



March 12, 2008

To: GAE Committee

From: Terry Edelstein, President/CEO

Re: **H. B. No. 5887 (RAISED) AN ACT CONCERNING PAYMENT OF PERSONAL SERVICE CONTRACTS.**

Please accept this testimony for the record. We appreciate the Committee raising HB 5887 for public hearing.

CCPA represents organizations that provide services and supports for people with disabilities and significant needs including children and adults with substance use disorders, mental illness, developmental, and physical disabilities. Most of these organizations rely heavily on state funding in order to provide their services.

These organizations have “Purchase of Service” (POS) contracts from the state. (A small number may have “Personal Service Agreements,” but the provisions relating to the PSAs differ from the POS contracts.) While POS contracts are issued by the human services state agencies, the OPM POS unit monitors the process, setting guidelines and overall standards. The state agencies falling under POS are: DDS, DMHAS, DCF, DSS (grants), DPH, Correction, Judicial, Children’s Trust Fund.

Delayed payments create an untenable cash flow situation, in which services have been provided to consumers, wages and benefits for employees have been paid, but the community provider organization is compelled to “upfront” the cash until state payment is received. This results in accessing lines of credit and paying interest on loans for funds that should have been paid in advance by the state. **Payment delays exacerbate the already existing crisis in funding shortfalls for community providers, as contracts from the state don’t cover the “cost of services.”**

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The provisions proposed in HB 5887 link to timely payments by setting timelines once the contracts have been returned to the state agencies, but another approach might be to link to timely issuance and processing of state contracts. **If the contracts are issued and processed in a timely way, payments can also be generated in a timely way.**

For example, DDS, DMHAS and DCF staff make tremendous effort to issue contracts for the years beginning July 1 as early in the year as possible. While these and all the other state agencies must wait for approval of a state budget before final execution of contracts, these state agencies issue contract paperwork far in advance of the start of the fiscal year. By the time the budget is adopted, the state agencies are prepared to issue final contract documents. Payments follow rapidly in the new fiscal year.

Some other state agencies seem to have a backlog of contracts to issue. As a result the contracts are not issued in a timely way, contract execution drags out over several months, and first payments on the contracts may not be received until six months into the fiscal year.

There are several potential remedies that might speed up the process:

- ◆ The state agencies can develop an approval process with the Attorney General's Office to approve similar POS contracts "in bulk" rather than one at a time.
- ◆ The state agencies can issue the preliminary contract documents at least three months prior to the start of the contracting cycle so that the service provider can execute the contracts during that period, not after the funding cycle has begun.
- ◆ Funding levels can remain the same as in the previous fiscal year for the first quarter with a contract amendment providing for "catch-up" later, allowing the state budget process to proceed at its own pace without creating a delay in contracting.

I would be glad to speak with the Committee about strategies for prompt payment in greater detail.