



34th Alaska State Legislature

Alaska State Senate

120 4th St., State Capitol, Juneau, Alaska 99801-1182

October 19, 2026

Paula Vrana, Commissioner
Alaska Department of Administration
550 W. 7th Ave., Suite 1970
Anchorage, AK 99501

Subject: Legislative Oversight and Inquiry Regarding Statewide Payroll Outsourcing Initiative

Dear Commissioner Vrana,

We, members of the Alaska State Senate, are writing to express significant concerns and request comprehensive details regarding the Department of Administration's recent initiative to outsource statewide payroll operations. Given that this transition could affect roughly 14,000 public employees across state departments and impact about 78 internal payroll personnel, legislative oversight is imperative before any binding contracts are finalized.

While we acknowledge the administrative difficulties, turnover, and late-payment challenges that have plagued the payroll division in recent years, we note that the Department previously indicated during budget hearings that no supplemental resources or external support were necessary. During the recent legislative session your department testified that payroll vacancies were down, and problems had reached a manageable "steady state." Transitioning from an estimated current budgeted cost of \$10 million annually to a proposed \$4 million third-party contract represents a major structural shift. A decision of this magnitude directly touches state workforce management and budget allocations, warranting full transparency and legislative input.

To evaluate the scope and long-term implications of this decision, we request detailed responses and supporting documentation for the following administrative matters:

Procurement Method & Public Notice

Please clarify why this RFP was issued under a "Limited Competition Procurement" framework rather than being published on the Online Public Notice System. Additionally, outline the specific evaluation criteria used to establish vendor qualifications and provide the complete list of entities eligible or currently under consideration for this contract.

We understand only a single bidder is now participating in the process. If true, this raises serious concerns about both the wisdom of the limited process and whether the state could even receive a competitive price. Would your department proceed with a sole source?

Workforce & Departmental Scope

We understand the executive branch is currently spending time and resources on decentralizing payroll processing to some departments. Why simultaneously devote limited resources to decentralizing the system and outsourcing it to a single, central vendor?

Please specify the exact number of public servants affected in each unit proposed for outsourcing. Furthermore, detail the projected impact on current state payroll staff, including expected position reallocations, duty modifications, or job reductions.

Contractual Terms & Financial Analysis

The RFP forbids bidders from proposing new or different software to handle payroll. For more than four years your department has discussed needing new payroll technology and systems to improve efficiency and accuracy. The outsourcing justification document specifically speaks to the need for a “modern payroll platform.” Why does the proposed contract lock the state into the current setup for years to come?

The proposed documents discuss a waiver to let processing functions happen outside the United States. Has the Office of Information Technology evaluated the IT security implications of this? Would the department allow non-US work under the proposed contract?

The proposed contract contains only boilerplate ‘transition out’ language, raising questions as to whether the state could effectively take back payroll processing functions at the end of the contract term. Please describe how the proposal protects the state’s interests should the executive branch choose a different solution.

Additionally, we’d like to review the financial evaluations, feasibility studies, and cost-benefit analyses supporting the projected 5-year savings comparison between internal operations as currently constituted, as partially decentralized, and contracted out.

Implementation Plans & Justification Materials

The RFP asks the sole potential bidder to provide transition analyses and implementation plans to meet the state’s schedule. How will you evaluate the practicality of these ideas? Since the RFP calls for well over a year of transition, how will the executive branch ensure it retains sufficient state staff to cut timely, accurate paychecks throughout?

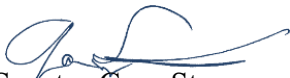
Please document and explain why payroll vacancies and documented pay problems increased radically between the FY 27 budget process and the outsourcing analysis provided to public employees.

Managing state operations and safeguarding timely, accurate pay for Alaska's state workforce are paramount duties. Competitive, transparent procurement is crucial to fiscal discipline. Accordingly, please pause any contract award until these requested documents and responses are submitted to our offices and reviewed during the legislative budget process.

Thank you for your prompt attention to this urgent request. We look forward to your comprehensive response.

Respectfully,

Members of the Alaska State Senate,



Senator Gary Stevens
Senate President



Senator Cathy Giessel
Senate Majority Leader



Senator Bill Wielechowski
Senate Rules, Chair



Senator Jesse Kiehl
Senate Finance, Vice-Chair



Senator Elvi Gray-Jackson
Legislative Budget & Audit, Chair



Senator Bert Stedman
Senate Finance, Co-Chair



Senator Donny Olson
Senate Finance, Co-Chair



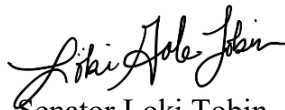
Senator Kelly Merrick
Senate Finance, Member



Senator Mike Cronk
Senate Finance, Member



Senator James Kaufman
Senate Finance, Member



Senator Loki Tobin



Senator Scott Kawasaki



Senator Forrest Dunbar



Senator Matt Claman



Senator Jesse Bjorkman



Senator Robert Yundt