State of Wisconsin
2019 - 2020 LEGISLATURE

LRB-0438/1
EVM:kjf

2019 BILL

AN ACT ***to amend*** 38.20 (2) (e) and 67.12 (12) (a) of the statutes; **relating to:** promissory notes of certain public bodies.

Analysis by the Legislative Reference Bureau

This bill is explained in the NOTES provided by the Joint Legislative Council in the bill.

For further information see the ***local*** 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:

JOINT LEGISLATIVE COUNCIL PREFATORY NOTE: This bill was prepared for the Joint Legislative Council's Study Committee on the Investment and Use of the School Trust Funds. Key provisions of the bill are summarized below.

A municipality, generally defined as a public body that is authorized to levy a tax and to borrow money and issue obligations to repay the money out of public funds or revenues, may borrow money and issue municipal obligations for specific purposes. A municipality may issue a bond for any public purpose project, which is a project involving the acquisition, leasing, planning, design, construction, development, extension, enlargement, renovation, rebuilding, repair, or improvement of land, waters, property, highways, buildings, equipment, or facilities. A municipality may issue a promissory note for any public purpose, which is the performance of any municipal power or duty.

A municipality may borrow money from the Board of Commissioners of Public Lands (BCPL) by executing a "certificate of indebtedness," which is distinct from a bond or promissory note. The BCPL may loan money through certificates of indebtedness for the purposes for which municipal bonds or notes may be issued or for other purposes "authorized by law."

Current law requires a bond to be repaid within 20 years, and requires that, with several exceptions, a promissory note must be repaid within 10 years after the original date of the note. It is the BCPL's practice to loan funds through certificates of indebtedness for up to 10 years if the money is to be used for a public purpose and for up to 20 years if the money is to be used for a public purpose project.

This bill increases the permissible term for a promissory note. Under the bill, a promissory note issued by a municipality for any public purpose must be repaid within 20 years after the original date of the note.

SECTION 1. 38.20 (2) (e) of the statutes is amended to read:

38.20 **(2)** (e) The district purchasing property under this subsection may, with approval of the city council or village board involved, pay the purchase price by issuing and delivering directly to the city or village the general obligation promissory notes or the notes of the district under s. 67.12 (12), except that no referendum may be held and the ~~10-year~~ <u>20-year</u> limitation on such notes shall be inapplicable to such notes issued under this paragraph. Such notes shall mature and be payable at such times, in such amounts and at such rate of interest as will amortize and pay when due the principal and interest on the outstanding obligations of the city or village for technical college purposes. All such notes, upon execution and delivery to the city or village, shall in all respects be held and considered as an authorized investment under s. 66.0603 (1m) or 67.11 (2) and (3) of the debt service fund created for payment of the city or village obligations issued for technical college purposes and shall be offset against city or village indebtedness in computing legal debt limit to the same extent as other authorized investments of the debt service fund and such notes may be sold and hypothecated. If the offset against city or village indebtedness under this paragraph is determined to be invalid in any respect, such city or village immediately may require the district issuing the promissory notes to such city or village to comply with pars. (c) and (d) to the extent necessary to cure such invalidity.

SECTION 2. 67.12 (12) (a) of the statutes is amended to read:

67.12 **(12)** (a) Any municipality may issue promissory notes as evidence of indebtedness for any public purpose, as defined in s. 67.04 (1) (b), including but not limited to paying any general and current municipal expense, and refunding any municipal obligations, including interest on them. Each note, plus interest if any, shall be repaid ~~within 10 years after the original date of the note, except that notes issued under this section for purposes of ss. 119.498, 281.58, 281.59, 281.60, 281.61, and 292.72, issued to raise funds to pay a portion of the capital costs of a metropolitan sewerage district, or issued by a 1st class city or a county having a population of 750,000 or more, to pay unfunded prior service liability with respect to an employee retirement system, shall be repaid~~ within 20 years after the original date of the note.

(END)