
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anna Caballero, Chair
2025 - 2026 Regular Session

AB 84 (Muratsuchi) - School accountability: Office of the Education Inspector General: school financial and performance audits: charter school authorization, oversight, funding, operations, networks, and contracting: data systems: local educational agency contractor background checks

Version: July 17, 2025

Urgency: No

Hearing Date: August 29, 2025

Policy Vote: ED. 4 - 2

Mandate: Yes

Consultant: Lenin Del Castillo

Bill Summary: This bill establishes various requirements regarding the oversight and operation of nonclassroom based (NCB) charter schools, including changes to their audit and accounting standards, authorizer responsibilities, the funding determination process, and contracting processes.

***** **ANALYSIS ADDENDUM – SUSPENSE FILE** *****

The following information is revised to reflect amendments
adopted by the committee on August 29, 2025

Fiscal Impact:

- The California Department of Education (CDE) estimates General Fund costs of \$13.5 million each year to establish and staff the Office of Inspector General. This estimates assumes an office size of 45 staff which includes an Inspector General and a Deputy Inspector General, and that the office would leverage existing HR, IT, and legal services within CDE. The CDE estimates additional General Fund costs of \$174,000 each year for one position and \$750,000 in one-time General Fund to contract for work associated with the feasibility of integrating the California Longitudinal Pupil Achievement Data System (CALPADS) and apportionment data systems.
- The Fiscal Crisis and Management Assistance Team (FCMAT) estimates Proposition 98 General Fund costs ranging from \$623,000 to \$1.043 million each year and two to three positions to establish and operate the Charter Authorizing Technical Assistance Team. The FCMAT estimates additional, one-time Proposition 98 General Fund costs of \$100,000 to comply with the bill's requirement for the CDE, in consultation with FCMAT, to report on the CALPADS and apportionment data systems alignment.
- This State Controller's Office (SCO) estimates General Fund costs of \$1.6 million each year to hire 7.5 additional staff to implement the bill's provisions regarding independent auditor quality control reviews. These resources would be used to verify mathematical accuracy of additional schedules, certify additional CPA training hours, perform quality control reviews of CPA firms, and additional administrative tasks such as updating the K-12 audit guide.

- This bill could result in additional, unknown Proposition 98 General Fund costs each year for charter schools to comply with the bill's new audit requirements. Each local educational agency (LEA) contracts with an independent auditing firm to conduct its annual audit to verify compliance with state law. These auditing firms could charge higher fees to LEAs to account for the additional requirements.
- To the extent that the bill's increased oversight provisions lead to the closure of some NCB charter schools or there is a reduction in educational options (including vendor-based services) that would be available, the transferring of students to traditional public schools or other charter schools could have a local fiscal impact. The extent of these costs is unknown and would vary depending on the type of LEAs involved, the number of students that transfer, and whether those students qualify for supplemental or concentration grant funding under the Local Control Funding Formula (LCFF). The LCFF entitlements or ADA funding for students that transfer within the public school system would typically follow those students, therefore the overall impact to the state would be cost neutral. However, if the students leave the public school system altogether and choose to attend private schools, there could be reduced ADA and LCFF costs for those students.
- The bill's oversight provisions along with the establishment of the Office of the Inspector General could potentially result in unknown savings for the state to the extent they prevent or deter future fraud and the misuse of public funds.

Author Amendments: Remove the prohibition on enrichment activities, implement numerous contracting provisions, modify auditing provisions, delete liability requirement for financial malfeasance and moratorium on NCB charters, and make other changes, as specified.

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