

**WASHINGTON STATE OPPORTUNITY SCHOLARSHIP BOARD MEETING
THURSDAY, DECEMBER 17, 2020, 1-3 PM, MICROSOFT TEAMS OR DIAL IN
MEETING MINUTES**

The Board of Directors of the Washington State Opportunity Scholarship (WSOS) convened on December 17, 2020, via Microsoft Teams and dial in only in alignment with the Governor's suspension of the Public Meetings Act due to COVID-19 precautions. As such, the meeting was publicized as available to the public on the WSOS website though no physical location was hosted.

Board members: Miller Adams, Diane Cecchettini, Joelle Denney, Latisha Hill, Jane Park, Gary Rubens, Julie Sandler, Patrick Smith and Mike Wilson

Additional attendees: Lianda Abraham, Erin Ashley, Michelle Barreto, Gina Breukelman, Jane Broom, Tori Campbell, Meg Chambers, Kimber Connors, Karyl Gregory, Mesa Herman, Sue Ann Huang, Angela Jones, Jenna Magnotti, Jessica Monger, Joanna Moznette, Brittany Nielsen, Hannah Olson, Sydney Parmis, Cristal Rangel Peña, Javana Cross Polenska, Jeric Quiliza, Vanesa Contreras Rodriguez, Sarah Szabo, Aileen Tubo, Steve Walker, Rachel Wyers and Victor Zamora

Meeting Called to Order

Jane Park called the Board meeting to order at 1:03 pm and reported that Joelle Denney will join the meeting later.

Kimber Connors, WSOS Executive Director, welcomed new board members Latisha Hill and Patrick Smith. Hill gave credit to Mike Wilson for his strong recruiting efforts and expressed her excitement to join the mission of WSOS and serve on the Board. Smith expressed his gratitude to have joined a Board of influential changemakers and his dedication to students.

Approval of Minutes

Julie Sandler moved that the minutes of the September 17, 2020, Board meeting be approved. Diane Cecchettini seconded the motion, and it carried unanimously.

Mission Moment: Scholar Opportunity Story

Connors reported that WSOS Scholar Rashid Mehmood was hoping to join today's Board meeting, but a last-minute emergency prevented him from doing so. Michelle Barreto, WSOS Scholar Success Advisor, shared highlights of Mehmood's background. He is a Scholar Lead originally from Multan, Pakistan, who lives in the Spokane area. Mehmood plans to enter the field of cyber security and currently attends Spokane Falls Community College pursuing a Bachelor of Applied Science in Cyber Security. In addition to his studies, Mehmood is involved with the Applied Technology Club and serves as a data specialist at Engie Impact in Spokane. As a first-time Scholar Lead, he has been able to connect with his fellow Scholars and further develop his communication skills. Barreto has appreciated his lens as a Scholar who is completing his degree at a community college. As a Scholar Lead, he is in tune with his Scholars' needs and has leveraged this role to refine his leadership skills.

Barreto stated that many of our Scholars have faced numerous challenges this year with the loss of internships and jobs, wildfires and the emotionally charged political year. Some Scholars have been advocating for themselves with postponing their education. Scholar Leads have fostered community and provided valuable support for Scholars.

When asked by Miller Adams in what year of school Mehmood is, Barreto stated his third year. Wilson reported that career and technical colleges just received certification to offer cyber security degrees. Cecchettini asked for an update on our Scholars' attrition rate. Steve Walker, WSOS Awards Administration Director, stated that COVID-19 has been a factor as seen in the number of Scholars who

are requesting time away from the scholarship. Historically, the retention rate of first year Scholars is 79-83% (attrition rate of 21-17%). That shifted to 85% (attrition rate of 15%) when Scholar Leads were introduced. This year, it has increased again to 89% (attrition rate of 11%) because of our WSOS Advisors and Scholar Leads, despite the impacts of COVID-19.

Legislative Report

Walker noted that Brittny Nielsen, WSOS Marketing and Communications Manager, Rachel Wyers, WSOS Data Analyst and Connors were pivotal in creating the 2020 Legislative Report. New additions to the report include an overview of the first full Career & Technical Scholarship (CTS) cohort, the first Rural Jobs Initiative (RJI) recipients (20 selects) for fall 2020, funding for the Graduate Degree (GRD) and the partnership with the Education Research & Data Center (ERDC) to measure outcomes.

Top level highlights of the Baccalaureate Scholarship (BaS) include the following: geography – we serve the entire state; economy – we fill the jobs the state needs most; and impact – we transform the lives of our Scholars. Scholars are represented in every county. Cohort 9 Scholars are enrolled in the most needed WA industries: information technology (26%), engineering (23%), health care (19%), biology/biomedical (14%). WSOS Scholars are 2x more likely to graduate in four years than their peers and will earn 2x more than their family within five years of graduating.

CTS highlights are similar to those of the BaS – every county is represented. Cohort 1 Scholars are also enrolled in the state's most needed fields: (health care – 33%), information technology – 28%, STEM-like trades – 25% and engineering/manufacturing – 13%. By March 2021, we will have selected 1,100 CTS recipients and 50 RJI recipients. Scholars are expected to make 3x their family income (\$40K vs. \$12K).

Operational expenses for 11/1/9-10/31/20 include the following: 82% in Scholarship expenses which includes direct scholarship disbursements of \$17M, up from \$15M; 10% in Programs which includes Awards, Programs and External Affairs totaling \$2.2M, up from \$1.7M; and 8% in Administration expenses which includes Development and Management/General of \$1.7M, down from \$2.M.

Program Update: 2020 in Review

Kimber Connors, WSOS Executive Director, reviewed the 5-year strategic priorities: develop scalable, statewide programs, build the brand and fund to 2030. The year of 2020 is one we will not soon forget with COVID-19, the national reckoning on racism and the contentious election year.

Against this backdrop, WSOS has still been able to move forward with developing scalable, statewide programs. The Programs team structure was reorganized to align with service delivery. We hired Sue Ann Huang, WSOS CTS Manager, and Cristal Rangel Peña, CTS Advisor, to launch our CTS support services. We received design approval for the RJI and GRD programs. Our Skills that Shine program has grown to scale from 250 to nearly 900 pairs. The goal for 2021 is to launch the GRD program in the fall and launch a key performance indicator (KPI) dashboard.

Accomplishments in 2020 for funding to 2030 include the following: expanded FTE on the Development team; launched the feasibility study; hit 2020 revenue targets which include \$1.5M in revenue above our "normal year"; ensured release of \$500K in implementation dollars; secured a RJI cornerstone partner (\$1M) and also secured a GRD cornerstone partner (\$500K). The goal for 2021 is to secure the first major gifts of the \$200M campaign and secure the first county, tribal, city fundraising gifts.

Building the brand highlights include the following: expanded FTE on the External Affairs team; strategically filled two vacant Board of Directors positions; launched the Insider pilot for the 2020-21 academic year; grew our social media presence and engagement; and capitalized on virtual meetings for interim face-time with legislators (42 meetings held). The goal for 2021 is to formalize the social and traditional media engagement strategy and cultivate the white paper/conference opportunities for national visibility.

Baccalaureate Selection Principles

Aileen Tubo, WSOS Awards Manager, reported that the BaS application launched December 7 which is the earliest date ever to allow applicants a full two months to apply. The goal of today's presentation is to review the selection principles for Cohort 10 so the Board can vote to approve them.

To date, the Board has set the BaS selection criteria based on live data after the application closes each year. Moving forward, we propose approving selection principles in advance that are more likely to remain consistent each year. This provides more transparency with how state dollars are spent, clarifies the values that underlie our selection process and creates a more sustainable and efficient process for the Board. The selection principles include the following: select Scholars who are heading into high-demand careers across Washington state; select Scholars who are likely to graduate with a degree in STEM or health care; and select Scholars who are more likely to complete their degree or program if they receive a scholarship. The goal is to translate these principles into selection factors to determine who gets selected for the scholarship.

The selection model is based on these factors and focused purpose: intended major – prioritize the jobs that WA needs most; community opportunity – prioritize those communities that need these jobs the most by unemployment by zip code; family income – prioritize applicants least likely to graduate without our support; first generation – prioritize applicants least likely to graduate without our support; STEM essay – prioritize applicants most likely to graduate in STEM or health care; resilience essay – prioritize applicants most likely to graduate from college; and GPA - prioritize applicants most likely to graduate from college. The Awards team is confident these factors are equitable.

The Awards team proposes changing the point allocations as follows: increase intended major to 25 points which is a response to our applicants' economic instability to bring more of them into the highest demand jobs in our state; redistribute community opportunity across family income (20 points) and first generation (15 points) because these two factors are directly correlated and demonstrate a more direct impact on need; equalize the weight of the two essays (10 and 10 points) and equalize them with GPA (20 points) because they are reliable predictors of degree completion. Jane Park requested some context in terms of community support over the past three years. Connors indicated that the original intent of community support was geographic representation, but its impact has been minimal.

To ensure scholarship attainability, Tubo reported that another component, limitation factors, has been added which will protect us against unintended impacts which make it impossible for eligible applicants to be considered for selection. For example, we learned that allocating 20 points to family income makes the scholarship unattainable for middle-income applicants to be selected. To make it attainable, we would need to reduce the weight for family income. By setting a limitation factor for family income, middle-income applicants could qualify for scholarship selection. Wilson asked if real applicants' data was analyzed to establish the principles. Walker confirmed that applicant data from 2020 had been used to inform the principles proposed.

Tubo reaffirmed that last year's data was utilized to form the 2021 proposed selection principles. Three limitation factors were proposed. For intended major, applicants who select the highest demand major should not be 5x more likely to be selected than those who select the lowest demand major. For family income, low-income applicants should not be 3x more likely to be selected than middle-income applicants. For first generation, these applicants should not be 4x more likely to be selected than non-first-generation applicants. All points deducted from the three factors above will be evenly distributed between GPA and the essays. No limitation factors were needed for the STEM essay, resilience essay or GPA.

Joelle Denney asked if data from past years was used to assist in creating the limitation factors in addition to the principles. Tubo confirmed. Patrick Smith asked if these limitation factors and principles, once created, were applied to last year's data to look for any unintended impacts. Tubo confirmed. Jane Park asked about intended major impacts. Walker stated that last year's impact with first generation

would have made anyone qualify who was not first generation. As a result of this major impact, the Awards team recommended a lower level.

Park stated that the Board trusts the thoughtfulness of the team but also added that framing the criteria so that some applicants are disqualified is acceptable as long as the qualifying criteria meet the needs of the scholarship. Walker stated that if a decision is made to support only first-generation or low-income applicants, then we need to make this distinction clear in advance to applicants. He also noted there is a possible statutory complication.

Wilson asked about the number of majors and their point allocation based on higher demand to lower demand. Connors stated that we have 160 approved majors. Of the 25 points allocated for intended major, applicants seeking certain high demand majors would receive all 25 points whereas lesser demand majors would receive fewer points.

Cecchettini commended the Awards team for their thoughtful analysis with formulating the selection principles.

Board Action: Cecchettini made a motion to approve the selection principles for Baccalaureate Cohort 10. Miller Adams seconded it, and it carried unanimously. Park requested that the Awards team report on the impact at the next Board meeting of the selection decision without using live data since this is a new process.

Fund to 2030: Progress on \$200M

Erin Ashley, WSOS Development Director, reported that our virtual OpportunityTalks event on November 12, greatly exceeded our expectations and generated a remarkable fundraising response. 1,092 people registered which is 302 more than last year's registrants. There were about 700 live viewers and 2,045 unique video views as of December 7. There were 74 virtual tables compared to 78 in-person tables last year. There were 490 individual donors compared to 301 in 2019. There were 296 new donors this year compared to 239 last year. There were 35 increased donors compared to 48 in 2019. Clearly, enthusiasm remained high even with the virtual environment. The total raised to date, including the state match, is \$826,807 and we still have two more weeks until year end. For comparison sake, the total raised last year by December 31 was \$864,000.

Opportunity Scholar Michelle To served as our outstanding game show host for "Are You Smarter than an Opportunity Scholar" with Brad Smith and *The Daily Show's* Trevor Noah. Michelle To was also featured on our end of the year gratitude card. Gary Rubens stated that the virtual event was amazing, enjoyable and so well done. Rubens asked regarding the profitability of the virtual event compared to our previous in-person events. Ashley reported the virtual event greatly increased profitability because there were no costs for food, hotel or on-site video equipment.

Ashley stated that next year's OpportunityTalks will be a hybrid event – an online fundraiser in addition to a hoped-for, in-person event. This will remove the geographic barrier for attending and will broaden our audience. Going forward, we will continue the online peer-to-peer fundraising through a mobile platform and go paperless for credit card donations for both in-person and virtual events. Ashley noted that 394 gifts were given this year through online giving. We knew instantly what money was raised, and we could immediately offer a receipt and thank you. It also saved processing time.

Ashley asked Board members what stood out for them regarding the production, communication and execution of this year's event. Rubens suggested that we ask donors to pay the 3% credit card fee. Cecchettini said that a virtual event removed the challenge of travelling to the in-person event, and it also removed all overhead expenses. Miller Adams and Joelle Denney both expressed their disappointment with not interacting with Scholars. Ashley reported that about 300 Scholars joined this year's virtual event

compared to roughly 100 Scholars who attended last year's in-person event. We also saw that three times as many alumni viewed the livestream.

Adams highlighted the advantage with a virtual event of inviting people from across the United States. Sandler commended the team for recruiting Trevor Noah as a guest because his participation in the program attracted more people and elevated our program given all the competition. Ashley gave all the credit for Trevor Noah's involvement to Microsoft. Wilson shared how superbly Trevor Noah as guest and Jane Park as host embraced their parts. Jane Broom enjoyed the lively text and chat interactions during the event. Broom stated that both mailing the game in advance to key partners and the creativity of the Scrabble game added tremendous energy to the event. Broom also shared that this was the finest virtual fundraiser she attended all year. Gina Breukelman agreed. Breukelman added that, because of it being virtual, she could promote the event to other Boeing employees which enlarged our base of WSOS champions.

Ashley reported that the money raised from OpportunityTalks is only one sliver of our revenue. This year, revenues exceeded budget by \$4M due to increased contributions, investment income and other income. We know these gains are still small compared to our ambitious \$200M fundraising goal over five years, starting in 2021. Our feasibility study consultant has developed a \$100M campaign gift chart based on three cornerstone partners giving a combined total of \$50M, which represents 50% of the total goal.

Up until now, our fundraising fell into annual giving of up to \$99,999 with corporate partners comprising the largest base and Achievement partners who give \$100K to \$500K. This group includes the named scholarship program and large grants. Historically, our fundraising has been event-based with funding intended to cover yearly operating costs. There was no need for a major gifts program because of sufficient money in the bank to fund scholarship commitments through 2021, then 2025. We were in a sunset model as of 2025 and therefore did not need to fundraise. Now our fundraising strategy has pivoted because we are no longer sunsetting.

To embrace this new strategy, Ashley introduced Sarah Szabo as our new WSOS Philanthropy Advisor to serve as our major gifts expert. Szabo's training and experience at The Center for Wooden Boats, Town Hall Seattle and the Pacific Science Center make her ideal to serve in this role. Szabo described herself as a data-driven relationship person whose interests and skills synchronize perfectly in the field of philanthropy. Szabo expressed her eagerness to help WSOS raise our goal of \$100M, which will be matched by the state of Washington.

Szabo reported that we are launching a five-year fundraising cycle where ongoing support is the new message: there is one WSOS with four impactful programs. Pledges are paid over five years. Reliance on cornerstone support will be reduced by expanding our donor pool. Because this is a cyclical approach, we intend to keep refilling the donor pipelines every five years. Our major giving approach is based in best practices. We will first lay the foundation by doing a feasibility study to widen the pool and test the message. In addition, we will transition to Salesforce which is a tool we need to plan, track and evaluate for transparency and accountability. The next step builds donor engagement by making the ask for new and renewed support. We will also identify and qualify approximately 500 prospects with the goal of identifying 150 major donors. Finally, we will refill the pipelines through OpportunityTalks; high end cultivation events called Eat, Drink, Talk Opportunity; and mentor and alumni engagement.

Szabo stated that our WSOS Board members are our major partners and their feedback is critical to the work. Connors and Szabo will schedule a meeting with each board member next year to garner prospects and elicit ideas for events or touch points with your prospects.

Finance & Program Administrator Update

Julie Sandler, WSOS Board member and Finance & Investment Committee member, reported that we had a productive Finance & Investment Committee meeting on December 8 although she felt somewhat adrift without the presence of Mack Hogans who served so valiantly as our committee chair for years.

After approving the minutes, Sandler reported that the Committee received a financial report from Matt Poth, WA STEM's Director of Finance, and an investment update from Chris Phillips, our fund manager at WSIB.

As of 9/30/2020, Sandler reported total assets of \$115.8M which is a 4% decrease from 7/31/20, the last reported period. This decrease is due primarily to net scholarship disbursements in August of \$6.48M (\$5.6M BaS and \$891K CTS). This includes new BaS Cohort 9 and new CTS Cohort 2. The decrease in total assets was offset by the Brad Smith & Kathy Surace-Smith pledge of \$1M for the Rural Jobs Initiative which was paid in full in August, WSAC state match funds of \$2.89M, the Costco payment of \$100K and \$156K in scholarship refunds. Half of the Brad Smith & Kathy Surace-Smith pledge (\$500K) is eligible for the state match now due to existing state appropriations. The remaining half will be eligible in FY2022 once additional appropriations are made. This is shown as unbilled state match revenue along with the offset for transparency on our financial statements.

Total liabilities are \$29.9M which is a 6% increase since 7/31/20 and a 22% decrease since 9/30/19. Compared to 07/31/2020, BaS scholarship liability increased ~1% from \$26.83M to \$27M. This is due to recording the Cohort 9 liability in August which resulted in a net increase in the liability despite also paying scholarship disbursements during this time. Additionally, CTS scholarship increased by ~104% due to reaching the second year of the program. We have now recorded cohorts for fall, winter and spring 2019-2020 as well as for fall 2020-2021. Fall 2020-2021 also included our first round of RJI Scholars. Compared to 09/30/2019, BaS decreased by 27% primarily due to the smaller cohort size of Cohort 9. In addition, CTS increased by 95% because in September 2019 we would have only recorded the liability for fall 2019-2020.

General accounts payable is higher due to the timing of the Scholar Leads' stipend accrual. Scholar Lead payouts, however, are far lower than budget due to fewer Leads being selected for the 2020-21 academic year than budgeted.

Yields total net assets is \$85.9M which represents a 4% decrease due to reasons already stated. The August and September private contributions include Boeing's \$100K, Costco's \$100K, Oracle's \$10K along with several Board member gifts.

The Scholarship Account totals \$105.4M. This excludes cash held in the primary checking account and money market at the time of reporting. 87.7% is from private funds and 12.3% is from state match funds. The Endowment Account is \$5.9M and is all held at WSIB. 90% is from private funds and 10% is from state match funds.

Sandler reported that the Committee approved the new Undesignated Gifts policy which handles how undesignated gifts are applied between the BaS and CTS programs.

Sandler further reported that the Committee did a procedural update to the Short-Term Investment policy which updated titles for WA STEM staff and updated references to newer WSIB policies. The policy has a required review by the Committee every three years which this update fulfills. This update must be approved by the Board.

Adams asked about the delay in receiving the state match revenue. Connors noted that this is due to a statutory change. We used to estimate and now we report what we have received and what pledges we anticipate. Connors reported there will be no issue in absorbing this delay.

Board Action: Cecchetti made a motion to approve the update to the Short-Term Investment policy. The motion was seconded by Adams, and it carried unanimously.

Connors presented Patrick Smith for the Board's approval as the new WSOS Finance & Investment Committee chair.

Board Action: Cecchetti made a motion to approve Patrick Smith as the new chair of the WSOS Finance & Investment Committee. The motion was seconded by Sandler, and it carried unanimously.

Connors presented Joseph Walker's bio to the Board as a proposed new member to the WSOS Finance & Investment Committee. He comes highly recommended by Beau Damon, a long-time committee member.

Board Action: Cecchetti made a motion to approve Joseph Walker as a member of the WSOS Finance & Investment Committee. The motion was seconded by Sandler, and it carried unanimously.

Connors presented the proposed 2021 WSOS budget. Total scholarship expense and non-scholarship expenses remain largely the same while total revenues increase dramatically with the kickoff of the Cornerstone campaign.

Connors noted that 2020 revenues were down compared to 2019 (\$24.8M to \$6.3M) because major gift payouts reached the end of their pledge cycles. Fundraising will ramp up in earnest in 2021 (\$6.3M to \$27.8M) with the kickoff of the \$200M campaign. The proposed 2021 budget includes securing two new cornerstone pledges in 2021, and payments and state match to begin in 2022. Connors noted that there is a new delay in the state match revenue receipt due to statutory changes.

Scholarship spending is relatively stable. There was a decrease from 2019 to 2020 (\$24.3M to \$11M) because of the last cohort of Rubens Scholars accepted and accrued in 2019, and an adjustment was made to the scholarship modeling to improve accuracy based on actuals. Scholarship spending from 2020 to 2021 will remain largely unchanged (\$11M to \$10.7M) because cohort sizes are stabilized per the scholarship model. If major gifts are secured in 2021, scholarship spending for 2022 will likely increase.

Non-scholarship spending will grow by ~\$169K (4%) with these variances: Scholar Lead stipends will decrease by \$100K due to smaller cohorts in first- and second-year; salaries/benefits increased 2019 to 2020 due to 6 new FTE and the 1.6% COLA; salaries/benefits will increase 2020 to 2021 by \$241K or 9.7% due to being fully staffed through the whole year and holding a reserve for a 3% COLA; the program administrator fee increased by \$44K or 8.3% because of the new two year contract and the ~\$20K cyber security insurance which is now included in the fee; and all other operating expenses will decrease by \$15K or 1.8% due to the change in business norms with COVID-19, and releasing sublet office space in favor of a hoteling model.

The WSOS Finance & Investment Committee reviewed and formally voted to recommend that the Board approve the proposed 2021 budget.

Board Action: Adams made a motion to approve the 2021 proposed budget. The motion was seconded by Cecchetti, and it carried unanimously.

Executive Session

The meeting went into Executive Session at 2:53 pm.

Following the Executive Session, the Board reconvened at 3:01 pm. Broom reported that Connors' performance review will be completed in January and a recommendation will be brought to the Board at their next meeting.

Broom expressed appreciation for the Board's understanding with Brad Smith not being able to attend today's meeting due to another rescheduled meeting.

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The meeting adjourned at 3:03 pm.

Respectfully submitted,
Karyl Gregory