

HB

139

A M E N D M E N T

OFFERED IN THE HOUSE

BY DONLEY

TO: CSHB 139(C&RA)

Page 3, line 28, following "(d)":

Delete "This"

Insert "Except as provided in (f) of this section, this"

Page 4, following line 14:

Insert a new subsection to read:

"(f) If a dispute under (d)(2) of this section is resolved in favor of the seller, (c) of this section applies to the payment for the goods or services involved in the dispute."

Reletter the following subsection accordingly.

A M E N D M E N T

OFFERED IN THE HOUSE

BY DONLEY

TO: CSHB 139(C&RA)

Page 1, line 7, following "districts":

Delete "and"

Insert ", "

Page 1, line 7, following "municipalities":

Insert ", and state agencies"

Page 1, line 16:

Delete "and 37.05.285(f)(1) - (2)"

Insert ", (f)(1) - (2), and (g)"

Page 1, line 17:

Delete "and 37.05.285(f)(1) - (2)"

Insert ", (f)(1) - (2), and (g)"

Page 3, line 28, following "(d)":

Delete "This"

Insert "Except as provided in (f) of this section, this"

Page 4, following line 14:

Insert a new subsection to read:

"(f) If a dispute under (d)(2) of this section is resolved in favor of the seller, (c) of this section applies to the payment for the goods or services involved in the dispute."

Reletter the following subsection accordingly.

Page 4, following line 18:

Insert new bill sections to read:

** Sec. 6. AS 37.05.285(d) is amended to read:

(d) Except as provided in (g) of this section, this [THIS] section does not apply

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

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

(3) to a contract covered by AS 36.90.010.

* Sec. 7. AS 37.05.285 is amended by adding a new subsection to read:

(g) If a dispute under (d)(2) of this section is resolved in favor of the seller, (c) of this section applies to the payment for the goods or services involved in the dispute."

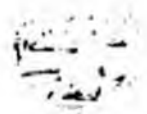
Renumber the following bill sections accordingly.

HOUSE LABOR AND COMMERCE COMMITTEE

ALASKA STATE LEGISLATURE

P.O. BOX Y, JUNEAU 99811

(907) 465-3892



February 6, 1989

M E M O R A N D U M

To: Representative Eileen Maclean, Chair
House Community and Regional Affairs Committee

From: Representative Dave Donley, Chair
House Labor and Commerce Committee

Re: Request for hearing - HB 139

I am writing to ask that you schedule HB 139, relating to payments for purchases by school districts and municipalities, for a hearing before the House Community and Regional Affairs Committee at your earliest convenience.

HB 139 is modeled after recently adopted legislation mandating the state to pay their bills on time. The measure requires school districts and municipalities to pay for purchase within 30 days of receipt and subjects them to a 1.5 percent fine and penalties under AS 37.05.285. for failure to pay within the time period outlined in the bill.

The measure was introduced by the House Labor and Commerce Committee on request by the National Federation of Independent Businesses. The Department of Commerce and Economic Development supported a similar measure, HB 422, filed during the 1988 session.

Since adoption of the law governing state purchases, the Department of Administration has reported significant savings to the general fund because they have not had to pay late charges and other related costs (see attached article). Hopefully, HB 139 will bring similar benefits to school districts and local government.

Please contact me or Ginger Baim at 4954 if you have any questions or need additional information.

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: Payments For Purchases By School
 Districts and Municipalities
 Sponsor: House L & C
 Requestor: House C & RA

Agency Affected: Education
 BRU: K-12 Support
 Components: Foundation

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Mary Hakala Phone: 465-2800
 Division: Commissioner's Office Date: 2/13/89
 Approved by Commissioner: William G. Demmert Date: 2/13/89
 Agency: Education

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: "An Act..payments for purchases by school districts & municipalities.."
 Sponsor: Labor & Commerce Committee
 Requestor: _____

Agency Affected: Community & Regional Affairs
 BRU: _____
 Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Jim Plasman, Deputy Director Phone: 465-4750
 Division: Municipal & Regional Assistance Date: 2-15-89

Approved by Commissioner: [Signature] Date: _____
 Agency: Community & Regional Affairs

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

7

Article 3. State Purchasing.

Section

285. Payment for state purchases

Sec. 37.05.220. Purchasing agent. [Repealed, § 67 ch 106 SLA 1986. For current provisions see AS 36.30.]

Sec. 37.05.225. [Renumbered as AS 36.30.180.]

Secs. 37.05.230 — 37.05.280. Competitive bids; contracts; leases. [Repealed, § 67 ch 106 SLA 1986. For current provisions, see AS 36.30.]

Sec. 37.05.285. Payment for state purchases. (a) Payment for purchases of goods or services provided a state agency must be made by a required payment date that is

- (1) the date on which payment is due under the terms of a contract; or
- (2) 30 days after receipt of a proper billing for the amount of the payment due, if a date on which payment is due is not established by contract and if the billing contains or is accompanied by documents required by the contract or purchase order.

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

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

(d) This section does not apply

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

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

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Editor's note

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PUBLIC FINANCE

§ 37.05.287

(3) to a contract covered by AS 36.90.010.

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

(f) In this section

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

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

(3) "state agency" has the meaning given in AS 37.05.990 and also includes the legislative and judicial branches. (§ 1 ch 2 SLA 1986)

Revisor's notes. — Enacted as AS 37.05.275. Renumbered in 1986.

1986 provides that this section "does not apply to contracts entered into before October 1, 1986."

Editor's notes. — Section 2, ch. 2, SLA

Article 4. Risk Management.

Section

287. Insurance for state assets

289. State insurance catastrophe reserve account

Sec. 37.05.287. Insurance for state assets. (a) The Department of Administration shall obtain or provide, in an amount and in the form that the department determines to be appropriate, casualty, property, and other insurance for protection of state assets and for the operation of state government. The department may provide for insurance coverage, in whole or in part, through a self-insurance program.


(b) The Department of Administration shall annually review the state insurance program to ensure that, to the extent reasonable, adequate insurance coverage of reserves are maintained to satisfy all reasonably foreseeable claims or judgments for which payment may be due under the state insurance program during the next fiscal year. The department shall annually obtain an independent actuarial assessment of the state insurance program. No later than February 1 of each calendar year, the department shall submit to the presiding officers of each house of the legislature a review of the state insurance program, an independent actuarial assessment, and a certified audit of the state insurance catastrophe reserve account. (§ 1 ch 28 SLA 1987)

Alaska MUNICIPAL League

TELEPHONE
(907) 586-1325
FAX 461-5480

217 SECOND STREET, SUITE 200
JUNEAU, ALASKA 99801

TO: Representative Johnny Ellis, Chair
Members of the House Health, Education
and Social Services Committee

FROM: Scott A. Burgess, Executive Director 

DATE: March 15, 1989

SUBJECT: CSHB 139 (C&RA) - Payments for purchases by school districts and municipalities

The AML is opposed to CSHB 139 (C&RA) as an unnecessary and inappropriate intrusion by the State into local affairs. In opposing the legislation the AML is not opposing timely payment of valid bills for purchases of goods and services. Municipalities handle their business affairs in a manner that is distinctly different than that of the State. The State mandating purchasing and payment procedures adopted by the State on municipalities not recognize the differences between the two levels of government and among the various local entities.

Municipalities and school districts range in size, access, staffing, hours of operation, and procurement sophistication; therefore, a blanket requirement of 18% annual interest on bills due over thirty days does not recognize these differences, as well as how the entities purchase, receive and pay for goods and services. Some municipalities and school districts do not operate even five days a week, 12 months of the year. Other municipalities and school districts have very sophisticated procurement policies or ordinances.

On the specifics of the bill, an interest rate of 18 percent a year seems excessive, especially on a 1.5 percent per month or fraction of the month basis. The rate of interest in the state is 10.5 percent a year under AS 45.45.010(a). This is the rate of interest required of municipalities by the State (unfortunately) for funds retained on public construction projects by reference under AS 36.90.010.

Again, AML does not support CSHB 139; however, if the Committee decides CSHB 139 is an appropriate mandate on local government, AML would request, at a minimum, amending the bill as follows:

On page 3, amend Section 5, Sec.29.71.060 as follows:

(c) If payment for goods or services purchased by the municipality is not made on or before a required payment date under (a) of this section, the municipality shall pay interest on the unpaid balance from the required

payment date at the rate of 10.5 [1.5] percent a year [MONTH], unless an agreement exists between the seller and the municipality that establishes a lower rate of interest or precludes the charging of interest. [IF THE INTEREST-BEARING PERIOD OF TIME IS EITHER (1) A FRACTION OF A MONTH, OR (2) ONE OR MORE FULL MONTHS PLUS A FRACTION OF A MONTH, THE MUNICIPALITY SHALL PAY THE SAME AMOUNT OF INTEREST FOR THE FRACTION OF A MONTH AS IT WOULD PAY FOR A FULL MONTH.]

(d) This section does not apply

(1) if the municipality has adopted by ordinance a procedure addressing payments for purchases;

(~~2~~ [1]) if the cost of the goods or services purchased exceeds \$500,000;...

Thank you for your consideration.

ASSOCIATION OF ALASKA SCHOOL BOARDS

316 W. 11th St. • Juneau, Alaska 99801-1510 • (907) 586-1083

POSITION PAPER

HB 139

Payment for Purchases

The Association of Alaska School Boards encourages **opposition** to HB 139, "An Act relating to payments by school districts and municipalities; and providing for an effective date."

AASB has a number of concerns with the proposed legislation:

HISTORICAL PERSPECTIVE

There are various reasons why districts may not pay promptly, including (1) the procedure whereby a supplier/service provider may invoice the district before the district has actually received the merchandise, or (2) the district may be invoiced upon receiving only one-half of the order.

Another prevalent practice is that school districts may order supplies in the summer months and receive the merchandise soon thereafter, with the *agreement* that the bill will be paid in August/September when school starts.

Alternatives used by some districts include doing business with *larger suppliers* using an expanded credit line, or they may *delay the delivery* of supplies to August. These practices may, in some instances, preclude the use of local commerce.

ASSUMPTION

To entertain this bill is to suggest that Alaska's school districts are "poor pay" clients or that they don't pay their bills. This is simply not true. AASB is not aware of any problem in this regard. School districts pay their bills on time.



Matanuska-Susitna Borough

P.O. BOX 1608, PALMER, ALASKA 99645-1608 • PHONE 745-4601

DEPARTMENT OF FINANCE

February 16, 1989

Representative Eileen Maclean
Chairman, HCRA
Alaska House of Representatives
P. O. Box V
Juneau, Alaska 99811

Dear Representative Maclean:

I have had an opportunity to review HB139. I foresee little or no impact in applying the State Procurement Code to Borough and School District activities. I believe that the Borough currently complies, voluntarily, with the requirements of AS 37.05.285. This issue, as presented in this bill, relates to the authority of local governments to manage their own affairs. It is not, in my view, sound public policy to have one governmental entity dictating the way another does business.

There are three issues which must be given some consideration:

1. Department of Labor - will disputes between the State Department of Labor and the contractor be considered disputes under AS 37.05.285(d)(2)? Often municipalities must withhold payment to contractors until a labor/wage issue is resolved. It is not reasonable to expect a municipality to pay interest when the monies are withheld because of levy under Title 23 of the Alaska Statutes.
2. Proper billing - this term, as used in AS 37.05.285(a)(2) must be defined. What constitutes a "proper billing"? How long does a municipality have to review records/work to determine a proper billing?
3. Interest rate - 1.5% per month (AS 37.05.285(c)) results in an 18% APR. This amount seems excessive in light of AS 45.45.010.

Please call me if I can be of further assistance.

Sincerely,

Robert R. Jensen
Finance Director

nm

cc: Representative Ronald Larson
Representative Curt Menard
Scott Burgess, Alaska Municipal League



KENAI PENINSULA BOROUGH

144 N. BINKLEY • SOLDOTNA ALASKA 99669
PHONE (907) 262-4441

DON GILMAN
MAYOR

MEMORANDUM

TO: Crystal Smith, Alaska Municipal League

FROM: *DMY* Dolly Farnsworth, Mayor, City of Soldotna
Chair Taxation Finance Subcommittee

FROM: *TRB* Thomas R. Boedeker, Kenai Peninsula Borough Attorney
Member Taxation & Finance Subcommittee

DATE: February 16, 1989

SUBJECT: Position or Testimony Regarding House Bill 139.

1. The rate for any late payments should not be at the one and one-half percent per month with a fraction of a month counting as an entire month. AS 36.09.010 dealing with construction contracts charges retainage interest at 10.5% per annum. That is a more appropriate rate for any delinquent payment. AS 36.09.010 does not use the fractional months which can be a problem and serious penalty.

2. The penalty aspect arises in that the bill does not address differences between the operation of State government and local government. State government separates the legislative body from the administrative role and at the State level all decisions are made by departments on approving payment of bills. However, local government often has the local council or service area board approving payment of bills. Until this approval occurs the bill cannot be paid. Often these bodies only meet twice a month or once a month and have publishing deadlines for their agendas which would preclude an item from being included on the agenda and would require consideration at the next meeting. These procedures and requirements are generally known to contractors who do business with those entities. However, House Bill 139 does not give recognition to this difference between State and local government.

An example would be where a fire service area board had to approve the purchase and the billing comes in a week after that board's monthly meeting. The board would not meet for another 23 or so days after the billing is received and the approved payment of that billing is then forwarded to the accounts payable department for the municipality which in some cases may take several days for mail. Because of personnel limitations municipalities often have a fixed schedule for payment of accounts receivable of every other week.

Testimony on House Bill 139
February 16, 1989
Page 2

put payment beyond the 30 days and thus invoke the interest provisions of the statute. Even if the payment were one day late the interest would apply back to the original billing date for the first month that is otherwise a grace period. Payment on the 31st day results in a charge of 3%. Given the context of the process for approval of payment of bills in local government, that would seem inappropriate.

3. We believe that the interest should not apply for the first month even if late. Typically, business provides payment within 30 days and the interest or service charges apply only for time subsequent to the original due date. House Bill 139 would make it retroactive to the original billing date which is not consistent with private business practice and is in the form of a penalty.

4. Municipalities often have ordinances governing purchases. School districts may have other purchasing policies. These have to be adopted in a written form and the public has an opportunity to participate. This bill gives no latitude for different procedures established by local bodies. The bill should not apply where such an ordinance or policy of the school district has been adopted. Persons entering into purchase agreements in light of locally established rules would know the rules of the game and are voluntarily entering into a relationship based on those ordinances or policies. There is no reason that those policies should not be given effect where they have been adopted.

5. The bill provides that the interest starts if payment is not made within 30 days of the billing. The bill does not define what is a "proper billing." House Bill 139 would apply even if the billing was received before the goods. Arguably one could say that would be a disputed billing, but why require a local government to notify a vendor of a "ostensible dispute" when it simply it is a matter of whether the goods have been delivered and accepted. It is true that the municipalities could enter into specific contracts which set other terms regarding acceptance test periods and establishing due dates other than just 30 days from the billing. However, this would be a very cumbersome requirement and does not make any sense to force local governments to enter into such arrangements to protect themselves against arbitrary interest charges that could be triggered by House Bill 139, if adopted. Clearly, provisions should be made that a proper billing is only one that is submitted after acceptance of the goods or services.

6. Although we believe that municipalities and school districts should be responsible and pay their bills promptly, we believe that the options for making prompt payment or arrangements for contracting are really the province of the local

Testimony on House Bill 139
February 16, 1989
Page 3

government in establishing its relationship to the community and its vendors. We can see some requirement that municipalities adopt provisions for prompt payment, however, a mandate of this type which imposes obligations on the municipalities without consideration of local choice and option is inappropriate. One reason for the establishment of local governments is to allow the flexibility needed for local conditions and circumstances. A statewide mandate of a particular policy and a cost imposed for noncompliance with a rather inflexible program is not good public policy and such a mandate should not be placed upon local governments. Insertion of provisions in the bill to allow for local options and have a general statutory requirement as a default in the absence of some local provision would be a more appropriate method.

TRB:bl

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HB0422 DOCUMENT= 1 OF 7

CHAMBER = H
COMMITTEE = HCRB
DATE = 031488
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DOCUMENT TEXT
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NUMBER 554

CHAIRMAN SPRINGER BROUGHT HB 422 BEFORE THE COMMITTEE. MARK BEGICH, AIDE TO REP. DONLEY, EXPLAINED THE DIFFERENCES BETWEEN THE TWO PROPOSED COS (FILE ITEM #1.2 AND #1.3). VERSION #1.3 BROUGHT HB 422 TO THE ORIGINAL INTENT OF CONCENTRATING ON MUNICIPALITIES AND SCHOOL DISTRICTS ONLY.

CHAIRMAN SPRINGER ENTERTAINED A MOTION TO ADOPT COSB 422 (CRB) FILE, REFERENCE TO FILE. REP. CATO SO FORTH. THERE WAS NO OBJECTION AND SO IT WAS SO ORDERED.

NUMBER 585

GARY JENKINS, OF THE NATIONAL FEDERATION OF INDEPENDENT BUSINESS (NFIB), AN ORGANIZATION OF SMALL BUSINESSES ACROSS THE STATE OF ALASKA, TESTIFIED IN SUPPORT OF COSB 422. IT WOULD EXTEND TO LOCAL GOVERNMENTS A REQUIREMENT THAT THEY PAY THEIR BILLS IN A REASONABLE AND TIMELY MANNER. IN 1986, LEGISLATION PASSED THAT MANDATED THIS FOR ALL STATE AGENCIES. SEVERAL YEARS EARLIER, THE NFIB MEMBERSHIP HAD VOTED 85% IN FAVOR, 10% OPPOSED AND 5% NO OPINION ON THIS ISSUE. CURRENT LAW BASICALLY SAID THAT FROM DATE OF RECEIPT OF A PROPER INVOICE, THE SCHOOL DISTRICT OR MUNICIPALITY WOULD HAVE 30 DAYS IN WHICH TO PAY THE BILL. EXCEPTIONS FOR INCORRECT BILLINGS STOPPED THAT 30 DAY BILLING TIME.

TAPE ONE, SIDE B

NUMBER 000

MR. JENKINS POINTED OUT THAT FROM THE EFFECTIVE DATE OF THE ORIGINAL LEGISLATION, OCT. 1, 1986 THROUGH FEB. 1, 1988, THE STATE OF ALASKA HAD PAID ABOUT \$34,000 IN INTEREST. IT SHOWED THAT THE LEGISLATION, AS FAR AS THE STATE WAS CONCERNED, DID EXACTLY WHAT IT WAS DESIGNED TO DO, NAMELY FORCE STATE AGENCIES TO CLEAN UP THEIR PAYING PRACTICES AND PAY BILLS ON TIME. THAT WOULD BE THE INTENT OF HB 422, AS IT RELATED TO SCHOOL DISTRICTS AND MUNICIPALITIES. IT WAS IMPORTANT TO SMALL BUSINESSES TO BE PAID TIMELY WHEN DOING BUSINESS WITH LOCAL GOVERNMENT.

REP. CATO ASKED WHY SCHOOLS DID NOT PAY THEIR BILLS IN A TIMELY FASHION. MR. JENKINS SAID THERE WAS NO PARTICULAR REASON. PEOPLE RESPONDED TO WHATEVER WAS THEIR PRIORITY AT THE TIME. THE VAST MAJORITY OF BILLS WERE PAID ON TIME. BUT A BLOCK OF 10-20% WERE NOT.

NUMBER 081

REP. DAVE DONLEY, SPONSOR OF HB 422, EXPLAINED THAT THE PURPOSE OF THE BILL WAS TO GET LOCAL AND MUNICIPAL PAYMENTS OF WHAT WAS OWED TO THE SMALL BUSINESSES.

CHAIRMAN SPRINGER HAD A PROBLEM WITH THE 30 DAYS. FROM A MANAGEMENT STRUCTURE, THE STATE HAD GONE TO A MORE CENTRALIZED WAY OF DOING BUSINESS, AND MOST AGENCIES WERE HEADQUARTERED IN ANCHORAGE OR JUNEAU, AND COULD ADDRESS THE PROBLEM, SINCE EVERYTHING GOT FUNNELED THROUGH EITHER REGIONALLY OR THROUGH A CENTRALIZED SYSTEM. HB 422 WAS TALKING ABOUT MUNICIPALITIES AND SCHOOL DISTRICTS, INCLUDING LITTLE TOWNS IN REMOTE AREAS. SOME OF THE COMMUNITIES GEARED THEIR ACTIVITIES TOWARD THE SEASONAL ACTIVITY (BERRY PICKING, FISHING, ETC.). TURNOVER RATE WAS HIGH. UNDER SOME RURAL SETTINGS, 30 DAYS WAS NOT A LONG TIME. MAIL PLANES SOMETIMES DID NOT GET IN FOR 10 DAYS OR TWO WEEKS. AN ACT OF GOD (WEATHER, ETC.) COULD CAUSE DELAYS, ALSO. WERE THE PENALTIES ASSESSED UNDER THOSE CIRCUMSTANCES? THERE WAS ALSO THE QUESTION OF TORT.

SCOTT BURGESS, AML, SPOKE IN OPPOSITION TO HB 422 BECAUSE

OF THE IMPOSITION OF THE STATE PROCUREMENT CODE AND ITS RESTRICTION OF LOCAL AUTONOMY. HE FELT IT WAS A PHILOSOPHICAL PROBLEM. THERE WAS NO DISAGREEMENT THAT BILLS SHOULD BE PAID IN TIME.

NUMBER 212

REP. SAWAGE THOUGHT THERE WERE TIME LIMITS ALREADY, IN ANCHORAGE. MR. BURGESS COULD NOT ADDRESS THAT BUT FELT THAT IF SOMEONE HAD A PROBLEM, THEY WOULD PROBABLY BE AT THE NEXT ASSEMBLY MEETING TO BRING IT UP. REP. CATO COMMENTED THAT IN HER DISTRICT, THE MAIL SIMPLY DID NOT COME IN A TIMELY MANNER. REP. DONLEY CLARIFIED THAT THE 30 DAY PERIOD DID NOT START UNTIL RECEIPT OF THE MAIL AND WENT UNTIL THEY ATTEMPTED TO MAIL THE PAYMENT.

CHAIRMAN SPRINGER COULD SEE TWO SIDES. SOME SMALL TOWNS WERE VERY LAX ABOUT HANDLING PUBLIC DOCUMENTS. HE SAW THE BUSINESS SIDE, ALSO. TO HIM, NOT ALL ENTITIES IN THE STATE WERE THE SAME. SOME LIKE FAIRBANKS AND ANCHORAGE HAD SIMILAR SYSTEMS TO THE STATE SYSTEM. BUT THAT WAS A FAR CRY FROM AN IN BETWEEN TOWN LIKE NOME OR BETHEL OR A SMALLER VILLAGE. THERE NEEDED TO BE A MECHANISM TO DISTINGUISH BETWEEN THE DIFFERENT ABILITIES OF THE MUNICIPALITIES. REP. DONLEY HAD CONSIDERED HAVING SOME SORT OF CUT OFF FOR INSULATING SMALLER COMMUNITIES FROM THIS TYPE OF LEGISLATION BUT DCRA DID NOT LIKE SETTING UP A DICHOTOMY BETWEEN VARIOUS MUNICIPALITIES AND ORGANIZATIONS AND IT WOULD BE VERY DIFFICULT TO ADMINISTER. POSSIBLY A COMPROMISE COULD BE REACHED AS TO THE LENGTH OF TIME THAT WAS CONSIDERED.

REP. COLLINS FOUND IT HARD TO UNDERSTAND THAT IT WAS A BURDEN TO PAY IN 30 DAYS OF RECEIPT OF A BILL. SHE FELT THAT THE DAY YOU ORDERED THE EQUIPMENT OR PROVIDED A SERVICE, YOU HAD INCURRED THAT COST. YOU CARRIED THAT COST FOR A LENGTH OF TIME. IT DID NOT SEEM FAIR TO HER TO ASK THE SMALL BUSINESS PERSON TO CARRY THAT COST, AND SHE SAW NO REASON NOT TO PAY WITHIN 30 DAYS. CHAIRMAN SPRINGER HAD SEEN TOWNS WHERE THE CLERK HAD CHANGED THREE TIMES IN A WEEK. IT WAS HARD TO GET SOMEONE IN CITY HALL TO TAKE CARE OF BUSINESS. HE AGREED THAT THE SERVICE WAS DEMANDED BY THE MUNICIPALITY, BUT WHEN PAYMENT WAS DUE, SOME OF THEM

GOT VERY LAX. REP. DONLEY ASKED IF IT WAS STILL PREVALENT IN THE BUSINESS WORLD FOR A PRACTICE OF 30 DAYS BEING CASH AND ANYTIME AFTER THAT WAS CONSIDERED RUNNING ON A CREDIT BASIS. CHAIRMAN SPRINGER SAID BUSINESSES HAD TIGHTENED UP BECAUSE CREDIT HAD BECOME SO EXPENSIVE. THERE USED TO BE AN INCENTIVE (DISCOUNT) TO PAY EARLY.

NUMBER 323

MARK JOHNSON, FROM THE MUNICIPALITY OF ANCHORAGE WAS INVITED TO TESTIFY. BASICALLY, THEY ASSOCIATED THEMSELVES WITH THE COMMENTS FROM THE AML, IN OPPOSITION TO HB 422, FEELING THE LEGISLATURE WAS INAPPROPRIATELY INVOLVED WITH LOCAL FUNCTION WITH THIS BILL. THE APPROPRIATE MECHANISM WAS PROBABLY THE LOCAL GOVERNING BODY, RATHER THAN THE LEGISLATURE REVISING TITLE 29. HE WOULD BE HAPPY TO RESEARCH REP. SAWACKI'S COMMENT ABOUT ANCHORAGE HAVING AN ORDINANCE THAT DEALT WITH IT ALREADY. MR. JOHNSON FELT THE ISSUE SHOULD BE DEALT WITH AS A RESOURCE ALLOCATION QUESTION. HIS RESEARCH INDICATED THAT IN ORDER TO COMPLY WITH THE LEGISLATION, THEY MIGHT HAVE TO HIRE A HALF TIME PERSON TO COMPUTE INTEREST PAYMENTS. THEY HAD VERY FEW PAYMENT PROBLEMS. HE URGED THE COMMITTEE TO EXPLORE WHETHER IT WAS A PERCEIVED PROBLEM OR ACTUAL ONE.

CHAIRMAN SPRINGER OFFERED A HISTORICAL PERSPECTIVE OF STATE PAYMENT TIMES BEFORE THE 1986 LEGISLATION, WHERE THERE WERE HIGH NUMBERS IN THE 45-60-90 DAYS CATEGORIES. PAYMENT WAS DELAYED DUE TO THE BUREAUCRATIC RUN OF MANY SIGNATURES REQUIRED TO PROCESS A PAYMENT. THE LAW CHANGED THAT. BUT WITH SMALL COMMUNITIES, THERE WERE PRACTICAL PROBLEMS.

NUMBER 400

REP. DONLEY SAW ONE OF THE PHILOSOPHICAL ISSUES AS ONE OF LOCAL CONTROL. THEY WERE TALKING ABOUT BUSINESSES THAT WERE STATE WIDE, NOT JUST IN A COMMUNITY. ACCORDINGLY, IF THEY WERE ONLY TALKING ABOUT LOCAL BUSINESSES WITHIN A COMMUNITY, CERTAINLY THEY WOULD HAVE THE VOTING RIGHTS WITHIN THAT COMMUNITY TO ESTABLISH WHETHER THE COMMUNITY SHOULD PAY THEIR BILLS IN A TIME CONSTRAINT. BUT THEY WERE TALKING ABOUT PEOPLE WHO WERE NOT IN THE COMMUNITY, WHO WERE DOING BUSINESS IN THAT COMMUNITY, BUT HAD NO SAY IN

THAT LOCAL GOVERNMENT. REP. DONLEY ASKED MR. JOHNSON, IF INTEREST PAYMENTS WERE CALCULATED BY THE VENDOR (UNDER CURRENT STATE PROVISIONS), WHY HE WOULD HAVE TO RECALCULATE THEM OR HIRE A HALF TIME PERSON TO DO THAT. MR. JOHNSON SAID THEY COULD SEE SOMEONE WHO WOULD MONITOR THE 30 DAYS APPLICATION. REP. CATO ASKED IF THE HALF TIME PERSON WOULD BE ADDRESSING THE CONCERN OR THE AMOUNT OF DOLLARS INVOLVED, IF NOT PAID IN A TIMELY FASHION. SHE ALSO FELT THAT THE INTEREST THAT COULD BE EARNED BY LEAVING THE MONEY IN THE BANK INSTEAD OF PAYING THE BILL MIGHT BE AN INCENTIVE NOT TO PAY. REP. DONLEY REMARKED THAT IT WAS AN ECONOMIC ISSUE. IF HE WAS A PRIVATE CONTRACTOR DOING BUSINESS WITH A MUNICIPALITY AND HE KNEW THEY HAD A PROPENSITY FOR DELAYING THEIR PAYMENT, HE WOULD ADJUST HIS BID OR CHARGES BASED ON WHAT HIS BUSINESS CLIMATE WAS. THEY WERE REALLY DEALING WITH A PHILOSOPHY OF WHETHER PEOPLE SHOULD BE PAID ON TIME.

NUMBER 485

CARL ROSE, WITH THE STATE SCHOOL BOARD ASSOCIATION, SAID HE COULD SEE BOTH SIDES OF THE ISSUE AS WELL. HE DID WANT TO POINT OUT THERE WAS A PROBLEM WITH SCHOOL DISTRICTS IN THE SUMMER TIME, WHEN THERE MIGHT NOT BE STAFF AVAILABLE TO DO THE BILLS, SINCE MOST OF THE CLASSIFIED STAFF TOOK VACATION AT THAT TIME, AS WELL AS THE TEACHERS. AND THE OPTION DID EXIST TO NOT DO BUSINESS WITH ENTITIES THAT DID NOT PAY ON TIME. REP. COLLINS THOUGHT THEY MIGHT BE ABLE TO PAY BILLS IN ADVANCE IF THEY WERE GOING TO BE GONE FOR THREE MONTHS.

REP. DONLEY ASKED IF 30 DAYS WOULD BE APPROPRIATE. MR. ROSE SAID IT VARIED FROM DISTRICT TO DISTRICT. REP. DONLEY WAS FLEXIBLE ABOUT THE PAYMENT TIME AND SHARED CONCERNS ABOUT THE SMALLER VILLAGES WITH THE SEASONAL FUNCTIONS AND SCHOOL DISTRICTS THAT CLOSED DOWN. HE STILL FELT THEY HAD A GOOD CONCEPT. REP. COLLINS NOTED THAT TECHNICALLY, AS LONG AS NO ONE WAS THERE TO RECEIVE THE BILL, THEN THE BILL WAS NOT RECEIVED UNTIL SOMEONE WAS THERE TO RECEIVE IT.

NUMBER 500

CHAIRMAN SPRINGER HAD TRIED TO COME UP WITH SOME

DISTINGUISHING MECHANISM THAT WAS NOT BLATANTLY DISCRIMINATORY, BUT WHATEVER HE CAME UP WITH EITHER REWARDED SLOPPINESS (LEAVING TIME CONSTRAINT OUT), OR GAVE THEM MORE INCENTIVE TO NOT DO ANYTHING AND IN A WAY PENALIZED THOSE WHO WERE PERFORMING. SIZE WAS NOT A GOOD WAY TO DEAL WITH IT. REP. COLLINS SAID HER POSITION WAS THAT IF THE SCHOOLS NEEDED GOODS AND SERVICES, THEN THEY OUGHT TO MAKE ARRANGEMENTS TO PAY FOR IT. IT WAS UNFAIR TO HAVE THE SMALL BUSINESS PERSON CARRY THE BURDEN. CHAIRMAN SPRINGER SHARED HER FEELING.

NUMBER 557

REP. DONLEY SUGGESTED THAT IT MIGHT BE MORE ADVANTAGEOUS FOR SOMEONE TO SIMPLY PAY THE INTEREST RATHER THAN HAVE TO HAVE SOMEONE THERE TO PROCESS IT. IT MIGHT BE CHEAPER THAN HIRING SOMEONE TO DO THE BOOKKEEPING. IT WAS AN ECONOMIC EVALUATION. CHAIRMAN SPRINGER ASKED IF ANYONE HAD ANY SUGGESTIONS ON A COMPROMISE SITUATION.

MARLA HUSS, FROM KENAI PENINSULA BOROUGH, ASKED IF MUNICIPALITIES OR LOCAL GOVERNMENTS WERE REQUIRED TO PAY INTEREST NOW. REP. DONLEY SAID THEY WERE NOT. CHAIRMAN SPRINGER EXPLAINED THAT THEY WERE STATUTORILY EXEMPT FROM INTEREST UNLESS THERE WAS SOME CONTRACTUAL AGREEMENT.

TAPE TWO, SIDE A

NUMBER 000

INTEREST COULD NOT BE ADDED TO A BILL IF IT DID NOT GET PAID. REP. DONLEY NOTED THAT COLLECTING THE SMALL PENALTY FOR THE SMALL BUSINESS WAS COUNTER PRODUCTIVE, ANNOYED THE CLIENT AND WAS MORE HASSLE THAN IT WAS WORTH. THEY USUALLY JUST ATE IT, BUT THAT WAS NOT RIGHT, EITHER. THE POINT WAS THAT IT WAS VERY DIFFICULT TO ENFORCE THE PENALTY PROVISIONS.

NUMBER 045

CHAIRMAN SPRINGER SAW NO REASON TO SIT ON CSHB 422, AND FELT IT WAS ONE OF THOSE CIRCUMSTANCES WHERE EVERYONE HAD TO DECIDE FOR THEMSELVES WHAT WAS RIGHT OR WRONG UNDER THE

ANCHORAGE DAILY NEWS SAT., MAY 21, 1988

State agencies save funds by paying the bills on time

By LARRY PERSILY
The Associated Press

JUNEAU — The state will save almost \$24,000 this year doing something most people try, but don't always succeed at.

State agencies will save the money by paying their bills on time and avoiding monthly finance charges.

Tired of complaints that the state was slow in paying its bills, the Alaska Dept. of Administration this week is beginning a program to pay bills within 30 days. Agencies would have to pay 1 1/2 percent a month in finance charges after the deadline.

The law went into effect Oct. 1, 1987, and in the next 10 months of the fiscal year it has saved \$23,300 in finance charges on about \$2.2 million in late payments.

In the first nine months of this fiscal year, the state paid \$9,300 in finance charges on about \$400,000 in late payments.

If that rate holds through the end of the fiscal year June 30, the state will have paid

about \$9,300 in interest — a \$23,600 savings from the first year the law was in place.

Looking at the number of bills paid by the state, some people may wonder how so many of them get paid on time.

In the first nine months of the current fiscal year, state agencies issued more than 373,000 checks, with almost half a million expected by June 30. That's down about 10 percent from last year, when state spending is down.

Those 500,000 checks will total about \$1.3 billion for goods and services.

"We always have our problems," said Lauri Merrill, chief of the department of Administration's finance division. "There always are some bills that get held up for any number of reasons," she said.

But agency payment procedures have been getting better, and the division plans to improve the process even more.

FILM:

Continued

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be... can... text... said.

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HOUSE COMMITTEE REPORT

(5)

Date Referred: February 3, 1989

FURTHER REFERRALS: HESS
FINANCE

Date of Committee Action: 2-16-89

The COMMUNITY & REGIONAL AFFAIRS Committee recommends that:

HOUSE BILL NO. 139 [PAYMENT FOR PURCHASES; SCHOOLS/MUNICIP.'S]
"An Act relating to payments for purchases by school districts and municipalities; and providing for an effective date."

[] be replaced with CS HB 139 C-RA [] the same title
[] a new title

[] have attached amendment(s)

- [] do pass
- [] do not pass
- [] no recommendation
- [] individual recommendations
- [] additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- [] fiscal impact
- [] zero fiscal note ^{notes} Educ. & C-RA
- [] zero with analysis

APPROVES PREVIOUS:

- [] fiscal note(s) published: _____
- [] zero fiscal notes(s) published: _____

SIGNING DO PASS:

~~Richard J. Jolley~~
Richard J. Jolley

SIGNING OTHER THAN DO PASS:
(Do Not Pass, No Recommendation, Amend)

~~Eileen Maclean (no rec)~~
Eileen Maclean
Cheri Davis (needs reading)
[Signature] no rec

Eileen P. Maclean
 Chairman's signature