THIRD READING

Bill No: AB 2067
Author: Patel (D)
Introduced: 2/18/26
Vote: 21

SENATE EDUCATION COMMITTEE: 6-1, 6/3/26
AYES: Pérez, Cabaldon, Choi, Cortese, Gonzalez, Reyes
NOES: Ochoa Bogh

ASSEMBLY FLOOR: 64-0, 4/9/26 (Consent) - See last page for vote

SUBJECT: School facilities: leasing real property

SOURCE: Associated General Contractors, California Chapters
Coalition for Adequate School Housing

DIGEST: This bill (1) extends, by five years, the existing authorization for school districts to use the lease-leaseback project delivery method through a competitive best value solicitation process for school construction projects; (2) extends the operative date of these provisions from July 1, 2027, to July 1, 2032.

ANALYSIS:

Existing law:

1) Authorizes a school district governing board, notwithstanding specified competitive bidding provisions, to lease district property for a minimum of $1 per year to a person, firm, or corporation if the lease requires the lessee to construct school facilities for district use and requires title to vest in the district at the conclusion of the lease term. Requires the instrument to be awarded through a competitive solicitation process using a best value methodology.

2) Provides that the current authorization for school districts to use the lease-leaseback project delivery method through a competitive best value process becomes inoperative on July 1, 2027.

3) Authorizes school districts to enter into agreements under which a private entity constructs school facilities and leases the facilities back to the district, with title ultimately vesting in the district, and requires agreements entered into pursuant to specified provisions to be awarded to the lowest responsible bidder.

4) Prohibits a school district from entering into a lease-leaseback agreement unless the entity and its subcontractors agree to use a skilled and trained workforce for all apprenticeable occupations on the project.

5) Defines "best value" for purposes of lease-leaseback procurement as a competitive procurement process that evaluates proposers based on objective criteria representing the best combination of price and qualifications.

This bill:

1) Extends, by five years, the existing authorization for school districts to use the lease-leaseback project delivery method through a competitive best value solicitation process for school construction projects.

2) Extends the operative date of these provisions from July 1, 2027, to July 1, 2032.

Comments

Need for the bill. According to the author, "AB 2067 affords the continued use of an existing tool to improve transparency and bring certainty to school districts, contractors, and architects engaged in delivering school construction projects. Most importantly, this authority helps to control project costs and deliver facility projects on time, which directly benefits students and taxpayers."

Extends a project delivery method that was substantially reformed following litigation and longstanding concerns regarding transparency and competitive bidding. Lease-leaseback has long been used by school districts as an alternative project delivery method for school construction projects. Historically, however, the process generated controversy because prior law authorized districts to enter into lease-leaseback agreements "without advertising for bids," leading to concerns that some projects were effectively awarded without meaningful competition. These concerns culminated in the *Davis v. Fresno Unified School District* litigation, which challenged whether certain lease-leaseback arrangements improperly circumvented California's public contracting laws.

In response, the Legislature enacted AB 2316 (O'Donnell, Chapter 521, Statutes of 2016), which substantially revised the lease-leaseback process by eliminating the authority to proceed without competitive bidding and replacing it with a competitive best value procurement process that included additional transparency, disclosure, workforce, and subcontractor protections.

This bill does not expand the scope of lease-leaseback authority or materially alter the procurement process established in 2016. Instead, it extends the sunset date for the current competitive best value framework for an additional five years.

Reflects a legislative preference for preserving procurement flexibility while maintaining guardrails adopted in 2016. Supporters of this bill argue that lease-leaseback provides districts with additional flexibility compared to traditional design-bid-build procurement methods, including the ability to incorporate preconstruction services, utilize guaranteed maximum pricing structures, and consider qualifications and project approach in addition to cost. They further contend that continuation of the current framework is particularly important for smaller districts that may benefit from early contractor involvement and integrated project delivery approaches.

At the same time, the current statutory framework preserves significant guardrails adopted following the Fresno litigation, including competitive solicitation requirements, public disclosure requirements, skilled and trained workforce provisions, and protections for subcontractors. As a result, this bill can largely be viewed as an extension of the Legislature's existing policy balance between procurement flexibility and public accountability rather than a reopening of the broader policy debate regarding lease-leaseback authority itself.

Allowing the sunset to occur could create uncertainty regarding continued use of lease-leaseback procurement. If the competitive best value provisions sunset, the statute would revert to a prior version of the Education Code that no longer expressly references the competitive selection process established in 2016.

Supporters argue that allowing the sunset to occur could create uncertainty for districts, architects, and contractors regarding the continued viability and structure of lease-leaseback procurement. While some procurement-related protections adopted in subsequent legislation would remain in effect, the expiration of the current framework could create ambiguity regarding procedural expectations and procurement standards moving forward.

This bill continues a broader legislative trend toward authorizing alternative project delivery methods for school construction. Over the past two decades, the

Legislature has increasingly authorized alternative project delivery methods for public infrastructure projects, including lease-leaseback, design-build, progressive design-build, and construction manager/general contractor models. These approaches are generally intended to provide public entities with greater flexibility in addressing project complexity, cost control, scheduling, and risk allocation.

This bill continues that broader trend by preserving an existing alternative delivery authority rather than reverting school districts exclusively to more traditional low-bid procurement structures. However, unlike some newer alternative delivery models, lease-leaseback already represents a mature and heavily litigated procurement framework with significant existing statutory guidance and operational experience among school districts.

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

SUPPORT: (Verified 6/4/26)

Associated General Contractors, California Chapters (co-source)
Coalition for Adequate School Housing (co-source)
Alameda County Office of Education
Blach Construction Company
California Association of School Business Officials
California School Boards Association
County School Facilities Consortium
Del Mar Union School District
Harris Construction Co., Inc.
Hemet Unified School District
Jurupa Unified School District
Los Angeles Unified School District
Manteca Unified School District
Oakland Unified School District
Poway Unified School District
San Benito High School District

OPPOSITION: (Verified 6/4/26)

None received

ASSEMBLY FLOOR: 64-0, 4/9/26
AYES: Aguiar-Curry, Ahrens, Alanis, Alvarez, Bains, Berman, Boerner, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Fong, Gabriel, Garcia, Gipson, Mark González, Hadwick,

Harabedian, Hart, Hoover, Irwin, Jackson, Johnson, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Rivas

NO VOTE RECORDED: Addis, Arambula, Ávila Farías, Bauer-Kahan, Bennett, Bonta, Bryan, Flora, Gallagher, Jeff Gonzalez, Haney, Kalra, Ortega, Celeste Rodriguez, Schultz, Zbur

Prepared by: Ian Johnson / ED. / (916) 651-4105
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