

H B

210

STATE OF ALASKA
FISCAL NOTE

Revision Date _____, 1983

I. REQUEST

Bill/Resolution No.: HB205/210
 Title: Relating to Payment of Interest
 Sponsor: Duncan/Shultz by State
 Requestor: House State Affairs

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	1,125.0	1,125.0	1,125.0	1,125.0	1,125.0
TOTAL OPERATING	0	1,125.0	1,125.0	1,125.0	1,125.0	1,125.0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	1,125.0	1,125.0	1,125.0	1,125.0	1,125.0
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

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

No source identified by the Legislature.

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Tom Haas, Acting Director
 Division: Finance

Phone: 465-2240
 Date: 3/17/83

Approved by Commissioner: Lisa Rudd
 Department: Administration

Date: 3/17/83

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

(If different from Sponsor)

3/8/83

IV. ANALYSIS

The Department of Administration is opposed to this Legislation, not because we disagree with the idea of the State paying its bill in a timely manner, but because we feel there are better ways to address this problem. In determining the fiscal impact on mandatory payment of interest, it is impossible to place a definite dollar amount for the cost. Many items must be taken into consideration.

First, in order to calculate what the interest cost would be, a detailed analysis would be necessary to determine what the dollar amount of bills paid in excess of 30 days might be. Readily available information does not exist. However, to show what the potential impact might be, we offer this example, making a number of assumptions.

On the assumption that the State annual budget is \$3.0 billion and that 50% of that budget represents vendor payments effected by this legislation. Further we assume that 5% of the vendor payments might be subject to penalty as defined in the Legislation. Based on these assumptions, the interest penalty could be as high as \$1,125,000.00.

Calculated as follows:

\$3,000,000,000.00	Annual Budget
X 50%	
<hr/>	
\$1,500,000,000.00	Potential Vendor Payments
X 5%	
<hr/>	
\$ 75,000,000.00	5% Subject to Penalty
X 0.15%	
<hr/>	
<u>\$ 1,125,000.00</u>	Interest Penalty for Bills Paid in Excess of 30 Days.

The preferable way to avoid penalty payments is to pay vendors within the 30 day period. This is and always has been the goal of the Department of Administration. The only effective way of doing this is either to divert current staff of the various State agencies to the effort of paying bills timely or to develop the agencies internal procedures and the Department of Administration's automated systems in order to address the payment problem. The cost to the State in providing additional staff or a bill paying effort that would pay all bills within 30 days using the current system has not be determined. The Department of Administration is currently in the process of

March 17, 1983

redesigning the statewide accounting system which will include features that will improve the bill paying and tracking capabilities of the State.

While we recognize the problem of paying vendors in a timely manner is a serious matter, we should point out that for the most part, vendors are paid timely. For a 12 month period, the State paid on the average of 70,200 invoices a month. During that time, the average payment time was 29 days. The high monthly average was 33 days while the low monthly average was 24 days. During this period, only two months exceeded 30 days payment time.

In addition to the costs of attempting to improve the payment time and the potential interest penalties, we should also consider the cost of increased bureaucracy that would be involved in determining what payments would be subject to penalty, what period of time would be covered, as well as the logistics of making the interest payments, all of these would be costs to the State in time and effort.

Lastly, it should be noted that the funding of the interest payments would need to be 100% State funds. We have been advised by the U S. Office of Management and Budget that the Prompt Payment Act (P.L. 970177) prohibits the use of Federal grant funds for the agencies that are primarily federally funded. (Copy of OMB letter attached)

Again, we are not opposed to timely payment of vendor bills but are concerned with the method of achieving that goal.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

December 14, 1982

MEMORANDUM

SUBJECT: Payment Practices

It has come to our attention that several States have laws, or are considering legislation, that requires the payment of interest penalties to contractors when bills are paid late.

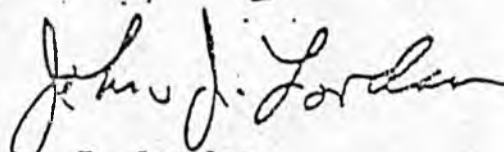
This is to alert you to the fact that the Prompt Payment Act (P.L. 97-177) prohibits the use of Federal grant funds for the payment of such interest penalties. The act says

"(A) in no case shall an obligation to pay such interest penalties be construed to be an obligation of the United States, and

"(B) any payment of such interest penalties shall not be made from funds provided to the grant recipient by a Federal agency, nor shall any non-Federal funds expended for such interest penalties be counted toward any matching requirement applicable to that grant."

We would appreciate your alerting your staff to this prohibition to assure that the Federal Government is not charged improperly for interest penalty costs.

NOV 18 1982
ADMINISTRATIVE


John J. Lordan
Deputy Associate Director
for Financial Management



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

December 14, 1982

MEMORANDUM

SUBJECT: Payment Practices

It has come to our attention that several States have laws, or are considering legislation, that requires the payment of interest penalties to contractors when bills are paid late.

This is to alert you to the fact that the Prompt Payment Act (P.L. 97-177) prohibits the use of Federal grant funds for the payment of such interest penalties. The act says

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We would appreciate your alerting your staff to this prohibition to assure that the Federal Government is not charged improperly for interest penalty costs.

John J. Lordan
Deputy Associate Director
for Financial Management

Mr. J. J. Lordan
ADMINISTRATION



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
CONTRACT & GRANT OPERATIONS
800 N. QUINCY ST., ROOM 401
ARLINGTON, VIRGINIA 22217



Joh
Stewart
JAN 6 1983

Memorandum

To: All Bureau and Agency Heads
From: Chief, Contract & Grant Operations
Subject: Payment Practices

I am attaching a memorandum dated December 14, 1982, from the Office of Management and Budget concerning the use of Federal grant funds for the payment of interest penalties. The memorandum cites the Prompt Payment Act which prohibits this practice.

Your program officials and staff should be alerted concerning this prohibition.

Andrew H. Payne
Andrew H. Payne

cc: Cecile Coleman w/copy of incoming

INTERIM OFFICE:
1024 WEST SIXTH AVENUE
ANCHORAGE, ALASKA 99501
(907) 274-2843

IN SESSION:
POUCH V
JUNEAU, ALASKA 99811
(907) 465-4865

Alaska State Legislature



Representative Mitch Abund
CHAIRMAN

House Committee on State Affairs

AGENDA

DATE: 3/17

TIME: 1:00 P.M., ROOM 102

I. CALL THE MEETING TO ORDER

A. NOTE THE COMMITTEE MEMBERS PRESENT AND WELCOME THOSE OBSERVING THE MEETING.

B. REMIND THOSE WHO HAVE NOT SIGNED-IN TO DO WHO WISH TO TESTIFY. AND REMIND THOSE GIVING TESTIMONY TO SPEAK UP AND STATE THEIR NAME, ADDRESS AND PHONE NUMBER BEFORE TALKING.

II. ANNOUNCE LEGISLATION UNDER CONSIDERATION:

HB 205 - AN ACT PROVIDING FOR PAYMENT OF INTEREST BY STATE AGENCIES ON OBLIGATIONS NOT TIMELY PAID. *Jim Duncan is sponsor*

HB 210 AN ACT RELATING TO PAYMENT FOR PURCHASES BY THE STATE. *Dick Shultz SPONSOR*

COMMENTS FROM ELAINE ON HB 205: AS A FORMER STATE EMPLOYEE WITH DEPT. OF NATURAL RESOURCES, WHO APPROVED INVOICES FOR PAYMENT IN A TIMELY MANNER I AM OPPOSED TO THIS BILL BECAUSE:

1) AFTER YOU APPROVE AN INVOICE AND SEND IT TO JUNEAU FOR A CHECK TO BE ISSUED, EVEN IF YOU SEND IT THE VERY DAY YOU RECEIVE THE INVOICE, IT TAKES APPROX. 6 WEEKS FOR THE VENDOR TO RECEIVE IT. IF THERE IS A PENALTY OR INT. FOR LATE PAYMENTS, THE INDIVIDUAL DIV. WITHIN THE DEPT. WOULD BE PENALIZED RATHER THAN THE ADMINISTRATIVE SECTION WHO IS RESPONSIBLE FOR ISSUING THE CHECKS IN THE FIRST PLACE. THEREFORE, IF THERE IS INT. TO BE PAID IT SHOULD COME OUT OF THE ADM. BUDGET AND NOT THE IND. DEPT. OR DIV.'S

OTHER NOTES OR REMINDERS:

2) PRIVATE INDUSTRY IS MAKING A LOT OF MONEY FROM STATE PURCHASES. IF NOT FOR THE STATE, MOST PRIVATE CO. WOULD NOT BE AROUND TODAY - SO AFFLUENT. THEREFORE, SIX WEEKS IS NOT TOO LONG TO WAIT WHEN THE STATE BUYS 2 MILLION DOLLARS WORTH OF XEROX PAPER ALONE, EACH YEAR, FROM XOS JUST IN ONE EXAMPLE. (PLEASE MAKE THESE POINTS AT THE MEETING IN YOUR OWN IRISH WAY) I THINK THEY ARE VERY VALID

File
MAR 09 1983
HB 205

STATE OF ALASKA
PRELIMINARY STATEMENT OF FISCAL IMPACT

Bill No: HB 205 Date on Bill: 2-16-83
 Title: Act providing for payment of interest by state agencies on obligations...
 Sponsor: Duncan
 Requestor: _____

1. Estimated fiscal impacts on:

a. Expenditures:

(Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86
Capital				
Operating		99.2	104.2	109.4
Total		99.2	104.2	109.4

b. Revenues:

Revenue				

2. Source of funds to offset fiscal impact of bill:

Not specified by sponsor.

3. Assumptions:

Currently there is no method within the system to identify invoices that have not been paid within 30 days from receipt. The department average payment time from the date of invoice to date of payment is less than 30 days. However, we can assume there are invoices that are not processed within 30 days of receipt. The interest payments that may be required should be nominal. Additional staff would be required to investigate each inquiry, make a determination as to whether interest is due, calculate the interest due and process the payment. The designated employee in each region should be at the Accounting Technician I or higher level of responsibility.

4. Disclaimer:

This statement has not been reviewed by the OMB in the Office of the Governor. It therefore does not represent the final estimate of fiscal impact.

Prepared By: Jim Slocum Phone: 465-3911
 Division: Financial Management Date: 3/4/83

Approved by Commissioner: Donna [Signature] Date: 3-7-83
 Department: Transportation & Public Facilities

5. Distribution:

- Original to Legislative Finance
- Copy to OMB
- Copy to Sponsor
- Copy to Requestor

2/15/83

MEMORANDUM

State of Alaska

TO: Administrative Officers
All Agencies

DATE: December 2, 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		

FINFR11/120781-5/32

MEMORANDUM

State of Alaska

TO: Administrative Officers
All Agencies

DATE: December 10, 1982

FILE NO:

TELEPHONE NO: 465-2260

SUBJECT: Payment Time

FRC
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 25 days to pay its bills during this month. This is the same number of days as 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	
Fiscal - Juneau	20	Development	
Fiscal - Anchorage	33	Fiscal	17
Administration		Small Business Loans	14
Fiscal - Juneau	31	Energy & Power	29
Fiscal - Anchorage	10	AK Power Authority	17
Employee Housing	34	Military Affairs	39
Public Defender	19	Natural Resources	37
Leasing & Facilities	16	Fish and Game	65
Telecom Systems - Anch.	26	Public Safety	15
Alaska Broadcasting Comm.	13	Environmental Conservation	16
Older Alaskan Comm.	13	Community & Regional Affairs	
Law	23	Fiscal	11
Revenue		CETA Division	12
Fiscal	13	Municipal Grants	18
Garnishments	5	Transportation and Public	
Education		Facilities	
Fiscal	25	Fiscal	37
Vocational Rehabilitation	42	Anchorage	22
Council of the Arts	21	Fairbanks	24
Health & Social Services		Anchorage Airport	16
Fiscal	26	Southeast	25
Public Assistance	2	Ombudsman	4
Social Services	14	Legislative Affairs	36
Handicapped Child Prog.	44	Legislative Finance	5
Labor		Legislative Audit	5
Fiscal	25	Alaska Court System	31

*Calendar days **

MSA/gyr
14D1/1209-1/F26

** From date of Invoice to date of Payment.*

MEMORANDUM

State of Alaska

TO: Administrative Officers
All Agencies

DATE: November 10, 1982

FILE NO:

TELEPHONE NO: 465-2260

SUBJECT: Payment Time

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

After reviewing the Vendor Analysis for the month of October, it has been determined that it took the State an average of 25 days to pay its bills during this month. This is a three day increase over October 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	
Fiscal - Juneau	20	Development	
Fiscal - Anchorage	32	Fiscal	17
Administration		Small Business Loans	13
Fiscal - Juneau	26	Energy & Power	22
Fiscal - Anchorage	15	AK Power Authority	13
Employee Housing	25	Military Affairs	35
Public Defender	19	Natural Resources	34
Leasing & Facilities	8	Fish and Game	63
Telecom Systems - Anch.	24	Public Safety	18
Alaska Broadcasting Comm.	6	Environmental Conservation	21
Older Alaskan Comm.	14	Community & Regional Affairs	
Law	23	Fiscal	14
Revenue		CETA Division	13
Fiscal	11	Municipal Grants	19
Garnishments	5	Transportation and Public	
Education		Facilities	
Fiscal	17	Fiscal	31
Vocational Rehabilitation	40	Anchorage	22
		Fairbanks	26
Council of the Arts	27	Anchorage Airport	20
Health & Social Services		Southeast	28
Fiscal	28	Ombudsman	9
Public Assistance	8	Legislative Affairs	42
Social Services	15	Legislative Finance	1
Handicapped Child Prog.	50	Legislative Audit	7
Labor		Alaska Court System	30
Fiscal			

MISA/cjk
44F1/0614-1

[Handwritten notes: 45, 27, 11/23]

MEMORANDUM

State of Alaska

TO: Administrative Officers
All Agencies

DATE: October 4, 1982

FILE NO:

TELEPHONE NO: 465-2260

W. Sue Alexander
FROM: W. Sue Alexander

SUBJECT: Payment Time

Pre-Audit Supervisor
Division of Finance
Department of Administration

After reviewing the Vendor Analysis for the month of September, it has been determined that it took the State an average of 33 days to pay its bills during this month. This is a five day increase over September 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	
Fiscal - Juneau	36	Development	
Fiscal - Anchorage	37	Fiscal	31
Administration		Small Business Loans	9
Fiscal - Juneau	37	Energy & Power	44
Fiscal - Anchorage	15	AK Power Authority	0
Employee Housing	20	Military Affairs	31
Public Defender	25	Natural Resources	30
Leasing & Facilities	12	Fish and Game	57
Telecom Systems - Anch.	49	Public Safety	28
Alaska Broadcasting Comm.	25	Environmental Conservation	45
Older Alaskan Comm.	4	Community & Regional Affairs	
Law	25	Fiscal	22
Revenue		CETA Division	14
Fiscal	22	Municipal Grants	22
Garnishments	5	Transportation and Public	
Education		Facilities	
Fiscal	34	Fiscal	53
Vocational Rehabilitation	38	Anchorage	26
		Fairbanks	32
Council of the Arts	19	Anchorage Airport	26
Health & Social Services		Southeast	33
Fiscal	33	Ombudsman	5
Public Assistance	7	Legislative Affairs	38
Social Services	21	Legislative Finance	7
Handicapped Child Prog.	58	Legislative Audit	9
Labor		Alaska Court System	35
Fiscal	44		

MISA/cjk
44F1/0614-1

MEMORANDUM

State of Alaska

TO: Administrative Officers
All Agencies

DATE: September 13, 1982

FILE NO.

TELEPHONE NO: 455-2260--

SUBJECT: Payment Time

MSA
FROM: *MSA* M. Sue Alexander

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

After reviewing the Vendor Analysis for the month of August, it has been determined that it took the State an average of 28 days to pay its bills during this month. This is a seven day decrease over August 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	
Fiscal - Juneau	24	Development	
Fiscal - Anchorage	26	Fiscal	50 20
Administration		Small Business Loans	13 → 50
Fiscal - Juneau	48	AK Power Authority	15
Fiscal - Anchorage	35		
Employee Housing	36	Military Affairs	38
Public Defender	28	Natural Resources	38
Leasing & Facilities	9	Fish and Game	72
Telecom Systems - Anch.	27	Public Safety	23
Alaska Broadcasting Comm.		Environmental Conservation	27
Older Alaskan Comm.	14	Community & Regional Affairs	
Law	29	Fiscal	20
Revenue		CETA Division	21
Fiscal	20	Municipal Grants	15
Garnishments	5	Transportation and Public	
Education		Facilities	
Fiscal	26	Fiscal	32
Vocational Rehabilitation	41	Anchorage	26
District School Support		Fairbanks	27
Council of the Arts	34	Anchorage Airport	19
Health & Social Services		Southeast	32
Fiscal	34	Ombudsman	15
Public Assistance	6	Legislative Affairs	37
Social Services	19	Legislative Finance	9
Handicapped Child Prog.	39	Legislative Audit	7
Labor		Alaska Court System	40
Fiscal	22		

MSA/cjk
44F1/0614-1

MEMORANDUM

State of Alaska

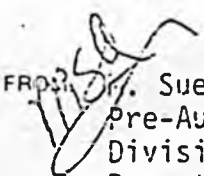
TO: Administrative Officers
All Agencies

DATE: August 11, 1982

FILE NO:

TELEPHONE NO: 465-2250

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 Airpor:	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

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

MSA/cjk
44F1/0614-1

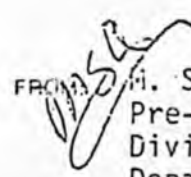
TO: Administrative Officers
All Agencies

DATE: May 14, 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 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	13
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		

LISA/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: M. 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		

MSA/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:

M. Sue Alexander
FROM: M. 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	3	Legislative Audit	7
Social Services	8	Alaska Court System	25
Labor			
Fiscal	31		
Anchorage Support Service	15		

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

MEMORANDUM

State of Alaska

TO: Administrative Officers
All Agencies

DATE: February 8, 1982

FILE NO:

TELEPHONE NO: 465-2260

FROM: *[Signature]*
Diane 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		

FINFRM/020082-6/32

MEMORANDUM

State of Alaska

TO: Administrative Officers
All Agencies

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

FIMFRI/120781-5/32

STATE OF ALASKA
PRELIMINARY STATEMENT OF FISCAL IMPACT

Bill No: HB 205 Date on Bill: 2/16/83
 Title: "An Act providing for payment of interest by state agencies..."
 Sponsor: Duncan
 Requestor: _____

1. Estimated fiscal impacts on:

a. Expenditures:

(Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86
Capital				
Operating				
Total		-0-	-0-	-0-

b. Revenues:

Revenue							

2. Source of funds to offset fiscal impact of bill:

No fiscal impact is anticipated.

3. Assumptions:

That administrative staffing will remain adequate to avoid delays in bill payment processing such that no interest expenses are incurred.

4. Disclaimer:

This statement has not been reviewed by the OMB in the Office of the Governor. It therefore does not represent the final estimate of fiscal impact.

Prepared By: Marcia Lynn McKenzie Phone: 465-4349
 Division: Administrative Services Date: _____
 Approved by Commissioner: [Signature] Date: 3/8/83
 Department: Public Safety

5. Distribution:

- Original to Legislative Finance
- Copy to OMB
- Copy to Sponsor
- Copy to Requestor

2/15/83

File
HB
205

STATE OF ALASKA
PRELIMINARY STATEMENT OF FISCAL IMPACT

Bill No: HB 205 Date on Bill: 2/16/83
 Title: "An Act providing for payment of interest by state agencies..."
 Sponsor: Duncan
 Requestor: _____

1. Estimated fiscal impacts on:

a. Expenditures:

(Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86		
Capital						
Operating						
Total		-0-	-0-	-0-		

b. Revenues:

Revenue						
---------	--	--	--	--	--	--

2. Source of funds to offset fiscal impact of bill:

No fiscal impact is anticipated.

MAR 09 1983

3. Assumptions:

That administrative staffing will remain adequate to avoid delays in bill payment processing such that no interest expenses are incurred.

4. Disclaimer:

This statement has not been reviewed by the OMB in the Office of the Governor. It therefore does not represent the final estimate of fiscal impact.

Prepared By: Marcia Lynn McKenzie Phone: 465-4349
 Division: Administrative Services Date: _____

Approved by Commissioner: [Signature] Date: 3/8/83
 Department: Public Safety

5. Distribution:

- Original to Legislative Finance
- Copy to OMB
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- Copy to Requestor

2/15/83

Chart of States with Prompt Payment Statutes or Regulations

STATE	STATUTE/ REGULATION	YEAR ENACTED	CONTRACTS COVERED	STANDARD OF PAYMENT	INTEREST	APPLICATION OF STATUTE/REGULATION
ALASKA	STATUTE	1982	construction	30-day	10.5% annually	Any state or political subdivision of the state
ARIZONA	STATUTE	1982	ALL	30-day	10.0% annually	Any state agency, school district, or office or agency established by a county
CALIFORNIA	STATUTE	1982	ALL	30-day	.25% per day	All state agencies
FLORIDA	STATUTE	1974	ALL	45-day	1% per month	All state agencies
HAWAII	STATUTE	1977	ALL	60-day	1% per month	Any agency of the state or any county
ILLINOIS	STATUTE	1975	ALL	60-day	1% per month	Any state official or agency authorized to provide payment from state funds
INDIANA	STATUTE	1933	highway	180-day	1% per month	State Highway Department
MARYLAND	REGULATION		ALL	35-day construction 45-day non-construction	NONE	All state agencies
MASSACHUSETTS	STATUTE	1977 1961	utility construction	55-day 65-day	NONE **	State, city, town or political subdivision
NEBRASKA*	STATUTE	1975	ALL	30-day	NONE	All state agencies
NORTH CAROLINA	STATUTE	1931	ALL	30-day	NONE	All state agencies
OREGON	STATUTE	1979	ALL	45-day	.67% per month	All state agencies
SOUTH CAROLINA	STATUTE	1981	ALL	30-day	15.0% annually	All agencies and institutions of the state
VIRGINIA	REGULATION	1979	ALL	60-day	1% per month	All state agencies
WASHINGTON	STATUTE	1981	ALL	30-day	1% per month	Every state agency and unit of local government
WEST VIRGINIA	REGULATION		ALL	90-day	6.0% annually	All state agencies
LOUISIANA	STATUTE	1982	ALL	30-day***	.5% per day	All state agencies

* Later found to be unconstitutional.

** Construction statute provides for payment of interest penalties on late payments at a daily rate of three percentage points above the rediscount rate then charged by the Federal Bank of Boston.

*** Except, a 45-day standard of payment for Entitlement Programs

CSHB 210

BACKGROUND ON CSHB 210

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.

Mr. Leonard Lemon, Comptroller of the U.S. Army ^{at Ft. Greely} advised that the Prompt Payment Act has improved their payment scheduling and the payment of their accounts payable has become prompt and very routine. The U.S. Army has incorporated it in their Army Regulations.

The State has put an amount of more than \$1.2 million annual cost on its fiscal note, which should be a good indication of how much money is involved in overdue accounts. The agencies further claim that they will have to reorganize their payment system in order to fulfill the requirements of this bill. If this is so, then it should be done. This should be an indication that their method of paying accounts payable is presently inefficient and needs modifying.

The bill is needed in Alaska and will be a great help to the average small businessman that does business with state government.

Analysis of SSHB 210

"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 in 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 a past due balance - also provides for the exclusion of interest in the event that the seller and the State have a mutual agreement.

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

Subsection (d) 2. provides for an exception 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) defines "dispute" as noncompliance, in performance or price, with the terms of the contract, as determined by administering State officier.

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

Section 3. Provides an effective date of July 1, 1983.

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States Commis-

ses of the Com-
hall not, with
States share of
ject to section
as it limits the
) international

ropriated such
e to provide for
therwise, facili-
ne Commission.
pus of the Uni-
1 and shall be
visions in the

37, as amended
of the 90th day

d Transportation).

PROMPT PAYMENT ACT

For Legislative History of Act, see p. 111

An Act to require the Federal Government to pay interest on overdue payments, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Prompt
Payment Act.

SHORT TITLE

SECTION 1. This Act may be cited as the "Prompt Payment Act".

31 USC 1801
note.

INTEREST PENALTIES ON LATE PAYMENTS

SEC. 2. (a)(1) In accordance with regulations prescribed by the Director of the Office of Management and Budget, each Federal agency which acquires property or services from a business concern but which does not make payment for each such complete delivered item of property or service by the required payment date shall pay an interest penalty to such business concern in accordance with this section on the amount of the payment which is due.

31 USC 1801.

(2) Such regulations—

(A) shall specify that the required payment date shall be—

(i) the date on which payment is due under the terms of the contract for the provision of such property or service; or

(ii) thirty days after receipt of a proper invoice for the amount of the payment due, if a specific date on which payment is due is not established by contract;

(B)(i) in the case of any acquisition of meat or of a meat food product, as defined in section 2(a)(3) of the Packers and Stockyards Act, 1921 (7 U.S.C. 182(3)), shall specify a required payment date which is not later than seven days after the date of delivery of such meat or meat food product; and

(ii) in the case of any acquisition of a perishable agricultural commodity, as defined in section 1(4) of the Perishable Agricultural Commodities Act, 1930 (7 U.S.C. 499a(4)), shall specify a required payment date consistent with requirements imposed pursuant to such Act;

(C) shall specify separate required payment dates for contracts under which property or services are provided in a series of partial executions or deliveries; to the extent that such contract provides for separate payment for such partial execution or delivery; and

(D) shall require that, within fifteen days after the date on which any invoice is received, Federal agencies notify the business concern of any defect or impropriety in such invoice which would prevent the running of the time period specified in subparagraph (A)(ii).

(b)(1) Interest penalties on amounts due to a business concern under this Act shall be paid to the business concern for the period

SEC. 4. (a)(1) Claims for interest penalties which a Federal agency has failed to pay in accordance with the requirements of section 2 or 3 of this Act may be filed under section 6 of the Contract Disputes Act of 1978 (41 U.S.C. 605).

31 USC 1802.

(2) Interest penalties under this Act shall not continue to accrue (A) after the filing of a claim for such penalties under the Contract Disputes Act of 1978, or (B) for more than one year.

41 USC 601 note.

(3) Paragraph (2) shall not be construed to preclude the accrual of interest pursuant to section 12 of the Contract Disputes Act of 1978 (41 U.S.C. 611) after interest penalties have ceased accruing under this Act, and interest pursuant to such section may accrue on both any unpaid contract payment and on the unpaid interest penalty required by this Act.

(b) Except as provided in section 3 with respect to disputes concerning discounts, this Act shall not be construed to require interest penalties on payments which are not made by the required payment date by reason of a dispute between a Federal agency and a business concern over the amount of that payment or other allegations concerning compliance with a contract. Claims concerning any such dispute, and any interest which may be payable with respect to the period while the dispute is being resolved, shall be subject to the Contract Disputes Act of 1978.

CONGRESSIONAL OVERSIGHT

SEC. 5. (a) Each Federal agency shall file with the Director of the Office of Management and Budget a detailed report on any interest penalty payments made under this Act during the preceding fiscal year.

Report, filing with OMB. 31 USC 1804.

(b) Such report shall include the number, amounts, and frequency of interest penalty payments, and the reasons such payments were not avoided by prompt payment, and shall be delivered to the Director within sixty days after the conclusion of each fiscal year.

Contents.

(c) The Director shall submit to the Committee on Governmental Affairs, the Committee on Appropriations, and the Committee on Small Business of the Senate and to the Committee on Government Operations, the Committee on Appropriations, and the Committee on Small Business of the House of Representatives within one hundred and twenty days after the conclusion of each fiscal year a report on Federal agency compliance with the requirements of this Act. Such report shall include a summary of the report submitted by each Federal agency under subsection (b) and an analysis of the progress made in reducing interest penalty payments by that agency from previous years.

Federal agency compliance; submittal to congressional committees.

DEFINITIONS

SEC. 6. For the purposes of this Act—

31 USC 1805.

(1) the term "Federal agency" has the same meaning as the term "agency" in section 551(1) of title 5, United States Code, but also includes any entity (A) which is operated exclusively as an instrumentality of such an agency for the purpose of administering one or more programs of that agency, and (B)

which is so identified for this purpose by the head of such agency;

(2) the term "business concern" means any person engaged in a trade or business and nonprofit entities operating as contractors;

(3) an invoice shall be considered a "proper invoice" when it contains or is accompanied by such substantiating documentation (A) as the Director of the Office of Management and Budget may require by regulation; and (B) as the Federal agency involved may require by regulation or contract;

(4) an invoice shall be deemed to have been received by an agency on the later of—

(A) the date on which the agency's designated payment office or finance center actually receives a proper invoice;

or

(B) the date on which such agency accepts the property or service concerned;

(5) a payment shall be considered made on the date on which a check for such payment is dated; and

(6) a contract for the rental of real or personal property is a contract for the acquisition of that property.

EFFECTIVE DATE

31 USC 1801
note.

SEC. 7. (a) This Act applies to the acquisition of property or services on or after the beginning of the first calendar quarter which begins more than ninety days after the date of enactment of this Act.

31 USC 1801
note.

(b) The provisions of this Act requiring the promulgation of regulations shall be effective upon enactment, and such regulations shall be promulgated not later than ninety days after the date of enactment of this Act.

31 USC 1806.

(c) The provisions of this Act shall apply to the Tennessee Valley Authority, but any regulations promulgated under the authority of this Act shall not be applicable to the Tennessee Valley Authority, which shall be solely responsible for implementing the provisions of this Act with respect to its contracts.

Approved May 21, 1982.

LEGISLATIVE HISTORY—S. 1131 (H.R. 4709):

HOUSE REPORT No. 97-461 accompanying H.R. 4709 (Comm. on Government Operations).

SENATE REPORT No. 97-302 (Comm. on Governmental Affairs).

CONGRESSIONAL RECORD:

Vol. 127 (1981): Dec. 15, considered and passed Senate.

Vol. 128 (1982): Mar. 23, H.R. 4709 considered and passed House, proceedings vacated and S. 1131, amended, passed in lieu.

May 11, Senate concurred in House amendments.

PUBLIC LAW

AMELIA EARHART DAY

Joint Resolution to authorize and establish "Earhart Day".

Whereas Amelia Earhart crossed the Atlantic Ocean as a pilot;

Whereas Amelia Earhart was a pioneer in various airplanes and aviation;

Whereas Amelia Earhart was an inspiring example to the people of the United States;

Whereas Amelia Earhart was a pioneer in aviation and was a strong advocate of aviation;

Whereas Amelia Earhart was a pioneer in aviation and was a strong advocate of aviation;

Whereas Amelia Earhart was a pioneer in aviation and was a strong advocate of aviation;

Whereas Amelia Earhart was a pioneer in aviation and was a strong advocate of aviation;

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, that the President be and he is authorized and requested to request the States, Territories, and the people to observe "Earhart Day", as a tribute to Amelia Earhart, and to call upon the agencies and the people of the United States with appropriate ceremonies.

Approved May 21, 1982.

Approved May 21, 1982.

Approved May 21, 1982.

LEGISLATIVE HISTORY—H. R. 4709:

CONGRESSIONAL RECORD,

May 18, considered and

May 19, considered and

1 IN THE HOUSE

BY SHULTZ AND LISKA

2 SPONSOR SUBSTITUTE FOR BILL NO. 210
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 THIRTEENTH 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:

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 regulations adopted by the Office
19 of Budget and Management.

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

25 (c) If payment for goods or services purchased by the state is
26 not made within 30 days of a required payment date, the state shall
27 pay interest on the unpaid balance at the rate of one and one-half
28 percent a month, ^{or portion of a month} unless an agreement exists between the seller and the
29 state that precludes the charging of interest.

(d) This section does not apply

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

(2) after a seller of goods or services receives notice from the state officer responsible for administering the contract that the amount of the invoice or quality of the goods or services is in dispute and stating the reasons for the dispute.

(e) Interest paid under (c) of this section shall be charged to the budget of the state agency incurring the interest.

(f) In this section "dispute" means a determination by the state officer responsible for administering a contract for the purchase of goods or services that the performance or price charged is not in compliance with the terms of the contract.

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

* Sec. 3. This Act takes effect July 1, 1983.

STATE OF ALASKA
FISCAL NOTE

Revision Date _____, 1983

I. REQUEST

Bill/Resolution No.: HB205/210
 Title: Relating to Payment of Interest
 Sponsor: Duncan/Shultz by State
 Requestor: House State Affairs

II. FISCAL DETAIL

Agency Affected: A11
 Program Category Affected: A11
 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	1,125.0	1,125.0	1,125.0	1,125.0	1,125.0
TOTAL OPERATING	0	1,125.0	1,125.0	1,125.0	1,125.0	1,125.0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	1,125.0	1,125.0	1,125.0	1,125.0	1,125.0
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

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

No source identified by the Legislature.

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Tom Haas, Acting Director Phone: 465-2240
 Division: Finance Date: 3/17/83

Approved by Commissioner: Lisa Ruld Date: 3/17/83
 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

IV. ANALYSIS

The Department of Administration is opposed to this Legislation, not because we disagree with the idea of the State paying its bill in a timely manner, but because we feel there are better ways to address this problem. In determining the fiscal impact on mandatory payment of interest, it is impossible to place a definite dollar amount for the cost. Many items must be taken into consideration.

First, in order to calculate what the interest cost would be, a detailed analysis would be necessary to determine what the dollar amount of bills paid in excess of 30 days might be. Readily available information does not exist. However, to show what the potential impact might be, we offer this example, making a number of assumptions.

On the assumption that the State annual budget is \$3.0 billion and that 50% of that budget represents vendor payments effected by this legislation. Further we assume that 5% of the vendor payments might be subject to penalty as defined in the Legislation. Based on these assumptions, the interest penalty could be as high as \$1,125,000.00.

Calculated as follows:

\$3,000,000,000.00	Annual Budget
X 50%	
\$1,500,000,000.00	Potential Vendor Payments
X 5%	
\$ 75,000,000.00	5% Subject to Penalty
X 0.15%	
\$ 1,125,000.00	Interest Penalty for Bills Paid in Excess of 30 Days.

The preferable way to avoid penalty payments is to pay vendors within the 30 day period. This is and always has been the goal of the Department of Administration. The only effective way of doing this is either to divert current staff of the various State agencies to the effort of paying bills timely or to develop the agencies internal procedures and the Department of Administration's automated systems in order to address the payment problem. The cost to the State in providing additional staff or a bill paying effort that would pay all bills within 30 days using the current system has not be determined. The Department of Administration is currently in the process of

redesigning the statewide accounting system which will include features that will improve the bill paying and tracking capabilities of the State.

While we recognize the problem of paying vendors in a timely manner is a serious matter, we should point out that for the most part, vendors are paid timely. For a 12 month period, the State paid on the average of 70,200 invoices a month. During that time, the average payment time was 29 days. The high monthly average was 33 days while the low monthly average was 24 days. During this period, only two months exceeded 30 days payment time.

In addition to the costs of attempting to improve the payment time and the potential interest penalties, we should also consider the cost of increased bureaucracy that would be involved in determining what payments would be subject to penalty, what period of time would be covered, as well as the logistics of making the interest payments, all of these would be costs to the State in time and effort.

Lastly, it should be noted that the funding of the interest payments would need to be 100% State funds. We have been advised by the U.S. Office of Management and Budget that the Prompt Payment Act (P.L. 970177) prohibits the use of Federal grant funds for the agencies that are primarily federally funded. (Copy of OMB letter attached)

Again, we are not opposed to timely payment of vendor bills but are concerned with the method of achieving that goal.