

AN ACT concerning State government.

**Be it enacted by the People of the State of Illinois,
represented in the General Assembly:**

Section 5. The State Comptroller Act is amended by changing Section 9.03 as follows:

(15 ILCS 405/9.03) (from Ch. 15, par. 209.03)

Sec. 9.03. Direct deposit of State payments.

(a) The Comptroller, with the approval of the State Treasurer, may provide by rule or regulation for the direct deposit of any payment lawfully payable from the State Treasury and in accordance with federal banking regulations including but not limited to payments to (i) persons paid from personal services, (ii) persons receiving benefit payments from the Comptroller ~~him~~ under the State pension systems, (iii) individuals who receive assistance under Articles III, IV, and VI of the Illinois Public Aid Code, (iv) providers of services under the Mental Health and Developmental Disabilities Administrative Act, (v) providers of community-based mental health services, and (vi) providers of services under programs administered by the State Board of Education, in the accounts of those persons or entities maintained at a bank, savings and loan association, or credit union, where authorized by the payee. The Comptroller also may deposit public aid payments for

individuals who receive assistance under Articles III, IV, VI, and X of the Illinois Public Aid Code directly into an electronic benefits transfer account in a financial institution approved by the State Treasurer as prescribed by the Illinois Department of Human Services and in accordance with the rules and regulations of that Department and the rules and regulations ~~regulation~~ adopted by the Comptroller and the State Treasurer. The Comptroller, with the approval of the State Treasurer, may provide by rule for the electronic direct deposit of payments to public agencies and any other payee of the State. The electronic direct deposits may be made to the designated account in those financial institutions specified in this Section for the direct deposit of payments. Within 6 months after the effective date of this amendatory Act of 1994, the Comptroller shall establish a pilot program for the electronic direct deposit of payments to local school districts, municipalities, and units of local government. The payments may be made without the use of the voucher-warrant system, provided that documentation of approval by the Treasurer of each group of payments made by direct deposit shall be retained by the Comptroller. The form and method of the Treasurer's approval shall be established by the rules or regulations adopted by the Comptroller under this Section.

(b) All State payments for an employee's payroll or an employee's expense reimbursement must be made through direct deposit. It is the responsibility of the paying State agency to

ensure compliance with this mandate. If a State agency pays an employee's payroll or an employee's expense reimbursement without using direct deposit, the Comptroller may charge that employee a processing fee of \$2.50 per paper warrant. The processing fee may be withheld from the employee's payment or reimbursement. The amount collected from the fee shall be deposited into the Comptroller's Administrative Fund.

(c) All State payments to a vendor that exceed the allowable limit of paper warrants in a fiscal year, by the same agency, must be made through direct deposit. It is the responsibility of the paying State agency to ensure compliance with this mandate. If a State agency pays a vendor more times than the allowable limit in a single fiscal year without using direct deposit, the Comptroller may charge the vendor a processing fee of \$2.50 per paper warrant. The processing fee may be withheld from the vendor's payment. The amount collected from the processing fee shall be deposited into the Comptroller's Administrative Fund. The Office of the Comptroller shall define "allowable limit" in the Comptroller's Statewide Accounting Management System (SAMS) manual, except that the allowable limit shall not be less than 30 paper warrants. The Office of the Comptroller shall also provide reasonable notice to all State agencies of the allowable limit of paper warrants.

(d) State employees covered by provisions in collective bargaining agreements that do not require direct deposit of

paychecks are exempt from this mandate. No later than 60 days after the effective date of this amendatory Act of the 97th General Assembly, all State agencies must provide to the Office of the Comptroller a list of employees that are exempt under this subsection (d) from the direct deposit mandate. In addition, a State employee or vendor may file a hardship petition with the Office of the Comptroller requesting an exemption from the direct deposit mandate under this Section. A hardship petition shall be made available for download on the Comptroller's official Internet website.

(e) Notwithstanding any provision of law to the contrary, the direct deposit of State payments under this Section for an employee's payroll, an employee's expense reimbursement, or a State vendor's payment does not authorize the State to automatically withdraw funds from those accounts.

(f) For the purposes of this Section, "vendor" means a non-governmental entity with a taxpayer identification number issued by the Social Security Administration or Internal Revenue Service that receives payments through the Comptroller's commercial system. The term does not include State agencies.

(g) The requirements of this Section do not apply to the legislative or judicial branches of State government.

(Source: P.A. 88-641, eff. 9-9-94; 88-643, eff. 1-1-95; 89-235, eff. 8-4-95; 89-507, eff. 7-1-97.)

Section 10. The State Prompt Payment Act is amended by changing Section 3-2 as follows:

(30 ILCS 540/3-2)

Sec. 3-2. Beginning July 1, 1993, in any instance where a State official or agency is late in payment of a vendor's bill or invoice for goods or services furnished to the State, as defined in Section 1, properly approved in accordance with rules promulgated under Section 3-3, the State official or agency shall pay interest to the vendor in accordance with the following:

(1) Any bill, except a bill submitted under Article V of the Illinois Public Aid Code, approved for payment under this Section must be paid or the payment issued to the payee within 60 days of receipt of a proper bill or invoice. If payment is not issued to the payee within this 60-day ~~60-day~~ period, an interest penalty of 1.0% of any amount approved and unpaid shall be added for each month or fraction thereof after the end of this 60-day ~~60-day~~ period, until final payment is made. Any bill, except a bill for pharmacy or nursing facility services or goods, submitted under Article V of the Illinois Public Aid Code approved for payment under this Section must be paid or the payment issued to the payee within 60 days after receipt of a proper bill or invoice, and, if payment is not issued to the payee within this 60-day period, an interest penalty of

2.0% of any amount approved and unpaid shall be added for each month or fraction thereof after the end of this 60-day period, until final payment is made. Any bill for pharmacy or nursing facility services or goods submitted under Article V of the Illinois Public Aid Code and, approved for payment under this Section must be paid or the payment issued to the payee within 60 days of receipt of a proper bill or invoice. If payment is not issued to the payee within this 60-day ~~60-day~~ period, an interest penalty of 1.0% of any amount approved and unpaid shall be added for each month or fraction thereof after the end of this 60-day ~~60-day~~ period, until final payment is made.

(1.1) A State agency shall review in a timely manner each bill or invoice after its receipt. If the State agency determines that the bill or invoice contains a defect making it unable to process the payment request, the agency shall notify the vendor requesting payment as soon as possible after discovering the defect pursuant to rules promulgated under Section 3-3; provided, however, that the notice for construction related bills or invoices must be given not later than 30 days after the bill or invoice was first submitted. The notice shall identify the defect and any additional information necessary to correct the defect. If one or more items on a construction related bill or invoice are disapproved, but not the entire bill or invoice, then the portion that is not disapproved shall be

paid.

(2) Where a State official or agency is late in payment of a vendor's bill or invoice properly approved in accordance with this Act, and different late payment terms are not reduced to writing as a contractual agreement, the State official or agency shall automatically pay interest penalties required by this Section amounting to \$50 or more to the appropriate vendor. Each agency shall be responsible for determining whether an interest penalty is owed and for paying the interest to the vendor. Except as provided in paragraph (4), an individual interest payment amounting to \$5 or less shall not be paid by the State. Interest due to a vendor that amounts to greater than \$5 and less than \$50 shall not be paid but shall be accrued until all interest due the vendor for all similar warrants exceeds \$50, at which time the accrued interest shall be payable and interest will begin accruing again, except that interest accrued as of the end of the fiscal year that does not exceed \$50 shall be payable at that time. In the event an individual has paid a vendor for services in advance, the provisions of this Section shall apply until payment is made to that individual.

(3) The provisions of Public Act 96-1501 ~~this amendatory Act of the 96th General Assembly~~ reducing the interest rate on pharmacy claims under Article V of the Illinois Public Aid Code to 1.0% per month shall apply to

any pharmacy bills for services and goods under Article V of the Illinois Public Aid Code received on or after the date 60 days before January 25, 2011 (the effective date of Public Act 96-1501) ~~this amendatory Act of the 96th General Assembly.~~

(4) Interest amounting to less than \$5 shall not be paid by the State, except for claims (i) to the Department of Healthcare and Family Services or the Department of Human Services, (ii) pursuant to Article V of the Illinois Public Aid Code, the Covering ALL KIDS Health Insurance Act, or the Children's Health Insurance Program Act, and (iii) made (A) by pharmacies for prescriptive services or (B) by any federally qualified health center for prescriptive services or any other services.

(Source: P.A. 96-555, eff. 8-18-09; 96-802, eff. 1-1-10; 96-959, eff. 7-1-10; 96-1000, eff. 7-2-10; 96-1501, eff. 1-25-11; 96-1530, eff. 2-16-11; revised 2-22-11.)

Section 99. Effective date. This Act takes effect upon becoming law.