



2003 ASSEMBLY BILL 942

March 9, 2004 - Introduced by Representative STONE, cosponsored by Senator DARLING. Referred to Joint Committee on Finance.

1 **AN ACT** *to renumber and amend* 67.12 (12) (a); *to amend* 67.04 (5) (b) 4. and
2 67.12 (1) (b); and *to create* 67.12 (12) (a) 3. and 67.13 of the statutes; **relating**
3 **to:** the issuance of municipal special fund obligations to pay unfunded prior
4 service liability contributions under a public employee retirement system or to
5 pay postemployment benefits.

Analysis by the Legislative Reference Bureau

This bill authorizes local governments, including school districts and technical college districts, to issue municipal special fund obligations to finance the payment of unfunded prior service liability contributions under the Wisconsin Retirement System (WRS) or any other public employee retirement plan or the payment of postemployment benefits. The obligations may be issued in anticipation of the issuance of promissory notes and are payable within 35 years after the date of original issuance solely from fees, penalties, sales or excise taxes, state aid payments, or other specifically identified revenues pledged by the local government, other than property tax revenue.

The bill provides that a local government may pledge state aid that is not otherwise restricted in its use, or sales and excise taxes, to the repayment of the obligation. The bill also provides that the obligations do not constitute debt of the local government for any purpose.

The bill establishes a 20-year maturity limit for general obligation promissory notes issued to pay unfunded prior service liability contributions under the WRS or

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another retirement plan or to pay postemployment benefits. Current law provides a ten-year limit. The bill provides that a municipal obligation issued in anticipation of certain revenues must be repaid within ten years. Current law provides a five-year limit. Finally, the bill authorizes a county to issue bonds or notes to pay unfunded prior service liability contributions under any retirement plan, not just the WRS, or to pay postemployment benefits.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

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

1 **SECTION 1.** 67.04 (5) (b) 4. of the statutes is amended to read:

2 67.04 **(5)** (b) 4. To pay unfunded prior service liability contributions under the
3 Wisconsin retirement system or any other pension system operated for public
4 employees, or to fund long-term liabilities associated with other postemployment
5 benefits, if all of the proceeds of the note will be used to pay for such contributions.

6 **SECTION 2.** 67.12 (1) (b) of the statutes is amended to read:

7 67.12 **(1)** (b) Any municipality may issue municipal obligations in anticipation
8 of receiving proceeds from clean water fund loans or grants for which the
9 municipality has received a notice of financial assistance commitment under s.
10 281.58 (15), from bonds or notes the municipality has authorized or has covenanted
11 to issue under this chapter or from grants that are committed to the municipality.
12 Any municipal obligation issued under this paragraph may be refunded one or more
13 times. Such obligation and any refundings thereof shall be repaid within ~~5~~ 10 years
14 after the original date of the original obligation.

15 **SECTION 3.** 67.12 (12) (a) of the statutes, as affected by 2003 Wisconsin Act 43,
16 is renumbered 67.12 (12) (a) (intro.) and amended to read:

17 67.12 **(12)** (a) (intro.) Any municipality may issue promissory notes as evidence
18 of indebtedness for any public purpose, as defined in s. 67.04 (1) (b), including but

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1 not limited to paying any general and current municipal expense, and refunding any
2 municipal obligations, including interest on them. Each note, plus interest if any,
3 shall be repaid within 10 years after the original date of the note, except that notes
4 issued under this section for any of the following purposes shall be repaid within 20
5 years after the original date of the note:

6 1. For purposes of ss. 119.498, 145.245 (12m), 281.58, 281.59, 281.60 and
7 281.61, or to,

8 2. To raise funds to pay a portion of the capital costs of a metropolitan sewerage
9 district, shall be repaid within 20 years after the original date of the note.

10 **SECTION 4.** 67.12 (12) (a) 3. of the statutes is created to read:

11 67.12 (12) (a) 3. To pay unfunded prior service liability contributions under the
12 Wisconsin retirement system or any other pension system operated for public
13 employees, or to fund long-term liabilities associated with other postemployment
14 benefits.

15 **SECTION 5.** 67.13 of the statutes is created to read:

16 **67.13 Municipal special fund obligations; prior service liability. (1)**
17 Any municipality may issue municipal special fund obligations to pay unfunded
18 prior service liability contributions under the Wisconsin retirement system or any
19 other pension system operated for public employees, or to fund long-term liabilities
20 associated with other postemployment benefits. The obligations may be issued in
21 anticipation of the issuance of notes under s. 67.12 (12) and shall be payable within
22 35 years after the date of original issuance solely from fees, penalties, sales or excise
23 taxes, state aid payments, or other specifically identified revenues pledged by the
24 municipality, other than property tax revenue.

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1 **(2)** (a) A municipality shall create a special fund for the repayment of
2 obligations issued under this section.

3 (b) 1. The municipality may pledge all or a portion of any state aid payments
4 payable after the issuance of the obligation to the repayment of the obligation if the
5 state aid payment is not required to be used for another purpose.

6 2. A municipality may pledge all or a portion of sales taxes or excise taxes that
7 become payable to it after the issuance of the obligation to the repayment of the
8 obligation.

9 (c) A municipality shall deposit all revenue pledged under par. (b) into the
10 special fund created under par. (a).

11 **(3)** The municipality may enter into agreements relating to obligations issued
12 under this section, including trust indentures, liquidity facilities, remarketing or
13 dealer agreements, letter of credit agreements, insurance policies, guarantee
14 agreements, reimbursement agreements, indexing agreements, and interest
15 exchange agreements.

16 **(4)** Municipal special fund obligations issued under this section may be in the
17 form of bonds, notes, or other evidences of obligation and may be issued in book-entry
18 form or in certificated form. Notwithstanding s. 403.104 (1), an obligation issued
19 under this section is a negotiable instrument.

20 **(5)** Municipal special fund obligations issued under this section do not
21 constitute debt of the municipality under s. 67.03 or 67.04 or article XI, section 3, of
22 the constitution and shall expressly so state on their face. Recognizing its moral
23 obligation to do so, the municipality shall express its expectation and aspiration that
24 it shall make timely appropriations sufficient to pay the principal and interest due
25 with respect to any obligations issued under this section.

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1 **(6)** Nothing in this section restricts the ability of the state to modify or
2 eliminate state aid to municipalities. However, the state expresses its moral
3 obligation not to substantially modify any program of state aid to municipalities
4 without making adequate provision for the protection of the holders of obligations
5 issued under this section.

6 **SECTION 6. Initial applicability.**

7 (1) The treatment of sections 67.04 (5) (b) 4. and 67.12 (1) (b) of the statutes,
8 the renumbering of section 67.12 (12) (a) of the statutes, and the creation of section
9 67.12 (12) (a) 3. of the statutes first applies to obligations issued on the effective date
10 of this subsection.

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(END)