Modernizing the School Apportionment System

2027-29 Biennium Operating Budget Decision Package

Agency: 350 Office of Superintendent of Public Instruction
Budget period: 2027-29
Budget level: PL

RECOMMENDATION SUMMARY

Washington's School Apportionment Financial Services (SAFS) systems, operated by the Office of Superintendent of Public Instruction (OSPI), budgets and disburses nearly half of Washington's operating budget to school districts and other local education agencies (LEAs), according to complex formulas prescribed by the Legislature. These systems utilize Windows 97 and operate on antiquated, decades-old computers, require extensive human intervention, and are susceptible to errors and intrusions that create significant risk for the state and school funding operations. OSPI requests $7.5 million in the 27-29 biennium for ongoing costs to modernize the system, approved for IT pool funding in the 2025-27 budget.

FISCAL DETAIL

Operating Expenditures	FY 2028	FY 2029	FY 2030	FY 2031
IT Revolving Fund 447-6	$5,030,000	$2,490,000	$0	$0
Total Expenditures	**$5,030,000**	**$2,490,000**	**$0**	**$0**
Biennial Totals	**$7,520,000**		**$0**	
Staffing	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**
FTEs	2.5	2.5	0.0	0.0
Average Annual	**2.5**		**0.0**	
Object of Expenditure	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**
Obj. A	$292,000	$332,000	$0	$0
Obj. B	$78,000	$88,000	$0	$0
Obj. C	$3,980,000	$1,390,000	$0	$0
Obj. E	$680,000	$680,000	$0	$0
Revenue	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**
Total Revenue	**$0**	**$0**	**$0**	**$0**
Biennial Totals	**$0**		**$0**	

PACKAGE DESCRIPTION

OSPI distributes 50% of the state's General Fund-State budget to school districts and other K–12 entities. This process uses complex formulas and decision points, updated annually, to calculate a wide variety of funds and distributions. The system is running on outdated software that the vendor no longer supports. This creates a compliance issue with mandates from Washington Technology Solutions (WaTech) for security and for function. The system utilizes Windows 97 and operates on an antiquated computer. It is extremely outdated, requires extensive human intervention, and is prone to errors that cause significant risk for the state and school funding operations, including the risk of exposure of CAT-3 personnel data. Due to numerous changes to the prototypical school funding formula approved by the Legislature, and the outdated platform of OSPI's apportionment and forecasting systems, numerous reports and calculations need to be performed outside of the system using old macros and computers. The last major update to the system was made in 2009. This creates an enormous risk to the payment models and funding calculations that can, and has, resulted in errors for districts and the state.

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

Outdated technology requires more manual processes which further increases the risk of human error impacting the payments generated. These manual processes have caused the forecasting system and payment system to become out of alignment as the systems do not use the same rounding logic, and data-specific identification codes are not consistent across the two systems. This results in a difference between the budgeted calculations that school districts are expecting to receive and the actual amounts they receive at the beginning of the school year causing potential hardship to districts. Additionally, the downloaded data from the forecasting system requires manual manipulation to upload into the apportionment system, increasing risk for errors. The 2025 Legislature provided funding through the Washington State Information Technology Projects Pool for the initial phases of the project.

What is your proposal?

OSPI proposes continued funding of the redesign of the SAFS systems by updating and modernizing them, so they are secure and fully functional. This new system will incorporate the latest technology to fully automated data processing to be fully compliant with modern security and architect standards to ensure compatibility with other state systems and agencies (e.g., 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.

How is your proposal impacting equity in the state?

Please describe in detail how this proposal is likely to benefit communities and populations who have historically been excluded by governmental decisions. Include both demographic and geographic information about communities.

At the forefront of every program, policy, and decision, OSPI actively focuses on ensuring all students have access to the instruction and support they need to succeed in our schools. Certain programs and variables of the school funding formula, as approved by the Legislature, are focused on improving equity. This proposal would ensure that the funding formulas are calculated, and revenue is paid to all educational entities, following the budget approved by the Legislature.

Describe how your agency engaged with communities and populations, particularly those who have been historically excluded and marginalized by governmental decisions?

OSPI regularly meets with external stakeholders to identify and elevate issues that improve student outcomes and respond to the needs of public schools throughout Washington.

What input did your agency receive and how was it incorporated into your proposal?

This request is supported by school districts and external education stakeholders, who understand that programs providing funding to remedy inequities require modern tools, such as an updated school apportionment system. A modernized apportionment system would also greatly improve OSPI's reporting abilities, providing more accurate data, including demographic and equity-related data to other government agencies and the Legislature.

Explain why and how these equity impacts will be addressed, i.e., consider communities or populations excluded or disproportionately impacted by the proposal.

This proposal would ensure that the funding formulas are calculated, and revenue is paid to all educational entities, following the budget approved by the Legislature.

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

OSPI intends to continue modernization of the SAFS system through the contract already negotiated based on funding provided by the legislature in the 2025-27 biennium. The new system will be fully compliant with existing state standards and meet the objectives of other information technology state-level initiatives (e.g., OneWA). This new system will minimize human and manual processes to ensure the most accuracy possible to manage the school funding program, ensuring the ability of the system to meet all operational needs for the near future.

This request assumes that costs included in the current budget and investment plans as approved through the WaTech oversight process will be funded as presented and posted on the WaTech IT dashboard. These costs include clear internal controls and risk management activities including a project manager, quality assurance manager, change manager, architect and development lead, testers, purchasing of software/cloud services, and a contingency budget.

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

As directed by the Legislature, OSPI conducted a feasibility study to research possible solutions for updating the apportionment systems. The study identified four options as shown below. Each option was considered based on its strategic alignment to agency and state goals, operational excellence, ability to implement a comprehensive solution, and fiscal impact. OSPI conducted three RFP processes and identified a contractor that could deliver a solution that met the underlying business needs at an appropriate cost and ensured long term ability for OSPI to internally manage and operate the system.

What resources does the agency already have that are dedicated to this purpose?

OSPI is dedicating resources through the 2025-27 approved IT pool budget and provides agency funds for several key staff positions to monitor and oversee the project. In addition, OSPI continues to use internal resources to operate and manage the current outdated legacy system to ensure districts and other LEAs receive the funding accurately in a timely manner. Support includes project administrative support, procurement and contract management, program management, project sponsorship and steering committee, and ongoing technical support.

ASSUMPTIONS AND CALCULATIONS

Expansion, reduction, elimination or alteration of a current program or service:

This request is a replacement to a current program and service. This request will redesign and modernize the school apportionment system and program in order to reduce the risk of system failure and create the ability to adapt to future legislative requests and changes to funding formulas.

The complete assumptions and calculations for this project can be found on the IT dashboard for the Apportionment Modernization Project, as monitored and approved by WaTech.

Detailed assumptions and calculations:

The following assumptions were used for the calculations in this decision package:

Contracted Professional Services: The agency has entered into a contract for the development of the system. The dollar values identified in this decision package align with the contract and deliverable dates agreed to. The amounts also include appropriation management reserve to ensure the system can be completed as legislative changes to system requirements occur during development.

Software licenses and subscriptions: The solution will be cloud based (per WaTech strategic plan recommendations) and will be developed in OSPI's instance of Microsoft Azure. OSPI already has Microsoft Azure configured and in use for other agency services; however, additional components and services must be "added on" in order to develop this project. Ongoing pricing for Azure is based on actual data usage within each service. Software services, platform and hosting costs are estimated based on high level review with Microsoft and other vendors based on the needs identified in the final contract. These are not included in the consultant contract and will be directly purchased from the appropriate vendors.

OSPI estimates the impact for contractual and purchase services to be $4,660,000 in FY28 and $2,070,000 in FY29.

Workforce assumptions:

Agency IT staff were identified to support this project based on the contract entered into for development. Agency FTE dedicated to this project will not develop the system, but will be working closely with the contractor to monitor deliverable expectations, ensure system requirements are met, support knowledge transfer and growth as we anticipate internal staff taking over the maintenance after development and hypercare gates are complete.

- IT Project Management – Journey – 0.2 FTE
- IT App Development – Expert – 0.6 FTE
- IT Security – Senior Manager – 0.3 FTE
- IT Data Management - Senior Manager – 0.6 FTE
- IT Network and Telecommunications – Senior Manager – 0.2 FTE
- Data Consultant 4 – 0.2 FTE
- IT System Administration – Senior/Specialist – 0.4 FTE

OSPI estimates the workforce impacts to be $370,000 in FY28 and $420,000 in FY29.

Historical funding:

The Legislature has provided funding for the feasibility study of this project in the 2023-25 biennium and for Gates 1, 2, and 3 of this project in the 2025-27 biennium. Over $6.5 million will have been spent through the current biennium on the development of the Apportionment Modernization Project.

Fiscal Year 2028

- FTE = 0.0 FTE
- Total Funds = $0 million
- Near General Fund = $0 million
- Other Funds = $0 million

Fiscal Year 2029

- FTE = 0.0 FTE
- Total Funds = $0 million
- Near General Fund = $0 million
- Other Funds = $0 million

STRATEGIC AND PERFORMANCE OUTCOMES

Strategic framework:

Governor Ferguson's Priorities

This request supports one of Governor Ferguson's strategic goals.

Goal 1 – Education

Strengthening K-12 education in the state of Washington, which includes plans to invest a higher percentage of the total budget in K-12 education to ensure a strong start for Washington's younger residents. This priority references the Washington State Constitution, which declares that "It is the paramount duty of the state to make ample provision for the education of all children residing within its borders, without distinction or preference on account of race, colors, caste, or sex."

OSPI Strategic Goals

This proposal directly supports the fourth of OSPI's four strategic goals, with primary alignment to the agency's commitment to "eliminating opportunity gaps and supporting students furthest from educational justice."

Goal 4: A Committed, Unified, and Customer-Focused OSPI

A modernized, reliable school apportionment system allows OSPI to send state and federal funding to school districts efficiently and accurately. This request ensures local education agencies receive accurate, on-time funding as required by state and federal mandates. This includes the proper processing of the state's basic education formula to ensure proper fulfillment of the state's constitutional duty for funding education.

Performance outcomes:

Funding a new system will create efficiencies within OSPI's apportionment calculation and school district budgeting processes. This will reduce the risk for errors in calculating and sending funds to school districts monthly. 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 extracts data and answers questions about school funding from the public, media, legislators, and legislative staff.

OTHER COLLATERAL CONNECTIONS

Intergovernmental:

Office of Financial Management, State Treasurer, Legislature, state agencies, county governments; as well as all local education agencies, including nine educational service districts, 295 public school districts, 18 charter schools, and 8 state-tribal education compact schools (STECs).

Stakeholder impacts:

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:

This change would require legislation.

State workforce impacts:

None.

State facilities impacts:

None.

Puget Sound recovery:

N/A

Governor's salmon strategy:

N/A

OTHER SUPPORTING MATERIALS

See WaTech Dashboard for other supporting materials for this ongoing, gated project.

Information technology (IT):

This project replaces the current SAFS systems with modern, updated technology that is consistent with WaTech policies and expectations. For up-to-date information regarding the information technology plan and implementation actions related to this project, please visit the WaTech dashboard for the Apportionment System Modernization.