

ALASKA STATE LEGISLATURE
SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

April 29, 2025

1:34 p.m.

MEMBERS PRESENT

Senator Kelly Merrick, Chair
Senator Forrest Dunbar, Vice Chair
Senator Elvi Gray-Jackson

MEMBERS ABSENT

Senator Donald Olson
Senator Robert Yundt

COMMITTEE CALENDAR

OVERVIEW: STATE OF ALASKA PAYMENT PROCESSES

- HEARD

SENATE BILL NO. 129

"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 payment of grants to named recipients that are not municipalities; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 129

SHORT TITLE: PAYMENT OF CONTRACTS

SPONSOR(s): SENATOR(s) KAWASAKI

03/12/25	(S)	READ THE FIRST TIME - REFERRALS
03/12/25	(S)	CRA, L&C
04/01/25	(S)	CRA AT 1:30 PM BELTZ 105 (TSBldg)
04/01/25	(S)	Heard & Held
04/01/25	(S)	MINUTE(CRA)
04/08/25	(S)	CRA AT 1:30 PM BELTZ 105 (TSBldg)
04/08/25	(S)	Heard & Held

04/08/25 (S) MINUTE (CRA)
04/29/25 (S) CRA AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

ERIC DEMOULIN, Director
Finance Division
Department of Administration (DOA)
Juneau, Alaska

POSITION STATEMENT: Participated in and answered questions during the overview of payment processes in the State of Alaska.

HANNAH LAGER, Director, Division of Administrative Services
Department of Commerce, Community, and Economic Development
Juneau, Alaska

POSITION STATEMENT: Participated in and answered questions during the overview of payment processes in the State of Alaska.

PAM HALLORAN, Assistant Commissioner
Department of Health
Juneau, Alaska

POSITION STATEMENT: Participated in and answered questions during the overview of payment processes in the State of Alaska.

TOM MAYER, Chief Procurement Officer
Office of Procurement and Property Management
Department of Administration
Juneau, Alaska

POSITION STATEMENT: Answered questions during the overview of payment processes in the State of Alaska.

SENATOR SCOTT KAWASAKI, District P
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Sponsor of SB 129.

ACTION NARRATIVE

1:34:15 PM

CHAIR MERRICK called the Senate Community and Regional Affairs Standing Committee meeting to order at 1:34 p.m. Present at the call to order were Senators Gray-Jackson, Dunbar and Chair Merrick.

OVERVIEW: STATE OF ALASKA PAYMENT PROCESSES

[1:34:33 PM](#)

CHAIR MERRICK announced an overview of the State of Alaska (SOA) payment processes by the Department of Administration (DOA), Department of Commerce, Community and Economic Development (DCCED), and Department of Health (DOH).

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ERIC DEMOULIN, Director, Finance Division, Department of Administration (DOA), Juneau, Alaska, said he would begin by addressing questions he previously received from the committee regarding payments. He explained that departments approve their own payments as outlined in the Alaska Administrative Manual (AAM 35). The manual states that all departments are responsible for developing department-level payment approval and payment processes. This is supported through the Integrated Resource Information System (IRIS). He explained that payment eligibility requirements vary. Contractor (for-profit entities) agreements are not typically governed by spending restrictions or program performance. Federal funding is dispersed to non-profits (delivering services to the public) through pass-throughs. He briefly described this process. Due to the multifaceted approach to payments, there is no single answer to the question of why payments are delayed in one area versus the other. The payment processes are decentralized; therefore, there is a lack of detailed information regarding specific delays. He pointed to program compliance as one reason for delays. He explained that each federal granting agency has a cognizant agency that it works with at the state level - and the payment and compliance requirements vary for each.

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MR. DEMOULIN explained that each year, the legislature appropriates funds to departments. The departments then have the legal authority to spend those funds. He stated that, when working to increase payment efficiency, DOA looks to the lowest signature authority within the department and seeks to ensure the process is done with the greatest possible efficiency. He explained how each department determines signature approvals and identifies signature authorities. Once signature approval is received, the payments to the legal appropriations can be processed. The signed approvals may then be submitted to a central agency. He noted that shared services processes payments on behalf of agencies for payments that are within scope. He explained that this process applies to most private (for-profit) agencies. He explained that grant funding typically falls outside of scope and is therefore paid at the division level. He stated that, regardless of the approval path, payments are

entered into IRIS and processed for payment the following day. Most payments made across the state are through Automated Clearing House (ACH) transfers. Checks are run in a nightly batch cycle, printed each morning, and sent out.

[1:40:44 PM](#)

CHAIR MERRICK asked for examples of for profit and not for profit organizations that DOA works with.

MR. DEMOULIN replied that DOA is primarily a passthrough agency. He said the best example of a private entity is Microsoft. Those are multiple year contracts. DOA does not have many dealings with non-profits; however, a non-profit may receive passthrough funding from DOA for public services. He briefly explained how different departments deal with federal grant funding, noting that they must remain compliant. He added that it is a reimbursement mechanism, requiring proof that the activities occurred before payment is made.

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MR. DEMOULIN emphasized that payments primarily move through the administrative arm of the cognizant agency that manages grant payments. He said DOA does process some grant payments. He stated that the average processing time for state agencies is less than 5 days. With respect to prompt payment requirements, he expressed confidence that payments are made quickly. He said that invoice routing and payment approvals are found in AAM 30.060. Each agency must develop approvals and procedures that meet organizational requirements.

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HANNAH LAGER, Director, Division of Administrative Services, Department of Commerce, Community, and Economic Development (DCCED), Juneau, Alaska, said DCCED administers hundreds of grant programs under a wide variety of statutory authorizations. She listed several of these and said it is a roughly \$1 billion grant portfolio. This is a mix of general fund and federal grants. DCCED is subject to multiple state statutes related to purchases and AAM guidance. Different staff are responsible for different payment review levels. She provided a brief overview of the grant payment process, which includes a program compliance review. Invoices are received by staff in multiple divisions. Staff review and approve invoices, then submit them to Shared Services of Alaska (SSoA). DCCED directly processes a small number of invoices. Staff use purchasing cards (p-cards) when possible, which keeps the approval at the lowest level and ensures prompt payment. DCCED has department-wide systems and

approvals processes in place and a minimum of two people are involved in each transaction. She noted a variety of checks and balances in place to ensure fraud does not occur.

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MS. LAGER said that [SB 129] highlighted some datapoints that DCCED does not currently track, which made gathering data for comparison difficult. For instance, DCCED does not track the date a request was mailed. Similarly, the date a request is received is noted on the paper copy but is not tracked in DCCED's accounting system. Instead, DCCED tracks the invoice date - which helps to avoid duplicate payments. She said DCCED does not track communication dates and opined that this is something worth monitoring.

MS. LAGER said that she noted inconsistencies with some of the data and surmised that this was related to incorrect data entry. She said SB 129 highlighted challenges and areas that DCCED will seek to improve going forward. She said that for FY 24 and FY 25, 97 percent of the operating grant payments were made within 30 days. She noted challenges related to invoice dates relative to appropriation effective dates and offered an example. Early data entry can create the impression that payments are late when they are timely. She added that 90 percent of non-travel and non-purchase card (p-card) activity is also paid within 30 days. She said invoices are sent to shared email inboxes, thus ensuring payments do not get lost or forgotten during employment changes. She reiterated that p-cards are used when possible. She indicated that improvement efforts would continue.

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MS. LAGER expressed appreciation to the committee for the opportunity to review the payment process and see what is working and where improvements are needed.

[1:52:17 PM](#)

SENATOR GRAY-JACKSON sought confirmation that a purchase card (p-card) is a credit card.

MS. LAGER replied yes.

SENATOR GRAY-JACKSON asked who pays the credit card fees.

MS. LAGER replied that DCCED pays the credit card fees. She said the operating budget contains adjusting language that allows DCCED to cover those. She stated that the fees are incidental, equaling less than \$400,000 in 2024.

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SENATOR GRAY-JACKSON asked for confirmation that the total amount of fees is \$400,000.

MS. LAGER recalled that in 2024 credit card fees were close to \$400,000. She added that this is for a high volume of fees from business and professional licensing in addition to outgoing transactions.

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SENATOR GRAY-JACKSON asked whether DCCED has considered having the vendor pay the credit card fees.

MS. LAGER deferred to Director Demoulin.

[1:54:07 PM](#)

MR. DEMOULIN replied that there are several options for managing statewide credit card programs. DOA has not considered fee passthroughs but has worked to limit fees in general. He expressed hope that different technologies and forms of payment will result in increased efficiency. He said he would gather information on historic fee amounts and p-card contract benefits and distribute it to the committee.

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SENATOR GRAY-JACKSON asked about p-card contract benefits.

MR. DEMOULIN replied that he would follow up with this information.

SENATOR GRAY-JACKSON commented that she receives [airline miles] as a benefit for her credit card use and wondered about the benefits the State of Alaska receives.

[1:56:23 PM](#)

PAM HALLORAN, Assistant Commissioner, Department of Health (DOH), Juneau, Alaska, said the Department of Health (DOH) is committed to timely payments and considers grantees and contractors to be partners in the work. She said DOH is committed to improving the payment process. SB 129 helped DOH to identify delays and gaps in the payment process. Capacity is one concern, and the high volume of contracts and grants is a significant factor in delays. Invoice quality (e.g. ensuring that goods and services are properly outlined) can also cause delays. Staff training is also a factor. She noted high burnout and turnover rates. She emphasized staffing improvements and

said that new training modules ensure staff are aware of programmatic expectations and reporting requirements. This helps to ensure that vendors are paid on time. She indicated that initial meetings with grantees would occur in summer 2025.

[1:59:11 PM](#)

MS. HALLORAN turned her attention to committee questions. Regarding payment processing, she explained that each agency has a centralized email inbox for contracts that administrative staff manages. The payments are sent to a project manager who oversees the contract and approves the payment before sending it on for payment processing. Grants are advanced quarterly. Grants funded with capital monies are paid via reimbursement.

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MS. HALLORAN explained that, for payments, the vendor uses an online portal to choose between electronic payment or payment by check. She explained the difference between processing contract payments and processing grant payments. Contract payments are reviewed and approved by the project manager and forwarded to the accounting system for payment. Payments for operating and capital grants are reviewed and approved by a division program manager and the grants administrator. Once approved, the grants administrator processes the payments in the accounting system. She provided the average processing time for contracts compared to grants. DOH is an average of 31 days late for contract payments (this data is based on contract payments made in FY 24). DOH is averaging 11.2 days to process quarterly grant payments (after grantees submit reports, which are then reviewed by the project manager). She reiterated that grant payments are processed quarterly and added that the payment is 25 percent for quarters 1-3 while the final quarter is 20 percent. 5 percent is withheld in the final quarter to ensure that grantees submit final reporting.

[2:02:02 PM](#)

SENATOR DUNBAR asked whether the average payment processing time provided for contract payments is derived from the mean or the median. He surmised that certain contracts take much longer to pay and would thus skew the average.

MS. HALLORAN shared her understanding that this information was compiled using the mean. She agreed that contract payments can take a very long time, with some payments taking over 200 days.

[2:02:46 PM](#)

SENATOR DUNBAR sought clarification that "contracts" refers to for-profit contracts and not grants.

MS. HALLORAN replied yes.

SENATOR DUNBAR asked how often payments that are delayed 200 days or more result in litigation. He surmised that such a lengthy delay is a breach of contract and asked how often the State of Alaska pays damages.

MS. HALLORAN replied that she is not aware of any litigation related to grants.

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MR. DEMOULIN deferred the question.

[2:04:01 PM](#)

TOM MAYER, Chief Procurement Officer, Office of Procurement and Property Management, Department of Administration, Juneau, Alaska, said he is not aware of any claims related to late payments. He explained that contract claims would be filed in-agency and appeals would be considered by the commissioner.

[2:04:33 PM](#)

SENATOR DUNBAR clarified that he is referring to for-profit vendors and asked why contracts that have not received payment for 8 months or more do not litigate. He opined that the vendor would have a clear case and wondered if the contract contains language that prevents this or if vendors may be concerned about jeopardizing future contracts.

MR. MAYER indicated that he is not familiar with the details of this process. He surmised that concern about jeopardizing future contracts may impact whether vendors choose to litigate. He emphasized that DOA does not consider past contracts (including any previous contract claims) unless there is a judgment against a particular entity. He suggested that one additional reason vendors choose not to litigate could be because they know the state will pay eventually.

[2:06:22 PM](#)

SENATOR DUNBAR directed his question related to late contract payments and litigation to Ms. Halloran.

MS. HALLORAN replied that one vendor contacted her directly. She stated that escalating in this way does help, as the department can then work to determine what is causing the delay and create

a plan to pay the vendor. She said she is not familiar with the specific circumstances of the contracts from FY 24 that experienced extreme delays. She stated that all contractors are valuable partners.

[2:07:43 PM](#)

SENATOR DUNBAR whether the same is true of grantees.

MS. HALLORAN replied that, in the case of grantees, DOH is at an advantage because DOH can advance payments (while other departments pay grantees via reimbursement). She stated that DOH works hard to forge a positive relationship with grantees.

[2:08:33 PM](#)

MR. DEMOULIN commented that such lengthy payment delays are rare. He asked how many grantees DOH manages.

MS. HALLORAN replied 448 grantees.

MR. DEMOULIN commented that this is a large number of grantees and managing them is a group effort. He briefly discussed the grant structure within the accounting system (which also exists for contracts), encumbered funds, appropriations, and processing timely payments. He reiterated that most grantees do not experience long payment delays. He said some long delays stem from discrepancies in services provided and offered an example. He emphasized that many different scenarios could result in payment delays and the details are not always available.

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CHAIR MERRICK asked what type of vendor DOH is paying 200 days late.

MS. HALLORAN replied that she is fairly new to the department and her knowledge of vendors is limited. She said the vendor that contacted her directly represents multiple information technology vendors.

SB 129-PAYMENT OF CONTRACTS

[2:11:49 PM](#)

CHAIR MERRICK announced the consideration of SENATE BILL NO. 129 "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

payment of grants to named recipients that are not municipalities; and providing for an effective date."

[2:12:06 PM](#)

SENATOR SCOTT KAWASAKI, District P, Alaska State Legislature, Juneau, Alaska, expressed appreciation for the discussion related to contracts and late payments. He pointed out that several states do have prompt payment legislation. He offered New York State as an example and shared about an annual report outlining how well payment processes are working within the State of New York. He commented that current payment timeframes in the State of Alaska are similar to those of New York State. He acknowledged that there are many different reasons for late payments. He opined that budget challenges create additional tension. He expressed support for the non-profit agencies that rely on prompt payment to provide services. He opined that, if state agencies, the administration, and the State's non-profit partners work together, a solution is possible. He indicated that the discussions surrounding SB 129 have been a step toward finding a solution.

[2:15:01 PM](#)

CHAIR MERRICK held SB 129 in committee.

[2:15:13 PM](#)

There being no further business to come before the committee, Chair Merrick adjourned the Senate Community and Regional Affairs Standing Committee meeting at 2:15 p.m.