

Original sponsor(s): Labor & Commerce Committee

1 IN THE HOUSE BY THE HESS COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 139 (HESS)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

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

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

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

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

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

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

19 (2) 30 days after the goods or services are received and  
20 the school district that is responsible for paying for the purchase  
21 receives a proper billing for the amount of the payment due, if a date  
22 on which payment is due is not established by contract and if the  
23 billing contains or is accompanied by documents required by the con-  
24 tract or purchase order.

25 (b) If a seller offers a discount from the amount otherwise due  
26 for property or services in exchange for payment within a specified  
27 period of time, the school district may make payment in an amount  
28 equal to the discounted price only if payment is made within the  
29 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 1.25 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) Except as provided in (f) of this section, this section does  
13 not apply

14                 (1) if the cost of the goods or services purchased exceeds  
15 \$500,000;

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

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

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

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

29           (f) If a dispute under (d)(2) of this section is resolved in

1 favor of the seller, (c) of this section applies to the payment for  
2 the goods or services involved in the dispute.

3 (g) In this section,

4 (1) "dispute" means a determination by the school district  
5 official responsible for authorizing the payments for the purchase of  
6 goods or services that the performance or price charged is not in  
7 compliance with the terms of the contract or purchase order;

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

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

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

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

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

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

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

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

29 (c) If payment for goods or services purchased by the

1 municipality is not made on or before a required payment date under  
2 (a) of this section, the municipality shall pay interest on the unpaid  
3 balance from the required payment date at the rate of 1.25 percent a  
4 month, unless an agreement exists between the seller and the munic-  
5 ipality that establishes a lower rate of interest or precludes the  
6 charging of interest. If the interest-bearing period of time is  
7 either (1) a fraction of a month, or (2) one or more full months plus  
8 a fraction of a month, the municipality shall pay the same amount of  
9 interest for the fraction of a month as it would pay for a full month.

10 (d) Except as provided in (f) of this section, this section does  
11 not apply

12 (1) if the municipality has adopted by ordinance substan-  
13 tially similar procedures governing the payment of its purchases;

14 (2) if the cost of the goods or services purchased exceeds  
15 \$500,000;

16 (3) to payment for specific goods or services in dispute  
17 after a seller of goods or services receives notice from the municipal  
18 official responsible for authorizing payment for goods and services  
19 that the amount of the invoice or quality of specific goods or ser-  
20 vices is in dispute and stating the reasons for the dispute; the  
21 municipality shall pay for the specific goods or services in dispute  
22 within 30 days after the resolution of the dispute;

23 (4) to a contract covered by AS 36.90.010; or

24 (5) to a payment for which reimbursement is available to  
25 the municipality under an insurance contract.

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

29 (f) If a dispute under (d)(3) of this section is resolved in

1 favor of the seller, (c) of this section applies to the payment for  
2 the goods or services involved in the dispute.

3 (g) In this section, "dispute" means a determination by the  
4 municipal official responsible for authorizing the payments for the  
5 purchase of goods or services that the performance or price charged is  
6 not in compliance with the terms of the contract or purchase order.

7 \* Sec. 5. This Act does not apply to purchase contracts entered into  
8 before July 1, 1990.

9 \* Sec. 6. This Act takes effect July 1, 1990.