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GOVERNMENT CODE - GOV

TITLE 2. GOVERNMENT OF THE STATE OF CALIFORNIA [8000 - 22980] (Title 2 enacted by Stats. 1943, Ch. 134.)

DIVISION 4. FISCAL AFFAIRS [16100 - 17700] (Division 4 added by Stats. 1945, Ch. 119.)

PART 3. STATE BONDS [16650 - 16965.1] (Part 3 added by Stats. 1945, Ch. 120.)

CHAPTER 4. State General Obligation Bonds [16720 - 16787] (Chapter 4 added by Stats. 1953, Ch. 1698.)

ARTICLE 6. Refunding Bonds [16780 - 16787] (Article 6 added by Stats. 1987, Ch. 1030, Sec. 3.)

16780. (a) The committee may provide for the issuance and sale or exchange of refunding bonds for the purpose of redeeming, retiring, or purchasing for retirement, outstanding bonds at or before their maturity, if the committee determines that refunding is necessary or advisable in order to do either of the following:

- (1) To effect a favorable reorganization of the debt structure of the state.
- (2) To effect a saving in debt service cost to the state, as measured by the present value of that saving.

(b) When determining debt service savings for purposes of paragraph (2) of subdivision (a), the committee shall include, as interest on a refunded bond, the interest, if any, that will result from a related hedging contract, as described in subparagraph (A) of paragraph (2) of subdivision (d) of Section 16731. The committee may, when determining debt service savings, for purposes of paragraph (2) of subdivision (a), base the interest of a refunding bond upon the effective fixed interest rate under a hedging contract described in clause (ii) of subparagraph (B) of paragraph (1) of subdivision (d) of Section 16731.

(Amended by Stats. 2009, Ch. 205, Sec. 14. (SB 826) Effective January 1, 2010.)

16781. (a) Except as otherwise provided in this article or in subdivision (b), all of the provisions of this chapter are applicable to the issuance and sale of refunding bonds.

(b) (1) Sections 16730 and 16757 are not applicable to the issuance and sale of refunding bonds.

- (2) Notwithstanding Section 16754.3, refunding bonds may be sold by negotiated sale if the Treasurer determines that it is in the best interest of the state to do so.

(Amended by Stats. 1999, Ch. 522, Sec. 4. Effective January 1, 2000.)

16781.5. Notwithstanding any other provision of this article, the renewal and reissuance from time to time of commercial paper notes within the amount and time of a program authorized by the committee pursuant to Section 16731.6 shall be considered a refunding of the amount of the commercial paper notes maturing from time to time that complies with this article.

(Added by Stats. 1995, Ch. 697, Sec. 4. Effective October 10, 1995.)

16782. (a) Refunding bonds may be issued in a principal amount sufficient to provide funds, either directly or by the purchase of nonredeemable securities, the principal and interest on which shall provide funds for the payment of any or all of the following:

- (1) The principal of or purchase price of the bonds to be refunded by the refunding bonds.
- (2) All expenses incident to the calling, retiring, purchasing, or paying of the outstanding bonds and the issuance of the refunding bonds, including any excess of the par value of the refunding bonds over the selling price thereof.
- (3) Interest upon the refunding bonds from the date of sale to the date of payment of the bonds to be refunded, whether at maturity, pursuant to the call thereof or pursuant to any agreement with the holders thereof.
- (4) Any premium necessary in the calling, retiring, or purchase of the outstanding bonds.

(5) The interest accruing on the outstanding bonds to the date of their call, retirement, or purchase.

(6) Subject to the limitation on those payments contained in subparagraph (A) of paragraph (2) of subdivision (d) of Section 16731, any termination payment owed by the state after offset for any payments made to the state pursuant to any hedging contract that was entered into in connection with the bonds to be refunded.

Refunding bonds may be exchanged at not less than their par value and accrued interest for outstanding bonds to be refunded thereby, and this chapter with respect to the sale of bonds does not apply to that exchange.

(b) Notwithstanding subdivision (a), the principal amount of any issue of refunding bonds shall not exceed the original aggregate principal amount of the series of bonds to be refunded. If there remains authorized but unissued bonds under the original bond act for the program which was funded by the series of bonds to be refunded, the principal amount of refunding bonds above the original aggregate principal amount of bonds to be refunded shall be charged against such unused authorization.

(Amended by Stats. 2006, Ch. 640, Sec. 7. Effective September 29, 2006.)

16783. Refunding bonds may be issued before the first date upon which the bonds being refunded are subject to call or redemption. The final maturity date of any refunding bonds shall not be later than the final maturity date of the series of bonds being refunded.

(Added by Stats. 1987, Ch. 1030, Sec. 3.)

16784. The Refunding Escrow Fund is hereby created as a special fund in the State Treasury and is continuously appropriated for the purposes of this section. The proceeds of each sale of refunding bonds and any other available moneys shall be (1) set aside in a separate account within the Refunding Escrow Fund, (2) held in trust for the benefit of the holders of either or both of the bonds which are to be refunded or of the refunding bonds as provided in the resolution of the committee authorizing the issuance of the refunding bonds, (3) used only for the payment of the principal of, and interest and any redemption premium on, or the purchase price of the refunded bonds for the payment of interest on the refunding bonds up to the date of the redemption or payment of the bonds to be refunded, and (4) for the other purposes set forth in Section 16782. Moneys in each separate account shall be invested by the Treasurer in accordance with the resolution of the committee providing for the issuance of the refunding bonds, and any income from that investment shall be credited to the account from which the investment was made.

(Amended by Stats. 2006, Ch. 640, Sec. 8. Effective September 29, 2006.)

16785. Refunding bonds shall be valid and binding obligations of the State of California, and the full faith and credit of the State of California shall be pledged for the punctual payment of the principal of and interest on the bonds as the principal and interest become due and payable.

(Added by Stats. 1987, Ch. 1030, Sec. 3.)

16786. This article applies only to the refunding of bonds authorized at a statewide election held after the effective date of this article pursuant to a bond act expressly mentioning the right of the state to refund the bonds so authorized. In any such bond act, the provisions included therein pursuant to subdivisions (c), (d), (e), and (f) of Section 16724 apply to refunding bonds to the same extent and in the same manner as those provisions applied to the bonds being refunded.

(Added by Stats. 1987, Ch. 1030, Sec. 3.)

16787. In any report of outstanding general obligation bonds or bonded debt of the state, the Controller shall include both refunding bonds and bonds which have been refunded but not yet retired, but shall in the same report deduct either the refunded bonds, for the retirement of which sufficient moneys or securities have been deposited in the Refunding Escrow Fund, or the refunding bonds, if interest thereon is pledged to be paid from moneys or securities deposited in the Refunding Escrow Fund until the redemption or payment of the bonds to be refunded, so as to show the net total of bonds or bonded debt to be paid from the General Fund or future revenues of the state other than the income from the investment of the Refunding Escrow Fund.

(Added by Stats. 1987, Ch. 1030, Sec. 3.)