

Introduced by Senator BlockFebruary 19, 2016

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

LEGISLATIVE COUNSEL'S DIGEST

SB 1412, as introduced, Block. California State University: 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 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 that are appropriated 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. Because the bill would authorize the expenditure of moneys from a continuously appropriated fund for new purposes, it would make an appropriation.

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: yes. 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 from the sale of publications~~
 4 ~~pursuant to Section 90500, all money received under an agreement~~
 5 ~~entered into pursuant to Section 89036, and, except as to the fees~~
 6 ~~and charges specified in subdivisions (g) and (h) of Section 89721,~~
 7 ~~all money collected as fees from students in any state university~~
 8 ~~and from other persons under Section 89030, Sections 89036 to~~
 9 ~~89040, inclusive, and Sections 89700, 89705, 89708, 89709, 89720,~~
 10 ~~and 89721, and by reason of Section 2080.9 of the Civil Code, is~~
 11 ~~hereby appropriated for the support of the California State~~
 12 ~~University in addition to such other amounts as may be~~
 13 ~~appropriated therefor by the Legislature. Money in accordance~~
 14 *with the following shall be appropriated for the support of the*
 15 *California State University in addition to other amounts as may*
 16 *be appropriated by the Legislature:*
 17 *(1) All money received from the sale of California State*
 18 *University publications.*
 19 *(2) All money received under an agreement entered into*
 20 *pursuant to Section 89036.*
 21 *(3) Except as to the fees and charges specified in subdivisions*
 22 *(g) and (h) of Section 89721, all money collected as fees from*
 23 *students of the California State University and received from other*

1 *persons under Sections 89030, 89036 to 89039, inclusive, 89700,*
2 *89705, 89708, 89709, 89720, and 89721, and money received*
3 *pursuant to Section 2080.8 of the Civil Code.*

4 (b) (1) ~~Money received under Sections 89720 and 89721, or~~
5 ~~received by reason of pursuant to Section 2080.9 2080.8 of the~~
6 ~~Civil Code, is appropriated pursuant to subdivision (a) without~~
7 ~~regard to fiscal year. Money~~

8 (2) ~~Money received by reason of pursuant to Section 2080.9~~
9 ~~2080.8 of the Civil Code shall be used for student scholarships~~
10 ~~and loans pursuant to any regulations the trustees shall provide,~~
11 ~~and while held pending the grant of a scholarship or loan, may be~~
12 ~~invested by the Treasurer upon approval of the trustees, in those~~
13 ~~eligible securities listed in Section 16430 of the Government Code.~~
14 ~~All interest or other earnings received pursuant to such investment~~
15 ~~shall also be used for those scholarships and loans. Money provide.~~

16 (3) ~~Money received by reason of pursuant to Sections 89720~~
17 ~~and 89721 may be invested, upon approval of the trustees, by the~~
18 ~~Treasurer or by the chief fiscal officer of a campus of the California~~
19 ~~State University, in those eligible securities listed in Section 16430~~
20 ~~of the Government Code and in investment certificates or~~
21 ~~withdrawal shares in federal or state credit unions which are doing~~
22 ~~business in this state and which have their accounts insured by the~~
23 ~~National Credit Union Administration. Any money so invested or~~
24 ~~deposited shall be invested or deposited in certificates, shares, or~~
25 ~~accounts fully covered by the insurance. Code.~~

26 (4) ~~Money received under Sections 89720 and 89721, and~~
27 ~~received pursuant to Section 2080.8 of the Civil Code, may be~~
28 ~~invested, upon approval of the trustees and in accordance with~~
29 ~~Section 89726, by the chief fiscal officer of a campus of the~~
30 ~~California State University, in mutual funds subject to registration~~
31 ~~by, and under the regulatory authority of, the United States~~
32 ~~Securities and Exchange Commission, or in real estate investment~~
33 ~~trusts. All interest and other earnings received pursuant to the~~
34 ~~investment of money received by reason of pursuant to Sections~~
35 ~~89720 and 89721 shall also be used for such purposes as may be~~
36 ~~established by the trustees consistent with the terms and conditions~~
37 ~~of the gift, bequest, devise, donation, or agreement under Sections~~
38 ~~89720 and 89721. Except~~

39 (5) ~~Except as otherwise provided with respect to money received~~
40 ~~by reason of pursuant to Section 2080.9 2080.8 of the Civil Code~~

1 and Sections 89720 and ~~89721 of this code~~, 89721, all money
 2 received pursuant to this section shall augment the support
 3 appropriation to the California State University for the fiscal year
 4 to which the collections apply.

5 (b)

6 (c) All money received from the sale or the disposition of real
 7 property acquired by or on behalf of a ~~particular state university~~
 8 *campus of the California State University* by gift, devise, or
 9 donation pursuant to Section 89720 or pursuant to the predecessor
 10 of that section is hereby appropriated to the trustees for expenditure
 11 for capital outlay for the acquisition and improvement of real
 12 property for the ~~particular state university~~, *campus*, in addition to
 13 any other amounts appropriated ~~therefor~~ by the Legislature. All
 14 money received from the sale or other disposition of personal
 15 property, other than money, acquired by or on behalf of a ~~particular~~
 16 ~~state university~~ *campus of the California State University* by gift,
 17 bequest, or donation pursuant to Section 89720 or ~~pursuant to the~~
 18 predecessor of that section is hereby appropriated to the trustees
 19 for expenditure for capital outlay for, or the acquisition and
 20 improvement of real or personal property for, the ~~particular state~~
 21 ~~university~~, *campus*, in addition to other amounts appropriated
 22 ~~therefor~~ by the Legislature. No money shall be expended by the
 23 trustees under this subdivision without the approval of the Director
 24 of Finance. The money shall augment the support or capital outlay
 25 appropriation of the California State University current at the date
 26 of issuance of the Controller's receipt ~~therefor~~ as may be designated
 27 by the trustees prior to ~~their~~ *the deposit of that money* in the State
 28 Treasury.

29 SEC. 2. Section 89725 of the Education Code is amended to
 30 read:

31 89725. (a) Notwithstanding any ~~other provision of law to the~~
 32 contrary, grants, revenues, and funds of any nature received by
 33 the trustees for research, workshops, conferences, institutes, and
 34 special projects from the state, federal government, local
 35 government, or private persons, may be transmitted to the Treasurer
 36 and, if transmitted, shall be deposited in the ~~State Treasury to the~~
 37 ~~credit of the~~ California State University Special Projects Fund,
 38 which ~~fund~~ is hereby ~~created~~. *established in the State Treasury.*

39 All such

1 (b) All grants, revenues, and funds deposited in the California
 2 State University Special Projects Fund are hereby appropriated
 3 without regard to fiscal years year to the trustees for the operation,
 4 support, and development of research, workshops, conferences,
 5 institutes, and special projects in the California State University.

6 **Provision**

7 (c) Provision shall be made by the trustees for reimbursements
 8 to the General Fund for the cost of space and services furnished
 9 to projects funded by the California State University Special
 10 Projects Fund.

11 **Notwithstanding**

12 (d) Notwithstanding any other provision of the law to the
 13 contrary, the trustees shall have authority to establish the rules and
 14 procedures under which the fund shall operate. All expenditures
 15 shall be made in accordance with the rules and procedures, without
 16 prior approval of the Department of General Services or the
 17 Department of Finance. All expenditures shall receive an annual
 18 postaudit by the Audits Division of the Department of Finance.
 19 This requirement for an annual postaudit shall be effective until
 20 July 1, 1992. On and after July 1, 1992, the expenditures
 21 Expenditures from the fund shall be audited as frequently as the
 22 Audits Division of the Department of Finance deems appropriate.

23 **Moneys**

24 (e) Moneys in the California State University Special Projects
 25 Fund may be invested by the Treasurer, Treasurer or by the chief
 26 fiscal officer of a campus of the California State University, upon
 27 approval of the trustees trustees, only in those eligible securities
 28 listed in Section 16430 of the Government Code. All Code, or, in
 29 accordance with Section 89726, in mutual funds subject to
 30 registration by, and under the regulatory authority of, the United
 31 States Securities and Exchange Commission or in real estate
 32 investment trusts. All interest or other earnings received pursuant
 33 to those investments shall be collected by the Treasurer Treasurer,
 34 and shall be deposited in the State Treasury to the credit of the
 35 California State University Special Projects Fund. fund.

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

37 89726. (a) (1) The trustees may invest in securities or
 38 investments not listed in Section 16430 of the Government Code
 39 only if the trustees have established a committee to provide advice
 40 and expertise on investments.

1 (2) A majority of the members of the committee shall be
2 individuals who have investment expertise and who are not
3 employees of the California State University.

4 (3) The trustees shall allow the Treasurer to serve as a member
5 of the committee or to appoint a deputy treasurer to serve as a
6 member of the committee.

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

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

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

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

16 (4) In the fiscal year ending June 30, 2020, and each fiscal year
17 thereafter, 30 percent of all moneys invested pursuant to Sections
18 89724 and 89725.

19 (c) (1) The trustees shall receive an investment performance
20 report quarterly and distribute an annual report to the Legislature,
21 in compliance with Section 9795 of the Government Code, and
22 the Department of Finance.

23 (2) The investment performance reports shall include investment
24 returns, comparisons to benchmarks, holdings, market values, and
25 fees.

26 (d) Any additional moneys earned through investments in
27 securities or investments not listed in Section 16430 of the
28 Government Code shall be used only for capital outlay or
29 maintenance, and shall not be used for ongoing operations.

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

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