

Date of Hearing: June 24, 2026

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY

Cottie Petrie-Norris, Chair

SB 1366 (Rubio) – As Amended April 28, 2026

SENATE VOTE: 39-0

SUBJECT: Public Utilities Commission: report

SUMMARY: Requires the California Public Utilities Commission (CPUC) to annually submit a report to the Legislature on late payments to contractors, disputed invoices, and steps the CPUC has taken to address funding-opportunity challenges faced by small and diverse businesses supplying services to the CPUC.

EXISTING LAW:

- 1) 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 §§ 910 and 321.6)
- 2) 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. (Public Utilities Code § 8283)
- 3) 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 § 927 et. seq.)
- 4) 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. (Government Code § 927.9)

FISCAL EFFECT: According to the Senate Committee on Appropriations, the CPUC estimates ongoing costs of about \$220,000 annually to submit the required report to the Legislature.

BACKGROUND:

California Prompt Payment Act – The California Prompt Payment Act mandates specific timeframes and financial penalties for late payments on both state government contracts and state construction projects.¹ This includes requirements such as making payments for undisputed invoices within 45 days of receipt. In recent years, legislation has modified various requirements of the Act, specifically as they relate to payments for nonprofit organizations. For example, 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.

The challenges of nonprofits applying for and managing grants and contracts from California state government agencies were recently highlighted in a report from the Little Hoover Commission (LHC).² The report surveys almost 400 nonprofits, 72% of which said they were moderately to severely impacted by delayed payment from government agencies. These late payments often meant nonprofits had to rely on reserve funds. Despite these and other challenges (such as insufficient indirect costs and barriers to advance payment), 83% of the entities surveyed said they were still likely to pursue future state funding opportunities. This highlights that these opportunities are incredibly valuable to these nonprofits and are often needed to sustain their operations.

COMMENTS:

- 1) *Author's statement.* 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. This bill will shine a light on these inequities and harmful practices by requiring a report to document the scope of these problems."
- 2) *Purpose of the bill.* The goal of this bill is to provide additional transparency on payments made by the CPUC to small businesses and nonprofits completing contracted services for the CPUC. That transparency will come via a report to the Legislature highlighting late payments from the CPUC, disputed invoices, and information from the CPUC regarding

¹ Government Code § 927

² Little Hoover Commission, Issue Brief: Survey on California State Funding for Nonprofits, June 2025, <https://lhc.ca.gov/wp-content/uploads/Report-289.pdf>

steps taken to mitigate cash flow to small businesses and diverse suppliers (author has communicated to the committee that diverse suppliers are often nonprofits).

Some of this information is already available. Indeed, the CPUC, along with every other state agency, must submit information on late payments to DGS. This includes information on the monetary amount paid in penalties as a result of late payments, with separate data highlighting the number of late payments to small businesses.³ For example, in fiscal year 2023-2024, the CPUC had 6 recorded instances of late payment penalties to small businesses and paid just over \$3700 in penalties for those late payments. This is out of a total of over a billion dollars in invoices the CPUC paid during that same fiscal year, with an additional \$87,000 in penalties for 44 other late payments. While small in overall cost and volume, any form of late payment to the small businesses and nonprofits who rely on these payments to keep their operations running, as highlighted by the LHC report, can be impactful. While the existing data to DGS show the penalties, they don't show what the CPUC is doing to avoid those penalties — which is the gap this bill's reporting requirement would seek to close.

To receive the most pertinent information from the CPUC, the author may wish to refine the bill language to request information from the CPUC that it sees as currently lacking from available data that is already publicly available. This may include providing further details on the desired reporting as it relates to diverse suppliers, which is not currently defined in the bill. With a more refined legislative direction, this report may yield the desired transparency and insight into more targeted approaches that can minimize harm to the small businesses and nonprofits relying on payment from the CPUC for their services.

3) *Related legislation.*

SB 2272 (Caloza) 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. Additionally, this bill requires a prime contractor to provide confirmation to the awarding agency, upon the agency's request, regarding payments made to subcontractors, as specified. Status: set for hearing in the Senate Governmental Organization Committee on June 23rd.

4) *Prior legislation.*

AB 3017 (Hart) 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. Status: Chapter 664, Statutes of 2024

AB 590 (Hart) 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. Status: Chapter 535, Statutes of 2023

³ <https://www.dgsapps.dgs.ca.gov/pd/lppp/>

REGISTERED SUPPORT / OPPOSITION:

Support

California Hispanic Chambers of Commerce
Energy Transition Collective
Little Hoover Commission

Opposition

None on file.

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