

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

August 24, 2017

CHANNEL ISLANDS

CHICO

DOMINGUEZ HILLS

EAST BAY

FRESNO

FULLERTON

HUMBOLDT

LONG BEACH

LOS ANGELES

MARITIME ACADEMY

MONTEREY BAY

NORTHRIDGE

POMONA

SACRAMENTO

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSE

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS

Senator Ben Allen
Senator Jim Beall
Senator Cathleen Galgiani
Senator Hannah-Beth Jackson
Senator Connie Leyva
Senator Richard Pan
Senator Anthony Portantino
Assembly Member Miguel Santiago

Dear Senators and Assembly Member:

This letter responds to your July 20, 2017 letter requesting certain information regarding California State University (CSU) accounts held outside the state treasury.

Almost twenty years ago, AB2812 Chaptered (Stats.1998 Ch.954) provided the CSU with the ability to invest specified monies outside the state treasury to streamline administrative processes and enhance earnings available to support the CSU's educational mission. The CSU has maintained authorized investment accounts since that time and has utilized the flexibility to make timely payments during periods of budget uncertainty that would have interrupted summer session educational payments, provided supplemental interest earnings to supplement campus operations, and meet short-term cash when required to accommodate state cash shortages. Over the ten-year period from July 1, 2007 through June 30, 2017, earnings totaling \$306.4 million have been used to support student housing, student body center programs, parking, continuing education, and other authorized activities listed beginning on page five of this letter, including campus operations.

My staff has compiled the requested information presented below using accounting records maintained by the Office of the Chancellor on behalf of the CSU and all reported figures reflect cash balances as of June 30 for each of the ten years reported. For ease of reference, I have included the question from your letter followed by the response.

Question 1. Please identify all outside CSU budgetary accounts not held by the state treasury, with some explanation as the reasons for these outside accounts.

The CSU deposits authorized cash in a single investment portfolio called the Systemwide Investment Fund Trust (SWIFT) portfolio, which was established in July 2007 for the purpose of further enhancing centralized cash and investment management. On a daily basis, net investable cash from the Chancellor's Office and campus-controlled bank depository and disbursement accounts is pooled and moved into SWIFT for investment. Two firms—US Bank Asset Management and Wells Capital Management—handle the day-to-day investment management responsibilities of SWIFT and US Bank serves as the custodian of funds.

As of June 30, 2017, balances held in the SWIFT account total \$3,710,691,437. Authority to deposit funds in the SWIFT account is provided by the California Education Code, Title 3. Postsecondary Education, Division 8. California State University, Part 55, California State University, Chapter 6. Finance, Article 2. Revenues, §89721.

Question 2. Please provide the current balances of each CSU outside account, and a record of these balances for the past 10 years. Please explain the reason for significant increases or reductions in the account balances.

	6 30 2008	6 30 2009	6/30/2010	6 30 2011	6/30/2012
Balance	\$1,811,362,116	\$1,364,773,463	\$2,031,733,623	\$2,281,284,639	\$1,734,533,891
% Change		-25%	49%	12%	-24%

	6/30/2013	6/30/2014	6/30/2015	6 30 2016	6/30/2017
Balance	\$2,497,640,258	\$2,750,399,110	\$3,183,795,560	\$3,490,006,675	\$3,710,691,437
% Change	44%	10%	16%	10%	6%

The table above quantifies the volatility of the SWIFT balances held over the past decade and indicates that the growth rate of the balance continues to decline over the past three years. The fluctuation from 2007/08 to 2010/11 reflects adjustments as a result of the Federal American Recovery and Reinvestment Act (ARRA) funding in 2009/10 and 2010/11 to partially offset the \$800 million budget reduction incurred in 2008/09. Changes from 2011/12 to 2012/13 were a result of the state of California borrowing cash in 2011/12 during the economic downturn, with repayment occurring in the following fiscal year.

Question 3. Please identify the primary sources of revenue for these outside accounts for the past ten years.

The SWIFT account includes revenues from activities authorized by EDC §89721 for deposit outside the state treasury, as follows:

EDC §89721. Notwithstanding any other provision of law, the chief fiscal officer of each campus of the California State University shall deposit into and maintain in local trust accounts or in trust accounts in accordance with Sections 16305 to 16305.7, inclusive, of the Government Code, or in the California State University Trust Fund, moneys received in connection with the following sources or purposes:

(a) Gifts, bequests, devises, and donations received under Section 89720.

(b) Any student loan or scholarship fund program, including but not limited to, student loan programs of the state, federal government (including programs referred to in Section 89723), local government, or private sources.

(c) Advance payment for anticipated expenditures or encumbrances in connection with federal grants or contracts.

(d) Room, board, and similar expenses of students enrolled in the international program of the California State University.

(e) Cafeteria replacement funds.

(f) Miscellaneous receipts in the nature of deposits subject to return upon approval of a proper application.

(g) Fees and charges for services, materials, and facilities authorized by Section 89700 if these fees or charges are required of those persons who, at their option, use the services or facilities, or are provided the materials, for which the fees or charges are made. Fees and charges so received and deposited shall be used solely to meet the costs of providing these services, materials, and facilities.

(h) Fees for instructionally related activities as defined by the trustees and as authorized by Section 89700 and revenues derived from the conduct of the instructionally related activities. The trustees shall have all authority necessary to administer and use the fees and revenues received and deposited to support such instructionally related activities.

(i) Fees for parking, health facilities or health services, and for extension programs, special sessions, and other self-supporting instructional programs.

(j) Revenue received by the trustees from the California State Lottery Education Fund pursuant to Section 8880.5 of the Government Code.

(k) Moneys received by the trustees for research, workshops, conferences, institutes, and special projects.

(l) Moneys collected as higher education fees and income from students of any campus of the California State University and from other persons pursuant to Section 89700. The Controller shall have the authority to audit the expenditure of these funds.

(Amended by Stats. 2006, Ch. 79, Sec. 34. Effective July 19, 2006.)

Question 4. Please identify significant expenditures from these outside accounts and the extent to which any fund expenditures from these accounts are restricted by CSU policy or state statute. Are all or portions of these revenues available for CSU general fund expenditures? If not, please explain why.

The SWIFT account is used for investment purposes only and the CSU does not expend funds from the SWIFT account. Instead, monies are transferred from the SWIFT account back to the originating fund for expenditure in accord with statutory requirements. The following expenditure restrictions that apply to funds that may be held in the SWIFT account are summarized from the referenced statute:

Revenues from student fees charged for "instructionally related activities" may not be used for athletic grants and are restricted for use pursuant to the purpose identified at the time the fee was created. EDC §89230(a)

General Fund appropriations or state university fee revenue may not be used to pay for summer athletics scholarships. EDC §89241(i)

Revenues received from student body center fees may only be used to finance, operate, and construct a student body center. EDC §89304

Revenues received from motor vehicle parking facilities may only be used for acquisition, construction, operation, and maintenance of motor vehicle parking facilities. EDC §89701

Parking fines and forfeitures shall only be used exclusively for the development, enhancement, and operation of alternate methods of transportation programs for students and employees, for the mitigation of the impact of off-campus student and employee parking in university communities, and for the administration of the parking fines and forfeitures programs. EDC §89701.5

Student health facilities fee revenue may only be used for the acquisition, construction, and improvement of student health centers. EDC §89702

Student housing fee revenue may only be used for student housing programs.
EDC §89703

Revenues received from extension programs, special session, and other self-supporting instructional programs including fees and charges may only be used for the support and development of self-supporting instructional programs of the California State University. EDC §89704

Revenue from campus mandatory fees may not be used for student financial assistance unless authorized at the time the fee is implemented or approved by an affirmative vote of a majority of the members of either the student body or a campus fee advisory committee. EDC §89711

Interest earned on financial aid money deposited by the chief fiscal officer of each campus in the central treasury system must be used for financial aid, except interest earned on federal financial moneys that must be returned to the United States. EDC §89722.9

Funds received by the trustees from the sale of unclaimed property must be used for student scholarships and loans. EDC §89724(a)

The following table distributes the SWIFT account balances as of June 30, 2017 according to the applicable statutory restriction, or if the account balances are not otherwise restricted designated for CSU operations:

Fund Group and Designation	As of June 30, 2017	Statutory Designation
Lottery programs	\$53,353,401	EDC §89721, §89722.5, GOV §8880.1, 8880.5
Local trust funds	\$230,918,413	EDC §89721, §89230, §89301, §89700
Health facilities	\$55,954,782	EDC §89721, §89702
Financial aid	\$90,563,091	EDC §89721, §89722.9
Parking	\$191,470,372	EDC §89721, §89701, §89701.5
Extended education	\$297,227,733	EDC §89721, §89704
Student body center programs	\$304,583,649	EDC §89721, §89304
Capital and special projects	\$193,218,052	EDC §89721, §89725

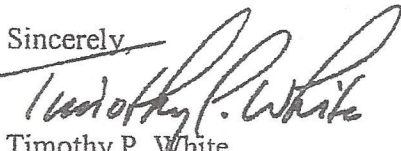
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Housing	\$ 415,610,152	EDC §89721, §89703
CSU operations	\$ 1,877,791,792	EDC §89721, §89700
Total SWIFT Balance	\$ 3,710,691,437	

The balance available designated for CSU operations held in the SWIFT account as of June 30, 2017 totaled \$1,877,791,792, which is equal to approximately three months of operating expenditures.

I hope that you find this letter responsive to your inquiry and if I can provide any further information, please contact me.

Sincerely,



Timothy P. White
Chancellor

TPW/jw

- c: Mr. Steve Relyea, Executive Vice Chancellor and Chief Financial Officer
Mr. Garrett Ashley, Vice Chancellor, University Relations and Advancement
Ms. Melissa Bard, Vice Chancellor, Human Resources
Ms. Kathleen Chavira, Assistant Vice Chancellor, CSU Advocacy and State Relations