

BUDGET LETTER

		NUMBER: 26-09
SUBJECT:	LATE PAYMENT PENALTY RATES	DATE ISSUED: July 15, 2026
REFERENCES:	GOVERNMENT CODE SECTION 927 ET SEQ. STATE ADMINISTRATIVE MANUAL SECTION 8474 ET SEQ.	SUPERSEDES: BL 25-10

TO: Agency Secretaries
Department Directors
Department 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. Resource conservation districts, small businesses, nonprofit organizations, nonprofit public benefit corporations, including grantees that provide victim services and prevention programs or restoration activities performed by a resource conservation district 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.

Description	Penalty Threshold	Annual Rates for FY 2025-26	Daily Rates for FY 2025-26	Annual Rates for FY 2026-27	Daily Rates for FY 2026-27
Resource Conservation Districts	Greater than \$10	17.50%	0.0004795	16.75%	0.0004589
Small Businesses	Greater than \$10	17.50%	0.0004795	16.75%	0.0004589
Nonprofit Organizations*	Greater than \$10	17.50%	0.0004795	16.75%	0.0004589
Nonprofit Public Benefit Corporations	Greater than \$10	17.50%	0.0004795	16.75%	0.0004589
Other Businesses	Greater than \$100	5.264%	0.0001442	4.829%	0.0001323
Refunds	Greater than \$10	3.264%	0.0000894	2.829%	0.0000775
Other Payments Due to Individuals	Greater than \$10	3.264%	0.0000894	2.829%	0.0000775

*Late payment penalty applies only to contracts or grants less than \$500,000.00.

To calculate late payment penalties, multiply the amount subject to penalties by the applicable daily penalty rate, as shown in the table, 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, Accounting Policies, and Procedures website under Fiscal Systems and Consulting Unit (FSCU) Approval and Frequently Asked Questions: <https://dof.ca.gov/accounting/accounting-consulting-and-training-2/fiscal-systems-and-consulting-unit-frequently-asked-questions/>.

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/ Thomas Todd

Thomas Todd
Program Budget Manager