

BUDGET LETTER

		NUMBER:	18-12
SUBJECT:		DATE ISSUED:	July 16, 2018
LATE PAYMENT PENALTY RATES		SUPERSEDES:	BL 17-14
REFERENCES: GOVERNMENT CODE SECTION 927 ET SEQ.; STATE ADMINISTRATIVE MANUAL SECTION 8474 ET SEQ.			

TO: Agency Secretaries
 Department Directors
 Departmental Budget and Accounting Officers
 Department of Finance Budget and Accounting Staff

FROM: DEPARTMENT OF FINANCE

This Budget Letter advises state departments of the current late payment penalty rates.

The California Prompt Payment Act (Act), Government Code (GC) section 927 et seq., requires state departments to automatically calculate and pay the appropriate late payment penalties if they fail to pay properly submitted, undisputed invoices or grants for victim services or prevention programs, and refunds or other undisputed payments due to individuals on or before the date required by the Act. The Act applies to invoices for goods and/or services acquired by state departments and specific grant claims.

The Act requires different rates for penalty payments paid as follows:

- A. Small businesses, nonprofit organizations, nonprofit public benefit corporations, including grantees that provide victim services and prevention programs as defined in GC section 927.2.
- B. Other businesses, including local government grantees that provide victim services or prevention programs as defined in GC section 927.2.
- C. Refunds or other payments due to individuals.

Penalty Payment Chart

	<i>Description</i>	<i>Penalty Threshold</i>	<i>Penalty Rates FY 2017-18</i>	<i>Penalty Rates FY 2018-19</i>	
A)	-Small Businesses -Nonprofit Organizations -Nonprofit Public Benefit Corporations	Greater than \$10	14.25% 0.0003904	15.00% 0.000411	<i>Annual rate Daily rate</i>
B)	-Other Businesses	Greater than \$100	2.03% 0.0000556	2.92% 0.00008	<i>Annual rate Daily rate</i>
C)	-Refunds -Other payments due to Individuals	Greater than \$10	0.03% 0.0000008	0.92% 0.0000252	<i>Annual rate Daily rate</i>

To calculate late payment penalties, multiply the amount subject to penalties by the applicable daily penalty rate, as shown in the Penalty Payment Chart, to determine the penalty amount per day. The penalty amount per day is then multiplied by the number of calendar days the payment is late to determine the penalty amount. The penalty payment is charged to the fiscal year based on the payment due date.

For additional information on late payment penalties, please refer to the State Administrative Manual section 8474 et seq. and the Department of Finance, Policies and Procedures website under Fiscal Systems and Consulting Unit (FSCU) Frequently Asked Questions:
http://www.dof.ca.gov/Accounting/Policies_and_Procedures/

If you have questions regarding this BL or other fiscal year rates, please contact the FSCU Hotline at (916) 324-0385 or by e-mail at FSCUHotline@dof.ca.gov.

/s/ Veronica Chung-Ng

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