



# Senate

General Assembly

**File No. 416**

January Session, 2005

Senate Bill No. 1229

*Senate, April 19, 2005*

The Committee on Finance, Revenue and Bonding reported through SEN. DAILY of the 33rd Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

## **AN ACT CONCERNING PROMPT PAYMENT PROCEDURES.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 4a-71 of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective October 1, 2005*):

3 (a) Except as provided in section 4a-73, each state department and  
4 agency shall pay interest at a rate [of one per cent per month] equal to  
5 the monthly effective yield for the Short Term Investment Fund  
6 administered by the Treasurer pursuant to sections 3-27a to 3-27f,  
7 inclusive, on amounts due on written contracts for public works,  
8 personal services, goods and services, equipment and travel, whenever  
9 such department or agency fails to make timely payment.

10 (b) For the purposes of this section, payment shall be timely if: (1) A  
11 check or warrant is mailed or delivered on the date specified for the  
12 amount specified in the applicable contract documents, or, if no date is  
13 specified, within forty-five days of receipt of a properly completed

14 claim or receipt of goods and services, whichever is later; or (2) for any  
15 amount that is required to be withheld under state or federal law, a  
16 check or warrant is mailed or delivered in the proper amount on the  
17 date the amount may be released under the applicable law.

This act shall take effect as follows and shall amend the following sections:		
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Section 1	<i>October 1, 2005</i>	4a-71
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**FIN**      *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

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**OFA Fiscal Note**

**State Impact:**

Agency Affected	Fund-Effect	FY 06 \$	FY 07 \$
State Comptroller, All	Various -Savings	See Below	See Below

**Municipal Impact:** None

**Explanation**

The bill changes the interest rate applicable to late payments from state agencies from 1% per month to the monthly effective yield for the state's Short Term Investment Fund (STIF). This will result in a state savings in interest paid on late payments.

The current monthly effective yield for the state's STIF is 2.6% annually or .216% monthly. This rate is lower than the fixed rate of 1% monthly which is applicable to late payment under current law. According to the Office of the State Comptroller, the value of payments that were coded late in FY 04 was \$594,000. For a one month period the late interest payment on \$594,400 is \$5,944 based on existing law and is \$1,287 based on the bill. No data is available regarding value of late payments in prior fiscal years or the average period of time that the payments were late.

**OLR Bill Analysis**

SB 1229

***AN ACT CONCERNING PROMPT PAYMENT PROCEDURES*****SUMMARY:**

The bill changes the interest rate applicable to late payments from state agencies from 1% per month to the monthly effective yield for the state's Short Term Investment Fund. The change applies to late state payments on written contracts for public works, personal services, goods, services, equipment, and travel.

By law, a state payment for goods or services is late if mailed or delivered (1) after the date specified in the contract or (2) if no date is specified, more than 45 days after the state receives either the goods or services or a properly completed claim for payment, whichever is later. A state payment of funds withheld under state or federal law is late if the agency does not mail or deliver a check or warrant for the correct amount on the date the applicable law allows the funds to be released.

EFFECTIVE DATE: October 1, 2005

**BACKGROUND*****Short Term Investment Fund***

The Short Term Investment Fund (STIF) is a money market fund managed by the state treasurer. STIF serves as an investment vehicle for the operating cash of state agencies and authorities, and municipalities and other political subdivisions.

**COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable Report

Yea 43      Nay 0