

**California Educational Facilities Authority (Authority or CEFA)**  
**California Student Housing Revolving Loan Program**

**Information Item**  
**September 28, 2023**

**Overview**

On September 27, 2022 the California Student Housing Revolving Loan Fund Act of 2022 was chaptered into law with the passing of AB 190, the Higher Education Trailer Bill (Chapter 572, Statutes of 2022), authorizing CEFA and the California School Finance Authority (CSFA) to develop the California Student Housing Revolving Loan Program (Program) to provide zero-interest loans to qualifying colleges and universities to construct affordable student, faculty, and staff housing. It would require CSFA to develop an application and consider applications from qualifying California Community Colleges (CCC), as provided, and CEFA to consider applications from qualifying applicants of the University of California (UC) or the California State University (CSU) systems, as specified. It was the intent of the Legislature to appropriate \$900,000,000 in the 2023-2024 fiscal year and \$900,000,000 in the fiscal year 2024-2025.

However, on July 10, 2023, SB 117 was chaptered into law (Chapter 50, Statutes of 2023) amending the funding levels for the Program Fund and allocating \$200,000,000 for the 2023-2024 fiscal year, with the intent to appropriate \$300,000,000 for each fiscal year starting from FY 2024–2025 through FY 2028–2029, totaling \$1.7 billion, to be deposited in the Program Fund. Per SB 117, 75 percent of the \$200,000,000 allocation shall be available for UC and CSU applicants and 25 percent shall be available for CCC applicants.

The Program requires the development of a new revolving loan program under CSFA and CEFA. This Program requires policy development, underwriting criteria, regulation development, forms development, and a loan tracking system. In addition, staff would have to review the loan applications and make recommendations to their respective boards to approve the loans. Since this is a revolving loan program, it would be replenished through the repayment of loans, thus would be ongoing. In addition, CSFA and CEFA would be empowered to issue bonds in the future to replenish the Program Fund if the demand were there.

**Key Provisions of the Program Applications**

Applications shall demonstrate all of the following:

- Construction on the project could begin by June 30, 2025, or by the earliest possible date thereafter.
- The rate for student, staff, and faculty housing supported by the fund will be below local market rental rates for comparable student, staff, and faculty housing.
- Receipt of a loan from the authority shall result in a public benefit, such as the ability to reduce rents, serve more students, provide additional onsite student support services, or other tangible benefits.
- The project will be owned by a participating college or university or participating nonprofit entity.

### **Criteria that can be Considered**

- The timeline for construction, with priority given to projects that can begin construction the earliest.
- The campus' unmet demand for student housing, with priority given to applicants with greater unmet demand for student housing.
- A local match is available, with priority given to applicants with a local match.
- Applications are fairly representative of various geographical regions of the state and the University of California, the California State University, and the California Community Colleges.

### **Administrative Duties**

As designated administrators of the Program, CSFA and the Authority will have the following administrative duties:

- 1) Provide loans to CCCs, UCs and CSUs to construct student housing projects, including dining, academic, and student support service spaces and other related facilities and equipment, as well as faculty and staff housing.
- 2) Develop a uniform application by April 1, 2024, requesting such information as goals, costs, number of students or faculty and staff to be housed, timeline, financial feasibility, and other information required to determine creditworthiness and public benefit.
- 3) Review applications and present to the CSFA and CEFA boards for approval.
- 4) Disburse loans and track repayment.
- 5) Issue bonds to replenish the Program Fund as needed.
- 6) Submit a report, by March 15, 2025, to the Department of Finance and Assembly and Senate budget committees, on the results of the Program.

### **Interagency Agreement**

The Authority intends to enter into an interagency agreement with CSFA to utilize its staff and consultants to assist CEFA with various aspects of the Program, including, but not limited to, policy development, underwriting criteria, regulation development, financial model development, form development, a loan tracking system, and evaluating applications and projects.

### **Next Steps**

In consultation with CSFA and key stakeholders, CEFA staff will continue to work on developing the Program. With very little upfront funding of \$150 million for UCs and CSUs, CEFA will check in with stakeholders on what type of financing structure it should implement to most effectively utilize the appropriated funds. Next steps include the following:

- Stakeholder outreach and meetings and board input
- Develop financing structures (such as bridge loans, gap financing and full project financing, etc...)

- Develop program regulations and an application with evaluation criteria and scores
- CEFA Board approval of the Program
- Technical assistance /Market Outreach to applicants to apply for grant funding
- Opening of application funding rounds
- Scoring of applications and recommendations
- CEFA Board approval of financing awards
- Additional funding rounds as needed
- Grantees report outcomes to CEFA

### **Attachments**

- 1) Attachment A – California Student Housing Revolving Loan Fund Act (AB 190, 2022)
- 2) Attachment B – Funding of the Program (SB 117, 2023)

## **Attachment A – California Student Housing Revolving Loan Fund Act (AB 190, 2022) Authorizing Statute**

### **SEC. 2.**

Chapter 14.28 (commencing with Section 67329.1) is added to Part 40 of Division 5 of Title 3 of the Education Code, to read:

### **CHAPTER 14.28. California Student Housing Revolving Loan Fund Act of 2022**

#### **Article 1. Title**

##### **67329.1.**

This chapter shall be known, and may be cited, as the California Student Housing Revolving Loan Fund Act of 2022.

#### **Article 2. Definitions**

##### **67329.2.**

As used in this chapter, unless the context requires otherwise, the following definitions apply:

- (a) “Allocation” means the portion of the initial California Student Housing Revolving Loan Fund Act of 2022 appropriation allocated to each designated authority to provide loans pursuant to this chapter.
- (b) “Authority” means, for a college applicant, the California School Finance Authority created and authorized pursuant to the California School Finance Authority Act (Chapter 18 (commencing with Section 17170) of Part 10 of Division 1 of Title 1). For a university applicant, “authority” means the California Educational Facilities Authority created and authorized pursuant to the California Educational Facilities Authority Act (Chapter 2 (commencing with Section 94100) of Part 59 of Division 10). The meaning of “authority” as used in this chapter depends on the college or university system of which the applicant is a member.
- (c) “Campus” means a community college district, or a campus of the University of California or the California State University.
- (d) “College applicant” means a community college district, or the Office of the Chancellor of the California Community Colleges on behalf of a community college district.
- (e) “Faculty and staff housing project” means one or more housing facilities to be occupied by faculty or staff of one or more campuses, and owned by a participating college or university or participating nonprofit entity.
- (f) “Fund” means the California Student Housing Revolving Loan Fund established by this chapter.

(g) “Participating nonprofit entity” means an entity within the meaning of paragraph (3) of subsection (c) of Section 501 of Title 26 of the United States Code.

(h) “Project” means a student housing project or a faculty and staff housing project.

(i) “Student housing project” means one or more housing facilities to be occupied by students of one or more campuses and owned by a participating college or university or participating nonprofit entity. These facilities are determined to be educational facilities, which also may include dining, academic and student support service spaces, and other necessary and usual attendant and related facilities and equipment.

(j) “University applicant” means a campus of the University of California or the California State University, the Office of the President of the University of California on behalf of one or more campuses of the University of California, or the Office of the Chancellor of the California State University on behalf of one or more campuses of the California State University.

### **Article 3. The California Student Housing Revolving Loan Fund**

#### **67329.3.**

(a) (1) The California Student Housing Revolving Loan Fund is hereby established in the State Treasury to provide zero-interest loans to qualifying college and university applicants for the purpose of constructing affordable student housing and affordable faculty and staff housing. Notwithstanding Section 13340 of the Government Code, all moneys in the fund are hereby continuously appropriated without regard to fiscal years for purposes of this chapter.

(2) It is the intent of the Legislature to appropriate, in the annual Budget Act, the sum of nine hundred million dollars (\$900,000,000) in the 2023–24 fiscal year and nine hundred million dollars (\$900,000,000) in the 2024–25 fiscal year, to be deposited in the California Student Housing Revolving Loan Fund.

(b) The Treasurer may pledge any or all of the moneys in the fund as security for payment of the principal of, and interest on, a particular issuance of bonds by a designated lending authority pursuant to this chapter. For that purpose, or as convenient or necessary to the accomplishment of any other purpose of this chapter, the Treasurer may divide the fund into separate accounts or subaccounts.

(c) The Treasurer may invest moneys in the fund that are not required for its current needs, including proceeds from the sale of bonds, in eligible securities specified in Section 16430 of the Government Code, and may include deposit for investment in the Surplus Money Investment Fund pursuant to Article 4 (commencing with Section 16470) of Chapter 3 of Part 2 of Division 4 of Title 2 of the Government Code. Notwithstanding Section 16305.7 of the Government Code, all interest or other increment resulting from the investment or deposit of moneys from the fund shall be deposited in the fund. Moneys in the fund shall not be subject to transfer to any other funds pursuant to any provision of Part 2 (commencing with Section 16300) of Division 4 of Title 2 of the Government Code, except to the Surplus Money Investment Fund.

(d) If the Treasurer sells bonds for either authority that include a bond counsel opinion to the effect that the interest on the bonds is excluded from gross income for federal tax purposes, subject to designated conditions, the Treasurer may maintain separate accounts for the investment of bond proceeds and for the investment of earnings on those proceeds. The Treasurer may use or direct the use of those proceeds or earnings to pay any rebate, penalty, or other payment required under federal law or take any other action with respect to the investment and use of those bond proceeds required or desirable under federal law to maintain the tax-exempt status of those bonds and to obtain any other advantage under federal law on behalf of the funds of this state.

#### **Article 4. Criteria and Process**

##### **67329.4.**

(a) Each authority shall develop a uniform application that includes requests for relevant information, such as project goals, costs, number of students or faculty and staff to be housed, timeline for the project, financial feasibility of the project, and other information deemed necessary for evaluation of creditworthiness and public benefit criteria established by each authority pursuant to this chapter. The applications shall be available no later than April 1, 2024, in accordance with each authority's existing regulations or any necessary amendments, which shall be undertaken as emergency regulations, if necessary.

(b) The initial preliminary applications for projects to be considered pursuant to this chapter shall be submitted to the designated authority no later than July 1, 2024. Thereafter, the authority may establish subsequent application periods, as necessary.

(c) Applications may be submitted to the designated authority by college and university applicants as set forth in this chapter pursuant to the following:

(1) The California Educational Facilities Authority shall consider applications from university applicants.

(2) The California School Finance Authority shall consider applications from college applicants.

(d) Applications shall demonstrate all of the following:

(1) Construction on the project could begin by June 30, 2025, or by the earliest possible date thereafter, as stated in the application.

(2) The rate for student, staff, and faculty housing supported by the fund will be below local market rental rates for comparable student, staff, and faculty housing, and may take into account the costs of utilities, food service, operations, maintenance, and other services included in the student, staff, and faculty housing rent.

(3) Receipt of a loan from the authority shall result in a public benefit, such as the ability to reduce rents, serve more students, provide additional onsite student support services, or other tangible benefits that would not be practical without receipt of the loan.

(4) The project will comply with the requirements of Section 67329.5.

(5) The project will be owned by a participating college or university or participating nonprofit entity.

(e) In the event that an authority receives or anticipates receiving more applications than its allocation of state funding can support, the authority may consider any of the following criteria in selecting projects:

(1) The timeline for construction, with priority given to projects that can begin construction the earliest.

(2) The campus' unmet demand for student housing, with priority given to applicants with greater unmet demand for student housing.

(3) A local match is available, with priority given to applicants with a local match.

(4) When considered as a whole, the applications approved pursuant to this chapter are fairly representative of various geographical regions of the state and the University of California, the California State University, and the California Community Colleges.

#### **67329.5.**

A project financed pursuant to this chapter shall meet all of the following requirements:

(a) For projects financed pursuant to this chapter that are not University of California projects, all work traditionally performed by employees of the college or university applicant shall be performed only by those employees.

(b) For projects financed pursuant to this chapter that are projects of the University of California or projects benefiting the University of California, the following requirements apply:

(1) As a condition of receiving money financed pursuant to this chapter, the University of California shall certify that all cleaning, maintenance, groundskeeping, food service, or other work traditionally performed by persons with University of California Service Unit (SX) job classifications shall be performed only by employees of the University of California at each beneficially affected facility, building, or other property.

(2) This subdivision does not apply to, and shall not restrict the performance of, work done under contract and paid for in whole or in part out of public funds, when the work is either of the following:

(A) Construction, alteration, demolition, installation, or repair work, including work performed during the design, preconstruction, and postconstruction phases of construction.

(B) Carpentry, electrical, plumbing, glazing, painting, and other craft work designed to preserve, protect, or keep any publicly owned facility in a safe and continuously usable condition, including repairs, cleaning, and other operations on machinery and other equipment permanently attached to the building or real property as fixtures.

(3) The Department of Finance shall approve new or additional money for University of California projects financed pursuant to this chapter only after the University of California has demonstrated ongoing and continuous compliance with this subdivision. A demonstration of compliance shall include a certification of compliance signed by the President of the University of California, or their duly authorized designee, indicating that at each project facility, building, or other property benefiting from money financed pursuant to this chapter the following will occur or has occurred:

(A) All work specified in paragraph (1) of this subdivision will be performed exclusively by University of California employees.

(B) Either of the following:

(i) All work described in paragraph (1) of this subdivision has been performed exclusively by University of California employees at all times since the University of California received money for the project pursuant to this chapter.

(ii) The University of California shall provide a written report detailing any noncompliance with paragraph (1) of this subdivision, specifying how many contract workers performed work at each project facility, building, or other property benefiting from money financed pursuant to this chapter, for what periods of time, and what the University of California has done to remedy the noncompliance, and, on or before February 1 of each calendar year, shall certify to the satisfaction of the Department of Finance that it has maintained subsequent compliance with paragraph (1) of this subdivision.

(4) The University of California shall include the certification required pursuant to this subdivision with the certification required pursuant to subdivision (e) of Section 92495.

**67329.51.**

(a) For projects financed pursuant to this chapter, participating colleges and universities and participating nonprofit entities shall do all of the following:

(1) At least seven days before issuing a bid solicitation for the project, send a notice of the solicitation that describes the project to the following entities within the jurisdiction of the proposed project site:

(A) Any bona fide labor organization representing workers in the building and construction trades who may perform work necessary to complete the project.

(B) Any organization representing contractors that may perform work necessary to complete the project.

(2) Ensure that all contractors and subcontractors performing work on the project will be required to pay prevailing wages for any proposed construction, alteration, or repair in accordance with Chapter 1 (commencing with Section 1720) of Part 7 of Division 2 of the Labor Code. All of the following shall occur:



(A) The participating college or university or participating nonprofit entity shall ensure that the prevailing wage requirement is included in all contracts for the performance of all construction work.

(B) All contractors and subcontractors shall pay to all construction workers employed in the execution of the work at least the general prevailing rate of per diem wages, except that apprentices registered in programs approved by the Chief of the Division of Apprenticeship Standards may be paid at least the applicable apprentice prevailing rate.

(C) Except as provided in subparagraph (E), all contractors and subcontractors shall maintain and verify payroll records pursuant to Section 1776 of the Labor Code, and make those records available for inspection and copying as provided therein.

(D) Except as provided in subparagraph (E), the obligation of the contractors and subcontractors to pay prevailing wages may be enforced by the Labor Commissioner through the issuance of a civil wage and penalty assessment pursuant to Section 1741 of the Labor Code, which may be reviewed pursuant to Section 1742 of the Labor Code, within 18 months after the completion of the development, or by an underpaid worker through an administrative complaint or civil action, or by a joint labor-management committee through a civil action under Section 1771.2 of the Labor Code. If a civil wage and penalty assessment is issued, the contractor, subcontractor, and surety on a bond or bonds issued to secure the payment of wages covered by the assessment shall be liable for liquidated damages pursuant to Section 1742.1 of the Labor Code.

(E) Subparagraphs (C) and (D) shall not apply if all contractors and subcontractors performing work on the development are subject to a multicraft building trades project labor agreement that requires the payment of prevailing wages to all construction workers employed in the execution of the development and provides for enforcement of that obligation through an arbitration procedure. For purposes of this subparagraph, “project labor agreement” has the same meaning as set forth in paragraph (1) of subdivision (b) of Section 2500 of the Public Contract Code.

(3) For projects financed pursuant to this chapter with onsite construction, alteration, or repair costs totaling twenty-five million dollars (\$25,000,000) or more, seek bids containing an enforceable commitment that all contractors and subcontractors performing work on the project will use a skilled and trained workforce to perform any rehabilitation, construction, or alterations work on the project that falls within an apprenticeable occupation in the building and construction trades.

(4) For the purpose of establishing a bidder pool of eligible contractors and subcontractors that satisfy the skilled and trained workforce requirements, establish a process to prequalify prime contractors and subcontractors, including, but not limited to, electrical, mechanical, and plumbing subcontractors. This process shall include, but is not limited to, all of the following requirements:

(A) The participating college or university or participating nonprofit entity shall only accept bids from prime contractors that have been prequalified and listed as eligible contractors.

(B) If the participating college or university or participating nonprofit entity receives at least two bids from prequalified prime contractors, the contract shall be awarded to the lowest qualified bidder and the participating college or university or participating nonprofit entity shall certify to the authority that a skilled and trained workforce will be used to perform all construction work on the development.

(C) If the participating college or university or participating nonprofit entity receives fewer than two bids from prequalified prime contractors, the contract may be rebid and awarded to the lowest responsive bidder without the skilled and trained workforce requirement applying to the prime contractor's scope of work.

(D) Prime contractors shall only accept bids and list subcontractors from the prequalified list. If the prime contractor receives bids from at least 2 subcontractors in each tier listed on the prequalified list, the prime contractor shall require that the contract for that tier or scope of work will require a skilled and trained workforce.

(E) If the prime contractor fails to receive at least 2 bids from subcontractors listed on the prequalified list in any tier, the prime contractor will not require that a skilled and trained workforce be used for that scope of work, and may list subcontractors that do not appear on the prequalified list.

(F) The participating college or university or participating nonprofit entity shall establish minimum qualifications that are, to the maximum extent possible, quantifiable and objective. Only criterion, and minimum thresholds for any criterion, that are reasonably necessary to ensure that any bidder awarded a project can successfully complete the proposed scope shall be used by the project proponent.

(G) All bids submitted by prime contractors and subcontractors shall be sealed, opened in a public process that is open to all bidders and other interested parties, and listed on the participating college's or university's or participating nonprofit entity's internet website.

(H) The Subletting and Subcontracting Fair Practices Act established pursuant to Chapter 4 (commencing with Section 4100) of Part 1 of Division 2 of the Public Contract Code shall apply.

(5) (A) Except as provided in subparagraph (B), provide to the authority on a monthly basis while the development or contract is being performed a report demonstrating compliance with Chapter 2.9 (commencing with Section 2600) of Part 1 of Division 2 of the Public Contract Code. A monthly report provided to the authority pursuant to this subparagraph shall be a public record under the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code) and shall be open to public inspection. A participating college or university or participating nonprofit entity that fails to provide a monthly report demonstrating compliance with Chapter 2.9 (commencing with Section 2600) of Part 1 of Division 2 of the Public Contract Code shall be subject to a civil penalty of ten thousand dollars (\$10,000) per month for each month for which the report has not been provided. Any contractor or subcontractor that fails to use a skilled and trained workforce shall be subject to a civil penalty of two hundred dollars (\$200) per day for each

worker employed in contravention of the skilled and trained workforce requirement. Penalties may be assessed by the Labor Commissioner within 18 months of completion of the development using the same procedures for issuance of civil wage and penalty assessments pursuant to Section 1741 of the Labor Code, and may be reviewed pursuant to the same procedures in Section 1742 of the Labor Code. Penalties shall be paid to the State Public Works Enforcement Fund.

(B) Subparagraph (A) shall not apply if all contractors and subcontractors performing work on the development are subject to a multicraft building trades project labor agreement that requires compliance with the skilled and trained workforce requirement and provides for enforcement of that obligation through an arbitration procedure. For purposes of this subparagraph, “project labor agreement” has the same meaning as set forth in paragraph (1) of subdivision (b) of Section 2500 of the Public Contract Code.

(6) Notify the Department of Industrial Relations within five calendar days of the contract award.

(b) For purposes of this section, “skilled and trained workforce” has the same meaning as provided in Chapter 2.9 (commencing with Section 2600) of Part 1 of Division 2 of the Public Contract Code.

## **Article 5. Repayment and Bond Issuance**

### **67329.6.**

(a) For each loan made by an authority, the authority shall establish a schedule of payments, the primary source of which may be lease or rent payments for occupancy of the project financed by that loan, and the sum of which shall be calculated to result in full payment of the loan within a reasonable period of time not to exceed 30 years.

(b) The California Educational Facilities Authority may issue revenue bonds and enter into related agreements, and take all other actions necessary and convenient for the issuance of revenue bonds for university applicants for projects in accordance with this chapter and its authorizing statutes, as amended from time to time.

(c) Each authority may use amounts deposited in the fund, including, but not limited to, loan repayments, as a source of reserve and security for the payment of principal and interest on revenue bonds, the proceeds of which are deposited in the fund or in a designated fund or account of the authority established for that purpose. The purpose of any such revenue bonds is to augment the fund.

(d) (1) Notwithstanding any other law, revenue bonds issued under this chapter are not and shall not be deemed to constitute a debt or liability of the state, or any political subdivision thereof, and are not and shall not be deemed to be a pledge of the faith and credit of the state, or any political subdivision thereof, other than the authority. Revenue bonds of the authority shall be payable solely from funds provided under this chapter.

(2) Each revenue bond of the authority shall include a statement on the face of the bond that neither the State of California nor the authority is obligated to pay the principal or interest thereon, except from revenues of the authority, and shall also include a statement that neither the faith or credit, nor the taxing power of the State of California, or any political subdivision, is pledged to the payment of the principal or interest of the bonds.

(3) The issuance of revenue bonds under this chapter shall not directly, indirectly, or contingently obligate the state, or any political subdivision thereof, to levy or pledge any form of taxation, or make any appropriation for their payment.

## **Article 6. Rulemaking**

### **67329.7.**

Each authority may adopt, amend, or repeal rules and regulations pursuant to this chapter as emergency regulations. The adoption, amendment, or repeal of these regulations is conclusively presumed to be necessary for the immediate preservation of the public peace, health, safety, or general welfare within the meaning of Section 11346.1 of the Government Code.

## **Article 7. Reporting**

### **67329.8.**

Each authority shall provide a report to the Department of Finance and the budget committees of the Assembly and Senate by March 15, 2025. The report shall include, but shall not necessarily be limited to, all of the following information:

- (a) The number of projects receiving loans.
- (b) The total dollar amount of loans made.
- (c) The dollar amount of the loan provided for each project.
- (d) The terms of the loan for each project.

## **Article 8. Administrative Costs**

### **67329.9.**

Each authority may charge against the fund its administrative costs, which shall not exceed 3 percent of the authority's respective allocation amount or proportion of the fund, as the fund may be augmented by revenue bonds over time.

## **Attachment B – California Student Housing Revolving Loan Fund Act (AB 190, 2022) Authorizing Statute**

(Chapter 50, Budget Act of 2023, (AB 117))

### **SEC. 5.**

Section 67329.3 of the Education Code is amended to read:

#### **67329.3.**

(a) (1) The California Student Housing Revolving Loan Fund is hereby established in the State Treasury to provide zero-interest loans to qualifying college and university applicants for the purpose of constructing affordable student housing and affordable faculty and staff housing. Notwithstanding Section 13340 of the Government Code, all moneys in the fund are hereby continuously appropriated without regard to fiscal years for purposes of this chapter.

(2) (A) For the 2023–24 fiscal year, the sum of two hundred million dollars (\$200,000,000) is hereby appropriated from the General Fund, to be deposited in the California Student Housing Revolving Loan Fund.

(B) It is the intent of the Legislature to appropriate three hundred million dollars (\$300,000,000) in the 2024–25 fiscal year, three hundred million dollars (\$300,000,000) in the 2025–26 fiscal year, three hundred million dollars (\$300,000,000) in the 2026–27 fiscal year, three hundred million dollars (\$300,000,000) in the 2027–28 fiscal year, and three hundred million dollars (\$300,000,000) in the 2028–29 fiscal year, to be deposited in the California Student Housing Revolving Loan Fund.

(3) Of the total amount appropriated pursuant to subparagraph (A) of paragraph (2), and intended to be appropriated pursuant to subparagraph (B) of paragraph (2), in support of this chapter, 75 percent of the available funds shall be available for University of California and California State University applicants and 25 percent of the available funds shall be available for community college applicants.

(4) Notwithstanding paragraph (3), the amounts designated in paragraph (3) for the postsecondary segments may be adjusted to shift unused funds from a segment to accommodate excess demand from another segment, upon written notification by the Director of Finance to the Joint Legislative Budget Committee, and approval by the Joint Legislative Budget Committee. This written notification may be submitted 12 months after the funds for a fiscal year have been appropriated.

(b) The Treasurer may pledge any or all of the moneys in the fund as security for payment of the principal of, and interest on, a particular issuance of bonds by a designated lending authority pursuant to this chapter. For that purpose, or as convenient or necessary to the accomplishment of any other purpose of this chapter, the Treasurer may divide the fund into separate accounts or subaccounts.

(c) The Treasurer may invest moneys in the fund that are not required for its current needs, including proceeds from the sale of bonds, in eligible securities specified in Section 16430 of the Government Code, and may include deposit for investment in the Surplus Money

Investment Fund pursuant to Article 4 (commencing with Section 16470) of Chapter 3 of Part 2 of Division 4 of Title 2 of the Government Code. Notwithstanding Section 16305.7 of the Government Code, all interest or other increment resulting from the investment or deposit of moneys from the fund shall be deposited in the fund. Moneys in the fund shall not be subject to transfer to any other funds pursuant to any provision of Part 2 (commencing with Section 16300) of Division 4 of Title 2 of the Government Code, except to the Surplus Money Investment Fund.

(d) If the Treasurer sells bonds for either authority that include a bond counsel opinion to the effect that the interest on the bonds is excluded from gross income for federal tax purposes, subject to designated conditions, the Treasurer may maintain separate accounts for the investment of bond proceeds and for the investment of earnings on those proceeds. The Treasurer may use or direct the use of those proceeds or earnings to pay any rebate, penalty, or other payment required under federal law or take any other action with respect to the investment and use of those bond proceeds required or desirable under federal law to maintain the tax-exempt status of those bonds and to obtain any other advantage under federal law on behalf of the funds of this state.