

OFFICIAL STATEMENT

New Issue

This Official Statement provides information about the Bonds. Some of the information appears on this cover page for ready reference. A prospective investor should read the entire Official Statement to make an informed investment decision.

\$92,410,000

STATE OF WISCONSIN
GENERAL OBLIGATION BONDS OF 2001, SERIES C

Dated: June 1, 2001

Due: May 1, as shown below

Ratings AA+ Fitch
Aa2 Moody's Investors Service, Inc.
AA Standard & Poor's Ratings Services

Tax Exemption Interest on the Bonds is, for federal income tax purposes, excluded from gross income and is not an item of tax preference but is subject to State of Wisconsin income and franchise taxes-See pages 7-9.

Redemption The Bonds are not callable prior to their maturity-See page 2.

Security General obligations of the State of Wisconsin-See page 2.

Purpose Proceeds from the Bonds are being used for various governmental purposes -See pages 2-3.

Interest Payment Dates May 1 and November 1

First Interest Payment Date November 1, 2001

Denominations \$5,000

Closing/Settlement June 19, 2001

Bond Counsel Foley & Lardner

Registrar/Paying Agent State Treasurer

Issuer Contact Wisconsin Capital Finance Office-(608) 266-2305; capfin@doa.state.wi.us

Book-Entry-Only Form The Depository Trust Company-See pages 3-4.

Annual Report This Official Statement incorporates by reference Parts I, II, and III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 22, 2000.

The Bonds were sold at competitive sale on May 30, 2001. The interest rates payable by the State, which are shown below, resulted from the award of the Bonds.

Table with 6 columns: CUSIP, Year (May 1), Principal Amount, Interest Rate, First Optional Redemption Date, Call Price. Rows include CUSIPs 977056 G38 through H45 with corresponding years, principal amounts, interest rates, and redemption terms.

Purchase Price: \$94,720,250.00

May 30, 2001

This document is the “official” statement—that is, it contains the only authorized information about the offering of the Bonds. This document isn’t an offer or solicitation for the Bonds, and no unlawful offer, solicitation, or sale may occur through the use of this document or otherwise. This document isn’t a contract, and it provides no investment advice. Prospective investors should consult their advisors and legal counsel with questions about this document, the Bonds, and anything else related to the offering.

The purpose of this document is to provide prospective investors with information that may be important in making an investment decision. It may not be used for any other purpose without the State’s permission. The State is the author of this document and is responsible for its accuracy and completeness. The Underwriters are not the authors of this document. In accordance with their responsibilities under federal securities laws, the Underwriters are required to review the information in this document and must have a reasonable basis for their belief in the accuracy and completeness of its key representations.

The estimates, forecasts, projections, and opinions in this document aren’t hard facts, and no one guarantees them. Some of the people who prepared, compiled, or reviewed this information had specific functions that covered some aspects of the offering but not others. For example, financial staff focused on quantitative financial information, and legal counsel focused on specific documents or legal issues assigned to them.

No dealer, broker, sales representative, or other person has been authorized to give any information or to make any representations about the Bonds other than what is in this document. The information and expressions of opinion in this document may change without notice. The delivery of this document or any sale of the Bonds does not imply that there has been no change in the matters contained in this document since the date of this document. Material referred to in this document is not part of this document unless expressly included.

TABLE OF CONTENTS

	Page		Page
STATE OFFICIALS PARTICIPATING IN		OTHER INFORMATION	4
THE ISSUANCE AND SALE OF THE BONDS	ii	Limitations on Issuance of General Obligations	4
SUMMARY DESCRIPTION OF BONDS	iii	Borrowing Plans for 2001	5
INTRODUCTION	1	Underwriting	5
THE STATE	1	Reference Information About the Bonds	6
THE BONDS	1	Legal Investment	6
General	1	Legal Opinion	6
Security	2	Tax Exemption	7
Redemption Provisions	2	CONTINUING DISCLOSURE	9
Registration and Payment of Bonds	2	APPENDIX A—INFORMATION ABOUT	
Ratings	2	THE STATE	A-1
Application of Bond Proceeds	2	APPENDIX B—GENERAL OBLIGATION	
Book-Entry-Only Form	3	ISSUANCE STATUS REPORT	B-1
		APPENDIX C—EXPECTED FORM OF	
		LEGAL OPINION	C-1

STATE OFFICIALS PARTICIPATING IN THE ISSUANCE AND SALE OF THE BONDS

BUILDING COMMISSION MEMBERS

Voting Members	Term of Office Expires
Governor Scott McCallum, Chairperson	January 6, 2003
Senator Fred A. Risser, Vice-Chairperson	January 3, 2005
Senator Mark Meyer	January 3, 2005
Senator Carol Roessler	January 3, 2005
Representative Timothy Hoven	January 6, 2003
Representative Jeffrey Plale	January 6, 2003
Representative Daniel Vrakas	January 6, 2003
Mr. Bryce Styza, Citizen Member	At the pleasure of the Governor
Nonvoting, Advisory Members	
Mr. George Lightbourn, 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 G. Cramer (also serves as Administrator, Division of Facilities Development of the Department of Administration)	At the pleasure of the Building Commission and Secretary of Administration

OTHER PARTICIPANTS

Mr. Jack C. Voight State Treasurer	January 6, 2003
Mr. James E. Doyle State Attorney General	January 6, 2003

DEBT MANAGEMENT AND DISCLOSURE

Department of Administration
Capital Finance Office
P.O. Box 7864
101 E. Wilson Street, 10th Floor
Madison, WI 53707-7864
Telefax (608) 266-7645
capfin@doa.state.wi.us

Mr. Frank R. Hoadley
Capital Finance Director
(608) 266-2305
frank.hoadley@doa.state.wi.us

Mr. Lawrence K. Dallia
Assistant Capital Finance Director
(608) 267-7399
larry.dallia@doa.state.wi.us

Mr. David R. Erdman
Capital Finance Officer
(608) 267-0374
david.erdman@doa.state.wi.us

SUMMARY DESCRIPTION OF BONDS

Selected information is presented on this page for the convenience of the user. To make an informed decision regarding the Bonds, a prospective investor should read the entire Official Statement.

Description:	State of Wisconsin General Obligation Bonds of 2001, Series C
Principal Amount:	\$92,410,000
Denominations:	\$5,000 and integral multiples
Date of Issue:	June 1, 2001
Record Date:	April 15 and October 15
Interest Payment:	May 1 and November 1, commencing November 1, 2001
Maturities:	May 1, 2002-2011— <i>See cover</i>
Redemption:	The Bonds are not subject to redemption prior to their maturity— <i>See page 2</i>
Form:	Book-entry-only— <i>See pages 3-4</i>
Paying Agent:	All payments of principal and interest on the Bonds will be paid by the State Treasurer. All payments will be made to The Depository Trust Company, which will distribute payments to Beneficial Owners as described herein.
Security:	The Bonds are general obligations. As of April 30, 2001, there were \$4,159,833,079 of outstanding general obligations of the State.
Additional General Obligation Debt:	The State may issue additional general obligation debt.
Authority for Issuance:	The Bonds are issued under Article VIII of the Wisconsin Constitution and Chapters 18 and 20 of the Wisconsin Statutes.
Purpose:	Acquisition, construction, development, extension, enlargement, or improvement of land, water, property, highways, buildings, equipment, or facilities for public purposes.
Legality of Investment:	State law provides that the Bonds are legal investments for all banks, trust companies, savings banks and institutions, building and loan associations, savings and loan associations, credit unions, investment companies, and other persons or entities carrying on a banking business; for all executors, administrators, guardians, trustees, and other fiduciaries; and for the State and all public officers, municipal corporations, political subdivisions, and public bodies.
Tax Exemption:	Interest on the Bonds is not included in gross income and not an item of tax preference for federal income tax purposes— <i>See pages 7-9</i> Interest on the Bonds is subject to State of Wisconsin income and franchise taxes— <i>See page 9</i>
Legal Opinion:	Validity and tax opinion to be provided by Foley & Lardner— <i>See page C-1</i>

OFFICIAL STATEMENT
\$92,410,000
STATE OF WISCONSIN
GENERAL OBLIGATION BONDS OF 2001, SERIES C

INTRODUCTION

This Official Statement provides information about the \$92,410,000 General Obligation Bonds of 2001, Series C (**Bonds**) issued by the State of Wisconsin (**State**). This Official Statement includes by reference Parts I, II, and III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 22, 2000 (**2000 Annual Report**).

The Bonds are authorized under the Wisconsin Constitution and the Wisconsin Statutes, as well as an authorizing resolution that the State of Wisconsin Building Commission (**Commission**) adopted on February 28, 2001.

The Commission, an agency of the State, is empowered by law to authorize, issue, and sell all the State's general obligations. The Commission is assisted and staffed by the State of Wisconsin Department of Administration (**Department of Administration**).

The Commission has authorized the Department of Administration to prepare this Official Statement. This Official Statement contains information furnished by the State or obtained from the sources indicated.

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.

Information about the State, its operations and financial condition, and its general obligations is included as **APPENDIX A**, which includes by reference Parts II and III of the 2000 Annual Report.

Requests for additional information about the State may be directed to:

Contact: Capital Finance Office
Attn: Capital Finance Director
Phone: (608) 266-2305
Mail: 101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
E-mail: capfin@doa.state.wi.us

THE BONDS

General

The **cover of this Official Statement** sets forth the maturity dates, amounts, and interest rates for the Bonds.

The Bonds will be dated June 1, 2001 and will bear interest from that date payable on May 1 and November 1 of each year, beginning on November 1, 2001.

Interest on the Bonds will be computed on the basis of a 30-day month and a 360-day year. Payments of principal and interest for each Bond will be paid to the registered owner of the

Bonds. The Bonds are being issued in book-entry-only form, so the registered owner will be a securities depository—initially, a nominee of The Depository Trust Company, New York, New York (DTC). See “[THE BONDS; Book-Entry-Only Form](#)”.

The Bonds are issued as fully registered bonds without coupons in principal denominations of \$5,000 or multiples of \$5,000.

Security

The Bonds are direct and general obligations of the State. The full faith, credit, and taxing power of the State are irrevocably pledged to make principal and interest payments on the Bonds. There has been irrevocably appropriated, as a first charge upon all revenues of the State, a sum sufficient to make principal and interest payments on the Bonds as the payments become due. The Bonds are secured equally with all other outstanding general obligations issued by the State.

Redemption Provisions

The Bonds are not subject to redemption prior to their maturity.

Registration and Payment of Bonds

How the Bonds are paid depends on whether or not they are in book-entry-only form.

If the Bonds are in book-entry-only form, payment of principal will be made by wire transfer to the securities depository or its nominee upon the presentation and surrender of the Bonds at the principal office of the Paying Agent—which is the State Treasurer. Payment of interest will be made by wire transfer to the securities depository or its nominee on the payment date.

If the Bonds are not in book-entry-only form, payment of principal will be made by check or draft issued upon the presentation and surrender of the Bonds at the principal office of the Paying Agent, as designated by the Commission. Payment of interest due on the Bonds will be made by check or draft mailed to the registered owner shown in the registration book at the close of business on the 15th day (whether or not a business day) of the calendar month before the interest payment date (**Record Date**).

Ratings

At the State’s request, several rating agencies have rated the Bonds:

<i>Rating</i>	<i>Rating Agency</i>
AA+	Fitch
Aa2	Moody’s Investors Service, Inc.
AA	Standard & Poor’s Ratings Services

Any explanation of what a rating means may only be obtained from the rating service giving the rating. No one can offer any assurance that a rating given to the Bonds will be maintained for any period of time; a rating agency may lower or withdraw the rating it gives if in its judgment circumstances so warrant. Any downgrade or withdrawal of a rating may adversely affect the market price of the Bonds.

Application of Bond Proceeds

The Wisconsin Legislature has established the borrowing purposes and amounts for which public debt may be issued. [APPENDIX B](#) includes a summary of these purposes and the amounts both

authorized and previously issued for each borrowing purpose. **APPENDIX B** also identifies the purposes and amounts that the Bonds are being issued for.

Bond proceeds will be deposited in the State's Capital Improvement Fund. Bond proceeds will be spent as the State incurs costs for the various borrowing purposes. Until the money is spent, the State of Wisconsin Investment Board will invest the Bond proceeds. **See APPENDIX A.**

Book-Entry-Only Form

DTC will act as securities depository for the Bonds. The State Treasurer will register all Bonds in the name of Cede & Co. (DTC's partnership nominee). DTC will receive one registered certificate for each maturity.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the same 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 Direct and Indirect Participants—that is, Participants—are on file with the Securities and Exchange Commission.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (**Beneficial Owner**) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To make the system work more smoothly, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. This doesn't affect the beneficial ownership of any Bond. DTC has no idea who the Beneficial Owners of the Bonds are; its records show only the identity of the Direct Participants to whose accounts the Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

So long as Cede & Co. is the registered owner of the Bonds as nominee for DTC, references to the Bond owners means Cede & Co. and not the Beneficial Owners.

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 legal requirements.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants.

The State will make payments on the Bonds to DTC. 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 the Participant and not of the State or DTC, subject to any legal requirements. The State is responsible for sending payments to DTC. DTC is responsible for disbursing those payments to Direct Participants. Both Direct and Indirect Participants are responsible for disbursing those payments to the Beneficial Owners.

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

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

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

No one can give any assurance that DTC, Direct Participants, or Indirect Participants will promptly transfer payments or notices received with respect to the Bonds. The State is not responsible for the failure of DTC, Direct Participants, or Indirect Participants to transfer to the Beneficial Owner payments or notices received with respect to the Bonds.

Similarly, no one can give any assurance that DTC will abide by its procedures or that its procedures will not be changed. In the event that the State designates a successor securities depository, the successor may establish different procedures.

OTHER INFORMATION

Limitations on Issuance of General Obligations

All general obligations issued by the State fall within a debt limit set forth in the Wisconsin Constitution and Statutes. There is an annual limit of three-quarters of one percent, and a cumulative limit of five percent, of the aggregate value of all taxable property in the State. The annual limit is currently \$2,147,411,189. A refunding obligation does not count for purposes of the annual debt limit or the cumulative debt limit. Accrued interest on any obligation that is not paid during the fiscal year that it accrues is treated as debt and taken into account for purposes of the debt limitations.

Borrowing Plans for 2001

General Obligations

This is the third series of general obligation bonds to be issued in this calendar year. The Commission has previously sold \$15 million of general obligation bonds for the veterans housing loan program and \$92 million of general obligation bonds for general governmental purposes. In addition, the Commission has authorized the following general obligations:

- Up to \$20 million of additional general obligation bonds for the veterans housing loan program. The State intends to sell these general obligation bonds on June 5, 2001.
- Up to \$275 million of general obligations to refund general obligations previously issued for general governmental purposes. The amount and timing of any general obligation refunding bonds depend on market conditions.

In addition, the State also expects the following general obligations to be issued this calendar year, although the Commission has not yet acted to authorize the issuance of these general obligations:

- Additional general obligations in the form of fixed-rate bonds or variable-rate notes in the fourth quarter for general governmental purposes.
- Additional taxable general obligation bonds in the fourth quarter to fund veterans housing loans and home improvement loans.
- Additional general obligation subsidy bonds sold to the Environmental Improvement Fund, which provides funds for the Clean Water Fund Loan Program.

Other Obligations

There remains approximately \$76 million of authorized but unissued authority for transportation revenue bonds to fund projects in the transportation revenue bond program. The Commission has authorized up to \$244 million of transportation revenue refunding bonds to refund previously issued transportation revenue bonds. The amount and timing of any transportation revenue refunding bonds depend on market conditions. The Commission has also authorized \$155 million of transportation revenue bonds for the refunding of outstanding transportation revenue commercial paper notes. This authorization is required pursuant to a credit agreement with the banks providing a letter of credit for security on the transportation revenue commercial paper notes. At this time, the State does not intend to refund the currently outstanding transportation revenue commercial paper notes.

The Commission has authorized up to \$84 million of clean water revenue refunding bonds to refund previously issued clean water revenue bonds. The amount and timing of any clean water revenue refunding bonds depend on market conditions.

The Commission has authorized up to \$125 million of petroleum inspection fee revenue refunding bonds. The amount and timing of any such issue depend on market conditions.

The State expects to issue master lease certificates of participation in the third quarter of this calendar year.

The Commission has authorized up to \$800 million of operating notes. The amount of operating notes to be issued depends on general-fund cash flow projections. The State expects to issue these operating notes in the third quarter.

Underwriting

The Bonds were purchased through competitive bidding on May 30, 2001 by the following account (**Underwriters**): Salomon Smith Barney, Inc., book-running manager; UBS PaineWebber

Inc. and First Albany Corporation, managers; Axelrod Associates, Inc.; William Blair & Company, L.L.C.; A.G. Edwards & Sons, Inc.; Hutchinson, Shockey, Erley & Co.; Isaak Bond Investments, Inc.; Morgan Keegan & Co., Inc.; Pryor, Counts & Co., Inc.; South Trust Securities, Inc.; and Stephens Inc.; in association with Harris Trust and Savings Bank, manager; Ferris, Baker Watts Inc.; Northern Trust Securities, Inc.; and Wells Fargo Brokerage Services LLC.

The Underwriters paid \$94,720,250.00, and their bid resulted in a true interest cost rate to the State of 4.192944%.

Reference Information About the Bonds

The table below—as well as the table on the front cover—includes information about the Bonds and is provided for reference. The CUSIP number for each maturity has been obtained from sources the State believes to be reliable, but the State is not responsible for the correctness of the CUSIP numbers. The Underwriters have provided the reoffering yields and prices to allow the computation of yield for federal tax law compliance. The price at issuance is the lower of the price to maturity or the price to call.

\$92,410,000
State of Wisconsin
General Obligation Bonds of 2001, Series C

Dated Date: June 1, 2001

First Interest Date: November 1, 2001

Closing/Settlement Date: June 19, 2001

<u>CUSIP</u>	<u>Year (May 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield at Issuance</u>	<u>Price at Issuance</u>	<u>First Optional Redemption Date</u>	<u>Call Price</u>
977056 G38	2002	\$ 8,980,000	4.00%	2.795%	101.022%	Not Callable	N/A
977056 G46	2003	9,240,000	3.00	3.330%	99.405	Not Callable	N/A
977056 G53	2004	9,455,000	5.00	3.550%	103.914	Not Callable	N/A
977056 G61	2005	9,780,000	4.00	3.700%	101.068	Not Callable	N/A
977056 G79	2006	10,125,000	5.00	3.910%	104.783	Not Callable	N/A
977056 G87	2007	8,475,000	4.75	4.090%	103.407	Not Callable	N/A
977056 G95	2008	8,790,000	4.75	4.220%	103.126	Not Callable	N/A
977056 H29	2009	9,130,000	4.75	4.340%	102.702	Not Callable	N/A
977056 H37	2010	9,080,000	5.00	4.400%	104.360	Not Callable	N/A
977056 H45	2011	9,355,000	5.00	4.500%	103.943	Not Callable	N/A

Legal Investment

State law provides that the Bonds are legal investments for the following:

- Banks, trust companies, savings banks and institutions, building and loan associations, savings and loan associations, credit unions, investment companies, and other persons or entities carrying on a banking business.
- Executors, administrators, guardians, trustees, and other fiduciaries.
- The State and all public officers, municipal corporations, political subdivisions, and public bodies.

Legal Opinion

Legal matters relating to the authorization, issuance, and sale of the Bonds are subject to the approval of Foley & Lardner (**Bond Counsel**). Bond Counsel will deliver an approving opinion when the Bonds are delivered, in substantially the form shown in **APPENDIX C**. If certificated Bonds are issued, the opinion will be printed on the reverse side of each Bond.

As required by law, the Attorney General will examine a certified copy of all proceedings leading to issuance of the Bonds. The Attorney General will deliver an opinion on the regularity

and validity of the proceedings. In the event certificated Bonds are issued, a certificate of the Attorney General will be printed on the reverse side of each Bond.

Tax Exemption

Federal Income Tax

In the opinion of Bond Counsel, under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes. Interest also is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. For the purpose of computing the alternative minimum tax imposed on certain corporations, however, interest on the Bonds is taken into account in determining adjusted current earnings. Moreover, the State must comply with all requirements of the Internal Revenue Code of 1986, as amended (**Code**), that must be satisfied after the Bonds are issued for interest on the Bonds to be, or continue to be, excluded from gross income for federal income tax purposes. The State has promised to comply with those requirements to the extent it may lawfully do so. Its failure to do so may cause interest on the Bonds to be included in gross income for federal income tax purposes, perhaps even starting from the date the Bonds were issued. Bond Counsel expresses no opinion about other federal tax consequences arising regarding the Bonds. The proceedings authorizing the Bonds do not provide for an increase in interest rates or a redemption of the Bonds in the event of taxability.

In the opinion of Bond Counsel, under existing law, the original issue discount in the selling price of the Bonds maturing May 1, 2003 (**Discount Bonds**), to the extent properly allocable to each owner of a Discount Bond, is excluded from gross income for federal income tax purposes to the same extent that any interest payable on such Discount Bond is or would be excluded from gross income for federal income tax purposes. The original issue discount is the excess of the stated redemption price at maturity of a Discount Bond over the initial offering price to the public, excluding underwriters or other intermediaries, at which price a substantial amount of such Discount Bonds were sold (**Issue Price**).

Under Section 1288 of the Code, original issue discount on Discount Bonds accrues on a compound interest basis. The amount of original issue discount that accrues to an owner of a Discount Bond during any accrual period generally equals:

- The Issue Price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, *multiplied by*
- The yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of each accrual period), *less*
- Any interest payable on such Discount Bond during such accrual period.

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

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

Owners of Discount Bonds should consult their own tax advisors with respect to the state and local tax consequences of holding such Discount Bonds. It is possible that under the applicable provisions governing the determination of state and local taxes, accrued original issue discount

on the Discount Bonds may be deemed to be received in the year of accrual, even though there will not be a corresponding cash payment until a later year.

Each Bond maturing May 1, 2002 and May 1, 2004 to May 1, 2011 (**Premium Bonds**) has an issue price that is greater than the amount payable at maturity of such Bond.

Any Premium Bond purchased in the initial offering at the issue price will have “amortizable bond premium” within the meaning of Section 171 of the Code. An owner of a Premium Bond that has amortizable bond premium is not allowed any deduction for the amortizable bond premium. During each taxable year, such an owner must reduce his or her tax basis in such Premium Bond by the amount of the amortizable bond premium that is allocable to the portion of such taxable year during which the owner owned such Premium Bond. The adjusted tax basis in a Premium Bond will be used to determine taxable gain or loss upon a disposition (for example, upon a sale, exchange, redemption, or payment at maturity) of such Premium Bond.

Owners of Premium Bonds who did not purchase such Premium Bonds in the initial offering at the issue price should consult their own tax advisors with respect to the tax consequences of owning such Premium Bonds.

The Code contains many provisions that could affect the economic value of the Bonds to particular Bond owners. For example:

- Section 265 of the Code denies a deduction for interest on any indebtedness incurred or continued to purchase or carry the Bonds or, in the case of financial institutions, a portion of an owner’s interest expense allocable to interest on the Bonds.
- Property and casualty insurance companies will be required in each taxable year to reduce the amount of their deductible losses by 15% of the amount of tax-exempt interest received or accrued during such taxable year, including interest on the Bonds, and life insurance companies are subject to similar provisions under which taxable income is increased by reason of receipt or accrual of tax-exempt interest.
- Interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code.
- Passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of the S corporation is passive investment income.
- Section 86 of the Code requires certain recipients of social security and railroad retirement benefits to include a portion of such benefits in gross income by reason of receipt or accrual of interest on the Bonds.
- A portion of the original issue discount, if any, that accrues in each year to an owner of a Discount Bond may result in collateral federal income tax consequences similar to the consequences of receipt of interest on the Bonds and may result in tax liability in the year of accrual, even though the owner of the Discount Bond will not receive a corresponding cash payment until a later year.

This section does not present an exhaustive discussion of collateral tax consequences arising from ownership of the Bonds. There may be other federal tax law provisions that could adversely affect the value of an investment in the Bonds for particular owners of Bonds. Prospective investors should consult their own tax advisors about the tax consequences of owning a Bond.

State of Wisconsin Income and Franchise Taxes

Interest on the Bonds is subject to State of Wisconsin income and franchise taxes. Prospective investors should consult their own tax advisors about the state and local tax consequences of owning a Bond.

CONTINUING DISCLOSURE

The State has made an undertaking, for the benefit of the beneficial owners of the Bonds, to provide an annual report presenting certain financial information and operating data about the State (**Annual Reports**). By approximately December 27 of each year, the State will send the report to each nationally recognized municipal securities information repository (**NRMSIR**) and to any state information depository (**SID**). The State will also provide notices of the occurrence of certain events specified in the undertaking to each NRMSIR, or the Municipal Securities Rulemaking Board (**MSRB**), and to any SID. As of the date of this Official Statement, no SID has been established. [Part I of the 2000 Annual Report, which contains information on the undertaking, is included by reference as part of this Official Statement.](#)

Copies of the Annual Reports and notices may be obtained from:

State of Wisconsin Capital Finance Office
Department of Administration
101 East Wilson Street
P.O. Box 7864
Madison, WI 53707-7864
(608) 266-2305
capfin@doa.state.wi.us

The undertaking also describes the consequences if the State fails to provide any required information. The State must report the failure to the NRMSIRS, or the MSRB, and to any SID. In the last five years, the State has not failed to comply in any material respect with this or any similar undertaking.

Dated: May 30, 2001

STATE OF WISCONSIN

/s/ SCOTT MCCALLUM

Governor Scott McCallum, Chairperson
State of Wisconsin Building Commission

/s/ GEORGE LIGHTBOURN

George Lightbourn, Secretary
State of Wisconsin Department of Administration

/s/ ROBERT G. CRAMER

Robert G. Cramer, Secretary
State of Wisconsin Building Commission

APPENDIX A

INFORMATION ABOUT THE STATE

This appendix includes information concerning the State of Wisconsin (**State**). [Parts II and III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 22, 2000 \(2000 Annual Report\)](#) are included by reference as part of this APPENDIX A.

[Part II to the 2000 Annual Report](#) contains general information about the State. More specifically, that part presents information on the following matters:

- State's operations and financial procedures
- State's accounting and financial reporting
- Organization of, and services provided by, the State
- Results of fiscal year 1999-2000
- State budget
- Obligations of the State
- State Investment Board
- Statistical information about the State's population, income, and employment

Included as [APPENDIX A to Part II of the 2000 Annual Report are the audited general purpose financial statements for the fiscal year ending June 30, 2000](#), 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.

[Part III to the 2000 Annual Report](#) contains information concerning general obligations issued by the State. That part presents a discussion of the security provisions for general obligation debt (including the flow of funds to pay debt service on general obligations), data pertaining to the State's outstanding general obligation debt, and the portion of that general obligation debt that is revenue-supported general obligation debt.

The 2000 Annual Report has been filed with each nationally recognized municipal securities information repository (NRMSIR). Copies of the 2000 Annual Report may also be obtained from:

State of Wisconsin Capital Finance Office
Department of Administration
101 East Wilson Street
P.O. Box 7864
Madison, WI 53707-7864
(608) 266-2305
capfin@doa.state.wi.us

As of the date of this Official Statement, Parts II and III of the 2000 Annual Report can also be found on the world wide web respectively at:

www.doa.state.wi.us/debf/capfin/2000dis2.pdf

www.doa.state.wi.us/debf/capfin/2000dis3.pdf

After publication and filing of the 2000 Annual Report, certain changes or events have occurred that affect items discussed in the 2000 Annual Report. Listed below, by reference to particular sections of the 2000 Annual Report, are changes or additions to the discussion contained in those particular sections. Many of the following changes have not been filed with the NRMSIRs.

However, the State has filed, and expects to continue to file, certain informational notices with the NRMSIRS. These informational notices do not constitute listed material events under the State's Master Agreement on Continuing Disclosure.

State Budget (pages 25-28). Add the following:

Budget for 2000-01

On May 15, 2001, the Legislative Fiscal Bureau reduced the estimate of general fund tax revenues for the current 2000-01 fiscal year by \$129 million. **The memorandum from the Legislative Fiscal Bureau that contains these revised revenues appears on pages A-4 to A-10 of this Official Statement.** As a result of these revised tax revenue estimates and other factors, including expenditure estimates, the ending balance on June 30, 2001 is now estimated to be \$165 million. This balance is approximately \$19 million less than the enacted budget and \$113 million less than the balance projected by the Legislative Fiscal Bureau on January 25, 2001.

Proposed Budget for 2001-03

Governor's Proposed Budget

On February 20, 2001, the Governor introduced the executive budget for the 2001-02 and 2002-03 fiscal years. The following tables summarize this proposed executive budget for each fiscal year on a general-fund basis and all-funds basis. Additional information on the executive budget for the 2001-02 and 2002-03 fiscal years can be obtained from:

State of Wisconsin Capital Finance Office
 Department of Administration
 101 East Wilson Street
 P.O. Box 7864
 Madison, WI 53707-7864
 (608) 266-2305
capfin@doa.state.wi.us

**Proposed Executive Budget
 General-Fund Basis
 (Amounts in Millions)**

	<u>Proposed Budget 2001-02</u>	<u>Proposed Budget 2002-03</u>
Beginning Balance	\$ 293	\$ 237
Tax Revenues	10,789	11,436
Tobacco Securitization Proceeds	350	N/A
Nontax Revenues	<u>7,777</u>	<u>8,198</u>
Total Amount Available	\$19,209	\$19,870
Total Disbursements/Reserves	<u>\$18,973</u>	<u>\$19,726</u>
Estimated Balance	237	144
Required Statutory Reserve*	<u>140</u>	<u>143</u>
Undesignated (Net) Balance	\$ 97	\$ 1

* Current law requires a Statutory Reserve of 1.2% of general purpose revenue (GPR) appropriations for the 2001-02 fiscal year, 1.4% for the 2002-03 fiscal year, and 1.6% for the 2003-04 fiscal year. This table reflects the proposed executive budget, which changes the current law so that the Statutory Reserve would be 1.2% for the 2002-03 fiscal year yet leaves in place the scheduled increase to 1.6% in the 2003-04 fiscal year.

**Proposed Executive Budget
All-Funds Basis
(Amounts in Millions)**

	<u>Proposed Budget 2001-03</u>	<u>Proposed Budget 2002-03</u>
Beginning Balance	\$ 293	\$ 237
Tax Revenues	10,789	11,436
Tobacco Securitization Proceeds	350	N/A
Nontax Revenues	<u>19,829</u>	<u>20,008</u>
Total Amount Available	\$31,261	\$31,680
Total Disbursements/Reserves	<u>\$31,025</u>	<u>\$31,536</u>
Estimated Balance	237	144
Required Statutory Reserve*	<u>140</u>	<u>143</u>
Undesignated (Net) Balance	\$ 97	\$ 1

* Current law requires a Statutory Reserve of 1.2% of general purpose revenue (GPR) appropriations for the 2001-02 fiscal year, 1.4% for the 2002-03 fiscal year, and 1.6% for the 2003-04 fiscal year. This table reflects the proposed executive budget, which changes the current law so that the Statutory Reserve would be 1.2% for the 2002-03 fiscal year yet leaves in place the scheduled increase to 1.6% in the 2003-04 fiscal year.

Revised Revenue Estimates

On May 15, 2001, the Legislative Fiscal Bureau also provided revised general fund tax revenue estimates for each year of the 2001-03 biennium. Based on these estimates, the general fund tax revenues are projected to be less than the amounts used in the executive budget. More specifically:

- General fund tax revenues are now estimated to be \$180 million less for the 2001-02 fiscal year.
- General fund tax revenues are now estimated to be \$311 million less for the 2002-03 fiscal year.

The Legislature is currently considering the executive budget for the 2001-02 and 2002-03 fiscal years. **The memorandum from the Legislative Fiscal Bureau that contains these revised revenue estimates appears on pages A-4 to A-10 of this Official Statement.** Based on these revised revenue estimates and legislative committee actions taken as of May 15, 2001, expenditures exceed revenues in the proposed executive budget by \$195 million in the 2001-02 fiscal year and by \$594 million in the 2002-03 fiscal year. **See Table 3 (page A-9) in the memorandum from the Legislative Fiscal Bureau.** The State Constitution requires the Legislature to enact a balanced budget.

A detailed summary of the executive all-funds budget is on **page A-11** and a detailed summary of the executive general-fund budget is on **page A-12. These detailed summaries on pages A-11 and A-12 do not reflect the revised revenue estimates.**

Legislative Fiscal Bureau

Robert Wm. Lang, Director

One East Main, Suite 301 • Madison, WI 53703
Telephone: (608) 266-3847 • Fax: (608) 267-6873



State of Wisconsin

May 15, 2001

Senator Brian Burke, Senate Chair
Representative John Gard, Assembly Chair
Joint Committee on Finance
State Capitol
Madison, WI 53702

Dear Senator Burke and Representative Gard:

In January, 2001, this office prepared estimates of general fund tax collections for 2000-01 and the two years of the 2001-03 biennium. These figures were incorporated into the Governor's 2001-03 budget bill.

Last week, tax collections data through April became available. In addition, the May, 2001, national economic forecast by Standard and Poor's Data Resources, Inc. (DRI) was released. Based upon our review of the collections data and economic forecast, we now believe that general fund tax revenues will be lower than the amounts estimated last January by \$129 million in 2000-01, \$180 million in 2001-02 and \$311 million in 2002-03. The three-year reduction in the estimates totals \$620 million, or approximately 1.9%.

The decrease is primarily due to lower individual income, sales and corporate income tax revenues. Actual year-to-date collections of these taxes are lower than anticipated and the forecast of personal income, taxable consumption expenditures and corporate profits has been reduced considerably since January. Estimated cigarette tax and estate tax revenues have also been decreased, based on collections data. The public utility and insurance premiums taxes have been increased slightly in the current year.

Table 1 presents the revised tax revenue estimates and Table 2 outlines the May, 2001, economic forecast by DRI. The tax revenue estimates in Table 1 reflect current law and do not incorporate any of the law changes recommended by the Governor in the budget bill. The sections following these tables provide additional detail regarding the economic forecast and the new revenue estimates.

TABLE 1**Projected General Fund Tax Collections
(\$ in Millions)**

	<u>1999-01 Biennium</u>		<u>2001-03 Biennium</u>	
	<u>1999-00 Actual</u>	<u>2000-01 Estimated</u>	<u>2001-02 Estimated</u>	<u>2002-03 Estimated</u>
Individual Income	\$5,962.0	\$5,110.0	\$5,445.0	\$5,685.0
General Sales and Use	3,501.7	3,620.0	3,745.0	3,965.0
Corporate Income & Franchise	644.6	564.0	586.0	600.0
Public Utility	259.9	236.0	244.0	250.0
Excise				
Cigarettes	247.6	244.0	241.0	239.0
Liquor and Wine	34.6	35.3	35.9	36.8
Tobacco Products	10.3	11.7	12.2	13.0
Beer	9.4	9.4	9.5	9.5
Insurance Company	86.9	87.0	90.0	92.0
Estate	133.3	85.0	110.0	120.0
Miscellaneous Taxes	<u>55.6</u>	<u>54.1</u>	<u>56.6</u>	<u>60.3</u>
TOTAL	\$10,945.9	\$10,056.5	\$10,575.2	\$11,070.6
Change from Prior Year		-\$889.4	\$518.7	\$495.4
Percent Change		-8.1%	5.2%	4.7%

TABLE 2**Summary of National Economic Indicators
Standard and Poor's Data Resources, Inc.****May, 2001
(\$ in Billions)**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Nominal Gross Domestic Product	\$9,963.1	\$10,404.8	\$10,876.9	\$11,510.7
Percent Change	7.1%	4.4%	4.5%	5.8%
Real Gross Domestic Product	\$9,318.5	\$9,505.1	\$9,734.9	\$10,120.4
Percent Change	5.0%	2.0%	2.4%	4.0%
Consumer Price Index	3.4%	3.3%	2.0%	1.6%
Personal Income	\$8,281.7	\$8,664.3	\$9,040.0	\$9,553.4
Percent Change	6.3%	4.6%	4.3%	5.7%
Personal Consumption Expenditures	\$6,757.3	\$7,118.4	\$7,467.6	\$7,890.6
Percent Change	7.8%	5.3%	4.9%	5.7%
Corporate Profits Before Tax	\$925.6	\$879.6	\$926.6	\$989.4
Percent Change	12.5	-5.0%	5.3%	6.8%
Unemployment Rate	4.0%	4.7%	5.6%	5.6%

National Economic Forecast

Like the January DRI forecast (which was used for the previous estimates), the May forecast anticipates continued positive economic growth through 2003. A recession is not forecast at this time. Gross domestic product (GDP) is estimated to grow at 4.4% in 2001, 4.5% in 2002 and 5.8% in 2003. Growth in real (inflation-adjusted) GDP is expected to be 2.0% in 2001, 2.4% in 2002 and 4.0% in 2003. While positive growth is anticipated, the expected rates of growth are significantly lower than has been experienced in recent years (GDP grew by 5.8% in 1999 and 7.1% in 2000). In addition, the May forecast is less favorable than the January forecast, which estimated GDP growth at 4.7% in 2001, 6.0% in 2002 and 6.6% in 2003.

Growth in personal income is projected at 4.6% in 2001, 4.3% in 2002 and 5.7% in 2003. The estimate for 2001 is almost the same as in the January forecast, while the projections for 2002 and 2003 are lower by 1.0% and 0.5%, respectively. Personal consumption expenditures are expected to increase by 5.3% in 2001, 4.9% in 2002 and 5.7% in 2003. The projection for 2001 is slightly higher than the January forecast, while the estimates for 2002 and 2003 are significantly lower (-1.0% and -0.6%). In addition, the new forecast anticipates that a greater share of spending will be for gasoline, which is not subject to the sales tax, with a smaller share spent on durable goods and other taxable items.

Following strong growth in 1999 and 2000 (8.5% and 12.5%), pre-tax corporate profits are expected to decline by 5.0% in 2001 and then grow by 5.3% in 2002 and 6.8% in 2003. These estimates are significant decreases from the January forecast. The reduction is 3.6% in 2001, 5.9% in 2002 and 0.1% in 2003.

Inflation is expected to remain relatively low, with the consumer price index at 3.3% in 2001, 2.0% in 2002 and 1.6% in 2003. The estimates for 2001 and 2002 are higher than the January forecast by 0.7% and 0.2%, respectively, while the 2003 estimate is 0.4% lower. Unemployment is expected to increase over the forecast period, from 4.0% in 2000 to 4.7% in 2001, and 5.6% in 2002 and 2003. The estimates for 2002 and 2003 are considerably higher than the January projections of 5.0% and 4.7%, respectively.

A number of factors contribute to the lower economic forecast. Employment dropped significantly in March and April, causing the unemployment rate to reach 4.5%. This rate is quite low by historical standards but is an increase over the 3.9% rate in the fall of 2000. These job losses, along with reduced household wealth due to the stock market's recent poor performance, are expected to cause continued declines in consumer confidence and decreased consumer spending. High gasoline prices are also expected to lead to reduced purchases of other goods and services. Business investment and profitability are also areas of weakness, particularly in the manufacturing and technology sectors, which are already believed to be in a recession. Weakness in overseas markets and a relatively strong dollar are also resulting in lower exports. Because the number of new workers is expected to exceed demand for employees in the near term, the unemployment rate is expected to increase to 5.6% in 2002 and 2003.

There are also some positive factors that are expected to prevent the overall economy from going into a recession (generally defined as at least two consecutive quarters of negative growth in real GDP). First, preliminary data indicates that real GDP growth in the first quarter of 2001 was 2.0%, which is slightly higher than DRI's estimate of 1.7% last January and significantly higher than more recent forecasts. Final sales also exceeded estimates in the first quarter and April. In addition, the housing market remains strong, which could help offset losses in household wealth from financial investments. Following recent increases, inflation is expected to moderate over the forecast period, with relatively high energy prices being offset by slow growth in wages. Finally, DRI believes that the stock market has bottomed out. Little net gain is anticipated over the next several months but improvement is expected later in 2001.

In addition to these positive developments, it is anticipated that monetary and fiscal policy will help prevent a recession. The forecast assumes that the Federal Reserve will decrease interest rates this month and again later this year. Specifically, it is expected that the federal funds rate will be reduced from 4.5% to 3.5% over the next several months. In terms of fiscal policy, a \$100 billion federal tax rebate is assumed in the second half of 2001, followed by permanent tax cuts beginning in 2002 totaling \$1.35 trillion over 10 years.

Although a recession is not predicted at this time, DRI believes that the odds of one occurring in 2001 or 2002 are close to even. As in the January forecast, the primary concern is that corporate earnings turn out to be weaker than expected, leading to further declines in the stock market and consumer confidence. This sequence of events, which DRI assigns a 40% probability, could result in a recession in 2001.

Revised General Fund Tax Estimates

Individual Income Tax. Individual income tax receipts are reestimated at \$5,110.0 million in 2000-01, \$5,445.0 million in 2001-02 and \$5,685.0 million in 2002-03. The revised figures are lower than the January projections by \$50.0 million in 2000-01, \$55.0 million in 2001-02 and \$135.0 million in 2002-03.

In January, we estimated that income tax collections would decrease in 2000-01 by 13.5% from the 1999-00 amount, primarily as a result of the income tax reductions enacted during the 1999-01 legislative session. The reestimate for 2000-01 is based on year-to-date collections and historical collection patterns. As of April, year-to-date income tax revenues have declined by 9.7% over last year (the year-to-date figure for 1999-00 has been adjusted to include April, 2000, withholding payments not recorded until May, 2000). Withholding collections are lower by 4.1% (after the same adjustment in withholding payments) and declaration payments are 4.5% higher. Tax refunds are 63.7% higher than at this time during the previous year. The increase in refunds is attributable to the fact that the withholding tables were not adjusted to reflect the lower tax rates until July 1, 2000, and to the reinstatement of the property tax/rent credit in 2000. Refunds and withholding payments made through August 15, 2001, that are attributable to the 2000-01 fiscal year will be included in 2000-01 collection totals. It is expected that the withholding and refund patterns evidenced to date will continue through the remainder of the fiscal year and result in a decrease in income tax revenues for 2000-01 of 14.3%.

The income tax estimates for the 2001-03 biennium have been reduced as a result of the lower estimate for 2000-01 and of changes in the forecast for personal income growth for 2003. The reestimates assume growth rates for individual income tax revenues of 6.6% and 4.4% in 2001-02 and 2002-03, respectively (in January, growth was projected at 6.6% in 2001-02 and 5.8% in 2002-03). The reduced growth rate in the second year is based on a decline in the May forecast for personal income growth.

Sales Tax. Through April, 2001, total sales tax collections had grown over year-to-date collections as of April, 2000, by 3.3%. Our estimate in January, 2001, was for an annual increase of 3.9% at the close of the fiscal year. At this time, based on the year-to-date collections and a reduced forecast of taxable consumption expenditures, we believe that sales tax revenues will be lower than our January estimates by \$20.0 million in 2000-01, by \$65.0 million in 2001-02 and by \$115.0 million in 2002-03. The revised estimates are \$3,620.0 million, \$3,745.0 million and \$3,965.0 million, respectively. The downward revisions reflect current predictions for slower growth extending further into the 2001-03 biennium than anticipated at the time of our January forecast.

Corporate Income and Franchise Tax. Corporate income and franchise tax collections are currently estimated to be \$150.0 million, or \$50.0 million a year from 2000-01 to 2002-03, lower than amounts forecast in January. Specifically, collections are now estimated to be \$564.0 million in 2000-01, \$586.0 million in 2001-02 and \$600.0 million in 2002-03. January estimates were \$614.0 million, \$636.0 million and \$650.0 million, respectively. The revised lower estimates reflect monthly collections which, through April, are almost 13% lower than collections for the same period in 1999-00. In addition, the economic forecast by DRI projects lower economic growth between 2001 and 2003 than was the case under the January, 2001, forecast. Corporate profits are expected to decrease 5.0% in 2001 and then gradually rebound but at lower levels than forecast in January. In addition, business investment is weak and the demand for computer and communications equipment has slumped. Business exports are also expected to decline over the next few years.

Estate Tax. Annual estate tax collections are significantly affected by the settlement, or lack thereof, of a small number of large estates. Collections may, therefore, vary considerably from year to year. The January estimate assumed that estate tax revenues in 2000-01 would be 28.7% lower than the \$133.3 million collected in 1999-00. However, based on year-to-date collections, estate tax revenues are reestimated at \$85.0 million for 2000-01, which is a 36.2% decline from 1999-00. The estimates for 2001-03 have been reduced to \$110.0 million in 2001-02 and \$120.0 million in 2002-03. The reestimates for the three years are lower than the January figures by \$10.0 million in 2000-01 and \$5.0 million in each year of the 2001-03 biennium.

Excise Taxes. Through April, 2001, collections from the excise tax on cigarettes were down by approximately 1.65% relative to the year-to-date total in April, 2000, which is a larger decline than was anticipated in the January estimates. Based on this data, revenues from the cigarette tax are estimated to be lower than our January estimates by \$3.5 million in 2000-01, by \$4.7 million in 2001-02 and by \$6.2 million in 2002-03.

Collections from the other excise taxes -- those levied on liquor and wine, beer, and tobacco products -- are consistent with our January projections.

Other General Fund Taxes. Based on year-to-date revenues, public utility and insurance tax collections have been revised upward by \$3.0 million and \$2.0 million, respectively, in 2000-01. As collections from the other general fund taxes are consistent with our January projections, no changes are estimated over the three-year period for these taxes.

Condition of the 2001-03 General Fund

Table 3 identifies the condition of the state's 2001-03 general fund. The table contains the provisions of the Governor's 2001-03 budget (SB 55) with the following modifications:

- The revised tax collection estimates contained in this letter.
- Executive actions, to date, by the Joint Committee on Finance on the Governor's 2001-03 budget recommendations. To date, actions by the Committee have improved the general fund balance by \$24.0 million. Of that amount, \$22.4 million is attributable to votes by the Committee and \$1.6 million is contained within the list of items that the Committee's Co-chairs removed from the budget as policy items.

TABLE 3

**2001-03 General Fund Condition Statement
(\$ in Millions)**

	<u>2001-02</u>	<u>2002-03</u>
Revenues		
Opening Balance, July 1	\$165	-\$56
Estimated Taxes	10,610	11,125
Departmental Revenues		
Tobacco Settlement	153	155
Tobacco Securitization	350	0
Other	<u>180</u>	<u>184</u>
Total Available	\$11,458	\$11,408
Appropriations and Reserves		
Gross Appropriations	\$11,585	\$11,870
Compensation Reserves	28	83
Transfer to Tobacco Control Fund	12	21
Less Estimated Lapses	<u>-111</u>	<u>-115</u>
Net Appropriations	\$11,514	\$11,859
Balances		
Gross Balance	-\$56	-\$451
Less Required Statutory Balance	<u>-139</u>	<u>-143</u>
Net Balance, June 30	-\$195	-\$594

The purpose of Table 3 is to provide an indication of the status of the 2001-03 general fund at this point in the Finance Committee's budget deliberations. As shown, the 2001-03 budget reflects a projected general fund deficit of \$594 million at the end of the biennium. This figure assumes that the \$143 million statutory balance of SB 55 (1.2% of gross appropriations and compensation reserves) would be maintained.

On April 26, 2001, I prepared a memorandum which identified reestimates of some of the tax law changes, departmental revenues and appropriations of SB 55. Because the Finance Committee has not yet addressed these issues, they are not incorporated into Table 3.

We will continue to monitor tax collections data and economic developments and keep you apprised of any further modifications that may be necessary.

Sincerely,

A handwritten signature in black ink that reads "Bob". The letters are stylized and cursive.

Robert Wm. Lang
Director

RWL/sas
cc: Members, Wisconsin Legislature

Table II-3; State Budget—All Funds (Page 36). Update the table with the following:

State Budget—All Funds^(a)

	Actual 1999-2000 ^(b)	Budget 1999-2000	Budget 2000-2001	Governor's Proposed Budget 2001-2002	Governor's Proposed Budget 2002-2003
RECEIPTS					
Fund Balance from Prior Year.....	\$ 701,293,000	\$ 701,293,000	\$ 658,784,800 ^(c)	\$ 293,200,000	\$ 236,279,200
Tax Revenue					
Individual Income.....	5,962,010,000	5,825,000,000	5,158,800,000 ^(d)	5,506,000,000	5,831,400,000
General Sales and Use.....	3,501,659,000	3,500,000,000	3,710,000,000	3,830,200,000	4,124,300,000
Corporate Franchise and Income.....	644,625,000	660,000,000	658,300,000	644,200,000	648,300,000
Public Utility.....	259,984,000	250,000,000	220,000,000 ^(e)	244,000,000	250,000,000
Excise					
Cigarette/Tobacco Products.....	257,896,000	258,000,000	255,200,000 ^(d)	257,900,000	258,200,000
Liquor and Wine.....	34,564,000	33,000,000	33,500,000	35,900,000	36,800,000
Malt Beverage.....	9,392,000	9,300,000	9,300,000	9,500,000	9,500,000
Inheritance, Estate & Gift.....	133,261,000	95,000,000	75,000,000 ^(g)	115,000,000	125,000,000
Insurance Company.....	86,878,000	105,000,000	100,000,000	90,000,000	92,000,000
Other.....	1,075,169,000	58,000,000 ^(h)	61,000,000 ^(h)	56,600,000	60,200,000
Subtotal.....	11,965,438,000	10,793,300,000	10,281,100,000	10,789,300,000	11,435,700,000
Nontax Revenue					
Departmental Revenue					
Tobacco Settlement.....	167,362,000	167,886,100	124,763,700	153,400,000	155,400,000
Tobacco Securitization.....	NA	NA	NA	350,000,000	NA
Other.....	257,040,000	260,087,900	190,946,100	178,200,000	182,200,000
Total Federal Aids.....	4,170,531,000	5,085,572,200	4,703,374,700	5,511,131,800	5,579,063,400
Total Program Revenue.....	2,633,267,000	2,658,535,300	2,734,917,200	2,976,114,400	3,020,662,200
Total Segregated Funds.....	4,194,291,000	2,275,967,300	2,292,791,500	3,048,332,800	2,798,507,800
Fund Transfers In.....	NA	64,000,000	NA	NA	NA
Bond Authority.....	702,676,000	458,000,000	400,000,000	500,000,000	383,000,000
Employee Benefit Contributions ⁽ⁱ⁾	8,782,705,000	6,612,282,700	7,051,394,300	7,461,324,917	7,889,603,973
Subtotal.....	20,907,872,000	17,582,331,500	17,498,187,500	20,178,503,917	20,008,437,373
Total Available.....	\$ 33,574,603,000	\$ 29,076,924,500	\$ 28,438,072,300	\$ 31,261,003,917	\$ 31,680,416,573
DISBURSEMENTS AND RESERVES					
Commerce.....	\$ 570,282,000	\$ 418,915,100	\$ 415,866,300	\$ 446,519,400	\$ 456,008,200
Education.....	8,018,963,000	7,860,268,900	8,223,303,400	8,742,758,300	8,974,907,600
Environmental Resources.....	2,626,896,000	2,493,567,700	2,437,927,900	2,652,804,100	2,755,852,000
Human Relations and Resources.....	7,978,636,000	6,850,265,900	6,733,347,000	7,753,229,100	7,872,914,600
General Executive.....	3,741,255,000	673,415,700	669,656,800	776,913,000	784,419,000
Judicial.....	102,487,000	104,156,900	104,709,200	104,785,200	104,830,500
Legislative.....	59,820,000	60,511,900	59,086,500	63,972,100	63,246,900
General Appropriations.....	3,346,300,000	2,891,183,500	2,163,488,700	2,587,818,600	2,259,632,900
General Obligation Bond Program.....	505,472,000	458,000,000	400,000,000	500,000,000	383,000,000
Employee Benefit Payments ⁽ⁱ⁾	2,311,624,000	2,504,993,800	2,695,311,400	3,377,515,809	3,830,081,149
Reserve for Employee Benefit Payments ⁽ⁱ⁾	6,471,081,000	4,107,288,900	4,356,082,900	4,083,809,108	4,059,522,824
Subtotal.....	35,732,816,000	28,422,568,300	28,258,780,100	31,090,124,717	31,544,415,673
Less: (Lapses).....	NA	(84,028,600)	(122,124,800)	(105,300,000)	(112,300,000)
Compensation Reserves.....	NA	56,100,000	117,750,000	27,900,000	82,500,000
Required Statutory Balance.....	NA	113,883,100	134,328,600	139,500,000	143,400,000
Transfer to Tobacco Control Board.....	NA	23,500,000	NA	12,000,000	21,200,000
Other.....	NA	NA	NA	NA	NA
Change in Continuing Balance.....	(3,030,496,000)	NA	NA	NA	NA
Total Disbursements & Reserves.....	\$ 32,702,320,000	\$ 28,532,022,800	\$ 28,388,733,900	\$ 31,164,224,717	\$ 31,679,215,673
Fund Balance.....	\$ 872,283,000	\$ 544,901,700	\$ 49,338,400	\$ 96,779,200	\$ 1,200,900
Undesignated Balance.....	\$ 835,714,000	\$ 658,784,800	\$ 183,667,000	\$ 236,279,200	\$ 144,600,900

- (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) The beginning balance for the 2000-2001 fiscal year represents information when the budget became law.
- (d) The decrease results from budgeted tax reductions becoming effective.
- (e) The decrease results from the continued effect of prior years' tax changes.
- (f) The decrease results from an anticipated decline in consumption.
- (g) The decrease results from an expected one-time collection in the 1999-2000 fiscal year.
- (h) The budgeted amounts do not include taxes collected for segregated funds. The largest such tax is the motor fuel tax. The State collected \$809 million of motor fuel taxes in the 1999-2000 fiscal year.
- (i) State law separates the accounting of employee benefits from the budget. They are included for purposes of comparability to the figures presented in this table and Tables II-1 and II-2 in the Annual Report.

Source: Wisconsin Department of Administration.

Table II-4; State Budget–General Fund (Page 37). Update the table with the following:

State Budget–General Fund^(a)

	<u>Actual 1999-2000^(b)</u>	<u>Budget 1999-2000</u>	<u>Budget 2000-2001</u>	<u>Governor's Proposed Budget 2001-2002</u>	<u>Governor's Proposed Budget 2002-2003</u>
RECEIPTS					
Fund Balance from Prior Year.....	\$ 701,293,000	\$ 701,293,000	\$ 658,784,800 ^(c)	\$ 293,200,000	\$ 236,279,200
Tax Revenue					
State Taxes Deposited to General Fund					
Individual Income.....	5,962,010,000	5,825,000,000	5,158,800,000 ^(d)	5,506,000,000	5,831,400,000
General Sales and Use.....	3,501,659,000	3,500,000,000	3,710,000,000	3,830,200,000	4,124,300,000
Corporate Franchise and Income.....	644,625,000	660,000,000	658,300,000	644,200,000	648,300,000
Public Utility.....	259,984,000	250,000,000	220,000,000 ^(e)	244,000,000	250,000,000
Excise					
Cigarette/Tobacco Products.....	257,896,000	258,000,000	255,200,000 ^(f)	257,900,000	258,200,000
Liquor and Wine.....	34,564,000	33,000,000	33,500,000	35,900,000	36,800,000
Malt Beverage.....	9,392,000	9,300,000	9,300,000	9,500,000	9,500,000
Inheritance, Estate & Gift.....	133,261,000	95,000,000	75,000,000 ^(g)	115,000,000	125,000,000
Insurance Company.....	86,878,000	105,000,000	100,000,000	90,000,000	92,000,000
Other.....	67,511,000	58,000,000	61,000,000	56,600,000	60,200,000
Subtotal.....	10,957,780,000	10,793,300,000	10,281,100,000	10,789,300,000	11,435,700,000
Nontax Revenue					
Departmental Revenue					
Tobacco Settlement.....	167,362,000 ^(h)	167,886,100	124,763,700	153,400,000	155,400,000
Tobacco Securitization.....	NA	NA	NA	350,000,000	NA
Other.....	257,040,000	260,087,900	190,946,100	178,200,000	182,200,000
Program Revenue-Federal.....	4,170,531,000	4,453,148,300	4,121,351,700	4,815,882,800	4,840,184,700
Program Revenue-Other.....	2,633,267,000	2,658,535,300	2,734,917,200	2,629,077,200	3,020,662,200
Fund Transfers In.....	NA	64,000,000	NA	NA	NA
Subtotal.....	7,228,200,000	7,603,657,600	7,171,978,700	8,126,560,000	8,198,446,900
Total Available.....	\$ 18,887,273,000	\$ 19,098,250,600	\$ 18,111,863,500	\$ 19,209,060,000	\$ 19,870,426,100
DISBURSEMENTS AND RESERVES					
Commerce.....	\$ 209,393,000	\$ 218,959,300	\$ 220,214,600	\$ 237,617,800	\$ 242,674,600
Education.....	7,769,121,000	7,798,220,600	8,163,838,300	8,327,616,900	8,905,321,100
Environmental Resources.....	270,101,000	261,344,100	259,939,200	272,711,800	280,143,100
Human Relations and Resources.....	6,742,655,000	6,684,959,800	6,541,581,500	7,450,498,700	7,528,373,300
General Executive.....	631,485,000	634,410,900	569,934,100	637,937,300	648,783,600
Judicial.....	102,156,000	103,499,100	104,051,400	104,076,100	104,121,400
Legislative.....	59,820,000	60,511,900	59,086,500	63,972,100	63,246,900
General Appropriations.....	2,548,903,000	2,681,988,700	2,013,925,700	1,943,750,100	1,961,761,200
Subtotal.....	18,333,634,000	18,443,894,400	17,932,571,300	19,038,180,800	19,734,425,200
Less: (Lapses).....	NA	(84,028,600)	(122,124,800)	(105,300,000)	(112,300,000)
Compensation Reserves.....	NA	56,100,000	117,750,000	27,900,000	82,500,000
Required Statutory Balance.....	NA	113,883,100	134,328,600	139,500,000	143,400,000
Transfer to Tobacco Control Board.....	NA	23,500,000	NA	12,000,000	21,200,000
Other.....	NA	NA	NA	NA	NA
Changes in Continuing Balance.....	(318,644,000)	NA	NA	NA	NA
Total Disbursements & Reserves.....	\$ 18,014,990,000	\$ 18,553,348,900	\$ 18,062,525,100	\$ 19,112,280,800	\$ 19,869,225,200
Fund Balance.....	\$ 872,283,000	\$ 544,901,700	\$ 49,338,400	\$ 96,779,200	\$ 1,200,900
Undesignated Balance.....	\$ 835,714,000	\$ 658,784,800	\$ 183,667,000	\$ 236,279,200	\$ 144,600,900

- (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) The beginning balance for the 2000-2001 fiscal year represents information when the budget became law.
- (d) The decrease results from budgeted tax reductions becoming effective.
- (e) The decrease results from the continued effect of prior years' tax changes.
- (f) The decrease results from an anticipated decline in consumption.
- (g) The decrease results from an expected one-time collection in the 1999-2000 fiscal year.

Source: Wisconsin Department of Administration.

Table II-8; General Fund Monthly Position (Page 37). Update the table with the following:

GENERAL FUND MONTHLY CASH POSITION
July 1, 1998 through April 30, 2001 — Actual
May 1, 2001 through June 30, 2001 — Estimated^(a)
(Amounts in Thousands)

	<u>Starting Date</u>	<u>Starting Balance</u>	<u>Receipts^(b)</u>	<u>Disbursements^(b)</u>
1998	July.....	442,704	1,641,655	1,750,960
	August.....	333,399	1,200,704	803,188
	September.....	730,915	1,607,957	1,283,254
	October.....	1,055,618	1,267,513	1,035,960
	November.....	1,287,171	1,408,782	1,619,285
	December.....	1,076,668	1,333,433	1,878,358
1999	January.....	531,743	1,745,237	953,828
	February.....	1,323,152	1,267,106	1,107,154
	March.....	1,483,104	1,491,320	2,232,696
	April.....	741,728	1,648,520	1,185,032
	May.....	1,205,216	1,488,763	1,027,762
	June.....	1,666,217	1,541,035	2,470,983
	July.....	736,269	1,441,009	1,836,987
	August.....	340,291	1,308,849	868,154
	September.....	780,986	1,547,229	1,292,942
	October.....	1,035,273	1,331,192	1,031,907
	November.....	1,334,558	1,433,801	1,794,197
	December.....	974,162	1,449,618	1,987,753
2000	January.....	436,027	2,095,798	1,693,313
	February.....	838,512	1,544,207	1,240,280
	March.....	1,142,439	1,526,625	2,143,437
	April.....	525,627	1,812,812	1,174,173
	May.....	1,164,266	1,580,865	1,172,474
	June.....	1,572,657	1,910,223	2,811,272
	July.....	671,608	1,405,811	1,674,899
	August.....	402,520	1,391,600	1,036,240
	September.....	757,880	1,716,848	1,540,488
	October.....	934,240	1,545,868	1,039,609
	November.....	1,440,499	1,451,918	1,886,868
	December.....	1,005,549	1,335,205	2,070,373
2001	January.....	270,381	2,143,861	1,190,946
	February.....	1,223,296	1,494,577	1,339,377
	March.....	1,378,496	1,381,012	2,312,836
	April.....	446,672	2,042,531	1,469,093
	May.....	1,020,110	1,501,632	1,278,674
	June.....	1,243,068	1,727,785	2,681,950

^(a) The monthly receipt and disbursement projections for May 1, 2001 through June 30, 2001 are based on estimates provided by the Division of Executive Budget and Finance.

^(b) The receipt amounts shown in July 1998 include the proceeds from the issuance of operating notes. See "OTHER OBLIGATIONS; Operating Notes" in Part II of the 2000 Annual Report. The disbursement amounts shown for February, March, April and May 1999 include impoundment payments required in connection with the operating notes. The State did not issue operating notes in the 1999-2000 or 2000-2001 fiscal years.

Source: Wisconsin Department of Administration.

Table II-9; Balances in Funds Available for Interfund Borrowing (Page 38). Update the table with the following:

BALANCES IN FUNDS AVAILABLE FOR INTERFUND BORROWING^(a)

July 1, 1998 to April 1, 2001 — Actual
May 1, 2001 to June 1, 2001 — Estimated^(b)
(Amounts in Millions)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
January.....		\$ 3,736	\$ 3,735	\$ 3,701
February.....		4,291	4,159	4,435
March.....		4,459	4,262	4,786
April.....		4,526	4,267	5,212
May.....		4,199	3,961	1,791 ^(b)
June.....		3,957	3,636	1,608
July.....	\$ 3,926	4,017	3,733	
August.....	4,236	4,245	4,084	
September.....	3,982	3,865	3,743	
October.....	3,822	3,820	3,796	
November.....	3,429	3,374	3,378	
December.....	3,465	3,411	3,489	

^(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	Environmental Improvement Fund
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 May 1, 2001 and succeeding months include only 20% of the amount estimated to be available for the local government investment pool. The local government investment pool is composed of funds deposited by local units of government that may be withdrawn without notice. Balances in the local government investment pool ranged from a low of \$63 million on July 1, 1983 to a high of \$4.426 billion on March 1, 1994. Under Section 20.002(11) of the Statutes, interfund borrowing is limited to 5% of the total general-purpose revenue appropriations then in effect, which based on the 2000-2001 budget, is approximately \$554 million, and an additional 3% (approximately \$332 million) for a period of up to 30 days.

Source: Wisconsin Department of Administration.

Table II-10; Revenues Deposited to the General Fund (Page 39). Update the table with the following:

REVENUES DEPOSITED TO THE GENERAL FUND^(a)
July 1, 2000 to April 30, 2001 compared with previous year
(Unaudited)

	Actual Receipts 1999–2000 FY^(b)	Projected Receipts 2000–01 FY	Actual Receipts July 1, 1999 to April 30, 2000	Actual Receipts July 1, 2000 to April 30, 2001
Individual Income Tax	\$ 5,962,010,000	\$ 5,158,800,000	\$ 4,495,847,037	\$ 4,129,556,266
General Sales and Use Tax ..	3,501,659,000	3,710,000,000	2,539,939,745	2,622,934,720
Corporate Franchise and Income Tax	644,625,000	658,300,000	506,944,943	442,370,194
Public Utility Taxes	259,984,000	220,000,000	160,691,788	123,470,188
Excise Taxes	301,852,000	298,000,000	224,678,291	223,371,310
Inheritance Taxes	133,261,000	75,000,000	122,651,181	70,255,881
Miscellaneous Taxes	154,389,000	161,000,000	106,484,767	107,982,028
SUBTOTAL.....	10,957,780,000	10,281,100,000	8,157,237,752	7,719,940,587
Federal Receipts.....	4,170,531,000	4,121,351,700	3,300,294,971	3,652,007,198
Dedicated and Other Revenues ^(c)	<u>3,057,669,000</u>	<u>3,050,627,000</u>	<u>2,623,441,252</u>	<u>3,969,794,989</u>
TOTAL.....	<u>\$ 18,185,980,000</u>	<u>\$ 17,453,078,700</u>	<u>\$ 14,080,973,974</u>	<u>\$ 15,341,742,774</u>

(a) The amounts shown are based on the statutory accounting basis and not on GAAP. See "ACCOUNTING AND FINANCIAL REPORTING" in Part II of the 2000 Annual Report.

(b) The amounts shown are the sum of all revenues for fiscal year 1999-2000 based on the data used in the preparation of the Annual Fiscal Report (Budgetary Basis) for the year ending June 30, 2000.

(c) 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. As an example, this category includes \$1.274 billion for an intergovernmental transfer that was processed in March 2001, and there was no comparable transaction in fiscal year 1999-2000.

Source: Wisconsin Department of Administration.

Table II-11; General Fund Expenditures by Function (Page 40). Update the table with the following:

GENERAL FUND EXPENDITURES BY FUNCTION^(a)
July 1, 2000 to April 30, 2001 compared with previous year
(Unaudited)

	Actual Expenditures <u>1999-2000 FY^(b)</u>	Appropriations <u>2000-01 FY</u>	Actual Expenditures July 1, 1999 to <u>April 30, 2000</u>	Actual Expenditures July 1, 2000 to <u>April 30, 2001</u>
Commerce.....	\$ 209,393,000	\$ 220,214,600	\$ 161,207,643	\$ 160,699,725
Education.....	7,769,121,000	8,163,838,300	5,765,882,111	6,080,767,683
Environmental Resources.....	270,101,000	259,939,200	241,705,871	241,168,565
Human Relations & Resources ^(c)	6,742,655,000	6,541,581,500	4,946,926,284	6,270,182,511
General Executive.....	631,485,000	569,934,100	524,723,671	537,082,254
Judicial.....	102,156,000	104,051,400	86,119,072	89,671,725
Legislative.....	59,820,000	59,086,500	46,723,197	71,412,406
General Appropriations.....	<u>2,548,903,000</u>	<u>2,013,925,700</u>	<u>2,374,107,670</u>	<u>2,359,983,505</u>
TOTAL.....	<u>\$ 18,333,634,000</u>	<u>\$ 17,932,571,300</u>	<u>\$ 14,147,395,519</u>	<u>\$ 15,810,968,374</u>

(a) The amounts shown are based on the statutory accounting basis and not on GAAP. See "ACCOUNTING AND FINANCIAL REPORTING" in Part II of the 2000 Annual Report.

(b) The amounts shown are the sum of all expenditures for fiscal year 1999-2000 based on the data used in the preparation of the Annual Fiscal Report (Budgetary Basis) for the year ending June 30, 2000.

(c) The actual expenditures in this category for July 1, 2000 to April 30, 2001 include \$1.274 billion for an intergovernmental transfer that was processed in March 2001, and there was no comparable transaction in fiscal year 1999-2000.

Source: Wisconsin Department of Administration.

APPENDIX B

State of Wisconsin General Obligation Issuance Status Report May 1, 2001

<u>Program Purpose</u>	<u>Legislative Authorization</u>	<u>General Obligations Issued to Date</u>	<u>Interest Earnings^(a)</u>	<u>G.O. Bonds of 2001, Series C</u>	<u>Total Authorized Unissued Debt</u>
University of Wisconsin; academic facilities.....	\$ 856,708,700	\$ 822,352,229	\$ 11,860,545	\$ 14,540,000	\$ 7,955,926
University of Wisconsin; self-amortizing facilities.....	513,941,400	362,447,621	1,593,214	8,950,000	140,950,565
Natural resources; Warren Knowles - Gaylord Nelson stewardship 2000 program.....	460,000,000	38,260,000		7,090,000	414,650,000
Natural resources; municipal clean drinking water grants.....	9,800,000	9,518,342	141,818		139,840
Clean water fund program.....	552,743,200	358,794,053		3,540,000	190,409,147
Safe drinking water loan program.....	26,210,000	14,301,520			11,908,480
Natural resources; nonpoint source grants.....	56,763,600	38,320,658	132,570	1,110,000	17,200,372
Natural resources; nonpoint source compliance.....	2,000,000	2,000,000			
Natural resources; environmental repair.....	43,000,000	25,664,900	161,017	360,000	16,814,083
Natural resources; urban nonpoint source cost-sharing.....	13,000,000	2,965,000		460,000	9,575,000
Natural resources; environmental segregated fund supported administrative facilities.....	3,050,900	146,100		5,000	2,899,800
Natural resources; segregated revenue supported dam safety projects.....	6,350,000	3,548,000		85,000	2,717,000
Natural resources; pollution abatement and sewage collection facilities, ORAP funding.....	146,850,000	145,010,325	50,000		1,789,675
Natural resources; pollution abatement and sewage collection facilities.....	902,449,800	874,169,888	18,513,076	25,000	9,741,836
Natural resources; pollution abatement and sewage collection facilities; combined sewer overflow.....	200,600,000	194,309,242	6,287,401		3,357
Natural resources; recreation projects.....	56,055,000	56,053,994	1,006		
Natural resources; local parks land acquisition and development.....	2,490,000	2,439,349	42,259		8,392
Natural resources; recreation development.....	23,061,500	22,818,110	141,227		102,163
Natural resources; land acquisition.....	45,608,600	45,115,269	491,671		1,660

GENERAL OBLIGATION ISSUANCE STATUS REPORT—CONTINUED
May 1, 2001

<u>Program Purpose</u>	<u>Legislative Authorization</u>	<u>General Obligations Issued to Date</u>	<u>Interest Earnings^(a)</u>	<u>G.O. Bonds of 2001, Series C</u>	<u>Total Authorized Unissued Debt ^(a)</u>
Natural resources; Wisconsin natural areas heritage program.....	2,500,000	2,442,545	17,174		40,281
Natural resources; segregated revenue supported facilities.....	23,376,600	16,219,722	45,287	115,000	6,996,591
Natural resources; general fund supported administrative facilities.....	10,882,400	7,331,075	21,432	50,000	3,479,893
Natural resources; ice age trail.....	750,000				750,000
Natural resources; dam safety projects.....	5,500,000	5,377,000	49,701	5,000	68,299
Natural resources; segregated revenue supported land acquisition.....	2,500,000	2,498,446			1,554
Natural resources; Warren Knowles - Gaylord Nelson stewardship program.....	231,000,000	198,985,000	1,293,404	1,685,000	29,036,596
Transportation; administrative facilities.....	8,890,400	8,759,479	33,943		96,978
Transportation; accelerated bridge improvements.....	46,849,800	46,849,800			
Transportation; rail passenger route development...	50,000,000	850,000		550,000	48,600,000
Transportation; accelerated highway improvements.....	185,000,000	185,000,000			
Transportation; connecting highway improvements.....	15,000,000	15,000,000			
Transportation; federally aided highway facilities.....	10,000,000	10,000,000			
Transportation; highway projects.....	41,000,000	41,000,000			
Transportation; harbor improvements.....	22,000,000	14,770,000	232,605	70,000	6,927,395
Transportation; rail acquisitions and improvements.....	23,500,000	14,525,000	16	80,000	8,894,984
Transportation; local roads for job preservation, state funds.....	10,000,000				10,000,000
Corrections; correctional facilities.....	697,679,300	634,441,762	11,172,005	12,570,000	39,495,533
Corrections; self-amortizing facilities and equipment.....	7,337,000	1,370,000	99	16,000	5,950,901
Corrections; juvenile correctional facilities.....	27,726,500	25,328,556	102,026		2,295,918
Health and family services; mental health and secure treatment facilities.....	125,705,700	117,565,268	891,059	785,000	6,464,373

GENERAL OBLIGATION ISSUANCE STATUS REPORT—CONTINUED
May 1, 2001

<u>Program Purpose</u>	<u>Legislative Authorization</u>	<u>General Obligations Issued to Date</u>	<u>Interest Earnings^(a)</u>	<u>G.O. Bonds of 2001, Series C</u>	<u>Total Authorized Unissued Debt ^(a)</u>
Agriculture; soil and water.....	6,575,000	2,220,000	1,248	510,000	3,843,752
Agriculture; conservation reserve enhancement..	40,000,000				40,000,000
Administration; Black Point Estate.....	1,600,000				1,600,000
Building commission; previous lease rental authority.....	143,071,600	143,068,654			2,946
Building commission; refunding corporation self-amortizing debt.....	870,000				870,000
Building commission; refunding tax-supported general obligation debt.....	2,125,000,000	1,896,403,677 ^(b)			228,596,323
Building commission; refunding self-amortizing general obligation debt.....	275,000,000	231,440,786 ^(b)			43,559,214
Building commission; housing state departments and agencies.....	387,646,600	309,749,121	2,303,518	2,755,000	72,838,961
Building commission; 1 West Wilson street parking ramp.....	15,100,000	14,805,521	294,479		0
Building commission; project contingencies.....	36,188,400	23,685,000	62,251	905,000	11,536,149
Building commission; capital equipment acquisition.....	105,370,400	77,499,191	729,518	6,000,000	21,141,691
Building commission; discount sale of debt.....	90,000,000	66,758,598			23,241,402
Building commission; discount sale of debt (higher education bonds).....	100,000,000	99,988,833 ^(b)			11,167
Building commission; other public purposes.....	1,056,769,500	849,343,100	6,023,695	20,714,000	180,688,705
Medical College of Wisconsin, Inc.;					
basic science education and health information technology facilities...	10,000,000	10,000,000			
Marquette University;					
dental clinic and education facility..	15,000,000				15,000,000
Swiss cultural center.....	1,000,000				1,000,000
Milwaukee Police Athletic League;					
youth activities center.....	1,000,000				1,000,000
Technology for educational achievement in Wisconsin board;					
school district educational technology infrastructure financial assistance.....	100,000,000	32,335,000	425,571	9,150,000	58,089,429

GENERAL OBLIGATION ISSUANCE STATUS REPORT—CONTINUED
May 1, 2001

<u>Program Purpose</u>	<u>Legislative Authorization</u>	<u>General Obligations Issued to Date</u>	<u>Interest Earnings^(a)</u>	<u>G.O. Bonds of 2001, Series C</u>	<u>Total Authorized Unissued Debt^(a)</u>
Technology for educational achievement in Wisconsin board; public library educational technology infrastructure financial assistance.....	10,000,000	190,000			9,810,000
Educational communications board; educational communications facilities.....	8,658,100	7,764,539	36,946	175,000	681,615
Historical society; self-amortizing facilities.....	3,173,600	1,029,156	3,896		2,140,548
Historical society; historic records.....	400,000				400,000
Historical society; historic sites.....	1,839,000	1,825,756			13,244
Historical society; museum facility.....	4,384,400	4,356,000			28,400
Public instruction; state school, state center and library facilities.....	7,367,700	7,330,612	32,508		4,580
Military affairs; armories and military facilities.....	20,417,300	17,872,527	192,632	10,000	2,342,141
Veterans affairs; veterans facilities.....	10,090,100	8,953,065	50,593		1,086,442
Veterans affairs; self-amortizing mortgage loans.....	2,020,500,000	1,888,652,395	2,133,000		129,714,605
Veterans affairs; refunding bonds.....	665,000,000	632,539,245			32,460,755
Veterans affairs; self-amortizing facilities.....	15,941,000	650,000	501	80,000	15,210,499
State fair park board; board facilities.....	3,887,100	2,360,000		10,000	1,517,100
State fair park board; housing facilities.....	11,000,000	10,949,000	13	10,000	40,987
State fair park board; self-amortizing facilities.....	44,787,100	31,473,800	58,693		13,254,607
Total.....	<u>\$12,805,517,300</u>	<u>\$10,739,791,829</u>	<u>\$65,623,618</u>	<u>\$92,410,000</u>	<u>\$1,907,691,853</u>

^(a) Interest earnings reduce issuance authority by the same amount.

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

Source: Wisconsin Department of Administration.

Appendix C

EXPECTED FORM OF LEGAL OPINION

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

(Letterhead of Foley & Lardner)

\$92,410,000

STATE OF WISCONSIN GENERAL OBLIGATION BONDS OF 2001, SERIES C

We have served as bond counsel in connection with the issuance by the State of Wisconsin (the "State") of its \$92,410,000 General Obligation Bonds of 2001, Series C, dated June 1, 2001 (the "Bonds"). The Bonds are being issued pursuant to Chapter 18, Wisconsin Statutes (the "Act") and a resolution adopted by the State of Wisconsin Building Commission (the "Commission") on February 28, 2001 (the "Resolution").

We examined the law and a certified copy of the proceedings and certifications of public officials and others. As to questions of fact material to our opinion, we relied upon those certified proceedings and certifications without undertaking to verify them.

Based upon this examination, it is our opinion that, under existing law:

1. The Bonds are valid and binding general obligations of the State.
2. The Resolution has been duly adopted by the Commission and is a valid and binding obligation of the State enforceable upon the State as provided in the Resolution.
3. The full faith, credit, and taxing power of the State are irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Bonds as the Bonds mature and become due. There has been irrevocably appropriated, as a first charge upon all revenues of the State, a sum sufficient for such purpose.
4. Interest on the Bonds is excluded from gross income for federal income tax purposes. It also is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. For the purpose of computing the alternative minimum tax imposed on certain corporations, however, interest on the Bonds is taken into account in determining adjusted current earnings. In addition, the State must comply with all requirements of the Internal Revenue Code that must be satisfied after the Bonds are issued for interest on the Bonds to be, or continue to be, excluded from gross income for federal income tax purposes. The State has agreed to do so. A failure to comply may cause interest on the Bonds to be included in gross income for federal income tax purposes, in some cases starting from the date the Bonds were issued. This letter expresses no opinion about other federal tax law consequences regarding the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or an equitable proceeding). This letter expresses no opinion as to the availability of any particular form of judicial relief.

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 Bonds (except to the extent, if any, stated in the Official Statement), and we express no opinion relating thereto (except only the matters set forth as our opinion in the Official Statement). However, in serving as bond counsel, 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 Bonds, 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.

This letter speaks as of its date. We assume no duty to change this letter to reflect any facts or circumstances that later come to our attention or any changes in law.

Very truly yours,

FOLEY & LARDNER