

**CHAPTER 107, Laws of 1979**

AN ACT to amend 18.61 (1), 20.866 (2) (zn) and 45.79 (9) (b); and to create 18.01 (2m), 18.06 (7), 18.52 (2m), 18.601 and 18.61 (6) of the statutes, relating to increasing the ceiling on the public debt for veterans housing loans, authorizing convertible obligations for veterans housing loans and making an appropriation.

*The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:*

SECTION 1. 18.01 (2m) of the statutes is created to read:

18.01 (2m) "Convertible obligation" means every undertaking by the state to repay a certain amount of borrowed money which is created as public debt but may be converted to revenue obligations under s. 18.601 or which is created as a revenue obligation but may be converted to public debt under s. 18.601.

SECTION 2. 18.06 (7) of the statutes is created to read:

18.06 (7) CONVERTIBLE OBLIGATIONS. Public debt of this state issued under s. 45.79 (6) (a) which may be converted to revenue obligations under s. 18.601, but which has not yet been converted, or revenue obligations issued under s. 45.79 (6) (c) and subsequently converted to public debt of this state under s. 18.601 shall be deemed to have been issued in accordance with this section and shall be on a parity with all other public debt of this state issued under this subchapter.

SECTION 3. 18.52 (2m) of the statutes is created to read:

18.52 (2m) "Convertible obligation" has the meaning designated in s. 18.01 (2m).

SECTION 4. 18.601 of the statutes is created to read:

**18.601 Convertible obligations bonds.** (1) It is the intent of the legislature that the veterans primary mortgage loan program be funded with revenue obligations issued under s. 45.79 (6) (c) in accordance with this subchapter. The legislature finds that the enactment of federal legislation removing the tax-exempt status of interest paid on revenue obligations would substantially impair the ability of this state to conduct the veterans primary mortgage loan program on this basis. To permit the veterans primary mortgage loan program to continue to be funded during a time when the status of federal legislation which removes the tax-exempt status of interest on revenue obligations is uncertain, the legislature finds that it is necessary to authorize the issuance of convertible obligations to fund the veterans primary mortgage loan program.

(2) Revenue obligations issued under s. 45.79 (6) (c) may include among their terms and conditions provisions allowing for the conversion of the revenue obligations into public debt of this state under subch. I when the attorney general determines that federal legislation has been enacted which removes the federal income tax exemption for interest paid on revenue obligations. The commission may include in resolutions authorizing issuance of convertible revenue obligations procedures for obtaining the attorney general's determination and for implementing the conversion of revenue obligations to public debt upon receipt of the determination.

(3) Public debt issued under s. 45.79 (6) (a) may include among its terms and conditions provisions allowing for the conversion of the public debt into revenue obligations under this subchapter when the attorney general determines that the federal income tax exemption for interest paid on the public debt will be preserved when the public debt is converted into revenue obligations. The attorney general shall consider existing laws and

regulations and the effect of pending legislation in making the determination. The commission may include in resolutions authorizing issuance of the convertible obligations, procedures for obtaining the attorney general's determination and for implementing the conversion of public debt to revenue obligations upon receipt of the attorney general's determination.

(4) If the building commission, after consideration of existing bond market and mortgage market conditions, determines that it is not in the best interests of state debt management policies to issue convertible obligations authorized under this section, the commission may issue additional public debt within the limitations of s. 20.866 (2) (zn) for the purchase of mortgages and mortgage notes covering loans made to veterans under s. 45.79 (6) (a).

(5) If the building commission, after consideration of the need for continuity of funding for the veterans primary mortgage loan program, determines that it is in the best interests of this state, the commission may issue additional public debt within the limitations of s. 20.866 (2) (zn) which may be funded or refunded with convertible obligations issued under this section or with revenue obligations issued under s. 45.79 (6) (c).

(6) If the building commission, after consideration of the demand for veterans housing loans and the time required to issue convertible obligations, determines that the issuance of convertible obligations will result in a disruption in the veterans primary mortgage loan program, the commission may issue additional public debt in an amount not to exceed \$20,000,000 of the increase authorized under chapter .... (this act), laws of 1979, for the purchase of mortgages and mortgage notes covering loans made to veterans under s. 45.79 (6) (a).

SECTION 5. 18.61 (1) of the statutes is amended to read:

18.61 (1) The state shall not be generally liable on revenue obligations and, except for convertible obligations originally issued under s. 18.601 as revenue obligations and subsequently converted to public debt, revenue obligations shall not be a debt of the state for any purpose whatsoever. All evidences of revenue obligation shall contain on their face a statement to that effect.

SECTION 6. 18.61 (6) of the statutes is created to read:

18.61 (6) The legislature may provide prior to issuance, with respect to any specific issue of convertible obligations originally issued as revenue obligations, that the revenue obligations shall convert to public debt under s. 18.601 if the attorney general determines that federal law removes the federal income tax exemption for interest paid on revenue obligations. If the legislature so provides, the commission may make the necessary provisions therefor in the authorizing resolution and other proceedings of the issue.

SECTION 7. 20.866 (2) (zn) of the statutes, as affected by chapter 4, laws of 1979, is amended to read:

20.866 (2) (zn) Veterans affairs, self-amortizing mortgage loans. As a continuing appropriation from the capital improvement fund, the amounts in the schedule for the department of veterans affairs for the purchase of mortgages and mortgage notes covering loans made to veterans under s. 45.79 (6) (a). The state may contract public debt in an amount not to exceed ~~\$1,000,000,000~~ \$1,050,000,000 for this purpose. Of this amount, \$50,000,000 of public debt shall be contracted as convertible obligations issued under s. 18.601 unless the building commission determines under s. 18.601 (4), (5) or (6) that issuance of public debt is in the best interests of this state.

SECTION 8. 45.79 (9) (b) of the statutes, as created by chapter 4, laws of 1979, is amended to read:

45.79 (9) (b) Revenue obligations issued under sub. (6) (c) shall not exceed \$280,000,000 in principal amount, excluding obligations issued to fund or refund outstanding revenue obligation notes or to refund outstanding revenue obligation bounds. Of

this amount, \$50,000,000 of revenue obligations may be issued as convertible obligations under s. 18.601.

SECTION 9. **Appropriation increase.** The amount in the schedule under section 20.866 (2) (zn) of the statutes, as affected by the laws of 1979, is increased by \$50,000,000 in fiscal year 1979-80 to provide additional funds for the purchase of mortgages and mortgage notes covering loans made to veterans under sections 18.601 and 45.79 (6) (a) of the statutes.

---