



Modernizing and Streamlining Washington’s School Funding System

2023–25 Biennial Operating Budget Decision Package

Recommendation Summary

Washington state’s school apportionment system, operated by the Office of Superintendent of Public Instruction (OSPI), disburses half of Washington’s General Fund-State budget to school districts and other local education agencies according to complex formulas prescribed by the Legislature. The system is extremely outdated, requires extensive human intervention, and is prone to errors that cause significant risk for the state and school funding operations. This request is a follow up to the legislative requirement of performing a feasibility study for this project. This request serves as a placeholder for the costs and activities identified by the feasibility study, which will be completed by the end of calendar year 2022.

Fiscal Details (Funding, FTEs, Revenue, Objects)

| Operating Expenditures | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|-------------------------|------------|----------|------------|---------|
| General Fund State - 01 | \$1,000 | -\$1,000 | \$0 | \$0 |
| Total Expenditures | \$1,000 | -\$1,000 | \$0 | \$0 |
| Biennial Totals | \$0 | | \$0 | |
| Staffing | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
| FTEs | 0.0 | 0.0 | 0.0 | 0.0 |
| Average Annual | 0.0 | | 0.0 | |
| Revenue | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
| General Fund State - 01 | \$0 | \$0 | \$0 | \$0 |
| Total Revenue | \$0 | \$0 | \$0 | \$0 |
| Biennial Totals | \$0 | | \$0 | |
| Object of Expenditure | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
| Obj. C | \$1,000 | -\$1,000 | \$0 | \$0 |

Package Description

What is the problem, opportunity, or priority you are addressing with the request?

OSPI is responsible for distributing 50% of the state's General Fund-State budget to school districts and other K–12 entities. This process involves very complex formulas and decision points that are used to calculate a wide variety of funds and distributions. The system currently in use is running on outdated software that is no longer supported by the vendor. This creates a compliance issue with mandates from Washington's Office of the Chief Information Officer (OCIO) for function and security by using current software. The current system does not utilize supported software and as a result provides significant risk to the agency and the state.

Due to numerous recent changes to the prototypical school funding formula approved by the Legislature and the outdated platform of OSPI's apportionment and forecasting systems, numerous reports and calculations need to be done outside of the system using old macros and computers. The last technology change to the platform upon which the system operates was made 13 years ago, in 2009. This creates enormous risk to the payment models and funding calculations that can, and has, resulted in errors for districts and the state.

The outdated technology has caused the need for more manual processes which further increases risk to the generated payments because of human error. These manual processes have caused the forecasting system (F-203) and payment system (Apportionment) to become out of alignment as the systems do not round the same, and data specific identification codes are not consistent across the two systems. This results in a difference between the budgeted calculations the districts are expecting to receive and the actual amounts they receive at the beginning of the school year. And the downloaded data from the forecasting system requires manual manipulation to upload into the apportionment system.

The 2022 Legislature provided funding through the [Washington state Information technology projects pool](#) to conduct a feasibility study for the apportionment system modernization and redesign. That study is anticipated to be completed in December 2022.

What is your proposed solution?

OSPI proposes redesigning the Apportionment and F-203 systems through updating and modernizing them. This new system will incorporate the latest technology to fully allow automated processing of data to remove the human error factor and be fully compliant with modern security and architect standards to ensure compatibility with other state systems and agencies (OneWA, WaTech, Office of Financial Management, etc.). In addition, with the modern design, the data and reports will be more rapidly available to the Legislature, other agencies, and the public in near-real time.

This request serves as a placeholder for the costs and activities identified by the feasibility study, which is expected to be completed by the end of the 2022 calendar year.

What are you purchasing and how does it solve the problem?

OSPI intends to purchase services to design, build, and implement a comprehensive new system which will incorporate a number of existing systems to modernize the existing process. The new system will be fully compliant with existing state standards and meet objectives of other IT initiatives (e.g., OneWA, etc.). This new system will eliminate human and manual processes to ensure the most accuracy possible to managing the school funding program. This will ensure the ability for the system to meet all operational needs for the near future.

OSPI assumes that costs associated with this process will include a project manager, business analyst, test lead, architect and development lead, testers, purchasing of hardware/cloud services, and a contingency. The estimated assumptions will be confirmed through the feasibility study to be completed in late 2022.

What alternatives did you explore and why was this option chosen?

OSPI has explored many other options to address this critical need. The current system is so far out of date, and because the initial design does not meet modern system design and business requirements, OSPI was unable to find a reasonable alternative to the redesign of the system. Some of the alternatives included continuing to use maintenance dollars to make legislative updates to the Apportionment and F-203 systems. Unfortunately, maintenance funding is not sufficient to cover the modernization of these systems and address several critical needs.

In addition, the use of maintenance funds for one-time modernization costs compromises OSPI's ability to address true redesign needs of the system on an annual basis.

Performance Measures

Performance outcomes:

Funding the outcome of the ongoing feasibility study will create efficiencies within OSPI's apportionment calculation and school district budgeting processes. This will reduce risk for errors in calculating and sending funds to school districts on a monthly basis. Creating commonalities between the Revenue Estimate System (F-203) and the Apportionment System will reduce the overall workload of both school districts and OSPI. Efficiencies will also be created in how OSPI is able to extract data and provide answers to questions regarding apportionment from the public, media, legislators, and legislative staff.

Assumptions and Calculations

Expansion or alteration of a current program or service:

This request is an update to a current program and service. This request will redesign and modernize the school apportionment system and program.

Detailed assumptions and calculations:

Detailed assumptions and calculations will be available upon the completion of the feasibility study later in 2022.

Workforce assumptions:

Staff needed to modernize the apportionment and revenue estimate systems would be vendor contracted.

How is your proposal impacting equity in the state?

Certain programs and variables of the school funding formula, as approved by the Legislature, are focused on equity. This proposal would ensure that the funding formulas are calculated, and revenue is paid to all educational entities, in accordance with the budget approved by the Legislature.

Strategic and Performance Outcomes

Strategic framework:

This request ensures local education agencies receive accurate funding as required by state and federal mandates. This includes the proper processing of the state basic education formula to ensure proper fulfillment of the state's constitutional duty for funding education.

Other Collateral Connections

Intergovernmental:

Office of Financial Management, State Treasurer, Legislature, state agencies, and county governments.

Stakeholder response:

The apportionment system is a mission critical system as it is the primary vehicle to distribute funding for basic education. All local education agencies that receive funding from the state through the apportionment system agree that it is critical to maintain and upgrade the system on a routine basis to ensure funding payments are accurate and timely.

Legal or administrative mandates:

This system is directly responsible for fulfilling legislative funding requirements for schools. The current system is not capable of meeting all these mandates without extensive manual processing that creates substantial risk of errors and non-compliance.

Changes from current law:

None

State workforce impacts:

None

State facilities impacts:

None.

Puget Sound recovery:

N/A

Other Documents

Reference documents:

None.

Information technology (IT) addendum:

Does this decision package include funding for any IT-related costs, including hardware, software (including cloud-based services), contracts, or IT staff?

No

Yes. Please download the [IT-addendum](#) and follow the directions on the bottom of the addendum to meet requirements for OCIO review. After completing the IT addendum, please upload the document to continue.