



June 1, 2020

TO: David Schumacher, Director, Office of Financial Management
FROM: Michael P. Meotti, Executive Director
SUBJECT: Operating Budget Reductions

As directed by your memorandum to cabinet agencies dated May 13, 2020, the Washington Student Achievement Council has identified operating budget savings options in fiscal year 2021 Near General Fund appropriations.

The table of appropriations for each agency correctly states just over \$400 million Near GF-S appropriations for the Washington Student Achievement Council for FY21. Of that amount, \$347.6 million is provided for Washington College Grant. Together with appropriations from the Workforce Education Investment Account, the state made an historic policy change in 2019 to make WCG available to all eligible low-income students for the first time. Another \$17.4 million is appropriated for College Bound Scholarship, Washington's early commitment of need-based aid that helps low-income middle school students to complete high school and prepare to attend postsecondary education. Together these appropriations comprise over 91% of appropriations to WSAC.

The 15% Target Reduction Amount for WSAC is just over \$60 million. Excluding the amounts provided solely for grants to students through the two major student financial aid programs described above, NGF-S appropriations for all other programs and activities total just over \$35 million. In other words, expenditures could be eliminated for everything else, including the staffing and infrastructure to administer student aid, and we would still need to identify another \$25 million in reductions.

Any potential reductions in student financial aid should result from a policy-driven discussion, and not simply a numeric exercise. The same uncertainty the coronavirus pandemic has created for the state's economic and revenue outlook may cause a decline in student enrollment and result in lower expenditures for the 2020-21 academic year than currently projected.

For example, a drop of 10,700 students, or just over 10% of students receiving WCG aid, would save the target amount of \$52 million (15% of \$347 million). Similarly, a drop of just under \$500 in the average per-student award as a result of more eligible students attending a community or technical college than projected would also save the required amount.

Enrollment is ordinarily countercyclical during recessions as unemployed workers enroll or return to postsecondary education and training to enhance their skills and prospects for employment. The rapid conversion to online education in response to the pandemic and acutely high unemployment may result in a different enrollment pattern this fall.

Further reductions would require legislation to either suspend the entitlement, change income eligibility, or reduce award amounts, for example. None of these policy choices are recommended or

preferred as each represents a distinct step backward from this state's commitment to college affordability and access.

In order to identify additional programs and activities that could be reduced or eliminated to meet the remaining Target Reduction Amount, we examined WSAC's core statutory mission and key duties and responsibilities as articulated in Chapter 28B.77 RCW, as well as the purpose and duties of the office of student financial assistance in Chapter 28B.76 RCW. Our goal was to prioritize the programs and activities most directly contribute to raising educational attainment, providing educational benefits or support services to students, and protecting student consumers.

The attached workbook uses the prescribed savings template and organizes the programs and activities into the following categories:

WCG – CBS	As discussed above, this tab describes 15% reductions to Washington College Grant (\$52.1M) and College Bound Scholarship (\$2.6M).
Not Core	Includes \$7.1M in reductions to GF-S appropriations for expenditures outside the core agency mission that would meet the Target Reduction Amount when added to reduction to WCG above.
Other	Includes activities funded in prior years that have been incorporated into ongoing work, have not proven feasible to implement, or are such small amounts to make little impact on intended result. This tab also includes a reduction in policy coordination and program administration expenditures for anticipated vacancy savings due to the hiring freeze, shifting work from lower priority activities, and reducing contracts, goods and services, travel, and equipment.
Total	Aggregates the tabs above.

We will work with our OFM budget analyst to provide additional information as needed during this process. We understand the difficult challenge ahead for your team and stand ready to assist in any way possible.

cc: Breann Boggs, OFM Budget Analyst

Budget Savings Options 2020

Dollars in Thousands

Agency: 340 Student Achievement Council

Agency Priority H, M, L	Impact 1-5	Program/Activity	GF-S				Other Funds				FTE Change		Brief Description and Rationale	Effective Date (MM/YY)	Impacts of Reductions and Other Considerations	Law/Reg. Change Required (cite)
			FY 20	FY 21	FY 22	FY 23	Fund	FY 20	FY 21	FY 22	FY 23	FY 20				
H	2	Washington College Grant	52,148	52,148	52,148								15% Reduction in NGF-S appropriations for WCG. 87% of FY21 appropriations are for WCG grants to students. In order to reach \$60M reduction target, this program must be considered or else excluded from calculations.	TBD	Reductions in spending for WCG may result from lower enrollment or a different enrollment mix. Policy levers to reduce cost would require legislation to: suspend entitlement; change income eligibility; or reduce awards.	RCW 288.92.200 - .205
H	2	College Bound Scholarship					08A	2,600	2,600	2,600			15% Reduction in NGF-S appropriations for CBS. 4% of WSAC appropriations are for CBS. Education Legacy Trust (08A) fund source because GF-S appropriation is less than reduction amount.	TBD	As with WCG, enrollment declines in FY21 could result in lower required expenditures. Statutory changes to award amounts may be prospectively applied to new cohorts only and would not result in immediate savings.	RCW 288.118.110
L	3	WA Leadership 1000 Scholarship	500	500	500								Reduce contract for organizational administrative support of non-profit College Success Foundation.	7/20	Reduced state funding would impact non-profit organization operations and scholar support services. With no program statute or budgetary guidance for expected outcomes for state funds paid to the organization, the reduction has unclear policy implications.	No
L	5	Opportunity Scholarship State Match	4,432										Suspend state match for FY21. Scholarships could be paid from previous contributions and state match in scholarship account.	7/20	Defers state match to next biennium. Not currently treated as maintenance level appropriation; amount determined each year.	RCW 288.145.040
L	5	Rural Jobs Program State Match	500										Suspend state match for FY21.	7/20	Defers state match to next biennium. New appropriation for FY21.	No
M	1	Health Professional Loan Repayment Program	1,750	1,750	1,750								Reduce the number of new participants in state-funded loan repayment program.	7/20	Retain sufficient state funds to meet federal grant match requirements to provide loan repayment awards for health care professionals serving in qualified underserved areas.	No
M	3	CAMP (College Assistance Migrant Program)	25	25	25								Eliminate small grants to higher education institutions.	7/20	Grant amounts are less than \$4,000 per participating institution.	No
L	3	Child Care Program	75	75	75								Eliminate small grants to higher education institutions.	7/20	Grant amounts are \$12,500 per participating institution.	No
H	1	High Achieving High School Students	42	42	42								Reduce outreach to specified high achieving, low-income students.	7/20	Expanded outreach on statewide scale is funded from 24J which can replace this activity.	No
L	3	Medical Student Loan Program	252	252	252	22V		491				2.0	Eliminate program. Created in 2018 but depends on private fundraising to generate loan principal.	7/20	Program design work and exploration of private donations as a sustainable fund source supports ending program.	Ch. 28B.99 RCW
H	1	Policy Coordination and Program Administration	325	325	325								Reduction for vacancy savings due to hiring freeze, reduced aggregate workload for program administration, reduced expenditures for travel, goods and services, and equipment.	7/20	Reduced expenditures for salary and benefits for vacant positions will result in workload shifting to remaining employees. Partially offset by reduced or eliminated programs.	No
		Total Reductions	60,049	55,117	55,117			3,091	2,600	2,600		2.0				

Priority:

L = Low priority agency activity or program
M = Medium priority agency activity or program
H = High priority agency activity or program

Tab Colors

WCG - CBS
Not Core
Other

Impact:

1 = Allows continuation of the program/activity at a reduced level
2 = Eliminates the ability to perform program objectives
3 = Eliminates agency function
4 = Long term implications (moves the problem to next biennium)
5 = Short term (reduction to one time increase)