



## 1997 ASSEMBLY BILL 750

January 27, 1998 - Introduced by Representatives HARSDORF, PLOUFF, BRANDEMUEHL, SPRINGER, JOHNSRUD, DUEHOLM, M. LEHMAN, REYNOLDS and OLSEN, cosponsored by Senators C. POTTER, DARLING, SHIBILSKI, FITZGERALD, GROBSCHMIDT, WELCH and CLAUSING, by request of Wisconsin Department of Public Instruction and Wisconsin Association of School Boards. Referred to Committee on Ways and Means.

1     **AN ACT to amend** 67.11 (2) (intro.) and 121.15 (3m) (a) 2.; and **to create** 20.255  
2     (2) (ds) and 121.095 of the statutes; **relating to:** requiring the state to make  
3     debt service payments on behalf of school districts under certain conditions and  
4     making an appropriation.

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### *Analysis by the Legislative Reference Bureau*

This bill provides that if a school board is unable to make a timely debt service payment on long-term debt, it may request the department of public instruction (DPI) to make the payment on behalf of the school district. The bill creates a sum sufficient appropriation to DPI for this purpose. The payment made by DPI may not exceed the amount of state school aids due the school district in the balance of the fiscal year less the loss in earnings to the state as a result of the payment and any interest the state pays on money borrowed to make the payment. DPI must reduce the school district's state aids by the amount of the payment plus any loss in earnings and interest costs.

The bill also provides that a school board for whom a payment is made must implement a plan, approved by DPI, that specifies how the school board will resolve the issues that led to its inability to make the payment and prevent future defaults.

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

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

5     **SECTION 1.** 20.255 (2) (ds) of the statutes is created to read:

1           20.255 (2) (ds) *Debt service payments*. A sum sufficient to make debt service  
2 payments on behalf of school districts under s. 121.095.

3           **SECTION 2.** 67.11 (2) (intro.) of the statutes is amended to read:

4           67.11 (2) (intro.) ~~Debt~~ Except as provided under s. 121.095, debt service for  
5 municipal obligations issued under this chapter shall be paid from the appropriate  
6 debt service fund account created in sub. (1). All investments shall mature in time  
7 to make required debt service payments. If invested, the funds to provide for debt  
8 service payments due prior to the scheduled receipt of taxes from the next succeeding  
9 tax levy shall be invested in direct obligations of the federal government or, if  
10 authorized under s. 25.50, in the local government pooled-investment fund under  
11 that section. Thereafter, any balance in an account created in sub. (1) may be loaned  
12 or invested under the direction of the municipality's governing body as follows:

13           **SECTION 3.** 121.095 of the statutes is created to read:

14           **121.095 State payment of school district debt service.** (1) In this section,  
15 "state school aids" has the meaning given in s. 121.15 (3m) (a) 2.

16           (2) If a school board determines that it is unable to make a timely debt service  
17 payment, other than on an obligation that matures within 12 months, it may adopt  
18 a resolution requesting the department to make the payment on behalf of the school  
19 district. The school board shall submit a copy of the resolution to the department at  
20 least 10 days before the payment is due.

21           (3) (a) Upon receipt of a request under sub. (2), the department shall make a  
22 payment to the lender on behalf of the school district from the appropriation under  
23 s. 20.255 (2) (ds). Except as provided in par. (b), the payment shall be equal to the  
24 amount necessary to make the debt service payment.

1 (b) The payment under par. (a) may not exceed an amount equal to the total  
2 amount of state school aids due the school district in the balance of the school year  
3 in which the payment is made less all of the following:

4 1. An amount equal to the loss in earnings to the state as a result of the  
5 payment.

6 2. An amount equal to any interest that the state pays on moneys it borrows  
7 in order to make the payment.

8 (4) (a) The department shall reduce the school district's state school aids by the  
9 following amount:

10 1. If the amount necessary to make the debt service payment is less than the  
11 amount of state school aids due the school district in the balance of the school year  
12 in which the payment is made, an amount equal to the amount paid the lender under  
13 sub. (3) plus an amount equal to the total of the amounts under sub. (3) (b) 1. and 2.

14 2. If the amount necessary to make the debt service payment is equal to or  
15 greater than the amount of state school aids due the school district in the balance of  
16 the school year in which the payment is made, an amount equal to the amount of such  
17 school aids.

18 (b) The department may reduce state school aids other than aid under s. 20.255  
19 (2) (ac) only if aid to the school district under s. 20.255 (2) (ac) is insufficient to cover  
20 the full reduction.

21 (c) The department shall ensure that the amount of the reduction in state  
22 school aids under par. (a) lapses to the fund from which appropriated and that it does  
23 not affect the amount determined to be received by a school district as state school  
24 aids for any other purpose.

