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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 5. STATE OF CALIFORNIA NOTES [17300 - 17313] (Part 5 added by Stats. 1983, 1st Ex. Sess., Ch. 10, Sec. 5.)

17300. Whenever the Controller determines that moneys in the General Fund are, or are expected to be, insufficient for the payment of all appropriations by the Legislature which are required to be paid in the then current fiscal year out of the General Fund, the Controller, based upon his or her estimate of the probable income to the General Fund during the then current fiscal year and the probable dates of receipt thereof, may draw a demand or demands against appropriations made from the General Fund to be paid in the then current fiscal year prior to the receipt of the income, and deliver the demand or demands to the Treasurer. The Treasurer shall register the demand or demands for nonpayment and may issue notes by resolution pursuant to Section 17302.

(Amended by Stats. 1991, Ch. 185, Sec. 1.)

17301. Notes authorized to be issued may be sold by the Treasurer from time to time on a negotiated or a competitive bid basis as the Treasurer shall deem advisable. The Treasurer shall pay the notes and the interest thereon from moneys in the General Fund.

(Amended by Stats. 1984, Ch. 1648, Sec. 3. Effective September 30, 1984.)

17302. Notes shall be issued pursuant to this part only to raise funds in an amount sufficient to satisfy the Controller's registered demand or demands. Proceeds of notes may also be used for the payments described in Section 17311 to the extent that those payments are not included within the appropriations comprising the demand or demands. The principal amount of the issuance of notes shall equal the amount of the demand or the portion of the demand that is satisfied by the issuance. The issuance of any notes pursuant to this part shall be authorized by a resolution adopted by the Treasurer with the approval of the Controller and the Director of Finance.

(a) Any note (1) may be negotiable, (2) may be payable to order or to bearer, (3) may be in any denomination, (4) shall be payable not later than 120 days after the end of the fiscal year in which the note has been issued and shall not be renewable beyond that date, (5) may bear fixed or variable interest at a rate or rates to be determined as provided by the resolution and payable as provided therein, (6) may be payable on a fixed date or upon demand of the holder of the note, (7) may be made subject to prepayment or redemption at the option of the state or at the option of the holder, and (8) may have a term not exceeding 12 months.

(b) In lieu of issuing notes pursuant to subdivision (a), the resolution may provide for the issuance of notes in the form of commercial paper. This commercial paper may be issued and renewed from time to time, in amounts, subject to the requirements of this subdivision, as the Treasurer shall determine, from the date of initial issuance until the final maturity date, which shall not be more than 12 months, and shall occur not more than 120 days after the end of the fiscal year in which the commercial paper was first issued, and shall not be renewed beyond that date. The maximum principal amount of commercial paper outstanding at any one time shall be stated in the resolution, and shall not be greater than the amount of the Controller's demand. The resolution may also provide that the commercial paper (1) may be negotiable, (2) may be payable to order or to bearer, (3) may be in any denomination, (4) may bear fixed or variable interest at a rate or rates to be determined as provided in the resolution and payable as provided therein, (5) may be payable on a fixed date or upon demand of the holder of the commercial paper, (6) may be made subject to prepayment or redemption at the option of the state or of the holder, and (7) may contain any other provision necessary or appropriate to carry out the program of commercial paper.

(Amended by Stats. 2009, 3rd Ex. Sess., Ch. 9, Sec. 9. Effective February 20, 2009.)

17303. Upon receipt of the purchase price of the notes, the Treasurer shall notify the Controller that funds for the payment of all or part of the registered demand or demands are in the State Treasury and available for the payment of claims represented by the registered demand or demands. The Controller may thereupon proceed to draw warrants against appropriations lawfully made by the Legislature to be paid in the fiscal year and represented by the registered demand or demands. Upon the payment in full of the

notes representing the registered demand or demands, or the portion of the demand or demands as set forth in Section 17302, the appropriate portion of the registered demand or demands shall be canceled.

(Amended by Stats. 2009, 3rd Ex. Sess., Ch. 9, Sec. 10. Effective February 20, 2009.)

17304. Any revenues in the General Fund are available for the payment of all notes and the interest thereon until the notes and the interest thereon shall be fully paid and discharged. The notes, together with the interest thereon, shall be payable exclusively from moneys in the General Fund, but not excepting recourse to internal borrowing from other funds in the event insufficient moneys are available from the General Fund.

(Amended by Stats. 1991, Ch. 185, Sec. 3.)

17306. All notes issued pursuant to this part by the state are legal investments for any of the following:

- (a) Trust funds.
- (b) Funds of insurers.
- (c) Funds of savings and loan associations.
- (d) Funds of banks.
- (e) Funds of state agencies, cities, counties, cities and counties or other public agencies or corporations.

(Added by Stats. 1983, 1st Ex. Sess., Ch. 10, Sec. 5. Effective February 17, 1983.)

17307. Notes issued under this part are acceptable and may be used as security for the faithful performance of any public or private trust or obligation or for the performance of any act, including the use of notes by banks as security for deposits of funds of the state and its agencies, or of any city, county, city and county, or other public agency or corporation.

(Added by Stats. 1983, 1st Ex. Sess., Ch. 10, Sec. 5. Effective February 17, 1983.)

17308. Any state or local agency that is authorized to invest funds in its treasury in securities which are legal investments for savings banks may invest the funds in notes of the state issued under this part.

(Added by Stats. 1983, 1st Ex. Sess., Ch. 10, Sec. 5. Effective February 17, 1983.)

17309. Whenever the Treasurer deems that it will increase the salability of the notes to obtain, prior to or after sale, a legal opinion as to the validity of the notes from attorneys other than the Attorney General, the Treasurer may obtain a legal opinion elsewhere.

(Added by Stats. 1983, 1st Ex. Sess., Ch. 10, Sec. 5. Effective February 17, 1983.)

17310. (a) Notwithstanding Section 13340, there is hereby appropriated from the General Fund any unapplied money, as defined in subdivision (a) of Section 17220, in any amounts necessary to pay the interest on, and the principal of, any notes issued pursuant to this part, as the interest on and the principal of the notes become due and payable.

(b) When any payment on a note or any payment to the provider of a credit enhancement or liquidity facility for a note is due, that payment shall be made subject only to prior payment of the following:

- (1) Payments required by law to be paid before the note or provider payment.
- (2) Payments that by the terms of the note or credit enhancement or liquidity agreement are permitted to be paid before the note or provider payment.

(Amended by Stats. 2009, 3rd Ex. Sess., Ch. 9, Sec. 11. Effective February 20, 2009.)

17311. (a) There is hereby appropriated from the General Fund without regard to fiscal years two hundred fifty thousand dollars (\$250,000), which shall be set aside in a special account entitled State Notes Expense Account, and shall be used to pay expenses incurred by the Treasurer, Controller, or the Department of Finance in providing for the preparation, sale, issuance, advertising, legal services, or any other act which, in the discretion of the Treasurer or the Department of Finance, is necessary to carry out the purposes of this part. This account shall operate as a revolving fund and whenever notes are sold, out of the first money realized from their sale, any remaining expenses shall be paid and then there shall be redeposited in the account any amounts that have been expended for the above purposes, which amounts may be used for the same purposes and repaid in the same manner whenever additional sales are made. Without limiting Section 17300, a demand drawn under Section 17300 may include the expenses described in this subdivision. In the alternative, all or a portion of the expenses described in this subdivision may be paid by causing the notes to bear interest at a rate that results in payment by the purchaser of the notes of a premium sufficient to pay these expenses.

(b) Any premium received upon the sale of an issuance of notes shall be applied to expenses described in subdivision (a) or shall be credited to the General Fund and applied to the payment of interest on notes.

(Amended by Stats. 2009, 3rd Ex. Sess., Ch. 9, Sec. 12. Effective February 20, 2009.)

17313. It is the intent of the Legislature that this part shall, in all respects, fall within the procedures validated by, and meet the requirements for constitutionality set forth in, the California Supreme Court cases of *Riley v. Johnson*, (1933), 219 Cal. 513, *Riley v. Johnson*, (1936), 6 Cal. 2d 529, and *Flournoy v. Priest*, (1971), 5 Cal. 3d 350.

(Added by Stats. 1984, Ch. 268, Sec. 27.07. Effective June 29, 1984.)