



## THIS BILL

SB 1246 would:

- Expand the Prompt Payment Act to include all nonprofit grants and contracts.
- Require a state agency disputing a grant contract invoice from a nonprofit to pay the undisputed portion of an invoice within 45 days.
- Establish that a grant invoice with a minor discrepancy of \$250 or 5%, whichever is less, is deemed payable, limiting disputes between state agencies and nonprofits.
- Include penalties paid to nonprofits in the annual report for the Department of General Services.

This bill would define the term “grant” to clearly mean a signed final agreement between any state agency and a nonprofit organization, removing the current eligibility cap.

## BACKGROUND

The Department of General Services has overseen the Prompt Payment Act (PPA) since 2013 to ensure that government agencies pay their contracts with small business or nonprofits in a timely manner.

Under the PPA, these respective payments must be completed within 45 calendar days of initial receipt. If these requirements are not met, state agencies must calculate and pay the appropriate late penalties to the certified small business or nonprofit.

The PPA currently indicates that nonprofits are only eligible to receive a penalty payment from a state agency if the grant or contract awarded is an amount less than \$500,000.

With the \$500,000 ceiling, the PPA only applies to a limited set of grants, excluding numerous nonprofits that provide essential services to California communities.

## PURPOSE

California nonprofits are a bridge to our local communities, ensuring that critical services are accessible to residents while contributing to the social and economic growth of the region. Nonprofits also offer essential services in times of economic instability when state or federal funding or governmental services may be less accessible to local communities.

SB 1246 continues the work of the California Nonprofit Equity Initiative aimed at strengthening the essential partnership between the state and nonprofits to benefit all Californians, particularly our most vulnerable residents.

SB 1246 increases equity for nonprofits. When the burden of delayed payments is lifted, more community-based nonprofits will be able to pursue contracts and grants for the betterment of their diverse communities.

## SUPPORT

California Association of Nonprofits (sponsor)  
California Coalition for Community  
Investment

# Senate Bill 1246

California Nonprofit Equity Initiative



# MONIQUE LIMÓN

REPRESENTING SENATE DISTRICT 19

California Council of Community Behavioral  
Health Agencies

California Family Resource Association

California Partnership to End Domestic  
Violence

California ReLeaf

CAMEO – California Association for Micro  
Enterprise Opportunity

Center for Nonprofit Management

Child Abuse Prevention Center

Children’s Institute

Community Alliance with Family Farmers

Community Bridges

Community Water Center

El Concilio of Stockton

Fresno Building Healthy Communities

HealthRight360

Inland Empire Community Collaborative

Inland Southern California United Way

Koreatown Youth + Community Center

Los Angeles Area Chamber of Commerce

Meals on Wheels California

Nonprofit Finance Fund (NFF)

PATH

Roberts Enterprise Development Fund (REDF)

Rural Community Assistance Corporation

Santa Cruz Volunteer Center

Self-Help Enterprises

The Greenlining Institute

TreePeople

United Ways of California

## STAFF CONTACT

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