

NOTICE OF BOND INSURANCE

\$190,550,000
STATE OF WISCONSIN
GENERAL OBLIGATION BONDS OF 2002, SERIES G

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 G (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 October 1, 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.

SALOMON SMITH BARNEY, INC.

October 1, 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].

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.

\$190,550,000

STATE OF WISCONSIN GENERAL OBLIGATION BONDS OF 2002, SERIES G

Dated: October 15, 2002

Due: May 1, as shown below

Underlying Ratings	AA Fitch Ratings Aa3 Moody's Investors Service, Inc. AA- Standard & Poor's Ratings Services— <i>See page 3.</i>
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— <i>See pages 8-10.</i>
Redemption	The Bonds maturing on or after May 1, 2014 are callable at par at any time on or after May 1, 2013— <i>See page 2.</i>
Security	General obligations of the State of Wisconsin— <i>See page 2.</i>
Purpose	Proceeds from the Bonds are being used for various governmental purposes— <i>See page 3.</i>
Interest Payment Dates	May 1 and November 1
First Interest Payment Date	May 1, 2003
Denominations	\$5,000
Closing/Settlement	October 17, 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— <i>See pages 3-5.</i>
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 October 1, 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 3F5	2004	\$ 6,115,000	3.00%	Not Callable	-
977056 3G3	2005	6,425,000	3.00	Not Callable	-
977056 3H1	2006	6,755,000	4.00	Not Callable	-
977056 3J7	2007	7,085,000	4.00	Not Callable	-
977056 3K4	2008	7,445,000	4.00	Not Callable	-
977056 3L2	2009	7,685,000	4.00	Not Callable	-
977056 3M0	2010	8,070,000	4.00	Not Callable	-
977056 3N8	2011	8,475,000	5.00	Not Callable	-
977056 3P3	2012	8,895,000	5.00	Not Callable	-
977056 3Q1	2013	9,335,000	5.00	Not Callable	-
977056 3R9	2014	9,085,000	5.00	2013	100%
977056 3S7	2015	9,540,000	5.00	2013	100
977056 3T5	2016	10,015,000	5.00	2013	100
977056 3U2	2017	10,515,000	5.00	2013	100
977056 3V0	2018	11,040,000	5.00	2013	100
977056 3W8	2019	11,595,000	5.00	2013	100
977056 3X6	2020	12,175,000	5.00	2013	100
977056 3Y4	2021	12,785,000	5.00	2013	100
977056 3Z1	2022	13,420,000	4.50	2013	100
977056 4A5	2023	14,095,000	4.60	2013	100

Purchase Price: \$201,798,794.85

October 1, 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

	PAGE		PAGE
STATE OFFICIALS PARTICIPATING IN THE ISSUANCE AND SALE OF THE BONDS	ii	OTHER INFORMATION	5
SUMMARY DESCRIPTION OF BONDS	iii	Limitations on Issuance of General Obligations...	5
INTRODUCTION	1	Borrowing Plans for 2002	5
THE STATE	1	Underwriting	7
THE BONDS	1	Reference Information About the Bonds	7
General.....	1	Legal Investment	8
Security	2	Legal Opinion.....	8
Redemption Provisions	2	Tax Exemption	8
Registration and Payment of Bonds	3	CONTINUING DISCLOSURE	10
Underlying Ratings	3	APPENDIX A—INFORMATION ABOUT THE STATE	A-1
Application of Bond Proceeds	3	APPENDIX B—GENERAL OBLIGATION ISSUANCE STATUS REPORT	B-1
Book-Entry-Only Form.....	3	APPENDIX C—EXPECTED FORM OF LEGAL OPINION	C-1

STATE OFFICIALS PARTICIPATING IN THE ISSUANCE AND SALE OF THE BONDS

BUILDING COMMISSION MEMBERS

Voting Members

	Term of Office Expires
Governor Scott McCallum, Chairperson	January 6, 2003
Senator Fred A. Risser, Vice-Chairperson	January 3, 2005
Senator Mark Meyer	January 3, 2005
Senator Carol Roessler	January 3, 2005
Representative Jeffrey Plale	January 6, 2003
Representative Daniel Vrakas	January 6, 2003
Mr. Bryce Styza, Citizen Member	At the pleasure of the Governor
Vacant – Member from State Assembly	—

Nonvoting, Advisory Members

Mr. George Lightbourn, Secretary Department of Administration	At the pleasure of the Governor
Mr. Adel Tabrizi, State Chief Engineer Department of Administration	—
Mr. Dave Haley, 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
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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 G
Principal Amount:	\$190,550,000
Denominations:	\$5,000 and integral multiples
Date of Issue:	October 15, 2002
Record Date:	April 15 and October 15
Interest Payment:	May 1 and November 1, commencing May 1, 2003
Maturities:	May 1, 2004-2023— <i>See cover</i>
Redemption:	<i>Optional</i> — The Bonds maturing on or after May 1, 2014 are subject to optional redemption at par (100%) at any time on or after May 1, 2013— <i>See page 2</i>
Form:	Book-entry-only— <i>See pages 3-5</i>
Paying Agent:	All payments of principal and interest on the Bonds will be paid by the State Treasurer. All payments will be made to The Depository Trust Company, which will distribute payments to Beneficial Owners as described herein.
Security:	The Bonds are general obligations. As of June 30, 2002, there were \$4,275,341,389 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 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.
Legality of Investment:	State law provides that the Bonds are legal investments for all banks, trust companies, savings banks and institutions, building and loan associations, savings and loan associations, credit unions, investment companies, and other persons or entities carrying on a banking business; for all executors, administrators, guardians, trustees, and other fiduciaries; and for the State and all public officers, municipal corporations, political subdivisions, and public bodies.
Tax Exemption:	Interest on the Bonds is not included in gross income and not an item of tax preference for federal income tax purposes— <i>See pages 8-10</i> Interest on the Bonds is subject to State of Wisconsin income and franchise taxes— <i>See page 10</i>
Legal Opinion:	Validity and tax opinion to be provided by Foley & Lardner— <i>See page C-1</i>

OFFICIAL STATEMENT
\$190,550,000
STATE OF WISCONSIN
GENERAL OBLIGATION BONDS OF 2002, SERIES G
INTRODUCTION

This Official Statement provides information about the \$190,550,000 General Obligation Bonds of 2002, Series G (**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 an authorizing resolution that the State of Wisconsin Building Commission (**Commission**) adopted on August 22, 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. This **APPENDIX A** includes updated information on the State's 2001-03 biennial budget, including a summary of all fiscal bills through the budget reform bill (2001 Wisconsin Act 109).

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 October 15, 2002 and will bear interest from that date payable on May 1 and November 1 of each year, beginning on May 1, 2003.

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, 2014 may be redeemed on May 1, 2013 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 rated the Bonds:

<u>Underlying Rating</u>	<u>Rating Agency</u>
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.

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

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 \$2,514,948,590. 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 tenth series of general obligations to be issued in this calendar year. The State has previously issued:

- \$42 million of general obligation extendible municipal commercial paper (**EMCP**) for general governmental purposes.

- \$256 million of general obligation bonds for general governmental purposes, and to fund approximately \$19 million of previously issued general obligation EMCP issued for general governmental purposes.
- \$50 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.
- \$12 million of general obligation subsidy bonds purchased by the Environmental Improvement Fund for the Clean Water Fund Program.

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

- Up to \$15 million of taxable general obligation bonds for the veterans housing loan program. The amount and timing of any taxable general obligation bonds depends on activity of the veterans housing loan program.
- Up to \$440 million of general obligation bonds to refund general obligation bonds previously issued for general governmental purposes. The amount and timing of any general obligation refunding bonds depends on market conditions.
- Up to \$33 million of general obligation bonds to refund general obligation bonds previously issued for the veterans housing loan program. The amount and timing of any general obligation refunding bonds depends on market conditions.
- Up to \$8 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 depends on loan disbursements from the Clean Water Fund Program.

Other Obligations

The Commission has authorized up to \$200 million of transportation revenue obligations to fund projects in the transportation revenue bond program. The competitive sale for \$200 million of transportation revenue bonds is scheduled for October 8, 2002. The Commission has issued \$311 million of transportation revenue refunding bonds to refund previously issued transportation revenue bonds.

The Commission has issued \$100 million of clean water revenue bonds to fund loans in the Clean Water Fund Program. The Commission has also issued \$86 million of clean water revenue refunding bonds to refund previously issued clean water revenue bonds.

The Commission has placed \$62 million of petroleum inspection fee revenue EMCP to fund claims under a soil remediation program. In addition, the Commission has authorized up to \$125 million of petroleum inspection fee revenue refunding bonds. The amount and timing of any refunding bonds depends on market conditions.

The State has publicly issued \$45 million of master lease certificates of participation. The State also maintains a line of credit in the amount of \$60 million from which additional master lease certificates of participation can be issued to fund master lease schedules. Additional master lease certificates of participation may be publicly issued in the fourth quarter.

The State has not made a determination regarding the sale of operating notes.

Underwriting

The Bonds were purchased through competitive bidding on October 1, 2002 by the following account (**Underwriters**): Salomon Smith Barney, Inc., book-running manager; UBS PaineWebber Inc.; First Albany Corporation; and Banc One Capital Markets, Inc., managers; Axelrod Associates, Inc.; William Blair & Company, L.L.C.; A.G. Edwards & Sons, Inc.; Ferris, Baker Watts Inc.; Hutchinson, Shockey, Erley & Co.; Isaak Bond Investments, Inc.; Legg Mason Wood Walker, Inc.; Loop Capital Markets; Morgan Keegan & Co., Inc.; Northern Trust Securities, Inc.; Raymond James & Associates; South Trust Securities, Inc.; and Stephens Inc.; in association with Harris Trust and Savings Bank.

The Underwriters paid \$201,798,794.85, and their bid resulted in a true interest cost rate to the State of 4.134359%.

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.

\$190,550,000
State of Wisconsin
General Obligation Bonds of 2002, Series G

Dated Date: October 15, 2002
First Interest Date: May 1, 2003
Closing/Settlement Date: October 17, 2002

CUSIP	Year (May 1)	Principal Amount	Interest Rate	Yield at Issuance	Price at Issuance	First Optional Redemption Date (May 1)	Call Price
977056 3F5	2004	\$ 6,115,000	3.00%	1.675%	102.004%	Not Callable	-
977056 3G3	2005	6,425,000	3.00	1.880	102.763	Not Callable	-
977056 3H1	2006	6,755,000	4.00	2.180	106.165	Not Callable	-
977056 3J7	2007	7,085,000	4.00	2.490	106.441	Not Callable	-
977056 3K4	2008	7,445,000	4.00	2.820	106.010	Not Callable	-
977056 3L2	2009	7,685,000	4.00	3.040	105.652	Not Callable	-
977056 3M0	2010	8,070,000	4.00	3.200	105.320	Not Callable	-
977056 3N8	2011	8,475,000	5.00	3.300	112.559	Not Callable	-
977056 3P3	2012	8,895,000	5.00	3.400	112.940	Not Callable	-
977056 3Q1	2013	9,335,000	5.00	3.520	112.936	Not Callable	-
977056 3R9	2014	9,085,000	5.00	3.680	111.443	(a) 2013	100%
977056 3S7	2015	9,540,000	5.00	3.810	110.248	(a) 2013	100
977056 3T5	2016	10,015,000	5.00	3.950	108.978	(a) 2013	100
977056 3U2	2017	10,515,000	5.00	4.050	108.082	(a) 2013	100
977056 3V0	2018	11,040,000	5.00	4.150	107.194	(a) 2013	100
977056 3W8	2019	11,595,000	5.00	4.250	106.316	(a) 2013	100
977056 3X6	2020	12,175,000	5.00	4.330	105.619	(a) 2013	100
977056 3Y4	2021	12,785,000	5.00	4.420	104.842	(a) 2013	100
977056 3Z1	2022	13,420,000	4.50	4.580	98.972	2013	100
977056 4A5	2023	14,095,000	4.60	4.650	99.341	2013	100

(a) These bonds are priced to the May 1, 2013 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, 2022 and 2023 (**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, 2004 through 2021 (**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: October 1, 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 updated information on the State's 2001-03 biennial budget, including summaries of all fiscal bills through the budget reform bill (2001 Wisconsin Act 109).

[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 are 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 listed material events under the State's Master Agreement on Continuing Disclosure.

General Obligations; Introduction (Part III-Page 73). Update with the following:

On May 27, 2002, Standard & Poor's lowered the State's general obligation rating from "AA" to "AA-". In addition, on March 4, 2002, Moody's Investors Service, Inc. revised the rating outlook on the State's general obligations from "stable" to "negative".

State Budget; Budget for 2001-03; Current Budget Status (Part II-Page 26). Add the following new sections:

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 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.**

Budget Reform Bill for 2001-03

On July 26, 2002, the Governor signed into law in part, and vetoed in part, the budget reform bill for the 2001-03 biennium that was previously approved by both the Assembly and the Senate. A two-thirds vote in each house is required to override any veto. A copy of the approved budget reform bill, which incorporates vetoes made by the Governor, along with the Governor's veto message 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

The table on page A-3 provides a general summary, and the tables on pages A-4 and A-5 provide a more detailed summary of all fiscal bills signed into law through the budget reform bill for the 2001-03 biennium (2001 Wisconsin Act 109). The tables on pages A-3, A-4, and A-5 show that, based on all fiscal bills through 2001 Wisconsin Act 109, the budgets for the 2001-02 and 2002-03 fiscal years are balanced on a budgetary basis.

Results of 2001-02 Fiscal Year

The Department of Revenue has reported that preliminary general purpose revenue collections for the 2001-02 fiscal year were approximately \$189 million less than projections made by the Legislative Fiscal Bureau in January, 2002. With regard to the major reporting categories, the Department of Revenue report shows that individual income tax collections fell short of projections by \$232 million, but that general sales tax and corporate income tax collections exceeded projections by \$16 million and \$23 million, respectively.

The Annual Fiscal Report (Budgetary Basis) for the fiscal year ended June 30, 2002 will be published by October 15, 2002. The Annual Fiscal Report is expected to include revenues that are close to those reported by the Department of Revenue along with expenditures for the 2001-02 fiscal year, which are not yet available. The Annual Fiscal Report will also include the ending balance on a budgetary basis for the 2001-02 fiscal year.

The ending budgetary-basis balance for the 2001-02 fiscal year is expected to be positive, however, please be aware that other tables in this APPENDIX A will show ending balances for the General Fund that are negative when reported on a cash basis. The State is required to have a budget that is balanced on a budgetary basis, and the Wisconsin Statutes provide certain administrative remedies, such as interfund borrowing, to deal with periods when the balance, on a cash basis, is negative.

**State Budget Summary
Reflecting All Fiscal Acts Through Budget Reform Bill
(2001 Wisconsin Act 109)**

General-Fund Basis (Amounts in Millions)		
	Budget 2001-2002 2001 Act 109	Budget 2002-2003 2001 Act 109
Beginning Balance	\$ 208	\$ 235
Tax Revenues	10,209	10,515
Tobacco Securitization Proceeds	681	0
Tobacco Settlement Payments	156	158
Nontax Revenues	243	257
Total Amount Available	<u>\$ 11,497</u>	<u>\$ 11,165</u>
Other Disbursements/Reserves	\$ 10,166	\$ 10,521
Shared Revenue Payments	1,096	509 ^(a)
Total Disbursements/Reserves	<u>\$ 11,262</u>	<u>\$ 11,030</u>
Estimated Gross Balance	\$ 235	\$ 135
Required Statutory Balance	138	134
Net Balance	<u>\$ 97</u>	<u>\$ 1</u>

All-Funds Basis (Amounts in Millions)		
	Budget 2001-2002 2001 Act 109	Budget 2002-2003 2001 Act 109
Beginning Balance	\$ 208	\$ 235
Tax Revenues	10,209	10,515
Tobacco Securitization Proceeds	681	0
Tobacco Settlement Payments	156	158
Nontax Revenues	20,215	20,820
Total Amount Available	<u>\$ 31,469</u>	<u>\$ 31,728</u>
Other Disbursements/Reserves	\$ 30,138	\$ 31,084
Shared Revenue Payments	1,096	509 ^(a)
Total Disbursements/Reserves	<u>\$ 31,234</u>	<u>\$ 31,593</u>
Estimated Gross Balance	\$ 235	\$ 135
Required Statutory Balance	138	134
Net Balance	<u>\$ 97</u>	<u>\$ 1</u>

(a) Tobacco securitization proceeds in the amount of approximately \$598 million are used to fund a portion of the shared revenue payments to local governmental units. These payments are being made directly from the Permanent Endowment Fund and are not included as disbursements.

State Budget-All Funds^(a)

	Actual 2000-2001 ^(b)	Budget 2001-2002 2001 Act 109	Budget 2002-2003 2001 Act 109
RECEIPTS			
Fund Balance from Prior Year.....	\$ 835,714,000	\$ 207,508,000	\$ 235,056,200
Tax Revenue			
Individual Income.....	5,156,565,000	5,211,450,000	5,310,600,000
General Sales and Use.....	3,609,895,000	3,680,000,000	3,830,200,000
Corporate Franchise and Income.....	537,159,000	480,000,000	535,000,000
Public Utility.....	239,238,000	253,700,000	257,400,000
Excise			
Cigarette/Tobacco Products.....	254,867,000	310,400,000 ^(c)	320,100,000 ^(c)
Liquor and Wine.....	35,543,000	35,100,000	36,200,000
Malt Beverage.....	9,365,000	9,400,000	9,400,000
Inheritance, Estate & Gift.....	77,084,000	85,000,000	67,000,000
Insurance Company.....	89,042,000	87,000,000	90,000,000
Other.....	1,089,472,000	57,600,000 ^(d)	59,600,000 ^(d)
Subtotal.....	11,098,230,000	10,209,650,000	10,515,500,000
Nontax Revenue			
Departmental Revenue			
Tobacco Settlement.....	124,389,000	155,526,000	157,602,800
Tobacco Securitization.....	NA	681,000,000	NA
Other.....	226,993,000	243,803,700	257,177,100
Total Federal Aids.....	5,499,440,000	5,493,709,000	5,606,106,100
Total Program Revenue.....	3,382,374,000	3,020,118,400	3,100,962,000
Total Segregated Funds.....	3,998,487,000	3,496,396,200	3,582,769,100
Bond Authority.....	1,012,419,000	500,000,000	383,000,000
Employee Benefit Contributions (e).....	(3,065,828,000)	7,461,324,917	7,889,603,973
Subtotal.....	11,178,274,000	21,051,878,217	20,977,221,073
Total Available.....	\$ 23,112,218,000	\$ 31,469,036,217	\$ 31,727,777,273
DISBURSEMENTS AND RESERVES			
Commerce.....	\$ 450,530,000	\$ 421,596,400	\$ 418,614,500
Education.....	8,673,626,000	8,696,353,000	8,930,245,000
Environmental Resources.....	2,805,522,000	2,683,416,100	2,757,712,700
Human Relations and Resources.....	8,597,677,000	7,817,267,000	8,076,729,800
General Executive.....	4,360,894,000	770,619,400	774,435,400
Judicial.....	109,019,000	105,320,100	105,852,900
Legislative.....	62,220,000	64,189,400	60,590,500
General Appropriations.....	3,108,270,000	2,935,393,800	2,287,220,700 ^(f)
General Obligation Bond Program.....	583,078,000	500,000,000	383,000,000
Employee Benefit Payments (e).....	2,655,528,000	3,377,515,809	3,830,081,149
Reserve for Employee Benefit Payments (e).....	NA	4,083,809,108	4,059,522,824
Subtotal.....	31,406,364,000	31,455,480,117	31,684,005,473
Less: (Lapses).....	NA	(252,921,200)	(186,675,700)
Compensation Reserves.....	NA	25,388,800	79,815,500
Required Statutory Balance.....	NA	-	134,416,600 ^(g)
Transfer to Tobacco Control Board.....	NA	6,032,300	15,345,100
Change in Continuing Balance.....	(8,511,569,000)	NA	NA
Total Disbursements & Reserves.....	\$ 22,894,795,000	\$ 31,233,980,017	\$ 31,726,906,973
Fund Balance.....	\$ 217,423,000	\$ 235,056,200	\$ 870,300
Undesignated Balance.....	\$ 207,508,000	\$ 235,056,200	\$ 135,286,900

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

(b) The amounts shown are unaudited and rounded to the nearest thousand.

(c) The increase is the result of an \$0.18 per pack increase on cigarettes.

(d) 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.

(e) 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.

(f) Tobacco securitization proceeds in the amount of approximately \$598 million are used to fund a portion of the shared revenue payments to local governmental units. These payments are being made directly from the Permanent Endowment Fund and are not included as disbursements.

(g) A required balance for the 2001-2002 fiscal year was not specified.

Sources: Legislative Fiscal Bureau and Wisconsin Department of Administration.

State Budget-General Fund^(a)

	<u>Actual 2000-2001^(b)</u>	<u>Budget 2001-2002 2001 Act 109</u>	<u>Budget 2002-2003 2001 Act 109</u>
RECEIPTS			
Fund Balance from Prior Year.....	\$ 835,714,000	\$ 207,508,000	\$ 235,056,200
Tax Revenue			
State Taxes Deposited to General Fund			
Individual Income.....	5,156,565,000	5,211,450,000	5,310,600,000
General Sales and Use.....	3,609,895,000	3,680,000,000	3,830,200,000
Corporate Franchise and Income.....	537,159,000	480,000,000	535,000,000
Public Utility.....	239,238,000	253,700,000	257,400,000
Excise			
Cigarette/Tobacco Products.....	254,867,000	310,400,000 ^(c)	320,100,000 ^(c)
Liquor and Wine.....	35,543,000	35,100,000	36,200,000
Malt Beverage.....	9,365,000	9,400,000	9,400,000
Inheritance, Estate & Gift.....	77,084,000	85,000,000	67,000,000
Insurance Company.....	89,042,000	87,000,000	90,000,000
Other.....	70,573,000	57,600,000	59,600,000
Subtotal.....	<u>10,079,331,000</u>	<u>10,209,650,000</u>	<u>10,515,500,000</u>
Nontax Revenue			
Departmental Revenue			
Tobacco Settlement.....	124,389,000	155,526,000	157,602,800
Tobacco Securitization.....	NA	681,000,000	NA
Other.....	226,993,000	243,803,700	257,177,100
Program Revenue-Federal.....	5,472,647,000	4,777,029,000	4,860,982,500
Program Revenue-Other.....	3,382,374,000	3,020,118,400	3,100,962,000
Subtotal.....	<u>9,206,403,000</u>	<u>8,877,477,100</u>	<u>8,376,724,400</u>
Total Available.....	<u>\$ 20,121,448,000</u>	<u>\$ 19,294,635,100</u>	<u>\$ 19,127,280,600</u>
DISBURSEMENTS AND RESERVES			
Commerce.....	\$ 221,297,000	227,466,600	229,610,200
Education.....	8,353,243,000	8,627,420,500	8,857,403,500
Environmental Resources.....	272,918,000	255,966,000	256,362,000
Human Relations and Resources.....	7,287,626,000	7,414,039,100	7,546,331,400
General Executive.....	651,970,000	636,302,000	640,955,900
Judicial.....	108,676,000	104,611,000	105,143,800
Legislative.....	62,220,000	64,189,400	60,590,500
General Appropriations.....	2,490,467,000	1,951,084,400	1,387,111,500 ^(d)
Subtotal.....	<u>19,448,417,000</u>	<u>19,281,079,000</u>	<u>19,083,508,800</u>
Less: (Lapses).....	NA	(252,921,200)	(186,675,700)
Compensation Reserves.....	NA	25,388,800	79,815,500
Required Statutory Balance.....	NA	-	134,416,600 ^(e)
Transfer to Tobacco Control Board.....	NA	6,032,300	15,345,100
Changes in Continuing Balance.....	455,608,000	NA	NA
Total Disbursements & Reserves.....	<u>\$ 19,904,025,000</u>	<u>\$ 19,059,578,900</u>	<u>\$ 19,126,410,300</u>
Fund Balance.....	\$ 217,423,000	\$ 235,056,200	\$ 870,300
Undesignated Balance.....	\$ 207,508,000	\$ 235,056,200	\$ 135,286,900

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

(b) The amounts shown are unaudited and rounded to the nearest thousand.

(c) The increase is the result of an \$0.18 per pack increase on cigarettes.

(d) Tobacco securitization proceeds in the amount of approximately \$598 million are used to fund a portion of the shared revenue payments to local governmental units. These payments are being made directly from the Permanent Endowment Fund and are not included as disbursements.

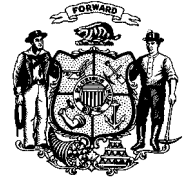
(e) A required balance for the 2001-2002 fiscal year was not specified.

Sources: Legislative Fiscal Bureau and Wisconsin Department of Administration.

Legislative Fiscal Bureau

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State of Wisconsin

January 16, 2002

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

Dear Representative Gard and Senator Burke:

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

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

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

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

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

TABLE 1**2001-03 General Fund Condition Statement**

	<u>2001-02</u>	<u>2002-03</u>
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	<u>218,904,900</u>	<u>205,452,800</u>
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	<u>-209,403,500</u>	<u>-171,230,800</u>
Net Appropriations	\$11,376,006,300	\$11,746,393,200
 Balances		
Gross Balance	-\$125,867,400	-\$974,505,000
Less Required Statutory Balance*	<u>-138,952,500</u>	<u>-142,827,300</u>
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)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
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)**

<u>Source</u>	<u>2000-01 Tax Collections</u>	<u>Budget Estimates (Act 16)</u>		<u>Revised Estimates January, 2002</u>	
		<u>2001-02</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2002-03</u>
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	<u>54.7</u>	<u>56.6</u>	<u>60.3</u>	<u>57.6</u>	<u>59.6</u>
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 floor periods.

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,

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

Robert Wm. Lang
Director

RWL/sas

cc: Members, Wisconsin Legislature

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

The following provide updates to various tables containing general fund information. Unless noted, the following information *reflects all fiscal bills through the budget reform bill (2001 Wisconsin Act 109)*. While some of the following tables show negative cash-basis balances for June 30, 2002 and June 30, 2003, the budget reform bill for the 2001-03 biennium does provide for positive budgetary-basis balances.

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 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	576,402
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	576,402	-421,915
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	-4,720	-727,357
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	392,265	517,532
Sales & Use	343,973	356,048	342,096	348,297	358,636	323,558	383,293	303,711	260,578	305,548	325,402	326,813
Corporate Income	12,421	16,903	112,886	24,461	10,693	126,388	22,464	12,155	153,340	23,862	15,539	100,395
Public Utility	0	0	518	3,561	131,654	1,357	0	49	19	3,392	127,117	246
Excise	29,231	26,372	28,085	27,504	39,451	27,407	27,457	30,526	25,651	26,687	30,945	29,756
Insurance	999	1,657	19,935	339	887	19,336	2,245	11,471	14,959	25,486	4,329	21,984
Inheritance	6,638	6,162	13,423	5,645	5,568	4,969	7,275	8,310	4,675	10,147	3,781	8,466
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	899,378	1,005,192
NON-TAX RECEIPTS												
Federal	343,646	452,855	365,526	452,845	346,684	378,392	457,577	444,893	390,521	443,150	426,659	479,199
Other & Transfers ^(d)	331,074	249,196	303,961	260,628	176,794	169,672	373,822	325,284	333,621	376,849	829,134	268,909
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	1,255,793	748,108
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	2,155,171	1,753,300
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	250,535	1,729,015
Income Maintenance	363,315	352,214	309,334	372,969	339,757	342,249	335,842	349,016	361,694	359,467	394,422	365,417
Payroll and Related	215,318	300,380	204,832	303,186	421,307	234,716	326,851	296,263	298,780	328,583	441,038	246,924
Tax Refunds	105,487	44,995	46,906	43,602	66,467	138,297	63,460	338,234	309,105	292,892	220,041	150,891
Debt Service	7	12,463	108,775	0	1,882	0	0	12,069	165,264	0	7,814	-5
Miscellaneous ^(f)	291,052	232,794	294,187	282,157	542,046	236,490	359,297	252,672	250,417	265,335	325,208	259,375
Note Repayment ^(g)	0	0	0	0	0	0	0	196,946	204,717	205,108	205,398	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	1,844,456	2,751,617

(a) Excludes interfund borrowing. The report does NOT intend to represent the State's ending budgetary-basis fund balance for FY02. The State will provide by October 15, 2002 the Annual Fiscal Report that will include the ending budgetary-basis fund balance for FY02. The report also does NOT reflect the budget reform bill (2001 Wisconsin Act 109) that was signed into law by Governor McCallum on July 26, 2002.

(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. These designated funds were expected to range from \$150 to \$300 million during FY02. In addition, the General Fund is the depository for several escrow accounts pursuant to court orders or federal rulings. These funds were expected to average approximately \$50 million during FY02.

(c) The Statutes provide certain administrative remedies to deal with periods when the General Fund is in a negative cash 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 revised general fund condition statement provided by the Legislative Fiscal Bureau in January 2002, this amount was \$569 million for FY02. 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 (\$341 million) for a period of up to 30 days.

(d) Reflects receipt on May 23, 2002 of the \$450 million of proceeds from the sale and subsequent securitization of payments due the State from tobacco manufacturers under the Master Settlement Agreement.

(e) Includes \$800 million in operating note proceeds received in September, 2001 and impoundment payments made on February 28, March 29, April 30, and May 31, 2002. The February 28, 2002 impoundment payment excluded 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.

**ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2002 TO AUGUST 31, 2002
PROJECTED GENERAL FUND CASH FLOW; SEPTEMBER 1, 2002 TO JUNE 30, 2003^(a)**

(In Thousands of Dollars)

	July 2002	August 2002	September 2002	October 2002	November 2002	December 2002	January 2003	February 2003	March 2003	April 2003	May 2003	June 2003
BALANCES^(b)												
Beginning Balance	-421,915	-616,711	-151,597	136,072	396,504	429,703	-140,483	583,929	772,532	168,742	555,801	685,145
Ending Balance ^(c)	-616,711	-151,597	136,072	396,504	429,703	-140,483	583,929	772,532	168,742	555,801	685,145	-259,511
Lowest Daily Balance ^(c)	-835,846	-682,211	-414,308	-39,096	275,042	-657,800	-170,539	418,165	-52	-29,917	239,422	-76,144
RECEIPTS												
TAX RECEIPTS												
Individual Income	515,747	350,778	561,418	455,993	406,649	422,952	801,978	421,220	434,106	772,721	419,624	596,086
Sales & Use	360,882	367,587	333,614	354,095	348,123	261,032	402,229	309,647	293,937	295,981	353,173	337,702
Corporate Income	14,037	12,214	115,454	24,656	14,442	129,070	21,589	10,866	139,619	25,385	15,475	113,814
Public Utility	197	19	255	2,198	131,354	821	319	10	358	11,550	110,080	260
Excise	32,420	32,992	34,550	29,379	33,113	31,604	29,169	27,873	26,762	29,331	28,279	31,817
Insurance	1,086	1,897	18,275	1,577	1,011	19,553	1,641	6,984	15,417	17,247	2,609	18,356
Inheritance	6,834	7,406	5,485	4,359	3,914	12,589	3,959	6,686	6,945	5,755	2,935	4,193
Subtotal Tax Receipts	931,203	772,893	1,069,051	872,257	938,606	877,621	1,260,884	783,286	917,144	1,157,970	932,175	1,102,228
NON-TAX RECEIPTS												
Federal	451,110	384,251	367,139	422,614	339,334	375,171	520,748	431,686	409,647	404,427	414,029	426,321
Other & Transfers ^(d)	318,163	479,857	385,568	260,762	267,865	245,459	365,139	329,873	298,147	352,668	274,763	330,888
Note Proceeds ^(e)	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal Non-Tax Receipts	769,273	864,108	752,707	683,376	607,199	620,630	885,887	761,559	707,794	757,095	688,792	757,209
TOTAL RECEIPTS	1,700,476	1,637,001	1,821,758	1,555,633	1,545,805	1,498,251	2,146,771	1,544,845	1,624,938	1,915,065	1,620,967	1,859,437
DISBURSEMENTS												
Local Aids ^(f)	903,055	166,454	728,394	116,646	446,464	1,200,571	217,612	283,242	1,197,945	117,616	247,682	1,807,322
Income Maintenance	357,630	355,727	298,755	359,800	327,629	292,526	384,339	302,172	300,811	377,619	337,044	307,078
Payroll and Related	289,522	317,944	207,542	373,212	420,350	218,927	411,144	298,560	221,408	333,915	435,905	249,021
Tax Refunds	46,735	41,583	40,731	47,809	72,103	39,929	55,503	221,254	262,633	214,890	163,748	138,003
Debt Service	0	1,159	0	126,322	2,840	0	0	2,840	0	255,480	29,399	0
Miscellaneous	298,330	289,020	258,667	271,412	243,220	316,484	353,761	248,174	245,931	228,486	277,845	302,669
Note Repayment ^(g)	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL DISBURSEMENTS	1,895,272	1,171,887	1,534,089	1,295,201	1,512,606	2,068,437	1,422,359	1,356,242	2,228,728	1,528,006	1,491,623	2,804,093

(a) Excludes interfund borrowing and is based on all fiscal bills enacted into law through 2001 Wisconsin Act 109.

(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 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. The designated funds are expected to range from \$150 to \$300 million during FY03. 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 FY03.

(c) The Statutes provide certain administrative remedies to deal with periods when the General Fund is in a negative cash 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. This amount is approximately \$551 million for FY03. 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 \$331 million) for a period of up to 30 days. If the amount of interfund borrowing available to the general fund is not sufficient, the Secretary of Administration is authorized to prorate and defer certain payments.

(d) Reflects receipt on August 1, 2002 of \$231 million of proceeds from the sale and subsequent securitization of payments due the State from tobacco manufacturers under the Master Settlement Agreement.

(e) Does not include any proceeds from the issuance of operating notes and as a result does not include any impoundment payments.

(f) Reflects use in November 2002 of approximately \$600 million of proceeds from the sale and subsequent securitization of payments due the State from tobacco manufacturers under the Master Settlement Agreement to make a portion of the shared revenue payment.

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

GENERAL FUND MONTHLY CASH POSITION^(a)
July 1, 2000 through August 31, 2002 — Actual
September 1, 2002 through June 30, 2003 — Estimated^(b)
 (Amounts in Thousands)

	<u>Starting Date</u>	<u>Starting Balance</u>	<u>Receipts^(c)</u>	<u>Disbursements^(c)</u>	
2000	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)	2,070,342	1,573,434	
	May.....	265,687	2,155,171	1,844,456	
	June.....	576,402	1,753,300	2,751,617	
	July.....	(421,915)	1,700,476	1,895,272	
	August.....	(616,711)	1,637,001	1,171,887	
	September.....	(151,597) ^(d)	1,821,758	1,534,089	
	October.....	136,072	1,555,633	1,295,201	
	November.....	396,504	1,545,805	1,512,606	
	December.....	429,703	1,498,251	2,068,437	
2003	January.....	(140,483) ^(d)	2,146,771	1,422,359	
	February.....	583,929	1,544,845	1,356,242	
	March.....	772,532	1,624,938	2,228,728	
	April.....	168,742 ^(d)	1,915,065	1,528,006	
	May.....	555,801	1,620,967	1,491,623	
	June.....	685,145 ^(d)	1,859,437	2,804,093	

(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 September 1, 2002 through June 30, 2003 are based on all fiscal bills through 2001 Wisconsin Act 109.

(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 2000-01 fiscal year, and the amounts shown for 2002-03 fiscal year do not include receipts or impoundment payments resulting from the issuance of any operating notes.

(d) The Statutes provide certain administrative remedies to deal with periods when the General Fund is in a negative cash 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 2001 Wisconsin Act 109, this amount is approximately \$551 million for the 2002-03 fiscal year. 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 \$331 million for the 2002-03 fiscal year) for a period of up to 30 days. If the amount of interfund borrowing available to the General Fund is not sufficient, the Secretary of Administration is authorized to prorate and defer certain payments.

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, 2000 to August 31, 2002 — Actual
September 30, 2002 to June 30, 2003— Estimated^(b)
(Amounts in Millions)

<u>Month (Last Day)</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
January.....		\$ 4,435	\$ 5,360	\$ 1,887
February.....		4,786	5,463	1,976
March.....		5,213	5,628	2,011
April.....		4,952	5,135	1,825
May.....		4,680	4,819	1,809
June.....		4,925	5,001	1,882
July	\$ 4,084	5,275	5,401	
August.....	3,743	4,785	4,844	
September	3,796	4,897	1,777 ^(b)	
October	3,378	4,328	1,613	
November	3,489	4,242	1,601	
December.....	3,701	4,737	1,781	

^(a) Consists of the following funds:

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

^(b) Estimated balances for September 30, 2002 and subsequent months include as an assumption 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 billion on November 14, 1997 to a high of \$4.684 billion on March 26, 2002. Under Section 20.002 (11), Wisconsin Statutes, interfund borrowing is limited to 5% of the total general-purpose revenue appropriations then in effect and an additional 3% for a period of up to 30 days. The 5% amount is approximately \$551 million and the additional 3% amount for a period of up to 30 days is approximately \$331 million for the 2002-03 fiscal year.

Source: Wisconsin Department of Administration.

Table II-11; General Fund Recorded Revenues (Page 40). Update the table with the following:

July 1, 2002 to August 31, 2002 compared with previous year ^(a)

	Preliminary Revenues <u>2001-02FY^(b)</u>	Projected Revenues <u>2002-03 FY^(c)</u>	Recorded Revenues July 1, 2001 to <u>August 31, 2001^(d)</u>	Recorded Revenues July 1, 2002 to <u>August 31, 2002^(e)</u>
Individual Income Taxes.....\$	4,979,662,000	\$ 5,310,600,000	\$ 398,436,826	\$ 375,111,551
General Sales and Use Taxes..	3,695,796,000	3,830,200,000	354,800,393	327,244,702
Corporate Franchise and Income Taxes.....	503,008,000	535,000,000	19,762,110	19,733,441
Public Utility Taxes	252,237,000	257,400,000	55,969	0
Excise Taxes	348,282,000	365,700,000	26,204,191	32,563,305
Inheritance Taxes	82,635,000	67,000,000	12,635,516	13,763,162
Insurance Company Taxes.....	96,055,000	90,000,000	232,291	717,757
Miscellaneous Taxes	62,509,000	59,600,000	12,131,126	19,183,414
SUBTOTAL.....	<u>10,020,184,000</u>	<u>10,515,500,000</u>	<u>824,258,422</u>	<u>788,317,332</u>
Federal Receipts ^(f)	-	4,860,982,500	813,847,937	819,805,733
Dedicated and Other Revenues ^(g)	<u>-</u>	<u>3,515,741,900</u>	<u>483,485,329</u>	<u>422,395,100</u>
TOTAL.....	<u>-</u>	<u>\$ 18,892,224,400</u>	<u>\$ 2,121,591,688</u>	<u>\$ 2,030,518,165</u>

(a) None of the data presented here has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments.

(b) The amounts reflect preliminary general purpose revenue tax collections for the 2001-02 fiscal year, as reported on August 30, 2002 by the State of Wisconsin Department of Revenue. Final tax collections, along with Federal Receipts and Dedicated and Other Revenues, will not be available until publication of the Annual Fiscal Report, which will be no later than October 15, 2002.

(c) Projected revenues are based on all fiscal bills through 2001 Wisconsin Act 109.

(d) The amounts shown are 2001-02 fiscal year revenues as recorded by state agencies.

(e) The amounts shown are 2002-03 fiscal year revenues as recorded by state agencies.

(f) 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.

(g) Certain transfers between General Fund appropriations are 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 Recorded Expenditures By Function (Page 41). Update the table with the following:

July 1, 2002 to August 31, 2002 compared with previous year ^(a)

Final expenditures for Fiscal Year 2002 will not be available until publication of the Annual Fiscal Report, which will be no later than October 15, 2002.
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	Annual Fiscal Report Expenditures 2001-02 FY	Appropriations 2002-03 FY^(b)	Recorded Expenditures July 1, 2001 to August 31, 2001^(c)	Recorded Expenditures July 1, 2002 to August 31, 2002^(d)
Commerce.....	Not Available	\$ 229,610,200	\$ 39,296,526	\$ 42,508,091
Education.....		8,857,403,500	723,113,513	726,424,510
Environmental Resources.....		256,362,000	14,673,097	11,409,705
Human Relations & Resources		7,546,331,400	1,221,577,294	1,276,353,271
General Executive.....		640,955,900	74,723,747	91,007,099
Judicial.....		105,143,800	11,158,037	25,540,598
Legislative.....		60,590,500	7,578,599	8,313,965
General Appropriations.....		1,387,111,500	675,281,724	678,862,995
TOTAL.....			\$ 19,083,508,800	\$ 2,767,402,535

(a) None of the data presented here has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments.

(b) Appropriations based on all fiscal bills through 2001 Wisconsin Act 109.

(c) The amounts shown are 2001-02 fiscal year expenditures as recorded by state agencies.

(d) The amounts shown are 2002-03 fiscal year expenditures as recorded by state agencies.

Source: Wisconsin Department of Administration.

APPENDIX B

State of Wisconsin General Obligation Issuance Status Report August 15, 2002

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Interest Earnings^(a)	G.O. Bonds of 2002, Series G	Total Authorized Unissued Debt
University of Wisconsin; academic facilities.....	\$ 1,052,005,900	\$ 858,892,229	\$ 12,046,136	\$ 30,000,000	\$ 151,067,535
University of Wisconsin; self-amortizing facilities.....	732,009,800	406,512,621	1,643,606	13,335,000	310,518,573
Natural resources; Warren Knowles - Gaylord Nelson stewardship 2000 program.....	572,000,000	94,350,000	13,392	6,000,000	471,636,608
Natural resources; municipal clean drinking water grants.....	9,800,000	9,518,342	141,818		139,840
Clean water fund program.....	637,743,200	375,334,053	1,762	7,000,000	255,407,385
Safe drinking water loan program.....	26,210,000	16,386,520			9,823,480
Natural resources; nonpoint source grants.....	75,763,600	46,245,658	132,570	550,000	28,835,372
Natural resources; nonpoint source compliance.....	2,000,000	2,000,000			
Natural resources; environmental repair.....	48,000,000	33,714,900	161,017	1,400,000	12,724,083
Natural resources; urban nonpoint source cost-sharing.....	17,700,000	6,290,000			11,410,000
Natural resources; environmental segregated fund supported administrative facilities.....	6,770,400	1,211,100		45,000	5,514,300
Natural resources; segregated revenue supported dam safety projects.....	6,600,000	4,568,000		300,000	1,732,000
Natural resources; pollution abatement and sewage collection facilities, ORAP funding.....	145,060,325	145,010,325	50,000		
Natural resources; pollution abatement and sewage collection facilities.....	893,493,400	874,194,888	18,513,076	720,000	65,436
Natural resources; pollution abatement and sewage collection facilities; combined sewer overflow.....	200,600,000	194,309,242	6,287,401	3,000	358
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	3,000	392
Natural resources; recreation development.....	23,061,500	22,818,110	141,227	10,000	92,163
Natural resources; land acquisition.....	45,608,600	45,115,269	491,671	1,000	660

GENERAL OBLIGATION ISSUANCE STATUS REPORT—CONTINUED
August 15, 2002

<u>Program Purpose</u>	<u>Legislative Authorization</u>	<u>General Obligations Issued to Date</u>	<u>Interest Earnings^(a)</u>	<u>G.O. Bonds of 2002, Series G</u>	<u>Total Authorized Unissued Debt</u>
Natural resources; Wisconsin natural areas heritage program.....	2,500,000	2,442,545	17,174	3,000	37,280
Natural resources; segregated revenue supported facilities.....	30,576,400	18,634,722	45,287	365,000	11,531,391
Natural resources; general fund supported administrative facilities.....	10,882,400	9,171,075	21,432	130,000	1,559,893
Natural resources; ice age trail.....	750,000	280,000		400,000	70,000
Natural resources; dam safety projects.....	5,500,000	5,402,000	49,701	15,000	33,299
Natural resources; segregated revenue supported land acquisition.....	2,500,000	2,498,446		1,000	554
Natural resources; Warren Knowles - Gaylord Nelson stewardship program.....	231,000,000	214,760,000	1,293,404	5,000,000	9,946,596
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; major highway and rehabilitation projects.....	140,000,000				140,000,000
Transportation; harbor improvements.....	25,000,000	19,545,000	232,605	3,000	5,219,395
Transportation; rail acquisitions and improvements.....	28,000,000	15,925,000	16	1,210,000	10,864,984
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	1,431,000	99	300,000	5,605,901
Corrections; juvenile correctional facilities.....	27,726,500	25,408,556	102,026	40,000	2,175,918
Health and family services; mental health and secure treatment facilities.....	128,322,900	119,550,268	895,124	155,000	7,722,508

GENERAL OBLIGATION ISSUANCE STATUS REPORT—CONTINUED
August 15, 2002

<u>Program Purpose</u>	<u>Legislative Authorization</u>	<u>General Obligations Issued to Date</u>	<u>Interest Earnings^(a)</u>	<u>G.O. Bonds of 2002, Series G</u>	<u>Total Authorized Unissued Debt</u>
Agriculture; soil and water.....	13,575,000	4,515,000	1,248	243,000	8,815,752
Agriculture; conservation reserve enhancement...	40,000,000	35,000		605,000	39,360,000
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.....	2,102,086,430	2,102,086,530 ^(b)			
Building commission; refunding self-amortizing general obligation debt.....	272,863,033	272,863,033 ^(b)			
Building commission; refunding tax-supported and self-amortizing general obligation debt incurred before June 30, 2003...	75,000,000	75,000,000			
Building commission; refunding tax-supported and self-amortizing general obligation debt.....	440,000,000				440,000,000
Building commission; housing state departments and agencies.....	463,367,100	379,954,121	2,329,712	5,000,000	76,083,267
Building commission; 1 West Wilson street parking ramp.....	15,100,000	14,805,521	294,479		
Building commission; project contingencies.....	45,007,500	28,040,000	62,251	2,550,000	14,355,249
Building commission; capital equipment acquisition.....	115,839,400	91,929,191	729,518	1,125,000	22,055,691
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	954,672,318	6,188,961	94,992,000	340,247,721
Medical College of Wisconsin, Inc.; basic science education and health information technology facilities....	10,000,000	10,000,000			
HR Academy, Inc.....	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	14,999,182	818		0
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	915,000		10,000	75,000

GENERAL OBLIGATION ISSUANCE STATUS REPORT—CONTINUED
August 15, 2002

<u>Program Purpose</u>	<u>Legislative Authorization</u>	<u>General Obligations Issued to Date</u>	<u>Interest Earnings^(a)</u>	<u>G.O. Bonds of 2002, Series G</u>	<u>Total Authorized Unissued Debt</u>
Technology for educational achievement in Wisconsin board; school district educational technology infrastructure financial assistance.....	100,000,000	59,985,000	431,066		39,583,934
Technology for educational achievement in Wisconsin board; public library educational technology infrastructure financial assistance.....	3,000,000	340,000	41	5,000	2,654,959
Educational communications board; educational communications facilities.....	22,858,100	9,089,539	37,069	5,000,000	8,731,492
Historical society; self-amortizing facilities.....	3,173,600	1,029,156	3,896		2,140,547
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		1,000	22,400
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		4,579
Military affairs; armories and military facilities.....	22,421,900	19,282,527	192,632	30,000	2,916,742
Veterans affairs; veterans facilities.....	10,090,100	9,398,065	50,593	50,000	591,441
Veterans affairs; self-amortizing mortgage loans.....	2,120,840,000	1,963,652,395	2,133,000		155,054,605
Veterans affairs; refunding bonds.....	665,000,000	632,539,245			32,460,755
Veterans affairs; self-amortizing facilities.....	29,520,900	1,535,000	501	100,000	27,885,399
State fair park board; board facilities.....	13,587,100	2,975,000		850,000	9,762,100
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	13,000,000	40,243,671
Total.....	\$14,940,252,988	\$11,699,371,927	\$66,382,691	\$190,550,000	\$2,983,948,470

^(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)

\$190,550,000

STATE OF WISCONSIN

GENERAL OBLIGATION BONDS OF 2002, SERIES G

We have served as bond counsel in connection with the issuance by the State of Wisconsin (**State**) of its \$190,550,000 General Obligation Bonds of 2002, Series G, dated October 15, 2002 (**Bonds**). The Bonds are being issued pursuant to Chapter 18, Wisconsin Statutes (**Act**) and a resolution adopted by the State of Wisconsin Building Commission (**Commission**) on August 22, 2002 (**Resolution**).

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 Resolution has been duly adopted by the Commission and is a valid and binding obligation of the State enforceable upon the State as provided in the Resolution.
3. The full faith, credit, and taxing power of the State are irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Bonds as the Bonds mature and become due. There has been irrevocably appropriated, as a first charge upon all revenues of the State, a sum sufficient for such purpose.
4. Interest on the Bonds is excluded from gross income for federal income tax purposes. It also is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. For the purpose of computing the alternative minimum tax imposed on certain corporations, however, interest on the Bonds is taken into account in determining adjusted current earnings. 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

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 10-Q for the quarter ended June 30, 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 10-Q for the quarter ended June 30, 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 June 30, 2002, MBIA had admitted assets of \$8.7 billion (unaudited), total liabilities of \$5.7 billion (unaudited), and total capital and surplus of \$3.0 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.