



WISCONSIN ACCOUNTING MANUAL

Department of Administration – State Controller’s Office

Section	06	EXPENDITURES AND TRAVEL	Effective Date	7/1/2015
Sub-section	12	Debt Service	Revision Date	4/30/2015
SAM Ref	n/a			

BACKGROUND

The state has two types of debt, fixed rate debt and variable rate debt. Fixed rate debt examples are:

- **General Obligation (GO) Bonds:** Unconditionally backed by the full faith and credit of the State of Wisconsin. This pledge to repay is found in Article VIII, Section 7(2)(f) of the State Constitution.
- **Revenue Bonds:** Secured by pledges of revenues or property derived from the operations of the state programs funded by the revenue obligations. Such examples are state transportation revenue bonds and clean water revenue bonds.
- **Appropriation Obligation Bonds:** Bonds issued by the state where repayment is subject to annual appropriation by the Legislature. Because repayment of these bonds is not earmarked from particular revenue streams, they are backed by the state’s moral obligation to appropriate sufficient funds to repay the debt.

Variable rate debt examples are:

- **GO Commercial Paper (CP):** For short-term maturities of 270 days or less. These notes provide periods of flexibility when the state considers issuing long term bonds and takes advantage of lower short term borrowing rates.
- **GO Extendible Municipal Commercial Paper (EMCP):** Commercial paper with roll-over provisions that can be used in lieu of paying off maturing paper.
- **Operating Notes:** Financial obligations typically used to support the cash flow operations of the general fund. These are repaid during the fiscal year in which they are issued.
- **Master Lease Program:** Debt program administered by the Department of Administration. Debt is comprised of a mix of a revolving line of credit and the issuance of certificates of participation.

Limits to aggregate amounts and specific purposes for contracting general obligation debt is enumerated under s. 20.866 of the Wisconsin Statutes. Chapter 18 of the statutes establishes the requirements and procedures for issuing and administering the state’s debt. Revenue bond program debt authority and appropriation obligation bonding authority are set by legislation.

This chapter will detail the policies and procedures for debt servicing related to GO bonds, GO commercial paper, GO extendible municipal commercial paper and the master lease program.



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POLICIES

1. Premiums received by the state when issuing bonds are to be used to cover expenditures incurred in the s. 20.866 program that incurred the debt rather than reducing the current year debt servicing requirements of the s. 20.866 program.
2. Using these premiums are reductions in the available amounts for contracting public debt.
3. Debt servicing for GO Bonds must be received from state agencies and deposited into segregated accounts (sinking funds) within the Bond Security & Redemption Fund at least 15 days prior to May 1 and November 1 of each year.
4. The frequency of debt servicing for variable rate debt is determined by DOA and is generally due from the agencies into the Capital Improvement Fund by the date of the aggregate state payment.

PROCEDURES

1. Detailed procedures to be determined