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OFFICIAL STATEMENT

New Issue

In the opinion of Foley & Lardner, 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, the interest on the Notes is excluded from gross income for federal income tax purposes. See “OTHER INFORMATION; Tax Exemption” herein for a more detailed discussion of some of the federal income tax consequences of owning the Notes.

\$150,000,000

STATE OF WISCONSIN

OPERATING NOTES OF 1997, SERIES 2

DATED: November 12, 1997

DUE: June 15, 1998

The \$150,000,000 State of Wisconsin Operating Notes of 1997, Series 2 (the “Notes”) will be issued as fully registered notes, 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 for the Notes. Individual purchases will be made in book-entry-only form, in the principal amount of \$25,000 and any integral multiple thereof. Beneficial Owners (as defined herein) will not receive certificates representing their ownership interest in the Notes purchased. Principal and interest on the Notes will be paid at maturity (June 15, 1998) in immediately available funds by Firststar Trust Company, Milwaukee, Wisconsin (the “Trustee”), directly to DTC, which will in turn remit such principal and interest to DTC’s Participants for subsequent disbursement to the Beneficial Owners of the Notes, as described herein. See “DESCRIPTION OF NOTES; Book-Entry-Only Form”.

The Notes will not be subject to redemption prior to maturity. The term of the Notes is 213 days, on a 30/360-day basis. The Notes will bear interest at the rate of 4.50%.

All information concerning the terms of the reoffering of the Notes, including yields and prices, should be obtained from the successful bidders and not from the State of Wisconsin. See “OTHER INFORMATION; Underwriting”.

The Notes are being issued pursuant to Chapters 16 and 18 of the Wisconsin Statutes, as amended (the “Act”) and resolutions adopted by the State of Wisconsin Building Commission (the “Commission”) on June 25, 1997, as amended and supplemented on October 8, 1997 and October 28, 1997 (the “Resolutions”), and in accordance with the Official Notice of Sale. The Notes are contractual obligations of the State of Wisconsin (the “State”) payable from and secured solely by revenues pledged by the Commission pursuant to the Act and the Resolutions and deposited into the Operating Note Redemption Fund established with the Trustee (the “Pledged Revenues”). There has been appropriated from the General Fund of the State to the Operating Note Redemption Fund a sum sufficient for the payment of the principal of and interest on the Notes as the same are due and for the payment of monies required to be impounded in the Operating Note Redemption Fund. There has been irrevocably appropriated from the Operating Note Redemption Fund a sum sufficient to pay principal of and interest on the Notes as the same are due. *The Notes are not general obligations of the State*, and the Notes do not constitute “public debt” of the State, as such term is used in the Constitution and Statutes of the State. The Pledged Revenues are subject to the first and paramount rights of the owners of the State's general obligation bonds and notes. See “DESCRIPTION OF NOTES; Source of Payment”.

Delivery of the Notes 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 Notes will be available for delivery on or about November 12, 1997 in New York, New York.

October 28, 1997

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 Fred A. Risser, Vice-Chairperson	January 8, 2001
Senator Rodney C. Moen	January 4, 1999
Senator Tim Weeden	January 4, 1999
Representative Timothy Hoven	January 4, 1999
Representative Clifford Otte	January 4, 1999
Representative Robert Turner	January 4, 1999
Mr. Bryce Styza, Citizen Member	At the pleasure of the Governor

Nonvoting, Advisory Members

Mr. Mark D. Bugher, 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
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OTHER PARTICIPANTS

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

DEBT MANAGEMENT AND DISCLOSURE

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As of the date of this Official Statement, additional information about the State of Wisconsin can be found on the internet at:

<http://badger.state.wi.us/statewide.html>

SUMMARY DESCRIPTION OF NOTES

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 Operating Notes of 1997, Series 2
Principal Amount:	\$150,000,000
Denominations:	\$25,000 and integral multiples thereof
Date of Issue:	November 12, 1997
Interest Payment:	June 15, 1998
Maturity:	June 15, 1998
Redemption:	Not subject to redemption prior to maturity.
Form:	Book-entry-only ^¾ <i>See pages 3-5</i>
Paying Agent:	Principal of and interest on the Notes will be paid by the Trustee. Payment will be made to The Depository Trust Company, which will distribute payments to Beneficial Owners as described herein.
Security:	The Notes are contractual obligations payable from and secured solely by revenue pledged by the Commission and deposited with the Trustee, including impoundments required to be made on certain dates, and are issued on parity with the \$300,000,000 State of Wisconsin Operating Notes of 1997— <i>See page 5</i>
Authority for Issuance:	Notes are issued under Chapters 16 and 18 of the Wisconsin Statutes.
Purpose:	Fund local-assistance payments and to finance day-to-day operations of the State.
Additional Notes:	The State may issue additional operating notes.
Legality of Investment:	The Notes 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:	<i>Federal income tax</i> —Interest is not included in gross income and is not an item of tax preference. <i>Wisconsin state income and franchise tax</i> —Not exempt— <i>See page 14</i>
Legal Opinion:	Foley & Lardner— <i>See page B-1</i>

OFFICIAL STATEMENT
\$150,000,000
STATE OF WISCONSIN
OPERATING NOTES OF 1997, SERIES 2

INTRODUCTION

The issuer of the Notes 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 borrowing obligations of the State, including the Notes described herein. This agency is assisted and staffed by the State of Wisconsin Department of Administration (the “Department”).

Information concerning the State and the Commission is included as [APPENDIX A](#), which includes by reference Part II of the [State of Wisconsin Continuing Disclosure Annual Report, dated December 27, 1996](#) (the “Annual Report”).

This Official Statement, including the cover page and all Appendices hereto, is provided for the purpose of setting forth information regarding the sale by the State of \$150,000,000 principal amount of Operating Notes of 1997, Series 2 (the “Notes”). The Notes will be issued on November 12, 1997 by the State, acting through the Commission, pursuant to Chapters 16 and 18 of the Wisconsin Statutes, as amended (the “Act”) and a resolution adopted by the Commission on June 25, 1997, as amended and supplemented on October 8, 1997 and October 28, 1997 (the “Resolutions”). The Notes are issued on parity, pursuant to the Resolutions, with the \$300,000,000 State of Wisconsin Operating Notes of 1997, which the State issued on July 1, 1997 (the “Original Notes”).

The Notes will mature June 15, 1998, prior to the end of the State’s 1997–98 fiscal year, which is June 30, 1998. The State anticipates that it will receive sufficient taxes and revenues to provide for payment of the Notes pursuant to the Resolutions and, when combined with other monies, to make all other State expenditures without either incurring a cash deficit for the 1997–98 fiscal year or refinancing any of the Notes in the succeeding fiscal year.

The budget bill for the 1997–98 fiscal year, which is balanced on a cash basis as modified by the requirements of existing State law, has been signed by the Governor who exercised his partial veto power. The Legislature can override each veto with a two-thirds vote in each house. The budget summarized in this Official Statement is the budget adopted by the Legislature. The Governor’s vetoes of the legislatively adopted budget decrease the June 30, 1998 General Fund balance to \$118 million. The State is constitutionally required to adopt a balanced budget. Although many factors may affect the State’s financial results for the 1997–98 fiscal year, the estimates of receipts and disbursements included in the 1997–98 budget are believed to be reasonable.

In connection with the issuance and sale of the Notes, the Commission has authorized the Department to prepare this Official Statement, including the cover page and Appendices, describing the Notes 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.

PURPOSE OF ISSUE AND USE OF PROCEEDS

General

The State will deposit the proceeds from the sale of the Notes to the General Fund of the State and will use the proceeds within six months to fund local-assistance payments to its municipalities and school districts, and to finance its day-to-day operations in anticipation of revenues to be received later in the fiscal year. Until so used, the proceeds will be invested by the State on a short-term basis. This investment activity is the responsibility of the State of Wisconsin Investment Board. See “[STATE OF WISCONSIN INVESTMENT BOARD](#)” in Part II of the Annual Report.

Premium, if any, paid as part of the purchase price of the Notes will be credited to the Operating Note Redemption Fund and applied to pay interest on the Notes. The costs of issuance of the Notes will be paid by the State from monies separately appropriated from the General Fund for this purpose.

The State is issuing the Notes because of an imbalance between the timing of payments disbursed and receipts collected.

Prior to 1983, the State was not empowered to use seasonal borrowing. The payment-receipt imbalance was dealt with first, by using substantial year-end surpluses in the General Fund; second, by temporarily allocating cash reserves from various segregated funds to the General Fund; and third, by direct control and reordering of disbursements. Beginning in 1983, after the State was statutorily authorized to issue operating notes, the imbalance was addressed through seasonal borrowing. The amount of seasonal borrowing using operating notes has varied over the years.

The Notes and the Original Notes are issued in an aggregate amount estimated to be sufficient with interfund borrowings and reallocations to meet General Fund cash-flow needs for the 1997–98 fiscal year. Unanticipated developments may require the State to issue additional operating notes during this period. See “[DESCRIPTION OF NOTES; Additional Notes](#)”.

Interfund Borrowings and Reallocations

The General Fund includes funds designated for operations and capital purposes of certain proprietary programs of the State’s universities. Such designated funds may be used for purposes other than the proprietary programs but such use is, in effect, a borrowing and the State is obligated to replenish the designated funds.

To meet a cash-flow need, the Statutes authorize the Secretary of the Department (the “Secretary of Administration”) to temporarily reallocate up to \$400 million of available cash in certain segregated funds (and any cash in the budget stabilization fund) to the General Fund. An interfund interest charge is levied on such interfund reallocations.

The Secretary of Administration may set priorities for payments from the General Fund as well as prorate certain payments. See “[STATE GOVERNMENT ORGANIZATION AND FINANCIAL PROCEDURES; Budgeting Process and Fiscal Controls](#)” in Part II of the Annual Report.

DESCRIPTION OF NOTES

Authority for Issuance

The Notes are a series of operating notes authorized by the Act and are issued pursuant to the Resolutions. Article VIII, Section 5 of the Wisconsin Constitution requires the Legislature to provide annual taxes sufficient to meet the estimated expenses of the State each year. Whenever the expenses of any year exceed the income, the Legislature must levy taxes for the ensuing year sufficient with other sources of income to pay the deficiency as well as the estimated expenses of the ensuing year. The 1997–98 budget contains sufficient estimated tax revenues and other revenues to pay the estimated expenses for the fiscal year pursuant to the Constitution.

The Commission is authorized by the Statutes to issue operating notes when, in the judgment of the Department, a deficiency will occur in the funds of the State which will not permit the State to meet its operating obligations in a timely manner. Operating notes may be issued in an amount not exceeding 10% of budgeted appropriations of general purpose and program revenues for the year in which operating notes are issued. The maximum issuance of operating notes during the 1997–98 fiscal year, based on the legislatively adopted 1997–98 budget, is \$1.591 billion. See APPENDIX C. The request of the Department to issue operating notes must be signed by the Secretary of Administration and the Governor and approved by the Joint Committee on Finance of the Legislature prior to its submission to the Commission. Pursuant to this statutory procedure, the Governor and the Secretary of Administration have requested the issuance of operating notes in the amount of \$450 million for the purpose of providing funds to meet obligations for the fiscal year beginning July 1, 1997, and the Joint Committee on Finance has approved this request. The issuance of the Original Notes in the amount of \$300 million applies against this approved amount.

Terms

The Notes will be dated the date of their delivery to the successful bidders, will bear interest at the rate set forth on the front cover hereof from their dated date, computed on the basis of a 360-day year of twelve 30-day months, and will be payable as to both principal and interest to the registered owner thereof, which initially will be the nominee of The Depository Trust Company, New York, New York (“DTC”), in immediately available funds upon maturity on June 15, 1998. The Notes will not be subject to redemption prior to maturity.

The Notes are to be initially issued in book-entry-only form. Individual purchases in book-entry-only form can be made in the principal amount of \$25,000 and integral multiples thereof. Under certain conditions the Notes may be issued in certificated form. See “**DESCRIPTION OF NOTES; Book-Entry-Only Form**”.

Book-Entry-Only Form

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities in the name of Cede & Co. (DTC’s partnership nominee). A certificate or certificates will be issued in the aggregate principal amount of the Notes and will be 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 Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“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 Notes 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. The deposit of the Notes 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 Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Notes 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.

Neither DTC nor Cede & Co. will consent or vote with respect to the Notes. 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payment on the Notes will be made to DTC by Firststar Trust Company, Milwaukee, Wisconsin (the “Trustee”). 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, the Trustee, 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 Trustee, 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 Notes at any time by giving reasonable notice to the State. Under such circumstances, in the event that a successor securities depository is not obtained, note 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, note 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 Notes. The State and the Trustee assume 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 Notes.

Similarly, no assurance can be given by the State or the Trustee 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.

Source of Payment

The Notes are issued on parity with the Original Notes pursuant to the Resolutions. The Notes and Original Notes are contractual obligations of the State payable from and secured solely by revenue pledged by the Commission pursuant to the Act and the Resolutions and deposited into the Operating Note Redemption Fund (the "Pledged Revenues"). The Operating Note Redemption Fund is a separate and distinct fund established with the Trustee. The Operating Note Redemption Fund is to be expended, and all monies from time to time on hand in that fund are irrevocably appropriated, in sums sufficient, only for the payment of the principal and interest on the Notes and Original Notes. There has been appropriated from the General Fund to the Operating Note Redemption Fund a sum sufficient for the payment of the principal of and interest on the Notes and Original Notes as the same are due and for the payment of monies required to be impounded in the Operating Note Redemption Fund. These appropriations are continuing appropriations both during and after the 1997-98 fiscal year, unless specifically amended by the Legislature. *The Notes are not general obligations of the State*, and the Notes do not constitute "public debt" of the State as that term is used in the Constitution and Statutes of the State. The Pledged Revenues are subject to the first and paramount rights of the owners of the State's general obligation bonds and notes ("General Obligations").

Impoundment

Operating Note Redemption Fund—The Secretary of Administration is required by the Resolutions to impound and transfer sums from the General Fund to the Operating Note Redemption Fund at such times and in such amounts as will cause the balance of the Operating Note Redemption Fund to be not less than the amount required on such date:

- (i) 25% of the principal and interest due June 15, 1998 on the Notes and Original Notes is required to be impounded on February 27, 1998;
- (ii) 50% of the principal and interest due June 15, 1998 on the Notes and Original Notes is required to be impounded on March 31, 1998;

- (iii) 75% of the principal and interest due June 15, 1998 on the Notes and Original Notes is required to be impounded on April 30, 1998; and
- (iv) 100% of the principal and interest due June 15, 1998 on the Notes and Original Notes is required to be impounded on May 29, 1998.

If on any of these impoundment dates the balance in the Operating Note Redemption Fund is less than the amount required, then all General Fund revenues (other than those required to be paid with respect to General Obligations) (“Unrestricted Revenues”) must be set aside and deposited in the Operating Note Redemption Fund until the balance in the Operating Note Redemption Fund is equal to the required amount for that date.

Cash-Flow Projections—The Secretary of Administration is required to prepare and file with the Trustee monthly projected statements of revenues, expenses and fund balances of the State for each month remaining in the 1997–98 fiscal year in sufficient detail to permit the Secretary of Administration to make the following determinations required by the Resolutions:

- (i) *Interfund Transfers*—If at any time the Secretary of Administration determines that Unrestricted Revenues will be insufficient to permit the required transfers from the General Fund to the Operating Note Redemption Fund, the Secretary of Administration must, to the extent permitted by law, transfer to the General Fund other funds of the State in a sum sufficient to permit the required transfers to the Operating Note Redemption Fund.
- (ii) *Deferral of Expenditures*—If at any time the Secretary of Administration determines that the payment of any amount, other than payments with respect to General Obligations, will result in the funds available in the General Fund for transfer to the Operating Note Redemption Fund being less than the amount required, the Secretary of Administration must defer the payment of a sufficient amount of such expenses to permit the required transfer when due.
- (iii) *Acceleration of Impoundment*—If at any time the Secretary of Administration determines that the principal and interest due on the Notes and Original Notes at maturity less any amounts on deposit in the Operating Note Redemption Fund equals or exceeds 85% of the amount of Unrestricted Revenues estimated to be received thereafter and prior to June 15, 1998, all Unrestricted Revenues thereafter received must be immediately deposited in the Operating Note Redemption Fund until the amount in such fund is equal to 100% of the principal and interest due on the Notes and Original Notes at maturity.

Investment of Operating Note Redemption Fund

Monies deposited in the Operating Note Redemption Fund shall be invested by the Trustee at the direction of the State of Wisconsin Investment Board in (1) direct obligations of, or obligations unconditionally guaranteed by, the United States; (2) obligations issued or guaranteed by agencies or instrumentalities of United States; (3) obligations of the international bank for reconstruction and development; (4) a mutual fund that invests solely in direct obligations of the United States; and (5) repurchase agreements with banks other than the Trustee which are members of the Federal Deposit Insurance Corporation and government bond dealers (a) reporting to, trading with and recognized as primary dealers by the Federal Reserve Bank of New York, and (b) having capital of at least \$250,000,000, the underlying securities of which are obligations described in (1) and (2) above, provided that the underlying securities are required to be continuously maintained at a value consisting of the market value of such securities and the amount of interest accrued on such securities, not less than the amount so invested plus accrued interest and to be held by the Trustee or a third party. All investments in the Operating Note Redemption Fund shall mature on or before

June 15, 1998. All investments shall be valued at the face amount thereof, including any interest to be paid thereon to maturity.

Additional Notes

The Notes and the Original Notes are issued in an aggregate amount estimated to be sufficient with interfund borrowings and reallocations to meet General Fund cash-flow needs for the 1997–98 fiscal year. Any additional operating notes that may be issued must, pursuant to the Resolutions, mature on or after June 15, 1998 and will not be entitled to any priority with respect to payment or security over the Notes, Original Notes, or any other series of additional operating notes. Any additional operating notes would be payable from the same source, be entitled to the same security as the Notes and Original Notes and be subject to the impoundment provisions described above.

Defaults and Remedies

The following constitute “Events of Default” under the Resolutions: (i) a default in the due and punctual payment of the principal of or interest on any of the Notes and Original Notes when the same shall become due and payable or (ii) a default by the State in the performance of any of its obligations with respect to payments into the Operating Note Redemption Fund or in the observance and performance of any other of the covenants, conditions and agreements of the State contained in the Resolutions. If an Event of Default shall have occurred and continues for a period of 30 days, the Trustee must publish notice of the Event of Default in *The Bond Buyer*.

If an Event of Default has occurred and is continuing, the Trustee may proceed to institute such actions and proceedings as are authorized by the Act or other law to collect all sums due in connection with the Notes and Original Notes and to protect and enforce its rights and the rights of the holders of the Notes and Original Notes. The Trustee, at the request of the holders of not less than 25% in aggregate principal amount of the Notes and Original Notes then outstanding and upon being furnished with reasonable security and indemnity, must take such steps and institute such suits, actions or proceedings for the protection and enforcement of the rights of the holders of the Notes and Original Notes to collect any amount due and owing from the State or by injunction, mandamus or other appropriate proceeding in law or in equity to obtain other appropriate relief.

No holder of any Notes or Original Notes may institute any suit, action or proceeding in equity or at law, except to enforce payment of the Notes or Original Notes held by such holder, for the enforcement of the Resolutions or for the execution of any trust thereof or any remedy thereunder, unless an Event of Default has occurred of which the Trustee has been notified and the holders of 25% in aggregate principal amount of the Notes and Original Notes then outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers granted in the Resolutions or to institute such action, suit or proceedings in its own name and the Trustee thereafter shall have failed or refused to exercise such powers or to institute such action, suit or proceeding.

The Act provides that if the State fails to pay any operating note in accordance with its terms an action to compel such payment may be commenced against the State in the Circuit Court for Dane County, Wisconsin. If there is a final judgment against the State in such an action, the Act requires that it be paid together with interest at the rate of 10% per year from the date the payment was judged to have been due until the date of payment of the judgment. Wisconsin law requires that any such final judgment obtained against the State be filed by the Clerk of Courts with the Department. The Department is required to audit the amount of damage and costs awarded, and the amount is then required to be paid out of the State Treasury. State law contains a continuing appropriation in sum sufficient to meet judgments against the State.

GENERAL FUND INFORMATION

Information regarding the State's General Fund is included as [APPENDIX D](#). Revenues deposited into the General Fund are shown in [Table D-1 of APPENDIX D](#), which reports the specific sources of revenue and the amounts raised from each source for each of the last five fiscal years. Expenditures made from the General Fund are shown in [Table D-2 of APPENDIX D](#), which reports the amounts expended by function and type for each of the last five fiscal years. Year-to-date information regarding revenue deposited into and expenditures made from the General Fund is reported on pages [A-8 and A-9 of APPENDIX A](#). There can be no assurance that historical data with respect to such revenues and expenditures are necessarily indicative of future receipts and payments.

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. See [APPENDIX A](#) for a description of balances available for reallocation. 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 bonds and notes 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 employee 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.

The tables on the following pages present the actual cash flow of the General Fund from July 1995 through September 1997 and the projected cash flow from October 1997 through June 1998 by major categories of receipts and disbursements. The cash-flow tables should be read in conjunction with other information concerning the legislatively adopted 1997-98 budget summarized in [APPENDIX A](#) of this Official Statement.

There has been and will continue to be differences in the amounts shown for the cash-flow basis and the budgetary basis presentations. For example, the cash-flow presentation on the following pages shows all tax receipts as revenues and tax refunds as disbursements. The budgetary basis presentation in [APPENDIX A](#) shows tax revenues which are net of tax refunds. In addition, Wisconsin counties have the authority to impose a county sales tax. The State receives all county sales tax collections and then returns to the counties their respective portion. The cash-flow basis includes the gross sales tax receipts and the disbursement to the counties, which in the 1997-98 fiscal year is estimated to be approximately \$170 million. The county sales tax is not included in the budgetary basis presentation. There are other items that are treated differently between the cash-flow basis and budgetary basis that prevent a direct reconciliation of the two presentations.

Monthly cash-flow projections are based upon the 1997-98 budget bill as signed by the Governor, who exercised his partial veto power, 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 projected 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 1

ACTUAL GENERAL FUND CASH FLOW JULY 1, 1995 TO JUNE 30, 1996

(In Thousands of Dollars)

	<u>July 1995</u>	<u>August 1995</u>	<u>September 1995</u>	<u>October 1995</u>	<u>November 1995</u>	<u>December 1995</u>	<u>January 1996</u>	<u>February 1996</u>	<u>March 1996</u>	<u>April 1996</u>	<u>May 1996</u>	<u>June 1996</u>
OPENING BALANCE ^(a)	\$ 451,090	\$ 419,809	\$ 625,470	\$ 886,322	\$ 1,227,925	\$ 825,688	\$ 489,014	\$ 1,071,785	\$ 1,159,766	\$ 511,620	\$ 977,942	\$ 1,129,369
CLOSING BALANCE	419,809	625,470	886,322	1,227,925	825,688	489,014	1,071,785	1,159,766	511,620	977,942	1,129,369	569,086
LOW BALANCE ^(b)	280,829	331,466	396,605	824,216	673,198	145,441	427,949	939,329	511,620	466,283	855,531	249,738
RECEIPTS:												
Tax Receipts												
Individual Income	348,170	289,760	399,342	363,667	283,463	328,531	584,780	301,124	332,857	661,649	309,938	440,615
Sales & Use	250,655	244,274	244,280	247,227	238,805	225,368	260,245	204,345	198,665	227,850	232,821	245,079
Corporate Income	17,594	13,017	140,408	14,538	15,140	131,584	18,947	15,454	174,940	24,773	16,143	134,965
Public Utility	113	0	0	550	151,023	0	55	8	0	186	129,600	264
Excise	22,132	19,068	21,969	23,131	22,819	20,633	19,698	19,569	19,072	19,388	19,386	22,428
Insurance	492	951	23,803	120	245	22,324	642	7,525	10,094	19,506	1,671	21,993
Inheritance	2,219	4,049.00	2,092	2,873	3,053	3,016	3,720	6,625	2,348	3,535	1,862	11,154
Subtotal Tax Receipts	641,375	571,119	831,894	652,106	714,548	731,456	888,087	554,650	737,976	956,887	711,421	876,498
Nontax Receipts												
Federal	289,672	340,060	270,392	289,061	289,196	256,716	319,511	324,228	233,532	301,034	238,827	236,956
Other & Transfers	127,884	144,348	259,924	210,494	216,288	168,638	253,489	253,391	268,665	144,679	230,456	248,966
Note Proceeds ^(c)	247,500	0	0	0	0	0	0	0	0	0	0	0
Subtotal Nontax Receipts	665,056	484,408	530,316	499,555	505,484	425,354	573,000	577,619	502,197	445,713	469,283	485,922
TOTAL RECEIPTS	\$ 1,306,431	\$ 1,055,527	\$ 1,362,210	\$ 1,151,661	\$ 1,220,032	\$ 1,156,810	\$ 1,461,087	\$ 1,132,269	\$ 1,240,173	\$ 1,402,600	\$ 1,180,704	\$ 1,362,420
DISBURSEMENTS:												
Local Aids	\$ 613,592	\$ 108,701	\$ 384,159	\$ 95,339	\$ 930,744	\$ 722,464	\$ 154,179	\$ 145,493	\$ 728,996	\$ 91,766	\$ 143,098	\$ 1,079,905
Income Maintenance	241,373	264,066	213,672	237,455	236,993	257,601	232,104	230,237	209,397	224,528	239,225	238,486
Payroll & Related	227,789	227,860	207,921	254,974	218,087	241,545	260,610	251,350	238,305	241,802	218,962	209,005
Tax Refunds	40,661	27,678	25,586	22,717	39,393	48,698	26,566	160,741	162,879	144,056	118,935	85,680
Debt Service	12,584	0	84,690	40	0	390	0	0	208,363	886	3,475	0
Miscellaneous	201,713	221,561	185,330	199,533	197,052	222,786	204,857	256,467	213,732	168,522	240,576	309,627
Note Repayment	0	0	0	0	0	0	0	0	126,647	64,718	65,006	0
TOTAL DISBURSEMENTS	\$ 1,337,712	\$ 849,866	\$ 1,101,358	\$ 810,058	\$ 1,622,269	\$ 1,493,484	\$ 878,316	\$ 1,044,288	\$ 1,888,319	\$ 936,278	\$ 1,029,277	\$ 1,922,703

(a) The General Fund includes funds designated for operations and capital purposes of certain proprietary programs of the State's universities. Receipts and disbursements of such funds for the designated programs and the disbursement of such funds for other purposes are reflected in the cash flow. A use of designated funds for purposes other than the proprietary programs is, in effect, a borrowing of such funds. Therefore, at any time that the balance in the General Fund is less than the balance of such designated funds, the State is obligated to replenish the designated funds to the extent of the shortfall. The designated funds ranged from \$141 million to \$255 million during the 1995-96 Fiscal Year. In addition, the General Fund is the depository for several escrow accounts pursuant to court orders or federal rulings. The funds in these accounts are restricted in their use to the purposes described in the court orders or federal rulings. During the 1995-1996 Fiscal Year these funds ranged from \$51 million to \$66 million.

(b) Lowest daily balance within each month.

(c) Reflects receipt of good-faith deposit on June 22, 1995 and closing on July 6, 1995.

Table 2
ACTUAL GENERAL FUND CASH FLOW JULY 1, 1996 TO JUNE 30, 1997
(In Thousands of Dollars)

	July 1996	August 1996	September 1996	October 1996	November 1996	December 1996	January 1997	February 1997	March 1997	April 1997	May 1997	June 1997
OPENING BALANCE ^(a)	\$ 569,086	\$ 414,747	\$ 601,413	\$ 1,066,212	\$ 1,347,976	\$ 857,863	\$ 321,045	\$ 1,011,176	\$ 1,135,865	\$ 434,285	\$ 977,102	\$ 1,294,331
CLOSING BALANCE	414,747	601,413	1,066,212	1,347,976	857,863	321,045	1,011,176	1,135,865	434,285	977,102	1,294,331	493,468
LOW BALANCE ^(b)	263,302	321,835	426,931	1,027,724	704,010	(32,677)	321,045	1,005,769	363,140	411,180	898,925	97,917
RECEIPTS:												
Tax Receipts												
Individual Income	372,155	304,041	453,416	367,701	334,707	333,175	670,204	348,924	352,183	700,312	322,541	477,991
Sales & Use	261,676	264,609	259,988	257,730	254,478	166,275	339,152	225,742	201,489	241,887	250,694	186,483
Corporate Income	15,979	15,987	137,555	32,031	13,293	145,789	28,349	16,976	176,005	27,899	17,594	131,301
Public Utility	329	0	68	25	140,447	654	21	7	9	976	145,777	141
Excise	21,137	23,073	23,890	20,975	22,500	21,185	20,539	18,936	18,705	20,640	19,631	21,409
Insurance	703	1,365	22,607	777	677	21,105	2,340	8,295	10,479	20,609	1,647	21,896
Inheritance	2,014	3,356	3,411	5,615	2,155	3,418	3,987	5,140	2,498	5,416	11,366	4,274
Subtotal Tax Receipts	673,993	612,431	900,935	684,854	768,257	691,601	1,064,592	624,020	761,368	1,017,739	769,250	843,495
Nontax Receipts												
Federal	339,344	235,534	338,724	261,861	257,688	309,474	392,612	273,298	249,357	310,917	302,291	306,376
Other & Transfers	117,978	182,959	236,507	190,406	175,744	190,365	202,878	246,235	176,582	178,756	211,196	240,197
Note Proceeds ^(c)	148,500	0	0	0	0	0	0	0	0	0	0	0
Subtotal Nontax Receipts	605,822	418,493	575,231	452,267	433,432	499,839	595,490	519,533	425,939	489,673	513,487	546,573
TOTAL RECEIPTS	\$ 1,279,815	\$ 1,030,924	\$ 1,476,166	\$ 1,137,121	\$ 1,201,689	\$ 1,191,440	\$ 1,660,082	\$ 1,143,553	\$ 1,187,307	\$ 1,507,412	\$ 1,282,737	\$ 1,390,068
DISBURSEMENTS:												
Local Aids	\$ 637,996	\$ 128,110	\$ 397,244	\$ 87,371	\$ 944,733	\$ 1,019,955	\$ 140,980	\$ 155,102	\$ 924,442	\$ 105,033	\$ 136,038	\$ 1,383,467
Income Maintenance	256,303	202,276	243,131	231,683	243,430	242,664	249,825	236,815	225,375	249,863	243,465	252,232
Payroll & Related	237,782	297,405	149,441	247,345	290,790	191,217	351,154	227,215	149,987	239,717	275,759	203,513
Tax Refunds	36,632	25,807	21,460	35,154	28,919	70,195	41,405	155,489	169,198	131,730	102,373	113,837
Debt Service	12,682	0	0	96,259	0	0	0	0	220,689	0	0	0
Miscellaneous	252,759	190,660	200,091	157,545	183,930	204,227	186,587	206,652	160,576	199,453	168,897	237,882
Note Repayment	0	0	0	0	0	0	0	37,591	38,620	38,799	38,976	0
TOTAL DISBURSEMENTS	\$ 1,434,154	\$ 844,258	\$ 1,011,367	\$ 855,357	\$ 1,691,802	\$ 1,728,258	\$ 969,951	\$ 1,018,864	\$ 1,888,887	\$ 964,595	\$ 965,508	\$ 2,190,931

(a) The General Fund includes funds designated for operations and capital purposes of certain proprietary programs of the State's universities. Receipts and disbursements of such funds for the designated programs and the disbursement of such funds for other purposes are reflected in the cash flow. A use of designated funds for purposes other than the proprietary programs is, in effect, a borrowing of such funds. Therefore, at any time that the balance in the General Fund is less than the balance of such designated funds, the State is obligated to replenish the designated funds to the extent of the shortfall. The designated funds ranged from \$128 million to \$198 million during the 1996-97 Fiscal Year. In addition, the General Fund is the depository for several escrow accounts pursuant to court orders or federal rulings. The funds in these accounts are restricted in their use to the purposes described in the court orders or federal rulings. During the 1996-97 Fiscal Year these funds ranged from \$52 million to \$54 million.

(b) Lowest daily balance within each month.

(c) Reflects receipt of good-faith deposit on June 28, 1996 and closing on July 11, 1996.

Table 3
ACTUAL GENERAL FUND CASH FLOW JULY 1, 1997 TO SEPTEMBER 30, 1997
PROJECTED GENERAL FUND CASH FLOW OCTOBER 1, 1997 TO JUNE 30, 1998 ^(a)
(In Thousands of Dollars)

	July 1997	August 1997	September 1997	October 1997	November 1997	December 1997	January 1998	February 1998	March 1998	April 1998	May 1998	June 1998
OPENING BALANCE ^(b)	\$ 493,468	\$ 518,144	\$ 742,076	\$ 1,119,923	\$ 1,026,413	\$ 906,730	\$ 361,257	\$ 1,099,856	\$ 1,162,119	\$ 337,859	\$ 741,618	\$ 985,894
CLOSING BALANCE	518,144	742,076	1,119,923	1,026,413	906,730	361,257	1,099,856	1,162,119	337,859	741,618	985,894	184,045
LOW BALANCE ^(c)	518,144	430,620	541,342	1,026,413	666,944	12,776	361,257	1,096,050	337,859	245,771	707,142	(310,765)
RECEIPTS:												
Tax Receipts												
Individual Income	401,799	325,965	516,303	396,932	349,250	360,401	696,690	359,826	372,618	724,862	358,281	496,785
Sales & Use	351,358	287,800	270,990	273,455	269,336	255,375	285,623	232,831	215,223	252,168	259,526	276,096
Corporate Income	21,148	27,038	129,897	20,999	14,035	136,829	24,265	15,956	169,857	25,028	16,582	132,585
Public Utility	1,903	0	265	274	139,400	364	25	5	8	595	132,887	148
Excise	24,582	22,206	22,463	21,260	21,736	20,445	45,234	22,562	22,538	23,997	24,066	26,185
Insurance	1,066	1,010	23,202	428	431	20,534	1,346	7,072	9,347	19,327	1,241	20,820
Inheritance	20,104	4,956	11,057	3,628	2,694	2,833	3,617	5,871	2,550	2,798	5,101	7,471
Subtotal Tax Receipts	821,960	668,975	974,177	716,976	796,882	796,781	1,056,800	644,123	792,141	1,048,775	797,684	960,090
Nontax Receipts												
Federal	311,435	242,668	206,054	299,403	294,600	334,152	380,817	327,809	281,329	329,671	306,721	323,020
Other & Transfers	153,040	180,453	338,386	208,448	213,900	171,271	271,588	250,974	255,258	155,382	234,047	232,567
Note Proceeds ^(d)	297,000	0	0	1,500	148,500	0	0	0	0	0	0	0
Subtotal Nontax Receipts	761,475	423,121	544,440	509,351	657,000	505,423	652,405	578,783	536,587	485,053	540,768	555,587
TOTAL RECEIPTS	\$ 1,583,435	\$ 1,092,096	\$ 1,518,617	\$ 1,226,327	\$ 1,453,882	\$ 1,302,204	\$ 1,709,205	\$ 1,222,906	\$ 1,328,728	\$ 1,533,828	\$ 1,338,452	\$ 1,515,677
DISBURSEMENTS:												
Local Aids	\$ 789,495	\$ 129,524	\$ 513,815	\$ 145,947	\$ 959,589	\$ 940,087	\$ 164,139	\$ 146,362	\$ 961,194	\$ 97,056	\$ 140,137	\$ 1,497,763
Income Maintenance	242,673	214,732	211,339	270,288	252,062	276,702	252,880	251,850	250,170	270,406	245,987	236,393
Payroll & Related	266,416	244,825	156,626	343,477	148,101	357,483	255,535	227,542	147,961	258,490	231,090	224,349
Tax Refunds	45,931	51,362	30,586	38,804	37,744	53,500	38,360	154,184	194,058	142,741	140,180	96,620
Debt Service	0	6,822	0	88,351	0	0	0	9,000	232,215	0	0	0
Miscellaneous	214,244	220,899	228,404	432,970	176,069	219,905	259,692	257,463	250,666	244,652	220,058	262,401
Note Repayment ^(e)	0	0	0	0	0	0	0	114,242	116,724	116,724	116,724	0
TOTAL DISBURSEMENTS	\$ 1,558,759	\$ 868,164	\$ 1,140,770	\$ 1,319,837	\$ 1,573,565	\$ 1,847,677	\$ 970,606	\$ 1,160,643	\$ 2,152,988	\$ 1,130,069	\$ 1,094,176	\$ 2,317,526

(a) Excludes Interfund Borrowing.

(b) The General Fund includes funds designated for operations and capital purposes of certain proprietary programs of the State's universities. Receipts and disbursements of such funds for the designated programs and the disbursement of such funds for other purposes are reflected in the cash flow. A use of designated funds for purposes other than the proprietary programs is, in effect, a borrowing of such funds. Therefore, at any time that the balance in the General Fund is less than the balance of such designated funds, the State is obligated to replenish the designated funds to the extent of the shortfall. The designated funds are projected to range from \$100 million to \$200 million during the 1997-98 Fiscal Year. In addition, the General Fund is the depository for several escrow accounts pursuant to court orders or federal rulings. The funds in these accounts are restricted in their use to the purposes described in the court orders or federal rulings. These funds are estimated to average approximately \$50 million during the 1997-98 Fiscal Year.

(c) Lowest daily balance within each month.

(d) Includes proceeds from \$300,000,000 State of Wisconsin Operating Notes of 1997, dated July 1, 1997, and from \$150,000,000 State of Wisconsin Operating Notes of 1997, Series 2, dated November 12, 1997.

(e) Includes required impoundments for the \$300,000,000 State of Wisconsin Operating Notes of 1997, dated July 1, 1997, and for the \$150,000,000 State of Wisconsin Operating Notes of 1997, Series 2, dated November 12, 1997 and assumes no investment return on the impoundments while deposited in the Operating Note Redemption Fund.

OTHER INFORMATION

Ratings

The Notes have been rated F-1+ by Fitch Investors Service, L.P., MIG 1 by Moody's Investors Service, Inc. and SP-1+ by Standard and Poor's Ratings Group. Any explanation of the significance of a rating may only be obtained from the rating service furnishing it. There is no assurance that a rating given to these Notes will be maintained for any period of time or that the rating may not 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 Notes.

Borrowing Plans for 1997

In this calendar year, the State has sold five publicly offered general obligation bond issues. Four of the issues, in the aggregate amount of \$135 million, were for the veterans housing loan program. The other issue, in the amount of \$101 million, was for governmental purposes. The State has also issued two series of general obligation commercial paper notes, in the aggregate amount of \$182 million, for governmental purposes. The State has completed two private sales in the aggregate amount of \$10 million of general obligations for the Clean Water Fund program. No additional general obligation bonds or notes are expected to be issued this calendar year.

The State has sold one clean water revenue bond issue in the amount of \$80 million. The State may sell another series of clean water revenue bonds in the fourth quarter. The State has issued \$155 million of transportation revenue commercial paper notes. No transportation revenue bonds or additional transportation revenue commercial paper notes are expected to be issued this calendar year.

Underwriting

The Notes were purchased at competitive bidding on October 28, 1997. Information regarding the public reoffering of the Notes may be obtained only from the successful bidders (the "Underwriters"). The award of the Notes was to the following Underwriters in the amounts shown. The Underwriters paid an aggregate amount of \$150,645,550, resulting in a weighted net interest cost rate to the State of 3.7726%.

<u>Underwriter</u>	<u>Amount</u>
J.P. Morgan Securities Inc. with Samuel A. Ramirez & Co., Inc.	\$ 50,000,000
Zions First National Bank	100,000,000

Legal Investment

The Notes are legal investments for all banks, trust companies, savings banks and institutions, savings and loan associations, credit unions, investment companies and associations, 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.

Legal Opinion

Legal matters incident to the authorization, issuance and sale of the Notes 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 Notes. In the event certificated Notes are issued, the opinion will be printed on the reverse side of each Note.

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

Tax Exemption

In the opinion of Bond Counsel, under existing law, the interest on the Notes is excluded from gross income for federal income tax purposes and the interest on the Notes is not an item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers; it should be noted, however, that with respect to certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations.

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 Notes 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 Notes to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Notes. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Notes. The proceedings authorizing the Notes do not provide for an increase in the interest rate or a redemption of the Notes in the event of taxability.

The Code contains numerous provisions which could affect the economic value of the Notes to particular owners of the Notes. For example, (i) Section 265 of the Code denies a deduction for interest on any indebtedness incurred or continued to purchase or carry the Notes or, in the case of financial institutions, that portion of an owner's interest expense allocable to interest on the Notes, (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 Notes, and life insurance companies are subject to similar provisions under which taxable income is increased by reason of receipt or accrual tax-exempt interest, (iii) interest on the Notes 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, (iv) passive investment income, including interest on the Notes, 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 (v) 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 receipts or accruals of interest on the Notes. The foregoing is not intended to be an exhaustive discussion of collateral tax consequences arising from ownership of the Notes. There may be other provisions of the Code which could adversely affect the value of an investment in the Notes for particular owners. Investors should consult their own tax advisors with respect to the tax consequences of owning a Note.

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, and before the delivery of the Notes, will enter into a Supplemental Agreement pertaining to the

Notes (collectively, the “Agreements”). The Agreements constitute an undertaking for the benefit of the beneficial owners of the Notes and require the State to provide notices of occurrence of certain events specified in the Rule to the each nationally recognized municipal securities information repositories (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 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 Notes in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Notes and their market price. In the previous five years, there has been no failure to comply in any material respects with a similar undertaking by the State.

Disclosure Certificate

The Underwriters shall 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 Notes, 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 Notes.

This Official Statement is submitted only in connection with the sale of the Notes 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 28, 1997

STATE OF WISCONSIN

/s/ TOMMY G. THOMPSON

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

/s/ MARK D. BUGHER

Mark D. Bugher, Secretary
State of Wisconsin Department of Administration

/s/ ROBERT BRANDHERM

Robert Brandherm, Secretary
State of Wisconsin Building Commission

Appendix A

INFORMATION ABOUT THE STATE

This appendix includes information concerning the State of Wisconsin (the “State”) and the State of Wisconsin Building Commission (the “Commission”). Part II of the [State of Wisconsin Continuing Disclosure Annual Report, dated December 27, 1996](#) (the “Annual Report”) is included by reference as part of this APPENDIX A.

Part II to the Annual Report contains certain general information about the State, including information about the State’s operations and financial procedures, the State’s accounting and financial reporting, the organization and description of services provided by the State, certain financial information about the State, the results of the 1995-96 fiscal year, the State budget, State obligations, and the State Investment Board, together with statistical information about the State’s population, income and employment. Included as APPENDIX A to Part II are the audited general purpose financial statements for the fiscal year ending June 30, 1996, prepared in conformity with generally accepted accounting principles (“GAAP”) for governments as prescribed by the Government Accounting Standards Board, and the State Auditor’s report.

The Annual Report has been filed with each nationally recognized municipal securities information repository (“NRMSIR”). As of the date of this Official Statement, the Annual Report can be found on the internet at:

<http://www.doa.state.wi.us/debf/capfin/96condis.htm>

The State has filed, and expects to continue to file, certain informational notices with the NRMSIRs. Such informational notices do not constitute listed material events under the State’s Master Agreement on Continuing Disclosure.

Subsequent to publication and filing of the Annual Report, certain accounting information regarding the 1996-97 fiscal year has been published and the budget for fiscal year 1997-98 has been signed by the Governor who exercised his partial veto power. The following changes have not been filed with the NRMSIRs. The following sections entitled “Results of 1996-97 Fiscal Year” and “Budget for 1997-98” and the table entitled “State Budget–General Fund” contain this most recent information.

Results of 1996-97 Fiscal Year

The State has prepared and published the Annual Fiscal Report for the fiscal year ending June 30, 1997. It reports that the State ended the fiscal year on a statutory and unaudited basis with an unreserved, undesignated balance of \$327 million. On an all-funds basis the total amount available was \$27.993 billion consisting of (i) a beginning balance of \$582 million, (ii) tax revenues of \$9.628 billion and (iii) nontax revenues of \$17.783 billion. Total disbursements and reserves were \$27.655 billion, resulting in a balance of \$338 million of which \$11 million is designated for expenditure. On a general-fund basis the total amount available was \$15.251 billion consisting of (i) the same beginning balance, (ii) tax revenues of \$8.814 billion and (iii) nontax revenues of \$5.855 billion. Total disbursements and reserves were approximately \$14.913 billion, resulting in the same balance as described on an all-funds basis. The actual fiscal year 1996-97 results for the General Fund are summarized on page A-3.

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, 1997, the State issued \$150 million of operating notes. The operating

notes were issued on July 11, 1996 and matured on June 16, 1997. Operating notes are not general obligations of the State and are not on a parity with State general obligations.

Budget for 1997–98

On October 11, 1997, the Governor signed the budget bill for the 1997-98 fiscal year. The Governor exercised his partial veto power in signing the budget. The Legislature can override each veto with a two-thirds vote in each house. The budget summarized in this Official Statement is the budget adopted by the Legislature. The projected general-fund balance for June 30, 1998 is \$151 million. Total available revenues are estimated to be \$16.143 billion consisting of (i) a beginning balance of \$330 million, (ii) tax revenues of \$9.263 billion and (iii) nontax revenues of \$6.550 billion. Total disbursements and reserves are estimated to be \$15.992 billion, consisting of net disbursements of \$15.857 billion and reserves of \$135 million. The legislatively adopted general fund budget is summarized on page A-3. The Governor's vetoes of the legislatively adopted budget decrease the June 30, 1998 General Fund balance to \$118 million.

There has been and will continue to be differences in the amounts shown in the cash-flow basis and the budgetary basis presentations. See "**GENERAL FUND INFORMATION; General Fund Cash Flow**".

STATE BUDGET—GENERAL FUND^(a)

	Actual^(b) 1996-97	Budget 1996-97	Legislature Adopted Budget 1997-98
RECEIPTS			
Fund Balance from Prior Year.....	\$ 581,690,000	\$ 579,943,800	\$ 330,281,000
Tax Revenue			
State Taxes Deposited to General Fund			
Individual Income.....	4,544,739,000	4,465,000,000	4,809,892,600
General Sales and Use.....	2,864,373,000	2,860,000,000	3,015,020,000
Corporate Franchise and Income.....	643,822,000	640,000,000	646,123,600
Public Utility.....	306,231,000	295,600,000	274,005,700
Excise			
Cigarette/Tobacco Products.....	213,348,000	206,400,000	252,700,000
Liquor and Wine.....	31,350,000	30,800,000	30,500,000
Malt Beverage.....	9,207,000	9,000,000	9,000,000
Inheritance, Estate & Gift.....	50,825,000	44,000,000	45,000,000
Insurance Company.....	94,641,000	92,500,000	93,000,000
Other.....	55,905,000	45,200,000	87,575,000
Subtotal.....	8,814,441,000	8,688,500,000	9,262,816,900
Nontax Revenue			
Departmental Revenue.....	143,630,000	150,409,000	145,698,100
Program Revenue Federal.....	3,478,405,000	3,523,184,100	3,867,199,800
Program Revenue Other.....	2,232,844,000	1,975,161,400	2,275,228,300
Fund Transfers In.....	NA	NA	261,605,900
Subtotal.....	5,854,879,000	5,648,754,500	6,549,732,100
Total Available.....	\$ 15,251,010,000	\$ 14,917,198,300	\$ 16,142,830,000
DISBURSEMENTS AND RESERVES			
Commerce.....	\$ 204,697,000	\$ 191,645,400	\$ 202,701,700
Education.....	6,566,192,000	6,600,333,700	6,973,499,800
Environmental Resources.....	237,381,000	239,038,900	239,733,100
Human Relations and Resources.....	5,447,424,000	5,355,935,200	5,796,265,700
General Executive.....	497,084,000	486,673,600	733,141,100
Judicial.....	86,652,000	87,080,300	88,648,900
Legislative.....	53,219,000	50,119,600	54,979,100
General Appropriations.....	1,839,755,000	1,641,130,200	1,819,483,200
Subtotal.....	14,932,404,000	14,651,956,900	15,908,452,600
Less: (Lapses).....	NA	(193,300,300)	(51,354,300)
Compensation Reserves.....	NA	46,382,400	34,915,600
Required Statutory Balance.....	NA	91,999,900	98,009,400
Fund Transfers Out.....	NA	260,078,500	2,217,200
Federal Retiree Reserve.....	NA	13,100,000	NA
Changes in Continuing Balance.....	(19,233,000)	NA	NA
Total Disbursements & Reserves.....	\$ 14,913,171,000	\$ 14,870,217,400	\$ 15,992,240,500
Fund Balance.....	\$ 337,839,000	\$ 46,980,900	\$ 150,589,500
Undesignated Balance.....	\$ 327,145,000	\$ 138,980,800	\$ 248,598,900

^(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) Includes \$40 million for additional revenue expected to be raised through a program that offers a tax amnesty.

Source: Wisconsin Department of Administration.

In addition, subsequent to publication and filing of the Annual Report, certain changes or events have occurred that affect matters discussed in the Annual Report. Listed below, by reference to particular sections of the Annual Report, are changes or additions to the discussion contained in these particular sections. Many of the following changes have not been filed with the NRMSIRS.

STATE BUDGET; Potential Effect of Litigation; Special Performance Dividend (Page Part II-17). Add the following:

On January 17, 1997, the State Supreme Court ruled that the Special Investment Performance Dividend (the "SIPD"), which has been paid from January 1988 to the present, is unconstitutional. The case was remanded to the Circuit Court, with directions that the Circuit Court order defendants to pay from the State treasury to the fixed annuity reserve account of the Wisconsin Retirement System an amount equal to all disbursed SIPD payments (including a \$3.8 million reimbursement to the State for State funds advanced to finance the SIPD), plus interest at the "effective rate" for the fixed annuity division of the Wisconsin Retirement System on all SIPD payments from the date that the payments left the annuity reserve account. The Circuit Court has approved a settlement of the matters remanded to the Circuit Court and on September 3, 1997 entered an Order and Judgment ordering payment of \$215 million from the State treasury in settlement of the lawsuit. The order directs that \$210.9 million of the settlement must be paid on or before November 1, 1997 and that \$4.1 million of the settlement must be paid on January 5, 1998.

The 1997-98 budget bill passed by the Legislature, as summarized on page A-3, provides for the \$215 million settlement. The budget has been signed by the Governor who exercised his partial veto power. Provisions of the budget relating to payment of this settlement were not vetoed by the Governor. In addition, the Employee Trust Funds Board has taken official action to endorse the \$215 million settlement.

STATE BUDGET; Potential Effect of Litigation; Computer Software (Page Part II-17). Add the following:

Upholding prior decisions by the Wisconsin Tax Appeals Commission and Circuit Court, the Court of Appeals has held that computer software is not tangible property and is thus not subject to sales and use taxes. The State Supreme Court has declined to hear the appeal. The cost of this refund to the State is estimated at \$12 million.

During the 1996-97 fiscal year \$4 million was refunded and the balance will be refunded in the 1997-98 fiscal year.

Table II-7; General Fund Monthly Cash Position (Page Part II-26). Replace the table with the following:

GENERAL FUND MONTHLY CASH POSITION
July 1, 1995 through September 30, 1997 ^¾ Actual
October 1, 1997 through June 30, 1998 ^¾ Estimated^(a)
(Amounts in Thousands)

	Starting Date	Starting Balance	Receipts ^(b)	Disbursements ^(b)
1995	July.....	\$ 451,090	\$ 1,306,431	\$ 1,337,712
	August.....	419,809	1,055,527	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	1,030,924	844,258
	September.....	601,413	1,476,166	1,011,367
	October.....	1,066,212	1,137,121	855,357
	November.....	1,347,976	1,201,689	1,691,802
	December.....	857,863	1,191,440	1,728,258
1997	January.....	321,045	1,660,082	969,951
	February.....	1,011,176	1,143,553	1,018,864
	March.....	1,135,865	1,187,307	1,888,887
	April.....	434,285	1,507,412	964,595
	May.....	977,102	1,282,737	965,508
	June.....	1,294,331	1,390,068	2,190,931
	July.....	493,468	1,583,435	1,558,759
	August.....	518,144	1,092,096	868,164
	September.....	742,076	1,518,617	1,140,770
	October.....	1,119,923	1,226,327	1,319,837
	November.....	1,026,413	1,453,882	1,573,565
	December.....	906,730	1,302,204	1,847,677
1998	January.....	361,257	1,709,205	970,606
	February.....	1,099,856	1,222,906	1,160,643
	March.....	1,162,119	1,328,728	2,152,988
	April.....	337,859	1,533,828	1,130,069
	May.....	741,618	1,338,452	1,094,176
	June.....	985,894	1,515,677	2,317,526

^(a) The monthly receipt and disbursement projections for October 1, 1997 through June 30, 1998 are based on estimates provided by the Division of Executive Budget and Finance.

^(b) The receipt amounts shown in July 1995–1997 include the proceeds received at closing for the respective operating notes. See “[STATE OBLIGATIONS; Operating Notes](#)” in the Annual Report. The disbursement amounts shown for February, March, April and May 1996–1998 include impoundment payments required in connection with the operating notes.

Source: Wisconsin Department of Administration.

Table II-8; Balances in Funds Available for Interfund Borrowing (Page Part II-27). Replace the table with the following:

BALANCES IN FUNDS AVAILABLE FOR INTERFUND BORROWING ^(a)
July 1, 1995 to October 1, 1997 — Actual
November 1, 1997 to June 1, 1998 — Estimated^(b)
(Amounts in Millions)

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
January		\$2,991.90	\$3,210.23	\$2,147.05
February		3,428.21	3,553.70	2,110.15
March		3,852.78	3,793.12	2,141.52
April		3,808.74	3,832.30	2,165.09
May		3,402.69	3,423.07	2,117.84
June		3,145.00	3,317.76	2,055.69
July	\$2,838.71	3,252.38	3,522.40	
August	3,143.94	3,511.90	3,824.91	
September	2,975.23	3,250.54	3,546.19	
October	2,902.89	3,010.27	3,456.19	
November	2,630.23	2,687.47	2,015.35 ^(b)	
December	2,732.65	2,072.66	2,060.66	

^(a) Consists of the following funds:

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

^(b) Estimated balances for November 1, 1997 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.

STATE OBLIGATIONS (Pages Part II-30 through Part II-33). Add the following:

General Obligations

As of July 31, 1997, approximately \$3.3 billion of outstanding general obligation bonds and notes issued by the State were outstanding.

Operating Notes

On July 1, 1997, the State issued \$300 million of operating notes, which are due June 15, 1998.

Master Lease Program

As of July 31, 1997, the principal amount of the State's obligations under the master lease program was approximately \$43 million.

State Revenue Obligations

As of July 31, 1997, the Commission has issued six series of bonds for the student loan program for students enrolled in medical and dental school in Wisconsin, with approximately \$5 million outstanding.

As of July 31, 1997, the Commission has issued nine series of bonds and one series of commercial paper notes for the revenue program that finances State highways and related transportation facilities, with approximately \$876 million outstanding.

As of July 31, 1997, the Commission has issued five series of bonds for the Clean Water Fund program, with approximately \$437 million outstanding.

Table II-9; Revenues Deposited to the General Fund (Page Part II-28). Replace the table with the following:

**REVENUES DEPOSITED TO THE GENERAL FUND ^(a)
July 1, 1997 to September 30, 1997 compared with previous year
(Unaudited)**

	Actual Receipts 1996-97 FY ^(b)	Projected Receipts 1997-98 FY ^(c)	Actual Receipts July 1, 1996 to September 30, 1996	Actual Receipts July 1, 1997 to September 30, 1997
Individual Income Tax	\$ 4,544,739,246	\$ 4,809,892,600	\$ 783,610,619	\$ 875,550,858
General Sales and Use Tax ..	2,864,373,180	3,015,020,000	483,574,590	511,272,213
Corporate Franchise and Income Tax	643,821,885	646,123,600	150,301,208	161,987,886
Public Utility Taxes	306,230,883	274,005,700	454,999	852,149
Excise Taxes	253,904,414	292,200,000	46,616,060	44,408,055
Inheritance Taxes	50,825,151	45,000,000	8,542,479	36,020,603
Miscellaneous Taxes	<u>150,545,817</u>	<u>180,575,000</u>	<u>11,816,737</u>	<u>15,619,637</u>
SUBTOTAL.....	8,814,440,576	9,262,816,900	1,484,916,692	1,645,711,401
Federal Receipts.....	3,478,405,811	3,867,199,800	782,147,556	724,915,670
Dedicated and Other Revenues ^(d)	<u>2,376,474,850</u>	<u>2,682,532,300</u>	<u>652,291,735</u> ^(e)	<u>727,084,482</u> ^(e)
TOTAL.....	<u>\$14,669,321,237</u>	<u>\$15,812,549,000</u>	<u>\$2,919,355,983</u>	<u>\$3,097,711,553</u>

(a) The amounts shown are based on the statutory accounting basis and not on GAAP. See “[STATE GOVERNMENT ORGANIZATION AND FINANCIAL PROCEDURES; Accounting and Financial Reporting](#)” in the Annual Report.

(b) The amounts shown are the sum of all revenues for fiscal year 1996-97 based on the data used in the preparation of the Annual Fiscal Report, Budgetary Basis, for the year ending June 30, 1997.

(c) The amounts shown reflect the fiscal year 1997-98 budget bill as passed by the Legislature. The budget has been signed by the Governor who exercised his partial veto power. The amounts shown do not reflect the Governor’s vetoes.

(d) The statutory basis of accounting requires that certain transfers between General Fund appropriations be recorded as both revenues and expenditures of the General Fund. The amount of these transfers may vary greatly between fiscal years, and therefore, this category may not be comparable on a historical basis.

(e) The amounts shown do not reflect receipt of \$150 million principal amount in fiscal year 1996-97 and \$300 million principal amount to date in fiscal year 1996-97 from the sale of operating notes.

Source: Wisconsin Department of Administration.

Table II-10; General Fund Expenditures by Function (Page Part II-29). Replace the table with the following:

**GENERAL FUND EXPENDITURES BY FUNCTION ^(a)
July 1, 1997 to September 30, 1997 compared with previous year
(Unaudited)**

	Actual Expenditures 1996-97 FY ^(b)	Appropriations 1997-98 FY ^(c)	Actual Expenditures July 1, 1996 to September 30, 1996	Actual Expenditures July 1, 1997 to September 30, 1997
Commerce.....	\$ 204,697,785	\$ 202,701,700	\$ 43,976,176	\$ 45,619,002
Education.....	6,566,191,813	6,973,499,800	1,029,963,534	1,248,668,012
Environmental Resources.....	237,381,444	239,733,100	25,909,431	17,826,449
Human Relations & Resources..	5,447,424,395	5,796,265,700	1,238,728,752	1,339,498,325
General Executive.....	497,084,469	733,141,000	97,215,046	109,364,805
Judicial.....	86,651,785	88,648,900	28,605,246	16,832,608
Legislative.....	53,218,947	54,979,100	10,119,661	10,209,038
General Appropriations.....	<u>1,839,755,076</u>	<u>1,819,483,200</u>	<u>533,119,659</u>	<u>670,056,653</u>
TOTAL.....	<u>\$ 14,932,405,714</u>	<u>\$ 15,908,452,500</u>	<u>\$ 3,007,637,505</u>	<u>\$ 3,458,074,892</u>

- (a) The amounts shown are based on the statutory accounting basis and not on GAAP. See “[STATE GOVERNMENT ORGANIZATION AND FINANCIAL PROCEDURES; Accounting and Financial Reporting](#)” in the Annual Report.
- (b) The amounts shown are the sum of all expenditures for fiscal year 1996-97 based on the data used in the preparation of the Annual Fiscal Report, Budgetary Basis, for the year ending June 30, 1997.
- (c) The amounts shown reflect the fiscal year 1997-98 budget bill as passed by the Legislature. The budget has been signed by the Governor who exercised his partial veto power. The amounts shown do not reflect the Governor’s vetoes.

Source: Wisconsin Department of Administration.

Table II-21; State Investment Fund (Page Part II-44). Replace the table with the following:

**STATE INVESTMENT FUND
AS OF JUNE 30, 1997 (UNAUDITED)
Market Versus Amortized Cost Valuation Report**

	<u>Estimated Book Value</u>	<u>Estimated Market Value</u>	<u>Percentage of Portfolio at Market</u>
Corporate Commercial Paper	\$1,616,018,664	\$1,624,990,426	24.9%
Certificates of Deposit	198,901,219	198,901,219	3.1
U.S. Government Repurchase Agreements..	1,024,675,000	1,024,675,000	15.7
U.S. Government Agencies	2,743,954,513	2,744,057,416	42.1
U.S. Government Notes and Bonds.....	193,037,440	198,150,110	3.0
Asset-Backed Securities	430,450,510	424,384,831	6.5
Mortgage-Backed Securities	64,242,134	63,989,657	1.0
Yankee/Euro Holdings (Fully Hedged).....	292,100,245	292,663,887	4.5
Swaps	0	(63,722,571)	(1.0)
Accrued Gross Income	<u>11,061,765</u>	<u>11,061,765</u>	<u>0.2</u>
	<u>\$6,574,441,490</u>	<u>\$6,519,151,739</u>	<u>100.0%</u>

Average Maturity for the Last Six Months

<u>Reporting Date</u>	<u>Average Maturity (Days)</u>	<u>Reporting Date</u>	<u>Average Maturity (Days)</u>
6/30/1997	42	3/31/1997	44
5/31/1997	32	2/28/1997	16
4/30/1997	43	1/31/1997	30

Summary of Investment Fund Participants

	<u>Par Amount (Amounts in Thousands)</u>	<u>Percent of Portfolio</u>
Mandatory Participants		
State of Wisconsin:		
General Fund	\$ 493,468	7.9%
Transportation Fund.....	191,648	3.1
Natural Resources Fund.....	49,707	0.8
Bond Security and Redemption Fund.....	6,061	0.1
Lottory Fund	150,092	2.4
Patients Compensation.....	7,651	0.1
Veterans Mortgage Loan Repayment	118,978	1.9
Capital Improvement Fund	26,971	0.4
Others.....	483,213	7.7
State of Wisconsin Retirement System:		
Fixed Retirement Investment Trust	710,124	11.3
Variable Retirement Investment Trust.....	16,300	0.3
Combined Stock Fund	1,450,790	23.1
Elective Participants		
Local Government Investment Pool	<u>2,564,230</u>	<u>40.9</u>
	<u>\$ 6,269,233</u>	<u>100.0%</u>

NOTE: The difference between the total of participants share (\$6,269,233,000) and the book value (\$6,574,441,490) 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

Appendix B

EXPECTED FORM OF LEGAL OPINION

Upon delivery of the Notes, it is expected that Foley & Lardner will deliver a legal opinion in substantially the following form:

[Letterhead of Foley & Lardner]

\$150,000,000

STATE OF WISCONSIN

OPERATING NOTES OF 1997, SERIES 2

We have acted as bond counsel in connection with the issuance by the State of Wisconsin (the "State") of its Operating Notes of 1997, Series 2 to the amount of \$150,000,000, dated November 12, 1997 (the "Notes"). We investigated the law and examined such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we relied upon the certified proceedings and other certificates of public officials furnished to us without undertaking to verify the same by independent investigation.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Notes (except to the extent, if any, stated in the Official Statement), and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement). However, in connection with the rendering of our opinion as to the validity of the Notes, nothing has come to our attention that would lead us to believe that the Official Statement (except for the financial statements and other financial or statistical data included therein, as to which we express no view), as of the date of delivery of the Notes, contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

The Notes are being issued pursuant to Chapters 16 and 18, Wisconsin Statutes (the "Act") and an authorizing resolution adopted by the State of Wisconsin Building Commission (the "Commission") on June 25, 1997, as amended and supplemented on October 8, 1997 and October 28, 1997 (the "Resolution").

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Notes, both interest and principal, are payable only from and secured solely by revenues pledged by the Commission pursuant to the Act and the Resolution and deposited into the Operating Note Redemption Fund established with Firststar Trust Company, Milwaukee, Wisconsin, as Trustee. The Notes and the interest thereon are not a general obligation of the State and do not constitute "public debt" of the State as that term is used in the Constitution and the statutes of the State.
2. The Resolution has been duly adopted by the Commission and constitutes a valid and binding obligation of the State enforceable upon the State as provided in the Resolution.
3. Pursuant to the Act, the Resolution creates a valid lien on the revenues pledged by the Resolution for the security of the Notes on a parity with other notes that have been issued or are to be issued under circumstances and subject to conditions stated in the Resolution,

subject only to the first and paramount rights of the owners of the State's general obligation bonds and notes.

4. There has been appropriated from the General Fund of the State to the Operating Note Redemption Fund a sum sufficient for the payment of the principal of and interest on the Notes as the same are due and for the payment of certain funds required to be impounded, from time to time, in the Operating Note Redemption Fund. There has been irrevocably appropriated from the Operating Note Redemption Fund a sum sufficient to pay the principal and interest on the Notes as the same are due.
5. The Notes have been duly authorized, executed and delivered by the State and are valid and binding contractual obligations of the State, payable solely from the sources provided therefor in the Resolution.
6. Under existing law, the interest on the Notes is excluded from gross income for federal income tax purposes and the interest on the Notes is not an item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers; it should be noted, however, that with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. The opinions set forth in the preceding sentence are subject to the condition that the State comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Notes 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 all such requirements to the extent it may lawfully do so. Failure to comply with certain of such requirements may cause the inclusion of interest on the Notes in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. We express no opinion regarding other federal tax consequences arising with respect to the Notes.
7. The Notes are exempt from registration under the Securities Act of 1933, and the Resolution is exempt from qualification under the Trust Indenture Act of 1939. We have not passed upon matters pertaining to compliance with the Blue Sky laws of any State in connection with the offering and sale of the Notes.

It is to be understood that the rights of the owners of the Notes and the enforceability of the Notes may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Very truly yours,

FOLEY & LARDNER

Appendix C

LIMITATION ON ISSUANCE OF OPERATING NOTES

DERIVATION OF AMOUNT FOR 1997-98 FISCAL YEAR

The aggregate amount of operating notes issued in any fiscal year may not exceed 10% of General Purpose Revenue Appropriations plus 10% of Program Revenue Appropriations for a given fiscal year. The limit for the 1997-98 fiscal year is \$1.591 billion, calculated as follows:

Fiscal Year 1997-98 Legislatively Adopted Budget

General Purpose Revenue Appropriations.....	\$9,766,024,500	10% = \$	976,602,450
Program Revenue Appropriations.....	\$6,142,428,100	10% = \$	<u>614,242,810</u>
Maximum Issuance of Operating Notes in 1997-98 Fiscal Year			<u>\$1,590,845,260</u>

Source: Wisconsin Department of Administration.

Appendix D

GENERAL FUND FINANCIAL INFORMATION

This appendix includes certain data on the State's general fund. Additional information regarding the General Fund can be found in APPENDIX A hereto.

Table D-1
GENERAL FUND REVENUES^(a)
1996-97 TO 1992-93

	1996-97	1995-96	1994-95	1993-94	1992-93
State Collected Taxes					
Individual Income.....	\$4,544,739,246	\$4,157,444,344	\$3,932,948,357	\$3,638,710,246	\$3,445,828,768
General Sales and Use.....	2,864,373,180	2,704,226,017	2,571,212,098	2,427,900,047	2,260,562,784
Corporate Franchise and Income.....	643,821,885	636,009,525	631,750,239	541,284,287	492,014,523
Public Utility.....	306,230,883	285,287,485	271,979,923	268,236,755	278,325,863
Excise.....	253,904,414	245,350,413	223,419,538	219,567,523	212,972,813
Inheritance and Gift ^(b)	50,825,151	45,602,214	40,783,701	53,201,971	53,742,241
Insurance Companies.....	94,641,133	92,284,836	94,416,471	95,990,959	86,904,742
Miscellaneous.....	<u>55,904,684</u>	<u>55,036,175</u>	<u>49,605,631</u>	<u>52,595,079</u>	<u>52,647,651</u>
Subtotal.....	8,814,440,576	8,221,241,009	7,816,115,958	7,297,486,867	6,882,999,385
Federal Aid					
Medical Assistance.....	1,590,405,412	1,461,929,742	1,457,070,300	1,361,264,722	1,297,791,258
AFDC.....	164,787,870	188,491,658	212,576,642	236,096,288	338,804,634
Education.....	796,925,198	739,728,615	705,186,682	652,480,271	620,772,533
Other.....	<u>926,287,331</u>	<u>885,645,188</u>	<u>846,320,521</u>	<u>823,732,841</u>	<u>603,133,622</u>
Subtotal.....	3,478,405,811	3,275,795,203	3,221,154,145	3,073,574,122	2,860,502,047
Fees					
University of Wisconsin System.....	509,412,010	460,539,331	459,980,731	454,232,963	432,655,703
Other.....	<u>222,439,622</u>	<u>511,007,408</u>	<u>477,721,454</u>	<u>474,074,151</u>	<u>132,721,975</u>
Subtotal.....	731,851,632	971,546,739	937,702,185	928,307,114	565,377,678
Licenses and Permits					
	176,460,997	166,979,544	149,826,889	146,355,407	23,631,158
Miscellaneous					
Service Charges.....	356,904,895	385,858,814	375,791,078	347,624,348	752,932,878
Sales of Products.....	192,129,550	191,860,611	187,265,321	181,796,932	152,804,549
Investment Income.....	79,092,302	88,950,496	68,931,023	36,121,520	59,301,230
Gifts and Grants.....	221,314,923	182,752,227	167,289,411	147,607,811	165,704,722
Contributions.....				2,156	45,519,118
Other ^(c)	<u>610,009,662</u>	<u>307,946,282</u>	<u>323,941,484</u>	<u>216,127,998</u>	<u>228,224,462</u>
Subtotal.....	1,459,451,332	1,157,368,430	1,123,218,317	929,280,765	1,404,486,959
Summary					
TOTAL NET REVENUE.....	14,660,610,348	13,792,930,925	13,248,017,494	12,375,004,275	11,736,997,227
Transfers.....	<u>8,710,888</u>	<u>11,468,377</u>	<u>11,753,914</u>	<u>67,344,726</u>	<u>91,601,975</u>
Gross Revenue.....	<u>\$14,669,321,236</u>	<u>\$13,804,399,302</u>	<u>\$13,259,771,408</u>	<u>\$12,442,349,001</u>	<u>\$11,828,599,202</u>

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

^(b) The inheritance tax and gift tax were eliminated effective January 1, 1992.

^(c) Approximately \$175 million of the increase from fiscal year 1996-96 to fiscal year 1996-97 is from additional transactions being charged to this category as the result of: (i) reorganization of duties and programs between the Departments of Health and Family Services and Workforce Development, and (ii) changes in practices at the Department of Health and Family Services for the Community Integration Program and Community Options Program.

Source: Wisconsin Department of Administration

Table D-2

**GENERAL FUND EXPENDITURES BY FUNCTION AND TYPE ^(a)
1996-97 TO 1992-93**

	1996-97	1995-96	1994-95	1993-94	1992-93
Commerce					
State Operations.....	\$ 127,541,364	\$ 106,511,724	\$ 114,770,800	\$ 105,934,972	\$ 104,375,799
Aids to Individuals and Organizations.....	25,633,300	17,081,968	12,530,650	11,046,137	12,251,955
Local Assistance.....	<u>51,523,121</u>	<u>41,350,018</u>	<u>28,122,242</u>	<u>22,303,128</u>	<u>22,938,644</u>
Subtotal.....	204,697,785	164,943,710	155,423,692	139,284,237	139,566,398
Education					
State Operations.....	2,331,028,380	2,503,897,783	2,455,516,643	2,327,769,452	2,241,274,239
Aids to Individuals and Organizations.....	275,456,380	241,504,078	189,484,289	182,593,262	186,469,323
Local Assistance.....	<u>3,959,707,053</u>	<u>3,091,295,744</u>	<u>2,844,072,207</u>	<u>2,548,565,879</u>	<u>2,332,206,610</u>
Subtotal.....	6,566,191,813	5,836,697,605	5,489,073,139	5,058,928,593	4,759,950,172
Environmental Resources					
State Operations.....	114,900,710	113,706,509	112,241,908	102,325,376	93,255,930
Aids to Individuals and Organizations.....	297,289	352,790	498,501	291,148	559,300
Local Assistance.....	<u>122,183,445</u>	<u>128,301,597</u>	<u>125,070,640</u>	<u>118,898,285</u>	<u>111,399,717</u>
Subtotal.....	237,381,444	242,360,896	237,811,049	221,514,809	205,214,947
Human Relations and					
State Operations.....	1,340,626,886	1,226,191,347	1,147,293,396	1,026,563,092	949,251,629
Aids to Individuals and Organizations.....	3,440,223,793	3,288,405,306	3,251,033,071	3,182,525,668	3,029,110,647
Local Assistance.....	<u>666,573,716</u>	<u>717,406,586</u>	<u>690,578,489</u>	<u>661,084,965</u>	<u>628,344,285</u>
Subtotal.....	5,447,424,395	5,232,003,239	5,088,904,956	4,870,173,725	4,606,706,561
General Executive					
State Operations.....	378,691,915	358,806,663	347,224,299	339,696,674	310,708,539
Aids to Individuals and Organizations.....	57,196,104	27,109,796	30,712,631	28,034,230	24,720,668
Local Assistance.....	<u>61,196,451</u>	<u>24,501,029</u>	<u>19,423,488</u>	<u>15,468,004</u>	<u>11,988,715</u>
Subtotal.....	497,084,470	410,417,488	397,360,418	383,198,908	347,417,922
Judicial					
State Operations.....	65,289,585	63,891,021	63,755,431	62,310,931	55,607,689
Local Assistance.....	<u>21,362,200</u>	<u>18,263,107</u>	<u>7,691,854</u>	<u>11,066,928</u>	<u>72,000</u>
Subtotal.....	86,651,785	82,154,128	71,447,285	73,377,859	55,679,689
Legislative					
State Operations.....	<u>53,218,947</u>	<u>50,047,274</u>	<u>50,840,285</u>	<u>46,952,652</u>	<u>44,911,438</u>
Subtotal.....	53,218,947	50,047,274	50,840,285	46,952,652	44,911,438
General					
State Operations.....	316,380,755	85,513,546	91,903,332	64,410,345	90,801,291
Aids to Individuals and Organizations.....	178,316,409	194,781,706	190,553,046	200,734,157	175,942,315
Local Assistance.....	<u>1,345,057,912</u>	<u>1,349,681,989</u>	<u>1,309,289,681</u>	<u>1,264,933,794</u>	<u>1,282,169,200</u>
Subtotal.....	1,839,755,076	1,629,977,241	1,591,746,059	1,530,078,296	1,548,912,806
Summary Totals					
State Operations.....	4,727,678,542	4,508,565,867	4,383,546,094	4,075,963,494	3,890,186,554
Aids to Individuals and Organizations.....	3,977,123,275	3,769,235,644	3,674,812,188	3,605,224,602	3,429,054,208
Local Assistance.....	<u>6,227,603,898</u>	<u>5,370,800,070</u>	<u>5,024,248,601</u>	<u>4,642,320,983</u>	<u>4,389,119,171</u>
GRAND TOTAL.....	<u>\$14,932,405,715</u>	<u>\$13,648,601,581</u>	<u>\$13,082,606,883</u>	<u>\$12,323,509,079</u>	<u>\$11,708,359,933</u>

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

Source: Wisconsin Department of Administration