




GOVERNMENT &amp; POLITICS

# Understaffing at Alaska state payroll department causing widespread problems

Almost half of payroll processing jobs are unfilled, causing errors and delays

BY: **JAMES BROOKS** - AUGUST 22, 2023 5:00 AM



 The Alaska State Office Building in Juneau, the state capital, is seen on Feb. 16, 2023. (Photo by Yereth Rosen/Alaska Beacon)

Staffing problems at the state of Alaska's payroll division are causing many of Alaska's 14,000 state employees to be paid late or wrongly and have caused the state to temporarily stop using one of its main tools for hiring and retaining workers.

In [an Aug. 11 letter](#) to the commissioners in charge of state departments, Gov. Mike Dunleavy's chief of staff told them that the

problems “are primarily due to excessively high vacancy rates at Payroll (over 40%).”

Thirty-one of 67 budgeted positions are vacant, said officials at the Department of Administration, which controls most payroll work. That’s about 46%, and the department said it has been “around 45% for some time.”

In his email, Chief of Staff Tyson Gallagher said he is “putting a temporary but immediate pause” on letters of agreement, documents that the state can use to give extra benefits or higher pay to individual employees or groups of employees.

Those letters “are one of the few tools you have to compete for labor in a very tough market,” he told commissioners, but the time needed to process them is contributing to problems in the payroll division, he said.

### Department plans temporary outsourcing

Jeff Kasper, business manager of the Alaska Public Employees Association, the union that represents payroll workers, said the problem has worsened over the last several months.

His statement is backed up by figures published by the executive branch, which [reported a payroll staff vacancy rate of 35%](#) to the Alaska Legislature earlier this year.

“They’re one crisis away from lots of people not getting paid,” he said.

Kasper said employees in the department are working as hard as they can, but they can’t make up for a lack of staff.

“It’s not the payroll staff that is to blame for this. It’s the management that’s to blame for this,” he said, adding that he believes the understaffing is being done deliberately in order to justify outsourcing payroll work.

“I wholeheartedly feel it’s deliberate. This is not an accident. This is deliberate action,” he said.

“No. That is not true. The division has been recruiting aggressively for vacant payroll positions,” the Department of Administration said by email, adding that it has been continuously advertising, paying sign-on bonuses and paying retention bonuses.

Commissioner Paula Vrana, in charge of the department, declined an interview request, and the agency responded to questions by email, six days later.

The agency said it intends to secure “temporary contract assistance” to help with the problem and it has already conducted a feasibility study required under its agreements with labor unions.

On Aug. 15, the state signed a [contract](#) with [CGI Inc.](#), a Canadian IT firm. That company will provide 4 1/2 full-time employees, working remotely in Alabama, through Feb. 16. The first work would be done by the end of this month, and the state will pay up to \$315,000 if the contract is fully completed.

Under the terms of the agreement, the state will be charged \$45.50 per hour for the work of each payroll analyst. The state pays [\\$22.69 per hour](#) to a comparable worker in-state.

The department said that the suspension of letters of agreement is also expected to help matters. Each letter requires manual work by payroll staff. Between July 2020 and the end of June 2021, the state issued 163 of those letters. Between July 2022 and June 2023, the state issued 212. Since July 1, it’s already issued 28.

“We have seen a significant increase in the number of LOAs,” the department said.

In a presentation to a legislative budget subcommittee in March, the agency said it was struggling in part because some payroll functions are still done on paper and others must be entered manually by payroll staff.

About 2,000 manual actions are processed every two weeks, the agency told lawmakers.

New electronic tools are expected to help the problem, it said at the time, and it plans to increase the amount of automation it uses. Those plans are still under way, the agency said on Monday, and it expects that they will simplify processing, making it more efficient.

In the short term, the department said, it is temporarily reassigning staff with prior payroll experience. Those workers are being taken from their existing jobs and assigned payroll work.

The department is also stepping up its recruitment efforts, it said.

## Problems outpace state’s ability to keep track

Despite those efforts, problems have persisted into the summer, affecting a variety of state agencies. The state ferry system, already critically understaffed, [said it was losing workers because of payroll issues](#).

The Department of Administration is [shifting payroll work](#) to the Department of Transportation in order to fix that problem, but issues elsewhere have persisted.

Heidi Drygas is director of the Alaska State Employees Association, which represents about [8,000 workers](#). She said some state employees are waiting on several hundred dollars, or more, because of problems with the payroll system.

The state's contracts with unionized workers require employees to submit a "notice of pay problems" document that the state is required to respond to within 15 days.

"I think we still have some unresolved ones from September and October," she said.

"We've never had this many (problems) and had so many gone unanswered," she said.

Department officials said they keep logs of the number of notices filed each year, but those logs aren't up to date because staff aren't available.



The payroll department has been stretched so thinly that in some instances, we have hired new transportation workers who didn't even get paid for six weeks.

*- Jordan Adams, union staff*

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So far this year, 550 notices have been logged, but the department estimates there are about 700. Through August last year, the payroll section had logged 380 notices.

Not all notices are due to incorrect pay, the department said. They could also be the result of "confusion or mistakes at several points

through the time recording, submittal, and payroll process.”

In March, the Department of Administration said 175 notices had yet to be addressed, and union officials believe the number of outstanding notices has grown.

Jordan Adams, who represents almost 1,400 trade workers, said people are turning away from state jobs.

“The payroll department has been stretched so thinly that in some instances, we have hired new transportation workers who didn’t even get paid for six weeks,” he said. “That’s unacceptable. When we can fill these positions with qualified workers, we can’t hold on to them if the state doesn’t pay them.”

### Higher wages suggested as a fix

Union officials, workers and others have said the state is contributing to the hiring woes by failing to keep state wages competitive with those of the private sector.

Aboard the state ferry Hubbard, captain Gabriel Baylous told Sen. Lisa Murkowski and U.S. Transportation Secretary Pete Buttigieg that it’s a major problem in his industry.

“I’m making about \$150,000 a year to drive this ship, but peers are going to cruise ships, and they’re making \$700,000 in a summer, some cruise ship pilots,” he said.

“I don’t want to do it because they’re getting one day off a month all summer, and I have kids, and I still have a pension, but my peers that don’t have the pension are like, ‘it’s a no-brainer,’” Baylous said.

Letters of agreement have allowed the state to occasionally bump up pay and benefits to hire people, something that Adams said demonstrates that there are workers available – if the state is willing to pay.

“It’s no secret that workers want fair wages, and they want to be paid for their work. This crisis will only continue until the state is ready to pay what it takes to recruit and retain workers, and that goes for payroll too,” Adams said.

This year’s state operating budget included \$1 million for the Department of Administration to study whether state salaries should be increased. The department said it intends to hire an outside firm to conduct that study; no firm has yet been hired.

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### JAMES BROOKS

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