Senate Budget and Fiscal Review—Scott D. Wiener, Chair

SUBCOMMITTEE NO. 1 Agenda

Senator John Laird, Chair
Senator Rosilicie Ochoa Bogh
Senator Sasha Renée Pérez

Thursday, March 13, 2025
9:30 a.m. or Upon Adjournment of Session
1021 O Street, Room 2100

Consultants: Yong Salas and Diego Emilio J. Lopez

Public Comment

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6100 DEPARTMENT OF EDUCATION

Issue 1: Childhood Sexual Assault Claims

Panel.

- Mike Fine, Fiscal Crisis and Management Assistance Team
- Erin Lillibridge, Fiscal Crisis and Management Assistance Team

Background.

In 2019, the Governor signed Assembly Bill (AB) 218 (Gonzalez, 2019), which lengthened the limitations period for claims of childhood sexual assault from 26 years old to 40 years old. In addition, it extended the period tied to the discovery of the childhood sexual assault from within three years to within five years. Lastly, it provided a three-year window in which expired claims are revived, which expired on December 31, 2022.

Subsequently, the Governor signed AB 452 (Addis, 2023), which eliminated the statute of limitations for the recovery of damages for any instances of childhood sexual assault that occurred after January 1, 2024.

A Senate analysis[1] from 2019 on AB 218 explains the need for this policy and states, "As argued by the author, there has been a dramatic shift in cultural sensitivities around sexual abuse and a more accepting societal climate for victims. Rather than fearing stigma, victims of past abuse are more likely to be willing to come forward now with claims. There are complex psychological effects that result from being victimized in this way. In addition, the systematic incidence of childhood sexual assault in numerous institutions in this country and the cover-ups that accompanied them arguably make both a revival period and an extended statute of limitations warranted. This bill provides another chance for victims, who are currently barred from pursing claims based solely on the passage of time, to seek justice."

After the enactment of AB 218, victims who were sexually assaulted as children in prior decades came forward to seek justice for the crimes committed against them. These incidents occurred at various institutions indiscriminately, including churches, youth organizations, and local public entities, including local educational agencies and county-run programs. The total number of claimants who came forward and any ensuing fiscal impacts are unknown. The Los Angeles Times, in an article dated December 28, 2022 and titled *As deadline looms, California's institutions face thousands of childhood sexual abuse claims,* stated that "thousands of lawsuits alleging abuse as far as the 1940s have been filed against dozens of organizations, including religious groups, private and public schools, sports groups and nonprofit organizations."

[1] CA State Senate, Regular Session 2019-2020. Assemb. Bill 218, Third Reading, Senate Floor. As amended on 8/30/2019.

However, during the deliberations of AB 452 in the 2023-24 regular legislative session, a coalition representing impacted parties including insurance funds, education interests, school officials, and governmental representatives, wrote in opposition:

> "…The current fiscal reality makes the timing of AB 452 challenging. Even with the clarification that the bill is intended to be applied prospectively, significant financial reserves funded with Prop 98 dollars will need to be collected and retained for the possibility of decades of liability exposure that may be realized in the future. Assessments to fund the associated risk addressed by AB 452 will be levied on today's schools. These assessments will be happening concurrently with assessments on all schools to continue funding historic claims being brought forward under the current five-year psychiatric injury window that is available to all victims- regardless of age."

At the February 29, 2024 hearing for the Senate Subcommittee #1 on Education, the Fiscal Crisis and Management Assistance Team (FCMAT) was invited to provide its annual update to the subcommittee on the fiscal health of school districts. The primary mission of FCMAT is to help California's local TK-14 educational agencies identify, prevent and resolve financial, operational and data management challenges by providing management assistance and professional learning opportunities. At this subcommittee hearing, FCMAT provided near-term trends impacting solvency of local educational agencies, which included fiscal impacts on school districts from AB 218 claims.

Given FCMAT's primary charge to assist school districts and its unique position as an independent and external state agency, the Legislature requested FCMAT provide recommendations for financing options by local public agencies. The 2024 budget required FCMAT, in consultation with appropriate subject matter experts, including, but not limited to, subject matter experts in risk management, public finance, labor, and bond financing, to provide recommendations on new, existing, or strengthened funding and financing mechanisms for local public agencies to finance judgments or settlements arising from claims of childhood sexual abuse. Specifically, the recommendations were directed to be solely focused on financing, securitization, or funding of claims, and should not impact current judgments or settlements from these claims, or unnecessarily delay the timeline in which plaintiffs receive funds from those judgments or settlements.

FCMAT released its report earlier this year, which found that "a comprehensive analysis of claims is not available, but what can be concluded is that the impact is significant." The report also included 12 recommendations for improved tracking and financing of claims, and 10 recommendations to strengthen preventive measures for local agencies – in total, 22 recommendations. The recommendations to improve tracking and financing claims include:

1. Require the development and maintenance of a statewide data repository, including mandating cooperation and information sharing by public agencies.

2. Mandate a classification system to provide objective, actuarially based information on childhood sexual assault claims.

3. Amend Government Code 970.6 to provide for the determination of unreasonable hardship by the local governing body tied to established standards.

4. Amend Government Code 970.6 to provide a sliding scale of time for repayment based on the judgment amount, plus interest thereon.

5. Extend the payment due date to 150 days from when a judgment is entered by the court for judgments that are greater than 50% of the local agency's unrestricted reserves.

6. Clarify that a Code of Civil Procedure 860 validation proceeding may be brought by a public agency before tort action judgments are entered against the public agency.

7. Consider a limited exception to the prohibition on the use of lease financing proceeds for general operating purposes in EC 17456 for situations where an otherwise financially stable school district is faced with an extraordinary liability.

8. Extend state and local payment intercept mechanisms to public financings by local public agencies rather than limit the mechanism to the California School Finance Authority.

9. Expand or direct an appropriate role for the state's Infrastructure and Economic Development Bank in financing childhood sexual assault settlements and judgments.

10. Adopt an alternative receivership statute for school districts requesting emergency apportionments solely due to childhood sexual assault obligations.

11. Extend the maximum repayment term of 20 years for emergency apportionments when the loan amount is significantly higher than the school district's ability to pay and based on analysis performed and disclosed during the process leading to an emergency apportionment.

12. Commission a study that identifies the structure and attributes of a victims' compensation fund for childhood sexual assaults involving a public agency. The study should be presented to the Legislature no later than January 1, 2026, and the Legislature should consider establishing a victims' compensation fund by July 1, 2026.

Additionally, the remaining recommendations to strengthen prevention measures for local agencies are to:

13. Ensure that state policies set consistent standards to achieve zero tolerance for childhood sexual assault.

14. Require comprehensive school safety plans to include required policies and procedures designed to improve supervision and protection of children.

15. Amend paragraphs 1-5 and 9 of Penal Code 11165.7(a) to simply include all employees, volunteers and governing board members of a public or private school, including charter schools, as mandated reporters of child abuse and neglect.

16. Increase the quality and consistency of mandated training to prevent, build awareness of, and increase access to reporting options for, childhood sexual assault.

17. Mandate training of students to promote awareness and help provide 24-7 protection.

18. Establish a statute that promotes professional boundaries between adults and children and strengthens the safety of learning environments.

19. Expand the work history verification and inquiry mandate to include all public and private school employers and employees.

20. Provide for an electronic database of school employee work history in California's public and private schools.

21. Apply the definition of egregious misconduct to all public and private school employees, and ensure that instances of egregious misconduct are reported to an appropriate state agency and included in available work history data accessible to school employers.

22. Provide a clearer, improved definition of grooming that specifically addresses grooming in school, childcare, educational, recreational, and incarceration or probation settings.

Some of these recommendations would also help address future claims that were enabled under AB 452, which apply to incidents occurring after January 1, 2024. Since January 1, 2024, incidents of childhood sexual assault continue to occur. Several news outlets around the state have reported on multiple arrests of individuals suspected of childhood sexual assault, for example:

- On May 2, 2024, the Los Angeles Times reported the arrest of a pastor and foster parent for suspicion of child sexual assault of children in his care.[2]

- On August 22, 2024, a teaching assistant for the California School for the Deaf in Fremont, CA, which is a state special school under the Department of Education, was arrested for suspicion of sexual assault against at least three students.[3]

[2] Deng, J. (2024, May 2). Hesperia pastor is arrested, accused of sexually abusing foster children. *The Los Angeles Times*. https://www.latimes.com/california/story/2024-05-02/a-hesperia-pastor-is-arrested-for-the-sexually-abusing-foster-children

[3] Baker, J. (2024, August 23). Fremont teaching assistant arrested for suspicion of child molestation. *KRON.* https://www.kron4.com/news/bay-area/fremont-teaching-assistant-arrested-for-suspicion-of-child-molestation/

- On February 26, 2025, an individual who worked as an elementary school counselor was arrested in Sacramento County on suspicions of child sexual assault against students at the elementary school where he worked.[4]

Lastly, as part of the enacting legislation that required this report (Section 104, Chapter 38, Statutes of 2024), subdivision (d) states that:

> "This section does not, in any way, do any of the following:
> (1) Limit the rights of child sexual abuse survivors to file actions.
> (2) Limit applicable damages.
> (3) Grant immunity to local agencies."

However, since the release of the report, at least two school districts and at least one county filed petitions for review in the California Supreme Court to challenge the constitutionality of AB 218, asserting that AB 218 is unconstitutional because it results in a gift of public funds. The petitions have included information from the FCMAT report to support the districts' arguments.

Staff Comment. The subcommittee is thankful to FCMAT for providing recommendations that addressed the original scope of the enacting legislation – to assist local public agencies to fund or finance judgments and settlements from claims of childhood sexual assault. The report also provided thoughtful recommendations to address childhood sexual assault from a holistic perspective of prevention. The Legislature may wish to consider the policy recommendations around childhood sexual assault prevention as it considers recommendations to address the financing of judgments and settlements from childhood sexual assault claims.

As the Legislature evaluates the recommendations to assist local public agencies meet its financial obligations to victims, the subcommittee may wish to consider whether there are significant impacts or exposure to the State General Fund. The recommendation to establish a statewide victims' compensation fund is one such recommendation that may have the potential to do so.

A case study of an existing statewide victim compensation fund is the California Victim Compensation Board (CalVCB), which serves as a payer of last resort for victims of crime to cover costs of crime-related expenses and remedy financial burdens for victims of crime. Staff also notes that the victim compensation program administered by CalVCB specifically cover expenses that are demonstrably related to the crimes committed against them, such as crime scene clean-ups, funeral and burial expenses, and mental health services. CalVCB originally funded these claims from the Restitution Fund, which collects penalty assessments and restitution diversion fees, federal funds, and other special funds. However, the 2020 budget eliminated criminal administrative fees and debt to relieve financial burdens on justice-involved individuals and families. This reduced the collection of assessments and fees in California, and as a result, Restitution Fund revenues declined and an annual General Fund backfill became necessary to fund these claims and keep it whole, with provisional budget authority to administratively augment funds if the backfill is insufficient. The 2020 budget first provided this backfill with $23.5 million General Fund, and at its peak the General Fund provided $39.5 million in the 2023-24 fiscal year.

[4] Ayestas, J. (2025, February 27). Sacramento County elementary school counselor accused of sexually assaulting students, officials say. *KCRA.* https://www.kcra.com/article/sacramento-school-counselor-sexually-assault-students/63952996

For the 2025-26 budget, the Governor proposes $29.5 million General Fund to backfill the Restitution Fund.

The civil liabilities that local public agencies are at risk for as it relates to childhood sexual assaults are unknown; however, according to FCMAT,

> "The best estimate of the dollar value of claims brought to date because of AB 218 is $2-3 billion for local educational agencies. Other local public agencies' costs will exceed that value by a multiplier, with one county government alone estimating their claim value at $3 billion. The dollar estimate increases further for total childhood sexual assault claims when considering claims outside of the time frame covered by AB 218."

If a statewide victim compensation fund were to be established and paid into by local agencies, staff raises concerns that a significant fiscal event where local agencies are unable to meet its payment obligations could create a cost pressure on the state to backfill the fund, which could potentially reach into the billions of dollars. The subcommittee may wish to take state General Fund exposure into consideration as it evaluates all the recommendations put forth by FCMAT.

Staff Recommendation. This item is informational.

6100 Department of Education
6980 Student Aid Commission

Issue 2: Teacher Recruitment and Retention: Golden State Teacher Grant, Loan Repayment for Teachers in Priority Schools, and the National Board Certification Incentive Grant

Panel.

- Aman Singh, Department of Finance
- Jodi Lieberman, Department of Finance
- Dylan Hawksworth-Lutzow, Legislative Analyst's Office
- Edgar Cabral, Legislative Analyst's Office
- Cheryl Cotton, Department of Education
- Jake Brymner, California Student Aid Commission

Background. State and federal teacher assistance, recruitment and retention programs, including the state's Golden State Teacher Grant, the California Teacher Residency Grant Program, and the federal Teacher Education Assistance for College and Higher Education (TEACH) grants, are available to support prospective teacher candidates and/or teachers already in the classroom. The state programs are largely supported by one-time funds, some of which are coming close to expiration.

According to an April 2024 report from the Commission on Teacher Credentialing titled "Teacher Supply in California, 2022-23," the 2022-23 fiscal year marked a decrease of the number of new credentials issued for the second year in a row following a steady increase in the prior seven years; and the number of newly issued credentials for all three types of teaching credentials (multiple subject, single subject, and education specialist credentials), also decreased.

The three grant proposals that will be discussed today reflect proposed state assistance at various stages of the teacher pipeline. The Golden State Teacher Grant Program assists students in professional preparation programs, the Loan Repayment for Teachers in Priority Schools assists current teachers who hold educational debt, and the National Board Certification Incentive Grant assists teachers who have at least three years of experience.

Golden State Teacher Grant Program Background. The 2019 Budget established the Golden State Teacher Grant Program, administered by the California Student Aid Commission (CSAC). It originally provided grants of up to $20,000 to students in professional preparation programs approved by the Commission on Teacher Credentialing (CTC), with a commitment to work for four years at a priority school, as defined as a school with 55 percent unduplicated pupils, or preschool program, and in specific subject areas. If a recipient does not complete their credentialing or their service requirement, the grants would be returned to the state.

The 2021 Budget Act included $500 million one-time General Fund to support the program. The $500 million appropriation for Golden State Teacher Grants was to be spent across five years, ending June 30, 2026. The 2022 Budget Act also made several changes to the program. Most notably, whereas the program previously was open only to teacher candidates in certain high-need subject areas, it is now open to teacher candidates in any subject area, as well as candidates for pupil personnel services credentials (which authorize individuals to work in school counseling, social work, psychology, and child welfare). The 2023 Budget Act further modified the program to allow participants to serve at preschools and expanded program eligibility to institutions that offers services online to students and offers a professional preparation program approved by the Commission on Teacher Credentialing as of January 1, 2023, among other requirements.

The 2024 Budget made programmatic changes to the Golden State Teacher Grant program, in order to address the oversubscription of the program with limited resources at the time. These changes include reducing the grant award from $20,000 to $10,000, and award prioritization for students based on income.

The table below provides information on awards provided from the GSTG program between the 2021-22 and 2023-2024 cycles. This data reflects the Commission's updates as of February 7, 2025.

	2021-22	**2022-23**	**2023-24**
UC	206	386	426
CSU	695	2,248	3,039
Private	1,276	4,255	5,896
LEA	537	809	819
WGU	0	0	35
Total	**2,714**	**7,698**	**10,215**

Source: California Student Aid Commission

CSAC collects funds from Golden State Teacher Grant recipients that withdraw from the program. As of February 2025, CSAC has heard from 45 students that intend to return their awarded funds either because they did not complete their credential program or did not intend to meet their service requirement. These students owe a total of $639,781 and have already commenced their repayment. Thus far, CSAC has recouped $290,483 in funds in this manner. However, due to the length of time that Golden State Teacher Grant recipients had to complete their service, CSAC does not yet have any data on how many funds will be collected due to failure to meet the service requirement of the program.

Background on Federal Loan Forgiveness Programs. The federal government also offers loan forgiveness programs for teachers, including the Public Service Loan Forgiveness Program, the Teacher Loan Forgiveness Program, and Perkins Loan Cancellation for Teachers. Differences in each of these programs may depend on years of service, where that service was earned, what subjects were taught, and how many payments were made. These programs typically will forgive the balance of loans after the requirements are met, and in the meantime, potential applicants continue to make payments on their loans. Below is a graphic illustration from the Federal Student Aid office within the U.S. Department of Education that provides a comparison between the Teacher Loan Forgiveness Program and the Public Service Loan Forgiveness Program:

Two Student Loan Forgiveness Options for Teachers

Federal Student Aid

	Teacher Loan Forgiveness (TLF)	VS Public Service Loan Forgiveness (PSLF)
Bottom Line	This program is best for qualifying teachers who don't have a large amount of debt, as TLF offers less forgiveness but offers it quicker.	This program is best for teachers who have a lot of debt, as PSLF offers more forgiveness but requires 120 qualifying payments.
Who Qualifies?	Teachers who have taught full time for five consecutive years at a qualifying low-income elementary or secondary school qualify.	Anyone who works in qualifying public service for at least 10 years. Qualifying public service includes working for a government employer (public school); working for an organization that is tax-exempt under Section 501(c)(3) of the Internal Revenue Code (nonprofit school); or serving as a full-time AmeriCorps or Peace Corps volunteer.
How Much of My Loans Are Forgiven?	Secondary math, science, and special education teachers can get up to $17,500 forgiven; elementary school teachers and secondary school teachers who teach other subjects can get up to $5,000 forgiven.	The remaining balance on your Direct Loans is forgiven. There is no limit on the total amount that can be forgiven. Other types of federal student loans may become eligible if you consolidate them into a Direct Consolidation Loan.
When Can I Receive Forgiveness?	You'll receive forgiveness once you've made your five complete and consecutive years of teaching.	You'll receive forgiveness once you have made 120 qualifying student loan payments while working full time for a qualifying employer (roughly ten years). Note: These 120 qualifying payments do *not* have to be consecutive.
How Do I Apply?	Submit a completed TLF Application to your loan servicer.	Use the PSLF Help Tool to certify your employment annually or any time you switch employers. Once you've made 120 qualifying payments, use the PSLF Help Tool to fill out your PSLF form online.

According to an analysis of U.S. Education Department data conducted by the Georgetown University Center on Education and the Workforce, "at least 61 percent of graduates with master's degrees in education have some student-loan debt. Among those with debt from both their master's and undergraduate degrees, the median debt is $72,000, half of which ($36,000) is attributable to graduate loans."[5]

National Board Certification Incentive Grant Program Background. The 2021 Budget included $250 million in one-time Proposition 98 funds, available over five years, for the National Board for Professional Teaching Standards Certification Incentive Program. Of the total, $225 million is available to award grants to school districts for the purpose of providing awards to teachers who are employed by school districts or charter schools, are assigned to teach in California public schools, and have attained or will attain certification from the National Board for Professional Teaching Standards. The remaining $25 million was set aside to cover National Board for Professional Teaching Standards certification fees for first-time candidates.

The National Board for Professional Teaching Standards is a nonprofit, nonpartisan and nongovernmental agency based in Arlington, Virginia, and according to the Department of Education website, "National Board Certification is the most respected professional certification available in education and provides numerous benefits to teachers, students and schools." To attain certification from the National Board for Professional Teaching Standards, candidates must typically possess a bachelor's degree, valid teaching license or meet their state's licensure requirements, have taught for at least three years. Candidates who meet eligibility must demonstrate skill, knowledge, and practice through three portfolio entries and one computer-based assessment.

Of the $225 million available, the incentive program provides a $25,000 incentive award for California National Board-Certified Teachers who teach in high-priority schools, and is paid in $5,000 installments for five consecutive years. $25 million is available for the subsidy program provides $2,500 for each teacher pursuing National Board certification when teaching at a high priority school.

According to the Department of Education, a total of $64 million has been awarded and committed for the incentive grant program, with $32.3 million already being expended. The remaining $31.7 million is scheduled to be expended through the end of the 2027-28 fiscal year. For the subsidy program, a total of $12.5 million has been awarded and committed, with $8.9 million already expended. After the 2023-24 cycle, there remains $173.5 million from the original $250 million appropriation available. The Department of Education states that the 2024-25 cycle yielded 498 new applications for the incentive program, and 890 new applications for the subsidy program. If all applications are approved, approximately $158.8 million would remain unencumbered. The following chart provides the number of the teachers that participated and applied each year:

[5] Strohl, J., Morris, C., & Gulish, A. (2024, Dec. 5). Student Loan Debt Is an Overlooked Crisis in Teacher Education. *EducationWeek.* https://www.edweek.org/teaching-learning/opinion-student-loan-debt-is-an-overlooked-crisis-in-teacher-education/2024/12

Fiscal year	National Board Incentive (*National Board Certified teachers to teach at high-priority schools)*	National Board Subsidy *(assists teachers pursuing National Board Certification)*
2021-22	1,960 teachers	1,712 teachers
2022-23	2,121 teachers	1,765 teachers
2023-24	2,379 teachers	2,254 teachers

Funds for this program is available for encumbrance through June 30, 2026.

Governor's Budget. The Governor's Budget includes a total of $300 million ($250 million Proposition 98 General Fund, $50 million General Fund) for the Loan Repayment for Teachers in Priority Schools program, National Board Certification Incentive Grant program, and the Golden State Teachers Grant program. The funds are proposed in the following ways:

- **Loan Repayment for Teachers in Priority Schools.** $150 million Proposition 98 General Fund to establish the "Loan Repayment for Teachers in Priority Schools Program," which is intended to support the recruitment and retention of credentialed educators to serve in priority schools and California State Preschool Programs administered by a local educational agency, and provide loan payments for educators' educational loans.

  Under the program, a county office of education, selected by the Superintendent with the approval of the executive director of the State Board of Education, would directly pay the loan institution on behalf of the educator, of annual disbursements capped at $5,000 a year, for a total cap of $20,000. Eligibility for this program requires candidates to hold either teaching credentials or pupil personnel services credentials, serve in a California priority school, as defined as a school with 55 percent unduplicated pupils, or in a California State Preschool program administered by a local educational agency.

- **National Board Certification Incentive Grant Program.** The Governor's Budget includes $100 million Proposition 98 General Fund to augment the existing National Board Certification Incentive Grant Program, of which $10 million would be set aside for the certification fee costs.

- **Golden State Teachers Grant Program.** The Governor's Budget includes $50 million General Fund to augment the existing Golden State Teachers Grant program, and maintain the $10,000 award amount ($5,000 for online institutions) for participants.

Legislative Analyst's Office.

Recommend Rejecting Proposals. We recommend rejecting the Governor's teacher recruitment and retention proposals. There is limited evidence that these programs would have a meaningful impact on teacher recruitment and retention. Furthermore, the Golden State Teacher Grant proposal would provide additional non-Proposition 98 General fund at a time when the state faces multiyear budget deficits and the Legislature is in the position of having to weigh the value of new proposals against other priorities, such as spending to which it has already committed or somewhat larger General Fund reserves that would better prepare the state for difficult budget conditions in future years. The state also likely has sufficient funding remaining from prior National Board Program allocations to fund applicants in 2025-26 without the need for new funding. The state could revisit funding for all of these programs in future years when it receives updated information about program implementation. In the case of the Golden State Teacher Grant program, CSAC will submit its progress report at the end of 2025. In the case of the National Board Program, the state could consider additional funding as part of the 2027-28 budget, when the state has complete data for the first two cohorts.

If State Allocates Funding, Consider Using Proposition 98 General Fund and Modifying Programs to Target Funds More Effectively. If the Legislature is interested in funding one or more of the Governor's proposals, given the state's fiscal condition, we recommend any funding for teacher recruitment and retention programs be provided with Proposition 98 General Fund. The Proposition 98 portion of the budget has more capacity for new commitments than the rest of the budget. Additionally, if the Legislature provides funds to one or more of these programs, we recommend targeting these funds in ways that more closely align with where the state has the most significant teacher shortages. For example, the Legislature could modify the priority schools definition so that it reflects only the highest-poverty schools. The Legislature also could target funding to teachers with credentials in the longstanding shortage subject areas of special education, math, science, and bilingual education. (These options are not mutually exclusive, and the Legislature could target funding based on school and subject area.) Such targeting would reduce the number of teachers eligible to receive these benefits, but the funds would go to provide more support to teachers in schools and/or subject areas with the most significant challenges.

Suggested Questions.

- For the proposed National Board Certification Incentive Grant program investment, there remains a significant amount of unencumbered funds from the 2021 budget allocation. Uptake for the program is undersubscribed for the funds that were originally allocated. Why is an infusion of an additional $100 million necessary at this time?

- If participation in the Golden State Teacher Grant program can serve as an indicator, can we assume that participation in the loan repayment program will primarily serve teachers who have outstanding loans from attending private universities? What can we do to encourage the UC and CSU systems to enroll more students in its teacher preparation programs?

- Why did the Administration choose loan repayment as a retention strategy for educators? Are there other strategies that could be considered?

- How would the program ensure that the teachers who are the furthest away from the county office of education can be served as equitably as the teachers who are nearby?

Staff Recommendation. Hold open.

6610 California State University
6640 University of California
6870 Board of Governors of the California Community Colleges
6980 Student Aid Commission

Issue 3: Free Application for Federal Student Aid (FAFSA) & California Dream Act Application (CADAA) Update

Panel.

- Natalie Gonzalez, Legislative Analyst's Office
- Shawn Brick, Associate Vice Provost for Student Financial Support, University of California
- Noelia Gonzalez, Systemwide Director, Financial Aid Programs, Strategic Enrollment Management, California State University
- Allison Beer, Dean of Educational Services and Support, California Community Colleges
- Dr. Daisy Gonzales, Executive Director, California Student Aid Commission
- Jake Brymner, Deputy Director for Policy & Public Affairs, California Student Aid Commission

Background. Federal financial aid provides significant funding for students. California college students receive more than $12 billion annually in federal financial aid, with most of the funding targeting low- and middle-income students who qualify for programs based on family income and assets. Of that funding, about $8 billion is in the form of student loans, while the Pell Grant provides about $4 billion. Other programs, including work-study and Supplemental Education Opportunity Grants, provide about $300 million, according to data compiled by the Legislative Analyst's Office (LAO). A maximum Pell Grant for an individual student is expected to be $7,395 in 2025-26, and students can use the funding to help cover tuition or other college costs. About 900,000 students attending California schools received a Pell Grant in 2023-24, according to federal data. Federally-funded financial aid, administered by the U.S. Department of Education, is the largest source of aid to California students.

FAFSA. Students are required to annually submit a FAFSA to the U.S. Department of Education to determine eligibility for federal financial aid. In addition, the California Student Aid Commission (CSAC) and the higher education systems use data from the FAFSA to determine eligibility for state programs like the Cal Grant and Middle Class Scholarship, and institutional aid programs.

CADAA. California has long supported undocumented students by charging in-state tuition and providing state financial aid to eligible students. The CADAA was launched during the 2013-14 Cal Grant application period with the passage of the California Dream Act in 2011. CADAA allows students who qualify under Education Code section 69508.5 to apply for various forms of state-funded financial aid, as well as institutional aid.

FAFSA Application Deadlines. Historically, the FAFSA application cycle has opened October 1 of each year, with a March 2 deadline, to receive aid for the following academic year. This cycle has been disrupted the past two years due to changes made to both the FAFSA form and how the federal government determines student need, which caused delays and technical difficulties. FAFSA did not open for students for the 2024-25 academic year until Dec. 31, 2023, and students experienced numerous challenges in filling out and submitting the form. For the current cycle, FAFSA did not open until Dec. 1, 2024.

FAFSA and CADAA Applications are Down. In addition to the delayed opening, the Trump Administration's changes to federal immigration enforcement policies and practices may be driving a decline in the number of California students applying for financial aid through either the FAFSA or CADAA. Another issue possibly impacting financial aid applications are the January, Southern California fires.

The numbers below, provided by CSAC, indicate the number of California students who have submitted either a FAFSA or CADAA as of Feb. 3, 2025, as compared to the same point in the application cycle in the previous two years. (Because the opening date has been different in all three of these years, these numbers show applications by the same number of days remaining in the financial aid cycle.)

	2023-24	2024-25	2025-26	Difference, 24-25 to 25-26	% Difference, 24-25 to 25-26
FAFSA	953,554	1,042,129	786,861	-255,268	-24.5%
CADAA	13,025	17,504	7,860	-9,644	-55.1%

Source: California Student Aid Commission

Better FAFSA. To apply for many types of federal, state, and institutional financial aid, students fill out a federal application. Over the years, many concerns have been expressed about the length and complexity of the FAFSA. In response to these concerns, the U.S. Department of Education recently made significant changes to shorten and simplify the form. Specifically, the number of questions on the form were reduced and the transfer of certain data from tax filings was streamlined. The updated form is known as the Better FAFSA. The department released the new application form for the 2024-25 award year on December 30, 2023 (about three months later than usual). Given the delay, the state extended California's student financial aid priority deadline for Cal Grants to May 2 and for Middle Class Scholarships (MCS) to July 2, 2024.

Agencies Are Still Determining Impacts of Initial Better FAFSA Implementation. In addition to the delayed launch, students and their families experienced various technical difficulties as they filled out the new form. The California Student Aid Commission (CSAC) notes these challenges may have impacted high school students applying for financial aid in 2024-25 given they were completing the form for the first time. The number of new high school entitlement awards did decrease by 7.4 percent (6,146 recipients) in 2024-25 compared to the prior year. This decrease might be partly attributable to the FAFSA delay and technical difficulties (and partly attributable to a decline in high school graduates). In addition to first-time filers, certain families, particularly those in which one or more parents do not have a social security number, experienced heightened issues completing the new form. CSAC and the higher education segments are still determining the extent to which aid offers and payments for these families were affected.

Under Better FAFSA, the U.S. Department of Education revised the process for determining a student's aid eligibility. The new formula, known as the Student Aid Index, changes how family assets, size, and number of children in college impacts a student's financial need. These changes were projected to increase the number of students eligible for Pell Grants. CSAC reports that the number of Cal Grant-eligible applicants who were also eligible for Pell Grants increased by 9.8 percent in 2024-25 compared to the prior year. CSAC also reports the average Pell Grant award received by University of California (UC) and California State University (CSU) students receiving an MCS award in 2023-24 compared to 2024-25 increased notably. Specifically, the average Pell Grant award increased $860 (25 percent) for UC MCS recipients and $764 (22 percent) for CSU MCS recipients. These increases likely are due mainly to the FAFSA changes.

Application Deadline Extended for 2025-26 Award Year. In January 2025, CSAC used its administrative authority to grant students attending schools within Los Angeles and Ventura Counties a one-month application extension (to April 2, 2025) due to the wildfires in those vicinities. In February 2025, CSAC extended the April 2 extension to all students in California. The deadline was extended to all students given the delays in the 2025-26 FAFSA rollout. The 2025-26 FAFSA became available on December 1, 2024 rather than its traditional date of October 1.

Staff Recommendation. Hold Open.

Issue 4: Cal Grant & Institutional Aid Update

Panel.

- Natalie Gonzalez, Legislative Analyst's Office
- Shawn Brick, Associate Vice Provost for Student Financial Support, University of California
- Noelia Gonzalez, Systemwide Director, Financial Aid Programs, Strategic Enrollment Management, California State University
- Allison Beer, Dean of Educational Services and Support, California Community Colleges
- Jake Brymner, Deputy Director for Policy & Public Affairs, California Student Aid Commission

Background. The Cal Grant program is intended to help students with financial need cover college costs. The program offers multiple types of Cal Grant awards. As the figure below shows, the amount of aid students receive depends on their award type and the segment of higher education they attend.

- Cal Grant A awards cover full systemwide tuition and fees at public universities and a fixed amount of tuition at private universities.
- Cal Grant B awards provide the same amount of tuition coverage as Cal Grant A awards in most cases, while also providing an "access award" for nontuition expenses such as food and housing.
- Cal Grant C awards, which are only available to students enrolled in career technical education (CTE) programs, provide lower amounts of tuition and nontuition coverage. Across all award types, larger amounts of nontuition coverage are available to students with dependent children as well as current and former foster youth.

Cal Grant Amounts Vary by Award Type, Sector, and Student Characteristics

Maximum Annual Award Amount, 2024-25

	Amount
Tuition Coverage	
Cal Grant A and B[a]	
UC	$14,436[b]
Nonprofit institutions	9,358
WASC-accredited for-profit institutions	8,056
CSU	6,084
Other for-profit institutions	4,000
Cal Grant C	
Private institutions	$2,462
Nontuition Coverage[c]	
Cal Grant A	
Students with dependent children	$6,000
Foster youth	6,000
Cal Grant B	
Students with dependent children	$6,000
Foster youth	6,000
All other students	1,648
Cal Grant C	
Students with dependent children	$4,000
Foster youth	4,000
Other CCC students	1,094
Other private-institution students	547

[a]Cal Grant B recipients generally do not receive tuition coverage in their first year.

[b]Reflects award amount for new UC students. Award amounts for continuing students are based on the tuition levels set in the year the student first enrolled at UC.

[c]Students attending private for-profit institutions are ineligible for "students with dependent children" and "foster youth" awards.

WASC = Western Association of Schools and Colleges.

Source: Legislative Analyst's Office

Financial and Academic Eligibility Criteria. Students apply for Cal Grant awards by submitting a FAFSA or CADAA application. To qualify for an award, students must meet certain income and asset criteria. These criteria vary by family size and are adjusted annually for inflation.

For example, in the 2024-25 award year, a dependent student from a family of four must have an annual household income of no more than $131,200 to qualify for a Cal Grant A or C and no more than $69,000 to qualify for Cal Grant B. In most cases, students must also meet a grade point average (GPA) requirement. The specific GPA requirement varies by award type. Most award types require a minimum high school GPA of 2.0 or 3.0 or a minimum community college GPA of 2.0 or 2.4.

In 2021-22, the state also began providing Cal Grants as entitlements to community college students, regardless of their age and time out of high school. The state currently provides approximately 162,000 new entitlement awards annually. The state also provides a limited number of competitive awards (13,000 new awards annually) to students who do not qualify for an entitlement award – typically older students attending four-year universities.

Prior and Current Year Adjustments. From the 2024 Budget, the Governor’s budget revises prior-year Cal Grant spending downward by $38 million. The Governor’s budget adjusts current-year Cal Grant spending upward by $14 million. This increase brings estimated Cal Grant spending in 2024-25 to $2.5 billion—$158 million (6.9 percent) higher than the revised 2023-24 level.

Cal Grant Spending in Governor’s Budget. From the revised 2024-25 spending level, the Governor’s budget further increases Cal Grant spending by $109 million in 2025-26. This is a lower growth rate compared to the increase of 6.9 percent from 2023-24 to 2024-25. We summarize the projected changes for 2025-26 by segment and award type in our Cal Grant Spending and Cal Grant Recipients tables. The higher spending reflects a 1.3 percent projected increase in recipients and a 3.2 percent projected increase in average Cal Grant award amounts, primarily due to UC’s and CSU’s planned tuition increases. (Under CSAC’s estimates, $48 million of the Cal Grant spending increase in 2025-26 is attributable to covering higher tuition costs at the University of California and California State University.)

Cost Estimates Will Be Updated at May Revision. CSAC prepared the Cal Grant cost estimates underlying the Governor’s budget in October 2024. In the spring, CSAC plans to update its estimates based on more recent program data for 2024-25. The administration is expected to update its Cal Grant spending levels at the May Revision accordingly. Though the administration’s cost estimates for 2024-25 and 2025-26 seem reasonable at this time, CSAC is still studying how certain factors are affecting program costs. In particular, CSAC is still examining how the Better FAFSA has impacted the number of financial aid recipients and their financial aid packages.

Cal Grant Spending

(Dollars in Millions)

	2023-24 Actual	2024-25 Revised	2025-26 Proposed	Change From 2024-25	
				Amount	Percent
Total Spending	**$2,295**	**$2,453**	**$2,562**	**$109**	**4.5%**
By Segment:					
University of California	$1,028	$1,091	$1,170	$80	7.3%
California State University	747	817	841	24	2.9
California Community Colleges	265	274	277	3	1.3
Private nonprofit institutions	227	233	236	2	0.9
Private for-profit institutions	28	37	37	—[a]	0.8
Other public institutions	0.7	1	0.7	—[a]	-33.6
By Program:					
High School Entitlement	$1,663	$1,762	$1,874	$112	6.4%
CCC Expanded Entitlement	334	374	339	-35	-9.3
Competitive	164	159	161	2	1.0
Transfer Entitlement	130	139	166	27	19.5
Cal Grant C	4	19	22	3	16.5
By Award Type:					
Cal Grant B	$1,057	$1,116	$1,112	-$4	—[a]
Cal Grant A	1,233	1,318	1,428	110	8.3%
Cal Grant C	4	19	22	3	16.5
By Renewal or New:					
Renewal	$1,534	$1,692	$1,759	$67	4.0%
New	760	761	803	42	5.5

Data reflect California Student Aid Commission (CSAC) estimates.

[a] Less than $500,000 or 0.5 percent.

Source: Legislative Analyst's Office

Cal Grant Recipients

	2023-24 Actual	2024-25 Revised	2025-26 Proposed	Change From 2024-25 Amount	Change From 2024-25 Percent
Total Recipients	**401,147**	**412,611**	**417,789**	**5,178**	**1.3%**
By Segment:					
California Community Colleges	153,575	159,787	163,652	3,865	2.4%
California State University	136,253	136,575	136,561	-14	—
University of California	80,464	81,018	80,842	-176	-0.2
Private nonprofit institutions	25,257	25,751	26,323	572	2.2
Private for-profit institutions	5,440	9,155	10,140	984	10.8
Other public institutions	159	324	271	-53	-16.3
By Program:					
High School Entitlement	238,344	235,111	238,896	3,785	1.6%
CCC Expanded Entitlement	121,072	132,849	132,378	-471	-0.4
Competitive	24,011	20,182	18,949	-1,234	-6.1
Transfer Entitlement	15,829	16,184	17,050	866	5.4
Cal Grant C	1,890	8,284	10,516	2,232	26.9
By Award Type:					
Cal Grant B	274,826	277,681	278,007	326	0.1%
Cal Grant A	124,430	126,645	129,265	2,620	2.1
Cal Grant C	1,890	8,284	10,516	2,232	26.9
By Renewal or New:					
Renewal	223,268	234,400	234,295	-105	—%
New	177,879	178,211	183,494	5,283	3.0

Data reflect California Student Aid Commission (CSAC) estimates.

Source: Legislative Analyst's Office

<u>Staff Recommendation</u>. Hold Open.

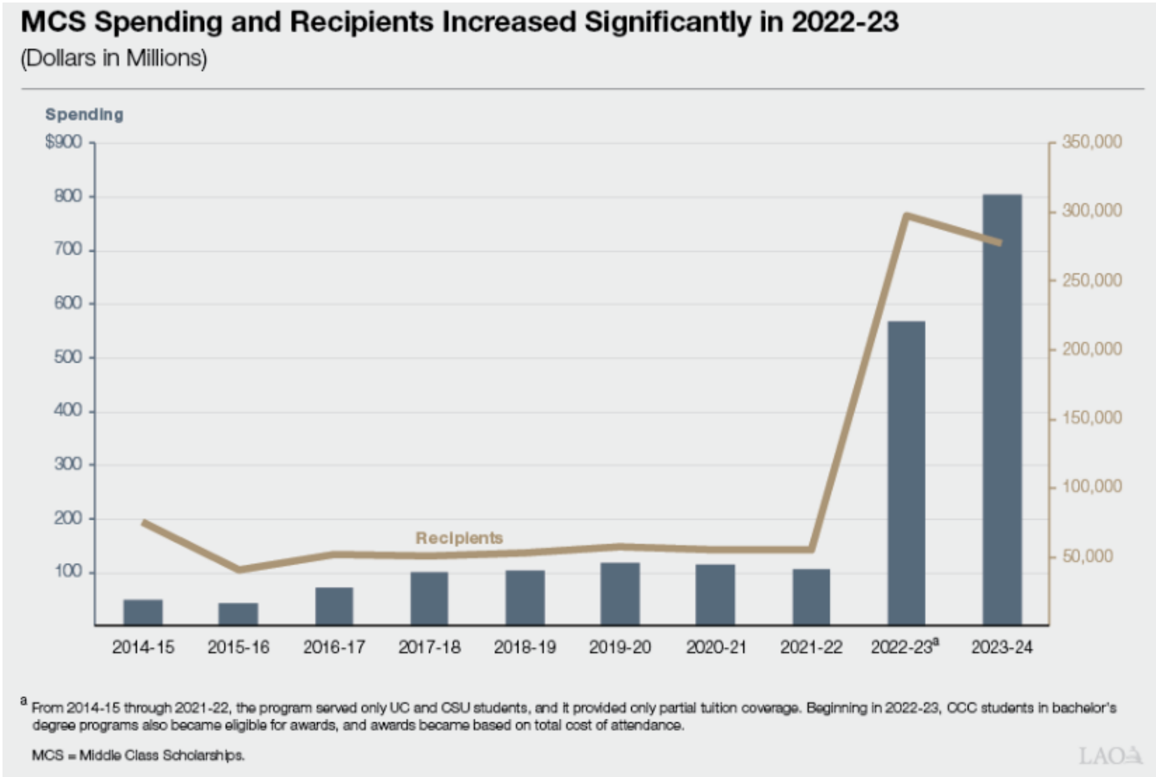
6610 CALIFORNIA STATE UNIVERSITY
6640 UNIVERSITY OF CALIFORNIA
6980 STUDENT AID COMMISSION

Issue 5: Middle Class Scholarship Update & Proposal

Panel.

- Aman Singh, Department of Finance
- Natalie Gonzalez, Legislative Analyst's Office
- Shawn Brick, Associate Vice Provost for Student Financial Support, University of California
- Noelia Gonzalez, Systemwide Director, Financial Aid Programs, Strategic Enrollment Management, California State University
- Jake Brymner, Deputy Director for Policy & Public Affairs, California Student Aid Commission

Background. The state created the original MCS program in the 2013 Budget package to provide partial tuition coverage to certain UC and CSU students. Originally, awards were for students who were not receiving tuition coverage through the Cal Grant program or other need-based financial aid programs. In 2022-23, the state implemented a new set of rules for the MCS program. The new program focuses on total cost of attendance (rather than only tuition). Under the new program, students may use their awards for nontuition expenses, such as housing and food. As the figure below shows, the spending for the program and number of recipients increased sharply in 2022-23 with the launch of the new MCS program.



Source: Legislative Analyst’s Office

MCS Award Amounts Are Calculated Based on Total Cost of Attendance. As the figure below shows, calculating each student’s award amount involves several steps. Starting with a student’s total cost of attendance, CSAC deducts the student’s available resources, consisting of other need-based gift aid; non-need-based gift aid; a student contribution from part-time work earnings; and, in some cases, a parent contribution. The parent contribution only applies to dependent students with a household income of more than $100,000. Students who are from lower-income households have no required parent contribution and generally are eligible for more gift aid (including federal Pell Grants and Cal Grant B awards for nontuition coverage). This calculation determines the student’s remaining costs. Next, CSAC determines what percentage of each student’s remaining costs it can cover based on the annual state appropriation for the program. Awards cover the same percentage of remaining costs for each student, except foster youth receive awards that cover 100 percent of their remaining costs.

Middle Class Scholarships Are Calculated Using Multicomponent Formula

Illustrative CSU Dependent Student With $110,000 Household Income Living Off-Campus, 2024-25

	Award Calculation
Cost of attendance	$34,717
Federal, state, and institutional need-based gift aid[a]	-6,084
Student contribution from work earnings	-8,154
33 percent of parent contribution from federal SAI[b]	-4,807
Student's Remaining Costs	**$15,672**
Percentage based on annual appropriation[c]	35%
Award Amount	**$5,485**

[a]The amount also includes any private grants and scholarships, institutionally awarded merit-based aid, as well as institutionally awarded emergency housing and other basic needs emergency grants that are in excess of the sum of the student contribution and parent contribution.

[b]Only applies to dependent students with a household income of more than $100,000.

[c]State law requires CSAC to determine what percentage of each student's remaining costs to cover each year based on the annual appropriation for the program. The program is estimated to cover about 35 percent of each student's remaining costs in 2024-25.

SAI = Student Aid Index and CSAC = California Student Aid Commission.

Source: Legislative Analyst's Office

CSAC Reports an Unexpectedly Large Number of MCS Award Recipients for 2024-25. The 2024-25 Budget Act provided $926 million ($637 million ongoing, $289 million one-time) for the MCS program. In October 2024, CSAC estimated that the appropriation amount was sufficient to cover 35 percent of students' remaining costs. As of February 2025, CSAC shared it is seeing an unexpectedly large increase in MCS recipients in 2024-25. Specifically, CSAC is anticipating 79,495 more recipients in 2024-25 (29 percent) compared to 2023-24. Originally, CSAC estimated a 12 percent increase. Although CSAC is continuing to examine why the number of MCS recipients increased so sharply in 2024-25, it believes it may be partly due to last year's application deadline extension (from its normal deadline of March 2 to July 2, 2024). Given the number of expected recipients has increased, CSAC anticipates needing an additional $103 million to keep 2024-25 award coverage at 35 percent. CSAC, the administration, and the Legislature are currently working on solutions to address this shortfall.

Governor's Budget. The Governor's budget reduces MCS funding by $110 million ongoing General Fund, bringing ongoing funding down from $637 million to $527 million. Additionally, the $289 million in one-time funding provided in 2024-25 expires. Based on CSAC's preliminary estimates, the 2025-26 funding level would be sufficient to cover 18 percent of each student's remaining costs. This estimated award coverage, however, could change at the May Revision, as it was estimated before CSAC saw the larger-than-expected increase in 2024-25 recipients.

Staff Comments. Given that funding levels for MCS will be nearly half of the funding from 2024-25, students will see significantly less support in financial aid, with estimated awards levels dropping from 35% to 18%, which may drop even lower as these estimates do not take into account the unexpectedly larger number of MCS recipients in 2024-25. This reduction also comes as some students may go without federal financial aid in 2025-26 if they are concerned about sharing family information with the federal government.

Staff Recommendation. Hold Open.

6980 STUDENT AID COMMISSION

Issue 6: Funding for California College of the Arts (CCA)

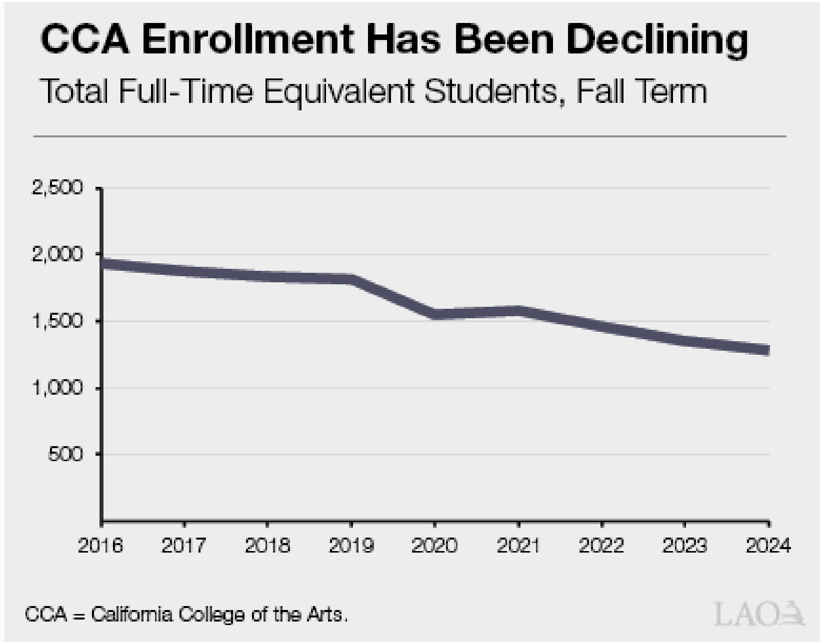
Panel.

- Aman Singh, Department of Finance
- Natalie Gonzalez, Legislative Analyst's Office
- David Howse, President, California College of the Arts
- Remy Hathaway, Chief Financial Officer, California College of the Arts
- Jake Brymner, Deputy Director for Policy & Public Affairs, California Student Aid Commission

Governor's Budget. The Governor's budget includes $20 million one-time General Fund to provide the California College of the Arts, a non-profit, private college, with a second year of General Fund support.

Background. CCA specializes in the study of art, architecture, design, and writing. It opened in Berkeley in 1907, relocated to Oakland in 1922, and opened a second campus site in San Francisco in 1996. Serving as a two-campus institution for more than two decades, CCA is currently transitioning down to a one-campus institution, retaining only its San Francisco site. After a notable capital campaign, CCA added a large new facility at the San Francisco site in 2024. CCA offers 22 undergraduate and 10 graduate programs. Though data on its graduates is limited, CCA shared that many of its graduates remain in California and work at organizations such as KQED Arts & Culture; SFMOMA; Pixar; and the Institute of Contemporary Art, San Diego.

Declining Enrollment. As the figure below shows, CCA enrollment has been declining since fall 2016. After many years of having its enrollment hover at approximately 1,800 students, CCA enrollment declined notably at the onset of the pandemic and has continued to decline. In fall 2024, CCA enrolled a total of 1,280 full-time equivalent (FTE) students—approximately 650 FTE students (34 percent) fewer than in fall 2016. Approximately half of CCA students are California residents, with the other half coming from other states and countries.



Source: Legislative Analyst's Office

Operating Deficit. CCA has been facing a continual budget deficit since 2021. The deficit has grown from $4.9 million in 2021 to $11.4 million in 2023, with a slight decrease to $5.8 million in 2024. CCA is projecting a $20 million deficit in 2025. This is the largest deficit the school has experienced over the past decade. One factor driving this deficit is the school's enrollment decline, which is resulting in a loss of associated tuition and fee revenue. CCA has also increased spending in areas such as institutional financial aid. As a result, operating expenditures are outpacing operating revenue, leading to sizable budget gaps in the past five years. In prior years, CCA has relied on philanthropic donations to help fill these gaps.

State Funding in 2024-25. The 2024 Budget included $2.5 million one-time General Fund to support CCA in 2024-25. CCA shared that it is using this funding for scholarships. Current annual undergraduate tuition is $59,376. The estimated total cost of attendance for students living off campus is $93,624. About 78 percent of students receive some type of financial aid. (CCA's undergraduate tuition level is slightly higher than a few other private art schools in the state and notably higher than one.)

Arts Education Teaching Credentialing. According to the College, it is currently working to establish a pathway for artists and designers to enter the teaching profession through the state-approved credentialing process. Per CCA, the College is committed to following the formal approval process outlined by the Commission on Teacher Credentialing (CTC). While the College cannot yet offer credentialing programs, it is in the process of meeting the necessary accreditation requirements. The CCA began the accreditation process in December 2024 and, if approved by the CTC, expects to enroll its first credentialing students in summer or fall 2026.

Philanthropic Donations. On February 14, 2025, CCA announced it had raised nearly $45 million in new philanthropic donations. The largest single component was a $22.5 million donation from the Jen-Hsun and Lori Huang Foundation, with the remainder coming from current and former trustees; alumni; and members of San Francisco's arts, culture, and technology communities. The school indicates that these funds "will bridge the college into the next fiscal year, address its current deficit, and position the college both to continue its strong fundraising work and pursue its path to long-term sustainability."

Staff Recommendation. Hold Open.

Issue 7: Operations Proposals

Panel.

- Aman Singh, Department of Finance
- Natalie Gonzalez, Legislative Analyst's Office
- Jake Brymner, Deputy Director for Policy & Public Affairs, California Student Aid Commission

Background. CSAC administers certain state financial aid programs and provides related technical assistance. The largest of these programs are the Cal Grant and MCS programs. CSAC also administers a few smaller financial aid programs, including the California Dream Act Service Incentive Grant and Cal-HBCU (Historically Black Colleges and Universities) Transfer Grant. Beyond these programs, the state approved one-time funding in 2021-22 for a five-year Golden State Teacher Grant initiative. In administering these programs, CSAC works with financial aid administrators at colleges and universities, counselors and other staff at local educational agencies, and students across California. In 2023-24, CSAC processed a total 2.2 million financial aid applications.

Governor's Budget.

Baseline Increase to Operating Expenses & Equipment (OE&E) Costs. The Governor's budget includes $1.4 million one-time General Fund in 2025-26 and $3 million ongoing beginning in 2026-27 for CSAC's state operations.

The administration indicates its intent to provide $3 million ongoing General Fund in 2026-27 to further assist CSAC with its operating costs. CSAC indicates the $1.4 million in one-time funding will be sufficient to cover costs in 2025-26, but the larger amount of ongoing funding is needed to cover expected cost increases the following year. The administration indicates CSAC has discretion in deciding how to use the proposed funds. If the state commits to providing the ongoing funding in 2026-27, CSAC indicates it would use the 2025-26 and 2026-27 funds to support existing authorized but unfilled positions, along with covering cost increases relating to consulting services, equipment, facilities, and other operating expenses.

Resources for Chief Information Security Officer. The Governor's budget includes $230,000 ongoing General Fund to provide CSAC with a CISO position. The request for this position is part of CSAC's ongoing work to protect student data and address cybersecurity risks. The responsibilities of the CISO include addressing identified cybersecurity gaps and issues of concern, ensuring CSAC is compliant with certain cybersecurity expectations, developing CSAC's Information Security Office, and leading fraud detection and prevention programming.

CSAC houses a significant amount of personally identifiable and sensitive information. It is CSAC's responsibility to ensure this information is protected and address any threats that may compromise student data. In addition, CSAC has seen an increase in financial aid fraud attempts. Therefore, to protect students and families, as well as mitigate potential financial aid fraud, CSAC has invested in security software and consulting services, as well as instituted two full-time cybersecurity positions in 2023-24. CSAC's investment in cybersecurity is also part of its mission to position itself as compliant with Cal-Secure. Cal-Secure is a roadmap created by the administration in 2021 to enhance and improve the state's role in the cybersecurity space, including ensuring the state has effective cybersecurity defenses. While CSAC has a Chief Information Officer, it has never had a CISO to lead these efforts.

Staff Recommendation. Hold Open.

6600 COLLEGE OF THE LAW, SAN FRANCISCO

Issue 8: McAllister Tower Second Phase & Base Growth Funding Proposals

Panel.

- Gabriela Chavez, Department of Finance
- Ian Klein, Legislative Analyst's Office
- David Faigman, Chancellor & Dean, College of the Law, San Francisco
- David Seward, Chief Financial Officer, College of the Law, San Francisco

Background. CLSF, formerly Hastings College of the Law, is affiliated with UC but has its own governing board, the Board of Directors. The Board of Directors oversees the school's finances and makes key decisions, such as setting employee compensation levels. The board also sets the school's tuition levels and enrollment targets. The school's main academic offering is a Juris Doctor (JD) program, the most common degree students pursue to enter the legal field. The school also offers three law-related master's programs. The school has five buildings—two are academic facilities; one is a mixed-use facility with classrooms, offices, and student housing; one is primarily a student housing facility that is currently under renovation; and one is a parking garage.

Tuition Increases at CLSF. In 2025-26, CLSF is scheduled to increase both its resident and nonresident tuition charges, representing the fourth consecutive year both of these charges would grow. Resident tuition is scheduled to increase by $3,704 (7.5 percent), reaching $53,087. Even after accounting for this proposed increase, the school's resident JD tuition level would be 13 percent below the average resident tuition level of UC's four JD programs. The school's nonresident supplemental tuition charge is scheduled to increase by $1,198 (16 percent), reaching $8,686. CLSF notes that the large increase in the nonresident supplemental tuition charge is to bring that rate more in-line with UC's four JD programs while also generating more revenue. CLSF also plans to maintain its policy of discounting tuition charges by a maximum of 30 percent in 2025-26.

Core Funding Per Student. Beyond the Governor's proposed net base increase of $507,000 and proposed $10.1 million ongoing General Fund debt service augmentation, the school expects to generate an additional $4.3 million in tuition revenue as a result of its planned tuition increases. Altogether, the school expects its core funding to increase by $14.6 million. As the figure below shows, on a per-student basis, the school's core funding, including the new ongoing debt service, increases by approximately $12,900 (17 percent).

School's Core Funding Increases in 2025-26

(Dollars In Millions, Except Per-Student Amounts)

	2023-24 Actual	2024-45 Revised	2025-26 Proposed	Change From 2024-25	
				Amount	Percent
Ongoing Core Funds					
Student tuition and fees	$54.0	$55.2	$59.4	$4.3	7.8%
General Fund[a]	24.0	26.3	36.9	10.6	40.3
Other[b]	-2.0	5.2	4.9	-0.2	-4.7
Subtotals	($76.1)	($86.6)	($101.2)	($14.6)	(16.9%)
Full-Time Equivalent Students[c]	1,167	1,128	1,129	1	0.1%
Core Funding Per Student	$65,207	$76,751	$89,631	$12,881	16.8%

[a] Includes ongoing support provided for debt service on state lease revenue bonds. In 2025-26, the Governor's budget includes a $10.1 million ongoing augmentation for university bond debt service for the McAllister Tower renovation project.

[b] Includes State Lottery Fund, certain investment earnings, and income from scholarly publications.

[c] Consists of students enrolled in the school's Juris Doctor and master's programs.

Source: Legislative Analyst's Office

Governor's Budget.

Base Growth Funding. The Governor's budget proposes a $2.4 million ongoing unrestricted General Fund base augmentation to "support College of the Law costs." Whereas most state agencies are not receiving unrestricted General Fund augmentations under the Governor's budget, the administration indicates it took a different approach for CLSF because the school is small and currently has an operating deficit. While the Governor proposes an ongoing General Fund base augmentation, the school would also be subject to a $1.8 million ongoing General Fund base reduction. This reduction is pursuant to Control Section 4.05 of the 2024-25 Budget Act, which applied up to a 7.95 percent ongoing reduction to the "state operations" component of most state agencies' budgets. CLSF is subject to this reduction in 2025-26. The net effect of the two actions in 2025-26 is an ongoing General Fund base increase of $507,000 (2.2 percent).

McAllister Tower Project, Phase 2 Funding. . The Governor's budget provides the first year of General Fund support to cover the debt service associated with funding Phase 2 of the project, with an expectation that $10.1 million will be provided to the school annually over the next 30 years for this purpose. The administration does not have this project going through the State Public Works Board review and oversight process, as it did for the school's last academic facility project.

Phase 2 of the project comprises the renovation of the interior of the facility. Additional building amenities would also be updated, including support and event spaces. The school now estimates that the project could deliver somewhat more beds than originally estimated (23 additional beds, or 280 total beds). CLSF indicates this level of funding would allow for rents across its housing portfolio to be reduced by 20 percent, a slightly greater discount than originally projected. The proposal is for the state to fund remaining project costs ($151 million) in place of the school covering the costs, as originally planned.

McAllister Tower Project Differs From Other Recent State-Supported Student Housing Projects. As the figure below shows, the state recently provided UC with General Fund debt service support for five student housing projects. The state contributed just over one-third of the total project costs for these five UC projects combined. For the McAllister Tower project, the state would be responsible for 85 percent of the project costs. Additionally, the new student housing units generated by the UC facilities are required to meet the definition of "affordable" specified in Chapter 262 of 2021 (SB 169, Committee on Budget and Fiscal Review). The McAllister Tower proposal would allow the school to provide below-market rates, but those rates likely would not meet the statutory definition of affordable. Additionally, the UC projects are in various stages of construction, with the San Diego project already complete. The McAllister Tower project is behind the original construction schedule and will not be operational until fall 2027, at the earliest.

McAllister Tower Project Differs From Other Recent State-Supported Student Housing Projects

Recent Student Housing Projects

	Project Costs		Bed		
	State	Nonstate	Affordable[a]	Standard	Totals
CLSF, McAllister Tower	$241	$43	717[b]		717
UC Projects[c]					
San Diego	$100	$265	1,100	210	1,310
Berkeley	100	265	310	790	1,100
Santa Cruz	89	106	320	120	440
Irvine	65	16	300	—	300
Los Angeles	35	29	358	84	442

[a] Affordable student housing for the UC projects is defined as 30 percent of 50 percent of the area median income for a single-room occupancy unit type.

[b] CLSF indicates McAllister Tower would have 280 beds. An additional 437 beds already are available through the school's 198 McAllister facility. CLSF is not subject to the affordability requirement that applies to the UC student housing projects. CLSF indicates it plans to use the state support for the 100 McAllister Tower project such that it could charge rent for all 717 beds that is 20 percent below market rates. These rates would be higher than those for the UC student housing projects.

[c] Includes UC projects approved in 2022-23 for the Student Housing Grant Program.

CLSF = College of the Law, San Francisco.

Source: Legislative Analyst's Office

__Legislative Analyst's Office.__

Reject General Fund Base Augmentation. Given the state's fiscal condition, we recommend the Legislature reject the Governor's proposed base General Fund augmentation. Under this approach, the school's ongoing core funding still would grow by $2.2 million (3 percent) in 2025-26 due to the expected increase in tuition and fee revenue. This funding would help cover some of CLSF's spending priorities

Reject McAllister Tower, Phase 2 Funding. As noted in The 2025-26 Budget: Higher Education Overview, given the state's budget condition, we recommend that a strong case be made for any new higher education spending. Phase 2 of the McAllister Tower project does not meet that standard. There was no expectation from the state that CLSF would require additional state funds to complete the McAllister Tower project. Moreover, UC student housing projects received a smaller share of state support, yet have generally remained on track and are delivering the agreed-upon number of affordable-rent beds. Rejecting this proposal would provide budget relief to the state. The school could revisit its project design and financing options to ensure it could still deliver at least 257 beds at below-market rates. The school's reserve currently is healthy, which could help as the school considers its financing options.

Staff Recommendation. Hold Open.

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Issue 9: Information Technology Enterprise Security

Panel.

- Devin Mitchell, Department of Finance
- Ian Klein, Legislative Analyst's Office
- Greg Lucas, State Librarian, California State Library
- Rebecca Wendt, Deputy State Librarian, California State Library

Background. The State Library's main state-level functions are (1) serving as the central library for state government; (2) collecting, preserving, and publicizing state literature and historical items; and (3) providing specialized research services to state agencies. In addition to these state-level activities, the State Library passes through state and federal funds to local libraries for specific purposes. These local assistance programs fund literacy initiatives, internet services, and resource sharing, among other things. The State Library provides oversight and technical support for these local assistance programs.

The State Library's ongoing funding comes primarily from the state General Fund (67 percent) and federal funds (28 percent), with the remainder coming from special funds and reimbursements. For 2025-26, the Governor's budget includes $37 million in ongoing state operations funding for the State Library and $30 million in ongoing local assistance funding. The Governor's budget also includes $78 million one-time General Fund, nearly all of which reflects carryover funds associated with one-time local assistance initiatives funded in recent years. The majority of this carryover funding already has been encumbered.

Governor's Budget. The Governor proposes providing $332,000 General Fund in 2025-26 and $282,000 ongoing General Fund thereafter, to replace outdated networking and security infrastructure. The funds would pay for updated hardware and a renewable cloud-based security subscription service. The State Library indicates that the primary rationale for the new hardware and software subscription service is to ensure that as its current system reaches its end of life, new defense tools are put into place to protect against cybersecurity threats.

Cyberattacks. Between January 2020 and February 2025, over 2,600 cyberattacks were reported that have targeted California businesses and government agencies. State law mandates that businesses or agencies notify residents if their unencrypted personally identifiable information (PII) is acquired, or suspected to be acquired, by unauthorized individuals. Examples of PII include names, addresses, phone numbers, e-mail addresses, health records, social security numbers, and driver's license information, among others. In the first two months of 2025 alone, 70 cyberattacks have already been reported, averaging more than one attack per day, triggering notification requirements.

In recent years, state agencies that suffered a cybersecurity attack have subsequently requested General Fund support to upgrade their defense systems. For example, in December 2022, Department of Finance (DOF) suffered a cyberattack. This attack led to a $2.1 million General Fund request in 2023-24 to improve DOF's cybersecurity defenses. The Legislature subsequently approved this funding request. More recently, in March 2024, the Department of Food and Agriculture (DFA) suffered a cyberattack. This attack led to a $2.5 million General Fund proposal in the 2025-26 Governor's budget to improve DFA's cybersecurity defenses.

Staff Recommendation. Hold Open.

Issue 10: Extend Sunset of Law Library Special Account Trailer Bill

Panel.

- Devin Mitchell, Department of Finance
- Ian Klein, Legislative Analyst's Office
- Greg Lucas, State Librarian, California State Library
- Rebecca Wendt, Deputy State Librarian, California State Library

Background. The State Library operates the Witkin Law Library. The law library offers a range of resources, including primary and secondary materials on American law, federal and state appellate court decisions, session laws, codes and statutes, federal agency rulings, and attorney general opinions. The law library staff assist both state agencies and the public with research. Based on self-reported data from 2023-24, roughly half of the library's users were from state agencies while the other half of users were from the general public. The Department of Justice, among state agencies, made the most frequent use of the law library's resources. Besides managing research inquiries, staff are also tasked with curating law library collections and other duties.

Governor's Budget. The administration proposes trailer bill language that would reestablish the statutory requirement to allocate $65 of designated civil appellate filing fees to the law library, while also reauthorizing the California State Law Library Special Account.

The proposed trailer bill language retroactively reestablishes the special fund as of January 1, 2025, so there would be no lapse in deposits. (The state has continued to collect civil appellate filing fees.) In a change from historic practice, the proposed trailer bill language has no sunset date for the $65 fee and the special fund account.

Special Fund Revenue. While the fee revenue the law library has received has been roughly flat for many years, the law library's operating costs have increased. From 2017-18 through 2023-24, the law library's special fund revenue has averaged approximately $305,000 annually. Over the same period, its operating costs have grown by 80 percent. The State Library redirects some of its unrestricted General Fund state operations monies to support the law library. In 2023-24, the State Library also requested, and the Legislature approved, a targeted ongoing General Fund augmentation of $462,000 to cover the costs of two existing permanent positions that had been special fund-supported and two new permanent positions. As a result, a shrinking portion of special fund revenue has been covering law library's operating costs, while the General Fund portion has grown. In 2017-18, special fund revenue covered 43 percent of the Witkin Law Library's total expenditures, while General Fund support covered 57 percent. By 2023-24, special funds covered an estimated 13 percent of costs, while General Fund support covered 87 percent.

Legislative Analyst's Office.

Add a Sunset Date to Maintain Legislative Oversight. We recommend the Legislature modify the trailer bill language to include a sunset date. Since the establishment of the special fund, a sunset date has been included in all previous reauthorizations. Adding a sunset date would provide the Legislature the opportunity to reevaluate the fee structure and make modifications. Historically, the state has set a sunset date of January 1, five years after the account is reauthorized. The Legislature could consider a shorter, one-year sunset date if it wanted to direct the affected groups to reexamine the fee structure and report back, as discussed below.

Direct State Library to Identify Revenue Options. We recommend the Legislature direct the State Library to submit a report identifying potential revenue options by January 1, 2026. We recommend the report identify options that would generate sufficient revenue to cover the law library's total operating expenditures. We recommend requiring that an option be included that replaces all state General Fund, along with other options that provide varying levels of state support.

For each identified revenue option, we recommend the Legislature require key information, including an explanation of why the option was determined to be reasonable, its benefits, and its drawbacks, along with any other information essential for evaluating its relative merits. In identifying possible revenue options, the law library might want to examine the types of users making requests, the complexity of the requests it receives, and the frequency of requests from the same users. This information could help the law library and ensure any identified fee structures align fees with those who use and benefit from its services. We recommend the Legislature direct the State Library to develop its report in consultation with the judicial branch and other relevant stakeholders. The development and submission of this report would help the Legislature evaluate various options for increasing special fund revenues that could be used to support the Witkin Law Library's ongoing operating costs, which is consistent with how the library was originally supported. Such an approach could also free up General Fund for other state priorities.

Staff Recommendation. Hold Open.