

WASHINGTON STATE **OPPORTUNITY** SCHOLARSHIP

BOARD MEETING AGENDA TUESDAY, MARCH 3, 2020 | 1:00-3:00 P.M. MICROSOFT CAMPUS, BUILDING 34

Conference call dial in #: 1-425-616-0754 / passcode: 335 446 0# or click on the Microsoft Teams link in the meeting invitation

Meeting open to the public via video at 1414 31st Ave. S, Suite 302, Seattle, WA 98144

I.	Meeting Called to Order		Brad Smith Board Chair	1:00p
II.	Approval of Minutes from January 14, 2020 Meeting	[Tab A]	Brad Smith Board Chair	1:00-1:05p
III.	Mission Moment: Opportunity Scholar Story <i>Special guest: Edwin Antonio</i>	[Tab B]	Karina Neri Scholar Lead	1:05-1:10p
IV.	Baccalaureate and Career & Technical Scholarship Selection » <i>Board Action: Approve selection model</i>	[Tab C]	Steve Walker Awards Admin Director	1:10-1:50p
V.	Advanced Health Care Design Thinking	[Tab D]	Diane Cecchettini Board Member Kimber Connors Executive Director	1:50-2:15p
VI.	Finance & Program Administrator Update » <i>Board Action: Approve reallocation of Career & Technical Scholarship funds</i>	[Tab E]	Mack Hogans Board Member, Finance & Investment Committee Chair	2:15-2:25p
VII.	Executive Session Review Performance of WSOS Executive Director		Board of Directors	2:25-3:00p
VIII.	Closing		Brad Smith Board Chair	3:00p

Important Dates

- » **Upcoming Board Meetings - all meetings at Microsoft campus from 1 to 3p**
 - Wednesday, June 10, 2020
 - Thursday, September 17, 2020
 - Thursday, December 17, 2020

Tab A

Minutes from the January 14, 2020 Board Meeting

**WASHINGTON STATE OPPORTUNITY SCHOLARSHIP BOARD MEETING
TUESDAY, JANUARY 14, 2020, 1-3 PM, MICROSOFT CAMPUS**

MEETING MINUTES

The Board of Directors of the Washington State Opportunity Scholarship (WSOS) met on January 14, 2020, at the Microsoft headquarters in Redmond, Washington.

Board members: Miller Adams and Jane Park; Diane Cecchetti, Joelle Denney, Mack Hogans, Julie Sandler and Mike Wilson by phone

Additional attendees: Erin Ashley, Jane Broom, Kimber Connors, Karyl Gregory, Javana Cross Polenska and Steve Walker; Lianda Abraham, Edwin Antonio, Terrie Ashby-Scott, Theresa Britschgi, Meg Chambers, Mesa Herman, Angela Jones, Jenna Magnotti, Jessica Monger, Joanna Moznette, Hannah Olson, Sydney Parns, Cristal Rangel Peña, Stan Pichinevskiy, Dave Stolier, Keith Swenson, Aileen Tubo and Rachel Wyers by phone

Meeting Called to Order

Jane Park called the Board Meeting to order at 1:02 pm.

Approval of Minutes

Miller Adams moved that the minutes of the October 29, 2019, Board Meeting be approved. Mack Hogans seconded the motion, and it carried unanimously.

Mission Moment: Opportunity Scholar Story

Kimber Connors, WSOS Executive Director, introduced WSOS Scholar Edwin Antonio, a senior at UW. Antonio shared his story of growing up in Mountlake Terrace, being involved with the Running Start program at Edmonds Community College and applying to UW's Chemical Engineering and Biochemistry programs. He highlighted his experience this year as a WSOS Scholar Lead because it has been so fulfilling for him to help first- and second-year Scholars succeed. He is also serving as a volunteer coordinator for the UW Chapter of the American Institute of Chemical Engineers. He expressed great appreciation for WSOS because it has enabled him to focus on his studies and not take a part-time job. In the future, he plans to further his education by applying to medical school. He noted his brother, also an Opportunity Scholar, is graduating from UW Bothell.

When asked by Joelle Denney for his one piece of advice for the scholarship in general or the Scholar Lead program, Antonio suggested communications with Scholars regarding the scholarship be tailored to their individual programs. The Board expressed their appreciation to Antonio for sharing his experiences and wished him well in his future endeavors. Connors noted that Antonio will try to join the March Board meeting in person.

WSOS Next Steps

Connors introduced a question and answer discussion on the WSOS strategic priorities which she presented in detail at our last board meeting in October. Connors reviewed the three strategic priorities: 1) scalable, statewide programs; 2) build the brand; and 3) fund to 2030. She noted a fourth priority that underpins the three strategic priorities: maintain WSOS as a preferred workplace to ensure the right staff with the right skills are in place to support mission-critical work.

Adams' requested clarity on WSOS's theory of change and intended impacts. In response, Connors highlighted two intended impacts of WSOS: first, to help Scholars persist to graduation in five years and second, to land jobs within nine months post-graduation. Additionally, she noted WSOS's theory of change in how to reach these intended impacts is a combination of support services and financial support. Adams asked what else could be done to design for scale if WSOS had more time. Connors indicated the GRD program (Advanced Healthcare degree) would provide much needed impact, expanding WSOS's role into the graduate degree space. When asked by Jane Park whether anyone from the Board had reached out to Connors with any concerns since these strategic priorities were first presented at the last Board meeting, Connors reported no one had expressed

concerns. Several people, however, asked if she knew how large the \$200M goal is. She responded by saying we are very fortunate to have the support of the state in providing half of the goal with the state match. Park asked Board members if they were in support of this new direction and called for discussion. The Board expressed full agreement in shifting the focus from sunseting WSOS to setting a new path forward given the impressive outcomes and impacts demonstrated in the data.

Denney suggested learning more about the GRD program as it pertains to the \$200M goal. Connors indicated that further information will be provided about the GRD at our March board meeting, specifically with our seeking a cornerstone partner. Erin Ashley, WSOS Development Director, stated that WSOS staff have undertaken a feasibility review to identify prospects to support WSOS in reaching the \$200M fundraising goal over the next ten years. The first anticipates raising \$10M from OpportunityTalks and recurring named scholarships that are already in place. Additionally, WSOS fundraising projections assume \$5M in interest earnings; of the \$200M goal, WSOS is anticipating \$100M from the state match, \$10M from already identified opportunities and \$5M in interest earnings, leaving \$85M to be fundraised from new sources. (Ashley also announced BECU Foundation committed to funding five BaS and five CTS scholarships with a \$162,500 commitment to be matched by the state which the Board acknowledged with gratitude.)

Ashley presented the WSOS team's development strategy would entail seeking donors based on five levels of partnership - from cornerstone partners who give \$15M+ to individual/small corporate or foundation gifts of less than \$50K. She reported that mid-level gifts and those less than \$50K have historically been our sweet spot. The overall goal of \$85M in pledges from all levels of partners through 2025 as follows: \$45M from cornerstone partners (\$15M+), \$20M from major gifts – level 1 (\$5M-\$14.9M), \$15M from major gifts – level 2 (\$500K-\$4.9M), mid-level gifts (\$50K-\$499K) and <\$50K from individual/small corporate or foundation gifts. Ashley stated that additional staff are needed to accomplish these fundraising goals, specifically a Major Gifts Officer and a Development Officer.

When asked by Park to describe the spend cycle, Connors stated she firmly believes the \$200M goal is achievable and now seeks approval to begin fundraising efforts. Connors committed to reporting progress on the goal to the Board over the next 18 months with close monitoring on if the goal needs adjustment. She added cohort sizes would not be increased until additional funds are in hand; the requested approval was to initiate reactivating fundraising efforts and goals. Current funding is available for BaS cohorts at 750 through 2025 and CTS cohorts at 550 through 2029 but new funding is needed to grow cohort sizes to 1,000 in each program and extend cohorts through 2030 in alignment with strategic priorities.

Connors introduced the topic of board engagement. She noted that Jim Sinegal and Antony Chiang need to be replaced on the Board and several board members need to decide about requesting reappointment by the Governor. Connors stated she will set up meetings with Ashley and each board member over the next month to update bios for our website, ask about term reappointment interest, discuss succession planning and solicit potential names for the WSOS Board and WSOS Finance & Investment Committee.

Connors reported that Gary Rubens would like to launch a Strategic Vision Committee within the Board and be the lead. The focus would be on discussing new programmatic initiatives and driving organization strategy. She stated that utilizing established networks for talking to the right people would be vital. Rubens and Connors anticipate developing a charter with roles and responsibilities which would then be brought to the Board for approval.

The Board engaged in a discussion regarding adopting the strategic priorities and approving the fundraising goals. Mike Wilson posited that the expanded fundraising is clearly merited based on WSOS' compelling results. He suggested that the state legislature be asked whether they have any other funding priorities that we could implement. Jane Broom, Senior Director/Microsoft Philanthropies, indicated that those in Olympia have expressed strong support for the GRD. If the legislation was passed, then the money will be forthcoming. Ashley stated WSOS is open to other programs if a funder expressed interest and the Legislature had a willingness to match. She reported the GRD state match maximum is currently capped at \$1M per biennium. State match monies are always contingent on private dollars raised.

Adams asked whether any other staff are needed beyond the Major Gifts Officer and Development Officer positions. Connors advised that two additional staff are needed on the External Affairs team to focus on tribal/county/municipal fundraising and to improve branding and marketing efforts. Finally, two advisors are needed to provide support services for CTS Scholars.

Diane Cecchettini noted that an external consultant is normally hired for managing a capital campaign. She asked if one has been identified to be sure we avoid any missteps. Connors stated that the current budget does not support an external consultant. Park recommended that additional money be allocated or raised for this purpose.

Park proposed the Board discuss the proposed 2020 WSOS budget before voting to adopt the strategic priorities and approve the fundraising goals. There being no issues raised, this approach was used and discussion moved to the proposed budget.

Proposed 2020 WSOS Budget

Connors identified increased staffing as the largest financial impact for accomplishing the strategic priorities. Cecchettini stated that she knows several external consultants who could support the major capital campaign and advised that one with experience will require an additional \$30-\$50K in the proposed budget.

Connors identified the additional staff needed to accomplish the strategic priorities: transition staff resources to GRD design and fundraising, two CTS Advisors to launch support services for ~1,000 participants, transition staff resources to advocacy work focused on tribal/county/municipal fundraising, add two more to the External Affairs team to improve branding and marketing work, a Major Gifts Officer plus a Development Officer to support reinvigorated fundraising efforts and secure first funders for GRD and Rural Jobs.

Connors presented the proposed 2020 WSOS budget and noted variances from the 2019 approved budget. Revenue is comprised of event, investment income, private gifts and the state match. Revenue goals for 2019 fell below budget due significantly to the decision to release Boeing funds rather than seek cornerstone partners for CTS in addition to the restructured Rubens Family Foundation gift. Fundraising costs will ramp up in 2020 but the new hires will likely not be onboarded until April. Revenue generation from the new strategy/relationship building efforts in 2020 will not likely hit until 2021. Also, there is a new delay in the state match revenue receipt. Scholarship expenses for 2019 were budgeted at \$25M but actuals were closer to \$16M with the scholarship modeling update. The budget for Scholarship expenses in 2020 has been set at \$11M due largely to the reduction in cohort sizes post-Rubens Family Foundation funds coupled with the scholarship model update. Personnel costs will increase by approximately \$595K with 6 new FTE and the 1.6% COLA for all staff. Other operating expenses are increased by \$185K as a result of expanding WSOS office space, expenses related to new hires and lobbying costs. The administrative fee will go up by about \$16K largely to cover CTS.

Connors reported that the WSOS Finance & Investment Committee formally approved the recommendation of the proposed budget to the Board. Hogans stated that WSOS has earned the right to grow based on their excellent performance. Hogans noted the Committee had discussed in executive session that the budget may understate the necessary Development costs. The Committee recommended that the budget be expanded if directed by the Board and the Committee would fully support the Board's decision.

Park asked how WSOS can be set up for success with the budget. Connors noted the value of hiring an external consultant to find an experienced Major Gifts Officer. Connors requested the Board authorize additional funds to support with development needs in consulting, recruiting or other areas.

Cecchettini made a motion the Board approve the budget with an additional \$30-\$50K set aside for Development costs/external consultant with approval by the Finance & Investment Committee. Discussion of the motion ensued. Hogans recommended research first be done by Connors to confirm the actual dollar amount needed without imposing a cap. Cecchettini amended her motion to approve the proposed budget as presented with a request Connors present an additional budget request at the next Board meeting in March. Park asked whether this would slow down the process of hiring. Connors stated that it would be preferred to hire someone before the March Board meeting. Park amended Cecchettini's motion as follows: approve the budget as presented giving the Finance & Investment Committee the ability to approve up to \$50K for Development costs/external consultant and

then the budget could be revisited at the March Board meeting if necessary. Hogans seconded the motion, and it passed unanimously.

Hogans made a motion to formally adopt the strategic priorities and approve the fundraising goals as presented. Julie Sandler seconded the motion and it carried unanimously. Jane Broom stated that Brad Smith is in full support of this decision because she and Connors met with Smith last week to discuss the agenda in detail.

Program Update

Connors presented a celebratory review of 2019 key accomplishments with WSOS programming and operations. Notable programming efforts included the launch of the Career & Technical Scholarship with the release of the Boeing endowment funds. In addition, the Scholar Lead program showed a higher retention rate from year one to year two and the refined supports proved more accessible and impactful. Lastly, the Skills that Shine program was transitioned to a brand-new curriculum platform and is primed to grow from 250 to 1,200 mentor-mentee pairs in 2020.

Connors also highlighted 2019 operations accomplishments. First, WSOS cleared the JLARC audit. After a comprehensive two-year review, the Legislative Auditor made two recommendations. Connors indicated that WSOS concurs with both recommendations: provide additional information in our annual legislative reports and include overall non-scholarship costs in our annual reports. Outcomes of the audit reflected clear, strong program impacts and low operating costs at 7%. Second, WSOS hosted its 5th annual Opportunity Talks and met our \$1M fundraising goal. Third, the new WSOS Legislative Report design incorporates JLARC's recommendations and reporting on the new Career & Technical Scholarship. Finally, key leadership roles at WSOS were filled with the new Executive Director hire in July and the new Deputy Director, Javania Cross Polenska, in November.

Connors presented the 2020 programming goals: grow the CTS by securing additional investments and launching support services, scale the Skills that Shine program to grow it from 250 to 1,200 mentor-mentee pairs and pilot the Industry Insider program by designing a delivery system for opportunities and growing industry engagement. Connors then identified the 2020 operations goals: secure a cornerstone partner for the GRD and Rural Jobs, expand office capacity and access the previously restricted \$500K for implementation costs. Budget proviso language has been included in the Governor's budget to access this money.

Legislative Report 2019

Steve Walker, WSOS Awards Administration Director, presented new additions to the Legislative Report including data on the new CTS, JLARC findings and operational expenses. He also reported on top-level highlights encompassing geography, economy and impact. BaS Scholars are represented in every county throughout the state. Walker noted that potential CTS students who live further away from a community college find it more challenging to attend. Per capita is disproportionate where we want it and a good spread of counties is represented.

Economic data indicates that our Scholars are filling the jobs our state needs most. The selection model for CTS is working effectively for shifting Applicants to Selects to actual job openings in Engineering/Manufacturing, Healthcare, Information Technology and Trades. The same holds true for the BaS selection model which is effectively putting these Scholars on the path to filling jobs in Biology & Biomedical Sciences, Engineering, Healthcare and Information & Computer Sciences, all jobs which are the most needed in WA.

Walker noted our selected BaS Scholars are underrepresented in Healthcare and Information & Computer Sciences. While many Healthcare Scholars are selected, many struggle to get into their major with the limited number of seats available. With Information & Computer Sciences, we are not receiving enough applicants and aim to target promotion to potential candidates in these fields. When Denney asked why they aren't more applicants in Computer Sciences, Walker advised there are fewer people wanting to enter that field. Broom stated that Microsoft is working to generate more interest among K-12 and increase the rate at which schools incorporate Computer Sciences in their curriculum. If students don't know the course exists, then they cannot take it. Change among schools is slow. In all 50 states, Computer Sciences counts as a math course. Denney, Broom and Angela Jones, Washington STEM's CEO, identified these key partner groups who can assist in the effort: WA Roundtable committees, Code.org and Washington STEM.

Walker reported that our BaS Scholars significantly outpace the national levels for women and black/Latinx by industry. Hogans posited that our legislators in Olympia might be interested in knowing comparable data for our state rather than the national figures included in Walker's presentation. Walker indicated he would seek that information. Jones stated her team works with OSPI and will talk to Walker offline.

Walker reported next on the dramatic impact of the BaS. He reported that BaS Scholars are almost 2.5 times more likely to graduate from college in four years than their peers. Further, one year after college they earn \$8K more than their peers. In addition, our Scholars are making double what their family makes five years post-graduation. They are indeed breaking intergenerational poverty. Walker reported the average cost of supporting a Scholar to graduation including everything is \$14K for the BaS and \$7K for the CTS. Given this information, the payoff is within one year after graduation for CTS Scholars and less than two years for BaS Scholars.

Park indicated this data is understated because it is not compared to students who never went to college. If that data was factored, our numbers would grow considerably and be an even better representation of the true effect of WSOS. Walker agreed that WSOS is transforming the lives of our Scholars.

Walker reported on operational expenses which indicate what it takes to make this impact over the past twelve months: 81% is scholarship expenses which includes direct scholarship disbursements (\$15M), 10% is administration costs which include Development and Management/General costs (\$2M) and 9% is programming costs which includes Awards, Success, Placement and Programs (\$1.7M).

Finance & Program Administrator Update

Hogans reported all the financial reporting is included in the pre-read materials. He stated the WSOS Finance & Investment Committee met last week and confirmed WSOS finances are well managed, there is strong alignment between forecast and revenue and all variances are easily explained. Funds managed by the Washington State Investment Board (WSIB) are performing near or beyond benchmarks. Preliminary fourth quarter results are positive. The Boeing donation was transferred out of the Endowment Account to fund the new CTS program. WSIB will formalize action on the CTS portfolio at their April board meeting.

Hogans reported that the Committee will be losing four of the members over the next few months. He and Connors have engaged in a discussion on succession planning and will be interviewing candidates in February. The goal is to choose at least one person from the east side of the state. Board members can send names to Connors or himself. When asked by Adams how many current members are on the east side, Hogans stated only one, Peter Harvey from Whitworth, but he resigned just over a year ago. Harvey represented not only the east side but also higher education. That representation would also be valuable on the Strategic Vision Committee especially with our pursuing partnerships with tribal/county/municipal communities.

Park expressed much appreciation to Connors for her leadership as WSOS's new Executive Director. Park invited Jvania Cross Polenska, the new WSOS Deputy Director, to share a few comments. Polenska indicated she started her background in college admissions and then shifted to the private sector. She realized her heart was in education to change it. Being a first-generation college graduate, she wanted to devote herself to giving that gift to others. She joined a large K-12 network doing policy in Chicago and, after moving to Seattle, she worked at Educurious. Polenska is very excited to have joined the WSOS team.

Connors expressed her appreciation to Polenska for making the team stronger and for asking the right questions at the right time. Connors shared her gratitude for Park for leading the board meeting so effectively in Smith's absence.

The meeting adjourned at 2:53 pm.

Respectfully submitted,
Karyl Gregory

Tab B

Mission Moment: Opportunity Scholar Story

SCHOLAR SPOTLIGHT

KARINA NERI

Public Health, Education Communities and Organization
University of Washington Seattle

ABOUT KARINA

Karina is a senior at the University of Washington Seattle where she is double majoring in Public Health and Education Communities and Organization. She hails from Federal Way and plans to attend graduate school to pursue physical therapy after graduation. Currently, Karina is an intern for the College Assistance Migrant Program at UW where she focuses on easing the transition from high school to college for freshman students from migrant and season farm worker families. She is also an intern at Vulnerable Populations Strategic Initiatives where she hosts workshops for the elderly to raise awareness on health issues and topics such as stroke, cardiac arrest and bystander CPR. Karina is also a Scholar Lead this year with WSOS!

IN HER OWN WORDS

"I am the first in my family to attend college. I plan to attend graduate school, and in order for me to get there, I need to prepare for the GRE and the grad school process. This is all new for me, but I am excited to keep pushing and continue school. Throughout my four years in college, I have shaped my own path on navigating college, and it was not the easiest. The reason why I became a Scholar Lead was because I recognize from personal experiences how challenging and daunting it can be to enter an institution of higher education as a student of color and as a first-generation college student when you don't have resources or a community."

Tab C

Baccalaureate and Career & Technical Scholarship Selection

Board Action: Approve selection model

SELECTION: Baccalaureate and Career & Technical Scholarships

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CTS SPRING 2020 SELECTION

WASHINGTON STATE
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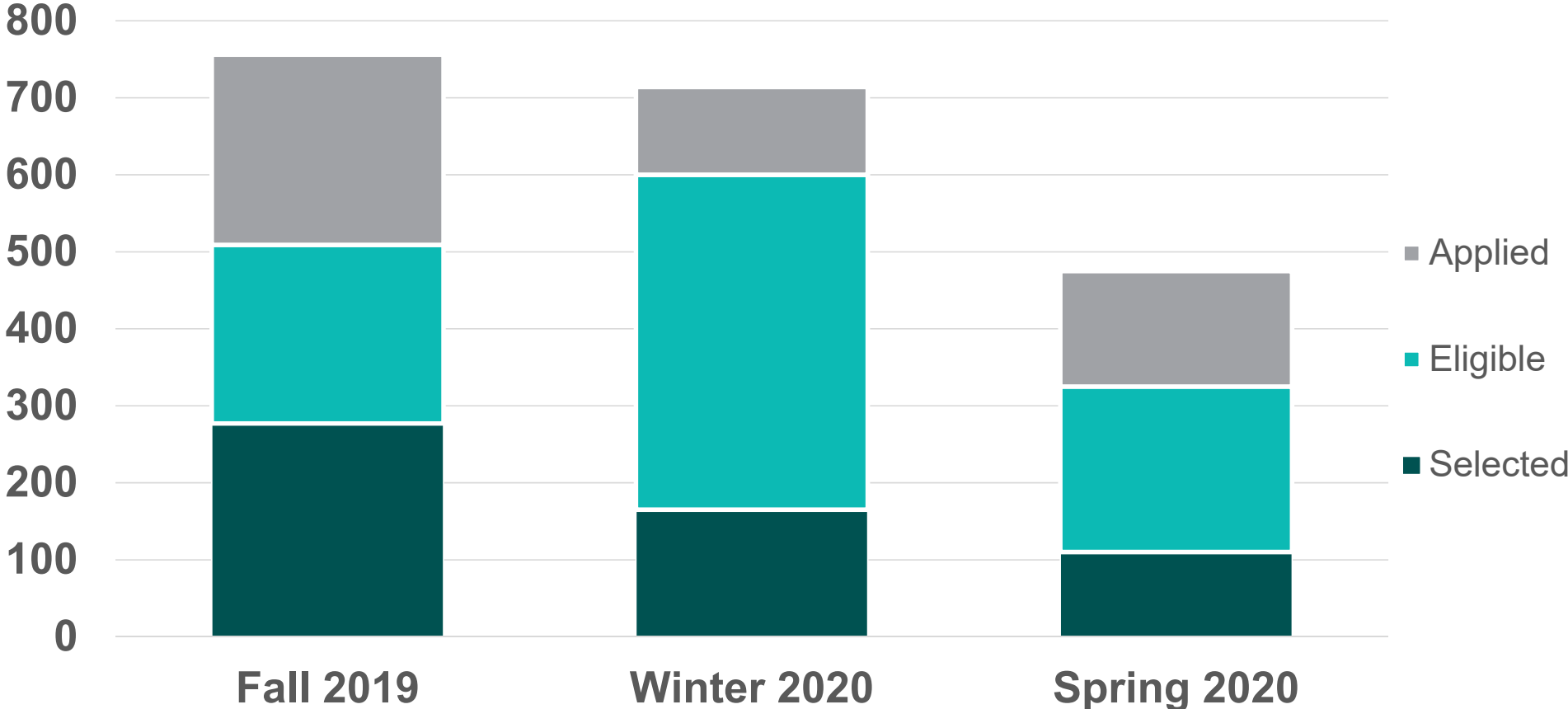
SPRING 2020 SELECTION RESULTS

Intended Program	Percent of Applicants	Percent of Selects	Percent of Job Openings
Information Technology	12%	21%	22%
Engineering / Manufacturing	9%	11%	15%
Trades	20%	32%	42%
Health Care	57%	32%	16%

CTS 2019-2020 OVERVIEW

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APPLICANTS BY QUARTER



DEMOGRAPHIC SUMMARY

MFI

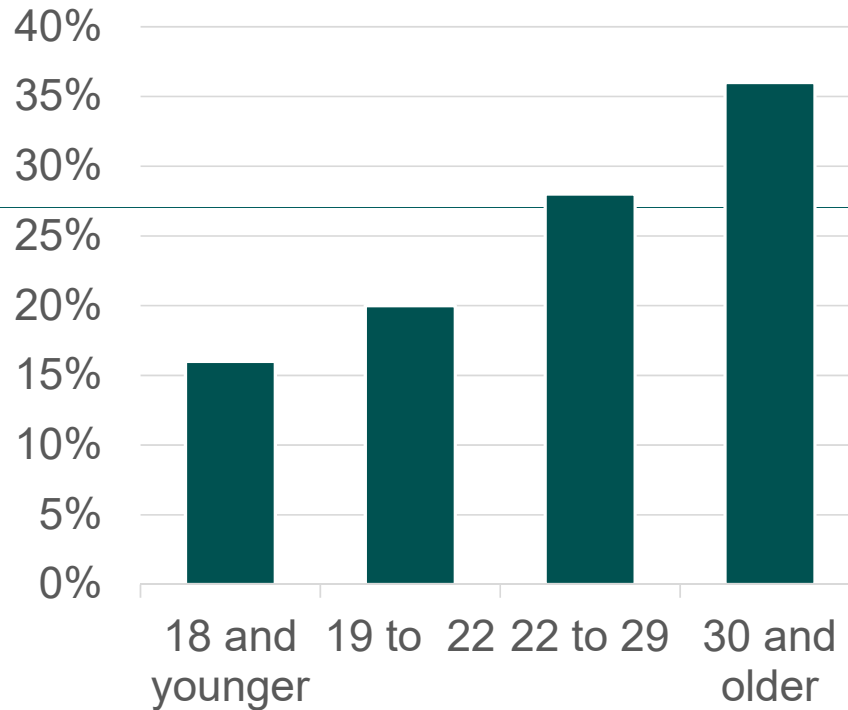
(Median Family Income)

\$15,410

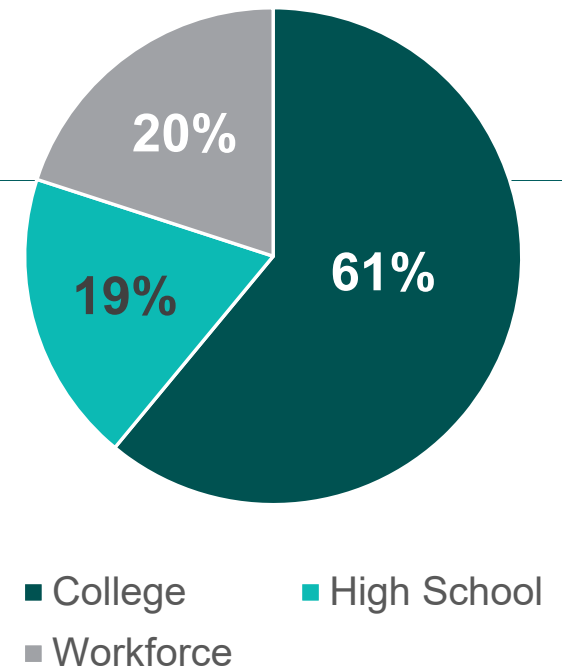
**Future
Earnings**

4x
current earnings

Age

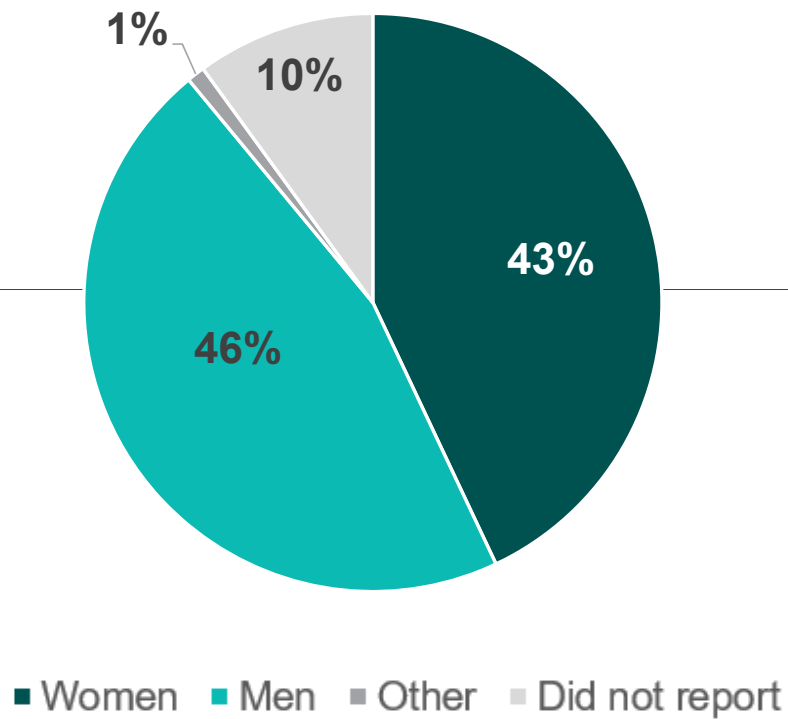


Education Status

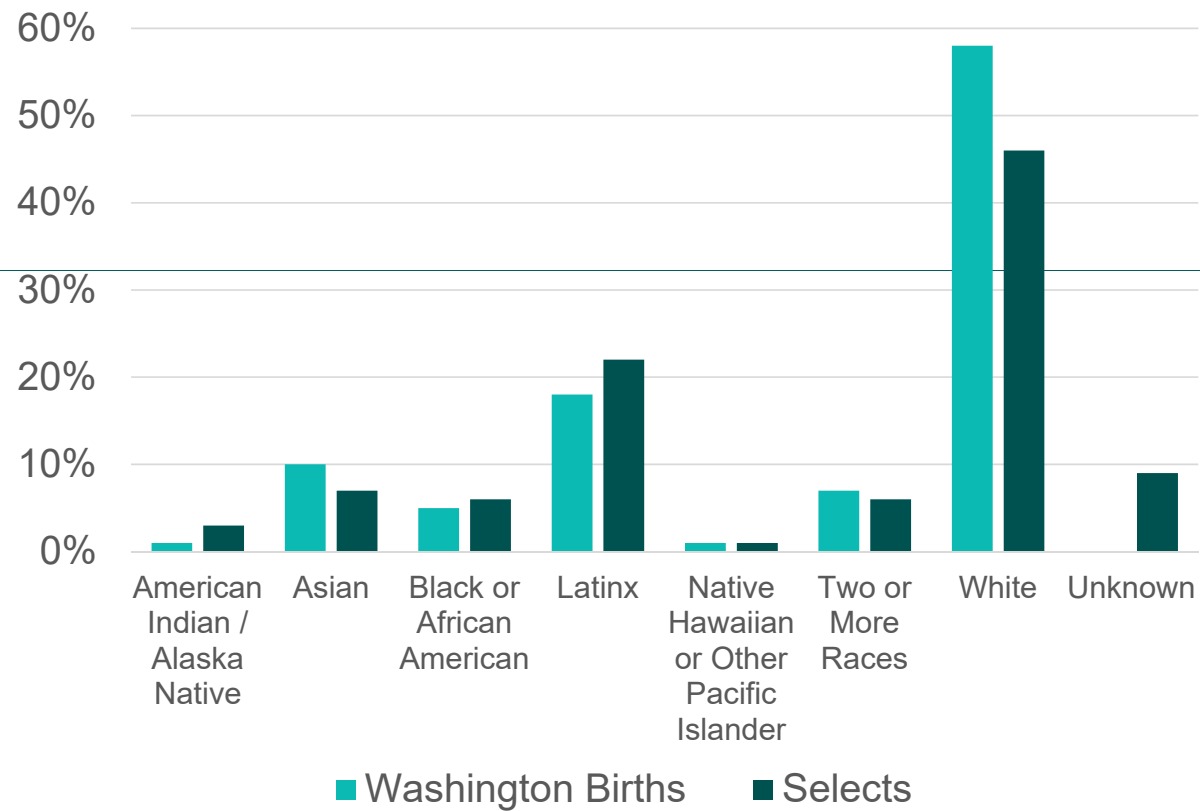


DEMOGRAPHIC SUMMARY

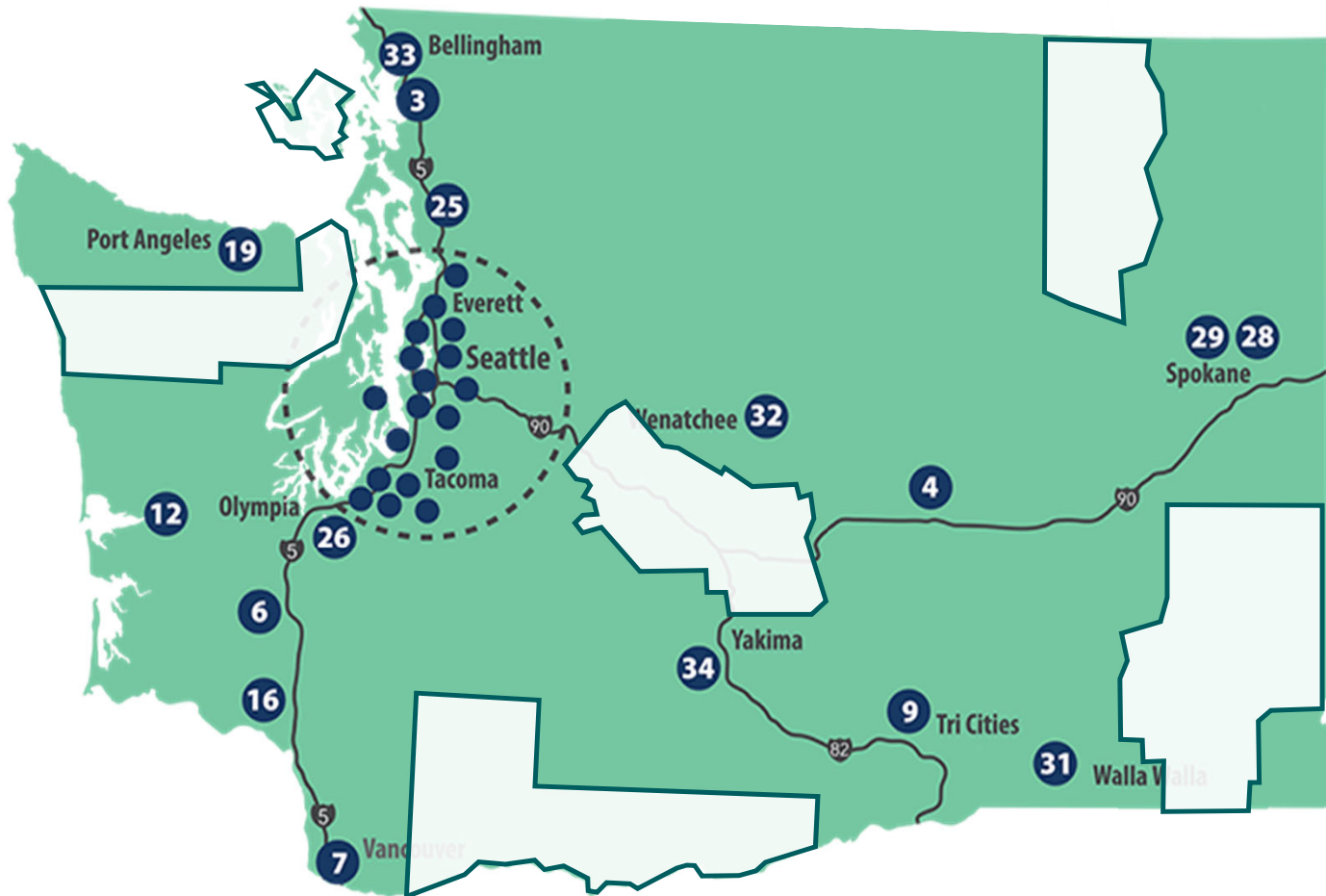
Gender



Race / Ethnicity



GEOGRAPHIC DISTRIBUTION



34 / 34
CTCs

30 / 39
counties

49 / 49
legislative
districts

REPRESENTATION BY INDUSTRY

Intended Program	Percent of Applicants	Percent of Selects	Percent of Job Openings
Information Technology	14%	26%	22%
Engineering / Manufacturing	11%	13%	15%
Trades	17%	27%	42%
Health Care	58%	34%	16%

2020 BACCALAUREATE SCHOLARSHIP SELECTION

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GOALS

- Review applicant pool
 - Vote on 2020 selection criteria
-

BACCALAUREATE SCHOLARSHIP IMPACT

In college

2x

**more likely
to graduate
in 4 years**

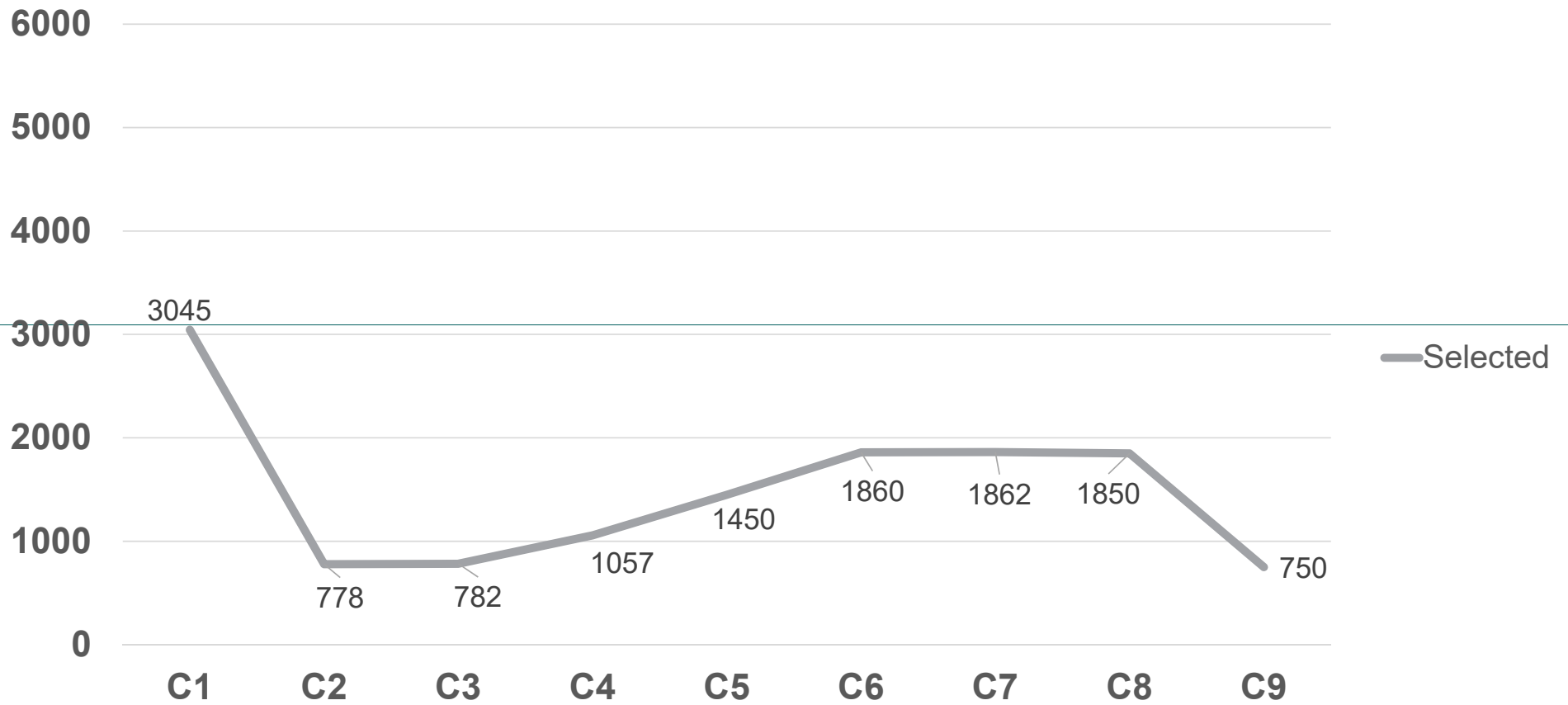
5 years after college

Earn

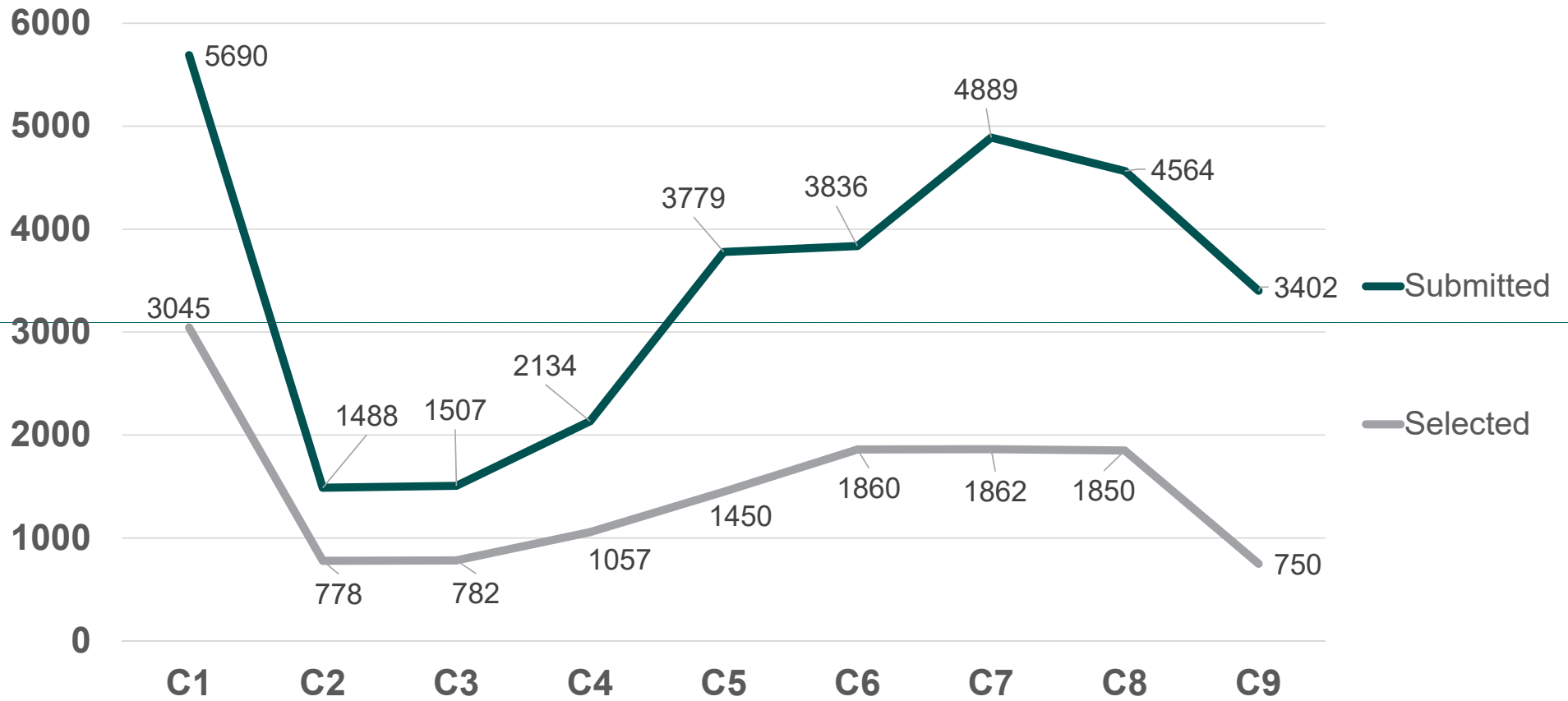
2x

**more than
their family**

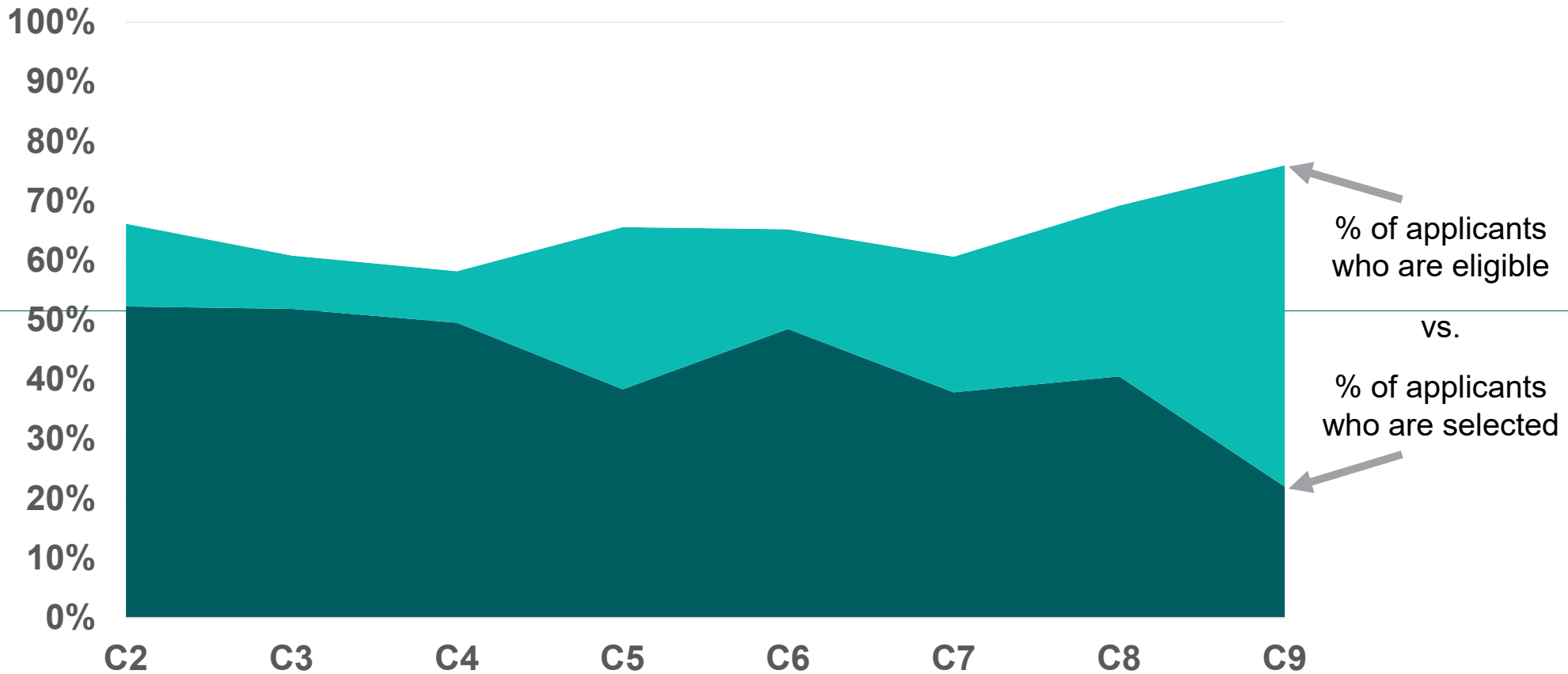
RECIPIENTS OVER TIME



APPLICANTS OVER TIME



COMPETITIVENESS OVER TIME



SELECTION GOALS

- Prioritize impact statewide in **high-demand fields**
 - Select Scholars **highly likely to complete** their program
 - Promote **equity of access** to higher education
-

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BACCALAUREATE SELECTION MODEL

Criteria	Measure	Purpose
Intended Major	Forecasted industry job demand	Prioritize the jobs WA needs most
Community Opportunity	Unemployment rate by zip code	Prioritize the communities that need these jobs the most
STEM Essay	Scored twice on 5 point scale, then normalized and averaged	Prioritize applicants most likely to graduate in STEM / HC
Resilience Essay	Scored twice on 5 point scale, then normalized and averaged	Prioritize applicants most likely to graduate from college
GPA	Most points for 4.0, least points for 2.75	Prioritize applicants most likely to graduate from college
Family Income	Most points for 0% MFI, least points for 125% MFI	Prioritize applicants least likely to graduate without our support
First Generation	Points to first generation applicants, with partial points if parents have a technical degree	Prioritize applicants least likely to graduate without our support

BACCALAUREATE SELECTION MODEL

Criteria	Baseline (Baccalaureate C8)	Recommendation
Intended Major	20%	20%
Community Opportunity	8%	12%
STEM Essay	7.5%	12.5%
Resilience Essay	12.5%	12.5%
GPA	20%	20%
Family Income	20%	15%
First Generation	12%	8%

For discussion: Promoting STEM education

IMPACT: DEMOGRAPHIC SUMMARY

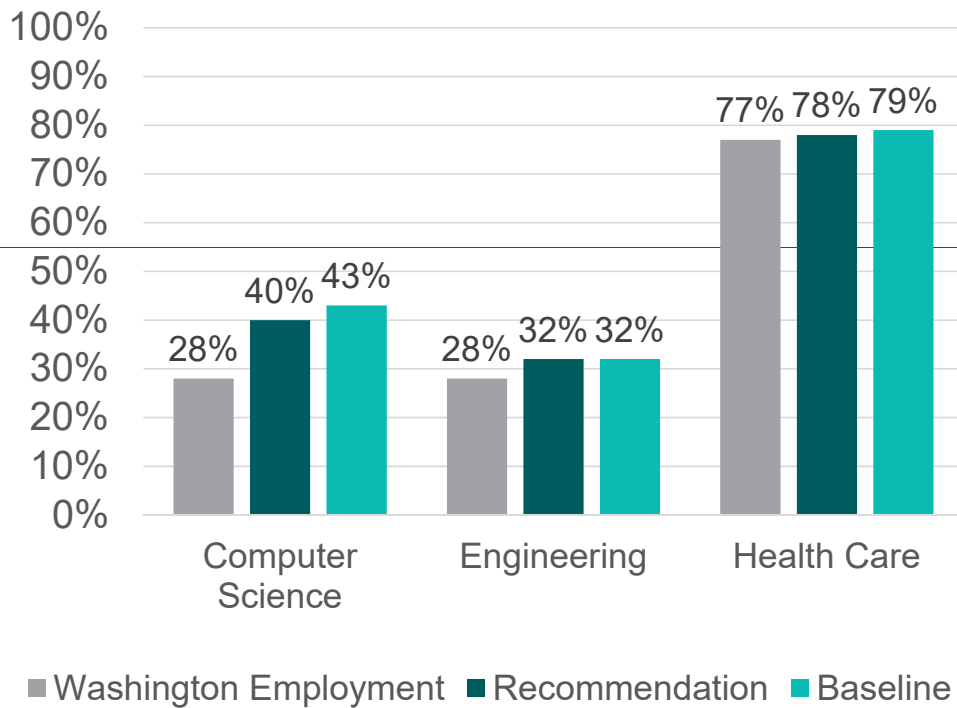
Option	MFI <small>(Median Family Income)</small>	First Generation <small>To Earn a Bachelor's Degree</small>	Counties <small>Represented (of 39)</small>
Baseline	\$32,370	77%	32
Recommendation	\$35,680	71%	34

IMPACT: INDUSTRY REPRESENTATION

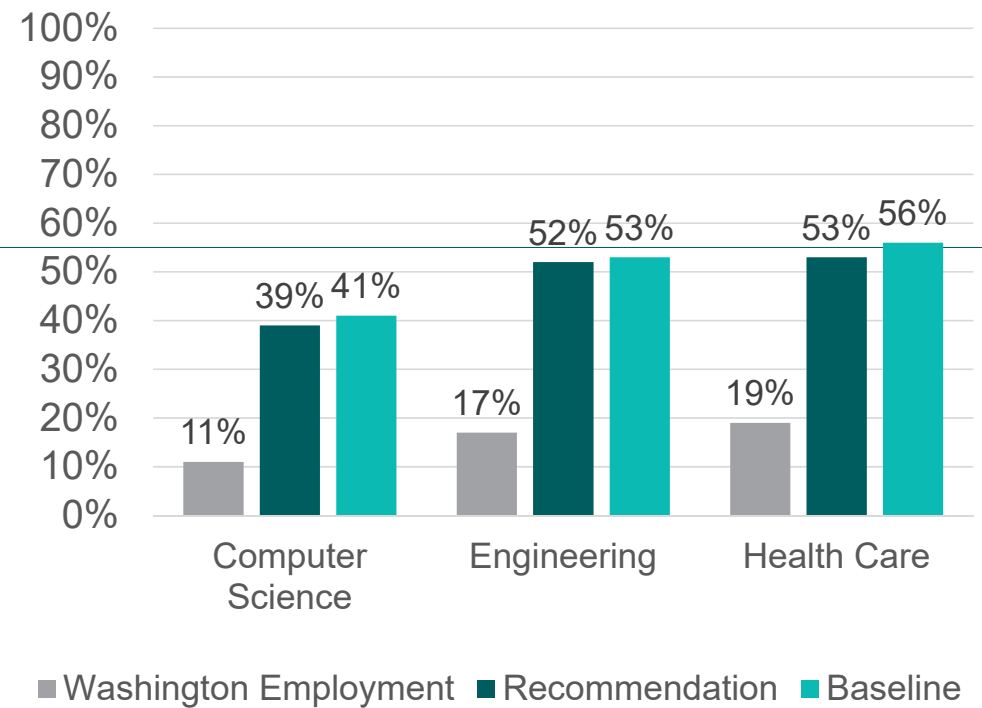
Field	% Applicants	Baseline (BaS C8)	Recommendation	% Job Openings
A/V Technology	2%	0.5%	0.4%	6%
Biology	24%	17%	15%	8%
Computer Science	20%	39%	40%	39%
Education*	2%	0.5%	1%	5%
Engineering	20%	24%	24%	16%
Environmental Sciences	3%	0.4%	0.4%	4%
Health Services	11%	5%	5%	6%
Nursing	15%	14%	14%	11%
Physical Sciences	4%	1%	1%	3%

IMPACT: INDUSTRY REPRESENTATION

% Women by Industry



% Underrepresented Race or Ethnicity by Industry



Washington employment data from Census Bureau 2018 ACS 1-year Estimate

BACCALAUREATE SELECTION MODEL

Criteria	Baseline (Baccalaureate C8)	Recommendation
Intended Major	20%	20%
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GPA	20%	20%
Family Income	20%	15%
First Generation	12%	8%

For discussion: Promoting STEM education

Tab D

Advanced Health Care Design Thinking

ADVANCED HEALTH CARE DESIGN THINKING

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LEGISLATIVE HISTORY

- **HB 2143**
 - Passed spring 2018
 - \$1M biannual state match promised
 - Designated for advanced degrees in health care fields
 - Goal is to address workforce shortages in medically underserved areas, with a specific focus in behavioral health
 - Interest from the Legislature to hear back on progress

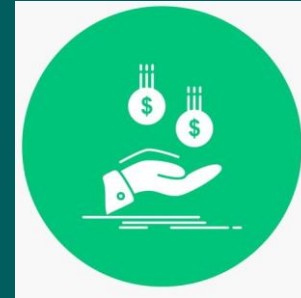
Background research on best practices



WSOS staff built initial program design based on feedback



Program design proposal finalization



Design approval from WSOS Board



Gathered input from industry, education, philanthropy, students, policy makers, other experts



Update to WSOS Board



Secure cornerstone partnership



March 2020

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THE PROBLEM

- **Lack of health care providers with an advanced degree**
 - Talent gap persistent for dentists, physicians and nurse practitioners
- **Medically underserved areas struggle to attract talent**
 - Less well-resourced
 - Often in rural areas
- **Landscape review**
 - Loan repayment programs exist; varying levels of efficacy
 - Very few scholarship opportunities or other financial aid available to seek advanced degrees

PROPOSED TARGET RECIPIENTS

Nurse practitioners (ARNPs) are registered nurses with graduate degrees (DNPs).

Efficient & effective placement.

Nurse practitioners complete their coursework and clinical practicum in a **relatively short period of time**. Unlike physicians whose residency can frequently take them out-of-state, **in-state clinical practicums serve as a proxy** for where graduates will ultimately practice.

Capable providers.

Nurse practitioners perform with **largely the same independence as primary care physicians**. Additionally, they **have prescriptive authority** and can prescribe medications as necessary without physician oversight.

Affordable.

Clinics and hospitals can employ nurse practitioners for **more affordable** rates than primary care physician counterparts.

WASHINGTON STATE
OPPORTUNITY
SCHOLARSHIP

INITIAL DESIGN: Advanced Health Care

	Advanced Health Care Scholarship Components
Scholarship Award Amount	<p>\$40,000 maximum award amount \$20,000 per year for Year 2 and Year 3 in DNP; approx. ~40% of cost of attendance in programs</p>
Targeted Awardees	<p>Seeking a Doctor of Nursing Practice (DNP) <i>Note:</i> exploring MS track at Gonzaga, PLU Recent Bachelor's of Science in Nursing (BSN) completers <i>Particularly:</i> Opportunity Scholar alumni from nursing programs</p>
Program Specifics	<p>2nd and 3rd year support due to timing of practicum selection Focusing on recipients with an interest in medically underserved areas No repayment provision; will include commitment for service Campuses: Gonzaga, WSU, SPU, SU, UW and PLU</p>
Scope	<p>\$1M/biennium cap = \$1M in private + public funding max per year n=50 enrollees at max capacity; (n=25 per cohort) <i>Possible pilot launch: \$120K private + match = \$240k, pilot of n=6</i></p>

SEEKING CORNERSTONE PARTNERSHIP

- **Challenges**

- Exploring how income requirement and WA high school graduation requirement will impact eligible students
- Health care industry partners are excited about existing programs (CTS, BaS)

- **Possible 2021 Legislative Conversations**

- Income/WA high school graduate eligibility change
- Program “seed” funding

- **Timeline**

- Possible pilot launch for fall 2020
- Possible launch in fall 2021

WASHINGTON STATE
OPPORTUNITY
SCHOLARSHIP

Tab E

Finance & Program Administrator Update

Board Action: Approve reallocation of Career & Technical Scholarship funds

Agenda

WSOS Investment & Finance Committee Meeting *February 25, 2020 | 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 | (3 min) |
| 2. | Approval of January 8, 2020 Minutes | Mack H. | |
| 3. | Program Administrator Report | Matt P. | (10 min) |
| 4. | WSIB Quarterly Performance Report | Chris P. | (10 min) |
| 5. | WSIB Asset Allocation Update | Chris H. | (30 min) |
| 6. | Program Update | Kimber C. | (2 min) |
| 7. | Executive Session | Mack H. | (5 min) |

UPCOMING MEETINGS:

**Special session:* February 27, 2020 at 11 am - 12 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 January 8, 2020 Minutes

**FINANCE & INVESTMENT COMMITTEE MEETING MINUTES |
WEDNESDAY, JANUARY 8, 2020**

Members present: Mack Hogans (Committee Chair); Manish Jain and Bob Moser; Beau Damon, Brad Faulhaber, Jennifer D. Hare and Julie Sandler by phone

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

Mack Hogans called the meeting of the Washington State Opportunity Scholarship (WSOS) Finance and Investment Committee to order at 2:03 pm and conducted a roll call with self-introduction of all participants and noted a quorum was present.

Approval of Minutes from October 22, 2019 Finance and Investment Committee

Manish Jain made a motion to approve the minutes of the October 22, 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 9/30/19. Total Assets: \$123.3M. This is a -4% decrease from 6/30/19 due largely to the net scholarship disbursements of \$6.47M. These were offset in part by the WSAC match of \$2.35M, \$1.3M cash from donors (primarily from the Rubens Family Foundation pledge payment) and investment earnings and gains in both the Scholarship and Endowment accounts. Total unrealized gains YTD: \$8.92M. Investments balance as of 9/30/19 includes \$77.4M in the Scholarship Account, \$30.5M in the Endowment Account and \$7.7M with KeyBank.

Pledges and Grants Receivable, net, decreased by 18% due largely to payment by the Rubens Family Foundation pledge payment of \$1.7M. In August, adjustments were recorded to the scholarship liabilities for the Baccalaureate and Career & Technical Scholarship (CTS) programs of \$15.9M and \$1.77M respectively. Pledge Receivables balance includes Gary Rubens' pledge of \$5M in support of Baccalaureate scholarships as well as corporate/ individual pledges of \$19K from the OpportunityTalks Breakfast event.

Total Liabilities: \$38.49M This is a 41% increase since 6/30/19 due to awarding Baccalaureate scholarships to Cohort 8 (over 1,700 Scholars) as well as CTS scholarships to Cohort 1 fall quarter (~250 Scholars). More CTS Scholars will be awarded for the winter and spring quarters bringing the total to 500-550 Scholars for Cohort 1. Baccalaureate scholarships awarded in 2020 will be decreased to ~750 students from the higher cohorts over the last four years as a result of the completion of the Rubens grant agreement.

Yields Total Net Assets: \$84.8M which represents a 6% decrease from 9/30/18.

WSAC matched \$2.35M in Q3. Poth further reported on the ongoing reconciliation of funds with the College Success Foundation. Of the original \$2.8M outstanding, \$2.4M has been collected as of 12/31/19. A balance of \$125K has been invoiced to WSAC and the remaining \$265K requires supporting documentation. This work will continue in Q1 2020. Poth noted that we are well below the allowance set in 2017.

The private revenue budget for the first nine months of the year was \$4.6M, with \$3.75M in CTS and \$900K in the Baccalaureate scholarship. The budget for CTS was \$5M and, when we look at budget vs actual, the revenues are below budget. This will ramp up in 2020 and 2021. Revenue for the Baccalaureate scholarship will come in below the \$1.2M budget. We expect to drop the annual revenue budget for the Baccalaureate scholarship to \$1M for 2020.

Salaries and Benefits are slightly higher YTD as a result of salary increases and the CEO bonus paid in 2019 was higher than the 2018 accrual. It is likely that by year-end the actual personnel costs will be right on par with the budget.

Professional Fees are slightly under budget, however, we expect them to be over budget by end of year (~\$50K) primarily due to Communications, I.T./Eval, Recruitment and Board and Staff Development. Payments to Scholar Leads should come under budget.

WSOS investments as of 9/30/19: Scholarship Account is \$85.1M (excludes cash held in primary checking account and money market at time of reporting). 90.8% is from private funds, 9.2% is from state match funds, 72.1% is fixed income, 22.4% is equity and 5.5% is cash. Endowment Account is \$30.5M (all held at WSIB). 57.2% is from private funds, 42.8% is from state match funds, 46.9% is equity, 10.3% is fixed income and 42.8% is cash.

Poth indicated that Chris Hanak from WSIB's Risk Management and Asset Allocation team will speak to a new CTS investment account which WSIB created in October for private dollar investments. Poth also reported the creation of a new CTS account for public dollars at KeyBank. A true-up between the accounts has been done and the modelling forecasting has been updated with help from Connors and Hanak.

Hanak reported the asset allocation for the Endowment Account was changed to de-risk the fund in preparation for the transfer of the recharacterized Boeing donation to the new CTS Account. Due to the similar structure of the two scholarship programs, the Scholarship Account asset allocation was selected as an interim target. Once the new CTS Account became operational, the recharacterized assets were transferred at the existing allocation, 70% fixed income / 25% equity / 5% cash. Connors, Poth and Hanak worked on a cash flow model in preparation of a strategic asset allocation study for the CTS Account. WSIB is performing the study for the CTS Account and reviews of the Scholarship and Endowment Account allocations. This will then come back to this committee for review and finally back to the WSIB Board for final investment policy consideration. As a result of the \$25M transfer to the CTS Account, the Endowment Account is down to about \$5M. This amount consists of the earnings since inception which remain in the account. He further reported that the private Endowment Account was returned to the 80% equity / 20% fixed income policy target allocation after the transfer. Bob Moser requested an up-to-date amount still held in the Endowment Account; Chris Phillips, WSIB's Director of Institutional Relations and Public Affairs, verified the actual amount held in the Endowment Account as \$5.1M as of 12/31/19.

Beau Damon asked if we were anticipating the decrease in the number of Scholars from 1,500 to 750 in the Scholarship Account. Connors affirmed that the cohort sizes of 750 and 55 for Baccalaureate and CTS, respectively, was in alignment with the original model.

WSIB Quarterly Performance Report

Phillips stated that this Q3 report pre-dates all the changes WSIB subsequently made to the asset allocation and the set-up of the new scholarship accounts, all of which occurred in Q4 2019. The new accounts (Student Support Pathways (CTS) and Advanced Degree Pathways) were created in October. The approved asset allocation changes were implemented in the October/November time frame, and the necessary policy and planning steps are now being fully completed to reflect those changes. Future investment reports from the WSIB will begin showing those accounts once Q4 data becomes part of the reporting cycle. Washington STEM staff and WSIB staff have been working closely throughout the entire process.

Phillips provided a performance review of WSOS funds invested through September 30, 2019. The Scholarship Account posted a 1.3% return, a 4% return for the one-year period ending September 30th and a 10% return for calendar year to date (January through September). The return for the three-year period was 7.2%. Cash returns in the State Match accounts were 0.53% for Q3 and 2.2% for the one-year period. The total market value of the Scholarship Account was \$77.4M as of Q3 end. The asset allocation was 70% Fixed Income / 25% Equity / 5% Cash.

The Endowment Account saw a return of 0.25%, a 2.3% return for the one-year period ending September 30th and a return of 14.7% for the calendar year to date (January – September). The return for the three-year

period was 8.5%. The total market value of the Endowment Account was \$30.5 million as of Q3 end. The asset allocation as of September 30th remained at 82% Equity / 19% Fixed Income and Cash. Phillips indicated that allocation was adjusted temporarily (to de-risk it with lower equity exposure) during Q4 in anticipation of the new accounts being structured.

Jennifer Hare offered to pull a report of what the market outlook looks like in the low interest rate environment based on what her company, JPMorgan Chase, is expecting. Hare indicated she could provide this report on a regular basis. Committee members expressed interest so Hare will send the report to Connors who will disseminate it to the rest of the Committee.

WSIB Asset Allocation Update

Hanak reported current unaudited WSIB-managed WSOS balances. Private funds in the Scholarship Account total \$77.5M while the State Match is \$86K. Private funds in the Endowment Account total \$5.13M and the State Match is \$583K. WSIB state match funds total \$12.5M and total private funds equal \$14.9M for a combined total of \$27.4M.

The decision to fund the new CTS program with Endowment Account assets shortened the account's investment horizon substantially. Equity exposure in the Endowment Account was reduced while the new CTS Account was established, and the allocation was returned to its 80% equity / 20% fixed income targets once the Boeing donation was transferred out of the Endowment Account. Currently both the Baccalaureate and CTS scholarship accounts have the same allocation targets: 70% Fixed Income / 25% Equity / 5% Cash. These allocations are prudent given the similar structure of the underlying programs.

Hanak will bring the strategic asset allocation study to WSIB's next Finance & Investment Committee on February 27th. Then it will come back to the WSOS Board for consideration on March 3rd. It will then go to the WSIB Board for consideration on April 16th along with any changes to the investment policy. Hanak pointed out that the current allocations are in full compliance with WSIB's investment policies.

Hogans asked whether the reporting will change. Poth stated that it would indeed change and indicated he will add this to the quarterly financial report.

Hanak reported that in consideration of the time required, WSIB also set up the advanced healthcare degree internal accounts even though they are not yet active. That way, when funds are received for this program, WSIB will be ready to activate the accounts very quickly.

Hogans asked if the state match continues in perpetuity. Connors stated that there is no defined end date in the statute and, because strong support exists, we can continue asking for the state match.

Program Update

Connors presented a review of 2019 key accomplishments with Programming and Operations. Notable Programming efforts included the launch of the Career & Technical Scholarship with the release of the Boeing endowment funds. In addition, the Scholar Lead program showed a higher retention rate from year one to year two and the refined supports proved more accessible and impactful. Lastly, the Skills that Shine program was transitioned to a brand-new curriculum platform and is primed to grow from 250 to 1,200 mentor-mentee pairs in 2020.

Connors also highlighted 2019 Operations accomplishments. First, WSOS cleared the JLARC audit. After a comprehensive two-year review, the Legislative Auditor made two recommendations. Connors indicated that WSOS concurs with both recommendations: provide additional information in our annual legislative reports and include overall non-scholarship costs in our annual reports. Outcomes of the audit reflected clear, strong program impacts and low operating costs at 7%. Second, WSOS hosted its 5th annual OpportunityTalks and met our \$1M fundraising goal. Third, the new WSOS Legislative Report design incorporates JLARC's recommendations and the new Career & Technical Scholarship. Finally, key leadership roles at WSOS were filled with the new Executive Director hire in July and the new Deputy Director, Javania Cross Polenska, in November.

Hogans reported that, in years past, this Committee informally recommended the budget. However, it is in the F&I Committee Charter that this Committee take a formal vote to recommend approval of the budget which

then goes to the WSOS Board. Hogans asked the Committee take on that role starting with the recommendation of the 2020 budget.

Connors presented strategic priorities which would directly impact the 2020 budget request to encompass designing for scale, building the brand and funding to 2030. Connors indicated WSOS received large gifts in the beginning of the program and then designed a sunset, spend-down model. Current projections would fund our last BaS cohort in 2025 and exhaust the funds by 2029. The state has established a 2030 timeframe for 70 percent credential attainment for all graduating seniors, so WSOS aims to participate in Washington reaching that goal.

Connors reported the state legislature passed the Advanced Healthcare degree (GRD) and Rural Jobs program components in 2018 but WSOS needs cornerstone partners as funders. In addition, staff resources need to be transitioned to design those programs as well as focus on fundraising. Also, two CTS advisors are needed to launch services for ~1,000 participants by the fall. Staff resources additionally need to be transitioned for advocacy work to focus on tribal/county/municipal fundraising and protecting the state's ongoing support for the program. The External Affairs team needs two additional FTE to improve branding and marketing efforts. Lastly, a Major Gifts Officer and a Development Officer are needed to support reinvigorated fundraising efforts.

Connors stated the positions were prioritized with the highest priority placed on hiring the Major Gifts Officer first. Bob Moser asked whether any money was set aside in the budget for recruiting costs. Connors indicated that about \$750 was budgeted for each critical position.

Connors presented the proposed 2020 WSOS budget and noted variances from the 2019 approved budget. Revenue is comprised of event, investment income, private gifts and the state match. Revenue goals for 2019 fell below budget due significantly to the decision to release Boeing funds rather than seek cornerstone partners for CTS in addition to the restructured Rubens Family Foundation gift. Fundraising costs will ramp up in 2020 but the new hires will likely not be onboarded until April. Revenue generation from the new strategy/relationship building efforts in 2020 will not likely hit until 2021. Also, there is a new delay in the state match revenue receipt. Scholarship expenses for 2019 were budgeted at \$25M but actuals were closer to \$16M with the scholarship modeling update. The budget for Scholarship expenses in 2020 has been set at \$11M due largely to the reduction in cohort sizes post-Rubens Family Foundation funds coupled with the scholarship model update. Personnel costs will increase by approximately \$595K with 6 new FTE and the 1.6% COLA for all staff. Other operating expenses are increased by \$185K as a result of expanding WSOS office space, expenses related to new hires and lobbying costs. The administrative fee will go up by about \$16K largely to cover CTS.

Moser reported that the average COLA in the Seattle area is 3.2%. In comparison, the COLA provided by WSOS is well below the average. Connors reported that WSOS follows the COLA set by our program administrator. The budget for salaries includes a 10% contingency to cover COLA increases and performance bonuses.

Moser made a motion to adopt the 2020 budget as presented. Jain seconded the motion, and it carried unanimously.

Hogans indicated that he would like to engage the Committee to find additional members. In addition, he advised that the Committee needs to revisit our charter. Connors stated that the agenda for our next committee meeting is already full and requested that an additional meeting be added in February to discuss succession planning, amendments to the charter and update the role of a committee member. Karyl Gregory will schedule the meeting.

Executive Session

The Committee went into Executive Session at 3:03 pm.

The meeting adjourned at 3:08 pm.

Respectfully submitted,
Karyl Gregory

Section 3

Program Administrator Report

FINANCE & PROGRAM ADMINISTRATOR UPDATE

December 31, 2019

WASHINGTON STATE
OPPORTUNITY
SCHOLARSHIP

WSOS Balance Sheet

Comparative Balance Sheets

December 31, 2019

	Comparison to Last Reported Period			Notes	Comparison to Same Period LFY		
	9/30/19	% Change	12/31/19		12/31/18	% Change	12/31/19
Assets							
Cash	1,772,710	-34%	1,178,117	1	1,856,309	-37%	1,178,117
Investments	115,582,518	-3%	112,320,483	2	106,376,459	6%	112,320,483
Accounts Receivable	16,114	-76%	3,903		46,188	-92%	3,903
Pledges and Grants Receivable, net	5,019,245	0%	5,006,598	3	9,543,424	-48%	5,006,598
State match receivable, net	764,320	-72%	212,081	4	2,960,105		212,081
Prepaid Expenses	118,812	-34%	78,149		29,412	166%	78,149
Property and equipment, net	34,341	-8%	31,446		40,071	-22%	31,446
Total Assets	123,308,060	-4%	118,830,777		120,851,968	-2%	118,830,777
Liabilities and Net Assets							
Accounts Payable	64,628	26%	81,571		115,868	-30%	81,571
Payroll Related Liabilities	72,433	106%	149,054		128,314	16%	149,054
Scholarship Commitments Bacc., net	36,991,599	-16%	31,156,568	5	31,203,035	0%	31,156,568
Scholarship Commitments CTS, net	1,357,281	20%	1,630,131	5			1,630,131
					31,447,216		
Total Liabilities	38,485,941	-14%	33,017,324			0%	33,017,324
Net Assets							
Temporarily Restricted Net Assets	84,822,119	1%	85,813,453		64,404,751	243%	85,813,453
Permanently Restricted Net Assets	-	0%	-		25,000,000	-100%	-
Total Net Assets	84,822,119	1%	85,813,453		89,404,751	-4%	85,813,453
Total Liabilities and Net Assets	123,308,060	-4%	118,830,777		120,851,968	-2%	118,830,777

WSOS Balance Sheet

Notes:

1. Decrease in cash October to December largely due to net Scholarship disbursements of \$6.9M. These were offset by WSAC match of \$898K as well as \$324K of cash from donors (largest was Kaiser Permanente \$75K received on \$112K grant), balance augmented by liquidation of investments.
2. Investment balance as of 12/31/19 includes WSIB BaS Scholarship \$77.35M, WSIB CTS Scholarship \$27.37M, WSIB Endowment \$5.7M, KeyBank Capital BaS \$800K, and KeyBank Capital CTS \$1.1M. The KeyBank investment account (public dollars) provides cash needs first in order to fund scholarship demands.
3. Pledges and Grants Receivable, net, decreased slightly due to payments on small pledges. Balance includes Gary Rubens' pledge of \$5M, corporate \$37K, foundations \$2.5K, and other individuals of \$17K.
4. WSAC matched \$898K between Oct. and Dec., this was made up of match on 2019 private receipts of \$384K and resubmission from FY14, FY15, and FY17 of \$515K. Remaining accrual due to \$87K for December private receipts with the remaining balance related to resubmission.
5. In December we recorded adjustments to our Scholarship liabilities for the Baccalaureate and CTS programs of \$804K and \$613K, respectively. These increases were offset by disbursements between October and December for the Baccalaureate and CTS programs of \$6.31M and \$596K, respectively.

WSOS Income Statement

Actual vs. Budget

Twelve Months Ending December 31, 2019

	Twelve Months Ending December 31, 2019			December 31, 2019	
	Actual	Budget	Variance Fav (Unfav)	Notes	Annual Budget
Revenue					
Private	680,813	6,200,000	(5,519,187)	1	6,200,000
Public	5,246,462	15,700,000	(10,453,538)	2	15,700,000
Investment Income	11,925,770	2,917,200	9,008,570	3	2,917,200
Total Revenue	17,853,045	24,817,200	(6,964,155)		24,817,200
Program Expense					
Salaries and Benefits	1,933,930	1,898,633	(35,297)	4	1,898,633
Professional Fees - Program Admin fees	513,540	513,540	-		513,540
Professional Fees - Contractors & Lobbying	587,799	523,500	(64,299)	5	523,500
Conferences, Conventions & Meetings	211,334	233,045	21,711		233,045
Operating Expenses	298,580	239,800	(58,780)	6	239,800
	3,545,183	3,408,518	(136,665)		3,408,518
Income (Loss) before Scholarship Exp	14,307,862	21,408,682	(7,100,820)		21,408,682
Scholarship Expense	17,899,160	24,338,506	6,439,346	7	24,338,506
Net Income (Loss)	(3,591,298)	(2,929,824)	(661,474)		(2,929,824)

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 October and December included Kaiser Permanente grant of \$112K, CWU Foundation of \$40K, as well as OTalks corporate gifts of ~\$20K, OTalks foundation and NFP gifts of ~\$21K, and OTalks individual gifts of ~\$158K.
2. Revenue Public: State Match revenues accrued based on \$346K of private receipts between October and December.
3. Investment income: Actual YTD includes unrealized+realized gains of \$11.44M, interest & dividend income of \$545K and investment expense of \$62K. 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 over primarily due to I.T. (\$18K), Communications (\$27K), and Recruitment (\$26K) with some savings scholar leads expense.
6. Operating Expenses-Actual expenses over budget with primary driver being printing costs, which were under budgeted for 2019.
7. Scholarship expense for CY 2019 was recorded in August with an adjustment in December. Budget was prepared based on prior Scholarship model, which has since been revised to be more accurate using average historical pay rate data. This led to a larger liability, and therefore expense, represented in the budget.

WSOS Cash Flow

Cash Flow Summary

Inception-To-Date

Dec. 31, 2019

	Inception - Dec. 31, 2019			
	Scholarship	Endowment	Notes	Total
<u>CASH FLOW</u>				
Cash Inflow:				
Boeing	25,110,000	-		25,110,000
Microsoft	35,000,000	-		35,000,000
Other Private	33,406,304	-	1	33,406,304
State	93,131,103	-	2	93,131,103
Investment Income*	15,561,875	5,709,724	3	21,271,599
Total Cash Inflows	202,209,282	5,709,724		207,919,006
Cash Outflow:				
Scholarships	(76,792,388)	-	4	(76,792,388)
Program Expenses	(17,622,206)	(5,812)		(17,628,018)
Total Cash Outflows	(94,414,594)	(5,812)		(94,420,406)
Net Cash Flow Inception-To-Date	107,794,688	5,703,912		113,498,600
<u>Composition of Net Cash Flow</u>				
KeyBank Checking Account	1,178,117	-	5	1,178,117
Investment Accounts at WSIB and KeyBank	106,616,571	5,703,912	6	112,320,483
Total	107,794,688	5,703,912		113,498,600

* Includes unrealized gains and losses.

WSOS Cash Flow

Notes:

1. Cash Inflow: Other Private - \$324K received on cash basis between October and December.
2. State - Received \$898K from WSAC between October and December.
3. Investment Income - 2019 investment income includes unrealized/realized gains in BaS accounts of \$8.74M, CTS accounts of \$259K, and Endowment account of \$2.44M.
4. Scholarship disbursements were \$6.91M (\$6.31M Baccalaureate, \$596K CTS) between October and December 2019 and scholarship refunds totaled \$304K (\$241K Baccalaureate, \$63K CTS).
5. Assets are maintained in KeyBank Checking Account to meet short term cash needs, all excess dollars are invested in WSIB or KeyBank investment accounts to generate returns.
6. In Q4, a total of \$27.1MM of private donations were moved from both BaS Scholarship and Endowment accounts to CTS as instructed by donor-intent to fund that program.

Washington State Opportunity Scholarship (WSOS)
Statement of Cash Flows
2019

*Note: State Match to WSAC reflected in A/R, net once invoice submitted.

	2019 Oct	2019 Nov	2019 Dec	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2019 YTD
OPERATING ACTIVITIES								
Change in net assets	672,312	856,756	(537,734)	4,960,712	6,130,448	(15,673,792)	991,334	(3,591,298)
Adjustments to reconcile change in net assets to net cash used by operating activities-								
Add: Depreciation & Amortization	965	965	965	2,754	2,871	2,894	2,895	11,414
Add: Loss (Subtract: Gain) on disposal of fixed assets	-	-	-	-	-	-	-	-
Add: Loss (Subtract: Gain) on realized/unrealized investments	(839,851)	(640,986)	(1,140,110)	(5,287,491)	(2,845,522)	(1,210,047)	(2,620,947)	(11,964,008)
Add: Accretion of prepaid loan fees	-	-	-	-	-	-	-	-
Add: Loss on extinguishment of debt	-	-	-	-	-	-	-	-
Changes to balance sheet accounts:								
Accounts receivable, net	(8,211)	3,869	16,553	11,496	(24,628)	43,206	12,211	42,285
Prepaid expenses & other assets	(33,256)	86,790	(12,871)	(79,888)	12,563	(22,075)	40,663	(48,737)
Pledges receivable	6,449	(81,164)	87,363	8,881	3,381,038	1,134,260	12,648	4,536,827
State match receivable	472,829	(48,776)	128,186	(84,624)	1,252,626	1,027,783	552,239	2,748,024
Accounts payable	21,562	(19,988)	(882)	(4,052)	(9,467)	(11,982)	692	(24,809)
Scholarship commitments	(183,333)	(3,168)	(5,375,680)	(3,914,189)	(45,219)	11,105,254	(5,562,181)	1,583,665
Accrued expenses and other	(115)	-	92,986	(54,028)	(33,782)	6,188	92,871	11,249
Net Cash (used) provided by operations	109,351	154,298	(6,741,224)	(4,440,429)	7,820,928	(3,598,311)	(6,477,575)	(6,695,388)
INVESTING ACTIVITIES								
Purchases of property & equipment	-	-	-	(1,628)	(1,161)	-	-	(2,789)
Proceeds from sale of property & equipment	-	-	-	-	-	-	-	-
Proceeds from sale of investments	200,000	-	6,782,982	4,521,497	101,107	3,200,000	6,982,982	14,805,586
Purchases of investments	(500,000)	(600,000)	-	(937,816)	(4,635,790)	(2,111,996)	(1,100,000)	(8,785,602)
Proceeds from sale of subsidiary	-	-	-	-	-	-	-	-
Other investing activities	-	-	-	-	-	-	-	-
Net Cash (used) by investing activities	(300,000)	(600,000)	6,782,982	3,582,053	(4,535,844)	1,088,004	5,882,982	6,017,196
FINANCING ACTIVITIES								
Cash contributions and pledges collected for endowment purposes	-	-	-	-	-	-	-	-
Payments on capital leases	-	-	-	-	-	-	-	-
Net Cash (used) provided by financing activities	-	-	-	-	-	-	-	-
Cash Flow	(190,649)	(445,702)	41,758	(858,376)	3,285,084	(2,510,307)	(594,593)	(678,192)
Cash at Beginning of Period	1,772,710	1,582,061	1,136,359	1,856,309	997,933	4,283,017	1,772,710	1,856,309
Cash at End of Period	1,582,061	1,136,359	1,178,117	997,933	4,283,017	1,772,710	1,178,117	1,178,117

Section 4

WSIB Quarterly Performance Report



**Washington State
Investment Board**

**WSOS Investment and Finance Committee
Performance Review 4Q19
February 25, 2020**



**Chris Phillips
Director of Institutional Relations**



WSOS Scholarship/Endowment Funds – Growth of Assets

December 31, 2019



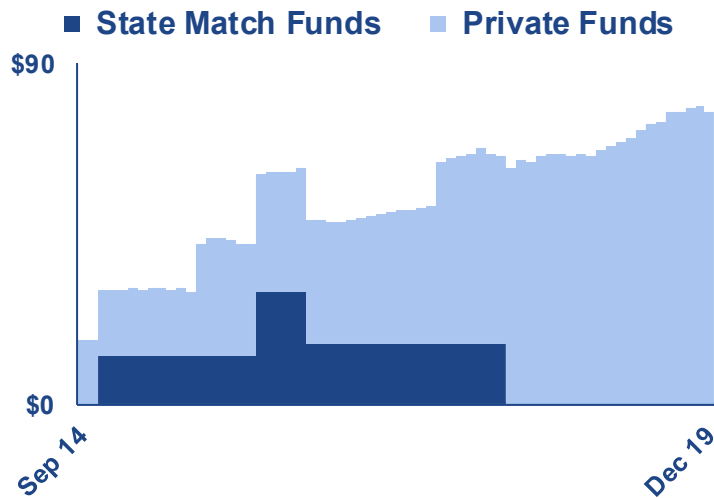
Scholarship Account

- Total assets: \$77.4 million
- 100% private funds

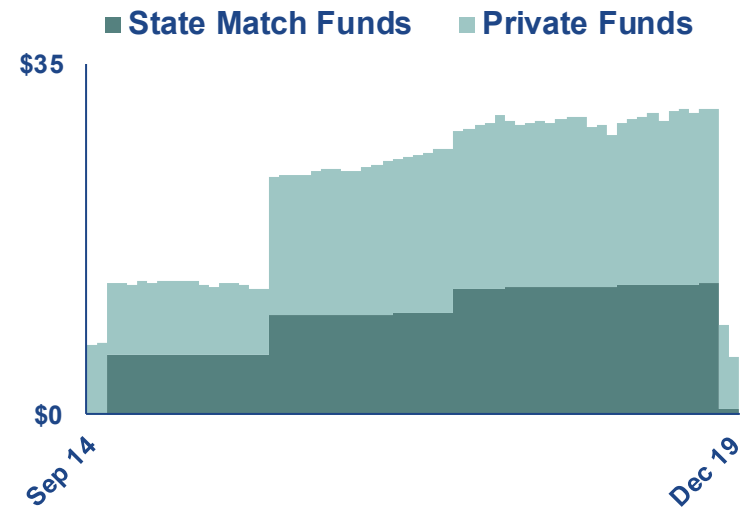
Endowment Account

- Total assets: \$5.7 million
- 90% private funds and 10% state match funds

Growth of Scholarship Assets



Growth of Endowment Assets





WSOS Scholarship/Endowment Funds – Growth of Assets

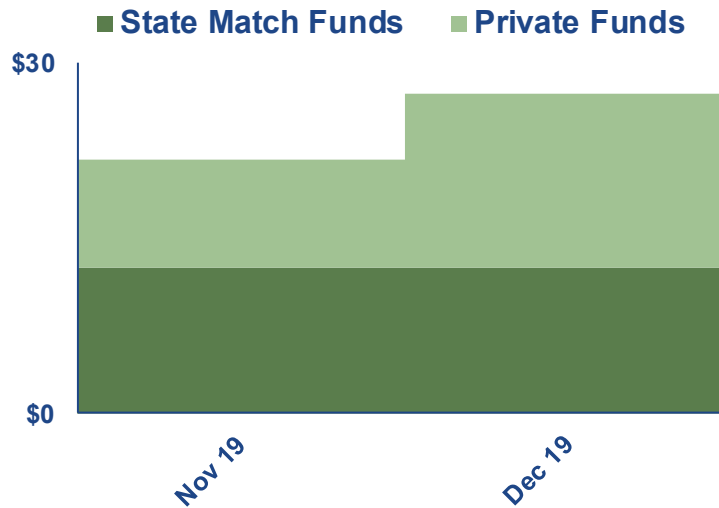
December 31, 2019



Student Support Pathways Account

- Total assets: \$27.4 million
- 54% private funds and 46% state match funds

Growth of Student Support Pathways Assets





Market Values and Asset Allocation for Private Funds

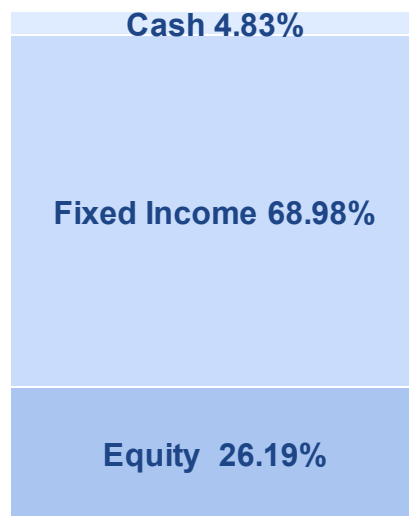
December 31, 2019

Equity

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

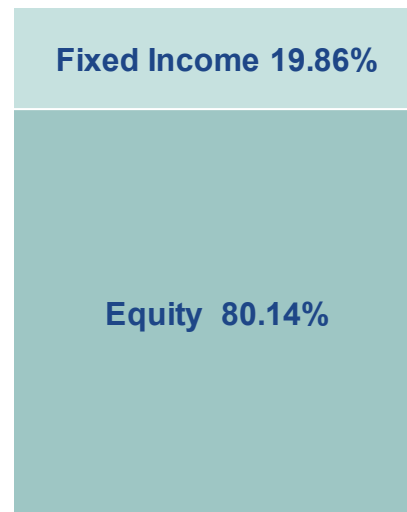
Fixed Income

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



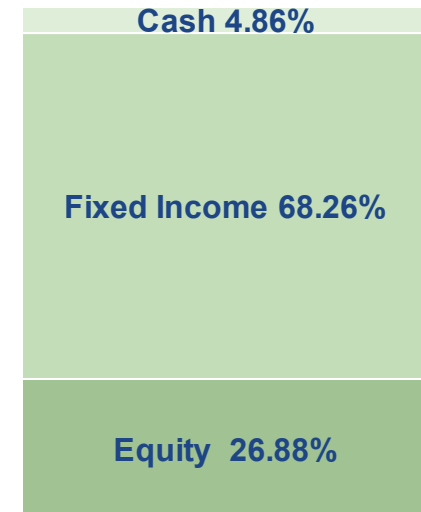
\$77,262,706

Scholarship



\$5,121,076

Endowment



\$14,847,286

Student Support Pathways



Market Values for State Funds

December 31, 2019



State Match Funds

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

Market Values

Scholarship	\$85,722
Endowment	\$582,836
Student Support Pathways	\$12,518,311



Fund Performance Updates

December 31, 2019

	4th Qtr. 2019	1 Year	3 Year	5 Year	Since Inception
Scholarship					
Private	2.70%	12.95%	8.19%	6.03%	5.85%
Private Benchmark	2.95%	13.40%	8.19%	6.11%	5.95%
State Match	0.41%	2.10%	1.52%	0.97%	0.95%
State Match Benchmark	0.47%	2.30%	1.68%	1.09%	1.07%
Private Funds Benchmark: 25% Equity, 70% Fixed Income, and 5% Cash. State Match Benchmark: 100% Cash					

Endowment					
Private	2.30%	17.32%	9.12%	6.79%	6.58%
Private Benchmark	7.47%	23.27%	10.88%	7.74%	7.50%
State Match	0.40%	2.09%	1.53%	0.98%	0.96%
State Match Benchmark	0.47%	2.30%	1.68%	1.09%	1.07%
Private Funds Benchmark: 80% Equity, 20% Fixed Income. State Match Benchmark: 100% Cash.					

Student Support Pathways					
Private	N/A	N/A	N/A	N/A	1.72%
Private Benchmark	N/A	N/A	N/A	N/A	1.09%
State Match	N/A	N/A	N/A	N/A	0.15%
State Match Benchmark	N/A	N/A	N/A	N/A	0.16%
Private Funds Benchmark: 25% Equity, 70% Fixed Income, and 5% Cash. State Match Benchmark: 100% Cash.					

Note: All program benchmarks use the MSCI ACWI IMI w/U.S. Gross, Bloomberg Barclays Intermediate Credit, and the 90 Day Tbill



Fund Performance Updates

December 31, 2019

	4th Qtr. 2019	1 Year	3 Year	5 Year	Since Inception
Equity					
Scholarship	8.84%	26.53%	12.92%	8.84%	8.53%
Endowment	12.07%	30.15%	13.44%	9.26%	8.93%
Student Support Pathways	N/A	N/A	N/A	N/A	5.35%
MSCI ACWI IMI w/ U.S. Gross	9.13%	26.75%	12.43%	8.68%	
Fixed Income					
Scholarship	0.70%	9.31%	4.53%	3.81%	3.71%
Endowment	0.74%	9.34%	4.54%	3.81%	3.72%
Student Support Pathways	N/A	N/A	N/A	N/A	0.43%
BB Intermediate Credit	0.98%	9.52%	4.33%	3.50%	



Bond Fund Characteristics & Top 10 Issuers

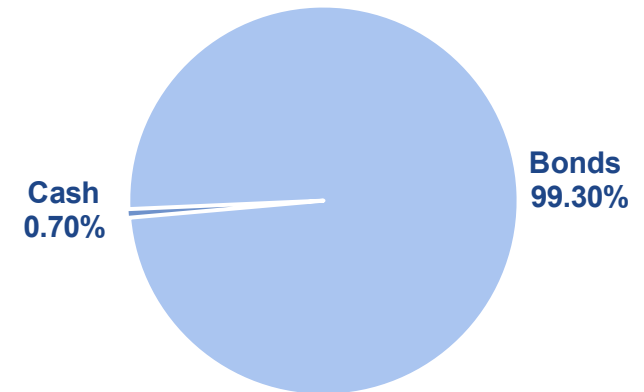
December 31, 2019

Top 10 Issuers

Laboratory Corp. Of America	1.30%
SP PowerAssets Ltd.	1.10%
UnitedHealth Group Inc.	1.06%
Estee Lauder Inc.	1.03%
Blackrock Inc.	1.00%
Boral Finance Pty Ltd.	0.89%
Standard Chartered Bank	0.85%
Indonesia Republic	0.84%
APT Pipelines Ltd.	0.83%
HSBC Bank	0.83%

Asset Allocation and Market Value

Bond Fund	\$1,936,591,341
-----------	-----------------



Characteristics

	Fund	Index
Average Maturity	5.1 years	4.8 years
Yield to Maturity	2.55%	2.35%
Modified Duration	4.53	4.16
Average Coupon	3.23%	3.46%
Number of Holdings	242	4,470



Capital Markets at a Glance

December 31, 2019

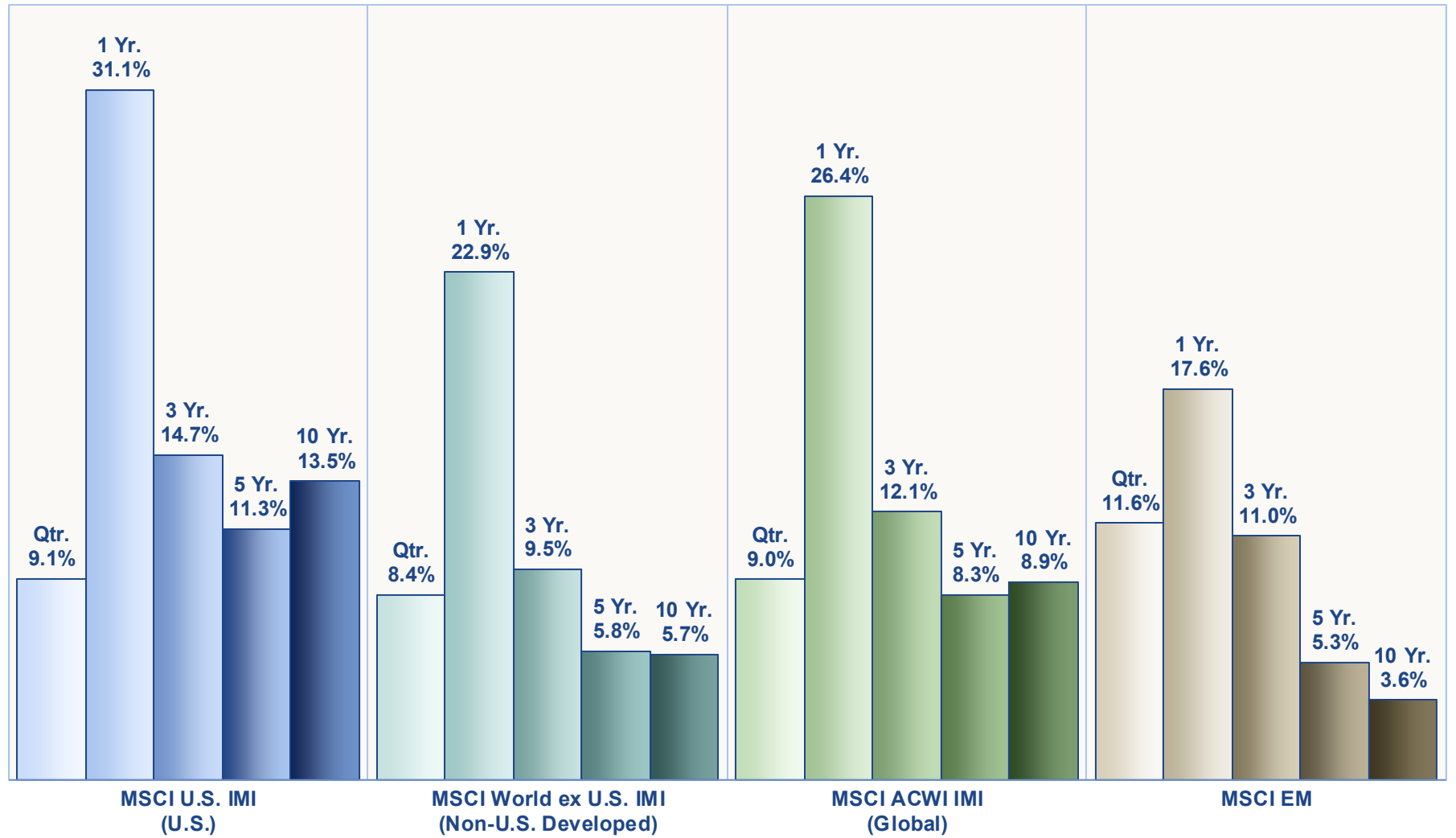


- ❑ The year ended in sharp contrast to a year earlier: The MSCI World Developed IMI index returned 3.1% for December, 8.7% for Q4, and a stunning 27.5% for the year
- ❑ The Fed helped fuel equity markets by lowering rates a quarter point on October 30 -- the third such cut in 2019
- ❑ A U.S./China trade agreement will allow for greater purchases of American goods by China and lower U.S. tariffs on Chinese goods
- ❑ U.S. GDP moved higher in Q3 despite expectations for continued slowdown
- ❑ New housing permits saw their highest levels since 2007
 - ❑ **Mortgage delinquency was lowest since 1995**
- ❑ Higher interest rates and tighter spreads caused mixed results in fixed income for the month and quarter
- ❑ The 10-year Treasury yield was up 25 basis points for the quarter, but down 77 basis points for the 1-year period
- ❑ Commodities posted a 4.4% return for the quarter, 7.7% for the year
 - ❑ **Oil was up 22.7% for 2019**
 - ❑ **Gold posted 18.3% for the year**



Capital Markets at a Glance

December 31, 2019





Contact Information



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

The screenshot shows the Washington State Investment Board website. The header includes the logo and tagline "Investing with integrity, prudence, and skill" and a search bar. The main content area features a large banner with the text "Delivering investment results for retirement plans & public trusts" and a silhouette of people in a meeting. The left sidebar lists navigation categories: INVESTING (Investment Overview, Fund Performance, Investment Reports), INFORMING (Board Info, Committees, WSIB Staff, News & Resources, Contact Us), ENGAGING (Responsible Investing, Corporate Governance, Risk), and EMPLOYING (Searches, Jobs). The footer contains four boxes: "FEATURES" (Glossary, FAQ, Resources & Map, Directions & Map), "POPULAR PICKS" (IRR Report, Quarterly Report, Risk Framework, Policies), "NEED INFO?" (with question marks), and "WSIB STORY" (with an upward arrow).

Address:

2100 Evergreen Park Drive SW

P.O. Box 40916

Olympia, WA 98504-0916

Phone Number:

(360) 956-4600

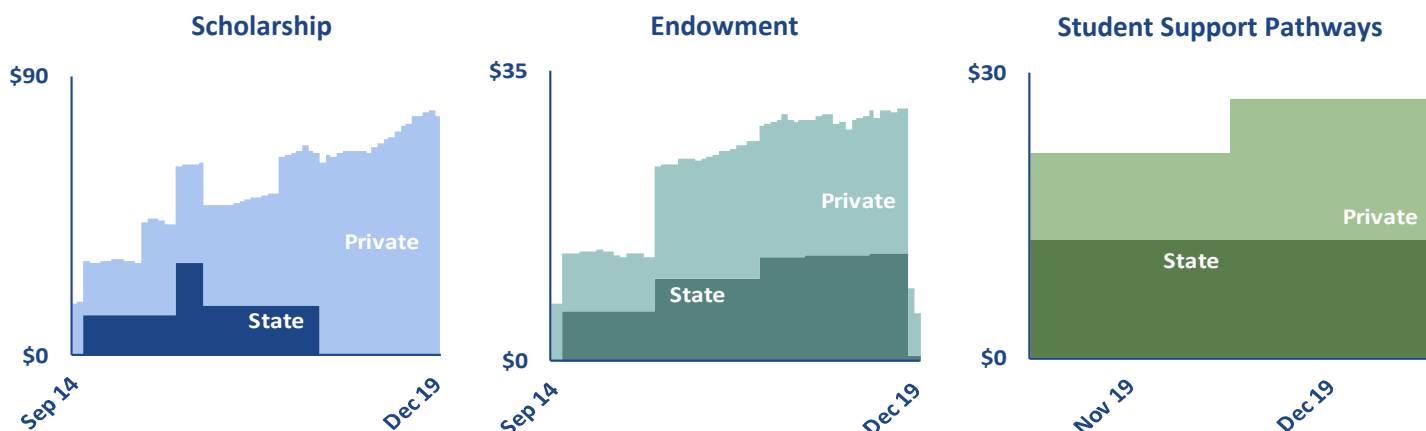


Washington State Opportunities Scholarship

Quarterly Report – December 31, 2019

Portfolio Size, Allocation, and Assets Under Management	2
Performance.....	3

Private and State Match Assets Under Management (\$ Millions)



Scholarship

Private Total	\$77,262,706
Equity	\$20,236,724
Fixed Income	\$53,292,266
Cash	\$3,733,716

Private Allocation

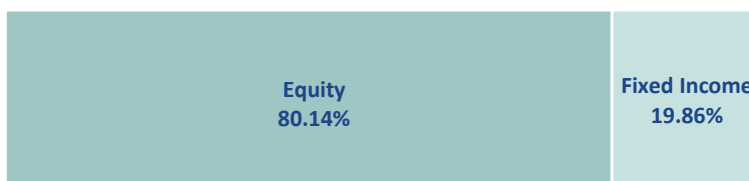


State Match Total	\$85,722
Cash	\$85,722

Endowment

Private Total	\$5,121,076
Equity	\$4,103,887
Fixed Income	\$1,015,882
Cash	\$1,307

Private Allocation



State Match Total	\$582,836
Cash	\$582,836

Student Support Pathways

Private Total	\$14,847,286
Equity	\$3,991,231
Fixed Income	\$10,134,398
Cash	\$721,657

Private Allocation



State Match Total	\$12,518,311
Cash	\$12,518,311

Total Returns

	4th Qtr. 2019	1 Year	3 Year	5 Year	Since Inception
Scholarship					
Private	2.70%	12.95%	8.19%	6.03%	5.85%
Private Benchmark	2.95%	13.40%	8.19%	6.11%	5.95%
State Match	0.41%	2.10%	1.52%	0.97%	0.95%
State Match Benchmark	0.47%	2.30%	1.68%	1.09%	1.07%

Endowment					
Private	2.30%	17.32%	9.12%	6.79%	6.58%
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State Match	0.40%	2.09%	1.53%	0.98%	0.96%
State Match Benchmark	0.47%	2.30%	1.68%	1.09%	1.07%

Student Support Pathways					
Private	N/A	N/A	N/A	N/A	1.72%
Private Benchmark	N/A	N/A	N/A	N/A	1.09%
State Match	N/A	N/A	N/A	N/A	0.15%
State Match Benchmark	N/A	N/A	N/A	N/A	0.16%

Equity and Fixed Income Returns

	4th Qtr. 2019	1 Year	3 Year	5 Year	Since Inception
Equity					
Scholarship	8.84%	26.53%	12.92%	8.84%	8.53%
Endowment	12.07%	30.15%	13.44%	9.26%	8.93%
Student Support Pathways	N/A	N/A	N/A	N/A	5.35%
MSCI ACWI IMI w/ U.S. Gross	9.13%	26.75%	12.43%	8.68%	

Fixed Income					
Scholarship	0.70%	9.31%	4.53%	3.81%	3.71%
Endowment	0.74%	9.34%	4.54%	3.81%	3.72%
Student Support Pathways	N/A	N/A	N/A	N/A	0.43%
BB Intermediate Credit	0.98%	9.52%	4.33%	3.50%	

Scholarship and Student Support Pathways 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 Tbill

Since Inception for Scholarship and Endowment: Private 10/1/14, State Match 11/25/14

Since Inception for Student Support Pathways: Private and State Match 11/27/19

Section 5

WSIB Asset Allocation Update



**Washington State
Investment Board**

WSOS Finance and Investment Committee



**Christopher Hanak
Risk Management and Asset Allocation
February 25, 2020**



Agenda



- ▣ Objectives
- ▣ Background and Timeline
- ▣ Recap From Previous Asset Allocation Study
- ▣ Quantitative Inputs
- ▣ Qualitative Inputs
- ▣ Scholarship Account Refresh
- ▣ Endowment Account Refresh
- ▣ Student Support Pathways Proposed Allocation
- ▣ Portfolio Statistics
- ▣ Simulated Returns
- ▣ Equity Valuation Considerations
- ▣ Fixed Income Valuation Considerations
- ▣ Recommendation
- ▣ Appendix
- ▣ Contact Information



Objectives



- ▣ Review quantitative and qualitative inputs
- ▣ Present recommended portfolio for the Student Support Pathways Account
- ▣ Review projected portfolio outcomes for all accounts
- ▣ Consider recommendation for approval



Background and Timeline



- ❑ Recent legislative changes added two new programs to the WSOS lineup and identified corresponding investment accounts
- ❑ RCW 28B.145.030 now lists four specific accounts:
 - ❑ The existing Scholarship Account supports baccalaureate programs
 - ❑ The existing Endowment Account holds long-term investments in support of baccalaureate programs
 - ❑ The new Student Support Pathways Account supports professional-technical certificate or degree programs
 - ❑ The new Advanced Degrees Pathways Account will support eligible advanced degree programs once activated
- ❑ The Student Support Pathways Account was funded by a recharacterization of a \$12.5 million gift invested in the Endowment Account and corresponding state matching funds
- ❑ The launch of the new program created the need for a strategic asset allocation study of the Student Support Pathways Account
- ❑ Projected strategic asset allocation study timeline
 - ❑ WSIB Investment Committee – January 2020
 - ❑ WSOS F&I Committee – February 2020
 - ❑ WSOS Board – March 2020
 - ❑ WSIB Board – April 2020



Recap from Previous Asset Allocation Study



Defined suitable asset classes for potential inclusion based on risk, return, liquidity, diversification, and implementation considerations

- ▣ **Passive Public Global Equity**
- ▣ **Active Fixed Income – Intermediate Credit**
- ▣ **Cash**

Utilized modern portfolio theory to derive the efficient frontier of portfolios with the best estimated risk-return tradeoff

- ▣ **WSIB approved capital markets assumptions**
- ▣ **Specific risk, return, and liquidity considerations for the WSOS portfolios**

Simulated returns over a 15-year period to understand estimated range of outcomes over program life



Quantitative Inputs

WSIB Selected Current Capital Market Assumptions

	Arithmetic Return	Standard Deviation	Geometric Return
Fixed Income	4.4	6.0	4.2
Global Equity	8.5	18.5	7.1
US Equity	7.8	17.5	6.5
Non-US Equity	9.4	20.0	7.8
Cash	2.6	1.5	2.6

Correlation	Fixed Income	Global Equity	U.S. Equity	Non-U.S. Equity	Cash
Fixed Income	1.00				
Global Equity	0.15	1.00			
U.S. Equity	0.20	0.90	1.00		
Non-U.S. Equity	0.10	0.90	0.85	1.00	
Cash	0.20	0.00	0.00	0.00	1.00



Qualitative Inputs

Student Support Pathways Account – Assumptions



- ❑ January 31, 2020, Market Value and Asset Allocation*
 - ❑ \$15.0 million
 - ❑ 26.3% Equity / 68.8% Fixed Income / 4.8% Cash
- ❑ Developed two cases for analysis: the first anticipates conservative fundraising through 2032 and spending account down by 2035 while the other anticipates significant fundraising through 2026 and tapered fundraising through 2035
- ❑ Both cases anticipate high payout rates during the program because increased donations are anticipated to expand the scope but not the duration of the program
- ❑ State-match funds are held in cash and spent first
- ❑ The first case is most susceptible to near-term market downturns and was therefore selected as most conservative for allocation modeling
- ❑ The strategic asset allocation will be reconsidered in the event that fundraising significantly exceeds expectations
- ❑ Conclusion: High liquidity needs, low expected return, and a low tolerance for volatility; a conservative asset allocation is appropriate



Scholarship Account Refresh



- ▣ **January 31, 2020, Market Value and Asset Allocation***
 - ▣ **\$77.8 million**
 - ▣ **25.6% Equity / 69.5% Fixed Income / 4.8% Cash**
- ▣ **Updated cash flow assumptions include modest changes to operating expenses and scholarship payout**
- ▣ **More notable changes include spend down of state-match funding**
- ▣ **The Scholarship Account was the subject of a strategic asset allocation study in 2018**
 - ▣ **The allocation was reviewed using updated cash flow projections and current capital market assumptions**
- ▣ **Conclusion: High liquidity needs, low expected return, and a low tolerance for volatility; a conservative asset allocation is appropriate**



Endowment Account Refresh



- ❑ **January 31, 2020, Market Value and Asset Allocation***
 - ❑ **\$5.1 million**
 - ❑ **79.7% Equity / 20.3% Fixed Income**
- ❑ **There is no budgeted payout for the foreseeable future**
- ❑ **The Endowment Account balance is substantially smaller due to the \$12.5 million* transfer to fund the Student Support Pathways Account**
- ❑ **All donated principal has been transferred out of the account therefore current funds are no longer restricted**
- ❑ **The Endowment Account was the subject of a strategic asset allocation study in 2018**
 - ❑ **The allocation was reviewed using current capital market assumptions**
 - ❑ **Conclusion: Zero liquidity requirements, perpetual time horizon, and need to grow the account implies a higher risk/return target than the Scholarship and Student Support Pathways accounts**



Student Support Pathways Account Proposed Allocation

- ❑ Recommendation is to leave the target allocation at current levels
- ❑ Student Support Pathways and Scholarship Accounts share the same recommended allocations due to similar program risk structures

Asset Class	Actual Allocation ¹	Current Policy ²	Proposed Policy (No Change)	Policy Range
Fixed Income	68.8%	70.0%	70.0%	+/-5%
Cash	4.8%	5.0%	5.0%	+/-5%
Global Equity	26.3%	25.0%	25.0%	+/-5%

¹ Actual allocation as of January 31, 2020

² Current pre-study allocation was selected based on payout similarity to existing Scholarship Account (strategic asset allocation study performed in 2018); Investment Policy adopted by WSIB in November 2019



Portfolio Statistics

Pathways, Scholarship, and Endowment Accounts

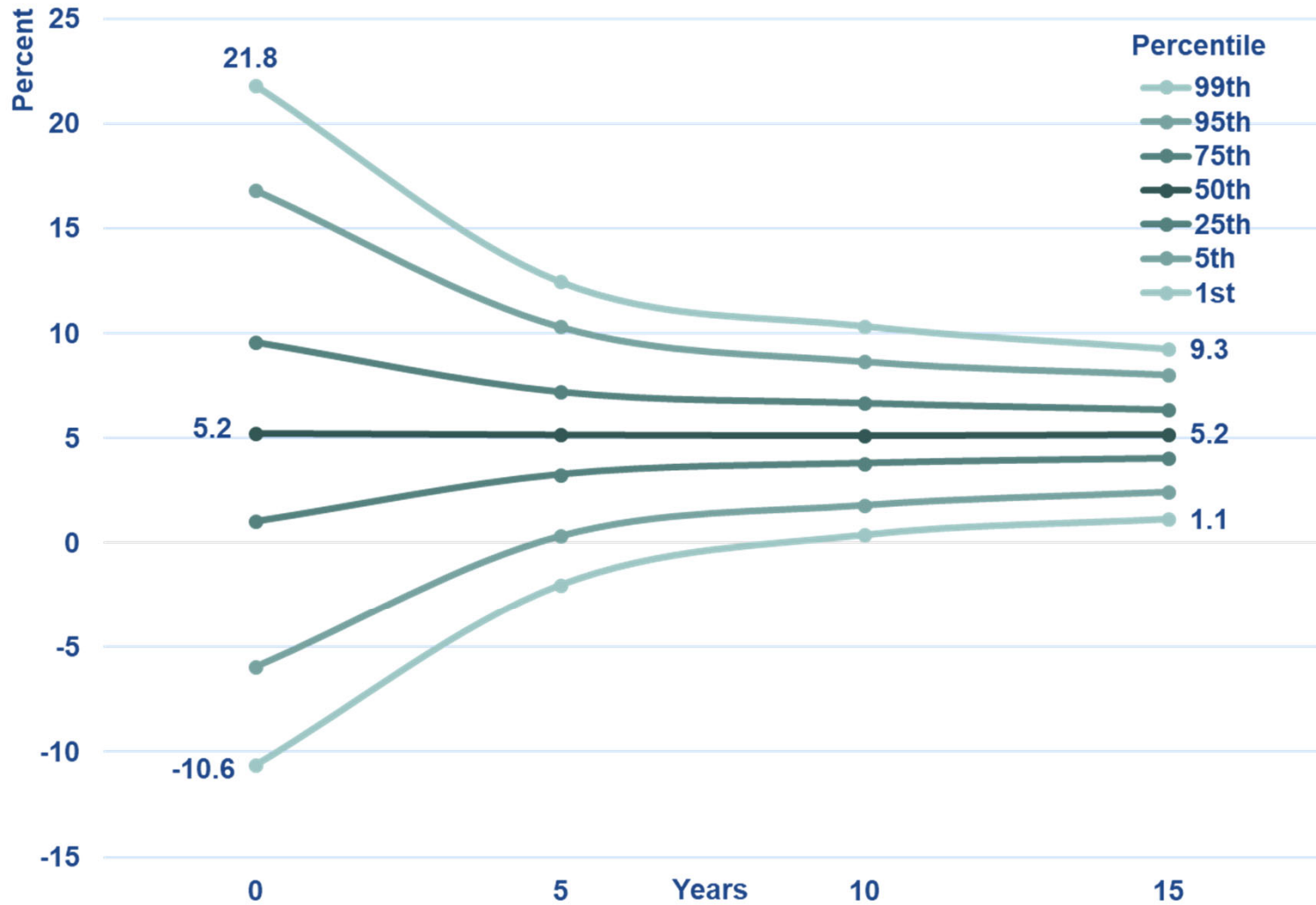
	Pathways Proposed	Scholarship Existing	Endowment Existing
Cash	5%	5%	0%
Fixed Income	70%	70%	20%
Global Equity	25%	25%	80%
Median 15-year return	5.2%	5.2%	6.8%
Standard Deviation	6.7%	6.7%	15.0%
Sharpe Ratio	0.8	0.8	0.5
Probability of achieving T+15-year budget	76%	80%*	N/A
Probability of a 1-year negative return	20.5%	20.5%	31.8%
Probability of a 5-year negative return	4.2%	4.2%	15.6%

*Calculation assumes no transfer of funds from the Endowment Account which is currently comprised of unrestricted earnings from previous investment; inclusion of these funds would increase the probability of success substantially



Simulated Returns – Student Support Pathways and Scholarship

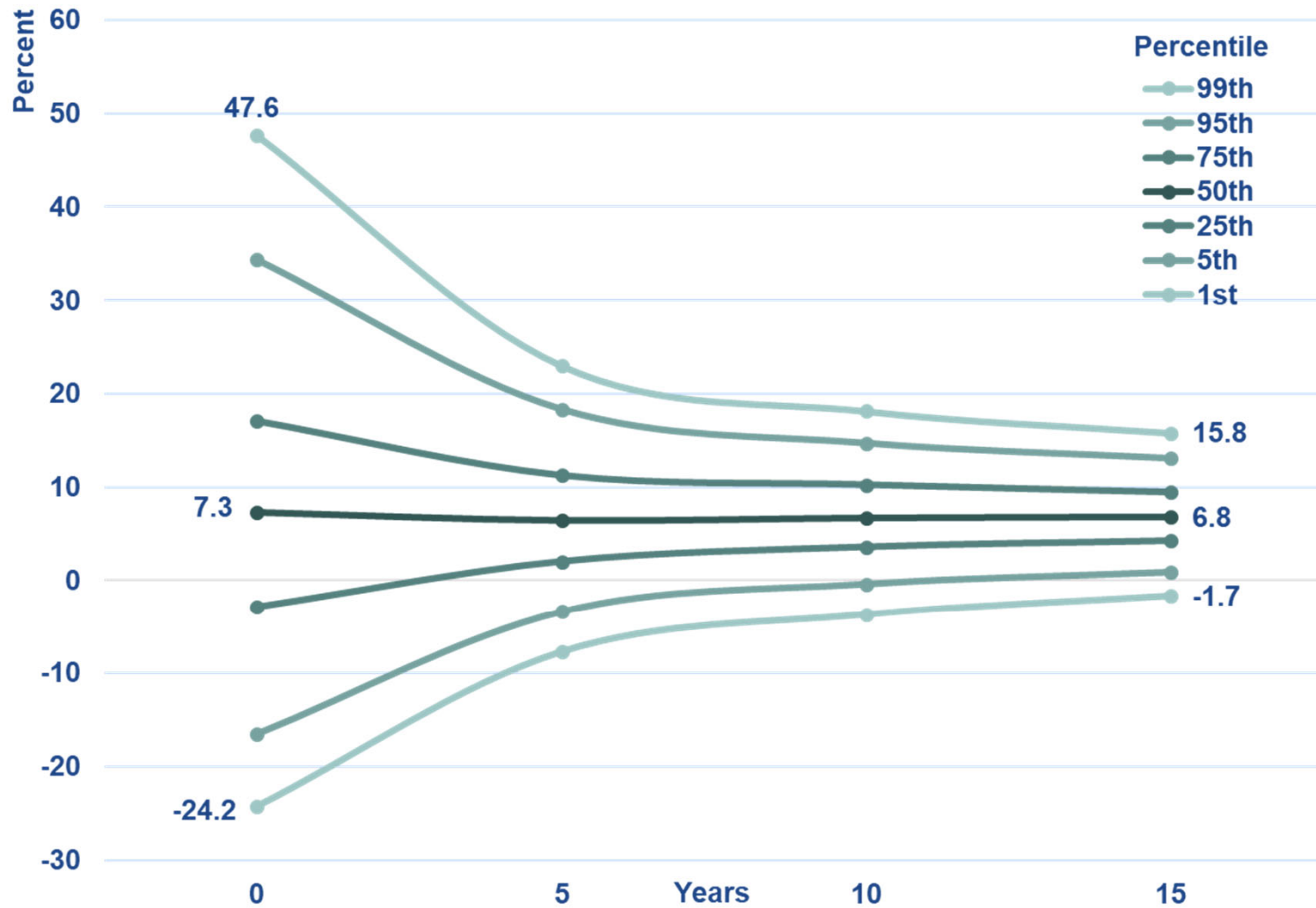
25 Equity / 70 Fixed Income / 5 Cash Expected Return





Simulated Returns – Endowment

80 Equity / 20 Fixed Income Expected Return

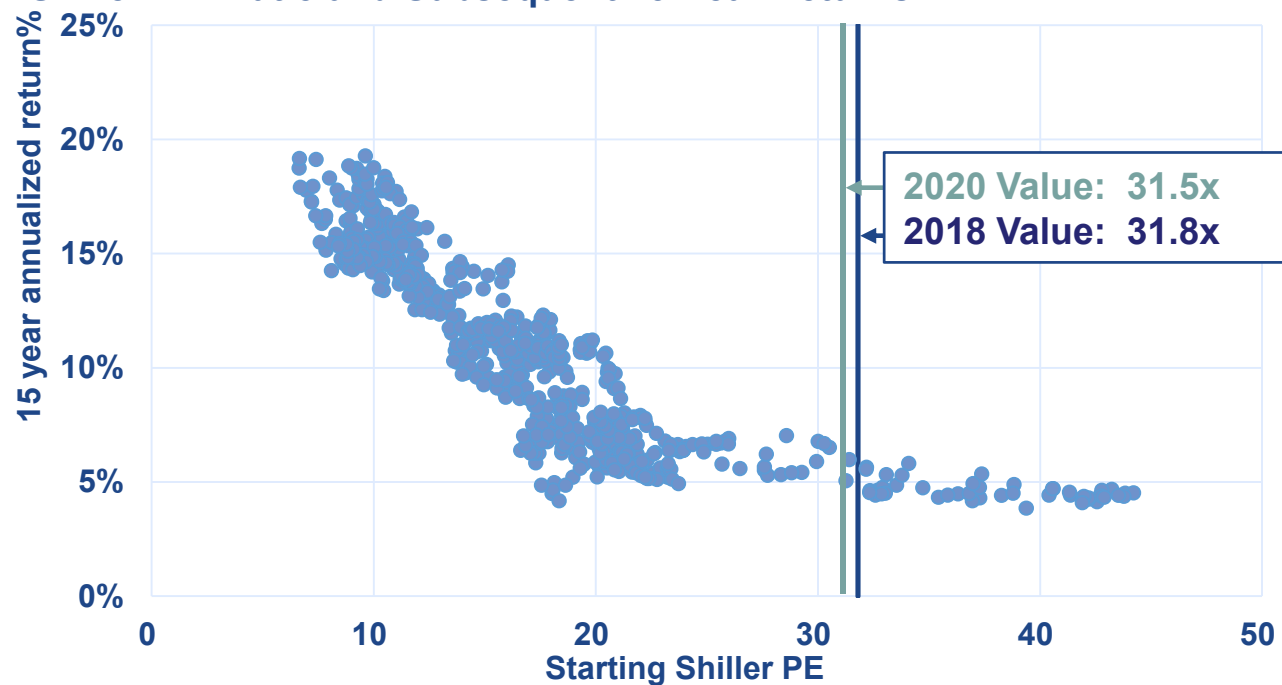




Equity Valuation Considerations

- ❑ U.S. equity markets are expensive
 - ❑ What long-term return can we expect from this starting point?
- ❑ The Shiller P/E Ratio is a valuation measure that uses average 10-year earnings adjusted for inflation
- ❑ The chart implies mid-single digit U.S. equity returns if history is a reliable guide

S&P 500: Shiller P/E Ratio and Subsequent 15-Year Returns



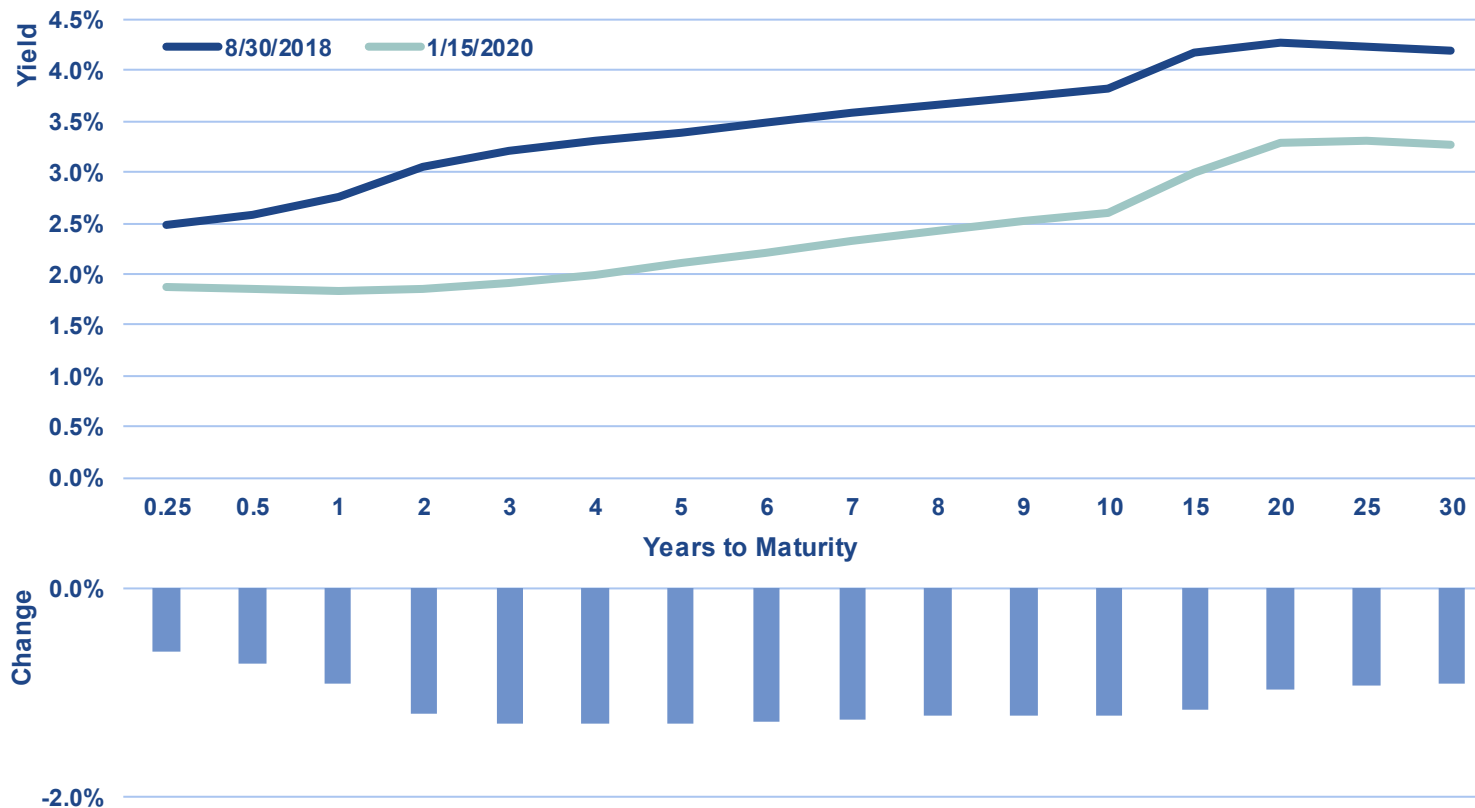
Source: Robert Shiller, Bloomberg



Fixed Income Valuation Considerations

- Fixed income yields are substantially lower than at the time of the 2018 strategic asset allocation study
- This lower starting point may pose a challenge for reaching expected return targets
- The following graph shows the shift in single-A yields since the last study

U.S. Corporate Single A Yield Curve



Source: Bloomberg



Recommendation



The Student Support Pathways Account has a limited life, high liquidity needs, and unpredictable future inflows

- ▣ **The recommended allocation...**
 - ▣ **Has the same risk profile as the existing Scholarship Account**
 - ▣ **Provides reasonable efficiency for the portfolio (as measured by Sharpe ratio); maintains likelihood of achieving cash flow forecast**

The Scholarship Account has a limited life, high liquidity needs, and unpredictable future inflows

- ▣ **The existing allocation...**
 - ▣ **Provides reasonable efficiency for the portfolio (as measured by Sharpe ratio); maintains likelihood of achieving cash flow forecast**

The Endowment Account has no near term liquidity needs and unpredictable future inflows

- ▣ **A more aggressive allocation than the Scholarship and Student Support Pathways accounts is appropriate**
- ▣ **The existing allocation...**
 - ▣ **Has a high expected return and also high risk**
 - ▣ **Should grow the remaining balance over a long time horizon**

Appendix





Methodology



Cash Flow Modeling

- ❑ All starting balances are separated into private and state-match allocations
- ❑ All new private contributions are assumed to receive an equal state-match contribution
- ❑ State-match contributions are assumed to arrive on a one-period lag and are spent first
- ❑ Resulting cash flows for private accounts were modeled

Modeling Process

- ❑ Benchmark distribution characteristics were calculated from 20-year historical data – Return, Standard Deviation, Skewness, Excess Kurtosis
- ❑ WSIB capital market assumptions were overlaid onto the historical distributions – Expected Return, Standard Deviation, and Correlation
- ❑ 2,000 path Monte Carlo simulations were run to produce estimated distribution of return and wealth outcomes



Sensitivity Analysis – Lowering Fixed Income Expected Return

- Analysis assumes 100 bps lower expected return for fixed income and cash
- Cash flows and equity expected return match the earlier analysis

	Pathways Proposed	Scholarship Existing	Endowment Existing
Cash	5%	5%	0%
Fixed Income	70%	70%	20%
Global Equity	25%	25%	80%
Median 15-year return	4.4%	4.4%	6.6%
Standard Deviation	6.7%	6.7%	15.0%
Sharpe Ratio	0.7	0.7	0.5
Probability of achieving T+15-year budget	62%	70%*	N/A
Probability of a 1-year negative return	23.5%	23.5%	32.3%
Probability of a 5-year negative return	6.4%	6.4%	16.3%

*Calculation assumes no transfer of funds from the Endowment Account which is currently comprised of unrestricted earnings from previous investment; inclusion of these funds would increase the probability of success substantially



Contact Information



Web Site

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

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Olympia, WA 98504

Phone Number

(360) 956-4600

Tab F

Program Update

PROGRAM UPDATE | MARCH 2020

INTRODUCTION

Since the January 2020 Washington State Opportunity Scholarship (WSOS) Board meeting, the WSOS team has been in the throes of application season. On February 6, we closed the application for Cohort 9 of the Baccalaureate Scholarship and the final term of selection for Cohort 2 of the Career & Technical Scholarship! Select updates related to program activities are below. Additionally, this document contains an external affairs overview of legislative session activity and social media coverage as well as information on the upcoming fundraising efforts for 2020.

AWARDS ADMINISTRATION

The Awards team is in the process of recommending a selection model for our newest Baccalaureate and Career and Technical Scholars. The 2020 Baccalaureate application brought 3,402 applicants from across the state, of whom 750 will be selected. The Spring 2020 Career and Technical Scholarship application brought 475 applicants, of whom 110 will be selected.

Simultaneously, the team is preparing to launch the 2020-21 application cycle for Cohort 2 of the Career and Technical Scholarship. The upcoming fall application cycle brings in half of our Career and Technical Scholars each year and is the one application cycle available to seniors moving directly from high school into a community or technical college program.

So far in the 2019-20 academic year, our Baccalaureate Scholars have received \$12,092,900 and our Career and Technical Scholars have received \$901,474.

SCHOLAR SUPPORT SERVICES

SCHOLAR SUCCESS – NEAR-PEER MENTORING

Opportunity Scholars in their first and second year in the program are asked to submit an academic plan to WSOS as a key deliverable each year. As of our February 15 due date, nearly 80 percent of Scholars have provided a plan. We are pleased that so many of our Scholars have taken steps to create a roadmap that increases the likelihood of progressing through their academic program. With Scholars preparing for their summer break, the Success team, in collaboration with our Placement team, are focused on helping Scholars jump-start their career exploration and have developed content to support those efforts over the coming months.

Key to our ability to deliver content, request and encourage the submission of deliverables like the academic plan is maintaining a strong Scholar Lead program. On February 1, we opened the application window for the 2020-21 Scholar Lead program, and we seek to onboard 165 new Scholar Leads. We have taken steps to improve the recruitment of Scholars Leads by simplifying the application process by leveraging our existing scholarship platform. In addition, we implemented new requirements to strengthen the application pool while reducing the number of ineligible applicants. To date, we have more than 150 applications in progress, and we expect that number to grow before the application window closes on April 15th.

CAREER AND TECHNICAL SCHOLARSHIP SUPPORT SERVICES

Thank you to the WSOS Board for their approval in January to hire two CTS Success advisors to support western and eastern WA, respectively. CTS Advisors will: 1) research, identify and compile available school and community resources; 2) facilitate connections between Scholars and existing resources; and 3) assist Scholars in accessing campus career planning services to ensure employment after graduation.

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The job descriptions for these positions are being drafted and will be posted for recruitment in the coming months with full onboarding planned prior to the start of the 2020-21 academic year.

SCHOLAR PLACEMENT – INDUSTRY MENTORSHIP AND ENGAGEMENT

For the second year in a row, we invited mentors, WSOS alumni and community partners to review applicant essays and join us at our work party hosted at Coterie Worklounge. We expanded our volunteer outreach this year, recruiting more than 360 volunteers who represented diverse ethnic backgrounds and industry sectors. The work party doubled in size with 75 attendees.

As part of the essay review volunteer recruitment efforts, we connected with new industry partners. Most notably, the Black Employee Network and Latinos at Amazon employee groups enthusiastically signed up to review essays (10% of volunteers were Amazon employees). We are looking forward to partnering with both groups for a mentor recruitment information session this spring.

The 2019-20 Skills that Shine mentorship program is wrapping up in May and we are hosting our annual networking event Opportunity Connects on April 14, 2020, at 415 Westlake. We invite you to join us and meet Scholars and/or share the event with your colleagues! More information can be found here: <https://www.waopportunityscholarship.org/opportunityconnects-2020/>.

GRADUATE SCHOLARSHIP

In 2018 the legislature expanded the current scholarship model to fund WSOS-like students attending eligible advanced degree programs to include graduate and professional programs. The goal is to address health care professional shortages in medically underserved areas of the state. Through the input of dozens of stakeholders including elected officials, lobbyists, health care employers, health care educators and WSOS alumni, staff created the proposed Graduate Scholarship (GRD) model to be reviewed by the Board.

If launched, GRD would expediently support the training and placement of **Advanced Registered Nurses Practitioners (ARNPs)**. Based upon community feedback, ARNPs are the professionals most appropriately skilled, certificated and aligned to work in areas of need using dedicated state funds. We are in active dialogue with the five universities statewide who graduate these professionals through Doctorate of Nursing Practicum (DNP) training programs (Pacific Lutheran University, Seattle Pacific, Seattle University, University of Washington and Washington State University {four campuses}). All schools are enthusiastic about the rising scholarship model.

DEVELOPMENT UPDATE

OPPORTUNITYTALKS BREAKFAST 2020

The 6th annual OpportunityTalks Breakfast will take place on **Wednesday, November 12, 2020**, at the Sheraton Grand Seattle hotel. 2020 Vision is the theme of this year's event which will attract approximately 800 attendees. Guests represent a broad cross section of STEM and health care industry leaders, philanthropists, education partners and elected officials. Our Scholar speaker has been confirmed: Edgar Santos Aquilar is a UW Seattle senior pursuing a career in medical device manufacturing and engineering. He spoke at the recent Essay Read Work Party and was very well received. The Development team is already confirming Executive Leadership Committee members and renewing sponsorships for this annual event. Heather Redman, co-founder and managing partner of Flying Fish Partners, has agreed to be one of our event co-chairs.

FUNDRAISING UPDATE

As we create and execute on the first year of a five-year fundraising strategy for WSOS, the Development department is deeply grateful for Board approval of two new staff positions (posting in March).

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- The Philanthropy Advisor will manage the major donor portfolio including corporate partners, individuals and foundations with interest and capacity to make large-scale gifts.
- The Development Coordinator will provide donor and gift data entry, reporting and acknowledgement as well as event support.

These two new positions will round out a five-person Development department which has an ambitious goal to raise \$200M over the next five years.

CONNECTIONS LIST

At the March meeting, Board members will see a Connections List populated with names of individuals and companies where staff are seeking introductions. Thank you in advance for opening your network in support of our Scholars.

EXTERNAL AFFAIRS UPDATE

2020 LEGISLATIVE SESSION

With just weeks left in the legislative session, we have made progress in solidifying a statutory fix to allow access to the \$500,000 appropriated to WSOS for implementing our expansion into funding high-demand programs at community and technical colleges in 2018. In addition, we are working with legislators to amend the language governing our budget appropriation to allow us to use the existing funds allocated for state match for matching of a rural jobs program donor.

At the initial release of each chamber's budget, the Senate included the requested language for the implementation dollars while the House did not. The House included the language for the rural jobs matching while the Senate did not. We are working with legislators to offer amendments and hope to see both fixes in the final conference budget at session end.

TRIBAL, COUNTY AND MUNICIPAL PARTNER UPDATE

We are currently in the strategy development and early relationship-building phase of the tribal, county and municipal partnership program. We've developed a one-pager (see document section) to introduce the programs we support and the opportunities for partnership.

We have three goals for the development and execution of this program in 2020. The first is to continue exploring conversations with initially interested partners and to introduce the opportunity to 10-15 new partners in 2020. Second, we will develop a strategy for targeting ongoing partners based on industry and regional workforce needs. Lastly, we hope to secure at least two partnerships by year-end.

To accomplish these goals, we plan to build relationships with thought partners and economic analysts around the state to understand regional economic data, needs and opportunities. We will seek out relevant conferences and convenings to reach as many stakeholders as possible. Strong marketing and communication tools are currently in production and will continue to be developed to buttress these efforts and amplify our message.

Strategy and message development will continue through spring, followed by targeted outreach in the field through spring and summer. By fall we hope to begin moving into securing partnerships, particularly during the budgeting season for city and county governments.

STAFFING UPDATE

After receiving strong interest in the marketing and communications manager position, we are now in the final stages of the interview process. Once onboarded, the new manager will be empowered to hire two officer positions. Together, our team of four will have stronger capacity to expand outreach and awareness of WSOS through better use of data, social media and news coverage.

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We are grateful to the Board for the support of an expanded vision for External Affairs work. We look forward to reporting back evidence of our increased capacity later in the year.

MEDIA COVERAGE

Media coverage focused on the opening of both our CTS and Baccalaureate Scholarship applications.

Coverage summary:

- Significant Changes Made to Washington State Opportunity Scholarship | 560KPQ, Wenatchee News Radio, January 6, 2020
- The BECU Foundation is accepting applications from student members | Skagit Valley Herald, February 2, 2020
- The BECU Foundation is currently accepting applications| The Suburban Times, January 8

SOCAL MEDIA COVERAGE (JANUARY – FEBRUARY)

TWITTER

- Number of impressions: 31,698
- New followers: +4

Top Tweet:

Our top tweet was the announcement for the opening of our Baccalaureate Scholarship application.

Top Tweet earned 3,296 impressions

Our Baccalaureate Scholarship application is NOW OPEN! That's \$22,500 in WSOS funds available to WA students pursuing high-demand **#STEM** and health care degrees at WA state colleges and universities. Applications due FEBRUARY 6!
waopportunityscholarship.org
pic.twitter.com/IGe6np1e3B

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BACCALAUREATE

🔗 6 ❤️ 9

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FACEBOOK

- 3,777 page likes

Top Post:


Our most engaging post was a post announcing the final days our both our CTS and Baccalaureate Scholarship applications.

Post Details
✕

Washington State Opportunity Scholarship

Published by Jessica Monger (?) · February 5 at 12:49 PM · 🌐

FINAL COUNTDOWN! Our scholarship applications CLOSE FEB. 6. Thousands of dollars are up for grabs in high-demand trade, STEM and health care certificate, bachelor, associate and apprenticeship programs across WA. Apply or share with someone who should apply TODAY!
<https://www.waopportunityscholarship.org/studen.../applicants/>



4,848
People Reached

115
Engagements

[Boost Again](#)

Boosted on Feb 5, 2020 By Jessica Monger Completed

People Reached	4.3K	Post Engagement	37
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[View Results](#)

Lauren Jones, Riyaz Ali and 10 others

7 Shares

Like

Comment

Share

Performance for Your Post

4,848 People Reached

22 Likes, Comments & Shares [i](#)

14 Likes	14 On Post	0 On Shares
1 Comments	0 On Post	1 On Shares
7 Shares	7 On Post	0 On Shares

93 Post Clicks

8 Photo Views	17 Link Clicks i	68 Other Clicks i
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NEGATIVE FEEDBACK

0 Hide Post	0 Hide All Posts
0 Report as Spam	0 Unlike Page

Insights activity is reported in the Pacific time zone. Ads activity is reported in the time zone of your ad account.

WASHINGTON STUDENTS FOR WASHINGTON JOBS

Building pathways into high-demand careers through financial aid and support services.



OUR SCHOLARSHIP PROGRAMS

WSOS has two programs: The Opportunity Scholarship program and the Rural Jobs program.

The Opportunity Scholarship program has three unique scholarships.

The Baccalaureate Scholarship (BaS) provides up to \$22,500 in financial aid and access to career-launching support services for students pursuing high-demand STEM and health care majors at any eligible public or private college or university in Washington state.

The Career and Technical Scholarship (CTS) supports students pursuing a certificate, apprenticeship or degree at Washington's 34 community and technical colleges in high-demand trade, STEM and health care fields. Scholars are eligible to receive up to \$1,500 each quarter.

LAUNCHING SOON: The Graduate Scholarship supports students pursuing a Doctorate of Nursing Practice and who plan to work in a medically underserved area.

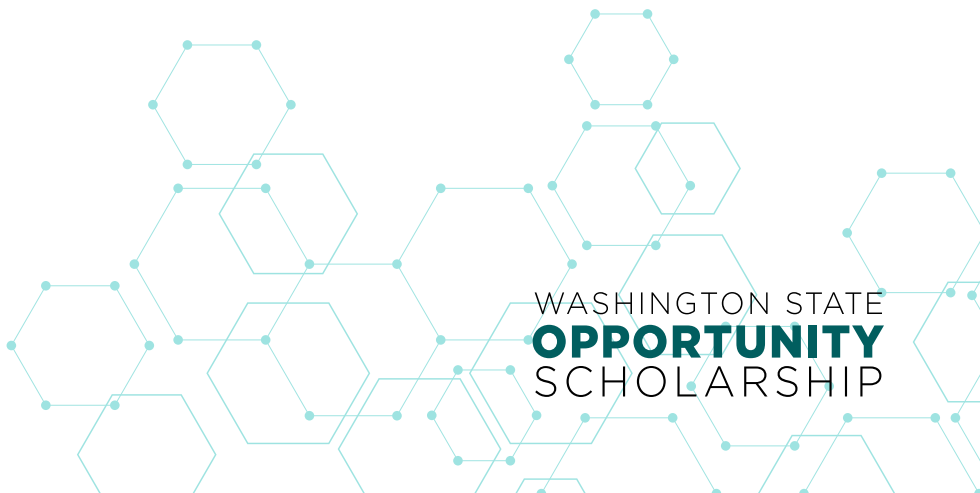
LAUNCHING SOON: The Rural Jobs program supports students in rural communities pursuing eligible CTS programs.

OUR WORK

Washington has one of the fastest growing state economies with more trade, health care and STEM jobs than we can fill. In 2011, the Legislature recognized these acute shortages and created a first-of-its-kind public-private partnership to make Washington the place where the world's most productive companies find the world's most talented people. By matching every private dollar invested, the state can prepare should be low- and middle-income Washington students with the education and training necessary to meet market demands.

Our unique model of financial aid, coupled with mentorship and professional development, is graduating students faster, with less debt and earning more in the fields our economy needs.

- **More than 4,125 Scholars have graduated with a bachelor's degree.**
- Our Scholars are more than **twice as likely to graduate** in four years, **more likely to be employed** one year after graduation and **earn an average of 14% more than their peers.**
- Nearly half of our current cohort of Baccalaureate Scholars identify as **underepresented minorities in STEM fields and 57% are women.**
- Of our inaugural cohort of Career and Technical Scholars, **82% identify as first-generation college students.**
- A recent audit by the Joint Legislative Audit Review Committee found that **just 7% of our costs** are used to cover administrative fees. That means we are delivering incredible outcomes at an efficient, low-cost, which allows the state and our private sector partners to enjoy a strong return on their investment.



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NEW FOR 2020 AND BEYOND

Municipalities, counties and tribes can now take advantage of proven WSOS model.

The Legislature recently made it possible for municipalities and federally-recognized tribes to invest in WSOS and take advantage of the state's dollar-for-dollar match. These entities can now invest in WSOS and build a scholarship program for residents of their communities to pursue any of the eligible programs across our scholarship programs.

This new opportunity is a workforce development tool to target specific industries in communities across Washington. Our proven model is a smart investment to increase credential output while connecting Washington residents to high-employer-demand jobs.

20,000
Scholars that
WSOS will support
by 2025.

100%
WSOS supports
Scholars from every
legislative district
in Washington.

SNAPSHOT: WSOS BY STATUTE

Opportunity Scholarship: the Scholars we support in our BaS and CTS programs

- Residents of Washington who received a high school diploma or equivalent in-state.
- Students who have a family income at or below 125% of the state median family income.
- Students who are pursuing an eligible professional-technical certificate or degree. We will soon support eligible advanced degrees with the launch of our Graduate Degree Scholarship.

Rural Jobs program: who we support

- Students must be pursuing an eligible professional-technical certificate, and be a resident of or have attended and graduated from a school in an eligible county. As of 2016, there are currently 30 counties meeting the definition of "rural" as defined by statute. These include all counties except for King, Pierce, Snohomish, Kitsap, Thurston, Clark, Benton and Spokane.
- Students must have a family income that does not exceed 70% of the state median family income.
- Students must also maintain an average 2.0 GPA to remain eligible for their scholarship once accepted into the program.

The Board of Directors

- Board provides oversight and guidance for the Opportunity Scholarship and the Rural Jobs program, including identifying eligible programs, soliciting funds and setting fundraising goals.
- All 11 board members are appointed by the Governor. Five of those board members are recommended as foundation or business and industry representatives from the state's most productive industries. Three seats are at the recommendation of the Legislature and the remaining three from the Governor.

Legislative Report

- Every December 1, WSOS provides a comprehensive report on our applicants, participants, scholarships awarded, fundraising and outcomes. This report is broken out by the Opportunity Scholarship program including BaS, CTS and our forthcoming graduate degree scholarship, as well as the Rural Jobs program.

State Match Requirements

- The Rural Jobs program and the forthcoming Graduate Degree Scholarship each respectively have a \$1 million cap on the private dollars the Legislature will match in a single biennium.
- The BaS and CTS have a \$50 million annual cap.

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