

California State Assembly



Agenda

Assembly Budget Subcommittee No. 3 on Education Finance

Assemblymember David Alvarez, Chair

Wednesday, April 2, 2025
1:30 P.M. – State Capitol, Rm 444

ITEMS TO BE HEARD		
Item	Description	Page
6610	California State University	2
Issues	1. CSU Core Operations Review and Funding Proposals 2. CSU Enrollment Update 3. Capitol Fellows Proposal 4. Title IX Update 5. Chula Vista Update 6. Non-Presentation Item	2 14 22 27 31 35
6120	California State Library	36
Issues	7. State Library Reductions 8. State Library Proposals	36 41

Public Comment will be taken in person before or after the completion of all panels and any discussion from the Members of the committees, at the discretion of the chair.

Items To Be Heard

Issue 1: CSU Core Operations Review and Funding Proposals

The Subcommittee will discuss CSU's core operations budget, and the Governor's Budget proposals to reduce ongoing General Fund support by \$375 million and defer a 5% base increase.

Panel

- Devin Mitchell, Department of Finance
- Natalie Gonzalez, Legislative Analyst's Office
- Ryan Storm, California State University Chancellor's Office

Background

The following is comprised of LAO and staff research and includes information on several aspects of CSU's budget, including revenues, expenditures, cost drivers and reserves.

CSU's overall budget is more than \$13 billion, core funding is about \$9 billion. CSU's overall budget in 2024-25 is about \$13.4 billion and includes General Fund, student tuition revenue, federal funds and other revenue raised from housing, parking and other auxiliary programs. The state generally focuses its budget decisions around CSU's "core funds," or the portion of its budget supporting its key academic missions. Core funds at CSU primarily consist of state General Fund and student tuition revenue, with a very small share coming from state lottery revenue. About 61% of core funds are state General Fund in 2024-25, while about 38% are from tuition and fees. Core funds comprise about 70% of CSU's budget.

The LAO chart on the following page shows CSU funding, with 2025-26 amounts based on the proposed Governor's Budget. The ongoing General Fund support for 2025-26 in the chart combines the reduction that will be discussed in this section, and some increased General Fund support for pension and retiree health benefit costs.

Compact called for annual state funding increases and various improvements. In May 2022, CSU and the administration of Governor Gavin Newsom finalized a five-year compact that articulates shared goals centered on closing equity gaps and promoting student success; increasing access to and the affordability of a CSU education; and promoting workforce preparedness and intersegmental partnerships, among other key priorities. Specifically, the compact called for 5 percent annual ongoing General Fund increases and at least 1 percent enrollment growth each year. The Legislature was not part of this agreement.

California State University Funding by Source

(Dollars in Millions Except Funding Per Student)

	2023-24 Actual	2024-25 Revised	2025-26 Proposed	Change From 2024-25	
				Amount	Percent
Ongoing Core Funds					
General Fund ^a	\$5,391	\$5,526	\$5,403	-\$122	-2.2%
Tuition and fees ^b	3,267	3,477	3,665	188	5.4
Lottery	83	76	76	— ^c	0.3
Subtotals	(\$8,741)	(\$9,078)	(\$9,144)	(\$66)	0.7%
Other Funds					
Federal funds	\$1,666	\$1,729	\$1,729	—	—
Other CSU funds ^d	3,161	2,545	2,544	— ^c	-0.9%
Other state funds ^e	2	2	2	—	—
One-time General Fund	36	5	—	-\$5	-100
Subtotals	(\$4,864)	(\$4,280)	(\$4,275)	(\$5)	(—^c)
Totals	\$13,605	\$13,359	\$13,419	\$61	0.5%
FTE Students ^f	391,268	401,300	407,936	6,636	1.7%
Ongoing Core Funding Per Student	\$22,339	\$22,622	\$22,416	-\$206	-0.9%

^a Includes funding for pensions and retiree health benefits. Reflects reductions pursuant to Control Section 4.05 of the 2024-25 Budget Act. Specifically, the 2024-25 amount reflects a \$75 million General Fund reduction, and the 2025-26 amount reflects a \$375 million General Fund reduction.

^b Includes funds used for student financial aid.

^c Less than \$500,000.

^d Includes housing fees, parking fees, extended education charges, and fees for other noncore programs.

^e Consists of State Transportation Fund monies designated for transportation research and workforce development.

^f Reflects total combined resident and nonresident enrollment. The 2025-26 number incorporates CSU's planned resident enrollment growth

FTE = full-time equivalent.

2024 Budget Act provided overall increase for CSU, but signaled cuts. The 2024 Budget Act provided a 5 percent ongoing General Fund increase (\$240.2 million) to CSU, the third year in a row of 5 percent increases. The budget also included a one-time reduction of \$75 million. Overall, CSU received an increase of about \$135 million General Fund. In addition, intent language signaled that state support would be decreased for CSU in 2025-26 by up to 7.95

percent as part of an overall statewide reduction as outlined in Control Section 4.05 of the budget bill. Language also signaled that a 5 percent ongoing increase scheduled for 2025-26 would be deferred to a future year.

Tuition is increasing. In September 2023, the CSU Board of Trustees approved a plan to increase tuition by 6% annually for five years. The increase impacts both undergraduate and graduate students, as the chart indicates. Full-time undergraduate tuition will increase from \$6,084 in 2024-25 to \$6,450 in 2025-26. CSU expects to generate about \$154 million more in tuition revenue in 2024-25 due to the increase, and about \$164 million in 2025-26.

	Academic Year					
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Undergraduate (6.1+ units)	\$ 5,742	\$ 6,084	\$ 6,450	\$ 6,838	\$ 7,248	\$ 7,682
Undergraduate (0-6 units)	\$ 3,330	\$ 3,528	\$ 3,738	\$ 3,962	\$ 4,200	\$ 4,452
Credential (6.1+ units)	\$ 6,660	\$ 7,062	\$ 7,488	\$ 7,938	\$ 8,414	\$ 8,918
Credential (0-6 units)	\$ 3,864	\$ 4,098	\$ 4,344	\$ 4,604	\$ 4,880	\$ 5,172
Graduate (6.1+ units)	\$ 7,176	\$ 7,608	\$ 8,064	\$ 8,548	\$ 9,060	\$ 9,604
Graduate (0-6 units)	\$ 4,164	\$ 4,416	\$ 4,680	\$ 4,960	\$ 5,258	\$ 5,574

CSU's largest operating cost is employee compensation. Similar to many other state agencies, the bulk of CSU's operating costs are for employee salaries and benefits. In 2023-24, 75 percent of CSU's core spending was for these purposes. That year, CSU reported spending \$6.4 billion on compensation packages for faculty, staff, and management. Nearly every year, CSU faces at least some pressure to raise employee salaries, while also having to cover certain pension and health care cost increases.

CSU had about 48,000 full-time equivalent employees as of Fall 2023. Of these employees, about 46 percent are staff, about 42 percent are faculty, about 10 percent are managers and executives, and about 2 percent are represented student employees. Most of CSU's workforce has grown over the past seven years, with managers and executives seeing the largest percentage increase.

Employee Group	Fall 2017	Fall 2018	Fall 2019	Fall 2020	Fall 2021	Fall 2022	Fall 2023	% Change
Faculty	19,003	19,197	19,606	19,423	19,809	19,682	20,140	6%
Staff	20,673	20,979	21,266	20,934	19,857	20,469	21,660	5%
Exec/Mgmt	4,197	4,268	4,431	4,483	4,386	4,543	4,834	13%
Represented Student ¹	0	0	0	976	1,012	947	1,105	100%
Total	43,872	44,444	45,302	45,816	45,063	45,641	47,740	8%

Most CSU employees are represented by a labor union. Eight unions represent various groups of CSU employees. The largest union representing CSU employees is the California Faculty Association (CFA). CFA represents professors, lecturers, counselors, librarians, and coaches. The second largest union is the California State University Employees Union (CSUEU). CSUEU represents support staff in various roles, including in the areas of administration, technology, and health services. CSUEU employees account for nearly 25 percent of CSU’s overall salary base. The remaining six unions at CSU represent student services staff, skilled trades workers, and graduate students, among other workers. Managers and executive staff, who comprise approximately 15 percent of CSU’s salary base, are not represented by a union.

Whereas the Legislature ratifies collective bargaining agreements for most represented state employees, state law authorizes the CSU Board of Trustees to ratify collective bargaining agreements for CSU’s employees. These collective bargaining agreements determine salary increases for represented employees. The agreements also often indirectly guide salary increases for CSU’s nonrepresented employees. Over the past decade, CSU employees generally have received salary increases in all years except 2020-21 (when the state reduced General Fund support for CSU in response to a projected budget shortfall due to the COVID-19 pandemic).

The following chart displays CSU bargaining units, the number of members in each unit, the agreed-upon salary increases for the current year and what has been agreed to for 2025-26. “Open” signifies that there is not a current contract.

Unit	Members	2024-25	2025-26
California Faculty Association (CFA)	29,220	5 percent increase	Open
California State Employees Union (CSUEU)	14,600	5 percent increase	Steps Implementation if Compact is Funded
Student Assistants (CSUEU)	6,300	Open	Open
Academic Professionals	3,550	5 percent increase	Open
Academic Student Employees (UAW)	2,800	5 percent increase	Open
Building Trades (Teamsters)	1,100	Steps Implementation	Steps Implementation if Compact is Funded
Police (SUPA)	320	5 percent increase	Steps Implementation if Compact is Funded
Physicians (UAPD)	80	5 percent increase	Open
Maritime Engineers (IUOE)	10	5 percent increase	Open

Other costs include pension contributions, health care benefits, facilities, and student financial aid. The California Public Employees’ Retirement System (CalPERS) administers pension benefits for CSU and most other state employees. The CalPERS Board sets employer contribution rates for pensions as a percentage of payroll. The state and CSU each pay a portion of the total employer contribution. CalPERS also administers CSU’s health benefits. Each year, CalPERS negotiates with health plan providers to establish premiums for the plans offered to CSU’s employees. Pursuant to state law, CSU’s contribution to employee health benefits is based on the average premium of the most popular health plans. When premiums increase, CSU covers the associated cost for its active employees. The state covers the cost for retirees’ health benefits. Beyond employee compensation, CSU has ongoing costs related to various other operating expenses, including facilities, technology, equipment, and supplies.

The following chart is from the 2025-26 Governor’s Budget and indicates estimated spending by program area in 2024-25.

Expenditure Category	2024-25 Estimated Expenditure (in millions)	Percent of Expenditures
Instruction	3,618,365	28%
Research	46,596	0.4%
Public Service	21,221	0.2%
Academic Support	1,018,290	7.9%
Student Services	983,176	7.6%
Institutional Support	1,262,738	9.8%
Facilities	1,272,050	9.8%
Student Financial Aid	2,038,887	15.8%
Auxiliary Enterprises	2,670,959	20.7%

Source: 2025-26 Governor’s Budget

CSU reports a \$138 million budget gap in 2023-24 and \$218 million gap in 2024-25. In both 2023-24 and 2024-25, CSU received increases in its state General Fund support, along with increases in its total core funding. As CSU typically does, it allocated a portion of its General Fund base increase in 2024-25 to campuses for employee compensation. The amounts allocated to campuses for employee compensation, however, fell short of actual employee compensation costs. CSU indicates it did not have sufficient funding after accounting for health care premium increases, insurance premium increases, maintenance and operations of new facilities, enrollment growth, and other state-required initiatives to cover the full cost of compensation increases. As a result, CSU is in the midst of addressing a budget deficit. Campuses are responsible for covering these shortfalls from their existing budgets. CSU shared that campuses are addressing the shortfalls through measures such as implementing personnel reductions and restructuring, deferring capital renewal projects, and reducing non-essential expenses such as travel and professional development.

Governor's 2025-26 Budget

The Governor's Budget includes a \$375 million ongoing General Fund reduction to CSU as part of the statewide operational cut included in the 2024 Budget Act. The Governor's Budget also defers a 5 percent increase (\$252 million ongoing General Fund) from 2025-26 to 2026-27. The \$75 million one-time reduction in 2024 is restored.

The Governor's Budget also provides CSU with \$136 million ongoing General Fund to cover pension cost increases, and \$41 million ongoing General Fund to cover increased retiree health costs.

In all, CSU would receive \$127 million less General Fund in 2025-26 than it did in 2024-25 under this proposal.

LAO Comments

Impacts of the budget plan will be felt differently across campuses. CSU's expected budget shortfall in 2025-26 will put pressure on campuses to make further budget adjustments. Campuses likely will implement some ongoing spending reductions, with some campuses potentially also drawing down some of their reserves. Campuses with smaller reserves could see more notable spending reductions. Given employee compensation is CSU's largest operating cost, campuses could look into hiring freezes, leaving positions open or eliminating positions. If faculty positions are left open, students could see larger class sizes and fewer course offerings. If staff and administrative positions are left open, students could see an impact on their support services. If salary increases are not implemented, CSU might see some negative impact on employee recruitment and retention, particularly if CSU's compensation packages become less competitive relative to peer organizations. Though campuses with strong enrollment growth and larger reserves likely would feel less of an impact on their budgets, CSU has shared that all campuses would be impacted in some way.

Budget plan calls to increase CSU funding significantly in 2026-27 despite projected deficit. As the following chart shows, the budget plan includes a 2.2 percent decrease in General Fund support for CSU in 2025-26, followed by a 9.6 percent increase in 2026-27. The large increase in 2026-27 is due to the deferral arrangement. The state has set forth no plan as to how it would pay for such a large CSU augmentation while facing a deficit. Given the state budget plan does not include a base increase for CSU in 2025-26, it is unlikely the state could afford such an increase in 2026-27 (absent a change in the state's fiscal condition or new budget solutions). Were CSU to raise its spending in 2025-26 on the assumption it would receive state payment in 2026-27, and then state payment were not forthcoming, CSU would face more disruptive spending choices at that time. From either the state's or CSU's perspective, we do not see strong justification for adopting such a risky and imprudent approach. Typically, when facing deficits, the state initiates efforts to contain costs, not increase them.

Deferral Plan for CSU Sets Unrealistic Expectation of Large Increase in 2026-27

Reflects Multiyear Assumptions of Deferral Plan, General Fund
(Dollars in Millions)

	2025-26 Year 4 ^a	2026-27 Year 5 ^a	2027-28
Ongoing Changes			
Base reduction	-\$375	—	—
Two-year deferral of year 4 base increase ^b	—	—	\$252
Anticipated year 5 base increase	—	\$265	—
One-Time Back Payments			
Base costs	—	\$252	\$252
One-Time Adjustments^c			
	\$75	—	-\$252
Totals	\$5,403	\$5,921	\$6,173
Change from previous year	-2.2%	9.6%	4.3%

^a In 2025-26, the Governor will be entering year 4 of his compact with the CSU Chancellor. The fifth and final year of this compact is 2026-27. A new governor will take office in 2027-28.

^b The Governor proposes to defer the year 4 base increase from 2025-26 to 2027-28. In 2026-27, he proposes to provide a one-time back payment to 2025-26. In 2027-28, he proposes to provide a one-time back payment to 2026-27, while also providing the deferred base increase.

^c In 2025-26, reflects the restoration of \$75 million one-time reduction applied in 2024-25. In 2027-28, reflects removal of prior-year, one-time back payment.

Recommend removing deferral to signal more realistic budget expectation. Both our office and the administration project that the state will face large operating deficits in 2026-27 and 2027-28 (as well as in 2028-29). Given these projected deficits, increasing spending on CSU in upcoming years would require a like amount of other budget solutions. Next year, the Legislature might face the difficult decision of either cutting other ongoing state programs to make room for CSU’s base increase or, alternatively and more realistically, forgoing the base increase. Rather than instituting deferrals, we recommend the Legislature wait until the given budget year to make changes to CSU’s base funding. This would provide a more accurate funding expectation for CSU and would be a more prudent and sustainable approach for both CSU and the state.

Staff Comments

CSU appears to be facing a fiscal crisis. Even this year, in which both state and tuition revenue increased, CSU reports a \$218 million systemwide deficit, which is being spread across all campuses and the Chancellor’s Office. While some campuses are in better position than others, every campus is facing financial challenges that are already impacting students, faculty and staff. In addition to state reductions, CSU faces likely cuts regarding federal funding as well.

There is clear legislative concern with the proposed state reductions for 2025-26: about 50 Assembly members have written or signed on to letters opposing the proposed cuts to CSU (and UC). However, given numerous General Fund pressures facing the state, it is unclear whether

the Legislature will have the ability to restore the cuts. The discussion today should focus on how CSU will weather increasing costs and potentially declining state revenue. Both short-term and longer-term solutions are likely necessary. Among the issues to consider:

Even before proposed state funding reductions, CSU campuses have been cutting and using reserves. CSU reports that campuses have been using reserves and making cutbacks to address recent deficits. For example, CSU reports that campus reserves decreased by more than \$300 million between June 2022 and June 2024, as the chart indicates, and many campuses are likely using reserves this year as well.

23 Campuses <i>(in millions)</i>	June 30, 2022	June 30, 2023	June 30, 2024
Reserves for economic uncertainty	\$537	\$555	\$525
Designated balances for short term obligations, capital, catastrophic events	1,507	1,435	1,199
Total	\$2,043	\$1,990	\$1,724

Cuts differ by campuses, but range from layoffs and hiring freezes, reduced course offerings, deferred facility maintenance, and consolidating programs and departments. According to a January 2025 Chancellor’s Office memo to the Administration, Fall 2024 data showed that seven campuses with among the largest deficits offered 1,430 fewer courses than the Fall before, and 13 campuses reduced student support employees by about 7 percent, or 74 positions. Additionally, 136 degree programs were suspended or discontinued across the system in 2024.

The most dramatic cuts have been proposed by Sonoma State University, which announced in January it was eliminating intercollegiate athletics, laying off 46 faculty, eliminating more than 20 degrees, and closing six academic departments (Art History, Economics, Geology, Philosophy, Theater/Dance, and Women and Gender Studies.)

If Governor’s Budget is enacted as proposed, CSU would focus on covering mandatory costs. The CSU Board of Trustees approved a proposed 2025-26 budget in Fall 2024 that included about \$593 million in new spending. The Trustees budget included nondiscretionary cost increases such as healthcare, utilities, and student financial aid, and numerous other priorities, ranging from salary increases, increased spending to improve graduation rates, and capital improvements. CSU indicates that under the Governor’s Budget, it would use increased tuition revenue to support nondiscretionary cost increases but forego other priorities. The LAO chart below depicts CSU’s spending plan, with the lighter shading representing activities CSU

would likely not pursue if the Governor’s Budget proposal is enacted. Some of the activities that CSU would forego are related to goals outlined in the compact with the Administration.

CSU Plans to Prioritize Nondiscretionary Cost Increases
(In Millions)

Nondiscretionary Cost Increases^a	
Health care premiums	\$60
State University Grants (tuition increases)	55
Utilities	32
Liability and property insurance premiums	10
Maintenance of new facilities	7
Total	\$164
Other Spending Priorities^b	
Faculty and staff compensation pool	\$296
Enrollment growth	56
Capital projects	25
Graduation Initiative	20
Title IX and NAGPRA compliance programs ^c	11
Student University Grants (enrollment increases)	8
Artificial Intelligence Initiative	7
Student basic needs and mental health	5
Beyond Completion ^d	2
Total	\$430

^a This list excludes pension cost increases (\$136 million) and retiree health cost increases (\$41 million), as the state provides funding for these costs.

^b Reflects CSU's spending priorities were additional funding to be available.

^c Federal Title IX focuses on preventing and rectifying sex-based discrimination and harassment occurring within education entities. Federal NAGPRA resolves and restores the rights of Native American, Alaska Native and Native Hawaiian lineal descendants and tribes to the ancestral remains, associated burial objects, sacred objects, and objects of cultural patrimony held at CSU.

^d A new CSU initiative to improve CSU's effectiveness at helping place its bachelor-degree graduates in their career field or graduate school.

NAGPRA – Native American Graves Protection and Repatriation Act. LAO

Operational cut to CSU (and UC) is much larger than other state agencies. Should cut be based on Chancellor’s Office budget or campus administration? As the LAO has noted, the statewide operational cuts from the 2024 Budget Act disproportionately impact CSU (and UC). The cuts were intended to focus on “state operations,” which for most state agencies is a separate budget line item that typically indicates administrative funding. For example, as discussed in previous Subcommittee hearings, cuts to the California Student Aid Commission and the California Community Colleges Chancellor’s Office are narrowly focused on both agencies’ Sacramento headquarters, and therefore amount to a few million dollars. However, both CSU and UC are funded in one budget item that includes all state funding – about \$5 billion for each. Thus, a percentage cut from this much larger base amount is much higher. Combined, CSU and UC face a cut of \$772 million ongoing General Fund.

Staff worked with the LAO to develop several possible reduction alternatives if the Legislature wished to more closely align CSU reductions with those proposed for other state agencies. Another strategy could seek to protect direct services to students as much as possible. For example, it could consider focusing on the budget of the Chancellor’s Office, which acts as the administrative arm of the 23-campus system.

According to CSU, the Chancellor’s Office budget for 2024-25 is \$337.3 million. A 7.95 percent cut based on the Chancellor’s Office budget equates to about \$27 million. Unlike many other state agencies, CSU is not facing a reduction due to eliminating vacant positions, as the Legislature does not control CSU positions like it does most other agencies. A rough LAO estimate suggests that expanding the cut to align with the operational cuts and position cuts other state agencies face could equate to about a \$34 million reduction. Another possible scenario could include a reduction based on campus administration, which is included in the “Institutional Support” category of CSU spending. A final scenario could direct cuts to categories of CSU spending that might not impact students as much as cuts to “Instruction,” “Student Services,” or “Student Financial Aid.” The chart below lists these possible strategies.

Option	Reduction	Notes:
Reduce funding for CSU’s Chancellor’s Office by 7.95 percent	\$27	Equivalent to the Control Section 4.05 reduction.
Reduce funding for CSU’s Chancellor’s Office by 10 percent	34	Equivalent to the Control Section 4.05 and Control Section 4.12 (vacant positions) reductions.
Reduce CSU’s institutional support funding by 7.95 percent	102	
Reduce CSU’s funding in certain nonstudent areas by 7.95 percent (applies reduction to institutional support, operations and maintenance of plant, public services, and research)	211	

Staff makes two other observations about this operational cut:

- The 2024 Budget Act assumed \$3.6 billion in ongoing General Fund savings from this statewide reduction by the 2025-26 fiscal year. But in its current budget proposal, the administration lowered the savings dramatically, to \$1.5 billion General Fund savings in 2025-26. It appears that most state agencies are facing a much lower percentage cut than the 7.95 percent maximum described in the 2024 Budget Act. Both the Community College Chancellor’s Office and Student Aid Commission are facing cuts of 3 percent of their state operations spending or less, for example. Other, larger state agencies also face far less than a 7.95 percent cut: according to the LAO, the California Department of Corrections and Rehabilitation faces about a 2 percent cut, which the LAO has determined is about the average across all non-university state agencies. Both CSU and UC face a much higher percentage cut than most other agencies. The reduction to CSU and UC combined now constitutes about 53 percent of the overall General Fund savings statewide through this action, per the Governor’s Budget.

- The Department of Finance appears to have handled the operational cuts to UC and CSU differently. While the cut to CSU's base excludes spending related to debt service, UC's reduction did not exclude debt service. Thus, UC's cut (\$397 million) is actually higher than CSU's (\$375 million) reduction, even though CSU receives more state funding than UC.

CSU merged two campuses in 2024 and is working on other ways to pool resources. The CSU Board of Trustees approved the integration of the Cal Poly San Luis Obispo and Cal Maritime Academy campuses in November 2024. The plan calls for the two universities to begin operating as a single institution in July 2025, with one president, and to merge all academic programs by the Fall 2026 semester. The change is in response to a significant enrollment decline at Cal Maritime, with CSU saying the action will “stabilize and strengthen Cal Maritime by leveraging Cal Poly’s resources and expertise.” In the short term, CSU expects to provide \$5 million per year for seven years to support the merger, but in the longer term, CSU expects the move could reduce costs. A specific dollar amount of savings has not been reported, however.

In addition to this action, the CSU established the Multi-University Collaboration Initiative in 2023 to increase economies of scale and make other changes to pool resources. The CSU selected three focus areas for the first wave of design and implementation: benefits administration, information security and procurement. CSU recently announced that three CSU campuses in the Bay Area – San Francisco State, Sonoma State and CSU East Bay - announced a proposal to form a “singular administrative network” across functions like finance and human resources.

Suggested Questions:

- For the Department of Finance, why is the operational cut to CSU so much larger than to other state agencies? Is it appropriate for UC and CSU to bear more than 50 percent of the statewide savings in this operational reduction?
- Shouldn't the operational cuts proposed for CSU and UC be based on the expenditures of their administrative headquarters?
- What would be the impact on students under the proposed reductions?
- If reductions are approved, can CSU aim cuts toward programs and services that do not directly impact students? For example, can CSU concentrate reductions on the Chancellor's Office, and/or the Institutional Support expenditure category?
- How much savings is CSU expecting with the merger of Cal Poly SLO and Cal Maritime? Or the Multi-University Collaboration Initiative?

- Is CSU considering other ways to stabilize campus budgets in future years that minimize layoffs and impacts to students?
- Is CSU considering other partnerships, including with other higher education systems?

Staff Recommendation: Hold Open.

Issue 2: CSU Enrollment Update

The Subcommittee will discuss CSU enrollment trends and future enrollment plans.

Panel

- Devin Mitchell, Department of Finance
- Natalie Gonzalez, Legislative Analyst's Office
- Nathan Evans, California State University Chancellor's Office

Background

Most CSU students are California residents. Approximately 95 percent of students at CSU are California residents, with the remainder of students coming from other states or countries. The share of resident students has hovered at about 95 percent over the past ten years. Of resident students, approximately 90 percent are undergraduates and 10 percent are postbaccalaureate and graduate students. Though the share of resident students is high systemwide, some variation exists among campuses. In 2023-24, the CSU Stanislaus student body had the highest share of resident FTE students (99 percent), whereas CSU San Luis Obispo had the lowest share (84 percent).

CSU is important part of transfer pipeline. Since at least the 1960s, the state has wanted to provide an opportunity for Californians to obtain a university education, if they so desire. To this end, any student (regardless of their high school performance) who successfully completes a course of study at a community college may transfer to a university for their upper-division coursework. The state considers CSU a particularly critical part of this transfer pipeline. Nearly half of community college students who transfer to a four-year institution transfer to a CSU. Over time, roughly half of CSU's incoming undergraduates have been transfer students.

State budget typically sets enrollment growth expectations for CSU. In most years, the state sets enrollment growth expectations for CSU in the annual budget act. These growth expectations apply to resident students. In some years, the state sets expectations for total CSU resident enrollment. In other years, it sets expectations only for resident undergraduates, with no expectation for resident graduate students. CSU tracks a running total of these growth expectations, which it commonly refers to as its enrollment target. CSU's enrollment target in 2024-25 is 390,598 resident FTE students. CSU does not track this target separately for undergraduates and graduate students.

State funds enrollment growth according to per-student formula. Typically, the state supports resident enrollment growth at CSU by providing a General Fund augmentation based on the number of additional students CSU is to enroll. The per-student funding rate is derived using a "marginal cost" formula. This formula estimates the cost of the additional faculty, support

services, and other resources required to serve each additional student. Those costs are shared between state General Fund and student tuition revenue. In 2024-25, the total marginal cost per student is \$15,774, with a state share of \$10,995. The formula calculates one rate that applies to all resident enrollment, whether at the undergraduate or graduate level. Whereas the state subsidizes the cost of educating resident students, it does not for nonresident students.

CSU saw major enrollment declines during and right after pandemic, but enrollment is now growing. Campuses vary significantly, however. CSU reported its highest enrollment levels ever in 2020-21, topping more than 390,000 FTE. Enrollment plunged at most campuses after that, however, bottoming out at about 360,000 students in 2022-23. Since then, overall enrollment has grown. The following chart indicates undergraduate and graduate student enrollment by campus from 2020-21 to 2024-25, although the 2024-25 numbers are estimated. Overall, enrollment still remains more than 11,000 FTE below the 2020-21 peak, but some campuses are reporting strong demand and enrollment growth. Seven campuses – Fullerton, Long Beach, Monterey Bay, San Diego, San Jose, San Luis Obispo and San Marcos – have higher enrollment levels in 2024-25 than 2020-21. Five campuses – Channel Islands, Dominguez Hills, East Bay, San Francisco and Sonoma – saw declines of 20 percent or more.

CSU Full-Time Equivalent Enrollment, Undergraduate and Graduate Students

Campus	2020-21	2021-22	2022-23	2023-24	2024-25 *	Change, 20-21 to 24-25	% Change, 20-21 to 24-25
Bakersfield	9,519	8,350	7,694	8,068	8,399	-1120	-13%
Channel Islands	5,896	5,244	4,533	4,350	4,183	-1713	-41%
Chico	14,642	13,262	12,118	12,268	13,179	-1463	-11%
Dominguez Hills	13,567	12,376	11,596	11,017	11,012	-2555	-23%
East Bay	12,037	10,702	9,292	9,303	8,683	-3354	-39%
Fresno	20,933	20,219	19,331	19,590	20,402	-531	-3%
Fullerton	32,583	30,663	30,740	32,705	34,623	2040	6%
Humboldt	5,302	4,766	4,781	5,170	5,176	-126	-2%
Long Beach	31,225	30,625	30,222	31,252	33,063	1838	6%
Los Angeles	21,334	21,280	20,424	20,294	18,923	-2411	-13%
Maritime Academy	897	1,004	929	886	900	4	0%
Monterey Bay	6,054	5,954	5,643	5,697	6,491	437	7%
Northridge	30,200	28,753	27,481	28,961	30,002	-198	-1%
Pomona	24,152	23,030	21,750	21,572	22,775	-1377	-6%
Sacramento	25,740	25,079	24,807	24,650	25,150	-590	-2%
San Bernardino	15,622	14,968	14,971	15,417	15,364	-258	-2%
San Diego	29,268	28,556	29,095	30,164	32,062	2794	9%
San Francisco	22,902	21,679	20,521	19,516	18,422	-4480	-24%
San Jose	25,349	24,985	23,725	24,229	25,581	232	1%
San Luis Obispo	17,034	16,641	17,436	18,765	19,797	2763	14%
San Marcos	11,692	11,378	10,665	11,746	12,484	792	6%
Sonoma	6,997	6,157	5,527	5,098	5,258	-1739	-33%
Stanislaus	8,855	8,066	7,698	8,062	8,088	-767	-9%
Total	391,800	373,736	360,979	368,781	380,017	-11783	-3%

*2024-25 numbers are projections based on February 2025 data

CSU reports exceeding its 2024-25 state enrollment expectation. Despite its enrollment being below its 2020-21 peak, CSU reports that it is exceeding the state enrollment expectation set for it in the 2024-25 Budget Act. The 2024-25 Budget Act directed CSU to increase resident undergraduate enrollment by 6,338 FTE students, bringing its resident undergraduate enrollment level to 339,946 FTE students. This growth expectation is relative to CSU’s actual enrollment level in 2023-24. CSU reports that it exceeded the 2024-25 state budget expectation— growing by more than 9,000 FTE students, for total resident undergraduate FTE students of 342,935 resident undergraduate FTE students. When combined with postbaccalaureate and graduate enrollment, CSU estimates enrolling a total of 380,017 resident FTE students in 2024-25. The 2024 Budget Act also included intent language directing CSU to increase enrollment in 2025-26 by 10,161 undergraduate FTE.

Fall headcount increased for new freshmen, transfers, and continuing students. The LAO was able to analyze current-year enrollment trends using Fall 2024 headcount, which is higher than FTE because it measures all students, both part-time and full-time. As the following chart indicates, the number of new resident freshmen enrolling at CSU increased 0.3 percent over the previous year. This is CSU’s largest incoming freshman cohort to date by a couple hundred students. New transfer students increased at a substantially higher rate (6.4 percent). This large increase comes after three years of declines in new transfer students (linked with declines in community college enrollment during the pandemic years). Though enrollment for new transfer students is higher than previous years, it is still 10 percent below pre-pandemic levels. The number of continuing undergraduates in fall 2024 increased 0.9 percent from the previous year. This is the first year that the number of continuing undergraduates has increased since the pandemic. The decline in retention rates seen during the pandemic may be reversing.

CSU Experienced Growth Among All Student Groups in Fall 2024
Resident Headcount, Fall Term

	2022	2023	2024	Change from 2023	
				Amount	Percent
Undergraduate					
New freshmen	61,272	64,125	64,301	176	0.3%
New transfer students	48,006	47,613	50,641	3,028	6.4
Continuing students	277,960	273,080	275,523	2,443	0.9
Subtotal	(387,238)	(384,818)	(390,465)	(5,647)	(1.5%)
Postbaccalaureate/Graduate	46,420	45,194	47,028	1,834	4.1%
Totals	433,658	430,012	437,493	7,481	1.7%

CSU began implementing an enrollment reallocation plan in 2024-25. CSU allocates its systemwide enrollment target and associated funding among its campuses. For the past several years, certain CSU campuses have been enrolling fewer students than their enrollment targets while other campuses have been enrolling students in excess of their targets. In response, CSU developed a plan in 2023 to begin reallocating some funding from lower-demand campuses to higher-demand campuses. Specifically, CSU has begun reallocating funding away from

campuses more than 10 percent below their enrollment targets. The plan originally called for reducing enrollment funding at those campuses by 5 percent, but the plan was modified to reduce their enrollment funding by 3 percent. Separate from that reallocation plan, CSU also has begun truing up each year for those campuses who received growth funding but did not grow accordingly. Altogether, CSU reports reducing enrollment funding by \$32.3 million across 12 campuses at the beginning of 2024-25. CSU shifted those funds to nine campuses that exceeded their enrollment targets. The chart below indicates this shift.

Campus	Funding Shift (in millions)	Campus	Funding Shift (in millions)
Channel Islands	\$ (1.5)	Fullerton	\$ 6.0
Chico	\$ (4.1)	Long Beach	\$ 4.0
Dominguez Hills	\$ (0.8)	Los Angeles	\$ 2.6
East Bay	\$ (3.0)	Northridge	\$ 1.2
Humboldt	\$ (1.9)	Pomona	\$ 2.7
Maritime Academy	\$ (0.4)	San Diego	\$ 4.4
Monterey Bay	\$ (1.7)	San Jose	\$ 1.2
Pomona	\$ (3.7)	San Marcos	\$ 5.5
Sacramento	\$ (3.5)	San Luis Obispo	\$ 4.7
San Francisco	\$ (6.0)	Total	\$ 32.3
Sonoma	\$ (2.2)		
Los Angeles	\$ (3.5)		
Total	\$ (32.3)		

Governor’s 2024-25 Budget

The Governor’s Budget includes a 2025-26 enrollment target for CSU, calling for an increase of 10,161 undergraduate FTE students, for a total associated level of 350,107 FTE students in 2025-26. It also sets forth that CSU is to grow by another 10,161 FTE students in 2026-27, for a total level of 360,268 FTE students. The proposal does not include enrollment funding, however, as CSU faces a \$375 million ongoing General fund cut and a deferral of \$252 ongoing General Fund.

LAO Comments

Countervailing factors at Work in 2025-26. Given CSU experienced enrollment growth in 2023-24 and 2024-25, it could see further growth in 2025-26. The growth rate, however, might not be large due to certain countervailing factors. On the one hand, the administration projects that the number of high school graduates will decrease by 3 percent, leading potentially to a decrease in the incoming freshman class for fall 2025. On the other hand, recent upward trends in new transfer students and continuing students could persist into the budget year.

Demographic trends are likely to limit growth in out-years. Whereas CSU has seen increases in new freshmen over the past few years, demographic trends could limit this growth moving forward. Based on the most recent projections from Department of Finance, the number of high school graduates in California peaked in 2021-22. The number of high school graduates is projected to decline by 17,689 students (4 percent) from 2024-25 to 2027-28. All else equal, this would translate to smaller new freshman cohorts in the out-years. This demographic decline will not necessarily be offset by a higher share of high school graduates attending college. From 2017-18 through 2021-22 (the most recent data available), the percent of high school completers in California attending any college decreased from 68 to 62 percent.

Enrollment growth continues to be overstated due to shift in summer courses. When the Legislature sets enrollment growth expectations for CSU in the state budget, it intends for CSU to add more students. Though CSU is reporting higher state-supported enrollment in each of the past two years, part of these increases has come from shifting enrollment from self- to state-supported courses rather than adding new enrollment. Though the number of students shifted from self- to state-supported courses is smaller in 2024-25 compared to 2023-24 (745 FTE students shifted in summer 2024 compared to 4,705 FTE students shifted the previous summer), the effect is still not adding new students but adding new state costs from shifting students formerly in self-supported courses into state-supported ones.

Most CSU campuses are already meeting student demand. In the past, a key reason the Legislature has funded CSU enrollment growth was to expand access to eligible students who might otherwise not be admitted. This issue is less of a concern today. Over the past few years, admission rates have increased at nearly all CSU campuses. Sixteen campuses had freshman admission rates of 90 percent or higher in fall 2024, compared to only three campuses in fall 2019. Transfer admission rates have also increased over the past few years. In addition, fewer campuses and programs are impacted.

CSU's enrollment reallocation plan is realigning funding with actual students served. Though a majority of CSU campuses are currently below their enrollment targets, some campuses are exceeding their enrollment targets. In 2024-25, CSU began addressing this situation by reallocating existing enrollment slots from campuses under their 2023-24 targets to those exceeding their 2023-24 targets. Effectively, this reallocation moved funding internally within the CSU system to help support more enrollment growth at growing campuses.

Under budget plan, no funding is earmarked for enrollment growth. The state budget plan reduces General Fund support for CSU by a net of \$122 million. No funding is provided to cover the marginal cost of new resident enrollment. CSU has expressed concern about continuing to increase its systemwide resident enrollment moving forward in the absence of additional state funding.

Recommend holding CSU's resident enrollment target flat for 2025-26 and 2026-27. Given the budget plan does not provide CSU with additional state General Fund support in 2025-26 and the state is facing a projected budget deficit in 2026-27, we recommend the Legislature hold CSU's resident enrollment expectation flat at its existing 2024-25 level for 2025-26 and 2026-27. Specifically, we recommend holding CSU's total resident enrollment expectation at 380,073 FTE students for both of those coming years. If CSU were directed to enroll more students in the absence of associated funding, it would need to make further budget adjustments, including further spending reductions that, in turn, could begin to impact students.

CSU is considering various budget adjustments, including hiring freezes, which could result in fewer course offerings and larger class sizes. Though CSU has experienced a decline in its FTE student-to-FTE employee ratio over the past several years (due to some enrollment declines coupled with more hiring), that trend is likely to reverse itself over the next two years given budget constraints. Importantly, though the state would not be providing systemwide enrollment growth under this recommendation, CSU's plan to continue implementing its enrollment reallocation plan would shift additional enrollment slots within the CSU system to the subset of campuses that have been experiencing enrollment growth.

Staff Comments

CSU's enrollment patterns are somewhat similar to those found at California community colleges. Some campuses have high demand, relatively low admissions rates and are growing significantly, where many others, mostly in Northern California, are facing weak demand. The Legislature faces difficult decisions this year, as CSU faces a steep cut that could impact access, the highest higher education priority. Enrollment discussions with CSU must seek to ensure that in-demand campuses have support to grow, while declining-enrollment campuses have support and plans to attract more students. The Subcommittee can consider the following issues:

CSU does not plan to meet target proposed in Budget Act. CSU is indicating that it is setting internal enrollment targets based on its enrollment reallocation plan, and not the state enrollment target, as it is not accompanied by enrollment funding under the Governor's Budget. The shift in funding will increase enrollment by about 3,300 FTE at the campuses that are receiving additional resources.

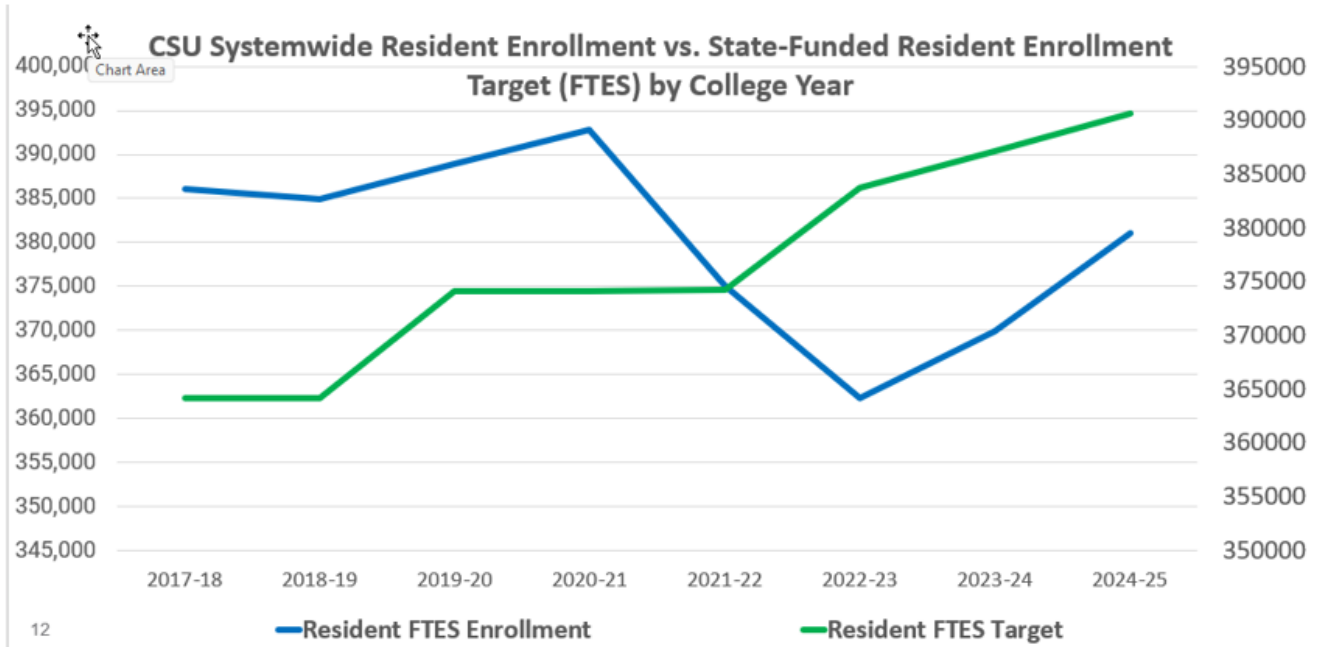
CSU's reallocation plan is a good first step at addressing system imbalances, but unmet enrollment demand is still extreme at a few campuses. Demand at a few campuses, most notably San Diego State (SDSU) and Cal Poly San Luis Obispo (Cal Poly), remains extremely high: SDSU reported more than 116,000 applications for Fall 2024, and admitted about 44,000 undergraduate students, for an admissions rate of about 38 percent. Cal Poly reported about 79,000 applicants and 21,600 admits, for an admissions rate of about 30 percent. These admissions rates are lower than several UC campuses. (As the LAO noted, 16 other CSU

campuses reported admissions rates of 90 percent or higher.) The Legislature and CSU must work together to address how to allow campuses with high demand to grow even further.

Some campuses with weak demand are working to increase enrollment. Can stronger partnerships and other programs attract more students? Staff notes that some CSU campuses are developing strategies to attract more students. San Francisco State, for example, is seeking to increase student housing options to address housing concerns that may be impacting enrollment. The campus opened a new 751-bed residence hall, funded through a state housing grant, in Fall 2024. Cal Poly Humboldt announced that for Fall 2025, it would cover tuition and fees for any new first-year or transfer student with specific unmet need levels who are not receiving enough federal or state aid to cover all tuition and fees. Fresno State is offering a similar program. Staff notes that Cal Poly Humboldt received \$433 million in one-time state General Fund and \$25 million ongoing General Fund in the 2021 Budget Act to become a polytechnic university, which the university hoped would reverse declining enrollment. Cal Poly Humboldt increased enrollment by about 400 students, or 9 percent, between 2020-21 and 2024-25.

CSU also reports efforts to strengthening partnerships with community colleges to ensure more students graduate on time or even faster than the traditional four years, which could attract more students. So-called 2+2 programs guarantee a 4-year bachelor's degree, and are offered at numerous campuses and in numerous fields, from nursing to computer science. CSU also offers a dual admissions program in which students are admitted to a CSU campus as they enroll at a community college, and is piloting a direct admissions program in Riverside County, which is utilizing a data-sharing agreement with the Riverside County Office of Education that will provide automatic admission to as many as 10 CSU campuses to all Riverside County high school seniors who are on track to meet CSU requirements.

Differing enrollment targets are confusing, Legislature should seek to determine appropriate target for the future. As noted above, CSU has a historic enrollment target that differs from targets set in recent Budget Acts. These differing targets have emerged over years due to various factors. CSU reports that it is about 9,000 FTE under the historical target as of 2024-25, as the following chart indicates. As it works to finalize CSU's budget this year, the Legislature may wish to consolidate these targets into one target that all parties can agree on and use going forward.



Suggested Questions:

- How should the Legislature consider enrollment growth targets if there is no new enrollment funding?
- How is CSU’s enrollment reallocation plan working? How long will this plan be in place? What would be the trade-offs if the plan was altered to support even more growth at campuses with extremely high demand?
- How is CSU considering proposed operational cuts in relation to enrollment trends? How can CSU ensure that growing campuses have sufficient funds to continue increasing enrollment to meet demand? Does CSU provide the same level of funding per FTE to each campus?
- How are declining-enrollment campuses seeking to boost enrollment in the next few years?
- Are strategies like direct admissions and dual admissions helping to boost enrollment?

Staff Recommendation: Hold Open.

Issue 3: Capitol Fellows Proposal

The Subcommittee will discuss the Governor's Budget proposal to augment the Capitol Fellows program.

Panel

- Devin Mitchell, Department of Finance
- Natalie Gonzalez, Legislative Analyst's Office
- Leonor Ehling, California State University Center for California Studies

Background

Center for California Studies Is Funded Within CSU's Budget. Apart from CSU's main state General Fund appropriation, the state separately funds CSU's Center for California Studies (the Center). The Center was founded in 1982. It is overseen by CSU Sacramento in concert with the CSU Chancellor's Office. In 2024-25, the Center received \$5.6 million ongoing General Fund support. The Center has 12 authorized positions.

Center's Primary Responsibility Is to Administer the Capital Fellows Program. The largest program the Center administers is the Capital Fellows program. This program accounts for \$3.9 million (70 percent) of the Center's ongoing state General Fund support.

Capital Fellows Program Is a Hands-On Learning Experience for Those Interested in State Government. The core objective of the Capital Fellows program is to train young professionals for a career in public service within state government. The program consists of four fellowship opportunities: Assembly, Senate, Executive, and Judicial. Fellowships are structured similarly regardless of the branch of government. Each fellowship provides both experiential learning opportunities as well as career development and mentorship. Fellows work 10 months in the judicial branch, 10.5 months in the executive branch, and 11 months in the Assembly and Senate.

Fellows Must Meet Program Eligibility Requirements. To apply for the program, one must be at least 20 years old and have earned a bachelor's degree. In addition, applicants must have a college grade point average of 2.5 or higher, an interest in state government and public policy, and be authorized to work in the United States. The majority of Fellows are coming straight out of an undergraduate program, though some have at least a few years of prior work experience. (Among its 2024-25 cohort, the Center reports only 1.5 percent of Fellows held a master's degree.) In fall 2024, the Center received 1,061 applications from 590 unique applicants for the 2025-26 fellowship year. (Some candidates apply to more than one fellowship program.)

Funding for the Number of Fellows Increased in 2024-25. For many years, the program funded 64 Fellows (18 Assembly, 18 Senate, 18 Executive, and 10 Judicial Fellows). In 2024-25, the Center received a \$330,000 ongoing General Fund augmentation to support an additional seven Assembly Fellows, raising the number of Assembly Fellows from 18 to 25. As a result, the Center currently has funding for a total of 71 Fellows.

Fellows Are Full-time, Salaried Employees. Fellows receive paid, full-time employment with a monthly salary of \$3,253 (\$39,036 annualized). Assembly, Senate, and Executive Fellows are based in Sacramento while Judicial Fellows are placed at superior courts across the state. All Fellows are paid the same salary, regardless of where they are based. Fellows also receive medical, dental and vision benefits; a \$875 one-time moving allowance; and student loan deferment.

Capital Fellows Program Opens Doors Into State Government. The program's competitive nature and high-quality training makes Fellows upon completing the program sought-after candidates for state government jobs. Participation in the fellowship program provides a level of exposure and prestige that helps Fellows in the next stage of their careers. The Center reports that for the 2023-24 Capital Fellows cohort, 89 percent of the Assembly Fellows cohort and 83 percent of the Senate Fellows cohort continued working for the Legislature upon completion of the fellowship. More than half of Executive Fellows continued working for the executive branch and 30 percent of Judicial Fellows continued working for the judicial branch following completion of the fellowship.

Governor's 2025-26 Budget

The Governor's Budget includes a \$1.3 million ongoing General Fund augmentation for the Capital Fellows program, bringing funding for the program up to \$5.2 million. The augmentation is to provide a 50 percent salary increase for Fellows, bringing their monthly salary to \$4,888 (\$58,656 annualized). The Center shared that this request originally was tied to a new federal requirement, which has since been vacated. (Specifically, a federal regulation would have increased the salary threshold to be classified as salaried employees. Had the salary for Fellows not risen to the minimum level for salaried employees, Fellows would have become eligible for overtime, which is not the intent of the program.) Despite that federal requirement being rescinded, the Center indicates a salary increase is still warranted to help Fellows afford rising living costs as well as keep the fellowship program competitive with comparable programs in the state and country.

LAO Comments

Housing Costs in Sacramento Are Rising. Apart from the Judicial Fellows, all other Fellows are required to relocate to Sacramento (unless already living in the area). The Center has expressed concern that the current salary for Fellows is insufficient to cover housing and other living costs in Sacramento. From 2019 through 2023, the median gross rent in Sacramento

County increased at an average annual rate of 7.5 percent. In 2023, the median gross rent in Sacramento County was \$1,702. Though Fellows may be able to find less expensive rent and share housing, spending \$1,000 per month on rent and utilities would equate to 31 percent of their paycheck. A household commonly is considered cost-burdened if they spend more than 30 percent of their income on housing costs.

Salaries Are Not Adjusted for Inflation. Salaries for Fellows are not adjusted annually for increases in cost of living. Every time the Center wants to increase salaries, regardless of the amount, it must submit a new budget request to the state. The Center last raised salaries just a couple of years ago. In 2022-23, the Center raised Fellows salaries by 9.75 percent, up to the current level of \$3,253 per month. If adjusted annually based on the California Consumer Price Index (CA CPI), that monthly salary rate would be \$3,447 in 2024-25.

Candidates Have Expressed Concern Regarding Salary Amount. The Center shared with us that it does not have a problem with receiving applications, but it does face challenges in getting candidates to accept offers. The Center cites that one reason candidates decline offers is due to the salary amount. Some candidates have also expressed concern regarding the salary amount during the application process and have asked if there are other opportunities for employment during their time in the fellowship. However, the Center shared that it is difficult for fellows to work another job given the rigor and full-time work required by the program.

Fellows May Receive Some Additional Financial Assistance. Though it is challenging for Fellows to work another job during their time in the program, they can apply for a small amount of additional financial assistance through the Timothy A. Hodson Capital Fellows Assistance Fund. The Fund was established in 2012 to provide need-based financial support to Capital Fellows. In 2024, approximately \$10,000 was granted to 23 Fellows to help cover living expenses, providing an average award of \$500.

Comparable Fellowship Programs Have Higher Salaries. Though data is unavailable on what other programs candidates may choose instead of the Capital Fellows program, one reason driving their decision could be finding higher salaries elsewhere. For example, the San Francisco Fellows Program is also open to individuals with a bachelor's degree and requires less than five years of work experience. Fellows spend 11.5 months working full-time for the city and are paid a yearly salary of \$69,000 to \$107,000. Other fellowship programs in the state also pay more but require a master's degree or past work experience.

Capital Fellows Intended to Reflect the Diversity of California. The Center shared that legislators and courthouse representatives expressed the importance of having Fellows represent districts across the state as well as reflect different lived experiences. However, the program's current salary level may be limiting participation to those candidates who (1) effectively can supplement the program's wages with other resources or savings to cover living expenses during their time in the program or (2) can continue to live at home (in Sacramento or near a courthouse). Moreover, some potential applicants, such as a primary

caregiver, may be deterred from applying due to the current salary level. In these ways the current salary level could be narrowing the applicant pool, making it more challenging to find candidates that reflect the diversity of the state.

Recent Graduates Are Paid Higher Working Directly for a Capitol or District Office. Rather than participating in the Capital Fellows program, a candidate may seek to work directly for the state. A common entry-level position is a Legislative Aide for a Capitol Office. Another entry-level position is a District Representative for a District Office. These positions require a bachelor's degree and legislative experience is preferred. The monthly salary range for both positions is \$5,384 to \$8,406 (\$64,608 to \$100,872 per year)—66 percent to 2.5 times more than the Capital Fellows program. However, unlike these positions, the fellowship program has non-monetary benefits such as networking and experiential learning opportunities.

More Data Is Needed to Fully Analyze the Impact of Salaries on Program Demand. Though the Center is seeing trends in candidates declining program offers for other opportunities and applicants have expressed concerns regarding the salary amount, we do not have the data to conclude that the reason candidates are declining offers is due to the salary amount. Without data on why candidates declined the program and information on if they participated in another fellowship program, it is difficult to know if increasing salaries will lead to a meaningful increase in accepted offers.

Recommend Increasing Salaries by 10 Percent Instead of 50 Percent. Given all of the factors mentioned above, we recommend the Legislature raise salaries for Fellows by 10 percent. A 10 percent increase would raise salaries to \$3,578 monthly (\$42,936 annualized). This would help Fellows, some of the lowest-paid state workers, afford the rising cost of living and potentially help to preserve an important pipeline into state government careers. Though a 10 percent increase is slightly above the current salary amount adjusted for the CA CPI, this increase is intended to also help make the program more accessible and keep the program competitive. Raising salaries to this level in 2025-26 costs a total of \$253,000 additional ongoing General Fund, or about \$1 million less than the amount included in the Governor's original budget proposal. As a result, this approach would also commit fewer ongoing General Fund resources at a time when the state is facing projected budget deficits.

Staff Comments

In a perfect world, the Fellows program should receive an annual cost-of-living adjustment. Without regular salary increases, this program could only be an option for college graduates who have other means to help subsidize housing and other living costs in Sacramento, raising equity issues and possibly preventing some Californians interested in public service from joining a program that has an excellent track record of leading to permanent jobs in state government.

This is a very small, supportable proposal, but will have to be considered among the many difficult choices the Legislature has, as new General Fund spending is scarce and higher education faces hundreds of millions of dollars in cuts.

Suggested Questions:

- How would this proposal impact the program?
- How many Fellows candidates turn down their offer due to the salary?
- Are there other funding sources that could be used to support this program?

Staff Recommendation: Hold Open

Issue 4: Title IX Update

The Subcommittee will hear an update on Title IX issues and activities from the Chancellor’s Office.

Panel

- Peter Lim, California State University Chancellor’s Office

Background

In 1964, the United States passed the Civil Rights Act of 1964, which prohibited discrimination based on race, color, religion, sex in employment, public accommodations, and federally funded programs. Title VI of the Civil Rights Act prohibits discrimination based on color, race, or national origin in programs or activities that receive federal financial assistance, this would include most colleges and universities in the state of California. In 1972, an additional law was put forward to prevent sex discrimination on collegiate campuses throughout the United States, Title IX of the Education Amendments of 1972 (Title IX). Both Title VI and Title IX go beyond ensuring students have access to sports and academic majors; it requires all higher education institutions to provide educational programs free from all forms of discrimination.

The prevention of discrimination is more than simply having a policy on how to address complaints. Prevention is creating a campus culture that addresses the root cause of discrimination before it becomes a complaint. The prevention of discrimination includes training where bystanders are empowered to intervene, a campus where students, faculty, and staff are encouraged to report incidents, and a culture, where those reports are met with support for all parties involved.

In 2024, the Assembly Higher Education Committee published a report containing a synopsis of the information gleaned from the briefings and a compilation of legislative proposals for how the State can partner with higher education institutions to prevent and address sex discrimination in all its forms on campuses throughout California. The report contained the following findings:

California Community Colleges (CCC)	California State University	University of California
No systemwide policy that all 116 campuses and 72 districts follow.	Each campus has a Title IX office and coordinator. One major policy with five grievance procedures –	Each campus has a Title IX office and coordinator. One major policy with nine grievance procedures –

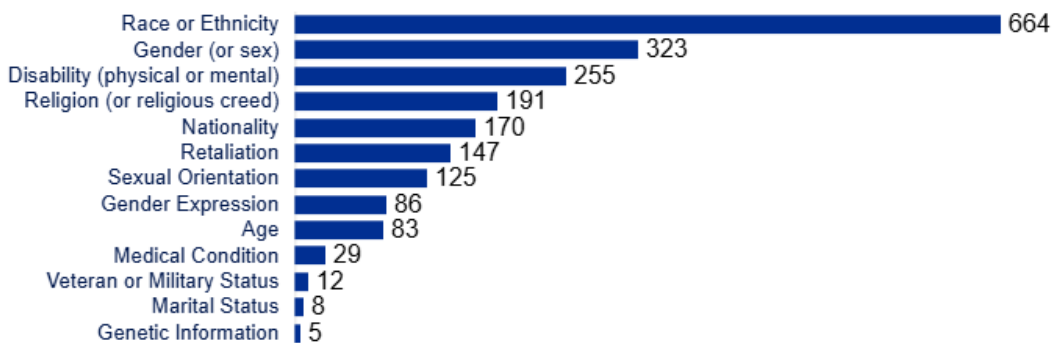
<p>Title IX coordinators not on campus and very few have designated Title IX offices/coordinators.</p> <p>Additional appeals for faculty/staff.</p> <p>No mandated training on for students (forthcoming).</p> <p>No systemwide coordinator or office.</p> <p>Reports are requirement by regulations, but the Chancellor’s office said due to lack of guidance the reports are not up to date</p>	<p>depending on the respondent.</p> <p>Additional appeals for faculty/staff based on collective bargaining and California Education Code.</p> <p>Decision maker differs depending upon whether the respondent is a student or employee.</p> <p>Offers in-person and online training for students and employees.</p> <p>Each campus has a confidential advocate who has additional responsibilities beyond helping complainants access supportive measures.</p> <p>Campus-level data collected on sexual harassment trends but not provided at the systemwide level.</p>	<p>depending on the respondent.</p> <p>Additional appeals for faculty and staff.</p> <p>Chancellor of the campus is the decision maker in all cases.</p> <p>Stand-alone confidential advocate office and respondent coordinators</p> <p>UC tracks campus and systemwide data to ascertain and address patterns of sex discrimination.</p>
---	---	---

The primary finding from the report was a lack of transparency as to how colleges and universities were responding to acts of discrimination. The report provided 18 recommendations of which 12 were signed into law through an accompanying bill package. The bills ranged from reporting requirements on sexual harassment incidents on campus to codifying the creation of Civil Rights offices at the CSU and UC. Among the bills was AB 2326 (Alvarez), which included a requirement that the leadership of all three public higher education institutions present to the legislative budget subcommittees their efforts in addressing and preventing discrimination on campus.

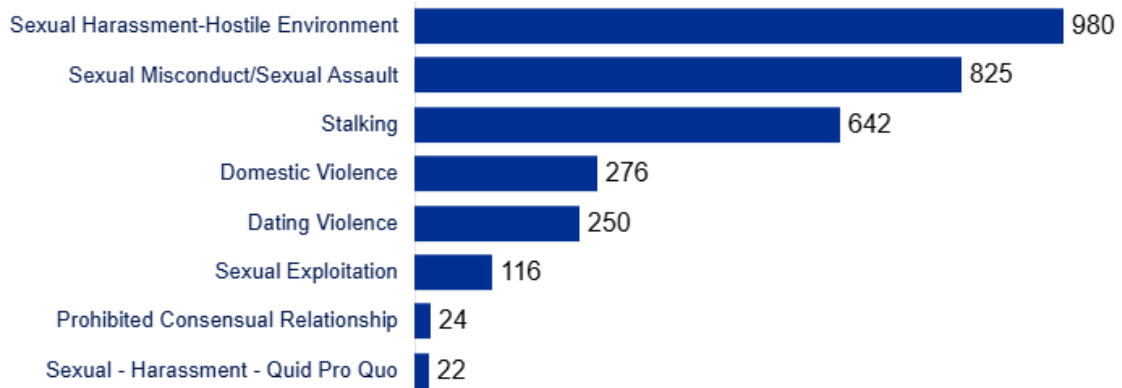
The Chancellor’s Office will provide an update at this hearing.

SB 808 (Dodd), Chapter 417, Statutes of 2023 created a compliance requirement for the CSU to report each year to the Legislature on the outcomes of sexual harassment complaints that occur on campus. Since the enactment of SB 808, the CSU has published two reports and has annually presented the report to the Board of Trustees. In 2024, the CSU launched a database website which included all reports of discrimination that occur on college campus and the outcomes of the complaints. The below grants show the data points regarding complaints for the 2023-2024 academic year:

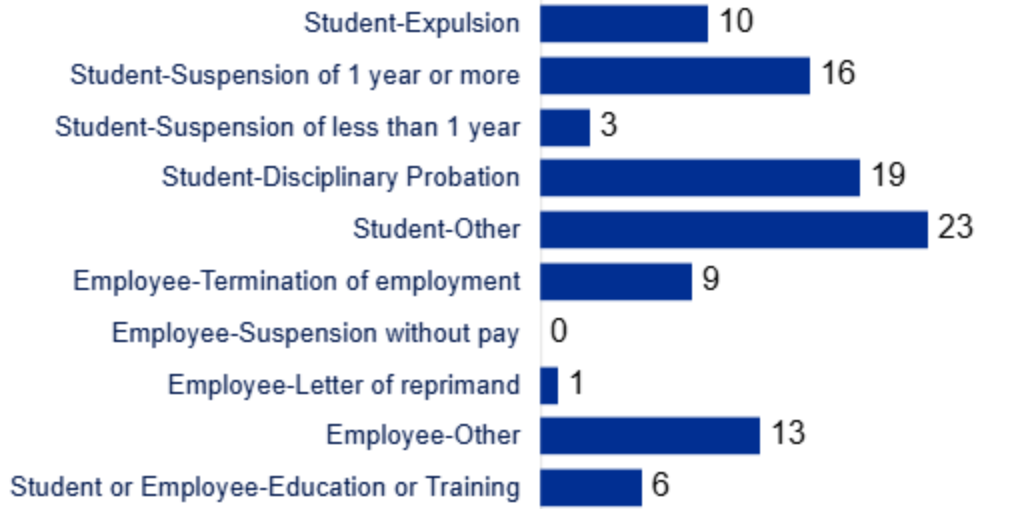
Reports of Harassment and Discrimination based on



Reports by Sexual-in-Nature Conduct



Resolved Complaints - Sanctions/Discipline



Staff Recommendation: This is an oversight item.

Issue 5: Chula Vista Update

The Subcommittee will discuss the Chula Vista University Now Initiative and multi-segment partnerships.

Panel

- Nathan Evans, California State University Chancellor's Office
- Zaneta Salde Encarnacion, Southwestern Community College District Office of the Superintendent/President

Background

Since 1993, the city of Chula Vista has pursued the development of a University Innovation District on city-owned land to serve Chula Vista and the South San Diego region and has taken actionable steps recently to turn this vision into a reality. Chula Vista is the only city in California with a population over 200,000 that does not have a four-year nonprofit or state university. The goal of the University Now Initiative (UNI) is to create a sustainable, binational higher education ecosystem that aligns academic programs with the workforce needs of the region.

The city has engaged in a number of studies related to land planning efforts and establishing a vision for the University Innovation District (UID). A 2024 white paper developed by the city and Southwestern Community College (SWC) sought to identify academic and instructional programs that would support the region's current and future workforce needs. The paper also outlined findings to inform specific legislative and funding actions for the city to consider in its pursuit of a university. The findings highlighted a strong demand for bachelor's degree programs in South San Diego County, particularly in fields such as business, healthcare, technology, and the arts.

The paper specifically recommended expanding academic programs to align with regional workforce needs, emphasizing partnerships between Southwestern College, the University of California and the California State University systems; advocating for establishing clear transfer pathways; addressing gaps in current offerings; and ensuring community involvement to maintain accessibility and responsiveness. Additionally, the report highlighted the importance of binational collaboration to foster an inclusive higher education ecosystem.

The project is underway at the new Millenia Library in east Chula Vista, which will house a Bachelor of Science in Nursing program offered by San Diego State University, as a transfer pathway from Southwestern College. In addition, AB 662 (Alvarez) has been introduced this legislative session to support the establishment of an intersegmental institution of higher education in the city of Chula Vista. The bill mandates the formation of a Joint Powers Authority (JPA) to evaluate governance structures, degree offerings, funding mechanisms, and statutory

changes necessary for creating a collaborative higher education institution. Also underway is an assessment on the feasibility of developing the first 20 acres of the 383 acres of the university site.

The 2024 Budget Act included two actions related to the Chula Vista effort. Supplemental reporting language required both CSU and UC to report to the Legislature by Feb. 1, 2025 on opportunities for programming at the Chula Vista site, including information on potential bachelor's degree or other programs, including intersegmental programs, that could be offered at the site; the current student success metrics associated with the programs to be offered; and the costs and other issues associated with this expansion, including a timeline for program opening and potential enrollment levels. Additionally, CSU was provided \$5 million one-time General Fund to create partnerships with community colleges or UCs to expand higher education opportunities in areas of the state that have been historically underserved by higher education. Funding was intended to support planning or implementation costs of up to two projects that bring together higher education campuses of the University of California, California State University or California Community Colleges at a single location to offer certificate or degree programs that support state or local workforce needs.

CSU has been asked to provide an update on how the \$5 million will be used, and to discuss the report it provided to the Legislature. Southwestern Community College District has also been asked to discuss its activities and plan for Chula Vista. A multi-segmental campus is relatively unique in California, but there are examples of successful projects in other states that bring together different university and community college degree programs at an off-campus site. The Legislature could consider whether there are other areas of the state with limited higher education options that could benefit from this concept.

Funding will support three campuses. The Chancellor's Office has indicated it provided \$2.5 million from the state allocation to San Diego State, and \$2.5 million to Sonoma State. An additional \$1.25 million was provided to CSU San Marcos from Chancellor's Office funds. San Diego State will use the funding to support a nursing program at the Chula Vista site, while San Marcos will use its funding to support a bachelor's degree program in Business Administration. Both programs will be in conjunction with Southwestern Community College, allowing students to transfer from SWC to the CSU while taking courses in Chula Vista. Sonoma State plans to use the funding to help develop health care programs with Santa Rosa Junior College as part of a planned new Center for Health and Behavioral Sciences.

Report outlines multiple possible programs for Chula Vista site. The CSU report suggests both the San Diego State and San Marcos campuses could open numerous programs in Chula Vista.

In addition to nursing, San Diego State is considering:

- **Doctor of Nursing Practice Advanced Practice:** This program focuses on the education and training of advanced practice nursing students to mitigate local nursing faculty shortages and the lack of primary care providers within San Diego County and the South Bay.
- **SDSU Global Campus Expansion:** This initiative will open a new location of the SDSU Global Campus in Chula Vista's new Millenia Library. This expansion will bring a range of in-demand higher education opportunities long sought in the South Bay, including online and hybrid degree programs, professional certificate programs, corporate training, lifelong learning opportunities and more.

Future programs could include a Master of Science in Homeland Security degree, a doctoral program in physical therapy, a Master of Science in Athletic Training, counseling and teacher education programs, and a STEM education program in conjunction with Sweetwater Union High School District.

In addition to the business administration program, San Marcos is considering:

- **Additional nursing programs,** including Associate Degree in Nursing to Bachelor of Science in Nursing programs.
- **Speech-Language Pathology:** CSUSM is proposing to offer a degree-completion program in speech-language pathology (SLP). CSUSM's SLP program accepts students with an associate degree in any field, as long as they have completed the majority of the general education courses required for admission to CSUSM. The degree-completion program will provide the foundational academic courses for certification as a speech-language pathology assistant or for entry into graduate school, where students can earn a Master of Science in Speech-Language Pathology, which is required to earn a professional designation as a speech-language pathologist.
- **Public Health:** Given its multidisciplinary nature, the Bachelor of Science in Public Health program at CSUSM aligns with SWC's existing health sciences (e.g., nutrition, dietetics, public health, food and nutrition), behavioral health and related degree programs (e.g., psychology), and sociological degree programs (e.g., political science, sociology, ethnic studies, anthropology, addiction studies), as well as management, data science and biological science degree programs, offering an excellent transfer pathway opportunity.
- **Computer Science and Technology:** CSUSM is conducting feasibility studies for targeted pathways with SWC in fields such as cybersecurity and software engineering, emphasizing regional employer needs.

A future program could bring San Marcos' Scholars in Wellness and Innovation Fast-Track (SWIFT) Health Programs to Chula Vista. The programs offer an accelerated, three-year bachelor's degree program for students interested in preparing for mental and behavioral health professional opportunities.

CSU considering other sites similar to Chula Vista. CSU notes in the report that as part of its long-range strategic enrollment planning efforts, the CSU is considering the feasibility of establishing regional education centers, in collaboration with local and regional civic and educational partners, following Chula Vista's UNI model. These centers will serve as key locations where multiple CSU institutions collaborate to offer a diverse range of four-year degree programs to both new and transfer-eligible students (such as those with ADTs). By harnessing the collective program offerings of multiple institutions, regional centers could enhance the array of degree options available to students. By emphasizing flexibility, regional centers allow students bound to specific regions to reside in their communities and attend classes offered in diverse formats. More diverse class formats appeal to a broad spectrum of students, including adult learners.

CSU indicates that costs for developing these kind of centers have not been calculated, however, and given the current state budget situation, the feasibility of other centers is unclear.

Staff Recommendation: This is an oversight item

Issue 6: Non-Presentation Item

The Department of Finance will not be formally presenting the following item but is available to answer any questions from the Subcommittee related to these budget proposals. Public comment at this hearing is available.

- The Governor’s Budget provides CSU with \$345,000 ongoing General Fund to support the costs of recently chaptered legislation (AB 1524, Lowenthal) that requires the CSU to provide drug test devices, defined as test strips, stickers, straws, and other devices designed to detect the presence of controlled substances in a drink, at no cost to students at every on-campus health center.

Issue 7: State Library Reductions

The Subcommittee will discuss State Library reductions proposed for the State Library based on the operational and position cuts included in the 2024 Budget Act

Panel

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

Background

State Library Oversees Both State Activities and Local Assistance Programs. 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.

State Library Relies Primarily on State and Federal Funds. 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.

The chart on the next page shows the State Library Budget, with 2025-26 levels per the proposed Governor's Budget.

California State Library Budget

(Dollars in Millions)

	2023-24 Actual	2024-25 Revised	2025-26 Proposed	Change from 2024-25	
				Amount	Percent
Local Assistance					
Library Services and Technology Act	\$10.2	\$11.3	\$11.3	—	—
Library Literacy and English Acquisition Program	18.4 ^a	7.3	7.3	—	—
Lunch at the Library	5.5	3.0	3.0	—	—
California Library Services Act	4.6	2.9	2.9	—	—
Statewide Library Broadband Services Program	4.0	4.1	4.1	—	—
Telephonic Reading for the Blind	0.6	0.6	0.6	—	—
California Newspaper Project	0.4	0.4	0.4	—	—
State Government Oral Histories Program	0.1	0.1	0.1	—	—
One-time carryover ^b	215.9	4.8	68.9	\$64.1	1344%
Other one-time initiatives	—	3.1 ^c	0.0	-\$3.1	-100%
Subtotals	\$259.8	\$37.5	\$98.5	\$61.0	162%
State Operations					
State Library Services ^d	\$27.5	\$28.5	\$28.5	-\$0.0 ^e	0%
Library Development Services ^d	7.3	4.7	4.8	\$0.0 ^e	0%
Information Technology Services ^d	3.1	3.5	3.8	\$0.3	10%
One-time carryover ^f	2.6	—	8.6	\$8.6	
Other one-time initiatives ^g	0.2	—	0.1	\$0.1	
Subtotals	(\$40.8)	(\$36.8)	(\$45.8)	\$9.0	25%
Totals	\$300.6	\$74.3	\$144.3	\$70.0	(94%)
Funding					
General Fund ongoing	\$51.1	\$44.5	\$44.8	\$0.3	1%
General Fund one time	229.9	7.9	77.6	\$69.7	880%
Federal Trust Fund	15.4	18.4	18.4	\$0.0	0%
Other ^h	4.2	3.5	3.5	—	0%

^a Includes \$11.1 million in carryover funds.

^b In 2023-24, consists of \$211.1 million for local library infrastructure projects, \$3.2 million for the California Civil Liberties and Public Education Act, and \$1.6 million for disaster preparedness. In 2024-25, consists of \$4.0 million for disaster preparedness and \$750,000 for broadband services. In 2025-26, consists of \$68.9 million for local library infrastructure projects.

^c Consists of \$2.4 million for disaster preparedness and \$750,000 for LGBTQ historical archives preservation.

^d Reflects reductions pursuant to Control Section 4.05 and Control Section 4.12 of the 2024-25 Budget Act. Specifically, Control Section 4.05 reduced the State Library's ongoing General Fund support by \$2.4 million beginning in 2024-25. Savings associated with the Control Section 4.12 vacant position sweep totaled \$1.2 million beginning in 2024-25.

^e Less than \$500,000.

^f In 2023-24 and 2025-26, consists of carryover funds for the digitization of state agency resources.

^g In 2023-24, consists of \$240,000 for the California History Room Special Collections. In 2025-26, consists of \$50,000 in start-up costs for new cybersecurity hardware and software.

^h Includes California State Law Library Special Account, Central Service Cost Recovery Fund, and the Deaf and Disabled Telecommunications Program Administrative Committee Fund.

LGBTQ = lesbian, gay, bisexual, transgender, and queer.

State Library reductions include eliminating positions and cutting \$3.7 million. The 2024 Budget Act included provisions intended to eliminate vacant positions in state agencies and departments and reduce operational funding by up to 7.95 percent. These cuts were included in two Control Sections in the Budget Act: Control Section 4.05, which sought to reduce operational costs, and Control Section 4.12, which sought to eliminate vacant positions.

The Department of Finance provided the Library with a reduction target for each Control Section, and the Library developed specific reduction proposals. The charts below indicate the cuts. In total, the cuts would reduce ongoing General Fund support for the Library by \$3.7 million, and eliminate 17 positions. The overall reduction is about 12 percent of the Library’s state operations budget.

Library officials state that they chose to eliminate some positions as part of the operational cuts, thus their overall position reduction is larger. They also note that programs targeted for reduction are part of larger entities or programs that likely will continue without State Library funding that may be able to access fiscal support through other means, such as private sector and nonprofit partnerships, endowments, foundations, alumni networks or advocacy groups.

CS 4.05 Position Eliminations	Salary	Position Vacant Since	Organizational Unit
Librarian	-\$117,000	September 2024	California Research Bureau
Librarian	-\$117,000	September 2024	California History
Office Assistant	-\$68,000	February 2023	California History
Associate Governmental Program Analyst	-\$123,000	March 2024	Preservation
Digital Composition Specialist I	-\$89,000	July 2024	Preservation
Special Assistant (Exempt)	-\$151,000	July 2024	Library Support
Associate Governmental Program Analyst	-\$123,000	October 2024	Library Development Services Admin
(Subtotals)	-\$788,000		

OTHER CS 4.05 REDUCTIONS	
Braille institute of American in LA	-\$500,000
Support of UC Berkeley digitization efforts	-\$460,000
California Newspaper projects	-\$430,000
State Government Oral Histories	-\$100,000
Misc. actions (contracts, training, travel)	-\$145,000
(Subtotals)	-\$1,635,000

CS 4.12 Positions Eliminated	Salary	Position Vacant Since	Organizational Unit
Research Data Specialist I	-\$140,000	August 2024	California Research Bureau
Research Data Specialist II	-\$154,000	November 2023	California Research Bureau
Document Preservation Technician	-\$78,000	June 2023	Preservation
Staff Services Manager I (Specialist)	-\$144,000	July 2022	Preservation
Library Technical Assistant I	-\$80,000	May 2024	Technical Services
Office Technican (Typing)	-\$77,000	May 2024	Library Development Services Admin
Associate Governmental Program Analyst	-\$121,000	August 2024	Library Development Services Admin
Information Technology Specialist I	-\$153,000	June 2024	Information Technology Services CA Grants Portal
Senior Management Auditor	-\$170,000	July 2023	Executive Office
Associate Governmental Program Analyst	-\$121,000	September 2023	Policy & Compliance
TOTAL VACANT POSITION REDUCTION	-\$1,238,000		

Staff Comments

Staff notes that the State Library appears to be taking a larger reduction proportionately than many other state agencies and departments. While the 2024 Budget Act called for operational reductions of up to 7.95 percent and the elimination of vacant positions, the LAO has found that the average cut to state agencies and departments is about 2 percent. Given the state’s General Fund position, however, these types of cuts may be necessary.

The Library’s rationale for cutting programs that may have other sources of funding seems like a reasonable approach and may be the best alternative among difficult choices. However, most of these programs have had legislative support in the past, and they appear to provide valuable services. The Braille Institute, for example, was first funded by the Legislature in 1978 and provides services to blind or visually-impaired Californians in Imperial, Kern, Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Luis Obispo, Santa Barbara and Ventura counties. The California Newspaper Project is a long-standing repository of 1.3 million issues of historical California newspapers that is free to users and reports 150,000 unique visitors per month.

As the LAO has noted in its discussion of the overall reduction program, it is difficult for the Legislature to assess what impacts the proposed cuts will have on state services and legislative priorities. It is also difficult to fully grasp the proposed cuts across all of state government to properly analyze the costs and benefits of each reduction.

Staff notes there have been other recent cuts to Library programs. The California Library Association, which represents city, county, and special district public libraries, requests a restoration in funding to two crucial public library programs in the 2025-26 State Budget: the California Library Services Act and Lunch at the Library. The Library Services Act reimburses public libraries for moving books and materials back and forth between libraries to promote the collaborative sharing of collections and to provide a greater depth of resources to library patrons. Current funding levels for this program are \$1.8 million but were much higher in the past. The Lunch at the Library program allows libraries to provide free meals to students during the summer by using federally-funded school meals. Current funding levels for this program are \$3

million, down from \$5.5 million a few years ago. Finally, a program that provided online tutoring to students at libraries in multiple languages that had received one-time funding in the past was discontinued last year.

Suggested Questions:

- What will the impacts be of eliminating 17 positions at the State Library?
- What will the impacts be on the programs that are proposed to lose Library funding?
- What current or formerly funded programs have the most positive impacts on Library communities?

Staff Recommendation: Hold Open

Issue 8: State Library Proposals

The Subcommittee will discuss the Governor's Budget proposals to address State Library cybersecurity and reestablish a fee to support the Witkin Law Library.

Panel

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

Background**Cybersecurity**

State Library Has Existing Cybersecurity Tools. The State Library currently has multiple layers of defense for cybersecurity protection. For example, the State Library has tools that remove malicious emails, secure data transmitted over the internet, create encrypted internet connections, and create firewalls to insulate sections of its network.

Current Hardware and Software Are Aging. The State Library notes that while the hardware and software it uses for cybersecurity defense are not currently at their end of life, it would like to be proactive in attaining updated tools. The State Library notes, for instance, that as hardware and software become outdated, vendors sometimes discontinue their support services, which can, in turn, amplify security risks. Additionally, it would like to update its cybersecurity tools before its existing ones become obsolete or begin to fail. Furthermore, the State Library notes that state procurement processes require planning multiple years in advance to acquire these types of new technologies. If an agency begins the procurement process at the point when its cybersecurity hardware and software have already reached the end of their useful life, then installation and implementation processes could go less smoothly and lead to increased risk exposure.

Recent Security Assessments Indicate Some Vulnerabilities. The State Library recently underwent two cybersecurity assessments. The California Military Department performed an independent cybersecurity assessment. This assessment found that employee behavior is currently the greatest area of vulnerability. For example, employees might inadvertently make mistakes, such as accidentally clicking on a malicious link or downloading harmful materials. The California Department of Technology (CDT) also conducted an assessment. This assessment found that the State Library's cybersecurity policies and procedures for risk assessments were not compliant with state requirements. Despite these shortcomings, the State Library indicates there have not been any cybersecurity breaches over the past 25 years.

Governor's 2025-26 Budget

The Governor's Budget 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.

LAO Comments

Protecting Sensitive Data From Cyberattacks Is a Salient Issue. 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.

Acquiring These Resources Would Ensure State Library Is Using Latest Protective Tools. The State Library notes newer cloud-based firewalls that have more advanced features would replace its current firewall system. The State Library would also upgrade to Office 365, which includes extra security features compared to what the current Office suite provides. Additionally, the State Library would subscribe to CDT's Security Operations Center as a Service (SOCaaS), which performs continuous, year-round, comprehensive monitoring for cybersecurity threats. With the State Library's current CDT subscription, it can only take advantage of a small subset of the features SOCaaS provides. This proposal would upgrade the State Library's subscription so that it could take advantage of an upgraded suite of protective cybersecurity tools.

Updating Cybersecurity Infrastructure Now Could Protect Against Larger Future State Costs. 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.

New Resources Will Not Address Some of the Shortfalls Identified in Recent Assessments. While the proposal would result in the State Library acquiring newer protective software services, it would not address the CDT finding that the State Library lacks certain written risk assessment policies and procedures. The State Library notes that given the small size of its security team, it will prioritize upgrading its cybersecurity defense systems in the short run. It notes that putting up an upgraded firewall will be the most effective action that can be immediately taken to prevent cyberattacks. Once those actions have occurred, the State Library plans to return to updating its written risk assessment policies and procedures.

Recommend Approval. We recommend the Legislature approve this proposal. Funding this project now could help prevent cybersecurity breaches and potentially avoid larger expenses in the future if the Library were to experience a cyberattack.

Background

Witkin State Law Library

Witkin Law Library Provides Research Services. 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.

Staffing and Operating Costs Have Grown Over Time. The law library's staff has grown over time, increasing from seven positions in 2017-18 to ten positions in 2024-25. Its operating costs have grown from approximately \$630,000 in 2017-18 to an estimated \$1.3 million in 2024-25. As discussed in more detail below, the law library receives support from both a special fund and the state General Fund.

Portion of Appellate Filing Fee Revenue Historically Has Been Allocated to Witkin Law Library. Certain filing fees must be paid for civil appellate cases. The state sets each of the fee rates in statute. It periodically adjusts the rates, typically in response to rising court costs. In 2024, the state charged a \$605 filing fee to seek an appeal or writ from a Court of Appeal and a \$540 filing fee to seek a writ from the Supreme Court. A certain amount of each of these fees historically has been allocated specifically to the Witkin Law Library to help support its operating costs. In 2024, \$65 of the civil appellate filing fees was directed for the support of the law library.

Fee Revenue for Law Library Historically Has Been Deposited Into Special Fund Account. The Witkin Law Library’s share of the civil appellate filing fees is deposited into a state special fund called the California State Law Library Special Account. The state established this special fund account in 1992—the same time it first allocated an amount of the civil appellate filing fees to the law library (originally \$50). Since creation of the special fund account, the Legislature has reauthorized the associated appellate filing fee rate six times, with the most recent reauthorization occurring in 2019. One of those reauthorizations (in 1999) raised the fee allocated to the law library from \$50 to \$65. The special fund account and the requirement for allocating \$65 of the designated appellate filing fees to the law library sunset at the end of 2024.

Governor’s 2025-26 Budget

The Governor’s Budget 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.

LAO Comments

State Has No Clear Policy for How to Fund the Witkin Law Library. State law declares that it is in the best interest of the public and the state for public libraries to exist and receive “adequate financial support from government at all levels.” State law does not provide a clear definition of what constitutes adequate financial support. In the case of the Witkin Law Library, the civil appellate filing fee revenue is intended to provide some financial support. Since at least the early 2000s, state General Fund support also has been used to support the Witkin Law Library. The state has yet to establish a policy designating what share of support is to come from the special fund versus the General Fund. In setting such a policy, the state could consider various factors, including the types of users making requests, the types of requests received, the complexity of received requests, and the frequency of requests from the same users.

Special Fund Revenue Is Supporting Declining Share of Law Library’s Operating Costs. 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.

Increasing the Witkin Law Library's Portion of Appellate Fee Revenue Has Trade-Offs. Absent an increase in special fund fee revenue, the law library will become increasingly reliant on General Fund support to cover operating cost increases. One way to increase special fund revenues is to increase the portion of the appellate filing fees that are directed to the Witkin Law Library. Because the Witkin Law Library would receive a greater share of the existing fees, the judicial branch would receive less revenue to support its operations. To avoid reducing funding for the judicial branch, the Legislature could increase the total appellate filing fees charged. For example, the law library previously received \$65 of a \$605 filing fee to seek an appeal from a Court of Appeal. If the law library fee was increased to \$85, similarly increasing the total filing fee to \$625 would avoid impacts on the judicial branch. This change, however, would increase the cost to litigants, which, in turn, could impact the number of filings that are ultimately made.

Other Revenue Options Could Be Explored. To the extent the Legislature is not interested in increasing the portion of the appellate filing fees that are directed to the Witkin Law Library, it could explore other revenue options. Specific options could depend on various factors, such as the types or breadth of services provided by the law library as well as specifically who seeks law library services. One alternative revenue option, for example, could be directing a share of trial court civil fees to the law library. This could be reasonable if law library services are provided for both trial court and appellate cases. Another revenue option could be to have law library users partially support its operations. For example, the law library could charge state department users an annual service fee based on their usage of law library services, or it could assess specific charges for certain types of requests. Certain types of user fees could be reasonable if certain individuals or groups (such as lawyers or governmental entities) are making regular and significant use of the law library's services. A third option could be to increase the State Bar fee to include a special charge to help support the law library. This could merit consideration if lawyers represent a significant portion of law library users or if all lawyers have the ability to make use of its services. One main difficulty in assessing these revenue options now is the law library currently does not track the number of lawyers it serves.

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 Comments

Regarding the cybersecurity proposal, staff notes that the funding requested is relatively minimal and the proposal addresses a relevant issue.

Regarding the Witkin State Law Library, the library, based in Sacramento, offers an extensive collection of primary and secondary sources, focused on California law, dating back to the beginning of California's statehood. The library provides practice guides, court briefs, and do-it-yourself legal materials to aid legal professionals and people that are representing themselves in court. It appear the library provides a valuable service. The LAO points out that the absence of policy around how to properly fund this library makes it difficult to make annual state budget decisions. It seems clear, however, that extending the sunset date on the filing fee may be needed to keep the program going in the short term. There would be no General Fund impact in this action. A larger discussion is needed to stabilize the program, however.

Suggested Questions:

- What is the State Library's response to the LAO recommendation to explore revenue options for the Witkin Law Library?

Staff Recommendation: Hold Open