

COMMITTEE REPORT

SENATE

4/1/74

Mr. President:

Date 4/16/74

The Committee on FINANCE has had SB 509 special appropriation to Dept. of Administration for developing a new payroll system under consideration. A Majority of the members of the Committee

- ( ) recommends it DO PASS
- ( ) recommends it DO NOT PASS
- ( ) recommends it DO PASS WITH ATTACHED AMENDMENT(S)
- ( ) recommends it BE REPLACED WITH CS FOR \_\_\_\_\_ AND THAT  
CS FOR \_\_\_\_\_ DO PASS
- ( ) "and" recommends it BE REFERRED TO THE \_\_\_\_\_  
COMMITTEE
- (X) reports it back <sup>MINORIAL</sup> WITHOUT RECOMMENDATION
- ( ) "other"

Members signing the Majority report:

|                  |                |       |
|------------------|----------------|-------|
| _____            | _____          | _____ |
| <i>John K...</i> | <i>Do Pass</i> |       |
| _____            | _____          | _____ |
| _____            | _____          | _____ |

Members NOT concurring in the Majority report:

|       |             |       |
|-------|-------------|-------|
| _____ | recommends: | _____ |
| _____ | recommends: | _____ |
| _____ | recommends: | _____ |
| _____ | recommends: | _____ |
| _____ | recommends: | _____ |

\_\_\_\_\_ Chairman

Introduced: 4/1/74  
Referred: Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 509

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the  
7 Department of Administration; and providing for an  
8 effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 \* Section 1. The sum of \$518,900 is appropriated from the general fund  
11 to the Department of Administration to pay the cost of developing and  
12 installing a new payroll system for state employees.

13 \* Sec. 2. The unexpended and unobligated balance of this appropriation  
14 lapses into the general fund on June 30, 1975.

15 \* Sec. 3. This Act takes effect on the day after its passage and  
16 approval or on the day it becomes law without approval.

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The Legislature of the State of Alaska  
FISCAL NOTE  
First Session - Eighth Legislature

I. REQUEST SB 509

Bill Identification: \_\_\_\_\_  
 Title: Special Appropriation to the Department of Administration  
 Requested by: Kent Dawson Date: April 1974  
 Return Date Requested: \_\_\_\_\_  
 Agency: Administration Program: Accounting

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Accounting

A. EXPENDITURES: (Thousands of dollars)

| OBJECT                   | FY <sup>74</sup> <del>73</del> | FY <sup>75</sup> <del>74</del> | FY <sup>76</sup> <del>75</del> | FY <sup>77</sup> <del>76</del> | FY <sup>78</sup> <del>77</del> | FY <sup>79</sup> <del>78</del> |
|--------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| 100 PERSONAL SERVICES    | 23.5                           | 91.2                           | 86.3                           | 90.6                           | 95.2                           | 99.9                           |
| 200 TRAVEL               |                                |                                |                                |                                |                                |                                |
| 300 CONTRACTUAL          | 400.0                          |                                |                                |                                |                                |                                |
| 400 COMMODITIES          |                                |                                |                                |                                |                                |                                |
| 500 EQUIPMENT            | 4.2                            |                                |                                |                                |                                |                                |
| 600 LAND & STRUCTURES    |                                |                                |                                |                                |                                |                                |
| 700 GRANTS, CLAIMS, ETC. |                                |                                |                                |                                |                                |                                |
| <b>TOTAL</b>             | <b>427.7</b>                   | <b>91.2</b>                    | <b>86.3</b>                    | <b>90.6</b>                    | <b>95.2</b>                    | <b>99.9</b>                    |

B. FUNDING: (Thousands of dollars)

|               |       |      |      |      |      |      |
|---------------|-------|------|------|------|------|------|
| GENERAL FUND  | 427.7 | 91.2 | 86.3 | 90.6 | 95.2 | 99.9 |
| FEDERAL FUNDS |       |      |      |      |      |      |
| OTHER         |       |      |      |      |      |      |

C. POSITIONS:

|                     |        |        |      |      |      |      |
|---------------------|--------|--------|------|------|------|------|
| PERMANENT/TEMPORARY | 7 / 1  | 7 / 1  | 7 /  | 7 /  | 7 /  | 7 /  |
| MAN MONTHS (P./T.)  | 21 / 3 | 84 / 9 | 84 / | 84 / | 84 / | 84 / |

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

- 1 Accountant III - Administration
- 1 Accounting Clerk II - Administration
- 3 Accounting Clerk II - Highways
- 2 Accounting Clerk II - Public Works

12 Man months temp

IV. ATTACHMENTS

V. DATE: April 1974

PREPARED BY: Wayne E. Weeks

Wayne E. Weeks  
Division of Budget and Management

Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

EB 509

PAYROLL SYSTEM

At the present time the payroll system uses four object codes to account for gross pay. These object codes are:

- 111. Regular Compensation
- 112. Overtime
- 113. Terminal Leave
- 114. Shift Differential

In the past, two agencies (ASOS and Marine Transportation) asked for additional object codes; but, we refused to establish them. As a consequence, Marine Transportation calculates gross pay on the employee's time sheet. The calculated time sheet is returned to the employee with his paycheck and is used to advise him how gross pay was determined. As far as we know, ASOS is doing nothing extra to advise its employees of gross pay calculations.

For the record, the following additional object codes were requested by these two agencies:

Marine Transportation

- 1. Annual Leave
- 2. Sick Leave
- 3. Holiday Pay
- 4. Penalty Time
- 5. Accumulated Days
- 6. Crew Shortage
- 7. Travel Time
- 8. Late Arrival
- 9. Minimum Guarantee

ASOS

- 1. Extra Duty Pay
- 2. Substitute Teacher Pay

The Tri-Trades contract makes it incumbent on us to establish additional object codes for employee compensation. Besides the four currently used, object codes for the following kinds of compensation are needed:

- 1. Temporary Differential
- 2. Annual Leave
- 3. Sick Leave
- 4. Holiday Pay
- 5. Administrative Leave

6. Travel Time
7. Wait Time
8. Military Leave
9. Subsistence Differential
10. Service Bonus

Perhaps a couple of these kinds of compensation could be consolidated; but, not all of them could. As a minimum, we have to establish at least three additional object codes. It would be far better, however, to establish object codes for each kind of compensation. If we do not, we may be faced with the situation where clerks are required to complete time sheets to be distributed with pay checks.

An expansion of object code information should be coordinated to meet the needs of ASOS and Marine Transportation if possible. Marine Transportation requirements fit in with some of the requirements of Tri-Trades. However, there are some differences and therefore the need for more object information.

We must expand the system to accommodate additional object codes.

We also need better information on the check stub. Under the Tri-Trades contract, regular compensation may be calculated using the employee's regular rate or the rate of a higher rated class. Whenever we write a check for an employee of the Tri-Trades unit, we should be able to identify whether the rate we are using is the regular rate or the rate of a higher rated class.

The same holds true with regard to overtime. Overtime may be at time and one-half or at double time. We must show correct overtime hours and the correct overtime rate on the check stub. This can be further complicated by the fact that the employee may be in a higher rated class when he is working overtime. Therefore, we will have a variety of rates being used to calculate pay for overtime.

Shift differential pay falls into the same category. Shift differential may be 3.75 or 7.5 percent of the employee's regular pay or it may be 3.75 or 7.5 percent of the pay for a higher rate class. Here again, we should identify the rate when calculating shift differential and this should be clearly indicated on the warrant stub.

The Tri-Trades contract provides for hourly rates to be paid semi-monthly. In order to accommodate this contract, we must have changes in the system to:

1. Permit a PERS deduction and contribution for an hourly payroll.
2. Permit a health insurance deduction and contribution for an hourly payroll preferably by calculating against the first check written during each month.
3. Permit shift differential pay for an hourly payroll.

4. Calculate a temporary differential--\$1.10 x hours worked for temporary employees.
5. Establish additional object codes outlined above.
6. Calculate a service bonus for employees at the "longevity step"--\$0.40 x hours paid (hours worked + paid holiday hours + hours of paid leave).
7. Provide a listing of Tri-Trades employees indicating any union dues deducted and the employee's classification.
8. Permit deductions for charitable contributions, savings bonds, credit unions and other miscellaneous purposes against an hourly payroll.
9. Provide for processing time card information by direct wire from Anchorage and Fairbanks to Juneau.
10. Calculate a subsistence differential--\$1.87 x steps-due district x calendar days.

We will also have to establish at least two additional miscellaneous deductions to handle union dues and the initiation fee.

Moreover, we must be ready in the near future to accumulate hours for various types of compensation and report them periodically such as quarterly, semi-annually or during some other period. We cannot ignore the possibility of this kind of requirement.

It is obvious that we are dealing with a new payroll type for the Tri-Trades unit. It should, therefore, be designated as such. The parameters pertaining to pay for employees working in this unit are different from pay for employees who are currently on our H type payroll. We need different input documents, different computer cross checks, different edit routines, additional information on the payroll warrant register, a new supplemental warrant action form, a new pre-pay check form, a new time card and possibly a new personnel action form and a new payroll warrant.

In addition to immediate changes to the M and H type payrolls for the general government unit, the supervisory unit, the confidential unit and employees who are not covered by any unit, we should plan to break these groups (M and H type payrolls) into different payroll types. This appears to be the only logical thing to do. For each group, or each payroll type there should be a set of salary schedules. Salary schedules will permit making the same kinds of cross checks that are currently made on the M type payroll. In effect, this means that the bargaining unit designation will become the payroll code.

Changes needed in M and H type payrolls to accommodate the general government bargaining unit are spelled out below:

1. We need separate salary schedules for the different bargaining units. Another way of putting this is to have a separate payroll type for each bargaining unit.

2. We need to retain the ability to make cross checks between class code, payroll code, range/step, salary schedule and pay rate.
3. We need a new object code for standby time and the ability to identify standby pay on the check stub.
4. We need a new miscellaneous deduction code for an agency fee.
5. We will either have to advise agencies to pay temporaries twice a month in all cases or take the APEA deduction from the first check processed during each month.
6. We need to prepare a list of employees by bargaining unit indicating whether or not an APEA deduction is being made.
7. We need to determine the impact of contract changes on such things as deferred compensation, the bank payment system and the leave accrual system.
8. We need to permit shift differential for temporary employees.

In total, we believe that the modifications needed are so extensive that when everything is considered, we are confronted with the need for a new payroll system.

There are other considerations that require a new system.

1. The existing system was built around the M type payroll. Practically all employees have been paid once a month on the basis of a statutory salary schedule. Now, however, payroll orientation must be the bargaining unit and payroll conditions that are unique to each unit.
2. To pay employees requires running the entire state payroll. We do not have the ability to run a payroll for teachers only or for ferry employees only. The system is somewhat inflexible.
3. If we make minimum alterations to permit payment under each new payroll requirement, within a year we will have a Rube Goldberg system that will face collapse--no one will be able to coordinate it.
4. Input to the system is slow. At the present time, Highways, Health and Social Services and Public Safety are using a full month lag to record exceptional time--overtime and shift differential. We must speed up the input.
5. The system does not provide for position control. Thus, neither Budget and Management nor personnel has the ability to prevent the appointment of a person to an unauthorized or a fictitious position.
6. The system does not prevent the over-expenditure of state funds. When an employee is on the payroll, he is paid regardless of the status of appropriations.
7. The logic of the current system is built around a month. A more logical system would be bi-weekly pay using hourly rates.

New Payroll Accounting Costs

Fiscal Year  
1973-1974  
April 1-June 30

Fiscal Year  
1974-1975  
July 1-June 30

New Positions:

Accountant III - Range 16 Step A

Personal Services:

|                         |            |              |
|-------------------------|------------|--------------|
| Base                    | \$ 3,729   | \$14,916     |
| Benefits @ 16%          | <u>597</u> | <u>2,386</u> |
| Total Personal Services | \$ 4,326   | \$17,302     |

Equipment:

|                     |           |
|---------------------|-----------|
| Printing Calculator | \$ 355    |
| Desk                | 175       |
| Chair               | <u>68</u> |
| Total Equipment     | \$ 598    |

Total for Accountant III \$ 4,924 \$17,302

Accounting Clerk II - Range 9 Step A

Personal Services:

|                         |            |              |
|-------------------------|------------|--------------|
| Base                    | \$ 2,331   | \$ 9,324     |
| Benefits @ 16%          | <u>373</u> | <u>1,492</u> |
| Total Personal Services | \$ 2,704   | \$10,816     |

Equipment:

|                     |           |
|---------------------|-----------|
| Printing Calculator | \$ 355    |
| Desk                | 175       |
| Chair               | <u>68</u> |
| Total Equipment     | \$ 598    |

Total for Acctg. Clerk II \$ 3,302 \$10,816

Temporary positions needed until new system has been implemented:

|                       |                 |                 |
|-----------------------|-----------------|-----------------|
| 3 months @ \$1,000/mo | <u>\$ 3,000</u> |                 |
| 9 months @ \$1,000/mo |                 | <u>\$ 9,000</u> |

Total New Positions & temporaries \$ 11,226 \$ 37,116

Cost of contracting the design and implementation of a new payroll system \$400,000

Total Fiscal Year 1973-1974 \$411,226

Total Fiscal Year 1974-1975 \$ 37,116

Highways 3 positions }  
Public Works 2 positions } 16,500 54,100