

ALASKA MUNICIPAL LEAGUE ADOPTED RESOLUTIONS

Resolution #2024-05

A resolution in support of legislation that requires prompt payment of contracted and formula funding obligations, including the distribution of Community Assistance.

WHEREAS, AS 36.90.200 requires the State of Alaska to pay contractors performing construction or public works activities in a timely manner; and

WHEREAS, this statute introduces penalties for non-compliance, including interest on non-payment, which reimburses the contractor for opportunity costs or additional burdens experienced; and

WHEREAS, the need for prompt payment extends well-beyond construction contracts and should be broadly applicable to all grantees and contractors of the State; and

WHEREAS, the State disburses money in multiple ways to many entities, including to healthcare organizations and non-profits receiving Medicaid reimbursement, and to local governments through programs like Community Assistance; and

WHEREAS, chronic delays in government payments are a serious problem for communities across the country, as well as in Alaska, with private, public, and nonprofit providing crucial health and human services to their communities; and

WHEREAS, many of these entities operate with less than 90 days in cash reserves, and some with little or none - "reimbursable" grant agreements require them to fund all the costs of services for 30 to 90 days before they can even invoice for payment; and

WHEREAS, delayed payments create hardships for organizations' ability to operate effectively, and extended delays jeopardize the health and well-being of those they serve on behalf of state agencies, as well as threaten the providers' financial stability and solvency, often forcing them to exhaust reserves and resort to lines of credit; and

WHEREAS, municipalities and other entities suffer due to delays in disbursements that may make them unable to fulfill their own obligations and provide their own services; and

WHEREAS, local governments have reported delayed payments that have affected property insurance renewals, payroll and project payments, delayed construction and maintenance activities, delayed bulk fuel commitments and contracting, inability to reflect non-federal match for federal grants; and

WHEREAS, there is an opportunity cost that comes with non-payment as well, especially when reserves have to be used that lessen investment returns, and otherwise interest and fees may compound non-payment; and

WHEREAS, it is in the State's interest to ensure the solvency and sustainability of public, private, and nonprofit organizations and can facilitate this by ensuring prompt payment.

NOW, THEREFORE BE IT RESOLVED, that AML requests that the Alaska State Legislature pass legislation requiring the State of Alaska to provide prompt payments in all of its contracted and formula obligations, grants, or transfers; and

BE IT FURTHER RESOLVED that State agencies should increase their ability to meet this duty and ensure appropriate levels of capacity to do so.

Adopted by the majority of AML members at the Annual Business Meeting, December 8, 2023.