

Fiscal Estimate Narratives

DPI 4/9/2003

LRB Number	03-2279/1	Introduction Number	SB-77	Estimate Type	Original
Subject					
MPS unfunded pension liability refinancing					

Assumptions Used in Arriving at Fiscal Estimate

Under this bill, the Milwaukee Common Council is not required to issue promissory notes for the purpose of paying unfunded prior service liability contributions under the Wisconsin Retirement System (WRS) on behalf of Milwaukee Public Schools (MPS). However, if the common council chooses to do so, the notes must be repaid within 20 years instead of 10 under current law.

The bill also provides that the sum of the amount of the notes that are outstanding and the amount of bonds issued by the common council to construct school buildings or purchase school sites that are outstanding at any time may not exceed 2% of the total value of all taxable property in the city of Milwaukee. Under current law, the latter amount alone is subject to the 2% limit.

Presently, the MPS pays a certain percentage each month to WRS to cover prior service costs. If MPS would refinance its entire WRS prior service liability under the provisions of this bill, the annual debt service costs could be affected. However, the effect is indeterminate. The difference in annual debt costs could affect the shared cost of MPS and the state equalization aid received, but this is also indeterminate.

The flexibility to allow MPS a 20 year repayment schedule for new notes issued could allow MPS the ability to structure their debt service cost of the new issue in such a way to stabilize the district's total annual debt service cost in future years.

The 2% threshold provision should not have any fiscal effect considering the total certified taxable value of the district.

Long-Range Fiscal Implications