



State of Wisconsin  
2019 - 2020 LEGISLATURE

LRB-1987/P2  
KP&MPG:wlj&klm

DOA:.....Sherwin, BB0348 - DOA Asset Sales

**FOR 2019-2021 BUDGET -- NOT READY FOR INTRODUCTION**

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

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*Analysis by the Legislative Reference Bureau*

**STATE GOVERNMENT**

**OTHER STATE GOVERNMENT**

***1. Use of proceeds from the sale or lease of state-owned real property***

Currently, with certain exceptions, DOA or the Building Commission may sell or lease state-owned real property. Any sale by DOA is subject to approval of the Building Commission, and any sale by DOA or the Building Commission is subject to approval by JCF. Current law specifies how the net proceeds of the sale or lease of state-owned real property must be used and, in doing so, establishes several steps DOA or the Building Commission must follow in succession.

First, the net proceeds must be used to retire any public debt that was used to finance the acquisition, construction, or improvement of the property that is sold or leased. This bill authorizes DOA or the Building Commission at this step in the process to deposit some or all of the net proceeds into the capital improvement fund for use as a substitute source of funding for a project enumerated under the authorized state building program that is within the same statutory bond purpose, as defined in the bill, as the property that is sold or leased. At this step in the process, DOA or the Building Commission may not deposit more proceeds in the capital improvement fund than would have been used to retire the debt associated with the property.

Next, current law specifies several required uses of the remaining net proceeds. For example, if the sold or leased property was acquired, constructed, or improved with federal financial assistance, DOA or the Building Commission must pay to the federal government any of the net proceeds required by federal law. Once those required payments are satisfied, any remaining net proceeds must be used to pay principal and interest costs on outstanding public debt issued to finance the acquisition, construction, or improvement of property. The bill again authorizes DOA or the Building Commission at this step to deposit some or all of the net proceeds into the capital improvement fund for use as a substitute source of funding for a project enumerated under the authorized state building program that is within the same statutory bond purpose as the property that is sold or leased.

Finally, if net proceeds remain after the first two steps in the process, current law requires that the net proceeds be used to retire other outstanding public debt. The bill authorizes DOA or the Building Commission at this step to deposit some or all of the net proceeds into the capital improvement fund for use as a substitute source of funding for any statutory bond purpose.

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:***

**SECTION 1.** 13.48 (14) (a) of the statutes is renumbered 13.48 (14) (a) (intro.)

and amended to read:

13.48 (14) (a) (intro.) In this subsection, “agency”:

1. “Agency” has the meaning given in s. 16.52 (7).

**SECTION 2.** 13.48 (14) (a) 2. of the statutes is created to read:

13.48 (14) (a) 2. “Statutory bond purpose” means a purpose specified in s. 20.866 (2) (s) to (zz), but not including any purpose specified in s. 20.866 (2) (s) 1., (z) 1m. to 4m., and (zj) 1. and 2.

**SECTION 3.** 13.48 (14) (c) (intro.) of the statutes is amended to read:

13.48 (14) (c) (intro.) Except as provided in par. (e), if there is any outstanding public debt used to finance the acquisition, construction, or improvement of any property that is sold or leased under par. (am), the building commission shall deposit

a sufficient amount of the net proceeds from the sale or lease of the property in the bond security and redemption fund under s. 18.09 to repay the principal and pay the interest on the debt, and any premium due upon ~~refunding~~ redeeming any of that debt, except that the commission may deposit some or all of the net proceeds, not to exceed the amount the commission would have deposited in the bond security and redemption fund, in the capital improvement fund for use as a substitute source of funding under s. 20.924 (1) (em) for a project enumerated under the authorized state building program that is within the same statutory bond purpose as the property sold or leased under par. (am). If there is any outstanding public debt used to finance the acquisition, construction, or improvement of any property that is sold or leased under par. (am), the building commission shall then provide a sufficient amount of the net proceeds from the sale or lease of the property for the costs of maintaining federal tax law compliance applicable to the debt. If the property was acquired, constructed, or improved with federal financial assistance, the commission shall pay to the federal government any of the proceeds required by federal law. If the property was acquired by gift or grant or with gift or grant funds, the commission shall adhere to any restriction governing use of the proceeds. Except as required under par. (e) and ss. 20.395 (9) (qd) and 51.06 (6), if there is no such debt outstanding, there are no moneys payable to the federal government, and there is no restriction governing use of the proceeds, and if the net proceeds exceed the amount required to be deposited, paid, or used for another purpose under this subsection, the building commission shall use the net proceeds or remaining net proceeds to pay principal and interest costs on outstanding public debt issued to finance the acquisition, construction, or improvement of property, except that the commission may deposit some or all of the net proceeds in the capital improvement fund for use as a substitute source of

**SECTION 3**

funding under s. 20.924 (1) (em) for a project enumerated under the authorized state building program that is within the same statutory bond purpose as the property sold or leased under par. (am). If any net proceeds remain thereafter, the commission shall use the proceeds to pay principal and interest costs on other outstanding public debt, except that the commission may deposit some or all of the net proceeds in the capital improvement fund for use as a substitute source of funding under s. 20.924 (1) (em) for any statutory bond purpose. For the purpose of paying principal and interest costs on other outstanding public debt under this paragraph, the commission may cause outstanding bonds to be called for redemption on or following their optional redemption date, establish one or more escrow accounts to redeem bonds at their optional redemption date, or purchase bonds in the open market. For the purpose of using an amount deposited under this paragraph as a substitute source of funding under s. 20.924 (1) (em), the commission shall determine which projects to fund and shall authorize expenditures for those projects. To the extent practical, the commission shall consider all of the following in determining which public debt to redeem, whether to use any net proceeds as a substitute source of funding under s. 20.924 (1) (em), and which projects to fund:

**SECTION 4.** 13.48 (14) (c) 3. of the statutes is amended to read:

13.48 (14) (c) 3. The fiscal benefit of redeeming outstanding debt with higher interest costs and the costs of establishing an escrow needed to redeem the outstanding debt.

**SECTION 5.** 13.48 (14) (c) 4. of the statutes is amended to read:

13.48 (14) (c) 4. The costs of maintaining federal tax law compliance in the selection of general obligation debt to be redeemed or the project to be financed under s. 20.924 (1) (em).

**SECTION 6.** 13.48 (14) (cf) of the statutes is created to read:

13.48 (14) (cf) If, under par. (c), the commission deposits an amount in the capital improvement fund for use as a substitute source of funding under s. 20.924 (1) (em), the amount of public debt that may be contracted under the statutory bond purpose for which the amount deposited under par. (c) is used as a substitute source of funding shall be reduced by the amount used as a substitute source of funding for that statutory bond purpose.

**SECTION 7.** 13.48 (14) (cm) of the statutes is amended to read:

13.48 (14) (cm) If there are any outstanding revenue obligations, issued pursuant to subch. II of ch. 18, used to finance the acquisition, construction, or improvement of any property that is sold or leased under par. (am), the commission shall adhere to any restrictions in the authorizing resolution of the revenue obligations governing the use of the proceeds. To the extent the authorizing resolution does not restrict such use, the commission shall deposit a sufficient amount of the net proceeds from the sale or lease of the property in the respective redemption fund provided under s. 18.561 (5) or 18.562 (3) to repay the principal and pay the interest on the revenue obligations, and any premium due upon refunding redeeming any of the revenue obligations, or shall deposit an amount in the appropriate fund under s. 18.57 or apply the amount for a purpose for which similar revenue obligations may be issued under s. 18.53 (3) or (4). If there are any outstanding revenue obligations, issued pursuant to subch. II of ch. 18, used to finance the acquisition, construction, or improvement of any property that is sold or leased under par. (am), the commission shall then provide a sufficient amount of the net proceeds from the sale or lease of the property for the costs of maintaining federal tax law compliance applicable to the revenue obligations. For the purpose of paying

principal and interest costs on ~~other~~ outstanding revenue obligations, the commission may cause outstanding revenue obligations to be called for redemption on or following their optional redemption date, establish one or more escrow accounts to redeem obligations at their optional redemption date, or purchase bonds on the open market. Except as required under par. (e) and ss. 20.395 (9) (qd) and 51.06 (6), if the net proceeds exceed the amount required to be deposited, paid, or used for another purpose under this paragraph, the department shall use the net proceeds or the remaining net proceeds to pay principal and interest costs on other similar revenue obligations or for a purpose for which similar revenue obligations may be issued under s. 18.53 (3) or (4).

**SECTION 8.** 13.48 (14) (ct) of the statutes is created to read:

13.48 (14) (ct) If under par. (cm) the commission deposits net proceeds into an appropriate fund provided in s. 18.57 or applies net proceeds for a purpose for which revenue obligations may be issued, the amount of revenue obligations authorized under s. 18.54 (2) shall be reduced by the amount deposited or applied.

**SECTION 9.** 16.848 (4) (a) of the statutes is renumbered 16.848 (4) (ag) and amended to read:

16.848 (4) (ag) Except as provided in s. 13.48 (14) (e), if there is any outstanding public debt used to finance the acquisition, construction, or improvement of any property that is sold or leased under sub. (1), the department shall deposit a sufficient amount of the net proceeds from the sale or lease of the property in the bond security and redemption fund under s. 18.09 to repay the principal and pay the interest on the debt, and any premium due upon ~~refunding~~ redeeming any of the debt, except that the department may deposit some or all of the net proceeds, not to exceed the amount the department would have deposited in the bond security and

redemption fund, in the capital improvement fund for use as a substitute source of funding under s. 20.924 (1) (em) for a project enumerated under the authorized state building program that is within the same statutory bond purpose as the property sold or leased under sub. (1). If there is any outstanding public debt used to finance the acquisition, construction, or improvement of any property that is sold or leased under sub. (1), the department shall then provide a sufficient amount of the net proceeds from the sale or lease of the property for the costs of maintaining federal tax law compliance applicable to the debt. If the property was acquired, constructed, or improved with federal financial assistance, the department shall pay to the federal government any of the net proceeds required by federal law. If the property was acquired by gift or grant or acquired with gift or grant funds, the department shall adhere to any restriction governing use of the proceeds. Except as required under ss. 13.48 (14) (e), 20.395 (9) (qd), and 51.06 (6), if there is no such debt outstanding, there are no moneys payable to the federal government, and there is no restriction governing use of the proceeds, and if the net proceeds exceed the amount required to be deposited, paid, or used for another purpose under this subsection, the department shall use the net proceeds or remaining net proceeds to pay principal and interest costs on outstanding public debt issued to finance the acquisition, construction, or improvement of property, except that the department may deposit some or all of the net proceeds in the capital improvement fund for use as a substitute source of funding under s. 20.924 (1) (em) for a project enumerated under the authorized state building program that is within the same statutory bond purpose as the property sold or leased under sub. (1). If any net proceeds remain thereafter, the department shall use the proceeds to pay principal and interest costs on other outstanding public debt, except that the department may deposit some or all of the

net proceeds in the capital improvement fund for use as a substitute source of funding under s. 20.924 (1) (em) for any statutory bond purpose.

**SECTION 10.** 16.848 (4) (ab) of the statutes is created to read:

16.848 (4) (ab) In this subsection, “statutory bond purpose” has the meaning given in s. 13.48 (14) (a) 2.

**SECTION 11.** 16.848 (4) (am) of the statutes is created to read:

16.848 (4) (am) If, under par. (ag), the department deposits an amount in the capital improvement fund for use as a substitute source of funding under s. 20.924 (1) (em), the amount of public debt that may be contracted under the statutory bond purpose for which the amount deposited under par. (ag) is used as a substitute source of funding shall be reduced by the amount used as a substitute source of funding for that statutory bond purpose.

**SECTION 12.** 16.848 (4) (b) (intro.) of the statutes is amended to read:

16.848 (4) (b) (intro.) For the purpose of paying principal and interest costs on other outstanding public debt under par. (a) ~~(ag)~~, the secretary may cause outstanding bonds to be called for redemption on or following their optional redemption date, establish one or more escrow accounts to redeem bonds at their optional redemption date, or purchase bonds in the open market. For the purpose of using an amount deposited under par. (ag) as a substitute source of funding under s. 20.924 (1) (em), the department shall determine which projects to fund and shall authorize expenditures for those projects. To the extent practical, the secretary shall consider all of the following in determining which public debt to redeem, whether to use any net proceeds as a substitute source of funding under s. 20.924 (1) (em), and which projects to fund:

**SECTION 13.** 16.848 (4) (b) 4. of the statutes is amended to read:



16.848 (4) (b) 4. The fiscal benefit of redeeming outstanding debt with higher interest costs and the costs of establishing an escrow needed to redeem the outstanding debt.

**SECTION 14.** 16.848 (4) (b) 5. of the statutes is amended to read:

16.848 (4) (b) 5. The costs of maintaining federal tax law compliance in the selection of general obligation debt to be redeemed or the project to be financed under s. 20.924 (1) (em).

**SECTION 15.** 16.848 (4) (c) of the statutes is amended to read:

16.848 (4) (c) If there are any outstanding revenue obligations, issued pursuant to subch. II of ch. 18, used to finance the acquisition, construction, or improvement of any property that is sold or leased under sub. (1), the department shall adhere to any restrictions in the authorizing resolution of the revenue obligations governing the use of the proceeds. To the extent the authorizing resolution does not restrict such use, the department shall deposit a sufficient amount of the net proceeds from the sale or lease of the property in the respective redemption fund provided under s. 18.561 (5) or 18.562 (3) to repay the principal and pay the interest on the revenue obligations, and any premium due upon ~~refunding~~ redeeming any of the revenue obligations, or shall deposit an amount in the appropriate fund under s. 18.57 or apply the amount for a purpose for which similar revenue obligations may be issued under s. 18.53 (3) or (4). If there are any outstanding revenue obligations, issued pursuant to subch. II of ch. 18, used to finance the acquisition, construction, or improvement of any property that is sold or leased under sub. (1), the department shall then provide a sufficient amount of the net proceeds from the sale or lease of the property for the costs of maintaining federal tax law compliance applicable to the revenue obligations. For the purpose of paying principal and interest costs on ~~other~~

outstanding revenue obligations, the secretary may cause outstanding revenue obligations to be called for redemption on or following their optional redemption date, establish one or more escrow accounts to redeem obligations at their optional redemption date, or purchase bonds on the open market. Except as required under ss. 13.48 (14) (e), 20.395 (9) (qd), and 51.06 (6), if the net proceeds exceed the amount required to be deposited, paid, or used for another purpose under this paragraph, the department shall use the net proceeds or remaining net proceeds to pay principal and interest costs on other similar revenue obligations or for a purpose for which similar revenue obligations may be issued under s. 18.53 (3) or (4).

**SECTION 16.** 16.848 (4) (d) of the statutes is created to read:

16.848 (4) (d) If under par. (c) the department deposits net proceeds into an appropriate fund provided in s. 18.57 or applies net proceeds for a purpose for which revenue obligations may be issued, the amount of revenue obligations authorized under s. 18.54 (2) shall be reduced by the amount deposited or applied.

**SECTION 17.** 20.924 (1) (em) of the statutes is amended to read:

20.924 (1) (em) May substitute any available source of funding in whole or in part for borrowing authority under s. 20.866 (2) (s) to ~~(zm)~~ and (zz) that is authorized to be used to fund a project enumerated under the authorized state building program.

(END)