Office of Senate Floor Analyses
(916) 651-4171

CONSENT

Bill No: AB 2272
Author: Caloza (D)
Amended: 4/16/26 in Assembly
Vote: 21

SENATE GOVERNMENTAL ORG. COMMITTEE: 14-0, 6/23/26
AYES: Rubio, Valladares, Archuleta, Ashby, Blakespear, Cervantes, Dahle, Hurtado, Ochoa Bogh, Padilla, Richardson, Smallwood-Cuevas, Wahab, Weber Pierson
NO VOTE RECORDED: Alvarado-Gil

SENATE APPROPRIATIONS COMMITTEE: Senate Rule 28.8

ASSEMBLY FLOOR: 77-0, 5/14/26 (Consent) - See last page for vote

SUBJECT: State contracting: subcontractors: prompt payment

SOURCE: Author

DIGEST: This bill 1) authorizes 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 2) requires a prime contractor to provide confirmation to the awarding agency, upon the agency's request, regarding payments made to subcontractors, as specified.

ANALYSIS:

Existing law:

1) Requires, pursuant to the California Prompt Payment Act (CPPA), a state agency that acquires property or services pursuant to a contract with a business to make payment to the person or business on the date required by the contract and as specified, or be subject to a late payment.

2) Requires state agencies to encourage claimants to promptly pay their subcontractors and suppliers, especially those that are small businesses, as specified.

This bill:

1) Authorizes 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.

2) Requires a prime contractor to provide confirmation to the awarding agency, upon the agency's request, regarding payments made to subcontractors, as specified.

Background

Author Statement. According to the author's office, "AB 2272 strengthens California's Prompt Payment Act by improving 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."

California's Prompt Payment Act. Under the CPPA, state agencies that acquire property or services pursuant to a contract with a business are required to make payment on the date required by the contract, or within 45 days of the state agency's receipt of an undisputed invoice. If this requirement is not met, state agencies must automatically calculate and pay appropriate late payment penalties as specified in Government Code Section 927, et seq. Late payments may occur for a variety of reasons, including administrative decisions relating to cash flow, bond sales, or delays in meeting conditions set forth in federal legislation.

Existing law specifies that state agencies pay applicable penalties, without requiring the claimant to submit an additional invoice for these amounts, whenever the state agency fails to submit a correct claim to the Controller by the required payment approval date and payment is not issued within 45 calendar days from the state agency receipt of an undisputed invoice. Penalties paid by a state agency to a certified small business, nonprofit organization, nonprofit public benefit corporation, and a small business or nonprofit that provides services or equipment under Medi-Cal shall be calculated at a rate of 10% above the United State Prime Rate on June 30th of the prior year.

Additionally, the CPPA provides that if the Controller fails to make payment within 15 calendar days of receipt of the claim from a state agency, and payment is not issued within 45 calendar days from the state agency receipt of an undisputed invoice, the Controller shall pay applicable penalties to the claimant without requiring that the claimant submit an invoice for these amounts. If the claimant is a resource conservation district, a certified small business, a nonprofit organization, a nonprofit benefit corporation, or a small business or nonprofit organization that provides services or equipment under the Medi-Cal program, the Controller must pay a penalty at a rate of 10% above the United State Prime Rate on June 30 of the prior fiscal year, as specified.

However, existing law specifies that for the late payment penalty provisions of the PPA described above, a nonprofit organization is only eligible to receive a penalty payment if the contract or grant is an amount less than $500,000. Since 2013, DGS has overseen the CPPA to ensure that government agencies, in a timely manner, pay their contracts awarded to a certified small business or nonprofit. The CPPA indicates that nonprofits are only eligible to receive a penalty payment if the grant or contract awarded is an amount less than $500,000. Hence, the CPPA only applies to a limited set of grants, excluding numerous nonprofits that provide essential services to California communities.

Existing law requires state agencies to encourage claimants to promptly pay their subcontractors and suppliers, especially those that are small businesses. In furtherance of this state policy, state agencies are required to utilize expedited payment processes to enable faster payment by prime contractors to their subcontractors and suppliers, and to promptly respond to any subcontractor or supplier inquiry regarding the status of payments made to prime contractors.

This bill authorizes a subcontractor or supplier that is performing work under a state contract to request payment status information from the awarding state agency regarding invoices submitted by the prime contractor. Additionally, this bill requires a prime contractor to provide confirmation to the awarding agency, upon the agency's request, regarding payments made to subcontractors.

Related/Prior Legislation

AB 880 (Bennett, 2025) would have revised the CPPA by requiring state agencies to reimburse a nonprofit grantee's indirect costs at specified rates and remove the $500,000 cap that previously exempted certain Medi-Cal-related payments from penalty provisions. Additionally, this bill would have narrowed the circumstances under which the state can dispute an invoice and expands the definition of "grant" to include agreements with nonprofit organizations, as specified. (Never heard in the Senate Appropriations Committee)

SB 1246 (Limón, 2024) 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 Governor Newsom)

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 projects, with specified exceptions, and modified provisions regarding payments to subcontractors and provisions regarding subcontractor claims for nonpayment.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

SUPPORT: (Verified 8/3/2026)

CAMEO Network
Hispanas Organized for Political Equality
National Small Business Advocacy Council
Western Electrical Contractors Association

OPPOSITION: (Verified 8/3/2026)

None received

ARGUMENTS IN SUPPORT: In support of the bill, CAMEO Network, writes in part, "[s]mall businesses are the backbone of California's economy, and many play a critical role as subcontractors supporting prime contractors on state-funded projects. These businesses deliver essential goods and services, drive innovation, and create jobs in communities across the state. 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."

ASSEMBLY FLOOR: 77-0, 5/14/26
AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Johnson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas
NO VOTE RECORDED: Arambula, Flora, Celeste Rodriguez

Prepared by: Brian Duke / G.O. / (916) 651-1530
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