

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: April 22, 2009
POSITION: Oppose
SPONSOR: CA Parks Foundation and CA Council of Land Trusts

BILL NUMBER: SB 553
AUTHOR: P. Wiggins
RELATED BILLS: SB 643, AB 727

BILL SUMMARY: Payment of State Claims: Nonprofit Corporations

The bill would amend the California Prompt Payment Act (PPA) as follows:

- Extends the provisions regarding late payment penalties to contracts with, or grants to, a nonprofit benefit corporation during a budget impasse
Eliminates the \$500,000 cap for a nonprofit organization to be eligible to receive a penalty payment if it has been awarded a contract or grant
Extends the provisions regarding late payment penalties to any grant awarded to local government agencies or organizations authorized to accept grant funding

FISCAL SUMMARY

The fiscal impact is unknown at this time. It could be in the hundreds of thousands of dollars or more.

COMMENTS

Although Department of Finance acknowledges that extending late payment penalties during a budget impasse to nonprofit public benefit corporations has merit, we oppose this bill for the following reasons:

- Requires state departments to pay nonprofit public benefit corporations a 91.25 percent per annum penalty rate which is the same rate paid to certified small businesses. The state is facing a multi billion General Fund budget gap. Any additional costs imposed by this bill would add to the budget gap
Paying contractors or grantees, with large contracts or grants, late payment rates designed for small businesses is not consistent with the original intent of the Act, specifically to protect those least able to survive prolonged payment delays.

Related bills:

- SB 643, 2009, (J. Denham), would expand the definition of a small business under the PPA to include disabled veteran business enterprises, as defined under the Disabled Veteran Business Program. Finance is concerned about the additional costs related to this bill
AB 727, 2009, (J. Nielson) would expand the definition of a small business under the PPA to include Resource Conservation Districts. Finance is concerned about the additional costs related to the bill

Analyst/Principal (0190) L. Satter Date Program Budget Manager Veronica Chung-Ng Date

Department Deputy Director Date

Governor's Office: By: Date: Position Approved Position Disapproved

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)

AUTHOR

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SB 553

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2008-2009	FC	2009-2010	FC	2010-2011	
9990/Var Depts	SO	No		-----	See Fiscal Summary	-----		0001	