The following Official Statement is placed on the internet as a matter of convenience. The Official Statement has been reformatted to PDF format for use on the internet; physical appearance may differ from that of the printed Official Statement. In the event of discrepancies, individuals should refer to the printed Official Statement. Copies of the printed Official Statement can be obtained from:

Capital Finance Office
Department of Administration
Division of Executive Budget and Finance
101 East Wilson Street
Madison, Wisconsin 53702

e-mail: capfin@mail.state.wi.us
Phone:(608) 266-5355
Fax: (608) 266-7645

OFFICIAL STATEMENT

New Issue

In the opinion of Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended, and other federal tax legislation, interest on the Bonds is excluded from gross income for federal income tax purposes. Interest on the Bonds is an item of tax preference for purposes of the federal alternative minimum tax and may be subject to certain other federal income tax consequences described under "OTHER INFORMATION; Tax Exemption" *herein.*

$30,000,000

STATE OF WISCONSIN

GENERAL OBLIGATION BONDS OF 1996, SERIES D

Subject to Alternative Minimum Tax (AMT)

DATED: October 15, 1996 **DUE: May 1, as shown below**

The $30,000,000 State of Wisconsin General Obligation Bonds of 1996, Series D (the "Bonds") will be issued as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases will be made in book-entry-only form, in the principal amount of $5,000 and integral multiples thereof. Beneficial Owners (as defined herein) will not receive certificates representing their interest in the Bonds purchased. Interest is payable on May 1, 1997 and semiannually thereafter on May 1 and November 1 of each year. All payments of principal and interest on the Bonds will be paid by the State Treasurer as Paying Agent and Registrar to DTC, which will in turn remit such payments to DTC's Participants for subsequent disbursement to the Beneficial Owners of the Bonds, as described herein. See "THE BONDS; Book-Entry-Only Form".

The Bonds may, under certain circumstances, be redeemed at par prior to their stated date of maturity, as more fully described in this Official Statement. See "THE BONDS; Redemption Provisions".

Year (May 1)	Principal Amount	Interest Rate
2007	$4,500,000	5.25%
2008	2,250,000	5.30
2009	1,800,000	5.40

$3,700,000 5.75% Term Bonds Due May 1, 2014

$6,405,000 5.80% Term Bonds Due May 1, 2020

$11,345,000 6.00% Term Bonds Due May 1, 2027

The rates shown above are the interest rates payable by the State resulting from the bid for the Bonds on October 16, 1996, by the successful bidder. Certain information concerning the terms of the reoffering of the Bonds has been provided by the successful bidder. See "OTHER INFORMATION; Reference Information About the Bonds".

The Bonds offered are being issued pursuant to Chapters 18, 20 and 45 of the Wisconsin Statutes, as amended (the "Act"), an authorizing resolution duly adopted by the State of Wisconsin Building Commission on September 11, 1996, as amended and supplemented on October 16, 1996, and in accordance with the Official Notice of Sale.

Delivery of the Bonds is subject to the receipt of an unqualified approving opinion of Foley & Lardner, Bond Counsel, and other conditions specified in the Official Notice of Sale. The Bonds will be available for delivery on or about November 7, 1996, in New York, New York.

October 16, 1996

No dealer, broker, sales representative or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the State of Wisconsin or other matters contained herein since the date hereof.

TABLE OF CONTENTS

STATE OFFICIALS PARTICIPATING IN THE ISSUANCE AND SALE OF BONDS

BUILDING COMMISSION MEMBERS

Voting Members	**Term of Office Expires**
Governor Tommy G. Thompson, Chairperson	January 4, 1999
Senator Carol Buettner	January 6, 1997
Senator Kimberly M. Plache	January 6, 1997
Senator Fred A. Risser	January 6, 1997
Representative Sheryl K. Albers	January 6, 1997
Representative Clifford Otte	January 6, 1997
Representative Robert Turner	January 6, 1997
Mr. Bryce Styza, Citizen Member	At the pleasure of the Governor
Nonvoting, Advisory Members	
Mr. James R. Klauser Secretary Department of Administration	At the pleasure of the Governor
Mr. Adel Tabrizi State Chief Engineer Department of Administration	——
Mr. Wilbert King State Chief Architect Department of Administration	——
Building Commission Secretary	
Mr. Robert Brandherm (also serves as Administrator, Division of Facilities Development of the Department of Administration)	At the pleasure of the Building Commission and Secretary of Administration

OTHER PARTICIPANTS

Mr. Jack C. Voight State Treasurer	January 4, 1999
Mr. James E. Doyle State Attorney General	January 4, 1999

Department of Administration
Capital Finance Office
101 E. Wilson Street, 10th Floor
P.O. Box 7864
Madison, WI 53707-7864

Mr. Frank R. Hoadley Capital Finance Director (608) 266-2305	——
Mr. Lawrence K. Dallia Assistant Capital Finance Director (608) 267-7399	——

SUMMARY DESCRIPTION OF BONDS

Information set forth on this page is qualified by the entire Official Statement. A full review of the entire Official Statement should be made by potential investors.

Description:	State of Wisconsin General Obligation Bonds of 1996, Series D
Principal Amount:	$30,000,000
Denominations:	$5,000 and integral multiples
Date of Issue:	October 15, 1996
Record Date:	April 15 or October 15
Interest Payment:	May 1 and November 1, commencing May 1, 1997
Maturities:	May 1, 2007–2009, 2014, 2020 and 2027—*See cover*
Redemption:	*Mandatory Sinking Fund*—Bonds maturing May 1, 2014, 2020 and 2027 are subject to mandatory sinking fund redemption at par—*See pages 4-5*
	Optional—Bonds maturing on or after May 1, 2007 are subject to optional redemption at par beginning November 1, 2006—*See page 5*
	Special—Bonds are subject to special redemption at par on any date—*See pages 5-6*
Form:	Book-entry-only—*See pages 2-3*
Paying Agent:	All payments of principal and interest on the Bonds will be paid by the State Treasurer. All payments will be made to The Depository Trust Company, which will distribute payments to Beneficial Owners as described herein.
Security:	The Bonds are general obligations.
Authority for Issuance:	The Bonds are issued under Article VIII of the Wisconsin Constitution and Chapters 18 , 20 and 45 of the Wisconsin Statutes.
Purpose:	Proceeds of the Bonds will be used for veterans housing loans.
Additional General Obligation Debt:	The State may issue additional general obligation debt.
Legality of Investment:	The Bonds are legal investments for all banks, trust companies, savings banks and institutions, savings and loan associations, credit unions, investment companies and other persons or entities carrying on a banking business in Wisconsin; for all executors, administrators, guardians, trustees and other fiduciaries in Wisconsin; for the State and all public officers, municipal corporations, political subdivisions and public bodies in Wisconsin.
Tax Exemption:	*Federal income tax*—Interest is not included in gross income and is an item of tax preference.
	Wisconsin state income and franchise tax—Not exempt—*See pages 47-48*
Legal Opinion:	Validity and tax opinion to be provided by Foley & Lardner—*See page B-1*

OFFICIAL STATEMENT

$30,000,000

STATE OF WISCONSIN

GENERAL OBLIGATION BONDS OF 1996, SERIES D

Subject to Alternative Minimum Tax (AMT)

The issuer of the Bonds described herein is the State of Wisconsin (the "State"). The State is located in the Midwest among the northernmost tier of states. The State ranks 18th among the states in population and 26th in land area. Wisconsin attained statehood in 1848, its capital is Madison and its largest city is Milwaukee.

The State of Wisconsin Building Commission (the "Commission"), an agency of the State, is empowered by law to consider, act upon, authorize, issue and sell all debt obligations of the State. This agency is assisted and staffed by the State of Wisconsin Department of Administration. See "STATE GOVERNMENT ORGANIZATION AND FINANCIAL PROCEDURES; Debt Issuing Organization—*State of Wisconsin Building Commission*".

This Official Statement, including the cover page and Appendices hereto, is provided for the purpose of setting forth information concerning the sale by the Commission of $30,000,000 General Obligation Bonds of 1996, Series D (the "Bonds"). The Bonds are authorized pursuant to the provisions of Article VIII, Section 7 of the Wisconsin Constitution and Chapters 18, 20 and 45 of the Wisconsin Statutes (collectively, the "Act") and pursuant to a resolution adopted by the Commission on September 11, 1996, as amended and supplemented on October 16, 1996 (the "Resolution").

The Bonds are direct and general obligations of the State. The full faith, credit and taxing power of the State are irrevocably pledged to the payment of the principal of and interest on the Bonds. There has been irrevocably appropriated, as a first charge upon all revenues of the State, a sum sufficient for the payment of the principal of and interest on the Bonds as the same mature and become due. This pledge is made pursuant to the Act, all as more particularly described in this Official Statement. See "SECURITY PROVISIONS FOR GENERAL OBLIGATIONS". The Bonds are on a parity with all other outstanding general obligation debt issued by the State with regard to priority of payment.

In connection with the issuance and sale of the Bonds, the Commission has authorized the State of Wisconsin Department of Administration to prepare this Official Statement, including the cover page and appendices, describing the Bonds and presenting other relevant information for consideration by prospective purchasers. This Official Statement contains information which has been furnished by the State or obtained by the State from the sources indicated. The quotations, summaries and explanations of laws, resolutions, judicial decisions and administrative regulations in this Official Statement do not purport to be complete and are qualified by reference to the complete text of such documents.

THE BONDS

General

The Bonds will bear interest at the rate or rates and will mature on the dates and in the amounts set forth on the front cover of this Official Statement.

The Bonds will be dated October 15, 1996 and will bear interest from such date payable on May 1, 1997 and semiannually thereafter on May 1 and November 1 of each year.

Interest on the Bonds will be computed on the basis of a 30-day month and a 360-day year. Principal of and interest on each Bonds will be payable to the registered owner thereof, which initially will be a nominee of The Depository Trust Company, New York, New York (“DTC”).

The Bonds are issuable as fully registered bonds without coupons in denominations of $5,000 principal amount, or any integral multiple thereof.

The Bonds may be redeemed at par prior to their stated date of maturity. See “THE BONDS; Redemption Provisions”.

Book-Entry-Only Form

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities, registered in the name of Cede & Co. (DTC’s partnership nominee). One fully registered Bond will be issued for each maturity set forth on the front cover, each in the principal amount of such maturity, and deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants (“Direct Participants”) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC by the State Treasurer. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of the State or DTC, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the State, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the State. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

The State may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC; the State takes no responsibility for its accuracy.

No assurance can be given by the State that DTC, Direct Participants and Indirect Participants will promptly transfer payments or notices received with respect to the Bonds. The State assumes no liability for the failure of DTC, Direct Participants or Indirect Participants to transfer to the Beneficial Owner payments or notices received with respect to the Bonds.

Similarly, no assurance can be given by the State that DTC will abide by its procedures or that such procedures will not be changed from time to time. In the event that a successor securities depository is designated, it may establish different procedures.

Redemption Provisions

Mandatory Sinking Fund Redemption

The Bonds due on May 1, 2014 (the "2014 Term Bonds"), are subject to redemption prior to maturity at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, from mandatory sinking fund installments which are required to be made in amounts sufficient to redeem on May 1 of each year the respective amount of the 2014 Term Bonds specified below:

Redemption Date (May 1)	**Principal Amount**
2011	$ 850,000
2012	895,000
2013	950,000
2014[(a)]	1,005,000

[(a)]Stated maturity

The Bonds due on May 1, 2020 (the "2020 Term Bonds"), are subject to redemption prior to maturity at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, from mandatory sinking fund installments which are required to be made in amounts sufficient to redeem on May 1 of each year the respective amount of the 2020 Term Bonds specified below:

Redemption Date (May 1)	**Principal Amount**
2017	$1,450,000
2018	1,560,000
2019	1,645,000
2020[(a)]	1,750,000

[(a)]Stated maturity

The Bonds due on May 1, 2027 (the "2027 Term Bonds"), are subject to redemption prior to maturity at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, from mandatory sinking fund installments which are required to be made in amounts sufficient to redeem on May 1 of each year the respective amount of the 2027 Term Bonds specified below:

Redemption Date (May 1)	**Principal Amount**
2022	$1,955,000
2023	2,085,000
2024	2,200,000
2026	2,470,000
2027[(a)]	2,635,000

[(a)]Stated maturity

Upon any redemption of either the 2014 Term Bonds, 2020 Term Bonds or the 2027 Term Bonds (the "Term Bonds") (other than redemption due to mandatory sinking fund redemption), or purchase in lieu thereof, the principal amount of such Term Bonds so redeemed or purchased shall be credited against the sinking fund installments established for such Term Bonds so redeemed or purchased in such manner as the Commission shall direct.

Optional Redemption

The Bonds maturing on or after May 1, 2007 are subject to optional redemption prior to their stated date of maturity, at the option of the Commission, on November 1, 2006 or on any date thereafter, in whole or in part in integral multiples of $5,000 at a redemption price equal to 100% of the principal amount plus accrued interest to the date of redemption. In the event of partial redemption, the Commission shall direct the maturity or maturities of the Bonds and the amounts thereof so to be redeemed.

Special Redemption

The Bonds are subject to special redemption prior to maturity, at the option of the Commission, on any date, in whole or in part, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, from (i) unexpended proceeds of the Bonds, (ii) payments on veterans housing loans, or interest or income on investments in certain accounts, including money available from the Insurance Reserve Account, in excess of amounts required to meet scheduled debt service on general obligation bonds issued for the purposes of funding veterans housing loans ("Veterans Mortgage Bonds"), and costs associated with the veterans housing loan program, and (iii) prepayments of veterans housing loans funded from or attributed to any series of Veterans Mortgage Bonds. In the event of a partial redemption, the Commission shall direct the maturities of the Bonds and the amounts thereof so to be redeemed. A listing of the Veterans Mortgage Bonds subject to special redemption is contained in APPENDIX F; Table F-9.

The State had outstanding as of July 31, 1996, approximately $527 million of Veterans Mortgage Bonds. Of this amount, approximately $483 million were subject to special redemption from certain loan prepayments or excess revenues, as provided for in the resolution authorizing the particular series of Veterans Mortgage Bonds. The State has historically received, and expects to continue to receive, prepayments of veterans housing loans. The State may use, and has from time to time used, veterans housing loan prepayments to make new veterans housing loans. If the State determines that it is not feasible to make new veterans housing loans, the State intends to use such prepayments to purchase or redeem Veterans Mortgage Bonds. A summary of prepayments of veterans housing loans is contained in APPENDIX F; Table F-10.

In the past, it was generally the State's policy, subject to federal tax requirements and the redemption provisions of each particular series of Veterans Mortgage Bonds, to redeem the highest interest rate maturities of Veterans Mortgage Bonds first. The State has modified this policy and will generally call maturities of Veterans Mortgage Bonds based on the highest proxy price at the time the call decision is evaluated. In establishing this proxy price, the State will (i) determine a hypothetical yield to maturity for each maturity of Veterans Mortgage Bonds being evaluated, using published market indices, (ii) adjust these indices to reflect the historical price relationship of the indices to comparable Veterans Mortgage Bonds and any maturity difference between the indices and the maturity of Veterans Mortgage Bonds being evaluated, and (iii) convert each hypothetical yield to the proxy price. Each such special redemption shall be made at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest to the redemption date.

The following lists each series of Veterans Mortgage Bonds with maturities subject to special redemption, and the range of interest rates on the outstanding bonds.

Series	Dated Date	Original Principal Amount Subject to Special Redemption	Principal Amount Subject to Special Redemption as of July 31, 1996	Range of Interest Rates on Outstanding Bonds
1985 Series B	04/01/85	$ 250,140,000	$ 0	N/A
1986 Series A	05/15/86	38,185,000	23,645,000	7.25-7.50%
1988 Series A	07/01/88	14,425,000	1,765,000	7.00-7.60
1989 Series A	01/01/89	19,375,000	2,900,000	7.25-7.70
1989 Series D	08/01/89	19,475,000	15,100,000	6.25-7.20
1990 Series B	03/01/90	19,600,000	6,965,000	6.70-7.60
1990 Series F	10/01/90	19,675,000	2,900,000	6.75-7.35
1991 Series A	04/01/91	29,575,000	22,850,000	6.20-7.50
1992 Series B	06/01/92	29,850,000	9,110,000	5.60-6.60
1993 Series 6	10/15/93	20,000,000	19,110,000	3.65-5.30
1993 Series 5	12/01/93	135,255,000	134,895,000	3.60-5.40
1994 Series 2	03/01/94	58,525,000	58,525,000	4.85-6.20
1994 Series 3	09/15/94	10,400,000	8,800,000	4.55-5.80
1994 Series C	09/15/94	45,000,000	43,755,000	5.50-6.65
1995 Series 1	02/15/95	15,735,000	15,735,000	5.25-6.10
1995 Series B	02/15/95	29,265,000	29,265,000	6.40-6.50
1995 Series 2	10/15/95	42,850,000	42,850,000	4.00-5.75
1996 Series B	05/15/96	45,000,000	45,000,000	4.40-6.20
		$ 842,330,000	$ 483,170,000	

Selection of Bonds

If the Bonds are in book-entry-only form and less than all of a particular maturity are to be redeemed, selection of the ownership interests of Beneficial Owners of the Bonds affected thereby shall be made solely by the Direct Participants and the Indirect Participants in accordance with their then prevailing rules. If the Bonds are in certificated form and less than all of a particular maturity are to be redeemed, selection shall be by lot.

Notice of Redemption

So long as the Bonds are in book-entry-only form, a notice of the redemption of any of said Bonds shall be sent to the securities depository not less than 30 days or more than 45 days prior to the date of redemption. A notice of redemption may be revoked by sending notice to the securities depository not less than 15 days prior to the proposed date of redemption.

In the event that the Bonds are outstanding in certificated form, a notice of the redemption of any of said Bonds shall be published at least once at least 30 and not more than 45 days prior to the date of redemption in a financial newspaper published or circulated in New York, New York and shall be mailed at least 30 and not more than 45 days prior to the date of redemption to the registered owners of any Bonds to be redeemed, but such mailing shall not be a condition precedent to such redemption and failure to mail any such notice shall not affect the validity of any proceedings for the redemption of the Bonds. Interest on any Bond so called for prior redemption shall cease to accrue on the redemption date provided payment thereof has been duly made or provided for. A notice of redemption may be revoked by publication of a notice not less than 15 days prior to the proposed date of redemption in a financial newspaper published or circulated in New York, New York and mailing such notice, postage prepaid, not less than 15 days prior to the proposed redemption date to the registered owners of any Bonds to have been redeemed, but such mailing shall not be a condition precedent to such revocation and failure to mail such notice shall not affect the validity of such revocation.

Registration and Payment of Bonds

So long as the Bonds are in book-entry-only form, the Bonds are payable as to principal by wire transfer to the securities depository or its nominee upon their presentation and surrender at the principal office of the State Treasurer, which shall be the Registrar and Paying Agent on the Bonds. Payment of each installment of interest shall be made by wire transfer to the securities depository or its nominee shown in the registration books at the close of business on the 15th day (whether or not a business day) of the calendar month next preceding such interest payment date (the "Record Date") on the payment date.

When in certificated form the Bonds shall be payable as to principal by check or draft issued upon their presentation and surrender at the principal office of the Paying Agent. In such case, payment of each installment of interest shall be payable by check or draft mailed to the registered owner shown in the registration books on the Record Date.

Application of Bond Proceeds

The Bonds are authorized for the purpose of making veterans housing loans. Bond proceeds are to be deposited into the Capital Improvement Fund of the State Treasury for expenditure pursuant to rules and procedures adopted by the Wisconsin Department of Veterans Affairs ("DVA") and approved by the Commission. Until such time as these expenditures are made, the Bond proceeds will be invested by the State of Wisconsin Investment Board. See "OTHER INFORMATION; Temporary Investments".

SECURITY PROVISIONS FOR GENERAL OBLIGATIONS

Security

The State Constitution contains the following provision in Article VIII, Section 7(2)(f) about general obligations, which are public debt for purposes of the State Constitution and Statutes:

> *"The full faith, credit and taxing power of the state are pledged to the payment of all public debt created on behalf of the state pursuant to this section and the legislature shall provide by appropriation for the payment of the interest upon and installments of principal of all such public debt as the same falls due, but, in any event, suit may be brought against the state to compel such payment."*

In addition, statutory provisions establish additional protections and provide for the repayment of all general obligations. The more significant provisions are summarized below:

> *Section 18.12* restates the constitutional full-faith-and-credit pledge and states that there is irrevocably appropriated, as a first charge upon all revenues of the State, an amount sufficient for the payment of principal, interest and premium on all general obligations when due.
>
> *Section 20.866* irrevocably appropriates, as a first charge upon all revenues of the State, an amount sufficient to pay debt service on general obligation bonds.
>
> *Section 18.09* creates a Bond Security and Redemption Fund, which shall receive the funds appropriated to repay principal, interest and premium on general obligation bonds when due.
>
> *Section 18.08* provides that the Capital Improvement Fund shall receive the funds appropriated to repay principal and interest on general obligation notes and loans.
>
> *Section 18.14*, among other things, provides that the validity of general obligations shall not be affected by any defect in their contracting, that all instruments evidencing general obligations are valid and incontestable, and that any legislative, judicial or administrative

determination that proceeds of general obligations may not be spent shall not affect their validity.

Through the foregoing provisions, taken together, the Legislature has placed as security for the payment of all debt service on general obligations, a first claim on all revenues of the State. Further, these revenues are irrevocably appropriated, so that no subsequent legislative action is required to release the funds.

The State has never defaulted in the punctual payment of principal or interest on any general obligation bond or note and has never attempted to prevent or delay such required payments. The State has reserved no right to reduce or modify any terms with respect to security or source of payment of its general obligation bonds or notes.

In the event of default, recourse is guaranteed by constitutional provision allowing suit to be brought against the State to compel payment. Section 18.13 of the Statutes makes additional provision to expedite the bringing of suit. Further, in the event of a final judgment against the State, payment will be made as specifically provided, together with interest at a rate of 10% per annum until the date of payment.

Section 18.10(10) of the Statutes provides that interest ceases to accrue on the date that a general obligation becomes due for payment when payment is made or duly provided for. On that date the general obligation is no longer outstanding. If the holder of any general obligation, including any interest and premium thereon, fails to present that general obligation for payment, the unpaid unclaimed moneys shall be administered pursuant to the unclaimed property statutory provisions.

Flow of Funds to Pay Debt Service on General Obligations

All funds necessary for timely payment of principal and interest ("Debt Service") coming due on general obligation bonds are deposited in the Bond Security and Redemption Fund at least 15 days in advance of the due date, except when an impoundment payment required in connection with operating notes is payable within the 45 days preceding the due date for payment of Debt Service, then Debt Service payments will be deposited in the Bond Security and Redemption Fund at least 45 days in advance of the due date. The sources of the revenue used to make these payments are as follows:

Purpose	Sources of Revenues
University of Wisconsin; academic facilities Natural resources; municipal clean drinking water grants Clean water fund Natural resources; nonpoint source grants Natural resources; environmental repair Natural resources; pollution abatement and sewage collection facilities, ORAP funding Natural resources; pollution abatement and sewage collection facilities Natural resources; pollution abatement and sewage collection facilities; combined sewer overflow Natural resources; recreation projects Natural resources; local parks land acquisition and development Natural resources; recreation development Natural resources; land acquisition Natural resources; Wisconsin natural areas heritage program Natural resources; general fund supported administrative facilities Natural resources; ice age trail	There is an unlimited appropriation from the State's General Fund for the timely payment of principal and interest.

Purpose	Sources of Revenues
Natural resources; dam maintenance, repair, modification, abandonment and removal Natural resources; Warren Knowles–Gaylord Nelson stewardship program Transportation; rail passenger route development Corrections; correctional facilities Health and family services; mental health facilities Health and family services; juvenile correctional facilities Building commission; housing state departments and agencies Building commission; 1 West Wilson street parking ramp Building commission; project contingencies Building commission; capital equipment acquisition Medical College of Wisconsin, Inc.; basic science education facility Educational communications board; educational communications facilities Historical society; historic records Historical society; historical sites Historical society; museum facility Education; state schools and library facilities Military affairs; armories and military facilities Veterans affairs; Wisconsin veterans home State fair park board; housing facilities	
Natural resources; segregated revenue supported facilities Natural resources; segregated revenue supported land acquisition Natural resources; segregated revenue supported dam maintenance, repair, modification, abandonment and removal	There is an unlimited appropriation from the Conservation Fund. Should this fund be insufficient, there is a backup appropriation from the State's General Fund in an unlimited amount of funds needed for timely payment of principal and interest.
Transportation; administrative facilities Transportation; accelerated bridge improvements Transportation; accelerated highway improvements Transportation; connecting highway improvements Transportation; federally aided highway facilities Transportation; highway projects Transportation; harbor improvements Transportation; rail acquisitions and improvements	There is an unlimited appropriation from the Transportation Fund. Should this fund be insufficient, there is a backup appropriation from the State's General Fund in an unlimited amount of funds needed for timely payment of principal and interest.
University of Wisconsin; self-amortizing facilities	There is an unlimited appropriation and first claim on all revenues generated from the enterprise operations of the entire University system. Should these revenues be insufficient, there is a backup appropriation from the State's General Fund to advance an unlimited amount of funds needed for timely payment of principal and interest.
Corrections; self-amortizing equipment	There is an unlimited appropriation and first claim on all revenues generated from the prison industries operation. Should these revenues be insufficient, there is a backup appropriation from the State's General Fund to advance an unlimited amount of funds needed for timely payment of principal and interest.

Purpose	Sources of Revenues
Historical society; self-amortizing facilities	There is an unlimited appropriation and first claim on all revenues generated from admissions, sales and other receipts by each historic site. Should these revenues be insufficient, there is a backup appropriation from the State's General Fund to advance an unlimited amount of funds needed for timely payment of principal and interest.
Veterans affairs; self-amortizing mortgage loans	There is an unlimited appropriation and first claim on all revenues received from monthly mortgage payments. Should these revenues be insufficient, there is a backup appropriation from the State's General Fund to advance an unlimited amount of funds needed for timely payment of principal and interest.
Veterans affairs; self-amortizing housing facilities	There is an unlimited appropriation on all revenues received for providing housing services at the Wisconsin Veterans Home at King. Should these revenues be insufficient, there is a backup appropriation from the State's General Fund to advance an unlimited amount of funds needed for timely payment of principal and interest.
State fair park board; self-amortizing facilities	There is an unlimited appropriation and first claim on all revenues generated in the operation of the Wisconsin State Fair. Should these revenues be insufficient, there is a backup appropriation from the State's General Fund to advance an unlimited amount of funds needed for timely payment of principal and interest.
Building commission; refunding corporation self-amortizing debt Building commission; refunding tax supported general obligation debt Building commission; refunding self-amortizing general obligation debt	There is an unlimited appropriation from the Capital Improvement Fund for the timely payment of principal and interest. Should these revenues be insufficient, there is a backup appropriation from the State's General Fund in an unlimited amount of funds for timely payment of principal and interest.

Funds for the payment of debt service on general obligation notes are deposited in a separate and distinct account created in the Capital Improvement Fund for the repayment of notes. Proceeds of issues of general obligations may also be used to retire notes. Section 18.08(4) of the Statutes specifically provides that if, at any time, there are not on hand in the Capital Improvement Fund sufficient moneys for the payment of principal and interest on general obligation notes, the Department of Administration shall transfer to the Capital Improvement Fund from an irrevocable and unlimited appropriation as a first charge upon all revenues of the State, the amount necessary to make the payment of principal and interest on general obligation notes when due.

The State's General Fund thus stands behind the payment of debt service on all general obligation bonds and notes regardless of the internal fund flows established for budgetary control purposes. Should the General Fund have insufficient resources to pay debt service, there is a single irrevocable and unlimited appropriation from all revenues of the State for timely payment on all general obligations. It is this appropriation, which pledges all revenues of the State for payment of debt service due from any program using general obligation bond and note proceeds on a parity with any other such program, that enables the State to issue a general obligation bond or note which is undifferentiated by the purpose for which proceeds are used.

Purposes of General Obligations

The purposes for which State general obligations may be issued are set forth in the Wisconsin Constitution, which provides the basis for the State's general obligation borrowing program. It permits three types of borrowing. The first is to acquire, construct, develop, extend, enlarge or improve land, waters, property, highways, railways, buildings, equipment or facilities for public purposes. The second is to make funds available for veterans housing loans. The third is to fund or refund any outstanding State general obligations. Subject to constitutional limitations about purposes and amounts, procedures governing the use of this borrowing authority are to be established by the Legislature. There is no constitutional requirement that the issuance of general obligations receive the direct approval of the electorate.

Limitations on Issuance of General Obligations

All general obligations issued by the State fall within a debt limitation set forth in the Constitution and Statutes. The limitation is derived as the lesser of two formulas. There is an annual limit of three-quarters of one percent, and a cumulative limit of five percent, of the aggregate value of all taxable property in the State.

Currently, the annual limit is $1,627,078,182 and the cumulative debt limit is $10,847,187,880 (of which the amount available is $7,541,717,299). The lesser amount is $1,627,078,182. See Table E-2 in APPENDIX E. A refunding bond issue is not taken into account for purposes of the annual debt limit, and a refunded bond issue is not taken into account for purposes of the cumulative debt limit. Interest scheduled to accrue on any obligation that is not payable during the current fiscal year is treated as debt and taken into account for purposes of the debt limitations.

Authorization of General Obligations

Within prescribed limitations, the State Constitution assigns to the Legislature, acting by vote of a majority of the members elected to each of the two houses, all matters relating to the issuance of general obligations. The quorum in such votes is 60% of the membership. Among these assigned powers is the authority to establish the purposes (uses) and fix the amounts for which general obligations may be issued.

To date, the Legislature has authorized the issuance of general obligations for 59 distinct purposes and has limited the amount of general obligations which may be issued for each purpose. In practice, as a part of the budget, these amounts are adjusted to accommodate newly budgeted activity. The Legislature has delegated to the Commission responsibility to establish the form and terms of the issuance and sale of these general obligations. See Table 1 for the status of each program, including the limitations, the amounts borrowed to date, and the amounts remaining to be borrowed.

Table 1

STATE OF WISCONSIN
GENERAL OBLIGATION ISSUANCE STATUS REPORT
July 31, 1996

Program Purpose	Legislative Authorization	General Obligations Issued to Date [(a)]	Interest Earnings [(b)]	Total Authorized Unissued Debt	1996 Series D Bonds	Remaining Authority [(a)]
University of Wisconsin; academic facilities..........................	$ 732,814,300	$ 674,892,229	$ 8,760,309	$ 49,161,762		$ 49,161,762
University of Wisconsin; self-amortizing facilities................	360,381,600	194,757,621	470,368	165,153,611		165,153,611
Natural resources; municipal clean drinking water grants...................................	9,800,000	8,999,342		800,658		800,658
Clean water fund............................	553,194,000	245,000,000		308,194,000		308,194,000
Natural resources; nonpoint source grants..................	20,000,000	12,070,658		7,929,342		7,929,342
Natural resources; environmental repair......................	31,500,000	11,235,000		20,265,000		20,265,000
Natural resources; segregated revenue supported dam maintenance, repair, modification, abandonment and removal...................................	4,000,000			4,000,000		4,000,000
Natural resources; pollution abatement and sewage collection facilities, ORAP funding...............	146,850,000	145,010,325	50,000	1,789,675		1,789,675
Natural resources; pollution abatement and sewage collection facilities.............	902,449,800	856,680,888	19,195,192	26,573,720		26,573,720
Natural resources; pollution abatement and sewage collection facilities; combined sewer overflow..............	200,600,000	188,957,246	6,462,575	5,180,179		5,180,179
Natural resources; recreation projects.........................	56,055,000	56,043,036	62	11,902		11,902
Natural resources: local parks land acquisition and development...........................	2,490,000	2,319,349	50,563	120,088		120,088
Natural resources; recreation development.................	23,061,500	22,433,166	54,798	573,536		573,536
Natural resources; land acquisition.............................	45,608,600	45,070,269	537,432	899		899
Natural resources; Wisconsin natural areas heritage program............................	2,500,000	2,437,545	21,119	41,336		41,336
Natural resources; segregated revenue supported facilities.......................	14,749,900	7,199,722	5,001	7,545,177		7,545,177
Natural resources; general fund supported administrative facilities..................	6,733,500	5,356,075	1,449	1,375,976		1,375,976
Natural resources; ice age trail.....................................	750,000			750,000		750,000

Table 1—Continued

STATE OF WISCONSIN
GENERAL OBLIGATION ISSUANCE STATUS REPORT
July 31, 1996

Program Purpose	Legislative Authorization	General Obligations Issued to Date[(a)]	Interest Earnings[(b)]	Total Authorized Unissued Debt	1996 Series D Bonds	Remaining Authority[(a)]
Natural resources; dam maintenance, repair, modification, abandonment and removal...................................	5,500,000	3,475,000	5,540	2,019,460		2,019,460
Natural resources; segregated revenue supported land acquisition............	2,500,000	2,498,446		1,554		1,554
Natural resources; Warren Knowles - Gaylord Nelson stewardship program..............	231,000,000	90,135,000	482,316	140,382,684		140,382,684
Transportation; administrative facilities..................	8,890,400	8,759,479	33,943	96,978		96,978
Transportation; accelerated bridge improvement.................................	46,849,800	46,849,800				
Transportation; rail passenger route development...	50,000,000			50,000,000		50,000,000
Transportation; accelerated highway improvements................................	185,000,000	185,000,000				
Transportation; connecting highway improvements................................	15,000,000	15,000,000				
Transportation; federally aided highway facilities...........................	10,000,000	10,000,000				
Transportation; highway projects...........................	41,000,000	41,000,000				
Transportation; harbor improvements....................	12,000,000	8,295,000	199,052	3,505,948		3,505,948
Transportation; rail acquisitions and improvements.........................	14,500,000	6,615,000		7,885,000		7,885,000
Corrections; correctional facilities.......................	480,087,500	378,011,762	5,604,345	96,471,393		96,471,393
Corrections; self-amortizing equipment.............	6,110,000	700,000		5,410,000		5,410,000
Health and family services; mental health facilities..................	88,712,500	64,000,268	499,277	24,212,955		24,212,955
Health and family services; juvenile correctional facilities.........	29,441,500	20,123,556	60,687	9,257,257		9,257,257
Building commission; previous lease rental authority..............................	143,171,600	143,068,654		102,946		102,946
Building commission; refunding corporation self-amortizing debt.......................	2,686,600			2,686,600		2,686,600

Table 1—Continued

STATE OF WISCONSIN
GENERAL OBLIGATION ISSUANCE STATUS REPORT
July 31, 1996

Program Purpose	Legislative Authorization	General Obligations Issued to Date [a]	Interest Earnings [b]	Total Authorized Unissued Debt	1996 Series D Bonds	Remaining Authority [a]
Building commission; refunding tax-supported general obligation debt	1,740,000,000	1,700,210,460 [c]		39,789,540		39,789,540
Building commission; refunding self-amortizing general obligation debt	180,000,000	175,804,003 [c]		4,195,997		4,195,997
Building commission; housing state departments and agencies	219,525,600	156,674,121	547,298	62,304,181		62,304,181
Building commission; 1 West Wilson street parking ramp	15,100,000	10,000,000		5,100,000		5,100,000
Building commission; project contingencies	19,659,000	8,465,000		11,194,000		11,194,000
Building commission; capital equipment acquisition	67,129,800	53,199,191	535,159	13,395,450		13,395,450
Building commission; discount sale of debt	65,000,000	36,134,898		28,865,102	$ 503,227	28,361,875
Building commission; discount sale of debt (higher education bonds)	100,000,000	99,988,833 [c]		11,167		11,167
Building commission; other public purposes	736,956,000	528,867,751	1,677,382	206,410,867		206,410,867
Medical College of Wisconsin, Inc.; basic science education facility	10,000,000	8,000,000		2,000,000		2,000,000
Educational communications board; educational communications facilities	7,429,600	5,846,539	41,430	1,541,631		1,541,631
Historical society; self-amortizing facilities	3,073,600	1,029,156	5,597	2,038,847		2,038,847
Historical society; historic records	400,000			400,000		400,000
Historical society; historic sites	1,839,000	1,825,513		13,487		13,487
Historical society; museum facility	4,384,400	4,236,000		148,400		148,400
Education; state schools and library facilities	7,367,700	7,289,197	40,421	38,082		38,082
Military affairs; armories and military facilities	18,215,200	15,302,527	54,731	2,857,942		2,857,942
Veterans affairs; Wisconsin veterans home	9,990,100	7,628,065	9,158	2,352,877		2,352,877
Veterans affairs; self-amortizing mortgage loans	1,661,000,000	1,468,279,522	2,133,000	190,587,478	29,496,773	161,090,705

Table 1—Continued

STATE OF WISCONSIN
GENERAL OBLIGATION ISSUANCE STATUS REPORT
July 31, 1996

Program Purpose	Legislative Authorization	General Obligations Issued to Date [a]	Interest Earnings [b]	Total Authorized Unissued Debt	1996 Series D Bonds	Remaining Authority [a]
Veterans affairs; refunding bonds.............................	625,000,000	586,954,245		38,045,755		38,045,755
Veterans affairs; self-amortizing housing facilities............................	1,629,400			1,629,400		1,629,400
State fair park board; housing facilities............................	13,000,000			13,000,000		13,000,000
State fair park board; self-amortizing facilities................	27,850,000	18,558,800		9,291,200		9,291,200
Total	$10,020,537,500	$8,396,288,257	$47,538,204	$1,576,711,039	$30,000,000	$1,546,711,039

[a] On October 2, 1996, the State issued its $115,230,000 General Obligation Bonds of 1996, Series C for multiple purposes, which are not reflected in these amounts.

[b] Interest earnings reduce issuance authority by the same amount.

[c] Interest scheduled to accrue on any obligation that is not payable during the current fiscal year is treated as debt and taken into account for purposes of the statutory authority to issue debt.

Source: Wisconsin Department of Administration.

REVENUE-SUPPORTED GENERAL OBLIGATION DEBT

General

Although all general obligation bonds and notes issued by the State are supported by its full faith, credit and taxing power, a portion of the indebtedness of the State is issued with the expectation that debt service payments will not impose a direct burden on the State's taxpayers and its general revenue sources. Similarly, a portion of the indebtedness issued by nonstock, nonprofit corporations on behalf of the State prior to 1970 and backed by lease-rental obligations of various State agencies was issued with the expectation that the rental obligations of the State would not be discharged from General Fund revenues. See "STATE GOVERNMENT ORGANIZATION AND FINANCIAL PROCEDURES; Debt Issuing Organization—*State of Wisconsin Building Commission*" and "OTHER OBLIGATIONS; Nonstock, Nonprofit Corporations" for a description of this latter type of revenue-supported debt.

Beneficiaries and users of revenue-supported programs and facilities pay fees and other amounts that are estimated upon issuance of the related debt to be at least sufficient to pay or reimburse to the General Fund an amount equal to the amount to be paid out for debt service and other costs related to the operation of the programs and facilities.

The programs and facilities financed by indebtedness designated as revenue supported on Table E-5 in Appendix E all have user charges that historically have been sufficient to pay or reimburse the General Fund for all debt service or rental obligations incurred by State agencies for these programs and facilities. These programs and facilities support debt service payments on $771 million of State general obligations and over $2 million of corporation indebtedness outstanding on July 31, 1996. Revenue-supported debt service payments were approximately

20% of the total debt service cost for the fiscal year ending June 30, 1996. See Table E-9 in APPENDIX E.

Veterans Housing Loan Program

General

The veterans housing loan program, operated by DVA is the largest revenue-supported program of the State. Lending activities under the program began in 1974. Except for four revenue bond issues (which are not backed by the full faith and credit or taxing power of the State), the program has been funded by State general obligation bond issues ("Veterans Mortgage Bonds"). Approximately $527 million in aggregate principal amount of the Veterans Mortgage Bonds were outstanding on July 31, 1996. All revenue bonds issued for the program have been redeemed. See "OTHER OBLIGATIONS; State Revenue Obligations".

Program Description and Operations

Veterans who wish to purchase, build, or purchase and rehabilitate homes that satisfy certain cost or value limitations in relation to the veteran's income may apply for a veterans housing loan. The loan may be for the purchase of an existing home, for a construction loan, for refinancing the balance due on a construction period loan, bridge loan or other financing with a term of 24 months or less, or for a combined purchase and rehabilitation loan of up to 95% of the home's value for a term not exceeding 30 years. A loan application is reviewed first by a local lending institution and then by DVA. If the application is approved, the local lending institution originates the loan as agent for DVA and acts as loan servicer thereafter. There are numerous other standards required to be satisfied as part of underwriting, including a shelter-cost ratio of generally less than 25% of income. This ratio may go up to as much as 33% under certain favorable credit circumstances or must be reduced if certain credit risks are present. The originator of the housing loan may charge the borrower an origination fee of one point (approximately two points in the case of construction loans and three points on the rehabilitation portion of purchase-rehabilitation loans).

It has been and continues to be the policy of DVA to set the interest rate charged to the borrower at a rate calculated to be sufficient to pay the debt service on the Veterans Mortgage Bonds, the cost of program administration and, if deemed necessary, a loan loss reserve (which since 1985 has been charged to fund the Insurance Reserve Account described below). Veterans Mortgage Bonds issued prior to 1985 assumed a certain level of prepayments in estimating program cash flow. No prepayments have been assumed in scheduling principal payments for Veterans Mortgage Bonds issued since 1985. Based on January 1, 1996 balances and existing DVA assumptions, the cash flow of the mortgages is sufficient to meet future debt service payments even if no mortgages are prepaid. Program loans are assumable only by other qualifying veteran borrowers.

After deducting a servicing charge (.375% per annum), the participating lender deposits the veteran's monthly loan repayments and any prepayments into the Veterans Mortgage Loan Repayment Fund (the "Fund"), a segregated statutory fund. An irrevocable appropriation is provided by law as a first charge on assets of the Fund in a sum sufficient to provide for the repayment of principal of, premium, if any, and interest on State general obligation debt issued to fund the program.

Program loans financed with Veterans Mortgage Bonds are not required to be insured or guaranteed (casualty insurance coverage is, however, required). Instead, the default risk with respect to such loans is borne by the program. The ability of DVA to dispose of defaulted properties and realize the amount of the outstanding principal balances of the related loans has varied in recent years depending upon the location of such properties within the State and their physical condition upon foreclosure. Although DVA expects that it will continue to experience liquidation losses, it expects that such losses will not require recourse to the State's General Fund, but rather will be covered by the Insurance Reserve Account within the Fund. As of August 31, 1996, of the 16,551 outstanding veterans housing loans financed by the program there were 160 loans of an aggregate principal amount of approximately $4.4 million for which payments were 60 days or longer past due. The Insurance Reserve requirement (4% of outstanding loans) is currently satisfied in full. See Table F-6 in APPENDIX F for more complete data concerning delinquencies.

RESULTS OF 1995-96 FISCAL YEAR

Both actual and projected financial results are described in this Official Statement on an all-funds basis and a general-fund basis. See "STATE BUDGET".

The Annual Fiscal Report for the fiscal year ending June 30, 1996 was published October 14, 1996. It reports that the State ended the fiscal year on a statutory and unaudited basis with an unreserved, undesignated balance of $581 million. On an all-funds basis the total amount available was $24.244 billion consisting of (i) a beginning balance of $401 million, (ii) tax revenues of $9.023 billion and (iii) nontax revenues of $14.820 billion. Total disbursements and reserves were $23.603 billion, resulting in the balance stated previously. On a general-fund basis the total amount available was $14.205 billion consisting of (i) the same beginning balance, (ii) tax revenues of $8.221 billion and (iii) nontax revenues of $5.503 billion. Total disbursements and reserves were approximately $13.624 billion, resulting in the same balance as described on an all-funds basis.

Since 1984 the State has issued operating notes each year in anticipation of cash-flow imbalances, primarily experienced in November and December. These operating notes eliminated the need to prorate or defer large local assistance payments or to reallocate balances in other State funds. During the fiscal year ending June 30, 1996, the State issued $250 million of operating notes. The operating notes were issued on July 6, 1995 and matured on June 17, 1996. Operating notes are not general obligations of the State and are not on a parity with State general obligations.

STATE GOVERNMENT ORGANIZATION AND FINANCIAL PROCEDURES

General Organization

The executive branch is under the direction of the Governor. He is assisted by five elected constitutional officers, 18 departments (including two headed by other constitutional officers) and 14 independent agencies. The constitutional officers are the Governor, Lieutenant Governor, Attorney General, State Treasurer, Secretary of State and Superintendent of Public Instruction, each of whom is elected to a four-year term. The Governor and Lieutenant Governor are elected on the same ballot.

The Governor is the chief executive officer of the State. The Lieutenant Governor serves as Acting Governor during the absence or incapacity of the Governor. The Attorney General heads the Department of Justice, which provides all state agencies with legal advice and counsel. The State Treasurer receives and disburses all money of the State Treasury in accordance with law. The Secretary of State keeps a record of the official acts of the Legislature and executive agencies. The Superintendent of Public Instruction heads the Department of Public Instruction, which supervises the operations of and establishes standards for schools throughout the State.

The legislative branch consists of the Legislature and its subordinate service agencies. The Legislature is bicameral, composed of the Senate and the Assembly. The 33 members of the Senate serve staggered four-year terms and the 99 Representatives of the Assembly serve identical two-year terms. Both the Senate and the Assembly operate on a committee system. The Legislature's biennial session begins in odd-numbered years on the first Tuesday after the eighth day of January. By a joint resolution, the biennial session is divided into floor periods interspersed with committee work periods. In odd-numbered years, the floor periods generally cover six months, while in even-numbered years the floor periods usually run for shorter periods. The Legislature also meets in special session when so called by the Governor, at which time it may transact only that business for which the special session is called.

The judicial branch consists of the Supreme Court, composed of seven justices who are elected statewide for staggered ten-year terms; the Court of Appeals, composed of 16 judges who are elected statewide for staggered six-year terms sitting in three-judge panels; and 69 circuit courts (the State's trial courts), each with one or more judges who are locally elected for six-year terms. The circuit courts are administered from ten administrative districts. All costs of these courts are paid by the State.

Budgeting Process and Fiscal Controls

The State Constitution requires the Legislature to enact a balanced budget. The State's fiscal year runs from July 1 through June 30 of the following year. State law establishes procedures for the budget's enactment. The Secretary of Administration, under the direction of the Governor, compiles all budget information and prepares an executive budget consisting of the planned operating expenditures and revenues of all State agencies. The Department of Revenue furnishes forecasts of tax revenues to the Department of Administration. The budget is submitted to the Legislature on or about February 15 of each odd-numbered year. The Legislature's Joint Committee on Finance reviews the executive budget and reports its findings to the full Legislature, usually in the form of a substitute budget bill. Upon concurrence by both houses of the Legislature in the appropriations and revenue measures embodied in the budget bill, the entire bill is submitted to the Governor. The Governor is empowered to sign the bill into law or to veto all or part of the bill. If the Governor vetoes any portions, those items may be reconsidered in accordance with the rules of each house and, if approved by two-thirds of the members of each house, will become law notwithstanding the Governor's veto. In the event that a budget is not in effect at the start of a fiscal year, the prior year's budget serves as the budget until such time as a new one is enacted.

A BALANCED BUDGET IS MANDATED IN ARTICLE VIII, SECTION 5 OF THE WISCONSIN CONSTITUTION. THIS SECTION REQUIRES THE LEGISLATURE TO PROVIDE AN ANNUAL TAX SUFFICIENT TO MEET THE ESTIMATED EXPENSES OF THE STATE EACH YEAR, INCLUDING DEBT SERVICE ON ALL OUTSTANDING GENERAL OBLIGATIONS. SHOULD A DEFICIENCY OCCUR IN ANY YEAR, THE LEGISLATURE MUST LEVY TAXES SUFFICIENT TO COVER BOTH THE DEFICIT AND THE ESTIMATED EXPENSES OF THE ENSUING YEAR.

The State Constitution provides that no money shall be paid out of the Treasury except as appropriated by law. The Statutes require that the Secretary of Administration and the State Treasurer must approve all payments. The Secretary of Administration is also responsible for audit of expenditures prior to disbursement. The Legislative Audit Bureau has postaudit responsibility.

The Department of Administration maintains separate accounts for all appropriations, showing the amounts appropriated, the amounts allotted, the amounts encumbered, the amounts expended and certain other data necessary to the financial management and control of all State accounts. The Department of Administration also maintains the general ledgers of the General Fund and all other funds of the State.

State law prohibits the enactment of legislation which would cause the estimated General Fund balance to be less than 1% of the general purpose revenue appropriations for that fiscal year. For the 1995–96 fiscal year and 1996–97 fiscal year, the statutorily required reserves are $83 million and $92 million respectively. The effect of the State law provision is to divide the year-ending General Fund balance into two components: the statutorily required reserve and the amount above such reserve.

Should estimated revenues prove to be less than anticipated in the budget or should expenditures for open-ended appropriations be greater than anticipated, the budget could move out of balance. The Statutes provide that if, following the enactment of the budget, the Secretary of Administration determines that budgeted expenditures will exceed revenues by more than one-half of one percent of general purpose revenues (consisting of general taxes, miscellaneous receipts and revenues collected by state agencies which lose their identity and are available for appropriation by the Legislature), no action can be taken regarding approval of expenditure estimates. Further, the Secretary of Administration must notify the Governor, the Legislature and its Joint Committee on Finance, and the Governor must submit a bill correcting the imbalance. If the Legislature is not in session, the Governor must call a special session to take up the matter.

The Secretary of Administration also has statutory power to order reductions in the appropriations of state agencies (which represent less than one-third of the General Fund budget). The Secretary of Administration may also temporarily reallocate free balances of certain funds to other funds which have insufficient balances and, further, may prorate or defer certain payments in the event current or projected balances are insufficient to meet current obligations. In such an event, the Department of Administration may also request the issuance of operating notes by the Building Commission.

Debt Issuing Organization–State of Wisconsin Building Commission

At the inception of statehood, constitutional limitations severely restricted the issuance of direct State debt. Prior to 1969 independent nonstock, nonprofit corporations were established to issue debt on behalf of the State. Four such corporations were so employed. In April 1969, the voters of the State, by referendum, adopted an amendment to the Constitution that authorized the State to borrow money directly and simultaneously terminated the use of the corporations for financing State construction. Legislation that established specific implementation powers was subsequently passed in December 1969, whereupon the State first issued general obligation bonds. The delegation of powers under the original implementing act has been amended since 1969 to improve the debt-issuing process. Delegation of powers, limitations and procedures to be followed are set forth in Chapter 18 of the Wisconsin Statutes.

Chapter 18 provides that the Commission has supervision over all matters relating to the issuance by the State of general and revenue obligations. The Commission is composed of eight members including the Governor as chairperson, six members of the Legislature (three from each house) appointed in the same manner as standing committees in the respective houses, and one citizen member appointed by the Governor and serving at his pleasure. State law provides that the two major political parties shall be represented in the membership from each house, and that one member appointed from either house shall be a member of the Legislative State Supported Program Study and Advisory Committee. The Secretary of Administration, the head of the engineering function and the ranking architect in the Department of Administration are nonvoting advisory members. The members act without liability except for misconduct.

The Commission is assisted by the Department of Administration, which provides technical civil service staff. The Divisions of Facilities Development and Executive Budget and Finance are subdivisions of the Department of Administration. The Administrator of the Division of Facilities Development, with the concurrence of the Secretary of Administration, serves as the Secretary to the Building Commission. Employes of the Division of Executive Budget and Finance serve as the Capital Finance Director and staff responsible for managing the State's general obligation, revenue bond and operating note programs.

The Commission's office location is Administration Building, 7th Floor, 101 East Wilson Street, its mailing address is P.O. Box 7866, Madison, Wisconsin 53707-7866, and its telephone number is (608) 266-1855.

The names and additional information regarding Commission members and other State officials participating in the issuance of the Bonds appear on page ii.

Accounting and Financial Reporting

Statutory Basis

The State accounts for, reports and budgets its operations as set forth in the statutes. Except as noted in the following paragraph, under statutory accounting, receipts are recorded only at the time money or checks are deposited in the State Treasury, and disbursements are recorded only at the time a check is drawn. As a result, actions and circumstances, including discretionary decisions by certain governmental officials, can affect the timing of payments and deposits and therefore can significantly affect the amounts reported in a fiscal year

For budgeting and constitutional compliance purposes, the State's records are maintained in conformity with statutory requirements. The more important legal provisions are:

(1) In all cases the date of the contract or order determines the fiscal year in which it is charged unless it is determined that the purpose of the contract or order is to prevent lapsing of appropriations or to otherwise circumvent budgeting intent.

(2) The current year records must remain open until July 31 to permit departments to certify for payment bills applicable to the year ended June 30 and to deposit revenues applicable to such year, with the following exceptions: amounts withheld for income taxes prior to July 1 and taxes imposed on sales prior to July 1 are deemed to be accrued tax receipts as of the close of the fiscal year, provided such revenue is deposited on or before August 15.

(3) On July 31 all outstanding encumbrances entered for the previous year must be transferred to the new fiscal year and an equivalent prior year appropriation balance must also be forwarded to the current year.

(4) Revenues and expenditures are reported on a net basis. Overcollections refunded are deducted from revenues and overpayments collected are deducted from expenditures.

(5) General Fund investments are carried at the lower of cost or par with discounts, premiums and earnings recorded on an accrual basis.

Generally Accepted Accounting Principles

Beginning with the fiscal year ending June 30, 1990, the State has accounted for and reported on its operations using generally accepted accounting principles ("GAAP"). For the fiscal year ended June 30, 1995 the State has prepared a Comprehensive Annual Financial Report ("CAFR") in accordance with GAAP. The General Purpose Financial Statements section of the CAFR has been audited and is presented in APPENDIX A.

Financial statements prepared in accordance with GAAP differ from those prepared in accordance with the Statutes. A notable difference pertains to the general-fund balance. The undesignated balance for the fiscal year ended June 30, 1995 was a surplus of $401 million on the statutory basis. Under GAAP the balance at June 30, 1995 was a deficit of $1.1 billion. The difference results primarily because GAAP recognizes accrued liabilities that are not taken into account under the statutory basis. The single largest accrued liability for the fiscal year ended June 30, 1995 was $506 million and related to the State's payment of shared revenues to municipalities and counties. Determining this liability is difficult for several reasons including the lack of a specific pronouncement from the Governmental Accounting Standards Board concerning accounting for state and local government shared revenues.

The State continues to use the statutory basis for both budgeting and constitutional compliance purposes. The State has not taken any steps to eliminate the GAAP deficit, and it is unlikely that it will do so in the future.

FINANCIAL INFORMATION

The State's financial condition is reported on a statutory basis in its Annual Fiscal Report, which is published each year on or before October 15. In addition, financial statements are prepared on a GAAP basis. Interim reporting of revenues and expenditures is provided through the State budget process; however, the interim reporting format corresponds to the budget appropriation schedule rather than to the format of the Annual Fiscal Report or the CAFR. This makes comparisons of final and interim reports difficult. Similarly, the estimated revenues and expenditures budgeted for the current and future years are not directly comparable to the actual expenditures reported in the Annual Fiscal Report or the CAFR.

Revenue Structure

The State has an extremely diverse revenue-raising structure. Approximately thirty-eight percent of the total revenue is derived from the various taxes levied by the State. The remainder comes from the federal government and from various kinds of fees, licenses, permits and service charges paid by users of specific services, privileges or facilities. Table 2 contains the specific sources of revenue and the amounts raised from each source for each of the last five years. There can be no assurance that historical data with respect to such revenues are necessarily indicative of future receipts.

Tax Structure

The State's tax structure has a diverse underlying base consisting of income, general and special product sales and property value. Approximately one-half of all general-fund taxes collected by the State are returned to local units of government. The remaining funds are used for State programs. A brief description of each tax follows.

Individual Income Tax
The current tax brackets and rates are as follows:

Taxable Income Brackets		
Single	**Married Filing Jointly[a]**	**Marginal Tax Rate**
$0-7,500	$0-10,000	4.90%
7,501-15,000	10,001-20,000	6.55
15,001+	20,001+	6.93

[a] Brackets for married filing separately are half of married filing jointly.

Corporate Franchise and Income Taxes
Both the franchise tax measured by net income and the income tax are levied at a rate of 7.9% of corporate net income.

Public Utility Taxes
There are two methods used for taxing public utilities. An ad valorem method on property is used for pipeline companies, conservation and regulation companies, railroads and airlines. Revenue received from railroads and airlines is deposited in the Transportation Fund; all other revenues are deposited to the General Fund. The State assesses the value of the property; then the average statewide property tax rate is applied to derive the tax. The gross receipts tax on telephone companies for local service ranges from 2.813% for gross revenues of less than $10,000 to 5.6% for gross revenues in excess of $500,000. The tax on toll service (long distance calls) ranges from 2.813% if toll revenues are less than $25,000 to 7.8% if toll revenues exceed $800,000. The gross receipts tax is 3.19% for electric cooperatives. Light, heat and power companies pay a gross receipts license fee at the rates of 0.97% of revenues from gas services and 3.19% of revenues from electric services. Each year’s fee is based on revenues collected in the previous year.

General Sales and Use Tax
A 5% tax is imposed on the sale or use of services and all tangible personal property unless specifically exempted. The most notable exemptions are food, prescription drugs and motor and heating fuel.

Excise Taxes
Taxes are levied on four products. Cigarettes are taxed at the rate of 38 cents per pack of 20. Liquor is taxed on the basis of alcoholic content (25 cents, 45 cents or $3.25 per gallon). The tax is collected from wholesalers. Beer is taxed at the rate of $2 per barrel, and the tax is paid monthly by brewers. Tobacco products other than cigarettes are taxed at the rate of 20% of the manufacturer’s list price. The tax is collected from distributors and subjobbers.

Motor Fuel Tax
Motor fuel is taxed at the rate of 23.7 cents per gallon. Each April a formula based on highway maintenance costs and fuel consumption is used to adjust the motor fuel tax. The tax is collected from the wholesaler but is specifically passed through to the user. The revenues are deposited in the segregated Transportation Fund, where they are used primarily for highway purposes.

Inheritance and Gift Taxes
Effective January 1, 1992 both the inheritance tax and gift tax were eliminated. The phaseout of the taxes began in 1988. The State continues to receive some revenue as estates are probated.

Insurance Company Premium Tax
Wisconsin-based life insurance companies pay a tax of 2% of the premiums received less a credit equal to 50% of personal property taxes. (Small companies may choose to pay 2.5% of all income except premiums less the personal property tax credit.) Nondomestic life companies pay the 2% rate with no personal property tax credit.

Domestic casualty companies are taxed 2% on premiums received on fire insurance, while nondomestic casualty companies pay 2.375% on all forms of casualty premiums. The 2% tax levied on fire insurance premiums is redistributed to local governments as a “fire department dues” tax.

Forest Tax

The forest tax is the only State tax upon general property. It is a 2/10 mill levy on all taxable property in the State. The tax is collected from local taxing units. After its receipt in the General Fund, it is transferred to the segregated Conservation Fund.

Pari-Mutuel Tax

The pari-mutuel tax is a sliding rate based on the cumulative amount wagered at each track during the year. For horse racing the tax begins at 1% for wagered amounts in excess of $50 million increasing to 3% for wagered amounts in excess of $150 million. For dog racing the tax begins at 2% and increases to 8.67% for wagered amounts in excess of $250 million. The revenues are deposited in the segregated Racing Fund.

Homestead Tax Credit

Property tax relief is provided to low-income home owners and renters through a homestead tax credit on state individual income taxes. The maximum household income limit is $19,154. The maximum amount of aidable property taxes is $1,450, and the amount of farm acreage on which the property tax is based is 120 acres. For renters, the amount of rent allocated as property tax is 25%, or 20% if heat is included in rent. These credits are reflected as expenditures for budgeting purposes.

Table 2

REVENUES (ALL SOURCES) [a]

1995-96 FROM 1991-92

	1995-96	1994-95	1993-94	1992-93	1991-92
State Collected Taxes					
Individual Income	$ 4,157,444,344	$ 3,932,948,357	$ 3,638,710,246	$ 3,445,828,768	$ 3,142,212,356
General Sales and Use	2,704,226,017	2,571,212,098	2,427,900,047	2,260,562,784	2,127,315,030
Corporate Franchise and Income	636,009,525	631,750,239	541,284,287	492,014,523	437,689,226
Public Utility	288,773,786	271,979,923	268,236,755	278,325,863	261,596,570
Excise	245,350,413	223,419,538	219,567,523	212,972,813	193,227,911
Inheritance and Gift	45,602,214	40,783,701	53,201,971	53,742,241	57,646,429
Insurance Companies	92,284,836	94,416,471	95,990,959	86,904,742	82,800,824
Motor Fuel	676,002,610	651,186,179	634,621,215	595,622,479	573,948,758
Forest	42,943,134	39,193,215	36,512,823	44,392,839	27,840,473
Miscellaneous	134,422,491	119,666,306	119,276,892	99,963,841	92,651,495
Subtotal	9,023,059,370	8,576,556,027	8,035,302,718	7,570,330,893	6,996,929,072
Federal Aid					
Medical Assistance	1,461,929,742	1,457,070,300	1,361,264,722	1,297,791,258	1,194,407,867
AFDC	188,491,658	212,576,642	236,096,288	338,804,634	335,789,338
Transportation	558,478,336	484,075,362	512,447,000	376,054,661	278,103,759
Education	739,728,615	705,186,682	656,580,271	620,772,533	582,376,885
Other	946,163,108	917,134,225	912,102,104	707,533,186	694,565,785
Subtotal	3,894,791,459	3,776,043,211	3,678,490,385	3,340,956,272	3,085,243,634
Fees					
University of Wisconsin System	460,539,331	459,980,731	454,232,963	432,655,703	414,689,429
Other	519,180,189	488,347,136	476,710,654	231,978,179	196,707,737
Subtotal	979,719,520	948,327,867	930,943,617	664,633,882	611,397,166
Licenses and Permits					
Vehicles and Drivers	249,312,483	249,461,275	250,475,479	237,786,472	226,827,627
Hunting and Fishing	49,602,129	47,357,165	50,822,937	48,929,766	45,937,891
Other	368,467,942	332,090,249	331,515,213	37,606,023	40,108,155
Subtotal	667,382,554	628,908,689	632,813,629	324,322,261	312,873,673
Miscellany					
Service Charges	439,035,773	424,749,482	406,308,823	782,624,054	714,587,820
Sales of Products	690,834,331	722,782,430	685,092,976	648,243,168	604,332,109
Investment Income	5,446,036,326	5,146,837,274	1,276,947,011	3,808,721,594	3,325,397,805
Gifts and Grants	210,638,629	176,311,213	165,759,549	192,434,750	145,008,468
Employe Benefit Contributions [b]	1,318,994,693	1,478,712,390	1,310,111,343	1,285,666,403	1,144,891,365
General Obligation Proceeds	330,950,056	324,941,338	243,711,514	300,031,476	375,768,222
Local Government Investment Pool					724,130,153
Other Revenues	438,067,477	493,451,382	368,652,742	517,943,464	183,117,131
Subtotal	8,874,557,285	8,767,785,509	4,456,583,958	7,535,664,909	7,217,233,073
Summary					
TOTAL NET REVENUE	23,439,510,188	22,697,621,303	17,734,134,307	19,435,908,217	18,223,676,618
Transfers	403,849,988	385,960,590	521,021,635	585,483,548	596,754,265
Gross Revenue	$ 23,843,360,176	$ 23,083,581,893	$ 18,255,155,942	$ 20,021,391,765	$ 18,820,430,883

(a) The amounts shown are based on statutorily required accounting and not on GAAP. The amounts are unaudited.

(b) Figures include all State and non-State employer and employe contributions. State contributions for State employes totaled $606,491,798 for 1995-96, $583,132,459 for 1994-95, $563,812,191 for 1993-94, $536,795,313 for 1992-93, and $472,340,981 for 1991-92.

Source: Wisconsin Department of Administration.

Tax Collection Procedure (Delinquencies)

When a taxpayer does not file a valid return when requested, the Department of Revenue estimates the amount of tax due and the taxpayer is sent an assessment of the amount owing with a due date for payment. From the time the assessment is received until the due date the taxpayer may appeal the amount stated to be owing. If at the due date no appeal has been made, the account is then considered delinquent. Other delinquencies occur when a taxpayer fails to properly pay taxes on a return filed or undercomputes the tax due. In such a case, the taxpayer is billed for the shortfall. There is no appeal process in this circumstance.

The recording and collection of State taxes which are subject to collection problems (individual and corporate income, corporate franchise, sales and use taxes) are computerized. The payment records on delinquent accounts are stored centrally with district offices linked to the computer to follow the progress.

Collection of delinquencies begins with a notice of warrant, which is prepared centrally and then sent to the delinquent taxpayer. This notice informs the taxpayer that failure to pay within 30 days will result in a warrant being filed in the county of residence. When the warrant is filed with the clerk of court, a field referral is sent out to the district office in whose area the delinquent taxpayer resides and a field representative makes contact either by phone or in person. The field representative may schedule an informal hearing with the taxpayer. The information on the file is still retained centrally but details of the file are provided to the field representative. The field representative then tries to solicit payment in full or reach an agreement for payment in installments.

It may be determined that garnishment proceedings should be undertaken. In some cases provision is made for an individual's employer to withhold additional money from the salary check. If the delinquent taxpayer has a refund forthcoming from any tax other than that for which the taxpayer has been determined delinquent, the refund is offset against the delinquent balance.

In some cases it is unknown whether the taxpayer has any assets against which garnishment proceedings may be instituted. In these cases a supplemental hearing may be called before the court commissioner in the county of residence, and it might be determined that the taxpayer's affairs should be placed in receivership. If the taxpayer is without any assets at all, proceedings may be stayed and the account periodically reviewed for up to 10 years.

An analysis of delinquency rate for the income, franchise, sales and use taxes is shown in a table, as part of APPENDIX E.

Expenditures

State expenditures are categorized under nine functional categories and three distinct types of expenditures within each. The nine functional categories are described in APPENDIX D. The types of expenditures are defined below.

State Operations

Direct payments by State agencies to carry out State programs for such expenses as salaries, supplies, services, debt service and permanent property.

Aids to Individuals and Organizations

Payments from a State fund made directly to or on behalf of an individual or private organization (for example, Medicaid or student financial assistance).

Local Assistance

Payments from a State fund to or on behalf of local units of government and school districts, including payments associated with State programs administered by local governments and school districts, such as aid for families with dependent children and school aids.

Table 3 shows the amounts expended by function and type for each of the last five years.

Table 3

EXPENDITURES BY FUNCTION AND TYPE (ALL FUNDS) [(a)]

1995-96 FROM 1991-92

	1995-96	1994-95	1993-94	1992-93	1991-92
Commerce					
State Operations	$ 172,663,899	$ 181,381,591	$ 169,547,039	$ 170,037,312	$ 150,954,198
Aids to Individuals and Organizations	345,586,275	354,331,970	321,207,957	340,364,966	316,869,048
Local Assistance	52,620,000	43,629,795	30,817,241	30,046,362	32,867,866
Subtotal	570,870,174	579,343,356	521,572,237	540,448,640	500,691,112
Education					
State Operations	2,521,127,678	2,473,042,166	2,338,021,272	2,253,048,466	2,147,074,523
Aids to Individuals and Organizations	246,362,211	189,484,289	182,593,262	186,469,323	179,458,603
Local Assistance	3,110,348,236	2,864,657,285	2,569,340,081	2,355,854,478	2,247,275,355
Subtotal	5,877,838,125	5,527,183,740	5,089,954,615	4,795,372,267	4,573,808,481
Environmental Resources					
State Operations	1,168,542,505	1,159,663,779	1,152,013,867	1,015,194,537	934,020,694
Aids to Individuals and Organizations	26,915,579	22,244,920	18,830,360	12,358,310	7,881,445
Local Assistance	779,576,130	782,756,275	742,154,919	710,325,080	684,571,831
Subtotal	1,975,034,214	1,964,664,974	1,912,999,146	1,737,877,927	1,626,473,970
Human Relations and Resources					
State Operations	1,371,651,160	1,258,608,769	1,231,587,975	1,088,358,504	1,037,281,234
Aids to Individuals and Organizations	3,415,134,822	3,367,986,626	3,266,649,767	3,083,816,446	2,913,964,199
Local Assistance	720,706,514	692,135,323	661,800,665	628,649,785	579,454,733
Subtotal	5,507,492,496	5,318,730,718	5,160,038,407	4,800,824,735	4,530,700,166
General Executive					
State Operations	2,052,231,694	1,934,984,996	1,773,191,971	1,673,432,934	1,448,264,985
Aids to Individuals and Organizations	27,173,763	32,334,180	28,122,954	25,470,640	3,682,221
Local Assistance	26,213,441	19,924,069	15,469,064	11,994,163	5,907,203
Subtotal	2,105,618,898	1,987,243,245	1,816,783,989	1,710,897,737	1,457,854,409
Judicial					
State Operations	64,237,307	64,107,905	62,686,535	55,996,510	53,658,424
Local Assistance	18,263,107	7,691,854	11,066,928	72,000	447,800
Subtotal	82,500,414	71,799,759	73,753,463	56,068,510	54,106,224
Legislative					
State Operations	50,047,274	50,840,285	46,952,652	44,911,438	44,409,735
Subtotal	50,047,274	50,840,285	46,952,652	44,911,438	44,409,735
General					
State Operations	504,768,472	467,730,594	522,102,729	634,673,083	504,064,629
Aids to Individuals and Organizations	209,922,994	206,100,611	216,600,048	191,352,574	184,982,890
Local Assistance	1,510,746,840	1,447,264,919	1,419,981,721	1,468,179,316	1,434,257,511
Subtotal	2,225,438,306	2,121,096,124	2,158,684,498	2,294,204,973	2,123,305,030
General Obligation Bond Program					
State Operations	310,823,789	425,243,946	289,286,562	277,510,958	295,746,645
Local Assistance				47,223,826	93,688,871
Subtotal	310,823,789	425,243,946	289,286,562	324,734,784	389,435,516
Summary Totals					
State Operations	8,216,093,778	8,015,604,031	7,585,390,602	7,213,163,742	6,615,475,067
Aids to Individuals and Organizations	4,271,095,644	4,172,482,596	4,034,004,348	3,839,832,259	3,606,838,406
Local Assistance	6,218,474,268	5,858,059,520	5,450,630,619	5,252,345,010	5,078,471,170
GRAND TOTAL	$18,705,663,690	$18,046,146,147	$17,070,025,569	$16,305,341,011	$15,300,784,643

(a) The amounts shown are based on statutorily required accounting and not on GAAP. The amounts are unaudited.

Source: Wisconsin Department of Administration.

STATE BUDGET

Budget for 1996–97

For the fiscal year ending June 30, 1997, the budget on an all-funds basis projects a balance of $100 million. Total available revenues are estimated to be $21.543 billion consisting of (i) a beginning balance of $566 million, (ii) tax revenues of $8.664 billion and (iii) nontax revenues of $12.313 billion. Total disbursements and reserves are estimated to be $21.535 billion, consisting of net disbursements of $21.124 billion and reserves of $411 million. This results in an estimated balance of $8 million which, when combined with the statutorily required balance of $92 million, results in a balance at June 30, 1997 of $100 million. The budget is summarized in Table 4.

The projected general-fund balance for June 30, 1997 is the same as the all-fund balance, $100 million. Total available revenues are estimated to be $14.957 billion consisting of (i) a beginning balance of $566 million, (ii) tax revenues of $8.664 billion and (iii) nontax revenues of $5.727 billion. Total disbursements and reserves are estimated to be $14.949 billion, consisting of net disbursements of $14.538 billion and reserves of $411 million. The balance is identical to the all-funds amount. The budget is summarized in Table 5.

Potential Effect of Litigation

The notes to the General Purpose Financial Statements, which can be found on pages A-70 through A-72 of this Official Statement, include a description of various legal proceedings and claims which may have a potential budgetary effect. Events subsequent to publication of the General Purpose Financial Statements are outlined below.

Special Performance Dividend–See page A-70

The court has issued a decision specifying a remedy that includes reimbursement by the General Fund of the Employe Trust Fund for a portion of the distribution already made, as well as for earnings based upon "the average rate of earnings of the trust fund assets" from the commencement of the dividend distribution until the reimbursement to the Employe Trust Fund. The remedy may be in the range of $100 million, but it has not been calculated with specificity. Calculation of the remedy is also likely to require clarification by further court order. Such clarification could significantly change the estimate of the cost of the remedy. The Wisconsin Supreme Court has agreed to hear an appeal of the case, and payment of the remedy is stayed pending the Supreme Court's determination. It is possible that the amount of the remedy may be increased or decreased, perhaps substantially, or eliminated. The 1995–96 and 1996–97 budgets do not specifically provide for this payment. See "OTHER INFORMATION; Pending Litigation—*Public Employe Trust Fund*".

Taxation of Research and Teaching Assistants–See page A-72

The University of Wisconsin-Madison, an agency of the State, and the Internal Revenue Service reached a settlement regarding the university's employment taxes for tax years 1987 through 1992. The Internal Revenue Service has dropped its $81.5 million assessment. Beginning September 1, 1996, the university will withhold and report income taxes on graduate research assistant stipends.

Table 4
ALL FUNDS[a]

	Actual [b] 1995-96	Budget 1995-96	Budget 1996-97
RECEIPTS			
Fund Balance from Prior Year	$ 400,881,000	$ 408,880,400	$ 566,339,200
Tax Revenue			
Individual Income	4,183,604,000	4,160,100,000	4,416,200,000
General Sales and Use	2,704,226,000	2,710,000,000	2,869,500,000
Corporate Franchise and Income	636,010,000	650,000,000	650,000,000
Public Utility	285,288,000	284,600,000	295,950,000
Excise			
Cigarette/Tobacco Products	205,350,000	206,300,000	205,600,000
Liquor and Wine	30,813,000	30,500,000	30,500,000
Malt Beverage	9,187,000	9,000,000	9,100,000
Inheritance, Estate & Gift	45,602,000	41,000,000	44,000,000
Insurance Company	92,285,000	96,000,000	98,000,000
Other	830,664,000	43,900,000 [c]	45,000,000 [c]
Subtotal	9,023,029,000	8,231,400,000	8,663,850,000
Nontax Revenue			
Departmental Revenue	128,256,000	174,683,100	228,779,200
Total Federal Aids	3,275,795,000	3,850,830,600	3,891,800,700
Total Program Revenue	2,179,107,000	2,185,416,200	1,975,161,400
Total Segregated Funds	2,705,320,000	1,908,291,300	1,910,832,300
Bond Authority	330,950,000	305,000,000	330,000,000
Employe Benefit Contributions [d]	6,200,903,000	3,737,890,089	3,976,959,649
Subtotal	14,820,331,000	12,162,111,289	12,313,533,249
Total Available	$ 24,244,241,000	$ 20,802,391,689	$ 21,543,722,449
DISBURSEMENTS AND RESERVES			
Commerce	$ 575,240,000	$ 305,755,800	$ 361,145,100
Education	5,978,715,000	6,008,560,200	6,645,449,700
Environmental Resources	2,057,321,000	1,966,661,500	1,955,734,400
Human Relations and Resources	5,623,499,000	5,507,561,200	5,446,078,300
General Executive	2,146,487,000	437,336,900	568,192,600
Judicial	82,503,000	82,558,300	87,716,700
Legislative	50,048,000	50,169,100	50,119,600
General Appropriations	2,191,850,000	1,827,543,400	1,816,969,400
General Obligation Bond Program	309,320,000	305,000,000	330,000,000
Employe Benefit Payments [d]	1,317,768,000	1,695,305,629	1,843,607,584
Reserve for Employe Benefit Payments [d]	4,883,135,000	2,042,584,460	2,133,352,065
Subtotal	25,215,886,000	20,229,036,489	21,238,365,449
Less: (Lapses)	NA	(41,322,800)	(113,723,000)
Compensation Reserves	NA	18,235,000	46,382,400
Required Statutory Balance	NA	82,598,400	91,999,900
Fund Transfer	NA	3,503,800	259,990,600
Federal Retiree Reserve	NA	26,600,000	12,700,000
Change in Continuing Balance	(1,553,335,000)	NA	NA
Total Disbursements & Reserves	$ 23,662,551,000	$ 20,318,650,889	$ 21,535,715,349
Fund Balance	$ 581,690,000	$ 483,740,800	$ 8,007,100
Undesignated Surplus	$ 581,690,000	$ 566,339,200	$ 100,007,000

(a) The amounts shown are based on statutorily required accounting and not on GAAP.

(b) The amounts shown are unaudited and rounded to the nearest thousand.

(c) The budgets do not include taxes collected for segregated funds. The largest such tax is the motor vehicle fuel tax, of which $676 million were collected in the 1995-96 fiscal year.

(d) State law separates the accounting of employe benefits from the budget. They are included for purposes of comparability to the figures presented in this table and Tables 2 and 3. Benefits are provided for on a fully funded basis. Therefore, when contributions actually received exceed the benefits acutally paid out, the difference is added to the trust funds. In the event that the actual benefit payments exceed the contribution received, investment earnings will be used to cover the difference before they are deposited in the Employe Benefit Fund.

Source: Wisconsin Department of Administration.

Table 5
GENERAL FUND[a]

	Actual [b] 1995-96	Budget 1995-96	Budget 1996-97
RECEIPTS			
Fund Balance from Prior Year	$ 400,881,000	$ 408,880,400	$ 566,339,200
Tax Revenue			
State Taxes Deposited to General Fund			
Individual Income	4,183,604,000	4,160,100,000	4,416,200,000
General Sales and Use	2,704,226,000	2,710,000,000	2,869,500,000
Corporate Franchise and Income	636,010,000	650,000,000	650,000,000
Public Utility	285,288,000	284,600,000	295,950,000
Excise			
Cigarette/Tobacco Products	205,350,000	206,300,000	205,600,000
Liquor and Wine	30,813,000	30,500,000	30,500,000
Malt Beverage	9,187,000	9,000,000	9,100,000
Inheritance, Estate & Gift	45,602,000	41,000,000	44,000,000
Insurance Company	92,285,000	96,000,000	98,000,000
Other	28,874,000	43,900,000	45,000,000
Subtotal	8,221,239,000	8,231,400,000	8,663,850,000
Nontax Revenue			
Departmental Revenue	128,256,000	174,683,100	228,779,200
Program Revenue Federal	3,275,795,000	3,457,543,500	3,523,184,100
Program Revenue Other	2,179,107,000	2,185,416,200	1,975,161,400
Subtotal	5,583,158,000	5,817,642,800	5,727,124,700
Total Available	$ 14,205,278,000	$ 14,457,923,200	$ 14,957,313,900
DISBURSEMENTS AND RESERVES			
Commerce	$ 164,514,000	$ 165,757,000	$ 191,645,400
Education	5,837,139,000	5,964,122,000	6,600,333,700
Environmental Resources	242,361,000	236,724,600	239,038,900
Human Relations and Resources	5,255,874,000	5,329,183,900	5,355,935,200
General Executive	412,906,000	420,885,100	486,673,600
Judicial	82,154,000	81,921,900	87,080,300
Legislative	50,048,000	50,169,100	50,119,600
General Appropriations	1,603,605,000	1,635,804,400	1,641,130,200
Subtotal	13,648,601,000	13,884,568,000	14,651,956,900
Less: (Lapses)	NA	(41,322,800)	(113,723,000)
Compensation Reserves	NA	18,235,000	46,382,400
Required Statutory Balance	NA	82,598,400	91,999,900
Fund Transfers	NA	3,503,800	259,990,600
Federal Retiree Reserve	NA	26,600,000	12,700,000
Other Adjustments	(2,000)	NA	NA
Changes in Continuing Balance	(25,011,000)	NA	NA
Total Disbursements & Reserves	$ 13,623,588,000	$ 13,974,182,400	$ 14,949,306,800
Fund Balance	$ 581,690,000	$ 483,740,800	$ 8,007,100
Undesignated Surplus	$ 581,690,000	$ 566,339,200	$ 100,007,000

(a) The amounts shown are based on statutorily required accounting and not on GAAP.
(b) The amounts shown are unaudited and rounded to the nearest thousand.

Source: Wisconsin Department of Administration.

Potential Effects of Tax Refunds

Sales Tax on Access Services

On May 15, 1990 the Wisconsin Supreme Court declared unconstitutional a sales tax imposed by the State on access services in connection with telephone service provided between local access and transfer areas. Based on the decision, a payer of the invalidated tax may file a claim for refund. The State has one year from the date of filing to review the claim. It is estimated that refunds could be made in an aggregate amount up to $90 million. Legislation reducing taxation on telephone companies has been enacted. It is expected that the claims will be withdrawn upon the full and complete implementation of the legislation in 1997. The 1995–96 and 1996–97 budgets do not provide for the payment of these claims.

The notes to the General Purpose Financial Statements, which can be found on pages A-70 through A-72 of this Official Statement, include a description of various legal proceedings and claims which may have a potential budgetary effect from tax refunds. Events subsequent to publication of the General Purpose Financial Statements are outlined below.

Federal Pension Income–See pages A-70 and A-71

The State has reached a settlement in one administrative refund case, involving approximately 3,200 retired military officers. The settlement calls for the State to refund approximately $19 million in seven installments over four fiscal years (1993–94, 1994–95, 1995–96 and 1996–97). In April 1994 the State reached a partial settlement in the other case, a class action involving other federal retirees. The partial settlement calls for the State to refund approximately $56 million in seven installments over four fiscal years (1993–94, 1994–95, 1995–96 and 1996–97). The State is current on making the refunds.

The partial settlement has not resolved the decision of the Wisconsin Tax Appeals Commission (the "Tax Commission") to include in the class action those retirees who did not file timely individual refund claims, a matter the State continues to contest. On December 21, 1995, the court of appeals held that the Tax Commission lacks statutory authority to employ a class action procedure and that timely individual claims must be filed in order to receive refund payments. The Wisconsin Supreme Court denied review of this case. The United States Supreme Court has also denied review of this case. See "OTHER INFORMATION; Pending Litigation—*Federal Pension Income*".

Corporate Tax Apportionment Methodology–See page A-70

The Appeals Court has certified this case to the Wisconsin Supreme Court, which has taken the case. Based on existing refund claims, the amount of the refunds is estimated at $93.6 million. The 1995–96 and 1996–97 budgets do not provide for payment of these claims. See "OTHER INFORMATION; Pending Litigation—*Corporate Tax Apportionment Methodology*".

State Budget Assumptions

Tax revenue projections for the 1995–96 and 1996–97 budgets are based on November 1994 Department of Revenue estimates adjusted for changes that have occurred subsequent to their publication. They are based on the State tax structure and on assumptions relating to basic economic factors and their historical relationships to State tax receipts. Revenue sources other than taxes are estimated in the preparation of the budget. The all-funds budget establishes estimates of these nontax revenues and presumes that an equal amount of expenditures will be made. Any variation from that expected level of revenue will result in a corresponding increase or decrease in expenditures.

The projections of total State disbursements for the budgets are based on assumptions relating to economic and demographic factors, desired levels of services, and the success of expenditure control mechanisms applied by the Secretary of Administration pursuant to statutory authority in controlling disbursements for State operations. Factors that may affect the level of disbursements in the budgets and make the projected levels difficult to maintain include uncertainties relating to the economy of the nation and the State.

Economic Assumptions

The economic forecast underlying the 1995–96 and 1996–97 budgets is based primarily on certain projections of Data Resources, Inc. as presented in its report of November 1994 and results of economic models which incorporate the projections. See APPENDIX I. The results are shown in both the all-funds and general-fund budgets shown in Tables 4 and 5.

Economic forecasts frequently fail to predict accurately the timing and magnitude of changes in the State economy. The State believes, however, that the projections of major economic indicators and that the receipts and disbursements projected in the budgets are reasonable.

Budget Format

The State prepares an all-funds budget, a general purpose revenue ("GPR") budget and subbudgets for each fund. The all-funds or total budget includes all money appropriated for the fiscal year revenues from general state tax collections, federal funds that are estimated to be received, revenues which are paid into a specific fund (such as the Transportation or Conservation Fund) for a specified program or purpose or which are credited to an appropriation to finance a specific program or agency, and finally revenues resulting from the contracting of public debt. Because it includes only estimates of federal funds to be received and expended, it is a budget which may vary during the course of the fiscal year.

The GPR budget includes the money appropriated from all state-collected general taxes (such as income taxes, sales taxes, excise taxes, etc.), from revenues collected by State agencies which are deposited into the General Fund and lose their identity (departmental revenues) and from various miscellaneous receipts. A portion of these revenues is then returned to local governments in the form of shared tax payments and to school districts in the form of general equalization aid payments, which are used to meet the cost of local operations. Additionally, some of the revenues are used for aids to individuals. The remaining portion is the operating budget for State agencies conducting State-administered programs.

Because the debt service on the Bonds is secured by all revenues received by the State, the financial material reported in this document is a representation of the all-funds budget. The subbudget for the General Fund is also provided. The General Fund is the principal operating fund of the State. It receives all State income that is not required by law to be deposited in other funds (including more than 90% of total State tax receipts) and many other revenues.

Impact of Federal Programs

Future Federal budgets which include reductions in Federal aid would have a more immediate effect on individuals, local governments and other service providers than on the State directly. Such proposals, if enacted, would increase the likelihood that the State will be asked to increase its support of the affected parties. Implementing choices posed by the Federal budget would involve State legislative action.

Supplemental Appropriations

The State may increase appropriations from or reduce taxes below the levels established in its budget. In recent past years, including the current fiscal year, the State has adopted appropriation measures subsequent to passage of the budget act. However, it has been the State's policy that supplemental appropriations adopted by the Legislature will be within revenue projections for that fiscal period or balanced by reductions in other appropriations. Thus, spending from additional appropriations has been matched by reduced disbursements, increased revenues or a combination of both.

No legislation directly or indirectly affecting general purpose revenue (tax revenue and departmental revenue) of the General Fund may be enacted if the bill would cause the estimated General Fund balance on June 30 of the fiscal year to be less than the required statutory reserve.

General Fund History

Table 6 presents the General Fund condition for the previous five years.

Table 6
COMPARATIVE CONDITION OF THE GENERAL FUND
AS OF JUNE 30 [(a)]
(Amounts in Thousands)

	1996	1995	1994	1993	1992
ASSETS					
Cash & Investment Pool Shares	$ 574,513	$ 489,935	$ 186,705	$ 292,548	$ 187,434
Imprest Funds	4,108	4,107	4,107	3,880	4,082
Investments	445	445	445	190	431
Receivables					
Accounts Receivable	684,739	763,515	714,859	400,166	746,274
Due from Other Funds	16,716	9,244	135,924	7,450	9,824
Student Loans Receivable					4,066
Inventory			379		
Prepayments	34,361	39,878	33,406		
TOTAL ASSETS	$ 1,314,882	$ 1,307,124	$ 1,075,825	$ 704,234	$ 952,111
LIABILITIES					
Accounts Payable	$ 295,189	$ 333,644	$ 251,849	$ 104,219	$ 467,190
Due to Other Funds	32,251	36,564	57,093	100	9,326
Tax and Other Deposits	40,400	59,666	44,490	22,597	16,700
Advances from Other Funds	6,000	8,000	14,226	14,226	
Deferred Revenue	22,417	21,995	26,235		
TOTAL LIABILITIES	$ 396,257	$ 459,869	$ 393,893	$ 141,142	$ 493,216
FUND BALANCE					
Reserves					
Encumbrances & GPR Balances	$ 160,963	$ 120,329	$ 159,128	$ 92,486	$ 86,861
Program Revenue Balances	171,864	321,938	284,242	313,607	290,621
Contingent Fund Advances	4,108	4,107	3,685	3,459	3,666
Student Loans					4,066
Total Reserves	$ 336,935	$ 446,374	$ 447,055	$ 409,552	$ 385,214
Unreserved Balance-Undesignated	581,690	400,881	234,877	153,540	73,681
TOTAL FUND BALANCE	$ 918,625	$ 847,255	$ 681,932	$ 563,092	$ 458,895
TOTAL LIABILITIES AND FUND BALANCE	$ 1,314,882	$ 1,307,124	$ 1,075,825	$ 704,234	$ 952,111

[(a)] The amounts shown are based on statutorily required accounting and not GAAP. The amounts are unaudited.

Source: Wisconsin Department of Administration.

General Fund Cash Flow

The State has experienced and expects to continue to experience certain periods when the General Fund is in a negative cash position. The Statutes provide certain administrative remedies to deal with these periods. The Secretary of Administration may temporarily reallocate up to $400 million of available cash in other funds to the General Fund. The Secretary of Administration may set priorities for payments from the General Fund as well as prorate certain payments. The Statutes provide that all payments shall be in accordance with the following order of preference: (1) all direct and indirect payments of principal and interest on State general obligation debt have first priority and may not be prorated or reduced; (2) all direct and indirect payments of principal and interest on operating notes have second priority and may not be prorated or reduced; (3) all State employe payrolls have third priority and may be prorated or reduced; and (4) all other payments shall be paid in a priority determined by the Secretary of Administration and may be prorated or reduced.

Table 7 presents the actual cash flow of the General Fund from July 1994 through July 1996 and the projected cash flow for August 1996 through June 1997. The amounts reported include the proceeds of the sale of operating notes in July, 1994, 1995, and 1996 and the payment of impoundments for February, March, April and May of 1995, 1996, and 1997. The table should be read in conjunction with other information concerning the State budget set forth elsewhere in this Official Statement, including "STATE GOVERNMENT ORGANIZATION AND FINANCIAL PROCEDURES; Budgeting Process and Fiscal Controls", "STATE BUDGET" and "OTHER OBLIGATIONS; Operating Notes".

Monthly projections of cash flow are based upon the 1996–97 budget and upon historical experience as adjusted to reflect economic conditions, statutory and administrative changes and anticipated payment dates for debt service, payrolls and State aid.

Unforeseen events or variations from underlying assumptions may cause a decrease in receipts or an increase in disbursements from those projected for a given month and thus may adversely affect the projection of cash flow for the time shown. Additionally, the timing of transactions from month to month may vary from the forecast. The State updates its projection of the remaining fiscal year cash flow each month as a result of actual revenues and expenditures received, from unforeseen events, or from revised forecasts of month-to-month timing of transactions. Table 8 presents the actual cash balances available for interfund borrowings from July 1, 1993 through August 1, 1996 and the projected balances for September 1, 1996 through June 1, 1997.

Table 7

GENERAL FUND MONTHLY CASH POSITION
July 1, 1994 through July 31, 1996 ¾ Actual
August 1, 1996 through June 30, 1997 ¾ Estimated[(a)]
(Amounts in Thousands)

	Starting Date	Starting Balance	Receipts[(b)]	Disbursements[(b)]
1994	July	$ 186,704	$1,470,855	$1,398,247
	August	259,312	1,052,011	734,930
	September	576,393	1,276,805	1,077,444
	October	775,754	1,064,641	751,206
	November	1,089,189	1,192,576	1,575,886
	December	705,879	1,154,400	1,448,653
1995	January	411,626	1,390,708	744,552
	February	1,057,782	1,044,973	1,037,499
	March	1,065,256	1,148,635	1,826,357
	April	387,534	1,222,615	931,170
	May	678,979	1,228,463	981,567
	June	925,875	1,240,931	1,715,816
	July	451,090	1,306,431	1,337,712
	August	419,809	1,005,527	849,866
	September	625,470	1,362,210	1,101,358
	October	886,322	1,151,661	810,058
	November	1,227,925	1,220,032	1,622,269
	December	825,688	1,156,810	1,493,484
1996	January	489,014	1,461,087	878,316
	February	1,071,785	1,132,269	1,044,288
	March	1,159,766	1,240,173	1,888,319
	April	511,620	1,402,600	936,278
	May	977,942	1,180,704	1,029,277
	June	1,129,369	1,362,420	1,922,703
	July	569,086	1,279,815	1,434,154
	August	414,747	1,136,968	806,498
	September	745,217	1,379,466	1,169,298
	October	955,385	1,147,821	825,587
	November	1,277,619	1,247,366	1,741,298
	December	783,687	1,244,075	1,654,506
1997	January	373,256	1,550,322	1,016,271
	February	907,307	1,115,695	1,046,909
	March	976,093	1,247,692	2,023,643
	April	200,142	1,379,004	970,239
	May	608,907	1,261,583	984,657
	June	885,833	1,390,893	2,030,776

(a) The monthly receipt and disbursement projections for August 1, 1996 through June 30, 1997 are based on estimates provided by the Division of Executive Budget and Finance.

(b) The receipt amounts shown in July 1994 –1996 include the proceeds received at closing for the respective operating notes. See "OTHER OBLIGATIONS; Operating Notes". The disbursement amounts shown for February, March, April and May 1995 –1997 include impoundment payments required in connection with the operating notes.

Source: Wisconsin Department of Administration.

Table 8

BALANCES IN FUNDS AVAILABLE FOR INTERFUND BORROWING [(a)]
July 1, 1993 through August 1, 1996 — Actual
September 1, 1996 through June 1, 1997 — Estimated[(b)]
(Amounts in Millions)

	1993	1994	1995	1996	1997
January		$4,190.57	$3,604.96	$2,991.94	$2,150.86
February		4,892.01	4,204.34	3,428.21	2,126.47
March		5,240.89	4,450.34	3,852.78	2,162.05
April		5,084.49	3,886.69	3,808.74	2,053.43
May		4,691.53	3,022.74	3,402.69	2,007.01
June		4,228.15	2,703.44	3,145.00	2,055.69
July	$4,231.10	4,153.73	2,838.71	3,252.38	
August	4,556.28	4,502.50	3,143.94	3,511.90	
September	4,349.70	4,193.96	2,975.23	2,013.21[(b)]	
October	4,213.55	3,728.02	2,902.89	2,111.81	
November	3,602.36	3,214.22	2,630.23	2,036.85	
December	3,699.03	3,185.67	2,732.65	2,075.73	

(a) Consists of the following funds:

Transportation
Conservation (Partial)
Wisconsin Health Education Loan Repayment
Waste Management
Wisconsin Election Campaign
Investment & Local Impact
Elderly Property Tax Deferral
Lottery
Children's Trust
Racing
Work Injury Supplemental Benefit
Unemployment Compensation Interest Repayment
Uninsured Employers
Health Insurance Risk Sharing Plan
Local Government Property Insurance
Patients Compensation
Mediation
Agricultural College
Common School
Normal School
University
Local Government Investment Pool
Farms for the Future
Agrichemical Management
Historical Society Trust
School Income Fund
Benevolent
Groundwater
Petroleum Storage Environmental Cleanup
Clean Water
Environmental
Recycling
University Trust Principal
Veterans Mortgage Loan Repayment
State Building Trust

(b) Estimated balances for September 1, 1996 and succeeding months include $480 million (a portion of the estimated balance) for the local government pool of the available funds. The local government pool has varied from a low of $63 million on July 1, 1983 to a high of $4.426 billion on March 1, 1994. The pool is composed of funds deposited by local units of government which may be withdrawn without notice. The amounts shown are the estimated balances of funds available for interfund borrowing. Under Section 20.002(11) of the Statutes, interfund borrowing is limited to $400 million.

Source: Wisconsin Department of Administration.

REVENUE BONDS AND OTHER OBLIGATIONS

Operating Notes

The Building Commission may issue operating notes to fund operating expenses upon the request of the Department of Administration if the Department determines that a deficiency will occur in the funds of the State which will not permit the State to pay its operating expenses in a timely manner. The request for issuance must also be approved by the Governor and the Joint Finance Committee of the Legislature.

Operating notes may be issued in an amount not exceeding 10% of budgeted appropriations of general purpose and program revenues in the year in which operating notes are issued. Operating notes are not general obligations of the State and are not on a parity with State general obligations. The General Fund may be pledged for the repayment of operating notes and moneys of the General Fund may be impounded for future payment of principal and interest; however, any such repayment or impoundment must be made subsequent to the payment of the amounts due the Bond Security and Redemption Fund securing the repayment of State general obligation bonds. All payments and impoundments securing the operating notes are also subject to appropriation. Owners of the operating notes have a right to file suit against the State in accordance with procedures established in State law.

On July 11, 1996, the State issued $150 million of operating notes, which are due June 16, 1997.

State Revenue Obligations

Subchapter II of Chapter 18 of the Statutes, which was created in 1977, authorizes the State, acting through the Commission, to issue revenue obligations secured by a pledge of revenues or property derived from the operation of a program funded by the issuance of these revenue obligations. Any such program to be undertaken must be specifically authorized by the Legislature. The resulting obligations are not general obligations of the State. Repayment is secured only by funds to be generated within the financed programs.

Revenues pledged to the repayment of revenue obligations are deposited with a trustee for the obligations. Because these revenues are pledged to the owners of revenue obligations, who have a first lien on all such monies, the owners of State general obligations have no claim to the revenues pledged for the repayment of such revenue obligations.

Six such programs have been authorized. The first is to finance loans to students in colleges, universities, and technical colleges. The student loan program is operated in conjunction with an independently funded corporation, which insures against default in repayment, and the federal guaranteed student loan program, which reimburses the corporation for insurance payments made. The Commission has issued three bond series for this program. All of the outstanding bonds were defeased on June 11, 1991. Some of them were called for redemption on August 1, 1991, some have been called for redemption prior to maturity and some were paid as they become due.

The second program, also a student loan program, is for students enrolled in medical and dental schools in Wisconsin. This program operates with direct insurance from the federal government under its Health Educational Assistance Loan program. The Commission has issued six series of bonds for this program, with $9 million outstanding as of July 31, 1996.

The third program provides funding for the veterans housing loan program. All loans under this program are to be guaranteed by the Federal Veterans Administration or insured by a private mortgage insurer. The Commission has issued two series of bonds for this program. All of the remaining outstanding bonds were redeemed on August 1, 1996.

The fourth program proposes to make loans to senior citizens for the payment of local property taxes on their primary residences. The Legislature has authorized the issuance of $10 million of bonds for this program, but no bonds have been issued to date, nor can they be issued on a tax-exempt basis.

The fifth program is to finance State highways and related transportation facilities. The bonds are secured by motor vehicle registration fees. The Commission has issued nine series of bonds for this program, which were outstanding in the amount of $751 million as of July 31, 1996.

The sixth program is the State's Clean Water Fund program. The funds from revenue obligations are primarily used to make loans to municipalities in the State for the construction or improvement of their wastewater treatment facilities and to make deposits in certain funds established for the Clean Water Fund program. The Commission has issued four series of bonds for this program. The amount outstanding as of July 31, 1996 was $371 million. The Commission has authorized the sale of up to $220 million of additional clean water revenue bonds.

Master Lease Program

The State, acting by and through the Department of Administration, has entered into a master lease for the purpose of acquiring equipment (and in limited situations, service items) for state agencies through installment payments. The State's obligation to make lease payments is subject to annual appropriation by the Legislature. The full faith and credit of the State are not pledged to the lease payments; the State is not obligated to levy or pledge any tax to pay the lease payments. The State's obligation to make the lease payments does not constitute debt for purposes of the Constitutional debt limit, and there is no limit to the amount of such obligations that the State can incur. Although an effort is made to use the master lease program for all property acquired by the State through nonappropriation leases, it is possible that state agencies may separately incur such obligations. Certificates of participation have been privately sold which evidence an obligation to repay a revolving credit facility used to acquire equipment under the master lease. As of July 31, 1996, the principal amount of the State's obligations under the master lease program was approximately $44 million. The State anticipates a competitive sale on October 29, 1996 for $38 million of additional master lease certificates of participation that will be issued with respect to its master lease program. These additional master lease certificates of participation will provide fixed-rate, tax-exempt financing for leased items previously financed through the variable-rate revolving credit facility.

Moral Obligations

In certain situations where the State does not have a legal obligation to make a payment, the Legislature has recognized a moral obligation to make an appropriation for the payment and has expressed its expectation and aspiration that, if ever called upon to do so, it would. These situations, which are described further in this section, include payments required to be made by municipalities on loans from the Clean Water Fund, if so designated by the State, and payments to reserve funds securing certain obligations of the Wisconsin Housing and Economic Development Authority and certain obligations of a local exposition district or a local professional baseball park district.

Nonstock, Nonprofit Corporations

Four nonstock, nonprofit corporations have been used to issue debt on behalf of the State; two of the corporations still have debt outstanding. The Constitutional amendment of 1969, which authorized direct borrowing, simultaneously prohibited any further borrowing by these entities.

Table E-3 in APPENDIX E indicates the amount of these obligations and, as required by the Constitution, includes them with the State's direct debt.

Independent Authorities and Exposition Districts

State law creates and grants to two independent special purpose authorities the power to issue bonds and notes: the Wisconsin Housing and Economic Development Authority ("WHEDA") (formerly the Wisconsin Housing Finance Authority) and the Wisconsin Health and Educational Facilities Authority ("WHEFA") (formerly the Wisconsin Health Facilities Authority). Neither of these entities is a department or agency of the State, and neither can issue bonds or notes which are legal obligations of the State. However, WHEDA may incur debt upon which the State has a moral obligation to appropriate moneys to make up deficiencies in WHEDA reserve funds in the event project revenues received by the Authority are inadequate to repay outstanding obligations. It has never been necessary to call on the State to fulfill its moral obligation. By law, the Commission serves as financial advisor to each of the independent authorities in the issuance of this debt.

Wisconsin Housing and Economic Development Authority

WHEDA was the first of the independent authorities to be created. Its original purpose is to act as a funding vehicle for the development of housing for low and moderate income families. In 1983 the powers of WHEDA were expanded to include economic development and the authority's name was changed to its present one. In 1985 WHEDA was authorized to administer the State's agricultural production loan guaranty and interest subsidy program. It may issue bonds and notes, which are to be general obligations of WHEDA (except for bonds for the housing rehabilitation loan program issued pursuant to section 234.50(2) of the Wisconsin Statutes) unless WHEDA chooses to limit the obligation. The State is expressly not liable on WHEDA debts. Repayment may be secured by capital reserve funds, which may be created for each bond issue in an amount which is appropriate for the type of projects being funded. Invasion of this reserve triggers a moral obligation pledge on the part of the State and prevents further WHEDA borrowing until the invasion is restored. As of July 31, 1996 there were $429 million of moral obligation debt outstanding. In the event a capital reserve fund is not established for a particular bond issue, the moral obligation pledge would not be applicable. WHEDA has debt authority for several specific programs. For its general programs, there are $625 million of borrowing authority, of which $68 million were available on July 31, 1996. WHEDA has $100 million of borrowing authority for its housing rehabilitation programs, of which $79 million were available on July 31, 1996. WHEDA also has a single-family home ownership mortgage loan program. To July 31, 1996 it has issued $3.1 billion in such bonds. WHEDA has $99 million of aggregate borrowing authority for residential facilities for the elderly and chronically disabled. To July 31, 1996 it has sold three bond issues totaling $5 million for this program. WHEDA has $200 million of borrowing authority for economic development loans. To July 31, 1996 it has sold 100 series of bonds for economic development totaling $62 million, which are not general obligations of WHEDA, and 56 series of bonds, totaling $92 million, which are general obligations of WHEDA.

In the one-year period ending July 31, 1996, WHEDA sold seven single-family issues totaling $220 million.

WHEDA is directed by a twelve-member board: the Secretary of the Wisconsin Department of Administration, the Secretary of the Wisconsin Department of Development, two representatives to the Wisconsin Assembly and two state senators who are appointed in the same manner as the members of standing committees in their respective houses and equally represent the two major political parties, and six public members serving staggered terms, nominated by the Governor and confirmed by the Senate. Financial reports can be obtained from the Wisconsin Housing and Economic Development Authority, P.O. Box 1728, Madison, WI 53701. The phone number is (608) 266-7884.

Wisconsin Health and Educational Facilities Authority

WHEFA provides revenue bond financing for hospitals, nursing homes and other health-related and educational facilities. It may finance any qualifying capital project and may refinance any qualifying outstanding indebtedness. In 1987 legislation expanded WHEFA's power to include revenue bond financing for private colleges and universities and changed the authority's name to its present one. As of June 30, 1996 WHEFA had outstanding 193 issues totaling approximately $3 billion. All bonds are limited obligations of WHEFA, payable only from revenues specified in the documents pertaining to each bond financing and are not State debt. There is no capital reserve fund or moral obligation feature. An annual program and financial report to the Legislature and the Governor is required. The State Auditor is empowered to investigate WHEFA's financial affairs and prescribe methods of accounting. The governance of WHEFA is by a seven-member, staggered-term board nominated by the Governor and confirmed by the Senate. The Governor annually appoints the chairperson. Financial reports may be obtained from Wisconsin Health and Educational Facilities Authority, 18000 West Sarah Lane, Suite 140, Brookfield, WI 53045-5843. The phone number is (414) 792-0466.

Local Districts

Through legislation enacted in 1994, the Legislature has authorized the creation of local exposition districts. A district may be created by one or more units of local government. A district is authorized to issue bonds for costs related to an exposition center, and if the Secretary of Administration determines that certain conditions are met, the State may have a moral obligation to appropriate moneys to make up deficiencies in the district's reserve funds that secure up to $200 million principal amount of bonds in the event that project revenues and tax revenues received by the district are inadequate to pay debt service on the bonds. To date, one such district has been created, and it has issued $120.5 million of bonds that are subject to the moral obligation.

Through legislation enacted in 1995, local professional baseball park districts are created. A district's territory consists of each county with a population of not less than 500,000 and all contiguous counties. A district is authorized to issue bonds for costs related to a baseball park, and if the Secretary of Administration determines that certain conditions are met, the State may have a moral obligation to appropriate moneys to make up deficiencies in the district's reserve funds that secure up to $160 million principal amount of bonds in the event the project revenues and tax revenues received by the district are inadequate to pay debt service. At this date only one district exists, and it has not issued any bonds that are subject to the moral obligation.

Employe Pension Funds

The State's pension obligations are defined by formulas that establish monthly retirement benefits as a function of annual compensation and years of service. The State's current contributions to meet these pension obligations are established first by a yearly actuarial determination of the value of the retirement benefits that have accrued to State employes and will have to be paid out in the future. After deducting the fixed contributions of employes, the State then contributes an amount sufficient to meet the remaining value of the obligations. The actuarial method used to determine the size of the contributions is known as "Frozen Initial Liability" for prior service liability and "Entry Age Normal" for current contributions. Actuarial assumptions which have been adopted in application of this method are shown in APPENDIX G.

The Wisconsin Department of Employe Trust Funds administers the pension programs of both the State and local governments, and the State of Wisconsin Investment Board is responsible for investment of all the funds. Although the State provides pension and investment management staff for its own and local government employes, *the State has no financial obligation for payment of any local government contribution.*

A description of the Wisconsin Retirement System and an identification of the State's obligation follows. This is supplemented with additional statistical material in APPENDIX G.

The Wisconsin Retirement System covers all full-time employes of the State. The total retirement contribution consists of a member (employe) contribution and an employer contribution. Member contributions are presently set at 5% of salary for general employes including teachers; 4.8% for elected officials, judges and certain other positions in State government; 5.8% for protective occupation participants who are also covered by Social Security and 6.2% for protective occupation participants not covered by Social Security. Employer pick-up of some or all of the member's required contribution is permitted by statute. Currently the entire member contribution of 5% of each State employe's salary is assumed by the State. An additional 1.4% nonrefundable contribution is required from general employes, including teachers.

The employer contribution is actuarially determined each year by an independent actuarial firm. For calendar year 1997 employer rates have been established at 8.9% for protective participants with Social Security, 13.6% for protective participants without Social Security, 10.2% for elected officials and judges and 5.0% for general employes. In addition, the State is charged an average of 0.9% of its protective payroll, 1.0% of its elected payroll and 1.3% of its general payroll to liquidate its portion of the fund's accrued liability by June 30, 2029. The State is also charged 1.6% of its protective payroll for special duty disability coverage.

Monthly benefits upon retirement at normal retirement age (65 for general employes, 62 for elected officials and certain other state positions, and 55 for protective occupation participants) are computed on a formula basis (the formula varies by particular class of participation). Some inactive members and a small number of currently active employes may have benefits computed on some other basis when they apply for benefits.

Contributions into the Wisconsin Retirement System are invested by the State of Wisconsin Investment Board as provided by law, and are maintained in two separate funds: the Fixed Retirement Investment Trust and the Variable Retirement Investment Trust. Investments are recorded pursuant to statutes as follows:

(a) The assets of the Fixed Retirement Trust are carried by a hybrid method providing for the amortization of capital gains and losses as well as deferred items over a five-year period.

(b) The Variable Retirement Investment Trust assets are recorded at market value with all market adjustments included in current operations.

Except for certain protective occupation employes and a few other minor exceptions, employes under the Wisconsin Retirement System are also covered by Social Security.

APPENDIX G provides comparative actuarial balance sheets for the most recent reporting periods. As an employer, the State's share of the unfunded accrued liability of the Wisconsin Retirement System stood at $607 million as of December 31, 1995.

OTHER INFORMATION

Employe Relations

Of the State's approximately 36,000 civil service employes, 34,000 are employes whose wage rates, fringe benefits, hours and conditions of employment are determined by collective bargaining agreements. These employes are assigned on the basis of occupational groupings to one of nineteen statewide bargaining units. Eighteen of the bargaining units representing more than 33,000 employes are under contract. The contracts expire June 30, 1997. The other employes are currently not under contract. Negotiations with the remaining unit continue and the unit is working under extension of their previous contract, which expired on June 30, 1995.

Each contract contains a no-strike-or-lockout provision, and State law specifies that it is illegal for a State employe "to engage in, induce, or encourage any employe to engage in a strike or a concerted refusal to work or perform their usual duties as employes". Also, the State has established plans to staff and operate the various State agencies for any eventuality that may occur which could disrupt the delivery of critical State services and necessary agency functions. These plans covering various situations including strikes and work stoppages are updated annually.

The budgets provide for salary and fringe benefits in an amount which is expected to be sufficient to meet all contract obligations. By statute the contracts between the State and the individual bargaining units are two-year contracts. A contract agreement requires ratification by the members of the labor organization as well as approval of both houses of the Legislature and the Governor.

Pending Litigation

The notes to the General Purpose Financial Statements, which can be found on pages A-70 through A-72 of this Official Statement, include a description of various legal proceedings and claims. Events subsequent to publication of the General Purpose Financial Statements are outlined below. For a discussion of the fiscal aspects of these proceedings and claims, see "STATE BUDGET; Potential Effect of Litigation" and "STATE BUDGET; Potential Effects of Tax Refunds".

Federal Pension Income–See pages A-70 and A-71

The State has reached a settlement in one administrative refund case, involving approximately 3,200 retired military officers. The settlement calls for the State to refund approximately $19 million in seven installments over four fiscal years (1993–94, 1994–95, 1995–96 and 1996–97). In April 1994 the State reached a partial settlement in the other case, a class action involving other federal retirees. The partial settlement calls for the State to refund approximately $56 million in seven installments over four fiscal years (1993–94, 1994–95, 1995–96 and 1996–97). The State is current on making the refunds.

The partial settlement has not resolved the Tax Commission's decision to include in the class retirees who did not file timely individual refund claims, a matter the State continues to contest. On December 21, 1995, the court of appeals held that the Tax Commission lacks statutory authority to employ a class action procedure and that timely individual claims must be filed in order to receive refund payments. The Wisconsin Supreme Court denied review of this case. The United States Supreme Court has also denied review of this case.

*Corporate Tax Apportionment Methodology–**See page A-70*

The Appeals Court has certified this case to the Wisconsin Supreme Court, which has taken the case.

*Special Performance Dividend–**See page A-70*

The court has issued a decision specifying a remedy that includes reimbursement by the General Fund of the Employe Trust Fund for a portion of the distribution already made, as well as for earnings based upon "the average rate of earnings of the trust fund assets" from commencement of the dividend distribution until reimbursement of the Employe Trust Fund.

The Wisconsin Supreme Court has agreed to hear an appeal of the case, and payment of the remedy is stayed pending the Supreme Court's decision.

Other

The State, its officers and employes are defendants in numerous lawsuits. It is the opinion of the Attorney General that such pending litigation will not be finally determined so as to result individually or in the aggregate in a final judgment against the State which would materially impair its financial position or the payment of debt service on the Bonds. Potential liability for such pending litigation does not constitute a significant impairment of the State's financial position or the payment of debt service. There is no litigation of any nature now pending or, to the knowledge of the State, threatened, restraining or enjoining the issuance, sale or execution of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the State taken with respect to the issuance or sale thereof or the pledge or application of any moneys or security provided for the payment of the Bonds. Upon the issuance of the Bonds, the purchasers will receive a certificate, executed by the Attorney General of the State, to the effect that no such litigation is pending or, to his knowledge, threatened.

Ratings

The Bonds have been rated AA+ by Fitch Investors Service, L.P., Aa by Moody's Investors Service, Inc. and AA by Standard and Poor's Ratings Group. Any explanation of the significance of a rating may only be obtained from the rating service furnishing such rating. There is no assurance a rating given to the Bonds will be maintained for any period of time; a rating may be lowered or withdrawn entirely by the rating service if in its judgment circumstances so warrant. Any such downgrade or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Temporary Investments

For most State general obligation bond issues (except those used for advance refundings) proceeds not immediately disbursed are deposited into the State Investment Fund. The State of Wisconsin Investment Board ("SWIB") invests the assets of the State Investment Fund, the Wisconsin Retirement System, and several smaller trust funds established by the State. Overall policy direction for SWIB is established by an independent, eight-member Board of Trustees (the "Trustees"). The Trustees establish long-term investment polices, set guidelines for each investment portfolio, and monitor investment performance.

The State Investment Fund consists of cash balances of the General Fund, State agencies and departments and Wisconsin Retirement System reserves. These participants are required to keep their cash balances in the State Investment Fund. In addition, the State Investment Fund also includes investment deposits from elective participants consisting of over 1,000 municipalities and other public entities which are accounted for in a subset of the State Investment Fund called the Local Government Investment Pool. The Local Government Investment Pool portion of the State Investment Fund is additionally secured as to credit risk.

The objectives of the State Investment Fund are to provide (in order of priority) safety of principal, liquidity, and a reasonable rate of return. This fund includes the cash balances from retirement trust funds while they are pending longer-term investment by other investment divisions. This fund also acts as the State's cash management fund and provides the State's General Fund with liquidity for operating expenses. The State Investment Fund is strategically managed as a mutual fund with a longer average life than a money market fund. This strategy is made possible by the mandatory investment of State funds for which the cash flow requirements can be determined significantly in advance. Because of the role played by the State Investment Fund, the cash balances available for investment vary daily as cash is accumulated or withdrawn from various funds.

With regard to investments of the State Investment Fund, State law establishes parameters and the Trustees establish and monitor policies covering (i) types of assets and the amount that can be acquired, (ii) delegation of powers to purchase and sell and specific guidelines for various types of investments, (iii) emergency powers in the event the Trustees cannot meet, and (iv) guidelines pertaining to use of derivatives, financial futures, and related options. The policies seek to achieve safety of principal and liquidity by attention to quality standards, maturity, and marketability. The policies seek to enhance return through portfolio management which considers probable changes in interest rates.

SWIB's executive director is appointed by the Trustees. The executive director is responsible for oversight of staff activities and developing and recommending policies for adoption by the Trustees. The investment directors, portfolio managers, and analysts are all responsible for daily investment decisions in their markets. SWIB has a staff of approximately 80 positions.

Of the nine members of the Trustees, one is the Secretary of Administration. Two members are participants in the Wisconsin Retirement System. One of these is a teacher who is appointed by the Teacher Retirement Board. The other represents other participants and is appointed by the Wisconsin Retirement Board. Six members, called public members, are appointed by the Governor. Of these public members, five are required to have at least ten years of investment experience and one is further required to be a non-elected government official from a smaller local government participant. All appointed members serve six-year terms. The Trustees regularly meet on a monthly basis.

Table 9 presents unaudited statistical information for the State Investment Fund.

Borrowing Plans for 1996

This is the State's fourth publicly offered general obligation bond issue in 1996. In addition, the State negotiated the sale of an advance refunding issue. The State anticipates one or more private sales of general obligations for the Clean Water Fund program.

The State has sold one publicly offered transportation revenue bond issue. No other transportation revenue bonds are expected to be issued this calendar year. There has been authorized the sale of not to exceed $220 million of clean water revenue bonds, which is expected to occur in the fourth quarter of this calendar year.

Certificates of participation have been privately sold for the master lease program which evidence an obligation to repay the revolving credit facility. The State anticipates a competitive sale on October 29, 1996 for $38 million of additional master lease certificates of participation that will be issued with respect to its master lease program. These additional master lease certificates of participation will provide fixed-rate, tax-exempt financing for leased items previously financed through the variable-rate revolving credit facility.

Table 9
STATE INVESTMENT FUND
AS OF AUGUST 31, 1996 (UNAUDITED)

Estimated Portfolio Valuation Report

	Estimated Book Value	Estimated Market Value	Percentage of Portfolio at Market
Fixed Income Investments			
Corporate Bonds	$ 768,825,837	$ 763,325,130	15.09%
Government Bonds	504,443,828	505,273,596	9.99
Other Bonds	87,000,000	87,115,670	1.72
Mortgages	8,062,938	8,062,938	0.15
Short Term Investments			
Commercial Paper	1,036,021,320	1,035,903,083	20.47
Certificates of Deposit	186,366,689	185,250,161	3.68
Bankers Acceptance	34,884,947	34,884,947	0.69
Repurchase Agreements	1,897,250,000	1,897,250,000	37.49
U.S. Agencies	561,224,479	561,477,404	11.01
Miscellaneous Other Assets	9,025,000	9,025,000	0.18
Restructured Investments			
Structured Notes	35,000,000	31,773,700	0.63
Interest Rate Swaps		(72,311,014)	(1.43)
Accrued Income	12,150,299	12,150,299	0.24
	$5,140,255,339	$5,060,043,380	100.00

Average Maturity for the Last Six Months

Reporting Date	Average Maturity (Days)	Reporting Date	Average Maturity (Days)
8/31/1996	44	5/31/1996	33
7/31/1996	44	4/30/1996	40
6/30/1996	38	3/31/1996	47

Summary of Investment Fund Participants

	Par Amount (Amounts in Thousands)	Percent of Portfolio
Mandatory Participants		
State of Wisconsin:		
General Fund	$ 601.413	12.2%
Transportation Fund	145.703	3.0
Natural Resources Fund	59.128	1.2
Bond Security and Redemption Fund	8.537	0.2
Lottery Fund	45.936	0.9
Patients Compensation	47.946	0.7
Veterans Mortgage Loan Repayment	90.618	1.8
Capital Improvement Fund	69.039	1.4
Others	423.688	8.6
State of Wisconsin Retirement System:		
Fixed Retirement Investment Trust	546.162	11.1
Variable Retirement Investment Trust	15.676	0.3
Combined Stock Fund	382.118	7.8
Elective Participants		
Local Government Investment Pool	2,501,135	50.8
	$ 4,922,276	100.0

NOTE: The difference between the total of participants share ($4,922,276,000) and the book value ($5,140,255,339) is the result of check float (checks written and posted at the Department of Administration that have not cleared the bank) and a timing delay in posting bank receipts at the department which have already been invested by SWIB.

Source: State of Wisconsin Investment Board

A copy of SWIB's annual report may be obtained by submitting a written request to the State of Wisconsin Investment Board, P.O. Box 7842, Madison, WI 53707-7842.

Underwriting

The Bonds were purchased at competitive bidding on October 16, 1996 by the following account:

Prudential Securities Incorporated, book running manager; Morgan Keegan & Co., Inc., co-manager; PaineWebber Incorporated and William E. Simon & Sons Municipal Securities, Inc.

The underwriters paid $29,496,772.85 resulting in a true interest cost rate to the State of 5.930448%.

Reference Information About the Bonds

The following information about the Bonds is provided for reference. The CUSIP number for each maturity has been obtained from sources believed to be reliable, but the State is not responsible for the correctness of the CUSIP numbers. The reoffering yields and prices have been provided by the successful bidder in order to allow the computation of yield for federal tax law compliance. The price has been calculated to the lower of yield to maturity or yield to call.

Table 10

$30,000,000
State of Wisconsin
General Obligation Bonds of 1996, Series D

Dated Date:	**October 15, 1996**
First Interest Date:	**May 1, 1997**
Issuance Date:	**November 7, 1996**
Special Redemption:	**All Bonds are subject to special redemption at par. See "THE BONDS; Redemption Provisions".**

CUSIP	Year (May 1)	Principal Amount	Interest Rate	First Optional Redemption Date	Call Price	Yield at Issuance	Price at Issuance
977056 GS3	2007	$4,500,000	5.25%	11/1/2006	100%	5.300%	99.600%
977056 GT1	2008	2,250,000	5.30	11/1/2006	100	5.400	99.151
977056 GU8	2009	1,800,000	5.40	11/1/2006	100	5.500	99.104
977056 GY0	2014 [a]	3,700,000	5.75	11/1/2006	100	5.796	99.500
977056 HC7	2020 [a]	6,405,000	5.80	11/1/2006	100	5.950	98.113
977056 HH6	2027 [a]	11,345,000	6.00	11/1/2006	100	6.050	99.306

[a] This maturity is a term bond. For a schedule of the installments payments, see "THE BONDS; Redemption Provisions; *Mandatory Sinking Fund Redemption*" herein.

Quantitative Analyst

The State has employed cfX Incorporated to review, and provide quantitative analysis regarding, the cash flow of the veterans housing loan program with regard to the legislative mandate that the program be self-amortizing.

Legal Investment

The Bonds are legal investments for all banks, trust companies, savings banks and institutions, savings and loan associations, credit unions, investment companies, insurance companies and associations and other persons or entities carrying on a banking or insurance business in Wisconsin; for all executors, administrators, guardians, trustees and other fiduciaries in Wisconsin; for the State and all public officers, municipal corporations, political subdivisions and public bodies in Wisconsin.

Legal Opinion

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approval of Foley & Lardner, Bond Counsel, whose approving opinion, substantially in the form shown in APPENDIX B, will be delivered on the date of issue of the Bonds. In the event certificated Bonds are issued, the opinion will be printed on the reverse side of each Bond.

As required by law, the Attorney General will examine a certified copy of all proceedings preliminary to issuance of the Bonds to determine the regularity and validity of such proceedings. In the event certificated Bonds are issued, the certificate of the Attorney General will be printed on the reverse side of each Bond.

Tax Exemption

In the opinion of Bond Counsel, under existing law the interest on the Bonds is excluded from gross income for federal income tax purposes and the interest on the Bonds is an item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers.

The opinions set forth in the preceding paragraph are subject to the condition that the State comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and other federal tax legislation that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The State has covenanted to comply with each such requirement to the extent it may lawfully do so. Failure to comply with certain of such requirements may cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Bonds. The proceedings authorizing the Bonds do not provide for an increase in interest rates or a redemption of the Bonds in the event of taxability.

In the opinion of Bond Counsel, under existing law, the original issue discount in the selling price of the Bonds maturing May 1, 2007 to 2009, 2014, 2020 and 2027 (the "Discount Bonds"), to the extent properly allocable to each owner of a Discount Bond, is excluded from gross income for federal income tax purposes to the same extent that any interest payable on such Discount Bonds is or would be excluded from gross income for federal income tax purposes. The original issue discount is the excess of the stated redemption price at maturity of a Discount Bond over the initial offering price to the public, excluding underwriters or other intermediaries, at which price a substantial amount of such Discount Bonds were sold (the "Issue Price").

Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound interest basis. The amount of original issue discount that accrues to an owner of a Discount Bond during any accrual period generally equals (i) the Issue Price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of each accrual period), less (iii) any interest payable on such Discount Bond during such accrual period.

The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period and will increase the owner's tax basis in such Discount Bond. The adjusted basis in a Discount Bond will be used to determine taxable gain or loss upon a disposition (for example, upon a sale, exchange, redemption, or payment at maturity) of such Discount Bond.

Owners of Discount Bonds who did not purchase such Discount Bonds in the initial offering at the Issue Price should consult their own tax advisors with respect to the tax consequences of owning such Discount Bond.

Owners of Discount Bonds should consult their own tax advisors with respect to the state and local tax consequences of holding such Discount Bonds. It is possible that under the applicable provisions governing the determination of state and local taxes, accrued original issue discount on the Discount Bonds may be deemed to be received in the year of accrual, even though there will not be a corresponding cash payment until a later year.

The Code contains numerous provisions which could affect the economic value of the Bonds to particular Bondowners. For example, (i) Section 265 of the Code denies a deduction for interest on any indebtedness incurred or continued to purchase or carry the Bonds or, in the case of financial institutions, that portion of an owner's interest expense allocable to interest on the Bonds, (ii) property and casualty insurance companies will be required in each taxable year to reduce the amount of their deductible losses by 15% of the amount of tax-exempt interest received or accrued during such taxable year, including interest on the Bonds, and life insurance companies are subject to similar provisions under which taxable income is increased by reason of receipt or accrual of tax-exempt interest, (iii) interest on the Bonds earned by certain types of corporations could be subject to the environmental tax imposed by Section 59A of the Code, (iv) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (v) passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of the S corporation is passive investment income, and (vi) Section 86 of the Code requires certain recipients of social security and railroad retirement benefits to include a portion of such benefits in gross income by reason of receipt or accrual of interest on the Bonds. The foregoing is not intended to be an exhaustive discussion of collateral tax consequences arising from ownership of the Bonds. There may be other provisions of the Code which could adversely affect the value of an investment in the Bonds for particular Bondowners. Investors should consult their own tax advisors with respect to the tax consequences of owning a Bond.

REGARDING FULL DISCLOSURE

Continuing Disclosure

In order to assist the underwriters in complying with Securities and Exchange Commission Rule 15c2-12 (the "Rule"), the State has entered into a Master Agreement on Continuing Disclosure, an Addendum Regarding General Obligations, and before the delivery of the Bonds, will enter into a Supplemental Agreement pertaining to the Bonds (collectively, the "Agreements"). The Agreements constitute an undertaking for the benefit of the beneficial owners of the Bonds and require the State to prepare and provide an Annual Report (providing certain financial information and operating data relating to the State) not later than 180 days following the close of the State's fiscal year (beginning with the fiscal year ending June 30, 1996), to each nationally recognized municipal securities information repositories ("NRMSIRs"), and to provide notices of occurrence of certain events specified in the Rule to the NRMSIRs or the Municipal Securities Rulemaking Board (the "MSRB"), and to the state information depository ("SID"), if any. As of the date of this Official Statement no SID has been established. Copies of the Agreements, Annual Reports, and notices may be obtained from: Capital Finance Office; Department of Administration; Division of Executive Budget and Finance; 101 East Wilson Street; P.O. Box 7864; Madison, WI 53707-7864.

The Agreements also describe the consequences of any failure to provide the required information. The Agreements require that a failure to provide the required information must be reported to the NRMSIRs or the MSRB, and to any SID, and the Rule requires consideration of any such failure by any brokers, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price. In the previous five years, there has been no failure to comply in any material respect with a similar undertaking by the State.

Disclosure Certificate

The successful bidder for the Bonds will receive a certificate, signed by the Governor, the Secretary of Administration and the Secretary of the Commission, certifying that this Official Statement, as of its date and as of the date of delivery of the Bonds, does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. In providing such certificate, the signers will state that they have not undertaken to independently verify information obtained or derived from various United States Government publications referenced in this Official Statement.

Additional Information

Periodic public reports relating to the financial condition of the State, its operations and the balances, receipts and disbursements of the various funds of the State are prepared by the Departments of Administration and Revenue, the State Treasurer and Legislative Auditor.

Additional information may be obtained upon request from the Capital Finance Office, Attn.: Mr. Frank R. Hoadley, Capital Finance Director, (608) 266-2305.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. This Official Statement is not to be construed as a contract or agreement between the State and the purchasers or owners of any of the Bonds.

This Official Statement is submitted only in connection with the sale of the Bonds by the State and may not be reproduced or used in whole or in part for any other purpose, except with express permission.

Dated: October 16, 1996

STATE OF WISCONSIN

/s/ Tommy G. Thompson

Governor Tommy G. Thompson, Chairperson
State of Wisconsin Building Commission

/s/ James R. Klauser

James R. Klauser, Secretary
State of Wisconsin Department of Administration

/s/ Robert Brandherm

Robert Brandherm, Secretary
State of Wisconsin Building Commission

The Appendices to this Official Statement are contained in a separate file named OS96D-B.pdf. This file is available at the following location: http://www.doa.state.wi.us/debf/capfin/wiosgen.htm

Inquiries should be directed to:

Capital Finance Office
Department of Administration
Division of Executive Budget and Finance
101 East Wilson Street
Madison, Wisconsin 53702

e-mail: capfin@mail.state.wi.us
Phone:(608) 266-0374
Fax: (608) 266-7645