



Wisconsin's Finances: Debt and Borrowing

What you Need to Know

SUMMARY: Unlike the federal government, Wisconsin is required by its Constitution to have a balanced budget. While this means that Wisconsin does not run deficits to fund operations, it does have the authority to create debt by bonding for capital projects, a limited number of programs using segregated funds and transportation construction. This memo describes the types of debt used by the state, the new debt authorized under the most recent budget bill, and Wisconsin's outstanding debt obligations.

FAST FACTS: Most Recent Data on State Debt

As of June 2022 (most recent data from DOA), Wisconsin holds \$13,122,300,000 in debt which equates to roughly \$2,226 per capita.¹ Below is a breakdown of the state's debt by bond and purpose:

Current Outstanding Debt²

General Obligation Bonds and Notes	\$7,467,700,000
Annual Appropriation Bonds	\$2,703,200,000
Transportation Revenue Bonds	\$1,885,200,000
Leases	\$599,900,000
Environmental Improvement Revenue Bonds	\$398,600,000
Certificates Of Participation	\$67,600,000

TYPES OF DEBT

General Obligation Bonds. These are bonds for general purpose that are backed by the full faith and credit of the state of Wisconsin. They are commonly used to fund state building projects and large state expenditures.

Transportation Revenue Bonds. Transportation Revenue Bonds are secured by revenue collected from vehicle registrations, the gas tax, and other DOT fees and are held in the segregated Transportation Fund.

Leases. Leases are the value of all leases signed by the State for longer than 12 months. This can include leases for equipment, vehicles, real estate, or those included in service contracts. GAAP accounting standards require leases to be counted as liabilities.³

Certificates of Participation. Is an alternative to traditional bonding in which the state receives financing from investors that is secured using revenue from leased property.

Annual Appropriation Bonds - These bonds are secured by appropriations approved by the legislature.

2023 WISCONSIN ACT 19 – THE 2023-2025 STATE BUDGET. The Legislature took advantage of the state's \$7 billion surplus to limit bonding and pay off existing debt. The budget authorized a total

¹ Department of Administration, [2022 Annual Comprehensive Financial Report](#) (ACFR)

² Amounts listed here match those listed on page 241 of the [ACFR](#)

³ Lease Accounting Blog, [ASC 842 & Other Lease Accounting Topics](#), October 31, 2022

bonding of \$681,099,900, a 59.3% decrease in bonding when compared to the 2021-2023 budget which authorized bonding of \$1,676,054,600. There was no Transportation Revenue Bonding; however, the legislature did authorize funding for general obligation bonding to pay for the Blatnik Bridge which connects Superior and Duluth. Despite the increased use of cash payments in lieu of borrowing, the state is estimated to have an almost \$4 billion surplus at the end of biennium, mostly due to Governor Evers' veto of the Legislature's income tax cut.⁴

General Obligation and Revenue Bonding (2023-2025 Budget)

<u>Department of Administration</u>	
<i>Energy conservation projects</i>	<i>\$25,000,000</i>
<i>Housing state agency</i>	<i>\$39,878,000</i>
<i>Environmental Improvement Program⁵</i>	<i>\$46,000,000</i>
<u>Department of Natural Resources</u>	
<i>SEG revenue supported facilities</i>	<i>\$30,568,900</i>
<u>State Fair Park Board</u>	
<i>Self-amortizing facilities</i>	<i>\$12,350,000</i>
<u>Department of Transportation</u>	
<i>Blatnik Major Interstate Bridge</i>	<i>\$352,800,000</i>
<u>University of Wisconsin System</u>	
<i>Self-amortizing facilities</i>	<i>\$164,922,000</i>
<u>Department of Veterans Affairs</u>	
<i>Self-amortizing facilities</i>	<i>\$9,581,000</i>
Bonding Total	\$681,099,900

Debt Service

Every budget includes appropriations to pay the principal and interest payments for outstanding state debt. The budget bill appropriated \$1,795,043,400 over the biennium for debt service; \$860,420,100 in 2024 and \$934,623,300 in 2025. This is similar to the \$1,796,539,800 appropriated in the 2021-2023 biennium.

Wisconsin's Bond rating⁶

Wisconsin prudent debt management has resulted in improvement to the state's credit ratings. In August 2021, S&P Global Ratings increased Wisconsin's credit ratings to AA+ from AA. Kroll Bond Rating Agency raised Wisconsin's and to AAA from AA+. This will result in reduced interest rates for future borrowing.

Budget Stabilization Fund

Wisconsin's Budget Stabilization Fund, commonly referred to as the "Rainy Day Fund" was created in 1986. The fund received relatively little funding until the Walker Administration. The

⁴ Legislative Fiscal Bureau, [Partial Vetoes of 2023 Wisconsin Act 19](#).

⁵ Revenue Bond

⁶ Department of Administration, [Annual Comprehensive Financial Report](#), page 4-5.

fund was originally created with the proceeds from the sale of surplus state property and donations. (After the 2013-2015 budget the sale of surplus real estate was no longer deposited in the fund; however, the sale of surplus equipment still is) This resulted in low fund levels with less than \$1 million being deposited in most years.

The use of surplus tax revenue for a rainy day fund is a recent policy decision. Prior to 2010, the fund rarely received excess tax funding. During the Walker Administration, the fund balance grew from \$16.6 million in 2010-2011 to \$320.10 million in 2017-2018. The legislature continued to increase the balance during the Evers administration with a balance of \$1.73 billion in 2021-2022.⁷ State law requires the fund to have a minimum balance of \$105 million in 2025 with an additional \$5 million in each fiscal year.⁸ The balance of the fund is estimated at \$1.8 billion and is currently accruing an estimated \$7 million in interest every month.⁹

COMPARISON TO NEIGHBORING STATES

Other states borrow money for different purposes and use different terminology. The information on Wisconsin's neighboring states is drawn from official sources from each source.

Illinois

Total Fiscal Year 2022 Debt

\$218.326 billion¹⁰ (\$186.13 pension, post-employment benefits)

Debt Per Capita \$17,231, 12.67 million residents

Michigan

Fiscal Year 2022 Debt¹¹

\$9.2697 billion

Debt Per Capita \$922, 10.051 million residents (2021)

Iowa

Fiscal Year 2021 Debt¹²

\$3.1 billion

Debt per Capita \$977, 3.193 million residents (2021)

Minnesota

Fiscal Year 2022 State Debt

\$8.66 billion¹³

Debt Per Capita \$1,622, 5.707 million residents (2021)

⁷ Legislative Fiscal Bureau, [Informational Paper #80: Budget Stabilization Fund and the General Fund Reserve Requirements](#).

⁸ Legislative Fiscal Bureau, [Paper #225](#), June 2023

⁹ Legislative Fiscal Bureau, [2023-25 and 2025-27 General Fund Budget -- 2023 Wisconsin Act 19](#)

¹⁰ Illinois State Comptroller, [Interim Annual Comprehensive Financial Report Highlights](#), June 2023.

¹¹ Michigan State Budget Office, [State of Michigan Annual Comprehensive Financial Report](#), September 2023.

¹² Iowa Department of Administrative Services, [Annual Comprehensive Financial Report](#), June 2021

¹³ Minnesota Management and Budget, [Annual Comprehensive Financial Report](#), June 2022.