

State Allocation Board Approves Increase to Level 1 Developer Fees

January 29, 2026
Number 5

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The State Allocation Board (SAB) has approved a 4.06% increase for the “Level 1” developer fees that school districts are authorized to collect. School districts are now authorized to collect up to **\$5.38** per square foot of residential development and **\$0.87** per square foot of commercial development. The increase takes effect immediately and may now be implemented by school districts through local action.

Government Code section 65995 authorizes the SAB to adopt a Level 1 developer fee inflationary increase every even-numbered year. The new rates were approved at the SAB meeting on January 28, 2026. The SAB based its increase on a Statewide construction cost index for Class B construction. The SAB increase does not affect “Level 2” or “Level 3” developer fees.

In order to collect Level 1, Level 2, or Level 3 developer fees, three distinctive processes must take place. To collect Level 1 fees, school districts must first prepare and adopt a justification study establishing a nexus between development and the assessment of fees. Once adopted, the Level 1 fee does not have a specific end date. To collect Level 2 fees, school districts must prepare and adopt a School Facilities Needs Analysis (SFNA). The Level 2 fee is effective for one year. To collect Level 3 fees, the SAB must first certify that State funds for new school facility construction are no longer available.

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Based on this and other legal developments, Lozano Smith is preparing an update for the firm’s publication, *Developer Fee Handbook for School Facilities: A User’s Guide to Qualifying for, Imposing, Increasing, Collecting, Using and Accounting for School Impact Fees in California*. The Handbook is intended to help school districts reduce their legal costs by providing comprehensive information regarding the California legal process for school impact fees. The Handbook contains procedures, timelines, checklists, and forms to be used when adopting and implementing fees and/or increases.

The Handbook is available at no cost to public school district clients of Lozano Smith. The Handbook is available to non-client public school districts and select non-public entities at a cost of \$300. If you would like access to our [Developer Fee Handbook for School Facilities](#), [register here](#).

If you have any questions about school impact fees, or for any other questions relating to school facilities funding, please contact the authors of this Client News Brief or an attorney at one of our [eight offices](#) located statewide. You can also subscribe to our [podcast](#), follow us on [Facebook](#), and [LinkedIn](#) or download our [mobile app](#).

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