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

<table>
<thead>
<tr>
<th>Agency</th>
<th>340 Student Achievement Council</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Agency Priority</th>
<th>Impact 1-5</th>
<th>Program/Activity</th>
<th>GF-S</th>
<th>Other Funds</th>
<th>FTE Change</th>
<th>Brief Description and Rationale</th>
<th>Effective Date (MM/YY)</th>
<th>Impacts of Reductions and Other Considerations</th>
<th>Law/Reg. Change Required (line)</th>
</tr>
</thead>
<tbody>
<tr>
<td>H</td>
<td>2</td>
<td>Washington College Grant</td>
<td>52,148</td>
<td>52,148</td>
<td>52,148</td>
<td>15% Reduction in NSF-3 appropriations for WCG.</td>
<td>FY20</td>
<td>TBD</td>
<td>RCW 28B.92.200 - 205</td>
</tr>
<tr>
<td>H</td>
<td>2</td>
<td>College Bound Scholarship</td>
<td>DBA</td>
<td>2,600</td>
<td>2,600</td>
<td>2,600</td>
<td>15% Reduction in NSF-3 appropriations for CBS.</td>
<td>FY21</td>
<td>TBD</td>
</tr>
<tr>
<td>L</td>
<td>3</td>
<td>W4A Leadership 1000 Scholarship</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>Reduce contract for organizational administrative support of non-profit College Success Foundation.</td>
<td>FY20</td>
<td>7/20</td>
<td>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.</td>
</tr>
<tr>
<td>L</td>
<td>5</td>
<td>Opportunity Scholarship State Match</td>
<td>4,812</td>
<td></td>
<td></td>
<td>Suspend state match for FY21. Scholarships could be paid from previous contributions and state match in scholarship account.</td>
<td>FY21</td>
<td>7/20</td>
<td>Reduces state match to next biennium. Not currently treated as maintenance level appropriation; amount determined each year.</td>
</tr>
<tr>
<td>L</td>
<td>5</td>
<td>Rural Jobs Program State Match</td>
<td>500</td>
<td></td>
<td></td>
<td>Suspend state match for FY21.</td>
<td>FY21</td>
<td>7/20</td>
<td>Reduces state match to next biennium. New appropriation for FY22.</td>
</tr>
<tr>
<td>M</td>
<td>1</td>
<td>Health Professional Loan Repayment Program</td>
<td>1,750</td>
<td>1,750</td>
<td>1,750</td>
<td>Reduce the number of new participants in state-funded loan repayment program.</td>
<td>FY20</td>
<td>7/20</td>
<td>Requires sufficient state funds to meet federal/grant match requirements to provide loan repayment awards for health care professionals serving in qualified underserved areas.</td>
</tr>
<tr>
<td>M</td>
<td>3</td>
<td>CAMP (College Assistance Migrant Program)</td>
<td>25</td>
<td>25</td>
<td>25</td>
<td>Eliminate small grants to higher education institutions.</td>
<td>FY20</td>
<td>7/20</td>
<td>Grant amounts are less than $4,000 per participating institution.</td>
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<tr>
<td>L</td>
<td>3</td>
<td>Child Care Program</td>
<td>75</td>
<td>75</td>
<td>75</td>
<td></td>
<td>FY20</td>
<td>7/20</td>
<td>Grant amounts are less than $4,000 per participating institution.</td>
</tr>
<tr>
<td>H</td>
<td>1</td>
<td>High Achieving High School Students</td>
<td>42</td>
<td>42</td>
<td>42</td>
<td></td>
<td>FY20</td>
<td>7/20</td>
<td>Program design work and exploration of private donations as a sustainable fund source supports ending program.</td>
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<tr>
<td>L</td>
<td>3</td>
<td>Medical Student Loan Program</td>
<td>252</td>
<td>252</td>
<td>252</td>
<td></td>
<td>FY20</td>
<td>7/20</td>
<td>Program design work and exploration of private donations as a sustainable fund source supports ending program.</td>
</tr>
<tr>
<td>H</td>
<td>1</td>
<td>Policy Coordination and Program Administration</td>
<td>325</td>
<td>325</td>
<td>325</td>
<td></td>
<td>FY20</td>
<td>7/20</td>
<td>Program design work and exploration of private donations as a sustainable fund source supports ending program.</td>
</tr>
</tbody>
</table>

| Total Reductions | 90,249 | 95,117 | 95,117 | 3,001 | 2,000 | 2,000 | 2,000 | | |

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**Notes:**

- **Reduced** reductions in spending for WCG may result from lower enrollment or a different enrollment mix. Policy levers to reduce cost would require legislative to: suspend entitlement; change income eligibility; or reduce awards.
- **Reduction** in GSF-3 appropriations for WCG. 87% of FY21 appropriations are for WCG grants to students. In order to reach 5% reduction target, this program must be considered or else excluded from calculations.
- **15% Reduction in NSF-3 appropriations for CBS.** 4% of NSF-3 appropriations are for CBS. Education Legacy Trust (DBA) fund source because GSF-3 appropriation is less than reduction amount.

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**Implementation Notes:**

- **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.
- **Suspend state match for FY21.** Scholarships could be paid from previous contributions and state match in scholarship account.
- **Reduces state match to next biennium. New appropriation for FY22.**
- **Requires sufficient state funds to meet federal/grant match requirements to provide loan repayment awards for health care professionals serving in qualified underserved areas.**
### Priority:
- **L** = Low priority agency activity or program
- **M** = Medium priority agency activity or program
- **H** = High priority agency activity or program

### 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)