

APPROPRIATION OBLIGATION BONDS

| Budget Summary | | | | | | | |
|-----------------------|---------------|---------------|-----------------|-----------------|-----------------|--------------------|----------------|
| Fund | 2022-23 Base | 2023-25 | 2023-25 | 2023-25 | 2023-25 | Act 19 Change Over | |
| | Year Doubled | Governor | Jt. Finance | Legislature | Act 19 | Base Year Doubled | Amount Percent |
| GPR | \$622,359,600 | \$646,207,700 | \$1,046,207,700 | \$1,046,207,700 | \$1,046,207,700 | \$423,848,100 | 68.1% |

| FTE Position Summary |
|--|
| There are no full time positions associated with appropriation obligation bonds. |

Budget Change Items

1. APPROPRIATION OBLIGATION BOND DEBT SERVICE REESTIMATE -- PENSION BONDS [LFB Paper 106]

| | |
|-----------|-------------------|
| GPR | \$15,272,300 |
| GPR-Lapse | <u>13,963,000</u> |
| Net GPR | \$29,235,300 |

Governor/Legislature: Reduce funding by \$1,701,000 in 2023-24 and increase funding by \$16,973,300 in 2024-25 to reflect the required debt service appropriation level associated with the appropriation obligation bonds issued to pay the state's Wisconsin Retirement System unfunded prior service liability as well as the accumulated sick leave conversion credit program liability. Under the legal agreements governing the appropriation bonds, the annual debt service appropriation for repayment of the bonds in the second year of each biennium must equal the maximum possible payment that could be made in that second year or the following year. Compared to the base level funding of \$199,760,900, a smaller payment is scheduled in 2023-24 and larger payments are scheduled in 2024-25 and 2025-26. Therefore, the GPR appropriation is decreased in 2023-24 and increased in 2024-25 compared to the biennium's base level funding.

Any moneys not needed to pay the actual amount of debt service lapse (revert) to the general fund and are shown as a GPR-Lapse. In 2022-23, it was estimated that \$12,811,800 would lapse to the general fund. The Department of Administration (DOA) anticipates lapses of \$750,000 in 2023-24 and \$10,910,600 in 2024-25. The net effect of these adjustments would be an increase in net expenditures of \$29,235,300, as shown in the table below.

Pension Bonds

| | Base Year <u>2022-23</u> | <u>2023-24</u> | <u>2024-25</u> | Change to Base <u>Year Doubled</u> |
|-----------|-----------------------------|-----------------|--------------------|---------------------------------------|
| GPR | \$199,760,900 | \$198,059,900 | \$216,734,200 | \$15,272,300 |
| GPR-Lapse | <u>-12,811,800</u> | <u>-750,000</u> | <u>-10,910,600</u> | <u>13,963,000</u> |
| Net GPR | \$186,949,100 | \$197,309,900 | \$205,823,600 | \$29,235,300 |

2. APPROPRIATION OBLIGATION BOND DEBT SERVICE REESTIMATE -- TOBACCO BONDS [LFB Paper 106]

| | |
|-----------|-------------------|
| GPR | \$8,575,800 |
| GPR-Lapse | <u>19,082,200</u> |
| Net GPR | \$27,658,000 |

Governor/Legislature: Reduce funding by \$212,000 in 2023-24 and increase funding by \$8,787,800 in 2024-25 to reflect the required debt service appropriation level associated with the appropriation obligation bonds issued in 2009 to finance the outstanding bonds of the Badger Tobacco Asset Securitization Corporation, under which the state regained the rights to its tobacco settlement payments. Under the legal agreements governing the appropriation bonds, the annual debt service appropriation for the repayment of the bonds in the second year of each biennium must equal the maximum possible payment that could be made in that year or the following year. Compared to the base level funding of \$111,418,900, a smaller payment is scheduled for 2023-24 and larger payments are scheduled in 2024-25 and 2025-26. Therefore, the GPR appropriation is decreased in 2023-24 and increased in 2024-25 compared to base level funding.

Any moneys not needed to pay the actual amount of debt service lapse (revert) to the general fund and are shown as a GPR-Lapse. In 2022-23, it was estimated that \$9,807,100 would lapse to the general fund. DOA anticipates lapses of \$5,000 in 2023-24 and \$527,000 in 2024-25. The net effect of these adjustments would be an increase in net expenditures of \$27,658,000, as shown in the table below.

Tobacco Bonds

| | Base Year <u>2022-23</u> | <u>2023-24</u> | <u>2024-25</u> | Change to Base <u>Year Doubled</u> |
|-----------|-----------------------------|----------------|-----------------|---------------------------------------|
| GPR | \$111,418,900 | \$111,206,900 | \$120,206,700 | \$8,575,800 |
| GPR-Lapse | <u>-9,807,100</u> | <u>-5,000</u> | <u>-527,000</u> | <u>19,082,200</u> |
| Net GPR | \$101,611,800 | \$111,201,900 | \$119,679,700 | \$27,658,000 |

3. PAY OFF TOBACCO SETTLEMENT APPROPRIATION OBLIGATION DEBT [LFB Paper 236]

| | |
|-----|---------------|
| GPR | \$400,000,000 |
|-----|---------------|

Joint Finance/Legislature: Provide \$400,000,000 in 2023-24 in the existing appropriation used to pay debt service on the appropriation obligation bonds issued to repurchase the rights to the state's tobacco settlement revenues for the purpose of defeasing or using a tender offer to pay off outstanding bonds.