

AMENDED IN ASSEMBLY MARCH 26, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1294**

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**Introduced by Assembly Member Holden**

February 27, 2015

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An act to amend Section ~~927~~ 927.2 of the Government Code, relating to state government.

LEGISLATIVE COUNSEL'S DIGEST

AB 1294, as amended, Holden. State ~~government~~. *government: prompt payment of claims.*

The California Prompt Payment Act dictates that a state agency that fails to make a timely payment for goods or services acquired pursuant to a contract with a specified business or organization is subject to a late payment ~~penalty~~, and dictates that the act applies to all state agencies, including, but not limited to, the Public Employees' Retirement System. *penalty. The act does not apply to claims for reimbursement for health care services provided under the Medi-Cal program, unless the Medi-Cal health care services provider is a small business or nonprofit organization. The act defines the terms "small business" and "nonprofit organization," in reference to providers under the Medi-Cal program, to mean a business or organization that meets specified criteria, including that, except as specified, together with any affiliates, the business or organization has gross receipts from business operations that do not exceed \$3,000,000 per year.*

~~This bill would make a nonsubstantive change to this provision.~~

~~This bill would increase that gross receipts maximum to \$4,000,000.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~-yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     SECTION 1. Section 927.2 of the Government Code is amended  
2 to read:

3     927.2. The following definitions apply to this chapter:

4     (a) “Claim schedule” means a schedule of payment requests  
5 prepared and submitted by a state agency to the Controller for  
6 payment to the named claimant.

7     (b) “Grant” means a signed final agreement between any state  
8 agency and a local government agency or organization authorized  
9 to accept grant funding for victim services or prevention programs  
10 administered by any state agency. Any such grant is a contract and  
11 subject to this chapter.

12     (c) “Invoice” means a bill or claim that requests payment on a  
13 contract under which a state agency acquires property or services  
14 or pursuant to a signed final grant agreement.

15     (d) “Medi-Cal program” means the program established pursuant  
16 to Chapter 7 (commencing with Section 14000) of Part 3 of  
17 Division 9 of the Welfare and Institutions Code.

18     (e) “Nonprofit public benefit corporation” means a corporation,  
19 as defined by subdivision (b) of Section 5046 of the Corporations  
20 Code, that has registered with the Department of General Services  
21 as a small business.

22     (f) “Nonprofit service organization” means a nonprofit entity  
23 that is organized to provide services to the public.

24     (g) “Notice of refund or other payment due” means a state  
25 agency provides notice to the person that a refund or payment is  
26 owed to that person or the state agency receives notice from the  
27 person that a refund or undisputed payment is due.

28     (h) “Payment” means any form of the act of paying, including,  
29 but not limited to, the issuance of a warrant or a registered warrant  
30 by the Controller, or the issuance of a revolving fund check by a  
31 state agency, to a claimant in the amount of an undisputed invoice.

32     (i) “Reasonable cause” means a determination by a state agency  
33 that any of the following conditions are present:

34         (1) There is a discrepancy between the invoice or claimed  
35 amount and the provisions of the contract or grant.

36         (2) There is a discrepancy between the invoice or claimed  
37 amount and either the claimant’s actual delivery of property or  
38 services to the state or the state’s acceptance of those deliveries.

1 (3) Additional evidence supporting the validity of the invoice  
2 or claimed amount is required to be provided to the state agency  
3 by the claimant.

4 (4) The invoice has been improperly executed or needs to be  
5 corrected by the claimant.

6 (5) There is a discrepancy between the refund or other payment  
7 due as calculated by the person to whom the money is owed and  
8 by the state agency.

9 (j) “Received by a state agency” means the date an invoice is  
10 delivered to the state location or party specified in the contract or  
11 grant or, if a state location or party is not specified in the contract  
12 or grant, wherever otherwise specified by the state agency.

13 (k) “Required payment approval date” means the date on which  
14 payment is due as specified in a contract or grant or, if a specific  
15 date is not established by the contract or grant, 30 calendar days  
16 following the date upon which an undisputed invoice is received  
17 by a state agency.

18 (l) “Revolving fund” means a fund established pursuant to  
19 Article 5 (commencing with Section 16400) of Division 4 of Title  
20 2.

21 (m) “Small business” means a business certified as a “small  
22 business” in accordance with subdivision (d) of Section 14837,  
23 including certified small businesses engaged in the development,  
24 design, and construction of California’s high-speed rail system  
25 pursuant to the California High-Speed Rail Act (Division 19.5  
26 (commencing with Section 185000) of the Public Utilities Code).

27 (n) “Small business” and “nonprofit organization” mean, in  
28 reference to providers under the Medi-Cal program, a business or  
29 organization that meets all of the following criteria:

- 30 (1) The principal office is located in California.  
31 (2) The officers, if any, are domiciled in California.  
32 (3) If a small business, it is independently owned and operated.  
33 (4) The business or organization is not dominant in its field of  
34 operation.

35 (5) Together with any affiliates, the business or organization  
36 has gross receipts from business operations that do not exceed  
37 ~~three~~ *four* million dollars ~~(\$3,000,000)~~ *(\$4,000,000)* per year,  
38 except that the Director of Health Services may increase this  
39 amount if the director deems that this action would be in  
40 furtherance of the intent of this chapter.

1 SECTION 1. ~~Section 927 of the Government Code is amended~~  
2 ~~to read:~~

3 927. (a) ~~This chapter shall be known and may be cited as the~~  
4 ~~California Prompt Payment Act.~~

5 (b) ~~It is the intent of the Legislature that state agencies pay~~  
6 ~~properly submitted, undisputed invoices, refunds, or other~~  
7 ~~undisputed payments due to individuals within 45 days of receipt~~  
8 ~~or notification thereof, or automatically calculate and pay the~~  
9 ~~appropriate late payment penalties as specified in this chapter.~~

10 (c) ~~Notwithstanding any other law, this chapter shall apply to~~  
11 ~~all state agencies, including, but not limited to, the Public~~  
12 ~~Employees' Retirement System, the State Teachers' Retirement~~  
13 ~~System, the Treasurer, and the Department of General Services.~~