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**AB-2422 California State University: investments.** (2021-2022)

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**Assembly Bill No. 2422**

**CHAPTER 530**

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

[ Approved by Governor September 25, 2022. Filed with Secretary of State September 25, 2022. ]

**LEGISLATIVE COUNSEL'S DIGEST**

AB 2422, McCarty. California State University: investments.

(1) Existing law authorizes the chief fiscal officer of a campus of the California State University, upon approval of the Trustees of the California State University, to invest certain money received by the California State University in mutual funds subject to registration by, and under the regulatory authority of, the United States Securities and Exchange Commission, or in United States registered real estate investment trusts.

This bill would limit the real estate investment trusts that could be invested in to those that are publicly traded and registered with the United States Securities and Exchange Commission. The bill would authorize the chief fiscal officer of a campus of the California State University, upon approval of the trustees, to also invest that money in institutional commingled funds, as specified, offered by investment advisors registered with, and under the regulatory authority of, the United States Securities and Exchange Commission, or in exchange-traded funds subject to registration by, and under the regulatory authority of, the United States Securities and Exchange Commission.

(2) Existing law establishes the California State University Special Projects Fund, which consists of grants, revenues, and funds of any nature received by the trustees for research, workshops, conferences, institutes, and special projects from the state, federal government, local government, or private persons. Existing law continuously appropriates all grants, revenues, and funds deposited in the fund to the trustees for the operation, support, and development of research, workshops, conferences, institutes, and special projects in the California State University. Existing law authorizes the Treasurer or the chief fiscal officer of a campus of the California State University, upon approval of the trustees, to invest money from the fund in mutual funds subject to registration by, and under the regulatory authority of, the United States Securities and Exchange Commission, or in United States registered real estate investment trusts.

This bill would limit the real estate investment trusts that could be invested in to those that are publicly traded and registered with the United States Securities and Exchange Commission. The bill would authorize the Treasurer or chief fiscal officer of a campus of the California State University, upon approval of the trustees, to also invest that money in institutional commingled funds, as specified, offered by investment advisors registered with, and under the regulatory authority of, the United States Securities and Exchange Commission, or in exchange-traded funds subject to registration by, and under the regulatory authority of, the United States Securities and Exchange Commission. By authorizing the expenditure of moneys from a continuously appropriated fund for new purposes, the bill would make an appropriation.

(3) Commencing with the 2019–20 fiscal year, existing law limits the total amount that may be invested in those mutual funds and real estate investment trusts, as described in paragraphs (1) and (2), to up to 30% of that money.

Commencing with the 2022–23 fiscal year, this bill would increase the limit on the total amount that may be invested in those mutual funds, real estate investments trusts, institutional commingled funds, and exchange-traded funds, as described in paragraphs (1) and (2), to up to 65% of that money.

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

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

### **SECTION 1.** Section 89724 of the Education Code is amended to read:

**89724.** (a) All money received in accordance with the following shall be appropriated for the support of the California State University in addition to other amounts as may be appropriated by the Legislature:

(1) All money received from the sale of California State University publications.

(2) All money received under an agreement entered into pursuant to Section 89036.

(3) Except as to the fees and charges specified in subdivisions (g) and (h) of Section 89721, all money collected as fees from students of the California State University and received from other persons under Sections 89030, 89036 to 89039, inclusive, 89700, 89705, 89708, 89709, 89720, and 89721, and money received pursuant to Section 2080.8 of the Civil Code.

(b) (1) Money received under Sections 89720 and 89721, or received pursuant to Section 2080.8 of the Civil Code, is appropriated pursuant to subdivision (a) without regard to fiscal year.

(2) Money received pursuant to Section 2080.8 of the Civil Code shall be used for student scholarships and loans pursuant to any regulations the trustees provide.

(3) Money received pursuant to Sections 89720 and 89721 may be invested, upon approval of the trustees, by the Treasurer or by the chief fiscal officer of a campus of the California State University, in those eligible securities listed in Section 16430 of the Government Code.

(4) (A) Money received under Sections 89720 and 89721, and received pursuant to Section 2080.8 of the Civil Code, may be invested, upon approval of the trustees and in accordance with Section 89726, by the chief fiscal officer of a campus of the California State University, in any of the following:

(i) Mutual funds subject to registration by, and under the regulatory authority of, the United States Securities and Exchange Commission.

(ii) Publicly traded real estate investment trusts registered with the United States Securities and Exchange Commission.

(iii) Institutional commingled funds, including commingled trust funds and collective trust funds, offered by investment advisors registered with, and under the regulatory authority of, the United States Securities and Exchange Commission.

(iv) Exchange-traded funds subject to registration by, and under the regulatory authority of, the United States Securities and Exchange Commission.

(B) All interest and other earnings received pursuant to the investment of money received pursuant to Sections 89720 and 89721 shall also be used for purposes established by the trustees consistent with the terms and conditions of the gift, bequest, devise, donation, or agreement under Sections 89720 and 89721.

(5) Except as otherwise provided with respect to money received pursuant to Section 2080.8 of the Civil Code and Sections 89720 and 89721, all money received pursuant to this section shall augment the support appropriation to the California State University for the fiscal year to which the collections apply.

(c) All money received from the sale or the disposition of real property acquired by or on behalf of a campus of the California State University by gift, devise, or donation pursuant to Section 89720 or pursuant to the predecessor of that section is hereby appropriated to the trustees for expenditure for capital outlay for the acquisition and improvement of real property for the campus, in addition to any other amounts appropriated by the Legislature. All money received from the sale or other disposition of personal property, other than money, acquired by or on behalf of a campus of the California State University by gift, bequest, or donation pursuant to Section 89720 or the predecessor of that section is hereby appropriated to the trustees for expenditure for capital outlay for, or the acquisition and improvement of real or personal property for, the campus, in addition to other amounts appropriated by the Legislature. No money shall be expended by the trustees under this subdivision without the approval of the

Director of Finance. The money shall augment the support or capital outlay appropriation of the California State University current at the date of issuance of the Controller's receipt as may be designated by the trustees before the deposit of that money in the State Treasury.

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

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

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

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

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

(e) (1) Moneys in the California State University Special Projects Fund may be invested by the Treasurer or by the chief fiscal officer of a campus of the California State University, upon approval of the trustees, only in eligible securities listed in Section 16430 of the Government Code, or, in accordance with Section 89726, in any of the following:

(A) Mutual funds subject to registration by, and under the regulatory authority of, the United States Securities and Exchange Commission.

(B) Publicly traded real estate investment trusts registered with the United States Securities and Exchange Commission.

(C) Institutional commingled funds, including commingled trust funds and collective trust funds, offered by investment advisors registered with, and under the regulatory authority of, the United States Securities and Exchange Commission.

(D) Exchange-traded funds subject to registration by, and under the regulatory authority of, the United States Securities and Exchange Commission.

(2) All interest or other earnings received pursuant to those investments described in paragraph (1) shall be collected by the Treasurer, and shall be deposited in the fund.

**SEC. 3.** Section 89726 of the Education Code is amended to read:

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

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

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

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

(1) In the fiscal year ending June 30, 2022, 30 percent of all moneys invested pursuant to Sections 89724 and 89725.

(2) In the fiscal year ending June 30, 2023, and each fiscal year thereafter, 65 percent of all moneys invested pursuant to Sections 89724 and 89725.

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

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

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

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

(f) The trustees shall not cite investment loss resulting from investments in securities or investments not listed in Section 16430 of the Government Code to justify approval of an increase in student tuition or fees. No increase in tuition or reduction in course sections offered shall be adopted because of investment losses sustained as a result of this section.