

CS FOR HOUSE BILL NO. 133(STA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-FOURTH LEGISLATURE - SECOND SESSION

BY THE HOUSE STATE AFFAIRS COMMITTEE

Offered:**Referred:****Sponsor(s): REPRESENTATIVES HIMSCHOOT, Fields, Kopp, Mears, Mina, Holland****A BILL****FOR AN ACT ENTITLED**

1 "An Act establishing a 30-day deadline for the payment of contracts under the State
2 Procurement Code; establishing deadlines for the payment of grants, contracts, and
3 reimbursement agreements to nonprofit organizations, municipalities, and Alaska
4 Native organizations; and providing for an effective date."

5 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

6 * **Section 1.** AS 36.30 is amended by adding a new section to read:

7 **Sec. 36.30.970. Payment deadline and interest.** (a) An agency shall pay a
8 contractor for satisfactory performance on a contract within 30 calendar days after the
9 agency receives a payment request from the contractor that complies with the contract.

10 (b) If a contractor is not paid as required by (a) of this section, the agency
11 shall pay interest on the unpaid amount of the required payment from the 31st calendar
12 day after the date the agency receives a payment request under (a) of this section at an
13 interest rate that is equal to the rate set out in AS 45.45.010(a).

14 (c) If an agency withholds payment because of unsatisfactory performance or

1 if the payment request made under (a) of this section does not comply with the
2 requirements of the contract, within eight working days after receipt of the payment
3 request the agency shall notify the contractor in writing stating specifically why
4 payment is being withheld and what remedial actions may be taken by the contractor
5 to receive the full payment.

6 (d) If the notification by the agency required by (c) of this section does not
7 comply with (c) of this section, the agency shall pay interest on the withheld amount
8 from the eighth working day after receipt of the initial payment request until the
9 agency provides notice that does comply with (c) of this section.

10 (e) If payment is withheld under (c) of this section, the agency shall pay the
11 withheld amount within 30 calendar days after the contractor satisfactorily completes
12 the remedial actions identified in the notice. If the withheld amount is not paid within
13 the 30 calendar days, the agency shall pay interest on the withheld amount from the
14 30th calendar day at an interest rate that is equal to the rate set out in AS 45.45.010(a).

15 (f) The obligation to pay interest under this section does not apply to
16 retainage.

17 (g) This section does not apply to a public construction or public works
18 contract subject to AS 36.90.200 or an agreement subject to AS 36.90.310.

19 (h) In this section, "contractor" means a person who has been awarded a
20 contract with an agency.

21 * **Sec. 2.** AS 36.90 is amended by adding a new section to article 4 to read:

22 **Sec. 36.90.310. Payment deadline and interest for grants and**
23 **reimbursement agreements to nonprofit organizations, municipalities, and**
24 **Alaska Native organizations.** (a) An agency shall pay a nonprofit organization,
25 municipality, or Alaska Native organization for satisfactory performance of a grant or
26 reimbursement agreement within 30 calendar days after the agency receives a payment
27 request from the nonprofit organization, municipality, or Alaska Native organization
28 that complies with the grant or reimbursement agreement. If the agency uses federal
29 funds to pay the grant or reimbursement agreement, the agency shall pay for
30 satisfactory performance within 30 calendar days after the agency receives a payment
31 request that complies with the grant or reimbursement agreement, or within 30

1 calendar days after the agency receives the federal funds, whichever is later.

2 (b) If a nonprofit organization, municipality, or Alaska Native organization is
3 not paid as required by (a) of this section, the agency shall pay interest on the unpaid
4 amount of the required payment at an interest rate that is equal to the rate set out in
5 AS 45.45.010(a) from

6 (1) the 30th calendar day after the date the agency receives a payment
7 request under (a) of this section if the agency uses federal funds to make the payment;

8 (2) the 30th calendar day after the date the agency receives a payment
9 request under (a) of this section for all other payments for grants and reimbursement
10 agreements.

11 (c) If an agency withholds payment because of unsatisfactory performance or
12 if the payment request made under (a) of this section does not comply with the
13 requirements of the grant or reimbursement agreement, within eight working days
14 after receipt of the payment request the agency shall notify the nonprofit organization,
15 municipality, or Alaska Native organization in writing stating specifically why the
16 payment is being withheld and what remedial actions may be taken by the nonprofit
17 organization, municipality, or Alaska Native organization to receive the full payment.

18 (d) If the notification by the agency required by (c) of this section does not
19 comply with (c) of this section, the agency shall pay interest on the withheld amount
20 from the eighth working day after receipt of the initial payment request until the
21 agency provides notice that does comply with (c) of this section.

22 (e) If payment is withheld under (c) of this section, the agency shall pay the
23 withheld amount within 30 calendar days after the nonprofit organization,
24 municipality, or Alaska Native organization satisfactorily completes the remedial
25 actions identified in the notice. If the withheld amount is not paid within the 30
26 calendar days, the agency shall pay interest on the withheld amount from the 30th
27 calendar day at an interest rate that is equal to the rate set out in AS 45.45.010(a).

28 (f) In this section,

29 (1) "agency" has the meaning given in AS 36.30.990;

30 (2) "Alaska Native organization" has the meaning given in
31 AS 18.66.020(d);

(3) "grant" means a legal instrument of financial assistance between an agency and a nonstate entity that is used to enter into a relationship for which the principal purpose is to provide funds to the nonstate entity; "grant" does not include

(A) a cooperative agreement that provides for substantial involvement between the agency and the recipient in carrying out the activity contemplated by the award;

(B) a legal instrument used by an agency to acquire property or services for the direct benefit of an agency;

(C) cash assistance to an individual;

(D) a subsidy;

(E) a loan;

(F) a loan guarantee;

(G) insurance;

(H) state funding that is required annually and is calculated through a formula set in statute;

(I) a permanent fund dividend; or

(J) a grant appropriated to a municipality under AS 37.05.315 or a named recipient under AS 37.05.316;

(4) "nonprofit organization" has the meaning given in

AS 38.05.097(c).

* **Sec. 3.** This Act takes effect July 1, 2027.