

ASSEMBLY THIRD READING
AB 1658 (Kalra)
As Introduced January 29, 2026
Majority vote

SUMMARY

Makes permanent the authorizations for the County of Los Angeles (LA County) and the County of Santa Clara (Santa Clara County) to use higher change order limits for specified contracts.

Major Provisions

- 1) Removes the cap on the total number of contracts, which is seven under existing law, for which LA County and Santa Clara County may use higher change order limits.
- 2) Removes a requirement that LA County and Santa Clara County provide reports to the Assembly Local Government Committee and the Senate Governance and Finance Committee if they elect to utilize higher change order limits.
- 3) Removes the sunset date of January 1, 2027, on existing law that authorizes LA County and Santa Clara County to utilize higher change order limits.

COMMENTS

- 1) **Delegated Authority for Change Orders.** Change orders are amendments to a construction contract that change the contractor's scope of work, such as moving the location of a wall to accommodate some other design element or making adjustments for unforeseen conditions. This, in turn, changes the contract cost – typically increasing it.

The Local Agency Public Construction Act allows a county board of supervisors or a local governing board to approve change orders in construction contracts by a 4/5 vote. This applies to construction contracts generally and to construction contracts for specified projects, such as county highways, county bridges and subways, and other works.

However, a board may delegate authority to a county engineer or other officer to order and approve change orders, thereby avoiding the necessity of board approval. This delegated authority is generally limited as follows:

- a) For contracts up to \$50,000, a change order may not exceed \$5,000.
 - b) For contracts exceeding \$50,000, but not exceeding \$250,000, the change order is limited to 10% of the contract.
 - c) For contracts over \$250,000, the change order cannot exceed \$25,000, plus 5% of the amount of the original contract cost above \$250,000, with a total cap of \$210,000.
- 2) **Delegated Authority Limits for LA County.** The Legislature approved AB 712 (Calderon), Chapter 95, Statutes of 2021, to increase the delegated authority limits noted above for specified contracts entered into by LA County. The bill increased these caps for contracts

generally, and for construction contracts on county highways, bridges, subways, and those entered into by the county's waterworks district and flood control district.

For contracts exceeding \$25 million, the delegated change order cap was increased to \$400,000, with an annual CPI adjustment. For contracts exceeding \$50 million, the delegated change order cap was increased to \$750,000, with an annual CPI adjustment. The bill provided that, if the board of supervisors delegates authority for these change orders, the decision by the county engineer or other county officer is binding on LA County, and all existing protest and grievance procedures regarding that decision remain valid. The board must implement appropriate measures to prevent fraud and ensure accountability for this delegated authority.

AB 712 was limited to a total of seven contracts and required LA County to provide a report to the Assembly Local Government Committee and the Senate Governance and Finance Committee no later than July 1, 2026, if it elects to utilize the provisions of the bill. AB 712 contained a sunset date of January 1, 2027.

- 3) **Delegated Authority Limits for Santa Clara County.** Following closely on the heels of AB 712, the Legislature approved AB 1649 (Kalra), Chapter 281, Statutes of 2023. AB 1649 extended to Santa Clara County nearly the same delegated authority that was granted to LA County via AB 712.
- 4) **Reports From the Counties.** Both Santa Clara County and LA County have submitted their reports to the Legislature that were required by AB 712 and AB 1649.

According to the report submitted by Santa Clara County, "Since the higher delegated change order limits for a select number of projects became effective for the County of Santa Clara on January 1, 2024, the County of Santa Clara has used the higher-level authority on one project and plans to use it on some other existing projects before the existing legislation sunsets. The one project where the authority has been used...resulted in saving staff time and cost to develop and process items on the Board agenda for three separate Board actions. In addition, the authority minimized project schedule delays and mitigated extended general conditions costs."

According to the report submitted by LA County, "Since approval of the higher delegated change order authority effective January 1, 2022, Los Angeles County Public Works has utilized the expanded authority on five projects to date, though two of these projects are still in early stages of construction...The temporary delegated authority authorized by AB 712 has clearly demonstrated its value. Across the five projects listed above, this authority has been utilized for approval of 24 change orders under the expanded delegation that would otherwise have required separate Board actions. Use of this authority has avoided significant administrative costs, reduced exposure to schedule delays, and generated documented cost avoidance exceeding \$40 million, including the prevention of approximately 12 months of delay on the Harbor-UCLA Medical Center Replacement Program.

"These benefits extend beyond administrative efficiency. The authority has supported timely delivery of critical public facilities, including hospitals, water infrastructure, stormwater capture projects, and other capital investments that directly affect public health, safety, environmental protection, and community resilience. In several cases, the authority has also

reduced the County's exposure to regulatory risk and potential financial penalties. Since approval of this legislation, more than 40 County projects would have qualified for the expanded delegated authority absent the 7-project cap; accordingly, Public Works reserved the remaining two project authorizations allowed under AB 712 for future eligible projects."

According to the Author

AB 1658 will provide Santa Clara County and Los Angeles County with expedited ability to avoid construction delays in complex projects, such as the replacement of the Harbor-UCLA hospital in Los Angeles County, where the authority has allowed the project to avoid approximately 12 months of delay, or the Behavioral Health Services Center on the campus of Santa Clara Valley Medical Center, where the County has avoided approximately 20 months of delay in constructing an inpatient/outpatient center for child and adolescent psychiatric and behavioral health care.

Arguments in Support

The County of Santa Clara, sponsor of this bill, writes, "Change orders are amendments to a construction contract that change the contractor's scope of work, including moving a drainpipe or a wall. Often, these changes cannot reasonably be identified prior to excavation and are caught only after installation has begun. Under California law, the Local Agency Public Construction Act allows a Board of Supervisors to approve change orders with a two-thirds vote and delegate a designated officer to execute change orders on behalf of the Board below certain monetary limits. The maximum allowable delegation limits have not been updated for counties since 2011, and they do not reflect the significant rise in inflation and construction costs. This causes delays in approval, which lengthen construction time and increase costs to taxpayers.

"In 2021 and 2023, the Legislature authorized the Counties of Los Angeles and Santa Clara, respectively, to increase the maximum allowable delegation amount for up to seven projects and:

- For contracts \$25-\$50 million, the change order must not exceed \$400,000, adjusted annually to reflect the percentage change in the California Consumer Price Index.
- For contracts over \$50 million, the change order must not exceed \$750,000, adjusted annually to reflect the percentage change in the California Consumer Price Index.

"Since the authority was approved, the County has used it during construction of a new Behavioral Health Services Center (BHSC) at one of our hospitals, Valley Medical Center. This building is over 200,000 square feet and holds a 77-bed acute psychiatric hospital for children, adolescents, and adults, a 56-bed Emergency Psychiatric Facility, a Mental Health Urgent Care Facility, and other areas. The contract change order authority was used nearly 60 times on the project, helping the County save 20 months of time during construction.

"AB 1658 would make permanent these updates to the Local Agency Public Construction Act for the Counties of Los Angeles and Santa Clara related to change orders. The authority works – the ability to administratively execute change orders has reduced construction delays and saved critical public dollars. At a time where counties are facing budget deficits, particularly due to the devastating funding cuts of H.R. 1, it is critical that construction projects stay as close to on-time as possible to avoid costly delays."

Arguments in Opposition

None on file.

FISCAL COMMENTS

None

VOTES

ASM LOCAL GOVERNMENT: 10-0-0

YES: Carrillo, Ta, Johnson, Pacheco, Ramos, Ransom, Blanca Rubio, Caloza, Ward, Wilson

UPDATED

VERSION: January 29, 2026

CONSULTANT: Angela Mapp / L. GOV. / (916) 319-3958

FN: