
**SENATE COMMITTEE ON ENERGY, UTILITIES AND
COMMUNICATIONS**

**Senator Benjamin Allen, Chair
2025 - 2026 Regular**

Bill No:	SB 1366	Hearing Date:	4/21/2026
Author:	Rubio		
Version:	3/23/2026 Amended		
Urgency:	No	Fiscal:	Yes
Consultant:	Sarah Smith		

SUBJECT: State government: California Prompt Payment Act: Public Utilities Commission: State Energy Resources Conservation and Development Commission

DIGEST: This bill requires the California Energy Commission (CEC) and California Public Utilities Commission (CPUC) to comply with the California Prompt Payment Act, except that this bill establishes advance payment requirements for the CEC and CPUC that differ from those in the California Prompt Payment Act. Specifically, this bill requires the CPUC and CEC to provide 25% of funding authorized by these agencies in advance, unless the agencies provide written justification for not doing so. For non-profits, this bill requires the CEC and CPUC to provide 100% of authorized funding to the non-profit, unless the CEC or CPUC provide written justification for not doing so. This bill also requires the CPUC and CEC to annually report to the Legislature on specified payment, procurement, and contracting activities.

ANALYSIS:

Existing law:

- 1) Establishes the CEC, consisting of five members appointed by the Governor, and specifies the duties of the CEC. Every two years, the Governor must designate a chair and vice chair from the CEC's membership. The CEC must appoint a public adviser every three years to carry out certain public engagement duties. (Public Resources Code §25200 et. seq.)
- 2) Establishes the CPUC, consisting of five members appointed by the Governor, and authorizes the CPUC to fix rates and establish rules for public utilities. (Article XII of the California Constitution)
- 3) Requires the CPUC to prepare an annual report on its activities and performance and requires the president of the CPUC to appear annually before

the appropriate policy committees of the Legislature to present the report.
(Public Utilities Code §§910 and 321.6)

- 4) Establishes a supplier diversity program by requiring the CPUC to direct each electrical corporation, gas corporation, water corporation, telephone corporation, and wireless telecommunications service provider with gross annual revenues exceeding \$25 million, to annually submit a plan for increasing procurement with women, minority, disabled veteran, and LGBT business enterprises (WMDVLGBTBEs). (Public Utilities Code §8283)
- 5) Establishes the California Prompt Payment Act, which sets forth various requirements to ensure that state agencies promptly pay invoices and fund grants, including, but not limited to the following:
 - a) Requiring state agencies to pay undisputed invoices within 45 calendar days, with certain exceptions.
 - b) Establishing specific requirements for state agency submissions to the Controller to ensure compliance with the California Prompt Payment Act.
 - c) Prohibiting state agency employees from disputing an invoice on the basis of minor or technical defects to circumvent requirements of the California Prompt Payment Act.
 - d) Establishing specific requirements for interest accrual on late undisputed invoices and sets forth specific financial penalties for a state agency violating the California Prompt Payment Act. (Government Code §927 et. seq.)
- 6) Requires every state agency to annually provide the Director of General Services with a specified report on late payments paid by the agency in the prior fiscal year. (Government Code §927.9)
- 7) Establishes requirements for advance payments for state grants and contracts between state agencies and nonprofits. Existing law requires state agencies to prioritize funding opportunities that serve disadvantaged, low-income, and under-resourced communities or organizations with modest reserves and potential cashflow problems. Existing law authorizes state agencies to provide up to 25% of a payment for a non-profit in advance if a non-profit meets certain requirements. Existing law authorizes a state agency to exceed this 25% cap on advance payments if the state agency determines that a project requires a larger advance and the nonprofit provides sufficient justification and documentation for that larger advance to the state agency. (Government Code §11019.3)

This bill:

- 1) Requires the CPUC and CEC to comply with the California Prompt Payment Act when establishing and administering programs.
- 2) Requires the CPUC and CEC to ensure that payment timelines, advance payment structures and accountability measures included in the California Prompt Payment Act are incorporated into all program designs, implementation plans, and cost-recovery authorizations.
- 3) Requires the CPUC and CEC to pay an invoice within 45 calendar days of receiving the invoice and prohibits the CPUC and CEC from disputing an invoice on the basis of a minor or technical defect in order to circumvent this bill.
- 4) Specifies that interest on late payments will accrue automatically and cannot be waived by contract terms.
- 5) Requires the CPUC and CEC to provide any entity that receives a funding award from these agencies with a minimum advance payment of 25% of the total funding authorized by the agency, unless the agency provides a written justification for not doing so.
- 6) Requires the CPUC and CEC to provide 100% of the total funding authorized for a non-profit in advance, unless the agency provides written justification. This bill specifies that this 100% advance payment requirement applies to non-profits that have been in good standing with the state for at least three years.
- 7) Prohibits the CPUC and CEC from structuring procurement or payment terms in a way that unreasonably restricts participation by small businesses, non-profit organizations, or diverse suppliers as defined under existing law.
- 8) Specifies that nothing in this bill alters the CPUC's ratemaking authority or obligation to protect ratepayers.
- 9) Requires the CPUC and CEC to annually submit reports to the Legislature on the following:
 - a) Information submitted to the Director of General Services about late payments paid by the agency in the prior fiscal year.
 - b) The number of disputed invoices received by the agencies.
 - c) The number of invoices that were paid more than 45 days after receipt.

- d) Steps taken by the CPUC in designing ratepayer-funded procurements to mitigate cashflow issues experienced by small businesses, nonprofit organizations, community-based organizations, or diverse suppliers.

Background

The California Prompt Payment Act sets payment requirements for all agencies. This bill requires the CPUC and CEC to comply with the California Prompt Payment Act. Under existing law, the California Prompt Payment Act applies to all state agencies. While the Act sets specific payment requirements needed for certain agencies that administer programs that must comply with federal funding requirements (such as the Department of Health Care Services administration of payments for Medi-Cal), all agencies must comply with the provisions of the California Prompt Payment Act. Since the establishment of the California Prompt Payment Act, legislation has modified various requirements under the Act. Recent legislation (AB 590, Hart, Chapter 535, Statutes of 2023) authorized state agencies to provide up to 25% of the total funding approved by the agency for a non-profit in advance if the non-profit meets certain requirements. The bill also enabled state agencies to exceed this 25% cap under certain circumstances. These changes were intended to address non-profits' limited ability to cover costs of completing services without funding up-front. However, the legislation also established criteria to ensure that sufficient oversight and accounting mechanisms existed for the funding of these services.

Bill establishes payment requirements for the CPUC and CEC that differ from those in the California Prompt Payment Act. This bill is aimed at addressing concerns raised by the Little Hoover Commission regarding non-profits' ability to compete for state funding opportunities. The Little Hoover Commission conducted a survey of non-profits participating in state funding opportunities, and 40% of those non-profits surveyed indicated that they did not receive any of their funding in the form of advance payments. The Little Hoover Commission's report made a number of recommendations, including that state agencies should provide 25% of the funding for a non-profit's contract up front and provide 100% of a grant award for a non-profit in advance if the non-profit has been in good standing with the state for at least three years. Under existing law, agencies can already award between 25% to 100% of non-profits' funding in advance if the non-profit meets certain requirements, including accounting and oversight requirements. As a result, it is not clear that a statutory change is needed to achieve the Little Hoover Commission's recommendations regarding advance payments for non-profits. The Little Hoover Commission's report did not include recommendations specific to the CPUC and CEC, and it is not clear if the non-profits that experience funding

challenges and obtaining advance payments are non-profits contracting with the CPUC and CEC.

This bill differs from the recommendations in the Little Hoover Commission report and the California Prompt Payment Act by requiring only the CEC and CPUC to provide a minimum of 25% of funding opportunities in advance for any contractor – not solely non-profits. This bill also requires the CEC and CPUC to provide non-profits in good standing with the state 100% of authorized funding in advance without requiring non-profits to comply with the conditions required for advance payments in the California Prompt Payment Act.

This bill would also codify certain elements of the California Prompt Payment Act in the Public Utilities Code in a manner that could create uncertainty regarding the CPUC and CEC's ability to fully comply with the California Prompt Payment Act. For example, the California Prompt Payment Act requires state agencies to pay undisputed invoices within 45 calendar days, with certain exceptions. This bill requires the CPUC and CEC to pay any invoice within 45 calendar days of receiving the invoice – regardless of whether the invoice is disputed or not. While this bill requires the CPUC and CEC to comply with the California Prompt Payment Act, it is unclear how the CPUC and CEC can simultaneously comply with both the existing law and the provisions of this bill that set separate, potentially conflicting requirements for the CPUC and CEC.

Providing all non-profit funding in advance without more oversight may not be in the best interest of ratepayers. This bill would expressly require the CPUC and CEC to provide advance payments for any funding opportunities, contracts, or awards using ratepayer funds. While this bill states that nothing in this bill alters the CPUC's obligation to protect ratepayers, providing a non-profit with 100% of authorized funding in advance without structuring a grant or contract to ensure benchmarks are met to obtain funding may limit CPUC and CEC oversight of ratepayer-funded programs. While non-profits generally comply with state contracting and funding obligations, some non-profits that have received ratepayer funds from CPUC awards have failed to deliver services or maintain adequate records of how ratepayer funds were used. For example, in 2018, the CPUC initiated an investigation of One Million New Internet Users Coalition following a report from the California State Auditor indicating that the organization had not accurately accounted for the use of ratepayer funds received from the California Advanced Services Fund (CASF). The One Million New Internet Users Coalition was a non-profit operating as a broadband consortium in the Los Angeles area to provide broadband adoption services to unserved communities. The CPUC's investigation concluded that the consortium failed to provide promised services and may have used ratepayer funds for services already paid for by other funding

sources. The non-profit subsequently ceased operations and a new Los Angeles broadband consortium formed to provide broadband adoption support.

Need for amendments. Under existing law, all agencies are currently subject to the requirements of the California Prompt Payment Act. This bill expressly requires the CPUC and CEC to comply with the California Prompt Payment Act. However, this bill also establishes requirements for advance payments, interest accrual, and invoice deadlines that differ from those in the California Prompt Payment Act and existing law regarding state agency payments. As a result, it is unclear how the CPUC and CEC can comply with the California Prompt Payment Act and provisions in this bill that conflict with the California Prompt Payment Act. It is also unclear if setting separate requirements for the CEC and CPUC amongst all agencies would address broader needs of non-profits in state contracting or address the needs of ratepayers to ensure effective use of ratepayer monies. *For these reasons, the author and committee may wish to amend this bill to delete sections 1 and 2 of this bill.*

Prior/Related Legislation

SB 924 (Hurtado) of 2026, modifies the types of upgrades expressly eligible for funding from the CPUC's Energy Savings Assistance Program (ESAP) and requires the CPUC to ensure diverse contractors can compete for ESAP funding. The bill is currently pending in the Senate Appropriations Committee.

AB 3017 (Hart, Chapter 664, Statutes of 2024) expanded the entities that can receive advance payments from state agencies to include federally recognized Native American tribes. The bill also authorized an entity receiving a state grant to provide an advance payment to a sub-recipient under certain circumstances.

AB 590 (Hart, Chapter 535, Statutes of 2023) authorized state agencies to provide up to 25% of the total funding approved by the agency for a non-profit in advance if the non-profit meets certain requirements. The bill also enabled state agencies to exceed this 25% cap under certain circumstances.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

SUPPORT:

Little Hoover Commission

OPPOSITION:

None received

ARGUMENTS IN SUPPORT: According to the author:

California's grant and contract administration systems have not kept pace with the State's growing reliance on nonprofit and small-business partners. Delayed reimbursements, insufficient indirect cost recovery, and inconsistent application of the Prompt Payment Act create chronic cash-flow instability—especially for smaller, less-resourced organizations serving disadvantaged communities. These failures materially constrain who can afford to deliver state programs and reduce on-the-ground capacity. No nonprofit or small business should be forced to subsidize the delivery of state services. Yet every day, these nonprofits and small businesses are doing just that when the systems falter. Worst of all, these entities are often the least able to afford it, serve communities least able to weather service disruptions, and are staffed by employees unlikely to have a financial safety net to endure unpredictability

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