



## OFFICE OF THE GOVERNOR

OCT 08 2023

To the Members of the California State Senate:

I am returning Senate Bill 557 without my signature.

This bill would extend Prompt Payment Act requirements and penalties to all grants to nonprofit organizations and makes nonprofit organizations eligible for the higher penalty rate paid to small businesses, regardless of the size of the grant or contract.

Additionally, for disputed invoices regarding the quantity of goods or services delivered to or accepted by the state, this bill would provide that the dispute suspends the requirement to pay within 45 days only if the disputed portion exceeds five percent of the invoiced amount or \$250, whichever is less. This provision would cover all state contractors and grantees, not just nonprofit organizations.

I appreciate the role nonprofit organizations play in supporting our state's communities and economy, and I thank the author for the continued commitment to this critical sector. However, being able to suspend the 45-day requirement in a dispute over the quantity of goods or services provided is essential to the state's fiduciary responsibility and accountability as a distributor of public funds. Moreover, establishing a minimum discrepancy amount to suspend the 45-day requirement could pressure state employees to pay invoices with missing documentation to avoid having to report a late payment penalty.

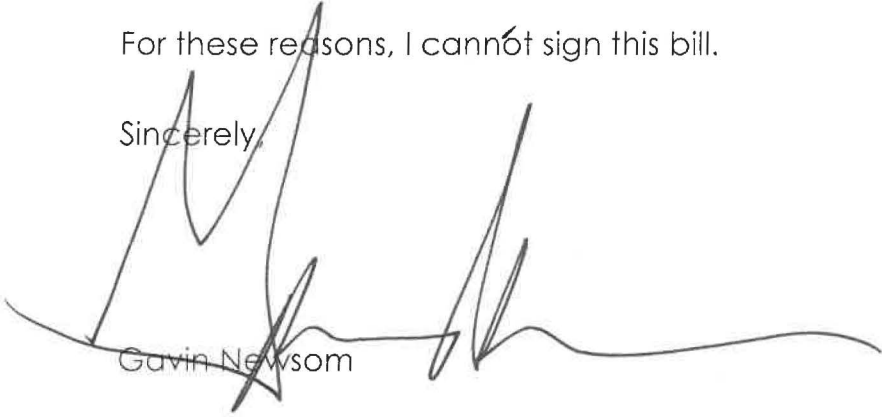
My Administration remains committed to working with nonprofit organizations to support the sector's ability to deliver programs and support communities, while also balancing the need for accountability for state funds. I look forward to



working with stakeholders on the implementation of related efforts, and I encourage the author and stakeholders to continue working with my administration on the overarching goals of this bill, while addressing accountability concerns.

For these reasons, I cannot sign this bill.

Sincerely,

A handwritten signature in black ink, appearing to read 'Gavin Newsom', written over the printed name. The signature is stylized and cursive.

Gavin Newsom