

**WASHINGTON STATE OPPORTUNITY SCHOLARSHIP BOARD MEETING
WEDNESDAY, JUNE 8, 2022, 1-3PM, MICROSOFT REDMOND CAMPUS,
MICROSOFT TEAMS OR DIAL IN MEETING MINUTES**

The Board of Directors of the Washington State Opportunity Scholarship (WSOS) convened on June 8, 2022, at the Microsoft Redmond Campus, via Microsoft Teams and dial in. As such, the meeting was publicized as available to the public on the WSOS website.

Board members present at Microsoft Redmond campus: Brad Smith (Chair), Diane Cecchetti, Joelle Denney, Julie Sandler, Patrick Smith, Miller Adams.

Board members present via Microsoft Teams: Latisha Hill, Jane Park, Gary Rubens, Mike Wilson.

Additional attendees: Jane Broom, Gina Breukelman, Dave Stoler, Aileen Miller, Kimber Connors, Johnathan Luster, Nick Peyton, Jessica Monger, Steve Walker, Tori Campbell, Lianda Abraham, Genevieve Geiger, Mesa Herman, Nicolas Khamphilom, Joanna Moznette, Patti Nelson, Brittny Nielsen, Jvania Cross Polenska, Vanesa Contreras Rodriguez, Yoko Shimomura, Aileen Tubo and Irina Grubic.

Meeting Called to Order

Brad Smith, Chair, called the Board meeting to order at 1:01pm.

Approval of Minutes

Diane Cecchetti moved that the minutes of the March 16, 2022, Board meeting be approved. Julie Sandler seconded the motion, and it carried unanimously.

Mission Moment: Scholar Opportunity Story

Kimber Connors, WSOS Executive Director, introduced Joanna Moznette, WSOS Senior Baccalaureate Advisor. Moznette then introduced Christopher Wray, a Baccalaureate Scholarship recipient in the tenth cohort attending Western Governors University. Wray grew up on a family farm and plant nursery north of Pasco, Washington. After working in inventory management at his family's nursery, he started developing an interest in building applications to solve company hang-ups in productivity. This interest in software led him to start his own web development company. Around that time, Wray also started studying software engineering and learning to code. In 2020, he was admitted to the software development program at Western Governors University (WGU) and began working on his bachelor's degree in software development. Wray entered WSOS last fall. He shared that because of WSOS, he can focus on school rather than worrying about money. He is grateful for his mentor and shared that having WSOS support was critical to moving past a mental health challenge last year. He shared one area for improvement at WSOS would be a better user interface for the application. He also indicated he would have enjoyed more local, in-person meet-up opportunities.

Brad Smith asked Wray to describe his experience at the WGU. Wray shared that he had an amazing experience there. WGU is well set up for online learning. Diane Cecchetti asked Wray where he sees himself in five years from now. Wray responded that he would like to be an advocate for an inclusive work environment and lead a team, preferably in engineering. Sandler asked Wray to share his job search process. Wray said that it was an arduous process. He started applying a few years ago, had a few interviews but was rejected. WSOS really helped, and he had a great mentor, Brad Toy, who was a big supporter. Toy helped to set up a few interviews, polished Wray's resume and taught Wray how to present himself. Brad Smith thanked Wray for spending time with the Board and wished him good luck.

ED Corner

First, on behalf of WSOS, Connors expressed her gratitude to Dave Stoler who had been supporting WSOS as the Attorney General Office representative for ten years before retiring in February 2022.

Connors noted Stolier was in the room as a special guest today. Brad Smith said that Stolier is everything that a lawyer should be – always a source of great judgement, helping all these years to navigate through challenging situations with sound advice. Stolier responded that it was an honor to be behind the scenes as WSOS. Connors welcomed Aileen Miller, who replaced Stolier and said that Stolier left WSOS in great hands.

Connors shared that the purpose of her presentation was to anchor the group on key metrics and give a snapshot of where we are today. She started by reviewing the organization's strategic priorities and the subcomponent outcome metrics by 2025-26 for each. (See Tab C, slide 2 for specific outcome measures outlined). She emphasized the leadership team had worked with individuals across the organization to develop these measures of success. She shared that teams are currently setting AY goals which will include the leading indicators of success for the outcomes described.

Connors then described a snapshot of where the organization is today within the specific target areas of focus under each strategic priority. She stated she had given each a one-to-three-star rating with one being an indicator of a "watch out" and three being an indicator of strength. (See Tab C, slide 3 for specific ratings outlined). She noted a one-star rating under speaking engagements, stating it has not been a focus this past year while things have not been held in person. This has been a growing focus in the last quarter and will continue to be an area of growth. Connors also noted the two-star rating on Development-related activities. She called out that while we have raised \$44M thus far in the campaign, the hardest work is yet to come in developing new relationships with not-yet-strong champions. Finally, Connors noted a two-star rating on Operations given the challenges of the transition to 501 Commons as a new program administrator creating a lot of additional work for the team.

Connors described the key wins of the quarter: Scholars continue to share the impact of WSOS; Ballmer, the fourth original cornerstone, renewed with a \$10M gift; in-person relationship is gathering momentum; staff are back in the office in a hybrid capacity; and Directors team is gelling with great planning for the AY ahead. Connors then described the key challenges of the moment: higher education enrollment is down; recruiting new staff has been incredibly challenging in the current talent market; and pandemic burnout has been real and is being felt by students, staff and partners.

Sandler asked what the most audacious goals are – which will be the biggest reach, and which seems easiest to hit? Connors responded the biggest reach goal will be in reducing opportunity gaps as so many factors beyond our control create the problem. She believes the most achievable goals relate to awards measures around the financial aid aspects of the program since we have been doing that aspect of the program the longest and have the most established systems. Miller Adams asked Connors to clarify the target outcomes on race and income. Kimber described the targets are to reduce the difference in outcomes between students who have been historically excluded and their peers, not eliminate opportunity gaps altogether. Joelle Denney suggested Connors bring this topic to the Board meeting in September to see what progress we are making. Connors affirmed she planned to add ED Corner as a recurring section on the Board meeting agenda. Brad Smith said he liked the use of the star rating to give a quick visual sense of the situation. Patrick Smith commented he would like to see stronger alignment between the snapshot indicators and the 2025-26 outcome measures. Connors thanked the Board for their engagement.

501 Commons Transition Update

Javania Cross Polenska, WSOS Deputy Director, provided an update on the program administrator transition from WA STEM to 501 Commons. She first reaffirmed the values in transition for the Board (Tab D, slide 2). The transition is underway, progressing as expected. Polenska thanked Denney for her support. The contract was fully executed on May 31, 2022. Discovery and project planning began May 2. Connors commented on how supportive Yoko Shimomura, COO at Washington STEM, and her team have been during the transition. Polenska shared upcoming hurdles we are anticipating. First, she noted the transition would come in over budget as has been shared with the WSOS Finance & Investment Committee. Second, she emphasized it has been difficult to ensure our employees remain whole regarding benefits, particularly retirement. They are working with a broker now to explore the ability to offer a separate retirement plan. She asked for Board input on this issue.

Brad Smith asked Polenska to clarify the problem – is 501 Commons saying WSOS must use their current retirement plan instead of administering the already-existing WSOS plan? Polenska affirmed. She shared that the 501 Commons team is waiting for input from their broker on what is legally possible about segmenting only a certain subset of employees to receive a different benefits package. Denney asked if 501 Commons could administer the WSOS retirement plan for our employees only or offer our package to all their employees as well. Polenska clarified 501 Commons is willing to administer the plan we already have for WSOS employees, but they have not received approval from their broker yet to have a different plan for 501 Commons employees and WSOS employees. Connors added that all WSOS employees are “employees of record” of 501 Commons, so the broker is not clear on the legal allowability of having “preferential treatment” only for certain kinds of 501 Common employees (those assigned to the WSOS program). Patrick Smith asked if there was a legal reason WSOS staff are employees of record of the program administrator. Connors explained that the WSOS statute creates WSOS as a program, not a legal entity with a tax status. Therefore, we must be administered by a program administrator and serve as “employees of record” of that employer. Brad Smith wondered if the current statutory restrictions make the most sense. Polenska offered to gather any additional feedback from Board members after the meeting. Brad Smith affirmed the Board desires WSOS employees to remain whole, including their retirement benefits. Looking forward, it is important to avoid program administrator transitions, so hopefully, we have found a long-term fit with 501 Commons. He noted he is not surprised the transition costs are expected to exceed budget.

2022 Career & Technical Scholarship Selection

Connors introduced Steve Walker, WSOS Special Projects Director. Connors expressed gratitude to Walker for his service to WSOS and noted it was his last Board meeting. Brad Smith thanked Walker. Walker started his presentations with goals: 1) approve limiting RJI selection to align with legislative intent; 2) approve 2022-23 selection principles for CTS and RJI; 3) explore the adoption of an evergreen selection model for Baccalaureate and Career & Technical Scholarships.

Walker noted the rural jobs statutory change was inadvertently more permissive than intended, opening the rural jobs program to students who are not, in fact, from rural areas. Walker described a Board motion to: limit selecting RJI recipients who:

- are a resident of an eligible county **OR**
- who attended and graduated from a school in an eligible school district **and** enrolled in either a community college located in an eligible county or participate in a Washington College Grant approved registered apprenticeship in an eligible county.

Board Action: Cecchettini made a motion to limit selecting RJI applicants. Miller seconded, and the motion passed unanimously.

Walker then described the proposed selection principles for CTS in 2022. He noted the intent of the selection is to select Scholars who are: 1) heading into high-demand, high-return jobs across Washington state; 2) likely to graduate with a credential in STEM, health care or the trades; and 3) more likely to complete their credential or program if they receive a scholarship. He reviewed the point allocations as described on Tab E, slide 6, that had been used for the previous academic year. Given the significant increase in cohort size from last academic year to next, Walker recommended two changes to the model: 1) ensure the average short answer score remains no lower than 3.0, ensuring we restrict funding to those who are most likely to persist; and 2) modify the CTS college cap and RJI regional cap (as described on Tab E, slide 9).

Sandler asked if there is a limit on the age of applicants for Opportunity Scholarship. Walker affirmed there is not. Adams inquired as to how we see the recommended change playing against the decrease in applicants we saw last year. Walkers explained the recommended changes are safeguards intended to maximize the number of selects without sacrificing the likelihood of selects persisting to complete their program. Latisha Hill asked why we have geographic gaps for rural jobs. She wondered how we acknowledge if there have been no applications from a particular geographic area. Walker shared there is an internal dashboard we use to monitor from which counties we are receiving applications from live so

we can address any gap areas live. He also explained the regional cap is to prevent “super promoters” (extremely active champions) from filling too many slots without providing access to students from regions without the benefit of a highly active champion. Patrick Smith asked what would happen if we do not receive enough qualified applicants to fill the available seats. Walker noted the use of the persistence score will take effect and limit the number of students we select to protect against that.

Walker then shared the Awards team is moving toward having a more evergreen approach to selection and eligible programs. We want to bring fewer topics to Board meetings to increase the space for substantive discussion and reduce time on staff report outs. The team is recommending replacing policies requiring annual approval with evergreen policies. He asked the Board if there were concerns with this approach or what they would want to see from an ongoing basis to feel comfortable with this approach.

Brad Smith commented that the program would have to be stable to feel comfortable with a go-forward approach. He noted the Board has confidence in staff. Patrick Smith said we should define what is a minor tweak versus a major change; he affirmed staff should make minor tweaks without Board input but should bring major changes to the Board for consideration. Patrick Smith further expounded that he wants to avoid having ten small tweaks that result in disaster while allowing staff to do what is best for students. He wondered why this question was being brought to the Board. Connors said the goal was to make sure we are having substantive conversations at the Board level rather than affirming similar votes at each meeting. Walker thanked the Board for their feedback and stated the staff would circle back with more information in September or December.

Board Action: Denney made a motion to approve the selection principles as presented. Sandler seconded, and the motion passed unanimously.

\$75 Million Campaign Update

Nick Peyton, WSOS Senior Development Director, presented an update on the fundraising campaign. WSOS raised \$43.2M in the first 5 quarters of the campaign. Key donors include Microsoft (\$15M), Gary & Jennifer Rubens (\$10M), Boeing (\$5M), Amazon (\$1M) and Ballmer Group (\$10M). We have closed gifts large and small since the last Board meeting in March 2022, the largest of which being the renewal of our fourth original cornerstone (Ballmer). \$10,051,544 has been raised in Q1 of 2022. Despite some headwinds, the campaign is on track to success. Peyton shared that while in Spokane, Connors and he met with a Cohort 1 alumni, Jenny Spink. It was very inspiring. In the next two quarters, we will be finalizing campaign assets, planning events and confirming campaign volunteers.

Adams asked if WSOS was pursuing foundation leads and if the Board knew of anyone how they should share. Peyton confirmed WSOS is interested in foundation leads and said members should feel free to share that information with him directly. Peyton lamented that due to hiring challenges, it has been difficult to follow up on all leads due to time constraints. Brad Smith asked about planning for Opportunity Talks Breakfast for this year. Peyton reminded the group that the event had been moved to the spring but that partners would be engaged at the typical time of the year to generate excitement for the event to come. Peyton closed by reminding the Board the campaign would be announced formally when we hit 60% of the goal.

Higher Education Enrollment Trends

Connors introduced Michael Meotti, executive director of the Washington Student Achievement Council. Meotti provided an overview of the trends in postsecondary education in Washington state. Direct enrollment (high school to college) has been flat for decades. We are now in stagnation which is not fixed easily. Total enrollment is flat or in decline. It was flat for the past four years. This is a national phenomenon – when the market is strong, people prefer to work. When the recession starts, then enrollment happens. Feeder pathways may be slowing. The proportion of students who completed a dual enrollment course in Washington increased slightly during the pandemic. There are racial inequities in FAFSA completion rates for high school seniors in Washington that were made worse during the pandemic.

Connors stated that CTS applications number is strong in comparison with the market but that BaS application numbers are down, mirroring enrollment broadly. She asked: what role should WSOS play in supporting higher ed enrollment across the sector? What strategies are we missing to promote the scholarship more effectively? Denney commented that some employers are moving away from requiring a degree and wondered if this impacts the decline in enrollment. Meotti responded that it is too early to say for sure, but noted many employers are building their own training models where people can “learn while they earn.” Denney stated employers need extremely specific skills which may be contributing to employers building their own programs. Meotti affirmed that employer-built programs may be a big disrupter in the higher education system. Patrick Smith asked if online coursework was displacing degree earning. Meotti said it is unlikely participation in online courses does not seem to be displacing people. Sandler commented on the importance of reskilling the adult workforce. Adams was intrigued by the “learn while you earn” model. Meotti predicts this will be a growing model for skilled workforce development in the future. Brad Smith commented that trends have been flat at 60%. The real issue is that the country’s demographics have changed. The working age population is not growing. From 2020-2025, this will only grow by 1 million people (about the population of Delaware). We do not have enough new people entering the market, and this is likely to continue to the end of the century. Companies are competing for a fixed number of American workers. Because of this, we will have to get more value out of the people you have. You must reskill older people because there will be fewer younger people. Connors thanked Meotti for presenting.

Finance & Program Administrator Update April 30, 2022

Patrick Smith, Chair of the WSOS Finance & Investment Committee, reported that the Committee met on June 1, 2022. Tab H includes the entirety of the meeting materials.

Patrick Smith reported that as of 4/30/2022, total assets were \$122.3.2M which is a 10% decrease from 12/31/2021 (last reported period) and a 10% increase from 4/30/2021. The decrease is due in large part to unrealized investment losses of \$8.83M, offset by realized gains of \$576K and WSIB fund withdrawal of \$4.4M in March to support scholarship disbursements. There was offset by private receipts of \$720K.

Our total liabilities as of 4/30/2022 were \$16.7M. This is a 20% decrease since 12/31/2021 and a 21% decrease since 4/30/21. The decrease since 12/31/21 is related to scholarship disbursements net of refunds of \$3.8M (\$2.78M BaS; \$1.04M CTS/RJI; \$27K GRD). Note that the Spring CTS/RJI tranche of students was onboarded to the liability in March.

The total net assets were \$105.6M – this is an 8% decrease from 12/31/2021. Pledge receivables, net included \$10M Gary & Jennifer Rubens; \$15M Microsoft; \$2.5M Boeing; \$10K Avista as of 4/30/22.

Executive Session

The meeting went into Executive Session at 2:50pm to discuss the performance of an employee. The Board returned to the public meeting at 3:00pm.

Board Action: Jane Park made a motion for an 8% bonus to apply to the 2021 salary of executive director. Sandler seconded the motion, and it carried unanimously. The Board advised the executive director to continue to assess the impact of inflation on employees’ compensation and retention.

The public meeting was adjourned at 3:05 pm.

Respectfully submitted,
Irina Grubic