for in RCW 28B.145.030, upon 90 days notice. CSF may resign at any time upon 90 days notice to the OS Board and the HECB.

STATEMENT OF WORK

OS Board

The OS Board provides oversight and guidance for the Opportunity Scholarship and Opportunity Expansion programs as outlined in RCW 28B.145. Primary responsibilities include:

1. Determine the administrative fee to the CSF as the OS Program Administrator.
2. Solicit funds and set annual fund-raising goals for both the scholarship account and the endowment account with support from CSF. Goals should include:

- a. Maintaining a robust scholarship program.
 - b. Maximizing private sector contributions to both accounts.
 - c. Considering the needs for a long-term funding mechanism while balancing the needs of current students.
3. Determine eligible programs of study leading to bachelor's degrees that scholarship recipients must pursue to receive scholarship funding.
 4. Provide general program guidance and ensure the fulfillment of duties and responsibilities assigned to CSF as the Program Administrator.
 5. Determine, with the assistance of CSF, the division of funds between the scholarship and endowment accounts in the case of undesignated grants and contributions.
 6. Report to the Governor, the HECB, and Higher Education Legislative committees regarding the Opportunity Scholarship program including:
 - a. The selected education programs for the scholarships.
 - b. The number of scholarship applicants and participants and their demographic information.
 - c. The number and amount of scholarships awarded and from which account they were paid.
 - d. The institutions and education programs in which participants enrolled.
 - e. The total amount of private contributions and state matching funds, how funds were distributed between the scholarship and endowment accounts, including investment income and administrative fee paid to CSF.
 7. Ensure that principal and income held in the Opportunity Scholarship Account and income from the Opportunity Endowment Account is used to cover the cost of scholarships disbursed and administrative fee.
 8. Select institutions of higher education to receive opportunity expansion awards as provided in RCW 28B.145.060.
 9. Comply with all applicable state laws and rules including but not limited to the open public meetings act (Ch 42.30 RCW), ethics in public service (Ch 42.52 RCW), public records act (Ch 42.56.RCW), and state budgeting, accounting and reporting system (Ch 43.88 RCW).

CSF

CSF, serving as the OS Administrator, shall staff the OS board and perform the duties and responsibilities as outlined in the statute to manage the scholarship fund and expansion fund accounts and administer the scholarship program. Primary responsibilities include:

1. Provide administrative support to the OS Board.
2. Manage the opportunity scholarship fund accounts.
 - a. Establish and manage two separate investment accounts: the Opportunity Scholarship Account and the Opportunity Endowment Account to receive grants and contributions from private sources and state matching funds and to disburse scholarship awards.
 - i. Manage the Opportunity Scholarship and Opportunity Endowment Accounts to achieve the maximum rate of return on the investment accounts in accordance with the prudent investor standard and the Uniform Prudent Management of Institutional Funds Act (UPMIFA), RCW 24.55.

- ii. All assets held in the Scholarship Account and in the Endowment Account are held in trust by CSF for the exclusive benefit of the OSB to carry out the purposes set forth in RCW 28B.145.
 - iii. Should the appointment of CSF as OS Administrator be terminated, or should CSF resign as OS Administrator, or should CSF cease operations for any reason while it is still under contract as the OS Administrator, CSF will promptly transfer all assets held in the Scholarship Account and in the Endowment Account to a successor OS Administrator or to the OS Board, as directed by the OS Board.
 - b. Award funds from the scholarship account on an annual basis beginning May 1, 2012.
 - c. Consult with the HECB and the Office of Financial Management prior to disbursing funds from the endowment account.
 - i. Endowment account scholarship disbursements occur only if the state match has been made into both accounts; the appropriations for State Need Grant meets or exceeds biennial appropriations for 2011-2013 for students at 70 percent of median family income or below; and the state has made progress in per-student funding levels.
 - d. Ensure transparency in the investment decisions and process.
3. Support the OS Board in developing annual fund raising goals and soliciting funds.
- a. Solicit and accept grants and contributions from private sources, via direct payment, pledge agreement, or otherwise for deposit into one or both of the two accounts.
 - b. Provide proof of receipt of grants and contributions from private sources to the HECB, identifying the amounts received by name of private source and date, and whether the amounts received were deposited into the scholarship or the endowment account as determined by the legislation.
 - c. Deposit at least fifty percent of all grants and contributions into the scholarship account until twenty million dollars have been deposited.
 - i. After twenty million dollars in total from all sources have been deposited into the scholarship account, private donors may designate whether their contributions must be deposited to the scholarship or the endowment account.
 - d. Verify that state matching fund expenditures do not exceed the total amount of private contributions.
4. Design and manage the scholarship program.
- a. Develop and implement a promotion, application, selection, and notification process for awarding opportunity scholarships.
 - b. Make first awards beginning May 1, 2012 and every May 1 thereafter.
 - c. Provide verification that scholarship awards disbursed from the endowment account from earnings occur only in years that meet the criteria described in RCW 28B.145.
 - d. Determine the scholarship award amounts.
 - i. The award shall be at least one thousand dollars or the difference in tuition and fees from 2008-09 to the academic year of disbursements.

- ii. Awards may be increased on an income-based sliding scale to cover eligible expenses or encourage participation in targeted programs.
 - iii. Scholarships should be renewable to the extent funds are available.
 - e. Disburse scholarships to eligible Washington resident students at or below 125 percent median family income enrolled in eligible programs up to 125 percent of the length of the program, and other criteria as specified in RCW 28B.145.
 - i. Students must file a Free Application for Federal Student Aid and apply for educational tax credits if applicable.
 - f. Notify institutions of scholarship recipients and terms of the student's eligibility.
 - g. Consult with the HECB and State Board for Community and Technical Colleges to determine eligible educational expenses.
5. Manage the Opportunity Expansion Program (OEP)
- a. Assist the OS Board with development and implementation of an application, selection, and notification process for making OEP awards to institutions of higher education.
 - b. Accept grants and contributions from private sources for OEP awards.
6. CSF shall maintain the following insurance at the following limits to satisfy its obligations under this Agreement:

Directors & Officers Liability	\$5,000,000
Full Prior Acts Coverage	
Employment Practices Liability	\$5,000,000
Full Prior Acts Coverage	
Fiduciary Liability	\$1,000,000
Employee Dishonesty with	\$500,000
ERISA Fidelity	\$500,000
Forgery Alteration	\$50,000

HECB

The HECB will manage the opportunity scholarship match transfer account. Primary responsibilities include:

1. Subject to the availability of funds; authorizing the transfer of the first five million dollars in state match to be deposited into the scholarship account of CSF.
2. Ensuring that any future transfers of state contributions into the scholarship account and the endowment account do not exceed the total amount of private contributions deposited in each account.
3. Authorizing transfers in a timely manner following receipt of proof of private contributions.
4. Ensuring that expenditures from the transfer account do not exceed the private contributions amount.
5. Contracting with the Program Administrator on behalf of the OS Board.

COMPENSATION

Total compensation payable to CSF for satisfactory performance of the work as Program Administrator shall be determined by the OS Board on the basis of good faith negotiations between the OS Board and CSF under a separate contract.

PERIOD OF PERFORMANCE

The period of performance of this Contract shall be from July 1, 2011 through June 30, 2013.

ASSURANCES

The parties to this contract agree that all activity pursuant to this contract will be in accordance with all the applicable current federal, state and local laws, rules, and regulations.

ACCESS TO DATA

In compliance with RCW 39.29.080, CSF shall provide access to data generated under this contract to the HECB, the Joint Legislative Audit and Review Committee, and the State Auditor at no additional cost. This includes access to all information that supports the findings, conclusions, and recommendations of the CSF'S reports, including computer models and methodology for those models.

AMENDMENTS

This contract may be amended by mutual agreement of the parties. Such amendments shall not be binding unless they are in writing and signed by personnel authorized to bind each of the parties.

AMERICANS WITH DISABILITIES ACT (ADA) OF 1990, PUBLIC LAW 101-336, also referred to as the "ADA" 28 CFR Part 35

The CSF must comply with the ADA, which provides comprehensive civil rights protection to individuals with disabilities in the areas of employment, public accommodations, state and local government services, and telecommunications.

APPROVAL

This contract becomes binding and enforceable after signature by all parties. Signators represent and warrant that they have authority to execute this Contract on behalf of each respective party. The contract may be altered, amended, or waived only by a written amendment executed by both parties.

ASSIGNMENT

Neither this contract, nor any claim arising under this contract, shall be transferred or assigned by the CSF without prior written consent of the HECB and the OSB.

ATTORNEYS' FEES

In the event of litigation or other action brought to enforce contract terms, each party agrees to bear its own attorney fees and costs.

ENTIRE CONTRACT

This contract, including referenced exhibits, represents all the terms and conditions agreed upon by the parties. No other statements or representations, written or oral, shall be deemed a part hereof.

GOVERNING LAW

This contract shall be construed and interpreted in accordance with the laws of the State of Washington and the venue of any action brought hereunder shall be in the Superior Court for Thurston County. If any provision of this contract violates any statute or rule of law of the state of Washington, it is considered modified to conform to that statute or rule of law.

INDEMNIFICATION

Each party shall be responsible for the negligence of its own employees or agents in the performance of this Contract.

To the fullest extent permitted by law, The OS Board and CSF expressly agree to indemnify, defend, and hold harmless the HECB for any claim arising out of or incident to the CSF's performance or failure to perform the contract. This indemnification includes any claim by or against the CSF or the OS Board, or their agents, employees, representatives, or any subcontractor or their employees.

INDEPENDENT CAPACITY OF CSF

The parties intend that an independent CSF relationship will be created by this contract. The CSF and its employees or agents performing under this contract are not employees or agents of the HECB or the OSB. CSF will not hold himself/herself out as or claim to be an officer or employee of the HECB, OSB, or of the State of Washington by reason hereof, nor will CSF make any claim of right, privilege, or benefit that would accrue to such employee under law. Conduct and control of the work will be solely with the CSF.

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CSF shall comply with the provisions of Title 51 RCW, Industrial Insurance. If CSF fails to provide industrial insurance coverage or fails to pay premiums or penalties on behalf of its employees, as may be required by law, HECB may collect from the CSF the full amount payable to the Industrial Insurance accident fund. The HECB may deduct the amount owed by the CSF to the accident fund from the amount payable to the CSF by the HECB under this contract, and transmit the deducted amount to the Department of Labor and Industries (L&I) Division of Insurance Services. This provision does not waive any of L&I's rights to collect from CSF.

NONDISCRIMINATION

During the performance of this contract, CSF shall comply with all federal and state nondiscrimination laws, regulations, and policies.

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2. Terms and conditions contained in this contract

3. Any other provision, term or material incorporated herein by reference or otherwise incorporated

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CSF agrees to submit all advertising and publicity matters relating to the Opportunity programs for approval in concept by the OS Board prior to publication.

RECORDS MAINTENANCE

CSF shall maintain books, records, documents, data, and other evidence relating to this contract and performance of the services described herein, including but not limited to accounting procedures and practices that sufficiently and properly reflect all direct and indirect costs of any nature expended in the performance of this contract.

CSF shall retain such records for a period of six (6) years following the date of final payment. At no additional cost, these records, including materials generated under the contract, shall be subject at all reasonable times to inspection, review, or audit by the HECB, OSB, the Office of the State Auditor, and federal and state officials so authorized by law, regulation, or agreement.

If any litigation, claim, or audit is started before the expiration of the six-year period, the records shall be retained until all litigation, claims, or audit findings involving the records have been resolved.

REGISTRATION WITH DEPARTMENT OF REVENUE

CSF shall complete registration with the Washington State Department of Revenue and be responsible for payment of all taxes due on payments made under this contract.

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CSF shall provide right of access to its facilities at all reasonable times, to the HECB, OSB, or to any other agent or official of the state of Washington or the federal government, authorized for these purposes, to monitor and evaluate performance, compliance, and/or quality assurance under this contract.

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TAXES

All payments accrued because of payroll taxes, unemployment contributions, any other taxes, insurance, or other expenses for CSF or its staff shall be the sole responsibility of CSF.

WAIVER

Waiver of any default or breach shall not be deemed a waiver of any subsequent default or breach. Any waiver shall not be construed to be a modification of the terms of this contract unless stated to be such in writing and signed by authorized representative of the HECB.

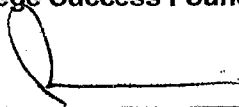
IN WITNESS WHEREOF, the Higher Education Coordinating Board, Executive Director, the Chair of the Opportunity Scholarship Board and the College Success Foundation Chief Executive Officer have executed this Contract on the dates indicated:

Higher Education Coordinating Board

By: 
Don Bennett, Executive Director

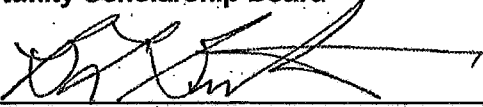
Date: 2-14-12

College Success Foundation

By: 
Bob Craves, Chief Executive Officer

Date: 2/14/2012

Opportunity Scholarship Board

By: 
Signature

Bradford L. Smith
Name, Chair of the Board (please print)

Date: 2-14-12

