

**WASHINGTON STATE OPPORTUNITY SCHOLARSHIP BOARD MEETING
THURSDAY, SEPTEMBER 16, 2021, 1-3 PM, MICROSOFT REDMOND CAMPUS,
MICROSOFT TEAMS OR DIAL-IN MEETING MINUTES**

The Board of Directors of the Washington State Opportunity Scholarship (WSOS) convened on September 16, 2021, 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), Jane Park and Patrick Smith

Board members present via Microsoft Teams: Miller Adams, Joelle Denney, Latisha Hill, Gary Rubens, and Mike Wilson

Additional attendees: Jane Broom, Gina Breukelman, Kimber Connors, Jessica Monger, Nick Peyton, Javana Cross Polenska, Lianda Abraham, Michelle Barreto, Tori Campbell, Mesa Herman, Nicolas Khamphilom, Joanna Moznette, Brittny Nielsen, Cristal Rangel Peña, Vanesa Contreras Rodriguez, Yoko Shimomura, Dave Stolier, Sarah Szabo, Aileen Tubo, Steve Walker, Rachel Wyers and Irina Grubic

Meeting Called to Order

Brad Smith, the Board Chair, called the Board meeting to order at 1:00 pm.

Approval of Minutes

Jane Park moved to approve the minutes of the June 10, 2021, meeting. Patrick Smith seconded the motion, and it carried unanimously.

Mission Moment: Opportunity Scholar Story

Michelle Barreto, WSOS Baccalaureate Program Advisor, introduced Saori Hunziker, a Computer Science Scholar at Western Governors University. Hunziker grew up in Okinawa, Japan. She and her family moved to the United States about six years ago. Hunziker wanted to get an education in the US, but she was surprised how expensive tuition is. She decided to apply to WSOS, and she was accepted. Being a student at the WGU, Hunziker has been learning a new language and culture in addition to her studies in computer programming. She is also a busy mom raising two small children. Hunziker expressed her sincere gratitude for being selected by WSOS as only with this financial support she can afford to go to school. Park asked Hunziker if there are any other Opportunity Scholars she knows who are also immigrants studying in English as their second language. Hunziker answered there are likely immigrants in her group, but she does not know them personally. Brad Smith asked Hunziker about her experience interacting in an online model. She shared that it is easy taking classes online. Brad Smith thanked Hunziker for sharing her experience.

2022 Legislative Priorities

Jessica Monger, WSOS External Affairs Director, reported on the rising WSOS legislative priorities for the 2022 session and how WSOS fits within the landscape of higher education policy more broadly. WSOS continues to align with generous WA financial aid and current workforce needs. WA students now have access to more financial aid than ever – but needs are still not fully met with many programs focusing on tuition only rather than the full cost of attendance. Monger stated that one such expansion in the state was the growth of the Washington College Grant (WCG) which became an entitlement program. Brad Smith asked Monger to clarify who was eligible for WCG and how that aligned with or differed from WSOS. Monger responded that the programs complement one another but WCG only supports students from families earning up to 75% of median family income whereas WSOS is available to students earning up to 125% of median family income. Miller Adams asked Monger if students are ever confused about

being only eligible for either WCG or WSOS. Monger affirmed we work hard to ensure potential applicants understand they are eligible for both.

Monger reported that communities of color, rural communities and those without a post-secondary credential have been most impacted by the pandemic. She highlighted that many state initiatives are focusing on these populations. She noted the pandemic placed Washington's 70% credential attainment goal at risk. (WA has an ambitious goal that 70% of high school graduates will earn a post-secondary credential by 2030.) Because WSOS serves these student populations and Covid has placed state attainment goals at risk, Monger stated WSOS is very well positioned with law makers as a tool for economic recovery. Park asked Monger to clarify what are included as "credentials". Monger responded these include any form of post-high school education – apprenticeships, certificates or degrees. Joelle Denney asked Monger if state initiatives are focused on credentials that are aligned with the jobs the workforce needs. Monger said the state is working on a variety of initiatives like Career Connect Washington, WSOS and Opportunity Grant to try and align their high education investments with workforce demands but not all programs are specific to high-demand fields. The group acknowledged there is work to be done to create better connectivity between employers and higher education institutions.

Monger then highlighted the WSOS 2022 legislative priorities. The priorities fall broadly into two areas: 1) to fine-tune and align elements of the Opportunity Scholarship program; and 2) to align WSOS and the Washington College Grant. In the first area, Monger stated the priorities would: add language to ensure the state match for the rural jobs program is provided automatically during the budget process; replace the minimum GPA requirement for rural jobs program with the requirement students meet satisfactory academic progress; and replace the income requirement for the Graduate Scholarship with a different measure of financial need. In the second area, Monger outlined the priorities would: replace the restriction we can only support Scholars up to a certain number of credits to using up to a certain number of terms; and add all apprenticeships eligible to receive WCG as eligible for WSOS. (These are outlined in full detail in the Board pre-read materials.) Brad Smith asked if seeking the state appropriation was a part of the priorities; Monger affirmed. Brad Smith then asked for an estimate of the state match requirement for next session and how the mechanics will work for pledges received. Monger outlined that we do not yet have a final state match calculation, but she would estimate about \$6.5 million. She indicated the request is based on the timing of cash received on pledges; the state appropriates funds to the fiscal year when cash is pledged to come in the door. Park motioned the Board approve the priorities; Adams seconded, and the motion carried unanimously. Kimber Connors expressed gratitude for Monger's hard work.

Fundraising Campaign Update

Kimber Connors, WSOS Executive Director, introduced Nick Peyton, WSOS Senior Development Director. Peyton stated that the campaign will not only raise \$75 million but will also be a catalyst that results in a sustainable fundraising program. Campaign success will be anchored by large gifts with 85% of the campaign revenue likely from approximately twenty 7- and 8- figure gifts at the Cornerstone and Leadership level. Just 15% of the campaign revenue will come from 6-figure Achievement level and Annual Fund gifts.

Denney shared that The Boeing Company has made a \$5 million pledge to WSOS. Connors thanked Boeing, Denney, Stan Deal and Gina Breukelman for their leadership in advocating for WSOS. Connors shared the WSOS team is coordinating with each of the three returning legacy partners to develop the appropriate public coverage of their gifts. Connors celebrated that this means the first \$30 million of the campaign has been secured. She stated the campaign is still in "quiet" phase until 80% of the goal or \$60 million has been raised. The team hopes to reach this goal by late 2022 or 2023. Brad Smith asked when the case statement and messaging framework would be available and noted the importance of Board members having voice in the messaging as key ambassadors and stakeholders in the campaign. Connors stated that the team planned to engage an outside consultant to complete a case statement refresh before the December Board meeting and would engage a sample of Board members in the process. Connors asked the Board to entertain a discussion about adopting the campaign as

comprehensive, meaning all funds raised from January 1, 2021, through December 31, 2025, would be considered toward the \$75 million campaign total. Brad Smith asked to clarify whether this included cash or pledges and cash and whether this would have any impact on donors' intent for funding. Connors affirmed it included pledges and cash and had no impact on donors' intent for funding.

Connors then explained that for the Finance & Investment Committee to support modeling of the campaign funding spend-down, she needed clear guidance from the Board on how much to focus on extending the scholarship (to 2030) versus expanding the scholarship (creating more seats). Connors also shared that the Finance & Investment Committee had asked to look at whether the current award level was adequate to support students, particularly those from low-income backgrounds, and whether increasing the award amount for certain subsets of students would enhance WSOS' impacts. Brad Smith reminded the group that the Board has jurisdiction over strategic decisions such as where the funding should go while the Finance & Investment Committee's role is to execute on the Board's vision. He also affirmed that Microsoft's intent in their early commitment to the campaign was first and foremost to focus on extending the scholarship through 2030. Amid the other efforts in the state to expand higher education funding, particularly for low-income students, Brad Smith stated it would be difficult to make the case to increase the scholarship amount. He suggested the Committee discuss three possible models for the campaign and bring a recommendation to the Board at the December meeting and emphasized it was critical to finalize these decisions before engaging in more donor conversations. Brad Smith noted having major donors participating in conversations early and consistently is critical to ensuring they keep confidence in funding WSOS. Denney affirmed Boeing's interest in funding the campaign was first to focus on extending the scholarship to 2030 as well and affirmed an interest in supporting messaging conversations.

Mike Wilson asked if expanding the scholarship would result in a considerable increase in administrative costs that aren't a direct benefit to students. He also asked if WSOS is proposing an expansion of support services. Connors affirmed there are no plans to drastically change the support services approach of WSOS since the model has proven successful. She noted there would be a possible small increase in programmatic supports needed for larger cohorts but an insignificant increase in operational expenses. Brad Smith affirmed a need to quickly clarify the campaign messaging. Patrick Smith commented that the Finance & Investment Committee meeting discussion may have been off track in suggesting other priorities but noted the future modeling would focus on the extension first with creating more seats at current award levels as a second priority. Connors clarified that even with just the first \$30 million of the campaign committed, the Board would likely hit its priority goal of extending to 2030; modeling would include putting remaining campaign funds toward supporting creating more seats beginning in 2022. Brad Smith asked for a motion that all funds raised from January 1, 2021, through December 31, 2025, be part of a comprehensive campaign. Park made the motion; Denney seconded, and it carried unanimously.

Program Update

Connors reported that since WA STEM isn't going to extend our contract, WSOS is moving forward with an RFP to find a new program administrator (PA). She overviewed the timeline (included in the pre-read materials). She noted there is potential interest from 5-6 organizations in applying. These conversations are flagging challenges that are new since the last RFP process, primarily: 1) With 27 FTE, WSOS is larger than most orgs looking for fiscal sponsorship; and 2) WSOS has established norms around things like compensation, benefits and hiring that may not align with new PA. Connors noted these are surmountable challenges but will be a part of the considerations for a right-fit partner.

Connors shared that planning for the transition is already underway. The transition plan to be finalized in spring 2022. Connors noted the 2022 budget request will reflect some of the uncertainties ahead because of the transition including: 1) the PA fee is not yet known for September 1 through December 31; 2) there will be transition costs to support the move which are yet unknown; 3) there are some fees that are currently covered by WA STEM that may or may not come with a new PA; and 4) there will be a required PTO payout for all employees before the transition to the new PA. Connors noted these transition costs are part of the reason WSOS prefers finding a long-term fit PA partner during this round. Brad Smith

inquired for more details on the PTO payout. Connors specified that per the WA STEM Employee Handbook, all employees are entitled to a PTO payout upon termination. In the transition from one PA to another, all employees are terminated from WA STEM and will be rehired by the new PA, resulting in a required PTO payout.

Javania Polenska, WSOS Deputy Director, was introduced as the lead for the RFP transition and outlined the principles for the transition (outlined in detail in the pre-read). Brad Smith inquired whether the RFP process was having a negative impact on staff morale and affirmed the Board's support for ensuring an excellent staff experience. Polenska stated WSOS has been creating opportunities to hear staff concerns and is focused on understanding what impacts a new PA will have for the staff experience. Denney offered to lend her HR expertise to the process.

Brad Smith asked for more details from Dave Stolier on the legislative language that requires WSOS have a PA rather than operating with its own independent back-office support. Stolier replied that the PA structure creates complexities and noted that if WSOS were to become an independent entity, it would make all WSOS employees public employees, add restrictions to how WSOS could operate as a public agency and mean donors would lose the tax benefit of donating to a registered 501(c)3. Brad Smith commented there may be a future opportunity to explore creative options but not likely to be discovered before next legislative session and the RFP process. Wilson asked why we aren't renegotiating our contract with WA STEM; Connors noted WA STEM has had a change in strategic plan and decided program administration is not in their book of business. Their team felt they couldn't realize economies of scale in program administration unless they were to take on other clients as fiscal sponsor, so their Board voted not to renegotiate the contract.

Connors shared a summary of programmatic activities. She highlighted WSOS has invested more than \$100,000,000 in scholarships for high potential students. The renewal survey reveals Opportunity Scholars value WSOS:

- 95% of BaS recipients say they are more likely to graduate because of the WSOS support.
- 96% of CTS recipients say they are more likely to complete their program because of WSOS.
- 95% of Scholar Lead mentees said their Lead helped them to understand the importance of connecting with an academic advisor.
- 4 in 5 Skills that Shine mentees said they were connected with career-related opportunities they would not have found without the program.

Steve Walker, WSOS Awards Administration Director, added that the WSOS team reviewed renewal and application rates to understand the impacts of Covid. They found the renewal rates were relatively stable year-over-year, but we saw higher than usual applications suggesting people are seeking any resources they can.

Connors noted that Baccalaureate Scholarship support services are humming along and being refined, Career and Technical Scholarship support services are growing thanks to generous support from Boeing, and the first recipients of the GRD Scholarship have been selected. WSOS made a change to disbursement cadence & finalized the travel stipend. She mentioned the WSOS team is actively recruiting mentors and invited Board members to mentor or help spread the word.

Connors overviewed a programmatic shift to the GRD program. Based on first-year participant feedback, we learned an equal distribution of dollars across terms would simplify the process for partners and ensure Scholars have more predictability. Polenska affirmed that in this first year for GRD we would continue to learn and adapt to best meet student needs. Adams responded it's great we are responsive to what is the best for Scholars.

Kimber reported on the coming OpportunityTalks Breakfast to celebrate the WSOS tenth anniversary. Brad Smith suggested we use this opportunity to show some numbers reflecting the impact of the WSOS.

Adams suggested to take advantage of the opportunity to talk about the WSOS 10-year history and thank the people who started it. Connors affirmed sharing impact data and showing gratitude for key partners was central to the planning for the virtual event featuring Roz Brewer, CEO of Walgreens Boots Alliance. Connors invited all Board members to create a virtual table and invite attendees. Wilson asked for clarification about how previous guests have been invited to the breakfast which Connors answered.

Finance & Program Administrator Update

Patrick Smith, Chair of the WSOS Finance & Investment Committee, reported that the Committee met on September 9. A full packet of the meeting materials is included in the Board meeting pre-read.

Patrick reported that as of 7/31/2021 the Total Assets were \$126.4 million which is a 13% increase from 4/30/2021 (last reported period) and 5% increase from 7/31/2020. The increase is due in large part to new 10-year \$10 million pledge from Gary & Jennifer Rubens in support of all scholarship programs. The final Rubens pledge payment of \$2.5 million was received in June that cleared the pledge made several years ago. Net investment earnings/gains from May-July 2021 across all scholarship accounts was a positive ~\$2 million. This was offset partially by \$350K pulled from WSIB CTS account to help fund scholarships. State Match receivable for months of March-July 2021 was recorded in July (~\$3.4 million) based on new round of state appropriations available. These state match funds were received in early August to help fund the major fall scholarship disbursement cycle. CTS implementation funds (final amount) of \$62.5K was received in July from the state. Scholarship refunds also exceeded disbursements during this period. Other major pledge receivables are in the works but were not official as of 7.31.21.

The total Liabilities as of 7/31/2021 were \$20.8 million – this is a -2% decrease since 4/30/2021 and -26% decrease since 7/31/20. The decrease since April 30 is largely explained by the scholarship disbursements of \$426.5K (BaS \$35K and CTS \$391.5K). As a reminder, Cohort 10 of BaS, Cohort 3 of CTS and Cohort 2 of RJI will be recorded as usual in the month of August. This will increase the liability on that date. Furthermore, the maiden Cohort for GRD was also selected in August and the liability associated with those scholarships will be reflected in August and presented at the next finance committee meeting. Total net assets are of \$105.6 million which is 17% increase from Period End 4/30/2021.

Patrick Smith highlighted how hard the WA STEM finance team worked to track down and close out the final reconciliation amounts from the CSF unmatched private receipts project and expressed his and the Committee's support for closing the issue. He reported that Salaries and Benefits are expected at year-end to have a savings between \$128K-\$183K. Patrick Smith noted Connors had suggested at the Finance & Investment Committee meeting we use these savings on consulting support for the campaign and the Committee is supportive. He summarized the conversation from the Committee on the determination not to include greater market returns in the annual budget.

The meeting didn't go into Executive Session.

The meeting adjourned at 3:03pm.

Respectfully submitted,
Irina Grubic