

THIRD READING

Bill No: SB 1366
Author: Rubio (D)
Amended: 4/28/26
Vote: 21

SENATE ENERGY, U. & C. COMMITTEE: 12-1, 4/21/26

AYES: Allen, Ochoa Bogh, Archuleta, Arreguín, Becker, Caballero, Gonzalez, Hurtado, McNERNEY, Richardson, Rubio, Wahab

NOES: Grove

NO VOTE RECORDED: Dahle, Reyes, Stern, Strickland

SENATE APPROPRIATIONS COMMITTEE: 7-0, 5/14/26

AYES: Cervantes, Seyarto, Cabaldon, Dahle, Grayson, Richardson, Wahab

SUBJECT: Public Utilities Commission: report

SOURCE: California Hispanic Chambers of Commerce
The Energy Transition Collective

DIGEST: This bill requires the California Public Utilities Commission (CPUC) to annually submit a report to the Legislature on late payments for contractors, disputed invoices, and steps taken by the CPUC to address funding opportunity challenges faced by small businesses, nonprofit organizations, community-based organizations, or diverse suppliers.

ANALYSIS:

Existing law:

- 1) Establishes the CPUC, consisting of five members appointed by the Governor, and authorizes the CPUC to fix rates and establish rules for public utilities. (Article XII of the California Constitution)

- 2) Requires the CPUC to prepare an annual report on its activities and performance and requires the president of the CPUC to appear annually before the appropriate policy committees of the Legislature to present the report. (Public Utilities Code (PUC) §§ 910 and 321.6)
- 3) Establishes a supplier diversity program by requiring the CPUC to direct each electrical corporation, gas corporation, water corporation, telephone corporation, and wireless telecommunications service provider with gross annual revenues exceeding \$25 million, to annually submit a plan for increasing procurement with women, minority, disabled veteran, and LGBT business enterprises (WMDVLGBTBEs). (PUC § 8283)
- 4) Establishes the California Prompt Payment Act, which sets forth various requirements to ensure that state agencies promptly pay invoices and fund grants, including, but not limited to the following:
 - a) Requiring state agencies to pay undisputed invoices within 45 calendar days, with certain exceptions.
 - b) Establishing specific requirements for state agency submissions to the Controller to ensure compliance with the California Prompt Payment Act.
 - c) Prohibiting state agency employees from disputing an invoice on the basis of minor or technical defects to circumvent requirements of the California Prompt Payment Act.
 - d) Establishing specific requirements for interest accrual on late undisputed invoices and sets forth specific financial penalties for a state agency violating the California Prompt Payment Act. (Government Code (GOV) § 927 et. seq.)
- 5) Requires every state agency to annually provide the Director of the Department of General Services (DGS) with a specified report on late payments paid by the agency in the prior fiscal year. (GOV § 927.9)

This bill requires the CPUC to annually submit a report to the Legislature on the following:

- a) Information submitted to the Director of DGS about late payments paid by the agency in the prior fiscal year.

- b) The number of disputed invoices received by the agencies.
- c) The number of invoices that were paid more than 45 days after receipt.
- d) Steps taken by the CPUC in designing ratepayer-funded procurements to mitigate cashflow issues experienced by small businesses, nonprofit organizations, community-based organizations, or diverse suppliers.

Background

The California Prompt Payment Act sets payment requirements for all agencies. This bill requires the CPUC and California Energy Commission (CEC) to comply with the California Prompt Payment Act. Under existing law, the California Prompt Payment Act applies to all state agencies. While the Act sets specific payment requirements needed for certain agencies that administer programs that must comply with federal funding requirements (such as the Department of Health Care Services administration of payments for Medi-Cal), all agencies must comply with the provisions of the California Prompt Payment Act. Since the establishment of the California Prompt Payment Act, legislation has modified various requirements under the Act. Recent legislation (AB 590, Hart, Chapter 535, Statutes of 2023) authorized state agencies to provide up to 25% of the total funding approved by the agency for a nonprofit in advance if the nonprofit meets certain requirements. The bill also enabled state agencies to exceed this 25% cap under certain circumstances. These changes were intended to address nonprofits' limited ability to cover costs of completing services without funding up-front. However, the legislation also established criteria to ensure that sufficient oversight and accounting mechanisms existed for the funding of these services.

Bill is aimed at addressing concerns about funding opportunities at the state level. This bill is aimed at addressing concerns raised by the Little Hoover Commission regarding nonprofits' ability to compete for state funding opportunities. The Little Hoover Commission conducted a survey of nonprofits participating in state funding opportunities, and 40% of those nonprofits surveyed indicated that they did not receive any of their funding in the form of advance payments. The Little Hoover Commission's report made a number of recommendations, including that state agencies should provide 25% of the funding for a nonprofit's contract up front and provide 100% of a grant award for a nonprofit in advance if the nonprofit has been in good standing with the state for at least three years. Under existing law, agencies can already award between 25% to 100% of nonprofits' funding in advance if the nonprofit meets certain requirements, including accounting and

oversight requirements. As a result, it is not clear that a statutory change is needed to achieve the Little Hoover Commission's recommendations regarding advance payments for nonprofits. The Little Hoover Commission's report did not include recommendations specific to the CPUC, and it is not clear if the nonprofits that experience funding challenges and obtaining advance payments are nonprofits contracting with the CPUC. Existing law requires each state agency to report to the Director of DGS about late payments paid by the agency in the prior fiscal year. This bill requires the CPUC to annually report to the Legislature on late and disputed invoices. This bill also requires the CPUC to annually report on steps the CPUC has taken to mitigate cashflow barriers facing small businesses and diverse suppliers participating in CPUC programs.

Related/Prior Legislation

SB 924 (Hurtado) of 2026, modifies the types of upgrades expressly eligible for funding from the CPUC's Energy Savings Assistance Program (ESAP) and requires the CPUC to ensure diverse contractors can compete for ESAP funding. The bill is pending in the Senate.

AB 3017 (Hart, Chapter 664, Statutes of 2024) expanded the entities that can receive advance payments from state agencies to include federally recognized Native American tribes. The bill also authorized an entity receiving a state grant to provide an advance payment to a sub-recipient under certain circumstances.

AB 590 (Hart, Chapter 535, Statutes of 2023) authorized state agencies to provide up to 25% of the total funding approved by the agency for a nonprofit in advance if the nonprofit meets certain requirements. The bill also enabled state agencies to exceed this 25% cap under certain circumstances.

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

According to the Senate Appropriations Committee, the CPUC estimates ongoing costs of about \$220,000 annually (ratepayer funds) to annually submit a report to the Legislature that includes the number of disputed invoices submitted to the commission, the number of invoices paid more than 45 days after receipt, and steps taken to mitigate cashflow barriers for small businesses and diverse suppliers participating in CPUC-administered programs.

SUPPORT: (Verified 5/14/26)

California Hispanic Chambers of Commerce (Co-source)
The Energy Transition Collective (Co-source)
Little Hoover Commission

OPPOSITION: (Verified 5/14/26)

None received

ARGUMENTS IN SUPPORT: According to the author:

California's grant and contract administration systems have not kept pace with the State's growing reliance on nonprofit and small-business partners. Delayed reimbursements, insufficient indirect cost recovery, and inconsistent application of the Prompt Payment Act create chronic cash-flow instability—especially for smaller, less-resourced organizations serving disadvantaged communities. These failures materially constrain who can afford to deliver state programs and reduce on-the-ground capacity. No nonprofit or small business should be forced to subsidize the delivery of state services. Yet every day, these nonprofits and small businesses are doing just that when the systems falter. Worst of all, these entities are often the least able to afford it, serve communities least able to weather service disruptions, and are staffed by employees unlikely to have a financial safety net to endure unpredictability

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