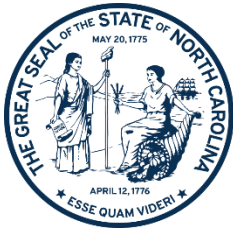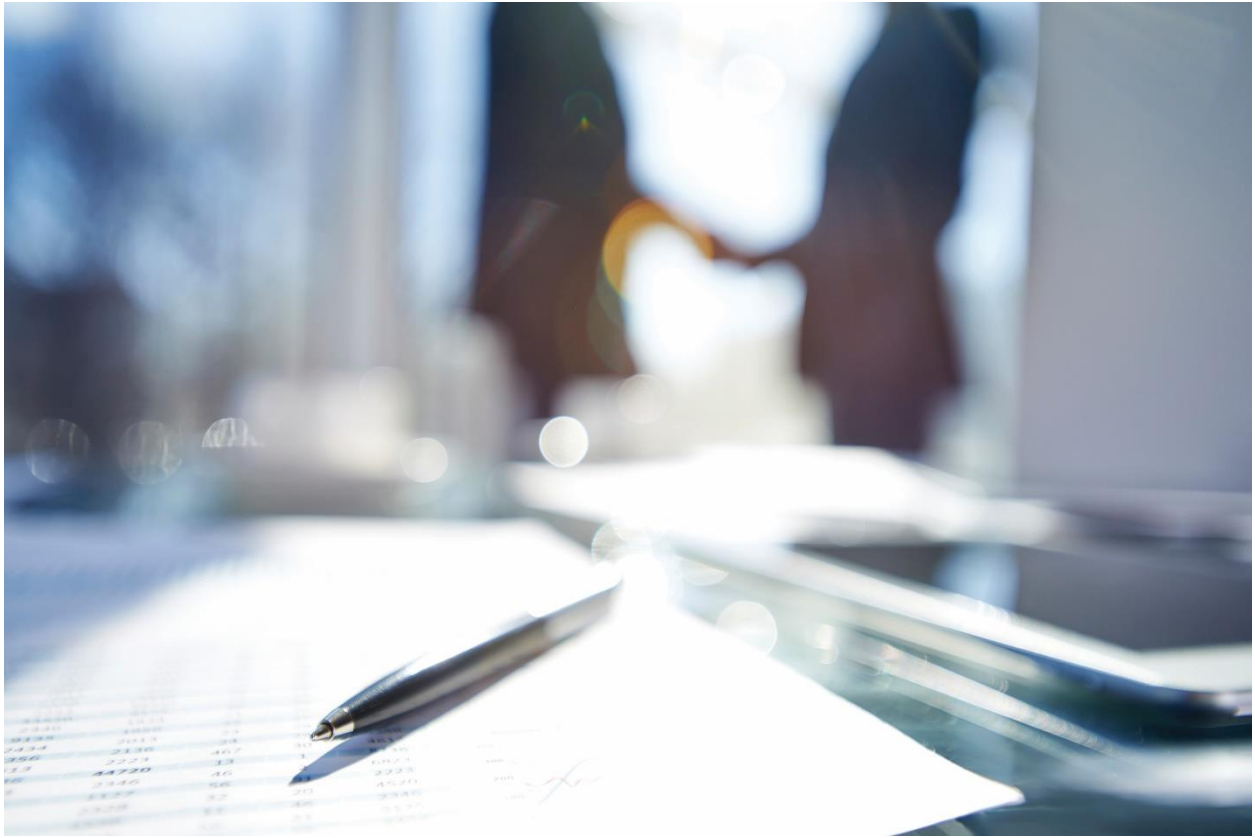# HUMAN CAPITAL MANAGEMENT PROJECT

NORTH CAROLINA Office of
State Human Resources

REPORT ON THE PROGRESS ON THE HUMAN CAPITAL MANAGEMENT PROJECT
to the Joint Legislative Oversight Committee on General Government &
the Fiscal Research Division, pursuant to S.L. 2023-134, Sec. 29A.1A(b),
for the Period of January 1, 2025 through March 31, 2025

Staci Meyer | State Human Resources Director

This report was produced by the North Carolina Office of State Human Resources.

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EXECUTIVE SUMMARY

In accordance with [Section 29A.1A.(b) of S.L. 2023-134](), the Office of State Human Resources submits the following quarterly report on the Human Capital Management (HCM) project covering the period from January through March 2025. The full project is designed to replace existing human capital resource management components such as recruitment, applicant tracking, organizational management, and personnel management.

The first quarter of calendar year 2025 kicked off Phase I implementation. Phase I replaces systems for recruitment, applicant tracking, employee onboarding, and employee offboarding.

Phase I of the project is on time and within budget for an operational date in October 2025.

Significant activities during this quarter include creating teams, providing demonstrations, updating governance structures, conducting discovery sessions, and completing design sessions. The project is on time to begin the build of the system in April 2025.

Significant expenditures during this quarter include project management services, procurement-related activities, Workday subscription fees, Workday advisory services fees, Workday training credits, Deloitte services, HCM infrastructure, and hardware. To date, the Office of State Human Resources has expended $2.19 million from a combination of nonrecurring Information Technology Reserve funds and support from divisions and departments participating in the project. The remainder of the funding is expected to be expended to complete Phase I implementation.

Once initial implementation of the Phase I system is complete, the project requires recurring funding to support the ongoing subscription and other maintenance costs.

Future phases to replace existing systems with the Workday solution are possible under pre-negotiated cost structures that remain locked until 2028. Pursuit of future phases requires additional funding. A request for funding through the 2025-27 biennium exists in the Governor's proposed budget.

We look forward to continuing our partnership with the General Assembly to ensure the success of the HCM initiative and would be happy to speak with legislators or legislative staff at any time about the project.

If you have any questions, please contact **Wesley Davis, OSHR Legislative Director, at (984) 236-0806 (office) or (704) 214-1572 (cell).**

HCM PROJECT BACKGROUND

In 2023, the North Carolina General Assembly appropriated $5.6 million in nonrecurring funds for the 2023-24 fiscal year "to plan and design a system to replace the currently used human capital resources management (HCM) components, such as recruitment/applicant tracking, organizational management, and personnel management, under the purview of [the Office of State Human Resources]." NC Sess. Law 2023-143 § 29A.1A.(a). It did not include the existing enterprise payroll, accounting, and finance system operations and functions under the purview of the Office of State Controller. However, it did require that the State Controller and the State Chief Information Officer be joint approvers with the Office of State Human Resources on the selection of final system function and information technology vendors.

The appropriations session law required, beginning January 1, 2024, that the Office of State Human Resources provide quarterly reports and, ultimately, a final report to the Joint Legislative Oversight Committee on General Government and the Fiscal Research Division on its progress in implementing the appropriation.

On December 13, 2024, the joint approvers unanimously selected and contracted with Workday as the software solution provider for an integrated, cloud-based human resources solution. Employers have adopted Workday broadly across the country, including ten other state governments and thousands of businesses. The ten states that use Workday as a statewide solution are Washington, Oregon, Nebraska, Iowa, Oklahoma, Georgia, Maryland, Vermont, Maine, and Rhode Island. Twelve other states use Workday in at least one agency. Deloitte Consulting was unanimously selected as the implementation services provider, bringing extensive experience in implementing Workday software and detailed knowledge of North Carolina's specific needs.

To effectively manage the timing, staffing, and budget of the statewide project, the project was broken down into phases. The first phase replaces recruitment, applicant tracking, onboarding, and offboarding systems. Future phases are necessary to replace organizational management, performance management, and other systems.

HCM PROJECT OBJECTIVES AND ANTICIPATED BENEFITS

The project's underlying objective is to replace multiple HR information systems with a single integrated solution. It anticipates processing 489,000 job applications per year, continuously supporting 55,000 employees, and providing back-office functions to the personnel professionals at every participating agency. It also integrates with the State's payroll system.

As an enterprise system, the project provides benefits to the State's business operations, human resource functionality, and employee experience. The following benefits will be realized when the Workday system is fully implemented through the multi-phase process. Only the items related to recruitment, applicant tracking, onboarding, and offboarding will be realized in

Phase I by October 2025, but the platform and the Phase I configuration will prepare North Carolina to take advantage of the remaining benefits as future phases are implemented.

Business Operation Benefits

- Time and cost savings – automating repetitive tasks reduces manual effort and reduces expensive errors
- Enhanced recruitment – speeds up recruitment, provides a better candidate experience, and improves the quality of hires
- Centralized data management – stores all employee information in one place, making it easy to access and update
- Enhanced compliance – helps agencies stay compliant with labor laws and data protection policies
- Data-driven decision-making – provides analytics and reporting for better workforce planning, turnover analysis, and performance evaluation
- Scalability – supports adaptations to changing human resource needs
- Improved accuracy – minimizes human errors in record-keeping and compliance documentation
- Enhanced security – protects sensitive employee data through encryption and access controls

Human Resource Functionality

- Better talent management – streamlines recruitment, hiring, onboarding, performance tracking, and retention; allows for pooled hiring from qualified applicants in pools from previous job postings; provides enhanced support for temporary workers
- Improved employee onboarding – handles online forms including I-9 E-Verify integration, document submissions, training schedules, and initial assessments
- Learning and development – provides easy access to training materials and measures the effectiveness of learning and development programs
- Employee self-service portals – allows employees to manage their own personal information, benefits, and other human resource tasks; frees up human resource staff time and reduces processing delays
- Data management and analytics – provides insights into workforce trends, performance metrics, and compliance issues that are crucial to strategic planning and decision-making
- Automation of administrative tasks – reduces manual workload, minimizes errors, and gives human resource professionals time to focus on more strategic areas
- Legal compliance – simplifies updates to systems in response to new laws and maintains proper records for audit trails

- Improved communication – centralizes information, provides messaging options, and can incorporate feedback tools that resolve human resources issues faster and with increased engagement
- Performance management – tracks employee goals, performance, and reviews to support employee development and align individual goals to State's objectives

Employee Experience

- Efficient onboarding – allows new hires to access necessary documents, training materials, and schedules that helps them settle into new roles more comfortably and quickly
- Easy access to information – employee self-service portals allow individuals to access and manage their own information delivering increased transparency, control of personal data, and speed of processing
- Career development – provides a way to set goals and tailor learning for new or improved skills that can advance careers

HCM PHASE I STATUS

Phase I of HCM implementation began on January 6, 2025, with the selected solution provider, Workday, and implementer, Deloitte. North Carolina's go-live is on target for October 2025.

As part of the Phase I implementation, OSHR planned and executed the following events this quarter:
- A project team kickoff,
- Weekly project team meetings,
- Two awareness sessions for agency human resources directors,
- Three demonstrations of Workday capabilities,
- A stakeholder kickoff meeting,
- Nine discovery sessions, and
- Ten design sessions.

Of note, the discovery and design sessions provided an opportunity to collaborate and define how the existing State operations and processes for recruiting, onboarding, offboarding, and other HCM-related business functions will be designed within the Workday solution.

A major Phase I deliverable, the Organizational Change Management Strategy, was completed during this quarter. The Organizational Change Management Strategy provided a roadmap for engaging stakeholders, getting state agencies ready for the new solution, and communicating how and when the new solution will work. Additionally, the Office of State Human Resources established an HCM Change Coalition consisting of Change Champions and Change Agents. Graphic 1 provides a brief overview of the HCM Change Coalition. Additional details on agencies involved in project governance are available in Appendix 1.

Graphic 1: Change Coalition Overview

Who is it?	What is its purpose?	Key outcomes
•27 Change Champions (Agency HR Directors) • 74 Change Agents (Agency Subject Matter Experts).	•Champion transformation • Foster communication • Build accountability and ownership •Accelerate adoption •Promote understanding •Advocate positive change	•Establish credibility in communication •Improve communication/ collaboration •Collect and disseminate data/feedback •Explain program benefits in plain language

The project governance model, established in April 2024, consists of the HCM Steering Committee, an HCM Executive Governance Council, and the HCM Change Coalition. See Appendix 1 for a roster of agencies included in the governance model. OSHR recently added new representatives to the Executive Governance Council from the Office of the State Auditor, Department of Revenue, Department of Adult Corrections, and the Department of State Treasurer. Additionally, OSHR added two new agency representatives to the Steering Committee from the Office of the State Auditor and the NC Community College System.

In the next quarter, Phase I actions will include:

- Configuring the Workday HCM solution to reflect the outcomes of agency design sessions.
- Loading data for the state's jobs, positions, and organizational structure.
- Hosting customer confirmation sessions in April 2025 with agency subject-matter experts/Change Agents. At these sessions, OSHR and Deloitte will go through the new solution's design, incorporate feedback, and validate that the solution meets the state's processes and needs.
- Implementing the approved Organization Change Management Strategy to ensure a successful go-live of the new Workday HCM solution.

HCM PHASE I FUNDING AND 2025-27 BIENNIAL BUDGET NEEDS

The HCM project is funded by a combination of Information Technology Reserve funds appropriated to the Office of State Human Resources and support from divisions and departments impacted and included in the HCM initiative. Specifically, S.L. 2023-134, Sec. 29A.1A appropriated $5.6 million from the Information Technology Reserve for FY 2023-24 "to plan and design a system to replace the currently used human capital resources management

(HCM) components, such as recruitment/applicant tracking, organizational management, and personnel management, under the purview of OSHR." In addition, the project has been supported financially by the Departments of Transportation, Adult Correction, Health and Human Services, and the Office of State Human Resources' Division of Temporary Solutions. The Office of State Human Resources has expended $2.19 million on the HCM project since it was authorized in S.L 2023-134. Appendix 2 provides budget and expenditures details through February 28, 2025.

For the 2025-27 biennium, OSHR requests funding for five positions to support HCM implementation and funds for application management, software, and subscription fees, totaling $1.81 million in FY 2025-26 and $2.47 million in FY 2026-27. In addition, the Office is requesting $750,000 nonrecurring in FY 2025-26 for the Human Asset Research Project (HARP) to integrate data from the state's multiple HR systems and allow for a smooth integration of data into Workday. The House's FY 2024-25 Budget included funding for HARP. Table 1 provides additional details on the biennial budget ask.

Table 1: OSHR 2025-27 Biennial Budget General Fund Requests Related to HCM Project

	FY 2025-26	FY 2026-27
Application Management Services (AMS)	$ 698,000	
Software Subscription Fees	7,471	$ 1,759,473
HCM Support Positions	353,466	706,932
HCM Phase I Subtotal	*1,058,937*	*2,466,405*
HARP	750,000	
Total	**1,808,937**	**2,466,405**

The table above shows the budget request for additional net appropriation from the General Fund. These expenditures will cover both Workday and Deloitte services.

- Workday costs include training and advisory services, initial subscription services and fees, project staffing, and other technology-related costs. Subscription and service costs, requested at $1.76 million for FY 2026-27 will increase to $2.07 million per year starting in the 2027-29 biennium.
- Deloitte costs include implementation services and application management services. Application management services are needed to ensure support, maintenance, and stability of the Workday HCM - Phase I functionality. This support model aligns with the existing support model utilized by the Office of the Controller for the North Carolina Financial System.

HCM FUTURE PHASES

Once the Phase I implementation is complete, OSHR will work with the HCM Steering Committee and Executive Governance Council to determine the scope of future phases.

Future phase(s) of the HCM solution could include the following additional components:

- Talent Optimization.
- Performance Management.
- Learning and the Development, along with Learning for Extended Users (50,000 non-state employees), including university system employees and contractors.
- Benefits Administration.
- Time and Labor Tracking (including Leave Administration).
- Scheduling.
- SAP Integration for time keeping and leave administration.
- People Analytics.

Additional funding will be needed for future phases. The Office of State Human Resources expects to have a more definitive direction on future phases and be able to identify the funding needed for contracted project management services to develop an RFP for Phase II implementation in time for the FY 2026-27 Short Session. There are two sets of costs for future phases: implementation costs and software costs. For implementation costs, the Office of State Human Resources plans to seek the best pricing by issuing a Request for Proposal (RFP) on a specific scope of services, so those costs cannot be fully determined until the RFP process is complete. For software costs, the Workday contract includes an option for the State, with pre-negotiated fixed rates, for Workday subscription fees if procurement proceeds for future phases before June 30, 2028. If the option for future phases of the Workday software is exercised after June 30, 2028, the option will remain available, but at a higher cost.

CONCLUSION

The need for an intuitive, engaging, and efficient solution remains critical to the state. The Office of State Human Resources is excited about the progress on this initiative. The project team, including the agency HR Directors and subject matter experts, are working diligently to achieve the targeted Phase I go-live date in October 2025. OSHR also looks forward to planning for future phases to ensure North Carolina has a modern and efficient HCM solution that meets the needs of all state agencies.

APPENDIX 1: HCM GOVERNANCE ROSTERS

HCM Executive Governance Council

The HCM Executive Governance Council includes agency heads from the following agencies (in alphabetical order):

1. Department of Adult Corrections
2. Department of Health and Human Services
3. Department of Information Technology
4. Department of Natural and Cultural Resources
5. Department of Revenue
6. Department of the State Treasurer
7. Department of Transportation
8. Office of the State Auditor (non-voting)
9. Office of the State Controller
10. Office of State Budget and Management
11. Office of State Human Resources

HCM Steering Committee

The HCM Steering Committee includes executives and leaders from the following agencies (in alphabetical order):

1. Department of Adult Correction
2. Department of Environmental Quality
3. Department of Information Technology
4. Department of Transportation
5. NC Community College System
6. Office of the State Auditor
7. Office of State Budget and Management
8. Office of the State Controller
9. Office of State Human Resources

HCM Change Coalition

The HCM Change Coalition includes representation from all agencies that will utilize the Workday HCM solution and is comprised of:

- 27 Change Champions: Human Resource Directors representing the agencies that will utilize Workday.
- 74 Change Agents: One or more human resource professionals/subject matter experts from all agencies that will utilize Workday.

APPENDIX 2: HCM BUDGET THROUGH FEBRUARY 2025

Expenditures and Funding Sources

| Fiscal Year	Expenditures	Funding Sources
FY 2023-24	$1,055,851	- OSHR IT Reserve Funds - OSHR Divisions: NC Flex ($29k), Temporary Solutions ($255k) - External departments: DOT ($500K)
FY 2024-25	$1,133,549 (expended through February 2025)	- OSHR IT Reserve Funds - OSHR Divisions: Temporary Solutions ($167k), - External Departments: DOT ($500k), DAC ($1m), DHHS ($500k pending)

Uses of Funds

FY 2023-24
- Project management services
- Data cleanup and automation
- RFP development
- Facilitated vendor solution demonstrations and oral presentations
- HCM procurement-related activities, including vendor negotiations

FY 2024-25
- Project management services
- HCM procurement-related activities, including vendor negotiations
- Workday subscription fees
- Workday Advisory Services Fees
- Workday training credits procured
- Deloitte services (deliverables-based payments)
- HCM infrastructure needs for implementation
- Hardware-related expenses required for implementation

Note: Appendix 2 excludes expenditures incurred in project planning prior to the $5.6 million appropriated to OSHR for the HCM solution in SL 2023-134. Prior to the appropriation in the 2023 budget, OSHR expended $810,871 of funds available to the Office on project management, the identification of functional and technical requirements across business areas, and HR system surveys.
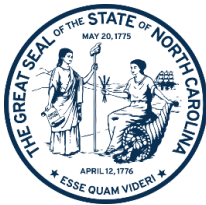
NORTH CAROLINA Office of *State Human Resources*

1331 Mail Service Center, Raleigh, NC 27699-1331
www.oshr.nc.gov | 984-236-0800

Staci Meyer | State Human Resources Director