

Date of Hearing: April 23, 2024

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Mike Fong, Chair

AB 2447 (Valencia) – As Amended March 19, 2024

SUBJECT: California State University: expenditures: internet website

SUMMARY: Requires the California State University (CSU) to develop and maintain, on or before July 1, 2025, an internet website that allows the public to search and aggregate information on the expenditures and transfers of any state funds by the California State University in amounts that exceed \$1,000, as specified. Specifically, **this bill:**

- 1) Establishes the CSU Transparency Act of 2024.
- 2) Makes the following definitions:
 - a) “CSU expenditures internet website” or “expenditures internet website” means an internet website that allows the public to search and aggregate information on expenditures of state funds, and that is accessible from the CSU internet homepage.
 - b) “Expenditure of state funds” means the expenditure or transfer of any state funds by the CSU in an amount that exceeds one thousand dollars (\$1,000) in the form of, including, but not limited to, any of the following:
 - i) Grants;
 - ii) Contracts;
 - iii) Subcontracts;
 - iv) Purchase orders;
 - v) Investments; and,
 - vi) Expenditures from a reserve account for use in the event of any revenue fluctuations.
- 3) Requires that on or before July 1, 2025, the CSU must develop and maintain a CSU expenditures internet website that is accessible by the public at no cost, and that includes all of the following:
 - a) For each expenditure of state funds, information on the expenditure that includes, but is not limited to, all of the following information:
 - i) The name and principal location or residence of each entity that receives funds, or other fund recipient.
 - ii) The amount of the expenditure.

- iii) The type of transaction.
 - iv) The identity of the department, office, or other entity of the California State University making the expenditure.
 - v) The budget program source for the expenditure.
 - vi) A description of the purpose of the expenditure.
 - vii) A description of any item purchased pursuant to the expenditure.
 - viii) Any other information deemed relevant by the Department of Finance or the Governor's office.
- b) The ability for a user to view information on the expenditures internet website in a format that is searchable and the ability for a user to download and manage that information with appropriate software.
 - c) The ability of a user to provide input to the California State University regarding the utility of the expenditures internet website.
 - d) The ability of a user to provide recommendations to the California State University for improvements to the expenditures internet website.
- 4) Requires that, on or before July 1, 2025, the expenditures internet website must include information on the expenditure of state funds for the 2024–25 fiscal year. On and after July 1, 2025, the expenditures internet website will be updated monthly to include information on the expenditure of state funds for the most recently completed month.
 - 5) Requires the CSU to fully cooperate with the Department of Finance and the Governor's office in compiling and providing all information necessary to comply with this section.
 - 6) Specifies that the provisions do not require the disclosure of confidential information or the disclosure of information that is otherwise exempt from disclosure under state or federal law.

EXISTING LAW:

- 1) Confers upon the CSU Trustees the powers, duties, and functions with respect to the management, administration, control of the CSU system and provides that the Trustees are responsible for the rule of government of their appointees and employees. (Education Code (EDC) Sections 66606 and 89500, et seq.)
- 2) Requires the CSU Trustees to control and expend all money appropriated for the support and maintenance of the CSU, and all money received as donations, as specified. (EDC Section 89750)

FISCAL EFFECT: Unknown

COMMENTS: *Purpose.* According to the author, “AB 2447, the California State University Transparency Act of 2024, will allow the legislature to hold the CSU accountable for their expenditures of state funds. The bill will require the CSU to disclose specific data for their contracts, subcontracts, purchase orders, investments and any expenditure from a reserve account. The data will identify the recipients of expenditures, the amount awarded, the type of transaction, the CSU office or department making the expenditure, the budget program source for the expenditure, a description of the purpose of the expenditure, and a description of the item purchased. Greater transparency of the CSU’s expenditures is necessary to understand how the system spends taxpayer dollars, and to ensure that they are investing in students, faculty and staff.”

CSU Audit. In May of 2020 the State Auditor released audit report 2019-114 *California State University: The Mandatory Fees Its Campuses Charge Receive Little Oversight Yet They Represent an Increasing Financial Burden to Students*. The report found that the growth in mandatory fees has made the CSU campuses increasingly expensive for students. Since academic year 2011–12, the trustees have increased tuition by only \$270, or 5%, in academic year 2017–18, from \$5,472 to \$5,742. This stability in tuition costs is largely the result of the tuition freezes the Legislature negotiated with the CSU as part of the annual state budget process, during which the Legislature increased state funding to the CSU system. In contrast, from academic years 2011–12 through 2019–20, total mandatory fees on average across all 23 CSU campuses increased from \$1,047 to \$1,633, or 56%.

The report also found that CSU’s approach to managing mandatory fees did not ensure adequate accountability. Although campuses must obtain approval from the CSU Office of the Chancellor to establish new mandatory fees, campus presidents did not need approval to increase the amount of existing fees. In addition, the Chancellor’s Office’s systemwide fee policy contained only vague requirements that allow campuses to request approval for proposed mandatory fees or increase existing fees without justifying specific fee amounts. As a result, the State Auditor found that campuses did not sufficiently justify their needs when determining and setting the amount of proposed fees or increases to existing fees. Campuses also did not sufficiently demonstrate that they had no other way to pay for those needs.

The author cited the CSU audit, and noted that “in September 2023, the CSU Board of Trustees approved a system wide tuition hike, with 6% increases in tuition for five consecutive years starting with the 2024-25 academic year, further increasing students’ financial burden. In January 2024, CSU faculty organized a system-wide strike after their attempts to increase faculty salaries through collective bargaining were unsuccessful. The CSU and faculty have since come to an agreement for salary increases. However, it would be helpful to have more details on the CSU’s financial obligations and spending to understand the high cost of fees, tuition, and the reluctance for increasing faculty salaries.”

Arguments in support. The California Faculty Association, the sponsors of AB 2447, argue that the bill “mandates the CSU to make their expenditures of state funds publicly available on the internet by July 1, 2025, marking a significant step towards enhancing transparency and accountability within one of the nation’s largest public education institutions. The CSU system, with an operating budget of \$8.1 billion for the fiscal year 2023-24, receives substantial funding from the state General Fund, tuition and mandatory fees, and California State Lottery Ticket sales, among other sources. Despite the critical role that these funds play in supporting the CSU’s operating costs—including instruction, academic support, student services, and financial aid—a

state audit released in May 2020 highlighted a concerning lack of oversight on the expenditures of mandatory fees, which have been a financial burden to students. These fees, not covered by financial aid grants and scholarships, contribute to the financial strain on students and their families, many of whom resort to paying these fees out of pocket or through student loans. The audit's findings, coupled with the CSU Board of Trustees' recent decision to approve a system-wide tuition hike, underscore the urgent need for greater financial transparency to ensure that the funds are being used effectively to support the CSU's core functions...this level of transparency will empower students, parents, taxpayers, and legislators to see how allocated state funds are spent and assess the outcomes of these expenditures.”

Committee comments. Committee Staff notes that the CSU maintains on its [Accountability and Transparency](#) website a list of all expenditures over \$50,000. Specifically, the website includes financial statements going back to the 1990s, all internal audits, accessibility information, and Native American Graves Protection and Repatriation Act (NAGPRA) compliance.

Committee staff also notes that the \$1,000 dollar threshold proposed is extremely low, and has the potential overwhelm any system with comparatively minor costs. The current language also contains requirements that may put the personal information of aid recipients, to include their name and address, on the website. Finally, the July 1, 2025 implementation date is likely untenable, and would give CSU less than a year to implement the policy.

The Committee has recommended, and the author has accepted, the following amendments:

- 1) Increase the threshold in the definition of “expenditure of state funds” means the expenditure or transfer of any state funds by the CSU from \$1,000 dollars to \$10,000 dollars.
- 2) Change the language requiring that the “name and principal location or residence of each entity” be given to the “name and office or business address of each entity.”
- 3) Delay implementation of the bill by one year, to July 1, 2026.

REGISTERED SUPPORT / OPPOSITION:

Support

California Faculty Association

Opposition

None on file

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