

Introduced by Senator Huff
(Coauthor: Senator Harman)
(Coauthor: Assembly Member Jeffries)

February 18, 2011

An act to add Sections 16728 and 53508.10 to the Government Code, relating to bonds.

LEGISLATIVE COUNSEL'S DIGEST

SB 633, as introduced, Huff. Bonds: fine for unauthorized use.

The existing State General Obligation Bond Law contains procedures for use in authorizing the issuance and sale and providing for the repayment of state general obligation bonds.

This bill would incorporate into the State General Obligation Bond Law a requirement that if bond revenues from a bond act are expended for a purpose not authorized by the bond act, then the party responsible for the unauthorized use shall repay all funds expended improperly to the bond fund, and pay a fine of a specified amount to the bond fund.

Existing law authorizes cities, counties, school districts, community college districts, and special districts to issue and refund general obligation bonds and prescribes the procedures for this purpose.

This bill would incorporate into the law authorizing cities, counties, school districts, community college districts, and special districts to issue bonds a requirement that if bond revenues from a bond resolution are expended for a purpose not authorized by the bond resolution, then the party responsible for the unauthorized use shall repay all funds expended improperly to the bond fund, and pay a fine of a specified amount to the bond fund.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 16728 is added to the Government Code,
2 to read:

3 16728. With respect to a bond act that incorporates this chapter
4 by reference, in whole or in part, if bond revenues from that act
5 are expended for a purpose not authorized by the bond act, then
6 the board, committee, or entity otherwise responsible for the
7 unauthorized use shall do the following:

8 (a) Promptly repay all funds that were expended improperly to
9 the bond fund.

10 (b) Pay a fine to the bond fund equal to 5 percent of the total
11 amount of bond revenues that were expended improperly.

12 SEC. 2. Section 53508.10 is added to the Government Code,
13 to read:

14 53508.10. With respect to a bond act that incorporates this
15 article by reference, if bond revenues from that resolution are
16 expended for a purpose not authorized by the resolution authorizing
17 the issuance of the bonds, then the issuer, legislative body, or party
18 otherwise responsible for the unauthorized use shall do the
19 following:

20 (a) Promptly repay all funds that were expended improperly to
21 the bond fund.

22 (b) Pay a fine to the bond fund equal to 5 percent of the total
23 amount of bond revenues that were expended improperly.