

AMENDED IN SENATE JANUARY 4, 2012

SENATE BILL

No. 633

Introduced by Senator Huff

~~(Coauthor: Senator~~ **Coauthors: Senators Harman and Runner)**

~~(Coauthor: Coauthors: Assembly Member~~ **Members Harkey, Jeffries,
and Wagner)**

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 amended, 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 *the Department of Finance determines that* 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. *This bill would require that the fine shall not be paid with proceeds from the bond fund that was misappropriated.*

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. *This bill would require that the fine shall not be paid with proceeds from the bond fund that was misappropriated.*

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 *the Department of Finance*
5 *determines in an audit that* bond revenues from that act are
6 expended for a purpose not authorized by the bond act, then the
7 board, committee, or entity otherwise responsible for the
8 unauthorized use shall do the following:

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

11 (b) Pay a fine to the bond fund equal to 5 percent of the total
12 amount of bond revenues that were expended improperly; *provided*
13 *that the fine shall not be paid with proceeds from the bond fund*
14 *that was misappropriated.*

15 SEC. 2. Section 53508.10 is added to the Government Code,
16 to read:

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

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

25 (b) Pay a fine to the bond fund equal to 5 percent of the total
26 amount of bond revenues that were expended improperly; *provided*
27 *that the fine shall not be paid with proceeds from the bond fund*
28 *that was misappropriated.*

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