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Public Law Update – AB 1786: Best Value Contracting for Public Works

Summary and Context

Effective January 1, 2027, Assembly Bill 1786 (“AB 1786”) extends California’s existing county best value construction contracting process to cities and the San Gabriel Valley Council of Governments (“SGVCOG”) and lowers the minimum project size from $1 million to more than $500,000.[1]

Public works contracts are generally awarded to the lowest responsible bidder. Best value contracting offers an alternative that considers both price and contractor qualifications, including experience, safety, management, and past performance. The bill’s legislative history explains that considering these factors along with price may help reduce delays, change orders, claims, and other project risks.[2]

AB 1786 is optional, so an eligible agency may continue using its usual public works bidding process and decide on a project-by-project basis whether to use best value contracting.

Who Can Use Best Value?

AB 1786 applies to cities, counties, and SGVCOG, including both charter and general law cities. Counties also retain separate authority for certain annual unit price contracts for repair, remodeling, or repetitive work.[3]

AB 1786 does not itself provide best value authority to special districts or other public agencies. Some special districts may have separate authority for alternative delivery methods, depending on the district and project.

How Best Value Works

AB 1786 applies to construction projects costing more than $500,000.[4] Best value considers both price and contractor qualifications, including financial condition, relevant experience, management competency, labor compliance, and safety record.

The agency must use measurable criteria to the extent possible to score those qualifications.[5] After scoring, the agency must compare

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each bidder's price with its qualifications score using this formula:

Bid Price ÷ Qualifications Score = Cost per Quality Point

The bidder with the lowest cost per quality point represents the best value.[6] For example, a $1 million bid with a qualifications score of 80 would result in a cost of $12,500 per quality point. A $1.1 million bid with a qualifications score of 90 would result in a cost of approximately $12,222 per quality point. The second bid would therefore represent the better value of the two, even though its price is higher.

Required Findings and Procedures

Before using best value contracting, the governing body must consider the lowest bid price alternative at a public meeting. It must also find in writing that using best value will reduce project costs, speed up completion, or provide features that cannot be achieved through an award based on the lowest bid price.[7]

The governing body must also adopt and publish procedures and criteria for a fair and impartial selection process.[8]

Prequalification and Bidding

Bidders must prequalify through an objective and uniform process under Public Contract Code section 20101, which must give bidders an opportunity to challenge a proposed prequalification rating before bids close.[9]

The solicitation must identify the evaluation criteria and explain how they will be scored or weighted, including the weight assigned to each criterion.[10]

Evaluation and Award

An evaluation committee scores qualifications using only the criteria in the solicitation. Although AB 1786 does not prescribe the committee's size or membership, it requires the committee to complete and announce its qualifications decision before seeing price information.[11]

At least three responsive bids are required. The governing body must award the contract to the best value bidder or reject all bids, and the agency must issue a written award decision disclosing the selected contractor, price, score, and how that score compares with the other responsive bids.[12]

If the selected bidder does not execute the contract, the governing body may move to the second and then third ranked best value

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bidder.[13]

Skilled and Trained Workforce and Retention Limit

AB 1786 requires a skilled and trained workforce unless a specified project labor agreement exception applies. A contractor generally cannot be prequalified or shortlisted unless it commits that it and its subcontractors at every tier will use a skilled and trained workforce, which generally requires registered apprentices or skilled journeypersons and specified percentages of apprenticeship program graduates.[14]

Contractors must submit monthly compliance reports, and missing, incomplete, or noncompliant reports can require payment withholding and other compliance steps.[15] These requirements may add contract administration work and affect the available contractor pool.

AB 1786 also limits retention. If the solicitation requires performance and payment bonds from an admitted surety insurer, the agency may not withhold more than 5 percent from the selected contractor. Similar limits apply to subcontractor retention, subject to a limited bond exception.[16]

Interaction with CUPCCAA

Agencies that use the California Uniform Public Construction Cost Accounting Act ("CUPCCAA") should also consider how AB 1786 fits with CUPCCAA.

CUPCCAA generally requires projects over $220,000 to be formally bid and awarded to the lowest responsible bidder, while AB 1786 applies to projects over $500,000 and requires award based on best value. The Legislature did not explain how these different award rules work together.[17]

There is a reasonable argument that AB 1786, as the newer and more specific law, provides an alternative for qualifying projects. But because AB 1786 did not amend CUPCCAA or expressly exempt best value contracts from its requirements, a CUPCCAA agency should confirm with their counsel, which process applies before using AB 1786.

Reporting and Sunset

A participating city, county, or SGVCOG must report on its use of best value before March 1, 2031. The report must address projects awarded, contract amounts, contractors, bid protests, prequalification, evaluation criteria and weighting, and project performance where applicable.[18]

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Agencies should track this information from their first best value project rather than reconstruct it later. The authority expires January 1, 2032.[19]

Practical Implications

Eligible agencies interested in best value should review their existing public works rules, CUPCCAA status, and prequalification procedures. They should also prepare procedures for scoring, committee membership and conflicts, separation of qualifications from price, award and disclosure, and workforce compliance. Agencies should update their bid and contract documents to address the best value process, workforce requirements, and retention.

Agencies should also consider the practical fit for each project. AB 1786 requires at least three responsive bids, and its skilled and trained workforce requirements may affect the available contractor pool and add contract administration.

Since AB 1786 is optional, eligible agencies can establish these procedures in advance and decide whether to use best value for each qualifying project.

Burke, Williams & Sorensen, LLP regularly advises clients on legal matters relating to public contracting and public works.

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[1] Pub. Contract Code, § 20155, subd. (a).

[2] Sen. Rules Com., Off. of Sen. Floor Analyses, 3d reading analysis of Assem. Bill No. 1786 (2025–2026 Reg. Sess.) as amended June 18, 2026, pp. 3–6.

[3] Pub. Contract Code, §§ 20155, subds. (a), (e), 20155.1, subds. (d)–(e).

[4] Pub. Contract Code, § 20155, subd. (a).

[5] Pub. Contract Code, § 20155.1, subd. (i).

[6] Pub. Contract Code, § 20155.5, subd. (c).)

[7] Pub. Contract Code, § 20155.3, subd. (a).

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[8] Pub. Contract Code, § 20155, subd. (c).

[9] Pub. Contract Code, §§ 20101, 20155.3, subd. (c).

[10] Pub. Contract Code, § 20155.3, subd. (d).

[11] Pub. Contract Code, §§ 20155.3, subd. (e), 20155.5, subd. (a).

[12] Pub. Contract Code, §§ 20155, subd. (b), 20155.5, subds. (b)–(e).

[13] Pub. Contract Code, § 20155, subd. (d).

[14] Pub. Contract Code, §§ 20155.4, 2601.

[15] Pub. Contract Code, § 2602.

[16] Pub. Contract Code, § 20155.6.

[17] Pub. Contract Code, §§ 22030, subd. (a), 22032, 22038, subd. (b).

[18] Pub. Contract Code, § 20155.7.

[19] Pub. Contract Code, § 20155.9.

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