

HB

30

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

Page 1 of 4

REQUEST

Bill/Resolution No.: CS HB30

Title: Relating to Payment for
Purchases by the State

Sponsor: Schultz

Requestor: House State Affairs

Date of Request: February 15, 1985

FISCAL DETAIL

Agency Affected: A11

Program Category Affected: A11

BRU, Program or Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS	0	2,700.0	2,700.0	2,700.0	2,700.0	2,700.0
800 MISCELLANEOUS						
TOTAL OPERATING	0	2,700.0	2,700.0	2,700.0	2,700.0	2,700.0

CAPITAL						
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REVENUE						
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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						
TOTAL	0	2,700.0	2,700.0	2,700.0	2,700.0	2,700.0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Kenneth E. Bischoff *KES*

Phone: 465-2240

Division: Finance

Date: February 15, 1985

Approved by Commissioner: Lisa Rudd *L. Rudd*

Date: 2-18-85

Agency: Department of Administration *for*

Distribution (by Agency preparing fiscal note):

Legislative Finance

Legislative Sponsor

Requestor

Office of Management and Budget

Impacted Agency(ies)

transfer Adm.

Rev. 7/1/84

10/201/0122-01/5

Fiscal Note AnalysisCS HB 30

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 possible. This proposal will cause the State to have to choose between verifying invoiced charges to avoid questionable payments, and short-cutting review procedures to avoid penalty interest payments.

Currently, the average payment time for the State is 25 days from the vendors' invoicing date to the paying warrant date. Generally, those agencies which show 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 network of field locations, causing delays in verification and transmission of invoices.

To decrease the penalties under this legislation, State agencies will incur costs for increased staff 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 as that \$1,997.2 million of a \$4.7 billion dollar budget is for vendor payments and that 5% will 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 ($\$1,997.2 \text{ million} \times .05 \times 10.5\%/12 \text{ mos.} \times 2 \text{ mos.}$) 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.

It would be difficult to improve payment times under existing payment systems without incurring significant additional costs. The new State accounting system is targeted for July 1, 1985 implementation. This system will improve the ability of geographically disbursed agencies to submit their payments more timely through remote terminals. The system will 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 Fiscal Note Analysis - CS HB 30

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.

Fiscal Note Analysis - CS HB-30
Computation of Vendor Payments Basis

1. Enacted Budget for Fiscal Year 1984	<u>\$4,691,603,187.</u>
Less 2. Permanent Fund Dividends	(2,409,200.)
3. Grants & Claims	(469,850,200.)
4. University of Alaska Payments	(272,468,600.)
5. State Salaries	(844,676,700.)
6. Loans	(146,125,000.)
7. Debt Service	(270,089,474.)
8. Capital	(306,971,179.)
9. Energy Program	<u>(381,800,000.)</u>
	<u>\$1,997,212,834.</u>

$1,997,212,334 \times .05 \times 10.5\%/12 \text{ mos.} \times 2 = 1,747,560$ or 1.7 million

From FY 85 Legislature's Summary of Appropriation as annotated

1. Lead page - Enacted (less Governor's Vetos) Total Column
2. FCC page 7, CH 122, page 13, line 10
3. FCC page I, Objects of Expenditure Grants, Claims
4. FCC page 41, CH 122, page 80, line 10
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7. FCC Lead page, Debt Service line, Enacted less Governor's Vetoes
8. Lead page enacted less Governor's Vetoes
9. Lead page enacted less Governor's Vetoes



STATE OF ALASKA
OFFICE OF THE GOVERNOR
BILL ANALYSIS

DEPARTMENT Administration	DIVISION Finance	BILL NUMBER CS HB 30	SPONSOR Schultz
DEPARTMENT POSITION Do Not Support			
PREPARED BY Ken Bischoff <i>KCB</i>	DATE 02/15	COMMISSIONER'S SIGNATURE <i>A. Sullivan</i>	DATE 2-18-85

SUMMARY

OTHER AGENCIES AFFECTED BY BILL All	CONSTITUENT GROUP(S) AFFECTED BY BILL Small Business
ORGANIZATIONAL SUPPORT FOR BILL None Known	ORGANIZATIONAL OPPOSITION TO BILL Most State Agencies

FISCAL IMPACT: NONE FISCAL NOTE ATTACHED

BACKGROUND/LEGISLATIVE INTENT

This same bill has been introduced for the past several Legislature sessions. The bill would require the State to pay interest on vendor invoices that have been held by the State without payment for more than 30 days.

ANALYSIS OF BILL/PROGRAM EFFECTS

See Fiscal Note and Fiscal Note Analysis attached. Projected fiscal impact due to interest and additional administrative costs is estimated to be \$2,700.0 annually. The new Statewide Accounting System, which will be implemented July 1, will improve vendor payment times and reduce the need for this legislation.

AMENDMENTS PROPOSED

None

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS.

MF
2/11

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

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Page 1 of 4

REQUEST

Bill/Resolution No.: HB30

Title: Relating to Payment for Purchases by the State

Sponsor: Schultz

Requestor: State Affairs & Finance

Date of Request: _____

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PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Kenneth E. Bischoff *KEB A*

Division: Finance

Phone: 465-2240

Date: February 7, 1985

Approved by Commissioner: Lisa Rudd *LJR*

Agency: Department of Administration

Date: 2/8/85

Distribution (by Agency preparing fiscal note):

Legislative Finance

Legislative Sponsor

Requestor

Office of Management and Budget

Impacted Agency(ies)

Fiscal Note Analysis

HB 30

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Offered: 3/4/85
For Today's Calendar

Original sponsor: Shultz

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2

CS FOR HOUSE BILL NO. 30 (Finance)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST 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:

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

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purchases of goods or services provided a state agency must be made by
12 a required payment date that is

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

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contract; or

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

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amount of the payment due, if a date on which payment is due is not

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established by contract and if the billing contains or is accompanied

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by documents required by the contract or purchase order.

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

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for property or services in exchange for payment within a specified

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

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

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period of time.

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

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not made on or before a required payment date under (a) of this sec-

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tion, the state shall, ^{upon request by seller} pay interest on the unpaid balance from the

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required payment date at the rate of 1.5 percent a month, unless an

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agreement exists between the seller and the state that establishes a

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lower rate of interest or precludes the charging of interest. If the

1 interest-bearing period of time is either (1) a fraction of a month or
2 (2) one or more full months plus a fraction of a month, the state
3 agency shall pay the same amount of interest for the fraction of a
4 month as it would pay for a full month.

5 (d) This section does not apply

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

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

15 (3) to a contract covered by AS 36.90.001.

16 (e) Interest paid under (c) of this section shall be charged to
17 the budget of the state agency that purchased the goods or services.

18 (f) In this section

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

23 (2) payment is considered made on the date when the payment
24 is personally delivered to the seller or agent of the seller or on the
25 date the payment is mailed;

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

28 * Sec. 2. This Act does not apply to contracts entered into before the
29 effective date of this Act.

1 * Sec. 3. This Act takes effect October 1, 1985.

COMMITTEE REPORT

SENATE

FURTHER: FINANCE

3/5/85

Date 3/14/85

Mr. President

The Committee on STATE AFFAIRS considered CSHB 30(Fin) relating to payment for purchases by the state; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title _____
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

Edna De Vries

Tim Kelly

MEMBERS HAVING
OTHER RECOMMENDATIONS

Wishin' more

(Bill Kay) DO PASS IF COST

TO THE STATE IS VIRTUAL

[Signature]

Chairman

[Signature]

Chairman recommendation

Abroad

ANALYSIS OF HB NO. 30

"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 a 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.

ANALYSIS OF HB 30
SPONSOR'S BACKUP

PS.
came to me, ran-off the page

ANALYSIS OF CSHB 30 (FINANCE)

SECTION 1, PARAGRAPH 3

This paragraph provides that the State shall pay $1\frac{1}{2}\%$ interest on any billing due a vendor which is not paid by the required payment date specified in paragraph (a) of this section. As with normal business charge accounts or credit card accounts, the interest is computed on the first day after the required payment date and the full $1\frac{1}{2}\%$ is due for any portion of a month that the billing remains unpaid past the required payment date.

The section further provides that if a billing remains unpaid for more than 30 days past the required payment date, an additional $1\frac{1}{2}\%$ will be due for each subsequent 30 day period or portion of a period that the billing remains unpaid.

Lastly, the paragraph provides that the interest rate of $1\frac{1}{2}\%$ may be reduced or the payment of interest precluded, if the contract terms specifically include language to that effect.

BACKGROUND ON HB NO. 30

This bill has been requested by numerous vendors that do business with the State of Alaska. The State has become notorious for late payment of invoices, forcing many private vendors to borrow money to supplement their cash flow. This reduces their profit, and in some cases even eliminates it as the profit on articles is very marginal.

The bill is patterned after a federal law entitled "The Prompt Payment Act--Public Law 97-177". The Prompt Payment Act became effective October 1, 1982 and when it was introduced in Congress, it carried 133 sponsors.

The U. S. Army Comptroller in Fort Greely, Mr. Leonard Lemon, advised the Prompt Payment Act has improved their payment schedule and payment of invoices has become routing and very prompt.

In a poll conducted by the National Federation of Independent Business, 3312 businesses in Alaska were in favor of this bill.

In the past the State has placed a very high fiscal note on this bill and the State Administration claims it will have to completely reorganize it's accounting system in order to fulfill the requirements set forth in this bill. If this is so, then it should be done as this is an indicator our State's method of handling accounts payable is inefficient and needs modifying.

Businessmen in Alaska need this bill--they have requested it. Their request is not unreasonable and should be supported by elected representatives of their community.



NFIB National Federation
of Independent Business

The Guardian of Small Business.

February 12, 1985

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

Dear ~~Representative~~ *Dick* Shultz:

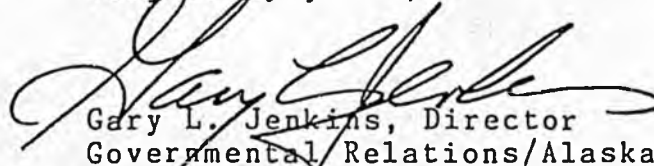
There is a wide variety of legislation introduced each year which will have a significant impact on small business in Alaska. Normally, when business is effected by a change in the law, the impact on small businesses is much greater than on the medium to large businesses. To ensure that legislators are made aware of how existing law and proposed legislation affects small businesses, the National Federation of Independent Business (NFIB) has been working with state legislatures nationwide for several years.

In Alaska, NFIB currently has a membership in excess of 3,700 businesses. Thus, we are representing a significant majority of the businesses in most of the cities 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 the issues and provide direction regarding which issues should be pursued legislatively. It is NFIB policy that we cannot take a position on an issue for NFIB unless the members have voted on it and a majority favor the position being taken.

For your information I have enclosed a copy of our 1985 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

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

*Supports HB 30 and will
TESTIFY FOR it.*

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. *29 mil. - Int.*
- 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.

those who do business with the Federal Government and State governments, and for those governments themselves.

Kenton Pattie, whose indefatigable efforts as leader of the Slow Pay Coalition—a coalition consisting primarily of small business groups—contributed much toward the enactment of the Prompt Payment Act, recently wrote me to tell me that similar coalition efforts at the State level are producing similar statutes in our Nation's States.

A total of 35 States now have prompt payment laws.

Mr. President, in order that additional information on State prompt payment laws be available for review by my colleagues and others, I ask that Mr. Pattie's letter to me, along with excerpts from an accompanying report, be printed in the Record at the conclusion of my remarks.

This report of success on prompt pay laws at the State level follows another encouraging report earlier this year from the Office of Management and Budget (OMB). The OMB reported that, following the first full year of implementation of Public Law 97-177, the Federal Government was paying its bills promptly 99 percent of the time. This compares favorably to a 60 percent prompt payment rate reported in a 1978 study by the U.S. General Accounting Office. The latter rate represented a sorry state of affairs, especially when one considered that the majority of the late payments involved small businesses.

Unlike large corporations, small businesses have neither the administrative personnel available nor the cash flow capability required to carry overdue accounts for long periods of time. I should note here, to emphasize this point, that even though the Federal Government now has a 99-percent "on time" rate in paying its bills, the remaining 1 percent represents 180,000 overdue bills. Most of these are owed small businesses.

When the financial practices of the Federal Government affect small businesses so directly, I have a special concern: I serve on both the Governmental Affairs Committee, which oversees Federal financial management practices, and the Small Business Committee, which focuses its attention on the special concerns of this country's small businesses and entrepreneurs.

It is in this context that the objective of the prompt payment standard was, and remains, two-fold: First, to make certain that those businesses which provide goods and services to Government receive payment in a reasonable period of time; and second, through the prospect of interest charges, to encourage Government agencies to develop and maintain efficient financial management practices.

The improvement from 1978 to 1984 in the rate at which Federal agencies pay their bills on time—from 60 percent to 99 percent—as well as the determined efforts of small businesses in

coalition to encourage the enactment of prompt payment legislation by State governments shows that there is substantial progress toward meeting this objective. If such progress continues, I feel confident that the initiative of 1981 will soon become a standard for all levels of government. I welcome such a standard.

The material follows:

NAVA, THE INTERNATIONAL
COMMUNICATIONS INDUSTRIES
ASSOCIATION

Fairfax, Va., June 1, 1984.

Hon. JIM SASSER,
Russell Senate Office Building,
Washington, D.C.

DEAR SENATOR SASSER: It has been a while since I wrote you about prompt pay laws. A lot has happened:

10 states passed prompt pay laws last year.

8 states passed prompt pay this spring.

Prompt pay is currently pending in 17 state legislatures.

A total of 35 states now have prompt pay laws. By the end of the year, I hope we can report to you on several more.

Meanwhile, in April we published "Prompt Pay Laws Are Succeeding" which documents the fact that prompt pay laws are working. The Prompt Pay Act of 1982, which requires Federal agencies to pay interest penalties when late in paying companies, has been particularly successful.

Of course, there are some problems. Companies still have problems getting paid by the U.S. Navy although Congressman Sisk is trying to solve the problem. (For more details, call Diane Worthington (225-6365)). Meanwhile, some states with prompt pay laws are passing amendments to tighten up language, raise interest penalties, and strike loopholes.

If you, your staff, or supporters back home need more information about the prompt pay issue, please feel free to contact me. We appreciate your support and encouragement and look forward to continuing to work with you in the months and years ahead.

Sincerely,

KENTON PATTIE,
Senior Staff Vice President.

STATES WITH PROMPT PAY STATUTES

Adopted prior to 1981

1. (1) Florida.
2. (2) Hawaii (strengthened by Senate Bill 866 in 1983).
3. (3) Illinois.
4. (4) Massachusetts (limited).
5. (5) Oregon.
6. (6) Arkansas (limited).
7. (7) Michigan (limited).
8. (8) North Carolina (limited).
9. (9) Indiana.

Adopted in 1981

1. (10) South Carolina.
2. (11) Washington.
3. (12) North Dakota (strengthened by Senate Bill 2056 in 1983).

Adopted in 1982

1. (13) Alaska (limited).
2. (14) Arizona.
3. (15) California.
4. (16) Louisiana.
5. (17) Pennsylvania.
6. South Carolina.

Adopted in 1983

1. California.
2. (18) Colorado.
3. (19) Delaware.

PROMPT PAYMENTS BECOMING
AN INTERGOVERNMENTAL
STANDARD

● Mr. SASSER. Mr. President, paying one's bills on time was such a universal business standard that it hardly deserved to be considered the innovation it was when I called for making it a statutory requirement for Federal agencies through the introduction of S. 30, the Late Payments Act of 1981, on the first day of the 97th Congress. The purpose and content of this legislation is clear and unequivocal: Government ought to pay its bills on time, within 30 days, or face up to interest charges.

Yet, this standard was an initiative. And this initiative, which grew ultimately to be the Prompt Payment Act of 1982 (Public Law 97-177), is yielding more and more results and benefits for

ment that a municipality use ordinances to exempt contractors from compliance with general requirements relating to certain bonds, see AS 29.48.130(a)(12).

Editor's notes. — This section was redrafted by the revisor of statutes to remove personal pronouns in conformity with AS 01.05.031(c) and § 4, Chapter 58, SLA 1982.

statute. 33 ALR3d 397.

Liability of municipality on quasi contract for value of property or work furnished without compliance with bidding requirements, 33 ALR3d 1164.

Municipal property as subject to mechanic's lien. 51 ALR3d 657.

Chapter 90. Miscellaneous Provisions.

Section

01. Public construction contract payments

Sec. 36.90.001. Public construction contract payments. (a) The state shall initiate procedures to pay the contractor under a public construction or public work contract within 15 days after the contractor submits to the state a bill for materials provided or services performed and a sworn statement that all employees employed on the project by the contractor and all subcontractors have been paid not less than the established prevailing rate of pay as determined and published by the Department of Labor.

(b) If the state fails to make a payment due the contractor under this section within 30 days after receiving a contractor's billing, the state shall pay interest to the contractor under AS 45.45.010(a) on the amount due.

(c) The state or a political subdivision of the state is liable to a contractor registered under AS 08.18 for interest at the rate provided in AS 45.45.010(a) on retainage on a contract for public works or public construction. Interest on retainage accrues from the date of approval of a pay estimate until the date of payment to the contractor. A contract provision purporting to waive the interest provisions of this subsection is void as contrary to public policy.

(d) A political subdivision that has a population of 500 or less is exempt from the payment of interest provided in (c) of this section.

(e) A political subdivision that receives a state grant for a public construction or public works project may use money from the state grant to pay the interest on retainage under contracts for the project as required by (c) of this section. (§ 1 ch 85 SLA 1982)

Editor's notes. — Section 3, ch. 85, SLA 1982, provides: "The provisions of this Act apply to contracts entered into after the effective date of this Act [July 1, 1982]."

Revisor's notes. — Formerly AS
37.05.319. Renumbered in 1983.

Sec. 37.05.400. Definitions for chapter. In this chapter

(1) "fiscal year," "budget year," "accounting year," or similar term means a year beginning on July 1 of one calendar year and ending on June 30 of the following calendar year;

(2) "handicapped individual" means an individual under a physical or mental disability which constitutes a substantial handicap to employment;

(3) "sheltered workshop" means a place where manufacture or handiwork is carried on, and which is operated for the primary purpose of providing remunerative employment to handicapped individuals.

(4) "state agency," "agency," "department," or similar term means a department, office, institution, board, commission, bureau, division, or other administrative unit forming the state government, and includes the Alaska Pioneers' Home and the University of Alaska. (§ 3 art I ch 82 SLA 1955; am § 1 ch 186 SLA 1957; am § 2 ch 92 SLA 1975; am § 6 ch 46 SLA 1977)

Revisor's notes. — Formerly AS reorganized to alphabetize the defined
37.05.320. Renumbered in 1983 and terms.

NOTES TO DECISIONS

Cited in Carter v. Alaska Pub.
Employees Ass'n, Sup. Ct. Op. No. 2657
(File No. 6586), P.2d (1983).

Sec. 37.05.410. Short title. This chapter may be cited as the Fiscal Procedures Act. (§ 1 art I ch 82 SLA 1955)

Revisor's notes. — Formerly AS
37.05.330. Renumbered in 1983.

Chapter 07. Executive Budget Act.

Section

- 10. Statement of policy
- 20. Responsibilities of the governor
- 30. Responsibilities of the legislature
- 40. Office of management and budget
- 50. Agency program and financial plans
- 60. Governor's recommendation
- 62. Capital budget
- 70. Legislative review

Section

- 80. Program execution
- 90. Performance reporting
- 100. Proposed supplemental or special appropriations
- 110. Interpretation of chapter
- 120. Definitions
- 130. Short title

Revision Date: _____

REQUEST
Bill/Resolution No.: CSHB30 (Fin)
Title: Payment for purchases

FISCAL DETAIL
Agency Affected: All
Program Category Affected: All

Sponsor: Representative Shultz
Requestor: House Finance
Date of Request: 2/26/85

ERU, Program or Subprogram(s) Affected:
All

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FI 85	FI 86	FI 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES		-0-				
200 TRAVEL		-0-				
300 CONTRACTUAL		-0-				
400 SUPPLIES		-0-				
500 EQUIPMENT		-0-				
500 LAND & STRUCTURES		-0-				
700 GRANTS, CLAIMS		-0-				
800 MISCELLANEOUS		-0-				
TOTAL OPERATING		-0-				
CAPITAL		-0-				
REVENUE		-0-				

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-				
FEDERAL FUNDS	-0-				
OTHER	-0-				
TOTAL	-0-				

POSITIONS:

FULL-TIME	-0-				
PART-TIME	-0-				
TEMPORARY	-0-				

ANALYSIS: / The purpose of this legislation is to encourage state agencies to pay bills on time. It would be contrary to this purpose to appropriate funds for interest payments or related staff costs. It is the House Finance Committee's intent that any funds needed be absorbed within an agency's existing budget.

Prepared By: Al Adams - Chairman Phone: 465-3706
Division: House Finance Committee Date: 2/26/85

Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by Agency preparing fiscal note):
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7/1/84

House FIN. version of fiscal note