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HOUSE BILL 133 (34-LS0114S)

“An Act establishing a 30-day deadline for the payment of contracts under the State Procurement Code; establishing deadlines for the payment of grants, contracts, and reimbursement agreements to nonprofit organizations, municipalities, and Alaska Native organizations; relating to technology upgrades at the Department of Health; and providing for an effective date.”

SPONSOR STATEMENT

House Bill 133 seeks to ensure timely payment from the State of Alaska to parties that provide essential support under state agreements. The State relies on nonprofits, municipalities, and tribal organizations to deliver critical services to Alaskans. Delayed payments create financial hardships, disrupt crucial resources, and threaten the financial stability of service providers statewide for years. HB 133 aims to bring prompt payment for nonprofits, municipalities, and tribal organizations that rely on state funding in their grants, contracts, and reimbursements. This measure ensures both state and federal pass-through funds are disbursed promptly to these parties, which benefits the Alaskans they serve.

Currently, there is no mechanism in place to ensure prompt payment to nonprofits, municipalities, and tribes. HB 133 would levy penalties and interest against the state when payments are delayed. HB 133 is modeled after AS 36.90.200, which requires the State of Alaska to pay private-sector contractors performing construction or public works activities in a timely manner, including imposing penalties for non-compliance and interest on late payments. This reimburses the contractor for opportunity costs or additional burdens experienced. HB 133 would bring parity in the payment system to nonprofits, municipalities, and tribes, as well as private contractors on other professional service contracts.

The lack of payment parity is a long-standing, systemic issue. It affects entities across the state for payments of all sizes, with delays between three months to over a year. The impacts are wide-ranging. For some organizations, delayed payments threaten the continuity of programs and services, leaving organizations to pause operations, tap into reserves, pursue lines of credit, or reduce staff until payments are received. Municipalities have reported that delayed payments affect payroll, project funding, insurance renewals, and critical infrastructure investments. For tribes and nonprofits, the risk is even greater—delayed payments directly impact vulnerable populations who rely on consistent, high-quality care and support. The state’s failure to pay in a timely manner not only harms these organizations but also increases long-term costs due to interest, lost investment returns, and administrative inefficiencies.

Prompt payment is a fundamental principle of fair contracting. Ensuring prompt payments will strengthen partnerships between the state and the organizations that serve Alaskans. This legislation will increase transparency, implement penalties for late payments, and streamline reimbursement processes. House Bill 133 ensures that funds are distributed efficiently, equitably, and on time, and upholds the state’s commitment to those who work tirelessly on behalf of our communities.