

Prompt Payment Tool Kit for Small Business Advocates

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Purpose:

The purpose of this information is to provide valuable resource information for training Advocates and executive management on Prompt Payment requirements.

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Summary of Prompt Payment Issue

In Fiscal Year 2020 – 2021, the state paid over \$2.7 million in late payment interest penalties to contractors, pursuant to the California Prompt Payment Act (California Government Code Section 927 et. seq.).

Many of these contractors are Small Businesses (SB) and Disabled Veteran Business Enterprises (DVBE) that do not have the financial reserves to buffer late payments. An Administrative directive to increase state contracting with California SB/DVBE firms has heightened state executive management's attention to this prompt payment issue.

With management attentiveness, invoices can be processed timely and fewer contractors will become frustrated with the bureaucracy. The State will save money, and more quality businesses will want to become State partners.

For additional information on Prompt Payment visit the DGS [Prompt Payment Program Assistance](#) webpage.

List of Resources:

1. [Summary and Directory of Prompt Payment Act](#): This summary of California Government Code, Section 927, is a reference that answers FAQs about what is specifically required of agencies regarding payments to contractors.
2. [Contractor FAQ](#): Use this section to assist contractors who request help navigating state invoice and payment processes, and to clarify proper expectations for state payment timeliness.
3. [State Department FAQ](#): Use this section to provide information to departmental staff about the Act, and to clarify requirements of the law and the Legislature's intentions.
4. [Sample Invoice Process Flow](#): An "at a glance" look at the typical state invoice payment process.
5. **Excerpt from the State Administrative Manual Chapter 8400, Disbursements, Penalty Calculation Process**: SAM section 8474.3 instructs state departments on how to calculate late payment penalty amounts. An example calculation is included.
6. Visit www.leginfo.ca.gov and search for Government Code 927 to view the full text on the California Prompt Payment Act.