

AMENDED IN SENATE JANUARY 13, 2012

AMENDED IN SENATE JANUARY 5, 2012

AMENDED IN SENATE JANUARY 4, 2012

**SENATE BILL**

**No. 633**

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**Introduced by Senator Huff**

**(Coauthors: Senators Harman and, Runner, and Wolk)**

(Coauthors: Assembly Members Harkey, Jeffries, and Wagner)

February 18, 2011

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An act to add Section 16728 to the Government Code, relating to bonds.

LEGISLATIVE COUNSEL'S DIGEST

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

The State General Obligation Bond Law provides 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~~ *provision that provides* that if the Department of Finance determines that ~~bond revenues funds~~ 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. The bill would prohibit a fine from being paid with proceeds from the bond fund that was misappropriated. and the entity responsible for the funds does not take the corrective action prescribed by the department within a time to be determined by the department, then the Department of Finance may prohibit the entity that was~~

*responsible for the unauthorized use from allocating any additional funds from the bond act.*

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. The Department of Finance may order any state board,  
4 department, or agency authorized by a bond act that incorporates  
5 this chapter by reference, in whole or in part, to allocate funds  
6 from the sale of bonds to cease and desist from doing so, provided  
7 that the following conditions are met:

8     (a) The Department of Finance has audited the board,  
9 department, or agency and made a finding that funds have been  
10 used in a manner not authorized by the bond act.

11     (b) The Department of Finance prescribed corrective action,  
12 or any other measure it deemed necessary, to remedy the  
13 unauthorized use of funds, and provided a date by which the board,  
14 department, or agency must implement or comply with the  
15 prescribed corrective action.

16     (c) The Department of Finance determined that the board,  
17 department, or agency did not implement or comply with the  
18 corrective action by the date specified in subdivision (b).

19     SECTION 1. ~~Section 16728 is added to the Government Code,~~  
20 ~~to read:~~

21     ~~16728. With respect to a bond act that incorporates this chapter~~  
22 ~~by reference, in whole or in part, if the Department of Finance~~  
23 ~~determines in an audit that bond revenues from that act are~~  
24 ~~expended for a purpose not authorized by the bond act, then the~~  
25 ~~board, committee, or entity otherwise responsible for the~~  
26 ~~unauthorized use shall do the following:~~

27     ~~(a) Promptly repay all funds that were expended improperly to~~  
28 ~~the bond fund.~~

29     ~~(b) Pay a fine to the bond fund equal to 5 percent of the total~~  
30 ~~amount of bond revenues that were expended improperly, provided~~

- 1 ~~that the fine shall not be paid with proceeds from the bond fund~~
- 2 ~~that was misappropriated.~~

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