

Original sponsor: Labor and Commerce  
Committee

1 IN THE HOUSE

BY THE HEALTH, EDUCATION AND  
SOCIAL SERVICES COMMITTEE

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CS FOR HOUSE BILL NO. 139 (HESS)

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IN THE LEGISLATURE OF THE STATE OF ALASKA

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SIXTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

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For an Act entitled: "An Act relating to payments for purchases by school  
districts and municipalities; and providing for an  
effective date."

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

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\* Section 1. PURPOSE. The purpose of this bill is to require munic-  
ipalities and school districts to pay for their purchases of goods and  
services in a timely manner.

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\* Sec. 2. AS 14.03 is amended by adding a new section to read:

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Sec. 14.03.087. PAYMENTS FOR PURCHASES. (a) Payment for pur-  
chases of goods or services provided to a school district must be made  
by a required payment date that is

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(1) the date on which payment is due under the terms of a

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contract; or

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(2) 30 days after the goods or services are received and

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the school district that is responsible for paying for the purchase

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receives a proper billing for the amount of the payment due, if a date

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on which payment is due is not established by contract and if the

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billing contains or is accompanied by documents required by the con-

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tract or purchase order.

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(b) If a seller offers a discount from the amount otherwise due

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for property or services in exchange for payment within a specified

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period of time, the school district may make payment in an amount

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equal to the discounted price only if payment is made within the

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specified period of time.

1 (c) If payment for goods or services purchased by the school  
2 district is not made on or before a required payment date under (a) of  
3 this section, the school district shall pay interest on the unpaid  
4 balance from the required payment date at the rate of 1.5 percent a  
5 month, unless an agreement exists between the seller and the school  
6 district that establishes a lower rate of interest or precludes the  
7 charging of interest. If the interest-bearing period of time is  
8 either (1) a fraction of a month, or (2) one or more full months plus  
9 a fraction of a month, the school district shall pay the same amount  
10 of interest for the fraction of a month as it would pay for a full  
11 month.

12 (d) This section does not apply

13 (1) if the cost of the goods or services purchased exceeds  
14 \$500,000;

15 (2) to payment for specific goods or services in dispute  
16 after a seller of goods or services receives notice from the school  
17 district official responsible for authorizing payment for goods and  
18 services that the amount of the invoice or quality of specific goods  
19 or services is in dispute and stating the reasons for the dispute; the  
20 school district shall pay for the specific goods or services in dis-  
21 pute within 30 days after the resolution of the dispute;

22 (3) to a contract covered by AS 36.90.010; or

23 (4) to a payment for which reimbursement is available to  
24 the school district under an insurance contract.

25 (e) In this section, payment is considered made on the date when  
26 the payment is personally delivered to the seller or agent of the  
27 seller or on the date the payment is mailed.

28 (f) In this section,

29 (1) "dispute" means a determination by the school district

1 official responsible for authorizing the payments for the purchase of  
2 goods or services that the performance or price charged is not in  
3 compliance with the terms of the contract or purchase order;

4 (2) "school district" means a borough or city school dis-  
5 trict and a regional educational attendance area.

6 \* Sec. 3. AS 29.10.200 is amended by adding a new paragraph to read:

7 (51) AS 29.71.060 (payments for purchases).

8 \* Sec. 4. AS 29.71 is amended by adding a new section to read:

9 Sec. 29.71.060. PAYMENTS FOR PURCHASES. (a) Payment for pur-  
10 chases of goods or services provided to a municipality must be made by  
11 a required payment date that is

12 (1) the date on which payment is due under the terms of a  
13 contract; or

14 (2) 30 days after the goods or services are received and  
15 the municipality that is responsible for paying for the purchase  
16 receives a proper billing for the amount of the payment due, if a date  
17 on which payment is due is not established by contract and if the  
18 billing contains or is accompanied by documents required by the con-  
19 tract or purchase order.

20 (b) If a seller offers a discount from the amount otherwise due  
21 for property or services in exchange for payment within a specified  
22 period of time, the municipality may make payment in an amount equal  
23 to the discounted price only if payment is made within the specified  
24 period of time.

25 (c) If payment for goods or services purchased by the municipal-  
26 ity is not made on or before a required payment date under (a) of this  
27 section, the municipality shall pay interest on the unpaid balance  
28 from the required payment date at the rate of 1.5 percent a month,  
29 unless an agreement exists between the seller and the municipality

1 that establishes a lower rate of interest or precludes the charging of  
2 interest. If the interest-bearing period of time is either (1) a  
3 fraction of a month, or (2) one or more full months plus a fraction of  
4 a month, the municipality shall pay the same amount of interest for  
5 the fraction of a month as it would pay for a full month.

6 (d) This section does not apply

7 (1) if the cost of the goods or services purchased exceeds  
8 \$500,000;

9 (2) to payment for specific goods or services in dispute  
10 after a seller of goods or services receives notice from the municipal  
11 official responsible for authorizing payment for goods and services  
12 that the amount of the invoice or quality of specific goods or ser-  
13 vices is in dispute and stating the reasons for the dispute; the  
14 municipality shall pay for the specific goods or services in dispute  
15 within 30 days after the resolution of the dispute;

16 (3) to a contract covered by AS 36.90.010; or

17 (4) to a payment for which reimbursement is available to  
18 the municipality under an insurance contract.

19 (e) In this section, payment is considered made on the date when  
20 the payment is personally delivered to the seller or agent of the  
21 seller or on the date the payment is mailed.

22 (f) In this section, "dispute" means a determination by the  
23 municipal official responsible for authorizing the payments for the  
24 purchase of goods or services that the performance or price charged is  
25 not in compliance with the terms of the contract or purchase order.

26 \* Sec. 5. This Act does not apply to purchase contracts entered into  
27 before July 1, 1989.

28 \* Sec. 6. This Act takes effect July 1, 1989.