

Date of Hearing: April 22, 2026

ASSEMBLY COMMITTEE ON GOVERNMENTAL ORGANIZATION

Blanca Rubio, Chair

AB 2272 (Caloza) – As Amended April 16, 2026

SUBJECT: State contracting: subcontractors: prompt payment.

SUMMARY: This bill would authorize a subcontractor or supplier performing work under a state contract to request payment status information from the awarding state agency regarding invoices submitted by the prime contractor, and would require a prime contractor to provide confirmation to the awarding agency, upon the agency's request, regarding payments made to subcontractors. **Specifically, this bill:**

- 1) Provides a subcontractor or supplier performing work under a state contract may request payment status information from the awarding state agency regarding invoices submitted by the prime contractor.
- 2) Provides a prime contractor shall provide confirmation to the awarding agency, upon the agency's request, regarding payments made to subcontractors.

EXISTING LAW:

- 1) Creates the Department of General Services (DGS) to provide centralized services including, but not limited to, planning, acquisition, construction, and maintenance of state buildings and property; purchasing; printing; architectural services; administrative hearings; government claims; and accounting services. Requires DGS to develop, institute, and enforce policy and procedures to assure effective operation of all functions performed by DGS and to conserve the rights and interests of the state. (Government Code § 14600)
- 2) Provides state agencies shall encourage claimants to promptly pay their subcontractors and suppliers, especially those that are small businesses. In furtherance of this policy, state agencies shall utilize expedited payment processes to enable faster payment by prime contractors to their subcontractors and suppliers, and shall promptly respond to any subcontractor or supplier inquiries regarding the status of payments made to prime contractors.
- 3) Requires, under the California Prompt Payment Act (CPPA), a state agency that awards a grant or that acquires property or services pursuant to a contract to make timely payments pursuant to the grant or contract. Provides if a state agency or the Controller fails to take certain timely actions and payment is not issued within 45 calendar days from the state agency receipt of an undisputed invoice, the CPPA requires the state agency or the Controller, as applicable, to pay certain penalties.
- 4) Requires a state agency to issue a payment request for an undisputed invoice to the State Controller's Office (SCO) within 30 days of receipt. The Controller shall pay claimants within 15 calendar days of receipt of a correct claim from the state agency.
- 5) Requires, within 10 days of making a construction contract payment, a state agency that maintains an Internet Website to post on its Internet Website the project for which the payment was made, the name of the construction contractor or company paid, the date the payment was

made or the date the state agency transmitted instructions to the Controller or other payer to make the payment, the payment application number or other identifying information, and the amount of the payment.

6) Provides the CPPA requires that departments report annually to the Director of DGS the number and amount of late payment interest penalty payments paid to suppliers each fiscal year. Agencies may also choose to report Performance Measurement Information. In accordance with the Act, penalty payment data is collected, compiled, and reported to the Director.

FISCAL EFFECT: This bill is keyed fiscal by Legislative Counsel.

COMMENTS:

Purpose of the bill. According to the author, “AB 2272 will improve accountability and transparency to help ensure that timely payments made by the state flow more reliably through prime contractors to the subcontractors and small businesses performing the work. When subcontractors are not paid on time, they are forced to cover payroll, materials, and operating costs out of pocket, often taking on debt or delaying growth, which can threaten their ability to stay in business and participate in future public projects. By promoting more consistent and transparent payment practices, this bill supports the stability of small businesses, protects jobs, and strengthens the overall integrity of the state’s contracting system.”

Background.

What problem does this bill solve? Under current law, state agencies are required to encourage claimants to promptly pay their subcontractors and suppliers, with particular attention to small businesses. To support this policy, state agencies must use expedited payment processes to facilitate faster payments from prime contractors to their subcontractors and suppliers, and must also respond quickly to any inquiries from subcontractors or suppliers regarding the status of payments made to prime contractors.

However, this framework means prime contractors are only “encouraged” to pay subcontractors promptly. As a result, even though state agencies must pay prime contractors according to strict guidelines and deadlines, prime contractors themselves are merely encouraged, not obligated, to promptly pay subcontractors and suppliers, even after receiving state funds. Subcontractors are not entitled to payment penalties or required to be paid within a certain time frame.

AB 2272 tackles a long-standing issue in public contracting: prime contractors delaying payment to subcontractors even after receiving funds from the state. By ensuring that payments flow more promptly down the chain, this bill will provide added mechanisms for small businesses, which are often the most vulnerable to cash-flow disruptions.

California Prompt Payment Act (Gov. Code §927 et seq.). The state of California regulates prompt payment on both private and public construction projects. Upon receipt of a progress payment request form the prime contractor, the public entity must release payment within 30 days. This deadline is extended to 39 days if the work was contracted by a state university. As for final/retainage payments, the public entity must release payment within 60 days after the completion of the project.

Prompt payment obligations do not stop with the prime contractor. Once a prime contractor has received any payment from the public entity, they must pay their subcontractors and suppliers within 7 days. But, if the payment is received from a public utility, then the deadline is extended to 21 days after the prime received payment. As for all other payments, they are due within 7 days of receipt, unless the contract terms say otherwise.

If there is a bona fide dispute over the amount due, no more than 150% of the amount in dispute. If not, and payment is late or wrongfully withheld, interest will accrue. The rate of interest depends on whether it's a payment from the public entity to the prime, or payment other payments.

State departments shall pay penalties if a correct claim is not submitted to the Controller within 30 calendar days and payment is not issued within 45 calendar days. The Controller shall pay penalties if payment is not issued with 15 calendar days of receipt of a correct claim and payment is not issued within 45 calendar days.

What does DGS do? The DGS is a California state agency within the Government Operations Agency that acts as the business manager for the state government. It provides support services to state agencies, including procurement and purchasing, real estate management, environmentally friendly transportation, printing and web services, administrative hearings, legal services, building standards, and oversight of safety and accessibility for public school construction. DGS also helps manage funding for school construction and disability access programs.

The DGS Procurement Division establishes state purchasing policies and provides procurement services. Its responsibilities include delegating purchasing authority, certifying small and disabled veteran businesses to work with the state, supporting related business councils, and developing cost-effective purchasing methods to save taxpayer money.

DGS also publishes the State Contracting Manual (SCM), which provides guidelines and procedures for state contracting and payment processes used by California agencies.

In support. CAMEO Network writes, "Small businesses are the backbone of California's economy, and many play a critical role as subcontractors supporting prime contractors on state-funded projects. Yet far too often, they face delayed payments that strain their cash flow, limit their ability to grow, and in some cases, threaten their very survival. AB 2272 addresses this fundamental challenge. By strengthening prompt payment protections and accountability within state contracting, this bill ensures that small business subcontractors are paid in a timely and reliable manner for the work they have already completed. When subcontractors are paid on time, projects move more efficiently, partnerships are more stable, and taxpayer-funded investments yield stronger outcomes."

Related legislation. SB 1366 (S. Rubio) of 2026. This bill would require the Public Utilities Commission (PUC) and the Energy Commission, in administering or approving programs, to comply with the CPPA and to ensure that payment timelines, advance payment structures, and accountability measures required under the act are incorporated into program designs, implementation plans, and cost recovery authorizations. It also mandates minimum advance payments to nonprofits: At least 25% upfront for all nonprofits or 100% upfront for nonprofits

that have been in good standing with the state for at least three years, unless an exception applies.

Prior legislation. SB 1246 (Limón) of 2024. This bill would have deleted, for the purposes of the CPPA, the definition of the term “grant” from the CPPA and deletes the \$500,000 exception in existing law and provides that only specified late payment penalties apply to a signed final agreement for a grant, as specified, or a grant by any state agency to a nonprofit organization. (Vetoed by the Governor)

AB 1223 (Caballero), Chapter 585, Statutes of 2017. Required, within 10 days of making a construction contract payment, a state agency that maintains an Internet Web-site to post on its Internet Web site the project for which the payment was made, the name of the construction contractor or company paid, the date the payment was made, the payment application number or other identifying information, and the amount paid.

SB 293 (Padilla), Chapter 700, Statutes of 2011. Established a four-year limit on retention in public works project, with specified exceptions, and modified provisions regarding payments to subcontractors and provisions regarding subcontractor claims for nonpayment.

REGISTERED SUPPORT / OPPOSITION:

Support

CAMEO Network (California Association for Micro Enterprise Opportunity)
National Small Business Advocacy Council

Opposition

None on file

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