NOTICE OF BOND INSURANCE

$143,545,000
STATE OF WISCONSIN
GENERAL OBLIGATION BONDS OF 2002, SERIES C

The undersigned has provided for the delivery of a municipal bond insurance policy to be issued simultaneously with the delivery of the above captioned bonds by

MBIA INSURANCE CORPORATION

insuring the payment when due of the principal of and interest on the State of Wisconsin General Obligation Bonds of 2002, Series C (Bonds).

This Notice includes certain information concerning MBIA Insurance Corporation (**MBIA**) and the terms of the Financial Guaranty Insurance Policy (**Policy**) relating to the Bonds. Information with respect to MBIA and the Policy has been supplied by MBIA. No representation is made by the undersigned as to the accuracy or adequacy of such information. The Policy does not constitute a part of the contract between the State of Wisconsin **(State)** and the holders of Bonds. The undersigned has the responsibility for paying the premium on and complying with the conditions for the issuance of the Policy, and the State has no responsibility with respect to such insurance in any way, including the maintenance and enforcement of the Policy or collection of a claim submitted under the Policy.

This Notice has been prepared by the undersigned to provide certain information pertaining to MBIA. It has not been prepared or reviewed by the State, and the State makes no representation to the adequacy of the information contained in this Notice. Each purchaser should consult the Official Statement, dated May 29, 2002, for information about the Bonds, and the undersigned assumes no responsibility with respect to the Official Statement.

The undersigned has applied for, and upon issuance of the Policy there will be assigned to the Bonds, the AAA rating from Fitch Ratings, the Aaa rating from Moody's Investors Service, Inc., and the AAA rating from Standard & Poor's Ratings Services.

BEAR, STEARNS & CO. INC.

May 29, 2002

FINANCIAL GUARANTY INSURANCE POLICY

MBIA INSURANCE CORPORATION
ARMONK, NEW YORK 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in the account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officer, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

____
President

____
Assistant Secretary

SPECIMEN

OFFICIAL STATEMENT

New Issue

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

$143,545,000
STATE OF WISCONSIN
GENERAL OBLIGATION BONDS OF 2002, SERIES C

Dated: June 1, 2002 **Due: May 1, as shown below**

Underlying Ratings	AA Fitch Ratings Aa3 Moody's Investors Service, Inc. AA– Standard & Poor's Ratings Services–*See page 3.*
Tax Exemption	Interest on the Bonds is excluded from gross income and is not an item of tax preference for federal income tax purposes. Interest on the Bonds is subject to State of Wisconsin income and franchise taxes–*See pages 8-10.*
Redemption	The Bonds maturing on or after May 1, 2013 are callable at par at any time on or after May 1, 2012–*See page 2.*
Security	General obligations of the State of Wisconsin–*See page 2.*
Purpose	Proceeds from the Bonds are being used for various governmental purposes and funding a portion of previously issued general obligation EMCP. –*See page 3*.
Interest Payment Dates	May 1 and November 1
First Interest Payment Date	November 1, 2002
Denominations	$5,000
Closing/Settlement	June 12, 2002
Bond Counsel	Foley & Lardner
Registrar/Paying Agent	State Treasurer
Issuer Contact	Wisconsin Capital Finance Office–(608) 266-2305; capfin@doa.state.wi.us
Book-Entry-Only Form	The Depository Trust Company–*See pages 3-5.*
Annual Report	This Official Statement incorporates by reference Parts I, II, and III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 19, 2001.

The Bonds were sold at competitive sale on May 29, 2002. The interest rates payable by the State, which are shown below, resulted from the award of the Bonds.

CUSIP	Year (May 1)	Principal Amount	Interest Rate	First Optional Redemption Date (May 1)	Call Price
977056 Y79	2003	$ 4,985,000	3.00%	Not Callable	-
977056 Y87	2004	5,240,000	5.00	Not Callable	-
977056 Y95	2005	5,505,000	5.00	Not Callable	-
977056 Z29	2006	5,780,000	4.50	Not Callable	-
977056 Z37	2007	6,060,000	5.00	Not Callable	-
977056 Z45	2008	5,790,000	5.00	Not Callable	-
977056 Z52	2009	6,080,000	4.00	Not Callable	-
977056 Z60	2010	6,385,000	5.25	Not Callable	-
977056 Z78	2011	6,705,000	4.25	Not Callable	-
977056 Z86	2012	8,525,000	4.30	Not Callable	-
977056 Z94	2013	6,730,000	5.25	2012	100%
977056 2A7	2014	7,070,000	5.25	2012	100
977056 2B5	2015	7,425,000	5.25	2012	100
977056 2C3	2016	7,805,000	5.25	2012	100
977056 2D1	2017	8,205,000	5.25	2012	100
977056 2E9	2018	8,625,000	4.90	2012	100
977056 2F6	2019	9,070,000	5.00	2012	100
977056 2G4	2020	9,535,000	5.00	2012	100
977056 2H2	2021	10,015,000	5.10	2012	100
977056 2J8	2022	8,010,000	5.15	2012	100

Purchase Price: $146,691,140.70

May 29, 2002

Note: The State has been advised by the Underwriters that they have applied for and received a Commitment to Issue a Financial Guaranty Insurance Policy from MBIA Insurance Corporation (**MBIA**) for the Bonds. Further information on this Commitment and the Financial Guaranty Insurance Policy can be obtained from the Underwriters and MBIA.

This document is the "official" statement—that is, it contains the only authorized information about the offering of the Bonds. This document is not an offer or solicitation for the Bonds, and no unlawful offer, solicitation, or sale may occur through the use of this document or otherwise. This document 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 Bonds, and anything else related to the offering.

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

The estimates, forecasts, projections, and opinions in this document 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 Bonds other than what is in this document. The information and expressions of opinion in this document may change without notice. The delivery of this document or any sale of the Bonds does not imply that there has been no change in the matters contained in this document since the date of this document. Material referred to in this document is not part of this document unless expressly included.

TABLE OF CONTENTS

STATE OFFICIALS PARTICIPATING IN THE ISSUANCE AND SALE OF THE BONDS

BUILDING COMMISSION MEMBERS

Voting Members	**Term of Office Expires**
Governor Scott McCallum, Chairperson	January 6, 2003
Senator Fred A. Risser, Vice-Chairperson	January 3, 2005
Senator Mark Meyer	January 3, 2005
Senator Carol Roessler	January 3, 2005
Representative Timothy Hoven	January 6, 2003
Representative Jeffrey Plale	January 6, 2003
Representative Daniel Vrakas	January 6, 2003
Mr. Bryce Styza, Citizen Member	At the pleasure of the Governor

Nonvoting, Advisory Members

Mr. George Lightbourn, Secretary Department of Administration	At the pleasure of the Governor
Mr. Adel Tabrizi, State Chief Engineer Department of Administration	——
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

DEBT MANAGEMENT AND DISCLOSURE

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

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

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

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

SUMMARY DESCRIPTION OF BONDS

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

Description:	State of Wisconsin General Obligation Bonds of 2002, Series C
Principal Amount:	$143,545,000
Denominations:	$5,000 and integral multiples
Date of Issue:	June 1, 2002
Record Date:	April 15 and October 15
Interest Payment:	May 1 and November 1, commencing November 1, 2002
Maturities:	May 1, 2003-2022—*See cover*
Redemption:	*Optional* — The Bonds maturing on or after May 1, 2013 are subject to optional redemption at par (100%) at any time on or after May 1, 2012—*See page 2*
Form:	Book-entry-only—*See pages 3-5*
Paying Agent:	All payments of principal and interest on the Bonds will be paid by the State Treasurer. All payments will be made to The Depository Trust Company, which will distribute payments to Beneficial Owners as described herein.
Security:	The Bonds are general obligations. As of December 1, 2001, there were $4,240,443,481 of outstanding general obligations of the State.
Bond Insurance	The State has been advised by the Underwriters that they have applied for and received a Commitment to Issue a Financial Guaranty Insurance Policy from MBIA Insurance Corporation (**MBIA**) for the Bonds. Further information on this Commitment and the Financial Guaranty Insurance Policy can be obtained from the Underwriters and MBIA.
Additional General Obligation Debt:	The State may issue additional general obligation debt.
Authority for Issuance:	The Bonds are issued under Article VIII of the Wisconsin Constitution and Chapters 18 and 20 of the Wisconsin Statutes.
Purpose:	Acquisition, construction, development, extension, enlargement, or improvement of land, water, property, highways, buildings, equipment, or facilities for public purposes and funding a portion of previously issued general obligation extendible municipal commercial paper (EMCP).
Legality of Investment:	State law provides that the Bonds are legal investments for all banks, trust companies, savings banks and institutions, building and loan associations, savings and loan associations, credit unions, investment companies, and other persons or entities carrying on a banking business; for all executors, administrators, guardians, trustees, and other fiduciaries; and for the State and all public officers, municipal corporations, political subdivisions, and public bodies.
Tax Exemption:	Interest on the Bonds is not included in gross income and not an item of tax preference for federal income tax purposes—*See pages 8-10* Interest on the Bonds is subject to State of Wisconsin income and franchise taxes—*See page 10*
Legal Opinion:	Validity and tax opinion to be provided by Foley & Lardner—*See page C-1*

OFFICIAL STATEMENT
$143,545,000
STATE OF WISCONSIN
GENERAL OBLIGATION BONDS OF 2002, SERIES C

INTRODUCTION

This Official Statement provides information about the $143,545,000 General Obligation Bonds of 2002, Series C **(Bonds)** issued by the State of Wisconsin **(State)**. This Official Statement includes by reference Parts I, II, and III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 19, 2001 **(2001 Annual Report)**.

The Bonds are authorized under the Wisconsin Constitution and the Wisconsin Statutes, as well as authorizing resolutions that the State of Wisconsin Building Commission **(Commission)** adopted on June 28, 2000 and April 17, 2002.

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

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

THE STATE

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

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

THE BONDS

General

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

The Bonds will be dated June 1, 2002 and will bear interest from that date payable on May 1 and November 1 of each year, beginning on November 1, 2002.

Interest on the Bonds will be computed on the basis of a 30-day month and a 360-day year. Payments of principal and interest for each Bond will be paid to the registered owner of the Bonds. The Bonds are being issued in book-entry-only form, so the registered owner will be a securities depository—initially, a nominee of The Depository Trust Company, New York, New York **(DTC)**. See "THE BONDS; Book-Entry-Only Form".

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

Security

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

Redemption Provisions

Optional Redemption

The Bonds maturing on or after May 1, 2013 may be redeemed on May 1, 2012 or any date after that date, in whole or in part in multiples of $5,000, at a redemption price equal to par (100%) plus accrued interest to the redemption date. The Commission may decide whether to redeem Bonds, and it may direct the amounts and maturities of the Bonds to be redeemed.

Selection of Bonds

If less than all the Bonds of a particular maturity are to be redeemed, the selection of Bonds to be redeemed depends on whether the Bonds are in book-entry-only form or are in certificated form. See "THE BONDS; Book-Entry-Only Form". If the Bonds are in book-entry-only form, selection of the beneficial owners affected by the redemption will be made by the securities depository and its participants in accordance with their rules. If the Bonds are not in book-entry-only form, selection will be by lot.

Notice of Redemption

If the Bonds are in book-entry-only form, any redemption notice will be sent to the securities depository between 30 and 45 days before the redemption date. A redemption notice may be revoked by sending notice to the securities depository at least 15 days before the proposed redemption date.

If the Bonds are not in book-entry-only form, any redemption notice will be published between 30 and 45 days before the date of redemption in a financial newspaper published or circulated in New York, New York. The notice will also be mailed, postage prepaid, between 30 and 45 days before the redemption date to the registered owners of any Bonds to be redeemed. The mailing, however, will not be a condition to the redemption; any proceedings to redeem the Bonds will still be effective even if the notice is not given. A redemption notice may be revoked by publication of a notice at least 15 days before the proposed redemption date in a financial newspaper published or circulated in New York, New York. The revocation notice will also be mailed, postage prepaid, at least 15 days before the proposed redemption date to the registered owners of any Bonds to have been redeemed. The mailing, however, will not be a condition to the revocation; the revocation will still be effective even if the notice is not given.

Interest on any Bond called for redemption will cease to accrue on the redemption date so long as the Bond is paid or money is provided for its payment.

Registration and Payment of Bonds

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

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

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

Underlying Ratings

At the State's request, several rating agencies have provided an underlying rating on the Bonds:

Underlying Rating	Rating Agency
AA	Fitch Ratings
Aa3	Moody's Investors Service, Inc. [(1)]
AA–	Standard & Poor's Ratings Services

(1) On March 4, 2002, Moody's Investors Service, Inc. revised the rating outlook on the State's general obligations from "stable" to "negative".

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

Application of Bond Proceeds

The Wisconsin Legislature has established the borrowing purposes and amounts for which public debt may be issued. APPENDIX B includes a summary of these purposes and the amounts both authorized and previously issued for each borrowing purpose. APPENDIX B also identifies the purposes and amounts that the Bonds are being issued for. The Bonds also fund a portion of previously issued general obligation extendible municipal commercial paper (**EMCP**).

Bond proceeds will be deposited in the State's Capital Improvement Fund. Bond proceeds that fund the general obligation EMCP will be spent within 90 days of closing. The remaining Bond proceeds will be spent as the State incurs costs for the various borrowing purposes. Until the money is spent, the State of Wisconsin Investment Board will invest the Bond proceeds.

Book-Entry-Only Form

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

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the same law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants **(Direct Participants)** deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants’ accounts, thereby eliminating the need for physical movement of securities certificates.

Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly **(Indirect Participants)**. The rules applicable to DTC and its Participants—that is, its Direct and Indirect Participants—are on file with the Securities and Exchange Commission.

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

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

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

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

Notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any legal requirements.

The State will send redemption notices to Cede & Co. If less than all of the Bonds are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

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

The State will make principal and interest payments on the Bonds to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of the Participant and not of the State or DTC, subject to any legal requirements. The State is responsible for sending payments to DTC. DTC is responsible for disbursing those payments to Direct Participants. Both Direct and Indirect Participants are responsible for disbursing those payments to the Beneficial Owners.

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

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

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

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

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

OTHER INFORMATION

Limitations on Issuance of General Obligations

All general obligations issued by the State fall within a debt limit set forth in the Wisconsin Constitution and Statutes. There is an annual limit of three-quarters of one percent, and a cumulative limit of five percent, of the aggregate value of all taxable property in the State. The annual limit is currently $2,343,627,800. A refunding obligation does not count for purposes of the annual debt limit or the cumulative debt limit. Accrued interest on any obligation that is not paid during the fiscal year in which it accrues is treated as debt and taken into account for purposes of the debt limitations.

Borrowing Plans for 2002

General Obligations

This is the fifth series of general obligations to be issued in this calendar year. The State has previously issued:

- $42 million of general obligation EMCP for general governmental purposes.
- $112 million of general obligation bonds for general governmental purposes.
- $15 million of taxable general obligation bonds for the veterans housing loan program.

- $75 million of general obligation refunding bonds to refund a portion of previously issued general obligation bonds that matured on May 1, 2002.

In addition, the Commission has also authorized the following general obligations that may be issued in calendar year 2002:

- Up to $50 million of taxable general obligation bonds for the veterans housing loan program. Of this amount, the State intends to sell $20 million in a private placement, which is expected to close on or about June 12, 2002. Issuance of the remaining amount of bonds is anticipated in the third or fourth quarter, but the actual amount and timing depend on activity of the veterans housing loan program.
- Up to $20 million of general obligation subsidy bonds to be purchased by the Environmental Improvement Fund for the Clean Water Fund Program. The amount and timing of general obligation subsidy bonds for this purpose depend on loan disbursements from the Clean Water Fund Program.

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

- Additional general obligations in the form of fixed-rate bonds or variable-rate notes in the third or fourth quarter for general governmental purposes.

Other Obligations

The Commission has authorized up to $45 million of transportation revenue obligations to fund projects in the transportation revenue bond program. It is expected that the Commission will be asked to increase this amount of authority. Issuance of the transportation revenue obligations is anticipated in the third quarter, but the actual amount and timing depend on major projects and disbursements from the transportation revenue bond program. The Commission has sold $311 million of transportation revenue refunding bonds in this calendar year to refund previously issued transportation revenue bonds.

The Commission has sold $100 million of clean water revenue bonds in this calendar year to fund loans in the Clean Water Fund Program. The Commission has also authorized up to $108 million of clean water revenue refunding bonds to refund previously issued clean water revenue bonds. The amount and timing of any clean water revenue refunding bonds depend on market conditions.

The Commission has authorized up to $64 million of petroleum inspection fee revenue obligations to fund claims under a soil remediation program. The amount and timing of petroleum inspection fee revenue obligations depend on payment of claims under this program. In addition, the Commission has authorized up to $125 million of petroleum inspection fee revenue refunding bonds. The amount and timing of any such issue depend on market conditions.

The State has issued $45 million of master lease certificates of participation in this calendar year. Additional master lease certificates of participation may be issued in the third or fourth quarter of this calendar year.

The State expects to sell operating notes in the third quarter of this calendar year.

Underwriting

The Bonds were purchased through competitive bidding on May 29, 2002 by the following account **(Underwriters)**: Bear, Stearns & Co. Inc., book-running manager**;** Morgan Stanley; J.P. Morgan Securities, Inc.; Banc of America Securities LLC; Fidelity Capital Markets; Robert W. Baird & Co., Inc.; M.R. Beal & Company; Jackson Securities Inc.; Kirlin Securities, Inc.; Ramirez & Co., Inc., in association with RBC Dain Rauscher Inc.; ABN Amro Financial Services Inc.; Griffin, Kubik, Stephens & Thompson, Inc.; Stifel, Nicolaus & Company, Incorporated; CIBC World Markets; Commerce Capital Markets, Inc.; Prudential Securities; Advest, Inc.; The GMS Group L.L.C.; and Howe Barnes Investments, Inc.

The Underwriters paid $146,691,140.70, and their bid resulted in a true interest cost rate to the State of 4.721572%.

Reference Information About the Bonds

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

$143,545,000
State of Wisconsin
General Obligation Bonds of 2002, Series C

Dated Date: June 1, 2002
First Interest Date: November 1, 2002
Closing/Settlement Date: June 12, 2002

CUSIP	Year (May 1)	Principal Amount	Interest Rate	Yield at Issuance	Price at Issuance		First Optional Redemption Date (May 1)	Call Price
977056 Y79	2003	$ 4,985,000	3.00%	1.717%	101.122%		Not Callable	-
977056 Y87	2004	5,240,000	5.00	2.450	104.669		Not Callable	-
977056 Y95	2005	5,505,000	5.00	2.930	105.685		Not Callable	-
977056 Z29	2006	5,780,000	4.50	3.170	104.823		Not Callable	-
977056 Z37	2007	6,060,000	5.00	3.450	106.911		Not Callable	-
977056 Z45	2008	5,790,000	5.00	3.750	106.543		Not Callable	-
977056 Z52	2009	6,080,000	4.00	3.940	100.355		Not Callable	-
977056 Z60	2010	6,385,000	5.25	4.150	107.329		Not Callable	-
977056 Z78	2011	6,705,000	4.25	4.250	100.000		Not Callable	-
977056 Z86	2012	8,525,000	4.30	4.350	99.597		Not Callable	-
977056 Z94	2013	6,730,000	5.25	4.450	106.337	(a)	2012	100%
977056 2A7	2014	7,070,000	5.25	4.550	105.518	(a)	2012	100
977056 2B5	2015	7,425,000	5.25	4.650	104.706	(a)	2012	100
977056 2C3	2016	7,805,000	5.25	4.750	103.903	(a)	2012	100
977056 2D1	2017	8,205,000	5.25	4.820	103.344	(a)	2012	100
977056 2E9	2018	8,625,000	4.90	4.950	99.449		2012	100
977056 2F6	2019	9,070,000	5.00	5.020	99.768		2012	100
977056 2G4	2020	9,535,000	5.00	5.080	99.061		2012	100
977056 2H2	2021	10,015,000	5.10	5.130	99.634		2012	100
977056 2J8	2022	8,010,000	5.15	5.170	99.747		2012	100

(a) These bonds are priced to the May 1, 2012 call date.

Note: The State has been advised by the Underwriters that they have applied for and received a Commitment to Issue a Financial Guaranty Insurance Policy from MBIA Insurance Corporation (MBIA) for the Bonds. Further information on this Commitment and the Financial Guaranty Insurance Policy can be obtained from the Underwriters and MBIA.

Legal Investment

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

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

Legal Opinion

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

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

Tax Exemption

Federal Income Tax

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

In the opinion of Bond Counsel, under existing law, the original issue discount in the selling price of each Bond maturing on May 1, 2012 and May 1, 2018 through 2022 (**Discount Bonds**), to the extent properly allocable to each owner of a Discount Bond, is excluded from gross income for federal income tax purposes to the same extent that any interest payable on such Discount Bond is or would be excluded from gross income for federal income tax purposes. The original issue discount is the excess of the stated redemption price at maturity of a Discount Bond over the initial offering price to the public, excluding underwriters or other intermediaries, at which price a substantial amount of such Discount Bonds were sold (**Issue Price**).

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

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

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

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

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

Each Bond maturing on May 1, 2003 through 2010 and May 1, 2013 through 2017 (**Premium Bonds**) has an issue price that is greater than the amount payable at maturity of such Bond.

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

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

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

- Section 265 of the Code denies a deduction for interest on any indebtedness incurred or continued to purchase or carry the Bonds or, in the case of financial institutions, a portion of an owner's interest expense allocable to interest on the Bonds.
- Property and casualty insurance companies will be required in each taxable year to reduce the amount of their deductible losses by 15% of the amount of tax-exempt interest received or accrued during such taxable year, including interest on the Bonds, and life insurance companies are subject to similar provisions under which taxable income is increased by reason of receipt or accrual of tax-exempt interest.

- Interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code.
- Passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of the S corporation is passive investment income.
- Section 86 of the Code requires certain recipients of social security and railroad retirement benefits to include a portion of such benefits in gross income by reason of receipt or accrual of interest on the Bonds.
- A portion of the original issue discount, if any, that accrues in each year to an owner of a Discount Bond may result in collateral federal income tax consequences similar to the consequences of receipt of interest on the Bonds and may result in tax liability in the year of accrual, even though the owner of the Discount Bond will not receive a corresponding cash payment until a later year.

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

State of Wisconsin Income and Franchise Taxes

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

CONTINUING DISCLOSURE

The State has made an undertaking, for the benefit of the beneficial owners of the Bonds, to provide an annual report presenting certain financial information and operating data about the State **(Annual Reports)**. By approximately December 27 of each year, the State will send the report to each nationally recognized municipal securities information repository **(NRMSIR)** and to any state information depository **(SID).** The State will also provide notices of the occurrence of certain events specified in the undertaking to each NRMSIR, or the Municipal Securities Rulemaking Board **(MSRB)**, and to any SID. As of the date of this Official Statement, no SID has been established. Part I of the 2001 Annual Report, which contains information on the undertaking, is included by reference as part of this Official Statement.

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

State of Wisconsin Capital Finance Office
Department of Administration
101 East Wilson Street, 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 29, 2002

STATE OF WISCONSIN

/s/ SCOTT MCCALLUM

Governor Scott McCallum, Chairperson
State of Wisconsin Building Commission

/s/ GEORGE LIGHTBOURN

George Lightbourn, Secretary
State of Wisconsin Department of Administration

/s/ ROBERT G. CRAMER

Robert G. Cramer, Secretary
State of Wisconsin Building Commission

APPENDIX A

INFORMATION ABOUT THE STATE

This appendix includes information concerning the State of Wisconsin **(State)**. Parts II and III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 19, 2001 **(2001 Annual Report)** are 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.

Part III to the 2001 Annual Report contains information concerning general obligations issued by the State. That part presents a discussion of the security provisions for general obligation debt (including the flow of funds to pay debt service on general obligations), data pertaining to the State's outstanding general obligation debt, and the portion of that general obligation debt that is revenue-supported general obligation debt.

The 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, Parts II and III of the 2001 Annual Report is available from the Capital Finance Office web site at the following addresses, respectively:

www.doa.state.wi.us/debf/capfin/01dis2.pdf
www.doa.state.wi.us/debf/capfin/01dis3.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 notices of listed material events under the State's Master Agreement on Continuing Disclosure.

General Obligations (page 73). Update the table of information with the following:

On May 24, 2002, Standard & Poor's Ratings Services downgraded the rating on the State's general obligation bonds to AA– from AA.

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 estimates show the following differences from estimates used in the 2001-03 biennial budget 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 Official Statement. The revised:

- 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

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 Official Statement both the Assembly and the Senate have adopted budget reform bills that are substantially different. A legislative conference committee is meeting to reconcile the differences. Both the Assembly and Senate must either adopt 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 the budget reform bill (as proposed by the Governor). 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.

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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)

		Budget Estimates (Act 16)		Revised Estimates January, 2002	
Source	2000-01 Tax Collections	2001-02	2002-03	2001-02	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 Governor's proposed budget reform bill or any other pending legislative 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 APRIL 30, 2002
PROJECTED GENERAL FUND CASH FLOW; MAY 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	265,687	206,033
Ending Balance	3,398	397,659	1,290,819	1,821,610	943,651	383,667	1,104,720	969,120	-231,221	265,687	206,033	-199,645
Lowest Daily Balance [(c)]	-162,060	-202,246	-99,652	1,248,678	943,651	-60,419	383,667	883,723	-280,013	-359,784	47,677	-733,566
RECEIPTS												
TAX RECEIPTS												
Individual Income	507,468	388,372	533,868	508,613	399,103	479,545	740,505	433,688	347,168	855,221	387,017	578,943
Sales & Use	343,973	356,048	342,096	348,297	358,636	323,558	383,293	303,711	260,578	305,548	326,221	303,509
Corporate Income	12,421	16,903	112,886	24,461	10,693	126,388	22,464	12,155	153,340	23,862	10,803	101,831
Public Utility	0	0	518	3,561	131,654	1,357	0	49	19	3,392	108,985	1,284
Excise	29,231	26,372	28,085	27,504	39,451	27,407	27,457	30,526	25,651	26,687	29,347	31,952
Insurance	999	1,657	19,935	339	887	19,336	2,245	11,471	14,959	25,486	1,296	17,603
Inheritance	6,638	6,162	13,423	5,645	5,568	4,969	7,275	8,310	4,675	10,147	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	1,250,343	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	443,150	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	376,849	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	819,999	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	2,070,342	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	122,049	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	359,467	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	328,583	445,620	213,875
Tax Refunds	105,487	44,995	46,906	43,602	66,467	138,297	63,460	338,234	309,105	292,892	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	265,335	292,016	289,025
Note Repayment [(e)]	0	0	0	0	0	0	0	196,946	204,717	205,108	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	1,573,434	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 as proposed by the Governor or any other pending legislative proposals that are intended to address the revised revenue estimates.

(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 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 April 30, 2002 — Actual
May 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)	2,070,342	1,573,434
	May	265,687		1,661,216	1,720,870
	June[(d)]	206,033		2,276,244	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 May 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 Governor's Proposed Budget Reform Bill or any other pending legislative proposals for the 2001-03 biennium.

[(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 sale and subsequent 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 Table II-10 on 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 31, 1999 to April 30, 2002 — Actual
May 31, 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	5,462
March		4,262	5,213	5,628
April		4,267	4,952	5,135
May		3,961	4,680	1,680[(b)]
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
Conservation (Partial)
Wisconsin Health Education Loan Repayment
Waste Management
Wisconsin Election Campaign
Investment & Local Impact
Elderly Property Tax Deferral
Lottery
Children's Trust
Racing
Work Injury Supplemental Benefit
Unemployment Compensation Interest Repayment
Uninsured Employers
Health Insurance Risk Sharing Plan
Local Government Property Insurance
Patients Compensation
Mediation
Agricultural College
Common School
Normal School
University
Local Government Investment Pool
Farms for the Future
Agrichemical Management
Historical Society Trust
School Income Fund
Benevolent
Groundwater
Petroleum Storage Environmental Cleanup
Environmental Improvement Fund
Environmental
Recycling
University Trust Principal
Veterans Mortgage Loan Repayment
State Building Trust

(b) Estimated balances for May 31, 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 2001-2002 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 April 30, 2002 compared with previous year
(Unaudited)

	Actual Revenues 2000-01FY[(b)]	Projected Revenues 2001-02 FY[(c)]	Actual Revenues July 1, 2000 to April 30, 2001	Actual Revenues July 1, 2001 to April 30, 2002
Individual Income Tax	$ 5,156,565,000	$ 5,211,800,000	$ 4,129,556,266	$ 3,887,276,268
General Sales and Use Tax	3,609,895,000	3,680,000,000	2,622,934,720	2,721,858,062
Corporate Franchise and Income Tax	537,159,000	479,700,000	442,370,194	400,637,725
Public Utility Taxes	239,238,000	253,700,000	123,470,188	128,913,536
Excise Taxes	299,775,000	354,850,000	223,371,310	256,670,302
Inheritance Taxes	77,084,000	85,000,000	70,255,881	71,228,195
Miscellaneous Taxes	159,615,000	144,600,000	51,581,015	55,533,962
SUBTOTAL	10,079,331,000	10,209,650,000	7,663,539,574	7,522,118,051
Federal Receipts[(d)]	5,472,647,000	4,764,099,400	4,289,007,198	4,510,718,281
Dedicated and Other Revenues[(e)]	3,733,756,000	3,857,472,400	3,389,196,001	3,106,037,870
TOTAL	$ 19,285,734,000	$ 18,831,221,800	$ 15,341,742,773	$ 15,138,874,202

(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 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 Governor's proposed budget reform bill for the 2001-03 biennium.

(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 April 30, 2002 compared with previous year
(Unaudited)

	Actual Expenditures 2000-01 FY[b]	Appropriations 2001–02 FY[c]	Actual Expenditures July 1, 2000 to April 30, 2001	Actual Expenditures July 1, 2001 to April 30, 2002
Commerce	$ 221,297,000	$ 227,375,400	$ 160,699,725	$ 167,991,661
Education	8,353,243,000	8,628,320,500	6,080,767,684	6,397,534,977
Environmental Resources	272,918,000	256,733,500	241,168,566	195,636,141
Human Relations & Resources	7,287,626,000	7,404,489,100	6,270,182,512	6,632,606,329
General Executive	651,970,000	634,499,300	537,082,255	520,805,472
Judicial	108,676,000	103,047,200	89,671,726	89,119,162
Legislative	62,220,000	59,636,100	47,638,094	49,759,638
General Appropriations	2,490,467,000	1,953,566,300	2,359,983,505	2,140,301,377
TOTAL	$ 19,448,417,000	$ 19,267,667,400	$ 15,787,194,066	$ 16,193,754,755

(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 Governor's proposed budget reform bill for the 2001-03 biennium.

Source: Wisconsin Department of Administration.

APPENDIX B

State of Wisconsin
General Obligation Issuance Status Report
March 31, 2002

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Interest Earnings[(a)]	G.O. Bonds of 2002, Series C	Total Authorized Unissued Debt
University of Wisconsin; academic facilities	$ 1,052,005,900	$ 838,892,229	$ 12,046,136	$ 20,000,000	$ 181,067,535
University of Wisconsin; self-amortizing facilities	732,009,800	396,832,621	1,643,609	9,680,000	323,853,570
Natural resources; Warren Knowles - Gaylord Nelson stewardship 2000 program	572,000,000	69,350,000	13,392	25,000,000	477,636,608
Natural resources; municipal clean drinking water grants	9,800,000	9,518,342	141,818		139,840
Clean water fund program	637,743,200	362,334,053	1,762	8,000,000	267,407,385
Safe drinking water loan program	26,210,000	17,201,520			9,008,480
Natural resources; nonpoint source grants	75,763,600	43,355,658	132,570	2,890,000	29,385,372
Natural resources; nonpoint source compliance	2,000,000	2,000,000			
Natural resources; environmental repair	48,000,000	29,764,900	161,017	3,950,000	14,124,083
Natural resources; urban nonpoint source cost-sharing	17,700,000	4,965,000		1,325,000	11,410,000
Natural resources; environmental segregated fund supported administrative facilities	6,770,400	211,100		1,000,000	5,559,300
Natural resources; segregated revenue supported dam safety projects	6,600,000	4,448,000		120,000	2,032,000
Natural resources; pollution abatement and sewage collection facilities, ORAP funding	146,850,000	145,010,325	50,000		1,789,675
Natural resources; pollution abatement and sewage collection facilities	893,493,400	874,194,888	18,513,076		785,436
Natural resources; pollution abatement and sewage collection facilities; combined sewer overflow	200,600,000	194,309,242	6,287,401		3,357
Natural resources; recreation projects	56,055,000	56,053,994	1,006		
Natural resources: local parks land acquisition and development	2,490,000	2,444,349	42,259		3,392
Natural resources; recreation development	23,061,500	22,818,110	141,227		102,163
Natural resources; land acquisition	45,608,600	45,115,269	491,671		1,660

GENERAL OBLIGATION ISSUANCE STATUS REPORT–CONTINUED
March 31, 2002

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Interest Earnings[a]	G.O. Bonds of 2002, Series C	Total Authorized Unissued Debt
Natural resources; Wisconsin natural areas heritage program	2,500,000	2,442,545	17,174		40,281
Natural resources; segregated revenue supported facilities	30,576,400	17,359,722	45,287	1,275,000	11,896,391
Natural resources; general fund supported administrative facilities	10,882,400	7,536,075	21,432	1,635,000	1,689,893
Natural resources; ice age trail	750,000			280,000	470,000
Natural resources; dam safety projects	5,500,000	5,382,000	49,701	20,000	48,299
Natural resources; segregated revenue supported land acquisition	2,500,000	2,498,446			1,554
Natural resources; Warren Knowles - Gaylord Nelson stewardship program	231,000,000	212,345,000	1,293,404	2,415,000	14,946,596
Transportation; administrative facilities	8,890,400	8,759,479	33,943		96,978
Transportation; accelerated bridge improvements	46,849,800	46,849,800			
Transportation; rail passenger route development	50,000,000	1,400,000			48,600,000
Transportation; accelerated highway improvements	185,000,000	185,000,000			
Transportation; connecting highway improvements	15,000,000	15,000,000			
Transportation; federally aided highway facilities	10,000,000	10,000,000			
Transportation; highway projects	41,000,000	41,000,000			
Transportation; harbor improvements	25,000,000	19,495,000	232,605	50,000	5,222,395
Transportation; rail acquisitions and improvements	28,000,000	15,630,000	16	295,000	12,074,984
Transportation; local roads for job preservation, state funds	2,000,000				2,000,000
Corrections; correctional facilities	787,694,900	745,927,362	11,467,003		30,300,536
Corrections; self-amortizing facilities and equipment	7,337,000	1,386,000	99	45,000	5,905,901
Corrections; juvenile correctional facilities	27,726,500	25,343,556	102,026	65,000	2,215,918
Health and family services; mental health and secure treatment facilities	128,322,900	118,950,268	895,124	600,000	7,877,508

GENERAL OBLIGATION ISSUANCE STATUS REPORT–CONTINUED
March 31, 2002

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Interest Earnings[(a)]	G.O. Bonds of 2002, Series C	Total Authorized Unissued Debt
Agriculture; soil and water	13,575,000	3,650,000	1,248	865,000	9,058,752
Agriculture; conservation reserve enhancement	40,000,000			35,000	39,965,000
Administration; Black Point Estate	1,600,000				1,600,000
Building commission; previous lease rental authority	143,071,600	143,068,654			2,946
Building commission; refunding corporation self-amortizing debt	870,000				870,000
Building commission; refunding tax-supported general obligation debt	2,125,000,000	2,102,086,530 (b)			22,913,470
Building commission; refunding self-amortizing general obligation debt	275,000,000	272,863,033 (b)			2,136,967
Building commission; refunding tax-supported and self-amortizing general obligation debt	75,000,000	75,000,000			
Building commission; housing state departments and agencies	463,367,100	379,139,121	2,329,712		81,898,267
Building commission; 1 West Wilson street parking ramp	15,100,000	14,805,521	294,479		
Building commission; project contingencies	45,007,500	27,290,000	62,251	750,000	16,905,249
Building commission; capital equipment acquisition	115,839,400	90,929,191	729,518	1,000,000	23,180,691
Building commission; discount sale of debt	90,000,000	66,758,598			23,241,402
Building commission; discount sale of debt (higher education bonds)	100,000,000	99,988,833 (b)			11,167
Building commission; other public purposes	1,396,101,000	920,656,500	6,141,660	34,015,818	435,287,022
Medical College of Wisconsin, Inc.; basic science education and health information technology facilities	10,000,000	10,000,000			
HR Academy	1,500,000				1,500,000
Medical College of Wisconsin, Inc.; biomedical research and technology incubator	25,000,000				25,000,000
Marquette University; dental clinic and education facility	15,000,000	14,000,000		999,182	818
Swiss cultural center	1,000,000				1,000,000
Racine County; Discovery Place museum	1,000,000				1,000,000
Milwaukee Police Athletic League; youth activities center	1,000,000	480,000		435,000	85,000

GENERAL OBLIGATION ISSUANCE STATUS REPORT–CONTINUED
March 31, 2002

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Interest Earnings[a]	G.O. Bonds of 2002, Series C	Total Authorized Unissued Debt
Technology for educational achievement in Wisconsin board; school district educational technology infrastructure financial assistance…………………	100,000,000	53,885,000	431,066	6,100,000	39,583,934
Technology for educational achievement in Wisconsin board; public library educational technology infrastructure financial assistance………..………	3,000,000	265,000		75,000	2,660,000
Educational communications board; educational communications facilities……………………………	22,858,100	8,089,539	37,069	1,000,000	13,731,492
Historical society; self-amortizing facilities.............…	3,173,600	1,029,156	3,896		2,140,548
Historical society; historic records...........................…	400,000				400,000
Historical society; historic sites...............................…	1,839,000	1,825,756			13,244
Historical society; museum facility..........................…	4,384,400	4,361,000			23,400
Historical society; Wisconsin history center………….	131,500,000				131,500,000
Public instruction; state school, state center and library facilities………………..	7,367,700	7,330,612	32,508		4,580
Military affairs; armories and military facilities....…	22,421,900	18,982,527	192,632	300,000	2,946,742
Veterans affairs; veterans facilities...........………….	10,090,100	9,493,065	50,593	50,000	496,442
Veterans affairs; self-amortizing mortgage loans....…	2,120,840,000	1,928,652,395	2,133,000		190,054,605
Veterans affairs; refunding bonds...........................…	665,000,000	632,539,245			32,460,755
Veterans affairs; self-amortizing facilities………….	29,520,900	1,190,000	501	200,000	28,130,399
State fair park board; board facilities.........................……	13,587,100	2,945,000		30,000	10,612,100
State fair park board; housing facilities..........................…	11,000,000	10,969,000	13		30,987
State fair park board; self-amortizing facilities...........…..	84,787,100	31,473,800	69,629		53,243,671
Funding of general obligation EMCP………………………………..				19,045,000	
Total...…	$14,387,093,200	$11,534,871,927	$66,334,535	$143,545,000	$2,661,386,739

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

[b] Accrued interest on any obligation that is not paid during the fiscal year in which it accrues is treated as debt and taken into account for purposes of the statutory authority to issue debt.

Source: Wisconsin Department of Administration.

Appendix C

EXPECTED FORM OF LEGAL OPINION

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

(Letterhead of Foley & Lardner)

$143,545,000
STATE OF WISCONSIN
GENERAL OBLIGATION BONDS OF 2002, SERIES C

We have served as bond counsel in connection with the issuance by the State of Wisconsin **(State)** of its $143,545,000 General Obligation Bonds of 2002, Series C, dated June 1, 2002 **(Bonds)**. The Bonds are being issued pursuant to Chapter 18, Wisconsin Statutes **(Act)** and resolutions adopted by the State of Wisconsin Building Commission **(Commission)** on June 28, 2000 and April 17, 2002 **(Resolutions)**.

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

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

1. The Bonds are valid and binding general obligations of the State.

2. The Resolutions have been duly adopted by the Commission and are valid and binding obligations of the State enforceable upon the State as provided in the Resolutions.

3. The full faith, credit, and taxing power of the State are irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Bonds as the Bonds mature and become due. There has been irrevocably appropriated, as a first charge upon all revenues of the State, a sum sufficient for such purpose.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes. It also is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. For the purpose of computing the alternative minimum tax imposed on certain corporations, however, interest on the Bonds is taken into account in determining adjusted current earnings. The State must comply with all requirements of the Internal Revenue Code that must be satisfied after the Bonds are issued for interest on the Bonds to be, or continue to be, excluded from gross income for federal income tax purposes. The State has agreed to do so. A failure to comply may cause interest on the Bonds to be included in gross income for federal income tax purposes, in some cases retroactive to the date the Bonds were issued. This letter expresses no opinion about other federal tax law consequences regarding the Bonds.

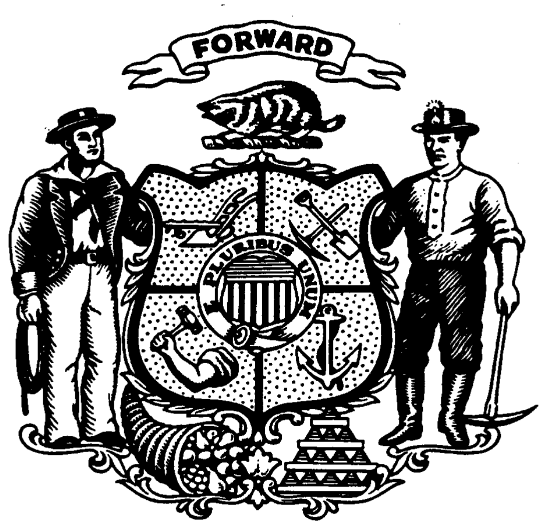
The rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or an equitable proceeding). This letter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

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

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

Very truly yours,

FOLEY & LARDNER


FORWARD
E PLURIBUS UNUM

The information contained in this Notice has been furnished by MBIA for use in this Notice.

The MBIA Insurance Corporation Insurance Policy

MBIA's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the State to the Paying Agent or its successor of an amount equal to (1) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by MBIA's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (2) the reimbursement of any such payment which is subsequently recovered from any owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (**Preference**).

MBIA's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. MBIA's policy does not, under any circumstance, insure against loss relating to: (1) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (2) any payments to be made on an accelerated basis; (3) payments of the purchase price of Bonds upon tender by an owner thereof; or (4) any Preference relating to (1) through (3) above. MBIA's policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence, or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of a Insured Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A. in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA

MBIA is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (**Company**). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by MBIA, changes in control and transactions among affiliates. Additionally, MBIA is required to maintain contingency reserves on its liabilities, in certain amounts and for certain periods of time.

MBIA does not accept any responsibility for the accuracy or completeness of the Official Statement or any information or disclosure contained in this Notice, or omitted here from, other than with respect to the accuracy of the information regarding the policy and MBIA set forth in this Notice. Additionally, MBIA makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The Financial Guarantee Insurance Policies are not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

MBIA Information

The following documents filed by the Company with the Securities and Exchange Commission (**SEC**) are incorporated herein by reference:

1. The Company's Annual Report on Form 10-K for the year ended December 31, 2001; and
2. The Company's Quarterly Report on Form l0-Q for the quarter ended March 31, 2002.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14, or 15(d) of the Exchange Act of 1934, as amended, after the date of this Notice and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Notice and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Notice, shall be deemed to be modified or superseded for purposes of this Notice to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Notice.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2001, and (2) the Company's Quarterly Report on Form l0-Q for the quarter ended March 31, 2002), are available (1) over the Internet at the SEC web site; (2) at the SEC's public reference room in Washington D.C.; (3) over the Internet at the Company's web site; and (4) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2001, MBIA had admitted assets of $8.5 billion (audited), total liabilities of $5.6 billion (audited), and total capital and surplus of $2.9 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2002, MBIA had admitted assets of $8.6 billion (unaudited), total liabilities of $5.7 billion (unaudited), and total capital and surplus of $2.9 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc., rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. MBIA does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.