BUDGET LETTER

NUMBER: 14-14	
SUBJECT: LATE PAYMENT PENALTY RATES	**DATE ISSUED:** July 21, 2014
REFERENCES: GOVERNMENT CODE SECTION 927 ET SEQ.; STATE ADMINISTRATIVE MANUAL SECTION 8474 ET SEQ.	**SUPERSEDES:** BL 13-09

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

FROM: DEPARTMENT OF FINANCE

This Budget Letter (BL) 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 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

	Description	*Penalty Threshold*	*Penalty Rates* ***FY 2013-14***	*Penalty Rates* ***FY 2014-15***	
A)	-Small Businesses -Nonprofit Organizations -Nonprofit Public Benefit Corporations	Greater than $10	13.25% 0.000363	13.25% 0.000363	*Annual rate* *Daily rate*
B)	-Other Businesses	Greater than $100	1.24% 0.000034	1.233% 0.0000338	*Annual rate* *Daily rate*
C)	-Refunds -Other payments due to Individuals	Not applicable	Not applicable	Not applicable	

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, please refer to the State Administrative Manual section 8474 et seq. and the Department of Finance, Fiscal Systems and Consulting Unit (FSCU) website: http://www.dof.ca.gov/accounting/fscu/

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

Veronica Chung-Ng
Program Budget Manager