



WISCONSIN LEGISLATIVE COUNCIL ACT MEMO

2003 Wisconsin Act 43 [2003 Senate Bill 77]	Bonding to Pay Pension Debts of Milwaukee Public Schools
2003 Acts: www.legis.state.wi.us/2003/data/acts/	Act Memos: www.legis.state.wi.us/lc/act_memo/act_memo.htm

2003 Wisconsin Act 43 (Act 43) 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.) Act 43 contains the following provisions:

1. It 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. It 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. It 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. It 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 Act 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).

This memo provides a brief description of the Act. For more detailed information, consult the text of the law and related legislative documents.

5. It 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 Act and would provide that the notes may be omitted from the city's 2003 budget.

Act 43 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 is 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 Act would authorize these bonds to have a maturity of up to 40 years.

Act 43 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.

Effective Date: Act 43 took effect on August 26, 2003.

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