WISCONSIN LEGISLATIVE COUNCIL
AMENDMENT MEMO

2003 Senate Bill 77	Assembly Substitute Amendment 1 and Senate Amendment 1
Memo published: **July 1, 2003**	*Contact*: **William Ford, Senior Staff Attorney (266-0680)**

Senate Bill 77

Senate Bill 77 contains a number of provisions designed to facilitate the payment by Milwaukee Public Schools (MPS) of its unfunded prior service liability to the Wisconsin Retirement System (WRS). (Because debts to the WRS are subject to interest at the assumed rate of 8%, and because local governments can borrow money at less than 8% interest, it is expected that MPS will save money by borrowing the funds to pay off its unfunded prior service liability early.) Senate Bill 77 contains the following provisions:

1. The bill would delete the statutory authorization for MPS to require the City of Milwaukee to issue promissory notes to pay unfunded prior service liability to the WRS and instead would authorize MPS to request the City of Milwaukee to do so.

2. The bill would provide that any promissory notes issued may be repaid over a 20-year period, rather than the 10-year period authorized under current law.

3. The bill would provide that any promissory notes issued by the City of Milwaukee to pay the unfunded prior service liability for MPS would not count against the statutory limitations that debt may not exceed 5% of equalized valuation. Instead, the promissory notes would be subject to a separate statutory limitation that debt issued for capital projects for school purposes and debt to pay unfunded prior service liability may not exceed 2% of equalized valuation.

4. The bill would require the MPS board to include in its budget transmitted to the City of Milwaukee Common Council the amount necessary to pay the principal of and interest and redemption premium on the notes as they become due. In addition, the bill would specify that the City of Milwaukee Common Council may issue the notes at a public sale (current law says they may be issued only at a private sale).

Assembly Substitute Amendment 1

Assembly Substitute Amendment 1 would retain the provisions of Senate Bill 77 relating to the issuance of promissory notes by the City of Milwaukee upon the request of MPS. In addition, the substitute amendment would increase the City of Milwaukee's budgetary authorization for borrowing in 2003 by $200 million for the purposes of issuing promissory notes under the substitute amendment and would provide that the notes may be omitted from the city's 2003 budget.

The substitute amendment would also provide an alternative means by which MPS could pay off its unfunded prior service liability early. Under this alternative, the Redevelopment Authority of the City of Milwaukee will be authorized to issue up to $200 million in bonds to finance or refinance the payment of unfunded prior service liability of MPS, if requested by the MPS board. The substitute amendment would authorize these bonds to have a maturity of up to 40 years.

In addition, the substitute amendment provides that MPS may not request the City of Milwaukee Common Council to issue promissory notes or request the Redevelopment Authority of the City of Milwaukee to issue bonds for the purpose of paying unfunded prior service liabilities unless it develops information on both options and chooses the option that is in the best public interest.

The substitute amendment also authorizes, but does not require, the Redevelopment Authority to secure the $200 million of bonds under the substitute amendment with a state moral obligation pledge.

If the Redevelopment Authority chooses to designate special debt service reserve funds for repayment of the bonds, a number of separate provisions would apply. These provisions are summarized below.

1. The Redevelopment Authority would be required to establish a special debt service reserve fund to apply to each bond issue secured by a state moral obligation pledge.

2. The Secretary of Administration determines that:

   a. The bond proceeds will be used to pay unfunded prior service liability.

   b. There is a reasonable likelihood that the bonds will be repaid without the necessity of drawing on funds in a special debt service reserve fund.

   c. The principal amount of all bonds, other than refunding bonds, that would be secured by all special debt service reserve funds will not exceed $200 million.

   d. All refunding bonds to be secured by the special debt service reserve fund are issued to fund, refund, or advance refunding bonds secured by a special debt service reserve fund and that the refunding will not adversely affect the risk that the state will be called on to make a payment under its moral obligation pledge.

   e. All outstanding bonds of the Redevelopment Authority have been approved by the Secretary of Administration.

   f. The Redevelopment Authority has agreed to provide to the Department of

Administration all financial reports of the authority and all regular monthly statements of any trustee of the bonds on a direct and ongoing basis.

3. The Redevelopment Authority would be required to pay into the special debt service reserve fund any moneys available to the authority for the purpose of the special debt service reserve fund and all moneys held in the fund would be required to be used solely for the payment of the principal on the bonds, the making of sinking fund payments with respect to the bonds, the purchase or redemption of the bonds, the payment of interest on the bonds, or the payment of any redemption premium required to be paid when the bonds are redeemed prior to maturity.

4. If at any time of valuation the special debt service reserve fund requirement exceeds the amount of money in the special debt service reserve fund, the redevelopment authority is required to certify to the Secretary of Administration the amount necessary to make up the difference. The substitute amendment would require the Joint Committee on Finance to introduce a bill appropriating the amount certified by the Redevelopment Authority. The substitute amendment states that the Legislature expresses its expectation and aspiration that, if ever called upon to do so, it shall appropriate this money.

Senate Amendment 1 to Assembly Substitute Amendment 1

Senate Amendment 1 to Assembly Substitute Amendment 1 deletes from the substitute amendment the option for the Redevelopment Authority to secure the $200 million of bonds with a state moral obligation pledge.

Legislative History

Assembly Substitute Amendment 1 was introduced by Representative Michael Lehman and was adopted by the Assembly on June 25, 2003 by a vote of Ayes, 51; Noes, 41. As amended, Senate Bill 77 was approved by the Assembly on June 25, 2003 by a vote of Ayes, 78; Noes, 13; and Paired, 2.

Senate Amendment 1 to Assembly Substitute Amendment 1 to 2003 Senate Bill 77 was introduced by Senator Cowles and was adopted by the Senate on July 1, 2003 by a vote of Ayes, 32; Noes, 1. The Senate concurred in Assembly Substitute Amendment 1 as amended.

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