

## SUMMARY

### CALIFORNIA PROMPT PAYMENT ACT GOVERNMENT CODE, SECTION 927, STATUTES OF 1999

Frequently Asked Questions	Small Business (Incl. Non-Profits) with Contracts <\$500k and Gross Receipts <\$5m	All Other Businesses
When is payment due? <ul style="list-style-type: none"> <li>Specified contract term</li> <li>No date set forth in contract</li> </ul>	Date set forth in contract (GC 927.1a) and within 45 calendar days (GC 927b)	Date set forth in contract (GC 927.1) and within 45 calendar days (GC 927b)
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).
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)
When do penalties begin accruing? <ul style="list-style-type: none"> <li>State agency</li> <li>State Controller</li> </ul>	<p>The day after payment due date per contract; if no payment date in contract, on the 31<sup>st</sup> day after receipt of invoice (i.e., the day after the “<b>required payment approval date</b>”) (GC 927.4)  <i>Example: An invoice received on March 1<sup>st</sup> would begin accruing interest on April 1<sup>st</sup> if not submitted to the State Controller on or before March 31<sup>st</sup> (Day Zero = 3/1 plus 30 days = 3/31).</i></p> <p>On the 16<sup>th</sup> day after receipt of the state agency claim (GC 927.4)</p>	<p>The day after payment due date per contract; if no payment date in contract, on the 31<sup>st</sup> day after receipt of invoice (i.e., the day after the “<b>required payment approval date</b>”) (GC 927.4)  <i>Example: An invoice received on March 1<sup>st</sup> would begin accruing interest on April 1<sup>st</sup> if not submitted to the State Controller on or before March 31<sup>st</sup> (Day Zero = 3/1 plus 30 days = 3/31).</i></p> <p>On the 16<sup>th</sup> day after receipt of the state agency claim (GC 927.4)</p>
When do penalties stop accruing? <ul style="list-style-type: none"> <li>State agency</li> <li>State Controller</li> </ul>	<p>The day claim schedule is submitted to Controller (GC 927.6a) or check is issued from Revolving Fund.</p> <p>The date warrant is issued (GC 927.7)</p>	<p>The day claim schedule is submitted to Controller (GC 927.6a) or check is issued from Revolving Fund.</p> <p>The date warrant is issued (GC 927.7)</p>
What is the penalty rate?	0.25% per calendar day (GC 927.6a) (Factor per day = 0.0025)	PMIA plus 1% (not to exceed 15%) (GC 927.6b); the 2005-2006 rate is <b>3.256%</b> (Factor per day = 0.0000892)
Is a separate penalty invoice required?	No; departments must automatically calculate and pay penalties as incurred (GC 927b & 927.6a)	No; departments must automatically calculate and pay penalties as incurred (GC 927b & 927.6a)
Is there a minimum payment?	No minimum (GC 927.6a)	No payment under \$75.00 (GC 927.6b)
Can penalties be waived?	Penalties may not be waived, altered, or limited by the state agency or the contractor (GC 927.1b) except for non-profits when there is no budget (GC 927.11b), and declaration of major disaster (GC 927.11c)	Penalties may not be waived, altered, or limited by the state agency or the contractor (GC 927.1b) except for fire season emergency (GC 927.11a), and declaration of major disaster (GC 927.11c)
What if there is no Budget Act?	Penalties shall accrue to small businesses until invoice is paid (GC 927.11d); non-profits will <b>not</b> be paid penalties (GC 927.11b)	Penalties shall accrue until the invoice is paid (GC 927.11d)

**SUMMARY, continued**

Frequently Asked Questions	Small Business (Incl. Non-Profits) with Contracts <\$500k and Gross Receipts <\$5m	All Other Businesses
Are penalties applicable to: <ul style="list-style-type: none"> <li>• Medi-Cal Claims?</li> <li>• Advances?</li> <li>• Non-profit organizations?</li> <li>• Local entities?</li> </ul> How about subcontractors?	Yes (GC 927.5), when such small businesses are located in California (GC 927.2j) The law makes no provisions for advances  Yes, if contract <\$500,000 (GC 927.7) No, the law specifically refers to "contracts with a business" (GC 927.1) rather than with public entities as defined in GC 811.2 Agencies shall encourage contractors to promptly pay their subcontractors (GC 927.10)	Special provisions apply (GC 927.5)  The law makes no provisions for advances  No (GC 927a) No, the law specifically refers to "contracts with a business" (GC 927.1) rather than with public entities as defined in GC 811.2 Agencies shall encourage contractors to promptly pay their subcontractors (GC 927.10)
Are there any exceptions?	No exceptions	<ol style="list-style-type: none"> <li>1. 30-day payment extension in a declared fire season emergency (GC 927.11a);</li> <li>2. In major calamity, disaster or criminal act, penalty suspended (until reinstated) by Director of Finance (GC 927.11c)</li> </ol>
Are any reports required?	Annual report (identifying number of penalty payments and dollar amount) to the Director of DGS 90 days after the end of the fiscal year (GC 927.9)	Annual report (identifying number of penalty payments and dollar amount) to the Director of DGS 90 days after the end of the fiscal year (GC 927.9)

Please see additional information at our web site: [www.pd.dgs.ca.gov/promptpay/](http://www.pd.dgs.ca.gov/promptpay/)

- Select *Prompt Payment Toolkit* for detailed information and more.
- Select *Directory of State Payment Offices* to locate the proper accounts payable telephone number and address of specific State offices.
- To view California Laws, including Government Code (GC) and Public Contract Code (PCC), please go to [www.leginfo.ca.gov](http://www.leginfo.ca.gov)
- Regarding Construction Contract Payments, please see Public Contract Code Section 10261.5 at [www.leginfo.ca.gov](http://www.leginfo.ca.gov).
- Contractors who have specific questions about invoice status: Please contact the Small Business Advocate for the subject department. The Small Business/DVBE Advocates Directory is located at: [www.pd.dgs.ca.gov/smbus](http://www.pd.dgs.ca.gov/smbus).

More questions? Feel free to contact:  
 Lea Fox, Manager, Prompt Payment Program  
 Department of General Services  
 Procurement Division  
 707 Third Street, Second Floor  
 P. O. Box 989054  
 Sacramento, CA 95798-9054  
 (916) 375-4351  
[lea.fox@dgs.ca.gov](mailto:lea.fox@dgs.ca.gov)