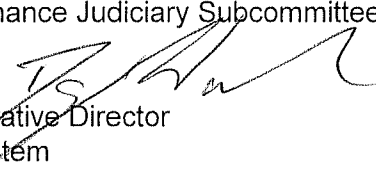


MEMORANDUM

ALASKA COURT SYSTEM

Telephone: (907) 463-4750
dwooliver@akcourts.us

TO: Senator Bill Wielechowski
Chair, Senate Finance Judiciary Subcommittee

FROM: Doug Wooliver 
Deputy Administrative Director
Alaska Court System

DATE: February 26, 2020

RE: Questions from February 20th Subcommittee Meeting

During the Senate Finance Judiciary Subcommittee meeting on Thursday, February 20th the court system was asked to further explain why switching from a semimonthly payroll system to one that is biweekly costs additional funds. Attached please find further clarification from Alaska Court System Chief Financial Officer, Rhonda McLeod, and an additional letter from Jared Goecker, Deputy Director, Division of Personnel and Labor Relations, Department of Administration to Jake Metcalfe, Executive Director, ASES/AFSCME Local 52 in which Mr. Goecker explains that moving to a biweekly pay schedule will mean an extra day of pay (261 rather than 260) for employees.

I hope that these two documents are sufficient to explain the cost increase.

Alaska Court System
Analysis of Semi-Monthly Versus Bi-Weekly Pay
2/26/2020

As a follow-up to the Judiciary's Senate Finance Subcommittee meeting held on February 20, 2020, we have put together some materials intended to help explain the additional costs associated with converting from a semi-monthly to bi-weekly pay structure.

When paid *semi-monthly*, employees report their hours worked 1) for the 1st day of each month through the 15th day of each month and 2) for the 16th day of each month to the last day of each month. **No matter how many days are worked within these pay cycles, employees receive the same amount of monthly pay.** Under *bi-weekly* pay cycles, employees are paid for every hour worked. For fiscal years with more than 260 work days, the annual cost for bi-weekly payroll will be more than the annual cost for semi-monthly payrolls. In the below chart, you will see the FY21 workdays for the judicial branch and the cost for an employee paid on a semi-monthly basis versus an employee paid on a bi-weekly basis. For this illustration, an employee formerly earning \$46,800 when paid semi-monthly will now earn \$46,980 **for all days worked in FY21.**

Alaska Court System FY21 Semi-Monthly Pay v. Bi-Weekly Pay - Annual Salary Amount of \$46,800																				
Jul-20							Aug-20							Sep-20						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
			1	2	3	4							1			1	2	3	4	5
5	6	7	8	9	10	11	2	3	4	5	6	7	8	6	7	8	9	10	11	12
12	13	14	15	16	17	18	9	10	11	12	13	14	15	13	14	15	16	17	18	19
19	20	21	22	23	24	25	16	17	18	19	20	21	22	20	21	22	23	24	25	26
26	27	28	29	30	31		23	24	25	26	27	28	29	27	28	29	30			
							30	31												
Oct-20							Nov-20							Dec-20						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
				1	2	3	1	2	3	4	5	6	7			1	2	3	4	5
4	5	6	7	8	9	10	8	9	10	11	12	13	14	6	7	8	9	10	11	12
11	12	13	14	15	16	17	15	16	17	18	19	20	21	13	14	15	16	17	18	19
18	19	20	21	22	23	24	22	23	24	25	26	27	28	20	21	22	23	24	25	26
25	26	27	28	29	30	31	29	30						27	28	29	30	31		
Jan-21							Feb-21							Mar-21						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
					1	2			1	2	3	4	5	6		1	2	3	4	5
3	4	5	6	7	8	9	7	8	9	10	11	12	13	7	8	9	10	11	12	13
10	11	12	13	14	15	16	14	15	16	17	18	19	20	14	15	16	17	18	19	20
17	18	19	20	21	22	23	21	22	23	24	25	26	27	21	22	23	24	25	26	27
24	25	26	27	28	29	30	28							28	29	30	31			
31																				
Apr-21							May-21							Jun-21						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
				1	2	3							1			1	2	3	4	5
4	5	6	7	8	9	10	2	3	4	5	6	7	8	6	7	8	9	10	11	12
11	12	13	14	15	16	17	9	10	11	12	13	14	15	13	14	15	16	17	18	19
18	19	20	21	22	23	24	16	17	18	19	20	21	22	20	21	22	23	24	25	26
25	26	27	28	29	30		23	24	25	26	27	28	29	27	28	29	30			
							30	31												
Semi-Monthly Pay Earned							Bi-Weekly Pay Earned													
Month	# Work-days	Amount Owed		Month	Work-days	Hrs Per Day	Hourly Rate	Amount Owed												
July	23	3,900.00		July	23	7.5	24.00	4,140.00												
August	21	3,900.00		August	21	7.5	24.00	3,780.00												
September	22	3,900.00		September	22	7.5	24.00	3,960.00												
October	22	3,900.00		October	22	7.5	24.00	3,960.00												
November	21	3,900.00		November	21	7.5	24.00	3,780.00												
December	23	3,900.00		December	23	7.5	24.00	4,140.00												
January	21	3,900.00		January	21	7.5	24.00	3,780.00												
February	20	3,900.00		February	20	7.5	24.00	3,600.00												
March	23	3,900.00		March	23	7.5	24.00	4,140.00												
April	22	3,900.00		April	22	7.5	24.00	3,960.00												
May	21	3,900.00		May	21	7.5	24.00	3,780.00												
June	22	3,900.00		June	22	7.5	24.00	3,960.00												
Totals	261	\$ 46,800.00		Totals	261			\$46,980.00												

Alaska Court System
Analysis of Semi-Monthly Versus Bi-Weekly Pay
2/26/2020

Payroll costs are reported on a fiscal year basis. Within each fiscal year, the number of days worked by an employee during each July 1 - June 30 timeframe must be paid or costs accrued to correctly account for all payroll costs for each fiscal year as of June 30. With the conversion from semi-monthly pay to bi-weekly pay cycles, each bi-weekly pay cycle covers 14-day periods with 10 days worked each period, but these dates generally do not coincide with fiscal year beginning and end dates. Column (e) in the below chart reflects the date that the last bi-weekly pay cycle falls completely within the associated fiscal year. **If this date is not June 30**, the pay associated with the work days after the date shown in column (e) through June 30 must be charged to the correct fiscal year. To illustrate, the first paycheck issued in FY21 will be for the pay cycle covering June 29, 2020 through July 12, 2020. The cost for the first two work days (June 29 and June 30) of this pay cycle will be charged to FY20 with the remaining 8 of the 10 paid days charged to FY21.

Alaska Court System					
Bi-Weekly Work Days and Pay Cycles					
Column Reference	(a)	(b)	(c) = (a) - (b)	(e)	(f)
Fiscal Year	Number of Work Days in Fiscal Year	Days Paid During Bi-Weekly Pay Cycles*	Reconciliation - for Days Worked to Days Paid	Last 14-Day Pay Cycle Charged Fully to Fiscal Year	Number of Bi-Weekly Paychecks Issued*
FY20	262	260	2	6/28/2020	11 Semi & 14 Bi-week
FY21	261	260	1	6/27/2021	26
FY22	261	260	1	6/26/2022	26
FY23	261	260	1	6/25/2023	26
FY24	260	260	0	6/23/2024	26
FY25	261	260	1	6/22/2025	26
FY26	261	260	1	6/21/2026	26
FY27	261	260	1	6/20/2027	26
FY28	262	270	(8)	6/30/2028	27
Cumulative Days Worked/Paid	2350	2350	0		
*The judicial branch converted to bi-weekly pay cycles on 12/16/2019. Most judicial branch employees work a Monday - Friday schedule.					

Employees paid bi-weekly receive paychecks every other Friday for 10 days of work during 26 pay cycles. As reflected above in column (b), in the majority of the fiscal years, employees work 261 days. Bi-weekly pay periods start on a Monday and end 14 days later on a Sunday. Employees are issued a paycheck for each 14-day pay cycle, **11 days after the end of the pay cycle**. It is important to note that in FY28, the bi-weekly pay periods will align almost perfectly with the fiscal year. In FY28, due to the timing of the pay cycles, the first FY28 paycheck will issue on July 2, 2027 and the last paycheck will issue on June 30, 2028, resulting in employees receiving 27 paychecks. Because payroll expenses

Alaska Court System
Analysis of Semi-Monthly Versus Bi-Weekly Pay
2/26/2020

are always charged to the fiscal year in which the pay is earned, the additional cost for this 27th paycheck has been accounted for each prior year. The timing of the paycheck issuances results in employees seeing their calendar year 2027 taxable gross income increase by the amount equivalent to one full bi-weekly paycheck.

The average number of days worked each fiscal year is 261; because the approved bi-weekly salary amounts are calculated based on a 260-day pay year, the Judiciary requires the equivalent cost of one day of pay added to its base budget to cover the on-going expenses associated with the conversion to a bi-weekly pay basis.

We hope this information has helped clarify the reason the additional salary monies are needed. Please let us know if you have any additional questions on this matter.



THE STATE
of **ALASKA**
GOVERNOR MICHAEL J. DUNLEAVY

**Department of
Administration**

Division of Personnel and Labor Relations
10th Fl. State Office Building
333 Willoughby Ave., Juneau, AK

November 5, 2019

Mr. Jake Metcalfe
Executive Director
ASEA/AFSCME Local 52

Via email: jakem@afscmelocal52.org

Dear Mr. Metcalfe,

Thank you for your communication on November 1, 2019, this letter is my response. I believe Commissioner Tshibaka's message to you yesterday certainly highlights some of the aspects over the last couple of months showing the State's good faith efforts. And while I certainly take issue with your presentation of the facts, the State is ready, willing, and able to meet to get this resolved.

This transition to biweekly will have benefits to your membership, our employees. I understand the concern about individual checks being smaller, but the annual effect is that most, if not all, of your membership will see an annual *increase* in earnings. Under semimonthly, employee wages are divided by the assumption there will be 260 working days. However, there are usually 261 or 262 working days in a year. Under biweekly, employees will be paid that extra day or two for increased annual earnings. There are of course other benefits, like consistent paydays, simplified time reporting, and a reduction in system errors which results in less underpayments for employees, to name a few benefits.

As far as postponement, the April dates you suggested literally won't work with the payroll system. The other two mentioned dates in 2020 are bad for your members and obviously pose some serious logistical hurdles for the State. To help visualize why the other dates next year are problematic for your members, please reference the attached calculator the Division of Finance put together. There are opportunities in 2021 or 2022, but this would still run into the same problems we'd have with 2020 for it not being good for members annual pay. In fact, the next available date where it won't result in less annual pay for your members is December 16th 2030.

Let's get a few meetings on the books though. From my understanding, we agree on most of the LOA and there is only a couple of items we may need to resolve to bridge the difference and I'm hoping these meetings can illuminate exactly what those are for me.

To showcase our resolve to find agreement, I would like you to view the LOA attached with changes I promised in my October 29th email. We have heard from employees concerned about cashflow during

November 5, 2019

Page 2

the transition and I want to ensure they have whatever resource the State can provide. You will see language waiving leave cash in rules to give employees an option during that January timeframe.

In addition, we propose formula changes to leave accrual. With the change to biweekly, there would have otherwise been rounding differences in employees annual leave accrual. You haven't raised any issue with this to us (beyond those who had done their math incorrectly), but I understand why the rounding is frustrating to employees, so we have worked with the Division of Finance to create a solution. This will involve rounding functions by DOF and additional work for the State, but we believe this is important and will help make it more palatable to your members.

For your reference, to get the pay period accrual rate we divided by 26 pay periods and then rounded down to the closest minute. At the end of the leave year, lump sum rounding amounts are then applied to bring the total yearly accrual up to the yearly total required. We decided to do the end of the leave year-round up as opposed to the start of the leave year-round up so if people changed to a higher leave accrual rate mid-year, they get that higher round up rate. We thought this would be more beneficial to your members, but if you would rather see the roundup at the start of the year that's fine too. This ensures that no one will accrue less, or more, leave than is currently being accrued under semimonthly so employees will see no annual change to their leave accrual by this switch to biweekly. If there are concerns not addressed in this LOA, then please let me know.

I hope you will consider our proposal as going to biweekly this year is absolutely in your members best interest. Ultimately though, the State can't force you to agree so if the Union desires to not go to biweekly, then I'd appreciate that candid sentiment so we can avoid wasting anymore time. Again, we want to meet, and we want to get this agreement, but if the Union isn't interested in this beneficial change for everyone, then please say that and we can all move on.

Sincerely,



Jared Goecker

Deputy Director

Division of Personnel and Labor Relations