

CALIFORNIA PROMPT PAYMENT ACT
Government Code, Section 927, et seq.

SUMMARY OF FREQUENTLY ASKED QUESTIONS

Updated: February 2, 2022

#	Frequently Asked Questions	Small Business (Includes Non-Profits with Contracts <\$500k)	All Other Businesses
1	When is payment due? ? Specified contract term ? No date set forth in contract	Date set forth in contract [GC 927.1(a)] and within 45 calendar days [GC 927(b)]	Date set forth in contract [GC 927.1(a)] and within 45 calendar days [GC 927(b)]
2	When does payment clock start?	The date of receipt of an undisputed invoice by department personnel is equal to Day Zero [GC 927 & 927.4]	The date of receipt of an undisputed invoice by department personnel is equal to Day Zero [GC 927 & 927.4]
3	What if invoice is disputed (for good cause) within 15 working days?	Stops penalty clock until dispute resolved [GC 927.3]	Stops penalty clock until dispute resolved [GC 927.3]
4	When do penalties begin accruing? (For the State agency)	The day after payment due date per contract; if no payment date in contract, on the 31st day after receipt of invoice (i.e., the day after the " required payment approval date ") (GC 927.4) <i>Example: An invoice received on March 1st would begin accruing interest on April 1st if not submitted to the State Controller on or before March 31st (Day Zero = March 1 plus 30 days = March 31)</i>	The day after payment due date per contract; if no payment date in contract, on the 31st day after receipt of invoice (i.e., the day after the " required payment approval date ") [GC 927.4] <i>Example: An invoice received on March 1st would begin accruing interest on April 1st if not submitted to the State Controller on or before March 31st (Day Zero = March 1 plus 30 days = March 31.</i>
5	When do penalties begin accruing? (For the State Controller)	On the 16th day after receipt of the state agency claim [GC 927.4]	On the 16th day after receipt of the state agency claim [GC 927.4]
6	When do penalties stop accruing? (For the State agency)	The day claim schedule is submitted to Controller [GC 927.6(a)] or check is issued from Revolving Fund	The day claim schedule is submitted to Controller [GC 927.6(a)] or check is issued from Revolving Fund
7	When do penalties stop accruing? (For the State Controller)	The date warrant is issued [GC 927.7]	The date warrant is issued [GC 927.7]
8	What is the penalty rate?	A. Penalties Incurred Rate during FY 21-22 is 13.25% annually [GC 927.6(a)], or 0.000363 per day, times the number of days late <i>Example: Under the new calculation, an invoice for \$10,000 that is 90 days late would incur a penalty of \$326.70, (\$10,000X.000363) X 90.</i>	A. Penalties Incurred Rate during FY 21-22 is 1.22% annually [GC 927.6(b)], or 0.0000334 per day, times the number of days late <i>Example: Under the new calculation, an invoice for \$10,000 that is 90 days late would incur a penalty of \$30.06, (\$10,000X.0000334) X 90.</i>
9	Is a separate penalty invoice required?	No; State agencies must automatically calculate and pay	No; State agencies must automatically calculate and pay

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		penalties as incurred [GC 927(b) & 927.6(a)]	penalties as incurred [GC 927(b) & 927.6(a)]
10	Is there a minimum penalty payment?	Yes; State agencies make no penalty payment if the amount of the penalty is \$10.00 or less [GC 927.6(a)]	Yes; State agencies make no penalty payment if the amount of the penalty is \$100.00 or less [GC 927.6(b)]
11	Can penalties be waived?	Yes; penalties are waived by the State agency or Controller if the amount of the penalty is \$10.00 or less [GC 927.6(a)]. Penalties may not be waived, altered or limited by the State agency or the contractor [GC 927.1(b)]	Yes; penalties are waived by the State agency or Controller if the amount of the penalty is \$100.00 or less [GC 927.6(b)]. Penalties may not be waived, altered, or limited by the State agency or the contractor [GC 927.1(b)] except for fire season emergency [GC 927.11(a)], and declaration of major disaster [GC 927.11(c)]
12	What if there is no Budget Act?	Penalties shall accrue to small businesses and nonprofit organizations until invoice are paid [GC 927.11(d)] No penalties shall accrue for nonprofit public benefit corporations [GC 927.11(b)]	Penalties shall accrue until the invoice is paid [GC 927.11(d)] No penalties shall accrue for refunds or other payment due to individuals [GC 927.13(d)]
13	Are penalties applicable to Medi-Cal Claims?	Yes [GC 927.5], when such small businesses are located in California [GC 927.2(m)]	Special provisions apply [GC 927.5]
14	Are penalties applicable to advances?	The law makes no provisions for advances	The law makes no provisions for advances
15	Are penalties applicable to non-profit organizations?	Yes, if contract or grant <\$500,000 [GC 927.7]	No [GC 927(a)]
16	Are penalties applicable to local entities?	No, the law specifically refers to "contracts with a business" [GC 927.1] rather than with public entities as defined in GC 811.2	No, the law specifically refers to "contracts with a business" [GC 927.1] rather than with public entities as defined in GC 811.2
17	Are subcontractors entitled to late payment penalties?	No, State agencies shall encourage contractors to promptly pay their subcontractors [GC 927.10]	No, State agencies shall encourage contractors to promptly pay their subcontractors [GC 927.10]
18	Are there any exceptions?	No exceptions	1. 30-day payment extension in a declared fire season emergency [GC 927.11(a)]; 2. In major calamity, disaster or criminal act, penalty suspended (until reinstated) by Director of Finance [GC 927.11(c)]
19	Are any reports required?	Yes; an Annual Report separately identifying the total number and dollar amount of late payment penalties paid to small businesses. Submit to the Director of DGS 90 days after the end of the fiscal year [GC 927.9(a) & (b)]	Yes; an Annual Report separately identifying the total number of late penalties paid to other businesses and refunds or other payments to individuals. Submit to Director of DGS 90 days after the end of the fiscal year [GC 927.9(a) & (b)]

For additional information, visit Prompt Payment:

- Use the [Directory of State Payment Offices](#) to locate the proper accounts payable telephone number and address of specific State offices.
- View [California Laws](#), including Government Code (GC) and Public Contract Code (PCC).
- Regarding Construction Contract Payments, please see [Public Contract Code Section 10261.5](#).
- California Certified Small Business contractors who have specific questions about invoice status: Please contact the Small Business Advocate for the awarding department. The Small Business/DVBE Advocates Directory is located at: [Small Business & DVBE Advocates Directory](#).