

1985 Assembly Bill 93

Date of enactment: **March 22, 1985**
Date of publication: **March 23, 1985**

1985 Wisconsin Act 6

AN ACT to repeal 20.485 (3) (um); to amend 18.01 (4) (intro.), 18.04 (1) (intro.), 18.04 (3), 18.04 (4), 18.09 (5), 20.485 (3) (s), 20.867 (4) (q), 45.35 (16), 45.79 (4) (a), 45.79 (6) (a) 1, 45.79 (7) (a) (intro.) and 45.79 (7) (c); to repeal and recreate 20.485 (3) (q) and (r), 20.485 (3) (t) and (u), 45.79 (4) (b) and 45.79 (7) (a) 1 to 5; and to create 18.04 (5), 18.04 (6), 18.06 (7), 18.06 (8), 20.485 (3) (rm), 20.866 (2) (zo), 20.867 (4) (r) and 45.79 (7) (a) 6 to 8 and (am) of the statutes, relating to authorizing the issuance of general obligation bonds to refund or acquire outstanding veterans' housing loan bonds and to acquire other general obligation bonds as an investment for the veterans housing program, establishing sale reserve, investment, accounting and expenditure procedures for these bonds and for bonds issued to fund veterans' housing loans and making appropriations.

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

SECTION 1. 18.01 (4) (intro.) of the statutes is amended to read:

18.01 (4) (intro.) "Public debt" or "debt" means every voluntary, unconditional undertaking by the state to repay a sum certain ~~amount of borrowed money~~:

SECTION 2. 18.04 (1) (intro.) of the statutes is amended to read:

18.04 (1) (intro.) The commission may authorize public debt to be contracted and evidences of indebtedness to be issued therefor in an amount sufficient to fund or refund, as provided in s. 18.06 (5), or to fund, refund or acquire for any of the purposes set forth in sub. (5) and as provided in s. 18.06 (7), the whole or any part of:

SECTION 3. 18.04 (3) of the statutes is amended to read:

18.04 (3) Each purpose enumerated in sub. (1) shall be construed to include any premium payable with respect thereto and the expenses of funding, refunding and acquiring public debt. Each purpose specified by the legislature under ~~sub.~~ subs. (1) and (2) shall be construed to include the expenses of contracting public debt.

SECTION 4. 18.04 (4) of the statutes is amended to read:

18.04 (4) ~~Public~~ Except as provided in sub. (6) (a) and s. 18.06 (8) (c), public debt shall may not be contracted for any interest, accrued or to accrue, on any indebtedness.

SECTION 5. 18.04 (5) of the statutes is created to read:

18.04 (5) Public debt may be contracted under sub. (1) for any of the following purposes:

(a) To acquire public debt contracted to make funds available for veterans' housing loans under sub. (2).

(b) To fund or refund public debt contracted to make funds available for veterans' housing loans under sub. (2).

(c) To acquire public debt, other than public debt that is contracted to make funds available for veterans' housing loans under sub. (2), for the purpose of investment for the veterans primary mortgage loan program under s. 45.79.

(d) To acquire public debt contracted for any of the purposes under pars. (a) to (c).

SECTION 6. 18.04 (6) of the statutes is created to read:

18.04 (6) (a) Public debt contracted for any of the purposes under sub. (5) or contracted for the purpose of making funds available for veterans' housing loans may include public debt contracted to fund interest, accrued or to accrue, on the public debt and to fund reserve funds for the public debt.

(b) Notwithstanding ss. 18.08 and 18.09, the commission may direct that moneys resulting from public debt contracted for any of the purposes under sub. (5) or contracted for the purpose of making funds available for veterans' housing loans be deposited in the funds or accounts created or designated by resolution of the commission or established by resolution under s. 45.79 (7), including escrow accounts established under refunding escrow agreements that are authorized by the commission.

(c) Notwithstanding ss. 18.08, 18.09 and 25.17, moneys deposited or held in funds or accounts under par. (b) and all other moneys received under s. 45.79 (7) (a) (intro.) may be invested in any obligations, either through cash purchase or exchange, as specified by resolution of the commission.

(d) Notwithstanding ss. 18.09 and 25.17, moneys deposited or held in funds or accounts under par. (b) may be transferred to other funds or accounts or expended as provided by resolution of the commission, except that moneys resulting from public debt contracted for the purpose set forth in sub. (5) (b) and deposited in an escrow account shall be payable solely

for the purposes of the bond security and redemption fund and for costs related to the creation and maintenance of the escrow account.

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

18.06 (7) SPECIAL PROCEDURES. Notwithstanding subs. (2) to (5), the following procedures apply to public debt contracted for any of the purposes under s. 18.04 (5) or contracted for the purpose of making funds available for veterans' housing loans:

(a) The public debt may be sold at public or private sale.

(b) The public debt may be exchanged publicly or privately in payment of or for the acquisition of other public debt.

(c) The public debt may be sold for par value or at a premium or discount from par value.

(d) The public debt may bear interest at variable or fixed rates as provided in or pursuant to the resolution authorizing the contracting of the public debt or, if the resolution so provides, may bear no interest or bear interest payable only at maturity or upon redemption prior to maturity.

SECTION 8. 18.06 (8) of the statutes is created to read:

18.06 (8) VARIABLE RATES. (a) With regard to public debt that bears variable rates of interest or that is issued in the form of commercial paper, the commission may enter into agreements and ancillary arrangements for the public debt, including liquidity facilities, remarketing or dealer agreements, letter of credit agreements, insurance policies, interest rate guaranty agreements, reimbursement agreements and indexing agreements.

(b) The commission may delegate to other persons the authority and responsibility to take actions necessary and appropriate to implement agreements and ancillary arrangements under par. (a).

(c) Any public debt contracted under this subchapter that bears variable rates of interest or that is issued in the form of commercial paper may include public debt contracted to fund interest, accrued or to accrue, on the public debt.

SECTION 9. 18.09 (5) of the statutes is amended to read:

18.09 (5) There shall be transferred to each sinking fund a sum sufficient for the payment of the principal, interest and premium due, if any, on the bonds giving rise to it as the same falls due. Such transfers shall be so timed that there is at all times on hand in the sinking fund an amount not less than the aggregate amount of principal, interest and premium, if any, to be paid out of it during the ensuing 15 days. The amount of any transfer scheduled to be made to the sinking fund from an escrow account established under a refunding escrow agreement on or before the due date of any payment of principal, interest or premium shall be treated as an amount on hand in the

sinking fund as of the 16th day before the due date or as of the 46th day before the due date if operating notes are outstanding. Notwithstanding the foregoing, no further such transfer need be made after there are on hand in the sinking fund from any source assets sufficient to pay the aggregate face value of all of the bonds giving rise to it outstanding, the amount of any premium payable on such payment and the amount of interest to accrue on such bonds until payment.

SECTION 10. 20.485 (3) (q) and (r) of the statutes are repealed and recreated to read:

20.485 (3) (q) *Foreclosure loss payments.* As a continuing appropriation from the veterans mortgage loan repayment fund, all moneys deposited and held in accounts in the veterans mortgage loan repayment fund to pay costs under s. 45.79 (7) (a) 3 and 7, for the purpose of paying costs under s. 45.79 (7) (a) 3 and 7.

(r) *Funded reserves.* As a continuing appropriation from moneys resulting from the contracting of public debt and deposited and held in funds and accounts under s. 18.04 (6) (b), all moneys deposited and held in the funds and accounts under s. 18.04 (6) (b) to pay principal, interest and any other obligations, all as specified in the resolution authorizing the contracting of the public debt, for the purpose of paying principal, interest and any other obligations, all as specified in the resolution authorizing the contracting of the public debt.

SECTION 11. 20.485 (3) (rm) of the statutes is created to read:

20.485 (3) (rm) *Other reserves.* As a continuing appropriation from the veterans mortgage loan repayment fund, all moneys deposited and held in the veterans mortgage loan repayment fund to pay costs under s. 45.79 (7) (a) 5 to 8, for the purposes under s. 45.79 (7) (a) 5 to 8.

SECTION 12. 20.485 (3) (s) of the statutes is amended to read:

20.485 (3) (s) *General program operations.* Biennially, the amounts in the schedule from the veterans mortgage loan repayment fund, ~~after deducting the amounts appropriated under par. (t),~~ for general program operations of the veterans mortgage loan program under s. 45.79.

SECTION 13. 20.485 (3) (t) and (u) of the statutes are repealed and recreated to read:

20.485 (3) (t) *Debt service.* As a continuing appropriation from the veterans mortgage loan repayment fund, all moneys deposited and held in accounts in the veterans mortgage loan repayment fund to reimburse s. 20.866 (1) (u) for the payment of debt service costs incurred in providing veterans mortgage loans under s. 45.79 (6) (a) and for debt service costs incurred in contracting public debt for any of the purposes under s. 18.04 (5), for these purposes.

(u) *Revenue obligation supplement.* As a continuing appropriation from the veterans mortgage loan repayment fund, all moneys deposited and held in the veterans mortgage loan repayment fund to be used for

purposes under s. 45.79 (7) (c), for the purposes under s. 45.79 (7) (c).

SECTION 14. 20.485 (3) (um) of the statutes is repealed.

SECTION 15. 20.866 (2) (zo) of the statutes is created to read:

20.866 (2) (zo) *Veterans affairs, refunding bonds.* From the funds and accounts under s. 18.04 (6) (b), a sum sufficient for the department of veterans affairs to fund, refund or acquire the whole or any part of public debt as set forth in s. 18.04 (5). The building commission may contract public debt in an amount not to exceed \$300,000,000 for these purposes, exclusive of public debt issued to fund or refund public debt issued for these purposes.

SECTION 16. 20.867 (4) (q) of the statutes is amended to read:

20.867 (4) (q) *Funding in lieu of borrowing.* As a continuing appropriation, all interest earnings of the capital improvement fund accrued after September 30, 1983, except interest earnings arising from the investment of proceeds of public debt contracted under s. 20.866 (2) (zo) and (zn) on and after the effective date of this act ... [revisor inserts date], to permit funding in lieu of borrowing for the purposes for which the contracting of public debt is authorized under s. 20.866 (2) before the effective date of this act ... [revisor inserts date], and under s. 20.866 (2) (s) to (zm), (zp) and (zz) on and after the effective date of this act ... [revisor inserts date]. Expenditures from this appropriation for each purpose under s. 20.866 (2) (s) to (zm), (zp) and (zz) may not exceed the net interest earnings attributable to the corresponding account created under s. 18.08 (1) (b). Notwithstanding s. 20.866 (2) (s) to (zm), (zp) and (zz) or any nonstatutory state building program project enumeration, this appropriation may be used in lieu of borrowing under s. 20.866 (2) (s) to (zm), (zp) and (zz).

SECTION 17. 20.867 (4) (r) of the statutes is created to read:

20.867 (4) (r) *Interest on veterans obligations.* As a continuing appropriation, all interest earnings arising from the investment of proceeds of public debt contracted under s. 20.866 (2) (zn) and (zo) on and after the effective date of this act ... [revisor inserts date] and all amounts transferred under 1985 Wisconsin Act ... (this act), section 27, to permit the payment of debt service on the public debt.

SECTION 18. 45.35 (16) of the statutes is amended to read:

45.35 (16) **DEFERRAL OF PAYMENTS AND INTEREST ON LOANS.** When a veteran or a member of the veteran's family makes application for deferment of payment of monthly instalments and waiver of interest charges on veterans' loans made under this chapter, showing that the ability of such veteran to make payment is materially and adversely affected by reason of military service, the department may, with the approval of the board, defer payment of monthly instalments and

waive interest charges on veterans' loans made under this chapter for the duration of any period of service in the armed forces of the United States during a national emergency or in time of war or under P.L. 87-117 and 6 months from date of discharge or separation and the time for payment may be extended for a like period. However, when funds ~~in the self insurance account under s. 45.79 (7) (a) 3 are insufficient to cover these deferrals~~ estimated to be received in the veterans mortgage loan repayment fund to pay debt service on public debt contracted under s. 20.866 (2) (zn) and (zo) are less than the funds estimated to be required for the payment of the debt service, the board may grant deferral of payments and interest on loans provided under s. 45.79 only when so required by federal law.

SECTION 19. 45.79 (4) (a) of the statutes is amended to read:

45.79 (4) (a) The board shall determine the interest rate on loans made under this section. Except as provided in sub. (10), the interest rate so determined may not be increased during the term of the loan. Except as provided in sub. (10) ~~and except for loans funded under sub. (7) (e),~~ the interest rate shall be as low as possible but shall be sufficient to fully pay all expenses ~~in accordance with sub. (7),~~ and to provide ~~self insurance~~ reserves which are reasonably expected to be required in the judgment of the board and in accordance with par. (b). ~~The interest rate on a loan funded under sub. (7) (e) shall, if possible, be equal to the prevailing interest rate on other loans made under this section and sub. (7) (a) 3.~~

SECTION 20. 45.79 (4) (b) of the statutes is repealed and recreated to read:

45.79 (4) (b) 1. The board shall select and implement the methods of insuring against losses arising from delinquency and default in the repayment of loans under sub. (6) (a) and shall select and implement the methods of managing and selling any property securing loans funded under sub. (6) (a).

2. The board shall charge or cause to be charged to borrowers all costs for insuring the program under subd. 1.

3. Moneys collected under subd. 2 and that are held by the state shall be deposited, reserved and expended as provided in sub. (7) (a) 3.

SECTION 21. 45.79 (6) (a) 1 of the statutes is amended to read:

45.79 (6) (a) 1. State debt may be contracted when it reasonably appears to the building commission that all state obligations so incurred under this paragraph and s. 20.866 (2) (zo) can be fully paid from moneys received from veterans repayments of loans on mortgages and mortgage notes funded under this paragraph and other available revenues of the veterans mortgage loan repayment fund. In making this determination, the building commission may take into account the effect of its planned future actions to refinance existing state debt, to create reserve funds and

to modify the structure of the total debt outstanding so as to ensure that projected repayments of loans on mortgages and mortgage notes, together with other available moneys, will be sufficient as received to fund debt service payments as due. It is the intent of the legislature that the program authorized under this section be fully self-supporting and that it be so administered that all debt service and all related costs of ~~administration~~ the program under this section will require no supplemental support from the general fund.

SECTION 22. 45.79 (7) (a) (intro.) of the statutes is amended to read:

45.79 (7) (a) (intro.) There is created the veterans mortgage loan repayment fund. All moneys received by the department for the repayment of loans funded under sub. (6) (a) ~~and for the repayment of the loan authorized under s. 20.485 (3) (am)~~, except for servicing fees required to be paid to authorized lenders, shall ~~be deposited immediately upon their receipt into the veterans mortgage loan repayment fund. Moneys so received, along with net~~ proceeds from the sale of mortgaged properties, any repayment to the department of moneys paid to authorized lenders, gifts, grants, other appropriations and interest earnings accruing thereon, ~~and any moneys deposited or transferred under s. 18.04 (6) (b) or (d) shall be expended only for the following purposes and order of distribution promptly deposited into the veterans mortgage loan repayment fund.~~ The board shall establish by resolution a system of accounts providing for the maintenance and disbursement of moneys of the veterans mortgage loan repayment fund to fund loans under sub. (6) (a) or to fund, refund or acquire public debt as provided in s. 18.04 (5). The system of accounts shall record and provide moneys for all of the following purposes:

SECTION 23. 45.79 (7) (a) 1 to 5 of the statutes are repealed and recreated to read:

45.79 (7) (a) 1. Transfer to the bond security and redemption fund.

2. The acquisition or redemption of public debt in accordance with resolutions of the building commission.

3. Payment of losses arising from delinquency or default in the repayment of loans funded under sub. (6) (a), including loss of principal and interest accrued to the point of final disposition of the defaulted loan and the expenses of management and sale of the property taken upon default of loan repayment.

4. Payment of all costs incurred by the department in processing and servicing loans and accounting for and administering the program under this section.

5. Payment of all costs incurred in contracting public debt for the purposes under s. 18.04 (5) and under s.

18.04 (2) for the purpose of funding veterans' housing loans.

SECTION 24. 45.79 (7) (a) 6 to 8 and (am) of the statutes are created to read:

45.79 (7) (a) 6. Payment of costs of issuance of obligations to fund loans under sub. (6) (c) if not paid from the proceeds of the obligations.

7. Payment of obligations arising from loans funded under sub. (6) (b).

8. Payment of any other costs of program operation and management authorized under this section.

(am) The board may amend the system of accounts established under par. (a) only by resolution of the board that is approved by the building commission.

SECTION 25. 45.79 (7) (c) of the statutes is amended to read:

45.79 (7) (c) After meeting all expenses of ~~par. (a) and (b), surpluses and providing for reserves under par. (a) 3, balances in the veterans mortgage loan repayment fund accruing as a result of prepayment of mortgage loans, upon prior approval of the building commission,~~ may be used to fund additional loans ~~issued under sub. (6) (a) for eligible persons and their spouses having a combined annual income not exceeding \$18,000 and for eligible persons whose applications for a loan under this subchapter were received by the department on or before May 2, 1980, purchase loans or otherwise advance moneys for the payment of obligations arising from loans funded under sub. (6) (c) or to pay the balances owing on guaranteed loans after the assumptions of the loans or the closings of the sales of residences under sub. (10) (c). Surpluses may be used under sub. (10) (c) only if there are no unrestricted fund balances available for such purpose in the funds created under sub. (9). Section 20.001 (3) (e) shall not be construed to prohibit this action.~~

SECTION 26. **Nonstatutory provisions; veterans affairs.** Public debt may not be contracted under section 20.866 (2) (zo) of the statutes, as created in this act, until the board of veterans affairs enacts a resolution establishing a system of funds and accounts, as required under section 45.79 (7) (a), as affected by this act, that the building commission has approved.

SECTION 27. **Appropriation changes; building commission.** There is transferred on the effective date of this SECTION from the appropriation under section 20.867 (4) (q) of the statutes to the appropriation under section 20.867 (4) (r) of the statutes an amount equal to all interest earnings arising from the investment of proceeds of public debt contracted under section 20.866 (2) (zn) of the statutes after September 30, 1983, and before the effective date of this SECTION that are not expended or encumbered for funding in lieu of borrowing as of the effective date of this SECTION.