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Changes to General Obligation Notes Borrowing in Wisconsin: Benefits to Municipalities - Foley & Lardner

Municipalities issuing general obligation promissory notes under section 67.12 (12)[1] of the Wisconsin Statutes may now take advantage of a statutory maximum maturity date of 20 years. 2023 Wisconsin Act 128 (the “Act”)[2] took effect on March 23, 2024, and included legislation to extend the statutory maximum maturity date, which had been 10 years, for general obligation promissory notes. The maximum maturity date for general obligation promissory notes issued under section 67.12 (12) is now the same as the maximum maturity date for general obligation bonds as stated in Chapter 67[3]. This new legislation impacts all municipalities as defined under section 67.01 (5), which includes technical college districts, counties, cities, towns, villages, school districts, metropolitan sewerage districts, and certain other municipal issuers.

While the statutory maximum maturity date for general obligation bonds and promissory notes is now the same in most cases, there are several differences between the two types of debt that now make notes more attractive as described in more detail below: (1) notes may be issued for any public purpose and (2) the statutorily required procedures for issuance are less onerous for notes.

Prior to the Act, municipalities would frequently need to issue both general obligation bonds and promissory notes to finance their planned projects, given the statutory limitation on eligible projects that applies to bonds issued under Chapter 67. Promissory notes, on the other hand, would be used to finance other public purposes not otherwise eligible to be bond financed, such as vehicles, furniture, equipment, technology and software, and construction and improvements to any public building, for the shorter 10-year maximum borrowing period. Now, a single issuance of tax-exempt promissory notes could finance all a municipality’s planned projects for a 20-year period[4].

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