

**GEORGIA STATE FINANCING AND INVESTMENT COMMISSION
(GSFIC)**

**Policy and Procedures, Owner
Commission**

**Policy Title/Number
General Obligation Bond Refunding Policy Regarding Premium
2010-001**

Effective Date: May 26, 2010

References: Constitution of the State of Georgia, as amended – Article VII, Section IV,
Paragraph V
State of Georgia Official Statement November 4, 2009
Advice of King & Spalding, Bond Counsel, February 10, 2010

1. Introduction

The Georgia State Financing and Investment Commission periodically refunds outstanding general obligation debt in order to achieve interest rate savings.

Ga. Const. Art. VII, § IV, Para. V. Refunding of debt

“The state may incur general obligation debt or guaranteed revenue debt to fund or refund any such debt or to fund or refund any obligations issued upon the security of contracts to which the provisions of the second paragraph of Paragraph I(a), Section VI, Article IX of the Constitution of 1976 are applicable. The issuance of any such debt for the purposes of said funding or refunding shall be subject to the 10 percent limitation in Paragraph II(b) of this section to the same extent as debt incurred under Paragraph I of this section; provided, however, in making such computation the annual debt service requirements and annual contract payments remaining on the debt or obligations being funded or refunded shall not be taken into account. The issuance of such debt may be accomplished by resolution of the Georgia State Financing and Investment Commission without any action on the part of the General Assembly and any appropriation made or required to be made with respect to the debt or obligation being funded or refunded shall immediately attach and inure to the benefit of the obligations to be issued in connection with such funding or refunding. Debt incurred in connection with any such funding or refunding shall be the same as that originally authorized by the General Assembly, except that general obligation debt may be incurred to fund or refund obligations issued upon the security of contracts to which the provisions of the second paragraph of Paragraph I(a), Section VI, Article IX of the Constitution of 1976 are applicable and the continuing appropriations required to be made under this Constitution shall immediately attach and inure to the benefit of the obligation to be issued in connection with such funding or refunding with the same force and effect as though said obligations so funded or refunded had originally been issued as a general obligation debt authorized hereunder. The term of a funding or refunding

issue pursuant to this Paragraph shall not extend beyond the term of the original debt or obligation and the total interest on the funding or refunding issue shall not exceed the total interest to be paid on such original debt or obligation. The principal amount of any debt issued in connection with such funding or refunding may exceed the principal amount being funded or refunded to the extent necessary to provide for the payment of any premium thereby incurred.”

2. Applicability

Financing and Investment Division

3. Policy Statement

The Commission is responsible for ensuring the Constitutional provisions regarding refunding of outstanding general obligation bonds are met.

The policy will provide guidelines to clarify the definition of premium when refunding state issued debt, including but not limited to, taxable Build America Bonds or Recovery Zone Economic Development Bonds pursuant to Section 1531 of Title 1 of Division B of the American Recovery and Reinvestment Act of 2009, Pub.L. No. 111-5, 123 Stat. 115 (2009) and § 54AA and §1400U-2 of the Internal Revenue Code.

4. Definition

Premium: In connection with a refunding of any general obligation debt or guaranteed revenue debt which is subject to a “make-whole” call redemption price, the portion of the redemption price for such debt which exceeds the outstanding par amount of such bonds shall be considered premium for purposes of Art. VII, § IV, Para. V of the Constitution of the State of Georgia.

5. Record Retention

Not Applicable