

# WASHINGTON STATE OPPORTUNITY SCHOLARSHIP

## BOARD MEETING AGENDA TUESDAY, OCTOBER 29, 2019 | 1:00-3:00 P.M. MICROSOFT CAMPUS, BUILDING 34

Conference call dial in #: 425-616-0754 / passcode: 233 774 092#

|       |  |         |  |            |
|-------|--|---------|--|------------|
| I.    | <b>Meeting Called to Order</b>   |         | <b>Brad Smith</b><br>Board Chair   | 1:00p      |
| II.   | <b>Approval of Minutes from June 19, 2019 Meeting</b>  | [Tab A] | <b>Brad Smith</b><br>Board Chair   | 1:00-1:05p |
| III.  | <b>Mission Moment: Opportunity Scholar Story</b>   |         | <b>Taejah Jones</b><br>Scholar Lead  | 1:05-1:10p |
| IV.   | <b>Baccalaureate Renewal &amp; Program Update</b>  | [Tab B] | <b>Steve Walker</b><br>Awards Admin Director   | 1:10-1:20p |
|       | » Baccalaureate Summer 2019 Renewal  |         |  |            |
|       | » KPIs for Impact of Program Expansion   |         |  |            |
| V.    | <b>2019-20 Career &amp; Technical Scholarship Selection</b>  | [Tab C] | <b>Steve Walker</b><br>Awards Admin Director   | 1:20-1:40p |
|       | » Update on Cohort 1 (C1) – Fall Selection   |         |  |            |
|       | » Discussion of C1 – Winter & Spring Selection   |         |  |            |
|       | » <i>Board Action:</i> Approve CTS Selection Criteria (C1 - Winter & Spring)                         |         |  |            |
| VI.   | <b>JLARC Preliminary Report Overview</b>   | [Tab D] | <b>Keenan Konopaski</b><br><b>Casey Radostitz</b><br>JLARC Staff                                 | 1:40-2:00p |
|       | » Summary of JLARC Preliminary Report  |         |  |            |
|       | » Q&A  |         |  |            |
| VII.  | <b>WSOS Next Steps</b>   | [Tab E] | <b>Kimber Connors</b><br>Executive Director  | 2:00-2:35p |
|       | » Response to JLARC Preliminary Report   |         |  |            |
|       | » Strategic Priorities for 2020 and Beyond   |         |  |            |
|       | » “Series B” Fundraising Goals   |         |  |            |
| VIII. | <b>Finance &amp; Program Administrator Update</b>  | [Tab F] | <b>Kimber Connors</b><br>Representing Mack<br>Hogans on the Finance<br>& Investment<br>Committee | 2:40-2:55p |
|       | » <i>Board Action:</i> Vote to appoint Brad Faulhaber to the Finance & Investment Committee          |         |  |            |
|       | » <i>Board Action:</i> Vote to delegate contract renewal negotiation authority to Executive Director |         |  |            |
| IX.   | <b>OpportunityTalks Overview</b>   |         | <b>Erin Ashley</b><br>Development Director   | 2:55-3:00p |
| X.    | <b>Closing</b>   |         | <b>Brad Smith</b><br>Board Chair   | 3:00p      |

### Important Dates

- » **OpportunityTalks**
  - Wednesday, November 6, 2019 at the Sheraton Seattle
- » **Upcoming Board Meetings - all meetings at Microsoft campus from 1 to 3p**
  - Tuesday, December 17, 2019
  - Tuesday, March 3, 2020
  - Wednesday, June 10, 2020
  - Thursday, September 17, 2020
  - Thursday, December 17, 2020

# **Tab A**

**Minutes from the June 19, 2019 Board Meeting**

**WASHINGTON STATE OPPORTUNITY SCHOLARSHIP BOARD MEETING  
WEDNESDAY, JUNE 19, 2019, 1-3 PM, MICROSOFT CAMPUS**

**MEETING MINUTES**

The Board of Directors of the Washington State Opportunity Scholarship (WSOS) met on June 19, 2019 at the Microsoft headquarters in Redmond, Washington.

Board members: Brad Smith, Miller Adams, Joelle Denney, Mack Hogans, Jane Park, Gary Rubens and Julie Sandler; Antony Chiang and Mike Wilson by phone

Additional attendees: Naria Santa Lucia, Erin Ashley, Douglas Barrancotto, Gina Breukelman, Theresa Britschgi, Jane Broom, Kimber Connors, Hannah Olson, Patrick Kang, Jessica Monger, Wendy Ni, Yoko Shimomura, Dave Stolier, Tin Vo and Steve Walker; Lianda Abraham, Terrie Ashby-Scott, Rachel Darany, Mesa Herman, Jenna Magnotti, Joanna Moznette, Cristal Rangel Peña, Stan Pichinevskiy and Aileen Tubo by phone

**Meeting Called to Order**

Brad Smith called the Board Meeting to order at 1:02 pm.

**Approval of Minutes**

Mack Hogans moved that the minutes of the April 1, 2019 Board Meeting be approved. Jane Park seconded the motion and it carried unanimously.

**Program Expansion Update**

Kimber Connors, WSOS Deputy Director, summarized the Board directive from spring 2017 in which the Board of Directors instructed the WSOS team to recommend the best use of available funds to grow the Opportunity Scholarship program. In December 2017, the Board voted to use the funds for program expansion with specific focus on building a near-peer mentoring model. Connors reported the WSOS team enacted this directive in 2018-19 by launching the pilot Scholar Lead near-peer mentoring model and expanding the Skills that Shine (StS) industry mentoring program to serve all third-year Opportunity Scholars. Connors described the goal of the Scholar Lead program as enhancing Scholars' academic and social foundation. The pilot model of the Scholar Lead program included recruitment of 152 Scholar Leads who were trained at in-person events across the state and supported throughout the year by a WSOS staff advisor. Scholar Leads were paid an \$1,800 stipend for their work.

Theresa Britschgi, WSOS Scholar Placement Director, reported on the expansion of StS. Britschgi reported the goal of the program is to enhance Opportunity Scholars' career readiness skills and network through industry mentoring. Through a proprietary matching platform, 167 mentors from 63 companies were matched with third-year Scholars. Mentor-mentee pairs moved through a guided curriculum and participated in a networking celebration event. The events were held in Seattle and Spokane and well-enjoyed by both mentors and mentees, Britschgi reported.

Hannah Olson, WSOS Talent Resource Manager, and Patrick Kang, WSOS Scholar Success Advisor, moderated a panel with Douglas Barrancotto (Skills that Shine Mentor), Tin Vo (Skills that Shine Mentee) and Wendy Ni (Scholar Lead). Vo shared the value he found in the program in preparing him for career launch. Barrancotto spoke about the benefits he received as a mentor in the program and spoke about how much he learned from his mentee. Ni shared how much she has valued serving as a peer mentor to her fellow Opportunity Scholars and noted she wished she had the benefit of a Scholar Lead when she was new to campus.

### **2019-20 Career & Technical Scholarships**

Steve Walker, WSOS Awards Administration Director, summarized the first Career & Technical Scholarship (CTS) application and selection. Walker first summarized the new CTS program as supporting associate degrees, certificates and apprenticeships with a \$1,500 per quarter scholarship. WSOS will select 550 CTS recipients in 2019-20 with 275 selected for fall quarter, 165 selected for winter quarter and 110 for spring quarter. Given the application is actively open, Walker noted the remainder of his presentation was based on preliminary information. Walker reviewed the typical applicant profile along key demographics such as gender, age, median income and intended program of study. Walker highlighted that due to the low-income nature of applicants for CTS, the financial impact of receiving WSOS on a typical awardee will be significant. Walker also noted many students from rural areas live many hours away from the nearest community college. Walker presented two options for CTS selection using Cohort 8 Baccalaureate as a baseline for comparison.

Joelle Denney and Gary Rubens each noted the under-representation of applicants from some of the most in-demand fields the program aims to support. The Board discussed the need to incorporate a stronger consideration of program and relationship to high-demand fields in the selection model given the statutory focus on such. Brad Smith proposed a modified selection model to include: 25% weighting to GPA and essays, 45% weighting to intended program and community opportunity, 20% weighting to family income and 10% weighting to first-generation status. Smith recommended the Board vote to allow staff flexibility within these guidelines with the provision that staff would reach out if they saw any serious departures in the final selection data. Joelle Denney made a motion to adopt the selection model described by Smith; Gary Rubens seconded the motion and it passed unanimously.

### **WSOS Leadership Transition**

Jane Park, WSOS Board Member, provided an update on the executive director search. Park highlighted the strength of the applicant pool and rigor of the candidate evaluation process. The search is being facilitated by Clover Search Works. Park and Mack Hogans are the Board members represented on the search committee.

In recognition of Santa Lucia's departure at the end of June and the naming of the next executive director falling in July or later, Park requested the Board consider the Resolution to Appoint an Acting WSOS Executive Director included in the Board book. After discussion, Miller Adams made a motion to adopt the resolution as drafted. Julie Sandler seconded the motion and it passed unanimously.

### **Finance & Program Administrator Update**

Mack Hogans, WSOS Board Member and Chair of the Finance & Investment Committee, provided an update. Despite a very negative market in Q4 of 2018, the portfolio experienced a sharp increase in returns in Q1 of 2019. The committee feels confident in the current allocations and is satisfied with fund performance. Boeing released their gift that had been held in the endowment account for use toward the Career & Technical Scholarship. The committee plans to discuss the allocation strategy at their next meeting. Additionally, Hogans reported a pledge receivable of \$7M from the Rubens Family Foundation. This pledge receivable was originally to be paid and was budgeted in 2019 but has since been restructured for partial receipt in 2019, 2020 and 2021.

### **WSOS Program Update & Reflection**

Naria K. Santa Lucia, WSOS Executive Director, shared her gratitude for the five years she spent leading the organization. She thanked the Board and staff for their support of her growth and celebrated shared successes. Erin Ashley, WSOS Development Director, announced five Cohort 8 Opportunity Scholars from Federal Way, Santa Lucia's hometown, will be named Naria Santa Lucia Opportunity Scholars in honor of Santa Lucia's years of service. Brad Smith, WSOS Chair, expressed his sincere appreciation for Santa Lucia's commitment to Scholars and our state.

The meeting adjourned at 2:59 pm.

Respectfully submitted,

Karyl Gregory

## SCHOLAR SPOTLIGHT

**TAEJAH JONES**

**Public Health**

**University of Washington**

### **ABOUT TAEJAH**

Taejah is a senior at the University of Washington Seattle majoring in Public Health with a focus in health education and promotion.

This year, Taejah is working as a Scholar Lead supporting a caseload of Scholar mentees. Through the fall, she has actively engaged with WSOS and her Scholar Success Advisor, Michelle Barreto.

### **IN HER OWN WORDS**

"I am currently applying to graduate school for healthcare administration. I do have a passion for supporting first generation students navigate their way to and through college and hope to be able to continue to be able to support students after I graduate."

## **Tab B**

### **Baccalaureate Renewal and Program Update**

# BACCALAUREATE UPDATE

- Top-level highlights
- Scholar persistence (Y1 to Y2 and Y2 to Y3)
- Program impact / satisfaction survey

# HIGHLIGHTS

## 2018-19

- 4,507 scholars
- \$14.6M disbursed

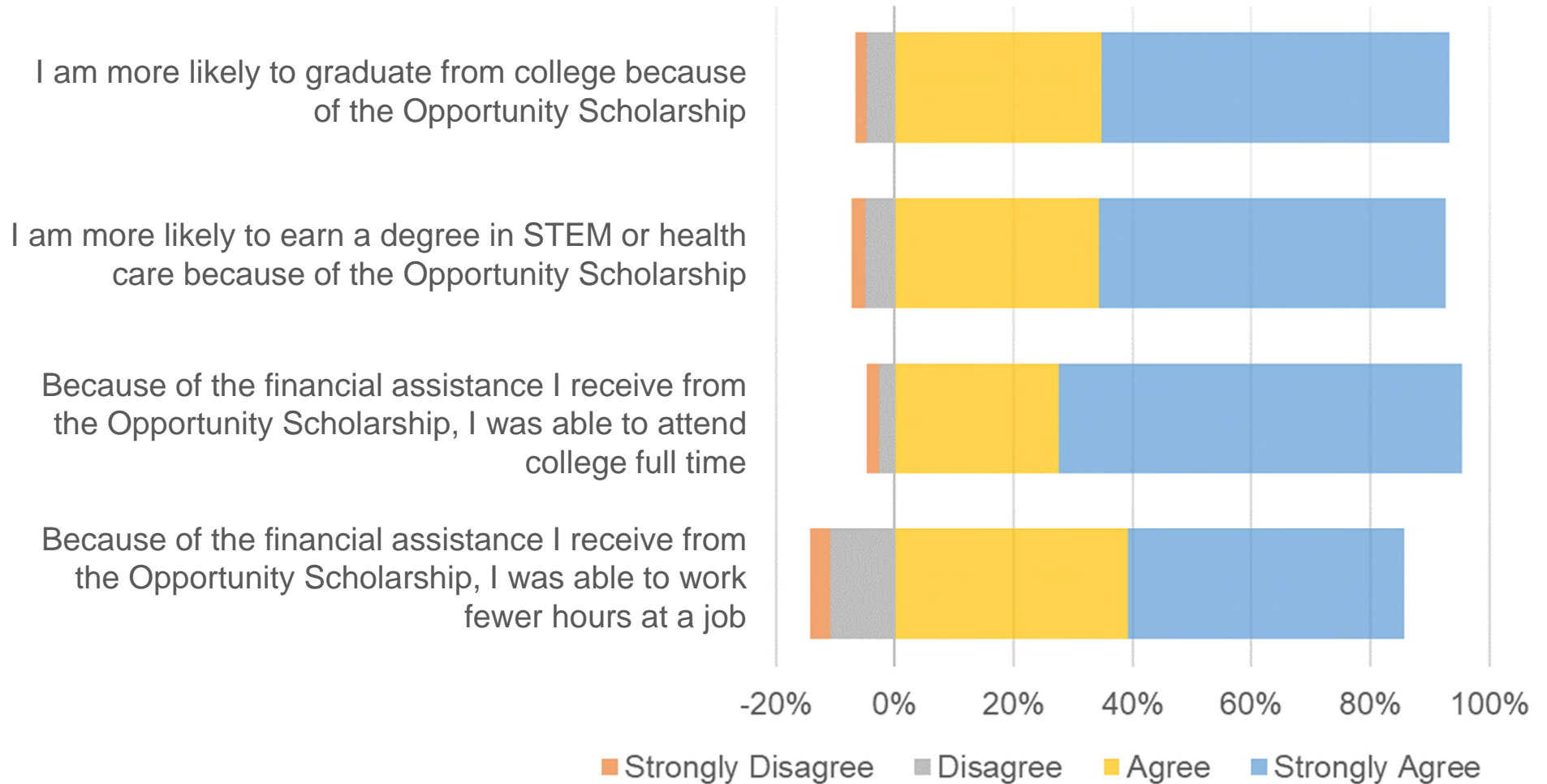
## 2019-20

- 4,897 scholars
- \$6.3M disbursed to date, with another \$10M scheduled

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# IMPACT & SATISFACTION SURVEY



# SIGNATURE PROGRAM: Scholar Lead Near-Peer Mentoring

The **goal** of the Scholar Lead program is **to leverage near-peer mentoring to improve persistence outcomes**, ensuring academic and social success for first- and second-year Scholars.

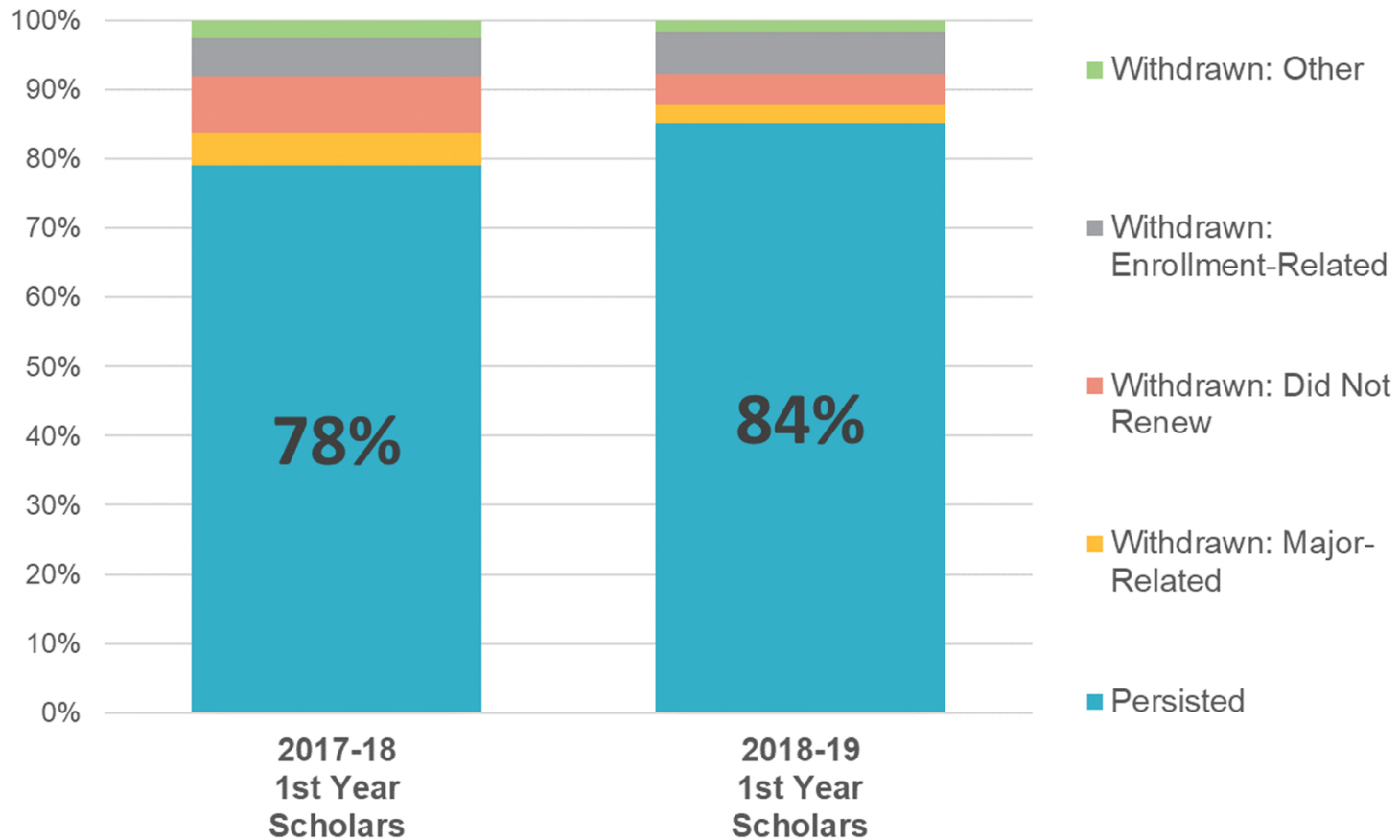


**SCHOLAR LEAD**

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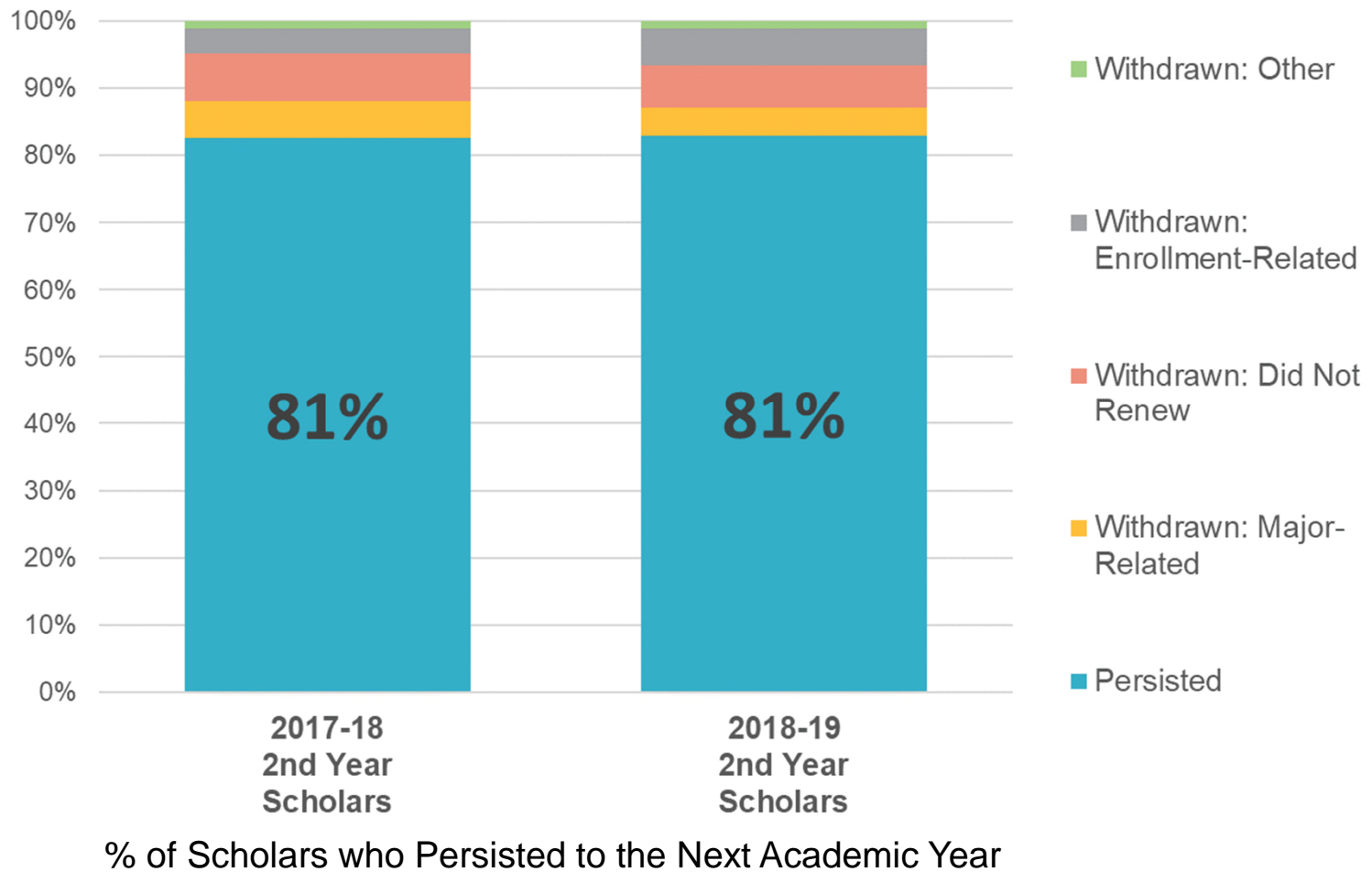


# SCHOLAR PERSISTENCE (1<sup>st</sup> to 2<sup>nd</sup> YEAR)



% of Scholars who Persisted to the Next Academic Year

# SCHOLAR PERSISTENCE (2<sup>nd</sup> to 3<sup>rd</sup> YEAR)



# SIGNATURE PROGRAM: Skills that Shine Industry Mentoring

The **goal** of the Skills that Shine program is to **leverage industry mentoring to enhance Scholars' career readiness skills and network**, ensuring a smoother transition from college to career.



**SKILLS THAT SHINE**

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# IMPACT & SATISFACTION SURVEY

I feel more prepared to seek relevant work experience in my field of study

Skills that Shine Participants

4<sup>th</sup> and 5<sup>th</sup> Year Scholars

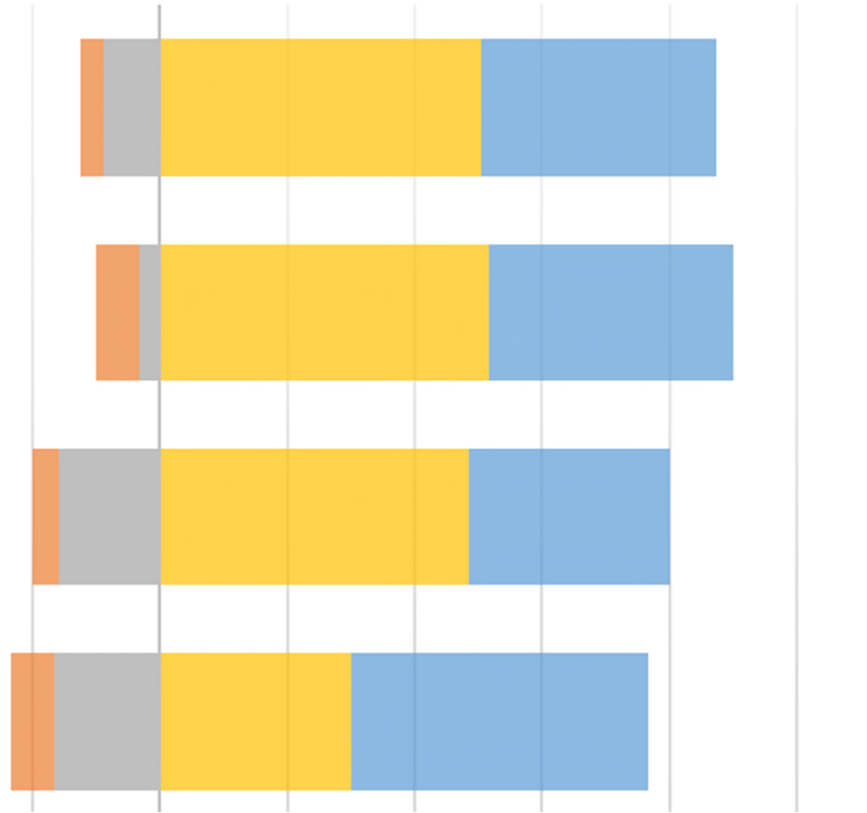
Overall, I was connected with career-related opportunities that I would not have found

Skills that Shine Participants

4<sup>th</sup> and 5<sup>th</sup> Year Scholars

-40% -20% 0% 20% 40% 60% 80% 100%

Strongly Disagree Disagree Agree Strongly Agree



## PROGRAM UPDATE | OCTOBER 2019

### INTRODUCTION

Since the June 2019 Washington State Opportunity Scholarship (WSOS) Board meeting, the WSOS team has been hard at work selecting the first round of Career & Technical Scholarship recipients, launching year two of the Scholar Lead program and revamping the Skills that Shine online industry mentoring curriculum. Select updates related to program activities are below. Additionally, this update provides an external affairs overview of upcoming legislative priorities and social media coverage as well as information on the upcoming OpportunityTalks annual breakfast.

### AWARDS ADMINISTRATION

Since June, the WSOS Awards team has been working hard to enroll newly selected BaS Cohort 8 Scholars and renew current Scholars from BaS Cohort 7 and earlier. The team processed 3,924 renewals in July. These renewals, in conjunction with the newly enrolled BaS Cohort 8, led to a disbursement of \$6.3M in fall funding to BaS Scholars.

During the renewal process, we ask important evaluation questions of our BaS Scholar community to assess the impact of our program on their perceived outcomes. Of note:

- 93% reported they are more likely to graduate because of WSOS.
- 93% said they are more likely to earn a degree in STEM or healthcare because of WSOS.
- 95% stated the financial assistance of WSOS allowed them to attend full-time.
- 86% reported working fewer hours because of the financial assistance of WSOS.

Just over half (54%) reported they feel connected to other Opportunity Scholars. Building community among WSOS recipients has been and will continue to be a focus for programmatic improvement.

In addition to continual support for the BaS program, the Awards team coordinated the selection of the fall recipients for CTS Cohort 1 (n=277). These Scholars have received their first funds totaling \$406K. The winter application for CTS Cohort 1 is currently open.

### SCHOLAR SUPPORT SERVICES

#### SCHOLAR SUCCESS – NEAR-PEER MENTORING

In the same evaluation referenced above, we asked participants in the program to report on their experience in the Scholar Lead (near-peer mentoring) pilot. Of BaS Scholar mentees who were paired with a Scholar Lead:

- 84% said their Scholar Lead connected them to campus resources.
- Nearly three in four (74%) report their Scholar Lead contributed to keeping them on track to graduate.
- About two thirds (65%) state their Scholar Lead has helped them navigate to their major.

The Scholar Success team started the academic year building on the successes of the Scholar Lead program pilot year. We had 235 Scholar Lead applicants of whom we hired 198 Scholar Leads for the 2019-20 academic year. This team of Scholar Leads (near-peer mentors) will allow us to serve nearly 3,000 first- and second-year Scholars (mentees) across the state. Each Scholar Lead works with a mentee group of approximately 16. All Scholar Leads are juniors, seniors and alumni. We prioritized matching Scholar Leads with on-campus mentees but some mentees on smaller campuses receive support from an off-campus (remote) Scholar Lead.

The Scholar Leads are responsible for reaching out to their mentees with a welcome-to-campus phone call, invitations to on-campus events and reminders about WSOS-required activities. This year, the Success team added a component of the Scholar Lead experience requiring Scholar Leads facilitate workshops for their mentee group. The topics for the workshops include: “Welcome to WSOS”, “Study Skills”, “Wellness”, “Career Planning” and an end of year gathering. These workshops are performed in person or over video conference.

The Scholar Success team continually evaluates and supports Scholar Lead performance. The four advisors have a caseload of Scholar Leads they oversee and assist with a variety of questions and concerns. This direct staff support elevates the work of Scholar Leads and maximizes their efficacy with mentees.

The Success Team welcomed two new members this quarter, Michelle Barreto and Sydney Parmis. Both started in July. As a Scholar Success Advisor, they each provide ongoing support and case management to Scholar Leads (WSOS near peer mentors) and their mentees.

#### **SCHOLAR PLACEMENT – INDUSTRY MENTORSHIP AND CAREER ADVISING**

During the renewal process, participants in the Skills that Shine (StS) industry mentoring program reported on their experience. Of particular interest:

- 89% have learned to better present themselves in person, on the phone or via email.
- 88% have improved their networking abilities and expanded their professional network.
- 88% feel more prepared to seek relevant work experience in their field of study.

Historically, WSOS has served 200 to 250 mentor-mentee pairs in StS. By fall of 2020, we will enroll an unprecedented number of mentors to serve the anticipated ~1,600 Scholars enrolled in their third year of college. We are gearing up to create the partnerships with business to meet this goal. We invite all Board members to participate in StS as mentors and to connect us with HR teams that may be strong partners.

In 2019-20, we hope to enhance career placement outcomes by continuing to refine the StS curriculum and building out current offerings. This fall, we moved our online curriculum to a more sophisticated platform, Thinkific. Additionally, we are piloting the Internship Insider program. Through this program, we will seek to provide priority access for Opportunity Scholars to valuable career offerings in their field. We are working with employers to build explicit partnership opportunities that prioritize advertising to and hiring of Opportunity Scholars.

#### **DEVELOPMENT UPDATE**

##### **OPPORTUNITYTALKS BREAKFAST 2019**

We are on track for a successful 5<sup>th</sup> annual fundraising event on **Wednesday November 6, 2019** from 7:30 – 9 AM at the Sheraton Seattle Grand Hotel. The keynote speaker will be Adam Grant, New York Times bestselling author of *Originals*, *Give and Take*, and *Option B* (with Sheryl Sandberg). Mariam Myanja, a UW Seattle junior pursuing a degree in Computer Science, will be the Scholar speaker.

This year's co-chairs are WSOS Board member and Pier 70 Managing Director Miller Adams; Armoire CEO Ambika Singh; AGC Biologics board member and past CEO Gustavo Mahler; and former state representative Phyllis Gutierrez Kenney. Additionally, Senator David Frockt will serve as an honorary co-chair. We are grateful for their commitment and willingness to serve in this leadership role. Two Opportunity Scholars from eastern Washington, Bunji McLeod and Jordana Dahmen, will be featured as this year's co-MC's.



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The theme of the 2019 breakfast is “Unlock the Future” and will incorporate a five-year lookback, a “where are they now” video featuring the Scholar speakers of the last four years, and the launch of the first cohort of our Career and Technical Scholarship. The breakfast will also mark the official introduction of Kimber Connors as the new executive director to our community of partners and supporters.

Our fundraising goal is to once again raise \$1M through corporate sponsorships, foundation grants, individual giving and the state match. The Challenge Fund match pool allows us to offer a 4:1 match for gifts of \$250 and above (doubled by the Challenge Fund, then doubled again by the state match). As of 10/22, we have received \$123,000 in pledges toward the goal of reaching \$150,000 before the event. Thanks to every Board member for contributing to this important fund pre-event. We have 100% Board giving participation again this year!

All board members are encouraged to activate their networks to help drive attendance at the breakfast. Registration is slower than this time last year (505 registered versus 601 same time in 2018) though we have about the same number of Executive Leadership Committee hosts. Thank you to the Board members who are hosting one (or more) tables! Please assist with the final push to invite and confirm attendees. Every breakfast there are about 100 registered guests who don't show up.

## **OPPORTUNITYTALKS BREAKFAST 2020**

Next year's presidential election falls on Tuesday, November 3. Given the potential for donor distraction approaching the election, WSOS will host the 6<sup>th</sup> annual breakfast on **Wednesday, November 12, 2020** at the Sheraton Seattle Grand Hotel. Please mark your calendars! We want our partners to be fully focused and engaged. With a date determined well in advance, we are in a strong position to secure an outstanding keynote presenter and Scholar speakers. The theme for 2020 is “Vision”.

## **COMING SOON!**

There are several legislative additions available to WSOS that are in development phases. These include tribal, county and municipal matching as well as the Rural Jobs program and Advanced Healthcare. Each of these will play a critical component in development efforts in 2020 and beyond.

## **EXTERNAL AFFAIRS UPDATE**

### **2020 LEGISLATIVE PRIORITIES**

In the 2020 legislative session, WSOS will work with state lawmakers to reconsider state residency requirements for veterans and their families who are interested in pursuing an Opportunity Scholarship. We want to ensure that we can meet the needs of this unique population and enable future veteran applicants to pursue an education and high-demand career in Washington following military service.

We will also pursue a statutory fix to allow us access to \$500,000 appropriated to WSOS for use in implementing House Bill 1452, which created the Career and Technical Scholarship in 2018.

## **MEDIA COVERAGE**

Media coverage over the summer was limited to the executive director announcement and the selection of a CTS recipient in Grand Coulee, Washington.

Coverage summary:

- Laplante attends college on scholarship | Grand Coulee Star, September 25
- Personnel changes in the Pacific NW tech community | GeekWire, July 30

# WASHINGTON STATE **OPPORTUNITY** SCHOLARSHIP

## SOCIAL MEDIA COVERAGE (JULY TO SEPTEMBER)

### OVERVIEW

After a slowdown in social media activity due to staffing changes, we are again seeing social media engagement increase across our channels as we promote OpportunityTalks and the application cycles for our scholarship programs.


### TWITTER


- Number of impressions: 45,300
- New followers: +19

### Top Tweet:

Our top tweet was a shout out to an Opportunity Scholar who is interning with Pacific Northwest National Laboratory.

#### Tweet activity

|  |                   |       |
|--|-------------------|-------|
|  | Impressions       | 3,493 |
|  | Total engagements | 64    |
|  | Media engagements | 37    |
|  | Likes             | 8     |
|  | Profile clicks    | 6     |
|  | Detail expands    | 5     |
|  | Retweets          | 4     |
|  | Replies           | 2     |
|  | Hashtag clicks    | 2     |

 **Promote your Tweet**  
Your Tweet has 3,493 total impressions so far.  
Get more impressions on this Tweet!

[Promote your Tweet](#)

# WASHINGTON STATE OPPORTUNITY SCHOLARSHIP

## FACEBOOK

- 3,702 page likes

### Top Post:

Our most engaging post was related to the opening of our winter 2020 CTS application.

The screenshot shows a Facebook post from the 'Washington State Opportunity Scholarship' page, published by Meg Chambers on September 25 at 4:41 PM. The post text reads: 'Our new Career & Tech scholarship application is now open! Accepting applications for students pursuing trade, #STEM and health care programs in winter 2020!' Below the text is a link to 'WAOPPORTUNITYSCHOLARSHIP.ORG' and a link to 'CTS Applicants - Washington State Opportunity Scholarship'. The post has received 2,132 people reached, 207 engagements, 46 likes, 4 loves, 7 comments, and 29 shares. A 'Boost Post' button is visible. To the right, the 'Performance for Your Post' section shows: 2,132 People Reached, 86 Reactions, Comments & Shares, 46 Likes (10 on post, 36 on shares), 4 Loves (2 on post, 2 on shares), 7 Comments (4 on post, 3 on shares), 29 Shares (29 on post, 0 on shares), and 121 Post Clicks (0 photo views, 56 link clicks, 65 other clicks). A 'NEGATIVE FEEDBACK' section shows 0 Hide Post, 0 Hide All Posts, 0 Report as Spam, and 0 Unlike Page. A note at the bottom states 'Reported stats may be delayed from what appears on posts'.

**Instagram:** We are continuing to grow our Instagram channel to reach more Scholars and students. In quarter three we increased our followers by n=34 (8%).

# **Tab C**

**2019-20 Career & Technical Scholarship Selection**

# GOALS

- Review Fall 2019 results
- Preview Winter 2020 applicants
- Vote on Winter and Spring 2020 selection criteria

# CAREER AND TECHNICAL SCHOLARSHIP



\$1,500 per quarter, plus support services



Certificates, associate degrees and apprenticeships



High-demand STEM, trade and health care jobs

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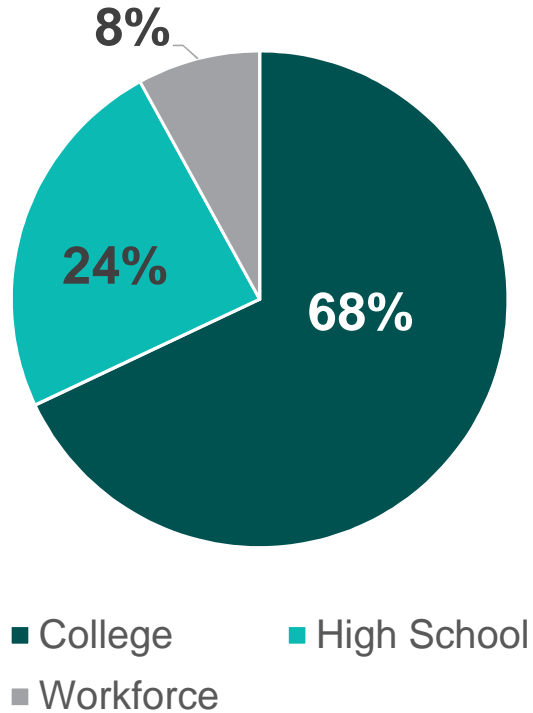
# APPLICATION CYCLE

- Selecting 550 scholars for the 2019-20 academic year
- Application open three times per year
  - Fall: 275 selects (closed)
  - Winter: 165 selects (under review)
  - Spring: 110 selects (opens January 13)

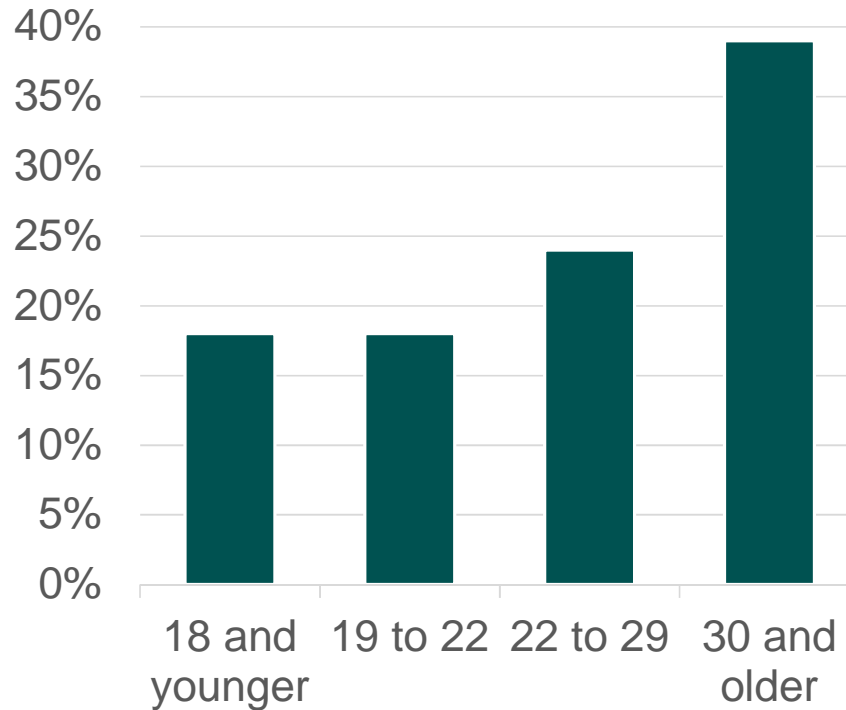
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# CTS RECIPIENT PROFILE

## Education Status



## Age



## Geography

**34 / 34**  
CTCs

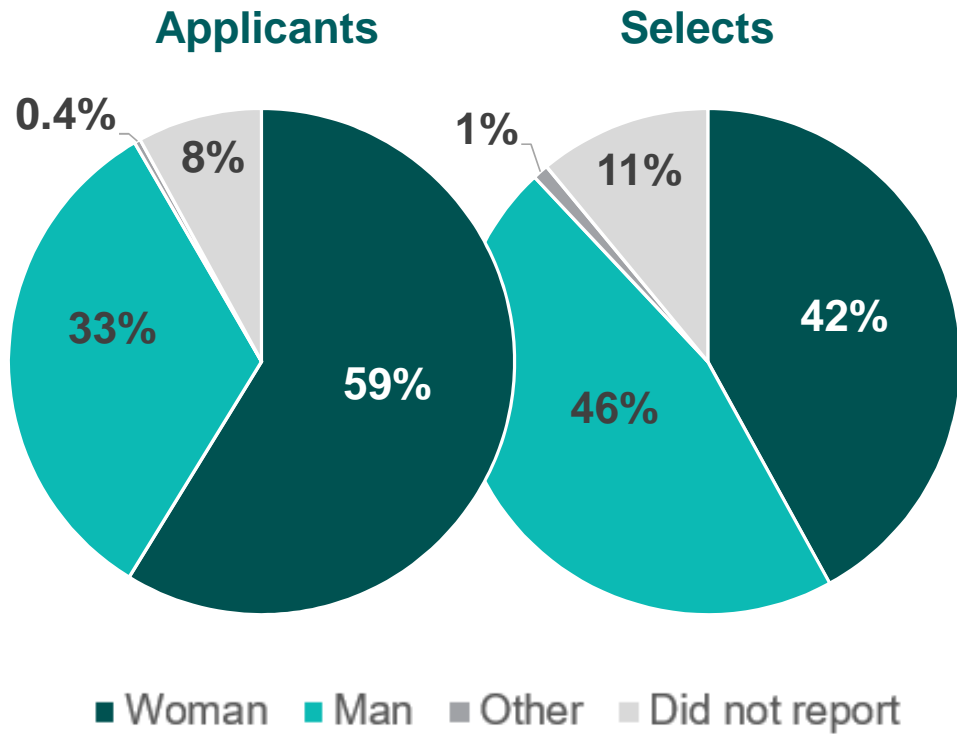
**22 / 39**  
counties

**45 / 49**  
legislative  
districts

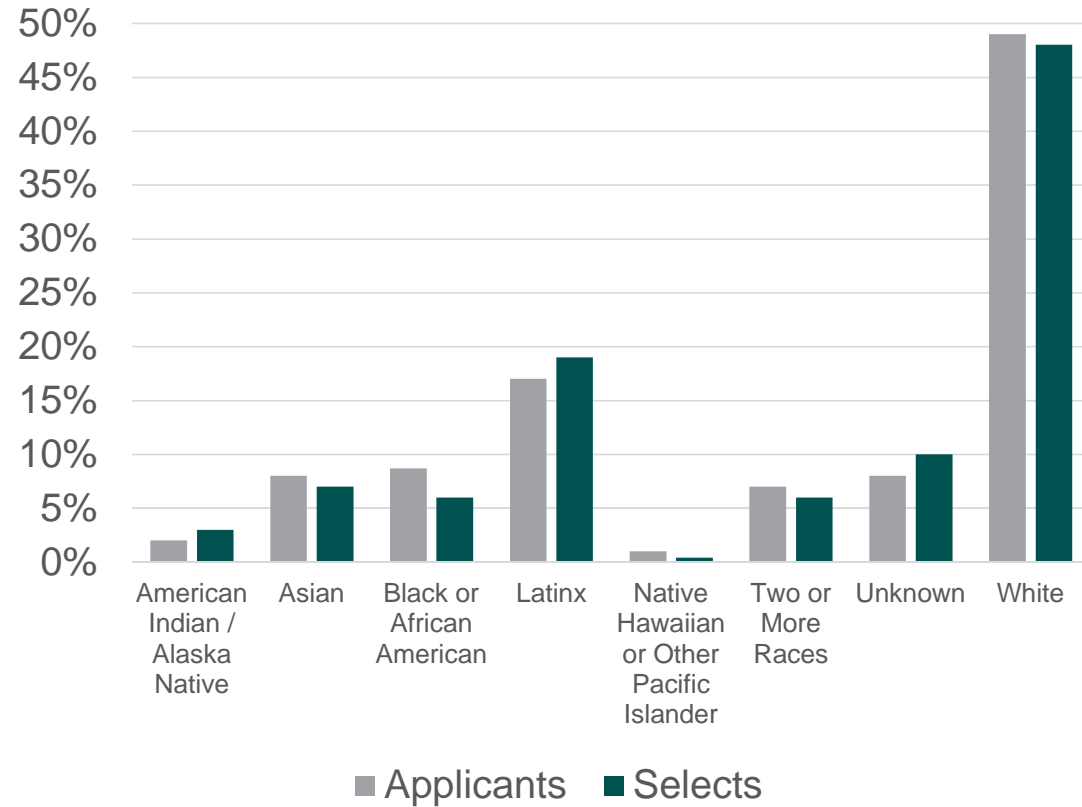


# CTS APPLICANTS VS. SELECTS

## Gender



## Race / Ethnicity



# CTS INDUSTRY REPRESENTATION

| Intended Program            | Percent of Applicants | Percent of Selects | Percent of Job Openings |
|-----------------------------|-----------------------|--------------------|-------------------------|
| Information Technology      | 12%                   | 22%                | 22%                     |
| Engineering / Manufacturing | 10%                   | 15%                | 15%                     |
| Trades                      | 14%                   | 25%                | 42%                     |
| Health Care                 | 62%                   | 35%                | 16%                     |

# CTS SELECTION CRITERIA

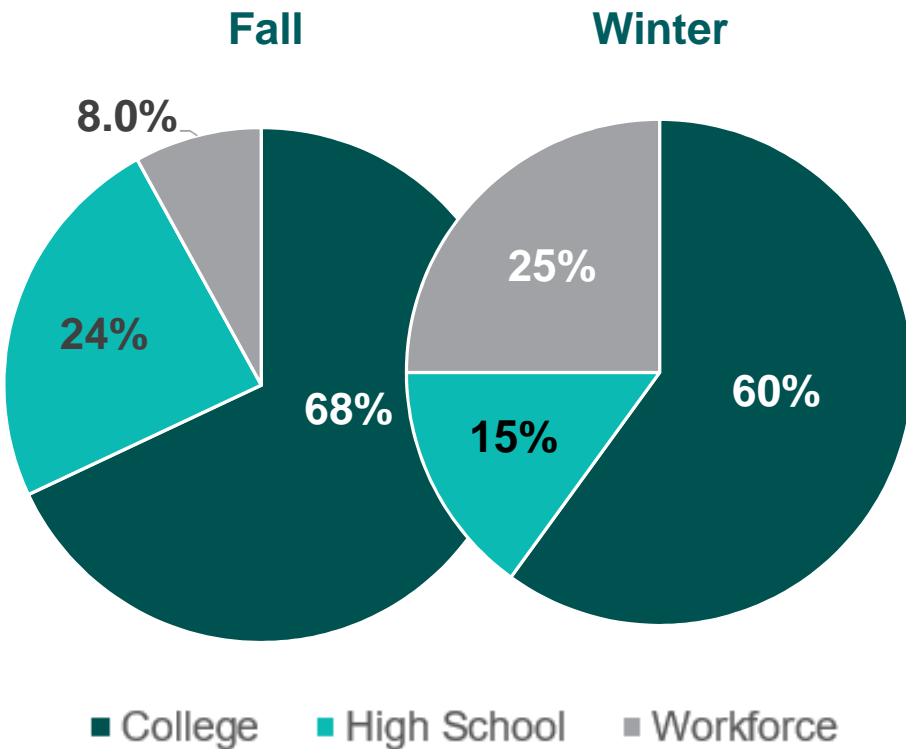
| Category                 | Criteria         | Fall 2019 | Board Vote |
|--------------------------|------------------|-----------|------------|
| Economic Impact          | Intended Program | 35%       | 45%        |
|                          | Community Impact | 10%       |            |
| Likelihood of Completion | GPA              | 12.5%     | 25%        |
|                          | Resilience       | 12.5%     |            |
| Indicator of Need        | Family Income    | 20%       | 20%        |
|                          | First Generation | 10%       | 10%        |

# PROGRAM CRITERIA

- **Weight:** 35%
- **Components:** Demand and ROI
  - **Demand (20%):** More job openings, more points (elevates highest demand jobs)
  - **ROI (15%):** Projected wages divided by program length (elevates highest value jobs)
  - **Program length:** Did not use, but would allow us to serve more scholars faster (boosts impact)
- **Industry cap:** 2.25x
  - Limited representation of any one industry to 2.25x demand
- **Source:**  $\frac{3}{4}$  from regional data,  $\frac{1}{4}$  from statewide data

# CTS FALL VS. WINTER APPLICANTS

## Education Status

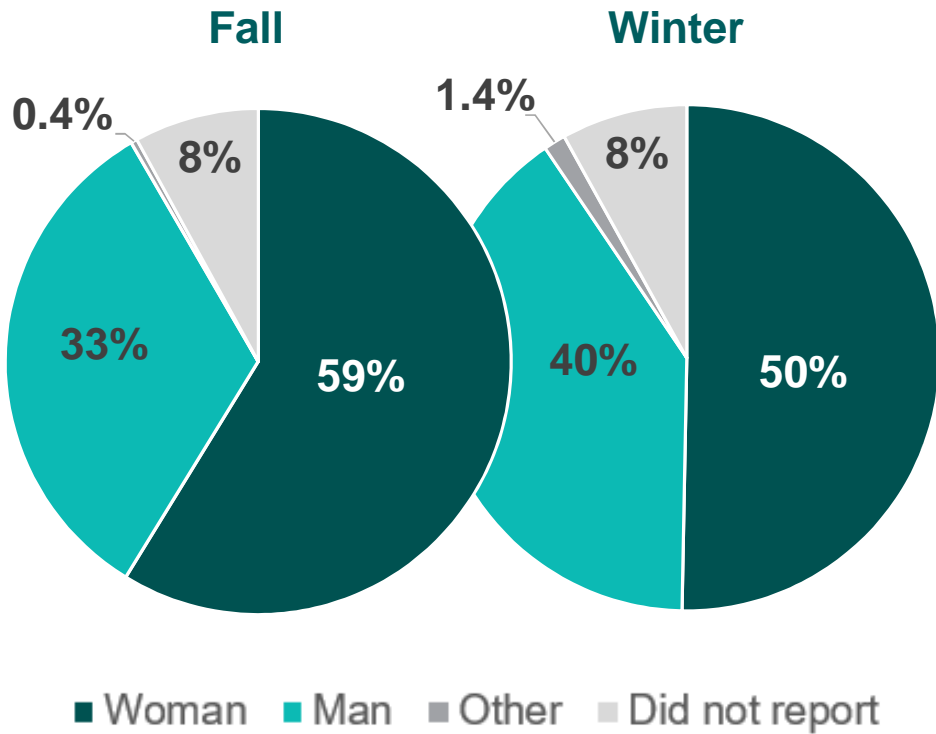


## Industry Representation

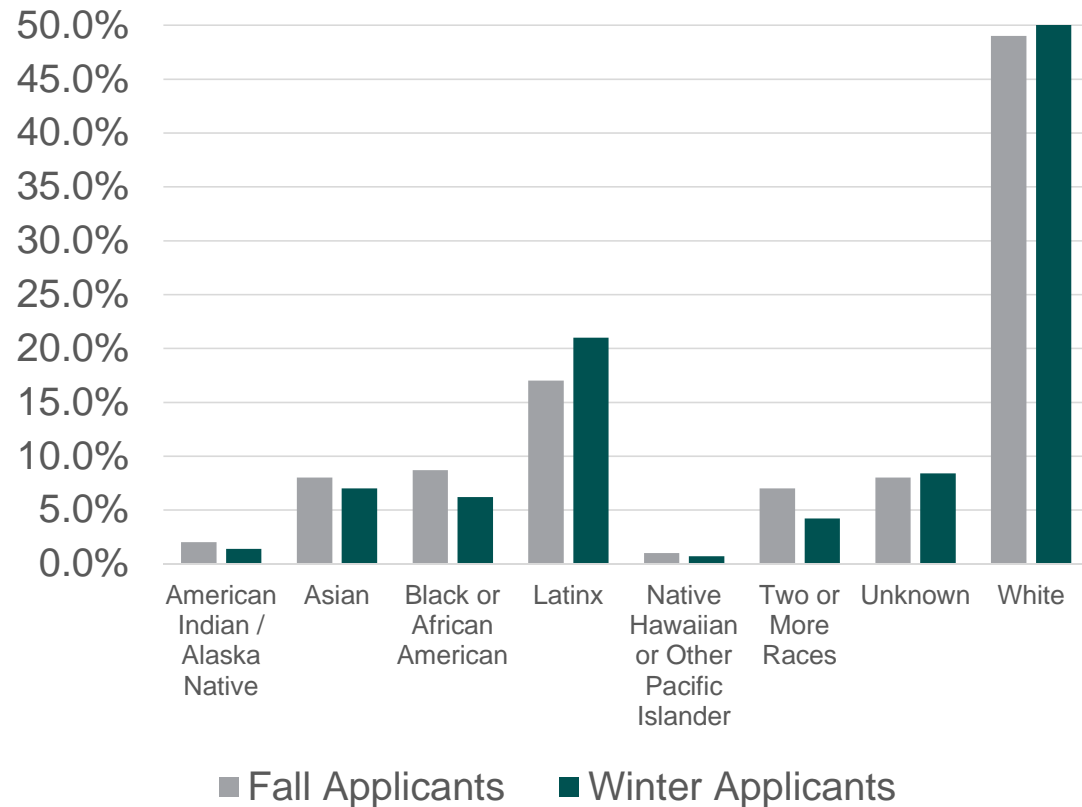
| Intended Program            | Fall Applicants | Winter Applicants |
|-----------------------------|-----------------|-------------------|
| Information Technology      | 12%             | 19%               |
| Engineering / Manufacturing | 10%             | 12%               |
| Trades                      | 14%             | 17%               |
| Health Care                 | 62%             | 51%               |

# CTS FALL VS. WINTER APPLICANTS

## Gender



## Race / Ethnicity



# VOTE: CTS WINTER & SPRING CRITERIA

| Category                 | Criteria         | Fall 2019 | Prior Vote |
|--------------------------|------------------|-----------|------------|
| Economic Impact          | Intended Program | 35%       | 45%        |
|                          | Community Impact | 10%       |            |
| Likelihood of Completion | GPA              | 12.5%     | 25%        |
|                          | Resilience       | 12.5%     |            |
| Indicator of Need        | Family Income    | 20%       | 20%        |
|                          | First Generation | 10%       | 10%        |

Plus an industry cap of 1.5-3, to be determined after finalizing eligible applicants

# **Tab D**

## **JLARC Preliminary Report Overview**



# Opportunity Scholarship and Opportunity Expansion Programs

2019 JLARC STUDY

In 2011, the Legislature created the Washington State Opportunity Scholarship (WSOS) and Opportunity Expansion Programs to help make college more affordable and increase bachelor's degrees in high-demand fields. The legislation also directed a JLARC review (ESHB 2088).

## WSOS complies with statute and provides scholarships to low- and middle-income students pursuing high-demand STEM and health care degrees

### WSOS HAS RECEIVED

**\$175 million total**

in private donations and state matching funds since FY 2012.

### WSOS HAS AWARDED

**21,000 scholarships**

to **more than 10,000** Opportunity Scholars between academic years 2012-13 and 18-19.

### OPPORTUNITY EXPANSION PROGRAM

WSOS provided 3 grants to university programs before the funding mechanism expired. All 3 programs have since secured future financial support.

**WSOS has spent \$14 million** on non-scholarship costs. Per statute, WSOS reports the amount it pays to its nonprofit program administrator each year, which only reflects a portion of the overall non-scholarship costs.

## Compared to their peers, Opportunity Scholars pay less out of pocket, borrow less, and are more likely to return to school

### OUT OF POCKET COSTS

The net price of college for a student and their family.

|                      |                 |
|----------------------|-----------------|
| OPPORTUNITY SCHOLARS | <b>\$11,062</b> |
| PEERS                | <b>\$14,244</b> |

✔ Likely more affordable  
Lower out of pocket costs indicates college is more affordable.

### STUDENT LOANS

Percentage of students who took out federal, institution, or private loans each year.

|                      |              |
|----------------------|--------------|
| OPPORTUNITY SCHOLARS | <b>45.1%</b> |
| PEERS                | <b>63.0%</b> |

✔ Likely more affordable  
A lower percentage of students taking out loans indicates fewer students must borrow to attend college.

### RETURN TO SCHOOL

Percentage of students who return to school between their first and second year.

|                      |            |
|----------------------|------------|
| OPPORTUNITY SCHOLARS | <b>96%</b> |
| PEERS                | <b>89%</b> |

✔ More likely to graduate  
Students who return to school between their first and second year are more likely to graduate.

Note: JLARC staff identified key affordability metrics because there is no single definition of college affordability.

Source: JLARC staff analysis of data from the Office of Financial Management's (OFM) Education Research and Data Center (ERDC).

## WSOS's annual legislative reports contain required information. WSOS could improve annual reporting with state data.

WSOS does not currently have access to state financial aid or employment information that would improve legislative reporting in the future.

## LEGISLATIVE AUDITOR'S RECOMMENDATIONS

1. WSOS should develop and implement a plan to coordinate with state agencies such as the Office of Financial Management's Education Research and Data Center, the Washington Student Achievement Council, and the Employment Security Department to provide additional information in its annual legislative report.
2. WSOS should include its overall non-scholarship costs, including the total cost to administer the Opportunity Scholarship program, in its annual legislative report.

The complete report is on the JLARC web site: [www.leg.wa.gov/jlarc](http://www.leg.wa.gov/jlarc)

For more information, contact: Keenan Konopaski, Washington State Legislative Auditor  
[keenan.konopaski@leg.wa.gov](mailto:keenan.konopaski@leg.wa.gov) • (360) 786-5187

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September 2019





Preliminary Report Presentation for WSOS Board Meeting

# Opportunity Scholarship and Opportunity Expansion Programs

**Legislative Auditor's Conclusion:** The Washington State Opportunity Scholarship (WSOS) complies with statute to provide scholarships to low- and middle-income students. WSOS can improve legislative reporting by coordinating with state agencies.

---

Keenan Konopaski | Casey Radostitz | Jennifer Sulcer

October 2019



Legislature created **Opportunity Scholarship** and **Opportunity Expansion Programs** in 2011.

Also directed a JLARC review.

JLARC is the non-partisan program evaluation unit for the Legislature.

# Study Questions

---

**1**

Approach used to select students and institutions that received funds?

**2**

Sources and amounts of funding? How much has been spent on scholarships, expansion awards, program administration, or other costs?

**3**

How many students earned degrees in high-demand fields? What are their employment outcomes?

**4**

Has the scholarship program reduced the cost of higher education for students?



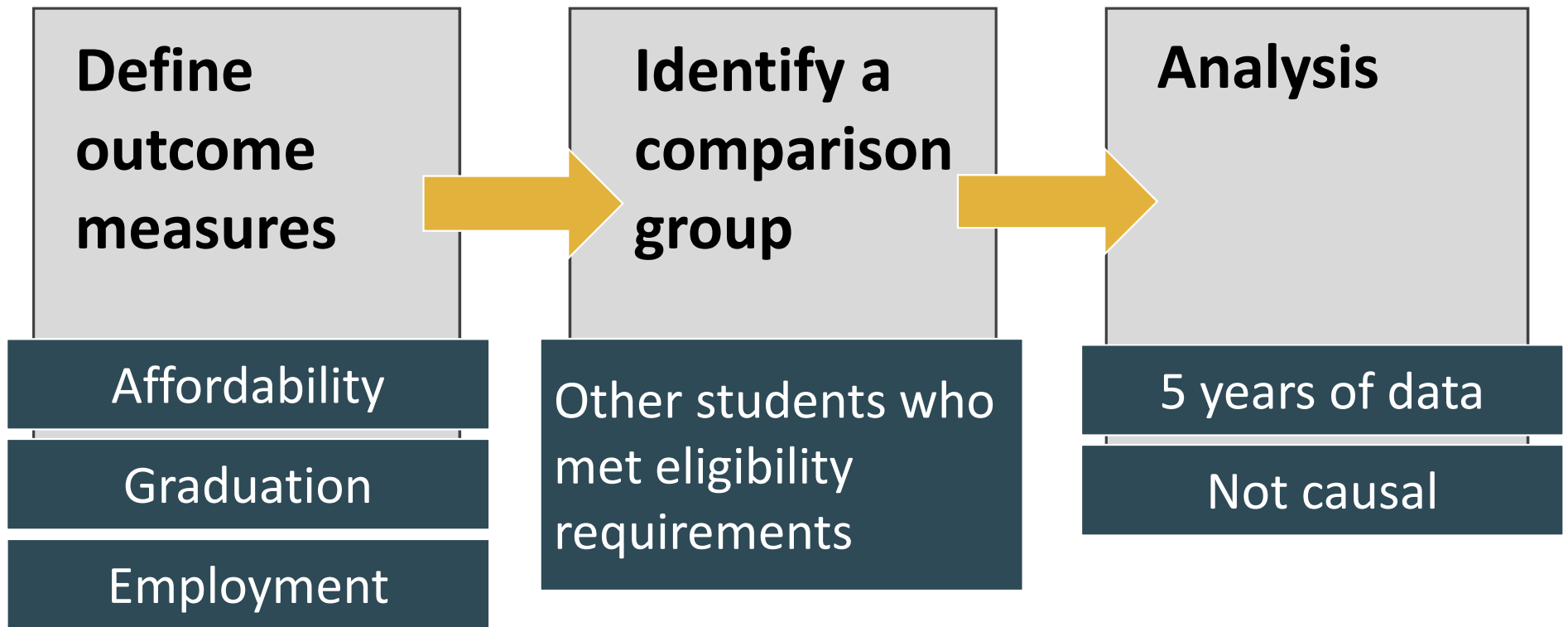
## Approach

- Interviews with staff, students, agencies, experts
- Review of WSOS administrative and financial processes and records
- Literature review
- Analysis of student-level data from multiple sources

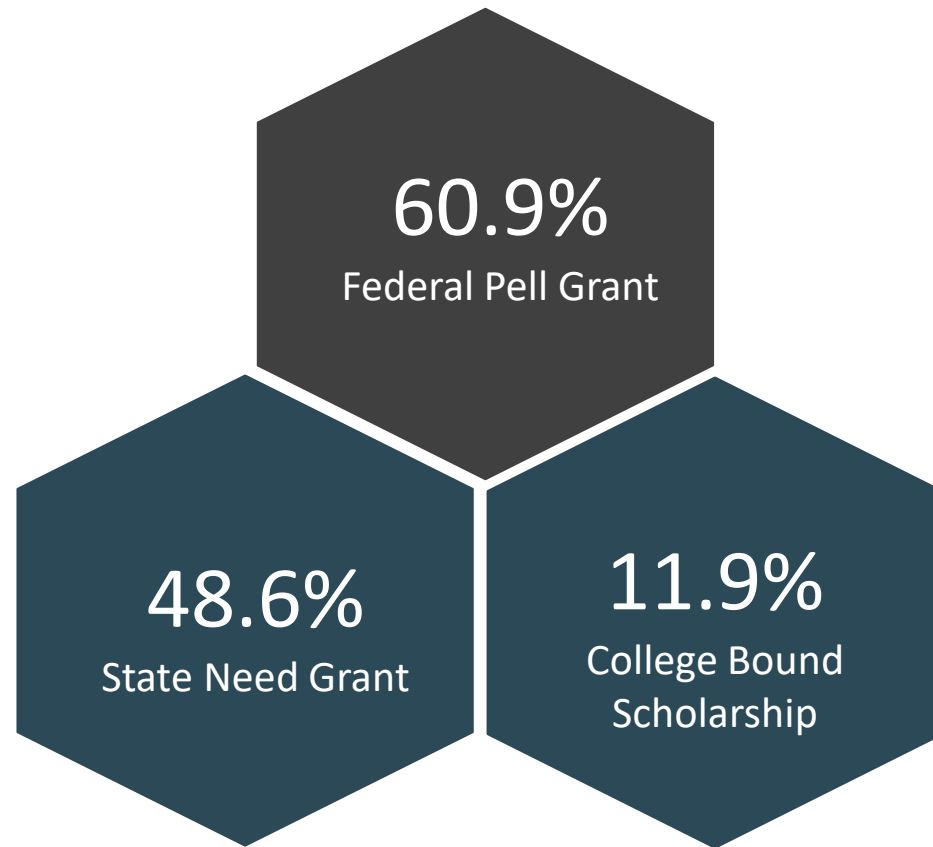
## Conclusions

- Complies with statute
- Scholars pay less out of pocket, borrow less, more likely to return to school than their peers
- Some employment outcomes, but not yet for most Scholars
- Two recommendations to improve annual reporting

# Process for analyzing outcomes for Opportunity Scholars



Opportunity  
Scholars also  
receive federal  
and state  
grants and  
scholarships



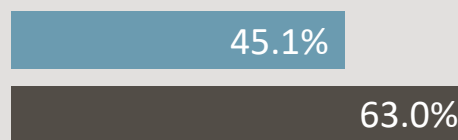
Data source: Office of Financial Management's Education Research and Data Center

# Opportunity Scholars pay less out of pocket

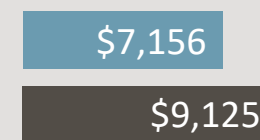
## Average annual out of pocket costs



## Percent taking out student loans



## Annual amount for those taking loans



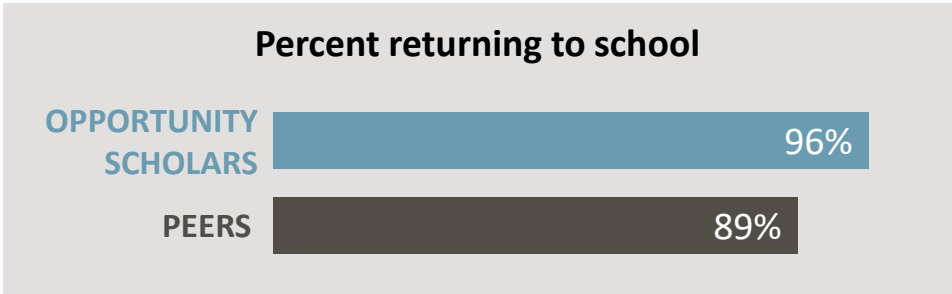
**Likely more affordable**

Data source: Office of Financial Management's Education Research and Data Center



# Opportunity Scholars return to school

Retention is the percentage of students returning to school in their second year



**More likely to graduate**

Data source: Office of Financial Management's Education Research and Data Center

# Opportunity Scholars are employed in Washington

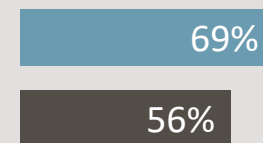
Percent employed in WA one year after graduation



Average annual wages for those employed full-time



Percent earning middle-income wages for those employed full-time



**More likely to earn middle-income wages**

Data source: Office of Financial Management's Education Research and Data Center

# Legislative Auditor's Recommendations

**1** WSOS should develop and implement a plan to coordinate with state agencies to provide additional information in its annual legislative reports.

**2** WSOS should include its overall non-scholarship costs in annual reports.

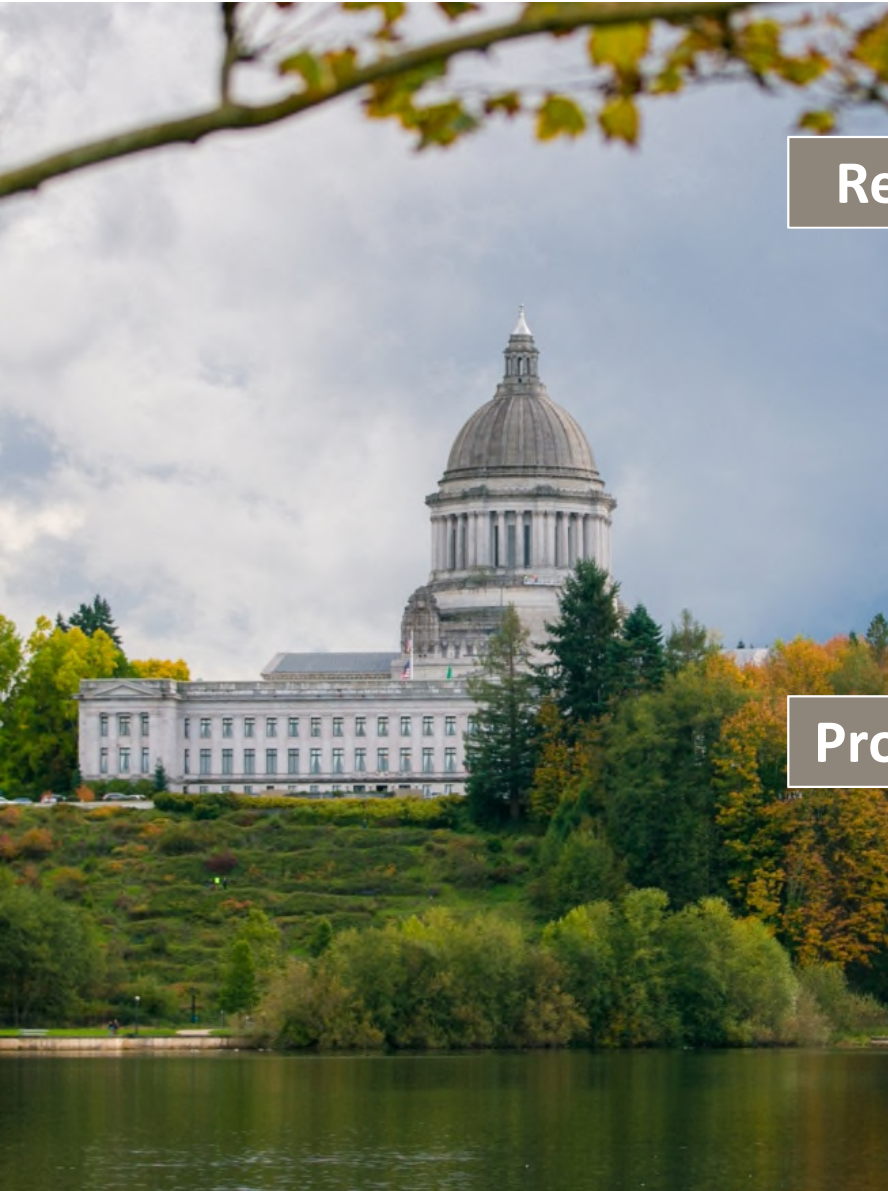


## Next Steps

Proposed Final Report | December 2019

## Full Report

[leg.wa.gov/jlarc/AuditAndStudyReports](http://leg.wa.gov/jlarc/AuditAndStudyReports)



# Contact Us

## Research Analysts

**Casey Radostitz**  
360.786.5176  
casey.radostitz@leg.wa.gov

**Jennifer Sulcer**  
360.786.5181  
jennifer.sulcer@leg.wa.gov

**Joshua Karas**  
360.786.5298  
joshua.karas@leg.wa.gov

**Ryan McCord**  
360.786.5186  
ryan.mccord@leg.wa.gov

## Project Coordinator

**Valerie Whitener**  
360.786.5191  
valerie.whitener@leg.wa.gov

## Legislative Auditor

**Keenan Konopaski**  
360.786.5187  
keenan.konopaski@leg.wa.gov

# **Tab E**

## **WSOS Next Steps**

WASHINGTON STATE  
**OPPORTUNITY**  
SCHOLARSHIP

October 18, 2019

Via email: [keenan.konopaski@leg.wa.gov](mailto:keenan.konopaski@leg.wa.gov)

Keenan Konopaski  
Legislative Auditor  
Joint Legislative Audit and Review Committee  
Washington State Legislature

Dear Mr. Konopaski:

Thank you for the opportunity to officially respond to the recommendations of the Joint Legislative Audit and Review Committee (JLARC) report on the Washington State Opportunity Scholarship (WSOS). We are grateful for the professionalism and dedication of the JLARC team and have appreciated the opportunity to work with them over the course of this evaluation.

**Recommendation:** WSOS should develop and implement a plan to coordinate with state agencies such as the Office of Financial Management's (OFM) Education Research and Data Center (ERDC), the Washington Student Achievement Council (WSAC), and the Employment Security Department (ESD) to provide additional information in its annual legislative reports. Planning efforts should focus on how to compile affordability and employment information while protecting confidentiality of Opportunity Scholars.

**Agency Position:** Concur

**Explanation:** We welcome JLARC's recommendation for our legislative reports to provide additional data beyond the statutory requirements. We will enthusiastically develop and implement a plan to provide better outcome data in partnership with OFM, ERDC, WSAC and ESD for review by the Legislature. While we will be limited within the confines of federal and state law, we will seek aggregate, non-identifiable information from these agencies to meet the recommendation set forth by the JLARC team. At this time, we do not believe any legislative action is needed to accommodate this request. We will develop this plan in 2020.

**Recommendation:** WSOS should include its overall non-scholarship costs, including the total cost to administer the Opportunity Scholarship program, in its annual legislative report.

**Agency Position:** Concur

**Explanation:** WSOS currently reports only the program administrator fee, as required by statute. We will fully implement this recommendation immediately, beginning with the 2019 legislative report where we will begin reporting the program administrator fee and all non-scholarship costs.

WASHINGTON STATE  
**OPPORTUNITY**  
SCHOLARSHIP

Again, thank you to the whole JLARC staff for their thorough review of WSOS over the past two years. We have appreciated the opportunity to share information about our program with the Legislature through this review process.

Sincerely,



Kimber Connors  
Executive Director

Cc: Casey Radostitz, Research Analyst, JLARC  
Jennifer Sulcer, Research Analyst, JLARC  
Joshua Karas, Research Analyst, JLARC  
Ryan McCord, Research Analyst, JLARC  
Valerie Whitener, Deputy Legislative Auditor, JLARC



# WSOS NEXT STEPS

WASHINGTON STATE  
**OPPORTUNITY**  
SCHOLARSHIP

# JLARC Response

**Recommendation 1:** WSOS should develop and implement a plan to coordinate with state agencies such as the Office of Financial Management's (OFM) Education Research and Data Center (ERDC), the Washington Student Achievement Council (WSAC), and the Employment Security Department (ESD) to provide additional information in its annual legislative reports. Planning efforts should focus on how to compile affordability and employment information while protecting confidentiality of Opportunity Scholars.

**Agency response:** Concur.

WASHINGTON STATE  
**OPPORTUNITY**  
SCHOLARSHIP

# JLARC Response

**Recommendation 2:** WSOS should include its overall non-scholarship costs, including the total cost to administer the Opportunity Scholarship program, in its annual legislative report.

**Agency response:** Concur.



WASHINGTON STATE  
**OPPORTUNITY**  
SCHOLARSHIP

## STRENGTHS

- Demonstrated impact
- Scalable program supports beyond dollars
- Culture to iterate to excellence
- Services for persistence and career launch
- Dollar-for-dollar match & bi-partisan support
- Scholarship variety

## WEAKNESSES

- CTS services in development
- GRD & Rural Jobs not yet launched
- Cohort size decreasing
- “Well-kept secret” of WSOS
- Opportunities missed due to lack of capacity

## OPPORTUNITIES

- Newness of CTS
- WA College Grant expansion
- Municipal, county and tribal matching
- Rural Jobs and Advanced Healthcare

## THREATS

- WA College Grant expansion
- Risk of statutory changes outpacing ability to implement
- Possibility of recession impacts fundraising
- Transitional leadership period

# SWOT HIGHLIGHTS

WASHINGTON STATE  
**OPPORTUNITY**  
SCHOLARSHIP

# STRATEGIC PRIORITIES

Design for Scale.

Build the Brand.

Fund to 2030.

WASHINGTON STATE  
**OPPORTUNITY**  
SCHOLARSHIP



# STRATEGIC PRIORITIES

## Design for Scale.

- Scalable programs for BaS, CTS and GRD (Advanced Health Care)
- Demonstrated impact across the state
- Focus on intended impact & theory of change
- Scholar-centric



WASHINGTON STATE  
**OPPORTUNITY**  
SCHOLARSHIP

# STRATEGIC PRIORITIES

## Build the Brand.

- State-wide awareness of program & Scholars
- National thought leadership & evidence of impact
- Recession-proof the message
- Build partnerships in new spaces (tribal, county, municipal, new employer partners)



WASHINGTON STATE  
**OPPORTUNITY**  
SCHOLARSHIP

# STRATEGIC PRIORITIES

## Fund to 2030.

- Clear fundraising strategy that includes all three programs (BaS, CTS & GRD) including Rural Jobs and tribal/county/municipal work
- Fully funded scholarship model through 2030 for BaS & CTS with 1,000/cohort in each
- Initial investment for GRD program to launch first five cohorts

WASHINGTON STATE  
**OPPORTUNITY**  
SCHOLARSHIP





# STRATEGIC PRIORITIES

Design for Scale.

Build the Brand.

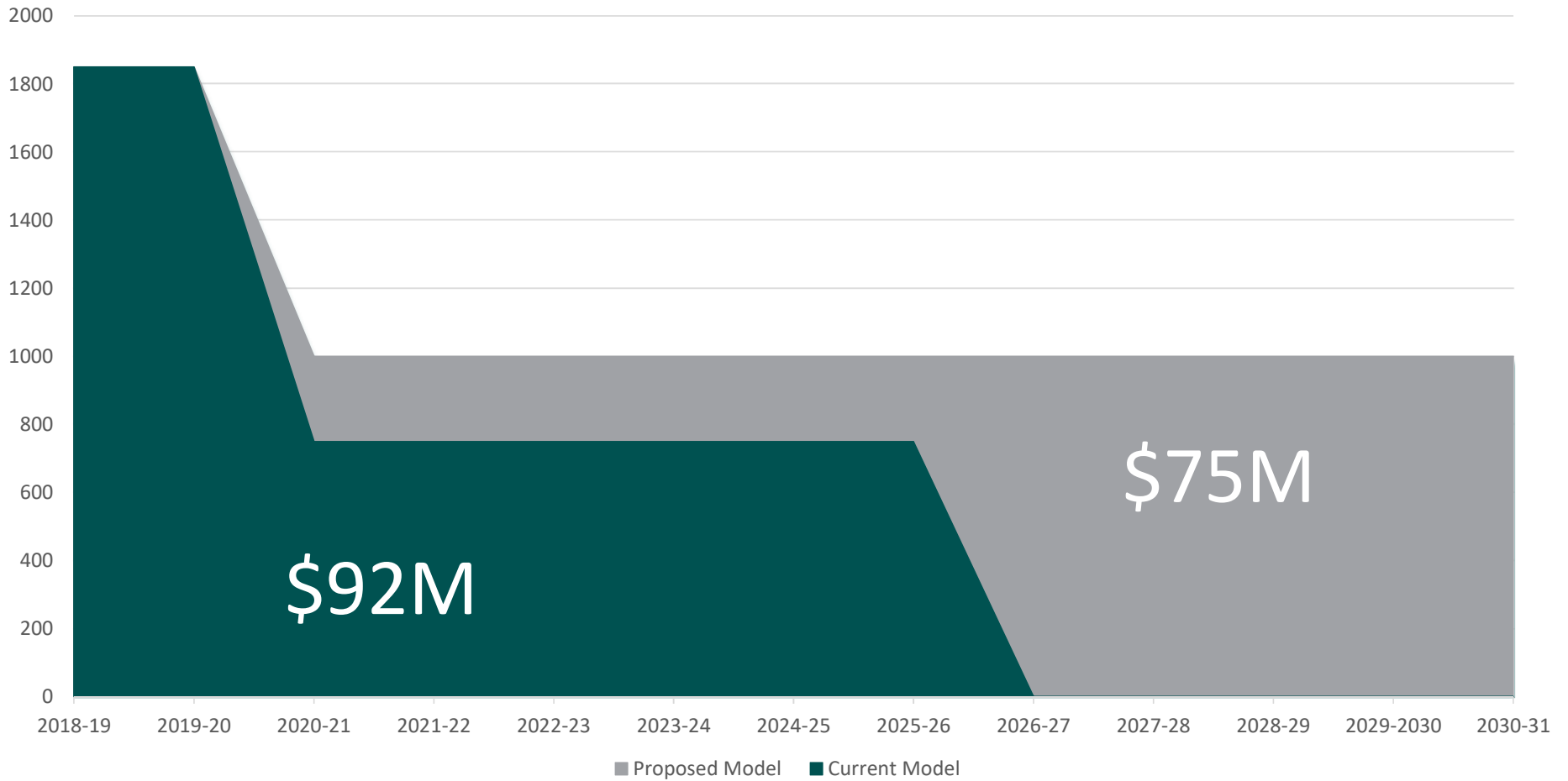
Fund to 2030.

*What will this take?*

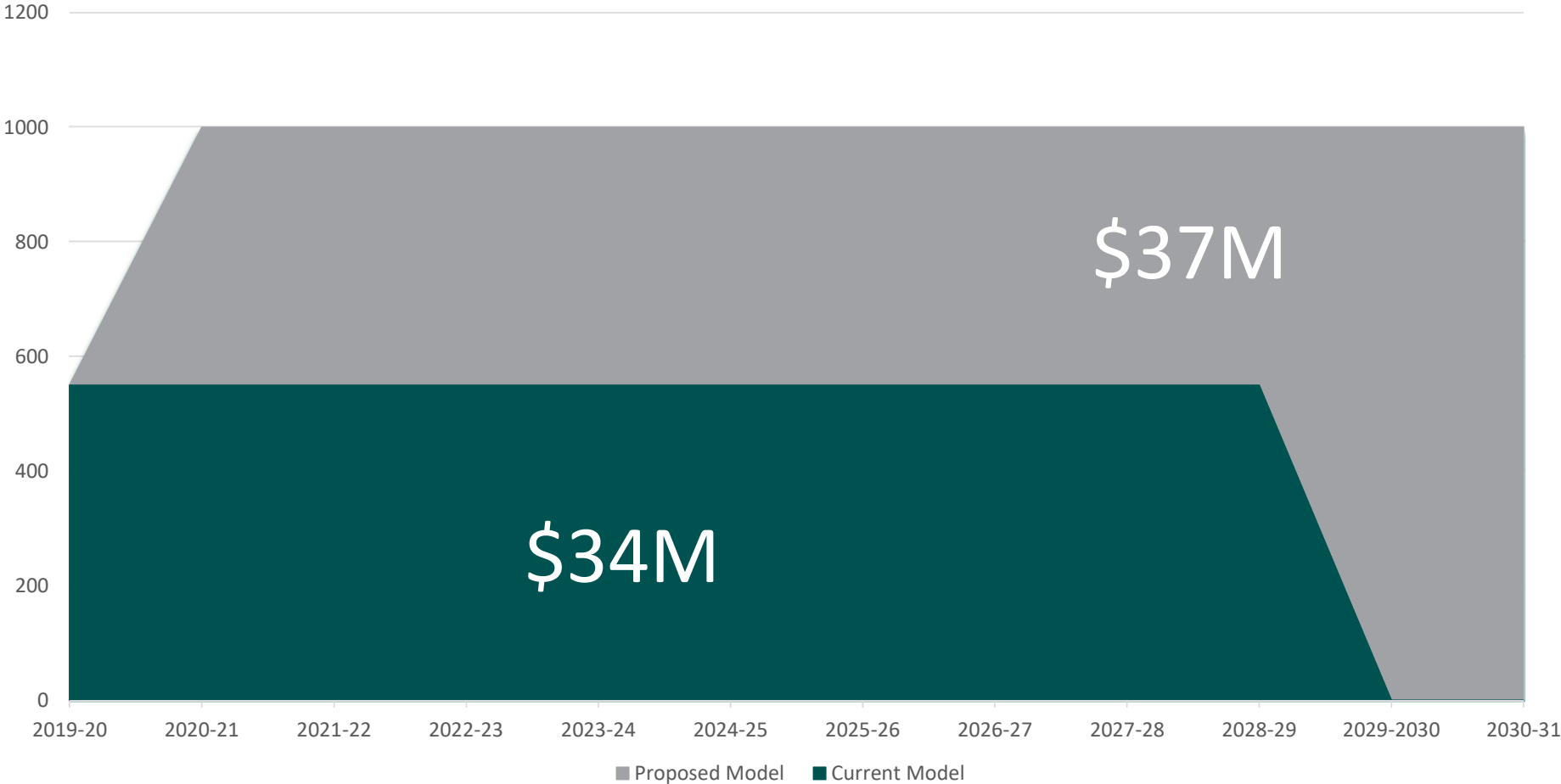


WASHINGTON STATE  
**OPPORTUNITY**  
SCHOLARSHIP

# BACCALAUREATE



# CAREER & TECHNICAL



# “SERIES B” FUNDRAISING

- **Scholarship Dollars**

- \$75M (BaS) + \$37M (CTS) expansion = \$112M for scholarship expansion
- \$5.5M (GRD launch) + \$22M (GRD expansion) = \$27.5M for GRD
- \$10M for BaS retention improvement = \$10M

- **Non-Scholarship Costs**

- ~\$4M/year over ten years = \$40M
- Tapering 5-year costs for sunset = \$10M

- **Total “Series B” Fundraising**

- \$200M (\$100M private plus state match)

# WSOS NEXT STEPS

Design for Scale.

Build the Brand.

Fund to 2030.

*\$200M*



WASHINGTON STATE  
**OPPORTUNITY**  
SCHOLARSHIP

## **Tab F**

### **Finance & Program Administrator Update**

## Agenda

### **WSOS Investment & Finance Committee Meeting** *October 22, 2019 | 2:00 pm - 3:00 pm*

Washington STEM, 210 S Hudson Street, Seattle, WA 98134  
or  
Call-in: 800-582-3014 – PIN: 13389906

1. **Call to Order & Introductions** Mack H (5 min)  
» *Action Requested:* Approve Appointment of Brad Faulhaber
2. **Approval of June 12, 2019 Minutes** Mack H.
3. **Program Administrator Report** Matt P. (15 min)  
» Expected WSIB Drawdown in 2020  
» *Action Requested:* Approve Investment Policy Updates (3)
4. **WSIB Quarterly Performance Report** Chris P. (10 min)
5. **WSIB CTS Scholarship Account Process** Chris H. (15 min)  
» Asset Transition: Endowment to Scholarship Account  
» Asset Reallocation: CTS Scholarship Account Work Plan Review
6. **Program Update** Kimber C. (10 min)  
» CTS Scholarship Launch  
» Ramping Up Development Efforts in 2020  
» County & Municipal Funds
7. **Executive Session** Mack H. (5 min)

#### **UPCOMING MEETINGS:**

Wednesday, December 11, 2019 at 2-3 pm  
Tuesday, February 25, 2020 at 2-3 pm  
Tuesday, June 2, 2020 at 2-3 pm  
Tuesday, September 8, 2020 at 2-3 pm  
Tuesday, December 8, 2020 at 2-3 pm

## **Section 2**

Approval of June 12, 2019 Minutes



## FINANCE & INVESTMENT COMMITTEE MEETING MINUTES | WEDNESDAY, JUNE 12, 2019

**Members present:** Mack Hogans (Committee Chair) and Manish Jain; Carolyn Kelly, Beau Damon and Brad Faulhaber by phone

**Other participants:** Naria Santa Lucia (WSOS Executive Director), Kimber Connors (WSOS), Karyl Gregory (WSOS), Yoko Shimomura (Washington STEM), Blair Peterson (Washington STEM) and Matt Poth (Washington STEM); Chris Phillips (WSIB) by phone

Mack Hogans called the meeting of the Washington State Opportunity Scholarship (WSOS) Finance and Investment Committee to order at 2:01 pm and conducted a roll call and self-introduction of all participants and noting a quorum was present.

### **Approval of Minutes from March 26, 2019 Finance and Investment Committee**

Carolyn Kelly made a motion to approve the minutes of the March 26, 2019 meeting. Beau Damon seconded the motion and it carried unanimously.

### **Program Administrator Report**

Matt Poth, Director of Finance at Washington STEM, presented financial statements through 4/30/19. Total Assets: \$125.44 million. This is a 4% increase from YE 12/31/18 due in large part to strong investment returns for the first four months of 2019 and receipt of the final pledge payment from Microsoft of \$2.5 million. Total Liabilities: \$27.43 million. This is a 13% decrease from YE 12/31/18. The spring scholarship disbursements for the baccalaureate program reduced the liability. Yields Total Net Assets: \$98 million, or a 10% increase from YE 12/31/18.

Poth reported on the status of the state match funds. The April match of \$2.56 million should be received during June. Additionally, Poth provided an update on the \$2.8 million resubmission of previously unreceived state match. WSOS received \$1.67 million of the \$2.8 resubmission in May. Efforts are ongoing to receive and reconcile the remaining balance.

Poth further reported that Boeing released their \$12.5 million contribution to the Endowment Fund and the subsequent state match dollars to fund the new Career & Technical/Pathways Scholarship (CTS) for in-demand degrees and certifications requiring less than a baccalaureate degree in Washington. Naria Santa Lucia reported the first group of students will be awarded this fall.

Santa Lucia reported she will meet internally with WSIB to discuss the direction of the newly-funded scholarship. WSIB's recommendation will then be discussed at the next committee meeting.

Poth reported that the Investment Policy should be updated to reflect title changes for Yoko Shimomura and himself. Poth recommended that all three financial documents be reviewed together. Santa Lucia suggested that they be reviewed at the next committee meeting when all three documents can be included in the pre-read materials. The Committee agreed to this approach.

### **WSIB Report**

Chris Phillips, WSIB's Director of Institutional Relations and Public Affairs, provided a performance review of WSOS funds invested through March 31, 2019. The Scholarship Account totals \$69.5 million at quarter end while the Endowment Account totals \$29.7 million with 57% in private funds and 43% in state match funds. Private funds in the Scholarship Account are up 5.35% in the first quarter and up 2.85% for the one year period ending March 31. Private funds in the Endowment Account are up 10.66% and up 2.8% for the same one year period ending March 31. Unofficial returns for April show continued growth.

Phillips reported that the Equity asset allocation for private funds consists of a BlackRock passive global equity fund and the Fixed Income allocation is actively managed internally by WSIB's finance staff. Asset allocations for the state match funds are 100% cash which is invested in a money market fund managed by BlackRock.

Phillips also reported that the WSIB fixed income investment team had been asked about yield curve inversion and any strategic response to that situation (i.e., when longer duration bonds yield comparatively less than shorter duration). The WSIB team reported that they are not inclined to move tactically based on short term inversions of the yield curve, but they are watching the inversion closely.

### **Program Update**

Santa Lucia reported that acceptance for Cohort 8 stands at 98%. The final two percent of students declined for a variety of reasons, but most commonly because they opted to attend college out of state. Santa Lucia also reported on the strong rollout of the new Career & Technical Scholarship (CTS) and the overwhelming response of gratitude for the focus on helping these students achieve sub-baccalaureate degrees and certifications in high-demand STEM fields and trades. Santa Lucia further reported that the CTS enrollment will be staggered so the largest group will be funded in the fall quarter; then fewer in the winter and spring quarters.

Santa Lucia reported that Representative Drew Hansen will be honored tomorrow for his efforts as the primary sponsor of the recently-passed Workforce Education Investment Act (HB2158). This act will give families making around \$60,000 or less (70% of the state's Median Family Income) a full-tuition scholarship to college or apprenticeship training by dramatically expanding the State Need Grant, renamed as the Washington College Grant (WCG). The bill will also provide partial tuition scholarships to families earning up to 100% of Median Family Income (approximately \$88,000 for a family of four). This bill will directly impact our WSOS model so that we can award even more students starting next year when the WCG takes effect. The bill funds these investments with a targeted surcharge on specific sectors which depend on higher education.

Santa Lucia further reported that the Legislature passed Initiative 1000, which effectively repealed Washington's 20-year ban on affirmative action in public employment, college admissions, and public contracting. I1000 allows affirmative action without the use of quotas in Washington state. A referendum has been filed with the Secretary of State to repeal the new initiative.

Santa Lucia reported that she is transitioning and will be leaving WSOS. Santa Lucia expressed much gratitude for her five years with WSOS and shared that WSOS will always be part of her. Clover Search Works is already collecting an excellent candidate pool and Mack Hogans is serving on the search committee. Committee members shared their sincere thanks to Santa Lucia for her hard work, passion and the amazing legacy she leaves behind. Santa Lucia reported she will be joining Microsoft in their Philanthropies division and the Committee wished her the best of luck in her new endeavors.

**Executive Session**

The Committee went into Executive Session at 2:49 pm.

The meeting adjourned at 2:59 pm.

Respectfully submitted,  
Karyl Gregory

DRAFT

## **Section 3**

Program Administrator Report

*Action Requested: Approve Investment Policy Updates*

# FINANCE & PROGRAM ADMINISTRATOR UPDATE

June 30, 2019

WASHINGTON STATE  
**OPPORTUNITY**  
SCHOLARSHIP

# WSOS Balance Sheet

Comparative Balance Sheets  
June 30, 2019

|  | Comparison to Last Reported Period |           |                    | Notes | Comparison to Same Period LFY |            |                    |
|--|------------------------------------|-----------|--------------------|-------|-------------------------------|------------|--------------------|
|  | 4/30/19                            | % Change  | 6/30/19            |       | 6/30/18                       | % Change   | 6/30/19            |
| <b><u>Assets</u></b>                     |                                    |           |                    |       |                               |            |                    |
| Cash                                     | 3,331,747                          | 29%       | 4,283,017          | 1     | 2,983,126                     | 44%        | 4,283,017          |
| Investments                              | 109,838,783                        | 5%        | 115,460,475        | 2     | 112,231,254                   | 3%         | 115,460,475        |
| Accounts Receivable                      | 41,674                             | 42%       | 59,320             |       | 38,492                        | 54%        | 59,320             |
| Pledges and Grants Receivable, net       | 7,008,222                          | -12%      | 6,153,505          | 3     | 12,463,263                    | -51%       | 6,153,505          |
| State match receivable, net              | 5,081,260                          | -65%      | 1,792,103          | 4     | 4,745,530                     |            | 1,792,103          |
| Prepaid Expenses                         | 94,054                             | 3%        | 96,737             |       | 120,621                       | -20%       | 96,737             |
| Property and equipment, net              | 39,165                             | -5%       | 37,236             |       | 40,122                        | -7%        | 37,236             |
| <b>Total Assets</b>                      | <b>125,434,905</b>                 | <b>2%</b> | <b>127,882,393</b> |       | <b>132,622,408</b>            |            | <b>127,882,393</b> |
| <b><u>Liabilities and Net Assets</u></b> |                                    |           |                    |       |                               |            |                    |
| Accounts Payable                         | 87,135                             | -12%      | 76,610             |       | 71,049                        | 8%         | 76,610             |
| Payroll Related Liabilities              | 74,949                             | -12%      | 66,245             |       | 57,576                        | 15%        | 66,245             |
| Scholarship Commitments, net             | 27,269,050                         | 0%        | 27,243,627         |       | 23,465,518                    | 16%        | 27,243,627         |
| <b>Total Liabilities</b>                 | <b>27,431,134</b>                  | <b>0%</b> | <b>27,386,482</b>  |       | <b>23,594,143</b>             | <b>16%</b> | <b>27,386,482</b>  |
| <b><u>Net Assets</u></b>                 |                                    |           |                    |       |                               |            |                    |
| Temporarily Restricted Net Assets        | 73,003,771                         | 38%       | 100,495,911        | 5     | 84,028,265                    | 20%        | 100,495,911        |
| Permanently Restricted Net Assets        | 25,000,000                         | -100%     | -                  |       | 25,000,000                    | -100%      | -                  |
| <b>Total Net Assets</b>                  | <b>98,003,771</b>                  | <b>3%</b> | <b>100,495,911</b> |       | <b>109,028,265</b>            | <b>-8%</b> | <b>100,495,911</b> |
| <b>Total Liabilities and Net Assets</b>  | <b>125,434,905</b>                 | <b>2%</b> | <b>127,882,393</b> |       | <b>132,622,408</b>            | <b>-4%</b> | <b>127,882,393</b> |

# WSOS Balance Sheet

## Notes:

1. Increase in cash April to June largely due to receipt of Rubens Family Foundation pledge payment of \$850K at the end of June and WSAC match of \$2.57M between May and June. This was offset by transfer of \$2.57M of April excess private receipts invested in WSIB in May.
2. Investments balance as of 6/30/19 includes WSIB Scholarship \$74.26M, WSIB Endowment \$30.34M and KeyBank Capital \$10.85M. Total investments higher due to strong investment gains after reduction for spring scholarship disbursements.
3. Balance includes Gary Rubens: \$6.15M and other individuals: \$3.5K.
4. WSAC matched \$2.57M of 2019 between May and June. The state match accrual of May and June private receipts of \$936K was recorded in June. Remaining accrual includes this and resubmission. Still working to get remaining resubmission balance.
5. The increase from April to June is a result of release of Boeing \$25M to be used for Career and Technical Scholarship program.

# WSOS Income Statement

## Actual vs. Budget

Four Months Ending June 30, 2019

|   | Four Months Ended June 30, 2019 |                  |                         | Notes | December 31, 2019  |
|---|---------------------------------|------------------|-------------------------|-------|--------------------|
|   | Actual                          | Budget           | Variance Fav<br>(Unfav) |       | Annual Budget      |
| <b>Revenue</b>                              |                                 |                  |                         |       |                    |
| Private                                     | 183,144                         | 3,100,000        | (2,916,856)             | 1     | 6,200,000          |
| Public                                      | 3,578,139                       | 4,050,000        | (471,861)               | 2     | 15,700,000         |
| Investment Income                           | 8,141,120                       | 1,458,600        | 6,682,520               | 3     | 2,917,200          |
| <b>Total Revenue</b>                        | <b>11,902,403</b>               | <b>8,608,600</b> | <b>3,293,803</b>        |       | <b>24,817,200</b>  |
| <b>Program Expense</b>                      |                                 |                  |                         |       |                    |
| Salaries and Benefits                       | 861,510                         | 813,584          | (47,926)                | 4     | 1,898,633          |
| Professional Fees - Program Admin fees      | 256,770                         | 256,770          | -                       |       | 513,540            |
| Professional Fees - Contractors & Lobbying  | 229,234                         | 195,500          | (33,734)                | 5     | 523,500            |
| Conferences, Conventions & Meetings         | 47,232                          | 53,061           | 5,829                   |       | 233,045            |
| Operating Expenses                          | 134,723                         | 113,875          | (20,848)                | 6     | 239,800            |
|   | <b>1,529,468</b>                | <b>1,432,790</b> | <b>(96,678)</b>         |       | <b>3,408,518</b>   |
| <b>Income (Loss) before Scholarship Exp</b> | <b>10,372,935</b>               | <b>7,175,810</b> | <b>3,197,125</b>        |       | <b>21,408,682</b>  |
| <b>Scholarship Expense</b>                  | <b>(718,225)</b>                | <b>(342,000)</b> | <b>376,225</b>          | 7     | <b>24,338,506</b>  |
| <b>Net Income (Loss)</b>                    | <b>11,091,160</b>               | <b>7,517,810</b> | <b>3,573,350</b>        |       | <b>(2,929,824)</b> |



# WSOS Income Statement

## Notes:

1. Revenue Private: The 2019 Budget included \$1.2MM for 4-year scholarship and \$5MM for CTS/Pathways, divided evenly by quarter throughout the year. New revenues between May and June included CWU/Castners: \$50K and Celgene: \$32.5K.
2. Revenue Public: State Match revenues accrued based on \$3.58M of private contributions received between January and June, including \$2.5MM MSFT payment and \$850K Rubens Family Foundation payment.
3. Investment income: Actual YTD includes unrealized+realized gains of \$7.87M, interest & dividend income of \$301K and investment expense of \$30K. Budget does not include forecasting gains/losses.
4. Salaries and benefits; Slightly over as CEO bonus paid in 2019 for 2018 was higher than 2018 accrual. Also, salary increases occurred.
5. Professional Fees - Actual expense over budget in part due to I.T., Temp Support, Communications consulting and Recruiting for CEO position.
6. Operating Expenses-Actual expenses over budget with primary driver being printing costs, which appear to be under budgeted.
7. Represents scholarship refunds to date. Scholarship expense for CY 2019 was recorded in August and will be reflected for the next finance committee meeting.

# WSOS Cash Flow

## Cash Flow Summary

Inception-To-Date

June 30, 2019

### CASH FLOW

#### Cash Inflow:

|                           |                    |                   |   |                    |
|---------------------------|--------------------|-------------------|---|--------------------|
| Boeing                    | 12,610,000         | 12,500,000        |   | 25,110,000         |
| Microsoft                 | 35,000,000         | -                 |   | 35,000,000         |
| Other Private             | 31,773,010         | -                 | 1 | 31,773,010         |
| State                     | 77,382,759         | 12,500,000        | 2 | 89,882,759         |
| Investment Income*        | 12,126,250         | 5,350,561         | 3 | 17,476,811         |
| <b>Total Cash Inflows</b> | <b>168,892,019</b> | <b>30,350,561</b> |   | <b>199,242,580</b> |

#### Cash Outflow:

|                            |                     |                |   |                     |
|----------------------------|---------------------|----------------|---|---------------------|
| Scholarships               | (63,718,076)        | -              | 4 | (63,718,076)        |
| Program Expenses           | (15,775,200)        | (5,812)        |   | (15,781,012)        |
| <b>Total Cash Outflows</b> | <b>(79,493,276)</b> | <b>(5,812)</b> |   | <b>(79,499,088)</b> |

#### Net Cash Flow Inception-To-Date

**89,398,743**                      **30,344,749**                      **119,743,492**

### Composition of Net Cash Flow

|   |                   |                   |   |                    |
|---|-------------------|-------------------|---|--------------------|
| KeyBank Checking Account                | 4,283,017         | -                 | 5 | 4,283,017          |
| Investment Accounts at WSIB and KeyBank | 85,115,726        | 30,344,749        |   | 115,460,475        |
| <b>Total</b>                            | <b>89,398,743</b> | <b>30,344,749</b> |   | <b>119,743,492</b> |

# WSOS Cash Flow

## Notes:

1. Cash Inflow: Other Private - \$936K received on cash basis during May and June 2019, including CWUF: \$50K, Gary Rubens: \$850K, and Celgene: \$32.5K.
2. State - Received \$4.23M from WSAC in during May and June 2019.
3. Investment Income - Includes net unrealized gains from inception of \$10.3M (Scholarship: \$6.7M & Endowment: \$3.6M). May/June 2019 the total unrealized gain is \$1.49M, YTD Unrealized Gain of \$7.9M.
4. Scholarship disbursements were \$25K during May and June 2019 and scholarship refunds totaled \$465K.
5. WSOS KeyBank Account - Excess private dollars received after Rubens payment in June were invested in WSIB in August and excess state match dollars were invested with KeyBank.

**Washington STEM  
Washington State Opportunity Scholarship**

**INVESTMENT POLICY**

**Short Term Investments Held In  
WSOS Operating Checking Account Or Related Investment  
Account**

**WSOS Board Adoption: TBC  
Washington STEM Board Adoption: TBC**

**Effective Date: TBC**

## **Statement of Purpose:**

The purpose of this Investment Policy is to set guidelines for the investment of the general cash funds of Washington State Opportunity Scholarship (WSOS) maintained in a checking account or related investment account used for meeting the annual operating needs of WSOS. Washington STEM has been designated as Program Administrator for WSOS and has responsibility for the administration of such policies on behalf of the program. Specifically, this Investment Policy shall:

1. Identify investment goals and objectives
2. Specify investment policy responsibility and authority
3. Establish acceptable investment guidelines

## **Goals and Objectives:**

The primary investment objectives, in priority order, are as follows:

1. Protection of principal
2. Maintenance of adequate liquidity
3. Maximization of return on investment at a prudent level of risk

The goal of this policy is to ensure that investments selected meet the objectives for principal protection, liquidity maintenance, and yield maximization through portfolio returns over time.

## **Investment Policy Responsibilities:**

- A. WSOS Board of Directors – Approves and monitors adherence to the formal investment policies.
- B. Washington STEM Board of Directors – Approves and monitors adherence to the formal investment policies.
- C. WSOS Finance Committee – Formulates and approves investment policy. The WSOS Finance Committee is responsible for managing the investment process in accordance with the guidance provided by the State for State funds and for funds having the character of State funds and in a prudent manner with regard to preserving principal while providing reasonable returns. Responsibilities of the Finance Committee include:
  1. Retain a qualified investment provider to assist in the development and implementation of the investment policy (goals, objectives, and guidelines).
  2. Establish the investment policy of the fund. This includes, but is not limited to, allocation between investment types, selection of acceptable asset classes and investment performance expectations.

3. Regularly review investment performance of the fund including the performance of the investment provider to assure the policy is being followed and progress is being made toward achieving objectives.
4. Communicate to the WSOS Board of Directors the results of the Finance Committee's reviews.

D. Investment Provider – The responsibilities of the investment provider include:

1. Assist the Finance Committee in complying with this investment policy.
2. Propose an investment strategy and coordinate the asset allocation process.
3. Monitor asset allocation among all asset classes and verify on a monthly basis that allocations are within targets defined by this investment policy statement and the Finance Committee.
4. Monitor the investment performance of the fund and prepare quarterly performance advisory reports for the Finance Committee.
5. Report in a timely manner substantive developments that may affect the management of the investment assets.

### **Investment Authorization:**

The following individuals have the authority to approve investment transactions (purchase, sell, exchange) which conform to the parameters of this Investment Policy:

- Washington STEM Chief Financial Officer
- Washington STEM Chief Operating Officer
- Washington STEM Director of Finance
- Washington STEM Controller

The funds management process shall comply with all applicable laws and regulations and shall be reviewed and modified as necessary to comply with such changes in the laws and regulations.

### **Acceptable Investments, Concentration Limits and Credit Quality:**

This Investment Policy is guided by and in compliance with various state policies which govern the investment of State funds, copies of which have been attached below as well as the opinion of the Attorney General which prohibits investments in stocks of private companies.

<http://www.atg.wa.gov/ago-opinions/investment-certain-scholarship-funds-stocks-private-companies>.

This policy allows funds to be invested only in the investment types and within the parameters set forth below.

Permissible investments include the following in accordance with the attached policy of the Washington State Investment Board Policy Number: 2.35.500 dated September 18, 2014:

1. Government agencies and U.S. Treasuries
2. STIF that invest strictly in U.S. government or government agency instruments including repurchase agreements for U.S. government and agency instruments.

Additional permissible investments include Commercial paper and corporate notes in accordance with the attached policy of the Washington State Investment Board Policy Number: 2.05.500 dated September 15, 2016.

### **Asset Allocation and Liquidity:**

Investments will be allocated to permissible investments in accordance with the ~~two~~ three [MP1] attachments to this policy [MP2]. The asset allocation set forth in the Washington State Investment Board Policy Number 2.35.500 revised 11/15/18 should be maintained until any future revisions are made. [MP3]

Additionally, the liquidity of the portfolio will be maintained in a manner that meets the cash flow requirements of WSOS per a schedule of projected cash flow to be provided by WSOS on a quarterly basis.

### **Performance Objective:**

Performance of the investment portfolio shall be measured against the benchmark Of [MP4] .....(to be established by Key Bank and approved by WASTEM)

### **Policy Review:**

The Boards of WSOS and Washington STEM shall review this policy at least once every three years to ensure that it remains relevant and appropriate.

### **Attachments:**



Investment  
Policy-Corp Bonds.p



WSOS Investment  
Policy.pdf



Policy Number  
2.35.500 Effective 11

**POLICY NUMBER:** 2.35.500**EFFECTIVE DATE:** 11/15/18**TITLE:** Washington State Opportunity  
Scholarship Fund**SUPERSEDES:** 10/4/16**BOARD ADOPTION:** 11/15/18**REVIEWED:** *(Wet signature on hard copy)***PURPOSE**

This document establishes the investment policy and guidelines for the Washington State Opportunity Scholarship (WSOS) Fund. The WSOS Fund was created by the Washington State Legislature in 2011 to encourage student participation in high employer-demand programs of study. The investment responsibility for the WSOS Fund is granted to the Washington State Investment Board (WSIB) in accordance with Revised Code of Washington ([RCW](#)) [28B.145.090](#).

These guidelines allow for sufficient flexibility in the management process to capture investment opportunities, while providing parameters that ensure prudence and care in the execution of the investment program.

The WSOS funds are comprised of two distinct pools of assets each comprised of private funds and state matching funds ([RCW 28B.145.040](#)). The two pools are the scholarship and endowment accounts. The primary distinction between the two accounts is that scholarships may be paid out of both principal and earnings of the scholarship account, while scholarships out of the endowment account, if eligible, must be paid out of investment earnings. Endowment accounts are generally considered to have long time horizons and can therefore tolerate a higher level of volatility.

**POLICY**Standard of Care

Under [RCW 43.33A.030](#), trusteeship of funds under the authority of the WSIB is vested within the voting members of the Board. The Legislature has established a standard of care for investment of these funds in [RCW 43.33A.140](#). Additionally, the Board and its staff must comply with other state laws, such as the Ethics In Public Service Act, Chapter [42.52](#) [RCW](#), as it makes its investment decisions and seeks to meet the investment objectives listed below.

Investment Objectives

In accordance with [RCW 43.33A.110](#), the portfolio is managed to achieve a maximum return at a prudent level of risk. The key determinant is identifying the prudent level of risk relative to the needs of the WSOS Board. Based on this requirement, the order of the objectives shall be:

1. Maintain the financial stability of the program;
2. Ensure sufficient assets are available to fund the scholarship goals of the program over a 10-year time horizon;
3. Subject to one and two above, manage the assets to achieve a maximum return at a prudent level of risk; and
4. Invest in a manner that will not compromise confidence in the program.



### Investment Performance Objectives

Performance of the investment portfolio shall be judged relative to the investment objectives, the risk constraint standards, and the investment approach. The performance objectives are intended to provide the WSIB and the WSOS Board with benchmarks to measure the investment policy and the guidelines.

The fund has a relative performance objective for the long-term investment horizon: Relative to asset allocation targets, generate a return equal to, or in excess of, the passive benchmark portfolio. The benchmarks for the scholarship and endowment accounts are a custom blend of the benchmarks for the underlying asset classes.

### Risk Constraint Standards

1. All assets under management by the WSIB are to be invested to maximize return at a prudent level of risk in accordance with the requirements of RCW [43.33A.110](#) and RCW [43.33A.140](#), subject to the unique risk tolerances of the WSOS program;
2. No corporate fixed income issue's or common stock holding's cost shall exceed 3 percent of the fund's market value at the time of purchase, nor shall its market value exceed 6 percent of the fund's market value at any time (RCW [43.33A.140](#)); and
3. Diversify the assets at a prudent level to moderate fluctuations in the market value of the program.

### Asset Allocation

The asset allocation mix will be reviewed every four (4) years or sooner if there are significant changes in markets, program size, or liabilities. The WSIB staff will meet at least annually with the WSOS Board or Investment and Finance Committee to review the investment portfolio and the financial status and goals of the program.

The WSIB has delegated to the executive director the authority to rebalance the asset allocation to fall within Board-adopted ranges or targets. Assets will be rebalanced across asset classes when market values of the assets fall outside the policy ranges. The timing of the rebalancing will be based upon market opportunities and the consideration of transaction costs and, therefore, need not occur immediately.

### **Scholarship Account**

#### State Match Funds

The state provides matching funds to WSOS to fund scholarships in partnership with private corporations. Investment eligibility of the matching funds is determined by the state constitution and laws. If such funds become eligible for investment in corporate fixed income and equity securities, they will be invested with the asset allocation identified in the "Private Funds" section of this policy.

#### Permissible Investments:

1. Government agencies and U.S. Treasuries.
2. Short-term Investment Funds (STIF) that invest strictly in U.S. government or government agency instruments, including repurchase agreements for U.S. government and agency instruments.
3. Cash collateral for security lending and collateral for repurchase agreements is restricted to U.S. government and government agency securities.

| <b>ASSET ALLOCATION</b> | <b>Target</b> | <b>Range</b> |
|-------------------------|---------------|--------------|
| Cash                    | 100%          | 100%         |

### Private Funds

Private funds held in the scholarship account are comprised of donations from corporations and individuals, are not state funds, and are not subject to state constitution investment eligibility guidelines.

| <b>ASSET ALLOCATION</b> | <b>Target</b> | <b>Range*</b> |
|-------------------------|---------------|---------------|
| Cash                    | 5%            | 0% - 10%      |
| Public Equity           | 25%           | 20% - 30%     |
| Fixed Income            | 70%           | 65% - 75%     |

\*The above policy ranges are long term and may deviate in the short term as a result of interim market movements.

### Asset Class Structure

The WSIB establishes asset class investment policy with wide guidelines for staff to move investment priorities within an asset class in order to achieve the fund's overall objectives.

### Public Equity

The public equity component will be invested passively to track the return of a broad global equity benchmark. The benchmark for the public equity component is the MSCI All Country World Investable Market Index (MSCI ACWI IMI).

### Fixed Income

The fixed income portion of the account will be invested in the WSIB Bond Market Fund. The investment policy and guidelines are defined in WSIB Policy [2.14.200](#). The benchmark for the Bond Market Fund is the Bloomberg Barclays U.S. Intermediate Credit Index.

### Cash

The cash component will be invested in a portfolio of high-quality securities including U.S. treasury bills, notes, and other obligations issued or guaranteed by the U.S. government with a maturity of three months or less. The benchmark for the cash component is the BofA ML 3-Month Treasury Bill Index.

## **Endowment Account**

### State Match Funds

The state provides matching funds to WSOS to fund scholarships in partnership with private corporations. Investment eligibility of the matching funds is determined by the state constitution and laws. If such funds become eligible for investment in corporate fixed income and equity securities, they will be invested with the asset allocation identified in the "Private Funds" section of this policy.

### Permissible Investments

1. Government agencies and U.S. Treasuries.
2. STIF that invest strictly in U.S. government or government agency instruments, including repurchase agreements for U.S. government and agency instruments.
3. Cash collateral for security lending and collateral for repurchase agreements is restricted to U.S. government and government agency securities.

| <b>ASSET ALLOCATION</b> | <b>Target</b> | <b>Range</b> |
|-------------------------|---------------|--------------|
| Cash                    | 100%          | 100%         |

Private Funds

Private funds held in the endowment account are comprised of donations from corporations and individuals, are not state funds, and are not subject to state constitution investment eligibility guidelines.

| <b>ASSET ALLOCATION</b> | <b>Target</b> | <b>Range*</b> |
|-------------------------|---------------|---------------|
| Cash                    | 0%            | 0% - 5%       |
| Public Equity           | 80%           | 75% - 85%     |
| Fixed Income            | 20%           | 15% - 25%     |

\*The above policy ranges are long term and may deviate in the short term as a result of interim market movements.

Asset Class Structure

The WSIB establishes asset class investment policy with wide guidelines for staff to move investment priorities within an asset class in order to achieve the fund’s overall objectives.

Public Equity

The public equity component will be invested passively to track the return of a broad global equity benchmark. The benchmark for the public equity component is the MSCI All Country World Investable Market Index (MSCI ACWI IMI).

Fixed Income

The fixed income portion of the account will be invested in the WSIB Bond Market Fund. The investment policy and guidelines are defined in WSIB Policy [2.14.200](#). The benchmark for the Bond Market Fund is the Bloomberg Barclays U.S. Intermediate Credit Index.

**PERFORMANCE REVIEW GUIDELINES AND REPORTING**

Performance will be measured by the custodian bank and reported in writing quarterly by the WSIB staff to the Board.

**RESPONSIBILITIES**

Washington State Investment Board

The Board is responsible for approving the investment policy and setting the investment objectives, risk standards, and asset allocation. The Board is also responsible for reviewing performance of the funds.

Public Markets Committee

The Committee is responsible for reviewing the structure and strategy of the funds and recommending any revisions to the WSIB Board.

WSIB Staff

Staff is responsible for recommending enhancements and changes to the investment policy to the Public Markets Committee as well as implementing policy, managing the assets, rebalancing the asset allocation, and reporting performance and policy compliance to the

Board and the WSOS Board or Investment and Finance Committee. Staff is also responsible for recommending strategic asset allocation to the WSIB Board.

**POLICY REVIEW**

The Board shall review this policy at least once every three (3) years to ensure that it remains relevant and appropriate.



**POLICY NUMBER:** 2.05.500

**EFFECTIVE DATE:** 9/15/16

**TITLE:** Commercial Paper and Corporate Notes Investment Policy For the State Treasurer, Local Governments, and Higher Education Institutions

**SUPERSEDES:** 9/17/15

**BOARD ADOPTION:** 9/15/16

**APPROVED:**

**PURPOSE**

Revised Code of Washington (RCW) 43.84.080, RCW 39.59.040, and RCW 28B.10.928 authorize the State Treasurer, local governments in the state of Washington, and Washington institutions of higher education to invest in commercial paper and corporate notes purchased on the secondary markets provided they adhere to the investment policies and procedures adopted by the Washington State Investment Board (WSIB).

In accordance with those statutes, this policy establishes guidelines enabling the State Treasurer, local governments, and institutions of higher education to invest in commercial paper and corporate notes purchased on the secondary markets.

**POLICY**

This policy refers to four portfolios: (1) the commercial paper portfolio; (2) the corporate notes portfolio; (3) the credit portfolio, a subset of the total portfolio that contains the commercial paper and corporate notes portfolios combined; and (4) the total portfolio, which includes all money market and fixed income securities.

Investors without the expertise to make the investment decisions addressed in this policy should obtain independent expert financial advice.

**Commercial Paper Portfolio Guidelines**

The policy guidelines with respect to investment in commercial paper are as follows:

1. Commercial paper must be rated with the highest short-term credit rating category of any two major Nationally Recognized Statistical Ratings Organizations (NRSROs) at the time of purchase. If the commercial paper is rated by more than two major NRSROs, it must have the highest rating from all of them.
2. Commercial paper holdings may not have maturities exceeding 270 days.
3. Any commercial paper purchased with a maturity longer than 100 days must also have an underlying long-term senior unsecured credit rating at the time of purchase in one of the three highest rating categories of an NRSRO.
4. The percentage of commercial paper that may be purchased from any single issuer is 3 percent of the assets of the total portfolio.
5. Commercial paper must be purchased in the secondary market and not directly from the issuers.

**Corporate Notes Portfolio Guidelines**

The policy guidelines with respect to investment in corporate notes are as follows:

1. Corporate notes are defined as debt securities issued by corporations.

2. Corporate notes must be rated at least weak single-A or better by all of the major rating agencies that rate the note at the time of purchase for inclusion in the corporate note portfolio.
3. Corporate notes must meet the following maturity and duration limits:
  - a. The maturity of the corporate notes shall be 5.5 years or less at the time of purchase.
  - b. The maximum duration of the corporate note portfolio shall not exceed 3 years.
4. No corporate fixed-income issue may exceed 3 percent of the cost or 6 percent of the market value of the assets of the total portfolio.
5. The percentage of corporate notes that may be purchased from any single issuer rated AA or better by all major rating agencies that rate the note is 3 percent of the assets of the total portfolio.
6. The percentage of corporate notes that may be purchased from any single issuer rated in the broad single-A category from all the major rating agencies that rate the security, is 2 percent of the total portfolio.
7. Corporate notes must be purchased on the secondary market and not directly from the issuers.
8. Securities rated in the broad single-A category with a negative outlook may not be purchased. Portfolio holdings of corporate notes downgraded to below single A and portfolio holdings of securities rated single A with their outlooks changed to negative may continue to be held. No additional purchases are permitted.

#### **Credit Portfolio Guidelines**

The commercial paper and corporate notes portfolios together are known as the credit portfolio. The policy guidelines with respect to the credit portfolio are as follows:

1. The credit portfolio shall not exceed 25 percent by market value of all assets of the total portfolio.
2. The credit portfolio must be diversified by sector and industry.
3. Portfolio managers must routinely monitor the ratings and credit quality of the issuers of the commercial paper and corporate notes that they are purchasing. Appropriate personnel should be notified of any credit rating downgrades of issuers of any commercial paper and corporate notes in their portfolios.
4. Credit risk, interest rate risk, and reinvestment risk must all be managed.

#### **Total Portfolio Guidelines**

The policy guidelines with respect to the total portfolio concentration limits are as follows:

1. The following are not permissible investments:
  - a. Securities issued in currencies other than the U.S. dollar.
  - b. Derivatives.
  - c. Loans.
2. No single credit issuer shall exceed 3 percent of the total portfolio's market value.
3. The individual country limit of non-U.S. and non-Canadian exposure is 2 percent of the total portfolio. The exposure is determined by the country of domicile of the issuers of portfolio securities.

#### **ROLES AND RESPONSIBILITIES**

##### **Washington State Investment Board**

The Board is responsible for approving the Commercial Paper and Corporate Notes Investment Policy for the State Treasurer, Local Governments, and Higher Education Institutions.

##### **Public Markets Committee**

The Committee is responsible for reviewing and recommending the policy to the Board.

**WSIB Staff**

Staff is responsible for recommending investment policy enhancements and changes to the Public Markets Committee.

**State and Local Government Staff and Higher Education Institution Staff**

State and local government staff and higher education institution staff are responsible for obtaining any necessary independent expert financial advice related to investments covered by this policy and are responsible for implementing the policy as well as following best practices in accounting and reporting.

**POLICY REVIEW**

The Board shall review this policy at least once every three (3) years to ensure that it remains relevant and appropriate.

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Policy Adopted 3/16/95  
Revised 2/18/99  
Revised 10/25/01, Supersedes WSIB Policy 2.15.101  
Reviewed 7/20/06  
Reviewed 4/16/09  
Reviewed 6/21/12  
Revised 9/17/15  
Revised 9/15/16

**POLICY NUMBER:** 2.35.500**EFFECTIVE DATE:** 9/18/14**TITLE:** Washington State Opportunity  
Scholarship Fund**SUPERSEDES:** N/A**BOARD ADOPTION:** 9/18/14**APPROVED:** **PURPOSE**

This document establishes the investment policy and guidelines for the Washington State Opportunity Scholarship (WSOS) fund created by the Washington State Legislature in 2011 to encourage student participation in high employer-demand programs of study. The investment responsibility for the WSOS fund is granted to the Washington State Investment Board (WSIB) in accordance with [RCW 28B.145.090](#).

The WSOS funds are comprised of two distinct pools of assets each comprised of private funds and state matching funds. The two pools are the scholarship and endowment accounts as created in [RCW 28B.145.040](#). The primary distinction between the two accounts is that scholarships may be paid out of both principal and earnings of the scholarship account, while scholarships out of the endowment account, if eligible, must be paid out of investment earnings. Endowment accounts are generally considered to have long time horizons and can therefore tolerate a higher level of volatility.

These guidelines allow for sufficient flexibility in the management process to capture investment opportunities, while providing parameters that ensure prudence and care in the execution of the investment program.

**POLICY**Standard of Care

Under RCW [43.33A.030](#), trusteeship of these trusts is vested within the voting members of the Washington State Investment Board so long as they are the selected investment manager. The Legislature has established a standard of care for investment of these funds in RCW [43.33A.140](#). Additionally, the Board and its staff must comply with other state laws, such as the Ethics In Public Service Act, Chapter [42.52](#) RCW, as it makes its investment decisions and seeks to meet the investment objectives listed below.

Investment Objectives

In accordance with RCW [43.33A.110](#), the portfolio is managed to achieve a maximum return at a prudent level of risk. The key determinant is identifying the prudent level of risk relative to the needs of the WSOS Board. Based on this requirement, the order of the objectives shall be:

1. Maintain the financial stability of the program;
2. Ensure sufficient assets are available to fund the scholarship goals of the program over a 10-year time horizon;
3. Subject to one and two above, manage the assets to achieve a maximum return at a prudent level of risk; and
4. Invest in a manner that will not compromise confidence in the program.



### Performance Objectives

Performance of the investment portfolio shall be judged relative to the investment objectives, the risk constraint standards, and the investment approach. The performance objectives are intended to provide the WSIB and the WSOS Board with benchmarks to measure the investment policy and the guidelines.

The fund has a relative performance objective for the long-term investment horizon: Relative to asset allocation targets, generate a return equal to, or in excess of, the passive benchmark portfolio. The benchmarks for the scholarship and endowment accounts are a custom blend of the benchmarks for the underlying asset classes.

### Risk Constraint Standards

1. All assets under management by the WSIB are to be invested to maximize return at a prudent level of risk in accordance with the requirements of RCW [43.33A.110](#) and RCW [43.33A.140](#), subject to the unique risk tolerances of the WSOS program;
2. No corporate fixed income issue's cost shall exceed 3 percent of the fund's market value at the time of purchase, nor shall its market value exceed 6 percent of the fund's market value at any time (RCW [43.33A.140](#)); and
3. Diversify the assets at a prudent level to moderate fluctuations in the market value of the program.

### Asset Allocation

The asset allocation mix will be reviewed every four years or sooner if there are significant changes in markets, program size, or liabilities. The WSIB staff will meet at least annually with the WSOS Board or Investment and Finance Committee to review the investment portfolio and the financial status and goals of the program. The WSIB has delegated to the executive director the authority to rebalance the asset allocation within the procedures established by the WSIB.

Assets will be rebalanced across asset classes when market values of the assets fall outside the policy ranges. The timing of the rebalancing will be based upon market opportunities and the consideration of transaction costs and, therefore, need not occur immediately.

### **Scholarship Account**

#### State Match Funds

The state provides matching funds to WSOS to fund scholarships in partnership with private corporations. Investment eligibility of the matching funds is determined by the state constitution and laws. If such funds become eligible for investment in corporate fixed income and equity securities, they will be invested with the asset allocation identified in the "Private Funds" section of this policy.

#### Permissible Investments:

1. Government agencies and U.S. Treasuries.
2. Short-term Investment Funds (STIF) that invest strictly in U.S. government or government agency instruments, including repurchase agreements for U.S. government and agency instruments.

3. Cash collateral for security lending and collateral for repurchase agreements is restricted to U.S. government and government agency securities.

| <b>ASSET ALLOCATION</b> | <b>Target</b> | <b>Range</b> |
|-------------------------|---------------|--------------|
| Cash                    | 100%          | 100%         |

Private Funds

Private funds held in the scholarship account are comprised of donations from corporations and individuals, are not state funds, and are not subject to state constitution investment eligibility guidelines.

| <b>ASSET ALLOCATION</b> | <b>Target</b> | <b>Range*</b> |
|-------------------------|---------------|---------------|
| Cash                    | 0%            | 0% - 5%       |
| Public Equity           | 60%           | 55% - 65%     |
| Fixed Income            | 40%           | 35% - 45%     |

\*The above policy ranges are long term and may deviate in the short term as a result of interim market movements.

Asset Class Structure

The WSIB establishes asset class investment policy with wide guidelines for staff to move investment priorities within an asset class in order to achieve the fund’s overall objectives.

Public Equity

The public equity component will be invested passively to track the return of a broad global equity benchmark. The benchmark for the public equity component is the MSCI All Country World Investable Market Index (MSCI ACWI IMI).

Fixed Income

The fixed income portion of the account will be invested in the WSIB Bond Market Fund. The investment policy and guidelines are defined in WSIB Policy 2.14.200. The benchmark for the Bond Market Fund is the Barclays U.S. Intermediate Credit Index.

**Endowment Account**

State Match Funds

The state provides matching funds to WSOS to fund scholarships in partnership with private corporations. Investment eligibility of the matching funds is determined by the state constitution and laws. If such funds become eligible for investment in corporate fixed income and equity securities, they will be invested with the asset allocation identified in the “Private Funds” section of this policy.

Permissible Investments

1. Government agencies and U.S. Treasuries.
2. STIF that invest strictly in U.S. government or government agency instruments, including repurchase agreements for U.S. government and agency instruments.

3. Cash collateral for security lending and collateral for repurchase agreements is restricted to U.S. government and government agency securities.

| <b>ASSET ALLOCATION</b> | <b>Target</b> | <b>Range</b> |
|-------------------------|---------------|--------------|
| Cash                    | 100%          | 100%         |

Private Funds

Private funds held in the endowment account are comprised of donations from corporations and individuals, are not state funds, and are not subject to state constitution investment eligibility guidelines.

| <b>ASSET ALLOCATION</b> | <b>Target</b> | <b>Range*</b> |
|-------------------------|---------------|---------------|
| Cash                    | 0%            | 0% - 5%       |
| Public Equity           | 80%           | 75% - 85%     |
| Fixed Income            | 20%           | 15% - 25%     |

\*The above policy ranges are long term and may deviate in the short term as a result of interim market movements.

Asset Class Structure

The WSIB establishes asset class investment policy with wide guidelines for staff to move investment priorities within an asset class in order to achieve the fund's overall objectives.

Public Equity

The public equity component will be invested passively to track the return of a broad global equity benchmark. The benchmark for the public equity component is the MSCI All Country World Investable Market Index (MSCI ACWI IMI).

Fixed Income

The fixed income portion of the account will be invested in the WSIB Bond Market Fund. The investment policy and guidelines are defined in WSIB Policy 2.14.200. The benchmark for the Bond Market Fund is the Barclays U.S. Intermediate Credit Index.

**PERFORMANCE REVIEW GUIDELINES AND REPORTING**

Performance will be measured by the custodian bank and reported in writing quarterly by the WSIB staff to the Board.

**RESPONSIBILITIES**

Washington State Investment Board

The Board is responsible for approving the investment policy and setting the investment objectives, risk standards, and asset allocation. The Board is also responsible for reviewing performance of the funds.

Public Markets Committee

The Committee is responsible for reviewing the structure and strategy of the funds and recommending any revisions to the WSIB Board.

WSIB Staff

Staff is responsible for recommending enhancements and changes to the investment policy to the Public Markets Committee as well as implementing policy, managing the assets, rebalancing the asset allocation, and reporting performance and policy compliance to the Public Markets Committee, the Board, and the WSOS Board or Investment and Finance Committee. Staff is also responsible for recommending strategic asset allocation to the WSIB Board.

**POLICY REVIEW**

The Board shall review this policy at least once every three (3) years to ensure that it remains relevant and appropriate.

## **Section 4**

### WSIB Quarterly Performance Report



**Washington State  
Investment Board**

**WSOS Finance and Investment Committee  
Performance Review 2Q19  
October 22, 2019**



**Chris Phillips  
Director of Institutional Relations**



# WSOS Scholarship/Endowment Funds – Growth of Assets

June 30, 2019



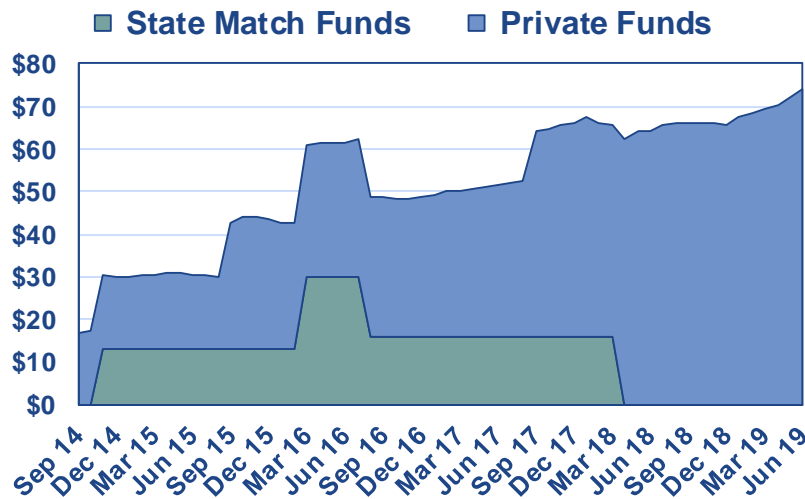
## Scholarship Account

- Total assets: \$74.2 million
- 100% private funds

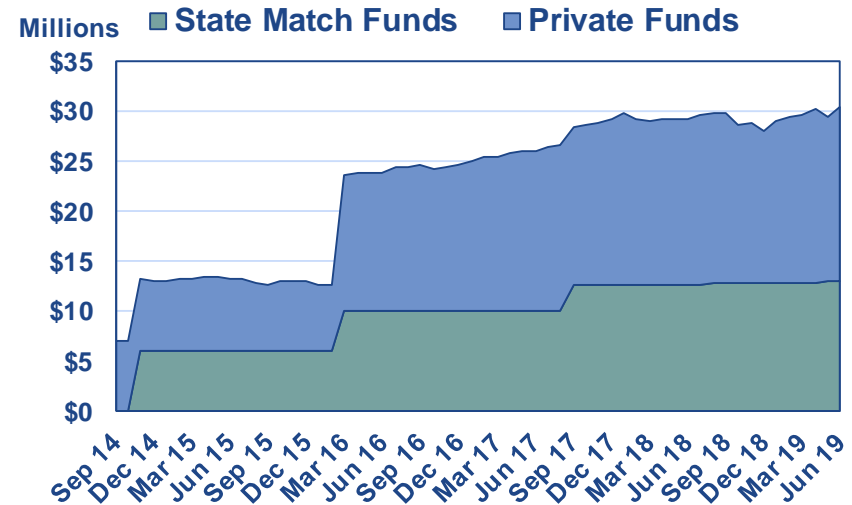
## Endowment Account

- Total assets: \$30.3 million
- 57% private funds and 43% state match funds

### Growth of Scholarship Account Assets



### Growth of Endowment Account Assets



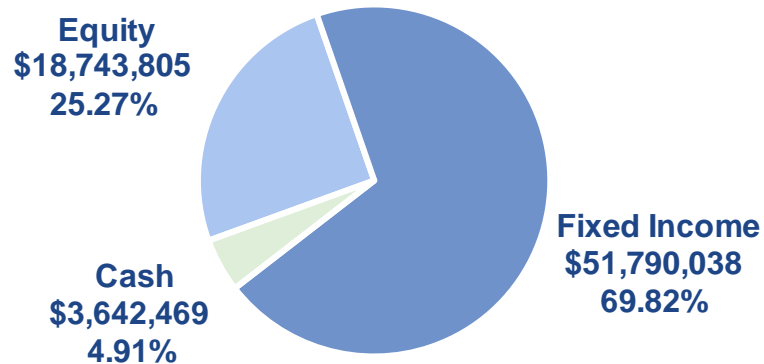


# Market Values and Asset Allocation for Private Funds

June 30, 2019

## Scholarship Account – Private Funds

Market Value \$74,176,311



### Equity

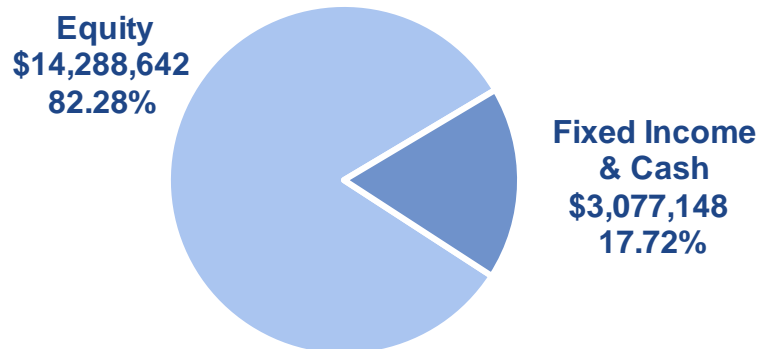
- Passive equity strategy managed by BlackRock
- Expected to closely track the MSCI All Country World Investable Market Index

### Fixed Income

- Actively managed by WSIB staff
- Expected to meet or exceed the Barclays U.S. Intermediate Credit Index

## Endowment Account – Private Funds

Market Value \$17,365,790







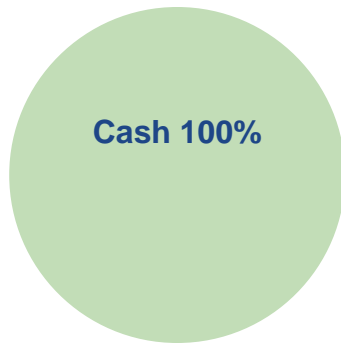
# Market Values and Asset Allocation for State Match Funds

*June 30, 2019*

## Asset Allocation for All State Match Funds

Scholarship Market Value \$84,923

Endowment Market Value \$12,978,959



## State Match Funds

- ▣ Both target and current allocations are 100% cash
- ▣ Cash is invested in a money market fund managed by BlackRock

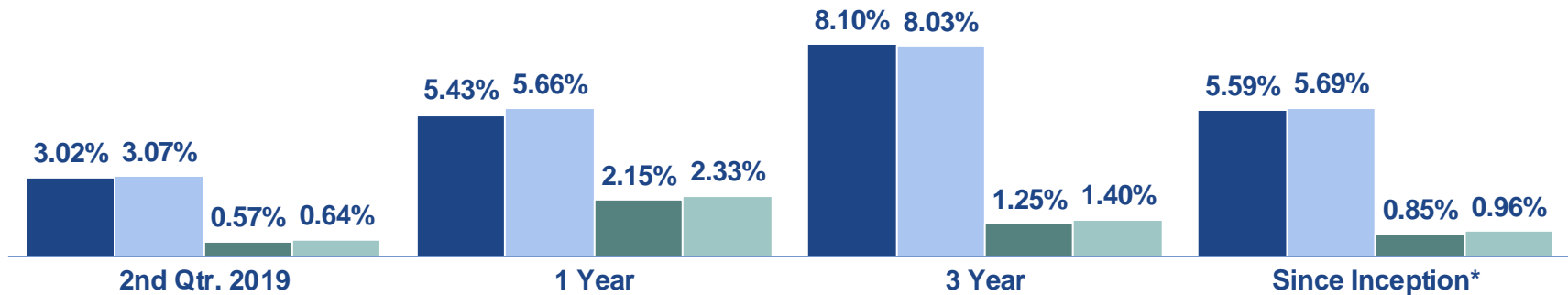


# Fund Performance Updates

June 30, 2019

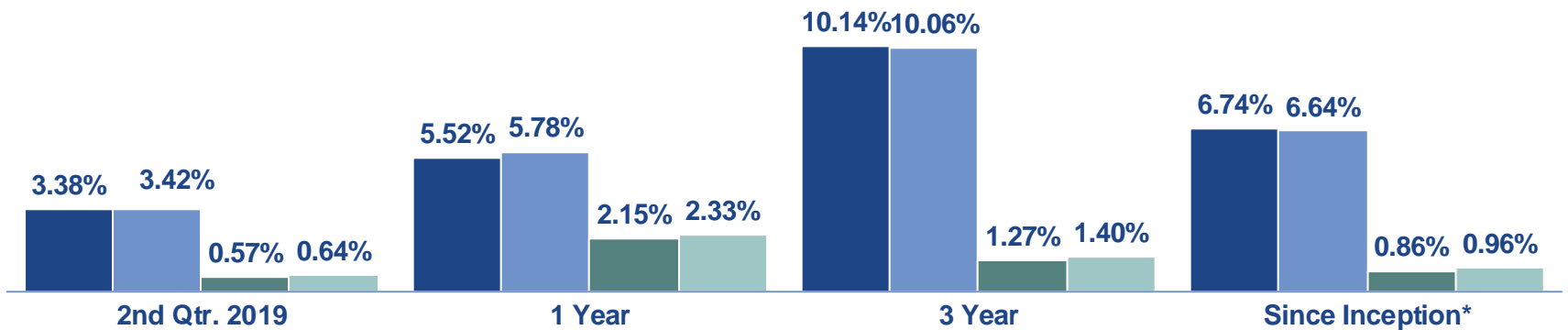
## Private and State Match Scholarship

■ Private ■ Private Benchmark ■ State Match ■ State Match Benchmark



## Private and State Match Endowment

■ Private ■ Private Benchmark ■ State Match ■ State Match Benchmark



\*Scholarship Benchmarks: Private 25% MSCI ACWI IMI w/U.S. Gross & 70% Bloomberg Barclays Intermediate Credit & 5% 90 Day Tbill, State Match 90 Day Tbill  
Endowment Benchmarks: Private 80% MSCI ACWI IMI w/U.S. Gross & 20% Bloomberg Barclays Intermediate Credit, State Match 90 Day T-bill

\* Since Inception: Private 10/1/14, State Match 11/25/14

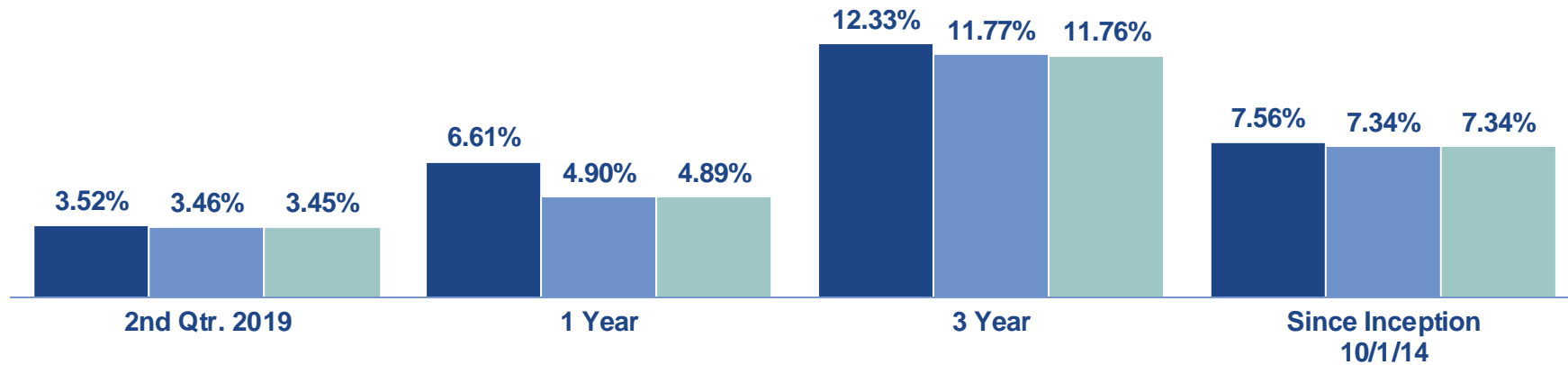


# Fund Performance Updates

June 30, 2019

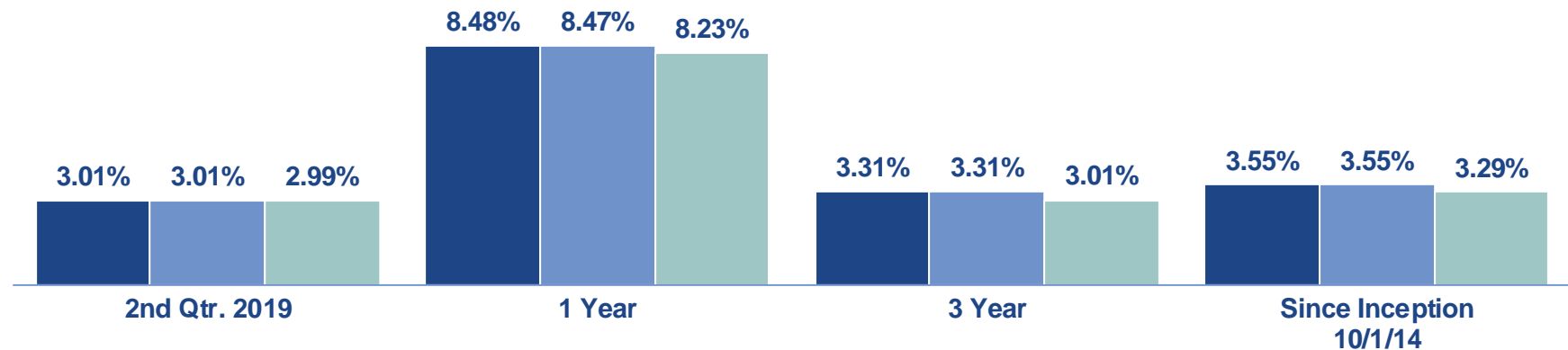
## Equity Returns

■ Private Scholarship ■ Private Endowment ■ ACWI IMI w/U.S. Gross



## Fixed Income Returns

■ Private Scholarship ■ Private Endowment ■ Bloomberg Barclays Intermediate Credit



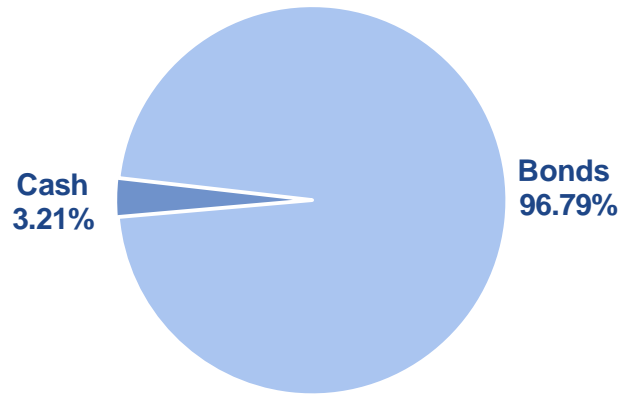


# Bond Fund Characteristics & Top 10 Issuers

June 30, 2019

## Allocation

Market Value \$1,848,399,824



## Top 10 Issuers

|                                    |       |
|------------------------------------|-------|
| United States Treasury             | 2.07% |
| SP PowerAssets Ltd.                | 1.13% |
| Blackrock Inc.                     | 1.04% |
| APT Pipelines Ltd.                 | 0.86% |
| HSBC Bank                          | 0.86% |
| Indonesia Republic                 | 0.85% |
| Hutchison Whamp International Ltd. | 0.85% |
| Bangkok Bank Public Co. Ltd.       | 0.85% |
| Alibaba Group Holding Ltd.         | 0.85% |
| Tencent Holdings Ltd.              | 0.85% |

## Characteristics

|                    | Fund      | Index     |
|--------------------|-----------|-----------|
| Average Maturity   | 4.9 years | 4.8 years |
| Yield to Maturity  | 2.78%     | 2.66%     |
| Modified Duration  | 4.38      | 4.16      |
| Average Coupon     | 3.28%     | 3.49%     |
| Number of Holdings | 236       | 4,431     |



## Capital Markets at a Glance

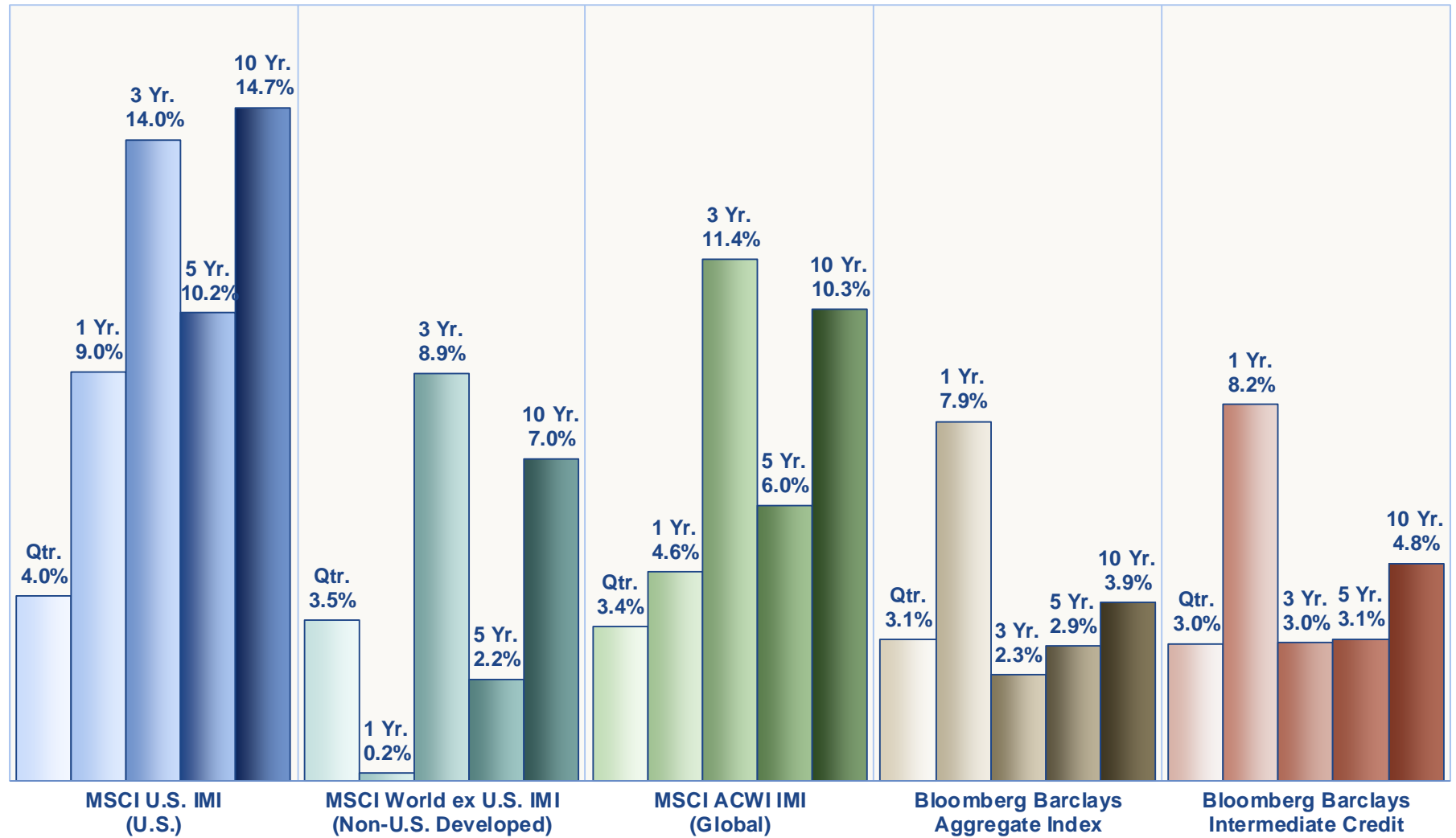
*June 30, 2019*

- ❑ Global stocks rallied in 2Q 2019 on the belief the Federal Reserve would adjust interest rates
  - ❑ A sluggish jobs report increased investors' confidence in a future interest rate cut
- ❑ The MSCI World Developed IMI returned 3.74% for the quarter, bringing the 12-month return on global stocks to 5.08%
- ❑ Business slowdowns surfaced. Manufacturing surveys showed a notable decline in the U.S. and continued weakness in China, Japan, and Europe
  - ❑ The pace of hiring in the U.S. slowed, and U.S. consumer confidence declined
- ❑ In June, Federal Reserve officials issued a more dovish statement that indicated it would consider policy actions to sustain economic growth
  - ❑ The Fed target rate range was unchanged at 2.25% to 2.50%
- ❑ The U.S. 10-year Treasury rate ended June 30, 2019, at 2.00%, down 86 basis points compared to 1 year ago
  - ❑ This came after a large decrease in U.S. interest rates (high of 3.24% last November)
- ❑ With U.S. interest rates lower, fixed income experienced healthy returns for both the quarter and the year ending June 30
  - ❑ Longer duration outperformed for the quarter, as indicated by the return difference between the 10-year Treasury index (up 4.22%) and the 30-year Treasury index (up 6.76%)



# Capital Markets at a Glance

June 30, 2019





## Contact Information



Web Site: <http://www.sib.wa.gov>



### Address:

2100 Evergreen Park Drive SW

P.O. Box 40916

Olympia, WA 98504-0916

### Phone Number:

(360) 956-4600

## **Section 5**

### WSIB CTS Scholarship Account Process





**Washington State  
Investment Board**

**WSOS Finance and Investment Committee  
Student Support Pathways Account  
October 22, 2019**



**Chris Hanak  
Risk Management and Asset Allocation**



# Launching the Student Support Pathways Account

## Objective

- ❑ Provide an update to the WSOS Finance and Investment Committee (FIC) of its request to fund the new Student Support Pathways Account (SSP) with funds currently invested in the WSOS Private Endowment and State Match Endowment accounts

## Completed Steps

- ❑ New 2019 legislation created two new WSOS programs – Student Support Pathways and Advanced Degree Pathways
- ❑ WSIB received \$2 million in August from WSOS with instructions to invest in WSOS Private Scholarship Accounts. WSIB invested the funds and has since received notification that the \$2 million plus earnings should be invested in SSP account
- ❑ WSIB received WSOS notification that the endowed gift from Boeing has been recharacterized for use in the SSP program and the asset allocation should reflect an asset allocation closer to the Private Scholarship account
- ❑ WSIB received and reviewed cash flow projections from WSOS and believes the WSOS asset allocation change request is reasonable
- ❑ WSIB prepared the Private Endowment funds for transition by temporarily de-risking to Private Scholarship asset allocation targets



## Launching the Student Support Pathways Account (continued)

### In Progress and Next Steps

- ❑ Establish new Student Support Pathways accounts at WSIB
- ❑ WSIB to provide new wire and transfer instructions to WSOS
- ❑ Revise WSOS and WSIB interagency agreement
- ❑ WSOS to verify transfer amounts to SSP accounts
- ❑ Transfer assets from Private Endowment, State Match Endowment, and Private Scholarship accounts to Private and State Match SSP accounts
- ❑ Private Endowment asset allocation adjusts back to policy targets
- ❑ Present revised WSOS investment policy to WSIB in November
- ❑ Conduct formal Student Support Pathways strategic asset allocation (SAA) study
- ❑ Present results of SAA study and proposed investment policy for new program to WSOS FIC for consideration
- ❑ WSOS Board to consider WSOS FIC asset allocation recommendation for approval?
- ❑ Present SAA recommendation to WSIB for consideration
- ❑ Following policy approval, transition Student Support Pathways assets to new policy targets as required