



# Senator Scott Jiu Wo Kawasaki

Serving Fairbanks, Fort Wainwright & Badger Road

## Sponsor Statement

### Prompt Payment

Any large-scale endeavor requires money. Whether that organization is structured as a profit or non-profit organization money is required to fulfill the goals of a company. In order for these entities to run efficiently, they rely on good faith dealings that when a deal for services is entered upon, they will get paid, in a timely manner, for those services. Currently, for profit construction businesses enjoy legislation that prioritizes prompt payment from the State to ensure they can run effectively. That same consideration is not presently extended to Alaska Native organizations, municipalities, and nonprofits, who face the same operational challenges as for profit businesses. SB 129 seeks to rectify this disparity by legislating the need for prompt payment to these essential organizations.

The State of Alaska is responsible for distributing funds such as Medicaid reimbursements to healthcare organizations, Community Assistance to municipalities, and grants for public service initiatives. According to a survey distributed by the Foraker Group the groups entitled to these monies wait an average of 3-6 months and in some cases over a year, for these funds. These chronic delays force these organizations to operate without a guaranteed cash flow and maintain minimal cash reserves. Which is not ideal for any organization and jeopardizes their ability to pay and retain staff, maintain services for Alaskans, and meet financial obligations. Some organizations must choose between relying on costly lines of credit or deplete their cash reserves altogether.

Municipalities have reported that the delays in receiving funds from the state have affected payroll, project funding, insurance renewals, and critical infrastructure investments. Alaska Native organizations have reported the same issues but feel them more keenly due to the vulnerable populations they serve who rely on consistent, high-quality care and support, especially when it comes to their health care. The State's inability to pay these entities in a timely manner is not only harmful to them but also increases long-term costs due to interest, lost investment returns, and administrative inefficiencies.

Prompt payment parity is fundamentally agreed to be a principal of fair contracting. The State of Alaska is not exempt from that expectation and has an obligation to honor its financial commitments in a timely manner. In not doing so, they are causing undue hardship for the organizations that support our communities. This legislation, which is already present for construction contracts, will ensure the financial security of Alaska Native organizations, municipalities, and nonprofits which will lead to our communities being better served by these entities.

This legislation will ensure that prompt payment to Alaska Native organizations, municipalities, and nonprofits will be a matter of fact which will improve the partnerships the State has with these entities. It will also increase governmental transparency, implement penalties for late payments, and streamline reimbursement processes. SB 129 also ensures that funds are distributed efficiently, equitably, and on time. In so doing, the State of Alaska will uphold their contractual obligations to those citizens who work tirelessly on behalf of Alaskan communities.