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AB-700 Student loans: public service educational loan forgiveness program. (2025-2026)

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CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

ASSEMBLY BILL

NO. 700

Introduced by Assembly Member Caloza

February 14, 2025

An act to add Section 69518.5 to the Education Code, relating to student loans.

LEGISLATIVE COUNSEL'S DIGEST

AB 700, as introduced, Caloza. Student loans: public service educational loan forgiveness program.

Existing law establishes the Student Aid Commission as the primary state agency for the administration of state-authorized student financial aid programs available to students attending all segments of postsecondary education.

The federal Public Service Loan Forgiveness Program was created in 2007 by the federal College Cost Reduction and Access Act and requires certain student loans to be forgiven after 10 years of public service, as provided.

This bill would require the commission to establish a public service educational loan forgiveness program of up to \$10,000 per applicant, as specified. The bill would require applicants for the program to have made continuous payments on their debt and be active employees of a state agency, local government agency, or nonprofit organization, as defined, who have served for a minimum of 10 years. The bill would require an applicant to provide proof of full-time employment and for the applicant's supervisor, manager, or a nonprofit organization board member to attest, under penalty of perjury, that the applicant is in good standing with the respective agency or nonprofit organization for which they serve. By expanding the crime of perjury, and to the extent that the bill would otherwise impose additional duties on local government officials, the bill would impose a state-mandated local program. The bill would create the Public Service Education Loan Forgiveness Fund and authorize the commission to accept donations for purposes of the program and deposit them in the fund. The bill would require the commission to monitor the program for fraud and to annually report to the Legislature on the program, as specified. The bill would make the operation of the program contingent upon an appropriation in the annual Budget Act or another statute.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that with regard to certain mandates no reimbursement is required by this act for a specified reason.

With regard to any other mandates, this bill would provide that, if the Commission on State Mandates determines that the bill contains costs so mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: yes

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 69518.5 is added to the Education Code, to read:

69518.5. (a) It is the intent of the Legislature in enacting this section to provide an alternative path to public service loan forgiveness for individuals working in public service in this state if the federal Public Service Loan Forgiveness Program that was created in 2007 by the federal College Cost Reduction and Access Act (Public Law 110-84) is repealed or made otherwise obsolete.

(b) The commission shall establish a public service education loan forgiveness program.

(c) The commission shall develop guidelines and materials for the implementation of this program. All guidelines and materials shall be posted to the commission's internet website.

(d) The commission shall award each applicant who qualifies for educational loan forgiveness an amount that does not exceed reasonable educational loan amounts, and who has made continuous payments on their debt, as determined by the commission, not to exceed ten thousand dollars (\$10,000).

(e) Applicants shall be an active employee of any state agency, local government agency, or nonprofit organization who has served for a minimum of 10 years. An applicant shall provide proof of full-time employment when submitting an application to the commission for loan forgiveness. In addition, the applicant's supervisor, manager, or a nonprofit organization board member shall attest, under penalty of perjury, that the applicant is in good standing with the respective agency or nonprofit organization for which they serve.

(f) There is hereby created the Public Service Education Loan Forgiveness Fund. The commission may accept donations for purposes of the program established pursuant to this section, and deposit those donations in the fund. Moneys in the fund shall be available upon appropriation by the Legislature for purposes of this section.

(g) The commission shall monitor the program for fraud. If the commission determines that an applicant is applying for the program using fraudulent materials, the commission may deny the applicant and pursue legal recourse. If the commission has awarded loan repayment in error or due to fraudulent materials, the commission may pursue legal action to recover the funds and deposit them in the Public Service Education Loan Forgiveness Fund.

(h) (1) Notwithstanding Section 10231.5 of the Government Code, the commission shall report to the Legislature annually, on or before January 1 of each year, the number of awardees who qualified for the funding, the amount of funds in the Public Service Education Loan Forgiveness Fund, and estimates on the amount needed to sustain the program and promote its growth. The commission may also include recommendations for improving the program so long as it furthers the intent of the program.

(2) A report to be submitted pursuant to this subdivision shall be submitted in compliance with Section 9795 of the Government Code.

(i) The commission shall use no more than 5 percent of funds appropriated for purposes of this section for the administration of the program.

(j) For the purposes of this section, the following terms have the following meanings:

(1) "Local government agency" has the same definition as in Section 82041 of the Government Code.

(2) "Nonprofit organization" means any nonprofit public benefit corporation that is formed pursuant to the Nonprofit Corporation Law (Division 2 (commencing with Section 5000) of Title 1 of the Corporations Code), qualified to do business in California, and qualified under Section 501(c)(3) of the Internal Revenue Code.

(3) "State agency" has the same definition as in Section 82049 of the Government Code.

(k) The operation of this section is contingent upon an appropriation for its purposes in the annual Budget Act or another statute.

SEC. 2. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution for certain costs that may be incurred by a local agency or school district because, in that regard, this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the

Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

However, if the Commission on State Mandates determines that this act contains other costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.