STATE OF WISCONSIN

Notice of Listed **Material Event** #2002-16
Dated May 28, 2002

Some of the bonds listed in this Notice (the "Bonds") ***are subject to the requirements of SEC Rule 15c2-12(b)(5)*** regarding an agreement to provide continuing disclosure. The following constitutes a listed material event as defined by the rule.

Issuer:	State of Wisconsin General Obligation Bonds
Material Event:	Rating Change—**Downgrade**
CUSIP Numbers:	977053, 977055 and 977056 Prefix (All)
Summary:	Standard & Poor's has downgraded the rating on the State's general obligation bonds from "AA" to "AA–". Attached to this notice is a press release and rating report issued by Standard & Poor's. In addition, Standard & Poor's has changed the rating outlook on the State's general obligation bonds from "negative" to "stable" and has removed the rating from CreditWatch. The current Standard & Poor's ratings assigned to the State's Clean Water Revenue Bonds (AA+), Petroleum Inspection Fee Revenue Bonds (AA-), and Transportation Revenue Bonds (AA–) are unchanged by this action. As a result of this action, the Standard & Poor's rating assigned to the State's Master Lease Certificates of Participation is also downgraded from "AA–" to "A+".

The undersigned represents that he is the Capital Finance Director, State of Wisconsin Capital Finance Office, which is the office of the State of Wisconsin responsible for providing Annual Reports and giving notice of Listed Material Events when notice is required by the State's Master Agreement on Continuing Disclosure.

/s/ Frank R. Hoadley
Frank R. Hoadley, Capital Finance Director
State of Wisconsin Capital Finance Office
Wisconsin Department of Administration
101 East Wilson Street, FLR 10
Madison, WI 53702
Phone: (608) 266-2305
Fax: (608) 266-7645
E-mail: capfin@doa.state.wi.us

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Research:

Wisconsin's GO & Appropriation Debt Ratings Lowered, Off Watch; Declining Tax Revenues Cited

Publication date: 24-May-2002

Analyst: John Kenward, Chicago (1) 312-233-7003; Robin Prunty, New York (1) 212-438-2081

CHICAGO (Standard & Poor's) May 24, 2002--Standard & Poor's today lowered its standard long-term and underlying ratings on Wisconsin's GO debt to double-'A'-minus from double-'A', and subsequently removed them from CreditWatch where they were placed on Jan. 24, 2002. The downgrade is based on the projected erosion of the state's reserves due to declining tax revenues and the consequential loss of budgetary flexibility to address revenue shortfalls caused by future economic downturns.

Standard & Poor's also lowered its standard long-term and underlying ratings on the state's lease-backed debt to single-'A'-plus from double-'A'-minus and removed them from CreditWatch, where they were placed on Jan. 24. The downgrade is based on the state's GO debt rating.

Standard & Poor's also assigned its double-'A'-minus rating and stable outlook to the state's $143.545 million series 2002C GO bonds.

"The state's planned drawdown of budgetary reserves, limited revenue-generating flexibility and slim budgetary reserves, the state Legislature's noncommittal stance toward increasing financial reserves, and a negative $1.2 billion GAAP fund balance are all contributing factors to the rating downgrade," said credit analyst John Kenward.

The recently announced revenue shortfall stemming from declining tax revenues places tremendous pressure on an already tight fiscal situation. Gov. McCallum's response to lower-than-expected tax revenues comes on top of his December 2001 announcement of a hiring freeze and a number of budget cuts that are expected to trim $151 million and $409 million from 2002 and 2003 spending, respectively. On Feb. 19, 2002, Wisconsin announced the elimination of 908 state positions, including some layoffs.

"A diversified economy, stable economic and employment growth trends, moderate debt burden, modest expected future GO debt issuance, and the successful sale of its tobacco settlement asset-backed bonds keep the state's tax-backed and appropriation ratings in the investment-grade double-'A' and single-'A' categories," said Mr. Kenward.

Standard & Poor's outlook for the state reflects Wisconsin's diverse economy and the revenue and expenditure flexibility inherent in the state's sovereign powers. While the state's reserves are likely to decline to very low levels in 2002 and 2003, an improving economy and the state's ongoing efforts to reduce expenditures will prevent its finances from deteriorating any further.

The rating downgrade reflects about $3.5 billion.

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Research:

Summary: Wisconsin; Appropriation, Appropriation; Tax Secured, General Obligation

Publication date: 24-May-2002
Analyst: John Kenward, Chicago (1) 312-233-7003; Robin Prunty, New York (1) 212-438-2081

Credit Profile

$143.5 mil muni debt muni issue ser 2002C due 2022	AA-
Sale date: 29-MAY-2002	

DOWNGRADED, OFF CREDITWATCH	To	From
$3.409 bil. Wisconsin	AA-	AA
$181.210 mil. Wisconsin GO bnds ser 2001F dtd 10/01/2001 due 05/01/2005-2022	AAA/AA-(SPUR)	AA
$85.875 mil. Wisconsin GO bnds ser 2002A dtd 03/01/2002 due 05/01/2006 2008-2022	AAA/AA-(SPUR)	AA
$75.000 mil. Wisconsin GO rfdg bnds of 2002 ser 1 dtd 03/01/2002 due 05/01/2004-2020	AAA/AA-(SPUR)	AA
$247.105 mil. Wisconsin GO rfdg bnds ser 2001-1 dtd 10/01/2001 due 05/01/2005-2015	AAA/AA-(SPUR)	AA
$93.386 mil. Wisconsin cert of part	A+	AA-
$8.900 mil. Wisconsin taxable master lse cert of part of 1999 ser B dtd 02/18/1999 due 09/01/1999-2005 & 03/01/2000-2005	AAA/A+(SPUR)	AA-

OUTLOOK: STABLE

Rationale

The rating downgrade on Wisconsin's GO bonds to 'AA-' and 'AA-' Standard & Poor's underlying rating (SPUR), and subsequent removal from CreditWatch, where they were placed on Jan. 24, 2002, is based on the projected erosion of the state's reserves due to declining tax revenues and the consequential loss of budgetary flexibility to address revenue shortfalls caused by future economic downturns.

In addition, the rating downgrade on the state's certificates of participation to 'A+' and 'A+' Standard & Poor's underlying rating (SPUR) is based on the downgrade of the state's GO debt rating.

The state's rating also reflects its:

- Diversified economy, with a large and diverse manufacturing sector;
- Trend of stable economic and employment growth;
- Moderate debt burden with above-average debt rolloff;
- Modest expected future GO debt issuance; and
- Receipt of $1.275 billion from the successful sale of its tobacco settlement asset-backed bonds in May 2002, $825 million of which is subject to appropriation for operational spending or other purposes.

Offsetting credit factors include the state's:

- Planned drawdown of budgetary reserves and use of nonrecurring revenue to balance the 2001-2003 biennium budget;
- Limited revenue-generating flexibility and slim budgetary reserves due to prior tax cuts and rebates;
- Prior lack of legislative commitment to increase financial reserves;
- Increased funding commitment to public education, which rose to two-thirds since 1997 and resulted in decreased expenditure flexibility; and
- Negative GAAP fund balances, which increased to negative $1.2 billion, or negative 7.5% of expenditures, at fiscal year-end 2001 from negative $830 million, or negative 5.4% of expenditures, at fiscal year-end 2000.

In January 2002, the state announced that it expects its tax revenues to decrease by as much as $1.04 billion below amounts assumed in its 2001-2003 biennium budget, necessitating a drastic reworking of the budget. If corrective measures are not implemented, the budgetary fund balance is projected to decline to negative $126 million by fiscal year-end 2002 and negative $975 million by fiscal year-end 2003. On Jan. 22, 2002, in response to the 2002-2003 revenue revisions, Gov. Scott McCallum submitted a budget reform bill to the Wisconsin Legislature that called for additional cuts in the biennium budget, which will need legislative approval. As of May 24, 2002, the bill is still pending in the Legislature.

Tax collections for the first 10 months of fiscal 2002 through April are 1.8% below collections for the first 10 months of the prior year. Although sales tax collections are up 4% compared to the first 10 months of fiscal 2001, individual income tax receipts are down 6% and corporate franchise and income taxes are down 9%. Wisconsin's individual income tax receipts are being negatively affected by the state's increased unemployment rate, which climbed to 4.3% in 2001 from an average of 3.3% in 2000. Unemployment rose to 5.7% in March 2002 before declining to 5.4% in April 2002, which was below the nation's 6.0% rate. The 2002 budget was founded on the assumption that total tax revenues would increase 5.8% for the year; Wisconsin, however, projects its current tax revenues will increase just 1.2% over fiscal 2001.

The recently announced revenue shortfall places tremendous pressure on an already tight fiscal situation. As adopted by the state Legislature in August 2001, and incorporating Gov. McCallum's vetoes, the budgeted ending general fund budgetary balance for June 30, 2003, was $142.4 million; this is a significant decrease from the $208 million fiscal year-end June 30, 2001, budgetary balance and barely above the state's statutory 1.2% minimum fund balance. In January 2002, the state projected that, in the absence of major changes to the 2001-2003 biennium budget, its ending 2003 general fund balance would decrease to negative $975 million.

Gov. McCallum's response to lower-than-expected tax revenues comes on top of his December 2001 announcement of a hiring freeze and a number of budget cuts that are expected to trim $151 million and $409 million from 2002 and 2003 spending, respectively. On Feb. 19, 2002, Wisconsin announced the elimination of 908 state positions, including some layoffs.

Outlook

The stable outlook reflects Wisconsin's diverse economy and the revenue and expenditure flexibility inherent in the state's sovereign powers. The stable outlook also reflects Standard & Poor's expectation that, while the state's reserves are likely to decline to very low levels in 2002 and 2003, an improving economy and the state's ongoing efforts to reduce expenditures will prevent its finances from deteriorating any further.

2002 Budget Reform Bill

Wisconsin's budget reform bill does not include any broad-based tax or revenue increases. Gov. McCallum's proposed key changes to the remainder of the 2001-2003 biennium budget include:

- Cutting most state agency budgets by 3.5% and 5.0% in 2002 and 2003, respectively;
- Cutting state aid to the University of Wisconsin school system by 1.0% and 4.5% in 2002 and 2003, respectively;

- Phasing out about $1 billion of annual revenue sharing to cities and counties through fiscal 2004; and
- Using $794 million of proceeds from the state's tobacco securitization bonds, which were issued in May 2002, to offset, in part, shared revenue payments to cities and counties in fiscals 2003 and 2004.

Proceeds of $450 million have already been budgeted for 2002 and were deposited into the general fund on May 23, 2002. State school aid, which provides two-thirds of school district funding, is not cut as part of Gov. McCallum's budget reform proposal. In addition, tax increases are not contemplated. Gov. McCallum's stated goal is to make sufficient budget adjustments to maintain a general fund balance of at least 1.2%. Gov. McCallum submitted the budget reform bill to the Legislature on Jan. 22, 2002. As of May 24, 2002, the Legislature has not acted on the bill.