



*(D-note)*  
State of Wisconsin  
2003 - 2004 LEGISLATURE

LRB-0854/2 3  
RAC:jld:jf

*RMR*

.DOA:.....Hoadley – BB0401, Unfunded pension obligation bonds

FOR 2003-05 BUDGET — NOT READY FOR INTRODUCTION

*Don't gen*

1 AN ACT ...; relating to: the budget.

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*Analysis by the Legislative Reference Bureau*

**STATE GOVERNMENT**

**STATE FINANCE**

Under current law, participating employers in the Wisconsin Retirement System (WRS) are required to make employer contributions to fund the retirement benefits provided to participants in the WRS. Among the contributions that participating employers must make are contributions to pay any unfunded prior service liability resulting, generally, from prior creditable service or benefit improvements retroactively granted to participating employees in the WRS. Currently, the payment of unfunded prior service liability under the WRS is amortized as a level percent of payroll over a period of 40 years and is scheduled to be fully paid in 2030.

This bill authorizes the Building Commission to issue revenue obligations in an amount up to \$750,000,000 to pay the state's unfunded prior service liability under the WRS. The bill provides that the principal and interest costs on the revenue obligations are to be paid from excise taxes that are currently imposed on the sale of liquor, fermented malt beverages, cigarettes, and tobacco products.

For further information see the *state* 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:*

1            **SECTION 1.** ~~13.40 (3)~~ (b) of the statutes is amended to read:

2            13.40 (3) (b) An appropriation to honor a moral obligation undertaken  
3            pursuant to ss. ~~16.526 (8), 18.61 (5), 85.25 (5), 101.143 (9m) (i), 229.50 (7), 229.74 (7),~~  
4            ~~229.830 (7), 234.15 (4), 234.42 (4), 234.54 (4) (b), 234.626 (7), 234.93 (6), 234.932 (6),~~  
5            234.933 (6), and 281.59 (13m).

6            **SECTION 2.** 16.526 of the statutes is created to read:

7            **16.526 Payment of the state's unfunded prior service liability under**  
8            **the Wisconsin Retirement System; revenue obligations.** (1) For purposes of  
9            subch. II of ch. 18, the purpose of paying of the state's unfunded prior service liability  
10            under s. 40.05 (2) (b) is a special fund program, and the excise tax fund is a special  
11            fund. The legislature finds and determines that the excise tax fund is a segregated  
12            fund consisting of fees, penalties, or excise taxes and that the special program to pay  
13            the state's unfunded prior service liability under s. 40.05 (2) (b) from the net proceeds  
14            of revenue obligations issued under this section is appropriate and will serve a public  
15            purpose.

16            (2) The net proceeds of revenue obligations issued under subch. II of ch. 18, as  
17            authorized under this section, shall be deposited in a fund in the state treasury, or  
18            an account maintained by a trustee, created under s. 18.57 (1). The moneys shall be  
19            applied for ancillary payments and for the provision of reserves, as determined by  
20            the building commission, and for the payment of part or all of the state's unfunded  
21            prior service liability under s. 40.05 (2) (b), as determined by the department, and

1 any remainder shall be paid into a prior service liability obligation redemption fund  
2 created under 18.562 (3).

3 (3) The department shall have all powers necessary and convenient to  
4 distribute the excise tax fund revenues and to distribute the proceeds of the revenue  
5 obligations issued under this section in accordance with subch. II of ch. 18.

6 (4) The department may enter into agreements with the federal government  
7 or its agencies, political subdivisions of this state, individuals, or private entities to  
8 insure, or in any other manner provide, additional security for the revenue  
9 obligations issued under this section.

10 (5) (a) Subject to the limitation under par. (b), the building commission may  
11 contract revenue obligations, payable from the excise tax fund, under this section in  
12 the maximum amount that the building commission believes can be fully paid on a  
13 timely basis from moneys received or anticipated to be received in the excise tax fund.

14 (b) The requirements for funds used for the payment of the state's unfunded  
15 prior service liability under s. 40.05 (2) (b) that are to be paid from revenue  
16 obligations issued under this section shall be determined by the secretary, but the  
17 amount of obligations that may be issued shall not exceed \$750,000,000.

18 (6) Unless otherwise expressly provided in resolutions authorizing the  
19 issuance of revenue obligations under this section or in other agreements with the  
20 owners of revenue obligations, each issue of revenue obligations under this section  
21 shall be on a parity with every other revenue obligation issued under this section and  
22 in accordance with subch. II of ch. 18.

23 (7) As determined by the building commission, any moneys deposited in the  
24 excise tax fund that are not required for the retirement of revenue obligations and

1 providing for reserves and for ancillary payments authorized to be paid from such  
2 moneys are transferred to the general fund.

3 (8) Recognizing its moral obligation to do so, the legislature expresses its  
4 expectation and aspiration that, if the funds in the excise tax fund are insufficient  
5 to pay the principal of and interest on the revenue obligations issued under subch.  
6 II of ch. 18 pursuant to this section, the legislature shall make an appropriation from  
7 the general fund sufficient to pay the principal and interest on the obligations or to  
8 replenish a reserve fund, if applicable.

9 SECTION 3. 20.505 (1) (sd) of the statutes is created to read:

10 20.505 (1) (sd) *Revenue obligation proceeds to pay the state's unfunded prior*  
11 *service liability under the Wisconsin Retirement System. As a continuing*  
12 *appropriation, all proceeds from revenue obligations that are issued under subch. II*  
13 *of ch. 18, as authorized under s. 16.526, and deposited in a fund in the state treasury*  
14 *created under s. 18.57 (1), as authorized under s. 16.526 (2), to pay part or all of the*  
15 *state's unfunded prior service liability under s. 40.05 (2) (b), as determined by the*  
16 *department of administration, and to provide for reserves and to make ancillary*  
17 *payments, as determined by the building commission, and the remainder to be*  
18 *transferred to a prior service liability redemption fund created under s. 18.562 (3).*  
19 *Estimated disbursements under this paragraph shall not be included in the schedule*  
20 *under s. 20.005.*

21 SECTION 4. 20.505 (1) (sem) of the statutes is created to read:

22 20.505 (1) (sem) *Excise tax fund — provision of reserves and payment of*  
23 *ancillary costs relating to revenue obligations. From the excise tax fund, a sum*  
24 *sufficient to provide for reserves and for the payment of ancillary costs relating to*

1 revenue obligations issued under subch. II of ch. 18, as authorized under s. 16.526  
2 and the resolution authorizing the revenue obligations.

\*\*\*NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

3 **SECTION 5.** 20.505 (1) (sh) of the statutes is created to read:

4 20.505 (1) (sh) *Excise tax fund — revenue obligation repayment.* From the  
5 excise tax fund, a sum sufficient to pay a prior service liability redemption fund  
6 created under s. 18.562 (3) the amount needed to retire revenue obligations issued  
7 under subch. II of ch. 18, as authorized under s. 16.526. Estimated disbursements  
8 under this paragraph shall not be included in the schedule under s. 20.005.

9 **SECTION 6.** 20.505 (1) (sp) of the statutes is created to read:

10 20.505 (1) (sp) *Revenue obligation debt service.* From a prior service liability  
11 redemption fund created under s. 18.562 (3), all moneys received by the fund for the  
12 retirement of revenue obligations issued under subch. II of ch. 18, as authorized  
13 under s. 16.526, and for ancillary payments authorized by the authorizing resolution  
14 for the revenue obligations. All moneys received by the fund are irrevocably  
15 appropriated in accordance with subch. II of ch. 18 and further established in  
16 resolutions authorizing the issuance of the revenue obligations under s. 16.526 and  
17 setting forth the distribution of funds to be received thereafter. Estimated  
18 disbursements under this paragraph shall not be included in the schedule under s.  
19 20.005.

20 **SECTION 7.** 25.17 (1) (es) of the statutes is created to read:

21 25.17 (1) (es) *Excise tax fund (s. 25.59);*

22 **SECTION 8.** 25.59 of the statutes is created to read:

1           **25.59 Excise tax fund.** There is created a separate nonlapsible trust fund,  
2 known as the excise tax fund, that, for the purposes of subch. II of ch. 18, shall be a  
3 special fund. If any revenue obligations are issued under s. 16.526, the excise tax  
4 fund shall consist of all taxes that are thereafter paid under ch. 139, other than  
5 subch. IV of ch. 139.

6

(END)

D-Note

This draft is reconciled with

LRB-1016. The treatment of s. 13.40

(3)(b) will appear in that draft.

RAC

**DRAFTER'S NOTE  
FROM THE  
LEGISLATIVE REFERENCE BUREAU**

LRB-0854/3dn  
RAC:jld:pg

February 5, 2003

This draft is reconciled with LRB-1016. The treatment of s. 13.40 (3) (b) will appear in that draft.

Rick A. Champagne  
Senior Legislative Attorney  
Phone: (608) 266-9930  
E-mail: rick.champagne@legis.state.wi.us



DOA:.....Hoadley - BB0401, Unfunded pension obligation bonds

FOR 2003-05 BUDGET -- NOT READY FOR INTRODUCTION

1 AN ACT ...; relating to: the budget.

---

*Analysis by the Legislative Reference Bureau*

**STATE GOVERNMENT**

**STATE FINANCE**

Under current law, participating employers in the Wisconsin Retirement System (WRS) are required to make employer contributions to fund the retirement benefits provided to participants in the WRS. Among the contributions that participating employers must make are contributions to pay any unfunded prior service liability resulting, generally, from prior creditable service or benefit improvements retroactively granted to participating employees in the WRS. Currently, the payment of unfunded prior service liability under the WRS is amortized as a level percent of payroll over a period of 40 years and is scheduled to be fully paid in 2030.

This bill authorizes the Building Commission to issue revenue obligations in an amount up to \$750,000,000 to pay the state's unfunded prior service liability under the WRS. The bill provides that the principal and interest costs on the revenue obligations are to be paid from excise taxes that are currently imposed on the sale of liquor, fermented malt beverages, cigarettes, and tobacco products.

1 any remainder shall be paid into a prior service liability obligation redemption fund  
2 created under 18.562 (3).

3 (3) The department shall have all powers necessary and convenient to  
4 distribute the excise tax fund revenues and to distribute the proceeds of the revenue  
5 obligations issued under this section in accordance with subch. II of ch. 18.

6 (4) The department may enter into agreements with the federal government  
7 or its agencies, political subdivisions of this state, individuals, or private entities to  
8 insure, or in any other manner provide, additional security for the revenue  
9 obligations issued under this section.

10 (5) (a) Subject to the limitation under par. (b), the building commission may  
11 contract revenue obligations, payable from the excise tax fund, under this section in  
12 the maximum amount that the building commission believes can be fully paid on a  
13 timely basis from moneys received or anticipated to be received in the excise tax fund.

14 (b) The requirements for funds used for the payment of the state's unfunded  
15 prior service liability under s. 40.05 (2) (b) that are to be paid from revenue  
16 obligations issued under this section shall be determined by the secretary, but the  
17 ~~amount of obligations that may be issued~~ shall not exceed \$750,000,000.

18 (6) Unless otherwise expressly provided in resolutions authorizing the  
19 issuance of revenue obligations under this section or in other agreements with the  
20 owners of revenue obligations, each issue of revenue obligations under this section  
21 shall be on a parity with every other revenue obligation issued under this section and  
22 in accordance with subch. II of ch. 18.

23 (7) As determined by the building commission, any moneys deposited in the  
24 excise tax fund that are not required for the retirement of revenue obligations and

1 providing for reserves and for ancillary payments authorized to be paid from such  
2 moneys are transferred to the general fund.

3 (8) Recognizing its moral obligation to do so, the legislature expresses its  
4 expectation and aspiration that, if the funds in the excise tax fund are insufficient  
5 to pay the principal of and interest on the revenue obligations issued under subch.  
6 II of ch. 18 pursuant to this section, the legislature shall make an appropriation from  
7 the general fund sufficient to pay the principal and interest on the obligations or to  
8 replenish a reserve fund, if applicable.

9 SECTION 3. 20.505 (1) (sd) of the statutes is created to read:

10 20.505 (1) (sd) *Revenue obligation proceeds to pay the state's unfunded prior*  
11 *service liability under the Wisconsin Retirement System.* As a continuing  
12 appropriation, all proceeds from revenue obligations that are issued under subch. II  
13 of ch. 18, as authorized under s. 16.526, and deposited in a fund in the state treasury  
14 created under s. 18.57 (1), as authorized under s. 16.526 (2), to pay part or all of the  
15 state's unfunded prior service liability under s. 40.05 (2) (b), as determined by the  
16 department of administration, and to provide for reserves and to make ancillary  
17 payments, as determined by the building commission, and the remainder to be  
18 transferred to a prior service liability redemption fund created under s. 18.562 (3).  
19 Estimated disbursements under this paragraph shall not be included in the schedule  
20 under s. 20.005.

21 SECTION 4. 20.505 (1) (sem) of the statutes is created to read:

22 20.505 (1) (sem) *Excise tax fund — provision of reserves and payment of*  
23 *ancillary costs relating to revenue obligations.* From the excise tax fund, a sum  
24 sufficient to provide for reserves and for the payment of ancillary costs relating to

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1 *, and to make ancillary payments authorized by the authorizing resolution for the revenue obligations*  
 revenue obligations issued under subch. II of ch. 18, as authorized under s. 16.526

2 and the resolution authorizing the revenue obligations.

\*\*\*\*NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

3 SECTION 5. 20.505 (1) (sh) of the statutes is created to read:

4 20.505 (1) (sh) *Excise tax fund — revenue obligation repayment.* From the  
 5 excise tax fund, a sum sufficient to pay a prior service liability redemption fund  
 6 created under s. 18.562 (3) the amount needed to retire revenue obligations issued  
 7 under subch. II of ch. 18, as authorized under s. 16.526. Estimated disbursements  
 8 under this paragraph shall not be included in the schedule under s. 20.005.

9 SECTION 6. 20.505 (1) (sp) of the statutes is created to read:

10 20.505 (1) (sp) *Revenue obligation debt service.* From a prior service liability  
 11 redemption fund created under s. 18.562 (3), all moneys received by the fund for the  
 12 retirement of revenue obligations issued under subch. II of ch. 18, as authorized  
 13 under s. 16.526, and for ancillary payments authorized by the authorizing resolution  
 14 for the revenue obligations. All moneys received by the fund are irrevocably  
 15 appropriated in accordance with subch. II of ch. 18 and further established in  
 16 resolutions authorizing the issuance of the revenue obligations under s. 16.526 and  
 17 setting forth the distribution of funds to be received thereafter. Estimated  
 18 disbursements under this paragraph shall not be included in the schedule under s.  
 19 20.005.

20 SECTION 7. 25.17 (1) (es) of the statutes is created to read:

21 25.17 (1) (es) Excise tax fund (s. 25.59);

22 SECTION 8. 25.59 of the statutes is created to read:



State of Wisconsin  
2003 - 2004 LEGISLATURE

LRB-0854/3/4  
RAC:jld:pg

DOA:.....Hoadley - BB0401, Unfunded pension obligation bonds

FOR 2003-05 BUDGET - NOT READY FOR INTRODUCTION

*Under the bill, funds for the program may not exceed \$750,000,000.*

*don't gen*

1

AN ACT ...; relating to: the budget.

*Analysis by the Legislative Reference Bureau*

STATE GOVERNMENT

STATE FINANCE

Under current law, participating employers in the Wisconsin Retirement System (WRS) are required to make employer contributions to fund the retirement benefits provided to participants in the WRS. Among the contributions that participating employers must make are contributions to pay any unfunded prior service liability resulting, generally, from prior creditable service or benefit improvements retroactively granted to participating employees in the WRS. Currently, the payment of unfunded prior service liability under the WRS is amortized as a level percent of payroll over a period of 40 years and is scheduled to be fully paid in 2030.

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*creates a program, to be administered by DOA,*

For further information see the *state* 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:*

1           SECTION 1. 16.526 of the statutes is created to read:

2           **16.526 Payment of the state's unfunded prior service liability under**  
3 **the Wisconsin Retirement System; revenue obligations.** (1) For purposes of  
4 subch. II of ch. 18, the purpose of paying of the state's unfunded prior service liability  
5 under s. 40.05 (2) (b) is a special fund program, and the excise tax fund is a special  
6 fund. The legislature finds and determines that the excise tax fund is a segregated  
7 fund consisting of fees, penalties, or excise taxes and that the special program to pay  
8 the state's unfunded prior service liability under s. 40.05 (2) (b) from the net proceeds  
9 of revenue obligations issued under this section is appropriate and will serve a public  
10 purpose.

11           (2) The net proceeds of revenue obligations issued under subch. II of ch. 18, as  
12 authorized under this section, shall be deposited in a fund in the state treasury, or  
13 an account maintained by a trustee, created under s. 18.57 (1). The moneys shall be  
14 applied for ancillary payments and for the provision of reserves, as determined by  
15 the building commission, and for the payment of part or all of the state's unfunded  
16 prior service liability under s. 40.05 (2) (b), as determined by the department, and  
17 any remainder shall be paid into a prior service liability obligation redemption fund  
18 created under 18.562 (3).

19           (3) The department shall have all powers necessary and convenient to  
20 distribute the excise tax fund revenues and to distribute the proceeds of the revenue  
21 obligations issued under this section in accordance with subch. II of ch. 18.

1           (4) The department may enter into agreements with the federal government  
2 or its agencies, political subdivisions of this state, individuals, or private entities to  
3 insure, or in any other manner provide, additional security for the revenue  
4 obligations issued under this section.

5           (5) (a) Subject to the limitation under par. (b), the building commission may  
6 contract revenue obligations, payable from the excise tax fund, under this section in  
7 the maximum amount that the building commission believes can be fully paid on a  
8 timely basis from moneys received or anticipated to be received in the excise tax fund.

9           (b) The requirements for funds used for the payment of the state's unfunded  
10 prior service liability under s. 40.05 (2) (b) that are to be paid from revenue  
11 obligations issued under this section shall be determined by the secretary, but ~~the~~  
12 ~~amount of obligations that may be issued~~ shall not exceed \$750,000,000.

13           (6) Unless otherwise expressly provided in resolutions authorizing the  
14 issuance of revenue obligations under this section or in other agreements with the  
15 owners of revenue obligations, each issue of revenue obligations under this section  
16 shall be on a parity with every other revenue obligation issued under this section and  
17 in accordance with subch. II of ch. 18.

18           (7) As determined by the building commission, any moneys deposited in the  
19 excise tax fund that are not required for the retirement of revenue obligations and  
20 providing for reserves and for ancillary payments authorized to be paid from such  
21 moneys are transferred to the general fund.

22           (8) Recognizing its moral obligation to do so, the legislature expresses its  
23 expectation and aspiration that, if the funds in the excise tax fund are insufficient  
24 to pay the principal of and interest on the revenue obligations issued under subch.  
25 II of ch. 18 pursuant to this section, the legislature shall make an appropriation from

1 the general fund sufficient to pay the principal and interest on the obligations or to  
2 replenish a reserve fund, if applicable.

3 SECTION 2. 20.505 (1) (sd) of the statutes is created to read:

4 20.505 (1) (sd) *Revenue obligation proceeds to pay the state's unfunded prior*  
5 *service liability under the Wisconsin Retirement System.* As a continuing  
6 appropriation, all proceeds from revenue obligations that are issued under subch. II  
7 of ch. 18, as authorized under s. 16.526, and deposited in a fund in the state treasury  
8 created under s. 18.57 (1), as authorized under s. 16.526 (2), to pay part or all of the  
9 state's unfunded prior service liability under s. 40.05 (2) (b), as determined by the  
10 department of administration, and to provide for reserves and to make ancillary  
11 payments, as determined by the building commission, and the remainder to be  
12 transferred to a prior service liability redemption fund created under s. 18.562 (3).  
13 Estimated disbursements under this paragraph shall not be included in the schedule  
14 under s. 20.005.

15 SECTION 3. 20.505 (1) (sh) of the statutes is created to read:

16 20.505 (1) (sh) *Excise tax fund — revenue obligation repayment.* From the  
17 excise tax fund, a sum sufficient to pay a prior service liability redemption fund  
18 created under s. 18.562 (3) the amount needed to retire revenue obligations issued  
19 under subch. II of ch. 18, as authorized under s. 16.526. Estimated disbursements  
20 under this paragraph shall not be included in the schedule under s. 20.005.

21 SECTION 4. 20.505 (1) (sm) of the statutes is created to read:

22 20.505 (1) (sm) *Excise tax fund — provision of reserves and payment of ancillary*  
23 *costs relating to revenue obligations.* From the excise tax fund, a sum sufficient to  
24 provide for reserves and for ~~any~~ payment ~~of ancillary costs~~ relating to revenue

✓ and to make ancillary payments authorized by the authorizing resolution for the revenue obligations

✓ or in an account maintained by a trustee, ✓

ancillary ✓



1 obligations issued under subch. II of ch. 18, as authorized under s. 16.526 and the  
2 resolution authorizing the revenue obligations.

\*\*\*NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

3 **SECTION 5.** 20.505 (1) (sp) of the statutes is created to read:

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9 appropriated in accordance with subch. II of ch. 18 and further established in  
10 resolutions authorizing the issuance of the revenue obligations under s. 16.526 and  
11 setting forth the distribution of funds to be received thereafter. Estimated  
12 disbursements under this paragraph shall not be included in the schedule under s.  
13 20.005.

14 **SECTION 6.** 25.17 (1) (es) of the statutes is created to read:

15 25.17 (1) (es) Excise tax fund (s. 25.59);

16 **SECTION 7.** 25.59 of the statutes is created to read:

17 **25.59 Excise tax fund.** There is created a separate nonlapsible trust fund,  
18 known as the excise tax fund, that, for the purposes of subch. II of ch. 18, shall be a  
19 special fund. If any revenue obligations are issued under s. 16.526, the excise tax  
20 fund shall consist of all taxes that are thereafter paid under ch. 139, other than  
21 subch. IV of ch. 139.

22

(END)

DOA:.....Hoadley - BB0401, Unfunded pension obligation bonds

FOR 2003-05 BUDGET -- NOT READY FOR INTRODUCTION

REICHER  
COMMENTS  
2/7/03  
9:45 AM

1 AN ACT ...; relating to: the budget.

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*Analysis by the Legislative Reference Bureau*

**STATE GOVERNMENT**

**STATE FINANCE**

Under current law, participating employers in the Wisconsin Retirement System (WRS) are required to make employer contributions to fund the retirement benefits provided to participants in the WRS. Among the contributions that participating employers must make are contributions to pay any unfunded prior service liability resulting, generally, from prior creditable service or benefit improvements retroactively granted to participating employees in the WRS. Currently, the payment of unfunded prior service liability under the WRS is amortized as a level percent of payroll over a period of 40 years and is scheduled to be fully paid in 2030.

This bill creates a program, to be administered by DOA, to issue revenue obligations to pay the state's unfunded prior service liability under the WRS. Under the bill, funds for the program may not exceed \$750,000,000. The bill provides that the principal and interest costs on the revenue obligations are to be paid from excise taxes that are currently imposed on the sale of liquor, fermented malt beverages, cigarettes, and tobacco products.

1 the general fund sufficient to pay the principal and interest on the obligations or to  
2 replenish a reserve fund, if applicable.

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6 appropriation, all proceeds from revenue obligations that are issued under subch. II  
7 of ch. 18, as authorized under s. 16.526, and deposited in a fund in the state treasury,  
8 or in an account maintained by a trustee, created under s. 18.57 (1), as authorized  
9 under s. 16.526 (2), to pay part or all of the state's unfunded prior service liability  
10 under s. 40.05 (2) (b), as determined by the department of administration, and to  
11 provide for reserves and to make ancillary payments, as determined by the building  
12 commission, and the remainder to be transferred to a prior service liability  
13 redemption fund created under s. 18.562 (3). Estimated disbursements under this  
14 paragraph shall not be included in the schedule under s. 20.005.

15 SECTION 3. 20.505 (1) (sh) of the statutes is created to read:

16 20.505 (1) (sh) *Excise tax fund — revenue obligation repayment.* From the  
17 excise tax fund, a sum sufficient to pay a prior service liability redemption fund  
18 created under s. 18.562 (3) the amount needed to ~~retire~~ revenue obligations issued  
19 under subch. II of ch. 18, as authorized under s. 16.526, and to make ancillary  
20 payments authorized by the authorizing resolution for the revenue obligations.  
21 Estimated disbursements under this paragraph shall not be included in the schedule  
22 under s. 20.005.

23 SECTION 4. 20.505 (1) (sm) of the statutes is created to read:

24 20.505 (1) (sm) *Excise tax fund — provision of reserves and payment of ancillary*  
25 *costs relating to revenue obligations.* From the excise tax fund, a sum sufficient to

pay principal of  
and premium, if any,  
and interest on

LRB-0854/4  
RAC:jld:rs  
SECTION 4

1 provide for reserves and for ancillary payments relating to revenue obligations  
2 issued under subch. II of ch. 18, as authorized under s. 16.526 and the resolution  
3 authorizing the revenue obligations.

Payment of principal of and  
premium, if any, and interest on

\*\*\*\*NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

4 SECTION 5. 20.505 (1) (sp) of the statutes is created to read:

5 20.505 (1) (sp) *Revenue obligation debt service.* From a prior service liability  
6 redemption fund created under s. 18.562 (3), all moneys received by the fund for the  
7 retirement of revenue obligations issued under subch. II of ch. 18, as authorized  
8 under s. 16.526, and for ancillary payments authorized by the authorizing resolution  
9 for the revenue obligations. All moneys received by the fund are irrevocably  
10 appropriated in accordance with subch. II of ch. 18 and further established in  
11 resolutions authorizing the issuance of the revenue obligations under s. 16.526 and  
12 setting forth the distribution of funds to be received thereafter. Estimated  
13 disbursements under this paragraph shall not be included in the schedule under s.  
14 20.005.

15 SECTION 6. 25.17 (1) (es) of the statutes is created to read:

16 25.17 (1) (es) Excise tax fund (s. 25.59);

17 SECTION 7. 25.59 of the statutes is created to read:

18 25.59 Excise tax fund. There is created a separate nonlapsible trust fund,  
19 known as the excise tax fund, that, for the purposes of subch. II of ch. 18, shall be a  
20 special fund. If any revenue obligations are issued under s. 16.526, the excise tax  
21 fund shall consist of all taxes that are thereafter paid under ch. 139, other than  
22 subch. IV of ch. 139.

23 (END)



State of Wisconsin  
2003 - 2004 LEGISLATURE

LRB-0854/45  
RAC:jld:rs  
WJ  
RMR

DOA:.....Hoadley – BB0401, Unfunded pension obligation bonds

FOR 2003-05 BUDGET — NOT READY FOR INTRODUCTION

DO NOT GEN

1 AN ACT ...; relating to: the budget.

---

*Analysis by the Legislative Reference Bureau*

**STATE GOVERNMENT**

**STATE FINANCE**

Under current law, participating employers in the Wisconsin Retirement System (WRS) are required to make employer contributions to fund the retirement benefits provided to participants in the WRS. Among the contributions that participating employers must make are contributions to pay any unfunded prior service liability resulting, generally, from prior creditable service or benefit improvements retroactively granted to participating employees in the WRS. Currently, the payment of unfunded prior service liability under the WRS is amortized as a level percent of payroll over a period of 40 years and is scheduled to be fully paid in 2030.

This bill creates a program, to be administered by DOA, to issue revenue obligations to pay the state's unfunded prior service liability under the WRS. Under the bill, funds for the program may not exceed \$750,000,000. The bill provides that the principal and interest costs on the revenue obligations are to be paid from excise taxes that are currently imposed on the sale of liquor, fermented malt beverages, cigarettes, and tobacco products.

For further information see the *state* 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.** 16.526 of the statutes is created to read:

2           **16.526 Payment of the state's unfunded prior service liability under**  
3 **the Wisconsin Retirement System; revenue obligations.** (1) For purposes of  
4 subch. II of ch. 18, the purpose of paying of the state's unfunded prior service liability  
5 under s. 40.05 (2) (b) is a special fund program, and the excise tax fund is a special  
6 fund. The legislature finds and determines that the excise tax fund is a segregated  
7 fund consisting of fees, penalties, or excise taxes and that the special program to pay  
8 the state's unfunded prior service liability under s. 40.05 (2) (b) from the net proceeds  
9 of revenue obligations issued under this section is appropriate and will serve a public  
10 purpose.

11           (2) The net proceeds of revenue obligations issued under subch. II of ch. 18, as  
12 authorized under this section, shall be deposited in a fund in the state treasury, or  
13 an account maintained by a trustee, created under s. 18.57 (1). The moneys shall be  
14 applied for ancillary payments and for the provision of reserves, as determined by  
15 the building commission, and for the payment of part or all of the state's unfunded  
16 prior service liability under s. 40.05 (2) (b), as determined by the department, and  
17 any remainder shall be paid into a prior service liability obligation redemption fund  
18 created under 18.562 (3).

19           (3) The department shall have all powers necessary and convenient to  
20 distribute the excise tax fund revenues and to distribute the proceeds of the revenue  
21 obligations issued under this section in accordance with subch. II of ch. 18.

1           (4) The department may enter into agreements with the federal government  
2 or its agencies, political subdivisions of this state, individuals, or private entities to  
3 insure, or in any other manner provide, additional security for the revenue  
4 obligations issued under this section.

5           (5) (a) Subject to the limitation under par. (b), the building commission may  
6 contract revenue obligations, payable from the excise tax fund, under this section in  
7 the maximum amount that the building commission believes can be fully paid on a  
8 timely basis from moneys received or anticipated to be received in the excise tax fund.

9           (b) The requirements for funds used for the payment of the state's unfunded  
10 prior service liability under s. 40.05 (2) (b) that are to be paid from revenue  
11 obligations issued under this section shall be determined by the secretary, but shall  
12 not exceed \$750,000,000.

13           (6) Unless otherwise expressly provided in resolutions authorizing the  
14 issuance of revenue obligations under this section or in other agreements with the  
15 owners of revenue obligations, each issue of revenue obligations under this section  
16 shall be on a parity with every other revenue obligation issued under this section and  
17 in accordance with subch. II of ch. 18.

18           (7) As determined by the building commission, any moneys deposited in the  
19 excise tax fund that are not required for the retirement of revenue obligations and  
20 providing for reserves and for ancillary payments authorized to be paid from such  
21 moneys are transferred to the general fund.

22           (8) Recognizing its moral obligation to do so, the legislature expresses its  
23 expectation and aspiration that, if the funds in the excise tax fund are insufficient  
24 to pay the principal of and interest on the revenue obligations issued under subch.  
25 II of ch. 18 pursuant to this section, the legislature shall make an appropriation from

1 the general fund sufficient to pay the principal and interest on the obligations or to  
2 replenish a reserve fund, if applicable.

3 **SECTION 2.** 20.505 (1) (sd) of the statutes is created to read:

4 20.505 (1) (sd) *Revenue obligation proceeds to pay the state's unfunded prior*  
5 *service liability under the Wisconsin Retirement System.* As a continuing  
6 appropriation, all proceeds from revenue obligations that are issued under subch. II  
7 of ch. 18, as authorized under s. 16.526, and deposited in a fund in the state treasury,  
8 or in an account maintained by a trustee, created under s. 18.57 (1), as authorized  
9 under s. 16.526 (2), to pay part or all of the state's unfunded prior service liability  
10 under s. 40.05 (2) (b), as determined by the department of administration, and to  
11 provide for reserves and to make ancillary payments, as determined by the building  
12 commission, and the remainder to be transferred to a prior service liability  
13 redemption fund created under s. 18.562 (3). Estimated disbursements under this  
14 paragraph shall not be included in the schedule under s. 20.005.

15 **SECTION 3.** 20.505 (1) (sh) of the statutes is created to read:

16 20.505 (1) (sh) *Excise tax fund — revenue obligation repayment.* From the  
17 excise tax fund, a sum sufficient to pay a prior service liability redemption fund  
18 created under s. 18.562 (3) the amount needed to ~~pay~~ revenue obligations issued  
19 under subch. II of ch. 18, as authorized under s. 16.526, and to make ancillary  
20 payments authorized by the authorizing resolution for the revenue obligations.  
21 Estimated disbursements under this paragraph shall not be included in the schedule  
22 under s. 20.005.

23 **SECTION 4.** 20.505 (1) (sm) of the statutes is created to read:

24 20.505 (1) (sm) *Excise tax fund — provision of reserves and payment of ancillary*  
25 *costs relating to revenue obligations.* From the excise tax fund, a sum sufficient to

pay the principal of and premium, if any, and interest on



1 provide for reserves and for ancillary payments relating to revenue obligations  
2 issued under subch. II of ch. 18, as authorized under s. 16.526 and the resolution  
3 authorizing the revenue obligations.

\*\*\*\*NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

4 SECTION 5. 20.505 (1) (sp) of the statutes is created to read:

5 20.505 (1) (sp) *Revenue obligation debt service.* From a prior service liability  
6 redemption fund created under s. 18.562 (3), all moneys received by the fund for the  
7 ~~retirement of~~ revenue obligations issued under subch. II of ch. 18, as authorized  
8 under s. 16.526, and for ancillary payments authorized by the authorizing resolution  
9 for the revenue obligations. All moneys received by the fund are irrevocably  
10 appropriated in accordance with subch. II of ch. 18 and further established in  
11 resolutions authorizing the issuance of the revenue obligations under s. 16.526 and  
12 setting forth the distribution of funds to be received thereafter. Estimated  
13 disbursements under this paragraph shall not be included in the schedule under s.  
14 20.005.

payment of principal of and premium, if any, and interest on

15 SECTION 6. 25.17 (1) (es) of the statutes is created to read:

16 25.17 (1) (es) Excise tax fund (s. 25.59);

17 SECTION 7. 25.59 of the statutes is created to read:

18 **25.59 Excise tax fund.** There is created a separate nonlapsible trust fund,  
19 known as the excise tax fund, that, for the purposes of subch. II of ch. 18, shall be a  
20 special fund. If any revenue obligations are issued under s. 16.526, the excise tax  
21 fund shall consist of all taxes that are thereafter paid under ch. 139, other than  
22 subch. IV of ch. 139.

23

(END)



*D-note*  
State of Wisconsin  
2003 - 2004 LEGISLATURE

LRB-0854/5 6

RAC:jld&wlj:cph

*LPS - please check  
auto refs*

*RMR*

DOA:.....Hoadley - BB0401, Unfunded pension obligation bonds

FOR 2003-05 BUDGET — NOT READY FOR INTRODUCTION

*Don't gen*

1 AN ACT ...; relating to: the budget.

---

*Analysis by the Legislative Reference Bureau*

**STATE GOVERNMENT**

**STATE FINANCE**

Under current law, participating employers in the Wisconsin Retirement System (WRS) are required to make employer contributions to fund the retirement benefits provided to participants in the WRS. Among the contributions that participating employers must make are contributions to pay any unfunded prior service liability resulting, generally, from prior creditable service or benefit improvements retroactively granted to participating employees in the WRS. Currently, the payment of unfunded prior service liability under the WRS is amortized as a level percent of payroll over a period of 40 years and is scheduled to be fully paid in 2030.

This bill creates a program, to be administered by DOA, to issue revenue obligations to pay the state's unfunded prior service liability under the WRS. Under the bill, funds for the program may not exceed \$750,000,000. The bill provides that the principal and interest costs on the revenue obligations are to be paid from excise taxes that are currently imposed on the sale of liquor, fermented malt beverages, cigarettes, and tobacco products.

For further information see the *state* 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.** 16.526 of the statutes is created to read:

2           **16.526 Payment of the state's unfunded prior service liability under**  
3 **the Wisconsin Retirement System; revenue obligations.** (1) For purposes of  
4 subch. II of ch. 18, the purpose of paying of the state's unfunded prior service liability  
5 under s. 40.05 (2) (b) is a special fund program, and the excise tax fund is a special  
6 fund. The legislature finds and determines that the excise tax fund is a segregated  
7 fund consisting of fees, penalties, or excise taxes and that the special program to pay  
8 the state's unfunded prior service liability under s. 40.05 (2) (b) from the net proceeds  
9 of revenue obligations issued under this section is appropriate and will serve a public  
10 purpose.

11           (2) The net proceeds of revenue obligations issued under subch. II of ch. 18, as  
12 authorized under this section, shall be deposited in a fund in the state treasury, or  
13 an account maintained by a trustee, created under s. 18.57 (1). The moneys shall be  
14 applied for ancillary payments and for the provision of reserves, as determined by  
15 the building commission, and for the payment of part or all of the state's unfunded  
16 prior service liability under s. 40.05 (2) (b), as determined by the department, and  
17 any remainder shall be paid into a prior service liability obligation redemption fund  
18 created under 18.562 (3).

19           (3) The department shall have all powers necessary and convenient to  
20 distribute the excise tax fund revenues and to distribute the proceeds of the revenue  
21 obligations issued under this section in accordance with subch. II of ch. 18.

1           (4) The department may enter into agreements with the federal government  
2 or its agencies, political subdivisions of this state, individuals, or private entities to  
3 insure, or in any other manner provide, additional security for the revenue  
4 obligations issued under this section.

5           (5) (a) Subject to the limitation under par. (b), the building commission may  
6 contract revenue obligations, payable from the excise tax fund, under this section in  
7 the maximum amount that the building commission believes can be fully paid on a  
8 timely basis from moneys received or anticipated to be received in the excise tax fund.

9           (b) The requirements for funds used for the payment of the state's unfunded  
10 prior service liability under s. 40.05 (2) (b) that are to be paid from revenue  
11 obligations issued under this section shall be determined by the secretary, but shall  
12 not exceed \$750,000,000.

13           (6) Unless otherwise expressly provided in resolutions authorizing the  
14 issuance of revenue obligations under this section or in other agreements with the  
15 owners of revenue obligations, each issue of revenue obligations under this section  
16 shall be on a parity with every other revenue obligation issued under this section and  
17 in accordance with subch. II of ch. 18.

18           (7) As determined by the building commission, any moneys deposited in the  
19 excise tax fund that are not required for the retirement of revenue obligations and  
20 providing for reserves and for ancillary payments authorized to be paid from such  
21 moneys are transferred to the general fund.

22           (8) Recognizing its moral obligation to do so, the legislature expresses its  
23 expectation and aspiration that, if the funds in the excise tax fund are insufficient  
24 to pay the principal of and interest on the revenue obligations issued under subch.  
25 II of ch. 18 pursuant to this section, the legislature shall make an appropriation from

1 the general fund sufficient to pay the principal and interest on the obligations or to  
2 replenish a reserve fund, if applicable.

3 **SECTION 2.** 20.505 (1) (sd) of the statutes is created to read:

4 20.505 (1) (sd) *Revenue obligation proceeds to pay the state's unfunded prior*  
5 *service liability under the Wisconsin Retirement System.* As a continuing  
6 appropriation, all proceeds from revenue obligations that are issued under subch. II  
7 of ch. 18, as authorized under s. 16.526, and deposited in a fund in the state treasury,  
8 or in an account maintained by a trustee, created under s. 18.57 (1), as authorized  
9 under s. 16.526 (2), to pay part or all of the state's unfunded prior service liability  
10 under s. 40.05 (2) (b), as determined by the department of administration, and to  
11 provide for reserves and to make ancillary payments, as determined by the building  
12 commission, and the remainder to be transferred to a prior service liability  
13 redemption fund created under s. 18.562 (3). Estimated disbursements under this  
14 paragraph shall not be included in the schedule under s. 20.005.

15 **SECTION 3.** 20.505 (1) (sh) of the statutes is created to read:

16 20.505 (1) (sh) *Excise tax fund — revenue obligation repayment.* From the  
17 excise tax fund, a sum sufficient to pay a prior service liability redemption fund  
18 created under s. 18.562 (3) the amount needed to pay the principal of and premium,  
19 if any, and interest on revenue obligations issued under subch. II of ch. 18, as  
20 authorized under s. 16.526, and to make ancillary payments authorized by the  
21 authorizing resolution for the revenue obligations. Estimated disbursements under  
22 this paragraph shall not be included in the schedule under s. 20.005.

23 **SECTION 4.** 20.505 (1) (sm) of the statutes is created to read:

24 20.505 (1) (sm) *Excise tax fund — provision of reserves and payment of ancillary*  
25 *costs relating to revenue obligations.* From the excise tax fund, a sum sufficient to

1 provide for reserves and for ancillary payments relating to revenue obligations  
2 issued under subch. II of ch. 18, as authorized under s. 16.526 and the resolution  
3 authorizing the revenue obligations.

\*\*\*\*NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

4 **SECTION 5.** 20.505 (1) (sp) of the statutes is created to read:

5 20.505 (1) (sp) *Revenue obligation debt service.* From a prior service liability  
6 redemption fund created under s. 18.562 (3), all moneys received by the fund for the  
7 payment of principal of and premium, if any, and interest on revenue obligations  
8 issued under subch. II of ch. 18, as authorized under s. 16.526, and for ancillary  
9 payments authorized by the authorizing resolution for the revenue obligations. All  
10 moneys received by the fund are irrevocably appropriated in accordance with subch.  
11 II of ch. 18 and further established in resolutions authorizing the issuance of the  
12 revenue obligations under s. 16.526 and setting forth the distribution of funds to be  
13 received thereafter. Estimated disbursements under this paragraph shall not be  
14 included in the schedule under s. 20.005.

15 **SECTION 6.** 25.17 (1) (es) of the statutes is created to read:

16 25.17 (1) (es) Excise tax fund (s. 25.59);

17 **SECTION 7.** 25.59 of the statutes is created to read:

18 **25.59 Excise tax fund.** There is created a separate nonlapsible trust fund,  
19 known as the excise tax fund, that, for the purposes of subch. II of ch. 18, shall be a  
20 special fund. If any revenue obligations are issued under s. 16.526, the excise tax  
21 fund shall consist of all taxes that are thereafter paid under ch. 139, other than  
22 subch. IV of ch. 139.

23

(END)

Insert 5-23

5-23

✓  
**SECTION 9101. Nonstatutory provisions; administration.**

\* (1) STATE AGENCY PAYMENTS RELATING TO UNFUNDED PRIOR SERVICE LIABILITY UNDER  
THE WISCONSIN RETIREMENT SYSTEM.

(a) The definitions in section 20.001<sup>✓</sup> of the statutes are applicable in this  
✓ subsection, except that "state agency" does not include the department of employee  
trust funds or the investment board.

(b) If obligations are issued under <sup>of section</sup> § 16.526 or 16.527<sup>of the statutes</sup>, or both, during the  
2003-05 fiscal biennium, the secretary of administration shall determine for each  
state agency the amount that the agency would have been required to expend under  
section 40.05 (2) (b)<sup>✓</sup> of the statutes during the 2003-05<sup>✓</sup> fiscal biennium had the  
obligations not been issued, and from each appropriation from which the moneys  
would have been expended, other than appropriations of federal revenues.

(c) From each sum certain appropriation of general purpose revenue identified  
in paragraph (b),<sup>← a.r.</sup> the secretary of administration shall lapse to the general fund the  
amount specified in paragraph (b) that would otherwise have been expended from  
each of the appropriations. The secretary<sup>← a.r.</sup> shall make the lapse on the day on which  
of administration  
the state agency would have been required to make the expenditure. After the  
secretary<sup>← a.r.</sup> makes the lapse, each of the sum certain appropriations is decreased by the  
amount specified in paragraph (b) for that appropriation.

(d) For each sum sufficient appropriation of general purpose revenue identified  
in paragraph (b),<sup>← a.r.</sup> the expenditure estimate for the appropriation during the 2003-05  
fiscal biennium is reestimated to subtract the amount specified in paragraph (b) for  
that appropriation.<sup>← a.r.</sup>

(e) From each appropriation of program revenues or program revenues-service identified in paragraph (b), the secretary of administration shall lapse to the general fund the amount specified in paragraph (b) that would otherwise have been expended from each of the appropriations. The secretary shall make the lapse on the day on which the state agency would have been required to make the expenditure. After the secretary makes the lapse, each of the sum certain program revenues or program revenues-service appropriations is decreased by the amount specified in paragraph (b) for that appropriation.

(f) From each appropriation of segregated fund revenues or segregated fund revenues — service identified in paragraph (b), the secretary of administration shall lapse to the underlying fund the amount specified in paragraph (b) that would otherwise have been expended from each of the appropriations. The secretary shall make the lapse on the day on which the state agency would have been required to make the expenditure. After the secretary makes the lapse, each of the sum certain segregated revenues or segregated revenues — service appropriations is decreased by the amount specified in paragraph (b) for that appropriation, and the expenditure estimate for each of the appropriations that are not sum certain appropriations is reestimated to subtract the amount specified in paragraph (b) for that appropriation. The secretary shall then transfer the lapsed amounts and an amount equal to the amount subtracted from the estimates to the general fund.



**DRAFTER'S NOTE**  
**FROM THE**  
**LEGISLATIVE REFERENCE BUREAU**

LRB-0639/6dn

RAC: ↑:...

JLD

date

Frank Hoadley, Dan Caucutt, and Jon Kranz:

This version of the draft includes a nonstatutory provision that captures the savings from the issuance of obligations to pay the state's unfunded prior service liability under the Wisconsin Retirement System.

↑  
check  
A

Rick A. Champagne  
Senior Legislative Attorney  
Phone: (608) 266-9930  
E-mail: rick.champagne@legis.state.wi.us

**DRAFTER'S NOTE  
FROM THE  
LEGISLATIVE REFERENCE BUREAU**

LRB-0854/6dn  
RAC:jld:pg

February 10, 2003

Frank Hoadley, Dan Caucutt, and Jon Kranz:

This version of the draft includes a nonstatutory provision that captures the savings from the issuance of obligations to pay the state's unfunded prior service liability under the Wisconsin Retirement System.

Rick A. Champagne  
Senior Legislative Attorney  
Phone: (608) 266-9930  
E-mail: [rick.champagne@legis.state.wi.us](mailto:rick.champagne@legis.state.wi.us)

**Mentkowski, Annie**

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**From:** Mentkowski, Annie  
**Sent:** Monday, February 10, 2003 12:39 PM  
**To:** Caucutt, Dan; Kranz, Jonathan  
**Subject:** LRB-0854

02/10/2003

Post-it® Fax Note 7671		Date	2/10/03	# of pages	2
To	Rick Champasac		From	Jon Krantz	
Co./Dept.	LRB		Co.	DOA-SBG	
Phone #			Phone #	6-8777	
Fax #	4-6948		Fax #		

AFTING INSERT  
 ( THE  
 REFERENCE BUREAU

LRB-0854/6ins  
 RAC:.....

**SECTION 9101. Nonstatutory provisions; administration.**

(1) STATE AGENCY PAYMENTS RELATING TO UNFUNDED PRIOR SERVICE LIABILITY UNDER THE WISCONSIN RETIREMENT SYSTEM.

(a) The definitions in section 20.001 of the statutes are applicable in this subsection, except that "state agency" does not include the department of employee trust funds or the investment board.

(b) If obligations are issued under s. 16.526 or 16.527, or both, during the 2003-05 fiscal biennium, the secretary of administration shall determine for each state agency the amount that the agency would have been required to expend under section 40.05 (2) (b) of the statutes during the 2003-05 fiscal biennium had the obligations not been issued, and from each appropriation from which the moneys would have been expended, other than appropriations of federal revenues.

(c) From each sum certain appropriation of general purpose revenue identified in paragraph (b), the secretary of administration shall lapse to the general fund the amount specified in paragraph (b) that would otherwise have been expended from each of the appropriations. The secretary shall make the lapse on the day on which the state agency would have been required to make the expenditure. After the secretary makes the lapse, each of the sum certain appropriations is decreased by the amount specified in paragraph (b) for that appropriation.

(d) For each sum sufficient appropriation of general purpose revenue identified in paragraph (b) the expenditure estimate for the appropriation during the 2003-05 fiscal biennium is reestimated to subtract the amount specified in paragraph (b) for that appropriation.

(e) From each appropriation of program revenues or program revenues-service identified in paragraph (b), the secretary of administration shall lapse to the general fund the amount specified in paragraph (b) that would otherwise have been expended from each of the appropriations. The secretary shall make the lapse on the day on which the state agency would have been required to make the expenditure. After the secretary makes the lapse, each of the sum certain program revenues or program revenues-service appropriations is decreased by the amount specified in paragraph (b) for that appropriation.

(f) From each appropriation of segregated fund revenues or segregated fund revenues — service identified in paragraph (b), the secretary of administration shall lapse to the underlying fund the amount specified in paragraph (b) that would otherwise have been expended from each of the appropriations. The secretary shall make the lapse on the day on which the state agency would have been required to make the expenditure. After the secretary makes the lapse, each of the sum certain segregated revenues or segregated revenues — service appropriations is decreased by the amount specified in paragraph (b) for that appropriation and the expenditure estimate for each of the appropriations that are not sum certain appropriations is reestimated to subtract the amount specified in paragraph (b) for that appropriation. The secretary shall then transfer the lapsed amounts and an amount equal to the amount subtracted from the estimates to the general fund.

(g) Secretary shall determine the lapse for appropriations of federal revenues.



State of Wisconsin  
2003 - 2004 LEGISLATURE

LRB-0854/6  
RAC:jld&wlj:pg

*now*

*Rank* \$CS

DOA:.....Hoadley – BB0401, Unfunded pension obligation bonds

FOR 2003-05 BUDGET — NOT READY FOR INTRODUCTION

*D. NST Gen*

1 AN ACT ...; relating to: the budget.

*Analysis by the Legislative Reference Bureau*

**STATE GOVERNMENT**

**STATE FINANCE**

Under current law, participating employers in the Wisconsin Retirement System (WRS) are required to make employer contributions to fund the retirement benefits provided to participants in the WRS. Among the contributions that participating employers must make are contributions to pay any unfunded prior service liability resulting, generally, from prior creditable service or benefit improvements retroactively granted to participating employees in the WRS. Currently, the payment of unfunded prior service liability under the WRS is amortized as a level percent of payroll over a period of 40 years and is scheduled to be fully paid in 2030.

This bill creates a program, to be administered by DOA, to issue revenue obligations to pay the state's unfunded prior service liability under the WRS. Under the bill, funds for the program may not exceed \$750,000,000. The bill provides that the principal and interest costs on the revenue obligations are to be paid from excise taxes that are currently imposed on the sale of liquor, fermented malt beverages, cigarettes, and tobacco products.

For further information see the *state* 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. 16.526 of the statutes is created to read:

2           **16.526 Payment of the state's unfunded prior service liability under**  
3 **the Wisconsin Retirement System; revenue obligations.** (1) For purposes of  
4 subch. II of ch. 18, the purpose of paying of the state's unfunded prior service liability  
5 under s. 40.05 (2) (b) is a special fund program, and the excise tax fund is a special  
6 fund. The legislature finds and determines that the excise tax fund is a segregated  
7 fund consisting of fees, penalties, or excise taxes and that the special program to pay  
8 the state's unfunded prior service liability under s. 40.05 (2) (b) from the net proceeds  
9 of revenue obligations issued under this section is appropriate and will serve a public  
10 purpose.

11           (2) The net proceeds of revenue obligations issued under subch. II of ch. 18, as  
12 authorized under this section, shall be deposited in a fund in the state treasury, or  
13 an account maintained by a trustee, created under s. 18.57 (1). The moneys shall be  
14 applied for ancillary payments and for the provision of reserves, as determined by  
15 the building commission, and for the payment of part or all of the state's unfunded  
16 prior service liability under s. 40.05 (2) (b), as determined by the department, and  
17 any remainder shall be paid into a prior service liability obligation redemption fund  
18 created under 18.562 (3).

19           (3) The department shall have all powers necessary and convenient to  
20 distribute the excise tax fund revenues and to distribute the proceeds of the revenue  
21 obligations issued under this section in accordance with subch. II of ch. 18.

1           (4) The department may enter into agreements with the federal government  
2 or its agencies, political subdivisions of this state, individuals, or private entities to  
3 insure, or in any other manner provide, additional security for the revenue  
4 obligations issued under this section.

5           (5) (a) Subject to the limitation under par. (b), the building commission may  
6 contract revenue obligations, payable from the excise tax fund, under this section in  
7 the maximum amount that the building commission believes can be fully paid on a  
8 timely basis from moneys received or anticipated to be received in the excise tax fund.

9           (b) The requirements for funds used for the payment of the state's unfunded  
10 prior service liability under s. 40.05 (2) (b) that are to be paid from revenue  
11 obligations issued under this section shall be determined by the secretary, but shall  
12 not exceed \$750,000,000.

13           (6) Unless otherwise expressly provided in resolutions authorizing the  
14 issuance of revenue obligations under this section or in other agreements with the  
15 owners of revenue obligations, each issue of revenue obligations under this section  
16 shall be on a parity with every other revenue obligation issued under this section and  
17 in accordance with subch. II of ch. 18.

18           (7) As determined by the building commission, any moneys deposited in the  
19 excise tax fund that are not required for the retirement of revenue obligations and  
20 providing for reserves and for ancillary payments authorized to be paid from such  
21 moneys are transferred to the general fund.

22           (8) Recognizing its moral obligation to do so, the legislature expresses its  
23 expectation and aspiration that, if the funds in the excise tax fund are insufficient  
24 to pay the principal of and interest on the revenue obligations issued under subch.  
25 II of ch. 18 pursuant to this section, the legislature shall make an appropriation from



1 the general fund sufficient to pay the principal and interest on the obligations or to  
2 replenish a reserve fund, if applicable.

3 **SECTION 2.** 20.505 (1) (sd) of the statutes is created to read:

4 20.505 (1) (sd) *Revenue obligation proceeds to pay the state's unfunded prior*  
5 *service liability under the Wisconsin Retirement System.* As a continuing  
6 appropriation, all proceeds from revenue obligations that are issued under subch. II  
7 of ch. 18, as authorized under s. 16.526, and deposited in a fund in the state treasury,  
8 or in an account maintained by a trustee, created under s. 18.57 (1), as authorized  
9 under s. 16.526 (2), to pay part or all of the state's unfunded prior service liability  
10 under s. 40.05 (2) (b), as determined by the department of administration, and to  
11 provide for reserves and to make ancillary payments, as determined by the building  
12 commission, and the remainder to be transferred to a prior service liability  
13 redemption fund created under s. 18.562 (3). Estimated disbursements under this  
14 paragraph shall not be included in the schedule under s. 20.005.

15 **SECTION 3.** 20.505 (1) (sh) of the statutes is created to read:

16 20.505 (1) (sh) *Excise tax fund — revenue obligation repayment.* From the  
17 excise tax fund, a sum sufficient to pay a prior service liability redemption fund  
18 created under s. 18.562 (3) the amount needed to pay the principal of and premium,  
19 if any, and interest on revenue obligations issued under subch. II of ch. 18, as  
20 authorized under s. 16.526, and to make ancillary payments authorized by the  
21 authorizing resolution for the revenue obligations. Estimated disbursements under  
22 this paragraph shall not be included in the schedule under s. 20.005.

23 **SECTION 4.** 20.505 (1) (sm) of the statutes is created to read:

24 20.505 (1) (sm) *Excise tax fund — provision of reserves and payment of ancillary*  
25 *costs relating to revenue obligations.* From the excise tax fund, a sum sufficient to

1 provide for reserves and for ancillary payments relating to revenue obligations  
2 issued under subch. II of ch. 18, as authorized under s. 16.526 and the resolution  
3 authorizing the revenue obligations.

\*\*\*\*NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

4 **SECTION 5.** 20.505 (1) (sp) of the statutes is created to read:

5 20.505 (1) (sp) *Revenue obligation debt service.* From a prior service liability  
6 redemption fund created under s. 18.562 (3), all moneys received by the fund for the  
7 payment of principal of and premium, if any, and interest on revenue obligations  
8 issued under subch. II of ch. 18, as authorized under s. 16.526, and for ancillary  
9 payments authorized by the authorizing resolution for the revenue obligations. All  
10 moneys received by the fund are irrevocably appropriated in accordance with subch.  
11 II of ch. 18 and further established in resolutions authorizing the issuance of the  
12 revenue obligations under s. 16.526 and setting forth the distribution of funds to be  
13 received thereafter. Estimated disbursements under this paragraph shall not be  
14 included in the schedule under s. 20.005.

15 **SECTION 6.** 25.17 (1) (es) of the statutes is created to read:

16 25.17 (1) (es) Excise tax fund (s. 25.59);

17 **SECTION 7.** 25.59 of the statutes is created to read:

18 **25.59 Excise tax fund.** There is created a separate nonlapsible trust fund,  
19 known as the excise tax fund, that, for the purposes of subch. II of ch. 18, shall be a  
20 special fund. If any revenue obligations are issued under s. 16.526, the excise tax  
21 fund shall consist of all taxes that are thereafter paid under ch. 139, other than  
22 subch. IV of ch. 139.

23 **SECTION 9101. Nonstatutory provisions; administration.**

1 (1) STATE AGENCY PAYMENTS RELATING TO UNFUNDED PRIOR SERVICE LIABILITY UNDER  
2 THE WISCONSIN RETIREMENT SYSTEM.

3 (a) The definitions in section 20.001 of the statutes are applicable in this  
4 subsection, except that “state agency” does not include the department of employee  
5 trust funds or the investment board.

6 (b) If obligations are issued under section 16.526 or 16.527 of the statutes, or  
7 both, during the 2003–05 fiscal biennium, the secretary of administration shall  
8 determine for each state agency the amount that the agency would have been  
9 required to expend under section 40.05 (2) (b) of the statutes during the 2003–05  
10 fiscal biennium had the obligations not been issued, and from each appropriation  
11 from which the moneys would have been expended, ~~other than appropriations of~~  
12 ~~federal revenues.~~

13 (c) From each sum certain appropriation of general purpose revenue identified  
14 in paragraph (b), the secretary of administration shall lapse to the general fund the  
15 amount specified in paragraph (b) that would otherwise have been expended from  
16 each of the appropriations. The secretary of administration shall make the lapse on  
17 the day on which the state agency would have been required to make the  
18 expenditure. After the secretary of administration makes the lapse, each of the sum  
19 certain appropriations is decreased by the amount specified in paragraph (b) for that  
20 appropriation.

21 (d) For each sum sufficient appropriation of general purpose revenue identified  
22 in paragraph (b), the expenditure estimate for the appropriation during the 2003–05  
23 fiscal biennium is reestimated to subtract the amount specified in paragraph (b) for  
24 that appropriation.

1. Except as provided in subdivision 2., from

1 (e) ~~From~~ each appropriation of program revenues or program revenues-service  
2 identified in paragraph (b), the secretary of administration shall lapse to the general  
3 fund the amount specified in paragraph (b) that would otherwise have been  
4 expended from each of the appropriations. The secretary of administration shall  
5 make the lapse on the day on which the state agency would have been required to  
6 make the expenditure. After the secretary of administration makes the lapse, each  
7 of the sum certain program revenues or program revenues-service appropriations  
8 is decreased by the amount specified in paragraph (b) for that appropriation.

Insert  
7-8

1. Except as provided in subdivision 2., from

9 (f) ~~From~~ each appropriation of segregated fund revenues or segregated fund  
10 revenues — service identified in paragraph (b), the secretary of administration shall  
11 lapse to the underlying fund the amount specified in paragraph (b) that would  
12 otherwise have been expended from each of the appropriations. The secretary of  
13 administration shall make the lapse on the day on which the state agency would have  
14 been required to make the expenditure. After the secretary of administration makes  
15 the lapse, each of the sum certain segregated revenues or segregated revenues —  
16 service appropriations is decreased by the amount specified in paragraph (b) for that  
17 appropriation, and the expenditure estimate for each of the appropriations that are  
18 not sum certain appropriations is reestimated to subtract the amount specified in  
19 paragraph (b) for that appropriation. The secretary of administration shall then  
20 transfer the lapsed amounts and an amount equal to the amount subtracted from the  
21 estimates to the general fund.

22 →

(END)

Insert  
7-22

7-8

④ 2. From each appropriation of federal <sup>revenues</sup> revenues, the secretary of administration shall determine the amount that is lapsed to the general fund.

7-22

④ 2. From each appropriation of <sup>segregated</sup> federal <sup>revenues</sup> revenues, the secretary of administration shall determine the amount <sup>transferred</sup> that is transferred to the general fund.



State of Wisconsin  
2003 - 2004 LEGISLATURE

LRB-0854/7  
RAC:jld/wlj/cs:jf

DOA:.....Hoadley – BB0401, Unfunded pension obligation bonds

FOR 2003-05 BUDGET — NOT READY FOR INTRODUCTION

1 AN ACT ...; relating to: the budget.

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*Analysis by the Legislative Reference Bureau*

**STATE GOVERNMENT**

**STATE FINANCE**

Under current law, participating employers in the Wisconsin Retirement System (WRS) are required to make employer contributions to fund the retirement benefits provided to participants in the WRS. Among the contributions that participating employers must make are contributions to pay any unfunded prior service liability resulting, generally, from prior creditable service or benefit improvements retroactively granted to participating employees in the WRS. Currently, the payment of unfunded prior service liability under the WRS is amortized as a level percent of payroll over a period of 40 years and is scheduled to be fully paid in 2030.

This bill creates a program, to be administered by DOA, to issue revenue obligations to pay the state's unfunded prior service liability under the WRS. Under the bill, funds for the program may not exceed \$750,000,000. The bill provides that the principal and interest costs on the revenue obligations are to be paid from excise taxes that are currently imposed on the sale of liquor, fermented malt beverages, cigarettes, and tobacco products.

For further information see the *state* 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:*

1           SECTION 1. 16.526 of the statutes is created to read:

2           **16.526 Payment of the state's unfunded prior service liability under**  
3 **the Wisconsin Retirement System; revenue obligations.** (1) For purposes of  
4 subch. II of ch. 18, the purpose of paying of the state's unfunded prior service liability  
5 under s. 40.05 (2) (b) is a special fund program, and the excise tax fund is a special  
6 fund. The legislature finds and determines that the excise tax fund is a segregated  
7 fund consisting of fees, penalties, or excise taxes and that the special program to pay  
8 the state's unfunded prior service liability under s. 40.05 (2) (b) from the net proceeds  
9 of revenue obligations issued under this section is appropriate and will serve a public  
10 purpose.

11           (2) The net proceeds of revenue obligations issued under subch. II of ch. 18, as  
12 authorized under this section, shall be deposited in a fund in the state treasury, or  
13 an account maintained by a trustee, created under s. 18.57 (1). The moneys shall be  
14 applied for ancillary payments and for the provision of reserves, as determined by  
15 the building commission, and for the payment of part or all of the state's unfunded  
16 prior service liability under s. 40.05 (2) (b), as determined by the department, and  
17 any remainder shall be paid into a prior service liability obligation redemption fund  
18 created under 18.562 (3).

19           (3) The department shall have all powers necessary and convenient to  
20 distribute the excise tax fund revenues and to distribute the proceeds of the revenue  
21 obligations issued under this section in accordance with subch. II of ch. 18.

1           (4) The department may enter into agreements with the federal government  
2 or its agencies, political subdivisions of this state, individuals, or private entities to  
3 insure, or in any other manner provide, additional security for the revenue  
4 obligations issued under this section.

5           (5) (a) Subject to the limitation under par. (b), the building commission may  
6 contract revenue obligations, payable from the excise tax fund, under this section in  
7 the maximum amount that the building commission believes can be fully paid on a  
8 timely basis from moneys received or anticipated to be received in the excise tax fund.

9           (b) The requirements for funds used for the payment of the state's unfunded  
10 prior service liability under s. 40.05 (2) (b) that are to be paid from revenue  
11 obligations issued under this section shall be determined by the secretary, but shall  
12 not exceed \$750,000,000.

13           (6) Unless otherwise expressly provided in resolutions authorizing the  
14 issuance of revenue obligations under this section or in other agreements with the  
15 owners of revenue obligations, each issue of revenue obligations under this section  
16 shall be on a parity with every other revenue obligation issued under this section and  
17 in accordance with subch. II of ch. 18.

18           (7) As determined by the building commission, any moneys deposited in the  
19 excise tax fund that are not required for the retirement of revenue obligations and  
20 providing for reserves and for ancillary payments authorized to be paid from such  
21 moneys are transferred to the general fund.

22           (8) Recognizing its moral obligation to do so, the legislature expresses its  
23 expectation and aspiration that, if the funds in the excise tax fund are insufficient  
24 to pay the principal of and interest on the revenue obligations issued under subch.  
25 II of ch. 18 pursuant to this section, the legislature shall make an appropriation from



1 the general fund sufficient to pay the principal and interest on the obligations or to  
2 replenish a reserve fund, if applicable.

3 **SECTION 2.** 20.505 (1) (sd) of the statutes is created to read:

4 20.505 (1) (sd) *Revenue obligation proceeds to pay the state's unfunded prior*  
5 *service liability under the Wisconsin Retirement System.* As a continuing  
6 appropriation, all proceeds from revenue obligations that are issued under subch. II  
7 of ch. 18, as authorized under s. 16.526, and deposited in a fund in the state treasury,  
8 or in an account maintained by a trustee, created under s. 18.57 (1), as authorized  
9 under s. 16.526 (2), to pay part or all of the state's unfunded prior service liability  
10 under s. 40.05 (2) (b), as determined by the department of administration, and to  
11 provide for reserves and to make ancillary payments, as determined by the building  
12 commission, and the remainder to be transferred to a prior service liability  
13 redemption fund created under s. 18.562 (3). Estimated disbursements under this  
14 paragraph shall not be included in the schedule under s. 20.005.

15 **SECTION 3.** 20.505 (1) (sh) of the statutes is created to read:

16 20.505 (1) (sh) *Excise tax fund — revenue obligation repayment.* From the  
17 excise tax fund, a sum sufficient to pay a prior service liability redemption fund  
18 created under s. 18.562 (3) the amount needed to pay the principal of and premium,  
19 if any, and interest on revenue obligations issued under subch. II of ch. 18, as  
20 authorized under s. 16.526, and to make ancillary payments authorized by the  
21 authorizing resolution for the revenue obligations. Estimated disbursements under  
22 this paragraph shall not be included in the schedule under s. 20.005.

23 **SECTION 4.** 20.505 (1) (sm) of the statutes is created to read:

24 20.505 (1) (sm) *Excise tax fund — provision of reserves and payment of ancillary*  
25 *costs relating to revenue obligations.* From the excise tax fund, a sum sufficient to

1 provide for reserves and for ancillary payments relating to revenue obligations  
2 issued under subch. II of ch. 18, as authorized under s. 16.526 and the resolution  
3 authorizing the revenue obligations.

\*\*\*\*NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

4 **SECTION 5.** 20.505 (1) (sp) of the statutes is created to read:

5 20.505 (1) (sp) *Revenue obligation debt service.* From a prior service liability  
6 redemption fund created under s. 18.562 (3), all moneys received by the fund for the  
7 payment of principal of and premium, if any, and interest on revenue obligations  
8 issued under subch. II of ch. 18, as authorized under s. 16.526, and for ancillary  
9 payments authorized by the authorizing resolution for the revenue obligations. All  
10 moneys received by the fund are irrevocably appropriated in accordance with subch.  
11 II of ch. 18 and further established in resolutions authorizing the issuance of the  
12 revenue obligations under s. 16.526 and setting forth the distribution of funds to be  
13 received thereafter. Estimated disbursements under this paragraph shall not be  
14 included in the schedule under s. 20.005.

15 **SECTION 6.** 25.17 (1) (es) of the statutes is created to read:

16 25.17 (1) (es) *Excise tax fund* (s. 25.59);

17 **SECTION 7.** 25.59 of the statutes is created to read:

18 **25.59 Excise tax fund.** There is created a separate nonlapsible trust fund,  
19 known as the excise tax fund, that, for the purposes of subch. II of ch. 18, shall be a  
20 special fund. If any revenue obligations are issued under s. 16.526, the excise tax  
21 fund shall consist of all taxes that are thereafter paid under ch. 139, other than  
22 subch. IV of ch. 139.

23 **SECTION 9101. Nonstatutory provisions; administration.**

1           (1) STATE AGENCY PAYMENTS RELATING TO UNFUNDED PRIOR SERVICE LIABILITY UNDER  
2 THE WISCONSIN RETIREMENT SYSTEM.

3           (a) The definitions in section 20.001 of the statutes are applicable in this  
4 subsection, except that “state agency” does not include the department of employee  
5 trust funds or the investment board.

6           (b) If obligations are issued under section 16.526 or 16.527 of the statutes, or  
7 both, during the 2003–05 fiscal biennium, the secretary of administration shall  
8 determine for each state agency the amount that the agency would have been  
9 required to expend under section 40.05 (2) (b) of the statutes during the 2003–05  
10 fiscal biennium had the obligations not been issued, and from each appropriation  
11 from which the moneys would have been expended.

12           (c) From each sum certain appropriation of general purpose revenue identified  
13 in paragraph (b), the secretary of administration shall lapse to the general fund the  
14 amount specified in paragraph (b) that would otherwise have been expended from  
15 each of the appropriations. The secretary of administration shall make the lapse on  
16 the day on which the state agency would have been required to make the  
17 expenditure. After the secretary of administration makes the lapse, each of the sum  
18 certain appropriations is decreased by the amount specified in paragraph (b) for that  
19 appropriation.

20           (d) For each sum sufficient appropriation of general purpose revenue identified  
21 in paragraph (b), the expenditure estimate for the appropriation during the 2003–05  
22 fiscal biennium is reestimated to subtract the amount specified in paragraph (b) for  
23 that appropriation.

24           (e) 1. Except as provided in subdivision 2., from each appropriation of program  
25 revenues or program revenues–service identified in paragraph (b), the secretary of

1 administration shall lapse to the general fund the amount specified in paragraph (b)  
2 that would otherwise have been expended from each of the appropriations. The  
3 secretary of administration shall make the lapse on the day on which the state  
4 agency would have been required to make the expenditure. After the secretary of  
5 administration makes the lapse, each of the sum certain program revenues or  
6 program revenues—service appropriations is decreased by the amount specified in  
7 paragraph (b) for that appropriation.

8 2. From each appropriation of federal revenues, the secretary of administration  
9 shall determine the amount that is lapsed to the general fund.

10 (f) 1. Except as provided in subdivision 2., from each appropriation of  
11 segregated fund revenues or segregated fund revenues — service identified in  
12 paragraph (b), the secretary of administration shall lapse to the underlying fund the  
13 amount specified in paragraph (b) that would otherwise have been expended from  
14 each of the appropriations. The secretary of administration shall make the lapse on  
15 the day on which the state agency would have been required to make the  
16 expenditure. After the secretary of administration makes the lapse, each of the sum  
17 certain segregated revenues or segregated revenues — service appropriations is  
18 decreased by the amount specified in paragraph (b) for that appropriation, and the  
19 expenditure estimate for each of the appropriations that are not sum certain  
20 appropriations is reestimated to subtract the amount specified in paragraph (b) for  
21 that appropriation. The secretary of administration shall then transfer the lapsed  
22 amounts and an amount equal to the amount subtracted from the estimates to the  
23 general fund.

