CSU Auxiliary Organizations

Table of Contents

[I. Policy 4](#_Toc193123402)

[A. Utilization of Auxiliary Organizations 4](#_Toc193123407)

[B. Annual Review of Auxiliary Financial Standards and Control Self-Assessment 4](#_Toc193123408)

[C. Administration of Funds 5](#_Toc193123409)

[D. External Audits 6](#_Toc193123410)

[1. Government Auditing Standards (GAS) 7](#_Toc193123411)

[2. Not-for-Profit Audit, FASB, and GASB Experience 7](#_Toc193123412)

[3. Not-for-Profit Accounting Proficiency 7](#_Toc193123413)

[4. References 8](#_Toc193123414)

[5. Peer Review 8](#_Toc193123415)

[6. Office of the Chancellor (CO) Review 8](#_Toc193123416)

[7. Training and Education 8](#_Toc193123417)

[II. Procedures 8](#_Toc193123418)

[A. Formation Requirements 8](#_Toc193123419)

[B. Auxiliary Organization Operating Agreement 9](#_Toc193123420)

[C. Auxiliary Organization Operating Agreement Renewals and Amendments 9](#_Toc193123421)

[D. Auxiliary Organization Website 9](#_Toc193123422)

[III. Authority 9](#_Toc193123423)

[IV. Appendix A - Auxiliary Compliance Guide 10](#_Toc193123424)

[A. Definition Of Auxiliary Organization 10](#_Toc193123425)

[B. Application of State Law and CSU Policy to Auxiliary Organizations 10](#_Toc193123426)

[C. Requirements to be a Recognized Auxiliary Organization 10](#_Toc193123427)

[D. Regulatory Compliance Required. 11](#_Toc193123428)

[E. Title 5 Regulations. 12](#_Toc193123429)

[F. Use of Name. 12](#_Toc193123430)

[G. Purpose And Objectives of Auxiliary Organizations 12](#_Toc193123435)

[1. Essential Activity 12](#_Toc193123436)

[2. Benefit CSU or University 12](#_Toc193123437)

[3. Separate Status 12](#_Toc193123438)

[4. Objectives 12](#_Toc193123439)

[H. CSU Authority and Responsibility 12](#_Toc193123440)

[1. Trustees 12](#_Toc193123441)

[2. Chancellor 13](#_Toc193123442)

[3. University Presidents 13](#_Toc193123443)

[4. University Chief Financial Officer 13](#_Toc193123444)

[I. Functions Of Auxiliary Organizations 13](#_Toc193123445)

[1. Authorized Functions 13](#_Toc193123446)

[2. Prohibited Functions 14](#_Toc193123447)

[3. Responsibility for Assigned Function 14](#_Toc193123448)

[4. Student Body Organization Functions 14](#_Toc193123449)

[J. Organizational Requirements 14](#_Toc193123474)

[1. Basic Structure 14](#_Toc193123475)

[2. Transfer of Existing Auxiliary Assets 14](#_Toc193123503)

[3. Probation, Suspension or Removal of Good Standing Procedures 15](#_Toc193123504)

[4. Dissolution/Merger Requirements 15](#_Toc193123505)

[K. Governing Boards 16](#_Toc193123506)

[1. Composition 16](#_Toc193123507)

[2. Student Body Organization Governing Boards 16](#_Toc193123508)

[3. Conduct of Governing Boards and Conflict of Interest Laws 17](#_Toc193123509)

[4. Public Access to Auxiliary Records 18](#_Toc193123510)

[L. Campus Facilities, Construction and Vehicles 21](#_Toc193123511)

[1. CSU Property and Facilities Leases 21](#_Toc193123512)

[2. Student Body Organization Lease 21](#_Toc193123513)

[3. Sponsored Projects 21](#_Toc193123514)

[4. License for Special Use of Campus Facilities 22](#_Toc193123515)

[5. Construction on CSU Property 22](#_Toc193123516)

[6. Development Projects on Auxiliary Property 23](#_Toc193123517)

[M. Fiscal Policy 24](#_Toc193123518)

[1. Financial Standards 24](#_Toc193123519)

[2. Indirect Costs 24](#_Toc193123520)

[4. Public Relations Policy 25](#_Toc193123522)

[5. Auxiliary Organization Investment Policy 25](#_Toc193123523)

[6. Student Body Organization Funds and Funds Held in Trust by University 26](#_Toc193123524)

[7. Campus Activities and Programs 26](#_Toc193123530)

[8. Insurance 27](#_Toc193123531)

[N. Records 27](#_Toc193123532)

[O. Information Security 27](#_Toc193123533)

[P. Sound Business Practice Guidelines 27](#_Toc193123534)

[1. Expenditure of Auxiliary Organization Funds General Use and Limitations 27](#_Toc193123535)

[2. Budget Development 30](#_Toc193123536)

[3. Financing Activities 31](#_Toc193123537)

[Q. AUDIT 31](#_Toc193123538)

[1. Internal Audits 31](#_Toc193123539)

[2. Reporting Actual or Suspected Fiscal Improprieties 31](#_Toc193123540)

[R. Personnel Administration 31](#_Toc193123541)

[1. Governing Board 31](#_Toc193123542)

[2. Campus President 31](#_Toc193123543)

[3. Requirements 31](#_Toc193123544)

[4. Salaries, Working Conditions, and Benefits 32](#_Toc193123545)

[S. Student Body Organizations 33](#_Toc193123546)

[1. Statutes and Policy 33](#_Toc193123547)

[2. Meetings 33](#_Toc193123548)

[3. Operations 33](#_Toc193123549)

[4. Organization 33](#_Toc193123550)

[T. Student Fees 33](#_Toc193123551)

[1. Establishment 33](#_Toc193123552)

[2. Consultation 33](#_Toc193123553)

[3. Referendum 34](#_Toc193123554)

[4. Collection 34](#_Toc193123555)

[5. Deposit and Investment 34](#_Toc193123556)

[U. Administration of Student Body Organization Funds 34](#_Toc193123557)

[V. Student Fees are State Funds 34](#_Toc193123558)

[W. Investment Of Student Fee Funds 34](#_Toc193123559)

[X. Use of Student Fee Funds 34](#_Toc193123560)

[1. Additional Purposes 35](#_Toc193123561)

[2. Current Students 35](#_Toc193123562)

[3. General Regulations 35](#_Toc193123563)

[V. Appendix B - Operating Agreement Template 36](#_Toc193123564)

[1. Purpose 36](#_Toc193123565)

[2. Primary Functions 37](#_Toc193123566)

[3. Campus Oversight and Operational Review 37](#_Toc193123567)

[4. Operational Compliance 38](#_Toc193123568)

[5. Conflict of Interest 38](#_Toc193123569)

[6. Expenditures Augmenting CSU Appropriations 38](#_Toc193123570)

[7. Fiscal Audits 38](#_Toc193123571)

[8. Use of Name 38](#_Toc193123572)

[9. Modification of Corporation Status 39](#_Toc193123573)

[10. Fair Employment Status 39](#_Toc193123574)

[11. Background Check Compliance 39](#_Toc193123575)

[12. Disposition of Assets 39](#_Toc193123576)

[13. Use of Campus Facilities 39](#_Toc193123577)

[14. Contracts for Campus Services 39](#_Toc193123578)

[15. Disposition of Net Earnings 40](#_Toc193123579)

[16. Financial Controls 40](#_Toc193123580)

[17. Acceptance, Administration and Use of Gifts 40](#_Toc193123581)

[18. Indemnification 40](#_Toc193123582)

[19. Insurance 40](#_Toc193123583)

[20. Notices 41](#_Toc193123584)

[21. Amendment 41](#_Toc193123585)

[22. Records 41](#_Toc193123586)

[23. Termination 41](#_Toc193123587)

[24. Remedies Upon Termination 41](#_Toc193123588)

[25. Severability 41](#_Toc193123589)

# Policy

Auxiliary organizations are California nonprofit corporations and are legally separate entities organized and operated solely for the benefit of the university. The separate legal status of auxiliary organizations enables strategies that are important to the university educational mission and provides capabilities essential to a comprehensive university. This CSU policy establishes appropriate use of university auxiliary organizations and augments and supplements all other existing CSU policies pertaining to auxiliary organizations.

The university president shall be the primary responsible university official in respect to administrative compliance and fiscal oversight of university auxiliary organizations, as described in Cal. Educ. Code § 89756 and Cal. Educ. Code § 89900. Campus auxiliary organizations shall not operate outside the regulation and oversight of the university.

## Utilization of Auxiliary Organizations

1. The university, with the approval of the chancellor (or designees), may assign certain functions to university auxiliary organizations pursuant to the [5 CCR § 42500](http://govt.westlaw.com/calregs/Document/I995A9BB0D48311DEBC02831C6D6C108E?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0ad62d2e0000017474e14b35b1f900dd%3FNav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI995A9BB0D48311DEBC02831C6D6C108E%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42500&t_S1=CA+ADC+s). A written agreement on behalf of the Board of Trustees in the form provided in [V. Appendix B - Operating Agreement Template](#autoid-n8jn2) and executed by the chancellor and the auxiliary organization is required for the performance by an auxiliary organization of any of the functions listed in [5 CCR § 42500](https://govt.westlaw.com/calregs/Document/I5AEAD8234C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93a4ed00000194670bd3e2bd8d443a%3Fppcid%3D056da82f62bc40659262a576229c72ce%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AEAD8234C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42500&t_S1=CA+ADC+s), except for the student government activities of a student body organization.
2. Auxiliary organizations shall not perform any of the functions listed in [5 CCR § 42500](https://govt.westlaw.com/calregs/Document/I5AEAD8234C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93a4ed00000194670bd3e2bd8d443a%3Fppcid%3D056da82f62bc40659262a576229c72ce%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AEAD8234C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42500&t_S1=CA+ADC+s) unless the function has been specifically assigned in the operating agreement with the university. The university shall review, at least every five years, the auxiliary organizations to ensure that written operating agreements are current and that auxiliary organization activities are in compliance with those agreements. Confirmation that this review has been conducted will consist of either an updated operating agreement, or a letter from the university president to the executive vice chancellor/chief financial officer (EVC) certifying that the review has been conducted.
3. The university may choose to assign responsibility for an activity or program to an auxiliary organization. When the auxiliary accepts this responsibility, it also assumes the associated legal obligations and liabilities, fiscal liabilities, and fiduciary responsibilities. Being accountable and responsible for an activity or program is referred to as ownership. Indications of ownership include:
	1. Authority and discretion to contract for services or materials required by the activity
	2. Responsibility for business losses
	3. Legal liability as an owner or principal entity
	4. Fiduciary obligations associated with the activity
	5. Responsibility for establishment of operating and administrative policies
	6. Primary control or discretion over the expenditure of funds

A determination of ownership of an activity or program is not necessarily tied to:

* 1. Employment of individuals granted signatory authority related to the activity (e.g., person or persons who can sign a letter or other related documents on behalf of a principal entity)
	2. Ownership of the facility where the activity occurs
	3. Authority to request an expenditure
	4. Academic or similar programmatic control over the activity

## Annual Review of ****Auxiliary****Financial Standards and ****Control Self-Assessment****

Each auxiliary organization governing board shall conduct an annual review and prepare a report of the fiscal viability of the auxiliary organization pursuant to [Cal. Educ. Code § 89904-89905 (not including § 89905.5)](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=EDC&division=8.&title=3.&part=55.&chapter=7.&article=1.) [5 CCR § 42401(d)](https://govt.westlaw.com/calregs/Document/I5AC5C3F34C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a938fba000001946757f66e2a638a56%3Fppcid%3D79c10ca7429b4242857644d29d83521f%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AC5C3F34C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42401&t_S1=CA+ADC+s),and [5 CCR § 42404](https://govt.westlaw.com/calregs/Document/I5AD1AAD44C6911EC93A8000D3A7C4BC3?originationContext=document&transitionType=StatuteNavigator&needToInjectTerms=False&viewType=FullText&ppcid=9654c7b27415421e84f01755f7801650&contextData=%28sc.Default%29). The report shall include:

* A review of management functions to ensure adequate professional management.
* An evaluation of the need for working capital, current operations, and capital replacement reserves.
* Planned future operations (including future new business requirements which have been recognized by the university and the auxiliary organization as appropriate and within the educational mission of the university).
* Completion of the CSU Auxiliary Control Template (see Attachments) to ensure that internal control standards are consistently applied. The responsibility for completing and certifying the CSU Auxiliary Control Template lies with the auxiliary Chief Financial Officer, although preparation may be delegated to appropriate personnel within the organization. The assessment must include detailed responses for all applicable control sections and documentation of any action plans for partially performed or not performed controls. Auxiliaries are required to complete the sections on governance, internal control, internal control policy, and information technology, in addition to sections relevant to their specific business function (i.e., commercial services, research, philanthropic activities, student activities). However, if the university performs a business function for the auxiliary (i.e. accounting, information technology, etc.) the corresponding section(s) are not required to be completed. For example, if the university provides information technology support, the auxiliary does not have to complete the information technology section of the CSU Auxiliary Control Template.

Each auxiliary organization shall prepare and submit a report of the results of the annual review of auxiliary financial standards and control self-assessment to the university president or designee for review and approval. A record of the approval shall be retained by the university pursuant to the [Records Retention and Disposition Schedules](https://calstate.policystat.com/policy/6594392/latest) policy.

An auxiliary organization that does prepare and submit a report of the results of the annual review of auxiliary financial standards and control self-assessment to the university president or designee, or provides a report that is not approved by the president or designee, may, upon approval by the chancellor, be placed on probation, suspended or removed from the good standing list pursuant to [5 CCR § 42406](https://govt.westlaw.com/calregs/Document/I5AD924E34C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2fv1%2fresults%2fnavigation%2fi0a93a4ed00000194671cf105bd8d4a2f%3fppcid%3d4702807ea5e74b1fa49acd691e7eb756%26Nav%3dREGULATION_PUBLICVIEW%26fragmentIdentifier%3dI5AD924E34C6911EC93A8000D3A7C4BC3%26startIndex%3d1%26transitionType%3dSearchItem%26contextData%3d%2528sc.Default%2529%26originationContext%3dSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42406&t_S1=CA+ADC+s).

## Administration of Funds

1. Administration of funds refers to ownership of the funds and accounts where funds are deposited. Auxiliary organizations shall ensure that fiscal procedures and management systems are in place, consistent with [5 CCR § 42401](https://govt.westlaw.com/calregs/Document/I5AC5C3F34C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0ad7140a00000184edd0082b71f5dab3%3Fppcid%3D3e53cf08f09140a99f6626785f5900f6%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AC5C3F34C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T1=5&t_T2=42401&t_S1=CA+ADC+s), to ensure effective coordination of auxiliary activities with the university and in accordance with sound business practices.
2. The duly authorized chief operating officer of the auxiliary organization, or designee, shall establish documented corporate delegations of fiscal authority and ensure that receipts and disbursements comply with the auxiliary organization fiscal policies and internal controls, and with the written agreement with the university. The auxiliary organization shall retain any legal obligations and liabilities, fiscal liabilities, and fiduciary responsibilities associated with transactions initiated or approved by such university employees with delegated authority.
3. Auxiliary organizations may accept or administer university funds as an agent of the university (except those revenues listed in part 4 below) when specifically authorized in writing by the university president or designee. Said authorization shall be granted judiciously and only when it is advantageous to the university and supportive of the university mission. The authorization should include the rationale for making this choice and clearly articulate the advantages to the university.
4. The following are university revenues that shall be reported in compliance with CSU policy [Delegation of Fiscal Authority and Responsibility](https://calstate.policystat.com/policy/8543320/latest/).
	1. Revenues from CSU systemwide mandatory fees, which include student fees established and adjusted by the Board of Trustees and that must be paid to apply to, enroll in, or attend the university, or to pay the full cost of instruction required of some students by state statute.
	2. Revenues from university mandatory fees, which include student fees established for a university and that must be paid to enroll in or attend the university.
	3. Revenues from university student fees directly related to any state-supported course of instruction, which includes Miscellaneous Course Fees and fees for materials, services, field trips, and travel.
	4. Revenues from fees paid by matriculated CSU students to attend university self-supported instructional programs for academic credit.
5. The university chief financial officer is the custodian of funds collected by the California State University on behalf of a student body organization, as specified under [Cal. Educ. Code §§ 89046](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89046.&lawCode=EDC), [89047](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89047.&nodeTreePath=3.3.1.1.2&lawCode=EDC), [89300](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89300.&lawCode=EDC), [89301](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89301.&nodeTreePath=3.3.1.3.1&lawCode=EDC), and [89750](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89750.&lawCode=EDC), and may disburse such funds only upon submission of a valid request by an office of the student body organization pursuant to [Cal. Educ. Code § 89302](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89302.&lawCode=EDC).

## External Audits

Auxiliary organization management shall gather information required to certify compliance with information outlined in sub-sections a-e below and provide the required information to the university chief financial officer prior to April 30 of each year.

The fair presentation of financial statements in accordance with generally accepted accounting principles (GAAP) is the responsibility of the auxiliary organization's management. In hiring external audit firms, it is the policy of the California State University (CSU) to enlist firms that possess industry-specific proficiencies to best evaluate management's assertions of the financial statements. As described in [Cal. Educ. Code § 89900](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89900.&lawCode=EDC) and [CCR 5 § 4240](https://govt.westlaw.com/calregs/Document/I5AE09EF34C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93a4ed00000194675c0ee5bd8d5f18%3Fppcid%3D0122e64cc5c746edb8fea31eaa9f09b5%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AE09EF34C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42408&t_S1=CA+ADC+s)8, the responsibility for facilitating external audits rests with both the CSU, and each auxiliary organization's governing board. This dual responsibility accentuates the obligation for both parties to ensure that audits are performed professionally and by qualified independent audit firms.

The CSU auxiliary organizations possess unique complexities including:

* Ongoing Office of the Chancellor's (CO) guidance over related-party transactions with the universities;
* Either Financial Accounting Standards Board (FASB) and/or Governmental Accounting Standards Board (GASB) accounting and reporting requirements;
* Significant investment portfolios and commercial operations; and
* Federal, state government, and other regulatory agencies' audit requirements.

Given these unique complexities, the external auditors engaged to audit auxiliary organizations shall possess the following:

* Experience in auditing not-for-profit organizations;
* Experience in auditing clients with lines of business similar to the auxiliary organizations (example: auditors for commercial service auxiliary organizations must have relevant audit experience with retail operations);
* Proficiency in both FASB and GASB accounting and reporting requirements particularly in not- for-profit organizations and public universities such as the CSU;
* Experience and proficiency in performing Single Audits under the Office of Management and Budget's (OMB), Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance);
* Qualifications and training to perform audits in accordance with Government Auditing Standards (GAS), issued by the Comptroller General of the United States; and
* Track record of providing timely, quality financial statement audits for not-for-profit organizations.

### Government Auditing Standards (GAS)

The CSU's systemwide financial statements are required to be audited in accordance with GAS. The auxiliary organization's financial statements are consolidated into the CSU systemwide financial statements and, accordingly, the audit is required to be performed in accordance with GAS.

GAS is specific about the minimum level of auditor training for each auditor assigned to the audit (Continuing Professional Education or CPE) and addresses the required documentation of auditing procedures. The external audit firm is required to document how each auditor assigned to the audit meets the minimum CPE requirements prior to contracting with the auxiliary organization and for continued compliance for returning auditors.

### Not-for-Profit Audit, FASB, and GASB Experience

It is essential that the external audit firm be able to demonstrate experience in auditing not-for-profit organizations. Accordingly, the external audit firm must have, as existing clients, a sufficient number of not-for-profit organizations currently being audited in California. In addition, if the auxiliary organization is subject to the requirements of the OMB's Uniform Guidance, the external audit firm must have at least five clients in the last three years for which they performed Single Audits under the Office of Management and Budget's (OMB), Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The not-for-profit client experience should be met by the external audit firm's office that will perform the audit, not just the audit firm as a whole if the audit firm has multiple offices.

The external audit firm must also demonstrate experience in auditing both FASB and GASB organizations, as the auxiliary organizations reporting under FASB are also required to report financial statements in a GASB reporting format for inclusion in the CSU systemwide financial statements, by providing best examples of both FASB and GASB clients. If the external audit firm does not currently have GASB clients, circumstances shall be explained and evidence shall be provided that the external audit firm has sufficient knowledge of GASB requirements and previous experience in GASB audit. The auxiliary organization should evaluate the external audit firm to determine whether the firm's experience is relevant to the operations of the specific auxiliary organization being audited. Specifically, relevant experience refers to other recent firm clients with lines of business similar to the specific auxiliary organization being audited.

### Not-for-Profit Accounting Proficiency

The external audit firm is required to submit audited not-for-profit (non-CSU) financial statements recently audited. The reports submitted for review must reflect clients that use a similar report structure and are in similar lines of business. The CO will perform a technical review of those financial statements to evaluate the application of accounting principles and auditors' opinion. For auxiliary organizations reporting under GASB accounting requirements, the non-CSU financial statements submitted to the CO are required to be GASB financial statements. This requirement is primarily for evaluation of the qualifications of new prospective auditors.

In addition, the CO will review the auxiliary organization's financial statements for proper implementation of new accounting pronouncements and correct conversion of FASB financial statements to a GASB format in the supplementary schedule as well as consistency in the quality of the financial statements.

### References

The external audit firm is required to provide to the auxiliary organization no fewer than three but preferably five references from current not-for-profit audit clients, including the name of the organization, and contact information for the chief financial officer, controller, or director of finance, total revenues, total assets of the audited organization, and the nature of the services provided by the external audit firm to the not-for-profit organization. References are required to be checked by the auxiliary organization personnel for each of the not-for-profit organization provided, assessing the organizations' perceived satisfaction, timeliness, and technical expertise of the audit firm. Reference responses should be evaluated considering the organization being audited. Specifically, the evaluation should consider adherence to the timeline requested by the client and whether the reference has lines of business similar to the specific auxiliary organization being audited. A firm with clients with relevant experience with similar clients may assist in ensuring risk assessments are effective and lead to efficient and helpful audits.

### Peer Review

The external audit firm should demonstrate that it has completed a peer review in the most recent three years, receiving a rating of "pass". The audit firm is required to provide a copy of the Peer Review report for assessment of the results of the examination.

### Office of the Chancellor (CO) Review

A completed and duly signed Qualifications Review Questionnaire for Proposed Audit Firm (see Attachments) for each auxiliary organization's selected external audit firm shall be submitted annually to the CO by April 30 by the university chief financial officer. The CO will review the questionnaire and notify the university of the result of the review. The review is conducted annually and at any time prior to entering an engagement letter with the external audit firm. If the auxiliary organization has not changed audit firms and the audit firm was previously subjected to this review process, a short form with limited information may be submitted.

### Training and Education

The CO will conduct mandatory annual training courses (4-8 hours) for the approved external auditors of the auxiliary organization. The training aims to discuss unique events, transactions, and reporting requirements of the CSU and its auxiliary organizations.

# Procedures

universityuniversity

1. university

##

##

university

##

university

##

# Authority

This policy is issued pursuant to [Section II of the Standing Orders of the Board of Trustees of the California State University](https://calstate.policystat.com/policy/6593385/latest/#_blank) as further delegated by the [Standing Delegations of Administrative Authority](https://calstate.policystat.com/policy/7646754/latest/). The president may delegate authority and responsibility described in this policy to other university officials pursuant to [Section VI of the Standing Orders of the Board of Trustees of the California State University](https://calstate.policystat.com/policy/6593385/latest/#_blank).​​​​

# Appendix A - Auxiliary Compliance Guide

The following guidelines summarize the broad range of legal, regulatory and policy requirements that apply to auxiliary organizations operating within the California State University. These guidelines are not the authority for such requirements; they provide a reliable overview and pathway to the primary sources of authority affecting auxiliary organizations, including statutes, regulations, and CSU policy and compliance overview.

## Definition Of Auxiliary Organization

An auxiliary organization is defined as a nonprofit entity, which is included on the chancellor’s list of auxiliary organizations in good standing; organized and operated in accordance with state law and in conformity with CSU and university policy. [Cal. Educ. Code § 89900 et seq.](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89900.&lawCode=EDC); [5 CCR §§ 42400](https://govt.westlaw.com/calregs/Document/I5AC28FA34C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93df0800000194671ed7498e0bc696%3Fppcid%3D16fa447f3aea4797af9dad6486759fd6%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AC28FA34C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42400&t_S1=CA+ADC+s) and [42402](https://govt.westlaw.com/calregs/Document/I5AC91F534C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93cae4000001946b1a5b9afa16c97e%3Fppcid%3D8a5bd4ef6ef840a9891d6ab6fe51d18a%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AC91F534C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42402&t_S1=CA+ADC+s).

1. **Good Standing List.** The chancellor prepares and keeps current a list of auxiliary organizations in good standing at [Auxiliary Organizations in Good Standing](https://update.calstate.edu/csu-system/auxiliary-organizations/Pages/default.aspx), which is published annually in the California State University Financial Statements as components units. Auxiliary organizations must operate in compliance with CSU rules, regulations, and policy to be in good standing. See [5 CCR § 42406](https://govt.westlaw.com/calregs/Document/I5AD924E34C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93a4ed00000194671cf105bd8d4a2f%3Fppcid%3D4702807ea5e74b1fa49acd691e7eb756%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AD924E34C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42406&t_S1=CA+ADC+s).
2. **System Auxiliary Organizations.** CSU system auxiliary organizations may exist if they:
	1. Are established pursuant to statutory requirements;
	2. Are included on the chancellor’s list of auxiliary organizations in good standing;
	3. Are engaged in activities essential and integral to the CSU mission and purpose;
	4. Are responsible to the chancellor; and
	5. Operate in conformity with CSU and chancellor policy. [5 CCR § 42665](https://govt.westlaw.com/calregs/Document/I5B1B5E034C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93bd520000019470f73e43b207fcc5%3Fppcid%3Dd7b18dbaa0cb43dab0613bcff3641cf0%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5B1B5E034C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42665&t_S1=CA+ADC+s).

A CSU system auxiliary organization is required to follow regulations and policies applicable to university auxiliary organizations. In applying the regulations, where the term “president” or “campus” or “university” is used, “Chancellor” and “California State University system” shall be substituted. [5 CCR § 42666(a)](https://govt.westlaw.com/calregs/Document/I5B1E1D234C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93df0800000194673af8f08e0bcfd5%3Fppcid%3Dd811662adffd43bd8e47afbae842291f%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5B1E1D234C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42666&t_S1=CA+ADC+s).

Regulations applying to student body organizations do not apply to CSU system auxiliary organizations nor does the governing board composition requirement. See [5 CCR § 42666(b)-(c)](https://govt.westlaw.com/calregs/Document/I5B1E1D234C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93df0800000194673af8f08e0bcfd5%3Fppcid%3Dd811662adffd43bd8e47afbae842291f%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5B1E1D234C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42666&t_S1=CA+ADC+s).

## Application of State Law and CSU Policy to Auxiliary Organizations

State Law and CSU Policy generally do not apply to CSU Auxiliary Organizations unless the associated law or policy expressly references auxiliary organizations. In addition, the Operating Agreement between the CSU and each auxiliary organization requires the auxiliary organization to maintain and operate in accordance with all applicable laws, regulations and CSU and University rules, regulations, and policies.

CSU policies are publicly posted and the policies referenced in this compliance summary can be found in the [CSU Policy Library](https://www.calstate.edu/policies).

## Requirements to be a Recognized Auxiliary Organization

1. **Statutory Requirements**. All CSU auxiliary organizations are created by [Cal. Educ. Code § 89900 et seq.](http://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89900.&lawCode=EDC) General Provisions, and [Cal. Educ. Code § 89300 et seq](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89300.). Student Body Organizations.

CSU auxiliary organizations incorporated in California must abide by other applicable laws and regulations, including but not limited to, [Cal. Corp. Code § 5000 et seq.](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=CORP&sectionNum=5000.), [Cal. Gov. Code § 12580 et. seq.](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?division=3.&chapter=6.&part=2.&lawCode=GOV&title=2.&article=7.), [5 CCR § 42400, et seq.](https://govt.westlaw.com/calregs/Document/I5AC28FA34C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93df0800000194671ed7498e0bc696%3Fppcid%3D16fa447f3aea4797af9dad6486759fd6%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AC28FA34C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42400&t_S1=CA+ADC+s), and California and federal tax law and regulations.
2. **Statutory Criteria to be a Recognized Auxiliary Organization.** A CSU auxiliary organization is limited to the following entities:
	1. An entity in which a CSU official participates as a director as part of the official’s position;
	2. An entity formed or operating pursuant to [Cal. Educ. Code § 89300 et seq](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89300.). (student body organization);
	3. An entity that operates a commercial service on a CSU university or other CSU property for the benefit of a university;
	4. An entity (university auxiliary) whose governing instrument provides in substance both of the following:
		* That its purpose is to promote or assist a CSU university, or to receive gifts, property and funds to be used for the benefit of such university or person or organization having an official relationship therewith; and
		* That any of its directors are appointed or nominated by, or subject to the approval of the CSU Board of Trustees (trustees) or CSU official, or selected, ex officio, from the membership of the trustees or CSU administrative staff.
	5. An entity (CSU system auxiliary organization) whose governing instrument provides in substance both of the following:
		* That its purpose is to promote or assist the trustees, or to receive gifts, property, and funds to be used for the benefit of the trustees or any person or organization having an official relationship therewith; and
		* That any of its directors are appointed or nominated by, or subject to the approval of the trustees or CSU official, or selected, ex officio, from the membership of the trustees or CSU administrative staff.
	6. An entity which, exclusive of the foregoing subdivisions, is designated as an auxiliary organization by the trustees. [Cal. Educ. Code § 89901](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89901.).
3. **Excluded Entities.** The following university organizations are excluded from becoming CSU auxiliary organizations:
	1. Alumni associations (See [5 CCR § 42397 et seq.](https://govt.westlaw.com/calregs/Search/Results?transitionType=Default&contextData=(sc.Default)&t_T2=42397&t_S1=CA%20ADC%20s&Page=1&SearchId=i0a939d0e0000019470ef2fc17e30760d&query=advanced%3A%20CI(%22%20CA%20ADC%20s%2042397%22)&Template=Find&bhcp=1));
	2. Student clubs;
	3. Societies;
	4. Sororities and fraternities;
	5. Social clubs;
	6. Similar student groups not operating commercial facilities. [Cal. Educ. Code § 89902](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89902.).

## Regulatory Compliance Required.

All non-student auxiliary organizations must be chartered as nonprofit public benefit corporations and are under the oversight of the Attorney General. ([Cal. Corp. Code § 5110 et seq.](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=CORP&sectionNum=5110), and [Cal. Gov. Code § 12580 et seq.](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?division=3.&chapter=6.&part=2.&lawCode=GOV&title=2.&article=7.)). All auxiliary organization operations must be conducted in conformity with regulations established by the trustees. [(Cal. Educ. Code § 89900(c)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89900.&lawCode=EDC); [5 CCR §§ 42400](https://govt.westlaw.com/calregs/Document/I5AC28FA34C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93df0800000194671ed7498e0bc696%3Fppcid%3D16fa447f3aea4797af9dad6486759fd6%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AC28FA34C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42400&t_S1=CA+ADC+s)- [42667](https://govt.westlaw.com/calregs/Document/I5B208E244C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a939d0e0000019470f425677e30780a%3Fppcid%3D5e5ef2042dc24dfbb29f8a9a73e7256b%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5B208E244C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42667&t_S1=CA+ADC+s).

## Title 5 Regulations.

The trustees have adopted regulations governing auxiliary organizations in [5 CCR § 42400 et seq.](https://govt.westlaw.com/calregs/Document/I5AC28FA34C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93df0800000194671ed7498e0bc696%3Fppcid%3D16fa447f3aea4797af9dad6486759fd6%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AC28FA34C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42400&t_S1=CA+ADC+s)

## Use of Name.

Only an auxiliary organization that operates in accordance with CSU rules, regulations and policy and maintains its place on the chancellor’s list of auxiliary organization in good standing may use the name of the CSU or university in its title. Use of CSU and university names must also comply with [Cal. Educ. Code § 89005.5](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89005.5.).

## Purpose And Objectives of Auxiliary Organizations

### Essential Activity

Auxiliary organization activities are essential to the education program of a university and are an integral part of a university program and shall be so operated. [5 CCR §§ 42401](https://govt.westlaw.com/calregs/Document/I5AC5C3F34C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a938fba000001946757f66e2a638a56%3Fppcid%3D79c10ca7429b4242857644d29d83521f%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AC5C3F34C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42401&t_S1=CA+ADC+s) and [42665](https://govt.westlaw.com/calregs/Document/I5B1B5E034C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93bd520000019470f73e43b207fcc5%3Fppcid%3Dd7b18dbaa0cb43dab0613bcff3641cf0%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5B1B5E034C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42665&t_S1=CA+ADC+s).

### Benefit CSU or University

Auxiliary organizations are organized and operated solely for the benefit of the CSU or one of its universities and shall not operate outside the regulation and oversight of the CSU and the university. See section on [CSU Authority and Responsibility](#_CSU_Authority_and).

### Separate Status

The separate legal status of auxiliary organizations under [26 USC § 501(c)(3)](https://uscode.house.gov/view.xhtml?req=(title:26%20section:508%20edition:prelim)) enables strategies that are important to the educational mission and provides capabilities essential to a comprehensive university. See section [on CSU Authority and Responsibility.](#autoid-q94d8)

Auxiliary organizations exist because the state recognized the need for certain activities at CSU universities but determined that these activities would be best performed by one or more legally separate entities. Auxiliary organizations exist, in part, “[t]o provide effective operation and to eliminate the undue difficulty which would otherwise arise under the usual governmental budgetary, purchasing, and other fiscal controls.” [5 CCR § 42401(c)](https://govt.westlaw.com/calregs/Document/I5AC5C3F34C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a938fba000001946757f66e2a638a56%3Fppcid%3D79c10ca7429b4242857644d29d83521f%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AC5C3F34C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42401&t_S1=CA+ADC+s). Examples of these activities include: (a) investing in equities; (b) buying, selling and holding real property without legislative action; and (c) supporting statewide education bond campaigns.

### Objectives

The objectives of CSU auxiliary organizations are to provide:

1. Student self-government (student body auxiliary organizations);
2. The fiscal means and the management procedures that allow the university to carry on activities providing those related instructional and service aids not normally furnished by the state budget;
3. Effective operation and to eliminate the undue difficulty which would otherwise arise under the usual governmental budgetary, purchasing, and other fiscal controls; and
4. Fiscal procedures and management systems that allow effective coordination of auxiliary activities with the university in accordance with sound business practices. [5 CCR § 42401](https://govt.westlaw.com/calregs/Document/I5AC5C3F34C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a938fba000001946757f66e2a638a56%3Fppcid%3D79c10ca7429b4242857644d29d83521f%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AC5C3F34C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42401&t_S1=CA+ADC+s).

## CSU Authority and Responsibility

### Trustees

The California Education Code provides the trustees with overall responsibility to administer the activities of the CSU. The trustees through Title 5 California Code of Regulations, trustee standing orders and resolutions have delegated certain authority to the chancellor and specific authority to university presidents and chief financial officers.

### Chancellor

The trustees have vested authority in the chancellor to establish and implement auxiliary organization policies and procedures consistent with and pursuant to the policies of the trustees. The chancellor has delegated specific authority to university presidents.

### University Presidents

University presidents are responsible for:

1. The propriety of expenditures and the integrity of financial reporting made by university auxiliary organizations;
2. Exercising prudent judgment in the utilization of university auxiliary organizations;
3. Ensuring the fiscal viability of university auxiliary organizations;
4. Ascertaining that university auxiliary organizations’ operations and expenditures comply with CSU and university policy;
5. Requiring university auxiliary organizations to submit programs and budgets for review at a time and in a manner determined by the university president;
6. Reviewing university auxiliary organizations’ programs and budgets;
7. Requiring discontinuance of activities not in conformity with CSU and university policy; and;
8. Ensuring that costs incurred by CSU for services, products, and facilities provided to auxiliary organizations are properly and consistently recovered.

See [Cal. Educ. Code §§ 89756](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89756.) and [89900(b)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89900.&lawCode=EDC); [5 CCR § 42402](https://govt.westlaw.com/calregs/Document/I5AC91F534C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93cae4000001946b1a5b9afa16c97e%3Fppcid%3D8a5bd4ef6ef840a9891d6ab6fe51d18a%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AC91F534C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42402&t_S1=CA+ADC+s); [Standing Orders of the Board of Trustees](https://calstate.policystat.com/policy/8955999/latest), [Cost Allocation/ Reimbursement Plans for the CSU Operating Fund](https://calstate.policystat.com/policy/8543151/latest/); [Extended Education; Self-Supporting Instructional Courses and Programs](https://calstate.policystat.com/policy/10548254/latest/), and section on [Trustees](#_Trustees).

### University Chief Financial Officer

University chief financial officers are the primary responsible official to assure administrative compliance by and fiscal oversight of university auxiliary organizations. The university chief financial officer or designee shall annually approve and implement a cost allocation plan. See [Cost Allocation/ Reimbursement Plans for the CSU Operating Fund](https://calstate.policystat.com/policy/8543151/latest/) and [Extended Education; Self-Supporting Instructional Courses and Programs](https://calstate.policystat.com/policy/10548254/latest/).

##  Functions Of Auxiliary Organizations

For an auxiliary organization to engage in a specific function, the function must be an integral part of the educational mission of the university and the CSU and be conducted in conformity with CSU and university policy. See [5 CCR § 42500](https://govt.westlaw.com/calregs/Document/I5AEAD8234C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93bd52000001947103b73fb2080332%3Fppcid%3D0e6169c77e9a492ebb43a17a3cd766c0%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AEAD8234C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42500&t_S1=CA+ADC+s).

### Authorized Functions

The trustees have determined that auxiliary organizations may perform any of the following functions:

1. Student body organization programs;
2. Bookstore, food services, and university services;
3. Housing;
4. Student union programs;
5. Supplementary health services;
6. Loans, scholarships, grants-in-aids, stipends, and related financial assistance;
7. Externally funded projects including research, workshops, conferences and institutes;
8. Instructionally-related programs and activities, including agriculture, athletics, radio and television stations, newspapers, films, transportation, and printing, but not the collection or administration of instructionally related activities fees;
9. Alumni programs;
10. Gifts, bequests, devices, endowments, trusts and similar funds;
11. Public relations, fundraising, fund management, and similar development programs; and
12. Acquisition, development, sale, and transfer of real and personal property including financing transactions related to these activities.

See [5 CCR § 42500](https://govt.westlaw.com/calregs/Document/I5AEAD8234C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93bd52000001947103b73fb2080332%3Fppcid%3D0e6169c77e9a492ebb43a17a3cd766c0%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AEAD8234C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42500&t_S1=CA+ADC+s).

### Prohibited Functions

Auxiliary organizations may not do the following:

1. Hold state general funds, except in limited and approved circumstances that are appropriated to the CSU through the annual legislative process.
2. Hold tuition fee revenue.
3. Hold permitted mandatory student fees required for registration.
4. Own or sponsor an instructional program awarding credit or continuing education units

See [Cost Allocation/ Reimbursement Plans for the CSU Operating Fund](https://calstate.policystat.com/policy/8543151/latest/); [Extended Education; Self-Supporting Instructional Courses and Programs](https://calstate.policystat.com/policy/10548254/latest/) and section [Investment of Student Fee Funds](#_Investment_Of_Student) See also [5 CCR §§ 42403](https://govt.westlaw.com/calregs/Document/I5ACD8C234C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93df0800000194674b073b8e0bd592%3Fppcid%3D3cac7ddb090b4535ab6df7a653a6acd0%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5ACD8C234C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42403&t_S1=CA+ADC+s) and [42659](https://govt.westlaw.com/calregs/Document/I5B103A734C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93df0800000194674dd0118e0bd632%3Fppcid%3D2ad3f3fcba994e6f9f457ccffbfc08fe%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5B103A734C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42659&t_S1=CA+ADC+s) restrictions on use of student body organization funds, discussed in section [Use of Student Fee Funds](#_Use_of_Student).

### Responsibility for Assigned Function

When the auxiliary organization accepts responsibility for a function, it also assumes the associated legal obligations and liabilities, fiscal liabilities and fiduciary responsibilities. See section on [CSU Authority and Responsibility](#autoid-q94d8).

### Student Body Organization Functions

The trustees have determined that student body organizations may expend funds received from mandatory student fees to engage only in certain functions. See [Cal. Educ. Code § 89300 et seq](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89300.).

## Organizational Requirements

### Basic Structure

Auxiliary organizations must be established for purposes that benefit and support the university. They are California nonprofit public benefit corporations having articles of incorporation and bylaws and must be recognized as tax-exempt with appropriate charitable organization classification. The conduct of certain activities that generate unrelated business income is permissible if tax exempt status is maintained. [5 CCR §§ 42401](https://govt.westlaw.com/calregs/Document/I5AC5C3F34C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a938fba000001946757f66e2a638a56%3Fppcid%3D79c10ca7429b4242857644d29d83521f%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AC5C3F34C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42401&t_S1=CA+ADC+s), [42500](https://govt.westlaw.com/calregs/Document/I5AEAD8234C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93bd52000001947103b73fb2080332%3Fppcid%3D0e6169c77e9a492ebb43a17a3cd766c0%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AEAD8234C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42500&t_S1=CA+ADC+s), and [42600](https://govt.westlaw.com/calregs/Document/I5AFF4A834C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93bd5200000194712441eeb2081339%3Fppcid%3Dc911dc5898814b02a92cd0322c8b527f%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AFF4A834C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42600&t_S1=CA+ADC+s); [26 USC §§ 501(c)(3)](https://uscode.house.gov/view.xhtml?req=(title:26%20section:508%20edition:prelim)) and [509a](https://uscode.house.gov/view.xhtml?hl=false&edition=prelim&req=granuleid%3AUSC-prelim-title26-section509&num=0&saved=|KHRpdGxlOjI2IHNlY3Rpb246NTA4IGVkaXRpb246cHJlbGltKQ%3D%3D|||0|false|prelim); [Cal. Corp. Code § 5110 et seq](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=5110.&nodeTreePath=2.3.2.1.1&lawCode=CORP), [Cal. Rev & Tax Code § 23701d](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=RTC&sectionNum=23701.).

###

###

###

###

###

### Transfer of Existing Auxiliary Assets

Subject to the provisions of [Cal. Corp. Code § 5142](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=5142.&lawCode=CORP) (actions for breach of charitable trust), an incorporated auxiliary organization may sell, lease, convey, exchange, transfer or otherwise dispose of all or substantially all of its assets when the principal terms are:

1. Approved by the auxiliary organization governing board; and
2. Unless the transaction is in the usual and regular course of its activities, approved by the members, if any, and by any other person whose approval is required by the articles of incorporation, either before or after approval by the board and before or after the transaction.

Subject to the provisions of [Cal. Corp. Code § 5142](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=5142.&lawCode=CORP), such sale, lease, conveyance, exchange, transfer or other disposition may be made upon such terms and conditions and for such consideration as the board may deem in the best interests of the corporation. [Cal. Corp. Code § 5911 (a)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=5911.&lawCode=CORP).

Except for a transaction subject to [Cal. Corp. Code § 5914](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=5914.&lawCode=CORP) or [5920](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=5920.&lawCode=CORP), an incorporated auxiliary organization must give written notice to the California Attorney General twenty days before it sells, leases, conveys, exchanges, transfers or otherwise disposes of all or substantially all of its assets unless the transaction is in the usual and regular course of its activities or unless the Attorney General has given the corporation a written waiver of [Cal. Corp. § 5913](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=5913.&lawCode=CORP) as to the proposed transaction.

The entity to which a CSU auxiliary organization transfers all or substantially all its assets upon dissolution or merger (as the disappearing corporation) must be a qualified entity approved by the auxiliary organization governing body, the president of the university and by the chancellor. [5 CCR § 42600(b)](https://govt.westlaw.com/calregs/Document/I5AFF4A834C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93bd5200000194712441eeb2081339%3Fppcid%3Dc911dc5898814b02a92cd0322c8b527f%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AFF4A834C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42600&t_S1=CA+ADC+s).

### Probation, Suspension or Removal of Good Standing Procedures

The chancellor has established the following procedures that must be followed prior to placing an auxiliary organization on probation, suspending, or removing an auxiliary organization from the good standing list. [5 CCR § 42406](https://govt.westlaw.com/calregs/Document/I5AD924E34C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93a4ed00000194671cf105bd8d4a2f%3Fppcid%3D4702807ea5e74b1fa49acd691e7eb756%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AD924E34C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42406&t_S1=CA+ADC+s).

An auxiliary organization that does not meet one or more of the basic criteria, including compliance with the section on [Annual Review of Auxiliary Financial Standards and Control Self-Assessment](#autoid-zzwex), may be placed on probation, suspended or removed from the good standing list. The chancellor may make such provisions consistent with law in accord with established procedures with respect to further cooperation and agreements between any university and an auxiliary organization not in good standing. [5 CCR § 42406](https://govt.westlaw.com/calregs/Document/I5AD924E34C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93a4ed00000194671cf105bd8d4a2f%3Fppcid%3D4702807ea5e74b1fa49acd691e7eb756%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AD924E34C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42406&t_S1=CA+ADC+s).

#### Fact Finding Conference

The chancellor or designee, after consultation with the university president, shall conduct a fact-finding conference to determine if there are grounds for probation, suspension, or removal from the good standing list. [5 CCR § 42406](https://govt.westlaw.com/calregs/Document/I5AD924E34C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93a4ed00000194671cf105bd8d4a2f%3Fppcid%3D4702807ea5e74b1fa49acd691e7eb756%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AD924E34C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42406&t_S1=CA+ADC+s).

#### Notice

The chancellor or designee will give the university president and the auxiliary organization’s governing board reasonable notice of the conference, and the president and governing board (or their representatives) are entitled to be present and be heard. [5 CCR § 42406](https://govt.westlaw.com/calregs/Document/I5AD924E34C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93a4ed00000194671cf105bd8d4a2f%3Fppcid%3D4702807ea5e74b1fa49acd691e7eb756%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AD924E34C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42406&t_S1=CA+ADC+s).

### Dissolution/Merger Requirements

Each auxiliary organization is required to have a dissolution clause in either its articles of incorporation or constitution. The clause must specify that upon dissolution of the organization, net assets, other than trust funds, shall be distributed to a successor approved by the president of the university and by the chancellor. The chancellor will establish procedures for the dissolution of an auxiliary organization. [5 CCR § 42600(b)](https://govt.westlaw.com/calregs/Document/I5AFF4A834C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93bd5200000194712441eeb2081339%3Fppcid%3Dc911dc5898814b02a92cd0322c8b527f%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AFF4A834C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42600&t_S1=CA+ADC+s).

Each auxiliary organization should work with its legal counsel to integrate the dissolution clause requirement with state and federal requirements for maintaining nonprofit status.

#### Process

If dissolution of the auxiliary organization is contemplated, the auxiliary organization’s governing board should work with the university president and chancellor’s office to identify an appropriate successor organization. The following procedure provides a framework for the dissolution of a CSU auxiliary organization. Any auxiliary organization contemplating dissolution shall follow this process or a modified process approved by the university president in consultation with the office of the chancellor and the CSU office of general counsel.

A merger is considered an act of dissolution for purposes of these requirements.

#### Objectives

The primary objectives in dissolution are to wind up the business of the auxiliary organization, transfer net assets to an approved successor organization and arrange for the orderly continuation of necessary services. This requires coordination with the university administration and sound legal advice.

#### Dissolution Plan

Prior to the governing board acting to dissolve the organization, the governing board shall direct staff to work with legal counsel and the university president's representative to develop a dissolution plan that is consistent with applicable law and regulations and outlines the specific steps that must be taken, including but not limited to required filings to the California Attorney General, Secretary of State, and state and federal tax authorities.

The plan, which may involve identification of a successor organization, shall incorporate steps that will allow the dissolution to be completed within a reasonable time and to be coordinated with the university and the office of the chancellor.

The plan shall provide for a financial audit to identify assets and liabilities of the organization and for a review of the audit results by the auxiliary organization’s governing board.

#### Plan Contents

The plan shall also contain the means for:

* Appropriate handling of organization employee personnel matters;
* Distribution of assets or proceeds from the sale thereof;
* Payment of liabilities, or distribution of liabilities to a successor;
* Termination of, or arrangements for, required performance of all contracts and agreements;
* Return of funds held in trust, or continued maintenance of funds held in trust by a successor organization in accordance with trust agreements;
* Transmission of the plan to the university president and chancellor for approval; and
* Resolution of any problems in the dissolution plan by working with the university administration and the office of the chancellor.

## Governing Boards

### Composition

All proposed or existing auxiliary organizations, other than student body organizations, desiring to establish or to make a substantial change in the governing board's composition shall ensure that the resulting membership consists of the following:

1. Administration and staff (one representative from either area);
2. Faculty;
3. Non-university personnel;
4. Students.

[Cal. Educ. Code § 89903](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89903.&nodeTreePath=3.3.1.13.1&lawCode=EDC); [5 CCR § 42602](https://govt.westlaw.com/calregs/Document/I5B07FD134C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93df08000001946737b4be8e0bce71%3Fppcid%3D7965bbe0efff4596a6b4a968fa0c317d%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5B07FD134C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42602&t_S1=CA+ADC+s); [Cal Corp. Code § 5047](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=CORP&sectionNum=5047.).

CSU policy provides that a university’s officially recognized student body organization be responsible for nominating potential student members of auxiliary organization governing boards to the university president. See [Student Representation on Auxiliary Governing Boards](https://calstate.policystat.com/policy/9704442/latest/).

Composition of the governing board of directors prescribed above does not apply to systemwide auxiliary organizations. See [5 CCR § 42666](https://govt.westlaw.com/calregs/Document/I5B1E1D234C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93df0800000194673af8f08e0bcfd5%3Fppcid%3Dd811662adffd43bd8e47afbae842291f%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5B1E1D234C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42666&t_S1=CA+ADC+s).

### Student Body Organization Governing Boards

Student body organization governing boards have special membership requirements. [Cal. Educ. Code § 89903](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89903.&nodeTreePath=3.3.1.13.1&lawCode=EDC); [5 CCR § 42602](https://govt.westlaw.com/calregs/Document/I5B07FD134C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93df08000001946737b4be8e0bce71%3Fppcid%3D7965bbe0efff4596a6b4a968fa0c317d%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5B07FD134C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42602&t_S1=CA+ADC+s); see section on [Student Body Organizations](#_Student_Body_Organizations).

### Conduct of Governing Boards and Conflict of Interest Laws

The legislature has established restrictions on certain contracts and transactions involving auxiliary organization governing board members that could result in, or be perceived as, a conflict of interest.

#### Financial Interest Prohibited

“No member of the governing board of an auxiliary organization shall be financially interested in any contract or other transaction entered into by the board of which he is a member, and any contract or transaction entered into in violation of this section is void.” See [Cal. Educ. Code § 89906](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89906.&nodeTreePath=3.3.1.13.1&lawCode=EDC).

#### Exceptions and Prohibited Financial Interests

Under the circumstances listed in [Cal. Educ. Code § 89907](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89907.&nodeTreePath=3.3.1.13.1&lawCode=EDC), an auxiliary organization governing board may approve or ratify a contract or transaction otherwise prohibited by [Cal. Educ. Code § 89906](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89906.&nodeTreePath=3.3.1.13.1&lawCode=EDC). However, the board may not approve or ratify such prohibited contracts or transactions if:

* The contract or transaction is between an auxiliary organization and a member of the governing board;
* The contract or transaction is between an auxiliary organization and a partnership or unincorporated association of which a board member is a partner or owner or holder, directly or indirectly, of a proprietorship interest;
* The contract or transaction is between an auxiliary organization and a corporation in which any member of the board is the owner or holder, directly or indirectly, of 5 percent or more of the outstanding common stock;
* A member of the board is interested in a contract or transaction within the meaning of [Cal. Educ. Code § 89906](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89906.&nodeTreePath=3.3.1.13.1&lawCode=EDC), and without first disclosing such interest to the board at a public meeting of the board, influences or attempts to influence another member or members of the board to enter the contract or transaction. See [Cal. Educ. Code §§ 89907](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89907.&nodeTreePath=3.3.1.13.1&lawCode=EDC)-[89908](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89908.&nodeTreePath=3.3.1.13.1&lawCode=EDC).

#### Use of Nonpublic Information by Board Members

“It is unlawful for any person to utilize any information, not a matter of public record, which is received by them by reason of their membership on the governing board of an auxiliary organization, for personal pecuniary gain, regardless of whether he is or is not a member of the governing board at the time such gain is realized.” [Cal. Educ. Code § 89909](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89909.).

#### Use of Nonpublic Information for Personal Gain by Employees or Contractors

“It is unlawful for any person to utilize any information, not a matter of public record, that is received by that person by reason of their employment by, or contractual relationship with … an auxiliary organization of the California State University, for personal pecuniary gain, not contemplated by the terms of the employment or contract, regardless of whether the person is or is not so employed or under contract at the time the gain is realized.” [Cal. Educ. Code § 89006](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89006.&lawCode=EDC).

#### Self-dealing; Loans and Guarantees

An auxiliary organization incorporated as a California nonprofit public benefit corporation must also comply with the California Corporations Code prohibitions on self-dealing transactions in which a member of its governing board has a material financial interest ([Cal. Corp. Code § 5233](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=5233.&lawCode=CORP)) and prohibitions on loans of money or property to, and guarantees of obligations of, its board members or officers. ([Cal. Corp. Code § 5236](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=5236.&lawCode=CORP)).

#### Conflict of Interest Policy

The Operating Agreement between CSU and the auxiliary requires the auxiliary to have and attach a copy of its conflict of interest policy.

#### Board Meeting Requirements

Auxiliary organization governing boards and any subboards shall conduct business in public meetings. Student body auxiliary organizations shall comply with the Gloria Romero Open Meetings Act of 2000. [Cal. Educ. Code § 89305 et seq.](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=EDC&division=8.&title=3.&part=55.&chapter=3.&article=1.5.) Nonstudent auxiliary organizations shall comply with the Seymour Open Meetings Act. [Cal. Educ. Code § 89920 et seq](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?division=8.&chapter=7.&part=55.&lawCode=EDC&title=3.&article=2.).

AOA posts Model Open Meeting Guidelines (G-8) for nonstudent auxiliary organizations at [https://csuaoa.org/resources/reports](https://csuaoa.org/resources/reports/)/ (log-in required). The following board meeting requirements apply to non-student auxiliary organizations.

* **Meeting Practices.** Each governing board shall, during each fiscal year, hold at least one business meeting in accordance with [Cal. Educ. Code § 89920 et seq](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?division=8.&chapter=7.&part=55.&lawCode=EDC&title=3.&article=2.). These requirements include provisions for public access to meetings, notice for regular meetings and special meetings, posting action items, and access to information on issues and candidates for auxiliary organization office. Each governing board and subboard shall, at least one week prior to the date set for the meeting, give written notice to any individual or medium that has filed a written request for notice. Any request for notice filed pursuant to this section shall be valid for one year from the date on which it is filed unless a renewal request is filed. [Cal. Educ. Code §§ 89903(b)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89903.&nodeTreePath=3.3.1.13.1&lawCode=EDC); [89920-89928](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=EDC&division=8.&title=3.&part=55.&chapter=7.&article=2.).
* **Agenda Items.** Each auxiliary organization shall develop agenda items that are necessary for the proper conduct and oversight of the operation of the organization. The agenda items should reasonably describe the action to be considered by the board. No governing board or subboard shall take action on any issue until that issue has been publicly posted for at least one week. [Cal. Educ. Code § 89924](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89924.).

#### Legal and Financial Counsel

Each auxiliary organization is required to have the advice and counsel of an attorney admitted to practice law in the State of California and a licensed certified public accountant. These individuals are to be formally appointed by the auxiliary organization’s governing board and available on an on-call basis to respond to concerns of the management or governing board. Neither the attorney at law nor the certified public accountant need be members of the board. [Cal. Educ. Code §§ 89900(a)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89900.&lawCode=EDC) and [89903(b)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89903.&nodeTreePath=3.3.1.13.1&lawCode=EDC).

1. **Regular Legal Counsel Briefings**

It is desirable to have regular briefings of the governing board by an attorney with knowledge of the law applicable to auxiliary organizations, including without limitation [Cal. Educ. Code § 89300 et seq](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89300.). and [89900 et seq.](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89900.&lawCode=EDC), [5 CCR § 42400 et seq.](https://govt.westlaw.com/calregs/Document/I5AC28FA34C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a939d0e000001946ad09b2a7e2ee1fa%3Fppcid%3Da4183cbf9c8549a2b5a2d506cdca4752%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AC28FA34C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42400&t_S1=CA+ADC+s), and [Cal. Corp. Code § 5000 et seq.](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=CORP&sectionNum=5000.), governing nonprofit corporations, to clarify and update legal responsibilities and provide legal advice in operating the auxiliary organization as a separate yet integral part of the university community. Such briefings are especially helpful as governing board members change. Each year the auxiliary organization’s governing board should consider the need for a briefing from its legal counsel.
2. **Separate Legal Counsel**

The CSU Office of General Counsel has full authority and responsibility for the legal affairs of the CSU. As auxiliary organizations are separate legal entities, the Office of General Counsel cannot provide legal services to auxiliary organizations. See [Standing Orders of the Board of Trustees](https://calstate.policystat.com/policy/8955999/latest)

### Public Access to Auxiliary Records

The McKee Transparency Act, [Cal. Educ. Code § 89913 et seq.](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=EDC&division=8.&title=3.&part=55.&chapter=7.&article=1.5.), provides that records maintained by a CSU auxiliary organization shall be available to the public to inspect or copy except as provided by the Act. [Cal. Educ. Code § 89914(a)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89914.).

#### Records Subject to the Act

The records subject to disclosure include “any identifiable writing containing information relating to the conduct of the auxiliary organization that is prepared, owned, used, or retained by an auxiliary organization.” [Cal. Educ. Code § 89914(a)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89914.).

#### Definition of Identifiable Writing

“Identifiable writing” means “any handwriting, typewriting, printing, photostatting, photographing, photocopying, transmitting by electronic mail or facsimile, and every other means of recording upon any tangible thing any form of communication or representation, including, but not limited to, letters, words, pictures, sounds, or symbols, or combinations thereof, and any record thereby created, regardless of the manner in which the record has been stored.” [Cal. Educ. Code § 89913.5(b)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89913.5.).

#### Records Exempt from Disclosure by McKee Act

There are exemptions from disclosure in the McKee Act at [Cal. Educ. Code § 89916 (a)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89916.), which are subject to the exceptions set forth in [Cal. Educ. Code § 89916(b)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89916.). Those exemptions include:

* **Donor Identity.**Information that would disclose the identity of a donor, prospective donor or volunteer. [Cal. Educ. Code § 89916(a)(1)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89916.).
* **Donor Information.**Personal financial information, estate planning information and gift planning information of a donor, prospective donor or volunteer. [Cal. Educ. Code § 89916(a)(2)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89916.).
* **Trust and Annuity Information.**Personal information related to a donor’s private trusts or a donor’s private annuities administered by an auxiliary organization. [Cal. Educ. Code § 89916(a)(3)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89916.).
* **Fundraising Information.**Information related to fundraising plans, fundraising research, and solicitation strategies. [Cal. Educ. Code § 89916(a)(4)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89916.).
* **Identity of Students and Alumni.**The identity of students and alumni to the extent that this information is already protected under state and federal statutes applicable to CSU. This exemption does not apply to auxiliary organization employees or to a student who participates in a legislative body of a student body organization. [Cal. Educ. Code § 89916(a)(5)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89916.).

#### Exceptions to Above McKee Act Exemptions

The above exemptions in [Cal. Educ. Code § 89916(a)(1)-(5)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89916.), do not exempt from disclosure records that contain information regarding the following:

* **Donation Amount and Date.** [Cal. Educ. Code § 89916(b)(1)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89916.).
* **Donor Designated Use of or Purpose of Donation.** [Cal. Educ. Code § 89916(b)(2)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89916.).
* **Donor Imposed Restrictions on use of Donation.** [Cal. Educ. Code § 89916(b)(3)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89916.).
* **Quid Pro Quo Arrangement.**The identity of a donor who, in any fiscal year makes a gift in a quid pro quo arrangement (i.e. getting something of value in return for giving something of value), where either the value of the benefit received is in excess of $2,500 (adjusted to reflect changes in the consumer price index) or the benefit is illegal. [Cal. Educ. Code § 89916(b)(4)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89916.).
* **Self-dealing Transaction.** Records pertaining to self-dealing transactions that would otherwise be exempt from disclosure under [Cal. Educ. Code § 89916(a)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89916.) must be disclosed. Self-dealing transactions include loans of money or property or material financial interests of or between auxiliary organization officers or directors and an auxiliary organization, as set forth in [Cal. Corp. Code §§ 5233](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=5233.&lawCode=CORP) and [5236](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=5236.&lawCode=CORP). [Cal. Educ. Code § 89916(b)(5)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89916&lawCode=EDC).
* **Non-Competitively Bid Contract.** Records pertaining to the identity of such donor or volunteer that would otherwise be exempt from disclosure under [Cal. Educ. Code § 89916(a)(1)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89916.) shall be disclosed where the volunteer or donor is awarded, within five years of the date of the service or gift, a non-competitive bid contract from the CSU/university or the auxiliary organization. [Cal. Educ. Code § 89916(b)(6)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89916.).

#### Trade Secrets

Trade secrets, as defined in [Cal. Civ. Code § 3426.1](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=CIV&sectionNum=3426.1.), are exempt from disclosure. Trade secrets means “information, including a formula, pattern, compilation, program, device, method, technique, or process, that does both of the following:

* Derives independent economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use.
* Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.” [Cal. Educ. Code § 89916.5](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89916.5.).

#### Other Exemptions

The McKee Act incorporates exemptions from disclosure that are in the California Public Records Act. [Cal. Educ. Code § 89915.5](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89915.5.&nodeTreePath=3.3.1.13.2&lawCode=EDC). Some of those exemptions are set forth below:

* **Drafts and Notes.** Preliminary drafts, notes, or memoranda not retained in the ordinary course of business, when the public interest in withholding clearly outweighs the public interest in disclosure. [Cal. Govt. Code § 7927.500](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=GOV&sectionNum=7927.500.); [Cal. Educ. Code § 89915.5](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89915.5.&nodeTreePath=3.3.1.13.2&lawCode=EDC).
* **Pending Litigation.** Records pertaining to pending litigation to which the auxiliary organization is a party until the litigation has been finally adjudicated or otherwise dismissed. [Cal. Govt. Code § 7927.200](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=GOV&sectionNum=7927.200.); [Cal. Educ. Code § 89915.5](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89915.5.&nodeTreePath=3.3.1.13.2&lawCode=EDC).
* **Personnel, Medical, or Similar Records.** Personnel, medical, or similar records, the disclosure of which would constitute an unwarranted invasion of personal privacy. [Cal. Govt. Code § 7927.700](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=GOV&sectionNum=7927.700.); [Cal. Educ. Code § 89915.5](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89915.5.&nodeTreePath=3.3.1.13.2&lawCode=EDC).
* **Real Estate Appraisals.** Real estate appraisals or engineering or feasibility estimates and evaluations made for or by the auxiliary organization relative to the acquisition of property, or to prospective supply and construction contracts, until all of the property has been acquired or all of the contract agreement obtained. [Cal. Govt. Code § 7928.705](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=GOV&sectionNum=7928.705.); [Cal. Educ. Code § 89915.5](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89915.5.&nodeTreePath=3.3.1.13.2&lawCode=EDC).
* **Records Exempted by Other Laws.** Records exempted or prohibited from disclosure by federal or state law, including the law of privilege. [Cal. Govt. Code § 7927.705](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=GOV&sectionNum=7927.705.); [Cal. Educ. Code § 89915.5](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89915.5.&nodeTreePath=3.3.1.13.2&lawCode=EDC).
* **Security Records.** Records that assess vulnerability to terrorist attack or other criminal acts intended to disrupt operations. [Cal. Govt. Code § 7929.200](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=GOV&sectionNum=7929.200.); [Cal. Educ. Code § 89915.5](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89915.5.&nodeTreePath=3.3.1.13.2&lawCode=EDC).
* **Balancing Test; Deliberative Process.** Any record where the public interest served by not disclosing clearly outweighs the public interest served by disclosure. [Cal. Govt. Code § 7922.000](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=GOV&sectionNum=7922.000.) and [Cal. Educ. Code § 89914.5(c)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89914.).

#### Response To A McKee Act Request

An auxiliary organization must respond to a McKee Act request within ten calendar days after receipt. The response may, but does not have to, include the actual records. [Cal. Educ. Code § 89914.5(a)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89914.).

#### Providing the Records; Copy Cost

Public records are generally open to inspection at all times during the auxiliary organization’s normal business hours. There is no charge for inspecting records. A charge may be imposed for the “direct” cost of copying the record. This includes the expense of the duplicating equipment, supplies, and the cost of the staff operating the equipment. It does not include the cost of locating, retrieving, inspecting, or redacting records. Records are not required to be copied or provided until appropriate costs have been paid by the requester. No charge should be assessed for disclosing records that exist in electronic format. [Cal. Educ. Code § 89914](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89914.).

#### Electronic Records

If an auxiliary organization holds identifiable, non-exempt responsive records in an electronic format, the organization shall make such records available in the electronic format in which it holds the information. If a request seeks records in a specific format, e.g., hard or electronic format, they must be produced in that format, so long as they were created in that format originally. [Cal. Educ. Code § 89915(a)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89915.&nodeTreePath=3.3.1.13.2&lawCode=EDC).

#### Remedy for Violations of the McKee Act

A person who has been denied access to a public record under the McKee Act may file a lawsuit to enforce their right to inspect or receive a copy of the record. If the court finds that refusal to disclose the record was unjustified, the court may enter an order requiring its disclosure. The court may also order the auxiliary organization to pay reasonable attorneys’ fees and court costs. If the court finds the refusal to disclose was justified, the auxiliary organization may recover its attorneys’ fees only where it can demonstrate that the request was clearly frivolous. [Cal. Educ. Code §§ 89917](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89917.&nodeTreePath=3.3.1.13.2&lawCode=EDC) and [89917.5](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89917.5.&nodeTreePath=3.3.1.13.2&lawCode=EDC).

#### Confidentiality

Any provision in a contract entered into after January 1, 2012 (the effective date of the McKee Act) between an auxiliary organization and another party that would prevent the disclosure of information required to be disclosed under the McKee Act is void and unenforceable, and such a provision shall not justify a failure to comply with the Act. [Cal. Educ. Code § 89918.5](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89918.5.&lawCode=EDC).

## Campus Facilities, Construction and Vehicles

### CSU Property and Facilities Leases

If an auxiliary organization uses CSU land, buildings or facilities for the ongoing performance of authorized functions or services, the arrangement must be established through a lease or other form of written agreement between the auxiliary organization and CSU. The provisions for the lease of university facilities may be combined with the written operating agreement to perform functions or may be in a separate lease agreement. The chancellor’s office maintains model agreements and leases containing only basic required sections which, if used, should be augmented by specific conditions of the particular situation. [Cal. Educ. Code § 89046](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89046.); 5 CCR §§ [42502(c)(e)](https://govt.westlaw.com/calregs/Document/I5AF7A9634C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a939d0e000001947135268d7e309891%3Fppcid%3D85a73a2c896a46e49b579831615055b2%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AF7A9634C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42502&t_S1=CA+ADC+s) and [42601](https://govt.westlaw.com/calregs/Document/I5B02F4034C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93bd52000001947137a1beb2081c86%3Fppcid%3D937336d6496145f3ae01f8560ed7756c%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5B02F4034C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42601&t_S1=CA+ADC+s); [Delegation of Authority to Lease Real Property](https://calstate.policystat.com/policy/12234789/latest); [Real Property Development Projects](https://calstate.policystat.com/policy/9975730/latest).

The following leases of CSU property require review and approval by the office of the chancellor prior to execution:

1. Leases where the trustees’ commitment or the property leased is to be used to support the issuance of bonds, certificates of participation or notes, or where there is a transfer of interest by installment sale or other form of security;
2. Leases with a term of twenty or more years or an annual lease payment equal or greater than one million;
3. Lease agreements that permit development subject to CSU policy involving public/private or public/public developments.

### Student Body Organization Lease

Student body organizations, including those that perform student government functions, are required to have a lease to use university facilities. The lease for student government organizations shall be subject to policies established by the university. Lease amounts for student body organizations may be set at the discretion of the university. [Cal. Educ. Code § 89046](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89046.).

### Sponsored Projects

Use of CSU and university facilities for sponsored projects work shall be reflected in a written lease or licensing agreement; however, specific project needs shall be arranged on a special basis as a matter of resources and needs between the university and the auxiliary organization. Use of space for sponsored projects may require reimbursement to CSU. [Delegation of Fiscal Authority and Responsibility](https://calstate.policystat.com/policy/9594654/latest/).

### License for Special Use of Campus Facilities

The one time or special use of CSU and university facilities such as auditoriums, stadiums, amphitheaters, gymnasium facilities, classrooms, conference rooms, labs, etc. are subject to policies and regulations requiring that CSU or the university be reimbursed for incremental costs incurred as a result of the activity. Such uses shall also be subject to policies established at each university. [Cal. Educ. Code § 89046](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89046.); [5 CCR §§ 42502](https://govt.westlaw.com/calregs/Document/I5AF7A9634C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a939d0e000001947135268d7e309891%3Fppcid%3D85a73a2c896a46e49b579831615055b2%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AF7A9634C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42502&t_S1=CA+ADC+s) and [42601](https://govt.westlaw.com/calregs/Document/I5B02F4034C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93bd52000001947137a1beb2081c86%3Fppcid%3D937336d6496145f3ae01f8560ed7756c%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5B02F4034C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42601&t_S1=CA+ADC+s).

### Construction on CSU Property

#### Sole and Direct Control of Trustees

Any construction “project” (defined in [Cal. Pub. Cont. Code § 10701](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=10701.&nodeTreePath=3.2.5.1&lawCode=PCC)) located on CSU property, which is performed pursuant to a contract entered into or awarded by an auxiliary organization and funded in whole or in part by public funds, is deemed to be under the sole and direct control of the trustees. [Cal. Pub. Cont. Code § 10704](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=10704.&nodeTreePath=3.2.5.1&lawCode=PCC); [Cal. Educ. Code § 89911](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89911.).

Projects deemed to be under the direct control of the trustees are subject to all the requirements of the CSU contract law ([Cal. Pub. Cont. Code § 10700 et seq](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=10700.&nodeTreePath=3.2.5.1&lawCode=PCC).) and CSU and university policy. All projects funded or administered by auxiliary organizations shall be coordinated with the university executive facility officer. [Cal. Educ. Code § 89911](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89911.).

#### Master Plan

All construction on a university is subject to university physical master plan requirements and, if classified as a self-support capital outlay project, must be approved in the trustees’ five-year capital plan. Contact your university executive facility officer to coordinate project requirements with the office of capital planning, design and construction at the chancellor’s office. See [Five-Year Capital Improvement Program Procedures and Formats for Capital Outlay Submission](https://calstate.policystat.com/policy/8548606/latest).

#### Major Capital Projects

Major capital outlay construction improvement projects that involve the use of CSU land or facilities must have prior approval by the university president and be approved in the trustees’ five-year capital plan. See [Five-Year Capital Improvement Program Procedures and Formats for Capital Outlay Submission](https://calstate.policystat.com/policy/8548606/latest).

#### Minor Capital Projects

Minor capital outlay projects, which include refurbishing and remodeling or maintenance projects on CSU land or facilities shall be coordinated with, and approved by, the university president or designee. See [Five-Year Capital Improvement Program Procedures and Formats for Capital Outlay Submission](https://calstate.policystat.com/policy/8548606/latest).

#### Student Fee Funded Projects

For construction projects funded from the university’s student union fee, funding may be provided through revenues coming through the trustee’s system-wide revenue bond program administered through the office of financing and treasury at the chancellor’s office. At the auxiliary organization’s discretion, smaller cash funded projects may be paid for by the auxiliary organization holding the student union operating agreement. Regardless of source, the university and auxiliary organization must coordinate all such bond funded projects with financing and treasury, which handles budget, programmatic and capital outlay implications of the trustees’ bond programs. [5 CCR § 42500(c)](https://govt.westlaw.com/calregs/Document/I5AEAD8234C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93bd52000001947103b73fb2080332%3Fppcid%3D0e6169c77e9a492ebb43a17a3cd766c0%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AEAD8234C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42500&t_S1=CA+ADC+s).

#### Auxiliary Construction Contract General Terms and Conditions

CSU contract general conditions for use by auxiliary organizations shall be used when entering into contracts for auxiliary organization construction projects located on CSU property and funded in whole or in part by public funds. Construction management sample forms maintained by the capital planning design and construction unit of the chancellor’s office are publicly posted. See [Construction Management for Public Works Contracts](https://calstate.policystat.com/policy/11784069/latest).

#### Agreement for CSU Services

If CSU staff is to inspect, superintend, or administer an auxiliary organization construction project, the auxiliary organization shall enter into a written agreement with CSU detailing the services to be performed by CSU and the amount to be paid by the auxiliary organization for such services prior to commencement of the project. Failure to reimburse CSU for staffing shall constitute a use of public funds and render the project a Public Works project with all associated requirements. See [5 CCR § 42502(f)](https://govt.westlaw.com/calregs/Document/I5AF7A9634C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a939d0e000001947135268d7e309891%3Fppcid%3D85a73a2c896a46e49b579831615055b2%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AF7A9634C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42502&t_S1=CA+ADC+s); [Construction Management for Public Works Contracts](https://calstate.policystat.com/policy/11784069/latest) at 9701.10.

#### Ground Lease with CSU

A ground lease of CSU property from CSU to an auxiliary organization shall include CSU’s right to review, audit and authorize other governmental agencies to review and audit all books and records of the partnering auxiliary organization and tenants/subtenants with respect to any and all rents and any financial obligations received by the auxiliary organization associated with the ground lease. CSU ground leases with an auxiliary organization and construction contracts for development on CSU property shall also include the same insurance, surety bond requirements and indemnification provisions that are in CSU construction contract general conditions for use by auxiliary organizations.

### Development Projects on Auxiliary Property

All auxiliary organization development projects on auxiliary organization property shall comply with requirements in the following policies: [Real Property Development Projects](https://calstate.policystat.com/policy/9975730/latest), [CSU Contracts and Procurement](https://calstate.policystat.com/policy/12651115/latest), and [CSU Sustainability Policy](https://calstate.policystat.com/policy/11699668/latest). The [Real Property Development Projects](https://calstate.policystat.com/policy/9975730/latest) policy shall apply to projects initiated by auxiliaries in partnerships with CSU, private sector entities or other public sector organizations on land owned by either CSU, the auxiliaries, the private sector entities or other public sector organizations. In addition, this policy may apply to development on private property involving affiliation agreements with the university or its auxiliaries. These agreements with a third party for a partnership project on private property which will be affiliated with the university and will not be funded in whole or part by public funds, shall be approved by the Chancellor, Executive Vice Chancellor and Chief Financial Officer or designee. Board of Trustees action may not be required unless requested by the Chancellor or the Executive Vice Chancellor and Chief Financial Officer. “Funded in whole or part by public funds” includes a ground lease at less than the market rate, non-reimbursement of CSU services or utility use, and any other financial advantage that may accrue to a project as a result of use of public funds.

#### Mandatory Provisions

Construction contracts for development on auxiliary organization property shall include the same insurance, surety bond requirements and indemnification provisions that are in CSU construction contract general conditions for use by auxiliary organizations. See [Construction Management for Public Works Contracts](https://calstate.policystat.com/policy/15201539/latest).

#### Sustainable Practices

In recognition of auxiliary organizations’ contribution to CSU’s overall carbon footprint, auxiliary organizations shall pursue sustainable practices in the planning, design, construction and operation of facilities and adhere to [CSU Sustainability Policy](https://calstate.policystat.com/policy/11699668/latest). Each auxiliary will support university goals to reduce energy consumption and energy use intensity, water use, and waste generation.

#### Energy Efficiency

CSU has established a policy to construct facilities which exceed the minimum requirements set forth in the California Building Code, Title 24, Part 6 Energy Standards by 10 percent. Auxiliary construction projects shall meet the CSU standards for renewable energy and energy efficiency as delineated in CSU Sustainability Policy, as well as the latest technical memos and bulletins issued by the Capital Planning, Design and Construction unit in the Chancellor’s Office. See [CSU Sustainability Policy](https://calstate.policystat.com/policy/11699668/latest).

#### Utilities Reporting

Auxiliaries shall support university utility reporting and the efficient use of utilities to comply with the [CSU Sustainability Policy](https://calstate.policystat.com/policy/11699668/latest).

#### Maintenance/Capital Renewal

Auxiliary organizations shall assess and address the maintenance and capital renewal needs of auxiliary organization facilities and may coordinate with university facilities departments to participate in university facilities renewal models and benchmarking. At a minimum of once every three years, auxiliary organizations shall conduct an in-depth review to assess the adequacy of their Major Maintenance and Repair/Renovation and Upgrade Reserves. The reviews should include formal studies of systems and necessary funding levels to cover all aspects of the cost of replacement through the reserve funding plan. See [Financing and Debt Management Policy; and Project Development and the Systemwide Revenue Bond Program](https://calstate.policystat.com/policy/6589641/latest).

#### Use of State Vehicles

The CSU policy concerning Fleet Vehicles applies to auxiliary organizations. See [Cal. Educ. Code § 89008](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89008.&lawCode=EDC); [Facilities Operating and Management](https://calstate.policystat.com/policy/6637418/latest). However, only CSU employees are permitted to drive university-owned vehicles. CSU may not loan or lease a vehicle owned by the university to a non-state entity, including auxiliary organizations. See [Use of University & Private Vehicles Guidelines](https://www.calstate.edu/csu-system/administration/business-finance/systemwide-risk-management/Documents/VehicleUseGuideBook.pdf).

#### Prevailing Wage

The applicability or state law regarding prevailing wages related to CSU and auxiliary organization public works projects is complex. Auxiliary organizations must consult with the university and the chancellor's office Capital Planning, Design and Construction and the Office of General Counsel at project initiation to receive a preliminary determination on prevailing wage for the proposed project.

## Fiscal Policy

The Education Code requires the trustees to implement certain fiscally related policies applicable to all auxiliary organizations requiring:

### Financial Standards

Financial standards to assure the fiscal viability of auxiliary organizations, including professional management, adequate working capital, reserves for capital replacement, and provision for new business requirements.

### Indirect Costs

Policies for the appropriation of funds derived from indirect cost payments. [Cal. Educ. Code § 89904](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89904.); [5 CCR § 42401](https://govt.westlaw.com/calregs/Document/I5AC5C3F34C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a938fba000001946757f66e2a638a56%3Fppcid%3D79c10ca7429b4242857644d29d83521f%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AC5C3F34C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42401&t_S1=CA+ADC+s).

#### Indirect Costs

Indirect costs are costs that are not readily identifiable as a direct expense of a particular externally sponsored research, training, or educational project. Indirect cost rates are established in accordance with [2 CFR 200.414](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-E/subject-group-ECFRd93f2a98b1f6455/section-200.414); however, indirect cost reimbursements are recovered through the application of the allowable indirect cost rate per project agreement. [5 CCR § 42500](https://govt.westlaw.com/calregs/Document/I5AEAD8234C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93a4ed00000194670bd3e2bd8d443a%3Fppcid%3D056da82f62bc40659262a576229c72ce%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AEAD8234C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42500&t_S1=CA+ADC+s).

#### Use of Indirect Costs

Indirect cost reimbursements received by auxiliary organizations responsible for administering sponsored programs shall be used for the following purposes:

* Expenses incurred in support of the organization’s externally funded projects. [5 CCR § 42500(a)(7)](https://govt.westlaw.com/calregs/Document/I5AEAD8234C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93bd52000001947103b73fb2080332%3Fppcid%3D0e6169c77e9a492ebb43a17a3cd766c0%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AEAD8234C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42500&t_S1=CA+ADC+s). They include, but are not limited to, expenditures for general management and administration, facilities management and administration, project cost sharing and support, and may be used and pledged as a source of repayment for bond debt service.
* Specific reserves established for the support of externally funded projects, including, but not limited to, reserves of the categories above (see [Financial Standards; Annual Review](#autoid-e5623)) which relate specifically to externally funded projects, as well as others unique to externally funded project operations, such as reserves for disallowances or project development.

#### Use of Indirect Costs; Division of Indirect Cost Reimbursements

Indirect cost reimbursements (pooled on an annual basis) that are not used to fund the annual activities and reserve requirements (referenced in the previous section) shall be allocated between the auxiliary organization and the university. [Annual Review of Auxiliary Financial Standards and Control Self-Assessment](#_Annual_Review_of)university

Allowable and allocable indirect costs shall be allocated and recovered according to a cost allocation plan that utilizes a documented and consistent methodology including identification of indirect costs and a basis for allocation (referenced in section [Cost Allocation; Reimbursement to CSU](#autoid-j6vw7)). The university chief financial officer, or designee, shall annually approve and implement the cost allocation plan. See [Cost Allocation/Reimbursement Plans for the CSU Operating Fund](https://calstate.policystat.com/policy/8543151/latest/).

Funds retained by the auxiliary organization may be expended in support of all authorized auxiliary organization functions ([5 CCR § 42500](https://govt.westlaw.com/calregs/Document/I5AEAD8234C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93bd52000001947103b73fb2080332%3Fppcid%3D0e6169c77e9a492ebb43a17a3cd766c0%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AEAD8234C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42500&t_S1=CA+ADC+s)) in accordance with the financial standards referenced above. See [Cal. Educ. Code § 89904(d)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89904.) and [Cost Allocation/Reimbursement Plans for the CSU Operating Fund](https://calstate.policystat.com/policy/8543151/latest/).

### Public Relations Policy

Each auxiliary organization shall maintain a policy on the accumulation and expenditure of funds for public relations. The university president is required to keep a current statement of these policies on file in the office of the chancellor. Certain aspects of the required policy are to be integrated with expenditure documentation requirements. Campuses should send updates to these policies to the CSU office of contract services and procurement where the files will be maintained.

Campus auxiliary organizations that do not have expenditures for public relations, should file a statement indicating this fact with the CSU office of contract services and procurement. See [5 CCR § 42502(i)](https://govt.westlaw.com/calregs/Document/I5AF7A9634C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a939d0e000001947135268d7e309891%3Fppcid%3D85a73a2c896a46e49b579831615055b2%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AF7A9634C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42502&t_S1=CA+ADC+s).

### Auxiliary Organization Investment Policy

Auxiliary Investment Policy. Auxiliary organizations should develop an investment policy that is comprehensive and explicit. The characteristics of an investment policy should define and include objectives, applicable risks, allocation guidelines and rationales, rebalancing provisions, and benchmarks. An investment policy should be logically consistent in that the individual components of the policy must work together and not contradict each other. CSU guidance on the elements of a strong investment policy for auxiliaries can be found in the *Seven Key Characteristics of a Strong Investment Policy* document (see Attachments).

### Student Body Organization Funds and Funds Held in Trust by University

The [CSU Master Investment Policy](https://calstate.policystat.com/policy/16324495/latest) applies to student body organization funds held by the university pursuant to the “custodianship” requirements, and to other auxiliary organization funds held in trust by the university. [5 CCR § 42403](https://govt.westlaw.com/calregs/Document/I5ACD8C234C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93df0800000194674b073b8e0bd592%3Fppcid%3D3cac7ddb090b4535ab6df7a653a6acd0%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5ACD8C234C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42403&t_S1=CA+ADC+s); Cal. Educ. Code §§ [89301](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89301.&nodeTreePath=3.3.1.3.1&lawCode=EDC) and [89724](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89724.&lawCode=EDC); Campus Auxiliary Organizations; Administration of Student Organization Funds.

There are specific limitations on investment of student body organization funds, which are state funds. See section on [Student Body Organization Funds and Funds Held in Trust by University](#_Student_Body_Organization); [Cal. Educ. Code § 89301](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89301.&nodeTreePath=3.3.1.3.1&lawCode=EDC); [Cal. Govt. Code § 16430](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=16430.&lawCode=GOV).

For student body organizations, i

Certain trusts are subject to provisions of the California Probate Code. Auxiliary organizations that have funds subject to this code should be familiar with its provisions and establish procedures that will assure compliance with its provisions. See [Cal. Prob. Code § 16320 et seq.](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=PROB&division=9.&title=&part=4.&chapter=3.&article=1." \t "_blank); [5 CCR § 42403](https://govt.westlaw.com/calregs/Document/I5ACD8C234C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93df0800000194674b073b8e0bd592%3Fppcid%3D3cac7ddb090b4535ab6df7a653a6acd0%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5ACD8C234C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42403&t_S1=CA+ADC+s" \t "_blank).

### Campus Activities and Programs

Campus activities and programs consist of functions, proceedings, projects, services, and tasks important to the academic and university life experience offered to students and staff. The university, with the approval of the chancellor or designee, may assign certain functions to university auxiliary organizations. A written agreement is required. [Cal. Educ. Code § 89900](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89900.&lawCode=EDC); [5 CCR § 42402](https://govt.westlaw.com/calregs/Document/I5AC91F534C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93bd520000019471473ba8b208250b%3Fppcid%3D303e8956a1904c0c9d01b8151c53c53c%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AC91F534C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42402&t_S1=CA+ADC+s).

#### Determination of Responsibility for a Campus Activity or Program

Responsibility for a university activity or program should be clearly established, and related funds appropriately placed and controlled. The following should be considered and documented when determining the appropriate placement of a university activity or program and associated funds:

* The university president or designee shall assess whether the university or one of its auxiliary organizations should be responsible for an activity or program and the acceptance of the associated risks and rewards;
* The university president or designee shall determine and identify and document the entity to be responsible for the activity or program (i.e. university or auxiliary);
* The university chief financial officer or designee shall identify and document the legal obligations, fiscal liabilities, and fiduciary responsibilities associated with a university activity or program and assess options for managing the associated risks;
* The university president or designee shall approve any assignment of responsibility for a university activity or program to an auxiliary organization. Delegation of this authority must be documented and implemented consistent with university policy. See section on [University Presidents](#_University_Presidents).

#### Auxiliary Organization Acceptance of Responsibility

When an auxiliary organization accepts responsibility for an activity or program, it also assumes all associated legal obligations and liabilities, fiscal liabilities, and fiduciary responsibilities, including:

* Authority and discretion to contract for services or materials required by the activity;
* Responsibility for business losses;
* Legal liability as an owner or principal entity;
* Fiduciary obligations associated with the activity;
* Responsibility for establishment of operating and administrative policies;
* Primary control or discretion over the expenditure of funds. See [Placement and Control of Receipts for Campus Activities and Programs](https://calstate.policystat.com/policy/11258263/latest); section on [Application of State Law and CSU Policy to Auxiliary Organizations.](#_Application_of_State)

### Insurance

#### Indemnity Bonds

An auxiliary organization is required by [5 CCR § 42403(d)](https://govt.westlaw.com/calregs/Document/I5ACD8C234C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93df0800000194674b073b8e0bd592%3Fppcid%3D3cac7ddb090b4535ab6df7a653a6acd0%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5ACD8C234C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42403&t_S1=CA+ADC+s) to have an indemnity bond for all officers and employees handling funds of the auxiliary organizations. The intent of the requirement is to provide a bond to cover potential losses for possible types of employee dishonesty for employees handling funds. Therefore, various types of employee dishonesty bonds or fidelity bonds, including commercial blanket and blanket position bonds meet the intent of [5 CCR § 42403(d)](https://govt.westlaw.com/calregs/Document/I5ACD8C234C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93df0800000194674b073b8e0bd592%3Fppcid%3D3cac7ddb090b4535ab6df7a653a6acd0%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5ACD8C234C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42403&t_S1=CA+ADC+s).

#### Insurance Coverage

An auxiliary organization shall:

* Establish an amount of coverage that will cover the potential for loss and the expenses relating to specific determination of the loss amount (audit fees can be a significant expense in connection with such a loss) and is consistent with the CSU insurance requirements.
* Determine which employees should be covered.
* Have a policy for periodic review of the coverage by the governing board.

## Records

Auxiliary organizations are required to maintain adequate records and prepare periodic reports as required by the trustees showing its operations, and financial status. See [5 CCR § 42404(a)](https://govt.westlaw.com/calregs/Document/I5AD1AAD44C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93cae400000194714a8d36fa1869f3%3Fppcid%3Db3d756df64274cf4853d14560140fc07%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AD1AAD44C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42404&t_S1=CA+ADC+s); [Cal. Corp. Code § 8320](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=8320.&lawCode=CORP).

Each auxiliary organization shall adopt a records retention policy. Since auxiliary organizations have a special relationship with the CSU, their records retention policy should generally parallel policies applicable to the **Records Retention and Disposition Schedules Policy**.

All records of an auxiliary organization are to be open and available to the trustees and the California department of finance for audits. [5 CCR § 42404(b)](https://govt.westlaw.com/calregs/Document/I5AD1AAD44C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93cae400000194714a8d36fa1869f3%3Fppcid%3Db3d756df64274cf4853d14560140fc07%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AD1AAD44C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42404&t_S1=CA+ADC+s).

## Information Security

An auxiliary organization is responsible for protecting the confidentiality, integrity and availability of information assets. Unauthorized modification, deletion, or disclosure of information assets can compromise the mission of the auxiliary organization, the CSU, violate individual privacy rights, and possibly constitute a criminal act. An auxiliary organization that uses university information assets must operate those assets in conformity with the CSU information security policy. See [CSU](https://calstate.policystat.com/policy/15698973/latest) [Information Security Policy and Standards](https://calstate.policystat.com/policy/15698973/latest).

## Sound Business Practice Guidelines

[5 CCR § 42401(d)](https://govt.westlaw.com/calregs/Document/I5AC5C3F34C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a938fba000001946757f66e2a638a56%3Fppcid%3D79c10ca7429b4242857644d29d83521f%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AC5C3F34C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42401&t_S1=CA+ADC+s) requires that an auxiliary organization provide fiscal procedures and management systems that allow effective coordination of auxiliary organization activities with the university in accordance with sound business practices.

### Expenditure of Auxiliary Organization Funds General Use and Limitations

#### Approval of Expenditures

All expenditures and fund appropriations shall be approved by the governing board of the auxiliary organization. [Cal. Educ. Code § 89904](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89904.). This is generally done through a budget approval process with a delegation to operating officer(s) to implement the approved budget plan.

#### Expenditures Outside of Normal Business

Expenditures outside of the normal business operations of the auxiliary organization shall be approved in accordance with trustee policy and regulations by an officer of the trustees. See [Cal. Educ. Code § 89904](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89904.).

#### Delegation

The chief operating officer of the auxiliary organization, or designee, shall establish documented corporate delegations of fiscal authority and ensure that receipts and disbursements comply with the auxiliary organization fiscal policies and internal controls, and with the written agreement with CSU. The auxiliary organization shall retain any legal obligations and liabilities, fiscal liabilities, and fiduciary responsibilities associated with transactions initiated or approved by such university employees with delegated authority. See section on [University Presidents](#autoid-x5nyv).

#### Expenditures Consistent with CSU Mission and Policy.

Auxiliary organizations exist primarily to serve the educational mission of the CSU. Each auxiliary organization may expend funds consistent with those functions that the organization has been authorized to perform in its agreement with the CSU. Expenditures must also be consistent with university policy. [5 CCR § 42501](https://govt.westlaw.com/calregs/Document/I5AF252334C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93bd52000001947113390ab2080ac0%3Fppcid%3Dcbb7cf905386484fb0058b857413aeb8%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AF252334C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42501&t_S1=CA+ADC+s).

Approved uses of student body organization funds are listed in [5 CCR § 42659](https://govt.westlaw.com/calregs/Document/I5B103A734C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93df0800000194674dd0118e0bd632%3Fppcid%3D2ad3f3fcba994e6f9f457ccffbfc08fe%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5B103A734C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42659&t_S1=CA+ADC+s). See also [Cal. Educ. Code § 89300](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89300.), last paragraph.

#### Policy on Expenditures of Funds

[Cal. Educ. Code § 89904](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89904.) requires the trustees to implement policies concerning expenditure of auxiliary organization funds.

* **Basis for Expenditures**. An auxiliary organization has as a primary objective the goal of aiding and supplementing the instructional and service activities of the CSU. An auxiliary organization may assist the CSU and its universities by expanding on the range of activities or by increasing the funding for ongoing CSU programs. It may expend its funds in this assistance role subject to the following conditions:
	+ Expenditures must further the CSU educational mission and comply with trustee and university policy;
	+ Expenditures must comply with applicable law and CSU and university policies. [Cal. Educ. Code § 89900(b)-(c)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89900.&lawCode=EDC); [5 CCR § 42400](https://govt.westlaw.com/calregs/Document/I5AC28FA34C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93df0800000194671ed7498e0bc696%3Fppcid%3D16fa447f3aea4797af9dad6486759fd6%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AC28FA34C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42400&t_S1=CA+ADC+s). Accordingly, an auxiliary organization shall not expend funds for goods or services on behalf of a university, and arrange to be reimbursed by the university, if circumvention of law or CSU policy or procedure (e.g. competitive bidding requirements) would occur.
* **Routine Documentation of Expenditures.** Each auxiliary organization shall maintain documentation for expenditures consistent with sound business practice, and in keeping with applicable documentation standards required by federal, state and local governments. Documentation procedures should be adequate to allow an efficient annual fiscal audit by a certified public accountant.
* **Special Documentation of Expenditures.** Each auxiliary organization shall also provide special documentation to assure expenditures are made consistent with the constraints attached to certain sources of funds.

#### Cost Allocation; Reimbursement to CSU

CSU policy requires each university president to ensure that costs incurred by the CSU operating fund for services, products, and facilities provided to an auxiliary organization are properly and consistently recovered with cash or documented exchange of value. Allowable direct costs incurred by the CSU operating fund shall be recovered based on actual costs incurred. Allowable and allocable indirect costs shall be recovered according to a cost allocation/reimbursement plan that utilizes a documented methodology for identification of indirect costs and a basis for allocation.

Allocation/reimbursement of joint use costs to the CSU operating fund from an auxiliary organization is independent of those indirect costs (i.e. facilities and administrative costs) that may be recovered from external grants and contracts. The chief financial officer, or designee, shall annually approve and ensure implementation of a documented cost allocation/reimbursement plan. See [Cost Allocation / Reimbursement Plans for the CSU Operating Fund.](https://calstate.policystat.com/policy/8543151/latest)

#### Political Activity

 CSU policy and tax regulations limit auxiliary advocacy activity. See [5 CCR § 42403(c)(1)](https://govt.westlaw.com/calregs/Document/I5ACD8C234C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93df0800000194674b073b8e0bd592%3Fppcid%3D3cac7ddb090b4535ab6df7a653a6acd0%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5ACD8C234C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42403&t_S1=CA+ADC+s) and [26 USC § 501(c)(3)](https://uscode.house.gov/view.xhtml?req=(title:26%20section:508%20edition:prelim)). Auxiliary organizations shall not expend funds:

* To support or oppose any candidate for public office; or
* To support or oppose any issue before the voters of this state or any subdivision thereof or any city, municipality, or local governmental entity of any kind with two exceptions.

This restriction does not apply to the statewide student organization. See [Cal. Educ. Code § 89300(c)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89300.);

Auxiliary organizations may engage in efforts to support a position formally taken by the trustees on an issue, which the trustees determine will significantly affect the CSU or any university. See [5 CCR § 42403(c)(1)](https://govt.westlaw.com/calregs/Document/I5ACD8C234C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93df0800000194674b073b8e0bd592%3Fppcid%3D3cac7ddb090b4535ab6df7a653a6acd0%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5ACD8C234C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42403&t_S1=CA+ADC+s) and [Handbook of Election Issues](https://www.calstate.edu/csu-system/administration/general-counsel/Documents/Election%20Issues%20Handbook.pdf).

Federal tax law limits the amount of lobbying activity and prohibits political activity by organizations exempt from federal taxation under [26 USC § 501(c)(3)](https://uscode.house.gov/view.xhtml?req=(title:26%20section:508%20edition:prelim)). To uphold their tax-exempt status, auxiliaries can devote no more than an “insubstantial amount” of their overall activities toward lobbying. A reasonable interpretation of this rule indicates that activities in support of lobbying should not exceed 3 to 5 percent of the organization’s overall activities and resources, including its time and effort, which includes the time and effort of volunteers. See [IRS Guidance re Charities and Nonprofits/Lobbying](https://www.irs.gov/charities-non-profits/lobbying); [IRS Revenue Ruling 2007-41](http://www.irs.gov/pub/irs-drop/rr-07-41.pdf);  [Cal. Rev. & Tax Code §§ 23701d](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=RTC&sectionNum=23701.) and [23704.5](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=23704.5.&nodeTreePath=3.27.6.1&lawCode=RTC).

#### Financial Aid and Loans

* **Current Students.** Expenditures for student loans, scholarships, stipends, awards and grants-in-aid are to be made only to currently admitted and enrolled students. universityuniversity A record of such financial assistance shall be forwarded on a timely basis to the university financial aid office and shall be documented on student financial aid recipient records kept in that office. [5 CCR § 42500(d)](https://govt.westlaw.com/calregs/Document/I5AEAD8234C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93bd52000001947103b73fb2080332%3Fppcid%3D0e6169c77e9a492ebb43a17a3cd766c0%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AEAD8234C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42500&t_S1=CA+ADC+s" \t "_blank).
* **Personal Loans for Non-Educational Purpose**. Auxiliary organizations may not expend trust funds to make personal loans for non-educationally related purposes, except that such loans may be made when specifically authorized by a trust instrument under which the funds were received. [5 CCR § 42403(c)(2)](https://govt.westlaw.com/calregs/Document/I5ACD8C234C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93df0800000194674b073b8e0bd592%3Fppcid%3D3cac7ddb090b4535ab6df7a653a6acd0%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5ACD8C234C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42403&t_S1=CA+ADC+s); See also [Cal. Probate Code § 15300 et seq](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=15300.&lawCode=PROB).
* **Loans to Directors or Officers**. Auxiliary organizations incorporated under the California Nonprofit Public Benefit Corporation Law are prohibited by law from making any loan of money or property or to guarantee the obligation of any director or officer except as otherwise provided in [Cal. Corp. Code § 5236](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=5236.&lawCode=CORP).

#### Travel and Hospitality

* **Travel Reimbursement.** Auxiliary organizations which provide reimbursement for travel expenses must adopt and maintain a written policy for such reimbursements. Since auxiliary organizations have a special relationship with CSU, their travel reimbursement policies should be comparable to policies applicable to CSU. See [Travel and Business Expense Payments](https://calstate.policystat.com/policy/15645082/latest).
* **External Requirements.** Auxiliary organization travel policies must comply with the requirements of the United States internal revenue service and in the case of auxiliaries administering sponsored grants and contracts, must comply with the requirements of program sponsors.
* **Student Travel.** Student body organizations are required to comply with [Cal. Educ. Code § 89310](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89310.&lawCode=EDC); [CSU Student Travel Policy](https://calstate.policystat.com/policy/13647263/latest); [Hospitality Policy](https://calstate.policystat.com/policy/13790907/latest); [Travel Reimbursement Procedures for Student Representatives Appointed to Systemwide Advisory Committees](https://calstate.policystat.com/policy/8681559/latest); [Travel and Business Expense Payments](https://calstate.policystat.com/policy/15645082/latest)
* **Hospitality Reimbursement.** Each auxiliary organization that pays hospitality expenses shall develop written procedures, consistent with, or more restrictive than, the CSU [Hospitality Policy](https://calstate.policystat.com/policy/13790907/latest).

### Budget Development

Each auxiliary organization governing board must approve the amounts and purpose for expending auxiliary organization funds. This includes amounts for auxiliary operations as well as amounts and purpose of expenditures to augment state appropriations such as expenditures for public relations activities. Governing boards can accomplish this requirement by reviewing and approving an annual budget before the start of each fiscal year. Necessary changes to the budget may be made by the governing board as the fiscal year progresses. [Cal. Educ. Code § 89904](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89904.); [5 CCR § 42502(i)](https://govt.westlaw.com/calregs/Document/I5AF7A9634C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a939d0e000001947135268d7e309891%3Fppcid%3D85a73a2c896a46e49b579831615055b2%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AF7A9634C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42502&t_S1=CA+ADC+s).

#### President’s Budget Review and Authority

For the university president to exercise their responsibility over the entire university program, each auxiliary organization is required to submit its annual budgets and programs for review and approval at a time and in a manner specified by the president. In reviewing the budget, the president may instruct the auxiliary not to implement a specific program or expenditure if it is determined not to be consistent with CSU or university policy. [5 CCR § 42402](https://govt.westlaw.com/calregs/Document/I5AC91F534C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93cae4000001946b1a5b9afa16c97e%3Fppcid%3D8a5bd4ef6ef840a9891d6ab6fe51d18a%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AC91F534C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42402&t_S1=CA+ADC+s).

#### Discontinuance of Program or Expenditure

If a program or appropriation which had earlier received approval is determined by the president to not comply with CSU or university policy, then the program or appropriation must be discontinued by the president's direction until further review is accomplished and appropriate adjustment made. [5 CCR § 42402](https://govt.westlaw.com/calregs/Document/I5AC91F534C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93cae4000001946b1a5b9afa16c97e%3Fppcid%3D8a5bd4ef6ef840a9891d6ab6fe51d18a%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AC91F534C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42402&t_S1=CA+ADC+s).

#### Change

If an auxiliary organization desires to make a significant change (as defined by the university president) to a budget during the year, the change must be submitted to the university president for review and approval.

#### Delegation

The budget review function for auxiliary organization budgets may be delegated to a CSU employee by the university president.

#### Student Body Organizations

There are special procedures for the budget approval of student body organizations. See [Procedures for Preparation, Review and Approval of Associated Students’ Budgets](https://calstate.policystat.com/policy/8345889/latest) and [Use of Student Fee Funds](#autoid-v2p25).

#### Labor Abuse by Licensees

The chancellor has issued a policy opposing any acts or omissions by a licensee that would constitute labor abuse in the manufacturing process including assembly and packaging of a CSU licensed product. The policy applies to the CSU and its auxiliary organizations and requires the use of best efforts to ensure that licensees adhere to non-abusive labor practices including the provision for safe and healthful working conditions. See [CSU Contracts and Procurement](https://calstate.policystat.com/policy/12651115/latest).

### Financing Activities

#### CSU Systemwide Revenue Bond Program

[5 CCR § 42500(c)](https://govt.westlaw.com/calregs/Document/I5AEAD8234C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93bd52000001947103b73fb2080332%3Fppcid%3D0e6169c77e9a492ebb43a17a3cd766c0%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AEAD8234C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42500&t_S1=CA+ADC+s) permits auxiliary organizations to engage in financing activities as needed to fulfill their mission consistent with the educational mission of the university and pursuant to procedures issued by the trustees. The trustees have established the [CSU Policy for Financing Activities](https://calstate.policystat.com/policy/11691604/latest/) that includes policy for auxiliary organizations. This policy establishes that capital outlay projects of auxiliary organizations shall be financed through the CSU system-wide revenue bond program. See [Financing and Debt Management Policy; Project Development and the Systemwide Revenue Bond Program](https://calstate.policystat.com/policy/6589641/latest/).

#### Real Property Development Projects

Long term contractual relationships that use or develop CSU and auxiliary organization real property and involve third-party development, shall comply with the requirements of [Real Property Development Projects](https://calstate.policystat.com/policy/9975730/latest) and [CSU Contracts and Procurement](https://calstate.policystat.com/policy/12651115/latest).

## AUDIT

### Internal Audits

CSU Audit and Advisory Services manages audits of auxiliary organizations to determine the effectiveness and efficiency of the organization, operation, and procedures. Auxiliary organizations and employees must furnish all books, papers, contracts, management charts, and related information necessary for the audits. See [Cal. Educ. Code § 89045](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89045.).

### Reporting Actual or Suspected Fiscal Improprieties

#### Notice to Auxiliary Board and Campus President

If any university or auxiliary organization employee has reason to suspect actual or suspected fraud, defalcation, theft, or other irregularities involving auxiliary organization assets, the information should be reported to the auxiliary organization's chief executive officer and governing board, and the university president. In addition, actual or suspected fiscal improprieties should be reported in accordance with the requirements in [Campus Reporting of Fiscal Improprieties](https://calstate.policystat.com/policy/11789665/latest).

#### Notice to State Auditor

Fiscal improprieties in excess of $50,000 that involve state employees or state funds must be reported to the California State Auditor and Department of Finance. See [Campus Reporting of Fiscal Improprieties](https://calstate.policystat.com/policy/11789665/latest).

## Personnel Administration

### Governing Board

The governing board of each auxiliary organization has primary responsibility for developing and implementing personnel policies and practices relating to employee relations. This responsibility occurs within a framework of laws and CSU policy. [5 CCR § 42405](https://govt.westlaw.com/calregs/Document/I5AD52D434C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93bd52000001946b17c324b20684e3%3Fppcid%3D692c394726ff45e7985b0b3a3c7ffd79%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AD52D434C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42405&t_S1=CA+ADC+s).

### Campus President

Under the law and CSU policy, a university president has responsibility to assure that each auxiliary organization’s governing board has established personnel policies which comply with state law (specific to the CSU) and CSU policy. [Cal. Educ. Code § 89900](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89900.&lawCode=EDC).

### Requirements

Each governing board is required to:

1. Develop specific job descriptions and standards for all full-time employees by function, not by title;
2. Define “similarity” as it pertains to employees performing duties comparable to those in university positions;
3. Specify what positions fall under the category of executive and managerial personnel.
4. As part of maintaining a legal status separate from the state, the governing board has the authority to set and maintain proper employer-employee relations. At the same time, the university administration as part of its supervision over student body organizations under [Cal. Educ. Code § 89300](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89300.) and its responsibility to ensure compliance with CSU policy by all auxiliary organizations, must seek to effect curative actions by the auxiliary when there is a breach of law, CSU or university policy. [Cal. Educ. Code §§ 89300](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89300.&lawCode=EDC) and [89900](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89900.&lawCode=EDC); [5 CCR § 42405](https://govt.westlaw.com/calregs/Document/I5AD52D434C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93bd52000001946b17c324b20684e3%3Fppcid%3D692c394726ff45e7985b0b3a3c7ffd79%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AD52D434C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42405&t_S1=CA+ADC+s).

### Salaries, Working Conditions, and Benefits

#### Comparability

The Education Code and CSU policy requires that auxiliary organizations provide full-time employees with salaries, working conditions and benefits comparable to those provided to CSU employees performing similar services. These regulations also provide exceptions for executive employees, nonpermanent (temporary) employees, and student body organization employees.

The parameters of each employee's employment status must be examined to determine what comparability provisions apply. Cal. Educ. Code §§ [89900](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89900.&lawCode=EDC) and [89300](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89300.); [5 CCR § 42405](https://govt.westlaw.com/calregs/Document/I5AD52D434C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93bd52000001946b17c324b20684e3%3Fppcid%3D692c394726ff45e7985b0b3a3c7ffd79%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AD52D434C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42405&t_S1=CA+ADC+s).

Although individual benefits provided by an auxiliary organization need not be identical to those provided by CSU, if the total package of employee benefits, exclusive of retirement and permanent status benefits is substantially similar to CSU employment in the same class, the requirement of “comparability” would be satisfied. A contract for participation in the California Public Employees Retirement System in accordance with the terms and conditions of the public employees' retirement law shall be deemed to satisfy the requirements for comparability with respect to retirement benefits. [Cal. Gov’t Code § 20000, et. seq](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?division=5.&chapter=1.&part=3.&lawCode=GOV&title=2.&article=1.).

#### Employment of Like Nature

For those full-time employees who perform services that are not substantially similar to the services performed by university employees, the salaries established shall be at least equal to the salaries prevailing in other educational institutions in the area or commercial operations of like nature. [5 CCR § 42405](https://govt.westlaw.com/calregs/Document/I5AD52D434C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93bd52000001946b17c324b20684e3%3Fppcid%3D692c394726ff45e7985b0b3a3c7ffd79%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AD52D434C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42405&t_S1=CA+ADC+s).

#### Exemption from Retirement Benefit Requirement

Title 5 permits the office of the chancellor to exempt the governing board of a newly created auxiliary organization from the requirement of providing retirement benefits for a period not to exceed three years from the date the chancellor approves the establishment of the auxiliary organization. [5 CCR § 42405](https://govt.westlaw.com/calregs/Document/I5AD52D434C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93bd52000001946b17c324b20684e3%3Fppcid%3D692c394726ff45e7985b0b3a3c7ffd79%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AD52D434C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42405&t_S1=CA+ADC+s).

#### Labor Relations

The California Higher Education Employer-Employee Relations Act does not apply to auxiliary organization employees. Thus, auxiliary organization employees are not included in the bargaining units for CSU. [Cal. Govt. Code § 3560 et seq](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?division=4.&chapter=12.&lawCode=GOV&title=1.&article=1.).

#### Nondiscrimination and Affirmative Action

CSU policy on discrimination and guidelines for nondiscrimination and affirmative action in employment is set forth in the [Nondiscrimination Policy](https://calstate.policystat.com/policy/12891658/latest#_blank) and [Systemwide Guidelines for Affirmative Action Programs in Employment](https://calstate.policystat.com/policy/6591895/latest).

#### Auxiliary Organization Policy and Procedures

Each auxiliary organization must adopt its own nondiscrimination policy and guidelines for nondiscrimination and affirmative action in employment. Each auxiliary organization governing board has the flexibility to tailor the detail and complexity of its procedures in accordance with its needs. However, these procedures must comply with all applicable state and federal laws and CSU policy.

## Student Body Organizations

### Statutes and Policy

Student body organizations are subject to CSU policy and law relating to all CSU auxiliary organizations. However, student body organizations differ in a significant way as their activities are funded in large part by mandatory student fees that, although collected, maintained and distributed by the university, are dedicated for expenditure by the student body organization for those student body organization purposes approved by the legislature and trustees. [Cal. Educ. Code § 89302](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89302.&lawCode=EDC).

Due to this funding arrangement and other concerns, the Education Code contains provisions that apply solely to student body auxiliary organizations. [Cal. Educ. Code § 89300 et seq.](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89300.)

### Meetings

Student Body Organizations are subject to the Gloria Romero Open Meetings Act of 2000 ([Cal. Educ. Code §§ 89305-89307.4](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=EDC&division=8.&title=3.&part=55.&chapter=3.&article=1.5.)). [Cal. Educ. Code § 89920 et seq](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=EDC&division=8.&title=3.&part=55.&chapter=7.&article=2.). regarding meetings does not apply to student body organizations formed under [Cal. Educ. Code § 89300](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89300.) or to the governing board of a statewide student organization that represents students of CSU. See [Cal. Educ. Code § 89928](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89928.).

### Operations

A student body organization may be established for the purpose of providing essential activities closely related to, but not normally included as part of the regular instructional program of a university of the CSU. A primary objective of a student body organization is to provide for university student self-government; however, the student body organization may operate other auxiliary organization functions such as bookstores, food services, and other university services. A student body organization may be established at any state university under the supervision of the university officials. [Cal. Educ. Code § 89300](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89300.); [5 CCR § 42401(a)](https://govt.westlaw.com/calregs/Document/I5AC5C3F34C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a938fba000001946757f66e2a638a56%3Fppcid%3D79c10ca7429b4242857644d29d83521f%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AC5C3F34C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42401&t_S1=CA+ADC+s).

### Organization

Student body organization governing boards shall consist primarily of students. However, each student body organization shall have a representative of the university president to advise on policy and serve as a liaison between student governing board and the president of the university. [5 CCR § 42602(a)](https://govt.westlaw.com/calregs/Document/I5B07FD134C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93df08000001946737b4be8e0bce71%3Fppcid%3D7965bbe0efff4596a6b4a968fa0c317d%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5B07FD134C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42602&t_S1=CA+ADC+s).

## Student Fees

### Establishment

Student fees are established in accordance with Cal. Educ. Code §§ [89300](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89300.)-[89301](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89301.&nodeTreePath=3.3.1.3.1&lawCode=EDC); [5 CCR § 41401 et seq](https://govt.westlaw.com/calregs/Document/I58845F734C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93bd5200000194746eac45b209991d%3Fppcid%3D5bceca620ea04964bed19c20f17d076f%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI58845F734C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=41401&t_S1=CA+ADC+s). and the [Student Tuition and Fee Policy](https://calstate.policystat.com/policy/16681992/latest). After two thirds of the student body vote to establish a student body organization, the initial fee is set by the chancellor. Once established, the university president under current delegation may adjust the fee level only after the approval of the adjustment in a referendum by a majority vote of the students.

[Cal. Educ. Code § 89711](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89711.&lawCode=EDC) provides that a CSU university-based mandatory fee established by vote of the majority of the student body voting on a fee (not specifically authorized by statute) shall not be reallocated without an affirmative vote of a majority of either the student body, or a university fee advisory committee established under CSU policy, voting on the fee reallocation. Such fee may be reallocated without such a vote if the vote that established the fee authorized an alternative or automatic reallocation mechanism for that fee.

### Consultation

The university president is responsible for assuring that appropriate and meaningful consultation occurs prior to adjusting any university-based fee and before requesting that the chancellor establish a new category II or category III fee as provided in the [Student Tuition and Fee Policy](https://calstate.policystat.com/policy/16681992/latest).

### Referendum

The student body/union fees are subject to referendum at any time upon the submission to the university president of a petition containing the signatures of ten percent of the enrolled students. If the referendum passes by two thirds vote, it shall take effect at the beginning of the academic year following that in which the election was held. [Cal. Educ. Code § 89300](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89300.); [5 CCR § 41410](https://govt.westlaw.com/calregs/Document/I58A0C1134C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93df0800000194675751ca8e0bd991%3Fppcid%3D4b579b9b8d0b48f89d026b3b5bf143b0%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI58A0C1134C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=41410&t_S1=CA+ADC+s); [Student Tuition and Fee Policy](https://calstate.policystat.com/policy/16681992/latest).

### Collection

All student body/union fees are to be collected at the time of registration by university officials unless the student chooses to work off the amount of the fee. There may be exceptions to this requirement when a student loan or grant from a recognized training program or student aid program has been delayed and there is reasonable proof that the funds will be forthcoming; or, when changes are made during the university change-of-program period which result in a higher fee category than paid at the time of registration. [Cal. Educ. Code §§ 89300-89301](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?division=8.&chapter=3.&part=55.&lawCode=EDC&title=3.&article=1.); [5 CCR §§ 41409-41409.5](https://govt.westlaw.com/calregs/Search/Results?transitionType=Default&contextData=(sc.Default)&t_T2=41409&t_S1=CA%20ADC%20s&Page=1&SearchId=i0a93cae4000001947470f22efa19ddff&query=advanced%3A%20CI(%22%20CA%20ADC%20s%2041409%22)&Template=Find).

### Deposit and Investment

Fees so collected shall be deposited with the university’s chief fiscal officer or designee. Once received for deposit and investment, mandatory student body/union fees may be invested only as provided in [Cal. Educ. Code § 89301](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89301.&nodeTreePath=3.3.1.3.1&lawCode=EDC); [5 CCR §§ 41409](https://govt.westlaw.com/calregs/Document/I589B1BC34C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93cae4000001947470f22efa19ddff%3Fppcid%3D7e2481042c5b44478c00ebea637ac2bb%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI589B1BC34C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=41409&t_S1=CA+ADC+s); [42403](https://govt.westlaw.com/calregs/Document/I5ACD8C234C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93df0800000194674b073b8e0bd592%3Fppcid%3D3cac7ddb090b4535ab6df7a653a6acd0%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5ACD8C234C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42403&t_S1=CA+ADC+s).

## Administration of Student Body Organization Funds

The chief fiscal officer of a university is required to be the custodian of revenues derived from mandatory fees, and to provide accounting records and controls. [Cal. Educ. Code § 89301](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89301.&nodeTreePath=3.3.1.3.1&lawCode=EDC); [5 CCR § 42403](https://govt.westlaw.com/calregs/Document/I5ACD8C234C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93df0800000194674b073b8e0bd592%3Fppcid%3D3cac7ddb090b4535ab6df7a653a6acd0%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5ACD8C234C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42403&t_S1=CA+ADC+s).

## Student Fees are State Funds

Monies that are appropriated by the legislature, either as part of the budget process or continuously appropriated, which includes tuition and student fees are included in the definition of state funds. Other funds received by a university auxiliary organization, including a student body organization, do not fall under this definition and are not state funds. See [Delegation of Fiscal Authority and Responsibility](https://calstate.policystat.com/policy/14363468/latest); [Student Tuition and Fee Policy](https://calstate.policystat.com/policy/16681992/latest).

## Investment Of Student Fee Funds

Student fee funds may be deposited or invested only in certain institutions or investment mediums. They may be deposited or invested in:

1. Qualified banks;
2. Qualified savings and loan associations;
3. The centralized state treasury system;
4. Other means and methods specified in [Cal. Educ. Code § 89301](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89301.&nodeTreePath=3.3.1.3.1&lawCode=EDC).

Since revenues derived from mandatory student fees possess the characteristics of state funds, they may be deposited in the state pooled money investment program or invested by the CSU. See [CSU Master Investment Policy,](https://calstate.policystat.com/policy/16324495/latest) [Cal. Govt. Code § 16430](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=16430.&lawCode=GOV) and [Cal. Educ. Code § 89301](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89301.&nodeTreePath=3.3.1.3.1&lawCode=EDC).

## Use of Student Fee Funds

The principle underlying the expenditure of student body fee funds collected through mandatory fees is that such expenditures shall be made in programs that reflect the broadest variety of student interests and that are open to all students who wish to participate. Student fee funds, obtained from mandatory fees may be expended for the following programs:

* Programs of cultural and education enrichment and community service;
* Recreational and social activities;
* Revenues received from student body center fees shall be used to finance, operate, and construct a student body center per [Cal. Educ. Code § 89304](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89304.&lawCode=EDC);
* Scholarships, stipends, and grants-in-aid for only currently admitted students in accordance with provisions of [5 CCR § 42500 (d)](https://govt.westlaw.com/calregs/Document/I5AEAD8234C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93bd52000001947103b73fb2080332%3Fppcid%3D0e6169c77e9a492ebb43a17a3cd766c0%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AEAD8234C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42500&t_S1=CA+ADC+s);
* Tutorial programs;
* Athletic programs, both intramural and intercollegiate;
* Student publications;
* Assistance to recognized student organizations;
* Student travel insurance;
* Administration of student fee program;
* Student government-scholarship stipends, grants-in-aid, and reimbursements to student officers for service to student government. Before such scholarship stipends, grants-in aid, and reimbursements are established by a student body association, the principle of establishing such payments shall be approved by a student referendum;
* Student employment to provide payment for services in connection with the general administration of student fee;
* Augmentation of counseling services, including draft information, to be performed by the university. Such counseling may also include counseling on legal matters to the extent of helping the student to determine whether he should retain legal counsel, and of referring him to legal counsel through a bar association, legal aid foundation or similar body;
* Transportation services;
* Childcare centers for children of students and employees of the university;
* Augmentation of university health services.” [Cal. Educ. Code §§ 89300](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89300.) and [89302](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89302.&lawCode=EDC); [5 CCR § 42659](https://govt.westlaw.com/calregs/Document/I5B103A734C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93df0800000194674dd0118e0bd632%3Fppcid%3D2ad3f3fcba994e6f9f457ccffbfc08fe%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5B103A734C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42659&t_S1=CA+ADC+s).

### Additional Purposes

In addition to the above listed purposes, these revenues may be expended to provide for the support of governmental affairs representatives who may be attending upon the State Legislature or upon offices and agencies in the executive branch of the state government. [Cal. Educ. Code § 89300(c)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89300.).

### Current Students

The programs authorized by the trustees include expenditures for scholarships, stipends, grants-in-aid for only currently admitted students. If student body fee funds are used for these purposes, there are special requirements to facilitate coordination with the university financial aid office. See section on [Financial Aid and Loans](#_Financial_Aid_and); [5 CCR § 42500(d)](https://govt.westlaw.com/calregs/Document/I5AEAD8234C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93bd52000001947103b73fb2080332%3Fppcid%3D0e6169c77e9a492ebb43a17a3cd766c0%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AEAD8234C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42500&t_S1=CA+ADC+s).

### General Regulations

In addition to the above specific expenditure regulations relating to student body organizations, there are general expenditure regulations, which pertain to all auxiliary organizations. (see section on [Expenditure of Auxiliary Organization Funds General Use and Limitations](#_Expenditure_of_Auxiliary)).

#### Budget Procedures

Student body organization budgets are subject to the requirement that all auxiliary organizations have their budgets and programs reviewed and approved by the university president. However, special procedures for preparation, review, appeal, and approval have been implemented for student body organizations in [Procedures for Preparation, Review and Approval of Associated Students’ Budgets](https://calstate.policystat.com/policy/14568488/latest); [5 CCR § 42402.](https://govt.westlaw.com/calregs/Document/I5AC91F534C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a89d0d900000192d4d531eac9367eb3%3Fppcid%3D7f25ad838e8e45918a1f586bc1edac0e%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AC91F534C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T1=5&t_T2=42402&t_S1=CA+ADC+s)

#### Sponsored Programs

CSU policy governing solicitation, acceptance and administration of awards from external sponsors for the conduct of research and scholarly activity and other sponsored activities is located in various policies. See [Sponsored Programs Administration](https://calstate.policystat.com/policy/16577430/latest) introduction.

#### Banking Services

* **Definition**. Service operations are on-going commercial type operations which are revenue producing but are not themselves educational in nature. Examples include bookstores (student stores); bike shops; food services; duplicating services; and leasing facilities to a bank to provide banking service.
* **Self-Supporting.**Service or commercial operations are required to be self- supporting. Traditionally, this has been interpreted to mean that surplus funds from one commercial operation are not to be used to fund the operations of another commercial operation. [Cal. Educ. Code § 89905](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89905.)
* **Banking Services.**The trustees have authorized universities to arrange with a bank to provide banking services on universities under certain conditions. See [Centralized Management of Cash and Investments](https://calstate.policystat.com/policy/16324507/latest).
	+ **Assess Need.** The university president may request permission of the chancellor after assessing the adequacy of banking facilities available in the general area of the university if the president determines that there is a need for such services.
	+ **Facilities**. Adequate non-state funded facilities should be available to house the banking services. State funded and constructed facilities should not be utilized for banks, even if they have been declared temporarily in excess of the needs of the university. This should not preclude, however, temporarily leasing available facilities for banking purposes while non-state funded facilities are constructed.
	+ **Access**. Banking services provided on university should be available for all students, staff and organizations of the university community.
	+ **Approval**. The interested bank must apply for and receive the necessary approval of the appropriate bank regulatory authority.
	+ **Agreement with Campus.**The university desiring banking services on university must be agreeable to accept the specific bank receiving approval of the appropriate regulatory authority if that bank will agree to operating terms established by the university.

# Appendix B - Operating Agreement Template

***\*\*highlighted italics text requires university information and should be deleted after completing template***

**OPERATING AGREEMENT
BETWEEN CALIFORNIA STATE UNIVERSITY
AND *\*\*AUXILIARY NAME***

This agreement is made and entered into by and between the Trustees of the California State University by their duly qualified Chancellor (CSU) and *\*\*auxiliary name* (Auxiliary) serving *\*\*university legal name* (Campus). The term of this agreement shall be \*\**term beginning* through \*\**term ending* *(a maximum of a ten year term that may be extended for financing or leasing purposes with the written approval of the Executive Vice Chancellor, Business and Finance.)*

### Purpose

The purpose of this agreement is to set forth the terms and conditions under which Auxiliary may operate as an auxiliary organization pursuant to [Cal. Educ. Code § 89900 et seq](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?division=8.&chapter=7.&part=55.&lawCode=EDC&title=3.&article=1.). and [5 CCR § 42400 et seq](https://govt.westlaw.com/calregs/Document/I5AC28FA34C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a939d0e000001947475a46f7e321936%3Fppcid%3Db48ec3ad17954645813db42e1d7846de%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AC28FA34C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42400&t_S1=CA+ADC+s). In entering this agreement, CSU finds that certain functions important to its mission are more effectively accomplished by the use of an auxiliary organization rather than by the Campus under the usual state procedures.

### Primary Functions

In consideration of receiving recognition as an official CSU auxiliary organization,  Auxiliary agrees that the primary function(s) that the Auxiliary is to manage, operate or administer are listed below as authorized by [5 CCR § 42500](https://govt.westlaw.com/calregs/Document/I5AEAD8234C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93bd52000001947103b73fb2080332%3Fppcid%3D0e6169c77e9a492ebb43a17a3cd766c0%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AEAD8234C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42500&t_S1=CA+ADC+s):

*\*\*list only functions from the following as specified in,* [*5 CCR § 42500*](https://govt.westlaw.com/calregs/Document/I5AEAD8234C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93bd52000001947103b73fb2080332%3Fppcid%3D0e6169c77e9a492ebb43a17a3cd766c0%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AEAD8234C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42500&t_S1=CA+ADC+s)*. Greater specificity of any function may be included but you MUST include at least one of the following twelve functions. For example:*“*1.       Student Body Organization Programs, which includes the operation of a physical fitness facility.”*

1. Student Body Organization Programs
2. Bookstores, Food Services, and Campus Services
3. Housing
4. Student Union Programs
5. Supplementary Health Services
6. Loans, Scholarships, Grants-in-Aids, Stipends, and Related Financial Assistance
7. Externally Funded Projects Including Research, Workshops, Conferences, and Institutes
8. Instructionally related Programs and activities, including Agriculture, Athletics, Radio and Television Stations, Newspapers. Films, Transportation. Printing and other Instructionally Related Programs and Activities
9. Alumni Programs
10. Gifts, bequests, devises, endowments, trusts and similar funds
11. Public relations, fundraising, fund management, and similar development programs
12. Acquisition, development, sale, and transfer of real and personal property including financing transactions related to these activities

Auxiliary agrees to receive and apply exclusively the funds and properties coming into its possession toward furthering these purposes for the benefit of CSU and the Campus. Auxiliary further agrees that it shall not perform any of the functions listed in [5 CCR § 42500](https://govt.westlaw.com/calregs/Document/I5AEAD8234C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93bd52000001947103b73fb2080332%3Fppcid%3D0e6169c77e9a492ebb43a17a3cd766c0%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AEAD8234C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42500&t_S1=CA+ADC+s) unless the function has been specifically assigned in this operating agreement with the Campus. Prior to initiating any additional functions, Auxiliary understands and agrees that CSU and Auxiliary must amend this agreement in accordance with section 21, Amendment.

### Campus Oversight and Operational Review

Auxiliary must operate in conformity with CSU and Campus policies and under the oversight of the Campus. As stated in California Cal. Educ. Code §§ [89756](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89756.) and [89900](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89900.), the Campus President is primarily responsible for administrative compliance and fiscal oversight of Auxiliary. The Campus President has been delegated authority by the CSU Board of Trustees ([Standing Orders §VI](https://calstate.policystat.com/policy/15035890/latest#_blank)) to carry out all necessary functions for the operation of the Campus. The operations and activities of Auxiliary under this agreement shall be integrated with Campus operations and policies and shall be overseen by the university Chief Financial Officer (CFO) or designee so as to assure compliance with objectives stated in [5 CCR § 42401](https://govt.westlaw.com/calregs/Document/I5AC5C3F34C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a938fba000001946757f66e2a638a56%3Fppcid%3D79c10ca7429b4242857644d29d83521f%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AC5C3F34C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42401&t_S1=CA+ADC+s).

The Campus shall review Auxiliary to ensure that the written operating agreement is current and that the activities of Auxiliary are in compliance with this agreement at least every five (5) years from the date the operating agreement is executed and at least every five years thereafter. Confirmation that this review has been conducted will consist of either an updated operating agreement, or a letter from the Campus CFO or designee to the Campus President with a copy to the Chancellor’s Office, certifying that the review has been conducted. As part of these periodic reviews, the Campus President should examine the need for each auxiliary and look at the efficiency of the auxiliary operation and administration.

Auxiliary agrees to assist the Campus CFO or designee in carrying out the compliance and operational reviews required by applicable CSU policies.

### Operational Compliance

Auxiliary agrees to maintain and operate its organization in accordance with all applicable laws, regulations and CSU and Campus rules, regulations and policies. Failure of Auxiliary to comply with any term of this agreement may result in the removal, suspension or probation of Auxiliary as an auxiliary organization in good standing. Such action by CSU may result in the limitation or removal of Auxiliary's right to utilize the CSU or university name, resources and facilities ([5 CCR § 42406](https://govt.westlaw.com/calregs/Document/I5AD924E34C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93a4ed00000194671cf105bd8d4a2f%3Fppcid%3D4702807ea5e74b1fa49acd691e7eb756%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AD924E34C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42406&t_S1=CA+ADC+s)).

### Conflict of Interest

No officer or employee of the CSU shall be appointed or employed by Auxiliary if such appointment or employment would be incompatible, inconsistent or in conflict with their duties as a CSU officer or employee.

Auxiliary has established and will maintain a conflict of interest policy. The Auxiliary’s Conflict of Interest Policy is attached as Exhibit 1.

### Expenditures Augmenting CSU Appropriations

With respect to expenditures for public relations or other purposes which would serve to augment appropriations for CSU operations, Auxiliary may expend funds in such amount and for such purposes as are approved by Auxiliary's governing body. Auxiliary shall file a statement of Auxiliary's policy on accumulation and use of public relations funds and attach to this agreement as Exhibit 2. The statement shall include the policy and procedures for solicitation of funds, the purposes for which the funds may be used, the allowable expenditures and procedures of control.

### Fiscal Audits

Auxiliary agrees to comply with CSU policy and the provisions of [5 CCR 5 § 42408](https://govt.westlaw.com/calregs/Document/I5AE09EF34C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93a4ed00000194675c0ee5bd8d5f18%3Fppcid%3D0122e64cc5c746edb8fea31eaa9f09b5%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AE09EF34C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42408&t_S1=CA+ADC+s), regarding fiscal audits. All fiscal audits shall be conducted by auditors meeting the requirements detailed in the [External Audits](#autoid-6y38d) section.

The Campus CFO shall annually review and submit a written evaluation to the Chancellor’s Office in accordance with [Section 20](#autoid-7bm37)*,* of the external audit firm selected by the Auxiliary. This review by the Campus CFO must be conducted prior to the Auxiliary engaging an external audit firm and annually thereafter. If the Auxiliary has not changed audit firms, and the audit firm was previously reviewed and received a satisfactory evaluation, a more limited review may be conducted and submitted.

### Use of Name

Campus agrees that Auxiliary may, in connection with its designated functions as a CSU auxiliary organization in good standing and this agreement, use the name of the Campus, the Campus logo, seal or other symbols and marks of the Campus, provided that Auxiliary clearly communicates that it is conducting business in its own name for the benefit of Campus. All correspondence, advertisements, and other communications by Auxiliary must clearly indicate that the communication is by and from Auxiliary and not by or from CSU or Campus.

Auxiliary shall use the name of Campus, logo, seal or other symbols or marks of Campus only in connection with services rendered for the benefit of Campus and in accordance with Campus guidance and direction furnished to Auxiliary by Campus and only if the nature and quality of the services with which the Campus name, logo, seal or other symbol or mark are used are satisfactory to the Campus or as specified by Campus.

Campus shall exercise control over and shall be the sole judge of whether Auxiliary has met or is meeting the standards of quality of the Campus for use of its name, logo, seal or other symbol or mark.

Auxiliary shall not delegate the authority to use the Campus name, logo, seal or other symbol or mark to any person or entity without the prior written approval of the Campus President or designee. Auxiliary shall cease using the Campus name, logo, seal or other symbol or mark upon expiration or termination of this agreement, or if Auxiliary ceases to be a CSU auxiliary organization in good standing, dissolves or disappears in a merger.

### Modification of Corporation Status

Auxiliary shall provide notice to the CSU upon any change in Auxiliary's legal, operational or tax status including but not limited to changes in its Articles of Incorporation, bylaws, tax status, bankruptcy, dissolution, merger, or change in name.

### Fair Employment Status

In the performance of this agreement, and in accordance with [Cal. Gov. Code § 12900 et. seq.](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?division=3.&chapter=1.&part=2.8.&lawCode=GOV&title=2.), Auxiliary shall not deny employment opportunities to any person on the basis of race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, genetic information, marital status, sex, gender, gender identity, gender expression, age, sexual orientation, military and veteran status. Auxiliary shall adopt employment procedures consistent with the policy statement on nondiscrimination and affirmative action in employment adopted by the CSU.

### Background Check Compliance

In compliance with governing laws and CSU policy, Auxiliary shall confirm that background checks are completed for all new hires and for those independent contractors, consultants, outside entities, volunteers and existing employees in positions requiring background checks as set forth in CSU policy [Background Checks](https://calstate.policystat.com/policy/13813878/latest). Auxiliary will provide confirmation of completed and cleared background checks to the University President/Chancellor upon request, or as established by university policy.

### Disposition of Assets

Attached hereto as Exhibit 3 is a copy of Auxiliary's Constitution or Articles of Incorporation (as applicable) which, in accordance with [5 CCR § 42600](https://govt.westlaw.com/calregs/Document/I5AFF4A834C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a93bd5200000194712441eeb2081339%3Fppcid%3Dc911dc5898814b02a92cd0322c8b527f%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AFF4A834C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42600&t_S1=CA+ADC+s), establishes that upon dissolution of Auxiliary, the net assets other than trust funds shall be distributed to the CSU or to another affiliated entity subject to financial accounting and reporting standards issued by the Government Accounting Standards Board. Auxiliary agrees to maintain this provision as part of its Constitution or Articles of Incorporation. In the event Auxiliary should change this provision to make other dispositions possible, this agreement shall terminate as of the date immediately preceding the date such change becomes effective.

### Use of Campus Facilities

Auxiliary may use those facilities identified for its use in a lease agreement executed between Campus and Auxiliary. If this Operating Agreement terminates or expires and is not renewed within 30 days of the expiration, the lease automatically terminates, unless extended in writing by the parties.

Auxiliary and Campus may agree that Auxiliary may use specified Campus facilities and resources for research projects and for institutes, workshops, and conferences only when such use does not interfere with the instructional program of Campus and upon the written approval from appropriate Campus administrators with such specific delegated authority. Auxiliary shall reimburse Campus for costs of any such use.

### Contracts for Campus Services

Auxiliary may contract with Campus for services to be performed by state employees for the benefit of Auxiliary. Any agreement must be documented as a contract or written memorandum of understanding between Auxiliary and Campus. The contract shall among other things, specify the following: (a) full reimbursement to Campus for services performed by a state employee in accord with [5 CCR § 42502(f)](https://govt.westlaw.com/calregs/Document/I5AF7A9634C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a939d0e000001947135268d7e309891%3Fppcid%3D85a73a2c896a46e49b579831615055b2%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AF7A9634C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42502&t_S1=CA+ADC+s); (b) Auxiliary must clearly identify the specific services to be provided by state employee, (c) Auxiliary must specify any performance measures used by Auxiliary to measure or evaluate the level of service; (d) Auxiliary must explicitly acknowledge that Auxiliary does not retain the right to hire, supervise or otherwise determine how to fulfill the obligations of the Campus to provide the specified services to Auxiliary.

### Disposition of Net Earnings

Auxiliary agrees to comply with CSU and Campus policy on expenditure of funds including, but not limited to, CSU guidelines for the disposition of revenues in excess of expenses and CSU policies on maintaining appropriate reserves, pursuant to  [Cal. Educ. Code § 89904](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=89904.); CSU policy [Campus Auxiliary Organizations](https://calstate.policystat.com/policy/12796348/latest), and CSU policy [Designated Balances and Reserves](https://calstate.policystat.com/policy/15644789/latest).

### Financial Controls

Recovery of allowable and allocable indirect costs and maintenance and payment of operating expenses must comply with CSU policy [Placement and Control of Receipts for Campus Activities and Programs](https://calstate.policystat.com/policy/11258263/latest), [5 CCR § 42502(g) and (h)](https://govt.westlaw.com/calregs/Document/I5AF7A9634C6911EC93A8000D3A7C4BC3?viewType=FullText&listSource=Search&originationContext=Search+Result&transitionType=SearchItem&contextData=(sc.Search)&navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0a939d0e000001947135268d7e309891%3Fppcid%3D85a73a2c896a46e49b579831615055b2%26Nav%3DREGULATION_PUBLICVIEW%26fragmentIdentifier%3DI5AF7A9634C6911EC93A8000D3A7C4BC3%26startIndex%3D1%26transitionType%3DSearchItem%26contextData%3D%2528sc.Default%2529%26originationContext%3DSearch%2520Result&list=REGULATION_PUBLICVIEW&rank=1&t_T2=42502&t_S1=CA+ADC+s).

### Acceptance, Administration and Use of Gifts

Auxiliary agrees, if authorized to do so in [Section 2](#autoid-z4jw2) above, that it will accept and administer gifts, grants, contracts, scholarships, loan funds, fellowships, bequests, and devises in accordance with policies of CSU and Campus*.*

#### Authority to Accept Gifts

If authorized, Auxiliary may evaluate and accept gifts, bequests and personal property on behalf of CSU. In acting pursuant to this delegation, due diligence shall be performed to ensure that all gifts accepted will aid in carrying out the CSU mission as specified in Cal. Educ. Code §§ [89720](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89720.&lawCode=EDC) and [66010.4(b](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=66010.&lawCode=EDC)).

Auxiliary agrees, before accepting gifts of real estate or gifts with any restrictive terms or conditions that impose an obligation on CSU or the State of California to expend resources in addition to the gift, to obtain written approval from the appropriate university authority. Auxiliary agrees that it will not accept a gift that has any restriction that is unlawful.

**\*\****If Auxiliary administers grants and contracts add text***:** Campus Delegation of Authority to Auxiliary regarding Administration of Grants and Contracts is attached as Exhibit 4.

#### Reporting Standards

Gifts shall be recorded in compliance with the Council for Advancement and Support of Education and California State University reporting standards and shall be reported to the Chancellor’s Office on an annual basis in accordance with [Cal. Educ. Code § 89720](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=89720.&lawCode=EDC).

### Indemnification

Auxiliary agrees to indemnify, defend and save harmless the CSU, its officers, agents, employees and constituent universities and the State of California, collectively “CSU indemnified parties” from any and all loss, damage, or liability that may be suffered or incurred by CSU indemnified parties, caused by, arising out of, or in any way connected with the operation of Auxiliary as an auxiliary organization.

### Insurance

Auxiliary shall maintain insurance protecting the CSU and Campus as provided in this section. CSU’s Systemwide Office of Risk Management shall establish minimum insurance requirements for auxiliaries, based on the insurance requirements in [California State University Insurance Requirements](https://calstate.policystat.com/policy/6946217/latest#_blank) or its successor then in effect. Auxiliary agrees to maintain at least these minimum insurance requirements.

Auxiliary's participation in a coverage program of the California State University Risk Management Authority (CSURMA) shall fully comply with the insurance requirement for each type of required coverage (which may include but not be limited to, general liability, auto liability, directors and officers liability, fiduciary liability, professional liability, employer’s liability, pollution liability, workers’ compensation, fidelity, property and any other coverage necessary based on Auxiliary’s operations. Auxiliary shall ensure that CSU and Campus are named as additional insured or loss payee as its interests may appear.

### Notices

All notices required to be given, or which may be given by either party to the other, shall be deemed to have been fully given when made in writing and deposited in the United States mail, certified and postage prepaid and addressed to all parties as provided below.

Notice to Auxiliary shall be addressed as follows:

*\*\*(Insert Organization Name & Address*)

Notice to the Campus shall be addressed as follows:

*\*\*(Insert Campus Name & Address)*

Notice to the CSU shall be addressed as follows:

Trustees of the California State University
Attention: Executive Vice Chancellor and Chief Financial Officer
401 Golden Shore
Long Beach, California 90802

### Amendment

This agreement may be amended only in writing signed by an authorized representative of all parties.

### Records

Auxiliary shall maintain adequate records and shall submit periodic reports as required by CSU showing the operation and financial status of Auxiliary. The records and reports shall cover all activities of Auxiliary whether pursuant to this agreement or otherwise.

### Termination

CSU may terminate this agreement upon Auxiliary’s breach of or failure to comply with any term of this agreement by providing Auxiliary with a minimum of ninety (90) days advance written notice. Auxiliary may use the ninety-day advance notice period to cure the breach. If, in the judgment of CSU, the breach has been cured, the termination notice will be canceled. The ninety-day notice provision is not required for a breach noted in [Section 12](#autoid-kwdab) of this Agreement.

### Remedies Upon Termination

Termination by CSU of this agreement pursuant to [Section 23](#autoid-v75x8), Termination, may result in Auxiliary’s removal, suspension or probation as a CSU auxiliary in good standing, and loss of any right for Auxiliary to use the name, resources or facilities of CSU or any of its universities.

Upon expiration of the term of this agreement, the parties shall have 30 days to enter into a new operating agreement which period may be extended by written mutual agreement.

### Severability

If any section or provision of this Agreement is held illegal, unenforceable or in conflict with any law by a court of competent jurisdiction, such section or provision shall be deemed severed and the validity of the remainder of this Agreement shall not be affected thereby.

**IN WITNESS WHEREOF**, this agreement has been executed by the parties hereto.

|  |  |  |
| --- | --- | --- |
| Approved: *\*\*   date*  |   | *\*\*(university name)*By                                                                                   *\*\*(name),* President |
|   |   |   |
| Executed on *\*\*   date* |   | *\*\*(auxiliary organization name)*By                                                                                 \*\**(name, title)* |
|   |   |   |
| Executed on *\*\*   date* |   | California State UniversityOffice of the ChancellorBy                                                                                  Steve Relyea, Executive Vice Chancellor and Chief Financial Officer |
|   |   |   |

Exhibit 1 - *\*\*Auxiliary Conflict of Interest policy*

Exhibit 2 - *\*\*Auxiliary Accumulation and Use of Public Relations Funds policy*

Exhibit 3 - *\*\*Auxiliary Constitution or Articles of Incorporation*

Exhibit 4 - *\*\*Campus Delegation of Authority to Auxiliary regarding Administration of Grants and Contracts*