



*SOON TODAY*  
*DOA Budget Draft BY 5pm*

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

*Do Not gen.*

*read -> STATE GOVERNMENT*  
*sub -> STATE FINANCE*

1 AN ACT ~~to create~~ 16.527, 20.505 (1) (br) and 20.505 (1) (ir) of the statutes;  
2 relating to: ~~issuance of appropriation obligations to pay the state's unfunded~~  
3 ~~prior service liability under the Wisconsin Retirement System and making~~  
4 ~~appropriations~~ the budget ✓

***Analysis by the Legislative Reference Bureau***

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 <sup>DOA</sup> the Department of Administration to issue appropriation obligations in an amount up to \$750,000,000 to pay the state's unfunded prior service liability under the WRS. Under the bill, an appropriation obligation is an undertaking by the state to repay a certain amount of borrowed money that is payable from moneys annually appropriated by law for debt service due in that year. The bill also provides that an appropriation obligation is not public debt and that the state is only required to repay in debt service costs in each fiscal year an amount that is actually appropriated for debt service costs in that fiscal year. If moneys are not

appropriated in any fiscal year for the payment of debt service costs, the state is not obligated to pay the debt service costs incurred in that fiscal year. The bill, however, does contain a “moral obligation” pledge, in which the legislature, recognizing its moral obligation to do so, expresses its expectation and aspiration that it will make timely appropriations from moneys in the general fund sufficient to pay the principal and interest costs on any appropriation obligations that are incurred in any year.

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. 16.527 of the statutes is created to read:

2           **16.527 Retirement of state’s unfunded prior service liability under the**  
3 **Wisconsin Retirement System; appropriation obligations. (1) LEGISLATIVE**  
4 **FINDING AND DETERMINATION.** Recognizing that the state, by prepaying part or all of  
5 the state’s unfunded prior service liability under s. 40.05 (2) (b), may reduce its costs  
6 and better ensure the timely and full payment of retirement benefits to participants  
7 and their beneficiaries under the Wisconsin Retirement System, the legislature finds  
8 and determines that it is in the public interest for the state to issue appropriation  
9 obligations to pay part or all of the state’s unfunded prior service liability under s.  
10 40.05 (2) (b).

11           **(2) DEFINITIONS.** In this section:

12           (a) “Appropriation obligation” means an undertaking by the state to repay a  
13 certain amount of borrowed money that is all of the following:

14           1. Payable from moneys annually appropriated by law for debt service due in  
15 that year.

16           2. Used for the purpose of paying part or all of the state’s unfunded prior service  
17 liability under s. 40.05 (2) (b).

18           3. Not public debt under s. 18.01 (4).

Insert 3-3

1 (b) "Evidence of appropriation obligation" means a written promise to pay an  
2 appropriation obligation.

3 (3) AUTHORIZATION OF APPROPRIATION OBLIGATIONS. (a) The department shall  
4 have all powers necessary and convenient to carry out its duties, and exercise its  
5 authority, under this section.

6 (b) 1. Subject to the limitation under subd. 2., the department may contract  
7 appropriation obligations of the state under this section.

8 2. Appropriation obligations issued under this section may not exceed  
9 \$750,000,000 in principal amount, excluding any obligations that have been  
10 defeased under a cash optimization program administered by the building  
11 commission. In addition to this limit on principal amount, the department may  
12 contract appropriation obligations as the department determines is desirable to fund  
13 or refund outstanding appropriation obligations issued under this section, to pay  
14 issuance or administrative expenses, to make deposits to reserve funds, to pay  
15 accrued or capitalized interest, or to pay the costs of credit enhancement.

16 (4) TERMS. (a) Money may be borrowed and evidences of appropriation  
17 obligation issued therefor pursuant to one or more written authorizing certifications,  
18 unless otherwise provided in the certification, at any time, in any specific amounts,  
19 at any rates of interest, for any term, payable at any intervals, at any place, in any  
20 manner, and having any other terms or conditions that the department considers  
21 necessary or useful. Appropriation obligations may bear interest at variable or fixed  
22 rates, bear no interest, or bear interest payable only at maturity or upon redemption  
23 prior to maturity.

under sub. (5)

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next  
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24 (b) All evidences of appropriation obligation owned or held by any state fund  
25 are outstanding in all respects and the state agency controlling the fund shall have



1 the same rights with respect to an <sup>evidences of</sup> evidence of appropriation obligation as a private  
 2 party, but if any sinking fund acquires appropriation obligations that gave rise to  
 3 such fund, the obligations are considered paid for all purposes and no longer  
 4 outstanding and, ~~together with any interest coupons appurtenant thereto,~~ shall be  
 5 canceled as provided in sub. ~~(f)~~<sup>(g)</sup> (e). All evidences of appropriation obligation owned  
 6 by any state fund shall be registered to the fullest extent registrable.

7 (c) Interest shall cease to accrue on an appropriation obligation on the date that  
 8 the obligation becomes due for payment if payment is made or duly provided for, but  
 9 the obligation and accrued interest shall continue to be a binding obligation  
 10 according to its terms until 6 years overdue for payment, or such longer period as may  
 11 be required by federal law. At that time, unless demand for its payment has been  
 12 made, it shall be extinguished and considered no longer outstanding.

13 <sup>b</sup> (d) The department may authorize evidences of appropriation obligations  
 14 having any provisions for prepayment considered necessary or useful, including the  
 15 payment of any premium.

16 <sup>e</sup> (e) All money borrowed by the state pursuant to evidences of appropriation  
 17 obligations issued under this section shall be lawful money of the United States and  
 18 all appropriation obligations shall be payable in such money.

19 ~~(f) The department may enter into agreements and ancillary arrangements~~  
 20 ~~relating to the issuance of appropriation obligations, including trust indentures,~~  
 21 ~~liquidity facilities, remarketing or dealer agreements, letter of credit agreements,~~  
 22 ~~insurance policies, guaranty agreements, reimbursement agreements, indexing~~  
 23 ~~agreements, or interest exchange agreements. The department may delegate to~~  
 24 ~~other persons the authority and responsibility to take actions necessary and~~  
 25 ~~appropriate to implement the agreements and ancillary arrangements.~~

MOVE

Insert 4-19

evidences of

~~together with any interest coupons appurtenant thereto,~~

~~(d) The department may authorize evidences of appropriation obligations having any provisions for prepayment considered necessary or useful, including the payment of any premium.~~

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Insert  
S-2

1 (5) PROCEDURES. (a) No evidence of appropriation obligation may be issued by  
2 the state unless the issuance is pursuant to a written authorizing certification.

3 Unless sooner exercised or unless a shorter period is provided in the authorizing  
4 certification, every authorizing certification shall expire one year after the date of its  
5 adoption.

6 (b) Appropriation obligations may be sold at either public or private sale and  
7 may be sold at any price or percentage of par value. The department may provide  
8 in any authorizing certification for appropriation obligation ~~refunding~~ <sup>refinanced</sup> obligations  
9 under sub. ~~(6)(a)~~ <sup>(7)</sup> that they be exchanged privately in payment and discharge of any  
10 of the outstanding obligations being ~~refunded~~ <sup>refinanced</sup>. All appropriation obligations sold at  
11 public sale shall be noticed as provided in the authorizing resolution. Any bid  
12 received at public sale may be rejected.

Insert  
S-13

13 (6) FORM. (a) ~~18~~ Notwithstanding s. 403.104 (1), every evidence of  
14 appropriation obligation ~~and every interest coupon appurtenant thereto~~ is a  
15 negotiable instrument ~~and may be issued in the form of a bond or note.~~

16 ~~(b)~~ <sup>(b)</sup> Every evidence of appropriation obligation shall be executed in the name of  
17 and for the state by the governor and the state treasurer and shall be sealed with the  
18 great seal of the state or a facsimile thereof, and every interest coupon appurtenant  
19 thereto shall be executed in the name of and for the state by the governor. The  
20 facsimile signature of either the governor or state treasurer, or both, may be <sup>keep plain period</sup>  
21 imprinted in lieu of the manual signature of such officer, as the department directs,  
22 if approved by such officer ~~and shall be so imprinted in the case of interest coupons.~~

23 ~~(c)~~ <sup>(c)</sup> Evidence of appropriation obligation and interest coupons appurtenant thereto  
24 bearing the manual or facsimile signature of a person in office at the time such

signature was signed or imprinted shall be fully valid notwithstanding that before or after the delivery thereof such person ceased to hold such office.

(c) Every evidence of appropriation obligation shall be dated not later than the date issued, shall contain a reference by date to the appropriate authorizing certification, and shall be in accordance with the authorizing certification.

(d) An evidence of appropriation obligation ~~and any interest coupon appurtenant thereto~~ shall be in <sup>such</sup> ~~the~~ form and contain such statements or terms, as determined by the department, and may not conflict with law or with the appropriate authorizing certification.

(7) REFUNDING OBLIGATIONS. (a) 1.

(1) The department may authorize the issuance of appropriation obligation refunding obligations. Refunding obligations may be issued, subject to any contract rights vested in owners of obligations being refinanced, to refinance ~~more than one~~ issue of obligations notwithstanding that the obligations may have been issued at different times. The principal amount of the refunding obligations may not exceed the sum of: the principal amount of the obligations being refinanced; applicable redemption premiums; unpaid interest on the obligations to the date of delivery or exchange of the refunding obligations; in the event the proceeds are to be deposited in trust as provided in <sup>par. (c)</sup> ~~subd. (b)~~, interest to accrue on the obligations from the date of delivery to the date of maturity or to the redemption date selected by the department, whichever is earlier; and the expenses incurred in the issuance of the refunding obligations and the payment of the obligations.

(2) A determination by the department that a refinancing is advantageous or that any of the amounts provided subd. 1. ~~should~~ should be included in the refinancing shall be conclusive.

1  
all or any part of one or more

(b)  
 1 (1) If the department determines to exchange ~~appropriation obligation~~  
 2 refunding obligations, they may be exchanged privately for and in payment and  
 3 discharge of any of the outstanding obligations being refinanced. Refunding  
 4 obligations may be exchanged for ~~a like or greater principal amount of the obligations~~  
 5 ~~being exchanged therefor except that the~~ <sup>such</sup> principal amount of the ~~refunding~~  
 6 ~~obligations may exceed the principal amount of the obligations being exchanged~~  
 7 ~~therefor only to the extent~~ <sup>as may be</sup> determined by the department to be necessary or  
 8 advisable ~~to pay redemption premiums and unpaid interest to the date of exchange~~  
 9 ~~not otherwise provided for.~~ The owners of the obligations being refunded who elect  
 10 to exchange need not pay accrued interest on the refunding obligations if and to the  
 11 extent that interest is accrued and unpaid on the obligations being refunded and to  
 12 be surrendered. If any of the obligations to be refinanced are to be called for  
 13 redemption, the department shall determine which redemption dates are to be used,  
 14 if more than one date is applicable and shall, prior to the issuance of the refunding  
 15 obligations, provide for notice of redemption to be given in the manner and at the  
 16 times required by the ~~proceedings~~ <sup>certification</sup> authorizing the outstanding obligations.

(c) 1.  
 17 (2) ~~When~~ The principal proceeds from the sale of any appropriation obligation  
 18 refunding obligations shall be applied either to the immediate payment and  
 19 retirement of the obligations being refinanced or, if the obligations have not matured  
 20 and are not presently redeemable, to the creation of a trust for and shall be pledged  
 21 to the payment of the obligations being refinanced.

22 (3) <sup>2.</sup> ~~4.~~ If a trust is created, a separate deposit shall be made for each issue of  
 23 appropriation obligations being refinanced. Each deposit shall be with the state  
 24 treasurer or a bank or trust company that is a member of the Federal Deposit  
 25 Insurance Corporation. If the total amount of any deposit, including money other

1 than sale proceeds but legally available for such purpose, is less than the principal  
 2 amount of the obligations being refinanced and for the payment of which the deposit  
 3 has been created and pledged, together with applicable redemption premiums and  
 4 interest accrued and to accrue to maturity or to the date of redemption, then the  
 5 application of the sale proceeds shall be legally sufficient only if the money deposited  
 6 is invested in securities issued by the United States or one of its agencies, or  
 7 securities fully guaranteed by the United States, and only if the principal amount  
 8 of the securities at maturity and the income therefrom to maturity will be sufficient  
 9 and available, without the need for any further investment or reinvestment, to pay  
 10 at maturity or upon redemption the principal amount of the obligations being  
 11 refinanced together with applicable redemption premiums and interest accrued and  
 12 to accrue to maturity or to the date of redemption. The income from the principal  
 13 proceeds of the securities shall be applied solely to the payment of the principal of  
 14 and interest and redemption premiums on the obligations being refinanced, but  
 15 provision may be made for the pledging and disposition of any surplus.

16 <sup>3.</sup> Nothing in this ~~subdivision~~ <sup>✓ paragraph</sup> may be construed as a limitation on the duration  
 17 of any deposit in trust for the retirement of obligations being refinanced that have  
 18 not matured and that are not presently redeemable. Nothing in this ~~subdivision~~ <sup>paragraph</sup> may  
 19 be construed to prohibit reinvestment of the income of a trust if the reinvestments  
 20 will mature at such times that sufficient cash will be available to pay interest,  
 21 applicable premiums, and principal on the obligations being refinanced.

22 <sup>(7)</sup> <sup>(8)</sup> <sup>(9)</sup> FISCAL REGULATIONS. (a) The state treasurer shall act as registrar for each  
 23 evidence of appropriation obligation. No transfer of a registered evidence of  
 24 appropriation obligation <sup>✓</sup> is valid unless made on a register maintained by the state  
 25 treasurer, and the state may treat the registered owner as the owner of the



1 instrument for all purposes. Payments of principal and interest shall be by electronic  
 2 funds transfer, check, share draft, or other draft to the registered owner at the  
 3 owner's address as it appears on the register, unless the department has otherwise  
 4 provided. Information in the register is not available for inspection and copying  
 5 under s. 19.35 (1). The department may make any other provision respecting  
 6 registration as it considers necessary or useful. The state treasurer may enter into  
 7 a contract for the performance of any of his or her functions relating to appropriation  
 8 obligations.

9 <sup>(d)</sup>  
 10 (b) If any evidence of appropriation obligation is destroyed, lost, or stolen, the  
 11 department shall execute and deliver a new evidence of appropriation obligation,  
 12 upon filing with the department evidence satisfactory to the department that the  
 13 evidence of appropriation obligation has been destroyed, lost, or stolen, upon  
 14 providing proof of ownership thereof, and upon furnishing the department with  
 15 indemnity satisfactory to it and complying with such other rules of the department  
 16 and paying any expenses that the department or the state treasurer may incur. The  
 17 department shall cancel the evidences of appropriation obligations surrendered to  
 18 the department.

18 <sup>(b)</sup>  
 19 (b) The state treasurer, or the treasurer's agent, shall maintain records  
 20 containing a full and correct description of each evidence of appropriation obligation  
 21 issued, identifying it, and showing its date, issue, amount, interest rate, payment  
 22 dates, payments made, registration, destruction, and every other relevant  
 23 transaction.

23 <sup>(c)</sup> ✓  
 24 (c) The secretary may appoint one or more trustees and fiscal agents for each  
 25 issue of appropriation obligations. The state treasurer may be denominated the  
 trustee and the sole fiscal agent or a cofiscal agent for any issue of appropriation

move to pg 10, line 10 ✓

Insert from pg. 9.

1 obligations. Every other fiscal agent shall be an incorporated bank or trust company  
 2 authorized by the laws of the United States or of the state in which it is located to  
 3 do a banking or trust company business. There may be deposited with a trustee, in  
 4 a special account, moneys to be used only for the purposes expressly provided in a  
 5 resolution <sup>the certification</sup> authorizing the issuance of evidences of appropriation obligations or an  
 6 agreement between the department and the trustee. The department may make  
 7 other provisions respecting trustees and fiscal agents as the department considers  
 8 necessary or useful and may enter into a contract with any trustee or fiscal agent  
 9 containing such terms, including compensation, and conditions in regard to the  
 10 trustee or fiscal agent as the department considers necessary or useful.

11 (e) Unless otherwise directed by the department, every evidence of  
 12 appropriation obligation ~~and interest coupon~~ paid or otherwise retired shall be  
 13 marked "canceled" and delivered, through the state treasurer if delivered to a fiscal  
 14 agent other than the state treasurer, to the state auditor who shall destroy them and  
 15 deliver to the state treasurer a certificate to that effect.

16 (8) <sup>9 ← (3)</sup> APPROPRIATION OBLIGATIONS AS LEGAL INVESTMENTS. Any of the following may  
 17 legally invest any sinking funds, moneys, or other funds belonging to them or under  
 18 their control in any appropriation obligations issued under this section:

19 (a) The state, the investment board, public officers, municipal corporations,  
 20 political subdivisions, and public bodies.

21 (b) Banks and bankers, savings and loan associations, credit unions, trust  
 22 companies, savings banks and institutions, investment companies, insurance  
 23 companies, insurance associations, and other persons carrying on a banking or  
 24 insurance business.

25 (c) Personal representatives, guardians, trustees, and other fiduciaries.

1 (9) MORAL OBLIGATION PLEDGE. Recognizing its moral obligation to do so, the  
2 legislature expresses its expectation and aspiration that it shall make timely  
3 appropriations from moneys in the general fund that are sufficient to pay the  
4 principal and interest costs on any appropriation obligations that are incurred in any  
5 year.

6 SECTION 2. 20.505 (1) (br) of the statutes is created to read:

7 20.505 (1) (br) *Appropriation obligations repayment.* The amounts in the  
8 schedule to pay debt service costs due in the current fiscal year on appropriation  
9 obligations issued under s. 16.527. ✓

→ NOTE: BUD

10 SECTION 3. 20.505 (1) (ir) of the statutes is created to read:

11 20.505 (1) (ir) *Appropriation obligation proceeds.* As a continuing  
12 appropriation, all moneys received as proceeds from appropriation obligations that  
13 are issued under s. 16.527 to pay part or all of the state's unfunded prior service  
14 liability under s. 40.05 (2) (b), as determined by the ✓ ~~secretary~~ <sup>department</sup> of administration, and  
15 to provide for reserves and for expenses of issuance and management of the  
16 appropriation obligations. Estimated disbursements under this paragraph shall not  
17 be included in the schedule under s. 20.005.

→ NOTE: BUD

18

(END)

D-note  
↓

2003-2004 DRAFTING INSERT  
FROM THE  
LEGISLATIVE REFERENCE BUREAU

LRB-1016/lins  
RAC:jld:rs

**Insert 3-3:**

(c) "Refunding obligation" means an appropriation obligation contracted to fund or refund all or any part of one or more outstanding appropriation obligations.

**Insert 4-19:**

(e) At the time of contracting for the appropriation obligations and at any time thereafter so long as the appropriation obligations are outstanding, the ~~commission~~<sup>department</sup> may enter into agreements and ancillary arrangements relating to the appropriation obligations, including trust indentures, liquidity facilities, remarketing or dealer agreements, letter of credit agreements, insurance policies, guaranty agreements, reimbursement agreements, indexing agreements, or interest exchange agreements. At the time of contracting for such agreement or ancillary arrangement, the department shall determine all of the following, if applicable:

1. For any payments to be received with respect to the agreement or ancillary arrangement, the fund into which the payment will be deposited.
2. For any payment to be made with respect to the agreement or ancillary arrangement, the source from which the payment will be made and the timing of any transfer of funds. For purposes of this subdivision, the source may be any fund established with respect to the related appropriation obligations or any appropriation for debt service or issuance expenses made with respect to the related appropriation obligations.

**Insert 5-2:**

~~NO~~ The certification shall set forth the aggregate principal amount of appropriation obligations authorized thereby, the manner of sale of the evidences of



Ins 5-2 cont

\* appropriation obligations, and the form and terms thereof. The certification shall be signed by the secretary, or his or her designee, and shall be transmitted to the governor and the state treasurer. (end ins 5-2)

**Insert 5-13:**

NO  
A Evidences of appropriation obligations may be in the form of bonds, notes, or other evidences of obligation, and may be issued in book-entry form or in certificated form. NO  
A

hyphen

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

LRB-1016/1dn

RAC:ld:rs

keep

date

Frank Hoadley:

I converted the draft to a budget bill draft and put the material in budget bill form. Although the draft is a "/1" version of LRB-1016, it is nevertheless the third version of the draft that I have been working on with bond counsel. If a decision is made not to have this draft in the budget bill, and you wish to introduce the draft as a stand-alone bill, I can certainly produce the draft in a form that is ready for introduction in the assembly or senate.

Also, because I wanted to get this to you for review as soon as possible, I will include the new purpose to bond for on-going WRS pension contributions during the 2003-05 biennium in the next version of the draft after I get the final dollar amounts from you.

Finally, I made the changes suggested by Dave Ryan except for the one to include language in the draft granting DOA authority similar to that of the Building Commission under s. 18.03 (2) (b). I believe, as an executive branch state agency, that DOA already has this authority to interpret and implement the statutes under its charge. In fact, the grant of authority to the Building Commission in s. 18.03 (2) (b) specifically may not exceed the authority granted under s. 227.11 (2) (a), an authority clearly possessed by each "agency," as defined in s. 227.01 (1). I can certainly include in the draft the language that you wish, but then a legal issue arises as to why DOA is not granted this authority in other sections of ch. 16 that it administers. Please advise.

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-1016/1dn  
RAC:jld:cph

January 17, 2003

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DOA:.....Hoadley - Payment of unfunded prior service liability under the Wisconsin Retirement System

FOR 2003-05 BUDGET -- NOT READY FOR INTRODUCTION

Rick: I think we need a "borrowed \$" fund, where bond proceeds go pending use, as with \$16.526 (2) in LRB 0854

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.

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4 **FINDING AND DETERMINATION.** Recognizing that the state, by prepaying part or all of  
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6 and better ensure the timely and full payment of retirement benefits to participants  
7 and their beneficiaries under the Wisconsin Retirement System, the legislature finds  
8 and determines that it is in the public interest for the state to issue appropriation  
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10 40.05 (2) (b).

11           (2) DEFINITIONS. In this section:

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1           3. Not public debt under s. 18.01 (4).

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4           (c) "Refunding obligation" means an appropriation obligation contracted to  
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11           2. Appropriation obligations issued under this section may not exceed  
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16 or refund outstanding appropriation obligations issued under this section, to pay  
17 issuance or administrative expenses, to make deposits to reserve funds, to pay  
18 accrued or ~~capitalized~~ <sup>funded</sup> interest, or to pay the costs of credit enhancement.

19           (4) TERMS. (a) Money may be borrowed and evidences of appropriation  
20 obligation issued therefor pursuant to one or more written authorizing certifications  
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22 specific amounts, at any rates of interest, for any term, payable at any intervals, at  
23 any place, in any manner, and having any other terms or conditions that the  
24 department considers necessary or useful. Appropriation obligations may bear

or to make payments under  
other agreements entered into pursuant  
to sub 4(e)

1 interest at variable or fixed rates, bear no interest, or bear interest payable only at  
2 maturity or upon redemption prior to maturity.

3 (b) The department may authorize evidences of appropriation obligation  
4 having any provisions for prepayment considered necessary or useful, including the  
5 payment of any premium.

6 (c) Interest shall cease to accrue on an appropriation obligation on the date that  
7 the obligation becomes due for payment if payment is made or duly provided for, but  
8 the obligation and accrued interest shall continue to be a binding obligation  
9 according to its terms until 6 years overdue for payment, or such longer period as may  
10 be required by federal law. At that time, unless demand for its payment has been  
11 made, it shall be extinguished and considered no longer outstanding.

12 (d) All money borrowed by the state pursuant to evidences of appropriation  
13 obligation issued under this section shall be lawful money of the United States, and  
14 all appropriation obligations shall be payable in such money.

15 (e) At the time of contracting for the appropriation obligations and at any time  
16 thereafter so long as the appropriation obligations are outstanding, the department  
17 may enter into agreements and ancillary arrangements relating to the appropriation  
18 obligations, including trust indentures, liquidity facilities, remarketing or dealer  
19 agreements, letter of credit agreements, insurance policies, guaranty agreements,  
20 reimbursement agreements, indexing agreements, or interest exchange  
21 agreements. At the time of contracting for such agreement or ancillary arrangement,  
22 the department shall determine all of the following, if applicable:

23 1. For any payments to be received with respect to the agreement or ancillary  
24 arrangement, the fund into which the payment will be deposited.

- conform  
to  
changes  
to  
LRB  
1408

1           2. For any payment to be made with respect to the agreement or ancillary  
2 arrangement, the source from which the payment will be made and the timing of any  
3 transfer of funds. For purposes of this subdivision, the source may be any fund  
4 established with respect to the related appropriation obligations or any  
5 appropriation for debt service or issuance expenses made with respect to the related  
6 appropriation obligations.

7           (f) All evidences of appropriation obligation owned or held by any state fund are  
8 outstanding in all respects and the state agency controlling the fund shall have the  
9 same rights with respect to an evidence of appropriation obligation as a private party,  
10 but if any sinking fund acquires evidences of appropriation obligation that gave rise  
11 to such fund, the obligations are considered paid for all purposes and no longer  
12 outstanding and shall be canceled as provided in sub. (8) (e). All evidences of  
13 appropriation obligation owned by any state fund shall be registered to the fullest  
14 extent registrable.

15           (5) PROCEDURES. (a) No evidence of appropriation obligation may be issued by  
16 the state unless the issuance is pursuant to a written authorizing certification. The  
17 certification shall set forth the aggregate principal amount of appropriation  
18 obligations authorized thereby, the manner of sale of the evidences of appropriation  
19 obligation, and the form and terms thereof. The certification shall be signed by the  
20 secretary, or his or her designee, and shall be transmitted to the governor and the  
21 state treasurer.

22           (b) Appropriation obligations may be sold at either public or private sale and  
23 may be sold at any price or percentage of par value. The department may provide  
24 in any authorizing certification for refunding obligations under sub. (7) that they be  
25 exchanged privately in payment and discharge of any of the outstanding obligations

1 being refinanced. All appropriation obligations sold at public sale shall be noticed  
2 as provided in the authorizing ~~resolution~~. Any bid received at public sale may be  
3 rejected.

*certification*

4 (6) FORM. (a) Evidences of appropriation obligation may be in the form of  
5 bonds, notes, or other evidences of obligation, and may be issued in book-entry form  
6 or in certificated form. Notwithstanding s. 403.104 (1), every evidence of  
7 appropriation obligation is a negotiable instrument.

8 (b) Every evidence of appropriation obligation shall be executed in the name  
9 of and for the state by the governor and the state treasurer and shall be sealed with  
10 the great seal of the state or a facsimile thereof. The facsimile signature of either the  
11 governor or state treasurer, or both, may be imprinted in lieu of the manual signature  
12 of such officer, as the department directs, if approved by such officer. An evidence  
13 of appropriation obligation bearing the manual or facsimile signature of a person in  
14 office at the time such signature was signed or imprinted shall be fully valid  
15 notwithstanding that before or after the delivery thereof such person ceased to hold  
16 such office.

17 (c) Every evidence of appropriation obligation shall be dated not later than the  
18 date issued, shall contain a reference by date to the appropriate authorizing  
19 certification, and shall be in accordance with the authorizing certification.

20 (d) An evidence of appropriation obligation shall be in such form and contain  
21 such statements or terms as determined by the department, and may not conflict  
22 with law or with the appropriate authorizing certification.

23 (7) REFUNDING OBLIGATIONS. (a) 1. The department may authorize the issuance  
24 of appropriation obligation refunding obligations. Refunding obligations may be  
25 issued, subject to any contract rights vested in owners of obligations being

1 refinanced, to refinance all or any part of one or more issue of obligations  
2 notwithstanding that the obligations may have been issued at different times. The  
3 principal amount of the refunding obligations may not exceed the sum of: the  
4 principal amount of the obligations being refinanced; applicable redemption  
5 premiums; unpaid interest on the obligations to the date of delivery or exchange of  
6 the refunding obligations; in the event the proceeds are to be deposited in trust as  
7 provided in par. (c), interest to accrue on the obligations from the date of delivery to  
8 the date of maturity or to the redemption date selected by the department, whichever  
9 is earlier; and the expenses incurred in the issuance of the refunding obligations and  
10 the payment of the obligations.

11 2. A determination by the department that a refinancing is advantageous or  
12 that any of the amounts provided subd. 1. should be included in the refinancing shall  
13 be conclusive.

14 (b) If the department determines to exchange refunding obligations, they may  
15 be exchanged privately for and in payment and discharge of any of the outstanding  
16 obligations being refinanced. Refunding obligations may be exchanged for such  
17 principal amount of the obligations being exchanged therefor as may be determined  
18 by the department to be necessary or advisable. The owners of the obligations being  
19 refunded who elect to exchange need not pay accrued interest on the refunding  
20 obligations if and to the extent that interest is accrued and unpaid on the obligations  
21 being refunded and to be surrendered. If any of the obligations to be refinanced are  
22 to be called for redemption, the department shall determine which redemption dates  
23 are to be used, if more than one date is applicable and shall, prior to the issuance of  
24 the refunding obligations, provide for notice of redemption to be given in the manner

1 and at the times required by the certification authorizing the outstanding  
2 obligations.

3 (c) 1. The principal proceeds from the sale of any appropriation obligation  
4 refunding obligations shall be applied either to the immediate payment and  
5 retirement of the obligations being refinanced or, if the obligations have not matured  
6 and are not presently redeemable, to the creation of a trust for and shall be pledged  
7 to the payment of the obligations being refinanced.

(defined  
term)

8 2. If a trust is created, a separate deposit shall be made for each issue of  
9 appropriation obligations being refinanced. Each deposit shall be with the state  
10 treasurer or a bank or trust company that is a member of the Federal Deposit  
11 Insurance Corporation. If the total amount of any deposit, including money other  
12 than sale proceeds but legally available for such purpose, is less than the principal  
13 amount of the obligations being refinanced and for the payment of which the deposit  
14 has been created and pledged, together with applicable redemption premiums and  
15 interest accrued and to accrue to maturity or to the date of redemption, then the  
16 application of the sale proceeds shall be legally sufficient only if the money deposited  
17 is invested in securities issued by the United States or one of its agencies, or  
18 securities fully guaranteed by the United States, and only if the principal amount  
19 of the securities at maturity and the income therefrom to maturity will be sufficient  
20 and available, without the need for any further investment or reinvestment, to pay  
21 at maturity or upon redemption the principal amount of the obligations being  
22 refinanced together with applicable redemption premiums and interest accrued and  
23 to accrue to maturity or to the date of redemption. The income from the principal  
24 proceeds of the securities shall be applied solely to the payment of the principal of

1 and interest and redemption premiums on the obligations being refinanced, but  
2 provision may be made for the pledging and disposition of any surplus.

3 3. Nothing in this paragraph may be construed as a limitation on the duration  
4 of any deposit in trust for the retirement of obligations being refinanced that have  
5 not matured and that are not presently redeemable. Nothing in this paragraph may  
6 be construed to prohibit reinvestment of the income of a trust if the reinvestments  
7 will mature at such times that sufficient cash will be available to pay interest,  
8 applicable premiums, and principal on the obligations being refinanced.

9 (8) FISCAL REGULATIONS. (a) The state treasurer shall act as registrar for each  
10 evidence of appropriation obligation. No transfer of a registered evidence of  
11 appropriation obligation is valid unless made on a register maintained by the state  
12 treasurer, and the state may treat the registered owner as the owner of the  
13 instrument for all purposes. Payments of principal and interest shall be by electronic  
14 funds transfer, check, share draft, or other draft to the registered owner at the  
15 owner's address as it appears on the register, unless the department has otherwise  
16 provided. Information in the register is not available for inspection and copying  
17 under s. 19.35 (1). The department may make any other provision respecting  
18 registration as it considers necessary or useful. The state treasurer may enter into  
19 a contract for the performance of any of his or her functions relating to appropriation  
20 obligations.

21 (b) The state treasurer, or the treasurer's agent, shall maintain records  
22 containing a full and correct description of each evidence of appropriation obligation  
23 issued, identifying it, and showing its date, issue, amount, interest rate, payment  
24 dates, payments made, registration, destruction, and every other relevant  
25 transaction.



1           (c) The secretary may appoint one or more trustees and fiscal agents for each  
2 issue of appropriation obligations. The state treasurer may be denominated the  
3 trustee and the sole fiscal agent or a cofiscal agent for any issue of appropriation  
4 obligations. Every other fiscal agent shall be an incorporated bank or trust company  
5 authorized by the laws of the United States or of the state in which it is located to  
6 do a banking or trust company business. There may be deposited with a trustee, in  
7 a special account, moneys to be used only for the purposes expressly provided in the  
8 certification authorizing the issuance of evidences of appropriation obligation or an  
9 agreement between the department and the trustee. The department may make  
10 other provisions respecting trustees and fiscal agents as the department considers  
11 necessary or useful and may enter into a contract with any trustee or fiscal agent  
12 containing such terms, including compensation, and conditions in regard to the  
13 trustee or fiscal agent as the department considers necessary or useful.

14           (d) If any evidence of appropriation obligation is destroyed, lost, or stolen, the  
15 department shall execute and deliver a new evidence of appropriation obligation,  
16 upon filing with the department evidence satisfactory to the department that the  
17 evidence of appropriation obligation has been destroyed, lost, or stolen, upon  
18 providing proof of ownership thereof, and upon furnishing the department with  
19 indemnity satisfactory to it and complying with such other rules of the department  
20 and paying any expenses that the department or the state treasurer may incur. The  
21 department shall cancel the evidences of appropriation obligation surrendered to the  
22 department.

23           (e) Unless otherwise directed by the department, every evidence of  
24 appropriation obligation paid or otherwise retired shall be marked "canceled" and  
25 delivered, through the state treasurer if delivered to a fiscal agent other than the

1 state treasurer, to the state auditor who shall destroy them and deliver to the state  
2 treasurer a certificate to that effect.

3 (9) APPROPRIATION OBLIGATIONS AS LEGAL INVESTMENTS. Any of the following may  
4 legally invest any sinking funds, moneys, or other funds belonging to them or under  
5 their control in any appropriation obligations issued under this section:

6 (a) The state, the investment board, public officers, municipal corporations,  
7 political subdivisions, and public bodies.

8 (b) Banks and bankers, savings and loan associations, credit unions, trust  
9 companies, savings banks and institutions, investment companies, insurance  
10 companies, insurance associations, and other persons carrying on a banking or  
11 insurance business.

12 (c) Personal representatives, guardians, trustees, and other fiduciaries.

13 (10) MORAL OBLIGATION PLEDGE. Recognizing its moral obligation to do so, the  
14 legislature expresses its expectation and aspiration that it shall make timely  
15 appropriations from moneys in the general fund that are sufficient to pay the  
16 principal and interest costs on any appropriation obligations that are incurred in any  
17 year.

18 SECTION 2. 20.505 (1) (br) of the statutes is created to read:

19 20.505 (1) (br) *Appropriation obligations repayment.* The amounts in the  
20 schedule to pay debt service costs due in the current fiscal year on appropriation  
21 obligations issued under s. 16.527.

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

22 SECTION 3. 20.505 (1) (ir) of the statutes is created to read:

first go into  
borrowed \$  
fund?

LRB-1016/1  
RAC:jld:cph  
SECTION 3

1           20.505 (1) (ir) *Appropriation obligation proceeds.* As a continuing  
 2 appropriation, all moneys received as proceeds from appropriation obligations that  
 3 are issued under s. 16.527 to pay part or all of the state's unfunded prior service  
 4 liability under s. 40.05 (2) (b), as determined by the department of administration,  
 5 and to provide for reserves and for expenses of issuance and ~~management~~  
 6 appropriation obligations. Estimated disbursements under this paragraph shall not  
 7 be included in the schedule under s. 20.005.

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

(END)

administration

and any related obligations  
incurred under agreements  
entered in pursuant to  
s. 16.527 (4)(e)



LRB-1016/1 2  
RAC:jld:cph  
*King*  
*RMR*

*Today*

DOA:.....Hoadley – Payment of unfunded prior service liability under the Wisconsin Retirement System

FOR 2003-05 BUDGET — NOT READY FOR INTRODUCTION

1

*DON'T GEN. CAT.*  
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 DOA to issue appropriation obligations in an amount up to \$750,000,000 to pay the state's unfunded prior service liability under the WRS. Under the bill, an appropriation obligation is an undertaking by the state to repay a certain amount of borrowed money that is payable from moneys annually appropriated by law for debt service due in that year. The bill also provides that an appropriation obligation is not public debt and that the state is only required to repay in debt service costs in each fiscal year an amount that is actually appropriated for

debt service costs in that fiscal year. If moneys are not appropriated in any fiscal year for the payment of debt service costs, the state is not obligated to pay the debt service costs incurred in that fiscal year. The bill, however, does contain a “moral obligation” pledge, in which the legislature, recognizing its moral obligation to do so, expresses its expectation and aspiration that it will make timely appropriations from moneys in the general fund sufficient to pay the principal and interest costs on any appropriation obligations that are incurred in any year.

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. 16.527 of the statutes is created to read:

2           **16.527 Retirement of state’s unfunded prior service liability under the**  
3 **Wisconsin Retirement System; appropriation obligations. (1) LEGISLATIVE**  
4 **FINDING AND DETERMINATION.** Recognizing that the state, by prepaying part or all of  
5 the state’s unfunded prior service liability under s. 40.05 (2) (b), may reduce its costs  
6 and better ensure the timely and full payment of retirement benefits to participants  
7 and their beneficiaries under the Wisconsin Retirement System, the legislature finds  
8 and determines that it is in the public interest for the state to issue appropriation  
9 obligations to pay part or all of the state’s unfunded prior service liability under s.  
10 40.05 (2) (b).

11           (2) DEFINITIONS. In this section:

12           (a) “Appropriation obligation” means an undertaking by the state to repay a  
13 certain amount of borrowed money that is all of the following:

14           1. Payable from moneys annually appropriated by law for debt service due in  
15 that year.

16           2. Used for the purpose of paying part or all of the state’s unfunded prior service  
17 liability under s. 40.05 (2) (b).

1 3. Not public debt under s. 18.01 (4).

2 (b) "Evidence of appropriation obligation" means a written promise to pay an  
3 appropriation obligation.

4 (c) "Refunding obligation" means an appropriation obligation contracted to  
5 fund or refund all or any part of one or more outstanding appropriation obligations.

6 (3) AUTHORIZATION OF APPROPRIATION OBLIGATIONS. (a) The department shall  
7 have all powers necessary and convenient to carry out its duties, and exercise its  
8 authority, under this section.

9 (b) 1. Subject to the limitation under subd. 2., the department may contract  
10 appropriation obligations of the state under this section.

11 2. Appropriation obligations issued under this section may not exceed  
12 \$750,000,000 in principal amount, excluding any obligations that have been  
13 defeased under a cash optimization program administered by the building  
14 commission. In addition to this limit on principal amount, the department may  
15 contract appropriation obligations as the department determines is desirable to fund  
16 or refund outstanding appropriation obligations issued under this section, to pay  
17 issuance or administrative expenses, to make deposits to reserve funds, to pay  
18 accrued or ~~capitalized~~ <sup>funded</sup> interest, or to pay the costs of credit enhancement.

19 (4) TERMS. (a) Money may be borrowed and evidences of appropriation  
20 obligation issued therefor pursuant to one or more written authorizing certifications  
21 under sub. (5), unless otherwise provided in the certification, at any time, in any  
22 specific amounts, at any rates of interest, for any term, payable at any intervals, at  
23 any place, in any manner, and having any other terms or conditions that the  
24 department considers necessary or useful. Appropriation obligations may bear

for to make payments under other agreements entered into under sub. (4) (e)

1 interest at variable or fixed rates, bear no interest, or bear interest payable only at  
2 maturity or upon redemption prior to maturity.

3 (b) The department may authorize evidences of appropriation obligation  
4 having any provisions for prepayment considered necessary or useful, including the  
5 payment of any premium.

6 (c) Interest shall cease to accrue on an appropriation obligation on the date that  
7 the obligation becomes due for payment if payment is made or duly provided for, but  
8 the obligation and accrued interest shall continue to be a binding obligation  
9 according to its terms until 6 years overdue for payment, or such longer period as may  
10 be required by federal law. At that time, unless demand for its payment has been  
11 made, it shall be extinguished and considered no longer outstanding.

12 (d) All money borrowed by the state pursuant to evidences of appropriation  
13 obligation issued under this section shall be lawful money of the United States, and  
14 all appropriation obligations shall be payable in such money.

15 (e) At the time of contracting for the appropriation obligations and at any time  
16 thereafter so long as the appropriation obligations are outstanding, the department  
17 may enter into agreements and ancillary arrangements relating to the appropriation  
18 obligations, including trust indentures, liquidity facilities, remarketing or dealer  
19 agreements, letter of credit agreements, insurance policies, guaranty agreements,  
20 reimbursement agreements, indexing agreements, or interest exchange  
21 agreements. At the time of contracting for <sup>any</sup> such agreement or ancillary arrangement,  
22 the department shall determine all of the following, if applicable:

23 1. For any payments to be received with respect to the agreement or ancillary  
24 arrangement, <sup>whether</sup> ~~the fund into which~~ the payment will be deposited.

*any*  
*into the bond security and redemption fund  
or the capital improvement fund*

whether the payment will be made from  
the bond security and redemption fund or the  
capital improvement fund

1 2. For any payment to be made with respect to the agreement or ancillary  
2 arrangement, the source from which the payment will be made and the timing of any  
3 transfer of funds. For purposes of this subdivision, the source may be any fund  
4 established with respect to the related appropriation obligations or any  
5 appropriation for debt service or issuance expenses made with respect to the related  
6 appropriation obligations.

7 (f) All evidences of appropriation obligation owned or held by any state fund are  
8 outstanding in all respects and the state agency controlling the fund shall have the  
9 same rights with respect to an evidence of appropriation obligation as a private party,  
10 but if any sinking fund acquires evidences of appropriation obligation that gave rise  
11 to such fund, the obligations are considered paid for all purposes and no longer  
12 outstanding and shall be canceled as provided in sub. (8) (e). All evidences of  
13 appropriation obligation owned by any state fund shall be registered to the fullest  
14 extent registrable.

15 (5) PROCEDURES. (a) No evidence of appropriation obligation may be issued by  
16 the state unless the issuance is pursuant to a written authorizing certification. The  
17 certification shall set forth the aggregate principal amount of appropriation  
18 obligations authorized thereby, the manner of sale of the evidences of appropriation  
19 obligation, and the form and terms thereof. The certification shall be signed by the  
20 secretary, or his or her designee, and shall be transmitted to the governor and the  
21 state treasurer.

22 (b) Appropriation obligations may be sold at either public or private sale and  
23 may be sold at any price or percentage of par value. The department may provide  
24 in any authorizing certification for refunding obligations under sub. (7) that they be  
25 exchanged privately in payment and discharge of any of the outstanding obligations



1 being refinanced. All appropriation obligations sold at public sale shall be noticed  
 2 as provided in the authorizing ~~resolution~~ *certification*. Any bid received at public sale may be  
 3 rejected.

4 (6) FORM. (a) Evidences of appropriation obligation may be in the form of  
 5 bonds, notes, or other evidences of obligation, and may be issued in book-entry form  
 6 or in certificated form. Notwithstanding s. 403.104 (1), every evidence of  
 7 appropriation obligation is a negotiable instrument.

8 (b) Every evidence of appropriation obligation shall be executed in the name  
 9 of and for the state by the governor and the state treasurer and shall be sealed with  
 10 the great seal of the state or a facsimile thereof. The facsimile signature of either the  
 11 governor or state treasurer, or both, may be imprinted in lieu of the manual signature  
 12 of such officer, as the department directs, if approved by such officer. An evidence  
 13 of appropriation obligation bearing the manual or facsimile signature of a person in  
 14 office at the time such signature was signed or imprinted shall be fully valid  
 15 notwithstanding that before or after the delivery thereof such person ceased to hold  
 16 such office.

17 (c) Every evidence of appropriation obligation shall be dated not later than the  
 18 date issued, shall contain a reference by date to the appropriate authorizing  
 19 certification, and shall be in accordance with the authorizing certification.

20 (d) An evidence of appropriation obligation shall be in such form and contain  
 21 such statements or terms as determined by the department, and may not conflict  
 22 with law or with the appropriate authorizing certification.

23 (7) REFUNDING OBLIGATIONS. (a) 1. The department may authorize the issuance  
 24 of appropriation obligation refunding obligations. Refunding obligations may be  
 25 issued, subject to any contract rights vested in owners of obligations being

1 refinanced, to refinance all or any part of one or more issue of obligations  
2 notwithstanding that the obligations may have been issued at different times. The  
3 principal amount of the refunding obligations may not exceed the sum of: the  
4 principal amount of the obligations being refinanced; applicable redemption  
5 premiums; unpaid interest on the obligations to the date of delivery or exchange of  
6 the refunding obligations; in the event the proceeds are to be deposited in trust as  
7 provided in par. (c), interest to accrue on the obligations from the date of delivery to  
8 the date of maturity or to the redemption date selected by the department, whichever  
9 is earlier; and the expenses incurred in the issuance of the refunding obligations and  
10 the payment of the obligations.

11 2. A determination by the department that a refinancing is advantageous or  
12 that any of the amounts provided subd. 1. should be included in the refinancing shall  
13 be conclusive.

14 (b) If the department determines to exchange refunding obligations, they may  
15 be exchanged privately for and in payment and discharge of any of the outstanding  
16 obligations being refinanced. Refunding obligations may be exchanged for such  
17 principal amount of the obligations being exchanged therefor as may be determined  
18 by the department to be necessary or advisable. The owners of the obligations being  
19 refunded who elect to exchange need not pay accrued interest on the refunding  
20 obligations if and to the extent that interest is accrued and unpaid on the obligations  
21 being refunded and to be surrendered. If any of the obligations to be refinanced are  
22 to be called for redemption, the department shall determine which redemption dates  
23 are to be used, if more than one date is applicable and shall, prior to the issuance of  
24 the refunding obligations, provide for notice of redemption to be given in the manner

1 and at the times required by the certification authorizing the outstanding  
2 obligations.

3 (c) 1. The principal proceeds from the sale of any ~~appropriation obligation~~  
4 refunding obligations shall be applied either to the immediate payment and  
5 retirement of the obligations being refinanced or, if the obligations have not matured  
6 and are not presently redeemable, to the creation of a trust for and shall be pledged  
7 to the payment of the obligations being refinanced.

8 2. If a trust is created, a separate deposit shall be made for each issue of  
9 appropriation obligations being refinanced. Each deposit shall be with the state  
10 treasurer or a bank or trust company that is a member of the Federal Deposit  
11 Insurance Corporation. If the total amount of any deposit, including money other  
12 than sale proceeds but legally available for such purpose, is less than the principal  
13 amount of the obligations being refinanced and for the payment of which the deposit  
14 has been created and pledged, together with applicable redemption premiums and  
15 interest accrued and to accrue to maturity or to the date of redemption, then the  
16 application of the sale proceeds shall be legally sufficient only if the money deposited  
17 is invested in securities issued by the United States or one of its agencies, or  
18 securities fully guaranteed by the United States, and only if the principal amount  
19 of the securities at maturity and the income therefrom to maturity will be sufficient  
20 and available, without the need for any further investment or reinvestment, to pay  
21 at maturity or upon redemption the principal amount of the obligations being  
22 refinanced together with applicable redemption premiums and interest accrued and  
23 to accrue to maturity or to the date of redemption. The income from the principal  
24 proceeds of the securities shall be applied solely to the payment of the principal of

1 and interest and redemption premiums on the obligations being refinanced, but  
2 provision may be made for the pledging and disposition of any surplus.

3 3. Nothing in this paragraph may be construed as a limitation on the duration  
4 of any deposit in trust for the retirement of obligations being refinanced that have  
5 not matured and that are not presently redeemable. Nothing in this paragraph may  
6 be construed to prohibit reinvestment of the income of a trust if the reinvestments  
7 will mature at such times that sufficient cash will be available to pay interest,  
8 applicable premiums, and principal on the obligations being refinanced.

9 (8) FISCAL REGULATIONS. (a) The state treasurer shall act as registrar for each  
10 evidence of appropriation obligation. No transfer of a registered evidence of  
11 appropriation obligation is valid unless made on a register maintained by the state  
12 treasurer, and the state may treat the registered owner as the owner of the  
13 instrument for all purposes. Payments of principal and interest shall be by electronic  
14 funds transfer, check, share draft, or other draft to the registered owner at the  
15 owner's address as it appears on the register, unless the department has otherwise  
16 provided. Information in the register is not available for inspection and copying  
17 under s. 19.35 (1). The department may make any other provision respecting  
18 registration as it considers necessary or useful. The state treasurer may enter into  
19 a contract for the performance of any of his or her functions relating to appropriation  
20 obligations.

21 (b) The state treasurer, or the treasurer's agent, shall maintain records  
22 containing a full and correct description of each evidence of appropriation obligation  
23 issued, identifying it, and showing its date, issue, amount, interest rate, payment  
24 dates, payments made, registration, destruction, and every other relevant  
25 transaction.

1           (c) The secretary may appoint one or more trustees and fiscal agents for each  
2 issue of appropriation obligations. The state treasurer may be denominated the  
3 trustee and the sole fiscal agent or a cofiscal agent for any issue of appropriation  
4 obligations. Every other fiscal agent shall be an incorporated bank or trust company  
5 authorized by the laws of the United States or of the state in which it is located to  
6 do a banking or trust company business. There may be deposited with a trustee, in  
7 a special account, moneys to be used only for the purposes expressly provided in the  
8 certification authorizing the issuance of evidences of appropriation obligation or an  
9 agreement between the department and the trustee. The department may make  
10 other provisions respecting trustees and fiscal agents as the department considers  
11 necessary or useful and may enter into a contract with any trustee or fiscal agent  
12 containing such terms, including compensation, and conditions in regard to the  
13 trustee or fiscal agent as the department considers necessary or useful.

14           (d) If any evidence of appropriation obligation is destroyed, lost, or stolen, the  
15 department shall execute and deliver a new evidence of appropriation obligation,  
16 upon filing with the department evidence satisfactory to the department that the  
17 evidence of appropriation obligation has been destroyed, lost, or stolen, upon  
18 providing proof of ownership thereof, and upon furnishing the department with  
19 indemnity satisfactory to it and complying with such other rules of the department  
20 and paying any expenses that the department or the state treasurer may incur. The  
21 department shall cancel the evidences of appropriation obligation surrendered to the  
22 department.

23           (e) Unless otherwise directed by the department, every evidence of  
24 appropriation obligation paid or otherwise retired shall be marked “canceled” and  
25 delivered, through the state treasurer if delivered to a fiscal agent other than the

1 state treasurer, to the state auditor who shall destroy them and deliver to the state  
2 treasurer a certificate to that effect.

3 (9) APPROPRIATION OBLIGATIONS AS LEGAL INVESTMENTS. Any of the following may  
4 legally invest any sinking funds, moneys, or other funds belonging to them or under  
5 their control in any appropriation obligations issued under this section:

6 (a) The state, the investment board, public officers, municipal corporations,  
7 political subdivisions, and public bodies.

8 (b) Banks and bankers, savings and loan associations, credit unions, trust  
9 companies, savings banks and institutions, investment companies, insurance  
10 companies, insurance associations, and other persons carrying on a banking or  
11 insurance business.

12 (c) Personal representatives, guardians, trustees, and other fiduciaries.

13 (10) MORAL OBLIGATION PLEDGE. Recognizing its moral obligation to do so, the  
14 legislature expresses its expectation and aspiration that it shall make timely  
15 appropriations from moneys in the general fund that are sufficient to pay the  
16 principal and interest costs on any appropriation obligations that are incurred in any  
17 year.

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

19 20.505 (1) (br) *Appropriation obligations repayment.* The amounts in the  
20 schedule to pay debt service costs due in the current fiscal year on appropriation  
21 obligations issued under s. 16.527.

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

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

1

20.505 (1) (ir) *Appropriation obligation proceeds.*

*As a continuing*

2

*all* moneys received as proceeds from appropriation obligations that  
are issued under s. 16.527 to pay part or all of the state's unfunded prior service  
liability under s. 40.05 (2) (b), as determined by the department of administration,  
and to provide for reserves and for expenses of issuance and ~~management~~ of the  
appropriation obligations. Estimated disbursements under this paragraph shall not  
be included in the schedule under s. 20.005.

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

(END)

administration

, and any related obligations incurred under agreements entered into under s. 16.527(4)(e)

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

LRB-1016/2dn

RAC: j:....

↓  
Kmg

Frank Hoadley:

*and* ✓ e  
You will have to determine if you want a separate proceeds funds, as suggested by bond counsel, or if you want to keep the current appropriation structure. Under the bill, two appropriations are created. Section 20.505 (1) (ir) creates a program revenue account in the general fund, to which is credited all of the proceeds received from the sale of the appropriation obligations. Money remains in this account and may only be used for the purpose of paying the unfunded liability, to provide for reserves, and for expenses of issuance and administration of the obligations. Section 20.505 (1) (br) creates an appropriation from the general fund to pay debt service costs on the obligations that are due in the current fiscal year. Please advise.

Rick A. Champagne  
Senior Legislative Attorney  
Phone: (608) 266-9930  
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**DRAFTER'S NOTE  
FROM THE  
LEGISLATIVE REFERENCE BUREAU**

LRB-1016/2dn  
RAC:kmg:cph

February 1, 2003

Frank Hoadley:

You will have to determine if you want a separate proceeds fund, as suggested by bond counsel, or if you want to keep the current appropriation structure. Under the bill, two appropriations are created. Section 20.505 (1) (ir) creates a program revenue account in the general fund, to which is credited all of the proceeds received from the sale of the appropriation obligations. Money remains in this account and may only be used for the purpose of paying the unfunded liability, and to provide for reserves, and for expenses of issuance and administration of the obligations. Section 20.505 (1) (br) creates an appropriation from the general fund to pay debt service costs on the obligations that are due in the current fiscal year. Please advise.

Rick A. Champagne  
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*D-Note*  
State of Wisconsin  
2003 - 2004 LEGISLATURE

LRB-1016/2 <sup>3</sup>  
RAC:jld&kmg:cph

*Today*

*RMR*

DOA:.....Hoadley – BB0380, Payment of unfunded prior service liability under the Wisconsin Retirement System

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 authorizes DOA to issue appropriation obligations in an amount up to \$750,000,000 to pay the state's unfunded prior service liability under the WRS. Under the bill, an appropriation obligation is an undertaking by the state to repay a certain amount of borrowed money that is payable from moneys annually appropriated by law for debt service due in that year. The bill also provides that an appropriation obligation is not public debt and that the state is only required to repay in debt service costs in each fiscal year an amount that is actually appropriated for

debt service costs in that fiscal year. If moneys are not appropriated in any fiscal year for the payment of debt service costs, the state is not obligated to pay the debt service costs incurred in that fiscal year. The bill, however, does contain a “moral obligation” pledge, in which the legislature, recognizing its moral obligation to do so, expresses its expectation and aspiration that it will make timely appropriations from moneys in the general fund sufficient to pay the principal and interest costs on any appropriation obligations that are incurred in any year.

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. 16.527<sup>X</sup> of the statutes is created to read:

**2**           **16.527 Retirement of state’s unfunded prior service liability under the**  
**3**           **Wisconsin Retirement System; appropriation obligations. (1) LEGISLATIVE**  
**4**           **FINDING AND DETERMINATION.** Recognizing that the state, by prepaying part or all of  
**5**           the state’s unfunded prior service liability under s. 40.05 (2) (b), may reduce its costs  
**6**           and better ensure the timely and full payment of retirement benefits to participants  
**7**           and their beneficiaries under the Wisconsin Retirement System, the legislature finds  
**8**           and determines that it is in the public interest for the state to issue appropriation  
**9**           obligations to pay part or all of the state’s unfunded prior service liability under s.  
**10**           40.05 (2) (b).

**11**           **(2) DEFINITIONS.** In this section:

**12**           (a) “Appropriation obligation” means an undertaking by the state to repay a  
**13**           certain amount of borrowed money that is all of the following:

**14**           1. Payable from moneys annually appropriated by law for debt service due in  
**15**           that year.

**16**           2. Used for the purpose of paying part or all of the state’s unfunded prior service  
**17**           liability under s. 40.05 (2) (b).

Insert  
2-1 ✓

1           3. Not public debt under s. 18.01 (4).

2           (b) “Evidence of appropriation obligation” means a written promise to pay an  
3 appropriation obligation.

4           (c) “Refunding obligation” means an appropriation obligation contracted to  
5 fund or refund all or any part of one or more outstanding appropriation obligations.

6           **(3) AUTHORIZATION OF APPROPRIATION OBLIGATIONS.** (a) The department shall  
7 have all powers necessary and convenient to carry out its duties, and exercise its  
8 authority, under this section.

9           (b) 1. Subject to the limitation under subd. 2., the department may contract  
10 appropriation obligations of the state under this section.

11           2. Appropriation obligations issued under this section may not exceed  
12 \$750,000,000 in principal amount, excluding any obligations that have been  
13 defeased under a cash optimization program administered by the building  
14 commission. In addition to this limit on principal amount, the department may  
15 contract appropriation obligations as the department determines is desirable to fund  
16 or refund outstanding appropriation obligations issued under this section, to pay  
17 issuance or administrative expenses, to make deposits to reserve funds, to pay  
18 accrued or funded interest, to pay the costs of credit enhancement, or to make  
19 payments under other agreements entered into under sub. (4) (e).

20           **(4) TERMS.** (a) Money may be borrowed and evidences of appropriation  
21 obligation issued therefor pursuant to one or more written authorizing certifications  
22 under sub. (5), unless otherwise provided in the certification, at any time, in any  
23 specific amounts, at any rates of interest, for any term, payable at any intervals, at  
24 any place, in any manner, and having any other terms or conditions that the  
25 department considers necessary or useful. Appropriation obligations may bear

1 interest at variable or fixed rates, bear no interest, or bear interest payable only at  
2 maturity or upon redemption prior to maturity.

3 (b) The department may authorize evidences of appropriation obligation  
4 having any provisions for prepayment considered necessary or useful, including the  
5 payment of any premium.

6 (c) Interest shall cease to accrue on an appropriation obligation on the date that  
7 the obligation becomes due for payment if payment is made or duly provided for, but  
8 the obligation and accrued interest shall continue to be a binding obligation  
9 according to its terms until 6 years overdue for payment, or such longer period as may  
10 be required by federal law. At that time, unless demand for its payment has been  
11 made, it shall be extinguished and considered no longer outstanding.

12 (d) All money borrowed by the state pursuant to evidences of appropriation  
13 obligation issued under this section shall be lawful money of the United States, and  
14 all appropriation obligations shall be payable in such money.

15 (e) At the time of contracting for the appropriation obligations and at any time  
16 thereafter so long as the appropriation obligations are outstanding, the department  
17 may enter into agreements and ancillary arrangements relating to the appropriation  
18 obligations, including trust indentures, liquidity facilities, remarketing or dealer  
19 agreements, letter of credit agreements, insurance policies, guaranty agreements,  
20 reimbursement agreements, indexing agreements, or interest exchange  
21 agreements. At the time of contracting for any such agreement or ancillary  
22 arrangement, the department shall determine all of the following, if applicable:

23 1. For any payments to be received with respect to the agreement or ancillary  
24 arrangement, whether the payment will be deposited into the bond security and  
25 redemption fund or the capital improvement fund.

1           2. For any payment to be made with respect to the agreement or ancillary  
2 arrangement, whether the payment will be made from the bond security and  
3 redemption fund or the capital improvement fund and the timing of any transfer of  
4 funds. For purposes of this subdivision, the source may be any fund established with  
5 respect to the related appropriation obligations or any appropriation for debt service  
6 or issuance expenses made with respect to the related appropriation obligations.

7           (f) All evidences of appropriation obligation owned or held by any state fund are  
8 outstanding in all respects and the state agency controlling the fund shall have the  
9 same rights with respect to an evidence of appropriation obligation as a private party,  
10 but if any sinking fund acquires evidences of appropriation obligation that gave rise  
11 to such fund, the obligations are considered paid for all purposes and no longer  
12 outstanding and shall be canceled as provided in sub. (8) (e). All evidences of  
13 appropriation obligation owned by any state fund shall be registered to the fullest  
14 extent registrable.

15           (5) PROCEDURES. (a) No evidence of appropriation obligation may be issued by  
16 the state unless the issuance is pursuant to a written authorizing certification. The  
17 certification shall set forth the aggregate principal amount of appropriation  
18 obligations authorized thereby, the manner of sale of the evidences of appropriation  
19 obligation, and the form and terms thereof. The certification shall be signed by the  
20 secretary, or his or her designee, and shall be transmitted to the governor and the  
21 state treasurer.

22           (b) Appropriation obligations may be sold at either public or private sale and  
23 may be sold at any price or percentage of par value. The department may provide  
24 in any authorizing certification for refunding obligations under sub. (7) that they be  
25 exchanged privately in payment and discharge of any of the outstanding obligations

1 being refinanced. All appropriation obligations sold at public sale shall be noticed  
2 as provided in the authorizing certification. Any bid received at public sale may be  
3 rejected.

4 (6) FORM. (a) Evidences of appropriation obligation may be in the form of  
5 bonds, notes, or other evidences of obligation, and may be issued in book-entry form  
6 or in certificated form. Notwithstanding s. 403.104 (1), every evidence of  
7 appropriation obligation is a negotiable instrument.

8 (b) Every evidence of appropriation obligation shall be executed in the name  
9 of and for the state by the governor and the state treasurer and shall be sealed with  
10 the great seal of the state or a facsimile thereof. The facsimile signature of either the  
11 governor or state treasurer, or both, may be imprinted in lieu of the manual signature  
12 of such officer, as the department directs, if approved by such officer. An evidence  
13 of appropriation obligation bearing the manual or facsimile signature of a person in  
14 office at the time such signature was signed or imprinted shall be fully valid  
15 notwithstanding that before or after the delivery thereof such person ceased to hold  
16 such office.

17 (c) Every evidence of appropriation obligation shall be dated not later than the  
18 date issued, shall contain a reference by date to the appropriate authorizing  
19 certification, and shall be in accordance with the authorizing certification.

20 (d) An evidence of appropriation obligation shall be in such form and contain  
21 such statements or terms as determined by the department, and may not conflict  
22 with law or with the appropriate authorizing certification.

23 (7) REFUNDING OBLIGATIONS. (a) 1. The department may authorize the issuance  
24 of appropriation obligation refunding obligations. Refunding obligations may be  
25 issued, subject to any contract rights vested in owners of obligations being

1 refinanced, to refinance all or any part of one or more issue of obligations  
2 notwithstanding that the obligations may have been issued at different times. The  
3 principal amount of the refunding obligations may not exceed the sum of: the  
4 principal amount of the obligations being refinanced; applicable redemption  
5 premiums; unpaid interest on the obligations to the date of delivery or exchange of  
6 the refunding obligations; in the event the proceeds are to be deposited in trust as  
7 provided in par. (c), interest to accrue on the obligations from the date of delivery to  
8 the date of maturity or to the redemption date selected by the department, whichever  
9 is earlier; and the expenses incurred in the issuance of the refunding obligations and  
10 the payment of the obligations.

11 2. A determination by the department that a refinancing is advantageous or  
12 that any of the amounts provided subd. 1. should be included in the refinancing shall  
13 be conclusive.

14 (b) If the department determines to exchange refunding obligations, they may  
15 be exchanged privately for and in payment and discharge of any of the outstanding  
16 obligations being refinanced. Refunding obligations may be exchanged for such  
17 principal amount of the obligations being exchanged therefor as may be determined  
18 by the department to be necessary or advisable. The owners of the obligations being  
19 refunded who elect to exchange need not pay accrued interest on the refunding  
20 obligations if and to the extent that interest is accrued and unpaid on the obligations  
21 being refunded and to be surrendered. If any of the obligations to be refinanced are  
22 to be called for redemption, the department shall determine which redemption dates  
23 are to be used, if more than one date is applicable and shall, prior to the issuance of  
24 the refunding obligations, provide for notice of redemption to be given in the manner



1 and at the times required by the certification authorizing the outstanding  
2 obligations.

3 (c) 1. The principal proceeds from the sale of any refunding obligations shall  
4 be applied either to the immediate payment and retirement of the obligations being  
5 refinanced or, if the obligations have not matured and are not presently redeemable,  
6 to the creation of a trust for and shall be pledged to the payment of the obligations  
7 being refinanced.

8 2. If a trust is created, a separate deposit shall be made for each issue of  
9 appropriation obligations being refinanced. Each deposit shall be with the state  
10 treasurer or a bank or trust company that is a member of the Federal Deposit  
11 Insurance Corporation. If the total amount of any deposit, including money other  
12 than sale proceeds but legally available for such purpose, is less than the principal  
13 amount of the obligations being refinanced and for the payment of which the deposit  
14 has been created and pledged, together with applicable redemption premiums and  
15 interest accrued and to accrue to maturity or to the date of redemption, then the  
16 application of the sale proceeds shall be legally sufficient only if the money deposited  
17 is invested in securities issued by the United States or one of its agencies, or  
18 securities fully guaranteed by the United States, and only if the principal amount  
19 of the securities at maturity and the income therefrom to maturity will be sufficient  
20 and available, without the need for any further investment or reinvestment, to pay  
21 at maturity or upon redemption the principal amount of the obligations being  
22 refinanced together with applicable redemption premiums and interest accrued and  
23 to accrue to maturity or to the date of redemption. The income from the principal  
24 proceeds of the securities shall be applied solely to the payment of the principal of

1 and interest and redemption premiums on the obligations being refinanced, but  
2 provision may be made for the pledging and disposition of any surplus.

3 3. Nothing in this paragraph may be construed as a limitation on the duration  
4 of any deposit in trust for the retirement of obligations being refinanced that have  
5 not matured and that are not presently redeemable. Nothing in this paragraph may  
6 be construed to prohibit reinvestment of the income of a trust if the reinvestments  
7 will mature at such times that sufficient cash will be available to pay interest,  
8 applicable premiums, and principal on the obligations being refinanced.

9 (8) FISCAL REGULATIONS. (a) The state treasurer shall act as registrar for each  
10 evidence of appropriation obligation. No transfer of a registered evidence of  
11 appropriation obligation is valid unless made on a register maintained by the state  
12 treasurer, and the state may treat the registered owner as the owner of the  
13 instrument for all purposes. Payments of principal and interest shall be by electronic  
14 funds transfer, check, share draft, or other draft to the registered owner at the  
15 owner's address as it appears on the register, unless the department has otherwise  
16 provided. Information in the register is not available for inspection and copying  
17 under s. 19.35 (1). The department may make any other provision respecting  
18 registration as it considers necessary or useful. The state treasurer may enter into  
19 a contract for the performance of any of his or her functions relating to appropriation  
20 obligations.

21 (b) The state treasurer, or the treasurer's agent, shall maintain records  
22 containing a full and correct description of each evidence of appropriation obligation  
23 issued, identifying it, and showing its date, issue, amount, interest rate, payment  
24 dates, payments made, registration, destruction, and every other relevant  
25 transaction.

1           (c) The secretary may appoint one or more trustees and fiscal agents for each  
2 issue of appropriation obligations. The state treasurer may be denominated the  
3 trustee and the sole fiscal agent or a cofiscal agent for any issue of appropriation  
4 obligations. Every other fiscal agent shall be an incorporated bank or trust company  
5 authorized by the laws of the United States or of the state in which it is located to  
6 do a banking or trust company business. There may be deposited with a trustee, in  
7 a special account, moneys to be used only for the purposes expressly provided in the  
8 certification authorizing the issuance of evidences of appropriation obligation or an  
9 agreement between the department and the trustee. The department may make  
10 other provisions respecting trustees and fiscal agents as the department considers  
11 necessary or useful and may enter into a contract with any trustee or fiscal agent  
12 containing such terms, including compensation, and conditions in regard to the  
13 trustee or fiscal agent as the department considers necessary or useful.

14           (d) If any evidence of appropriation obligation is destroyed, lost, or stolen, the  
15 department shall execute and deliver a new evidence of appropriation obligation,  
16 upon filing with the department evidence satisfactory to the department that the  
17 evidence of appropriation obligation has been destroyed, lost, or stolen, upon  
18 providing proof of ownership thereof, and upon furnishing the department with  
19 indemnity satisfactory to it and complying with such other rules of the department  
20 and paying any expenses that the department or the state treasurer may incur. The  
21 department shall cancel the evidences of appropriation obligation surrendered to the  
22 department.

23           (e) Unless otherwise directed by the department, every evidence of  
24 appropriation obligation paid or otherwise retired shall be marked “canceled” and  
25 delivered, through the state treasurer if delivered to a fiscal agent other than the

1 state treasurer, to the state auditor who shall destroy them and deliver to the state  
2 treasurer a certificate to that effect.

3 (9) APPROPRIATION OBLIGATIONS AS LEGAL INVESTMENTS. Any of the following may  
4 legally invest any sinking funds, moneys, or other funds belonging to them or under  
5 their control in any appropriation obligations issued under this section:

6 (a) The state, the investment board, public officers, municipal corporations,  
7 political subdivisions, and public bodies.

8 (b) Banks and bankers, savings and loan associations, credit unions, trust  
9 companies, savings banks and institutions, investment companies, insurance  
10 companies, insurance associations, and other persons carrying on a banking or  
11 insurance business.

12 (c) Personal representatives, guardians, trustees, and other fiduciaries.

13 (10) MORAL OBLIGATION PLEDGE. Recognizing its moral obligation to do so, the  
14 legislature expresses its expectation and aspiration that it shall make timely  
15 appropriations from moneys in the general fund that are sufficient to pay the  
16 principal and interest costs on any appropriation obligations that are incurred in any  
17 year.

18 SECTION 2. 20.505 (1) (br) of the statutes is created to read:

19 20.505 (1) (br) *Appropriation obligations repayment.* The amounts in the  
20 schedule to pay debt service costs due in the current fiscal year on appropriation  
21 obligations issued under s. 16.527.

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

22

SECTION 3. 20.505 (1) ~~(ix)~~ of the statutes is created to read:

(is)

(is)

1

20.505 (1) ~~(ix)~~ *(Appropriation obligation proceeds.* All moneys received as  
 2 proceeds from appropriation obligations that are issued under s. 16.527 to pay part  
 3 or all of the state's unfunded prior service liability under s. 40.05 (2) (b), as  
 4 determined by the department of administration, and to provide for reserves and for  
 5 expenses of issuance and administration of the appropriation obligations, and any  
 6 related obligations incurred under agreements entered into under s. 16.527 (4) (e).  
 7 Estimated disbursements under this paragraph shall not be included in the schedule  
 8 under s. 20.005.

9

(END)

D-Note  
 This version of the draft <sup>simply</sup> ~~draft~~ <sup>simply</sup>  
 includes a cross-reference to s. 16.527 ✓  
 in s. 13.40 (3) (b). ✓  
 RAC

2003-2004 DRAFTING INSERT  
FROM THE  
LEGISLATIVE REFERENCE BUREAU

LRB-1016/3ins  
RAC:.....

**Insert 2-1:**

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

13.40 (3) (b) An appropriation to honor a moral obligation undertaken pursuant to ss. 16.527, 18.61 (5), 85.25 (5), 101.143 (9m) (i), 229.50 (7), 229.74 (7), 229.830 (7), 234.15 (4), 234.42 (4), 234.54 (4) (b), 234.626 (7), 234.93 (6), 234.932 (6), 234.933 (6), and 281.59 (13m).

History: 2001 a. 16.

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

LRB-1016/3dn  
RAC:jld&kmg:cph

February 3, 2003

This version of the draft simply includes a cross-reference to s. 16.527 in s. 13.40 (3) (b).

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