

H B

5 0 6

Introduced: 1/11/84  
Referred: State Affairs and  
Finance

BY SHULTZ, TISCHER, UEHLING,  
LISKA AND LINDAUER

1 IN THE HOUSE

2

HOUSE BILL 506 am

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to payment for purchases by the  
7 state; and providing for an effective date."

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

9 \* Section 1. AS 37.05 is amended by adding a new section to read:

10 Sec. 37.05.275. PAYMENT FOR STATE PURCHASES. (a) Payment for  
11 purchases of goods or services provided a state agency must be made on  
12 a required payment date that is

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

15 (2) 30 days after receipt of a proper invoice for the  
16 amount of the payment due, if a specific date on which payment is due  
17 is not established by contract and if the invoice contains or is  
18 accompanied by documents required by the contract or purchase order.

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

24 (c) If payment for goods or services purchased by the state is  
25 not made within 30 days of a required payment date under (a)(1) of  
26 this section or on the required payment date specified in (a)(2) of  
27 this section, the state shall pay interest on the unpaid balance from  
28 the date of receipt of the invoice for the goods or services at the  
29 rate of one and one-half percent a month unless an agreement exists

*proper*

1 between the seller and the state that precludes the charging of inter-  
2 est.

3 (d) This section does not apply

4 (1) if the cost of the goods or services purchased exceeds  
5 \$500,000; or

6 (2) to payment for any specific goods or services in dis-  
7 pute after a seller of goods or services receives notice from the  
8 state official responsible for authorizing payment for goods and  
9 services that the amount of the invoice or quality of specific goods  
10 or services is in dispute and stating the reasons for the dispute.

11 (e) Interest paid under (c) of this section shall be charged to  
12 the budget of the state agency which purchased the goods or services.

13 (f) In this section

14 (1) "dispute" means a determination by the state official  
15 responsible for authorizing the payments for the purchase of goods or  
16 services that the performance or price charged is not in compliance  
17 with the terms of the contract or purchase order;

18 (2) payment is considered made on the date when the payment  
19 is personally delivered to the seller or agent of the seller or on the  
20 date the payment is mailed;

21 (3) "state agency" has the meaning given in AS 37.05.400  
22 and also includes the legislative and judicial branches.

23 \* Sec. 2. This Act does not apply to contracts entered into before the  
24 effective date of this Act.

25 \* Sec. 3. This Act takes effect October 1, 1984.

Payments by Dollar Volume by Agency  
For the Period March 1 through May 11, 1984

No.	Agency	% Paid Within 30 days	% Paid Within 31-60 days	% Paid Within 61-90 Days	% Paid Over 90 Days
	Statewide Overall	90	07	01	02
01	Office of The Governor	69	26	03	02
02	Department of Administration	73	19	05	03
03	Department of Law	83	15	01	01
04	Department of Revenue	76	19	02	03
05	Department of Education	86	09	04	01
06	Department of Health and Social Services	81	10	02	07
07	Department of Labor	80	14	03	03
08	Department of Commerce and Economic Development	70	21	03	06
09	Department of of Military Affairs	64	27	04	05
10	Department of Natural Resouces	62	18	16	04
11	Department of Fish and Game	61	30	04	05
12	Department of Public Safety	88	07	02	03
18	Department of Environmental Conservation	97	01	01	01
20	Department of Corrections	61	21	14	04
21	Department of Community and Regional Affairs	98	02	00	00
25	Department of Transportation and Public Facilities	91	07	01	01
30	Office of The Ombudsman	99	01	00	00
31	Legislative Affairs Agency	65	28	01	03
32	Division of Legislative Finance	93	07	00	00
33	Division of Legislative Audit	99	01	00	00
41	Court System	90	06	01	03

# NFIB® / ALASKA

## STATE REPORT



NFIB STATE OFFICE:  
P.O. BOX 194, AUKU BAY, AK 99821

The National Federation of Independent Business prepared this report on the activities of its State Governmental Relations Department as a special service for its members.

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### GOVERNOR VETOES KEY SMALL BUSINESS LEGISLATION

Without any advanced indication of his intent, Governor Sheffield vetoed the most important small business legislation to come out of the 1983 Legislative Session. HB 210, originally drafted and actively supported as NFIB/Alaska's key legislation, would have required the state of Alaska to pay interest on invoices not paid within 30 days of receipt.

On the 1982 NFIB/Alaska State Ballot an overwhelming 92% of the Alaska voting membership gave support to the

issue of requiring the state to pay interest on their overdue accounts. HB 210 was written primarily for small businesses who contract with the state since it specifically excludes any purchase orders or contracts in excess of \$500,000. The bill had provided that state agencies initiating an order or contract be required to pay interest of 1½¢ per month if a proper invoice were not paid within 30 days of receipt of invoice. If the invoice is not paid within the 30-day period, interest would be charged from the date of

receipt by the agency until the date of payment.

The only exclusion from the requirement to pay interest would be on specific items in dispute, i.e., an item sent was not the exact item ordered. The state agency would be required to notify the vendor within 30 days regarding those items in dispute and would be required to pay for the undisputed items of that same period to avoid paying interest on the undisputed items. Once the problems are resolved on the items in dispute, those items would also be subject to payment of interest if not paid for within 30 days of the resolution of the problems.

This bill would not have passed the Legislature without the strong support of Rep. Richard Schultz of Delta Junction and the assistance of Rep. Jim Duncan of Juneau. Rep. Schultz also had this bill designated as one of the House priority bills which helped to assure its passage.

All is not lost, however, from the Governor's veto; it is merely delayed. It is probable that the Legislature will override the veto. This is not a sure thing even though the bill passed both the House and Senate by nearly unanimous votes. It is suggested that particularly those members who do business or even contemplate doing business with the state should contact both their state senator and state representative to request their support of an override of the Governor's veto. Interest penalties will encourage prompt payment of the state's purchasing obligations, which in turn can help the involved small businesses conserve working capital and improve profit margin.



Gary Jenkins (right), director of Governmental Relations/Alaska and Rep. Richard Schultz (Delta Junction) are shown during one of their many discussions regarding key NFIB/Alaska legislation on payment of interest by state agencies on past due accounts.

NFIB/Alaska State Report

## OVERVIEW

The pace of the snail best characterizes the 1983 Legislative Session (particularly significant since the leadership in both the Senate and House was basically the same in the previous session.) This should have resulted in a more efficient and relatively shorter session. Instead it was the longest session in Alaska's history with the Senate finally adjourning on June 27th.

The length of the session was also difficult to understand since there were no major critical issues to delay the session. With revenues declining, the most critical issue appeared to be how much money there would be to fund the operating budget, and more importantly to many, the two capital projects budgets. The intent is not to belittle the money issue; however, it did occupy an inordinate amount of the legislature's time. This issue will become more critical in subsequent years as state oil revenues continue to decline.

In an effort to encourage the development of other oil, gas or mineral resources in the state, the legislature passed a bill authorizing a special investment tax credit. HB 258 provides for a credit which may be taken on the Alaska corporate income tax return for investments in either a gas processing project or for exploration, drilling of wells, development, or mining of natural resources in Alaska. The credit allowed is the full amount of the federal investment credit computed on the first \$250,000 of qualified investment during each tax year. If this measure is successful in stimulating development in Alaska, it may prompt other legislation designed to stimulate additional economic development in the state.

The Legislature also dealt with such diverse issues as requiring all motor vehicles to have liability insurance before being licensed to operate on Alaska highways, returning the drinking age to 21 years, and allowing voters to determine whether the Legislature should have authority to annul regulations issued by various state agencies.

The bill requiring vehicle liability insurance passed both the House and Senate; however, each chamber passed a slightly different version of the bill. This required the appointment of a

conference committee to resolve the differences. The bill, still in the conference committee when the Legislature adjourned, is expected to pass early next session.

The bills to change the drinking age and to give the Legislature authority to annul regulations are issues which have had considerable attention in recent years. The legal drinking age was lowered several years ago, due to reducing the "Age of Majority" to 19 years and in support of the argument that if someone was old enough to serve in the armed forces they should be old enough to drink. Records show however that an inordinately high percentage of fatal automobile accidents involve the 19 - 21 age group. There has also been a significant increase in the amount of liquor available to individuals 18 years and under, primarily purchased by 19 - 21 year olds.

The Legislature's authority to annul regulations has also been an on-going issue the past several years. Until seven years ago, the Legislature had taken the position that they could annul regulations by means of a concurrent resolution. However, when the Hammond Administration challenged this in court, the court ruled that the Legislature had no such authority. A resolution was then passed proposing a change in the Alaska State Constitution, which put the issue on the state-wide ballot; but voters turned it down. As the result of a similar resolution this year, the issue will again be on the general election ballot in 1984.

It is generally contended that all too frequently administrative regulations go far beyond legislative intent, placing undue burden on either the business sector or the general public. Governors usually oppose legislatures gaining this authority on the basis that it breaches the separation of powers. By a vote of 54% favoring, 25% opposing and 21% with no opinion, the voting NFIB/AK members in 1981 supported a constitutional amendment to allow the Legislature to annul administrative regulations by concurrent resolution.

## SMALL BUSINESS ISSUES

Various issues which could affect small business were also introduced this ses-

sion. Most of those receiving favorable action were issues supported by NFIB/Alaska.

**Exemption of Business Inventories from Local Property Taxes - SB 53:** Permits local cities and boroughs to exempt business inventories from local property taxation. The Legislature would not consider a complete exemption, which NFIB/Alaska strongly supported. On the 1983 Alaska State Ballot, 88% of the voting members supported the exemption of business inventories from property taxes. Most local governments, when contacted by NFIB/Alaska, stated that they would exempt business inventories. It is suggested that concerned NFIB members contact their local governing body immediately and push for them to act now to exempt the taxation of business inventories in future years.

**Limitation of Length of Legislative Session - HJR 2:** Provides that the Legislature shall meet for a regular session of not more than 120 days. The session may be extended for up to ten calendar days by a vote of two-thirds of the membership of each house. Because this will require a change in the Alaska constitution, it must be voted on in the 1984 General Election. This issue has been a key concern to NFIB/Alaska members for several years. On the 1983 NFIB State Ballot, 86% of voting Alaska members favored a limit on legislative sessions (58% favored a 90-day session). While this legislation does not place as short a limit as many members desired, it should definitely prevent marathon sessions such as this year's which lasted in excess of 160 days.

**Wage Base Changed for Computing Workers Compensation Benefits - HB 311:** Provides for workers compensation benefit payments to be based on an employee's spendable weekly wage, which is computed by subtracting payroll taxes from the gross weekly earnings. Gross weekly earnings are computed by dividing by 100 the worker's earnings for the past two years.

This provision should reduce workers compensation insurance premiums over the next few years. This bill also provides for an increase in benefits for a permanent partial disability. However, the effect of this increase should not totally offset the benefits derived

from the change in the computation of the wage base.

While NFIB/Alaska expressed serious concern about the effect of the increase in benefits on premiums, we strongly supported the change in the computation of the wage base. Since the bill originated from an independent committee representing business and organized labor, the Legislature would not consider passing one part of the bill without the other. On the current Alaska State Ballot 72% of the voting NFIB members favored the change to spendable weekly wage in the determination of workers compensation benefits.

**Small Business Development Loan Program - HB 208:** Establishes a small business development loan program in which loans of up to \$100,000 would be available to qualified borrowers at an interest rate equal to the federal discount rate plus 3%. At present, with the federal discount rate at  $8\frac{1}{2}\%$ , the interest rate for the program, if enacted, would be  $11\frac{1}{2}\%$ .

NFIB/Alaska has been unsuccessful to date in gaining serious consideration of this measure by the Legislature because of the confusion regarding numerous other existing loan programs, though none of them adequately address the needs of small businesses requiring long-term loans of \$100,000 or less. To get this bill moving, NFIB/Alaska needs your assistance in providing specific examples of business expansions that would take place if funding was available at reasonable interest rates. It would also be helpful to know if such expansion would create any additional jobs. On the current Alaska State Ballot, 67% of the voting members favored the concept of this legislation.

**Alaska Administrative Journal - SB 132:** Provides for the state to publish, on a bi-weekly basis, a journal which will include such items as notification of the publication of regulations; notices of state agency meetings, invitations to bid, state agency requests for proposals; and, the text or summary of the text of regulations which a state agency has adopted. The journal will not be published in written form and will only be available through the legislative data processing system. Access to this information will be through one of the legislative information offices. Since the legislation was just

signed, it will be some time before the system is operational. It is understood that the system will be designed so that a printout can be obtained of any desired information.

**Toxic and Hazardous Substances - SB 79:** Provides that if an employee works with a substance which OSHA has classified as toxic or hazardous, the employer will be required to make the employee aware of the substance and provide the employee, on request, with a copy of the information published by OSHA which explains the hazards of the substance.

## THE CHALLENGE AHEAD

The long-range outlook regarding the financing of state operations is not good. Already the prospects of funding future state government operations and education in Alaska look bleak. Unless additional sources of revenue are found within the next three to four years, we will probably face significant increases in taxes to make up for declining oil-related revenues. NFIB/Alaska will be watching this closely and will keep you informed.

Many bills, introduced this year and carried into the 1984 session, would have either a positive or negative impact on the small business community. For example, HB 208, the small business loan program, is one of major interest to many NFIB/Alaska members. Additionally, the vote to override the Governor's veto of HB 210, requiring interest payment by the state on overdue accounts, will be brought to a vote early in the session.

One bill, HB 246, would have an adverse impact on small business. This bill provides for repeal of all interest rate limitations, and applies to interest rates charged by banks on loans to either individuals or businesses and to interest rates on credit extended by businesses, credit card companies, small loan companies, and credit unions. Because of the potential effect on various small businesses, the repeal of interest rate ceilings will be one of the key issues on the 1983-84 Alaska State Ballot. HB 246 has already been passed by the House and is presently in the Senate Labor and Commerce Committee.

Legislation is also pending to modify the Alaska Bidder Preference Law by granting Alaska bidders on state contracts a 5% price advantage over non-resident bidders. HB 106 would further protect Alaskan bidders by requiring that if a bid is a joint venture, all parties must be qualified Alaska businesses. This bill has also been passed by the House and is awaiting action in the Senate.

The equal access to justice issue will be a prime target for next year. Passage of this legislation would require state agencies to reimburse reasonable attorney fees and court costs to small businesses who are successful in civil cases involving state agencies. Such reimbursement should be retrieved from an agency's regular administrative budget to encourage fair and more efficient regulation and to avoid additional expense for state government. Such legislation, through NFIB member support throughout the country, has been passed at the federal level and in certain states. Note: To substantiate the need for this legislation in Alaska, NFIB/Alaska would appreciate hearing from members of their experiences when an unwarranted state fine/citation has been paid to avoid the time and cost of litigation.

Your NFIB will also be following through on other issues that you have strongly endorsed through your votes and comments on previous Alaska State Ballots. Some of these issues include increasing the percentage of employment security tax paid by employees, reducing state competition with the private sector, increasing the dollar amount for jurisdiction in a small claims court, and regulatory flexibility legislation.

Your continued support and active involvement in voting the NFIB/Alaska State Ballot is appreciated, as are your comments on the ballots and your response to alerts during the session. There is no substitute for the individual opinions of persons who can speak from their own experience about the impact of proposed legislation on their business operations.

## THE RECORD

So you may know how your state senator and representative voted on selected issues of interest to independent

business, the following recorded votes are provided. It is recognized that this is not a perfect method of rating legislators since it does not give all the elements considered by lawmakers before a vote is cast on an issue, nor does it reflect individual voting patterns as members of various committees. Nevertheless, the voting record shown does indicate the general attitude of each legislator in regard to small business issues.

## THE ISSUES

**1. Limitation Of Length Of Legislative Session (HJR 2)** - This measure provides that the Legislature meet for a regular session of not more than 120 days. (The session may be extended for up to ten calendar days by a vote of two-thirds of the membership of each

house.) The recorded vote shown is on final passage in the Senate (18 Yes, 2 No) and the House concurrence (33 Yes, 6 No, 1 Absent) to the resolution as amended in the Senate. A "Yes" vote supports the position of NFIB/Alaska

**2. Exemption Of Business Inventories From Local Property Taxes (SB 53)** - This measure permits the local cities and boroughs to exempt business inventories from local property taxation. The recorded vote shown is on final passage in both the Senate and the House. Senate: 14 Yes, 6 Excused; House: 38 Yes, 2 No. A "Yes" vote supports the position of NFIB/Alaska.

**3. State Payment of Interest On Overdue Bills (HB 210)** - This measure requires state agencies to pay interest of

1½% per month on bills not paid in within 30 days of receipt of an invoice. The recorded vote shown is on final passage in the Senate (18 Yes, 2 No) and the House concurrence (38 Yes, 2 No) to the bill as amended in the Senate. A "Yes" vote supports the position of NFIB/Alaska.

**4. Wage Base Changed For Computing Workmen's Compensation (HB 311)** - This measure provides for payment to be based on a worker's spendable weekly wage and provides for an increase in the benefits for a permanent partial disability. The recorded vote shown is on final passage in the Senate (17 Yes, 2 No, 1 Excused) and the House concurrence (35 Yes, 3 No, 2 Absent) to the bill as amended in the Senate. A "Yes" vote supports the position of NFIB/Alaska.

KEY: Y = Yes  
N = No  
— = Absent or not voting

SENATE	1.	2.	3.	4.
Bennett, Don (Fairbanks) . . . . .	Y	Y	Y	Y
Eliason, Richard (Sitka) . . . . .	Y	Y	Y	Y
Fahrenkamp, Bettye (Fairbanks) . . . . .	Y	Y	Y	N
Faiks, Jan (Anchorage) . . . . .	Y	—	Y	Y
Ferguson, Frank (Kotzebue) . . . . .	Y	Y	Y	Y
Fischer, Paul (Soldotna) . . . . .	Y	Y	Y	Y
Fischer, Vic (Anchorage) . . . . .	Y	Y	Y	N
Gilman, Don (Kenai) . . . . .	Y	Y	Y	Y
Halford, Rick (Chugiak) . . . . .	Y	—	Y	—
Josephson, Joe (Anchorage) . . . . .	Y	Y	Y	Y
Kelly, Tim (Anchorage) . . . . .	Y	Y	Y	Y
Kerttula, Jalmar (Palmer) . . . . .	Y	Y	N	Y
Moss, H. Pappy (Delta Junction) . . . . .	Y	—	N	Y
Mulcahy, Bob (Kodiak) . . . . .	N	Y	Y	Y
Pettyjohn, Fritz (Anchorage) . . . . .	Y	—	Y	Y
Ray, Bill (Juneau) . . . . .	Y	Y	Y	Y
Rodey, Pat (Anchorage) . . . . .	Y	Y	Y	Y
Sackett, John (Ruby) . . . . .	Y	Y	Y	Y
Sturgulewski, Arliss (Anchorage) . . . . .	Y	—	Y	Y
Ziegler, Robert H. (Ketchikan) . . . . .	N	—	Y	Y

HOUSE	1.	2.	3.	4.
Abood, Mitch (Anchorage) . . . . .	Y	Y	Y	Y
Adams, Al (Kotzebue) . . . . .	Y	Y	Y	Y
Barnes, Ramona L. (Anchorage) . . . . .	Y	Y	Y	Y
Bettisworth, Bob (College) . . . . .	Y	Y	Y	Y
Bussell, Charlie (Anchorage) . . . . .	Y	Y	Y	Y
Cato, Bette (Valdez) . . . . .	Y	Y	Y	Y
Clocksinn, Don (Anchorage) . . . . .	Y	Y	Y	Y
Cowdery, John (Anchorage) . . . . .	Y	Y	Y	Y
Davis, Mike (College) . . . . .	Y	Y	Y	N

HOUSE	1.	2.	3.	4.
Duncan, Jim (Juneau) . . . . .	N	Y	Y	Y
Flood, Joe (Anchorage) . . . . .	Y	Y	Y	Y
Fritz, M <sup>o</sup> H. (Anchor Point) . . . . .	Y	Y	Y	Y
Fuller, Jack (Nome) . . . . .	Y	Y	Y	Y
Furnace, Walt (Anchorage) . . . . .	Y	Y	Y	Y
Goll, Peter (Haines) . . . . .	—	Y	Y	—
Grussendorf, Ben (Sitka) . . . . .	Y	Y	Y	Y
Hayes, Joe L. (Anchorage) . . . . .	Y	Y	Y	Y
Herrmann, Adelheid (Naknek) . . . . .	Y	Y	Y	Y
Hurlbert, Vern (Sleetmute) . . . . .	Y	Y	Y	Y
Koponen, Niilo (Fairbanks) . . . . .	N	N	Y	N
Lacher, Barbara (Wasilla) . . . . .	Y	Y	Y	Y
Larson, Ronald L. (Palmer) . . . . .	Y	Y	N	Y
Lindauer, John (Anchorage) . . . . .	Y	Y	Y	Y
Liska, John J. (Eagle River) . . . . .	Y	Y	Y	Y
Malone, Hugh (Kenai) . . . . .	N	N	Y	N
Martin, Terry (Anchorage) . . . . .	Y	Y	Y	Y
McBride, Jack (Ketchikan) . . . . .	N	Y	N	Y
Miller, Mike M. (Juneau) . . . . .	N	Y	Y	Y
Miller, Mike W. (North Pole) . . . . .	Y	Y	Y	Y
Pestinger, Sam (Anchorage) . . . . .	Y	Y	Y	Y
Phillips, Randy (Eagle River) . . . . .	Y	Y	Y	Y
Ringstad, John (Fairbanks) . . . . .	Y	Y	Y	Y
Shultz, Richard (Delta Junction) . . . . .	Y	Y	Y	Y
Szymanski, Mike (Anchorage) . . . . .	Y	Y	Y	Y
Tischer, Mae (Anchorage) . . . . .	Y	Y	Y	Y
Uehling, Rick (Anchorage) . . . . .	Y	Y	Y	Y
Vaska, Tony (Bethel) . . . . .	N	Y	Y	Y
Ward, Jerry (Anchorage) . . . . .	Y	Y	Y	Y
Wendte, Ron (Ketchikan) . . . . .	Y	Y	Y	—
Zharoff, Fred (Kodiak) . . . . .	Y	Y	Y	Y

# TABULATED RESULTS — 1983 ALASKA STATE BALLOT

## TAXES/FISCAL

### 1. QUESTION

Should the portion of the Alaska Employment Security Tax paid by the employee be increased?

Favor	Oppose	Undecided	
<u>82%</u> 1	<u>14%</u> 2	<u>4%</u> 3	11

### 2. QUESTION

Should the state provide funding for a new program to provide small business loans at moderate (12%) interest rates to stimulate small business development throughout the state?

Favor	Oppose	Undecided	
<u>67%</u> 1	<u>25%</u> 2	<u>8%</u> 3	12

### 3. QUESTION

Assuming a new, small business loan program is created, should the program be administered by local banks rather than a state agency such as the Division of Business Loans?

Favor	Oppose	Undecided	
<u>71%</u> 1	<u>21%</u> 2	<u>8%</u> 3	13

### 4. QUESTION

Should business inventories be exempted from local property taxes?

Favor	Oppose	Undecided	
<u>88%</u> 1	<u>9%</u> 2	<u>3%</u> 3	14

## 5. QUESTION

Should the funds appropriated for the Permanent Fund Dividend Program be used for new harbors, airports and roads throughout Alaska instead of the individual grants to residents?

Favor	Oppose	Undecided	
<u>61%</u> 1	<u>31%</u> 2	<u>8%</u> 3	15

## LABOR

### 6. QUESTION

Should all primary corporate officers be given the option of exemption from the Alaska Employment Security Act?

Favor	Oppose	Undecided	
<u>73%</u> 1	<u>19%</u> 2	<u>8%</u> 3	16

### 7. QUESTION

Should the wage base for computing workmen's compensation benefits be changed from the current average weekly wage to the spendable weekly wage?

Favor	Oppose	Undecided	
<u>72%</u> 1	<u>16%</u> 2	<u>12%</u> 3	17

### 8. QUESTION

Should the maximum benefit paid under workmen's compensation for a permanent partial disability be increased?

Favor	Oppose	Undecided	
<u>17%</u> 1	<u>65%</u> 2	<u>18%</u> 3	18

8A. If you favor an increase, indicate what maximum percentage increase you prefer.

10%	20%	35%	Undecided	
<u>26%</u> 1	<u>26%</u> 2	<u>11%</u> 3	<u>37%</u> 4	19

## CONSTITUTIONAL AMENDMENT

### 9. QUESTION

Should legislation sessions be limited to a specified number of days with a maximum of two 15-day extensions, provided that each extension is approved by two-thirds of both chambers?

Favor	Oppose	Undecided	
<u>86%</u> 1	<u>11%</u> 2	<u>3%</u> 3	20

9A. If you favor a limitation, indicate the maximum number of days you believe the Legislature should be in session, excluding any permitted extensions. (If you prefer no limitation, then mark "Oppose.")

90 days	<u>58%</u> 1
105 days	<u>21%</u> 2
120 days	<u>16%</u> 3
Oppose	<u>3%</u> 4
Undecided	<u>2%</u> 5

## GOVERNMENT

### 10. QUESTION

Should the Legislature authorize an analysis to determine what present activities of state government could be more effectively, efficiently, and less expensively performed by private enterprise?

Favor	Oppose	Undecided	
<u>84%</u> 1	<u>13%</u> 2	<u>3%</u> 3	22



# Alaska State Legislature

*Senator Pat Rodley*

## Senate Committee on State Affairs

Vic Fischer, Chair • Pouch V  
Juneau, Alaska 99811  
(907) 465-4954

Official Business

### MEMORANDUM

TO; Senate State Affairs Committee  
FROM: Senate State Affairs Committee Staff  
RE: HB 506 prompt payments by the state  
DATE: May 22, 1984

There is a proposed CS which adds the word "proper" before the word "invoice" on line 28 of page 1.

During the last committee meeting, you requested a fiscal note reflecting the cost of putting in place a system to ensure that bills would be paid in accordance with the legislation. The fiscal note reflecting the system is dated May 17, 1984. The cost for the system for FY '85 is 1,000.0 thousand dollars.

You also requested a schedule outlining the payment practices of the departments. This is included with your back-up information.



Official Business

# Alaska State Legislature

## Senate Committee on State Affairs

Vic Fischer, Chair • Pouch V

Juneau, Alaska 99811

(907) 465-4954

### MEMORANDUM

TO: Senate State Affairs Committee

FROM: Senate State Affairs Committee Staff

RE: HB 506 Prompt payment for purchases by the state

DATE: May 10, 1984

HB 506 requires the state to make payment for goods or services on the date the payment is due or within 30 days after receipt of a proper invoice. The bill exempts purchases of over \$500,000 from the provisions of the bill.

### Sectional analysis

Section 1 (a) Requires the agency to pay of a required payment date as defined under terms of a contract or 30 days after receipt of proper invoice.

Subsection (b) provides for the State to take advantage of any discounts offered by a vendor and if invoice is paid on time, the State agency will deduct the amount of the discount offered from the total amount of the invoice.

Subsection (c) established the rate of interest at 1.5% per month that must be paid by the State for past due balance-- also provides for the exclusion of interest in the event the seller and the State have mutual agreement.

Subsection (d) 1 exempts purchases of more than \$500,000 from the provisions of the bill.

Subsection (d) 2 provides for an exemption in the event the State notifies the vendor or seller of a dispute in the invoice.

Subsection (e) provides that any interest incurred by lack of prompt payment will be charged to the budget of the department involved.

Subsection (f) 1 is a definition section.

Section 2 exempts and contracts entered into before the effective date from the bill.

Section 3 is a July 31, 1983 effective date.

Fiscal information

Department of Administration Fiscal note -- 2.7 million each year.  
The House Finance Committee attached a zero fiscal note.

Payments by Dollar Volume by Agency  
For the Period March 1 through May 11, 1984

No.	Agency	% Paid Within 30 days	% Paid Within 31-60 days	% Paid Within 61-90 Days	% Paid Over 90 Days
	Statewide Overall	90	07	01	02
01	Office of The Governor	69	26	03	02
02	Department of Administration	73	19	05	03
03	Department of Law	83	15	01	01
04	Department of Revenue	76	19	02	03
05	Department of Education	86	09	04	01
06	Department of Health and Social Services	81	10	02	07
07	Department of Labor	80	14	03	03
08	Department of Commerce and Economic Development	70	21	03	06
09	Department of of Military Affairs	64	27	04	05
10	Department of Natural Resources	62	18	16	04
11	Department of Fish and Game	61	30	04	05
12	Department of Public Safety	88	07	02	03
18	Department of Environmental Conservation	97	01	01	01
20	Department of Corrections	61	21	14	04
21	Department of Community and Regional Affairs	98	02	00	00
25	Department of Transportation and Public Facilities	91	07	01	01
30	Office of The Ombudsman	99	01	00	00
31	Legislative Affairs Agency	65	28	04	03
32	Division of Legislative Finance	93	07	00	00
33	Division of Legislative Audit	99	01	00	00
41	Court System	90	06	01	03

# STATE OF ALASKA

## DEPARTMENT OF ADMINISTRATION

### DIVISION OF FINANCE

BILL SHEFFIELD, GOVERNOR

POUCH C (MS 0210)  
JUNEAU, ALASKA 99811  
PHONE:  
(907) 465-2240

May 15, 1984

Honorable Vic Fischer  
Alaska State Legislature  
Pouch V  
Juneau, AK 99811

Dear Senator Fischer:

This letter is in response to a request by your office as to what the additional administrative costs would be that are associated with House Bill 506 relating to payment for purchases by the State. The Department of Administration's fiscal note and analysis is enclosed. The fiscal note is broken into two parts; the first being what the potential interest cost might be that would result as an implementation of this bill; secondly an estimate of one million dollars is our best guess as to the amount of resources that would be diverted to avoid interest penalties. Agencies will be forced to reduce review time to determine whether a payment is proper. Such review should include verification that goods/services were as ordered, priced, and that invoicing meets requirements for payment. Agencies will need to establish internal processes to handle claims by vendors that they are due interest. As with any process, disputes will arise that must be resolved in an equitable fashion. The change in administrative costs to implement the provisions of this bill then would be: to perform less review as to determining the propriety of the payments being processed in order to speed up payment times to avoid interest penalties and establish an additional process to resolve vendor claims for interest.

We are continuing to work on your other information request related to this bill to prepare certain statistics by agency on their vendor payment track record. This effort will involve some programming on our part to prepare a suitable file of information. The Division of Legislative Audit has consented to assist us on the statistical side as they have some programs already developed that would be suitable for the purposes of this request.

Sincerely,

  
Kenneth E. Bischoff  
Director

KEB/jbh  
3/33D2/0515-08  
Enclosures

cc: Commissioner Lisa Rudd  
Department of Administration

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: February 29, 1984

REQUEST

Bill/Resolution No.: HB 506  
Title: Relating to Payment for  
Purchases by the State  
Sponsor: Shultz/Tischer/Uehling/Liska  
Requestor: (s) State Affairs  
Date of Request: May 16, 1984

FISCAL DETAIL

Agency Affected: A11  
Program Category Affected: A11  
Program or Subprogram(s) Affected:

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES		600.0	618.0	650.0	650.0	650.0
200 TRAVEL		50.0	53.0	55.0	58.0	61.0
300 CONTRACTUAL		200.0	210.0	220.0	231.0	243.0
400 SUPPLIES		50.0	53.0	55.0	58.0	61.0
500 EQUIPMENT		100.0				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS	0					
800 MISCELLANEOUS						
TOTAL OPERATING	0	1,000.0	934.0	980.0	997.0	1,015.0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	1,000.0	934.0	980.0	997.0	1,015.0
FEDERAL FUNDS						
OTHER						
TOTAL	0					

POSITIONS:

FULL-TIME		22	22	22	22	22
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Kenneth E. Fischhoff *KEB A*  
Division: Finance

Phone: 465-2240  
Date: May 17, 1984

Approved by Commissioner: Lisa Rudd *LR*  
Agency: DEPARTMENT OF ADMINISTRATION

Date: May 17, 1984

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

19/301/0516-09/2

Rev. 3-20-84  
19/FORMS/FN

*Fiscal Note / Admin 5/17/84*

House Bill 506  
Fiscal Note Analysis  
Prepared by Division of Finance  
Department of Administration  
May 16, 1984

This fiscal note is submitted for the fiscal impact on administrative costs only, as requested by the Senate State Affairs Committee.

To implement the provisions of this bill, State agencies will need to establish internal procedures as directed by the Department of Administration to administer vendor claims that are due interest. Additionally, more personal service resources will need to be devoted towards speeding up the payment processes without eliminating necessary review steps. Necessary review steps will still include verification that goods/services were as ordered, and as priced, and that invoicing meets requirements for payment.

The Department of Administration will need to strengthen its oversight role concerning vendor payments. Two positions will be required to perform such oversight directly in order to help resolve vendor concerns via the vendor HOTLINE, to resolve agency/vendor disputes, and to audit agency payment processes to determine if they can be streamlined. The Department of Administration will also need to develop more sophisticated computer programs to monitor the payment processes so that trouble areas can be identified early on. We do not currently have the resources to do this adequately.

The one million dollars required to cover the fiscal impacts of this bill should be allocated as follows:

1. \$300.0 to the Department of Administration to cover the cost of personal services of the two positions, and contractual services associated with programs needing to be developed to help us monitor the payment processes.
2. The remaining \$700.0 will be allocated to the agencies based largely upon volume of transactions processed, to help them administratively set up for the effects of this bill.

The breakout of costs by object code represents an estimate of how costs would be incurred by agencies. Personal services would be the costs for all departments and agencies for additional personnel necessary to track, review, and expeditiously process all vendor payments to assure none are held up. They will "bird-dog" each invoice, force officials to approve payments promptly, check and follow-up on all receiving documents, handle related phone calls and correspondence.

The \$600.0 represents approximately 22 full-time positions (average range 12). These would be distributed among all agencies. Their effort would be to heighten the pace of paper flow thru to prevent late payments. We presently handle in excess of 1,000,000 invoices per year. This means that if 5% of the bills need attending to, each new person has to handle 2,270 new invoices on a special basis each year, or approximately 12 new problems per day.

Travel costs are for agency personnel in all State agencies, to review and research problems related to billings for many remote sites. This often is the cause for late payments.

Contractual services are for related consultant, data processing services, etc., necessary to make old systems more efficient. Consultant services help provide new solutions for rapid processing where necessary. The actual use of these funds will be determined on a case-by-case basis.

Equipment is that related to institution, as necessary, of new methods to provide more rapid processing.

IT SHOULD BE NOTED THAT THE ABOVE COSTS WOULD BE INCURRED IN AN ATTEMPT TO AVOID PENALTIES. IF THEY ARE NOT APPROVED, THEN WE WILL SIMPLY HAVE TO PAY PENALTIES (INTEREST), WHICH IS COUNTER PRODUCTIVE AND DOES NOT SOLVE THE PROBLEM.

BY SHULTZ, TISCHER, UEHLING,  
LISKA AND LINDAUER

1 IN THE HOUSE

2

HOUSE BILL 506 am

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to payment for purchases by the

7

state; and providing for ~~an~~ effective date."

8

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

9

\* Section 1. AS 37.05 is amended by adding a new section to read:

10

Sec. 37.05.275. PAYMENT FOR STATE PURCHASES. (a) Payment for

11

purchases of goods or services provided a state agency must be made on

12

a required payment date that is

13

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

14

contract; or

15

(2) 30 days after receipt of a proper invoice for the

16

amount of the payment due, if a specific date on which payment is due

17

is not established by contract and if the invoice contains or is

18

accompanied by documents required by the contract or purchase order.

19

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

20

for property or services in exchange for payment within a specified

21

period of time, the state agency may make payment in an amount equal

22

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

23

period of time.

24

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

25

not made within 30 days of a required payment date under (a)(1) of

26

this section or on the required payment date specified in (a)(2) of

27

this section, the state shall pay interest on the unpaid balance from

28

the date of receipt of the invoice for the goods or services at the

29

rate of one and one-half percent a month unless an agreement exists

←  $\frac{1}{2}$  % →

$\frac{12}{8}$   
 $\frac{18}{8}$   
18% -

1 between the seller and the state that precludes the charging of inter-  
2 est.

3 (d) This section does not apply

4 (1) if the cost of the goods or services purchased exceeds  
5 \$500,000; or

6 (2) to payment for any specific goods or services in dis-  
7 pute after a seller of goods or services receives notice from the  
8 state official responsible for authorizing payment for goods and  
9 services that the amount of the invoice or quality of specific goods  
10 or services is in dispute and stating the reasons for the dispute.

11 (e) Interest paid under (c) of this section shall be charged to  
12 the budget of the state agency which purchased the goods or services. }

13 (f) In this section

14 (1) "dispute" means a determination by the state official  
15 responsible for authorizing the payments for the purchase of goods or  
16 services that the performance or price charged is not in compliance  
17 with the terms of the contract or purchase order;

18 (2) payment is considered made on the date when the payment  
19 is personally delivered to the seller or agent of the seller or on the  
20 date the payment is mailed;

21 (3) "state agency" has the meaning given in AS 37.05.400  
22 and also includes the legislative and judicial branches.

23 \* Sec. 2. This Act does not apply to contracts entered into before the  
24 effective date of this Act.

25 \* Sec. 3. This Act takes effect October 1, 1984.

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

cc

Revision Date: \_\_\_\_\_

REQUEST

Bill/Resolution No.: HB 506  
Title: Payment for purchases by the state

Sponsor: Shultz  
Requestor: House Finance  
Date of Request: 2/28/84

FISCAL DETAIL

Agency Affected: ATI  
Program Category Affected: \_\_\_\_\_

BRU, Program or Subprogram(s) Affected: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

~~SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL~~

Analysis: Any penalties assessed the state due to enactment of this bill should be absorbed by agencies within their existing budgets.

~~ANALYSIS OF FISCAL IMPACT OF BILL~~

Prepared By: Rep. Al Adams, Chair *APA* Phone: 465-3706  
Division: House Finance Committee Date: 2/28/84

Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
Agency: \_\_\_\_\_

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

12/1/83

*Fiscal Note / House Finance 2/28/84*

STATE OF ALASKA  
FISCAL NOTE

Revision Date: February 29, 1984

I. REQUEST

Bill/Resolution No.: HB 506  
 Title: Relating to Payment for  
Purchases by the State  
 Sponsor: Shultz/Tischer/Uehling/Liska  
 Requestor: State Affairs and Finance  
 Date of Request: \_\_\_\_\_

II. FISCAL DETAIL

Agency Affected: All  
 Program Category Affected: All  
 BRU, Program of Subprogram(s) Affected: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC	0	2,700.0	2,700.0	2,700.0	2,700.0	2,700.0
TOTAL OPERATING	0	2,700.0	2,700.0	2,700.0	2,700.0	2,700.0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	2,700.0	2,700.0	2,700.0	2,700.0	2,700.0
FEDERAL FUNDS						
OTHER (Specify Source)						
TOTAL	0	2,700.0	2,700.0	2,700.0	2,700.0	2,700.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Ken Bischoff *KCB* Phone: 465-2240  
 Division: Finance Date: February 29, 1984  
 Approved by Commissioner: Lisa Rudd *A. Rudd* Date: 2-29-84  
 Department: ADMINISTRATION

Distribution:

- Original to Legislative Finance
- Copy to Office of Management and Budget (for Legislature introduced bills)
- Copy to Department (for Governor introduced bills)
- Copy to Sponsor
- Copy to Requestor (if different from Sponsor)

3/8/83

## Analysis

### HB 506

The issue of timely payment for State purchases has been before the Legislature for several sessions. It is clearly desirable that the State pay for its purchases as promptly as prudently possible. This proposal will cause the State to choose between properly verifying invoiced charges to avoid questionable payments, and short-cutting proper review procedures to avoid penalty interest payments.

Currently, the overall 12-month average payment time for the State is 25 days computed as between the vendors invoicing date and the paying warrant date. Generally, those agencies which have a past record showing payment time in excess of 30 days are:

1. Military Affairs
2. Fish and Game
3. Corrections
4. Alaska Court System

These four agencies have a wide distribution network of field locations causing delays in verification time and subsequent transmission time of the invoice for payment.

To decrease the amount of penalties under this legislation, State agencies will incur additional costs for increased staff efforts to track and pay all purchase invoices within this legislation's time constraints. It is hard to arrive at a definite cost for this legislation, but by using various assumptions, such that \$1,120.0 million of a \$4.2 billion dollar budget is for vendor payments and that 5% fall under the interest penalty provisions, and that all penalty payments are made within 60 days of receipt of invoice, then an estimated interest penalty cost of \$1.7 million ( $\$1,120.0 \text{ million} \times .05 \times .015 \times 2 \text{ mos.}$ ) would occur. It is estimated that additional effort required of the agencies to track and make timely payments for purchases would cost the State about \$1.0 million additional.

It is difficult to improve payment times under existing payment systems without incurring significant additional costs. The new State accounting system currently under development is targeted for July 1, 1985 implementation. This system is designed to improve the ability of geographically disbursed agencies to submit their payments more timely through remote terminals. The system is designed to speed up turnaround and reflect status changes on an overnight basis. These features will allow agencies to be more responsive to their creditors.

All costs of this legislation would be 100% State funds. The U.S. Office of Management and Budget has advised us that the Prompt Payment Act (P.L. 970177) prohibits use of Federal grant funds for payment of interest penalties and disallows the use of any non-Federal funds expended for such interest penalty toward any matching requirement applicable to any Federal grant.

Additional Analysis

It appears to us that this Bill is not consistent. In Section 1(c), to pay interest from the date of receipt of the invoice is not consistent with another provision that allows us a period of 30 days to make payment without penalty. The penalty should start accruing on the 30th day after receipt of the invoice.

Also, the interest rate should not be a fixed rate but should be tied into applicable commercial lending rates for the period.

Computation of Vendor Payments Basis

1. Enacted Budget for Fiscal Year 1984	<u>\$4,185,000,000.</u>
Less 2. Permanent Fund Dividends	(179,000,000.)
3. Grants & Claims	(1,165,637,600.)
4. University of Alaska Payments	(244,700,000.)
5. State Salaries	(801,100,000.)
6. Loans	(201,900,000.)
7. Debt Service	(180,600,000.)
8. University of Alaska Capital	(52,000,000.)
9. Chapter 10 and other Supplemental Legislation	<u>(240,000,000.)</u>
	<u>(3,064,937,600.)</u>
	<u>\$1,120,062,400.</u>

1,120,062,400 x .05 x .015 x 2 = 1,680,094 or 1.7 million

From FY 84 Legislature's Summary of Appropriation as annotated

1. Lead page - Enacted (less Governor's Vetos) Total Column
2. FCC page 8, CH 107, page 14, line 11
3. FCC page I, Objects of Expenditure Grants, Claims
4. FCC page 65, CH 107, page 128, line 16
5. FCC page I, Objects of Expenditure, Personal Services line, CC column
6. Lead page - Loans line, Enacted (less Governor's Vetos) Total Column
7. FCC page I, State Bond Committee line, CC column
8. FCC page 45 to 46, CH 107, page 87, line 10 through page 90, line 9
9. Other Chapters (10, 21, 24, 34, 53)

Prepared By: Ken Buschhoff Phone: 465-2240  
Division: Finance Date: 2/29/84  
Approved by Commissioner: LISA RUDD Date: 2-29-84  
Department: Administration



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

March 23, 1984



The Honorable Mae Tischer  
Alaska State House of Representatives  
Pouch V  
Juneau, AK 99811

Dear Representative Tischer:

I am forwarding to you a copy of our Analysis/Position and Fiscal Note on HB 506, Relating to Payment for Purchases by the State.

Our position upon analysis of this bill is that the current average payment time is better than what is required by this legislation. Attempting to avoid penalties under this bill would cause agencies to divert attention from appropriation and accounting control processes to focusing on speeding up the payment process for relatively few bills. Consequently, a few more bills would be timely paid, but the State would have less assurance as to the overall propriety of payments processed.

It is our responsibility to point out that real costs are associated with this bill. The changes in payroll handling procedures that Gary Jenkins refers to in his letter were implemented at a significant and ongoing cost to the State. Vendor delivery of goods/services and related invoicing is not uniform between vendors and requires additional verification that goods/services were as ordered, priced, and that invoicing meets requirements for payment. As to Mr. Jenkins' comments regarding vendors with 60-to 120-day-old unpaid billings, the State Department of Administration, Division of Finance's Pre-Audit Section (465-2260), has had a vendor's hot line which will accept collect calls in regard to overdue payments and/or other vendor invoice/payment problems since 1978.

The average payment time by the State is approximately 25 days for all State agencies. This average payment time includes disputed invoices, invoices dated more than one day before the post-marked date, and invoices dated before goods or services were delivered. This 25-day average, coupled with availability of a vendor's hot line for distressed vendors, creates what we

*Att Gen The Governor 3/23/84*

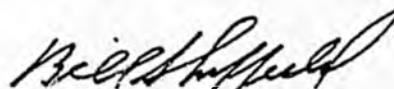
The Honorable Mae Tischer

-2-

March 23, 1984

consider to be a reasonable and responsive atmosphere conducive to meeting vendor needs and still affording proper accounting controls as mandated by AS 37.05.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bill Sheffield".

Bill Sheffield  
Governor

Enclosures

# MEMORANDUM

# State of Alaska

TO: Administrative Officers  
All Agencies

DATE: May 2, 1984

FILE NO:

TELEPHONE NO: 465-2260

FROM: M. Sue Alexander <sup>MSA</sup>  
Pre-Audit Supervisor  
Division of Finance  
Department of Administration

SUBJECT: Payment Time

After reviewing the Vendor Analysis for the month of April, it has been determined that it took the State an average of 21 days to pay its bills during this month. This is a one day decrease over April of last year. The schedule below shows the payment time for each agency.

<u>Agency</u>	<u>Payment Days</u>
Office of the Governor	24
Administration	21
Law	20
Revenue	12
Education	25
<del>Health &amp; Social Services</del>	<del>39</del>
Labor	24
<del>Commerce and Economic Development</del>	<del>48</del>
<del>Military Affairs</del>	<del>32</del>
<del>Natural Resources</del>	<del>22</del>
<del>Fish and Game</del>	<del>35</del>
Public Safety	12
Environmental Conservation	11
Corrections	30
Community & Regional Affairs	17
Municipal Grants	14
Transportation & Public Facilities	21
<del>Ombudsman</del>	<del>6</del>
Legislative Affairs	24
Legislative Finance	13
Legislative Audit	6
Alaska Court System	10

MSA/sn  
8/F26/3D1/0502-12

# NFIB® / ALASKA

## STATE REPORT

The National Federation of Independent Business prepared this report on the activities of its State Governmental Relations Department as a special service for its members.

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NFIB STATE OFFICE:  
P.O. BOX 194, AUKE BAY, AK 99821

### GOVERNOR VETOES KEY SMALL BUSINESS LEGISLATION

Without any advanced indication of his intent, Governor Sheffield vetoed the most important small business legislation to come out of the 1983 Legislative Session. HB 210, originally drafted and actively supported as NFIB/Alaska's key legislation, would have required the state of Alaska to pay interest on invoices not paid within 30 days of receipt.

On the 1982 NFIB/Alaska State Ballot an overwhelming 92% of the Alaska voting membership gave support to the

issue of requiring the state to pay interest on their overdue accounts. HB 210 was written primarily for small businesses who contract with the state since it specifically excludes any purchase orders or contracts in excess of \$500,000. The bill had provided that state agencies initiating an order or contract be required to pay interest of 1½% per month if a proper invoice were not paid within 30 days of receipt of invoice. If the invoice is not paid within the 30-day period, interest would be charged from the date of

receipt by the agency until the date of payment.

The only exclusion from the requirement to pay interest would be on specific items in dispute, i.e., an item sent was not the exact item ordered. The state agency would be required to notify the vendor within 30 days regarding those items in dispute and would be required to pay on the undisputed items of that same period to avoid paying interest on the undisputed items. Once the problems are resolved on the items in dispute, those items would also be subject to payment of interest if not paid for within 30 days of the resolution of the problems.

This bill would not have passed the Legislature without the strong support of Rep. Richard Schultz of Delta Junction and the assistance of Rep. Jim Duncan of Juneau. Rep. Schultz also had this bill designated as one of the House priority bills which helped to assure its passage.

All is not lost, however, from the Governor's veto; it is merely delayed. It is probable that the Legislature will override the veto. This is not a sure thing even though the bill passed both the House and Senate by nearly unanimous votes. It is suggested that particularly those members who do business or even contemplate doing business with the state should contact both the state senator and state representative to request their support of an override of the Governor's veto. Interest penalties will encourage prompt payment of the state's purchasing obligations, which in turn can help the involved small businesses conserve working capital and improve profit margins.



Gary Jenkins (right), director of Governmental Relations/Alaska and Rep. Richard Schultz (Delta Junction) are shown during one of their many discussions regarding key NFIB/Alaska legislation on payment of interest by state agencies on past due accounts.

NFIB/Alaska State Report

## OVERVIEW

The pace of the snail best characterizes the 1983 Legislative Session (particularly significant since the leadership in both the Senate and House was basically the same in the previous session.) This should have resulted in a more efficient and relatively shorter session. Instead it was the longest session in Alaska's history with the Senate finally adjourning on June 27th.

The length of the session was also difficult to understand since there were no major critical issues to delay the session. With revenues declining, the most critical issue appeared to be how much money there would be to fund the operating budget, and more importantly to many, the two capital projects budgets. The intent is not to belittle the money issue; however, it did occupy an inordinate amount of the legislature's time. This issue will become more critical in subsequent years as state oil revenues continue to decline.

In an effort to encourage the development of other oil, gas or mineral resources in the state, the Legislature passed a bill authorizing a special investment tax credit. HB 258 provides for a credit which may be taken on the Alaska corporate income tax return for investments in either a gas processing project or for exploration, drilling of wells, development, or mining of natural resources in Alaska. The credit allowed is the full amount of the federal investment credit computed on the first \$250,000 of qualified investment during each tax year. If this measure is successful in stimulating development in Alaska, it may prompt other legislation designed to stimulate additional economic development in the state.

The Legislature also dealt with such diverse issues as requiring all motor vehicles to have liability insurance before being licensed to operate on Alaska highways, returning the drinking age to 21 years, and allowing voters to determine whether the Legislature should have authority to annul regulations issued by various state agencies.

The bill requiring vehicle liability insurance passed both the House and Senate; however, each chamber passed a slightly different version of the bill. This required the appointment of a

conference committee to resolve the differences. The bill, still in the conference committee when the Legislature adjourned, is expected to pass early next session.

The bills to change the drinking age and to give the Legislature authority to annul regulations are issues which have had considerable attention in recent years. The legal drinking age was lowered several years ago, due to reducing the "Age of Majority" to 19 years and in support of the argument that if someone was old enough to serve in the armed forces they should be old enough to drink. Records show however that an inordinately high percentage of fatal automobile accidents involve the 19 - 21 age group. There has also been a significant increase in the amount of liquor available to individuals 18 years and under, primarily purchased by 19 - 21 year olds.

The Legislature's authority to annul regulations has also been an on-going issue the past several years. Until seven years ago, the Legislature had taken the position that they could annul regulations by means of a concurrent resolution. However, when the Hammond Administration challenged this in court, the court ruled that the Legislature had no such authority. A resolution was then passed proposing a change in the Alaska State Constitution, which put the issue on the statewide ballot; but voters turned it down. As the result of a similar resolution this year, the issue will again be on the general election ballot in 1984.

It is generally contended that all too frequently administrative regulations go far beyond legislative intent, placing undue burden on either the business sector or the general public. Governors usually oppose legislatures gaining this authority on the basis that it breaches the separation of powers. By a vote of 54% favoring, 25% opposing and 21% with no opinion, the voting NFIB/AK members in 1981 supported a constitutional amendment to allow the Legislature to annul administrative regulations by concurrent resolution.

## SMALL BUSINESS ISSUES

Various issues which could affect small business were also introduced this ses-

sion. Most of those receiving favorable action were issues supported by NFIB/Alaska.

**Exemption of Business Inventories from Local Property Taxes - SB 53:** Permits local cities and boroughs to exempt business inventories from local property taxation. The Legislature would not consider a complete exemption, which NFIB/Alaska strongly supported. On the 1983 Alaska State Ballot, 88% of the voting members supported the exemption of business inventories from property taxes. Most local governments, when contacted by NFIB/Alaska, stated that they would exempt business inventories. It is suggested that concerned NFIB members contact their local governing body immediately and push for them to act now to exempt the taxation of business inventories in future years.

**Limitation of Length of Legislative Session - HJR 2:** Provides that the Legislature shall meet for a regular session of not more than 120 days. The session may be extended for up to ten calendar days by a vote of two-thirds of the membership of each house. Because this will require a change in the Alaska constitution, it must be voted on in the 1984 General Election. This issue has been a key concern to NFIB/Alaska members for several years. On the 1983 NFIB State Ballot, 86% of voting Alaska members favored a limit on legislative sessions (58% favored a 90-day session). While this legislation does not place as short a limit as many members desired, it should definitely prevent marathon sessions such as this year's which lasted in excess of 160 days.

**Wage Base Changed for Computing Workers Compensation Benefits - HB 311:** Provides for workers compensation benefit payments to be based on an employee's spendable weekly wage, which is computed by subtracting payroll taxes from the gross weekly earnings. Gross weekly earnings are computed by dividing by 100 the worker's earnings for the past two years.

This provision should reduce workers compensation insurance premiums over the next few years. This bill also provides for an increase in benefits for a permanent partial disability. However, the effect of this increase should not totally offset the benefits derived

from the change in the computation of the wage base.

While NFIB/Alaska expressed serious concern about the effect of the increase in benefits on premiums, we strongly supported the change in the computation of the wage base. Since the bill originated from an independent committee representing business and organized labor, the Legislature would not consider passing one part of the bill without the other. On the current Alaska State Ballot 72% of the voting NFIB members favored the change to spendable weekly wage in the determination of workers compensation benefits.

**Small Business Development Loan Program - HB 208:** Establishes a small business development loan program in which loans of up to \$100,000 would be available to qualified borrowers at an interest rate equal to the federal discount rate plus 3%. At present, with the federal discount rate at 8½¢, the interest rate for the program, if enacted, would be 11½¢.

NFIB/Alaska has been unsuccessful to date in gaining serious consideration of this measure by the Legislature because of the confusion regarding numerous other existing loan programs, though none of them adequately address the needs of small businesses requiring long-term loans of \$100,000 or less. To get this bill moving, NFIB/Alaska needs your assistance in providing specific examples of business expansions that would take place if funding was available at reasonable interest rates. It would also be helpful to know if such expansion would create any additional jobs. On the current Alaska State Ballot, 67% of the voting members favored the concept of this legislation.

**Alaska Administrative Journal - SB 132:** Provides for the state to publish, on a bi-weekly basis, a journal which will include such items as notification of the publication of regulations; notices of state agency meetings, invitations to bid, state agency requests for proposals; and, the text or summary of the text of regulations which a state agency has adopted. The journal will not be published in written form and will only be available through the legislative data processing system. Access to this information will be through one of the legislative information offices. Since the legislation was just

signed, it will be some time before the system is operational. It is understood that the system will be designed so that a printout can be obtained of any desired information.

**Toxic and Hazardous Substances - SB 79:** Provides that if an employee works with a substance which OSHA has classified as toxic or hazardous, the employer will be required to make the employee aware of the substance and provide the employee, on request, with a copy of the information published by OSHA which explains the hazards of the substance.

## THE CHALLENGE AHEAD

The long-range outlook regarding the financing of state operations is not good. Already the prospects of funding future state government operations and education in Alaska look bleak. Unless additional sources of revenue are found within the next three to four years, we will probably face significant increases in taxes to make up for declining oil-related revenues. NFIB/Alaska will be watching this closely and will keep you informed.

Many bills, introduced this year and carried into the 1984 session, would have either a positive or negative impact on the small business community. For example, HB 208, the small business loan program, is one of major interest to many NFIB/Alaska members. Additionally, the vote to override the Governor's veto of HB 210, requiring interest payment by the state on overdue accounts, will be brought to a vote early in the session.

One bill, HB 246, would have an adverse impact on small business. This bill provides for repeal of all interest rate limitations, and applies to interest rates charged by banks on loans to either individuals or businesses and to interest rates on credit extended by businesses, credit card companies, small loan companies, and credit unions. Because of the potential effect on various small businesses, the repeal of interest rate ceilings will be one of the key issues on the 1983-84 Alaska State Ballot. HB 246 has already been passed by the House and is presently in the Senate Labor and Commerce Committee.

Legislation is also pending to modify the Alaska Bidder Preference Law by granting Alaska bidders on state contracts a 5% price advantage over non-resident bidders. HB 106 would further protect Alaskan bidders by requiring that if a bid is a joint venture, all parties must be qualified Alaska businesses. This bill has also been passed by the House and is awaiting action in the Senate.

The equal access to justice issue will be a prime target for next year. Passage of this legislation would require state agencies to reimburse reasonable attorney fees and court costs to small businesses who are successful in civil cases involving state agencies. Such reimbursement should be retrieved from an agency's regular administrative budget to encourage fair and more efficient regulation and to avoid additional expense for state government. Such legislation, through NFIB member support throughout the country, has been passed at the federal level and in certain states. Note: To substantiate the need for this legislation in Alaska, NFIB/Alaska would appreciate hearing from members of their experiences when an unwarranted state fine/citation has been paid to avoid the time and cost of litigation.

Your NFIB will also be following through on other issues that you have strongly endorsed through your votes and comments on previous Alaska State Ballots. Some of these issues include increasing the percentage of employment security tax paid by employees, reducing state competition with the private sector, increasing the dollar amount for jurisdiction in a small claims court, and regulatory flexibility legislation.

Your continued support and active involvement in voting the NFIB/Alaska State Ballot is appreciated, as are your comments on the ballots and your response to alerts during the session. There is no substitute for the individual opinions of persons who can speak from their own experience about the impact of proposed legislation on their business operations.

## THE RECORD

So you may know how your state senator and representative voted on selected issues of interest to independent



# TABULATED RESULTS — 1983 ALASKA STATE BALLOT

## TAXES/FISCAL

### 1. QUESTION

Should the portion of the Alaska Employment Security Tax paid by the employee be increased?

Favor	Oppose	Undecided	
<u>82%</u> 1	<u>14%</u> 2	<u>4%</u> 3	11

### 2. QUESTION

Should the state provide funding for a new program to provide small business loans at moderate (12%) interest rates to stimulate small business development throughout the state?

Favor	Oppose	Undecided	
<u>67%</u> 1	<u>25%</u> 2	<u>8%</u> 3	12

### 3. QUESTION

Assuming a new, small business loan program is created, should the program be administered by local banks rather than a state agency such as the Division of Business Loans?

Favor	Oppose	Undecided	
<u>71%</u> 1	<u>21%</u> 2	<u>8%</u> 3	13

### 4. QUESTION

Should business inventories be exempted from local property taxes?

Favor	Oppose	Undecided	
<u>88%</u> 1	<u>9%</u> 2	<u>3%</u> 3	14

## 5. QUESTION

Should the funds appropriated for the Permanent Fund Dividend Program be used for new harbors, airports and roads throughout Alaska instead of the individual grants to residents?

Favor	Oppose	Undecided	
<u>61%</u> 1	<u>31%</u> 2	<u>8%</u> 3	15

## LABOR

### 6. QUESTION

Should all primary corporate officers be given the option of exemption from the Alaska Employment Security Act?

Favor	Oppose	Undecided	
<u>73%</u> 1	<u>19%</u> 2	<u>8%</u> 3	16

### 7. QUESTION

Should the wage base for computing workmen's compensation benefits be changed from the current average weekly wage to the spendable weekly wage?

Favor	Oppose	Undecided	
<u>72%</u> 1	<u>16%</u> 2	<u>12%</u> 3	17

### 8. QUESTION

Should the maximum benefit paid under workmen's compensation for a permanent partial disability be increased?

Favor	Oppose	Undecided	
<u>17%</u> 1	<u>65%</u> 2	<u>18%</u> 3	18

8A. If you favor an increase, indicate what maximum percentage increase you prefer.

10%	20%	35%	Undecided	
<u>26%</u> 1	<u>26%</u> 2	<u>11%</u> 3	<u>37%</u> 4	19

## CONSTITUTIONAL AMENDMENT

### 9. QUESTION

Should legislation sessions be limited to a specified number of days with a maximum of two 15-day extensions, provided that each extension is approved by two-thirds of both chambers?

Favor	Oppose	Undecided	
<u>86%</u> 1	<u>11%</u> 2	<u>3%</u> 3	20

9A. If you favor a limitation, indicate the maximum number of days you believe the Legislature should be in session, excluding any permitted extensions. (If you prefer no limitation, then mark "Oppose.")

90 days	<u>58%</u> 1
105 days	<u>21%</u> 2
120 days	<u>16%</u> 3
Oppose	<u>3%</u> 4
Undecided	<u>2%</u> 5

## GOVERNMENT

### 10. QUESTION

Should the Legislature authorize an analysis to determine what present activities of state government could be more effectively, efficiently, and less expensively performed by private enterprise?

Favor	Oppose	Undecided	
<u>84%</u> 1	<u>13%</u> 2	<u>3%</u> 3	22

SENATE STATE AFFAIRS COMMITTEE

mg

Bill Number HB 506 am Title Payment for purchases by the State Date received 3/16/84

3/16  
Handled  
for  
review

Fiscal Note	Position Paper	Date requested	From	Amount	Date Rec'd Note	Rec'd Paper
<u>yes</u>	<u>✓</u>					

CONTACTS

Backup list

- Rebecca Burd will call Division and who they want to get there.
- called Governor's office

HEARING INFORMATION

NOTES

FINAL ACTION \_\_\_\_\_ DATE \_\_\_\_\_

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date May 16, 1984

I. REQUEST

Bill/Resolution No: CSHB 564 (SA)  
 Title: An Act relating to use of permanent fund dividends to satisfy debts owed to the state  
 Sponsor: House State Affairs Committee  
 Requestor: Senate State Affairs Comm.  
 Date of Request: May 14, 1984

FISCAL DETAIL

Agency Affected: Revenue  
 Program Category Affected: General Government  
 BRU, Program of Subprogram(s) Affected: Revenue Management and Collections

II. EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES	-	49.2	-	-	-	-
200 TRAVEL	-	5.0	-	-	-	-
300 CONTRACTUAL	-	2.0	-	-	-	-
400 SUPPLIES	-	.5	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	56.7	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	45.0	49.1	28.8	15.8	8.9

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	56.7	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	56.7	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	2	-	-	-	-
TEMPORARY	-	-	-	-	-	-

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL: General Funds. See attached analysis.

IV. ANALYSIS: See attached narrative.

Prepared By: Thomas C. Williams, Director  
 Division: Enforcement

Phone: 465-2366  
 Date: May 16, 1984

Approved by Commissioner: Robt D. Hoff  
 Agency: Revenue

Date: 5/16/84

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget

FISCAL NOTE REFLECTING COSTS OF LETTER OF INTENT

Department of Revenue  
Analysis of CSHB 564 (State Affairs)  
 May 16, 1984

A. Assumptions

1. The PFD program is retained and there are no substantive changes to the current program.
2. Individual dividend payments over the next five years are as follows:

Dividend Year	84	85	86	87	88
Paid in FY	85	86	87	88	89
Dividend Amount	\$357	\$431	\$514	\$564	\$606

3. The average accounts receivable (a/r) attachment is estimated to amount to 84-88% of the value of an attached dividend. Currently 1982 PFD a/r attachments average approximately 44% of the value of dividends attached while 1983 PFD a/r attachments average approximately 48%. Accordingly, we could expect an increase of approximately 40% of each dividend attached.
4. The number of a/r attachments on PFD applications is likely to decrease 10% per year until FY '86 and then by 50% per year. This change will result largely from the lapsing of the 6 year statute of limitations on the repeal of income taxes in 1978. Under this scenario the number of attachments would likely be as follows:

Fiscal Year	84	85	86	87	88	89
Est. Attachments	350	315	285	140	70	35

B. Program Summary

The legislative intent added by the House Finance Committee will in certain cases, require a hearing officer to evaluate the effect of allowing the state to attach 100% of an eligible applicant's Permanent Fund Dividend to satisfy debts owed to the State. In addition this function would require clerical support.

Personal Services (100)

Hearing Officer (R25)	6 months @ \$6,070	\$36,420
Clerk Typist III (R8)	6 months @ \$2,130	<u>12,780</u>

Total Personal Services (100) \$49,200

Travel (200)

To applicant's geographic area	<u>5,000</u>
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Contractual Services (300)

Word Processing, printing, postage, etc.	<u>2,000</u>
--	--------------

Department of Revenue  
Analysis of CSHB 564 (State Affairs)  
 May 16, 1984

B. Program Summary (continued)

Supplies (400)

General Office Supplies	.50
<u>Total</u>	<u>\$56,700</u>

C. Revenue Computations

Increased Revenue:

<u>Dividend Year</u>	<u>Fiscal Year</u>	<u>A (2) Dividend Amount</u>	x	<u>A (3) Average Increase</u>	x	<u>A (4) Est a/r Attachment</u>	=	<u>Income in Revenue (x 1000)</u>
84	85	\$357	x	.40	x	315	=	\$ 45.0
85	86	431	x	.40	x	285	=	49.1
86	87	514	x	.40	x	140	=	28.8
87	88	564	x	.40	x	70	=	15.8
88	89	606	x	.40	x	35	=	8.9

Total Amount of Increase Over 5 Years \$147.6

D. Impact of 100% Accounts Receivable Offset on Enforcement Division  
 Collection Activities:

Although the additional revenue collected by Enforcement is relatively small, the impact on our collection efforts may be more significant. The additional offset provision will likely allow us to close more cases with a minimal amount of collection effort when the tax liability is small. This would allow more of our current resources to be devoted to more difficult cases where the tax liability is larger.

1173506 -

Repr. Dick Schultz testified on his bill.

(c) the intent behind the interest

tie interest to proper invoice under  
(c)

Gary Jenkins

payment time in private sector.

The state already has to pay  
construction contracts on time.

Ken Bischoff FINFO Dept of Admin

Get from him what  
kind of fiscal note would  
reflect dealing of problem  
of taking care of book keeping.  
- not payment of interest.

[Letter sent to vendors about 30-day  
discount provision for early  
payment.

Those who have advanced payment

By  
Wed

5/11/84

KEN BISCHOFF

1 IN THE HOUSE

BY SHULTZ, TISCHER, UEHLING,  
LISKA AND LINDAUER

2

HOUSE BILL 506 am

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to payment for purchases by

7

state; and providing for an effective date."

8

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

9

\* Section 1. AS 37.05 is amended by adding a new section to read:

10

Sec. 37.05.275. PAYMENT FOR STATE PURCHASES. (a) Payment for

11

purchases of goods or services provided a state agency must be made on

12

a required payment date that is

13

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

14

contract; or

15

(2) 30 days after receipt of a proper invoice for the

16

amount of the payment due, if a specific date on which payment is due

17

is not established by contract and if the invoice contains or is

18

accompanied by documents required by the contract or purchase order.

19

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

20

for property or services in exchange for payment within a specified

21

period of time, the state agency may make payment in an amount equal

22

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

23

period of time.

24

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

25

not made within 30 days of a required payment date under (a)(1) of

26

this section or on the required payment date specified in (a)(2) of

27

this section, the state shall pay interest on the unpaid balance from

28

the date of receipt of the invoice for the goods or services at the

29

rate of one and one-half percent a month unless an agreement exists

(proper invoice)

11  
10

1 between the seller and the state that precludes the charging of inter-  
2 est. }

3 (d) This section does not apply

4 (1) if the cost of the goods or services purchased exceeds  
5 \$500,000; or

6 (2) to payment for any specific goods or services in dis-  
7 pute after a seller of goods or services receives notice from the  
8 state official responsible for authorizing payment for goods and  
9 services that the amount of the invoice or quality of specific goods  
10 or services is in dispute and stating the reasons for the dispute.

11 (e) Interest paid under (c) of this section shall be charged to  
12 the budget of the state agency which purchased the goods or services.

13 (f) In this section

14 (1) "dispute" means a determination by the state official  
15 responsible for authorizing the payments for the purchase of goods or  
16 services that the performance or price charged is not in compliance  
17 with the terms of the contract or purchase order;

18 (2) payment is considered made on the date when the payment  
19 is personally delivered to the seller or agent of the seller or on the  
20 date the payment is mailed;

21 (3) "state agency" has the meaning given in AS 37.05.400  
22 and also includes the legislative and judicial branches.

23 \* Sec. 2. This Act does not apply to contracts entered into before the  
24 effective date of this Act.

25 \* Sec. 3. This Act takes effect October 1, 1984.



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

March 23, 1984



The Honorable Mae Tischer  
Alaska State House of Representatives  
Pouch V  
Juneau, AK 99811

Dear Representative Tischer:

I am forwarding to you a copy of our Analysis/Position and Fiscal Note on HB 506, Relating to Payment for Purchases by the State.

Our position upon analysis of this bill is that the current average payment time is better than what is required by this legislation. Attempting to avoid penalties under this bill would cause agencies to divert attention from appropriation and accounting control processes to focusing on speeding up the payment process for relatively few bills. Consequently, a few more bills would be timely paid, but the State would have less assurance as to the overall propriety of payments processed.

It is our responsibility to point out that real costs are associated with this bill. The changes in payroll handling procedures that Gary Jenkins refers to in his letter were implemented at a significant and ongoing cost to the State. Vendor delivery of goods/services and related invoicing is not uniform between vendors and requires additional verification that goods/services were as ordered, priced, and that invoicing meets requirements for payment. As to Mr. Jenkins' comments regarding vendors with 60-to 120-day-old unpaid billings, the State Department of Administration, Division of Finance's Pre-Audit Section (465-2260), has had a vendor's hot line which will accept collect calls in regard to overdue payments and/or other vendor invoice/payment problems since 1978.

The average payment time by the State is approximately 25 days for all State agencies. This average payment time includes disputed invoices, invoices dated more than one day before the post-marked date, and invoices dated before goods or services were delivered. This 25-day average, coupled with availability of a vendor's hot line for distressed vendors, creates what we

The Honorable Mae Tischer

-2-

March 23, 1984

consider to be a reasonable and responsive atmosphere conducive to meeting vendor needs and still affording proper accounting controls as mandated by AS 37.05.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bill Sheffield".

Bill Sheffield  
Governor

Enclosures

## ANALYSIS OF HB 506

"An Act relating to payment for purchase by the State; and providing for an effective date".

Section 1 (a) Requires the agency to pay on a required payment date as defined under terms of a contract or 30 days after receipt of proper invoice.

Subsection (b) Provides for the State to take advantage of any discounts offered by a vendor and if invoice is paid on time, the State agency will deduct the amount of the discount offered from the total amount of the invoice.

Subsection (c) Establishes the rate of interest at 1.5% per month that must be paid by the State for past due balance -- also provides for the exclusion of interest in the event the seller and the State have mutual agreement.

Subsection (d) 1. Exempts purchases of more than \$500,000 from the provisions of the bill.

Subsection (d) 2. Provides for an exemption in the event the State notifies the vendor or seller of a dispute in the invoice.

Subsection (e) Provides that any interest incurred by lack of prompt payment will be charged to the budget of the department involved.

Subsection (f) 1. Defines dispute as non-compliance, in performance or price, with the terms of the contract, as determined by administering State Officer.

Subsection (f) 2. Defines when payment is made.

Subsection (f) 3. Defines a state agency

Section 2. Exempts and contracts entered into before the effective date from this Act's provisions.

Section 3. Provides an effective date of July 31, 1983.

## BACKGROUND ON HB 506

This bill has been supported by 92% of the 3600 Alaskan members of the National Federation of Independent Business. The State of Alaska is notorious for late payment of its invoices and statements. This neglect by State agencies has caused many small business' to borrow money to supplement their normal cash flow. Since the products or merchandise were purchased on a bid basis the profit margin was probably wiped out by the high interest rate charged by the loan institution.

Mr. Leonard Lemon, Comptroller of the U.S. Army at Fort Greely advised that their paying of invoices has become more routine and simplified since their compliance with the Prompt Payment Act--Public Law 97-177. This public law is now incorporated in Army regulations. The Prompt Payment Act carried 133 sponsors when it was introduced in Congress.

An argument put forth by the Administration is that only a small percentage of vendors are victims of this inattention but regardless of whether the bill is \$1000 or \$10000--if it is past due 60,90 or 120 days the financial position of that business caused by this lack of good faith can be devastating. The State has put a high annual fiscal cost to this bill-- this is just a good indication of what the vendors are carrying in past due accounts. There are many Alaskan business' that will not give our State agencies credit because of its poor paying habits.

This bill is needed in Alaska and it is supported by a large majority of Alaskan and other businesspersons.

*Background/HB 506*

# MEMORANDUM

# State of Alaska

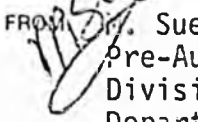
TO: Administrative Officers  
All Agencies

DATE: August 11, 1982

FILE NO:

TELEPHONE NO: 465-2260

SUBJECT: Payment Time

FROM:  Sue Alexander  
Pre-Audit Supervisor  
Division of Finance  
Department of Administration



After reviewing the Vendor Analysis for the month of July, it has been determined that it took the State an average of 29 days to pay its bills during this month. This is a one day increase over July of last year. The schedule below shows the payment time for each agency.

<u>Agency:</u>	<u>Days</u>	<u>Agency:</u>	<u>Days</u>
Office of the Governor		Commerce and Economic	
Fiscal - Juneau	33	Development	
Fiscal - Anchorage	50	Fiscal	23
Administration		Small Business Loans	15
Fiscal - Juneau	27	Energy & Power	
Fiscal - Anchorage	19	AK Power Authority	48
Employee Housing	34	Military Affairs	32
Public Defender	20	Natural Resources	29
Leasing & Facilities	14	Fish and Game	66
Telecom Systems - Anch.	28	Public Safety	18
Alaska Broadcasting Comm.	58	Environmental Conservation	32
Older Alaskan Comm.		Community & Regional Affairs	
Law	27	Fiscal	22
Revenue		CETA Division	34
Fiscal	18	Municipal Grants	23
Garnishments	4	Transportation and Public	
Education		Facilities	
Fiscal	36	Fiscal	32
Vocational Rehabilitation	37	Anchorage	23
Council of the Arts	32	Fairbanks	29
Health & Social Services		Anchorage Airport	18
Fiscal	28	Southeast	26
Public Assistance		Ombudsman	9
Social Services	19	Legislative Affairs	25
Handicapped Child Prog.	65	Legislative Finance	9
Labor		Legislative Audit	9
Fiscal	24	Alaska Court System	19

MSA/cjk  
44F1/0614-1-2

# MEMORANDUM

# State of Alaska

to: Administrative Officers  
All Agencies

DATE: June 14, 1982

FILE NO:

TELEPHONE NO: 465-2260

SUBJECT: Payment Time

*MSA*  
M. Sue Alexander  
Pre-Audit Supervisor  
Division of Finance  
Department of Administration

After reviewing the Vendor Analysis for the month of May, it has been determined that it took the State an average of 24 days to pay its bills during this month. This is a two day decrease over May of last year. The schedule below shows the payment time for each agency.

<u>Agency:</u>	<u>Payment Days</u>	<u>Agency</u>	<u>Payment Days</u>
Office of the Governor		Commerce and Economic Development	
Fiscal - Juneau	30	Fiscal	24
Fiscal - Anchorage	26	Small Business Loans	23
Administration		Energy & Power	21
Fiscal - Juneau	24	AK Power Authority	27
Fiscal - Anchorage	37	Military Affairs	34
Employee Housing	32	Natural Resources	31
Public Defender	19	Fish and Game	66
Leasing & Facilities	11	Public Safety	9
Telecom Systems - Anch.	26	Environmental Conservation	31
Alaska Broadcasting Comm.	16	Community & Regional Affairs	
Older Alaskan Comm.	17	Fiscal	19
Law	25	CETA Division	18
Revenue		Municipal Grants	17
Fiscal	11	Transportation and Public Facilities	
Garnishments	5	Fiscal	36
Education		Anchorage	22
Fiscal	23	Fairbanks	21
Vocational Rehabilitation	38	Anchorage Airport	18
District School Support	18	Southeast	21
Council of the Arts	31	Ombudsman	7
Health & Social Services		Legislative Affairs	13
Fiscal	24	Legislative Finance	4
Public Assistance	65	Legislative Audit	10
Social Services	16	Alaska Court System	27
Handicapped Child Prog.	43		
Labor			
Fiscal	24		

MSA/cjk  
44F1/0614-1

## MEMORANDUM

State of Alaska

TO: Administrative Officers  
All Agencies

DATE: May 14, 1982

FILE NO:

TELEPHONE NO: 465-2260

SUBJECT: Payment Time

FROM: *[Signature]*  
M. Sue Alexander  
Pre-Audit Supervisor  
Division of Finance  
Department of Administration

After reviewing the Vendor Analysis for the month of April, it has been determined that it took the State an average of 25 days to pay its bills during this month. This is the same number of days as April of last year. The schedule below shows the payment time for each agency.

<u>Agency:</u>	<u>Payment Days</u>	<u>Agency</u>	<u>Payment Days</u>
Office of the Governor		Commerce and Economic Development	22
Fiscal - Juneau	29	Military Affairs	32
Fiscal - Anchorage	27	Natural Resources	37
Administration		Fish and Game	60
Fiscal - Juneau	27	Public Safety	12
Fiscal - Anchorage	18	Environmental Conservation	25
Employee Housing	42	Community & Regional Affairs	
Public Defender	20	Fiscal	16
Public Broadcasting		CETA Division	23
Law	25	Municipal Grants	18
Revenue		Transportation and Public Facilities	
Fiscal	15	Fiscal	39 ✓
Garnishments	6	Anchorage	<del>13</del>
Education		Fairbanks	23 ✓
Fiscal	25	Anchorage Airport	17 ✓
Vocational Rehabilitation	37	Southeast	25 ✓
District School Support	17	Ombudsman	7
Health & Social Services		Legislative Affairs	4
Fiscal	22	Legislative Finance	7
Public Assistance	78	Legislative Audit	8
Social Services	19	Alaska Court System	24
Labor			
Fiscal	20		

MSA/kw  
4F1/0514-3/26

# MEMORANDUM

State of Alaska

TO: Administrative Officers  
All Agencies

DATE: April 2, 1982

FILE NO:

TELEPHONE NO: 465-2260

FROM: H. Sue Alexander  
Pre-Audit Supervisor  
Division of Finance  
Department of Administration

SUBJECT: Payment Time

*Just file*  
*Do Not Distribute*

After reviewing the Vendor Analysis for the month of March, it has been determined that it took the State an average of 27 days to pay its bills during this month. This is the same number of days as March of last year. The schedule below shows the payment time for each agency.

<u>Agency:</u>	<u>Payment Days</u>	<u>Agency</u>	<u>Payment Days</u>
Office of the Governor		Commerce and Economic Development	23
Fiscal - Juneau	35	Military Affairs	33
Fiscal - Anchorage	41	Natural Resources	30
Administration		Fish and Game	60
Fiscal - Juneau	30	Public Safety	12
Fiscal - Anchorage	22	Environmental Conservation	27
Employee Housing	49	Community & Regional Affairs	
Public Defender	25	Fiscal	15
Public Broadcasting	24	CETA Division	21
Law	22	Municipal Grants	23
Revenue	12	Transportation and Public Facilities	
Fiscal	12	Fiscal	26
Garnishments		Anchorage	32
Education		Fairbanks	32
Fiscal	42	Anchorage Airport	19
Vocational Rehabilitation	37	Southeast	30
District School Support	21	Ombudsman	3
Health & Social Services		Legislative Affairs	8
Fiscal	26	Legislative Finance	2
Public Assistance	1	Legislative Audit	11
Social Services	17	Alaska Court System	25
Labor			
Fiscal	22		
Anchorage Support Service	1		

HSA/kw  
4F1/0408-20/26

# MEMORANDUM

# State of Alaska

Administrative Officers  
 TO: All Agencies

March 9, 1982

DATE:

FILE NO: 465-2260

TELEPHONE NO: Payment Time

SUBJECT:

*MSA*  
 FROM: Sue Alexander  
 Pre-Audit Supervisor  
 Division of Finance  
 Department of Administration

After reviewing the Vendor Analysis for the month of February, it has been determined that it took the State an average of 30 days to pay its bills during this month. This is a 2 day decrease over February of last year. The schedule below shows the payment time for each agency.

<u>Agency:</u>	<u>Payment Days</u>	<u>Agency</u>	<u>Payment Days</u>
Office of the Governor		Commerce and Economic Development	26
Fiscal - Juneau	29	Military Affairs	36
Fiscal - Anchorage	35	Natural Resources	41
Administration		Fish and Game	78
Fiscal - Juneau	40	Public Safety	27
Fiscal - Anchorage	34	Environmental Conservation	28
Employee Housing	37	Community & Regional Affairs	
Public Defender	26	Fiscal	20
Public Broadcasting	7	CETA Division	31
Law	25	Municipal Grants	26
Revenue		Transportation and Public Facilities	
Fiscal	15	Fiscal	27
Garnishments	8	Anchorage	33
Education		Fairbanks	39
Fiscal	36	Anchorage Airport	30
Vocational Rehabilitation	41	Southeast	41
District School Support	33	Ombudsman	7
Health & Social Services		Legislative Affairs	12
Fiscal	36	Legislative Finance	3
Public Assistance	53	Legislative Audit	7
Social Services	8	Alaska Court System	25
Labor			
Fiscal	31		
Anchorage Support Service	15		

MSA/kw  
 4F1/0308-4-1/26

# MEMORANDUM

# State of Alaska

TO: Administrative Officers  
All Agencies

DATE: February 8, 1982

FILE NO:

TELEPHONE NO: 465-2260

FROM: *MSA* Sue Alexander  
Pre-Audit Supervisor  
Division of Finance  
Department of Administration

SUBJECT: Payment Time

After reviewing the Vendor Analysis for the month of January, it has been determined that it took the State an average of 31 days to pay its bills during this month. The schedule below shows the payment time for each agency.

<u>Agency</u>	<u>Payment Days</u>	<u>Agency</u>	<u>Payment Days</u>
Office of the Governor		Commerce and Economic	
Fiscal - Juneau	36	Development	23
Fiscal - Anchorage	80	Military Affairs	40
Administration		Natural Resources	34
Fiscal - Juneau	34	Fish and Game	62
Fiscal - Anchorage	47	Public Safety	17
Employee Housing	49	Environmental Conservation	30
Public Defender	33	Community & Regional Affairs	
Public Broadcasting	6	Fiscal	16
Law	29	CETA Division	24
Revenue		Municipal Grants	17
Fiscal	17	Transportation and Public	
Garnishments	8	Facilities	26
Education		Fiscal	37
Fiscal	37	Anchorage	44
Vocational Rehabilitation	39	Fairbanks	27
District School Support	36	Anchorage Airport	42
Health & Social Services		Southeast	25
Fiscal	36	Ombudsman	25
Public Assistance	10	Legislative Affairs	7
Social Services	8	Legislative Finance	10
Labor		Legislative Audit	7
Fiscal	26	Alaska Court System	40
Anchorage Support Service	16		

FINEPM/020882-6/32

# MEMORANDUM

# State of Alaska

TO: Administrative Officers  
All Agencies

DATE: December 8, 1981

FILE NO:

TELEPHONE NO:

465-2260

SUBJECT:

Payment Time

FROM: *MSA*  
Sue Alexander  
Pre-Audit Supervisor  
Division of Finance  
Department of Administration

After reviewing the Vendor Analysis for the month of November, it has been determined that it took the State an average of 26 days to pay its bills during this month. This is a four day decrease over November of last year. The schedule below shows the payment time for each agency.

<u>Agency</u>	<u>Payment Days</u>	<u>Agency</u>	<u>Payment Days</u>
Office of the Governor		Commerce and Economic Development	29
Fiscal - Juneau	26	Military Affairs	40
Administration		Natural Resources	33
Fiscal - Juneau	26	Fish and Game	55
Fiscal - Anchorage	34	Public Safety	21
Employee Housing	29	Environmental Conservation	29
Public Defender	35	Community & Regional Affairs	
Public Broadcasting	79	Fiscal	21
Law	26	CETA Division	25
Revenue		Municipal Grants	4
Fiscal	27	Transportation and Public Facilities	34
Garnishments	7	Fiscal	36
Education		Anchorage	38
Fiscal	28	Fairbanks	29
Vocational Rehabilitation	38	Anchorage Airport	47
District School Support	17	Southeast	
Health & Social Services		Ombudsman	8
Fiscal	30	Legislative Affairs	6
Public Assistance	7	Legislative Finance	2
Social Services	7	Legislative Audit	7
Labor		Alaska Court System	21
Fiscal	20		
Anchorage Support Service	25		

FINFRM/120781-5/32

# MEMORANDUM

# State of Alaska

TO: Administrative Officers  
All Agencies

DATE: May 2, 1984

FILE NO:

TELEPHONE NO: 465-2260

FROM: M. Sue Alexander *MSA*  
Pre-Audit Supervisor  
Division of Finance  
Department of Administration

SUBJECT: Payment Time

After reviewing the Vendor Analysis for the month of April, it has been determined that it took the State an average of 21 days to pay its bills during this month. This is a one day decrease over April of last year. The schedule below shows the payment time for each agency.

<u>Agency</u>	<u>Payment Days</u>
Office of the Governor	24
Administration	21
Law	20
Revenue	12
Education	25
Health & Social Services	39
Labor	24
Commerce and Economic Development	48
Military Affairs	32
Natural Resources	22
Fish and Game	35
Public Safety	12
Environmental Conservation	11
Corrections	30
Community & Regional Affairs	17
Municipal Grants	4
Transportation & Public Facilities	21
Ombudsman	6
Legislative Affairs	24
Legislative Finance	13
Legislative Audit	6
Alaska Court System	10

MSA/sn  
8/F26/3D1/0502-12

1074

I. REQUEST

Bill/Resolution No.: HB 506  
 Title: Relating to Payment for  
Purchases by the State  
 Sponsor: Shultz/Tischer/Uehling/Liska  
 Requestor: State Affairs and Finance  
 Date of Request: \_\_\_\_\_

II. FISCAL DETAIL

Agency Affected: All  
 Program Category Affected: All  
 BRU, Program of Subprogram(s) Affected:  
 \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC	0	2,700.0	2,700.0	2,700.0	2,700.0	2,700.0
TOTAL OPERATING	0	2,700.0	2,700.0	2,700.0	2,700.0	2,700.0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	2,700.0	2,700.0	2,700.0	2,700.0	2,700.0
FEDERAL FUNDS						
OTHER (Specify Source)						
TOTAL	0	2,700.0	2,700.0	2,700.0	2,700.0	2,700.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Ken Bischoff *KCB* Phone: 465-2240  
 Division: Finance Date: February 29, 1984

Approved by Commissioner: Lisa Rudd *A. Rudd* Date: 2-29-84  
 Department: ADMINISTRATION

Distribution:

- Original to Legislative Finance
- Copy to Office of Management and Budget (for Legislature introduced bills)
- Copy to Department (for Governor introduced bills)
- Copy to Sponsor
- Copy to Requestor (if different from Sponsor)

3/8/83

Analysis

HB 506

The issue of timely payment for State purchases has been before the Legislature for several sessions. It is clearly desirable that the State pay for its purchases as promptly as prudently possible. This proposal will cause the State to choose between properly verifying invoiced charges to avoid questionable payments, and short-cutting proper review procedures to avoid penalty interest payments.

Currently, the overall 12-month average payment time for the State is 25 days computed as between the vendors invoicing date and the paying warrant date. Generally, those agencies which have a past record showing payment time in excess of 30 days are:

- 1. Military Affairs
- 2. Fish and Game
- 3. Corrections
- 4. Alaska Court System

These four agencies have a wide distribution network of field locations causing delays in verification time and subsequent transmission time of the invoice for payment.

To decrease the amount of penalties under this legislation, State agencies will incur additional costs for increased staff efforts to track and pay all purchase invoices within this legislation's time constraints. It is hard to arrive at a definite cost for this legislation, but by using various assumptions, such that \$1,120.0 million of a \$4.2 billion dollar budget is for vendor payments and that 5% fall under the interest penalty provisions, and that all penalty payments are made within 60 days of receipt of invoice, then an estimated interest penalty cost of \$1.7 million ( $\$1,120.0 \text{ million} \times .05 \times .015 \times 2 \text{ mos.}$ ) would occur. It is estimated that additional effort required of the agencies to track and make timely payments for purchases would cost the State about \$1.0 million additional.

It is difficult to improve payment times under existing payment systems without incurring significant additional costs. The new State accounting system currently under development is targeted for July 1, 1985 implementation. This system is designed to improve the ability of geographically disbursed agencies to submit their payments more timely through remote terminals. The system is designed to speed up turnaround and reflect status changes on an overnight basis. These features will allow agencies to be more responsive to their creditors.

All costs of this legislation would be 100% State funds. The U.S. Office of Management and Budget has advised us that the Prompt Payment Act (P.L. 970177) prohibits use of Federal grant funds for payment of interest penalties and disallows the use of any non-Federal funds expended for such interest penalty toward any matching requirement applicable to any Federal grant.

Additional Analysis

It appears to us that this Bill is not consistent. In Section 1(c), to pay interest from the date of receipt of the invoice is not consistent with another provision that allows us a period of 30 days to make payment without penalty. The penalty should start accruing on the 30th day after receipt of the invoice.

Also, the interest rate should not be a fixed rate but should be tied into applicable commercial lending rates for the period.

4/2/84

Computation of Vendor Payments Basis

1. Enacted Budget for Fiscal Year 1984	<u>\$4,185,000,000.</u>
Less 2. Permanent Fund Dividends	(179,000,000.)
3. Grants & Claims	(1,165,637,600.)
4. University of Alaska Payments	(244,700,000.)
5. State Salaries	(801,100,000.)
6. Loans	(201,900,000.)
7. Debt Service	(180,600,000.)
8. University of Alaska Capital	(52,000,000.)
9. Chapter 10 and other Supplemental Legislation	<u>(240,000,000.)</u>
	<u>(3,064,937,600.)</u>
	<u>\$1,120,062,400.</u>

1,120,062,400 x .05 x .015 x 2 = 1,680,094 or 1.7 million

From FY 84 Legislature's Summary of Appropriation as annotated

1. Lead page - Enacted (less Governor's Vetos) Total Column
2. FCC page 8, CH 107, page 14, line 11
3. FCC page I, Objects of Expenditure Grants, Claims
4. FCC page 65, CH 107, page 128, line 16
5. FCC page I, Objects of Expenditure, Personal Services line, CC column
6. Lead page - Loans line, Enacted (less Governor's Vetos) Total Column
7. FCC page I, State Bond Committee line, CC column
8. FCC page 45 to 46, CH 107, page 87, line 10 through page 90, line 9
9. Other Chapters (10, 21, 24, 34, 53)

Prepared By: Ken Buschhoff Phone: 465-2240  
 Division: Finance Date: 2/29/84  
 Approved by Commissioner: LISA RUDD Date: 2-29-84  
 Department: Administration



STATE OF ALASKA  
FISCAL NOTE

Revision Date: January 30, 1984

Page 1 of 4

REQUEST

Bill/Resolution No.: HB 506  
 Title: Relating to Payment for  
Purchases by the State  
 Sponsor: Shultz/Tischer/Uehling/Liska  
 Requestor: State Affairs and Finance  
 Date of Request: \_\_\_\_\_

II. FISCAL DETAIL

Agency Affected: All  
 Program Category Affected: All  
 BRU, Program of Subprogram(s) Affected: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
COMMODITIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS, ETC	0	3,800.0	3,800.0	3,800.0	3,800.0	3,800.0
TOTAL OPERATING	0	3,800.0	3,800.0	3,800.0	3,800.0	3,800.0

CAPITAL

REVENUE

(Thousands of Dollars)

GENERAL FUND	0	3,800.0	3,800.0	3,800.0	3,800.0	3,800.0
OTHER FUNDS (Specify Source)	0	3,800.0	3,800.0	3,800.0	3,800.0	3,800.0

S:

TIME  
TIME  
VARY

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for any Analysis

Prepared By: Ken Bischoff *Ken Bischoff* <sup>A</sup>  
 Department: Finance

Phone: 465-2240  
 Date: January 30, 1984

Reviewed by Commissioner: Lisa Rudd *LJR*  
 Department: ADMINISTRATION

Date: 1/31/84

DISTRIBUTION:

- Original to Legislative Finance
- Copy to Office of Management and Budget (for Legislature introduced bills)
- Copy to Department (for Governor introduced bills)
- Copy to Sponsor
- Copy to Requestor (if different from Sponsor)

1/0116-02

*Fiscal note / Admin*

3/8/83

The issue of timely payment for State purchases has been before the Legislature for several sessions. It is clearly desirable that the State pay for its purchases as promptly as prudently possible. However, this proposal would force the State to choose between verifying invoiced charges to avoid questionable payments and short cutting proper review procedures to avoid penalty interest payments.

Currently, the overall 12-month average payment time for the State is 25 days computed as between the vendors invoicing date and the paying warrant date. Generally, those agencies which have a past record showing payment time in excess of 30 days are:

1. Military Affairs
2. Fish and Game
3. Corrections
4. Alaska Court System

These four agencies have a wide distribution network of field locations causing delays in verification time and subsequent transmission time of the invoice for payment.

The Department of Administration is opposed to the bill because of costs which will accrue from it. To decrease the amount of penalties under this legislation, State agencies will incur additional costs for increased staff efforts to track and pay all purchase invoices within this legislation's time constraints. It is hard to arrive at a definite cost for this legislation, but by using various assumptions, such that \$1,869.2 million of a \$4.2 billion dollar budget is for vendor payments and that 5% fall under the interest penalty provisions, and that all penalty payments are made within 60 days of receipt of invoice, then an estimated interest penalty cost of \$2.8 million (\$1,869.2 million x .05 x .015 x 2 mos.) would occur. It is estimated that additional effort required of the agencies to track and make timely payments for purchases would cost the State about \$1.0 million additional.

It is difficult to improve payment times under existing payment systems without incurring significant additional costs. The new State accounting system currently under development is targeted for July 1, 1985 implementation. This system is designed to improve the ability of geographically disbursed agencies to submit their payments more timely through remote terminals. The system is designed to speed up turnaround and reflect status changes on an overnight basis. These features will allow agencies to be more responsive to their creditors.

All costs of this legislation would be 100% State funds. The U.S. Office of Management and Budget has advised us that the Prompt Payment Act (P.L. 970177) prohibits use of Federal grant funds for payment of interest penalties and disallows the use of any non-Federal funds expended for such interest penalty toward any matching requirement applicable to any Federal grant.

3-14  
↖ ↗

It appears to us that this Bill is not consistent. In Section 1(c), to pay interest from the date of receipt of the invoice is not consistent with another provision that allows us a period of 30 days to make payment without penalty. The penalty should start accruing on the 30th day after receipt of the invoice.

Also, the interest rate should not be a fixed rate but should be tied into applicable commercial lending rates for the period.

HB 506

Computation of Vendor Payments Basis

1. Enacted Budget for Fiscal Year 1984	<u>\$4,185,000,000.</u>
Less 2. Permanent Fund Dividends	(179,000,000.)
3. Foundation Program	(490,500,000.)
4. University of Alaska Payments	(244,700,000.)
5. State Salaries	(801,100,000.)
6. Loans	(201,900,000.)
7. Municipal Grants	(166,000,000.)
8. Debt Service	(180,600,000.)
9. University of Alaska Capital	<u>(52,000,000.)</u>
	<u>(2,315,800,000.)</u>
	<u>\$1,869,200,000.</u>

1,869,200,000 x .05 x .015 x 2 = 2,803,800 or 2.8 million

From FY 84 Legislature's Summary of Appropriation as annotated

1. Lead page - Enacted (less Governor's Vetos) Total Column
2. FCC page 8, CH 107, page 14, line 11
3. FCC page 8, CH 107, page 14, line 16, line 25
4. FCC page 65, CH 107, page 128, line 16
5. FCC page I, Objects of Expenditure, Personal Services line, CC column
6. Lead page - Loans line, Enacted (less Governor's Vetos) Total Column
7. FCC pages 46 through 62, CH 107 page 90, line 11 through page 122, line 18
8. FCC page I, State Bond Committee line, CC column
9. FCC page 45 to 46, CH 107, page 87, line 10 through page 90, line 9

Prepared By: Ken Bischoff Phone: 465-2240  
 Division: Finance Date: January 30, 1984

Approved by Commissioner: Mrs. Rudd Date: January 30, 1984  
 Department: Administration



**NFIB** National Federation  
of Independent Business

The Guardian of Small Business.

May 1, 1984

Senator Vic Fischer, Chairman  
State Affairs Committee  
Alaska Senate  
Pouch V  
Juneau, Alaska 99811

SUBJECT: HB 506

Dear Senator Fischer:

This bill is the top priority bill of the National Federation of Independent Business, an organization representing over 3,600 small businesses in Alaska. I only take a position on a proposed item of legislation after our membership has voted on the issue. When this issue was presented to the membership on our 1983 ballot, 92% voted in favor of this legislation.

We feel very strongly that the State of Alaska should be a good business partner with those businesses in the private sector who provide goods and services to the state. This bill is very similar to HB 210 which was passed by the Senate last year by a vote of 18 to 2. Unfortunately, the Governor chose to veto the bill. We anticipate that we will be able to obtain the Governor's approval of this bill when passed.

HB 506 is patterned after federal legislation which passed Congress in May, 1982. This legislation resulted in a significant improvement in the federal governments bill paying timeliness and during the first full year in effect resulted in interest payments of approximately \$2.9 million. A copy of a report issued by the Office of Management and Budget is attached for your information. I apologize for the markings on the report. The copy I received was already marked up and I have not been able to obtain an unmarked copy.

Similar legislation has been introduced in most other states and has been adopted by 23 states. Attached is a recent summary of some of the results which have occurred in a few of the states which have adopted similar legislation.

Due to the lateness in the legislative session, it is felt that prompt action by your committee is key to the eventual passage of this legislation. If I can be of assistance in any way to yourself or your staff, feel free to contact me.

Very truly yours,

Gary L. Jenkins  
Director Governmental Relations/Alaska

NFIB/ALASKA  
Legislative Office  
P.O. Box 210194  
Auke Bay, AK 99821  
907/586-4100



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

①

February 9, 1984

Report on Interest Penalty Payments  
Under the Prompt Payment Act  
FY 1983

Background

In 1978 the General Accounting Office reported that over 30 percent of the invoices paid by Federal departments and agencies were paid late. GAO estimated that late payments cost contractors between \$150 million and \$375 million a year in interest. In 1981 GAO did a followup study that showed little improvement since 1978.

The GAO reports indicated that late payments by the agencies were due to two major causes, (1) slow and inefficient processing of payments and (2) lack of Federal standards for insuring payment by specific due dates.

In September 1981 the Director of OMB wrote the heads of the departments and agencies calling for special efforts to improve the Government's bill paying practices. He instructed them to streamline administrative practices and to better adhere to guidance provided by OMB and the Treasury Department that required clear payment terms in contracts and effective cash management procedures to control the timeliness of disbursements.

Legislation

Because of continued problems of late payment by Federal agencies, Congress enacted Public Law 97-177, the Prompt Payment Act, in May 1982. The Act requires agencies to pay their bills on time, pay interest penalties when payments are late, and take discounts only when payments are made within the discount period. The Act established early payment provisions for contractors providing meat and meat food products and perishable agricultural commodities. Recently, the Supplemental Appropriations Act of 1984 extended the early payment provisions to poultry, fresh eggs, and perishable egg products.

Section 2(a) of the Act required the Director of OMB to issue implementing regulations and to report to the Congress on agency implementation.

Implementation

OMB Circular A-125, "Prompt Payment," was issued in August 1982, to implement the Prompt Payment Act. In announcing the Circular, the Director said "These rules made good on President Reagan's pledge that the government will not be a 'deadbeat'...the President is committed to bringing good businesslike practices to government, and to seeing to it that the government pays its bills just like any other business--on time."

In accordance with the Act, Circular A-125 requires Federal agencies to pay their bills on time--not early and not late, and requires that they pay an interest penalty if payment is late. To help insure that payment is made on time, the Circular requires that agency procurement officials include in all Federal contracts specific information to facilitate payment and to document and support the payment of any required interest penalties. In addition, it requires that contractors submit proper invoices to the Federal agencies, including specific information to assure payment of the invoice by the due date. Where no due date is established in the contract, the Circular provides that payment will be made 30 days after receipt of an invoice or acceptance of the goods. Federal agencies have issued their own directives implementing the OMB Circular.

OMB is currently reviewing the applicability of Circular A-125 to progress payments. These are payments made to contractors before receipt of goods or services. Comments in response to a September 1983 proposed revision of the Circular have been received and are being analyzed. OMB will publish a final revision as soon as that analysis is complete.

As part of the Administration's Reform '88 program, agencies reported quarterly the amount of interest penalties paid. Based on the quarterly reports, OMB followed up with agencies that were having implementation problems and assisted them in resolving the problems.

Conclusion

In accordance with the requirements of the Prompt Payment Act and OMB Circular A-125, 38 departments and agencies reported to OMB on interest penalty payments made during FY 1983. The reports indicate that the late payment problem has been all but eliminated. They show 99 percent of the Government's bills being paid on time. The major agencies reported paying approximately \$2.9 million in interest penalties (see Attachment A). Seventy-one percent of the interest penalties paid were made by the Department of Defense, mostly by the Navy.

Total interest penalties resulted from making about 180,000 payments late out of a total of more than 23 million payments. About 60 percent of all payments were made by the Department of Defense. The primary reasons for late payment were delays in receipt of receiving reports and proper invoices.

Despite the fine record agencies have achieved in the first year of implementation, further improvement in bill payment practices is needed. OMB continues to receive inquiries from individual firms that have not been paid on time. As Mr. Kenton Pattie, Vice President, International Communications Industries Association, said in a recent statement to a House Small Business Subcommittee, "all has not been perfect. Each week I receive phone calls and letters from vendors who are not getting paid promptly." He added, however, that "Company executives usually tell me they have seen a major improvement since the Act went into effect October 1, 1982."

Summary of Major Department and Agency  
FY 1983 Reports Under the Prompt Payment Act

<u>TOP 10: RANK BY %</u>	<u>%</u>	<u>Interest Penalties Paid</u>	<u>TOP 10: RANK BY %</u>	<u>Number of Interest Penalties Paid</u>	<u>%</u>	<u>Percent Frequency</u>	<u>Major Reasons for Interest Penalties 1/</u>
<u>Department/ Agency</u>							
5 Agriculture	3.85%	111,171	(4)	10,009	5.6%	.72	b
Commerce		4,736		502		.24	a
1 Defense	71.7%	2,051,121	(1)	120,782	67.3%	.88	c
Education		1,349		123		1.09	b
7 Energy	2.2%	63,723	(9)	2,354	1.3%	2.08	c
EPA		29		6		.00	b
8 GSA	2.0%	56,927	(6)	2,374	1.3%	.10	c
6 HHS	3.1%	89,220	(5)	6,276	3.5%	.46	a
HUD		422		39		.06	a
4 Interior	4.1%	119,396	(7)	3,082	1.7%	.37	a
9 Justice	1.8%	52,672	(6)	3,706	2.1%	.59	b
Labor		5,641		455		.93	b
NASA		4,389		233		.16	a
NSF		7		1		.02	c
OPM		338		30		.09	c
SBA		4,786		203		.54	b
State		4,180		160		.06	a
2 DOT	6.2%	178,923	(2)	15,761	8.8%	1.75	a
10 Treasury	.5%	16,111	(10)	1,073	.6%	.18	a
3 VA	4.1%	119,861	(3)	12,245	6.8%	.25	a
Summary		\$2,885,032		179,414		.65	

1/ Reasons for Interest Penalties

- (a) Delay in receipt of receiving report by paying office.
- (b) Delay in receipt of proper invoice by paying office.
- (c) Other



NAVA, the International  
Communications Industries Association  
3150 Spring Street, Fairfax, Virginia 22031 703 273-7200

Kenton Pattie  
Senior Staff Vice President

Prompt pay laws require government agencies to pay interest penalties on late payments. The survey in this report shows that prompt pay laws are succeeding. Government executives in states with prompt pay laws say they are paying few or no interest payments and attribute the low figures to dramatic changes in administrative procedures which occurred following adoption of the prompt pay laws.

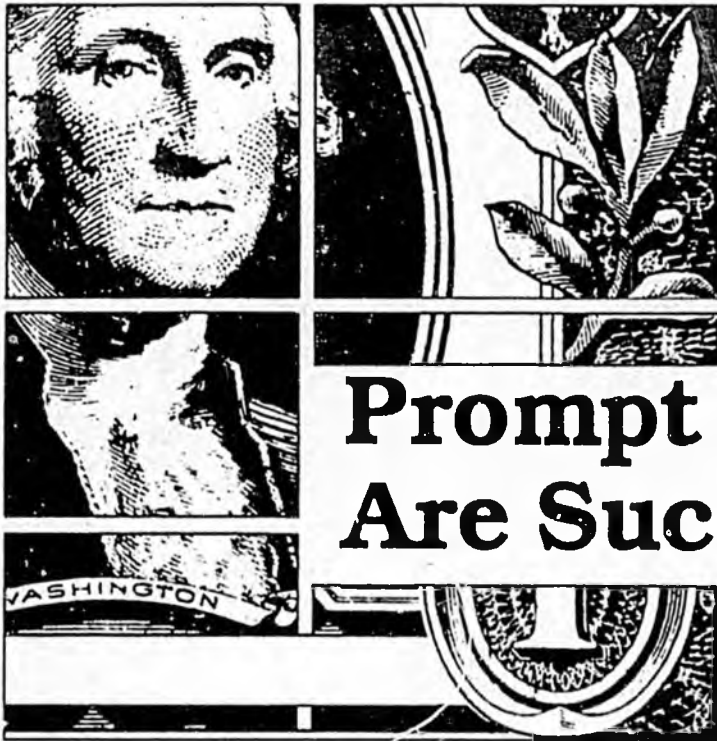
For example:

- For fiscal year 1983, Federal agencies paid over 99 percent of their bills on time compared to 61 percent on time before the Prompt Payment Act of 1982.
- Arizona has paid no interest penalties since the Arizona prompt pay law became effective July 1982. "Agencies made sure that invoices were processed and did not lie around on someone's desk," reported Don Olson, Assistant Director for Finance.
- California's payment records have improved since the January 1983 prompt pay law, according to Eric Brooks in the Department of General Services.
- "There was an instant positive effect on most agencies and they are now paying bills faster than they used to before the prompt pay law," said Kathy Fletcher, a legislative consultant to Assemblyman Richard Katz in California.
- In Florida, "the statute necessitated improvement in bill paying procedures." George Haynie, Director of Accounting and Auditing, added: "We have not paid that much out in interest penalties — probably less than \$5,000 during the last couple of years."
- Maryland's Assistant State Comptroller, Robert Swann said: ". . . following the law, bills were paid more promptly. Also, agencies have to periodically inform the Governor of interest penalties paid." According to Swann, audit figures this year as compared with before the law, show a significant decrease in the percent of late payments. Before the law, 30-50 percent of the invoices were paid late compared with 2-4 percent of late payments now. The biggest improvement was seen in the larger state agencies such as the Department of Transportation, Department of Natural Resources and the Department of Health.
- In Massachusetts, the prompt pay law dealing with public construction contracts, "meant that payments had to be reviewed and processed in a more timely fashion. Contractors are quite pleased that contracts are paid in a more timely fashion," said Alan Jewett, Director of Contract Administration. Jewett estimates that not more than \$10,000 has been paid in interest penalties based on contracts totaling \$127 million in the past 2 years.
- Oregon's prompt pay law, effective 1980, has resulted in such promptness that no interest payments have been made, according to Management Analyst Don Seufert. He added: "We have a standing policy of paying our bills in 30 days." Administrator Neil Fisher, who receives regular audit reports, agreed that no interest penalties were reported by any agencies.
- Oregon Chamber of Commerce's Vice President Assistant Counsel, Jack Munro has not heard any complaints about late pay since passage of the law.

## INTRODUCTION (Continued)

- Pennsylvania's Commonwealth Cash Management Coordinator Herb Rochman said: *"We receive a monthly report from the comptroller's office showing no interest payments were made since passage of the 1982 law."*
- South Carolina Senior Assistant Comptroller General J. C. Shealy reported interest payments of \$4,430 out of total expenditures of \$1.1 billion since July 1983.
- Jim Hatchell, Executive Vice President, South Carolina Merchants Association says South Carolina agencies had to change their bill paying procedures to get in-line with the new state prompt pay law.
- Washington State's Gene Newman, Chief State Financial Policies, said: *"Since the statute, a new state-of-the-art accounting system was installed and more control delegated to the agencies. This allowed more invoices to be quickly entered, tracked, and warrants issued with a net result to speed-up payment."* Newman added: *"The statute provides encouragement when faced with interest penalties."*
- Bryan Steckler, a credit manager for a Washington State grocery company said: *"I do a great deal of business with Washington State and have not had any problems being paid promptly."*
- Since Canada's prompt pay directive, effective April 1983, there has been dramatic improvement. John Seigny, Director Financial and Operational Management, reported bills are now being paid so well that only .01 percent was paid in interest penalties. Total expenditures exceeded \$5 billion from April 1983 — December 1983.
- The Province of Ontario's 30-day prompt pay directive *"improved the overall efficiency of the accounting system already in place. The penalty provided the carrot. Each ministry would have to pay interest out of their existing budget and code interest payments separately. We get little if any complaints these days from suppliers,"* according to Stan Wright, Manager of Accounting Policy and Research. From April 1982 to March 1983, the Province of Ontario paid only .008 percent in interest penalties on total expenditures of \$2 billion.
- The Canadian Province of British Columbia has paid only .06 percent in interest penalties on total expenditures of \$70 million from January — December 1983.
- The Canadian Province of Quebec has paid only .017 percent in interest penalties on expenditures exceeding \$3 billion from April 1, 1982 — March 31, 1983.
- Following the separate prompt pay directives in the Province of British Columbia and Quebec, departmental accounts were established to process and pay invoices under \$500 within the department. Invoices were paid more quickly following the prompt pay directives and changes in accounting procedures.

NOTE REGARDING THE FOLLOWING FRAME(S) ON MICROFILM:  
COMPLETE DOCUMENT IS AVAILABLE IN ORIGINAL FILES.  
TITLE PAGE ONLY HAS BEEN FILMED.



# Prompt Pay Laws Are Succeeding

**April 1984**

*Prepared by:*

**Coalition for State Prompt Pay**

3150 Spring Street

Fairfax, VA 22031

703/273-7200

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not want reduced in levels of funding, now that General Fund revenues are declining. Obviously, the most enticing source for funds is the Permanent Fund. They strongly argue that the income of the Permanent Fund should be kept for the original purposes established when the program was created and not used to fund other programs of the Legislature. They state that the Legislature should be required to fund all programs of the state from General Fund revenues or from revenues other than the Permanent Fund.

**Government Competition**

8. Does the State of Alaska maintain operations which are in direct competition with your business?

29%<sub>1</sub> YES 56%<sub>2</sub> NO 15%<sub>3</sub> DON'T KNOW

**BACKGROUND:** Past Alaska State Ballots have asked whether the state should desist from activities which directly compete with private enterprise. The membership has always strongly supported this concept. However, the question has been raised about how much competition there actually is. This question is intended to determine the present level of competition by state agencies.

Answer "Yes" only if you are specifically aware of significant areas of state competition in your type of business. Answer "No" if you are reasonably certain that the state does not compete with your business. If you "don't know", please so indicate. If you are aware of specific areas of competition, please list them in the Comments section of this Ballot.

**Interest Payment On Overdue Bills**

9. Do you favor or oppose legislation to require local governments to pay interest on their unpaid bills after 30 days?

92%<sub>1</sub> Favor 5%<sub>2</sub> Oppose 3%<sub>3</sub> Undecided

**BACKGROUND:** During 1983, legislation was nearly enacted which would mandate state agencies to pay interest on bills not paid within 30 days of receipt of invoice. It has been suggested that the prior legislation should have been applicable to local governments as well as state agencies. The problem of local governments not paying bills on time should be addressed in future legislation.

Opponents of prompt pay say that local governments frequently need to have extended periods to pay their bills and should not be penalized with interest that amounts to taxpayer dollars.

**Equal Access to Justice**

10. Should the state enact legislation authorizing courts to require state agencies to reimburse reasonable attorney fees and court costs to small businesses who prevail over an agency in civil actions relating to alleged violations of governmental regulations?

96%<sub>1</sub> Favor 2%<sub>2</sub> Oppose 2%<sub>3</sub> Undecided

**BACKGROUND:** Aggressive agency regulatory enforcement frequently result in what is considered unwarranted fines and citations. The intent of the proposed act is to remedy the imbalance of power and legal resources between government and small businesses by giving small business the means to challenge if their position is justified.

Proponents of this legislation believe that making agencies responsible for attorney fees and court costs will discourage unnecessary actions against small businesses and reduce bureaucratic interference with business. Costs and fees would be reimbursed from the agency's operating budget if the courts finds an agency acted unreasonably in pressing a claim or punitive action against a small business.

Opponents say such legislation will unduly tie the hands of regulators. (Please use the Comment section to cite instances where you paid a fine in order to avoid the cost of litigation.)

COMMENTS:

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**NFIB**® National Federation  
of Independent Business

The Guardian of Small Business.

January 6, 1984

Representative Richard Shultz  
Alaska House of Representatives  
Pouch V  
Juneau, Alaska 99811

SUBJECT: OVERRIDING THE VETO OF HB 210

Dear Representative Shultz:

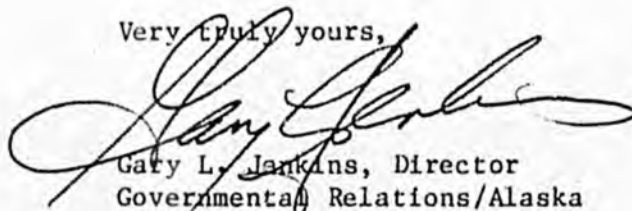
As I'm sure you are aware, Governor Sheffield vetoed HB 210 after the Legislature adjourned last session. This bill, which passed the House and Senate by substantial margins, requires state agencies who take more than thirty days to pay an invoice, to pay interest to the vendor from whom the goods or services were purchased.

The Governor, in his veto letter, stated that he didn't feel that state money should be used for this purpose and that he would issue a directive to the various agencies to "improve their management practices to ensure prompt action in the small percentage of cases where the state does not make timely payment." With regard to his stated concerns, the legislature, in each of the committee hearings on this bill, considered the issue of spending state funds to pay interest and found this to be a valid use of state funds. More importantly, it was recognized that the primary effect of this legislation will be to force the affected agencies to clean up their bill paying practices to insure that no interest is paid. This is precisely what happened when the late payment penalty was put into effect for late paychecks to state employees. The system was corrected and almost no penalties have been paid since the penalty provision went into effect.

The Governor is correct in stating that this applies to a small percentage of all the invoices paid by state government, but to the small businessperson to whom \$1,000 or \$10,000 is due for 60 to 120 days, the financial problems which result can be devastating. Finally, all of the previous Governors have tried to solve this problem through administrative directive and it simply hasn't worked. Neither has it worked for Governor Sheffield. There have been no improvements in the state bill paying procedures since he issued his veto message in July.

NFIB has over 3,600 members in Alaska and when surveyed recently, 92% supported this legislation. On behalf of our membership, I urge you to vote to override the Governor's veto.

Very truly yours,



Gary L. Jenkins, Director  
Governmental Relations/Alaska

NFIB/ALASKA  
Legislative Office  
P.O. Box 194  
Auke Bay, AK 99821  
907/586-4100



**NFIB**<sup>®</sup> National Federation  
of Independent Business

The Guardian of Small Business.

February 13, 1984

The Honorable Richard Shultz  
Alaska House of Representatives  
Pouch V  
Juneau, AK 99811

Dear Representative Shultz:

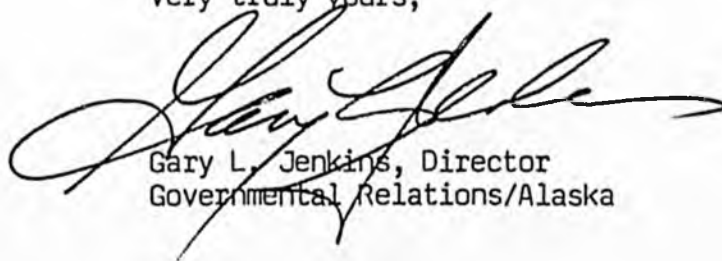
Small business continues to be the largest generator of new jobs in the United States, however, the number of jobs which are created often are significantly effected by state legislative actions. To ensure that legislators have the benefit of knowing how existing law and proposed legislation affects small business, the National Federation of Independent Business has been working with, not only the Alaska Legislature, but state legislatures nationwide for several years.

In Alaska, NFIB currently has a membership in excess of 3,600 which means that we usually represent a significant majority of the retail and service businesses in each city in Alaska. Each year we send a ballot to all of our members requesting their input on issues of current interest in Alaska. This ballot permits each member to express their feelings on these issues and gives me direction regarding which issues should be pursued legislatively. I do not take a position on an issue for NFIB unless the members have voted on it and a majority favor the position being taken.

Enclosed for your information is a copy of our 1983 State Ballot showing the vote of the membership on the various issues. The issues which received strong support are ones which I will be discussing with legislators during this and subsequent legislative sessions.

If I can provide you any additional information on NFIB or if you would like to know our position on a particular issue, feel free to contact me.

Very truly yours,



Gary L. Jenkins, Director  
Governmental Relations/Alaska

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# Capital Copy, Ltd.

240 Main Street \* Juneau, Alaska 99801 \* 586-9696

April 25, 1983

Rep. Mitchell E. Abood, Jr.  
Chairman  
House State Affairs Committee  
Pouch V; Juneau, Alaska 99811

Dear Chairman Abood:

We are writing to indicate our strong support for passage of House Bill 205 which provides for charging state agencies a service charge not to exceed 1.5% per month on invoices not paid within 30 days.

Our quick-copy business has done substantial work for various state agencies over the past 3 1/2 years, and our records indicate that about 60% of our invoices are paid within 30 days, and another 20% within 60 days. About 20%, however, become extremely delinquent (90 days or more); with a number of examples of over 5 months required to achieve payment, and one "horror story" of 15 months.

Since our charges to state agencies for quick-copy service are identical to those levied by General Services and Supply in the Department of Administration, our firm is frequently called on for "rush jobs". After producing such projects on a tight deadline, it is particularly annoying (as well as damaging to our cash flow) to have to wait 90 - 120 days for payment.

We have found that the 1.5% per month service charge on delinquent accounts assessed against our private sector customers encourages prompt payment, and see no reason why governmental agencies should not be subject to the same penalties.

We urge the committee to favorably pass out H.B. 205.

Respectfully,



Bob Pavitt  
President

XC: Rep. John Cowdery, Vice Chairman  
Rep. Walt Furnace  
Rep. Ronald L. Larson  
Rep. Mike M. Miller  
Rep. Richard Shultz  
Rep. Anthony N. Vaska