

AMENDED IN ASSEMBLY AUGUST 26, 2015

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SENATE BILL

No. 104

Introduced by Committee on Budget and Fiscal Review

January 9, 2015

An act to amend Sections 89724 and 89725 of, and to add Section 89726 to, the Education Code, relating to the California State University.

LEGISLATIVE COUNSEL'S DIGEST

SB 104, as amended, Committee on Budget and Fiscal Review. California State University: fees: investments.

Existing law authorizes the Treasurer or chief fiscal officer of a campus of the California State University to invest certain money received by the California State University in eligible securities and in investment certificates or withdrawal shares in federal or state credit unions doing business in this state as long as any money invested in this manner is fully insured by the National Credit Union Administration.

This bill would authorize the Treasurer or chief fiscal officer of a campus of the California State University to invest ~~certain of those moneys~~ *that money* in mutual funds subject to registration by, and under the regulatory authority of, the United States Securities and Exchange Commission, or in real estate investment trusts. The bill would impose specified requirements on the Trustees of the California State University relating to those types of investments.

Existing law establishes the California State University Special Projects Fund, which consists of grants, revenues, and funds for the operation, support, and development of research, workshops, conferences, institutes, and special projects in the California State

University. Existing law authorizes the Treasurer to invest money from the fund in eligible securities.

This bill would authorize the Treasurer or chief fiscal officer of a campus of the California State University to invest the money in the California State University Special Projects Fund in mutual funds subject to registration by, and under the regulatory authority of, the United States Securities and Exchange Commission, or in real estate investment trusts.

This bill would limit the total amount invested in these mutual funds and real estate investment trusts to specified amounts for each fiscal year, until, commencing with the 2019–20 fiscal year, up to 30% of that money could be invested in these asset categories.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 89724 of the Education Code is amended
2 to read:
3 89724. (a) All money received in accordance with the
4 following shall be appropriated for the support of the California
5 State University in addition to other amounts as may be
6 appropriated by the Legislature:
7 (1) All money received from the sale of California State
8 University publications.
9 (2) All money received under an agreement entered into pursuant
10 to Section 89036.
11 (3) Except as to the fees and charges specified in subdivisions
12 (g) and (h) of Section 89721, all money collected as fees from
13 students of the California State University and received from other
14 persons under Sections 89030, 89036 to 89039, inclusive, 89700,
15 89705, 89708, 89709, 89720, and 89721, and money received
16 pursuant to Section 2080.8 of the Civil Code.
17 (b) Money received under Sections 89720 and 89721, or
18 received pursuant to Section 2080.8 of the Civil Code, is
19 appropriated pursuant to subdivision (a) without regard to fiscal
20 year. Money received pursuant to Section 2080.8 of the Civil Code
21 shall be used for student scholarships and loans pursuant to any
22 regulations the trustees shall provide, and while held pending the
23 grant of a scholarship or loan, may be invested by the Treasurer

1 ~~upon approval of the trustees, in those eligible securities listed in~~
2 ~~Section 16430 of the Government Code. All interest or other~~
3 ~~earnings received pursuant to that investment shall also be used~~
4 ~~for those scholarships and loans. *provide.* Money received pursuant~~
5 ~~to Sections 89720 and 89721 may be invested, upon approval of~~
6 ~~the trustees, by the Treasurer or by the chief fiscal officer of a~~
7 ~~campus of the California State University, in those eligible~~
8 ~~securities listed in Section 16430 of the Government Code. Money~~
9 ~~received *under Sections 89720 and 89721, and received* pursuant~~
10 ~~to Section 2080.8 of the Civil Code, may *also* be invested, upon~~
11 ~~approval of the trustees and in accordance with Section 89726, by~~
12 ~~the chief fiscal officer of a campus of the California State~~
13 ~~University, in mutual funds subject to registration by, and under~~
14 ~~the regulatory authority of, the United States Securities and~~
15 ~~Exchange Commission, or in real estate investment trusts. All~~
16 ~~interest and other earnings received pursuant to the investment of~~
17 ~~money received pursuant to Sections 89720 and 89721 shall also~~
18 ~~be used for such purposes as may be established by the trustees~~
19 ~~consistent with the terms and conditions of the gift, bequest, devise,~~
20 ~~donation, or agreement under Sections 89720 and 89721. Except~~
21 ~~as otherwise provided with respect to money received pursuant to~~
22 ~~Section 2080.8 of the Civil Code and Sections 89720 and 89721,~~
23 ~~all money received pursuant to this section shall augment the~~
24 ~~support appropriation to the California State University for the~~
25 ~~fiscal year to which the collections apply.~~

26 (c) All money received from the sale or the disposition of real
27 property acquired by or on behalf of a campus of the California
28 State University by gift, devise, or donation pursuant to Section
29 89720 or pursuant to the predecessor of that section is hereby
30 appropriated to the trustees for expenditure for capital outlay for
31 the acquisition and improvement of real property for the campus,
32 in addition to any other amounts appropriated by the Legislature.
33 All money received from the sale or other disposition of personal
34 property, other than money, acquired by or on behalf of a campus
35 of the California State University by gift, bequest, or donation
36 pursuant to Section 89720 or the predecessor of that section is
37 hereby appropriated to the trustees for expenditure for capital
38 outlay for, or the acquisition and improvement of real or personal
39 property for, the campus, in addition to other amounts appropriated
40 by the Legislature. No money shall be expended by the trustees

1 under this subdivision without the approval of the Director of
2 Finance. The money shall augment the support or capital outlay
3 appropriation of the California State University current at the date
4 of issuance of the Controller's receipt as may be designated by the
5 trustees prior to ~~their deposit~~ *the deposit of that money* in the State
6 Treasury.

7 SEC. 2. Section 89725 of the Education Code is amended to
8 read:

9 89725. (a) Notwithstanding any law to the contrary, grants,
10 revenues, and funds of any nature received by the trustees for
11 research, workshops, conferences, institutes, and special projects
12 from the state, federal government, local government, or private
13 persons, may be transmitted to the Treasurer and, if transmitted,
14 shall be deposited in the California State University Special
15 Projects Fund, which is hereby established in the State Treasury.

16 (b) All grants, revenues, and funds deposited in the California
17 State University Special Projects Fund are appropriated without
18 regard to fiscal year to the trustees for the operation, support, and
19 development of research, workshops, conferences, institutes, and
20 special projects in the California State University.

21 (c) Provision shall be made by the trustees for reimbursements
22 to the General Fund for the cost of space and services furnished
23 to projects funded by the California State University Special
24 Projects Fund.

25 (d) Notwithstanding any law to the contrary, the trustees shall
26 have authority to establish the rules and procedures under which
27 the fund shall operate. All expenditures shall be made in accordance
28 with the rules and procedures, without prior approval of the
29 Department of General Services or the Department of Finance.
30 Expenditures from the fund shall be audited as frequently as the
31 Audits Division of the Department of Finance deems appropriate.

32 (e) ~~(1) Except as provided in paragraph (2), moneys~~ *Moneys*
33 in the California State University Special Projects Fund may be
34 invested by the Treasurer or by the chief fiscal officer of a campus
35 of the California State University, upon approval of the trustees,
36 ~~only~~ in eligible securities listed in Section 16430 of the
37 Government Code.

38 ~~(2) Money received pursuant to Section 2080.8 of the Civil~~
39 ~~Code, may be invested, upon approval of the trustees and Code,~~
40 ~~or, in accordance with Section 89726, by the Treasurer or by the~~

1 chief fiscal officer of a campus of the California State University,
2 in mutual funds subject to registration by, and under the regulatory
3 authority of, the United States Securities and Exchange
4 Commission, *Commission* or in real estate investment trusts. All
5 interest or other earnings received pursuant to those investments
6 shall be collected by the Treasurer and shall be deposited in the
7 fund.

8 SEC. 3. Section 89726 is added to the Education Code, to read:

9 89726. (a) (1) The trustees may invest in securities or
10 investments not listed in Section 16430 of the Government Code
11 only if the trustees have established a committee to provide advice
12 and expertise on investments.

13 (2) A majority of the members of the committee shall be
14 individuals who have investment expertise and who are not trustees:
15 *employees of the California State University.*

16 (3) The trustees shall allow the Treasurer to serve as a member
17 of the committee or to appoint a deputy treasurer to serve as a
18 member of the committee.

19 (b) The total amount invested in securities or investments not
20 listed in Section 16430 of the Government Code shall not exceed
21 the following amounts:

22 (1) In the fiscal year ending June 30, 2017, two hundred million
23 dollars (\$200,000,000).

24 (2) In the fiscal year ending June 30, 2018, four hundred million
25 dollars (\$400,000,000).

26 (3) In the fiscal year ending June 30, 2019, six hundred million
27 dollars (\$600,000,000).

28 (4) In the fiscal year ending June 30, 2020, and each fiscal year
29 thereafter, thirty percent of all moneys invested pursuant to
30 Sections 89724 and 89725.

31 (c) (1) The trustees shall receive an investment performance
32 report quarterly and distribute an annual report to the Legislature,
33 in compliance with Section 9795 of the Government Code, and
34 the Department of Finance.

35 (2) The investment performance reports shall include investment
36 returns, comparisons to benchmarks, holdings, market values, and
37 fees.

38 (d) Any additional moneys earned through investments in
39 securities or investments not listed in Section 16430 of the

1 Government Code shall be used only for capital outlay or
2 maintenance.

3 (e) The trustees shall not submit a request to the Department of
4 Finance or the Legislature for any funds to compensate for
5 investment loss resulting from investments in securities or
6 investments not listed in Section 16430 of the Government Code.

7 (f) The trustees shall not cite investment loss resulting from
8 investments in securities or investments not listed in Section 16430
9 of the Government Code to justify approval of an increase in
10 student tuition or fees.