

ASSEMBLY THIRD READING
AB 1908 (McKinnor)
As Amended March 16, 2026
Majority vote

SUMMARY

Clarifies the existing law related to validation actions to specify that bonds and other forms of debt financing necessary to satisfy the obligations of a victims' compensation fund is authorized as of the date the establishment of such a fund via the adoption of a resolution or ordinance by a county board of supervisors.

Major Provisions

- 1) Provides that a tort action judgment or settlement agreement, or victim's compensation fund and the related bonds, bond related documents, credit reimbursement, or other agreement are to be deemed to be in existence as of the date of adoption by a public agency's governing body of a resolution or ordinance.
- 2) Provides that the obligations specified in 1) are valid on the date specified in 1) notwithstanding any of the following:
 - a) The date on which a party files a tort action or the court enters a final judgment therein;
 - b) The date on which the public agency enters into a settlement agreement;
 - c) Whether the effectiveness of a settlement agreement entered into by the public agency is contingent on any condition precedent; or
 - d) Whether the victims' compensation fund claim period has expired, or whether the fund has issued all compensation or made all other applicable claim determinations.
- 3) Clarifies that the provisions of 1) apply when determining either of the following:
 - a) The validity of any issuance or proposed issuance of refunding bonds to finance or refinance one or more of a tort action judgment or settlement, or victims' compensation fund; or
 - b) The validity of any proceeding taken or proposed to be taken in a resolution or ordinance adopted by a public agency's governing body for the authorization, issuance, sale, and delivery of a bond, including any contracts or agreements providing for the issuance, security or payment of a bond, or the use of the proceeds of a bond, and any credit reimbursement or other agreement entered into or to be entered into in connection therewith.
- 4) Provides that the provisions of 1) apply to validation actions brought to determine the validity of any issuance or proposed issuance of bonds to finance or refinance any of the following:
 - a) One or more tort judgments that have not yet been entered against the public agency by the applicable court;

- b) One or more tort settlement agreements that have not yet been entered into by the public agency;
 - c) One or more tort settlement agreements entered into by the public agency whose effectiveness is contingent on any condition precedent;
 - d) A victims' compensation fund established by a county.
- 5) Defines the following terms:
- a) A "victims' compensation fund" means a fund established to address payments to settle or pay awards to victims of childhood sexual assault, including to compensate victims pursuant to the operation of the fund; and
 - b) A "tort action judgment or settlement" means a judgment entered against a public agency by one or more state or federal courts, or a tort action settlement agreement entered into by a public agency.

COMMENTS

The County of Los Angeles faces at least \$4 billion in liability stemming from the county's systematic failure to prevent childhood sexual assault from occurring at several county-run youth facilities. One avenue Los Angeles County is exploring to address this massive liability is the establishment of a victims' compensation fund. This bill would clarify that, for the purpose of validating government actions, all bonds, bond related documents, credit reimbursement, or other agreements are deemed to be in existence as of the date on which the public agency adopts a resolution or ordinance approving the above-described obligations.

Validation actions are designed to give local agencies finality for some important decisions. Recognizing that some government actions need finality in order to be effective, existing law authorizes a government agency to "validate" their action by bringing an action in court. (Code of Civil Procedure Section 860 *et seq.*) In a validation action, the government agency essentially sues itself and then invites interested parties to intervene to challenge the agency's decision making in court. If a court upholds the agency's decision it is "validated" and therefore becomes binding and conclusive. Members of the public can also file "reserve validation" actions and force the validation proceedings as a means of contesting a governmental decision.

Like other litigation reviewing agency decision making, validation actions adopt a substantial evidence standard. (*Community Youth Athletic Association v. National City* (2013) 220 Cal.App.4th 1385, 1408.) Utilizing the substantial evidence standard of review, the court is directed to resolve all "reasonable doubts and inferences" in the administrative record in favor of the agency. Based on this standard, if the court determines by a preponderance of the evidence that the substantial evidence on the record supports the agency, the agency's decision is to be validated. (*Ibid.*) These actions are typically taken when a public agency approves new utility rates or municipal fees in order to permit the fee to be adjudicated and then quickly then go into effect. By validating the action, the agency can assure that the anticipated revenues from the validated act will be realized. While the existing law specifies that a validation action can be utilized to support the issuance of bonds, warrants, contracts, obligations, and evidences of indebtedness, it is not entirely clear how the existing law would apply to obligations arising from, or related to, litigation and settlements.

According to reports and numerous lawsuits, Los Angeles County permitted decades of abuse to occur at the MacLaren Children's Center. Originally constructed as a temporary home for foster youth, Los Angeles County's MacLaren Children's Center devolved into an overcrowded youth detention facility handling minors with a history of mental illness, criminal behavior, and a history of prior physical abuse. (Sue Fox, *County Closes Center for Troubled Children*, Los Angeles Times (Mar. 11, 2003) available at: <https://www.latimes.com/archives/la-xpm-2003-mar-11-me-mac11-story.html>.) Unfortunately, it soon came to light that overcrowded living conditions and inadequate medical services provided at the facility were the least of the problems. Following the enactment of AB 218 (Gonzalez) Chap. 861, Stats. 2018, a flurry of lawsuits arose alleging horrific acts of sexual abuse at the facility committed by facility staff employed by Los Angeles County. Thousands of claims, some dating back to 1961, forced the County of Los Angeles to enter into a record \$4 billion settlement with victims in April of 2025. (*LA County Reaches \$4 Billion Tentative Settlement in Thousands of Sexual Abuse Cases*, LA County Office of Public Information (Apr. 4, 2025) available at: <https://lacounty.gov/2025/04/04/la-county-reaches-4-billion-tentative-settlement-in-thousands-of-sexual-abuse-cases/>.) While the \$4 billion settlement total is unprecedented, so was the decades long failure of Los Angeles County to police its own staff and protect children placed in the county's care.

As reported by the Los Angeles Times, and detailed in a 2022 lawsuit against the county, children at the facility described being "assaulted, drugged and forced to perform sex acts on MacLaren employees." (James Queally, *Decades later, former foster children allege abuse at MacLaren Children's Center*, Los Angeles Times (May 17, 2022) available at: <https://www.latimes.com/california/story/2022-05-17/abuse-allegations-maclaren>.) One victim noted that county staff would climb into bed with her on a near-nightly basis. Another victim reported the abuse began when he was five years old. Yet another victim, a 13-year-old girl, reported being beaten by MacLaren staff when she reported another employee's sexual abuse. (*Ibid.*) A 2001 Los Angeles County civil grand jury report noted that facility managers were not conducting background checks on potential employees leading to the hiring of at least 17 staff members despite having convictions that should have disqualified them from employment. (*Ibid.*) Indeed, reporting by the BBC noted that MacLaren hired convicted "burglars and drug traffickers" to care for children at the facility, many of whom were not fully aware of the scope of the abuse due to medical conditions and the medication being provided to the children in the facility's care. (Regan Morris & Danai Nesta Kupemba, *LA approves \$4bn to settle 'horrific' child abuse claims*, BBC (Apr. 30, 2025) available at: <https://www.bbc.com/news/articles/clyqe9e6gjeo>.)

In addition to the settlement, in anticipation of more potential claims, the County of Los Angeles now seeks to establish a fund to compensate victims. The County aims to craft a fund that will function like other victims' compensation funds created after other scandals or disasters elsewhere in the county.

This bill clarifies that the debt obligations necessary to seed a victims' compensation are in existence when the governing body of a public agency establishes the fund. Due to the massive scope of the liability facing the County of Los Angeles, the county will have to use bonding and other forms of debt financing to assist victims while still maintaining county services. To that end, this bill clarifies when the debt obligations for victims' compensation funds becomes operative for the purposes of filing a subsequent validation action to validate the issuance of the debt. Unlike a simple utility rate increase or the issuance of general obligation bonds, the

"obligation" for a victims' fund can have several triggers. To clarify the law, this bill specifies that the obligation becomes authorized upon the public agency approving a victims' compensation fund.

To provide additional clarity to the validation action timelines, the bill explicitly states that an obligation is not authorized upon the rendering of a judgment or agreement on a potential settlement. Finally, the bill adopts several definitions, including defining a victims' compensation fund as a "fund established to address payments to settle or pay awards to victims of childhood sexual assault, including to compensate victims pursuant to the operation of the fund."

Although this bill clarifies the status of the government debt needed to finance a victims' compensation fund, it does not create the fund itself. This bill clarifies how the validation process for the creation of a victims' compensation fund would operate. However, the bill does not create the fund itself and leaves that authority to the Board of Supervisors of Los Angeles County. This approach appears prudent as it enables Los Angeles County to engage with local stakeholders and tailor a program to the needs of the residents of Los Angeles County. This approach also appears prudent as it permits local governments and school districts who may face similar liability to create their own programs for addressing the needs of local victims.

According to the Author

AB 1908 establishes a locally funded Victims Compensation Fund so that survivors of abuse by former employees of Los Angeles County can have access to justice and receive timely and responsible compensation for past abuse, while ensuring that Los Angeles County can continue to provide essential public safety and fire services, safety net healthcare services, foster care services and other critical public services that over 10 million residents rely upon every day.

Arguments in Support

This bill is sponsored by the County of Los Angeles. In support of the bill the County writes:

Counties are facing growing legal exposure and rising costs for civil claims. As a result, funding these claims has become increasingly difficult. One option that the County has explored is a self-funded victims' compensation fund, which can provide fair compensation to claimants more quickly than litigation. The challenge, however, is financing the fund when cash is not readily available.

Obligation bonds are commonly used to pay awards from bench and jury trials, as well as court-approved settlements. Current law, however, limits their use to these types of legal obligations. The Code of Civil Procedure does not allow obligation bonds to finance a victims' fund. AB 1908 would create the legal mechanism to do exactly that.

Until recently, L.A. County had no need for a mechanism to issue bonds for a victims' fund, and the use of obligation bonds for this purpose was never contemplated. Rising high-dollar awards and increasing mass tort claims are changing that landscape, making it critical to ensure timely and fair payment to those who have been harmed. AB 1908 addresses this gap by giving counties the flexibility to consider creating a victims' fund to cover civil liability, particularly when it can be financed and validated through obligation bonds.

Arguments in Opposition

None on file

FISCAL COMMENTS

None

VOTES

ASM JUDICIARY: 12-0-0

YES: Kalra, Macedo, Bauer-Kahan, Bryan, Connolly, Dixon, Harabedian, Pacheco, Papan, Sanchez, Stefani, Zbur

UPDATED

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