United States General Accounting Office

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Briefing Report to the Chairman,
Committee on Government Operations,
House of Representatives

March 1989

PROMPT PAYMENT

State Laws Are Similar to the Federal Act but Less Comprehensive

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GAO

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Accounting and Financial
Management Division

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March 10, 1989

The Honorable John Conyers, Jr.
Chairman, Committee on Government Operations
House of Representatives

Dear Mr. Chairman:

In a July 12, 1988, letter, you and the former Chairman requested that we study the need for and possible impact of prospective legislation to extend coverage of federal or state prompt payment laws to federally assisted contracts and grants. Specifically, you asked that we review state prompt payment laws and assess state payment-timing practices.

In response to the first segment of your request, this report provides the results of our review of prompt payment laws for the 50 states and the District of Columbia. In addition, as requested, we have described the major provisions of the federal Prompt Payment Act as a point of reference with which to compare the provisions of state laws. To respond to the remainder of your request, we will issue our report on state payment practices separately.

As we briefed you on January 31, 1989, 47 states and the District of Columbia have enacted laws that govern the timing of at least some types of state payments to private vendors and contractors. Although there are significant variations among these laws, many states have enacted provisions that parallel federal prompt pay legislation. For example, about three-quarters of the states have laws requiring that, in the absence of contractual payment-timing provisions, invoices for goods and services be paid within a period of either 30 or 45 days, and most provide for interest penalties when payments are late. However, the laws in most states are not as comprehensive as the federal law because they do not have as broad an application and do not specifically address as many types of payments and payment-timing issues. In addition, laws in six states expressly exempt at least some federally funded state payments, and for three states (Georgia, New Hampshire, and Vermont) we could not identify any laws governing the timing of payments to vendors by those states or their political subdivisions.

State prompt pay laws are relatively new and are still evolving, as is the case with federal prompt pay provisions, which were originally enacted in 1982 and amended in October 1988. Thirty-eight states and the District of Columbia either enacted or revised payment-timing and/or late-penalty provisions since 1983. As recently as 1987 and 1988, 18 states enacted laws that either established, strengthened, clarified, or broadened state prompt pay provisions. For example, three states reduced the number of days allowed for agencies to pay bills, four added provisions regarding the timing of payments by contractors to subcontractors, and one reduced the number of days within which contractors are to pay subcontractors.

Our objective was to give an overview of state laws regarding the timing of state payments to vendors for goods and services provided to the states and their political subdivisions, especially as these laws apply to federally assisted contracts. The information presented is intended to facilitate congressional consideration of the need for and desirability of extending federal prompt pay requirements to federally funded payments made by states. Our analysis covers a variety of payment-timing provisions that you mentioned in your request letter and that have been raised in recent hearings on the timeliness of federal commercial payments. These include due-date determinations, the treatment of payments to subcontractors, and late-payment interest penalty requirements, if any.

Our research, which was performed from early July through December 1988, included the laws of all 50 states and the District of Columbia. To identify and obtain pertinent provisions, we researched state laws through the use of the various state codes and the LEXIS and Westlaw computerized data bases. After obtaining copies of the statutes we identified, we studied each state's laws to determine what types of payments were covered and if and how various payment-timing issues were addressed.

To help ensure that the laws we had identified were as complete and current as possible, we talked with personnel at state libraries and legislative research services to verify our information and to identify recently enacted legislation. Finally, we sent a listing of the pertinent sections of state laws that we had identified to each state's comptroller or chief financial officer, requesting that they review the listing for accuracy and completeness.

Unless otherwise indicated, the report's text and tables describe and discuss the provisions of each state's most comprehensive set of payment-timing provisions. For most states and the District of Columbia, we identified a single set of provisions which prescribe payment-timing rules for the majority of the state's payments to commercial vendors. Many of these states also have specialized payment-timing provisions for specific agencies, programs, and kinds of payments or vendors. For some states, however, we could only identify a number of specialized provisions. We have attempted to incorporate many of the varying provisions in our analyses and to highlight significant exceptions while, at the same time, furnishing a useful and comprehensible overview of state prompt payment laws. It must be recognized, however, that a full understanding of an individual state's payment-timing legislation would require a detailed review of its statutes.

Our analyses did not include a review of the legislative history of the statutes, how those statutes may have been construed by the courts, or how the respective states are implementing these laws. Although administrative policies and procedures may significantly supplement the provisions of law and should be considered in any in-depth analysis of individual state payment-timing practices, such an analysis was not within the scope of this segment of our review. We will perform a comprehensive analysis of such procedures for a selected group of states when we assess state payment practices in response to the remainder of your request.

The detailed results of our analyses are provided in appendixes to this letter, which are organized as follows:

-- Appendix I describes the provisions of the federal Prompt Payment Act of 1982, including amendments enacted in October 1988.

-- Appendix II analyzes the varying provisions regarding the types of payments covered by state prompt payment laws.

-- Appendix III describes provisions of state laws regarding the number of days within which vendors' invoices are to be paid and the penalties imposed when payment is late.

-- Appendix IV discusses several other payment-timing provisions included in state laws, such as the treatment of vendor-offered discounts and limits on the time allowed to inspect and accept delivered goods or completed services.

-- Appendix V is a listing of the state laws governing payment timing and late-payment penalties on which our analyses are based. Generally, the listing references the pertinent sections of codified state laws. However, some recently enacted legislation, which has not yet been codified, is cited by bill or statute number.

Tables identifying major prompt payment provisions on a state-by-state basis appear throughout appendixes II, III, and IV.

Unless you publicly announce the contents of this report earlier, we will not distribute it until 30 days after the issuance date. At that time, we will send copies of the report to the former Chairman, House Committee on Government Operations; the Chairman, Senate Committee on Governmental Affairs; and the comptrollers of the 50 states and the District of Columbia. We will also make copies available to others upon request. If you have any questions about the contents of this report, please contact me at (202) 275-9454.

The major contributors to this report are listed in appendix VI.

Sincerely yours,

Jeffrey C. Steinhoff
Director, Financial Management
Systems Issues

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FEDERAL PROMPT PAYMENT LEGISLATION

THE 1982 ACT STIPULATES THE FOLLOWING FOR FEDERAL AGENCY PAYMENTS UNLESS RELATED CONTRACTS PROVIDE OTHERWISE:

- **-- PAY INVOICES WITHIN 30 DAYS AFTER THE LATER OF (1) RECEIPT OF INVOICE OR (2) ACCEPTANCE OF GOODS OR SERVICES**
- **-- NOTIFY VENDORS OF IMPROPER INVOICES WITHIN 15 DAYS OF THEIR RECEIPT**
- **-- ALLOW "GRACE PERIODS" UP TO 15 DAYS AFTER DUE DATE DURING WHICH PAYMENT MAY BE MADE WITHOUT ACCRUING INTEREST**
- **-- INTEREST ACCRUES FROM DAY AFTER DUE DATE ON ALL INVOICES PAID AFTER THE GRACE PERIOD**
- **-- PAY INTEREST ON LATE PAYMENTS TO VENDORS**
- **-- PAY INTEREST PENALTY ON IMPROPERLY-TAKEN DISCOUNTS**
- **-- REPORT ANNUALLY ON LATE PENALTIES PAID**

IN OCTOBER 1988, THE ACT WAS AMENDED AS FOLLOWS:

- **-- CONTRACTORS TO PAY SUBCONTRACTORS WITHIN 7 DAYS AFTER RECEIVING PAYMENT ON CONSTRUCTION CONTRACTS**
- **-- GRACE PERIODS ELIMINATED**
- **-- SPECIFIC PROVISIONS ADDED REGARDING PARTIAL PAYMENTS AND FINAL PAYMENTS ON CONSTRUCTION CONTRACTS**
- **-- IMPROPER INVOICES TO BE RETURNED NO LATER THAN 7 DAYS AFTER THEIR RECEIPT**

FEDERAL PROMPT PAYMENT LEGISLATION

The Prompt Payment Act of 1982 (Public Law 97-177; 31 U.S.C. Chapter 39) provides specific criteria to federal agencies for determining due dates on commercial invoices when related contracts do not include payment-timing provisions and requires agencies to pay interest penalties when payments are late. Although the act does not apply to payments made by state and local agencies, the following summary of its major requirements provides a point of reference with which to compare the requirements of states' laws.

Unless related contracts provide otherwise, the original Prompt Payment Act generally requires federal agencies to do the following:

- -- Pay invoices for delivered goods and services within 30 days of the date on which (1) the agency's designated payment office receives a proper invoice or (2) the agency accepts the goods or services, whichever is later.
- -- Notify vendors of improper invoices, such as those that do not identify the related contract, within 15 days of their receipt.
- -- Automatically pay interest when payment is delayed beyond the due date by more than any allowable grace period (15 days for most purchases). Late-payment interest accrues from the day after the due date.
- -- Take discounts only within the offered period and pay interest on discounts taken after this period.
- -- Submit data annually to the Office of Management and Budget (OMB) on late penalties paid. (OMB must submit a summary report to the Congress.)

An October 1988 law (Public Law 100-496) modified some of the act's provisions and extended its applicability. Major provisions of the new law established the following criteria for contracts awarded or renewed on or after April 1, 1989:

- -- Construction contracts are to include provisions requiring prime contractors and subcontractors to pay their subcontractors for satisfactory performance within 7 days of receiving payment themselves and to pay interest on late payments.

-- The grace periods are eliminated.

-- Solely for the purpose of calculating due dates and the dates upon which any late-payment penalty shall begin to accrue, an agency shall be deemed to have accepted goods and services no later than 7 days after they were actually delivered or performed, unless otherwise specified in the contract.

-- For construction contracts, unless the contract states otherwise, interest must be paid on (1) partial payments not paid within 14 days after receipt of the payment request and (2) final payments that are not paid within 30 days after final acceptance of the contract work.

-- Agencies must return improper or defective invoices to vendors, accompanied by an explanation, no later than 7 days after their receipt.

APPLICABILITY OF STATE PROMPT PAYMENT LAWS VARIES

-- **LAWS IN 6 STATES SPECIFICALLY EXEMPT AT LEAST SOME FEDERALLY FUNDED PAYMENTS**

-- **LAWS IN 24 STATES APPLY TO AT LEAST SOME PAYMENTS BY POLITICAL SUBDIVISIONS**

-- **LAWS IN 9 STATES AND THE DISTRICT OF COLUMBIA SPECIFICALLY APPLY TO AT LEAST SOME PAYMENTS TO NONPROFIT ORGANIZATIONS**

-- **LAWS IN 21 STATES AND THE DISTRICT OF COLUMBIA INCLUDE PROVISIONS REGARDING TIMING OF OR LATE PENALTIES ASSOCIATED WITH PARTIAL OR PROGRESS PAYMENTS**

-- **LAWS IN 22 STATES ADDRESS THE TIMING OF PAYMENTS TO SUBCONTRACTORS**

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APPLICABILITY OF STATE PROMPT PAYMENT LAWS VARIES

State prompt pay laws specify a wide variety of inclusions and exemptions regarding the state agencies, offices, subdivisions, and types of payments that are either covered or not covered. Of the 47 states and the District of Columbia (48 governments) that have payment-timing laws applicable to state purchases, 44 include payment-timing provisions that appear to apply to the majority of state agencies and payment types. The laws for the other four states (Arkansas, North Carolina, New Mexico,[1] and Nevada) address state construction contracts only.

Analyses in the remainder of this report pertain to the 48 governments that have enacted provisions for the timing of payments to commercial vendors and contractors. Tables II.2 and II.3, located at the end of this appendix, provide an overview of the types of payments covered by each state's laws.

FEDERALLY FUNDED PAYMENTS

Laws in 28 states and the District of Columbia do not specify whether federally funded state payments are to be treated differently from payments completely funded by the states. The remaining 19 states address this issue to varying degrees.

-- Laws in five states specifically state that their payment-timing provisions apply to at least some federally funded state payments. For example, Arizona laws specifically include only federally funded final payments on construction contracts and those made to small businesses.

-- Laws in eight states imply that, for at least some types of purchases, federally funded state payments are subject to state payment-timing laws. For example, Oregon law does not specifically state that federally funded payments are covered by its prompt pay provisions. However, these provisions do state that, when overdue account charges cannot lawfully be paid from federal funds, such charges will be paid from the state's administrative funds, implying that federally funded payments are covered.

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[1]New Mexico laws also require state agencies to establish procedures that allow them to take advantage of vendor-offered price discounts. However, the remainder of New Mexico's payment-timing provisions pertain only to construction contracts.

-- Payment-timing provisions for six states specifically exempt federally funded state payments to some extent. The most comprehensive payment-timing provisions in Iowa and Wisconsin laws appear to exempt all federally funded state payments from their scope. State payments in Connecticut, Indiana, and Nebraska are exempt from those states' most comprehensive provisions if they are funded exclusively with federal funds. Minnesota's most comprehensive provisions do not specifically address federally funded payments, but a specialized payment-timing provision pertaining to highway construction exempts federally funded state payments for county and municipal "state-aid" highways from payment-timing provisions.

In addition to these 19 states, the laws of 7 others, while not specifically exempting federally funded payments, exempt payments for at least some highway construction, an area of significant federal assistance.

PAYMENTS BY POLITICAL SUBDIVISIONS

Laws in 24 states specifically apply to at least some payments by political subdivisions, such as counties, municipalities, and school districts. Conversely, four states' laws specifically exempt at least some payments by political subdivisions.

PAYMENTS TO NONPROFIT BUSINESSES

The payment-timing provisions in 38 states' laws do not address payments to nonprofit businesses. However, we identified laws for 9 states and the District of Columbia that specifically cover at least some such payments, as does the federal law. We found no prompt payment laws that specifically exempt such payments.

PARTIAL AND PROGRESS PAYMENTS

Laws in 21 states and the District of Columbia specifically address the timing of or late penalties on partial or progress payments, such as those for construction projects that may take months or years to complete and involve a large financial investment prior to final delivery.

Some state laws, as well as recent amendments to the federal law, refer to these payments as "progress payments." In an attempt to eliminate confusion at the federal level with regard to the terms "partial" and "progress" payments, OMB has defined partial payments as payments made for partial execution or delivery of accepted goods or services, including those made under construction contracts. Progress payments, on the other hand, are defined as payments made prior to receipt or acceptance of the goods or services solely for the purpose of assisting the contractor in financing the project. According to OMB's definitions, which are contained in OMB Circular No. A-125, partial payments are subject to interest penalties if paid late while progress payments are not. We believe that this is a valid distinction that is fully consistent with the substance of both the Prompt Payment Act of 1982 and the recent amendments to it. However, because our review did not include an examination of state regulations, we did not determine whether the states have made a similar distinction between these two types of payments. Accordingly, in this report we generally refer to any type of partial or progress payment as an "interim" payment.

Laws in 11 states provide fairly explicit criteria for determining due dates on either all or selected types of interim payments. Most require payment either monthly or within 30 days after receipt of a payment request.

-- Florida is to treat interim payments the same as other types of payments, which are generally subject to a 30-day payment period.

-- Michigan is to make interim payments either 30 days after a state architect or engineer certifies the request as proper or 15 days after the paying agency receives funds, whichever is later.

-- Oregon is to pay interim payments monthly, with interest beginning to accrue 30 days after payment is requested, or 15 days after approval by the agency, whichever is earlier.

-- Alabama, Colorado, Nevada, Ohio, Minnesota and water districts in Texas are to make interim payments either monthly or at the end of each month.

-- Nebraska law requires cities and villages to pay interest on interim payments for public improvement contracts not paid within 45 days after the invoice is approved for payment.

-- Iowa law provides that interim payments are to be made on the basis of monthly estimates of labor and materials used and that prime contractors are to make interim payments to their subcontractors within 7 days of receiving payment themselves.

The laws of eight other states and the District of Columbia address the timing of interim payments in a variety of ways.

-- Laws in five states require that interim payments be paid when due, in accordance with the contract.

-- Laws of New Jersey and the District of Columbia require that separate payment dates for interim payments be provided in the related contracts. Virginia laws provide that separate payment dates for interim payments may be specified in the contract.

-- Pennsylvania's laws state that payment-timing criteria regarding interim payments are to be prescribed in regulations.

Of the laws of the 20 governments mentioned above that directly address the timing of interim payments, 8 specifically provide for interest penalties when such payments are late. Laws in two states (Idaho and Massachusetts) provide that late interim payments are subject to interest penalties, but include no specific provisions for determining due dates for such payments.

Federal prompt payment provisions adopted in 1982 required OMB to implement regulations specifying separate payment due dates for partial payments when such payments are allowed by contract. That law, however, provided no specific criteria for setting such dates. The October 1988 amendments added legislative criteria for such payments. Federal law now provides that, for contracts that do not prohibit them, periodic payments for partial delivery or performance shall be made upon submission of an invoice and acceptance of the goods or services. Also, for construction contracts awarded or renewed on or after April 1, 1989, interest is to be paid if partial[2] payments are not made within 14 days after the designated payment office (the office to which the vendor is to send the bill) receives a payment request, unless a longer period is specified in the related contract.

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[2]Although the 1988 amendments to the Prompt Payment Act refer to these payments as "progress" payments, the context of that reference along with express language from the House Report which explains this provision demonstrates that it really applies to "partial" payments. We have been informally advised that OMB's staff agrees with this assessment.

PAYMENTS TO SUBCONTRACTORS

Prior to the October 1988 amendments, the Prompt Payment Act did not address payments to subcontractors. However, the law now provides that federal contracts must include provisions requiring contractors to pay their subcontractors within 7 days of receiving payment themselves and to pay an interest penalty when such payments are late.

Laws for 22 states specify a time of month by which, or a number of days within which, at least some prime contractors are to pay their subcontractors. For most of these states, this period is measured from the date the contractors receive payment themselves. However, laws in 5 of the 22 states specify a different start date, such as receipt of a payment request or completion of contract work. As Table II.1 shows, the state laws we identified have varied provisions regarding the number of days that a contractor has to pay its subcontractors.

Table II.1: Time Period Within Which Contractors Are to Pay Their Subcontractors

Number of days	Number of states
10 or fewer	7[a,b]
11 to 20	5
21 to 30	7
More than 30	3

[a]The laws of two states in this category specify that the payment period is to be measured in working days.

[b]The laws of one state included in this group (Hawaii) contain two separate timing provisions regarding payments to subcontractors--one (for public purchases, including construction) specifying payment within 10 days and another (limited to construction contracts) specifying payment within 30 to 60 days. See Table II.3 for additional details.

Of these 22 states, 13 have laws that also require interest penalties on some late payments, and a 14th, Delaware, mandates fines for the contractor when payments to subcontractors are late. The law in one additional state (Indiana) specifies a penalty for some late payments to subcontractors but does not specify when a payment is considered late. Penalty rates are expressed in a variety of ways, including fixed rates ranging from 10 to 21 percent per year and, in one case, a variable rate tied to the prime rates at U.S. banks.

The laws for two other states, Arkansas and Oregon, stipulate that at least some public contracts require prompt payment to subcontractors. However, they do not describe how to establish due dates or specify penalties for late payments. Oregon law requires that contracts contain a condition that the contractor "make payment promptly, as due, to all persons supplying . . . labor or material for the prosecution of the work provided for in such contract." Arkansas law requires that contractors obtain a performance bond "conditioned upon the prompt payment of labor and materials furnished in the prosecution of the contract."

It should be noted that, for many of these states, the subcontractor provisions we identified only apply to certain kinds of payments. Examples include the following:

- Colorado's provisions apply only to interim payments on construction contracts.
- Pennsylvania's provisions apply only to final payments on some construction contracts.
- Rhode Island's provisions apply only to payments to truckers and materialmen.

Table II.3 provides a detailed listing of the states whose laws address either the timing of payments to subcontractors or related late-payment penalties.

MISCELLANEOUS EXEMPTIONS FROM PROMPT PAY PROVISIONS

Other specific exemptions and inclusions for all 47 states and the District of Columbia are too numerous and varied to list in this report. In addition, an investigation at the individual state level, which was beyond the scope of this effort, would be required to determine the significance of some of these provisions. Examples of specific prompt pay exemptions not covered in other segments of this report include the following:

- payment delays due to circumstances beyond the control of the state, such as power failures, in Hawaii, Montana, and Washington;
- payments by the University of Maine;

-- payments for goods and services which exceed $500,000 in Alaska; and

-- payment by the "judiciary and courts of the state" in Delaware.

Table II.2: Applicability of Payment-Timing Requirements in State and District of Columbia Laws

	Federally funded payments[b]			Highway construction payments exempt	Payments by political subdivisions[b]		Payments to nonprofit entities subject to provisions[b]
State[a]	Subject to provisions	Implies as subject to provisions	Exempt from provisions		Subject to provisions	Exempt from provisions	
Alabama							
Alaska							
Arizona	x				x		
Arkansas				x	x		
California					x		x
Colorado		x			x		
Connecticut			x	x			
Delaware							
District of Columbia							x
Florida							
Georgia							
Hawaii	x				x		
Idaho	x				x		
Illinois					x		
Indiana			x	x	x		
Iowa			x		x		
Kansas					x		x
Kentucky							
Louisiana					x		
Maine	x					x	x
Maryland						x	
Massachusetts						x	x
Michigan		x					
Minnesota			x		x		
Mississippi					x		
Missouri							

(cont.)

	Federally funded payments[b]			Highway construction payments exempt	Payments by political subdivisions[b]		Payments to nonprofit entities subject to provisions[b]
State[a]	Subject to provisions	Implies as subject to provisions	Exempt from provisions		Subject to provisions	Exempt from provisions	
Montana					x		
Nebraska			x		x		x
Nevada					x		
New Hampshire							
New Jersey				x			x
New Mexico				x			
New York					x		
North Carolina				x	x		
North Dakota		x			x		
Ohio							
Oklahoma							
Oregon		x					
Pennsylvania		x		x			x
Rhode Island							
South Carolina	x					x	
South Dakota		x			x		x
Tennessee							x
Texas		x			x		
Utah							
Vermont							
Virginia					x		
Washington		x			x		
West Virginia							
Wisconsin			x				
Wyoming					x		
TOTAL	5	8	6	7	24	4	10

[a]While some states have only one prompt payment statute, most have several--each of which is subject to specific, varying, and not necessarily consistent exemptions and inclusions. The designation of particular states under the categories shown means that at least one of the relevant statutes addressed that subject, for at least some of the payments within its scope.

[b]Unless otherwise indicated in these columns, state laws are silent as to the timing of federally-funded payments.

Table II.3: States Whose Laws Include Specific Provisions for Subcontractor Payment Timing or Related Late-Payment Penalties

State[a]	Period allowed to pay subcontractors[b]	Interest penalties, fines, or other requirements[c]
Arizona	30 days after contractor receives goods or services and notice of amount due	10% per year
California	10 days (progress payments)	
Colorado	End of each month (partial payments on construction)	
Connecticut	30 days	1% per month
Delaware	30 days	Fine/imprisonment
Florida	7 working days	.5% per day, not to exceed 15% of balance due
Hawaii	10 days (public purchases, including construction)	
	60 days after contractor receives statement that goods have been delivered or services performed (construction contracts)	1% per month
	Later of (1) 60 days after contractor receives statement from subcontractor or (2) 30 days after contractor receives payment (retainage payments contingent on contractor's receipt of funds)	1% per month
Indiana	No payment period specified	1% per month
Iowa	7 days (partial and final payments)	Pro rata portion of interest received by contractor
Louisiana	14 days	.5% per day, not to exceed 15% of balance due
Massachusetts	65 days after completion of work[d]	
Mississippi	15 days (construction)	.5% per day, not to exceed 15% of balance due
Nevada	15 days (public works)	Lowest daily prime rate at 3 largest U.S. banks plus 2%

(cont.)

State[a]	Period allowed to pay subcontractors[b]	Interest penalties, fines, or other requirements[c]
New Mexico	5 working days	
New York	15 calender days (public works)	
North Carolina	7 days (construction)	1% per month
North Dakota	45 days	1.75% per month
Pennsylvania	20 days (final payments on some construction contracts)	
Rhode Island	90 days after charge incurred, material delivered, or service performed, whichever is later (truckers and materialmen)	
South Dakota	30 days	1.5% per month
Tennessee	30 days	1.5% per month
Texas	10 calendar days	1% per month
Utah	30 days	15.5% per year

[a]While some states appear to have only one prompt payment statute, most have several, which often provide for specific, varying, and not necessarily consistent exceptions and inclusions. It was not feasible to attempt to exhaustively summarize all of these variations. As a result, the data in this table do not necessarily apply to all of the payments made by the particular state or even to all of the payments within the scope of a particular state law.

[b]After contractors have received payment themselves, unless otherwise noted.

[c]Unless otherwise specified, the law is silent regarding interest penalties.

[d]Law only specifies that these provisions are to be included in contracts with subcontractors.

PAYMENT PERIODS AND LATE-PAYMENT INTEREST PENALTIES

-- LAWS IN 36 STATES AND THE DISTRICT OF COLUMBIA REQUIRE PAYMENT OF MOST INVOICES IN 45 DAYS OR LESS FROM A START DATE THAT IS USUALLY BASED ON RECEIPT OF AN INVOICE AND/OR RECEIPT OF THE GOODS AND SERVICES

-- LAWS IN 47 STATES AND THE DISTRICT OF COLUMBIA PROVIDE SPECIFIC START DATE CRITERIA

-- LAWS IN 46 STATES AND THE DISTRICT OF COLUMBIA PROVIDE FOR LATE-PAYMENT INTEREST PENALTIES ON AT LEAST SOME LATE PAYMENTS

-- LAWS IN 11 STATES AND THE DISTRICT OF COLUMBIA EITHER SPECIFICALLY ESTABLISH OR, IN EFFECT, CREATE A GRACE PERIOD FOR STATE PAYMENTS

PAYMENT PERIODS AND LATE-PAYMENT INTEREST PENALTIES

The number of days a state agency has to pay an invoice and the date on which this payment period begins are two important elements in determining when payment is due and when any applicable late-payment interest penalty begins to accrue. Tables III.3 and III.4, located at the end of this appendix, provide information on provisions regarding payment periods and late-payment interest requirements for individual states.

LENGTH OF PAYMENT PERIOD

For purposes of this report, the payment period is the number of days within which an agency is to pay a proper invoice. (Usually this period is measured in calendar days, but the laws of five states specify that only working days are to be counted.) Federal law generally provides that, unless otherwise specified in the contract, bills are to be paid within 30 calendar days. Laws in 42 states and the District of Columbia stipulate a specific number of days in which invoices for goods and services are to paid. Not included in this group of 43 governments are the four states whose laws address construction payments only and South Carolina, whose laws provide that agencies are to deliver vouchers for payment to the state comptroller general within 30 days, but do not stipulate how soon thereafter these vouchers are to be paid. The following table summarizes the payment periods specified for the purchase of goods and services in 42 states and the District of Columbia.

Table III.1: Number of Days Within Which States and the District of Columbia Are to Pay Invoices for Goods and Services

Number of days	Number of states
30 or fewer	21[a]
31 to 45	16[b,c]
46 to 60	5
More than 60	1

[a]The laws of three states in this category specify that the payment period is to be measured in working days.

[b]Recent amendments will reduce the payment period from 45 to 30 days for Hawaii, as of January 1990, and for Wisconsin, as of February 1990.

[c]Included in this group are six states whose laws stipulate that, when payments are made after the 45th day, interest accrues from an earlier date. These provisions are discussed in the "grace period" section of this appendix.

Different Payment Periods for Different Types of Payments

We identified laws in 22 states and the District of Columbia that stipulate different payment periods for certain agencies or for payments on specific types of contracts. Such special provisions frequently pertain to final payments on construction contracts but also affect other types of payments, as shown by the following examples.

-- For final payments on at least some construction contracts, 16 states have enacted payment-timing provisions different from those applicable to most other state purchases. Further, 3 of these 16 states plus Nevada stipulate different payment periods for specific types of construction projects. For final payments on construction contracts, the laws of 11 states specify payment periods that are from 10 to 145 days longer than those prescribed for other purchases, while the laws of 7 states specify payment periods of 10 to 45 days less than those for other types of purchases. The laws of two states (Massachusetts and Nebraska) fall into both categories since they prescribe payment periods for differing types of construction that are variously longer and shorter than those prescribed for goods and services. Originally, such payments were not specifically addressed in the federal law. However, the 1988 amendments stipulate that, unless otherwise provided in the contract, final payments on construction contracts will accrue interest if they are not paid within 30 days of final acceptance. Table III.4 lists the 16 states whose laws stipulate payment periods for final payments on construction contracts that differ from those for purchases of goods and services.

-- California law generally allows 50 days to pay for property and services but allows only 30 days to pay small businesses and nonprofit organizations.

-- Virginia law provides that state agencies are to pay invoices within 30 days, while local governments are allowed 45 days to pay.

-- The District of Columbia's law conforms to the federal law in this respect, providing that invoices for meat products are to be paid in 7 days and those for perishable agricultural products in 10 days, while invoices for other goods and services are to be paid within 30 days.

DETERMINING THE START DATE

To compare state payment-timing laws, it is important to consider the "start date," the day on which the payment period begins. Even when payment periods are similar, different ways of determining start dates can lead to significantly different payment due dates. For example, the laws of both Alaska and the District of Columbia specify 30-day payment periods, but differences in their start dates could result in different payment dates, even if all other payment factors, such as delivery dates, were the same. (Alaska law states that, unless otherwise provided in the contract, the payment period is to be measured from the date the invoice is received, while District of Columbia law provides that the payment period is to be measured from the date the invoice is received or the date the goods or services are received and accepted, whichever is later.)

The prompt payment laws of 45 states and the District of Columbia provide start-date criteria to be used when such criteria are not provided by the related contract. Laws in 2 other states stipulate that start dates are to be based on contractually-agreed-upon terms.

- -- Laws in 17 states specify that the payment period will begin with receipt of an invoice or goods or services, whichever is later.

- -- Laws in 9 states and the District of Columbia generally parallel the federal statute by specifying that the payment period will begin with receipt of an invoice or receipt <u>and acceptance</u> of the goods or services, whichever is later.

- -- Laws in 13 states specify that the payment period will begin with receipt of an invoice (the postmark date for California). For payments to small businesses and nonprofit organizations, California law provides a variation on this criterion by specifying a start date of either (1) the date the invoice is received, if the invoice says "due on receipt," or (2) 30 days <u>after</u> the invoice is received. (This example further illustrates how the start date definition can extend the time between submission of the vendor's invoice and the payment due date.)

- -- Laws in 4 states measure the payment period from approval of the invoice, acceptance of the goods or services, or acceptance or occupation of the construction project.

- -- According to Nevada law, the start date for payments of retained amounts[3] on public works is the date a notice of completion is filed and, for highway construction contracts, the publication of a notice of acceptance.

- -- Missouri provides that the start date for most payments is the delivery date or the date the invoice is approved and processed, whichever is later.

- -- Laws in 2 states provide that contractually-agreed-upon due dates are to be used as start dates. For Maryland, the start date is "the day payment becomes due" or the date that a proper invoice is received, whichever is later. For Louisiana, the start date is the "due date prescribed by contract." Laws in both Maryland and Louisiana specify a 30-day payment period.

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[3]Amounts earned by the contractor but retained until a specified time, such as final acceptance of a completed project.

Table III.3 provides details on start dates stipulated by individual states' laws.

LATE-PAYMENT INTEREST PENALTIES

Late-payment interest penalties compensate vendors for payment delays and serve as an incentive for compliance with prompt pay requirements. The term "interest penalty," as derived from the Federal Prompt Payment Act, refers to a monetary assessment intended to reimburse a vendor for the time-value of funds which are paid late. Although this kind of assessment is commonly described as interest, the Congress added the word penalty to "stigmatize" and increase the visibility of late-payment practices. Based on our review of state statutes discussed in this report, it appears that this definition of the term "interest penalty" may also be properly used to describe state late-payment assessments.

Federal prompt pay law provides for interest penalties on late payments at an annual rate established twice a year by the Department of the Treasury. For the 6-month period beginning January 1, 1989, this rate was 9.75 percent annually.

Of the 48 governments that have enacted payment-timing provisions, all but one have a provision requiring payment of interest penalties to at least some vendors if payments are late. (We could not identify such a provision for New Mexico.) Interest penalty rates prescribed in these states' most comprehensive payment-timing laws range from about 6 percent to 24 percent annually. However, many of the states that specify such rates prescribe an annual rate from 12 to 18 percent, as Table III.2 shows.

Table III.2: Late-Payment Interest Rates Prescribed by State and District of Columbia Law

Rate (percent)	Number of states
Less than 12	6
From 12 to 18	22
More than 18	3
Tied to other rates	16

As Table III.2 indicates, 16 states tie their interest penalty rates to other rates, such as those earned on federal government obligations or commercially-established rates. For example, Rhode Island law specifies that interest penalties will be calculated at "the prime rate as reported on the money market page of the Wall Street Journal published on the first regular business day of each month."

Laws in 12 states prescribe different rates for different types of payments. Examples include the following:

-- State agencies in Illinois are to use an interest penalty rate of 24 percent, while local government entities are to use a rate of 12 percent.

-- Mississippi law prescribes a rate of 18 percent for state purchases and 12 percent on public construction contracts.

-- Oregon law requires agencies to pay vendors no more than 8 percent for goods and services and 18 percent on late interim and final payments on public improvement contracts.

In addition, two sections of Arkansas law provide two apparently independent and different rates, both of which apply to public works construction contracts. One section provides for an interest penalty rate of 8 percent if invoices are not processed by state agencies within a series of prescribed time limits totalling 17 days plus transmittal time. Another section, however, provides for interest payments to vendors at a rate of 10 percent when invoices are not paid within 90 days of their receipt.

Generally, the state laws prescribe rates that appear to be readily determinable. However, the laws of one state (Maine) provide for a "reasonable late fee" not greater than that normally levied by the vendor, and those of another (Michigan) provide for the assessment of "reasonable interest" on late partial payments on construction contracts.

Laws in six states and the District of Columbia provide, as the federal law does, that late-payment interest penalties are to be paid automatically to vendors. However, laws in nine states specify that vendors are to request interest penalty payments. Laws in one additional state (Texas) specify that political subdivisions are to pay interest penalties automatically, but that vendors are to request interest penalties due from state agencies. Laws in the remaining states are silent on this. The individual states whose laws specify whether states are to pay interest penalties automatically or whether vendors are to request penalties due are as follows:

State to pay interest automatically	Vendor to request interest
District of Columbia	Delaware
Florida	Idaho
Kentucky	Illinois
Maine	Kansas
Michigan	Massachusetts
Mississippi	Maryland
Rhode Island	Minnesota
Texas (political subdivisions)	Missouri
	Nebraska
	Texas (state agencies)

GRACE PERIODS

For most of the states, payments made after the payment period expires are subject to interest penalties starting the next day. However, the laws for five governments that prescribe a 30-day payment period also provide that interest penalties are not assessed unless payment is made after the expiration of an additional period--that is, the grace period. Of the five, four have 15-day grace periods, and the fifth (Virginia) has a 7-day grace period. Variations in the length of grace periods for these states allow payments to be made from 37 to 45 days after the start date before an interest penalty is incurred. (Laws in two additional states--Connecticut and Utah--provide for grace periods of 10 and 15 days, respectively, for payments from contractors to subcontractors but do not provide a grace period for payments made by the state.)

The laws of seven additional states (Maryland, Missouri, Nebraska, North Dakota, Oklahoma, South Dakota, and Wisconsin) stipulate that payments not made within 45 days after the start date will accrue interest retroactively from an earlier point in time. For all but one of these states, that earlier point is the 30th or 31st day. The remaining state, North Dakota, defines that earlier point as the first day after the start date.

The laws of these seven states can be viewed as including "built-in" grace periods that offer the same incentive (either pay within 45 days or pay interest) as provided by the laws of the other five governments mentioned above. One of these seven states

(Maryland) includes in its laws a "policy statement" that payments are to be made within 30 days. The laws of the remaining six states do not expressly state that payments are to be made prior to the 45th day. In this report, we have characterized Maryland (along with the five governments mentioned in the preceding paragraph) as having a 30-day payment period with a 15-day grace period, while the remaining six are characterized as having 45-day payment periods and no grace periods.

Regarding the federal law, the grace periods authorized by the 1982 act were eliminated by the 1988 amendments for contracts awarded or renewed on or after April 1, 1989.

Tables III.3 and III.4, located on the following pages, identify provisions regarding payment periods, late-payment penalties, and grace periods on a state-by-state basis.

Table III.3: Payment Periods, Interest Penalty Rates, and Grace Periods As Provided in State and District of Columbia Laws

		Definition of start date					
State	Number of days in payment period	Later of receipt of invoice or receipt of goods/services	Later of receipt of invoice or receipt and acceptance of goods/service	Receipt of invoice	Other	Late payment interest penalty[a] (percent)	Grace period[b]
Alabama	30	x[c]				[d]	
Alaska	30			x		18	
Arizona	30	x				10	
Arkansas	[e]			x		[e]	
California	50			x[f]		nte 15[d]	
Colorado	45	x				12	
Connecticut	45	x				12	10[g]
Delaware	30	x				12	
District of Columbia	30		x			12	15
Florida	30		x			12	15
Georgia	(no law)						
Hawaii	45		x			12	
Idaho	60	x				12	
Illinois	30				x	24	
Indiana	35	x				12	
Iowa	60		x			12	
Kansas	30		x			18	15
Kentucky	30[h]			x		12	
Louisiana	30				x	nte 10	
Maine	25[h]	x				[d]	
Maryland	30				x	10	15
Massachusetts	45			x		[d]	
Michigan	45	x				9.75	
Minnesota	30	x				18	
Mississippi	45		x			18	
Missouri	45				x	[d]	[i]
Montana	30	x				18.25	
Nebraska	45		x			[d]	[i]
Nevada	30				x	[d]	
New Hampshire	(no law)						
New Jersey	60	x				[d]	
New Mexico	21 or monthly[h]			x		no penalty specified	
New York	30	x				[d]	
North Carolina	45				x	12	
North Dakota	45			x		21	[i]
Ohio	30			x		[d]	
Oklahoma	45			x		[d]	[i]
Oregon	45			x		[d]	
Pennsylvania	30		x			[d]	15
Rhode Island	30[h]	x				[d]	
South Carolina	30[h,j]				x	nte 15	
South Dakota	45		x			18	[i]

(cont.)

State	Number of days in payment period	Definition of start date: Later of receipt of invoice or receipt of goods/services	Later of receipt of invoice or receipt and acceptance of goods/service	Receipt of invoice	Other	Late payment interest penalty[a] (percent)	Grace period[b]
Tennessee	45			x		18	
Texas	30	x				12	
Utah	60			x		15.5	15[g]
Vermont	(no law)						
Virginia	30	x				d	7
Washington	30	x				12	
West Virginia	90				x	6	
Wisconsin	45		x			d	i
Wyoming	45			x		18	
TOTAL		17	10	13	8		

Notes: 1. The information provided in this chart pertains to each state's most comprehensive set of payment-timing provisions. Such provisions generally apply to state payments for goods and services and, for some states, may apply to a broad range of payments including those related to construction contracts. However, state laws in Arkansas, Nevada, New Mexico, and North Carolina apply only to payments on construction contracts. In addition, as stated in this report, state laws specify many exceptions and special provisions, which, although noted (see footnote 2), are not included in this chart. For this reason, the reader should refer to a copy of the appropriate state's laws when making determinations regarding specific payment-timing situations.

2. The following state laws stipulate additional differing payment periods and/or interest penalty rates for specific types of payments: Arizona, California, Connecticut, District of Columbia, Florida, Hawaii, Idaho, Illinois, Indiana, Iowa, Louisiana, Maine, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, New York, Oklahoma, Oregon, South Dakota, Virginia, and West Virginia.

3. NTE means "not to exceed."

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[a] Interest rates stated are annualized and do not reflect the impact of compounding or some state requirements to pay a full month of interest for partial months.

[b] Unless otherwise specified, state laws are silent regarding grace periods.

[c] Alabama law defines the start date as the date the vendor completes the contract and presents a proper invoice.

[d] Rates based on other rates.

[e] Arkansas law provides two different payment periods and interest rates which both apply to certain public works contracts. One provision stipulates a 90-day payment period and a 10-percent interest rate, while the other stipulates a payment period of 17 days plus reasonable transmittal time and an 8-percent interest rate. (See page 30.)

[f] Date of invoice post mark.

[g] Grace period applies only to payments by contractors to subcontractors.

[h] Payment period to include working days only.

[i] These states have "built in" grace periods of from 15 to 45 days. See discussion on preceding pages.

[j] South Carolina law provides that payment voucher is to be delivered to state Comptroller General within 30 days. No payment period is specified.

Table III.4: States Whose Laws Specify Different Payment Periods for Final Payments on Construction Contracts

State	Number of days in payment period: Most comprehensive payment-timing provisions	Final payments on construction contracts
Arizona	30	60
Florida	30	75
Iowa	60	70
Indiana	35	120 (roads and streets) 180 (highways)
Massachusetts	45	35 (public ways) 65 (buildings)
Michigan	45	30
Minnesota	30	90 (highways)
Mississippi	45	60
Nebraska	45	20 (sanitary and improvements districts) 60 (highways)
New York	30	75 (highways)
Oklahoma	45	30 (public buildings and public works)
Oregon	45	30
Pennsylvania	30	45
South Dakota	45	30
Tennessee	45	Immediately (improvements to property)
West Virginia	90	150 (roads and bridges)

OTHER PROVISIONS RELATED TO PAYMENT TIMING

-- **LAWS IN 26 STATES AND THE DISTRICT OF COLUMBIA REQUIRE VENDOR NOTIFICATION REGARDING DEFECTIVE INVOICES OR UNSATISFACTORY GOODS AND SERVICES**

-- **LAWS IN 3 STATES AND THE DISTRICT OF COLUMBIA REQUIRE INTEREST PAYMENTS ON IMPROPERLY-TAKEN DISCOUNTS**

-- **LAWS IN 18 STATES AND THE DISTRICT OF COLUMBIA REQUIRE PERIODIC COMPLIANCE REPORTING**

OTHER PROVISIONS RELATED TO PAYMENT TIMING

Various other provisions of state law can affect the timeliness of commercial payments and the states' ability to monitor compliance. The following sections discuss four of the most pertinent provisions.

NOTIFYING VENDORS OF IMPROPER INVOICES AND DEFECTIVE GOODS

If vendors are notified quickly of errors and disputes associated with their invoices, they have an opportunity to resolve the problem promptly and thus avoid further delay in the receipt of their payment. The original federal legislation required that vendors be notified of improper invoices within 15 days of their receipt. The 1988 amendments require that improper invoices be returned to the vendor within 7 days, accompanied by an explanation.

Laws in 26 states and the District of Columbia require that vendors be notified of improper invoices or defects in goods and services, generally within a specified number of days after (1) receipt of an invoice or (2) receipt of goods or completion of services. Most of these states' laws stipulate a time period of either 10 or 15 days during which such notifications are to be made. However, a few states allow as many as 30 days or specify only that vendors are to be notified before payment would otherwise be due. Table IV.1 provides a state-by-state listing regarding vendor notification provisions.

ACCEPTANCE PERIODS

When acceptance of goods and services is a factor in determining due dates, it is important that this acceptance be accomplished in a timely manner. Otherwise a payment could be on time in accordance with payment-timing provisions despite a long delay in formally accepting the purchase. To avoid inordinate payment delays resulting from delays in formally accepting goods and services that are without defects, the federal act was amended to provide that, solely for the purpose of determining due dates and related late penalties, acceptance of goods delivered and services performed in accordance with the contract will be deemed to have occurred no later than 7 days after delivery or performance, unless a longer period is specified in the purchase agreement.

Although laws in nine states and the District of Columbia incorporate acceptance dates as a factor in calculating due dates, we identified no state laws that limit the acceptance period similar to that recently enacted by the federal government. However, 4 of these 10 governments (Nebraska, Pennsylvania, South Dakota, and the District of Columbia) and 11 other states require that vendors be notified of defects in goods delivered or services performed within a specified period of time. This might be read to imply that, to determine due dates and related late penalties, these governments are to either accept or reject goods and services within this period. Table IV.1 lists the states whose laws specify time limits for notifying vendors regarding defects in invoices or goods delivered and services rendered.

In addition, some state laws specify requirements, such as engineering approvals, certification that all subcontractor claims have been satisfied, and advertisement of impending final settlement, that must be met before final payment on public works and highway construction contracts is considered due. Further, we identified laws in seven states that require final payment to be withheld for periods of between 30 days and 3 months after final acceptance or advertisement of impending settlement in order to allow time for subcontractors and suppliers to file claims as well as for the agency to verify other aspects of contract compliance.

Table IV.1: Governments Whose Laws Provide for Vendor Notification of Defective Invoices or of Unsatisfactory Goods and Services

State	Invoices	Goods and Services
Alaska	x	x
Alabama	x	
California	x[a]	
Connecticut	x	
District of Columbia	x	x
Delaware	x	
Idaho	x	
Illinois	x	x
Indiana	x	
Kentucky	x	x
Louisiana	x	
Massachusetts	x	x[b]
Maine	x	x
Michigan	x	

(cont.)

State	Invoices	Goods and Services
Minnesota	x	
Nebraska	x	x
New Jersey	x	x
New York	x	x
Ohio	x	
Oregon		x[b]
Pennsylvania	x	x
Rhode Island	x	x
South Dakota		x
Texas	x	
Virginia	x	x
Washington	x	x
Wisconsin	x	

[a]Applies only to small businesses and nonprofit organizations.

[b]Applies only to payments on construction contracts.

DISCOUNTS

Vendors sometimes offer discounts for early payment of their invoices. Typically, the vendor specifies a period of time during which the discount is offered but expects the full invoice amount for payments made after that period. The federal law states that an interest penalty shall be paid on discounts taken after the discount period has elapsed.

Laws in eight states and the District of Columbia address vendor-offered discounts. Of these, laws in three states and the District of Columbia specifically provide that interest is to be paid on discounts taken after the allowable period has elapsed, as does the federal law. Laws for the other five states encourage taking discounts to obtain savings but do not address the consequences of taking discounts improperly. Table IV.2 identifies the individual states whose laws address vendor-offered discounts.

Table IV.2: Governments Whose Laws Address Vendor-Offered Discounts

State	Interest due when discount taken late	No penalty provision
Alaska		x
District of Columbia	x	
Florida		x
Idaho	x	
Kansas	x	
Minnesota		x
Mississippi		x
New Mexico		x
Texas	x	

COMPLIANCE REPORTING

The laws in 18 states and the District of Columbia provide for periodic reporting on compliance with payment-timing and late-penalty provisions. Generally, these reports are due to state governors, legislatures, or senior financial officers on an annual basis and are to include data such as the number of late payment penalties incurred, the reasons for the delays that caused the payments to be late, and corrective actions planned or taken. These provisions are similar to those of the federal law, which require that agencies report annually to the Office of Management and Budget, which in turn reports to the Congress on federal payment-timing performance and penalty payments. The following states' laws address compliance reporting:

California
Delaware
District of Columbia
Florida
Idaho
Indiana
Kansas
Louisiana
Maine
Massachusetts
Minnesota
Mississippi
Nebraska
New Jersey
New York
Ohio
Rhode Island
Virginia
Wisconsin

SOURCES OR LEGAL CITATIONS OF STATE LAWS GOVERNING THE TIMING OF PAYMENTS TO VENDORS

Source	Citation	Provisions
Alabama Code Sec.	41-16-3 (1987 Supp.)	Timely execution of state contracts required
	39-2-12 (1987 Supp.)	Partial and final payment of contractors by awarding authorities; ownership and responsibility for care, etc., of materials and work covered by partial payments
Alaska Statutes Sec.	37.05.285 (1987 Supp.)	Payment for state purchases
	36.90.010 (1987)	Public construction contract payments
	34.35.090 (1985)	Payment to contractor
Arizona Revised Statutes Ann. Sec.	34-221 (1987 Supp.)	Payment to contractor
	35-341 & 35-342 (1987 Supp.)	Payment of agency accounts
	41-2576 (1987 Supp.)	Contract payment retention: partial payment
	41-2651 (1987 Supp.)	Small business state contract awards
West's Arkansas Stat. Ann. Sec.	22-9-205 (1987)	Public improvements generally, interest on delinquent payments
	19-4-1411 (1987)	Processing of payments on state construction projects
Deering's California Government Code Sec.	926.10 (1982)	Liquidated claims against public agencies
	926.15 through 926.17 (1988 Supp.)	Penalty for failure to pay undisputed claim
	980 (1988)	Payment for construction of public works projects
Deering's California Business and Professions Code Sec.	7108.5 & 7108.6 (1988 Supp.)	Failure to pay specialty contractors and dump truck carriers
Deering's California Civil Procedure Code Sec.	873.150 (1988 Supp.)	Contract for third person services may include interest

Deering's California Health and Safety Code Sec.	38000 (1986)	Payment for services
Deering's California Welfare and Institutions Code Sec.	5657 (1988 Supp.)	Payment to private organizations
	14104.3 (1988 Supp.)	Contracts governing administration and disbursal of funds
	14104.7 (1985)	Contract provisions for providers of fiscal intermediary services
Deering's California Public Contract Code Sec.	10262 (1985)	Payment to subcontractors
	12112 (1985)	Progress payments for work performed
Colorado Revised Statutes Sec.	24-30-202(24) (1985 Supp.)	Procedures, vouchers and warrants, rules, penalties
	24-91-101 through 24-91-110 (1982 & 1985 Supp.)	Public entity contracts; partial payments
West's Connecticut Gen. Stat. Ann. Sec.	4-121a,b,c (1988 Supp.)	Prompt payment by state departments and agencies, exemptions, administration of prompt payment provisions
	49-41a (1988 Supp.)	Enforcement of payment by general contractor to subcontractor and by subcontractor to his subcontractors
	49-41b (1988 Supp.)	Release of payments on public works construction projects
	49-41c (1988 Supp.)	Payments to subcontractors
Delaware Code Ann. Title 29, Sec.	6516 (1983)	Payment of bills or statements of account
	6919 (1983)	Retainages under public works contracts; payment of interest
Delaware Code Ann. Title 6, Sec.	3503 and 3504 (1975)	Use or application of money received by contractor
District of Columbia Code Ann. Sec.	1-1171 through 1-1176 (1987)	Quick payment provisions
West's Florida Stat. Ann. Sec.	215.422 (1988 Supp.)	Warrants, vouchers, and invoices; processing time limits; agency compliance

	287.0585 (1988 Supp.)	Late payments by contractors to subcontractors
	337.141 (1988 Supp.)	Payment of construction or maintenance contracts
	1988 Florida Laws, Chapter 88-281	Payments on construction
Georgia	No laws identified	
Hawaii Revised Stat. Sec.	103-10 (1985)	Payment for goods and services
	103-10.5 (1985)	Prompt payment to subcontractors
	444-25 (1985)	Payment for goods and services to subcontractors
	1988 Hawaii Session Laws 389	Payment for goods and services
Idaho Code Sec.	42-2944 (1977)	Payment to contractors
	67-2302 (1988 Supp.)	Prompt payment for goods and services
Smith-Hurd's Illinois Ann. Stat.	Chapter 127, Sec. 132.401 through 132.406 (1981 & 1988 Supp.)	Prompt payment from state funds for goods and services, as amended by 1988 Illinois Laws 85-1159, Sec. 2-5
	Chapter 85, Sec. 5601 through 5607 (1987)	Local government prompt payment act, as amended by 1988 Illinois Laws 85-1159, Sec. 2-2
Burns' Indiana Code Ann. Sec.	5-17-5-1 through 5-17-5-5 (1987 & 1988 Supp.)	Prompt payment
	8-13-5-7 (1988 Supp.)	Partial and final payments to contractors
	13-2-18-17 (1987)	Payments to contractors
	36-1-12-12 (1988 Supp.)	Final payment to contractors
	36-1-12-13 (1988 Supp.)	Provision in contract for payment of subcontractors
	36-1-12-17 (1988 Supp.)	Contract provision concerning payment, interest for late payment

Iowa Code Ann. Sec.	421.40 (1988 Supp.)	Vouchers, interest, payment of claims
	573.12 & 573.14 (1988 Supp.)	Labor and material on public improvements
	384.58(4) (1988 Supp.)	Interest paid by cities
Kansas Stat. Ann. Sec.	75-6401 through 75-6407 (1984 & 1987 Supp.)	Prompt payment by government agencies
Baldwin's Kentucky Revised Statutes Ann. Sec.	45.451 through 45.458 (1984)	State purchasing
West's Louisiana Rev. Stat. Ann. Sec.	9:2784 (1988 Supp.)	Late payment by contractors to subcontractors to subcontractors and suppliers; penalties
	33:3312 (1966)	Final inspection of work; completion of payments
	33:3461 (1988 Supp.)	Final inspection, payment of contractors
	33:3689.13 (1966)	Inspection and acceptance of work
	38:1592 (1988 Supp.)	Inspection and acceptance of work
	38:1596.12 (1988 Supp.)	Inspection and acceptance of work
	38:2191 (1988 Supp.)	Payments under contract
	39:1695 (1988 Supp.)	Late payment to business; penalty paid by state agency
	39:1696 (1988 Supp.)	Reporting requirements
	39:1697 (1988 Supp.)	Disputed claims
Maine Rev. Stat. Ann.	Title 5, Sections 1551 through 1558 (1987 Supp.)	Payment of invoices received from business concerns
LCP's Massachusetts Ann. Laws	Chapter 29, Sec. 20C (1988 Supp.)	Late payment penalties
	Chapter 29, Sec. 29C (1988 Supp.)	Liability of general court and state agency to commercial vendor for late penalty interest
	Chapter 30, Sec. 39F, 39G, & 39K (1983 & 1988 Supp.)	Construction contracts of public ways

	Chapter 7, Sec. 14B (1988 Supp.)	Interest payments
Maryland State Fin. & Proc. Code Ann. Sec.	11-132 through 11-136 (1987 Supp.)	Payment of state obligations
	13-1101 through 13-1105 (1985)	Payment of state obligations
Maryland Ann. Code	Art. 28, Sec. 2-201 through 2-204 (1986)	Payment of commission obligations
	Art. 29, Sec. 1-301 through 1-304 (1986)	Payment of commission obligations
Michigan Compiled Laws Sec.	17.51 through 17.57 (Michigan Statutes Ann. Sec. 3.29(15) through 3.29(21) (Callaghan 1988-89 Supp.))	Payment to private enterprises for goods and services
	125.1561 through 125.1566 (Michigan Statutes Ann. Sec. 5.2949(101) through 5.2949(106) (Callaghan 1982))	Construction contracts with certain public agencies
Minnesota Stat. Sec.	15.72 (1988)	Progress payments on public contracts
	16A.124 (1988)	Prompt payment of state agency bill required
	161.322 (1986)	Payment of interest to contractors
	162.04 (1986)	Limitation on payment of contract prices
	162.10 (1986)	Limitation on payment of contract prices
	429.041 (1987)	Council procedures
	471.425 (1988 Supp.)	Prompt payment of local government bills
Mississippi Code Ann. Sec.	31-5-25 (1987 Supp.)	Time for full and final payment to contractors
	31-5-27 (1987 Supp.)	Payment of interest on delinquent accounts
	31-5-29 (1987 Supp.)	Applicability
	31-5-33 (1987 Supp.)	Amount of retainage which may be withheld

	31-7-301 through 31-7-315 (1987 Supp.)	Timely payment for purchases by public bodies
Vernon's Missouri Ann. Statutes Sec.	34.055 (1988 Supp.)	Late-payment penalties; exemptions
Montana Code Ann. Sec.	7-6-401 through 7-6-403 (1985)	Interest on overdue accounts for counties and municipalities
	17-8-241 (1985)	Definitions relating to interest assessment
	17-8-242 (1985)	Interest assessed on amounts due
	17-8-243 (1985)	Source of payment of interest
	17-8-244 (1985)	Exemptions
	20-9-225 (1985)	Definitions relating to interest assessment
	20-9-226 (1985)	Interest assessed on amounts due
	20-9-227 (1985)	Exemptions from interest assessments
Nebraska Revised Statutes Sec.	16.626 (1977)	Street improvements, first-class cities
	16.671.01 (1977)	Sanitary sewer improvements, first-class cities
	16.672.11 (1977)	Storm sewer improvements, first-class cities
	17.520 (1977)	Street improvements, second-class cities and villages
	17.925 (1977)	Sanitary sewer improvements, second-class cities and villages
	17-975 (1977)	Water service districts; cost of improvements; partial payments; final payments; interest
	18.2003 (1977)	Interest to contractors, cities and villages
	19.2412 (1977)	Combined improvements, cities and villages
	31-748.01 (1978)	Sanitary and improvement districts
	39-1349 (1978)	Construction contracts; letting; procedures; interest on retained amounts

Nebraska Laws	Legislative Bill 1079 (April 7, 1988)	To be codified at NE Rev. Stat. Sec. 81-2401 through 81-2408
Nevada Revised Statutes Sec.	227.160 (1987)	Auditing and allowance of claims
	338.160 through 338.170 (1987) (as amended by 1987 Nevada Statute 261)	Public works projects; progress payments
	408.383 (1987)	Partial and retained payments to contractors for highways and roads
	408.387 (1987)	Publication of notice of final acceptance and final settlement for contracts
New Hampshire	No laws identified	
West's New Jersey Statutes Ann. Sec.	52:32-32 through 52:32-39 (1988 Supp.)	New Jersey Prompt Pay Act
	27:7-34 (1988 Supp.)	Partial and deferred payments for highway works
New Mexico Statutes Ann. Sec.	13-1A-1 through 13-1A-4 (1988 Supp.)	Discounts
	13-4-28 (1988 Supp.)	Prompt payment on public works contracts
McKinney's New York State Finance Law Sec.	139-f (1988 Supp.)	Payment on public works projects
	179-d through 179-p (1988 Supp.)	Interest payments on certain amounts owed by state
McKinney's New York Public Authorities Law Sec.	2880 (1988 Supp.)	Prompt payment
McKinney's New York General Municipal Law Sec.	106-b (1986)	Payment on public works projects
McKinney's New York Highway Law Sec.	38(7)(f)&(g) (1988 Supp.)	Contracts for construction or improvement of highways
North Carolina General Statutes Sec.	143-134.1 (1987)	Interest on final payments due to prime contractors; payments to subcontractors
	22C-1 through 22C-6, as added by Chapter 946, North Carolina Sess. Laws	Timely payment to subcontractors

North Dakota Century Code	Chapter 13-01.1 (1987 Supp.)	Interest on delinquent accounts
Page's Ohio Revised Code Ann. Sec.	126.30 (1987 Supp.)	Agencies to pay interest on late payments for goods and services
West's Oklahoma Statutes Ann.	Title 61, Sections 113.1 through 113.3 (1988 Supp.)	Refunds of retainage and interest
	Title 62, Sections 41.4a through 41.4d (1988 Supp.)	Procedure to expedite payment for goods and services
Oregon Revised Statutes Sec.	279.312 (1987)	Conditions of public contracts concerning payment of laborers and materialmen
	279.575 (1987)	Progress payments on public contracts; retainage; interest; exceptions; settlement of compensation disputes
	293.462 (1987)	Payment of overdue account charges
Purdon's Pennsylvania Statutes Ann.	Title 72, Sec. 1507 (1988 Supp.)	Interest penalties on commonwealth accounts
	Title 73, Sec. 1625, 1626, 1627, 1628, & 1630 (1988 Supp.)	Refunds on retainage and interest
Rhode Island General Laws Sec.	37-13-5 (1984)	Payment for trucking or materials furnished; withholding of sums due
	42-11.1-1 through 42-11.1-15 (1987 Supp.)	Prompt payment by Department of Administration
South Carolina Code Ann. Sec.	11-35-40 (1986 & 1988 Supp.)	Application of code
	11-35-45 (1986)	Payments for goods and services received by state
Smith's South Dakota Codified Laws (SDCL) and Michie's South Dakota Codified Laws Ann. (SDCLA) Sec.	5-26-1 through 5-26-8 (SDCL 1985 and SDCLA 1988 supp.)	Prompt payment act
	5-18-12 (SDCLA 1988 supp.)	Progress payments, interest on delayed payments
Tennessee Code Ann. Sec.	12-4-701 through 12-4-707 (1987), as amended by 1988 Tenn. Pub. Act 463	Prompt payment for property or services

	54-5-122 & 54-5-123 (1987 Supp.)	Sums withheld, final settlement
	66-11-144 (1987 Supp.)	Portion of contract price held in escrow
Vernon's Texas Revised Civil Statutes Ann.	Article 601f (1988 Supp.)	Payment for goods and services contracted for by state and political subdivisions
Vernon's Texas Water Code Ann. Sec.	54.228 (1982)	Payment for construction work
Utah Code Ann. Sec.	15-6-1 through 15-6-5 (1983 supp.)	Prompt payment act
Vermont	No laws identified	
Virginia Code Sec.	11-62.1 through 11-62.10 (1985)	Prompt payment
Washington Revised Code Ann.	Chapter 39.76 (1988 Supp.)	Interest on unpaid public contracts
	Sec. 60.28.010 (1988 Supp.)	Interest on retainage amounts
West Virginia Code Sec.	14-3-1 through 14-3-3 (1985)	Interest on public contracts
	5A-3-1 (1987)	Applicability
Wisconsin Statutes Ann. Sec.	16.528 (1987 Supp.), as amended by 1987 WI Laws No. 312 and 399	Interest on late payments
	16.53(2) (1987 Supp.)	Improper invoices
	779.155 (1981)	Judgment creditors, attachment of funds due to public contractors
Wyoming Statutes Sec.	15-1-125 (1988 Supp.)	Presentation and payment of claims when warrant draws interest
	16-6-116 (1982)	Final settlement with and payment to contractor
	16-6-601 and 16-6-602 (1988 Supp.)	Payment of agency accounts

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