



August 13, 2014

**TO: Deans, Chancellors, Vice Presidents and Vice Provosts**  
**SUBJECT: HR/Payroll Modernization Allocation Plan**

Dear Colleagues,

We are pleased to announce that our [HR/Payroll Modernization](#) (HR/P) initiative is moving forward. On February 13, the Board of Regents approved [Workday](#) to implement our new, integrated HR and payroll system. This is a transformative opportunity that will help us improve critical HR and payroll practices, strengthen regulatory compliance, deliver better information for decision making, and produce substantial efficiencies and productivity gains throughout all UW units.

In recent months, HR/P project team members have briefed you and your key administrators on the benefits, costs, and associated funding plan for this new system. I'm writing to provide clarity on the funding plan during the 22-month implementation and beyond.

Activity Based Budget allocates revenue out to units in a prescribed, transparent method, but when we implemented ABB, we did not contemplate large, new expenses such as HRP. Paying for large, enterprise level services outside of the ABB realm are not unprecedented. For example, the Technology Recharge Fee allocates the costs of critical information technology services delivered by UW-IT based on employee headcount. Major investments, such as HR/Payroll Modernization, will also be allocated to units with marginal increases beyond current costs.

HR/P cost components include implementation and ongoing service costs. The majority of the implementation costs will be funded through 10-year debt financing. The remaining implementation costs, as well as initial annual service fees charged by the vendor, will be initially funded out of my budget. Half of the costs that I'm funding up front will be incorporated into the cost allocations to units in addition to the 10-year debt service and ongoing annual service costs. No unit will be charged for costs until implementation of the first phase of the new system is complete; we anticipate charges will commence in July 2016.

The HR/Payroll Costing Task Force, which consisted of an experienced group of campus administrators, was established in March 2014 to review HR/P cost allocation models and assumptions and make a recommendation to me for allocating these costs to campus. The Task Force reviewed several models and has concluded its work. The methodology that is fair and conforms to the University's recharge approach model is to charge campus units based on FTE by home department. This methodology represents a consistent approach for allocating costs across different types of units and provides the most transparency. Please refer to the attached HR/P Costing Task Force Summary for details.



In addition to approving the recommended allocation method, I have also approved the recommendation that units who choose to, may prepay the debt service component of the overall costs. Units may use reserves to pay all or a portion of the debt service allocated to their unit. If a unit decides to prepay, the decision must be made by January 2015. Prepayments will be collected by June 2015. Please refer to the attached HR/P Costing Task Force Summary to see the average annual amount your unit will pay for ten years beginning July 2016. Additionally, if a unit does choose to prepay, the unit will save the debt service interest cost (or the applicable portion in the cases of partial prepayment). It is also possible for units to choose to prepay the Provost repayment.

Due to the advent of the new system, it is clear there will be some savings and efficiencies. To offset costs associated with the new system, it is my expectation that all units will proactively work to identify and realize these efficiencies. Resources will be made available to help units identify potential savings. In our annual budget discussions, I will inquire about the extent to which you have identified savings opportunities and acted upon them, particularly if your budget requests seek Provost Reinvestment Funds or other supplementary support.

We recognize that the HR/Payroll Modernization project will result in significant cost for each of your units. However, by updating our HR and payroll processes and the underlying system that supports those processes, the University of Washington will reduce its risk, increase its efficiency, and operate more effectively as a world-class institution. I want to commit to each of you that if any new hard savings from implementation of HRP or other administrative service reviews are identified, they will be utilized to offset expenses for all units.

Sincerely,

A handwritten signature in black ink that reads "Ana Mari Caucé".

**Ana Mari Caucé**  
**Professor of Psychology and American Ethnic Studies**  
**Provost and Executive Vice President**

cc Michael K. Young, President

Enclosures: A-FSE Definition  
B-Allocation basis comparisons  
C-Allocations by cost type  
D- HR/P Costing Task Force