

# Urban and Local Affairs

## AB 33 – Milwaukee public debt amortization fund

Rep. Fields

### Summary of Bill AB 33:

*Assembly Bill 33-- Makes three technical changes that bring state law in line with the current municipal financial practices in the City of Milwaukee, specifically Milwaukee's Public Debt Amortization Fund (PDAF).*

*The PDAF was established by State Statutes in the early 1900's to assist the City in the management of its outstanding general obligation debt. The original intent was to accumulate funds, and when the PDAF became large enough, to payoff the City's debt. However, the revenues accumulating in the fund have long been insufficient to pay it off. Therefore, the PDAF is now used as a tool to assist in the annual management of the city's tax levy for debt.*

*AB 33 proposes three simple changes:*

*Proposed Change to 67.101(7): The section specifies the annual report on the PDAF is to be delivered on or about January 15<sup>th</sup> of each year. This information is contained within the city's Comprehensive Annual Financial Report (CAFR), which is not typically available until the middle of the year. The legislation proposes to change the date to September 30<sup>th</sup> in order to better match the availability of the CAFR.*

*Proposed Change to 67.101(11)(a)1: The statute currently specifically permits the PDAF to purchase City bonds. The context of the language implies securities of the City, but we would like it clarified to be: "City bonds, notes, and other securities", which is similar to wording found later in the statute.*

*Proposed Change to 67.101(13): The section permits the PDAF to "acquire for cancellation" debt of the City. During the budget process, it is desirable to target the acquisition and cancellation of debt in the related budget year (i.e. 2007 for the budget prepared in 2006). Due to the difficulty of acquiring publicly held debt, the City now issues General Obligation (GO) Notes, the purpose of which is to supplement the balance of the Debt Service Fund. The GO Notes are then acquired and cancelled by the PDAF. The increased balance of the Debt Service Fund can then be used to decrease the tax levy for debt. This is a very cumbersome process. Therefore, this bill draft proposes to allow the city to directly apply the funds from the PDAF to the pay debt service on outstanding debt, in lieu of the simultaneous acquisition and cancellation of new debt.*

### Fiscal Effect:

*The Fiscal Estimate from DOA lists the cost as indeterminate. DOA does not have sufficient information to determine the financial health of Milwaukee's public debt amortization fund, or to determine what decisions the public debt commission would make with the expanded ability to invest in city notes and securities and pay the principal and interest on GO bonds or notes without regard to the maturity date of the bond or note.*

*The Department of Revenue feels that there will be no local government costs as the bill is not expected to have a significant effect on the operation of Milwaukee's public debt amortization fund. Therefore, DOR believes the bill will not have a significant effect on the city's property tax levy.*

### Supporters Message:

These are technical changes to help streamline the process in the case of the City of Milwaukee. These changes do make sense to allow them more flexibility.

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### Key Supporters:

Representative Jason Fields, City of Milwaukee.

### Key Opponents:

No one testified or registered against AB33 and no one registered against it with the Ethics Board.

### Committee Vote:

On May 5, 2009 the Assembly Committee on Urban & Local Affairs held an Executive session and voted 8-0 to send this bill to the committee on rules.

### Staff Author of Bill Summary

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