Washington College Savings Plans
DRAFT - FY21 Budget Summary
September 2020

September 9, 2020

Dear WA529 Committee:

Enclosed is an overview of the 2021 fiscal year administrative budgets for the Guaranteed Education Tuition (GET) program (Fund 788) and the DreamAhead College Investment Plan (Fund 463). This document includes projected administrative expenditures for each program and identifies revenue sources for funding these expenditures. This document does not contain anticipated benefits payments (distributions) to program participants, as such payments are not subject to appropriations or allotments (RCW 28B.95.060(2) and RCW 28B.95.085(2)).

Background

Washington College Savings Plans (WA529) are relatively unique among State programs, as the plans are intended to be self-sustaining and receive no on-going state appropriations. The program funds are, however, subject to the allotment of all expenditures for program administration (RCW 28B.95.060(2) and RCW 28B.95.085(2)). State law authorizes the committee to formulate and adopt rules for the efficient administration of the program (RCW 28B.95.030(10)(f) and 28B.95.032(9)(f)). Each year, WSAC program staff develop annual administrative budget proposals and provide them for Committee consideration and approval in September.

Since 2014, staff have developed the annual budget proposals using the following methodology:

- Review past expenditures from the prior year;
- Make adjustments in response to policy and/or programmatic changes that anticipate higher or lower expenditure levels;
- Review each functional unit's anticipated expenditures with the unit manager at the object and sub-object level;
- Work with senior program leadership and senior WSAC leadership to prepare the final proposed budget for committee consideration and approval;
- Secure committee approval;
- Complete WSAC's allotment process.

On behalf of the WA529 staff, I hope that you find this document informative for approving the Fiscal Year 2021 administrative budgets for GET and DreamAhead. We welcome your input, comments, and questions.

Sincerely,

Lucas Minor
WA529 Director
Washington Student Achievement Council

FY20 Budget vs. Actual Review

Budget Recap

The total planned FY20 expenditures were $5,534,979 for the GET program and $992,492 for DreamAhead. GET's budget remained significantly higher than DreamAhead's because GET is a mature, self-operated program that must cover the full cost of administrative functions.

Actuals

Actual FY20 expenditures for GET and DreamAhead tracked closely with projected spending, though both programs recognized cost savings compared to their Committee-approved budgets. These cost savings were primarily attributable to salary savings due to unfilled positions for part of the year, lower than anticipated indirect expenses, and conference and travel cost savings due to COVID-19. GET's actual FY20 expenditures totaled $4,903,064, or 11.4% under the projected amounts. DreamAhead's actual FY20 expenditures totaled $889,189, or 10.4% under the projected amounts.

FY20 Comparison – Budget vs. Actuals

GET – Fund 788	FY20 Approved	FY 20 Actuals	Variance
Total	**$5,534,979**	**$4,903,064**	**-11.4%**
Objects A&B – Salaries & Benefits	$2,461,873	$2,359,939	
Object C - Contracts	$894,405	$804,009	
Object E - Goods & Services	$636,645	$400,075	
Object G - Travel	$44,155	$17,446	
Object J - Capital Outlay	$15,115	$18,895	
Object T - Indirect Expenses	$1,482,786	$1,302,700	

DreamAhead – Fund 463	FY20 Approved	FY 20 Actuals	Variance
Total	**$992,491**	**$889,189**	**-10.4%**
Objects A&B – Salaries & Benefits	$353,842	$338,120	
Object C - Contracts	$215,250	$175,597	
Object E - Goods & Services	$191,774	$179,043	
Object G - Travel	$17,771	$7,515	
Object J - Capital Outlay	$735	$2,648	
Object T - Indirect Expenses	$213,119	$186,266	

DRAFT

FY21 Budget Proposals

Guaranteed Education Tuition (GET) Program (Fund 788)

*Projected Administrative Expenditures**

	FY21 Budgeted Amount
Total	**$5,427,485**
Object A - Salaries	**$1,712,147**
23.5 FTE (15.8 dedicated staff, 11 staff split with DreamAhead, based on GET workload)	
Object B - Benefits	**$645,438**
Object C - Contracts	**$905,155**
Media Buying Services (Primarily TV, Radio, & Digital Ad Placements)	800,000
Actuarial Services	67,655
Other Contracted Services	37,500
Object E - Goods & Services	**$649,526**
Print, Web, and Social Media Advertising (ads not placed through media buyer)	196,890
GET Share of Agency Office Space Lease Expenses	134,258
IT & Telecommunications (software licenses and cloud, mobile, CTS, VPN services, etc.)	69,868
Outreach Expenses (sponsorships, booth rentals, promo items, etc.)	44,222
Operations Printing & Postage Costs	42,500
Marketing Material Printing/Postage	35,275
AAG/Special AAG Services	32,000
Auditor Expenses	15,000
Banking Services	14,000
Other Goods & Services	35,513
Contingency Funds	30,000
Object G - Travel	**$29,950**
Conference/Training Travel	19,850
Statewide Community Outreach and Business Development Travel Expenses	9,600
Other Travel Expenses	500
Object J - Capital Outlays	**$44,600**
Workstation Replacements	44,000
Other Equipment	600
Object T - Indirect Expenses	**$1,440,669**
GET Share of Agency Indirect Pool (approx. 60% of Objects A & B)	

* Notes:

- The Washington State Investment Board's fee for managing the GET fund ($23,000-$41,000/mo.) is deducted from the earnings monthly (per RCW 43.33A.160) and is not included in the program administrative budget.
- Per RCW 28B.95.060, GET funds are not subject to appropriation, but are subject to allotment of all administrative expenditures. 2019-21 Biennial Expenditure Authority from OFM is $14,093,000.

DRAFT

DreamAhead College Investment Plan (Fund 463)

*Projected Administrative Expenditures**

	FY21 Budgeted Amount
Total	**$990,895**
Object A - Salaries	**$228,381**
3.3 FTE (11 staff split with GET, based on DreamAhead workload)	
Object B - Benefits	**$87,812**
Object C - Contracts	**$227,500**
Media Buying Services (Primarily TV, Radio, & Digital Ad Placements)	200,000
Other Contracted Services	27,500
Object E - Goods & Services	**$218,790**
Print, Web, and Social Media Advertising (ads not placed through media buyer)	72,040
AAG/Special AAG Services	48,000
Outreach Expenses (sponsorships, booth rentals, promo items, etc.)	45,398
Facilities Cost (DreamAhead share of total agency cost)	19,138
Printing and Mailing of Marketing Materials	15,375
IT & Telecommunications (software licenses and cloud, mobile, CTS, VPN services, etc.)	6,750
Auditor Expenses	1,000
Other Goods & Services	6,089
Contingency Funds	5,000
Object G - Travel	**$17,650**
Statewide Community Outreach and Business Development Travel Expenses	9,200
Due Diligence Visits to DreamAhead Program Manager	5,000
Conference/Training Travel	3,450
Object J - Capital Outlays	**$5,400**
Workstation Replacements	5,000
Other Equipment	400
Object T - Indirect Expenses	**$205,362**
DreamAhead Share of Agency Indirect Pool (approx. 60% of Objects A & B)	

* Note: Per RCW 28B.95.085, DreamAhead funds are not subject to appropriation, but are subject to allotment of all administrative expenditures. The program's allotments have been approved by OFM at $2,040,501 for the 2019-21 Biennium.

FY21 – WA529 FTE Allocations

	FTE	GET	DreamAhead
Total	**26.8**	**23.5**	**3.3**
Program Director	1	0.75	0.25
Program Assistant	1	0.85	0.15
Associate Director for GET Operations	1	0.90	0.10
Data and Records Analyst	1	0.90	0.10
Senior Program Accountant	1	0.70	0.30
Marketing/Communications Staff	4	2.40	1.60
Community Outreach Staff	2	1.20	0.80
Dedicated GET Staff (Operations & IT Staff + 1 Vacancy)	15.8	15.80	0.00

DRAFT

Year-over-Year Expenditure Comparisons

Guaranteed Education Tuition (GET) Program – Fund 788

FY20 vs. FY21 comparison

	FY 20 Approved	FY 21 Projected Expenses	YOY Change	FY 20 Actuals	FY 21 Projected Expenses	YOY Change
Total Expenditures	**$5,534,979**	**$5,427,485**	**-1.9%**	**$4,903,065**	**$5,427,485**	**10.7%**
Object A - Salaries	$1,806,091	$1,712,147		$1,732,040	$1,712,147	
Object B - Benefits	$655,782	$645,438		$627,900	$645,438	
Object C - Contracts	$894,405	$905,155		$804,009	$905,155	
Object E - Goods & Services	$636,645	$649,526		$400,075	$649,526	
Object G - Travel	$44,155	$29,950		$17,446	$29,950	
Object J - Capital Outlay	$15,115	$44,600		$18,895	$44,600	
Object T - Indirect Expenses	$1,482,786	$1,440,669		$1,302,700	$1,440,669	

DreamAhead College Investment Plan – Fund 463

FY20 vs. FY21 comparison

	FY 20 Approved	FY 21 Projected Expenses	YOY Change	FY 20 Actuals	FY 21 Projected Expenses	YOY Change
Total Expenditures	**$992,491**	**$990,895**	**-0.2%**	**$889,189**	**$990,895**	**11.4%**
Object A - Salaries	$259,879	$228,381		$247,920	$228,381	
Object B - Benefits	$93,963	$87,812		$90,200	$87,812	
Object C - Contracts	$215,250	$227,500		$175,597	$227,500	
Object E - Goods & Services	$191,774	$218,790		$179,043	$218,790	
Object G - Travel	$17,771	$17,650.		$7,515	$17,650	
Object J - Capital Outlay	$735	$5,400		$2,648	$5,400	
Object T - Indirect Expenses	$213,119	$205,362		$186,266	$205,362	

Notable Factors Influencing YOY Changes

Applicable to both GET and DreamAhead

+ Salary increases for employees not impacted by Governor's cost savings executive order
+ Computer replacements for staff to better accommodate remote work
+ Website redesign expenses (last redesigned in 2014)
- Mandatory state furlough days
- Reduced travel planned due to COVID-19 restrictions

DRAFT

WA529 Revenue Sources and Program Fees

By statute, both WA529 plans are to be self-sustaining and receive no on-going state appropriations. GET collects an expense component contained in the GET unit purchase price as well as service-based fees that contribute toward program administration costs. For DreamAhead, both WSAC and the agency's vendor (Sumday Administration) charge account-level and asset-based fees that provide revenue to contribute towards covering program administrative expenses. Sumday also collects service-based fees.

GET Revenue Sources

As with ensuring the program can meet all future obligations to program participants, GET must also ensure that the program is able to fund all anticipated administrative costs.

GET Expense Component of Unit Price

Unlike DreamAhead, which collects annual fees based on the number of accounts and the dollar value of assets held in trust, GET collects the majority of the money to defray on-going program administration once when selling a new unit. The expense component of the GET unit purchase price (as authorized in RCW 28B.95.020(24)) is described below.

Expense Component of Unit Price	Variable amount that contributes to the program's administrative costs for servicing accounts/units.*

** The procedure for calculating the expense component is as follows: start with the present value of program expenses for currently unredeemed units at June 30 of the current year; increase that amount with one year of interest at the current assumed rate of investment return for the GET fund to reflect a present value at the end of the next enrollment period; divide that amount by the number of unredeemed units as of June 30 of the current year.*

Administrative/Service-based Fees

The program also collects a modest amount of revenue from service-based administrative fees (as authorized in RCW 28B.95.030(12)(c)) that are charged to participants for specific purposes, such as dishonored payments (see fee schedule below).

Enrollment Fee		$0 for online enrollments ($50 for paper enrollments)
Late Payment Fee		$10
Dishonored Payment Fee		$25 or actual bank charge, whichever is greater
Refund Fees:	*Account Cancellation Fee* *Account Maintenance Fee* *Program Refund Penalty*	• $10 • $1.70/month the account was open and active • 10% of earnings or $100, whichever is greater
Scholarship Account Fees:	*Scholarship Set-Up Fee* *Student Account Transfer Fee*	• $100 per master account • $25

Custom Monthly Plan Components

Customers may choose to lock in the current unit price with the convenience of making a fixed monthly payment over a selected term via the Custom Monthly Plan. Monthly payments include a 5.5% financing component that offsets lost investment earnings that GET would otherwise have recognized if the units had been purchased up front. WA529 staff will ask the Committee to revisit the finance charge following the next GET Experience Study that OSA expects to complete by the end of FY21. Custom Monthly Plans opened before November 1, 2019 include a 7.5% finance component and a $1.54 per month payment processing fee.

DreamAhead Revenue Sources

WA529 is solely responsible for covering any DreamAhead contract oversight and marketing costs and collects a portion of total administrative fees paid by participants (as authorized by RCW 28B.95.032(9)(d)). The program manager, Sumday Administration, LLC, is also solely responsible for covering its own administrative costs through the collection of administrative fees. The Committee and the vendor may revisit fees as assets under management grow and reach certain milestones.

General Account Fees

WA529 and Sumday each collect fees based on program participation and assets under management that contribute to the cost of administering and promoting the program.

Annual Maintenance Fee	
WA529 portion	• $5 annually (billed quarterly on a pro-rata basis)
Sumday portion	• $30 annually (billed quarterly on a pro-rata basis)
Asset-based Fees	
WA529 portion	• 0.100% of assets under management
Sumday portion	• 0.120% of assets under management
Fund company portion	• 0.035% - 0.180% of assets under management

Service-Based Fees

Sumday Administration collects additional service-based fees to offset costs incurred for specific purposes. WA529 receives no revenue from these fees.

Rollovers/Transfers out of plan:	$25
ACH fail/Returned checks	$25
Statement delivery	$10 per account, per year
Paper check disbursement	$2.50
Overnight delivery	$15
Reissue checks	$15
Outgoing wires	$15
Paper historical statements	$10 (and postage incurred, if required)

DreamAhead Deficit Spending Plan

Like GET, DreamAhead receives no on-going state appropriations and must ultimately be self-sustaining. To fund DreamAhead's startup costs, the Legislature appropriated $25,000 and authorized the program to maintain an initial cash deficit for up to five fiscal years. This deficit spending authority allowed WSAC to establish DreamAhead with no initial revenue beyond the $25,000 appropriation. The chart below shows the projected discharge date for the initial cash deficit based on anticipated fee revenue. WA529 anticipates discharging the deficit within the statutorily authorized timeframe.

	FY21	FY22	FY23	FY24
Beginning Balance	($496,023)			
Estimated Fee Revenue Collected	$1,058,500	$1,134,000	$1,209,500	$1,409,903
Estimated Expenditures Incurred	$990,895	$1,000,000	$1,000,000	$1,035,000
Account Surplus/Deficit	**($428,418)**	**($294,418)**	**($84,918)**	**$289,985**
Projected Assets Under Management	*$900 Million*	*$950 Million*	*$1 Billion*	*$1.1 Billion*