

The Impact of Delayed Payments by the State of Alaska to Alaska's Nonprofits

For several years, Alaska nonprofits have told Foraker about the increased challenges caused by the materially long delays in payments due from state agencies through grants, contracts, and reimbursements. To better understand the severity of the issue, Foraker solicited direct feedback through our Advocacy in Action sessions, in personal interactions with nonprofit leaders during the course of our work, and in September 2024 when we conducted a sweeping survey on the impact of delayed payments over the past two years. We received 46 responses from a diverse range of organizations. Some nonprofits are prepared to tell their stories. Others – nearly half of all respondents – requested anonymity for fear of reprisal. In all cases of delay, the work of the state's nonprofit partners who provide essential services on behalf of the State of Alaska was disrupted.

Impact of Delayed Payments on Alaska Communities and our Economy:

- Delayed payment has a **direct impact on the ability of Alaskans to access essential services.**
- Delayed payment has a **direct impact on nonprofit staff recruitment and retention** across Alaska.
- Delayed payment hurts the whole economy because **nonprofits cannot pay their bills** to other for-profit and nonprofit vendors.
- Delayed payment **comes from almost every state department and impacts all types of services** from childcare to domestic violence services, to housing, food security, transportation, public safety, and more.
- There is **no single system for tracking delayed payments.** Each department has its own system and process for tracking.
- The **workforce and technology issues** in state agencies are part of the problem but not the whole problem.
- There is **no accountability mechanism nor consequences for the state when they delay** payment to nonprofits, tribes, or municipalities unlike what can occur with for-profit businesses (AS 36.90.200).
- **The health and well-being of Alaskans and Alaska's economy depend on a strong working relationship among nonprofits, municipalities, tribes and the state.** Payment for services is an expected part of this relationship.

Summary of Impact of Delayed Payment on Nonprofit Operations and Services

Cash Flow Issues: Many respondents emphasized the severe strain on cash flow, with organizations needing to use reserves, lines of credit, or borrow funds to cover operational costs such as payroll, purchases, and bills. This was particularly difficult for organizations that rely on grant funding or reimbursable services.

Operational Delays: Delays disrupted services, project timelines, and the ability to make necessary purchases (e.g., books, equipment, vehicles). Some organizations even had to pause operations or reduce staff until payments were received.

Increased Administrative Burden: Organizations reported spending significant time and resources dealing with delayed payments, including advocating for overdue funds, rebilling, and communicating with funding agencies. This diversion of resources led to additional stress on staff and operational inefficiencies.

Uncertainty and Financial Planning Challenges: The lack of predictability of payment schedules created uncertainty in budgeting and financial planning. Several organizations had to make difficult decisions about whether to proceed with projects or delay them based on the expectation of when funds might eventually arrive.

Negative Impact on Staff and Services: Some respondents noted that delayed payments led to late payrolls, staff dissatisfaction, and the possibility of layoffs. In certain cases, it was reported that delays could jeopardize continuing vital services for vulnerable populations.

Strain on Relationships: Delays also strained relationships with contractors, vendors, and other third parties, with some organizations reporting difficulty in meeting obligations or renegotiating payment terms.

Impact on Program Continuity: For some organizations, delayed payments threatened the continuity of programs and services, especially in critical areas such as health care and education, where funding delays can have immediate consequences.

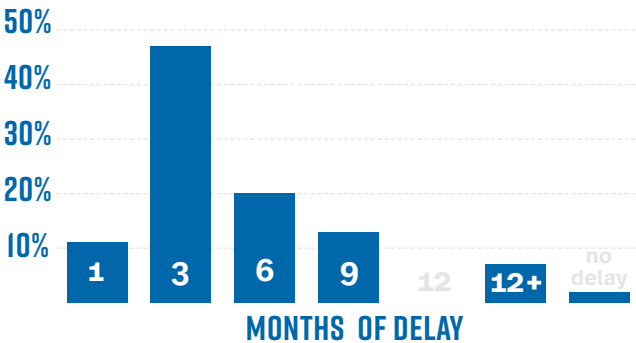
Action Required

Solving for each delayed payment one by one is an unwise use of resources for nonprofits and the state. A transparent system of guaranteed timely payment is required. The Foraker Group and the Alaska Municipal League issued legislative resolutions in 2024, shared with all legislators and the Governor, calling for a prompt payment equity solution to demand the State of Alaska pay nonprofits, tribes, and municipalities on time with all grants, contracts, and reimbursements or face penalties and interest.

Highlight of Survey Results

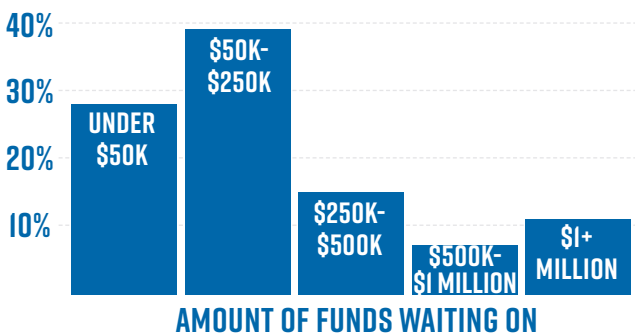
Maximum length of time organizations have waited for payment in the last two years

Most delays occurred in the three-to-six-month range, followed by six-to-nine months, and nine-to-twelve months. A small percentage of organizations experienced twelve-month delays and beyond and for those the amount of money was significant.



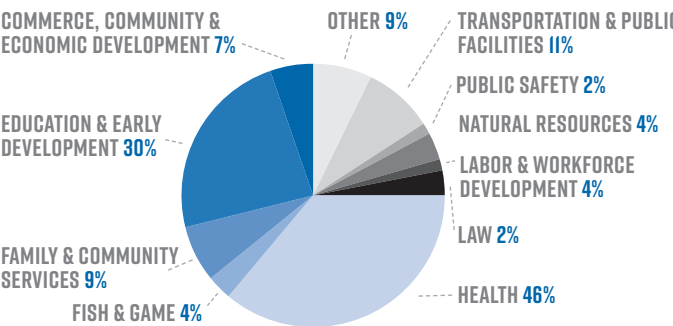
Amount of funds organizations have waited for (or are currently waiting)

Roughly 40% of organizations indicate they are waiting for \$50,000 to \$250,000, and nearly 30% for \$50,000 or less. 15% are waiting for \$250,000 to \$500,000, 10% are waiting for \$500,000 to \$1 million, and another 10% are waiting for more than \$1 million – with one at \$1.9 million.



State departments responsible for delayed payments reflected in the survey

The four departments that organizations indicated were late in payments are, in rank order, Health, Education and Early Development, Transportation and Public Facilities, and Family and Community Services. It is worth noting that Administration received zero responses. We believe this may be due to a lack of awareness among respondents regarding the process, which begins with departmental approval and then moves to Administration for payment, where we hear from other sources that delays often occur due to the current system of payment. *Note that this data only reflects current survey responses, and it is still possible delays are coming from each department including those not listed.*



Impact Across Alaska – Service locations reflected in the survey

Some organizations identified as being both statewide and in one or more regions. These results indicate delayed payments are impacting organizations across the state.

