OFFERING MEMORANDUM

This Offering Memorandum has been prepared by the State of Wisconsin to provide information on the Notes. For the convenience of the user, selected information is presented on this cover page. To make an informed decision regarding the Notes, a prospective investor should read this Offering Memorandum in its entirety. Unless otherwise indicated, capitalized terms are defined in APPENDIX C.

STATE OF WISCONSIN

TRANSPORTATION REVENUE COMMERCIAL PAPER NOTES OF 1997, SERIES A

Note Ratings	F–1+ Fitch Ratings P–1 Moody's Investors Service, Inc. A–1+ Standard & Poor's Ratings Service
Tax Exemption	Interest on the Notes is, for federal income tax purposes, excluded from gross income and not an item of tax preference. Interest on the Notes is subject to State of Wisconsin income and franchise taxes–See page 11.
Redemption	The Notes are not subject to redemption prior to maturity.
Security	The Notes are payable solely from Program Income, as defined in this Offering Memorandum, deposited into the Subordinated Debt Service Fund that is created and pledged by the Program Resolution for the Notes. This pledge is subordinate to the pledge of Program Income to payment of Bonds presently outstanding or to be issued by the State in accordance with the General Resolution–See page 4.
Line of Credit	Effective May 6, 2002, Westdeutsche Landesbank Girozentrale, acting through its New York Branch, and Bayerische Landesbank Girozentrale, acting through its New York Branch, are severally providing a line of credit to provide liquidity for the Notes.
Rule 2a-7 Compliance	The Issuing and Paying Agent is required to provide notice to each holder of the Notes (DTC for Notes in book-entry form) if the State provides for a substitute Liquidity Facility.
Denominations	\$100,000 and \$1,000 increments above \$100,000
Bond Counsel	Quarles & Brady LLP
Issuing and Paying Agent	Deutsche Bank Trust Company Americas (f/k/a Bankers Trust Company)
Issuer Contact	Wisconsin Capital Finance Office; (608) 266-2305; capfin@doa.state.wi.us
Book-Entry Form	The Depository Trust Company–See pages 2-4.
Annual Report	This Offering Memorandum incorporates by reference Parts I, II, and V of the State of Wisconsin Continuing Disclosure Annual Report, dated December 19, 2001.

LEHMAN BROTHERS **BEAR, STEARNS & CO. INC.**

May 1, 2002

This document is the "offering memorandum"—that is, it contains the only authorized information about the Notes. This document is not an offer or solicitation for the Notes, and no unlawful offer, solicitation, or sale may occur through the use of this document or otherwise. This document is not a contract, and it provides no investment advice. Prospective investors should consult their advisors and legal counsel with questions about this document, the Notes, 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 estimates, forecasts, projections, and opinions in this document are not 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 Notes other than what is in this document. The information and expressions of opinion in this document may change without notice. Neither the delivery of this document nor any sale of the Notes implies that there has been no change in the other matters contained in this document since its date. Material referred to in this document is not part of this document unless expressly included.

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STATE OFFICIALS PARTICIPATING IN THE ISSUANCE AND SALE OF NOTES

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	——
Vacant, State Chief Architect Department of Administration	——
Building Commission Secretary	
Mr. Robert G. Cramer, Administrator Division of Facilities Development 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
Mr. Thomas E. Carlsen, P.E., Acting Secretary Department of Transportation	At the pleasure of the Governor

DEBT MANAGEMENT AND DISCLOSURE

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Madison, WI 53707-7864
(608) 266-2305
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Capital Finance Officer
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OFFERING MEMORANDUM

STATE OF WISCONSIN

TRANSPORTATION REVENUE COMMERCIAL PAPER NOTES OF 1997, SERIES A

INTRODUCTION AND THE PROGRAM

This Offering Memorandum describes the State of Wisconsin Transportation Revenue Commercial Paper Notes of 1997, Series A **(Notes)** issued under the State of Wisconsin's Transportation Revenue Commercial Paper Note **Program**. This Offering Memorandum includes by reference Parts I, II, and V of the State of Wisconsin Continuing Disclosure Annual Report, dated December 19, 2001 **(2001 Annual Report).**

The Notes are issued pursuant to various resolutions adopted by the State of Wisconsin **Building Commission**, including the State of Wisconsin Transportation Facilities and Highway Projects Revenue Obligations **General Resolution**, as amended. Under the **Program Resolution**, as amended, the Building Commission may issue notes at one time, from time to time, in one or more series, up to an aggregate outstanding principal amount of $275 million. Pursuant to **Supplemental Resolutions** adopted to date, the Building Commission has authorized the issuance of up to $188.6 million of Notes, of which $136.6 million remain outstanding as of the date of this Offering Memorandum. The General Resolution, Program Resolution, and Supplemental Resolutions are collectively referred to as **Resolutions.** The Building Commission may adopt additional Supplemental Resolutions authorizing the issuance of more Notes.

The State has initially appointed Lehman Brothers and Bear, Stearns & Co. Inc. to serve as **Dealers** for the Notes. The State has appointed Deutsche Bank Trust Company Americas (f/k/a Bankers Trust Company) to serve as **Issuing and Paying Agent** for the Notes. The State has appointed The Depository Trust Company (**DTC**) to serve as **Depository** for the Notes. The State has obtained a **Liquidity Facility** in the form of a line of credit, which is provided for in a **Credit Agreement** among the State and the **Banks** — Westdeutsche Landesbank Girozentrale, acting through its New York Branch, and Bayerische Landesbank Girozentrale, acting through its New York Branch.

In connection with the issuance of the Notes, the Commission has authorized the preparation of this Offering Memorandum, which describes the terms of and security for the Notes. All references to the General Resolution, Program Resolution and Supplemental Resolutions are qualified by reference to such documents, copies of which are available from the Commission. All references to the Notes are qualified by reference to the related information contained in the Resolution. All capitalized terms used in this Offering Memorandum and not otherwise defined shall have the meanings provided for in APPENDIX C or the Resolution.

THE NOTES

Purpose of the Notes

The Notes are being issued pursuant to Subchapter II of Chapter 18 and Section 84.59 of the Wisconsin Statutes, which authorize the issuance and sale of revenue obligations for up to the amount specified by the Wisconsin Legislature to pay the costs of major highway projects and certain State transportation facilities.

Ratings

At the State's request, several rating agencies have rated the Notes or Program:

Rating	Rating Agency
F-1+	Fitch Ratings
P-1	Moody's Investors Service, Inc.
A-1+	Standard & Poor's Ratings Services

Several rating agencies currently rate the State's transportation revenue bonds (which the State expects ultimately to issue to fund outstanding Notes):

Rating	Rating Agency
AA	Fitch Ratings
Aa3	Moody's Investors Service, Inc.
AA-	Standard & Poor's Ratings Services

Any explanation of the significance of a rating may only be obtained from the rating service furnishing such rating. There is no assurance a rating given to a security will be maintained for any period of time. A rating may be lowered or withdrawn entirely by the rating service if, in its judgment, circumstances so warrant. Any downgrade or withdrawal of a rating may have an adverse effect on the market price of the security.

Description of the Notes

Each Note will be dated the date it is issued. It will be issued as an interest-bearing obligation in a denomination of $100,000, or increments of $1,000 above $100,000. Each Note will be issued in book-entry form through the book-entry system of The Depository Trust Company Depository.

The Notes are not callable prior to maturity.

Each Note will bear interest from its date of issuance, at the rate determined at the date of issuance (which may not exceed 14% per annum), and payable at maturity. Interest is computed on the basis of a year having 365 or 366 days and actual number of days elapsed. Payment of each Note will be made to the Depository and then distributed by the Depository.

The Notes will mature from one to 270 days from its issuance date. Also, no Note may be issued with a maturity date later than two (2) business days prior to the expiration date of the Liquidity Facility or substitute Liquidity Facility.

Book-Entry Form

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered master note certificate has been issued covering all series of notes, and has been deposited with the Issuing and Paying Agent as the agent for DTC.

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

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

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

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

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

Principal and interest payments on the Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on 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 payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the State, or the Issuing and Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the State or the Issuing and Paying Agent, and disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

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

No assurance can be given by the State, the Issuing and Paying Agent, nor the Dealers that DTC, Direct Participants and Indirect Participants will promptly transfer payments or notices received with respect to the Notes. The State assumes no liability for the failure of DTC, Direct Participants or Indirect Participants to transfer to the Beneficial Owner payments or notices received with respect to the Notes.

Similarly, no assurance can be given by the State, the Issuing and Paying Agent, nor the Dealers that DTC will abide by its procedures or that such procedures will not be changed from time to time. In the event that a successor securities depository is designated, it may establish different procedures.

SECURITY FOR THE NOTES

General

Information concerning the State of Wisconsin Transportation Facilities and Highway Projects Revenue Obligations Program, security for the Notes, including sources of payment, registered vehicles, past and projected Registration Fees, Registration Fee collection procedures, Additional Bonds, and the Department is included as APPENDIX B, which includes by reference Part V of the 2001 Annual Report. Part V of the 2001 Annual Report also includes the audited financial statements for the Program for the fiscal year ending June 30, 2001.

Security

The Notes are not general obligations of the State, its agencies, instrumentalities, or political subdivisions and the Notes do not constitute "public debt" of the State as that term is used in the Constitution and Statutes of the State.

The Notes, and any other obligation to be issued on parity with the Notes, are revenue obligations of the State payable from Program Income deposited into the Subordinated Debt Service Fund created pursuant to the Program Resolution. The pledge of such Program Income to payment of the Notes is subordinate to the pledge of Program Income to payment of the 1992 Bonds, 1993 Bonds, 1994 Bonds, 1995 Bonds, 1996 Bonds, 1998 Bonds, 2000 Bonds, 2001 Bonds, and 2002 Bonds **(Outstanding Bonds)**, and any other Bonds issued pursuant to the General Resolution.

Program Income includes certain vehicle registration fees authorized under Section 341.25 of the Wisconsin Statutes (**Registration Fees**) or any other moneys that the State is authorized to pledge. All Program Income shall be collected by the Bank One Trust Company, National Association **(Trustee)**, or the Department as agent of the Trustee, and deposited outside the State Treasury in an account with the Trustee defined as the **Redemption Fund**. Program Income is defined to include all the interest earned or gain realized from the investment of the Redemption Fund.

Program Income received or to be received by the Trustee in the Redemption Fund is to be used:

(1) to pay interest on all Outstanding Bonds,

(2) to pay the principal or Redemption Price of all Outstanding Bonds,

(3) to maintain the Debt Service Reserve Requirement in the Reserve Fund,

(4) to pay direct administrative expenses (**Program Expenses**) of the State's program of financing Projects, and

(5) to pay principal and interest on the Notes.

Program Income in excess of the amount needed for such purposes is to be transferred to the Transportation Fund held by the Department free of the lien of the pledge of the General Resolution and will be used by the Department for any of its authorized purposes.

The State expects to pay the principal of and interest on the Notes that come due from time to time with the proceeds of additional Notes or from moneys deposited in the Note Fund for payment of principal of and interest on the Notes.

From amounts of Program Income deposited quarterly into the Redemption Fund, the State expects to make the following deposits into the Note Fund:

- *On July 1 of each year* — an amount equal to the aggregate amount of interest on the Notes calculated for the period of July 1 through September 30, plus the amount of the Subordinated Debt Service Requirement as set forth in the respective Supplemental Resolution,
- *On October 1 of each year* — an amount equal to the aggregate amount in interest on the Notes estimated for the period October 1 through December 31,
- *On January 1 of each year* — an amount equal to the aggregate amount of interest on the Notes estimated for the period January 1 through March 31, and
- *On April 1 of each year* — an amount equal to the aggregate amount of interest on the Notes estimated for the period of April 1 through June 30.

The State expects to ultimately issue long-term Bonds to fund the then outstanding Notes. A Supplemental Resolution already authorizes transportation revenue bonds for the purpose of funding the Notes. *Such transportation revenue bonds will be issued on parity with Outstanding Bonds, in accordance with the General Resolution, and can only be issued at the discretion of the State.*

Pursuant to the Credit Agreement, the Banks have agreed to make advances to the State, if necessary and subject to certain conditions, to provide for the payment of principal of and interest on the Notes when due. See "LIQUIDITY FACILITY" and "DESCRIPTION of BANKS" herein.

To provide additional security for payment of the principal of and interest on the Notes as the same shall become due and payable there has been granted to the Noteholders a lien and pledge of the Note Fund created by the Program Resolution and held by the Issuing and Paying Agent. Amounts held in the Note Fund which are derived from different sources are not commingled, but established and maintained in separate accounts or subaccounts, as necessary, for each source of money.

The State pledges and agrees with the Noteholders that the State will not limit or alter its powers to fulfill the terms of any agreements (made in the General Resolution or in the Notes) with the Noteholders, or in any way impair the rights and remedies of the Noteholders until the Notes, together with interest, including interest on any unpaid installments of interest thereon, Redemption Price and all costs and expenses in connection with any action or proceeding by or on behalf of the Nondholders, are fully met and discharged.

DESCRIPTION OF THE BANKS

Westdeutsche Landesbank Girozentrale

Westdeutsche Landesbank Girozentrale **(WestLB)**, which traces its history to 1832, was created by the merger of two central banks, or Landesbanks (German State Banks), in the State of North Rhine-Westphalia, the Federal Republic of Germany **(Germany)** on January 1, 1969. As a German universal bank, WestLB provides commercial and investment banking services regionally, nationally and internationally to public, corporate and bank customers. WestLB is the largest of the Landesbanks and, on the basis of total assets at December 31, 2000, was the fifth largest bank in Germany. At December 31, 2000, WestLB had total assets of approximately Euro (**E** or **Euros**) 304 billion (US$ 283 billion).

WestLB also performs the functions of a state and municipal bank for the State of North Rhine-Westphalia and acts as the central bank of the Sparkassen (savings banks) in North Rhine-Westphalia (Germany's most populous state). It conducts a comprehensive range of wholesale banking business and has the power to issue mortgage bonds, municipal bonds and other bonds and is the largest continuous issuer of long term debt in Germany. In its capacity as central bank, WestLB acts as the clearing and depository bank for the savings banks in North Rhine-Westphalia. As a state bank, WestLB provides trustee services for State-supported lending programs for housing, regional economic assistance, middle market firms and environmental protection. Internationally, the WestLB Group operates through an extensive network of banking subsidiaries, branches and representative offices to provide a range of financial services to its clients.

Pursuant to a guaranty obligation (Gewährträgerhaftung) set forth in Section 37 of the North Rhine-Westphalia Savings Bank Act and Section 5 of the Ordinances of WestLB, North Rhine-Westphalia together with the other guarantors specified therein (including regional authorities and savings bank associations) are jointly and severally liable without restriction for all obligations of WestLB, including all obligations of WestLB New York. The guaranty obligation gives creditors a direct claim against North Rhine-Westphalia only if the claims of the creditors have not first been satisfied out of the assets of WestLB, including the assets of WestLB New York.

In addition to being liable under the guaranty obligation, North Rhine-Westphalia, having established WestLB, is responsible to WestLB for the performance of WestLB's obligations, including all obligations of WestLB New York. This maintenance obligation (Anstaltslast), while not a formal guaranty affording creditors of WestLB a direct claim against North Rhine-Westphalia, requires North Rhine-Westphalia to keep WestLB in a position to perform its functions and to enable it, in the event of financial difficulties, to perform its obligations, when due.

The New York Branch of WestLB **(WestLB New York)** is licensed and subject to supervision and regulation by the Superintendent of Banks of the State of New York. WestLB New York is examined by the New York State Banking Department and is subject to banking laws and regulations applicable to a foreign bank that operates a New York branch. In addition to being subject to New York banking laws and regulations, WestLB and WestLB New York are also subject to the International Banking Act of 1978 **(IBA)** and the Foreign Bank Supervision Enhancement Act of 1991, and WestLB is subject to federal regulation under the IBA and the Bank Holding Company Act of 1956.

In the fiscal year ended December 31, 2000, WestLB's total assets decreased by 1% from E 308 billion to E 304 billion. As of December 31, 2000, WestLB's total business volume expanded by 1% from E 396 billion to E 399 billion. WestLB's capital and declared reserves increased by 5% to E 14,672 million as of December 31, 2000 (as compared to E 13,963 million as of December 31, 1999).

WestLB's operating profit before risk provisions/reserves of E 529 million (US$ 492 million) decreased by 14% from the previous year. Interest surplus decreased by 12% (from E 2,010 million in 1999 to E 1,768 million in 2000). Commission surplus increased by 63% (from E 366 million in 1999 to E 597 million in 2000). Staff expenses went up by 17% to E 1,061 million (US$ 987 million) in 2000, with other administrative expenses showing an increase of 17% to E 936 million (US$ 871 million) in 2000. As a result, West LB's operating result before risk provisions/result of evaluation of E 809 million as of December 31, 2000 increased by 4% (from E 776 million in 1999)

The financial information for the year ended December 31, 2000 is derived from the audited statements of WestLB, does not include the consolidated subsidiaries of the WestLB Group and has been prepared in accordance with accounting principles, practices, laws and regulations generally accepted in Germany. German accounting principles differ in certain respects from accounting principles generally accepted in the United States.

Unless indicated otherwise, currency amounts are stated in Euro or United States dollars (**US$** or **U.S. dollars**). Merely for the convenience of the reader, this summary contains translations of certain Euro amounts into U.S. dollars at specified rates. These translations should not be construed as representations that the Euro amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollar amounts at the rate indicated. Unless otherwise indicated, the translations of Euro into U.S. dollars have been made at E = US$ 0.9305, which was the official (Frankfurt fixing) exchange rate on December 29, 2000. In certain instances, figures reflect the effect of rounding.

Bayerische Landesbank Girozentrale

Bayerische Landesbank Girozentrale was incorporated as a public law financial institution (Rechtsfaehige Anstalt des Oeffentlichen Rechts) by the Law Establishing Bayerische Landesbank Girozentrale (Gesetz ueber die Errichtung der Bayerischen Landesbank Girozentrale) of June 27, 1972, as amended, as adopted by the Parliament of the Free State of Bavaria, and is subject to the German Federal Banking Act of July 10, 1961, as amended (Gesetz ueber das Kreditwesen) **(Federal Banking Act)**. Its statutes authorize Bayerische Landesbank Girozentrale to provide universal financial services including both commercial and investment banking as well as brokerage activities. The Free State of Bavaria owns 50% of Bayerische Landesbank Girozentrale's share capital, the other 50% being owned by the Bavarian Savings Bank and Clearing Association (Bayerischer Sparkassen-und Giroverband) (which is the central organization of the Bavarian Savings Banks).

Bayerische Landesbank Girozentrale is equipped to provide a full range of domestic and international banking services; with regard to local banking functions, Bayerische Landesbank Girozentrale also makes use of the Bavarian Savings Bank's network. In the domestic field, Bayerische Landesbank Girozentrale places emphasis on wholesale banking, lending to federal and local authorities and mortgage lending, together with industrial credit. Bayerische Landesbank Girozentrale holds the function of a banker of the Free State of Bavaria and its municipalities, and also finances public and private development projects, administers public funds and performs certain treasury functions for the Free State of Bavaria.

The Free State of Bavaria and the Bavarian Savings Bank and Clearing Association are jointly and severally liable for the obligations of Bayerische Landesbank Girozentrale if the liabilities cannot be satisfied from the Bayerische Landesbank Girozentrale's assets (Gewaehrtraeger). The owners of Bayerische Landesbank Girozentrale also have an obligation to maintain Bayerische Landesbank Girozentrale in a financial position that enables it to carry out its functions. This liability (Anstaltslast), which is peculiar to German law, obliges the owners to provide funds for Bayerische Landesbank Girozentrale that are necessary to enable it to fulfill its functions, to meet its liabilities and to keep its finances sound. As an additional safeguard, it is noted that as a public law institution Bayerische Landesbank Girozentrale can only be put into liquidation through a specific law to this effect.

Bayerische Landesbank Girozentrale established a Representative Office in New York in October 1979 and obtained a license from the office of the Comptroller of the Currency in October 1981 to operate through a branch located in the City of New York.

The New York Branch engages in a diversified banking business, and is a major wholesale lending participant throughout the United States, offering a full range of domestic and international financial services, including loans, foreign exchange and money market operations.

All banking institutions in the Federal Republic of Germany are subject to governmental supervision and regulation exercised by the Federal Banking Supervisory Authority (Bundesaufsichtsamt fuer das Kreditwesen), an independent federal authority with regulatory powers and by the Deutsche Bundesbank **(German Federal Central Bank)** in accordance with the Federal Banking Act. The Federal Banking Act contains major rules for banking supervision and regulates the Bayerische

Landesbank Girozentrale's business activities, capital adequacy and liquidity. In addition to the above-mentioned general banking supervision, the group of Landesbanks is subject to special supervision by their respective federal states.

As reported in Bayerische Landesbank Girozentrale's Annual Report for the Fiscal Year ended December 31, 2000, the bank had total assets of E 285.5 billion (E 305.0 billion on a consolidated basis). Business volume (balance sheet total, own drawings charged to borrowers, endorsement liabilities, and guarantees) expanded by 8.9% to E 304.3 billion from the previous year end. Bayerische Landesbank Girozentrale's consolidated lending volume increased by E 9.3 billion to E 203.2 billion from year end 1999. Total equity of Bayerische Landesbank Girozentrale, including, among other items, nominal capital of E 0.97 billion, profits participation rights with a nominal value of E 2.57 billion, and capital contributions of silent partners in an amount of E 2.75 billion, totaled E 10.3 billion, or 3.6% of the unconsolidated balance sheet. Net income after tax was E 493.0 million, an increase of 7.8% compared to year end 1999. E 425 million of such amount has been allocated to revenue reserves, raising the bank's published reserve to E 3.91 billion. The accounting principles applied in the preparation of the Bayerische Landesbank Girozentrale's financial statements comply with generally accepted accounting principles in the Federal Republic of Germany and may not conform to generally accepted accounting principles applied by United States banks.

The rate of exchange between the E and the dollar is determined by the forces of supply and demand in the foreign exchange markets, which, in turn, are affected by changes in the balance of payments and other economic and financial conditions, government intervention, speculation and other factors. The foregoing information relating to Bayerische Landesbank Girozentrale is based upon facts and circumstances present on the dates referenced above. Such facts and circumstances may change from time to time. Bayerische Landesbank Girozentrale shall have no obligation to update the foregoing information to reflect any such change.

Copies of Bayerische Landesbank Girozentrale's Annual Report for the most recent available fiscal year may be obtained at the New York Branch in person during normal business hours or by mail by writing to the New York Branch at: Bayerische Landesbank Girozentrale, 560 Lexington Avenue, New York, New York 10022, Attention: Corporate Finance.

Bayerische Landesbank Girozentrale has supplied the information relating to it in the previous paragraphs. Bayerische Landesbank Girozentrale does not accept responsibility for any information contained in this Offering Memorandum other than the information contained in this Section relating to the Bayerische Landesbank Girozentrale.

LIQUIDITY FACILITY

The State and the Banks have entered into a Credit Agreement dated as of May 1, 2002, which shall become effective May 6, 2002 and which also constitutes a Substitute Liquidity Facility under the Program Resolution.

General

Pursuant to the Credit Agreement, the Banks have severally and not jointly agreed, subject to certain conditions, to make **Advances** (as defined in the Credit Agreement) from time to time on any business day during the term of the Credit Agreement to fund the payment by the State of the principal of and interest on any Notes at the stated maturity thereof in accordance with the terms of the Credit Agreement and the Program Resolution.

The aggregate amount of all Advances made on any date may not exceed the amount of the Banks' commitment under the Credit Agreement (initially, an amount equal to $150,000,000), as such amount may be reduced from time to time pursuant to the terms of the Credit Agreement. The obligations of

WestLB under the Credit Agreement may not at any time exceed $100,000,000 and the obligations of BLB under the Credit Agreement may not at any time exceed $50,000,000.

Special Events of Default

Upon the occurrence of a Special Event of Default under the Credit Agreement, (i) the obligations of the Banks to make Advances under the Credit Agreement shall automatically and immediately terminate and the amount of the Banks' commitment under the Credit Agreement shall be reduced to zero without notice or other action on the part of the Banks and (ii) all obligations owing by the State to the Banks under the Credit Agreement shall immediately become due and payable. The following shall constitute Special Events of Default under the Credit Agreement:

(i) the occurrence of certain events of bankruptcy, insolvency, liquidation or moratorium of the State; and

(ii) the State shall fail to pay any amount of principal of or interest on any Advance when the same shall become due and payable pursuant to the Credit Agreement or the **Promissory Note** (as defined in the Credit Agreement) issued to each Bank to evidence repayment of any Advances, or the State shall fail to pay any principal of or any interest on any Note when the same shall become due and payable for any reason other than the failure of any Bank to perform its obligations under the Credit Agreement; and

(iii) (a) The Credit Agreement or the Program Resolution at any time after its execution and delivery, or the Promissory Note or any Note shall, for any reason, cease to be valid and binding on the State or in full force and effect or shall be declared to be null and void, in each case, pursuant to a final administrative determination or judicial decision from which there shall not exist any further right of appeal or against which a timely appeal shall not have been filed by the State; or (b) the validity or enforceability of the Credit Agreement, the Promissory Note, the Program Resolution or any Note shall be contested (1) by the State or (2) by any governmental agency or authority having jurisdiction over the State, unless with respect to clause (2) above, the same is being contested by the State in good faith and by appropriate proceeding or (c) the State shall deny that it has any or further liability or obligation under the Credit Agreement, the Promissory Note, the Program Resolution or any Note; and

(iv) The State shall fail to pay when due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) any Bonded Debt (as defined in the Credit Agreement) of the State, or any interest or premium thereon, and such failure shall continue beyond any applicable period of grace specified in any underlying indenture, contract or instrument providing for the creation of or concerning such Bonded Debt, or pursuant to the provisions of any such indenture, contract or instrument, the maturity of any Bonded Debt of the State shall have been or, as a result of a payment default of any nature, may be accelerated or required to be prepaid prior to the stated maturity thereof; and

(v) Fitch Ratings, Moody's Investors Service, Inc., or Standard & Poor's Ratings Services shall have downgraded any Bonded Debt of the State to below Investment Grade or withdrawn its rating on any Bonded Debt of the State due to credit considerations.

Suspension Events

Upon the occurrence and during the continuance of an event that would upon the passage of time or giving of notice, or both, become an event of default as described in clause (i) or (iii)(b)(2) under the subheading "Special Events of Default" above, the obligations of the Banks to make Advances under the Credit Agreement shall be suspended until the proceeding referred to therein is terminated prior to the court entering an order granting the relief sought in such proceeding. In the event such proceeding is terminated, the obligations of the Banks to make Advances under the Credit Agreement shall be reinstated and the terms of the Credit Agreement will continue in full force and effect (unless the obligations of the Banks to make Advances under the Credit Agreement shall have otherwise terminated in accordance with the terms of the Credit Agreement or there has occurred a Special Event of Default) as if there had been no such suspension.

Events of Default

Upon the occurrence of certain events of default specified in the Credit Agreement, the Banks may terminate the right of the State to issue Notes and/or all obligations owing by the State to the Banks under the Credit Agreement shall immediately become due and payable. Any such termination, however, would not affect the obligations of the Banks under the Credit Agreement to honor demands for payment by the Issuing and Paying Agent with respect to Notes outstanding immediately prior to such termination.

Termination of the Credit Agreement

The Credit Agreement will terminate 364 days from May 6, 2002, which scheduled termination date is May 5, 2003, but may be extended for an additional period of 364 days upon the request of the State and the approval by the Banks.

Substitution of Credit Agreement

General. The Program Resolution permits the State to replace the Credit Agreement with another comparable agreement or agreements with any other bank or banks so long as the substitution meets all of the qualifications set forth in the Program Resolution. These include written evidence from each Rating Agency (two at a minimum) which, at the State's request, is then rating the Notes to the effect that the substitution of the Liquidity Facility will not by itself result in a withdrawal, suspension or reduction of its ratings of the Notes. Any such substituted agreement may have covenants, events of default, conditions to borrowing and other provisions different from the current Credit Agreement. The State will notify the Dealers of any change in the Credit Agreement or provider of the Liquidity Facility. The State will also notify each nationally recognized municipal securities information repository (**NRMSIR**) of any change in the Credit Agreement or provider of the Liquidity Facility. See "CONTINUING DISCLOSURE".

Rule 2a-7 Compliance. The Issuing and Paying Agency Agreement between the State and Issuing and Paying Agent has been amended to require the Issuing and Paying Agent to provide notice to each holder of the Notes (DTC for Notes in book-entry form) if the State provides for a substitute Liquidity Facility.

INFORMATION ABOUT 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 concerning the State and its financial condition is included as APPENDIX A, which includes by reference Part II of the 2001 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

LEGALITY

Legal matters incident to the authorization, issuance and delivery of the Notes were subject to the approval of Quarles & Brady LLP, Bond Counsel.

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

TAX EXEMPTION

On May 7, 1997, Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel, delivered a legal opinion, substantially in the form set forth in APPENDIX D, with respect to the federal income tax exemption applicable to the interest on the Notes under existing law.

The State has covenanted to comply with all such requirements referenced in the legal opinion to the extent it may lawfully do so. However, the proceedings authorizing the Notes do not provide for an increase in interest rates in the event of taxability or in the event of the inclusion of interest as an item of tax preference in computing the alternative minimum tax.

Bond Counsel expressed no opinion regarding other federal tax consequences arising with respect to the Notes.

In the opinion of Bond Counsel, as of the date of the opinion, the Notes were not "private activity bonds" under Section 141(a) of the Code.

Prospective purchasers of the Notes should be aware that ownership of the Notes may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income", foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Notes. Bond Counsel did not express any opinion as to such collateral tax consequences. Prospective purchasers of the Notes should consult their tax advisors as to collateral federal income tax consequences.

From time to time, legislation is proposed which, if enacted, could alter one or more of the federal tax matters referred to above or would adversely affect the market value of the Notes. It cannot be predicted whether or in what form any of such proposals may be enacted and whether, if enacted, such proposals will apply to obligations (such as the Notes) issued prior to enactment.

The interest on the Notes is not exempt from present Wisconsin income or franchise taxes.

CONTINUING DISCLOSURE

The State has made an undertaking, for the benefit of the beneficial owners of the Notes, to 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 Offering Memorandum, no SID has been established. Part I of the 2001 Annual Report, which contains information on the undertaking, is included by reference as part of this Offering Memorandum.

Copies of notices may be obtained from:

State of Wisconsin Capital Finance Office
Department of Administration
101 East Wilson Street, FLR 10
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 1, 2002

STATE OF WISCONSIN

/S/ SCOTT MCCALLUM

Governor Scott McCallum, Chairperson
State of Wisconsin Building Commission

/S/ THOMAS E. CARLSEN, P.E.

Thomas E. Carlsen, P.E., Acting Secretary
State of Wisconsin Department of Transportation

/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)**. Part II of the State of Wisconsin Continuing Disclosure Annual Report, dated December 19, 2001 **(2001 Annual Report)** is included by reference as part of this APPENDIX A. This appendix includes the current status of the State's 2001-03 biennial budget and a correction to actual 2000-01 fiscal year revenues and expenditures presented in Tables II-11 and II-12 of the 2001 Annual Report.

Part II to the 2001 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 2000-01
- 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 2001 Annual Report are the audited general purpose financial statements for the fiscal year ending June 30, 2001, prepared in conformity with generally accepted accounting principles **(GAAP)** for governments as prescribed by the Government Accounting Standards Board, and the State Auditor's report.

The 2001 Annual Report has been filed with each nationally recognized municipal securities information repository **(NRMSIR)**. Copies of the 2001 Annual Report are available from the Capital Finance Office web site and may also be obtained from:

State of Wisconsin Capital Finance Office
Department of Administration
101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
(608) 266-2305
capfin@doa.state.wi.us

As of the date of this Offering Memorandum, Part II of the 2001 Annual Report is available from the Capital Finance Office web site at the following address:

www.doa.state.wi.us/debf/capfin/01dis2.pdf

After publication and filing of the 2001 Annual Report, certain changes or events have occurred that affect items discussed in the 2001 Annual Report. Listed below, by reference to particular sections of the 2001 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; Budget for 2001-03; *Current Budget Status* (Part II–Page 26). Update with the following:

Revised Revenue Estimates – January 16, 2002

On January 16, 2002, the Legislative Fiscal Bureau provided revised estimates of general-fund revenues and gross ending balances for the 2001-02 and 2002-03 fiscal years, taking into account economic forecasts and actual tax collections and expenditures. The memorandum from the Legislative Fiscal Bureau that contains these revised revenues appears on pages A-6 to A-16 of this Offering Memorandum. The revised estimates show the following differences from estimates used in the 2001-03 biennial budget:

- 2001-02 general-fund tax revenues are now estimated to be $443 million lower at $10.218 billion.
- 2002-03 general-fund tax revenues are now estimated to be $596 million lower at $10.535 billion.
- 2001-03 departmental revenues (non-tax receipts) are now estimated to be $10 million lower.
- 2001-03 net expenditures are now estimated to be $25 million lower.

As a result of these revisions, the estimated gross balance for June 30, 2002 (before taking into account the statutory reserve) is estimated to be negative $126 million, which is $401 million less than the amount in the 2001-02 budget. The estimated gross balance for June 30, 2003 (before taking into account the statutory reserve) is estimated to be negative $975 million, which is $1.015 billion less than the amount in the 2002-03 budget.

State Budget (Part II–Pages 25-28). Add the following new section:

Budget Reform Bill for 2001-03

As required by law, on January 22, 2002 the Governor presented to the Legislature a budget reform bill for the 2001-03 biennium. On February 5, 2002, the budget reform bill was introduced in the Assembly, and as of the date of this Offering Memorandum both the Assembly and the Senate have adopted budget reform bills that contain differing language. A legislative conference committee is meeting to reconcile the differences. Both the Assembly and Senate must either adopt without amendment or reject any budget reform bill that is prepared by the legislative conference committee. After approval by the Legislature, the budget reform bill is forwarded to the Governor, who is empowered to sign the bill into law, sign the bill into law with vetoes, or veto the entire bill. It is expected that differing views of the actions that may be taken to correct the imbalance and the consequences of those actions will be expressed throughout the legislative proceedings on this matter.

The tables on page A-3 summarize the budget reform bill (as proposed by the Governor) for each fiscal year on a general-fund basis and all-funds basis. The tables on page A-4 and A-5 provide a more detailed summary of this budget reform bill. Additional information can be obtained from:

State of Wisconsin Capital Finance Office
Department of Administration
101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
(608) 266-2305
capfin@doa.state.wi.us

Governor's Proposed Budget Reform Bill
General-Fund Basis
(Amounts in Millions)

	2001-02 Budget	2001-02 Budget Reform Bill	2002-03 Budget	2002-03 Budget Reform Bill
Beginning Balance	$ 198	$ 208	$ 275	$ 151
Tax Revenues	10,661	10,210	11,131	10,510
Tobacco Securitization Proceeds	450	450	n/a	n/a
Tobacco Settlement Payments	155	155	158	158
Nontax Revenues	8,010	8,016	8,112	8,133
Total Amount Available	$19,474	$19,039	$19,676	$18,952
Total Disbursements/Reserves[a]	$19,199	$18,888	$19,636	$18,809
Estimated Gross Balance	$ 275	$ 151	$ 40	$ 143
Required Statutory Reserve	138	138	143	133
Net Balance	$ 137	$ 13	$ (103)[b]	$ 10

[a] The budget reform bill uses additional tobacco securitization proceeds to create a lapse to the general fund in the 2001-02 fiscal year ($200 million) and to fund a portion of the shared revenue payment to local governmental units in the 2002-03 fiscal year ($380 million).

[b] One of the Governor's vetoes of the 2001-03 biennial budget prevented the shift of a school aid payment of $115 million from June 2003 to July 2003. This veto further avoided an increase in the State's GAAP deficit. This negative fund balance assumes that the Legislature's Joint Committee on Finance opts to make this payment when it sets the fiscal year 2002-2003 school aid funding level in June 2002. The budget meets the constitutional balance requirement because the gross balance is positive.

Governor's Proposed Budget Reform Bill
All-Funds Basis
(Amounts in Millions)

	2001-02 Budget	2001-02 Budget Reform Bill	2002-03 Budget	2002-03 Budget Reform Bill
Beginning Balance	$ 198	$ 208	$ 275	$ 151
Tax Revenues	10,661	10,210	11,131	10,510
Tobacco Securitization Proceeds	450	450	n/a	n/a
Tobacco Settlement Payments	155	155	158	158
Nontax Revenues	19,898	19,905	20,038	20,058
Total Amount Available	$31,363	$30,927	$31,601	$30,877
Total Disbursements/Reserves[a]	$31,088	$30,776	$31,561	$30,734
Estimated Gross Balance	$ 275	$ 151	$ 40	$ 143
Required Statutory Reserve	138	138	143	133
Net Balance	$ 137	$ 13	$ (103)[b]	$ 10

[a] The budget reform bill uses additional tobacco securitization proceeds to create a lapse to the general fund in the 2001-02 fiscal year ($200 million) and to fund a portion of the shared revenue payment to local governmental units in the 2002-03 fiscal year ($380 million).

[b] One of the Governor's vetoes of the 2001-03 biennial budget prevented the shift of a school aid payment of $115 million from June 2003 to July 2003. This veto further avoided an increase in the State's GAAP deficit. This negative fund balance assumes that the Legislature's Joint Committee on Finance opts to make this payment when it sets the fiscal year 2002-2003 school aid funding level in June 2002. The budget meets the constitutional balance requirement because the gross balance is positive.

Table II-5; State Budget–All Funds[a] (Page 27). Update the table with the following:

	Actual 2000-2001 [b]	Budget 2001-2002	Budget 2002-2003	Budget Reform Bill 2001-2002 (As Proposed By Governor)	Budget Reform Bill 2002-2003 (As Proposed By Governor)
RECEIPTS					
Fund Balance from Prior Year	$ 835,714,000	$ 197,829,200 [c]	$ 275,402,200	$ 207,508,000	$ 151,414,000
Tax Revenue					
Individual Income	5,156,565,000	5,455,527,500	5,687,055,500	5,211,800,000	5,311,500,000
General Sales and Use	3,609,895,000	3,750,575,400	3,975,136,000	3,680,000,000	3,830,000,000
Corporate Franchise and Income	537,159,000	594,197,100	606,318,500	479,700,000	529,100,000
Public Utility	239,238,000	244,000,000	249,977,500	253,700,000	257,400,000
Excise					
Cigarette/Tobacco Products	254,867,000	314,900,000 [d]	322,850,000 [d]	310,350,000 [d]	320,050,000 [d]
Liquor and Wine	35,543,000	35,900,000	36,800,000	35,100,000	36,200,000
Malt Beverage	9,365,000	9,500,000	9,500,000	9,400,000	9,400,000
Inheritance, Estate & Gift	77,084,000	110,000,000	91,000,000	85,000,000	67,000,000
Insurance Company	89,042,000	90,000,000	92,000,000	87,000,000	90,000,000
Other	1,089,472,000	56,600,000 [e]	60,300,000 [e]	57,600,000 [e]	59,600,000 [e]
Subtotal	11,098,230,000	10,661,200,000	11,130,937,500	10,209,650,000	10,510,250,000
Nontax Revenue					
Departmental Revenue					
Tobacco Settlement	124,389,000	155,526,000	157,602,800	155,526,000	157,602,800
Tobacco Securitization	NA	450,000,000	NA	450,000,000	NA
Other	226,993,000	228,159,800	205,922,300	234,690,000	226,478,900
Total Federal Aids	5,499,440,000	5,480,779,400	5,569,179,100	5,480,779,400	5,569,179,100
Total Program Revenue	3,382,374,000	3,017,256,400	3,081,343,100	3,017,256,400	3,081,343,100
Total Segregated Funds	3,998,487,000	3,210,905,000	2,908,494,600	3,210,905,000	2,908,494,600
Bond Authority	1,012,419,000	500,000,000	383,000,000	500,000,000	383,000,000
Employee Benefit Contributions [f]	(3,065,828,000)	7,461,324,917	7,889,603,973	7,461,324,917	7,889,603,973
Subtotal	11,178,274,000	20,503,951,517	20,195,145,873	20,510,481,717	20,215,702,473
Total Available	$ 23,112,218,000	$ 31,362,980,717	$ 31,601,485,573	$ 30,927,639,717	$ 30,877,366,473
DISBURSEMENTS AND RESERVES					
Commerce	$ 450,530,000	$ 424,005,100	$ 424,913,400	422,056,800	420,135,100
Education	8,673,626,000	8,705,842,100	8,992,452,100	8,696,761,200	8,923,788,000
Environmental Resources	2,805,522,000	2,681,682,500	2,693,527,500	2,683,975,200	2,690,375,600
Human Relations and Resources	8,597,677,000	7,795,217,500	8,050,009,400	7,757,717,000	8,024,982,200
General Executive	4,360,894,000	770,231,300	769,646,400	768,807,700	761,690,800
Judicial	109,019,000	105,252,300	105,622,700	103,756,300	103,601,700
Legislative	62,220,000	63,818,500	63,112,500	59,636,100	58,031,400
General Appropriations	3,108,270,000	2,695,544,400	2,269,025,800	2,702,542,100	1,546,774,200 [g]
General Obligation Bond Program	583,078,000	500,000,000	383,000,000	500,000,000	383,000,000
Employee Benefit Payments [f]	2,655,528,000	3,377,515,809	3,830,081,149	3,377,515,809	3,830,081,149
Reserve for Employee Benefit Payments [f]	0	4,083,809,108	4,059,522,824	4,083,809,108	4,059,522,824
Subtotal	31,406,364,000	31,202,918,617	31,640,913,773	31,156,577,317	30,801,982,973
Less: (Lapses)	NA	(149,272,400)	(177,409,300)	(414,283,900) [h]	(165,146,000)
Compensation Reserves	NA	27,900,000	82,500,000	27,900,000	82,500,000
Required Statutory Balance	NA	138,726,600	142,701,500	138,170,500	132,634,300
Transfer to Tobacco Control Board	NA	6,032,300	15,345,100	6,032,300	15,345,100
Change in Continuing Balance	(8,511,569,000)	NA	NA	NA	NA
Total Disbursements & Reserves	$ 22,894,795,000	$ 31,226,305,117	$ 31,704,051,073	$ 30,914,396,217	$ 30,867,316,373
Fund Balance	$ 217,423,000	$ 136,675,600	$ (102,565,500) [i]	$ 13,243,500	$ 10,050,100
Undesignated Balance	$ 207,508,000	$ 275,402,200	$ 40,136,000	$ 151,414,000	$ 142,684,400

(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 increase is the result of an $0.18 per pack increase on cigarettes.
(e) The budgeted amounts do not include taxes collected for segregated funds. The largest such tax is the motor fuel tax. The State collected $827 million of motor fuel taxes in the 2000-2001 fiscal year.
(f) 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 2001 Annual Report.
(g) The reduction results primarily from the reduction of shared revenue payment to local governmental units. Additional tobacco securitization proceeds in the amount of $380 million are also used to fund a portion of this shared revenue payment to local governmental units.
(h) The increase results primarily from the use of $200 million of tobacco securitization proceeds to make debt service payments on general obligation issues.
(i) One of the Governor's vetoes prevented the shift of a school aid payment of $115 million from June 2003 to July 2003. This veto further avoided an increase in the State's GAAP deficit. This negative fund balance assumes that the Legislature's Joint Committee on Finance opts to make this payment when it sets the fiscal year 2002-2003 school aid funding level in June 2002. The budget meets the constitutional balance requirement because the Undesignated Balance is positive.

Sources: Legislative Fiscal Bureau and Wisconsin Department of Administration.

Table II-6; State Budget–General Fund[(a)] (Page 28). Update the table with the following:

	Actual 2000-2001 [(b)]	Budget 2001-2002	Budget 2002-2003	Budget Reform Bill 2001-2002 (As Proposed By Governor)	Budget Reform Bill 2002-2003 (As Proposed By Governor)
RECEIPTS					
Fund Balance from Prior Year	$ 835,714,000	$ 197,829,200 [(c)]	$ 275,402,200	$ 207,508,000	$ 151,414,000
Tax Revenue					
State Taxes Deposited to General Fund					
Individual Income	5,156,565,000	5,455,527,500	5,687,055,500	5,211,800,000	5,311,500,000
General Sales and Use	3,609,895,000	3,750,575,400	3,975,136,000	3,680,000,000	3,830,000,000
Corporate Franchise and Income	537,159,000	594,197,100	606,318,500	479,700,000	529,100,000
Public Utility	239,238,000	244,000,000	249,977,500	253,700,000	257,400,000
Excise					
Cigarette/Tobacco Products	254,867,000	314,900,000 [(d)]	322,850,000 [(d)]	310,350,000 [(d)]	320,050,000 [(d)]
Liquor and Wine	35,543,000	35,900,000	36,800,000	35,100,000	36,200,000
Malt Beverage	9,365,000	9,500,000	9,500,000	9,400,000	9,400,000
Inheritance, Estate & Gift	77,084,000	110,000,000	91,000,000	85,000,000	67,000,000
Insurance Company	89,042,000	90,000,000	92,000,000	87,000,000	90,000,000
Other	70,573,000	56,600,000	60,300,000	57,600,000	59,600,000
Subtotal	10,079,331,000	10,661,200,000	11,130,937,500	10,209,650,000	10,510,250,000
Nontax Revenue					
Departmental Revenue					
Tobacco Settlement	124,389,000	155,526,000	157,602,800	155,526,000	157,602,800
Tobacco Securitization	NA	450,000,000	NA	450,000,000	NA
Other	226,993,000	228,159,800	205,922,300	234,690,000	226,478,900
Program Revenue-Federal	5,472,647,000	4,764,099,400	4,824,834,300	4,764,099,400	4,824,834,300
Program Revenue-Other	3,382,374,000	3,017,256,400	3,081,343,100	3,017,256,400	3,081,343,100
Subtotal	9,206,403,000	8,615,041,600	8,269,702,500	8,621,571,800	8,290,259,100
Total Available	$ 20,121,448,000	$ 19,474,070,800	$ 19,676,042,200	$ 19,038,729,800	$ 18,951,923,100
DISBURSEMENTS AND RESERVES					
Commerce	$ 221,297,000	$ 229,323,700	$ 234,907,900	227,375,400	230,129,600
Education	8,353,243,000	8,637,401,400	8,920,102,400	8,628,320,500	8,851,438,300
Environmental Resources	272,918,000	254,440,800	262,716,600	256,733,500	259,564,700
Human Relations and Resources	7,287,626,000	7,441,989,600	7,520,124,900	7,404,489,100	7,495,097,700
General Executive	651,970,000	635,922,900	636,185,000	634,499,300	628,229,400
Judicial	108,676,000	104,543,200	104,913,600	103,047,200	102,892,600
Legislative	62,220,000	63,818,500	63,112,500	59,636,100	58,031,400
General Appropriations	2,490,467,000	1,946,568,600	1,973,407,500	1,953,566,300	1,251,155,900 [(e)]
Subtotal	19,448,417,000	19,314,008,700	19,715,470,400	19,267,667,400	18,876,539,600
Less: (Lapses)	NA	(149,272,400)	(177,409,300)	(414,283,900) [(f)]	(165,146,000)
Compensation Reserves	NA	27,900,000	82,500,000	27,900,000	82,500,000
Required Statutory Balance	NA	138,726,600	142,701,500	138,170,500	132,634,300
Transfer to Tobacco Control Board	NA	6,032,300	15,345,100	6,032,300	15,345,100
Changes in Continuing Balance	455,608,000	NA	NA	NA	NA
Total Disbursements & Reserves	$ 19,904,025,000	$ 19,337,395,200	$ 19,778,607,700	$ 19,025,486,300	$ 18,941,873,000
Fund Balance	$ 217,423,000	$ 136,675,600	$ (102,565,500) [(g)]	$ 13,243,500	$ 10,050,100
Undesignated Balance	$ 207,508,000	$ 275,402,200	$ 40,136,000	$ 151,414,000	$ 142,684,400

(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 increase is the result of an $0.18 per pack increase on cigarettes.
(e) The reduction results primarily from the reduction of shared revenue payment to local governmental units. Additional tobacco securitization proceeds in the amount of $380 million are also used to fund a portion of this shared revenue payment to local governmental units
(f) The increase results primarily from the use of $200 milion of tobacco securitization proceeds to make debt service payments on general obligation issues.
(g) One of the Governor's vetoes prevented the shift of a school aid payment of $115 million from June 2003 to July 2003. This veto further avoided an increase in the State's GAAP deficit. This negative fund balance assumes that the Legislature's Joint Committee on Finance opts to make this payment when it sets the fiscal year 2002-2003 school aid funding level in June 2002. The budget meets the constitutional balance requirement because the Undesignated balance is positive.

Sources: Legislative Fiscal Bureau and Wisconsin Department of Administration.

Legislative Fiscal Bureau

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State of Wisconsin

January 16, 2002

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

Dear Representative Gard and Senator Burke:

This office has now completed its review of the status of the state's general fund for the remainder of the 2001-03 biennium. Our analysis includes an examination of economic forecasts and tax collection and expenditure data for the first six months of the current fiscal year.

Based upon our review, we now project the closing, gross general fund balance at the end of the biennium to be -$974.5 million. This is $1,024.3 million below the level ($49.8 million) that was indicated upon enactment of the state's 2001-03 biennial budget (2001 Act 16).

The $1,024.3 million is the result of decreased estimated tax collections of $1,039.2 million, a decrease of $9.7 million in departmental revenues and an estimated decrease in net expenditures (sum sufficient appropriations and lapses) of $24.6 million.

In addition to the projected gross general fund deficit of -$974.5 million, provisions of Act 16, as partially vetoed, require that the state maintain a statutory balance of $142.8 million. Thus, to address the projected deficit and maintain the required statutory balance, the general fund will need to be improved by $1,117.3 million.

The following table reflects the estimated general fund condition statement which incorporates our revenue and expenditure projections.

TABLE 1

2001-03 General Fund Condition Statement

	2001-02	2002-03
Revenues		
Opening Balance, July 1	$207,508,000	-$125,867,400
Estimated Taxes	10,218,200,000	10,534,700,000
Departmental Revenues		
Tobacco Settlement	155,526,000	157,602,800
Tobacco Securitization	450,000,000	0
Other	218,904,900	205,452,800
Total Available	$11,250,138,900	$10,771,888,200
Appropriations, Transfers and Reserves		
Gross Appropriations	$11,534,187,200	$11,809,293,000**
Sum Sufficient Reestimates	17,290,300	10,485,900
Compensation Reserves	27,900,000	82,500,000
Transfer to Tobacco Control Fund	6,032,300	15,345,100
Less Estimated Lapses	-209,403,500	-171,230,800
Net Appropriations	$11,376,006,300	$11,746,393,200
Balances		
Gross Balance	-$125,867,400	-$974,505,000
Less Required Statutory Balance*	-138,952,500	-142,827,300
Net Balance, June 30	-$264,819,900	-$1,117,332,300

*The statutes do not specify a required balance for 2001-02. The $138.9 million figure shown for 2001-02 is 1.2% of gross appropriations and compensation reserves. Although not required by statute, the 1.2% calculation was used in condition statements during 2001-03 budget deliberations. 2001 Act 16 requires a balance of 1.2% of gross appropriations and compensation reserves for 2002-03.

**Assumes that the $115 million of general school aid that would have been paid in 2003-04 under Enrolled SB 55 (the 2001-03 budget adopted by the Legislature) will be paid in 2002-03 because of a veto of the $115 million payment delay.

General Fund Taxes

The following section provides information on general fund tax revenues for the 2001-03 biennium, including a discussion of the national economic forecast for 2001 through 2003 and general fund tax revenue projections for 2001-02 and 2002-03.

National Economic Forecast. This office first prepared revenue estimates for the 2001-03 biennium in January, 2001, based on the January, 2001, forecast of the economy prepared by Standard & Poor's Data Resources, Inc. (DRI). At that time, no recession was forecast. Positive economic growth was expected to continue in 2001, although at a lower rate than in recent years, followed by a rebound in growth in 2002 and 2003. It was believed that the primary risk to the forecast was that corporate earnings would continue to be depressed by high energy prices, deteriorating global competitiveness and reduced sales, in which case a bear market, lower household wealth and reduced consumer spending could lead to a recession in 2001. DRI placed the probability of this sequence of events at 40%.

In May, 2001, this office revised its 2001-03 tax collections estimates downward by 2.2%. The revision was based on 2000-01 general fund tax collections through April, 2001, and on revised national economic forecasts that were less favorable than those at the start of the year. The May, 2001, U.S. economic forecast prepared by DRI-WEFA (a subsidiary of Global Insight, Inc. that was formed by integrating DRI and Wharton Econometric Forecasting Associates) reported growth in nominal gross domestic product (GDP) in 2000 of 7.1% and projected increases of 4.4% in 2001, 4.5% in 2002 and 5.8% in 2003. The May forecast was for lower growth rates for each year, as compared to the January, 2001, forecast. Other indicators (including real GDP, personal income, consumption and corporate profits) were also generally lower in the May forecast, while unemployment and inflation were generally higher. As in the January, 2001, forecast, DRI assigned a 40% probability that a recession would occur in 2001.

By July, 2001, the forecasts for growth during 2001 were again being revised downward. That trend accelerated in the aftermath of the terrorist attacks on September 11. On November 26, 2001, the National Bureau of Economic Research (NBER), a non-profit research organization that tracks dates of business cycles, officially declared that the expansion was over and that the economy was in a recession. NBER placed the start of the recession in March, 2001. The debate over whether or not there would be a recession was replaced with the question of how long and severe the downturn would be.

The January, 2002, forecast by DRI-WEFA anticipates that the first quarter of 2002 will see the bottom of the recession, with gradually accelerating growth during the rest of the year, followed by relatively strong growth in 2003. However, as compared to the May forecast, economic activity is expected to be significantly weaker throughout the forecast period, especially in 2002. Growth in nominal GDP is expected to be 3.3% in 2001, 1.9% in 2002 and 6.0% in 2003 (as compared to the May figures of 4.4% in 2001, 4.5% in 2002 and 5.8% in 2003). Growth in real GDP is projected at 1.0% in 2001, 0.6% in 2002 and 3.7% in 2003, in contrast to the May, 2001, forecast of 2.0%, 2.4% and 4.0% growth for the same periods, respectively.

Under the current forecast, personal income is projected to grow at rates of 4.8% in 2001, 2.2% in 2002 and 5.2% in 2003. The estimate for 2001 is slightly higher (0.2%) than the May forecast. However, growth for the next two years is lower than the May forecast, by 2.2% in 2002 and by 0.5% in 2003. The low personal income growth in 2002 reflects the significant job losses that have already occurred as well as anticipated future layoffs. However, there are signs that the worst of the job losses may be nearing an end. The average workweek increased in December, and initial claims of unemployment have been trending downward. It is anticipated that employment will stop falling in early 2002 and then slowly recover during the rest of this year and into the next. This improvement is reflected in the personal income growth rate projected in 2003, which exceeds the projected rate in 2002 by 3.0%.

The January forecast assumes growth in personal consumption expenditures of 4.8% in 2001, 2.3% in 2002 and 6.1% in 2003. These growth rates are lower than the May forecast by 0.5% in 2001 and 2.6% in 2002, but exceed the May forecast for 2003 by 0.4%. Following a slow holiday season for retailers, DRI-WEFA expects consumer demand to remain sluggish going into 2002. On the positive side, taxes have been cut, energy prices are down and interest costs are lower, raising household disposable income. However, unemployment has risen and layoffs are continuing. Mortgage interest rates have recently gone up. The decreased use of zero-percent financing on new vehicles, which led to strong consumer spending in the fourth quarter of 2001, will bring a downturn in automobile sales at the start of 2002. Given these factors, DRI-WEFA expects a drop in real consumer expenditures in the first quarter of 2002. While it is projected that recovery in consumer markets will be underway in the spring, the outlook changes when considering only consumer goods that are generally subject to the sales tax. Sales of such taxable goods are expected to decline by approximately 1.0% for the entire first six months of 2002, with only slow growth throughout the second half of the year.

Pre-tax corporate profits are expected to decline 16.2% in 2001, followed by growth of 2.6% in 2002 and 11.8% in 2003. The estimates for 2001 and 2002 are significantly lower than the May forecast (which was -5.0% in 2001 and 5.3% in 2002), reflecting weakness in trade and business investment. Industrial production fell in 13 of the last 14 months, as consumer demand weakened and inventory liquidation occurred. Continued declines in nonresidential construction are projected throughout 2002 and into the first quarter of 2003. However, it is expected that businesses will soon start rebuilding inventories (which DRI-WEFA estimates will begin in the first quarter of 2002). Investments in equipment and software are expected to show positive growth by the third quarter of the year, with investments in structures recovering in the fourth quarter. It is anticipated that these influences will help pre-tax corporate profits rebound in 2003 with growth that is 5% higher than the 6.8% rate projected in May.

Inflation is expected to remain relatively low. The consumer price index is estimated at 2.9% for 2001, 1.9% in 2002 and 2.6% in 2003. The estimates are slightly lower for 2001 and 2002, by 0.4% and 0.1%, respectively, and 1.0% higher for 2003 than the May projections. The unemployment rate is projected at 4.8% in 2001, 6.2% in 2002 and 5.9% in 2003. The estimates for 2002 and 2003 exceed the May projections by 0.6% in 2002 and 0.3% in 2003. The jobless rate is expected to peak in the summer of 2002.

DRI-WEFA anticipates that the magnitude of both the economic downturn and the recovery will be relatively modest. Under the baseline forecast, it is assumed that the bottom of the recession will occur during the first quarter of 2002. The peak-to-trough decline in real GDP is estimated at 0.6%, which is relatively small compared to past recessions. It is expected that the federal tax cuts approved before the terrorist attacks, the increased federal spending on education, security, defense and intelligence approved after September 11 and monetary policy that has enhanced liquidity and kept interest rates low will all aid in the economic turn-around. The forecast also assumes a reversal in business inventory liquidation, which has been underway since February, 2001, starting in the first quarter of 2002. In addition, DRI-WEFA projects that expenditures on travel and leisure activities will rebound as the impact of September 11 begins to fade.

The major risks to the forecast are for a more protracted downturn in investment, resulting in additional layoffs and inventory liquidation, and that federal spending will not be able to be ramped up as quickly as is expected. A deeper U.S. recession could also aggravate the global recession and cause already sliding U.S. exports to fall further. Under this scenario, DRI-WEFA assumes that the beginning of the recovery would be pushed back until summer and would follow a deeper drop in real GDP than is assumed under the baseline forecast. The forecast assigns a probability of 30% to this scenario. An additional significant risk is that consumer and business confidence could be shaken by further terrorist attacks or other negative developments in the war on terrorism.

Table 2 shows a summary of national economic indicators drawn from the January, 2002, forecast by DRI-WEFA.

TABLE 2

Summary of National Economic Indicators
DRI-WEFA, January, 2002
($ in Billions)

	2000	2001	2002	2003
Nominal Gross Domestic Product	$9,872.9	$10,196.5	$10,387.1	$11,007.0
% Change	6.5%	3.3%	1.9%	6.0%
Real Gross Domestic Product	$9,224.0	$9,319.2	$9,374.4	$9,721.2
% Change	4.1%	1.0%	0.6%	3.7%
Consumer Price Index	3.4%	2.9%	1.9%	2.6%
Personal Income	$8,319.2	$8,720.5	$8,910.5	$9,374.3
% Change	7.0%	4.8%	2.2%	5.2%
Personal Consumption Expenditures	$6,728.4	$7,050.3	$7,213.4	$7,650.9
% Change	7.7%	4.8%	2.3%	6.1%
Pre-Tax Corporate Profits	$845.4	$708.2	$726.8	$812.2
% Change	2.7%	-16.2%	2.6%	11.8%
Unemployment Rate	4.0%	4.8%	6.2%	5.9%

General Fund Tax Projections. Our estimates of general fund tax revenues for the 2001-03 biennium are based on tax collections to date and the January, 2002, DRI-WEFA forecast of national economic growth. In addition, all of the tax law changes adopted by the Legislature in Act 16 are reflected in these estimates. Projections of general fund tax collections for the 2001-03 biennium are shown in Table 3.

TABLE 3

Projected General Fund Tax Collections
($ in Millions)

Source	2000-01 Tax Collections	Budget Estimates (Act 16) 2001-02	Budget Estimates (Act 16) 2002-03	Revised Estimates January, 2002 2001-02	Revised Estimates January, 2002 2002-03
Individual Income	$5,156.5	$5,455.5	$5,687.1	$5,220.0	$5,330.0
General Sales and Use	3,609.9	3,750.6	3,975.1	3,680.0	3,830.0
Corporate Income & Franchise	537.2	594.2	606.3	480.0	535.0
Public Utility	239.2	244.0	250.0	253.7	257.4
Excise					
Cigarette	243.5	300.4	306.6	296.4	304.6
Liquor and Wine	35.5	35.9	36.8	35.1	36.2
Beer	9.4	9.5	9.5	9.4	9.4
Tobacco Products	11.4	14.5	16.2	14.0	15.5
Insurance Company	89.0	90.0	92.0	87.0	90.0
Estate	77.1	110.0	91.0	85.0	67.0
Miscellaneous Taxes	54.7	56.6	60.3	57.6	59.6
TOTAL	$10,063.4	$10,661.2	$11,130.9	$10,218.2	$10,534.7
Increase Over Prior Year					
Amount		$597.8	$469.7	$154.8	$316.5
Percent		5.9%	4.4%	1.5%	3.1%

As shown in Table 3, general fund tax revenues are estimated to total $10,218.2 million in 2001-02 and $10,534.7 million in 2002-03. These amounts are lower than the estimates used in Act 16 by $443.0 million in the first year and $596.2 million in the second year of the biennium. Individual income taxes, sales taxes, corporate taxes and estate taxes have all been revised downward significantly, based on recent collections data and the new economic forecast, while utility tax estimates are slightly higher. Small decreases are projected for most of the other tax sources.

Revised General Fund Tax Estimates

Individual Income Tax. The current estimates of individual income tax collections are $5,220.0 million in 2001-02 and $5,330.0 million in 2002-03, which are lower than the estimates used in Act 16 by $235.5 million in 2001-02 and $357.1 million in 2002-03. Compared to prior years, the revised estimates reflect growth of 1.2% in 2001-02 and 2.1% in 2002-03. The decreases in the estimates compared to Act 16 are due to the fact that the economy is now in a recession, which was not expected under the May forecast. As noted, the current DRI-WEFA forecast of national personal income growth is 4.8% for 2001, 2.2% for 2001 and 5.2% for 2003. The earlier estimates were based on the May, 2001, forecast of personal income growth of 4.6% for 2001, 4.3% for 2002 and 5.7% for 2003. The current forecast projects that a higher proportion of personal income will come from transfer payments (such as social security, public assistance and unemployment benefits) than was projected in May. Transfer payments are generally nontaxable. The reestimates reflect both the lower growth expected in personal income and the shift toward more transfer payments.

Through December, 2001, income tax collections were 1.4% higher ($30.7 million) than at the same time last year. Withholding payments, which make up the largest source of income tax revenues, have increased by 3.1% since last year (although the Department of Revenue believes that some of this growth is a matter of faster receipt of withholding payments as a result of the electronic funds transfer system that more employers are using to remit such payments). On the other hand, estimated tax payments, which reflect non-wage incomes, are 5.1% lower than at this time last year. In addition to economic factors, the slow growth in 2001-02 also reflects the final phase of implementing the income tax reductions adopted in the 1999-01 biennial budget (1999 Act 9).

The estimates of individual income taxes do not reflect a reduction that would occur in 2002-03 if the State of Minnesota were to withdraw from the income tax reciprocity agreement it has with the State of Wisconsin. Under the agreement, taxpayers who live in one of the two states and work in the other state are only required to file a return and pay taxes in the state of legal residence. As a result, Wisconsin foregoes tax revenue from residents of Minnesota who work here and Minnesota foregoes tax revenue from Wisconsin residents who work in Minnesota. On an annual basis, in December, Wisconsin reimburses Minnesota for the estimated amount of net foregone tax revenues to Minnesota in the prior year (which results in large part because more people live in Wisconsin and work in Minnesota than vice versa, so Minnesota loses more tax revenue by not collecting it directly from Wisconsin residents). The income tax reciprocity agreement is open-ended and may be unilaterally terminated by either state through legislative repeal. Governor Jesse Ventura has proposed ending the agreement, beginning in tax year 2003. If the Minnesota Legislature approves the repeal, Wisconsin would experience revenue losses in the first two fiscal years after the change, as described below.

If the agreement were terminated effective January 1, 2003, Wisconsin would stop withholding tax from Wisconsin residents working in Minnesota and begin to withhold tax on earnings of Minnesota residents working in Wisconsin. Based on preliminary information from the Department of Revenue, the change would reduce Wisconsin income tax collections in 2002-03 by an estimated $27.5 million. In 2003-04, the cost to Wisconsin would be greater as there would be the loss in tax revenues as well as the December payment to Minnesota for calendar year 2002. The Department estimates a net loss for 2003-04 of $56.5 million. However, for 2004-05 and thereafter, the annual decrease in Wisconsin's withholding payment receipts would be balanced by the elimination of the annual reconciliation payment to Minnesota.

General Sales and Use Tax. Sales tax revenues were $3,609.9 million in 2000-01, up 3.1% over the prior year. Revenues are estimated at $3,680.0 million in 2001-02 and $3,830.0 million in 2002-03, which is a decrease of $70.6 million in the first year and $145.1 million in the second year, relative to the Act 16 estimates. The revised projections are based on current collection data and the most recent forecast of growth in personal consumption expenditures, with adjustments for expenditures on food, gas and oil, and services to more closely reflect Wisconsin's sales tax base.

Year-to-date, sales tax collections through December were up by approximately 8.5% over the level collected during the same period of the prior fiscal year. However, this figure significantly overstates actual growth, since it is based on an artificially-low collections figure for December, 2000, that resulted when revenues that normally would have been reflected in that month were instead "booked" in January, 2001. When adjusted to correct for this anomaly, the current year-to-date level of growth becomes 4.5%. It is likely that this pace of growth is due in significant part to activity generated by zero-percent financing in the motor-vehicle industry and price reductions in the retail sector during the 2001 holiday shopping season and cannot be sustained for the balance of the fiscal year. This pattern is reflected in the economic forecast, which calls for a drop in taxable consumption expenditures of about 1% during the remainder of 2001-02, with only slight growth anticipated to occur in the first two quarters of 2002-03. Growth is expected to accelerate substantially in the second half of 2002-03.

Corporate Income and Franchise Tax. Corporate income and franchise tax collections were $537.2 million in 2000-01, which was $26.8 million less than estimated last May. The reduction reflected the slowdown in the economy and a related decrease in corporate earnings and profits. Collections are projected to be $480.0 million in 2001-02 and $535.0 million in 2002-03. These amounts represent an annual decrease of 10.6% in 2001-02 and an increase of 11.5% in 2002-03 and are lower than the Act 16 estimates by $114.2 million in 2001-02 and $71.3 million in 2002-03.

The new estimates reflect lower than anticipated corporate franchise tax collections and the effects of the economic slowdown on the state's economy. Through December, collections were almost 19% lower than 2000-01 collections for the same period. Consumer spending, investment, corporate earnings and profits have all declined during the year and are expected to remain soft during the first part of 2002. However, in part due to significant doses of monetary and fiscal stimuli, the economy is projected to begin to rebound in the second quarter of 2002. Corporate profits are forecast to increase beginning in the latter part of 2002 and in 2003 and 2004. Consequently, corporate income and franchise tax revenues are estimated to increase between 2002 and 2003.

Public Utility Taxes. Public utility taxes were $239.2 million in 2000-01 and are projected to total $253.7 million in 2001-02 and $257.4 million in 2002-03. The projections are $9.7 million higher for 2001-02 and $7.4 million higher for 2002-03 than the Act 16 estimates, based on recent collections data and forecasts of energy usage.

Excise Taxes. Cigarette excise tax revenues are estimated to be $296.4 million in 2001-02 and $304.6 million in 2002-03. The first-year estimate is an increase of 21.7% over the 2000-01 actual total of $243.5 million and is due to a tax increase of $0.18 per pack that took effect on October 1, 2001. Actual volume (packs sold) continued its historical trend of moderate decline in 2000-01, with this trend expected to continue. The revenue increases now estimated are somewhat weaker than those anticipated at the time of Act 16's passage; they reflect downward revisions of $4.0 million and $2.0 million for 2001-02 and 2002-03, respectively.

Estimates of revenues from the liquor, tobacco products and beer taxes have been revised downward to reflect generally lower consumption levels than those anticipated earlier. Estimates of tobacco products tax revenues reflect an Act 16 increase in the tax rate from 20% of the manufacturer's price to 25%.

Insurance Premium Taxes. Insurance premium taxes increased from $86.9 million in 1999-00 to $89.0 million in 2000-01. Premium taxes are projected to decrease to $87.0 million in 2001-02 and then increase to $90.0 million in 2002-03. The projected decline in 2001-02 reflects year-to-date monthly premium tax collections through December, which are lower than 2000-01 for the same period. The increase in premium tax revenues in 2002-03 is based on expected moderate growth in life and property and casualty insurance sales.

Estate Tax. Estate tax revenues totaled $77.1 million in 2000-01, and are estimated at $85.0 million in 2001-02 and $67.0 million in 2002-03. The estimates are lower than the Act 16 amounts by $25.0 million in 2001-02 and $24.0 million in 2002-03.

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 Act 16 estimate assumed that estate tax revenues would be $110.0 million in 2001-02 and $91.0 million in 2002-03. [The lower figure for 2002-03 reflects the reduction in state estate tax collections as a result of the federal law changes under the Economic Growth and Tax Relief Reconciliation Act of 2001.] However, actual collections for 2000-01 were $77.1 million, which was a 42.2% decrease from the prior year. Based on year-to-date collections and the current economy, estate tax revenues have been reestimated at the lower figures shown above.

Miscellaneous Taxes. Collections from the real estate transfer fee have been revised upward for 2001-02 relative to the Act 16 estimates, due to strong collections through December, 2001. The same level of growth is not expected to continue in 2002-03, however, resulting in a small downward shift in expected revenue from the fee for that year, relative to the Act 16 estimate. Anticipated collections from the court suit tax are down slightly in both years from the Act 16 estimates. In 2000-01, the two taxes brought in combined revenues of $54.7 million.

Departmental Revenues and Net Expenditures

It is projected that departmental revenues (non-tax receipts) will be lower than previous estimates by $9.7 million. Although increases are projected in a number of areas, these increases are offset by a reduction in interest earnings because of lower interest rates. It is important to note that the estimate of interest earnings factored into this memorandum assumes that the Legislature will take steps necessary to balance the 2001-03 general fund budget.

On the appropriation side, it is now anticipated that net expenditures will be below the projections of Act 16 by $24.6 million. For the biennium, sum sufficient appropriations are projected to increase by $27.8 million while appropriated amounts expected to lapse to the general fund are above the biennial budget estimates by $52.4 million. Included in the increased lapse estimate is $28.3 million, which is anticipated due to the 3.5% reduction to a number of state operations appropriations that the Governor announced in December, 2001, for the 2001-02 fiscal year.

In addition to the sum sufficient and lapse projections, mention should be made of some appropriations and programs which might require attention in the upcoming legislative floorperiods.

It is estimated that medical assistance (MA) benefit costs will exceed the amount budgeted for the program by approximately $30 million GPR in 2001-02. This estimate is based on a review of MA benefits payments to December, 2001, adjusted to reflect recent increases in the projected number of MA recipients. Most of the caseload growth is due to increases in the number of applicants that meet AFDC-related MA eligibility standards. The Act 16 MA base reestimate assumed modest growth in the number of AFDC-related MA recipients in 2001-02 and 2002-03. However, as of December 1, 2001, the number of AFDC-related MA recipients (approximately 167,100) exceeded the projected 2001-02 fiscal year average (148,800) by 18,300. In addition, projected benefit costs for some services, including nursing home and hospital services and capitation payments to health maintenance organizations, are expected to exceed Act 16 estimates. The costs of providing some services and benefits, such as home health services and prescription drugs, are expected to be somewhat less than the Act 16 projections. Based on current trends in caseload and service costs, a similar shortfall in GPR MA benefits funding is likely to occur in 2002-03. Caseload growth may also result in some spending pressure on the BadgerCare program.

Act 16 provides $25,249,000 GPR in 2001-02 and $28,097,800 GPR in 2002-03 in a sum certain appropriation to fund: (a) adoption assistance payments to families that adopt children with special needs to assist in the cost of care for these children; and (b) payments to families and facilities that provide foster care to children for whom the state serves as guardian. Based on actual payments through December, 2001, it is estimated that an additional $1.8 million GPR in 2001-02 and $2.5 million GPR in 2002-03 will be needed to fully fund state foster care and adoption assistance payments in the 2001-03 biennium.

The administration is currently negotiating with the U.S. Department of Health and Human Services, Centers for Medicaid and Medicare Services (CMS) about the state's claiming federal MA matching funds under the intergovernmental transfer (IGT) program. The results of these negotiations could significantly affect the amount of funding available to support MA costs in the current biennium and in future years. The primary issues of these negotiations are: (a) whether the state will be required to return approximately $83.2 million in federal MA matching funds the state claimed in 1999-00; and (b) the amount of federal MA matching funds the state will be able to claim in the future under the IGT program. To date, the state and CMS have not reached an agreement.

We will continue to monitor tax collections, economic forecasts and expenditures and keep you apprised if any further modifications are necessary.

Sincerely,

Bob

Robert Wm. Lang
Director

RWL/sas
cc: Members, Wisconsin Legislature

General Fund Information; General Fund Cash Flow (Part II–Pages 35-41).

The following provide updates to various tables containing general fund information. The following information *reflects revised revenue estimates and projected general fund closing balances released by the Legislative Fiscal Bureau on January 16, 2002* but, unless specified, *does not incorporate* the budget reform bill currently being considered by the Legislature or any other pending proposals that are intended to address the revised revenue estimates.

The following information will show certain dates in which the general fund cash balance is in a negative position. The State expects that *inter-fund borrowing available to the general fund is sufficient to offset these negative balances*. The estimated funds available for inter-fund borrowing on dates with negative general fund balances range from $1.680 to 1.759 billion. The statutory maximum for inter-fund borrowing is currently $571 million with an additional $343 million for a period of up to 30 days, which totals approximately $914 million. See page A-20. In addition, the Secretary of Administration is authorized to prorate and defer certain payments.

Table II-8; Actual and Projected General Fund Cash Flow (Page 37). Update the table with the following:

ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2001 TO MARCH 31, 2002
PROJECTED GENERAL FUND CASH FLOW; APRIL 1, 2002 TO JUNE 30, 2002[(a)]

(In Thousands of Dollars)

	July 2001	August 2001	September 2001	October 2001	November 2001	December 2001	January 2002	February 2002	March 2002	April 2002	May 2002	June 2002
BALANCES[(b)]												
Beginning Balance	281,565	3,398	397,659	1,290,819	1,821,610	943,651	383,667	1,104,720	969,120	-231,221	192,495	132,480
Ending Balance	3,398	397,659	1,290,819	1,821,610	943,651	383,667	1,104,720	969,120	-231,221	192,495	132,480	-272,837 [(c)]
Lowest Daily Balance [(c)]	-162,060	-202,246	-99,652	1,248,678	943,651	-60,419	383,667	883,723	-280,013	-384,764	-139,155	-806,759
RECEIPTS												
TAX RECEIPTS												
Individual Income	507,468	388,372	533,868	508,613	399,103	479,545	740,505	433,688	347,168	753,490	387,017	578,943
Sales & Use	343,973	356,048	342,096	348,297	358,636	323,558	383,293	303,711	260,578	260,276	326,221	303,509
Corporate Income	12,421	16,903	112,886	24,461	10,693	126,388	22,464	12,155	153,340	20,775	10,803	101,831
Public Utility	0	0	518	3,561	131,654	1,357	0	49	19	3,010	108,985	1,284
Excise	29,231	26,372	28,085	27,504	39,451	27,407	27,457	30,526	25,651	30,394	29,347	31,952
Insurance	999	1,657	19,935	339	887	19,336	2,245	11,471	14,959	15,944	1,296	17,603
Inheritance	6,638	6,162	13,423	5,645	5,568	4,969	7,275	8,310	4,675	6,658	8,159	6,950
Subtotal Tax Receipts	900,730	795,514	1,050,811	918,420	945,992	982,560	1,183,239	799,910	806,390	1,090,547	871,828	1,042,072
NON-TAX RECEIPTS												
Federal	343,646	452,855	365,526	452,845	346,684	378,392	457,577	444,893	390,521	397,870	407,317	460,909
Other & Transfers [(d)]	331,074	249,196	303,861	260,628	176,794	169,672	373,822	325,284	333,621	345,090	382,071	773,263
Note Proceeds [(e)]	0	0	800,000	0	0	0	0	0	0	0	0	0
Subtotal Non-Tax Receipts	674,720	702,051	1,469,387	713,473	523,478	548,064	831,399	770,177	724,142	742,960	789,388	1,234,172
TOTAL RECEIPTS	1,575,450	1,497,565	2,520,198	1,631,893	1,469,470	1,530,624	2,014,638	1,570,087	1,530,532	1,833,507	1,661,216	2,276,244
DISBURSEMENTS												
Local Aids	878,438	160,458	663,004	99,188	975,970	1,138,856	208,135	260,487	1,140,896	123,724	252,270	1,733,478
Income Maintenance	363,315	352,214	309,334	372,969	339,757	342,249	335,842	349,016	361,694	338,696	375,622	330,367
Payroll and Related	215,318	300,380	204,832	303,186	421,307	234,716	326,851	296,263	298,780	320,024	445,620	213,875
Tax Refunds	105,487	44,995	46,906	43,602	66,467	138,297	63,460	338,234	309,105	192,211	141,118	115,177
Debt Service	7	12,463	108,775	0	1,882	0	0	12,069	165,264	0	8,661	0
Miscellaneous [(f)]	291,052	232,794	294,187	282,157	542,046	236,490	359,297	252,672	250,417	229,573	292,016	289,025
Note Repayment [(e)]	0	0	0	0	0	0	0	196,946	204,717	205,563	205,563	0
TOTAL DISBURSEMENTS	1,853,617	1,103,304	1,627,038	1,101,102	2,347,429	2,090,608	1,293,585	1,705,687	2,730,873	1,409,791	1,720,870	2,681,922

(a) Excludes interfund borrowing and is based on (1) the 2001-03 biennial budget signed into law by the Governor (2001 Wisconsin Act 16) and (2) the revised general-fund revenue estimates and projected general fund closing balances that were released by the Legislative Fiscal Bureau on January 16, 2002. The report does NOT reflect the budget reform bill for the 2001-03 biennium that is being considered by the Legislature.

(b) The General Fund cash balances presented in this schedule are not based on Generally Accepted Accounting Principles (GAAP). The General Fund includes funds designated for operations and capital purposes of certain proprietary programs of the State's Universities. Receipts and disbursements of such funds for the designated programs and the disbursement of such funds for other purposes are reflected in the cash flow. A use of the designated funds for purposes other than the proprietary programs is, in effect, a borrowing of such funds. Therefore, at any time that the balance in the General Fund is less than the balance of such designated funds, the State is obligated to replenish the designated funds to the extent of the shortfall. Ther designated funds are expected to range from $150 to $300 million during the 2001-02 fiscal year. In addition, the General Fund is the depository for several escrow accounts pursuant to court orders or federal rulings. These funds are expected to average approximately $50 million during the 2001-02 fiscal year.

(c) The Statutes provide certain administrative remedies to deal with periods when the General Fund is in a negative position. The Secretary of Administration may temporarily reallocate cash in other funds (up to 5% of the general-purpose revenue appropriations then in effect) to the General Fund. Based on the 2001-03 biennial budget signed into law (2001 Wisconsin Act 16), this amount is approximately $571 million for fiscal year 2001-02. In addition, the Secretary of Administration may also temporarily reallocate an additional amount up to 3% of the general-purpose revenue appropriations then in effect (approximately $343 million) for a period of up to 30 days. See "Balances In Funds Available For Interfund Borrowing". If the amount of inter-fund borrowing available to the general fund is not sufficient, the Secretary of Administration is authorized to and ready to prorate and defer certain payments.

(d) The projections assume that $450 million of proceeds from the sale and subsequent securitization of payments due the State from tobacco manufacturers under the Master Settlement Agreement will be received on June 3, 2002.

(e) Includes $800 million in operating note proceeds received in September, 2001 and impoundment payments to be made on February 28, March 29, April 30, and May 31, 2002. The February 28, 2002 impoundment payment excludes the premium that was deposited on September 20, 2001 into the operating note redemption fund.

(f) $275 million in federal intergovernmental transfer funds were transferred to the Medical Assistance Trust Fund on November 30, 2001.

Table II-9; General Fund Monthly Position (Page 38). Update the table with the following:

GENERAL FUND MONTHLY CASH POSITION[a]
July 1, 1999 through March 31, 2002 — Actual
April 1, 2002 through June 30, 2002 — Estimated[b]
(Amounts in Thousands)

	Starting Date	Starting Balance	Receipts[c]	Disbursements[c]
1999	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	1,800,948	1,405,982
	June	1,415,076	1,698,317	2,831,828
	July	281,565	1,575,450	1,853,617
	August	3,398	1,497,565	1,103,304
	September	397,659	2,520,198	1,627,038
	October	1,290,819	1,631,893	1,101,102
	November	1,821,610	1,469,470	2,347,429
	December	943,651	1,530,624	2,090,608
2002	January	383,667	2,014,638	1,293,585
	February	1,104,720	1,570,087	1,705,687
	March	969,120	1,530,532	2,730,873
	April	(231,221) [d]	1,833,506	1,409,791
	May	192,494	1,661,216	1,720,870
	June[d]	132,840	2,276,245	2,681,922

[a] The General Fund balances presented in this table are not based on Generally Accepted Accounting Principles (GAAP).

[b] The monthly receipt and disbursement projections for April 1, 2002 through June 30, 2002 are based on (1) the 2001-03 biennial budget signed into law by the Governor (2001 Wisconsin Act 16) and (2) the revised general-fund revenue estimates and projected general fund closing balances that were released by the Legislative Fiscal Bureau on January 16, 2002. The projections do NOT reflect the budget reform bill for the 2001-03 biennium that is being considered by the Legislature.

[c] The amounts shown in September 2001 include receipts from the issuance of operating notes and amounts shown in February–May 2002 include disbursements for impoundment payments required in connection with the issuance of operating notes. No operating notes were issued in the 1999-2000 or 2000-01 fiscal years. In addition, the receipt amounts shown in June 2002 include $450 million of proceeds from the expected securitization of tobacco settlement revenues due the State under the Master Settlement Agreement.

[d] The Statutes provide certain administrative remedies to deal with periods when the General Fund is in a negative position. The Secretary of Administration may temporarily reallocate cash in other funds (up to 5% of the general-purpose revenue appropriations then in effect) to the General Fund. Based on the 2001-03 biennial budget signed into law (2001 Wisconsin Act 16), the 5% amount is approximately $571 million for fiscal year 2001-02. In addition, the Secretary of Administration may also temporarily reallocate an additional amount up to 3% of the general-purpose revenue appropriations then in effect (approximately $343 million) for a period of up to 30 days. See page A-20.

Source: Wisconsin Department of Administration.

Table II-10; Balances in Funds Available for Interfund Borrowing (Page 39). Update the table with the following:

BALANCES IN FUNDS AVAILABLE FOR INTERFUND BORROWING[a]
July 1, 1999 to March 31, 2001 — Actual
April 30, 2002 to June 30, 2002 — Estimated[b]
(Amounts in Millions)

Month (Last Day)	1999	2000	2001	2002
January		$ 3,735	$ 4,435	$ 5,360
February		4,159	4,786	5,463
March		4,262	5,213	5,628
April		4,267	4,952	1,725[b]
May		3,961	4,680	1,680
June		3,733	4,925	1,759
July	$ 4,017	4,084	5,275	
August	4,245	3,743	4,785	
September	3,865	3,796	4,897	
October	3,820	3,378	4,328	
November	3,374	3,489	4,242	
December	3,411	3,701	4,737	

[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 April 30, 2002 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 the past five years have ranged from a low of $2.096 million on November 14, 1997 to a high of $4.518 billion on August 9, 2001. Under Section 20.002 (11), Wisconsin 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 $571 million, and an additional 3% (approximately $343 million) for a period of up to 30 days.

Source: Wisconsin Department of Administration.

Table II-11; General Fund Revenues (Page 40). Update the table with the following (please note that the Actual Revenues for the 2000-01 fiscal year presented in Table II-11 of the 2001 Annual Report were incorrect and are correctly presented below):

GENERAL FUND REVENUES[(a)]
July 1, 2001 to March 31, 2002 compared with previous year
(Unaudited)

	Actual Revenues 2000-01FY[(b)]	Projected Revenues 2001-02 FY[(c)]	Actual Revenues July 1, 2000 to March 31, 2001	Actual Revenues July 1, 2001 to March 31, 2002
Individual Income Tax	$ 5,156,565,000	$ 5,211,800,000	$ 3,423,226,293	$ 3,269,272,270
General Sales and Use Tax	3,609,895,000	3,680,000,000	2,348,648,355	2,431,800,523
Corporate Franchise and Income Tax	537,159,000	479,700,000	423,187,789	385,582,333
Public Utility Taxes	239,238,000	253,700,000	118,688,529	128,356,002
Excise Taxes	299,775,000	354,850,000	199,151,633	230,211,776
Inheritance Taxes	77,084,000	85,000,000	57,073,236	61,256,841
Miscellaneous Taxes	159,615,000	144,600,000	47,268,546	50,361,946
SUBTOTAL	10,079,331,000	10,209,650,000	6,617,244,381	6,556,841,692
Federal Receipts[(d)]	5,472,647,000	4,764,099,400	3,909,033,749	4,056,624,503
Dedicated and Other Revenues[(e)]	3,733,756,000	3,857,472,400	3,075,412,694	2,722,837,681
TOTAL	$ 19,285,734,000	$ 18,831,221,800	$ 13,601,690,825	$ 13,336,303,875

(a) The amounts shown are based on the statutory accounting basis and not on GAAP. The statutory accounting basis requires that some cash deposits made after June 30 are recorded as revenues in the prior fiscal year. Therefore, the revenues in this table will not be comparable to the receipts shown in the general fund cash flow tables included earlier in the report. See "ACCOUNTING AND FINANCIAL REPORTING" in Part II of the State of Wisconsin Continuing Disclosure Annual Report, December 19, 2001.

(b) The amounts shown are the sum of all revenues for fiscal year 2000-01 based on the data used in the preparation of the Annual Fiscal Report, Budgetary Basis, for the year ended June 30, 2001.

(c) Projected revenues based are based on (1) the 2001-03 biennial budget signed into law by the Governor (2001 Wisconsin Act 16) and (2) the revised general-fund revenue estimates that were released by the Legislative Fiscal Bureau on January 16, 2002. The projected revenues ALSO REFLECT the budget reform bill for the 2001-03 biennium that is being considered by the Legislature.

(d) This category includes intergovernmental transfers. The amount of these transfers may vary greatly between fiscal years, and therefore, this category may not be comparable on a historical basis.

(e) The 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.

Source: Wisconsin Department of Administration.

Table II-12; General Fund Expenditures by Function (Page 41). Update the table with the following (please note that the Actual Expenditures for the 2000-01 fiscal year presented in Table II-12 of the 2001 Annual Report were incorrect and are correctly presented below):

GENERAL FUND EXPENDITURES BY FUNCTION[a]
July 1, 2001 to March 31, 2002 compared with previous year
(Unaudited)

	Actual Expenditures 2000-01 FY[b]	Appropriations 2001–02 FY[c]	Actual Expenditures July 1, 2000 to March 31, 2001	Actual Expenditures July 1, 2001 to March 31, 2002
Commerce	$ 221,297,000	$ 227,375,400	$ 145,124,624	$ 154,946,147
Education	8,353,243,000	8,628,320,500	5,694,129,010	6,080,019,102
Environmental Resources	272,918,000	256,733,500	136,779,341	186,006,151
Human Relations & Resources	7,287,626,000	7,404,489,100	5,612,770,429	6,003,832,318
General Executive	651,970,000	634,499,300	478,437,667	465,561,051
Judicial	108,676,000	103,047,200	83,465,078	82,754,061
Legislative	62,220,000	59,636,100	42,639,762	44,166,116
General Appropriations	2,490,467,000	1,953,566,300	2,302,015,168	2,105,083,799
TOTAL	$ 19,448,417,000	$ 19,267,667,400	$ 14,495,361,079	$ 15,122,368,745

(a) The amounts shown are based on the statutory accounting basis and not on GAAP. The statutory accounting basis requires that some expenditures made after June 30 be recorded as expenses in the prior fiscal year. Therefore, the expenditures in this table will not be comparable to the disbursements shown in the general fund cash flow tables included earlier in the report. See "ACCOUNTING AND FINANCIAL REPORTING" in Part II of the State of Wisconsin Continuing Disclosure Annual Report, December 19, 2001.

(b) The amounts shown are the sum of all revenues for fiscal year 2000-01 based on the data used in the preparation of the Annual Fiscal Report, Budgetary Basis, for the year ended June 30, 2001.

(c) Estimated appropriations based on the 2001-03 biennial budget signed into law by the Governor (2001 Wisconsin Act 16) and ALSO REFLECT the budget reform bill for the 2001-03 biennium that is being considered by the Legislature.

Source: Wisconsin Department of Administration.

APPENDIX B

INFORMATION ABOUT THE TRANSPORTATION REVENUE BOND PROGRAM

This Appendix includes information concerning the State of Wisconsin Transportation Revenue Bond Program. Part V of the State of Wisconsin Continuing Disclosure Annual Report, dated December 19, 2001 (**2001 Annual Report**) is included by reference as part of this APPENDIX B.

Part V to the 2001 Annual Report contains information concerning the Transportation Revenue Bond Program, security for the Bonds, including sources of payment, Registration Fees, Registration Fee collection procedures, Reserve Fund and additional Bonds, the Transportation Projects Commission, the Wisconsin Department of Transportation, and a summary of the General Resolution.

Included as APPENDIX A to Part V are the audited financial statements for the Transportation Revenue Bond Program for the fiscal year ending June 30, 2001.

The 2001 Annual Report has been filed with each nationally recognized municipal securities information repository **(NRMSIR)**. Copies of the 2001 Annual Report are available from the Capital Finance Office web site and may also be obtained from:

> State of Wisconsin Capital Finance Office
> Department of Administration
> 101 East Wilson Street, FLR 10
> P.O. Box 7864
> Madison, WI 53707-7864
> (608) 266-2305
> capfin@doa.state.wi.us

As of the date of this official statement, Part V of the 2001 Annual Report is available from the Capital Finance Office web site at the following address:

http://www.doa.state.wi.us/debf/capfin/01dis5.pdf

After publication and filing of the 2001 Annual Report, certain changes or events have occurred that affect items discussed in the 2001 Annual Report. Listed below, by reference to particular sections of the 2001 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.

Table V-2; Debt Service of Outstanding Transportation Revenue Bonds and Estimated Revenue Coverage (Page 143). Replace the table with the following:

The following table shows the forecasted coverage of annual debt service on the Outstanding Bonds, assuming the successful closing and delivery of the 2002 Series 1 Bonds and 2002 Series 2 Bonds, and the Department's estimated Registration Fees for 2002-2011. There can be no assurance that the estimated Registration Fees will be realized in the amounts shown.

Debt Service and Estimated Revenue Coverage for Outstanding Bonds

Year Ending (July 1)	Total Debt Service[a]	Estimated Revenue (Millions)[b]	Estimated Coverage Ratio[c]
2002	97,497,231.76	$ 329.00	3.37%
2003	108,434,332.38	332.00	3.06
2004	108,721,737.50	348.20	3.20
2005	108,704,450.00	354.00	3.26
2006	108,379,052.50	373.20	3.44
2007	107,946,502.50	381.90	3.54
2008	102,517,135.00	403.90	3.94
2009	97,530,670.00	415.40	4.26
2010	85,677,435.00	440.50	5.14
2011	85,712,286.25	455.20	5.31
2012	83,402,898.75		
2013	83,539,128.75		
2014	83,217,651.25		
2015	75,227,801.25		
2016	66,870,220.00		
2017	57,522,145.00		
2018	57,577,745.00		
2019	45,595,377.50		
2020	37,405,148.75		
2021	37,412,563.75		
2022	21,087,630.00		
	$ 1,659,979,143		

(a) Includes the debt service for an assumed $136 million bond issue that could be issued to fund currently outstanding transportation revenue commercial paper

(b) Excludes interest earnings.

(c) Assumes that no additional bonds will be issued and continuation of current registration fees. Estimates of revenue and coverage beyond 2011 are not shown.

APPENDIX C

GLOSSARY

This Glossary includes definitions from the General Resolution and the Series Resolutions that apply to capitalized terms used in this Offering Memorandum.

Accountant means such reputable and experienced independent certified public accountant or firm of independent certified public accountants of nationally recognized standing as may be selected by the Department and be satisfactory to the Trustee which may be the accountant or firm of accountants who regularly audit the books and accounts of the Department.

Act means Section 84.59 of the Statutes.

Authorized Newspaper means either The Wall Street Journal or The Bond Buyer, or such other financial newspaper or financial journal of general circulation, printed in the English language and customarily published (except in the case of legal holidays) at least once a day for at least five days in each calendar week, in the Borough of Manhattan, City and State of New York.

Authorized Officer when used with reference to the Department means the Secretary or other person designated from time to time by the Secretary, and when used with reference to the Commission, means the Chairperson of the Commission or other person designated from time to time by the Chairperson of the Commission and, in the case of any act to be performed or duty to be discharged, any other member, staff, officer or employee of the foregoing Department or Commission then authorized to perform such act or discharge such duty.

Bond or **Bonds** means any bond or any other evidence of revenue obligation authorized under the General Resolution and issued pursuant to a Series Resolution.

Bond Counsel's Opinion means an opinion executed by the Attorney General of Wisconsin or an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal, state and public agency financing, selected by the State.

Bondholder and the term **Holder** or **holder** means the registered owner of any Outstanding Bond or Bonds, if registered to a particular person or persons, or the holder of any Outstanding Bond or Bonds in bearer form or registered as to principal only, or his duly authorized attorney in fact, representative or assigns.

1986 Bonds means the State of Wisconsin Transportation Revenue Bonds, 1986 Series A issued on July 17, 1986.

1988 Bonds means the State of Wisconsin Transportation Revenue Bonds, 1988 Series A issued on April 12, 1988.

1989 Bonds means the State of Wisconsin Transportation Revenue Bonds, 1989 Series A, issued on April 19, 1989.

1991 Bonds means the State of Wisconsin Transportation Revenue Bonds, 1991 Series A, issued on October 3, 1991.

1992 Series A Bonds means the State of Wisconsin Transportation Revenue Bonds, 1992 Series A, issued on August 20, 1992.

1992 Series B Bonds means the State of Wisconsin Transportation Revenue Bonds, 1992 Series B, issued on August 20, 1992.

1992 Bonds means collectively the 1992 Series A Bonds and 1992 Series B Bonds.

1993 Bonds means the State of Wisconsin Transportation Revenue Bonds, 1993 Series A, issued on September 29, 1993.

1994 Bonds means the State of Wisconsin Transportation Revenue Bonds, 1994 Series A, issued on July 13, 1994.

1995 Bonds means the State of Wisconsin Transportation Revenue Bonds, 1995 Series A, issued on September 28, 1995.

1996 Bonds means the State of Wisconsin Transportation Revenue Bonds, 1996 Series A, issued on June 13, 1996.

1998 Series A Bonds means the State of Wisconsin Transportation Revenue Bonds, 1998 Series A, issued on September 17, 1998.

1998 Series B Bonds means the State of Wisconsin Transportation Revenue Bonds, 1998 Series B, issued on October 29, 1998.

1998 Bonds means collectively the 1998 Series A Bonds and 1998 Series B Bonds.

2000 Bonds means the State of Wisconsin Transportation Revenue Bonds, 2000 Series A, dated September 15, 2000.

2001 Bonds means State of Wisconsin Transportation Revenue Bonds, 2001 Series A, dated November 15, 2001.

2002 Series 1 Bonds means State of Wisconsin Transportation Revenue Refunding Bonds, 2002 Series 1, dated April 15, 2002 with delivery expected on May 7, 2002

2002 Series 2 Bonds means State of Wisconsin Transportation Revenue Refunding Bonds, 2002 Series 2, dated April 15, 2002 with delivery expected on May 7, 2002.

2002 Bonds means collectively the 2002 Series 1 Bonds and 2002 Series 2 Bonds.

Capitalized Interest Account shall mean the account established by Section 402 of the General Resolution.

Certificate means (i) a signed document either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined pursuant to the General Resolution, or (ii) the report of an Accountant as to audit or other procedures called for by the General Resolution.

Commercial Paper Notes or Notes means the State of Wisconsin Transportation Revenue Commercial Paper Notes, 1997 Series A.

Commission means the State of Wisconsin Building Commission established and existing pursuant to Section 13.48 of the Statutes and any successor thereto to whom the powers and duties granted to or imposed by the General Resolution shall be given by law.

Costs of Issuance means all items of expense, directly or indirectly payable or reimbursable by or to the State which are related to the authorization, sale, credit support, liquidity or issuance of Bonds.

Credit Support and Liquidity Fund means an account established pursuant to Section 511 of the General Resolution.

Credit Support and Liquidity Fund Requirement means as of any date of calculation, an amount equal to the aggregate Credit Support and Liquidity Fund Requirements for each Series of Outstanding Bonds as specified with respect to each such Series in the applicable Series Resolution.

Debt Service Requirement means as of any particular date of calculation, the aggregate Interest Requirement and Principal Requirement for Outstanding Bonds as specified in each Series Resolution authorizing the issuance of a Series of Bonds.

Debt Service Reserve Requirement means, as of any particular date of computation, an amount equal to the aggregate of the amounts specified in each Series Resolution authorizing the issuance of a Series of Bonds (any of which are Outstanding on the date of computation) as the amount to be the Debt Service Reserve Requirement, provided that, with respect to any Series of Bonds, in lieu of a deposit to the Reserve Fund of an amount equal to the applicable Series Debt Service Reserve Requirement, the State may provide for a letter of credit, municipal bond insurance policy, surety bond or other type of agreement or arrangement with an entity having, at the time of entering into such agreement or arrangement, a credit rating equal to or greater than the Bonds which provides for the availability, at the times required pursuant to the provisions of any Series Resolution, of an amount at least equal to such Series Debt Service Reserve Requirement and such method of funding shall be deemed to satisfy all provisions of the Series Resolution with respect to the Debt Service Reserve Requirement and the amount required to be on deposit in the Reserve Fund with respect to such Series of Bonds.

Department means the State of Wisconsin Department of Transportation established and existing pursuant to Section 15.46 of the Statutes and any successor thereto to which the powers and duties granted to or imposed by the General Resolution shall be given by law.

Fiduciary means the Trustee, the Registrar and any Paying Agent, or any or all of them as may be appropriate.

Fiscal Year means the fiscal year of the State as established from time to time.

Fund means one or more, as the case may be, of the funds or accounts created and established pursuant to the General Resolution.

General Resolution means the General Resolution as the same may from time to time be amended, modified or supplemented by a Supplemental Resolution.

Interest Payment Dates means any date on which is due the payment of interest on any Series of Bonds as specified in each Series Resolution authorizing the issuance of the Series of Bonds.

Interest Requirement means as of any particular date of calculation, the amount equal to any unpaid interest then due, plus an amount to the interest accruing or payable during the period between the date of calculation and the next Redemption Fund Deposit Day with respect to each Series of Outstanding Bonds.

Investment Obligations means and includes any of the following obligations to the extent the same are at the time legal for investment of funds of the State under the Act, the Revenue Obligations Act, or under other applicable law:

1. Direct obligations of or obligations guaranteed by the United States of America;
2. Obligations the payment of principal and interest on which, by act of Congress or in the opinion of the Attorney General of the United States in office at the time such obligations were issued, are unconditionally guaranteed by the United States of America;
3. Bonds, debentures, notes, participation certificates or other similar evidences of indebtedness issued by any of the following: Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, the Federal

Financing Bank, the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Export Import Bank of the United States, Student Loan Marketing Association, Farmer's Home Administration, Government National Mortgage Association, Small Business Administration, or any other agency or corporation which has been or may hereafter be created by or pursuant to an Act of Congress of the United States as an agency or instrumentality thereof or sponsored thereby (including but not limited to the fully guaranteed portion of an obligation partially guaranteed by any of the foregoing, if the State's ownership of such portion is acknowledged in writing by an officer of the guaranteeing agency or instrumentality);

4. Public Housing Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America or temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities, in each case, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;
5. Obligations of any state within the United States or of any political subdivision of any state, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by a nationally recognized bond rating agency;
6. Bankers acceptances drawn on and accepted by banks (including the Trustee and Paying Agent) and certificates of deposit by banks (including the Trustee and Paying Agent), with a combined capital and surplus aggregating at least $100,000,000 and securities of which are currently rated within the two highest rating categories assigned by a nationally recognized rating agency, or the international branches or banking subsidiaries thereof;
7. Interest-bearing time deposits, or certificates of deposit of a bank (including the Trustee and Paying Agent) or trust company, continuously secured and collateralized by obligations of the type described in paragraphs (1), (2), (3) and (4) hereof, having a market value at least equal at all times to the amount of such deposit or certificate, to the extent such deposit or certificate is not insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, or any successors thereto;
8. Commercial paper given the highest rating by Standard & Poor's Corporation and Moody's Investors Service at the time of such investments;
9. Investment agreements with banks or bank holding companies the senior long-term debt securities of which are rated within the two highest categories by a nationally recognized rating agency and which have a capital and surplus of at least $100,000,000;
10. Repurchase agreements, with banks or other financial institutions (including the Trustee and Paying Agent) (**Repurchaser**) provided that each such repurchase agreement (a) is in a commercially reasonable form and is for a commercially reasonable period, and (b) result in transfer to the Trustee of legal and equitable title to, or the granting to the Trustee of a prior perfected security interest in, identified obligations referred to in paragraphs (1), (2), (3) and (4) above which are free and clear of any claims by third parties and are segregated in a custodial or trust account held either by the Trustee or by a third party (other than the Repurchaser) as the agency solely of, or in trust solely for the benefit of the Trustee, provided that obligations acquired pursuant to such repurchase agreements shall be valued at the lower of the then current market value of such obligations or the repurchase prices thereof set forth in the applicable repurchase

agreement, such investments shall be made so as to mature on or prior to the date or dates that the Trustee anticipates that moneys therefrom be required;

11. Shares of beneficial interests in an investment fund or trust substantially all of whose assets consist of those identified obligations referred to in paragraphs (1) and (2) above; and
12. Any short term government fund whose assets consist of those identified obligations referred to in paragraphs (1), (2), (3), (4) and (10) above.

Notes or Commercial Paper Notes means the State of Wisconsin Transportation Revenue Commercial Paper Notes, 1997 Series A.

Outstanding, when used with reference to Bonds and as of any particular date, describes all Bonds that have been delivered and are expected to be delivered except (a) any Bond cancelled by the Trustee, or proven to the satisfaction of the Trustee to have been cancelled by the Registrar, at or before said date, (b) any Bond deemed to have been paid in accordance with the provisions of Section 1201 of the General Resolution, and (c) any Bond in lieu of or in substitution for which another Bond shall have been delivered pursuant to the requirements of the General Resolution or any Series Resolution.

Paying Agent for the payment of the principal of, Redemption Price and interest on the Bonds of a particular Series means the Treasurer or any bank or trust company designated as paying agent for the Bonds, and its successor or successors hereafter appointed in the manner provided in the General Resolution.

Prior Bonds means, as of the date of this Offering Memorandum, the 1992 Series A Bonds, 1992 Series B Bonds, 1993 Bonds, 1994 Bonds, 1995 Bonds, 1996 Bonds, 1998 Series A Bonds, 1998 Series B Bonds, 2000 Bonds, 2001 Bonds, and 2002 Bonds.

Principal and Interest Account means the account established by Section 502 of the General Resolution.

Principal Installment means (a) the principal amount of Outstanding Bonds that mature on a single future date, and (b) the amount of any Sinking Fund Installment required to be paid on a single future date.

Principal Installment Dates means any dates designated in a Series Resolution as a day a Principal Installment is to be paid.

Principal Office, when used with respect to a Fiduciary, means the principal, or corporate trust, or head, or principal trust office of such Fiduciary situated in the city in which such Fiduciary is described as being located.

Principal Requirement means, as of any particular date of calculation, the amount of money equal to any unpaid Principal Installment then due with respect to each Series of Outstanding Bonds and the amount of the next succeeding Principal Installment divided by the number of Redemption Fund Deposit Days prior to the next Principal Installment Date with respect to each Series of Outstanding Bonds.

Program means the State of Wisconsin Transportation Facilities and Highway Projects Revenue Obligations Program financed under the Act, the Revenue Obligations Act and the General Resolution in accordance with any other enactment of the State which may hereafter specify an extension, expansion, addition or improvement of and for said Program pursuant to the Act, the Revenue Obligations Act and the General Resolution but not financed under the provisions of any other bond resolution or indenture of trust.

Program Account means the account so designated by Section 402 of the General Resolution.

Program Capital Fund means the Fund that is established and created by Section 402 of the General Resolution and pursuant to Section 18.57 of the Revenue Obligations Act.

Program Expense Fund means the Fund that is established and created by Section 514 of the General Resolution.

Program Expenses means the reasonable and proper costs and expenses of the Department for the operation and maintenance of the Program, including, without limitation, the administrative expenses allocable to the Program and the fees and expenses of the Trustee and the Paying Agents and Registrars of the Bonds.

Program Income means moneys derived under Section 341.25 of the Statutes or any other moneys that the State is authorized to pledge, which is to be deposited by the Department under Section 18.562(3) and (5) of the Revenue Obligations Act in a separate and distinct fund outside of the State Treasury in an account maintained by the Trustee as the Redemption Fund and all interest earned or gain realized from the investment of amounts in said fund.

Program Income Account means the account established by Section 502 of the General Resolution.

Projects means the projects authorized under the Act and funded with proceeds of Bonds authorized by one or more Series Resolutions.

Record Date means with respect to any Series of Bonds, the Record Date established for such Series of Bonds under each Series Resolution pursuant to which such Series is issued (which, with respect to the Bonds, means the fifteenth day of the month preceding an Interest Payment Date on the Bonds).

Redemption Date means the date upon which Bonds are to be called for redemption.

Redemption Fund means the Fund that is established and created by Section 502 of the General Resolution pursuant to Section 18.562(3) of the Revenue Obligations Act.

Redemption Fund Deposit Day means January 1, April 1, July 1 and October 1 of each Fiscal Year.

Redemption Price when used with respect to a Bond or portion thereof, means the principal amount of such Bond or portion plus the applicable premium, if any, payable upon redemption thereof in the manner contemplated in accordance with its terms pursuant to the General Resolution and to the Series Resolution.

Registrar means, with respect to Bonds of a particular Series, the Treasurer or any person with whom he has contracted with for the performance of any of his functions under Section 18.10(5) and (7) of the Statutes.

Reserve Fund means the Fund that is established and created by Section 508 of the General Resolution pursuant to Section 18.562 of the Revenue Obligations Act.

Revenue Obligations Act means Subchapter II of Chapter 18 of the Statutes, as amended.

Secretary means the Secretary of the Department or any other officer, board, body, commission or agency succeeding to the powers, duties and functions thereof.

Serial Bonds means the Bonds so designated in a Series Resolution.

Series, when used with respect to less than all of the Bonds, means and refers to all of the Bonds delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate or other provisions, and any Bond thereafter delivered in lieu of or substitution for any of such Bonds pursuant to the General Resolution or a Series Resolution.

Series Resolution means any resolution adopted by the Commission pursuant to and in accordance with the terms of Article II of the General Resolution, providing for the issuance of a particular Series of Bonds.

Sinking Fund Installment means the amount of money unconditionally required by or pursuant to a Series Resolution to be paid toward the retirement of any particular Term Bonds prior to their respective stated maturities.

State means the State of Wisconsin, including the Commission, or Department, as the case may be, acting on behalf of the State pursuant to the Act or the Revenue Obligations Act, or any body, agency or instrumentality of the State which shall hereafter succeed to the powers, duties and functions of any of the foregoing.

Statutes means the Wisconsin Statutes.

Subordinated Debt Service Fund means an account established in Section 5.1 of 1997 State of Wisconsin Building Commission Resolution 7, adopted by the Commission on April 23, 1997, pursuant to Section 714(C) of the General Resolution, and pledged to the payment of the Commercial Paper Notes.

Subordinated Debt Service Fund Requirement means, as of any date of calculation, an amount equal to the aggregate Subordinated Debt Service Fund Requirements for each Subordinated Indebtedness Series of Outstanding Bonds (or Commercial Paper Notes) as specified with respect to each such Series in the applicable Series Resolution, and as of the date of this Offering Memorandum, is the amount specified in 1997 State of Wisconsin Building Commission Resolution 8, adopted by the Commission on April 23, 1997.

Subordinated Indebtedness means a Series of Bonds issued pursuant to Section 714 of the General Resolution, and includes the Commercial Paper Notes.

Supplemental Resolution means any resolution adopted by the Commission pursuant to and in accordance with the terms of Article VIII of the General Resolution amending or supplementing the provisions of the General Resolution as originally adopted or as amended or supplemented prior to the amending or supplementing effected by the particular Supplemental Resolution.

Term Bonds means the Bonds so designated in a Series Resolution.

Transportation Fund means the fund established in Section 25.40 of the Statutes.

Treasurer means the State Treasurer or any other officer, board, body, commission or agency succeeding to any of the powers, duties and functions thereof.

Trustee means Bank One Trust Company, National Association, as trustee appointed by or pursuant to Section 1101 of the General Resolution, and its successor or successors and any other corporation or association that may at any time be substituted in its place pursuant to the General Resolution.

APPENDIX D

FORM OF BOND COUNSEL OPINION

Quarles & Brady LLP has previously delivered to the State a legal opinion in substantially the following form:

(Letterhead of Quarles & Brady LLP)

May 7, 1997

State of Wisconsin Building Commission
101 East Wilson Street, 7th Floor
Madison, WI 53702

RE: State of Wisconsin (the "Issuer") Transportation Revenue Commercial Paper Notes of 1997, Series A (the "Notes")

We have acted as bond counsel in connection with the issuance by the Issuer of the Notes in an aggregate principal amount not exceeding $188,600,000 outstanding at any one time. We hereby certify that, as bond counsel, we have examined a certified copy of the transcript of proceedings of record of the State of Wisconsin Building Commission (the "Commission") preliminary to and in connection with the issuance of the Notes, including the Resolutions (defined below), the Issuing and Paying Agency Agreement (defined below), the Credit Agreement dated as of May 7, 1997 among the State of Wisconsin and Landesbank Hessen-Thüringen Girozentrale, acting through its New York Branch, Bayerische Landesbank Girozentrale, acting through its New York Branch, and Westdeutsche Landesbank Girozentrale, acting through its New York Branch (the "Credit Agreement"), the Dealer Agreements dated as of May 7, 1997 by and between the State of Wisconsin and Lehman Brothers Inc., Bear, Stearns & Co. Inc., Goldman, Sachs & Co. and Merrill Lynch & Co., respectively (the "Dealer Agreements"), the Certificate with Respect to Arbitrage and other Tax Matters of the Issuer (the "Tax Certificate"), certificates of the Issuer, the Issuing and Paying Agent and others, opinions of counsel to the Issuer, the Issuing and Paying Agent, and others, as well as the law and such other documents, opinions and records we deem necessary to render this opinion. We have relied upon such transcript and documents as to the matters of fact stated therein, without independent verification. We have also examined a printer's proof or sample of the Notes and find the same to be in proper form.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Offering Memorandum or other offering material relating to the Notes (except to the extent, if any, stated in the Offering Memorandum) and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Offering Memorandum).

The Notes are authorized and issued pursuant to the provisions of Subchapter II of Chapter 18 of the Wisconsin Statutes and Section 84.59 of the Wisconsin Statutes, as now in force (collectively, the "Act"), the resolution of the Commission adopted on June 26, 1986 entitled "1986 State of Wisconsin Building Commission Resolution 9, State of Wisconsin Transportation Facilities and Highway Projects Revenue Obligations General Resolution" (the "General Resolution"), resolutions of the Commission adopted on April 23, 1997 entitled "1997 State of Wisconsin Building Commission Resolution 7, Establishing State of Wisconsin Transportation Revenue Commercial Paper Note Program and Providing for the Issuance of Not to Exceed $200,000,000 State of Wisconsin Transportation Revenue Commercial Paper Notes" (the "Program Resolution") and "1997 State of Wisconsin Building Commission Resolution 8, Supplemental Resolution Authorizing and Awarding Not to Exceed $188,600,000 Under the Program Resolution for the State of Wisconsin Transportation Revenue Commercial Paper Notes" (the "Supplemental Resolution") and an Issuing and Paying Agency Agreement, dated as of May 7, 1997 (the "Issuing and Paying Agency Agreement"), between the Issuer and Bankers Trust Company, New York, New York (the "Issuing and Paying Agent"). Collectively, the General Resolution, Program Resolution and

Supplemental Resolution shall be referred to herein as the "Resolutions". Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Program Resolution.

The Notes are issued on a basis junior and subordinate to the Transportation Revenue Bonds, 1986 Series A (the "1986 Bonds"); the Transportation Revenue Bonds, 1988 Series A (the "1988 Bonds"); the Transportation Revenue Bonds, 1989 Series A (the "1989 Bonds"); the Transportation Revenue Bonds, 1991 Series A (the "1991 Bonds"); the Transportation Revenue Bonds, 1992 Series A and B (the "1992 Bonds"); the Transportation Revenue Bonds, 1993 Series A (the "1993 Bonds"); the Transportation Revenue Bonds, 1994 Series A (the "1994 Bonds"); the Transportation Revenue Bonds, 1995 Series A (the "1995 Bonds"); the Transportation Revenue Bonds, 1996 Series A (the "1996 Bonds"); and any other obligations hereafter incurred on a parity with said Bonds in accordance with the terms of the General Resolution (the "Additional Bonds") (collectively, the 1986 Bonds, the 1988 Bonds, the 1989 Bonds, the 1991 Bonds, the 1992 Bonds, the 1993 Bonds, the 1994 Bonds, the 1995 Bonds, the 1996 Bonds and any Additional Bonds shall be referred to as the "Senior Bonds").

Certain agreements, requirements and procedures contained or referred to in the Resolutions, the Issuing and Paying Agency Agreement, the Credit Agreement, the Dealer Agreements, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Notes) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, and no opinion is expressed herein as to any Note or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof, and we have not undertaken to determine, or to inform any person, whether any such actions or events are taken or omitted or do occur, and we disclaim any obligation to update this opinion. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have not undertaken to verify independently, and have assumed, that the factual matters represented, warranted or certified in the documents referred to in the first paragraph hereof are and will remain, at all times while Notes are outstanding, true and accurate. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolutions, the Issuing and Paying Agency Agreement, the Credit Agreement, the Dealer Agreements and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Notes to be included in gross income for federal income tax purposes. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that:

1. The Issuer has valid right and lawful authority to finance State transportation facilities and major highway projects by the adoption of the Resolutions, to perform its obligations under the terms and conditions of the Resolutions, and to issue the Notes.

2. Each of the Resolutions has been duly adopted by the Commission and is in full force and effect, and constitutes a valid and binding obligation of the Issuer in accordance with its respective terms.

3. The Issuing and Paying Agency Agreement, the Credit Agreement and the Dealer Agreements have been duly executed and delivered by the Commission and constitute valid and

binding obligations of the State, enforceable against the State in accordance with their respective terms.

4. The Notes have been duly and validly authorized and, when issued in the form authorized by the Issuing and Paying Agency Agreement and authenticated by the Issuing and Paying Agent, in all respects in accordance with the Act, the Resolutions and the Issuing and Paying Agency Agreement, will constitute limited obligations of the Issuer, payable solely from Program Income deposited into the Subordinated Debt Service Fund in the manner and to the extent set forth in the Resolutions on a basis junior and subordinate to the pledge of the Program Income granted to the Senior Bonds. The Notes do not constitute a debt or grant or loan of credit of the Issuer, and the Issuer shall not be generally liable thereon, nor shall the Notes be payable out of any funds other than those provided therefor pursuant to the Resolutions and the Act. Neither the faith and credit nor the taxing power of the Issuer or any political subdivision thereof is pledged to the payment of the principal, redemption price or the interest on the Notes.

5. The interest on the Notes, when the Notes are issued in accordance with the Issuing and Paying Agency Agreement and the Tax Certificate, is excluded for federal income tax purposes from the gross income of the owners of the Notes. Non-compliance with the representations in the Tax Certificate may cause interest on the Notes to be includable, for federal income tax purposes, retroactively in the gross income of the recipients thereof, irrespective of when such noncompliance may occur or be ascertained. The interest on the Notes is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on corporations (as that term is defined for federal income tax purposes) and individuals. However, for purposes of computing the alternative minimum tax imposed on corporations, the interest on the Notes is included in adjusted current earnings. The Code contains requirements that must be satisfied subsequent to the issuance of the Notes in order for interest on the Notes to be or continue to be excluded from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Notes to be included in gross income retroactively to the date of issuance of the Notes. The Issuer has agreed to comply with all of those requirements in the Tax Certificate. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Issuer comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Notes.

It is to be understood that the rights of the owners of the Notes and the enforceability of the Notes, the Resolutions, the Issuing and Paying Agency Agreement, the Credit Agreement and the Dealer Agreements may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditor's rights heretofore or hereafter enacted to the extent constitutionally applicable, and that their enforcement may be also subject to the exercise of judicial discretion in appropriate cases.

Unless otherwise notified by us, you may continue to rely on this opinion to the extent that (i) there is no change in the applicable state or federal law existing on the date hereof, (ii) the Resolutions, in the form in effect on the date hereof, remain in full force and effect, (iii) the representations, warranties and covenants of the parties contained in the Credit Agreement, the Issuing and Paying Agency Agreement and the Dealer Agreements and certain certificates, including the Tax Certificate, dated the date hereof and delivered by authorized officers of the Issuer remain true and accurate and are complied with in all material respects, and (iv) no litigation affecting the issuance or validity of the Notes is pending or threatened at the time of delivery of any such instruments.

QUARLES & BRADY LLP