

ANALYSIS

Item 5: Department of Education SSF Modernization

Analyst: Wendy Gibson

Request: Appropriate \$468,750 General Fund to the Department of Education for Independent Quality Management Services for the State School Fund Modernization Project.

Analysis: The State School Fund (SSF) system is a mission-critical data and information technology (IT) system that gathers, stores, calculates, and processes State School Fund payments to school districts and education service districts. The current IT system is past its useful life and needs to be replaced.

The Oregon Department of Education (ODE) started a modernization project to build a new SSF system. Project documentation indicates the system is anticipated to be deployed by October 2029 with a total project cost of \$13.8 million. The Department's 2023-25 budget bill (HB 5014, 2023) provided two permanent positions to support the replacement of the SSF system and to increase business continuity within the School Finance Unit. SB 5506 (2023) provided an additional two positions, including a project manager, which SB 5701 (2024) later extended through the 2025-27 biennium along with an additional position. These positions were provided to the agency to develop the business case and artifacts required by the Stage Gate process. In December 2024, the Department received conditional Stage Gate 1 approval to move forward with an in-house development system build.

To fund the development stage of the replacement project, the Department included a policy option package in the 2025-27 budget for a standalone resource team. A separate team would allow the current IT resources to continue maintaining the critical distribution system while the new system is under development. SB 5515 (2025) included the policy option package and appropriated \$2.1 million General Fund and established 11 positions (6.73 FTE). The agency's initial cost estimates did not include Independent Quality Management Services (IQMS), as required by ORS 276A.223 for IT projects exceeding \$5 million in total cost. IQMS provides quality assurance throughout the project by independently reviewing project documentation, risk assessments, and project oversight. The agency anticipates IQMS will cost \$375,000 this biennium, and with a 25% cost contingency, the total estimated need is \$468,750.

Recommendation: The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means recommend appropriating \$468,750 General Fund to the Department of Education in the budget reconciliation bill during the 2026 legislative session for Independent Quality Management Services for the State School Fund Modernization Project.

Request: Appropriate \$468,750 General Fund for State School Fund (SSF) Modernization Independent Quality Management Services (IQMS).

Recommendation: Consider the request during the 2026 Legislative Session.

Discussion: The Oregon Department of Education (ODE) is requesting a General Fund appropriation of \$468,750 to support IQMS for the SSF Modernization Project approved in Senate Bill 5515 (2025). The purpose of the project is to modernize the information technology system used to distribute the SSF, which has been in use since the early 2000s. IQMS is an essential part of this project to ensure an independent review of project documentation and progress, including risk assessments provided to the Department of Administrative Services' (DAS) Enterprise Information Services. Following the 2025 Legislative Session, ODE identified that IQMS services had not been included in the original project estimate and that additional funding would be needed for this purpose.

As a result, ODE coordinated with DAS Statewide Quality Assurance (SQA) and DAS Procurement Services to issue a Request for Quotes to qualified IQMS vendors. Based on cost estimates provided by SQA, ODE is requesting funding to support approximately 18 months of IQMS services through the end of the 2025–27 biennium. The requested amount includes \$375,000 for services and a 25 percent contingency. If appropriated, funds would be used through June 2027 for third-party review of project documentation and progress, including risk assessments, quality control and assurance, and status reporting. If approved, ODE would make payments to the IQMS vendor in installments based on the successful completion of agreed upon deliverables, with initial payments generally occurring within the first two months of selecting a vendor.

Legal Reference: Increase the General Fund appropriation made by chapter 608, section 1(1), Oregon Laws 2025, for the Oregon Department of Education Operations, by \$468,750 for the 2025-27 biennium.



Oregon

Tina Kotek, Governor



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Dr. Charlene Williams

Director of the Department of Education

Dec 8, 2025

The Honorable Senator Kate Lieber, Co-Chair
The Honorable Representative Tawna Sanchez, Co-Chair
Interim Joint Committee on Ways and Means
900 Court Street NE, H-178
Salem, OR 97301

Dear Senator Lieber and Representative Sanchez:

Nature of the Request

ODE is requesting the legislature appropriate General Fund of \$468,750 Independent Quality Management System (IQMS) services in relation to the State School Fund (SSF) Modernization Project approved in SB5515 (2025).

Agency Action

The current State School Fund (SSF) Modernization project is mission-critical, carries an estimated cost of up to \$13.8 million for the system build plus five years of operations and maintenance. We are requesting additional funds to procure these services. IQMS is essential to ensure an independent review of project documentation and progress, including risk assessments provided to DAS Enterprise Information Services (EIS).

This need became clear following the submission and approval of the ODE SSF Modernization package in the 2025 session, when discussions between the ODE and DAS -EIS revealed that IQMS had not been included in the original project estimate. To comply with statewide quality assurance requirements and ensure responsible oversight, EIS's Statewide Quality Assurance, DAS Procurement Services, and the agency issued a Request for Quotes to qualified IQMS vendors.

Because Statewide Quality Assurance estimates the cost of IQMS at \$250,000 per year, we are requesting \$468,750. This amount reflects \$375,000 for one and a half years of IQMS services to carry out the project through the end of the 25–27 biennium, plus an additional 25% contingency.

If appropriated, funds are to be expended from Jan 2026 through June 30, 2027, for an independent third party to complete risk assessments, quality planning, quality control, quality assurance, and quality status reporting related to project progress, documentation, and risks identified

Action Requested

Appropriate General Fund of \$468,750 to fund Independent Quality Management Services (IQMS) from a vendor to provide reports on agency progress to DAS - EIS.

Legislation Affected

This action, if approved, would revise SB 5515 (2025 laws), chapter 608, and section 1, subsection (1) to provide additional General Fund appropriation of \$468,750.

Sincerely,

A handwritten signature in dark ink, appearing to read "C Williams", is positioned below the "Sincerely," text.

Dr. Charlene Williams
ODE Director