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TITLE 5. LOCAL AGENCIES [50001 - 57607] (Title 5 added by Stats. 1949, Ch. 81.)

DIVISION 2. CITIES, COUNTIES, AND OTHER AGENCIES [53000 - 55821] (Division 2 added by Stats. 1949, Ch. 81.)

PART 1. POWERS AND DUTIES COMMON TO CITIES, COUNTIES, AND OTHER AGENCIES [53000 - 54999.7] (Part 1 added by Stats. 1949, Ch. 81.)

CHAPTER 4. Financial Affairs [53600 - 53997] (Chapter 4 added by Stats. 1949, Ch. 81.)

ARTICLE 7.7. Grant Anticipation Notes [53859 - 53859.08] (Article 7.7 added by Stats. 1972, Ch. 552.)

53859. As used in this article: (a) "local agency" means county, city and county, city, school district, community college district, or any other municipal or public corporation or district.

(b) "Grant anticipation note" means a note issued upon the security of specified accounts receivable from state or federal governments, including, without limitation, grants, loans, or a combination of both, for which funds have been appropriated and committed to a local agency.

(c) "Loan" includes, but is not limited to, a borrowing by a local agency represented or to be represented by bonds of a local agency.
(Amended by Stats. 1978, Ch. 637.)

53859.01. The powers conferred by this article are in addition to and alternative to any powers conferred by any other law for borrowing by a local agency and any amount borrowed hereunder shall not be considered in any limitation on the amount which may be borrowed by any such local agency under any other law.
(Added by Stats. 1972, Ch. 552.)

53859.02. (a) A local agency may borrow money pursuant to this article, the indebtedness to be represented by a grant anticipation note or notes issued to the lender pursuant to this article. The money borrowed may be used and expended by the local agency solely for the purpose for which the grant or loan is to be received.
(b) Proceeds of sales or funds set aside for the repayment of any notes issued pursuant to this article shall not be invested for a term that exceeds the term of the notes.
(Amended by Stats. 1995, Ch. 784, Sec. 22. Effective January 1, 1996.)

53859.03. The grant anticipation note or notes shall be issued pursuant to a resolution authorizing the issuance thereof, adopted by the legislative body of the local agency, except that the note or notes of a school or community college district shall be issued in the name of the school or community college district by the board of supervisors of the county whose county superintendent of which has jurisdiction over the school or community college district, as soon as possible following receipt of a resolution of the governing board of the school or community college district requesting the borrowing. Grant anticipation notes authorized to be issued may be issued from time to time as provided in such resolution. The resolution shall set forth the form and the manner of execution of the grant anticipation note or notes.
(Added by Stats. 1972, Ch. 552.)

53859.04. Any grant anticipation note issued under this article may be negotiable or may be payable to order or to bearer and may be in any denomination. Except as limited by the Constitution of the State of California, such note shall be payable not later than 36 months after the date of issue and shall be payable solely, except as provided in Section 53859.07, from committed and appropriated funds of grants or loans of the state or federal government to the local agency that the granting or loaning authority states shall be paid on specified dates or events within a 36-month period from the dating of the grant anticipation notes issued. Such note may be sold at public or private sale at a discount of not to exceed 2 percent of the par value thereof. Such note may bear

interest not to exceed 10 percent per annum, payable as provided on its face. Such interest may be represented by coupons attached to such note or notes.

In those instances where the Constitution of the State of California limits a local agency from incurring an indebtedness or liability in any year which is in excess of income and revenue for that year, a note or notes issued pursuant to this article may be made payable during the fiscal year next succeeding the fiscal year in which they have been issued, but in no event later than 15 months after the date of issue; provided that such note or notes shall be payable only from income and revenue received or accrued during the fiscal year in which the note or notes were issued.

(Amended by Stats. 1980, Ch. 278.)

53859.05. The resolution authorizing the issuance of any note may provide that such note shall be subject to call and redemption prior to maturity, at the option of the local agency, at such price or prices as may be fixed in the resolution, not exceeding a premium of 3 percent of the par value of the note so subject to redemption. The resolution shall fix the method of giving notice of redemption to the holder of the note to be redeemed and the price or prices at which the note shall be subject to redemption. A note so subject to call and redemption prior to maturity shall contain a recital to that effect on its face, and no note shall be subject to call or redemption prior to its fixed maturity date unless it contains such recital.

(Added by Stats. 1972, Ch. 552.)

53859.06. Grant or loan funds from the state or federal government for any legally authorized capital improvement for which the local agency is authorized to expend moneys, when stated by the granting or loaning authority to be committed, appropriated and payable to the local agency on a specified date or dates, or event or events, shall be pledged for the payment of the grant anticipation note or notes and the interest thereon. The note or notes and the interest thereon are a first lien upon and charge against the grant or loan funds.

(Amended by Stats. 1978, Ch. 637.)

53859.07. Notwithstanding the provisions of Sections 53854 and 53856, any note issued pursuant to this article to the extent not paid from grant or loan funds of the local agency pledged for the payment thereof, shall be paid with the interest thereon to the extent permitted by law from any taxes, income, revenue, cash receipts, or other moneys of local agency lawfully available therefor. Taxes, income, revenue, cash receipts or other moneys of the local agency lawfully available to pay a loan may be used to pay any note issued in anticipation of such loan, pending the granting of the loan.

(Amended by Stats. 1978, Ch. 637.)

53859.08. A grant or loan anticipation note or notes shall not be issued pursuant to this article in an amount at any time outstanding which shall exceed 95 percent of the grant or loan funds stated in writing by the granting or loaning authority as committed, appropriated and that shall be paid on a specified date or dates, or event or events, within a 36-month period from the dating of such notes.

(Amended by Stats. 1978, Ch. 637.)