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AB-1177 California Prompt Payment Act: late payment penalties. (2025-2026)

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Date Published: 07/14/2025 09:00 PM

Assembly Bill No. 1177

CHAPTER 47

An act to amend Section 927.11 of the Government Code, relating to civil law.

[Approved by Governor July 14, 2025. Filed with Secretary of State July 14, 2025.]

LEGISLATIVE COUNSEL'S DIGEST

AB 1177, Connolly. California Prompt Payment Act: late payment penalties.

Existing law, the California Prompt Payment Act, generally provides that a state agency that acquires property or services pursuant to a contract with a business but fails to make payment to the person or business on the date required by the contract is subject to a late payment penalty, as specified. The act also requires the required payment approval date, as defined, to be extended by 30 calendar days if an invoice from a business under a contract with the Department of Forestry and Fire Protection (department) would become subject to late payment penalties during the annually declared fire season, as declared by the Director of Forestry and Fire Protection (director), except if the contract is with a certified small business, a nonprofit organization, or a nonprofit public benefit corporation.

This bill would, instead, require the required payment approval date to be extended by 30 calendar days if an invoice from a business under a contract with the department would become subject to late payment penalties during the peak fire protection staffing period, as determined by the director, subject to the exceptions described above.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 927.11 of the Government Code is amended to read:

927.11. (a) Except in the case of a contract with a resource conservation district, a certified small business, a nonprofit organization, or a nonprofit public benefit corporation, if an invoice from a business under a contract with the Department of Forestry and Fire Protection would become subject to late payment penalties during the peak fire protection staffing period, as determined by the Director of Forestry and Fire Protection, or their designee, then the required payment approval date shall be extended by 30 calendar days.

(b) No nonprofit public benefit corporation shall be eligible for a late payment penalty if a state agency fails to make timely payment because no Budget Act has been enacted.

(c) (1) If the Director of Finance determines that a state agency or the Controller is unable to promptly pay an invoice as provided for by this chapter due to a major calamity, disaster, or criminal act, then otherwise applicable late payment penalty provisions contained in Sections 927.6 and 927.7 shall be suspended, except as they apply to a claimant that is any of the following:

(A) A resource conservation district.

(B) A certified small business.

(C) A nonprofit organization.

(D) A nonprofit public benefit corporation.

(E) A small business or nonprofit organization that provides services or equipment under the Medi-Cal program.

(2) A suspension pursuant to this subdivision shall remain in effect until the Director of Finance determines that the suspended late payment penalty provisions should be reinstated.

(d) Except as provided in subdivision (b), in the event a state agency fails to make timely payment because no Budget Act has been enacted, penalties shall continue to accrue until the time that the invoice is paid.