NOTICE OF BOND INSURANCE

$173,900,000
STATE OF WISCONSIN
GENERAL OBLIGATION BONDS OF 2003, SERIES A

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

FGIC®

Financial Guaranty Insurance Company

FGIC is a registered service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. Government agency.

Insuring the payment when due of the principal of and interest on the $173,900,000 State of Wisconsin General Obligation Bonds of 2003, Series A (Bonds).

This Notice includes certain information concerning Financial Guaranty Insurance Company (**Financial Guaranty)** and the terms of the Municipal Bond New Issue Insurance Policy (**Policy**) relating to the Bonds. Information with respect to Financial Guaranty and the Policy has been supplied by Financial Guaranty. 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 Financial Guaranty and has not been prepared or reviewed by the State, and the State makes no representations as to the adequacy of the information contained herein. Each purchaser should consult the Official Statement, dated May 6, 2003, 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.

MERRILL LYNCH & CO.

May 6, 2003

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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.

$173,900,000
STATE OF WISCONSIN
GENERAL OBLIGATION BONDS OF 2003, SERIES A

Dated: May 1, 2003 **Due: May 1, as shown below**

Underlying Ratings	AA Fitch Ratings Aa3 Moody's Investors Service, Inc. AA– Standard & Poor's Ratings Services–*See page 3.*
Tax Exemption	Interest on the Bonds is excluded from gross income and is not an item of tax preference for federal income tax purposes. Interest on the Bonds is subject to State of Wisconsin income and franchise taxes–*See pages 8-10.*
Redemption	The Bonds maturing on or after May 1, 2014 are callable at par at any time on or after May 1, 2013–*See page 2.*
Security	General obligations of the State of Wisconsin–*See page 2.*
Purpose	Proceeds from the Bonds are being used for various governmental purposes–*See page 3*.
Interest Payment Dates	May 1 and November 1
First Interest Payment Date	November 1, 2003
Denominations	$5,000
Closing/Settlement	May 22, 2003
Bond Counsel	Foley & Lardner
Registrar/Paying Agent	State Treasurer
Issuer Contact	Wisconsin Capital Finance Office–(608) 266-2305; capfin@doa.state.wi.us
Book-Entry-Only Form	The Depository Trust Company–*See pages 4-5.*
Annual Report	This Official Statement incorporates by reference Parts I, II, and III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2002.

The Bonds were sold at competitive sale on May 6, 2003. 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 5E6	2004	$ 6,525,000	5.75%	Not Callable	-
977056 5F3	2005	6,725,000	6.00	Not Callable	-
977056 5G1	2006	6,920,000	5.00	Not Callable	-
977056 5H9	2007	7,200,000	5.00	Not Callable	-
977056 5J5	2008	7,490,000	4.50	Not Callable	-
977056 5K2	2009	7,705,000	4.00	Not Callable	-
977056 5L0	2010	8,020,000	5.00	Not Callable	-
977056 5M8	2011	8,340,000	5.00	Not Callable	-
977056 5N6	2012	8,755,000	5.00	Not Callable	-
977056 5P1	2013	9,190,000	5.00	Not Callable	-
977056 5Q9	2014	7,715,000	5.00	2013	100%
977056 5R7	2015	8,100,000	5.00	2013	100
977056 5S5	2016	8,505,000	4.00	2013	100
977056 5T3	2017	8,930,000	4.00	2013	100
977056 5U0	2018	9,375,000	5.00	2013	100
977056 5V8	2019	9,845,000	5.00	2013	100
977056 5W6	2020	10,340,000	5.00	2013	100
977056 5X4	2021	10,855,000	5.00	2013	100
977056 5Y2	2022	11,400,000	4.60	2013	100
977056 5Z9	2023	11,965,000	4.60	2013	100

Purchase Price: $184,203,078.84

May 6, 2003

Note: The State has been advised by the Underwriters that they have applied for and received a Commitment for Municipal Bond Insurance from Financial Guaranty Insurance Company (FGIC) for the Bonds. Further information on this Commitment and the Municipal Bond New Issue Insurance Policy may be obtained from the Underwriters and FGIC.

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

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

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

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

TABLE OF CONTENTS

STATE OFFICIALS PARTICIPATING IN THE ISSUANCE AND SALE OF THE BONDS

BUILDING COMMISSION MEMBERS

Voting Members	**Term of Office Expires**
Governor Jim Doyle, Chairperson	January 8, 2007
Senator Fred A. Risser, Vice-Chairperson	January 3, 2005
Senator Robert Cowles	January 3, 2005
Senator Carol Roessler	January 3, 2005
Representative Jeff Fitzgerald	January 3, 2005
Representative Jeffrey Plale	January 3, 2005
Representative Daniel Vrakas	January 3, 2005
Mr. Terry McGuire, Citizen Member	At the pleasure of the Governor
Nonvoting, Advisory Members	
Mr. Marc J. Marotta, 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

OTHER PARTICIPANTS

Mr. Jack C. Voight State Treasurer	January 8, 2007
Ms. Peggy A. Lautenschlager State Attorney General	January 8, 2007

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 2003, Series A
Principal Amount:	$173,900,000
Denominations:	$5,000 and integral multiples
Date of Issue:	May 1, 2003
Record Date:	April 15 and October 15
Interest Payment:	May 1 and November 1, commencing November 1, 2003
Maturities:	May 1, 2004-2023—*See cover*
Redemption:	*Optional* — 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—*See page 2*
Form:	Book-entry-only—*See pages 4-5*
Paying Agent:	All payments of principal and interest on the Bonds will be paid by the State Treasurer. All payments will be made to The Depository Trust Company, which will distribute payments to Beneficial Owners as described herein.
Security:	The Bonds are general obligations. As of December 1, 2002, there were $4,386,223,967 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 for Municipal Bond Insurance from Financial Guaranty Insurance Company **(FGIC)** for the Bonds. Further information on this Commitment and the Municipal Bond New Issue Insurance Policy may be obtained from the Underwriters and FGIC.
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—*See pages 8-10* Interest on the Bonds is subject to State of Wisconsin income and franchise taxes—*See page 10*
Legal Opinion:	Validity and tax opinion to be provided by Foley & Lardner—*See page C-1*

OFFICIAL STATEMENT

$173,900,000

STATE OF WISCONSIN

GENERAL OBLIGATION BONDS OF 2003, SERIES A

INTRODUCTION

This Official Statement provides information about the $173,900,000 General Obligation Bonds of 2003, Series A **(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 23, 2002 **(2002 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 April 16, 2003.

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 concerning the State, its financial condition, and its general obligation debt is included as APPENDIX A, which includes by reference Part II and Part III of the 2002 Annual Report. APPENDIX A also includes information on the following:

- Projected ending condition of the general fund for the 2002-03 fiscal year.
- Budget emergency bill for the 2002-03 fiscal year (2003 Wisconsin Act 1).
- Estimated tax collections for the 2003-04 and 2004-05 fiscal years, as released on January 23, 2003 in a memorandum from the Legislative Fiscal Bureau.
- Governor's proposed budget for the 2003-05 biennium (2003 Senate Bill 44).

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 May 1, 2003 and will bear interest from that date payable on May 1 and November 1 of each year, beginning on November 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 assigned an underlying rating to the Bonds:

Underlying Rating	Rating Agency
AA	Fitch Ratings(1)
Aa3	Moody's Investors Service, Inc. (2)
AA–	Standard & Poor's Ratings Services

(1) On March 26, 2003, Fitch Ratings placed the rating on the State's general obligations on "rating watch negative".

(2) 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 and the aggregate limit is currently $16,766,323,935. 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. As of December 1, 2002, there were $4,386,223,967 of outstanding general obligations of the State.

Borrowing Plans for 2003

General Obligations

This is the third series of general obligations to be issued in this calendar year. The State has previously issued $21 million of general obligation bonds to refund general obligations previously issued for the veterans housing loan program.

The Commission has also authorized the following general obligations that may be issued in calendar year 2003:

- Up to $50 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 $444 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 $12 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 $30 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.

In addition, the State expects to authorize and issue additional general obligations to fund general governmental purposes in the fourth quarter of this calendar year.

Other Obligations

The Commission has authorized $250 million of transportation revenue refunding bonds to refund previously issued transportation revenue bonds. The amount and timing of any refunding bonds depends on market conditions. The Commission may also authorize and issue transportation revenue obligations in the fourth quarter to fund projects in the transportation revenue obligation program.

The Commission has authorized $125 million of clean water revenue refunding bonds to refund previously issued clean water revenue bonds. The amount and timing of any refunding bonds depends on market conditions. The Commission may also authorize and issue clean water revenue bonds in the third or fourth quarter to fund loans in the Clean Water Fund Program.

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

The State has not made a determination about selling operating notes, which are obligations issued for cash-flow purposes and mature in the same fiscal year of their issuance.

Underwriting

The Bonds were purchased through competitive bidding on May 6, 2003 by the following account **(Underwriters)**: Merrill Lynch & Co., book-running manager, and Lehman Brothers.

The Underwriters paid $184,203,078.84, and their bid resulted in a true interest cost rate to the State of 4.084925%.

Reference Information About the Bonds

The following table—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.

$173,900,000
State of Wisconsin
General Obligation Bonds of 2003, Series A

Dated Date: May 1, 2003
First Interest Date: November 1, 2003
Closing/Settlement Date: May 22, 2003

CUSIP	Year (May 1)	Principal Amount	Interest Rate	Yield at Issuance	Price at Issuance	First Optional Redemption Date (May 1)	Call Price
977056 5E6	2004	$ 6,525,000	5.75%	1.05%	104.391%	Not Callable	-
977056 5F3	2005	6,725,000	6.00	1.40	108.780	Not Callable	-
977056 5G1	2006	6,920,000	5.00	1.73	109.338	Not Callable	-
977056 5H9	2007	7,200,000	5.00	2.19	110.554	Not Callable	-
977056 5J5	2008	7,490,000	4.50	2.53	109.095	Not Callable	-
977056 5K2	2009	7,705,000	4.00	2.82	106.412	Not Callable	-
977056 5L0	2010	8,020,000	5.00	3.14	111.518	Not Callable	-
977056 5M8	2011	8,340,000	5.00	3.38	111.198	Not Callable	-
977056 5N6	2012	8,755,000	5.00	3.50	111.429	Not Callable	-
977056 5P1	2013	9,190,000	5.00	3.62	111.434	Not Callable	-
977056 5Q9	2014	7,715,000	5.00	3.73	110.466 [(a)]	2013	100%
977056 5R7	2015	8,100,000	5.00	3.83	109.595 [(a)]	2013	100
977056 5S5	2016	8,505,000	4.00	4.03	99.697	2013	100
977056 5T3	2017	8,930,000	4.00	4.12	98.734	2013	100
977056 5U0	2018	9,375,000	5.00	4.10	107.285 [(a)]	2013	100
977056 5V8	2019	9,845,000	5.00	4.20	106.444 [(a)]	2013	100
977056 5W6	2020	10,340,000	5.00	4.28	105.777 [(a)]	2013	100
977056 5X4	2021	10,855,000	5.00	4.35	105.198 [(a)]	2013	100
977056 5Y2	2022	11,400,000	4.60	4.61	99.871	2013	100
977056 5Z9	2023	11,965,000	4.60	4.68	98.967	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 for Municipal Bond Insurance from Financial Guaranty Insurance Company (FGIC) for the Bonds. Further information on the Commitment and the Municipal Bond New Issue Insurance Policy may be obtained from the Underwriters and FGIC.

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, 2016, 2017, 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 2015 and May 1, 2018 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 2002 Annual Report, which contains information on the undertaking, is included by reference as part of this Official Statement.

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

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

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

Dated: May 6, 2003

STATE OF WISCONSIN

/s/ JIM DOYLE
Governor Jim Doyle, Chairperson
State of Wisconsin Building Commission

/s/ MARC J. MAROTTA
Marc J. Marotta, 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)**. Part II and Part III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2002 **(2002 Annual Report)** are included by reference as part of this APPENDIX A.

This appendix also includes information on the following:

- Projected ending condition of general fund for the 2002-03 fiscal year, as released by the Legislative Fiscal Bureau in a memorandum dated January 23, 2003.
- Budget emergency bill for the 2002-03 fiscal year (2003 Wisconsin Act 1).
- Estimated tax collections for the 2003-04 and 2004-05 fiscal years, as released by the Legislative Fiscal Bureau in a memorandum dated January 23, 2003.
- Governor's proposed budget for the 2003-05 biennium (2003 Senate Bill 44).

Part II to the 2002 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 2001-02
- 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 2002 Annual Report are the audited general purpose external financial statements for the fiscal year ending June 30, 2002, 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 2002 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 2002 Annual Report has been filed with each nationally recognized municipal securities information repository **(NRMSIR)**. Copies of the 2002 Annual Report are available from the Capital Finance Office web site and may also be obtained from:

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

As of the date of this Official Statement, Part II and Part III of the 2002 Annual Report is available from the part of the Capital Finance Office web site called "Official Disclosure for Bonds, Notes, and Other Securities Issued by the State of Wisconsin". The Capital Finance Office web site is located at the following address:

www.doa.wi.gov/capitalfinance

After publication and filing of the 2002 Annual Report, certain changes or events have occurred that affect items discussed in the 2002 Annual Report. Listed below, by reference to particular sections of the 2002 Annual Report, are changes or additions to the discussion contained in those particular sections. Many of the following changes have not been filed with the NRMSIRs. However, the State has filed, and expects to continue to file, certain informational notices with the NRMSIRs. These informational notices do not constitute listed material events under the State's Master Agreement on Continuing Disclosure.

State Budget; Budget for 2001-03 (Part II–Pages 24-28). Add the following new sections:

Projected Condition of General Fund for 2002-03 Fiscal Year

On January 23, 2003, the Legislative Fiscal Bureau provided projections of the ending general fund condition for the 2002-03 fiscal year. These projections show a gross ending balance (not including the statutory required reserve) of negative $373 million. This is approximately $188 million less than the balance that was projected as a result of the revenue estimates provided by the Department of Revenue on November 20, 2002. The difference is the result of:

- Decrease of $178 million in estimated tax collections.
- Decrease of $49 million in departmental revenues.
- Decrease of $39 million in expenditures.

These projections were part of a report that included tax collection estimates for the 2003-04 and 2004-05 fiscal years. A complete copy of the memorandum from the Legislative Fiscal Bureau appears on pages A-7 to A-24 of this Official Statement.

Budget Emergency Bill for 2002-03

On February 27, 2003, the Governor signed into law the budget emergency bill for the 2002-03 fiscal year (2003 Wisconsin Act 1). As a result of this bill, the projected ending balance for the 2002-03 fiscal year is reduced by approximately $90 million to a negative $284 million. *The Wisconsin Constitution requires the Legislature to enact a balanced biennial budget, which did occur, and the Wisconsin Constitution also requires that if final budgetary expenses of any fiscal year exceed available revenues, the Legislature must take actions to balance the budget in the succeeding fiscal year.* As shown below, the Governor's budget for the 2003-05 biennium proposes actions to balance the budget in the 2003-04 fiscal year.

A copy of 2003 Wisconsin Act 1 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

State Budget; Budget for 2003-05. Add the following new sections:

Governor's Proposed Budget

The Governor's proposed budget for the 2003-04 and 2004-05 fiscal years was introduced on February 18, 2003. The Governor's proposed budget is summarized on pages A-3 through A-6. The tax collection estimates for the 2003-04 and 2004-05 fiscal years are taken from projections in a memorandum released by the Legislative Fiscal Bureau on January 23, 2003. A complete copy of the memorandum from the Legislative Fiscal Bureau appears on pages A-7 to A-23 of this Official Statement.

Additional information on the Governor's proposed budget for the 2003-05 biennium can be obtained from:

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

Updated Budget Tables

The tables on pages A-3 and A-4 provide a general summary, and the tables on pages A-5 and A-6 provide a more detailed summary of (1) the budget emergency bill for the 2002-03 fiscal year (2003 Wisconsin Act 1), and (2) the Governor's proposed budget for the 2003-04 and 2004-05 fiscal years (2003 Senate Bill 44).

State Budget Summary
Budget Emergency Bill for 2002-03 Fiscal Year
Governor's Proposed Budget for 2003-04 and 2004-05 Fiscal Years

General Fund Basis
(Amounts in Millions)

	Revised Budget 2002-03	Proposed Budget 2003-04	Proposed Budget 2004-05
Beginning Balance	$ 54	$ (284)	$ 44
Tax Revenues	10,223	10,747	11,351
Tobacco Settlement Payments	149	n/a	n/a
Tribal Gaming Revenues	n/a	112	227
Nontax Revenues	8,240	8,970	9,068
Total Amount Available	$18,666	$19,545	$20,690
Total Disbursements/Reserves	$18,950	$19,536	$20,682
Estimated Gross Balance	$ (284)	$ 9	$ 8
Required Statutory Reserve	0[(a)]	35	40
Net Balance	$ (284)[(b)]	$ 44	$ 48

All-Funds Basis [c]
(Amounts in Millions)

	Revised Budget 2002-03	Proposed Budget 2003-04	Proposed Budget 2004-05
Beginning Balance	$ 54	$ (284)	$ 44
Tax Revenues	10,223	10,747	11,351
Tobacco Settlement Payments	149	n/a	n/a
Tribal Gaming Revenues	n/a	112	227
Nontax Revenues	20,988	21,022	20,653
Total Amount Available	$31,414	$31,597	$32,275
Total Disbursements/Reserves	$31,698	$31,588	$32,267
Estimated Gross Balance	$ (284)	$ 9	$ 8
Required Statutory Reserve	0 [a]	35	40
Net Balance	$ (284) [b]	$ 44	$ 48

[a] The budget emergency bill for the 2002-03 fiscal year includes an exemption from the statutory balance requirement for that fiscal year.

[b] The Wisconsin Constitution requires the Legislature to enact a balanced biennial budget, and the Wisconsin Constitution also requires that, if final budgetary expenses of any fiscal year exceed available revenues, the Legislature must take actions to balance the budget in the succeeding fiscal year.

[c] The All-Funds budget assumes that federal funds, revenues paid into specific funds, other than the General Fund, for a specified program or purpose or which are credited to an appropriation to finance a specific program or agency, and proceeds of general obligation debt are expended in a like amount. In any given fiscal year, there may be a balance at year-end in the funds, specific program, or agency.

Table II-4; State Budget-General Fund (Part II–Page 27). Replace with the following:

State Budget–General Fund[(a)]

	Actual 2001-2002 [(b)]	Revised Budget 2002-2003 2003 Act 1	2003-2004 Governor's Proposal	2004-2005 Governor's Proposal
RECEIPTS				
Fund Balance from Prior Year	$ 207,508,000	$ 53,782,000	$ (283,633,300)	$ 43,893,100
Tax Revenue				
State Taxes Deposited to General Fund				
Individual Income	4,979,662,000	5,120,000,000	5,410,000,000	5,800,000,000
General Sales and Use	3,695,796,000	3,760,000,000	3,915,400,000	4,107,200,000
Corporate Franchise and Income	503,008,000	490,000,000	540,000,000	555,000,000
Public Utility	252,237,000	260,400,000	268,000,000	278,000,000
Excise				
Cigarette/Tobacco Products	302,701,000	307,900,000	305,200,000	302,600,000
Liquor and Wine	35,984,000	36,300,000	37,200,000	38,500,000
Malt Beverage	9,597,000	9,700,000	9,800,000	9,900,000
Inheritance, Estate & Gift	82,635,000	67,000,000	105,000,000	95,000,000
Insurance Company	96,055,000	105,000,000	85,000,000	90,000,000
Other	79,028,000	67,200,000	71,300,000	74,700,000
Subtotal	10,036,703,000	10,223,500,000	10,746,900,000	11,350,900,000
Nontax Revenue				
Departmental Revenue				
Tobacco Settlement	156,215,305	149,081,600	n/a	n/a
Tobacco Securitization	681,000,000	n/a	n/a	n/a
Tribal Gaming Revenues	n/a	n/a	112,000,000	125,000,000
Other	216,528,695	278,613,700	218,843,900	227,677,100
Program Revenue-Federal	6,372,653,000	4,860,982,500	5,380,774,700	5,445,453,700
Program Revenue-Other	3,386,974,000	3,100,962,000	3,370,065,400	3,497,353,000
Subtotal	10,813,371,000	8,389,639,800	9,081,684,000	9,295,483,800
Total Available	$ 21,057,582,000	$ 18,666,921,800	$ 19,544,950,700	$ 20,690,276,900
DISBURSEMENTS AND RESERVES				
Commerce	$ 212,449,000	$ 228,319,500	$ 272,489,600	$ 277,347,300
Education	8,603,653,000	8,849,025,300	9,219,739,400	9,328,870,900
Environmental Resources	227,949,000	248,745,100	254,517,700	258,657,900
Human Relations and Resources	8,538,786,000	7,552,695,500	7,291,079,100	8,298,025,100
General Executive	614,520,000	637,880,200	612,401,200	617,955,900
Judicial	107,534,000	103,786,900	111,371,300	111,573,800
Legislative	62,114,000	57,649,200	56,596,700	56,608,200
General Appropriations	2,881,603,000	1,386,187,500	1,716,354,000	1,672,665,800
Subtotal	21,248,608,000	19,064,289,200	19,534,549,000	20,621,704,900
Less: (Lapses)	n/a	(208,894,700)	(164,649,400)	(171,873,700)
Compensation Reserves	n/a	79,815,500	115,812,900	176,359,600
Required Statutory Balance	n/a	0 [(d)]	35,000,000	40,000,000
Transfer to Tobacco Control Board	n/a	15,345,100	15,345,100	15,345,100
Changes in Continuing Balance	(268,454,000)	n/a	n/a	n/a
Total Disbursements & Reserves	$ 20,980,154,000	$ 18,950,555,100	$ 19,536,057,600	$ 20,681,535,900
Fund Balance	$ 77,428,000	$ (283,633,300) [(e)]	$ 8,893,100	$ 8,741,000
Undesignated Balance	$ 44,469,000 [(c)]	$ (283,633,300)	$ 43,893,100	$ 48,741,000

(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 dollars.

(c) The General Fund balance reported in the Annual Fiscal Report, Budgetary Basis, for the fiscal year ending June 30, 2002, includes a negative $9 million ending balance in the Program Revenue portion of the General Fund.

(d) A required balance for the 2002-03 fiscal year was not specified.

(e) As required by the Wisconsin Constitution, the budget for the 2002-03 fiscal year was balanced when it became law on July 26, 2002 (2001 Act 109). The projected fund balance reflects the revenue estimates and projections contained in a memorandum released by the Legislative Fiscal Bureau on January 23, 2003 and the general fund condition statement following enactment of the budget emergency bill for the 2002-03 fiscal year (2003 Wisconsin Act 1). The Wisconsin Constitution requires that if final budgetary expenses in any fiscal year exceed available revenues, the Legislature must take actions to balance the budget in the succeeding fiscal year.

Sources: Legislative Fiscal Bureau and Wisconsin Department of Administration.

Table II-6; State Budget-All Funds (Part II–Page 28). Replace with the following:

State Budget–All Funds[a]

	Actual 2001-2002 [b]	Revised Budget 2002-2003 2003 Act 1	2003-2004 Governor's Proposal	2004-2005 Governor's Proposal
RECEIPTS				
Fund Balance from Prior Year	$ 207,508,000	$ 53,782,000	$ (283,633,300)	$ 43,893,100
Tax Revenue				
Individual Income	4,979,662,000	5,120,000,000	5,410,000,000	5,800,000,000
General Sales and Use	3,695,796,000	3,760,000,000	3,915,400,000	4,107,200,000
Corporate Franchise and Income	503,008,000	490,000,000	540,000,000	555,000,000
Public Utility	252,237,000	260,400,000	268,000,000	278,000,000
Excise				
Cigarette/Tobacco Products	302,701,000	307,900,000	305,200,000	302,600,000
Liquor and Wine	35,984,000	36,300,000	37,200,000	38,500,000
Malt Beverage	9,597,000	9,700,000	9,800,000	9,900,000
Inheritance, Estate & Gift	82,635,000	67,000,000	105,000,000	95,000,000
Insurance Company	96,055,000	105,000,000	85,000,000	90,000,000
Other	1,134,073,000	67,200,000 [c]	71,300,000 [c]	74,700,000 [c]
Subtotal	11,091,748,000	10,223,500,000	10,746,900,000	11,350,900,000
Nontax Revenue				
Departmental Revenue				
Tobacco Settlement	156,215,305	149,081,600	n/a	n/a
Tobacco Securitization	681,000,000	n/a	n/a	n/a
Tribal Gaming Revenues	n/a	n/a	112,000,000	125,000,000
Other	216,528,695	278,613,700	218,843,900	227,677,100
Total Federal Aids	7,203,159,000	5,687,824,500	6,005,768,900	6,095,515,300
Total Program Revenue	3,386,974,000	3,101,975,200	3,370,065,400	3,497,353,000
Total Segregated Funds	4,847,843,000	3,647,172,000	4,116,780,000	3,246,864,900
Bond Authority	785,364,000	383,000,000	475,000,000	485,000,000
Employee Benefit Contributions [d]	(1,598,517,000)	7,889,603,973	6,835,282,000	7,203,432,000
Subtotal	15,678,567,000	21,137,270,973	21,133,740,200	20,880,842,300
Total Available	$ 26,977,823,000	$ 31,414,552,973	$ 31,597,006,900	$ 32,275,635,400
DISBURSEMENTS AND RESERVES				
Commerce	$ 428,003,000	$ 417,323,800	$ 657,665,100	$ 466,316,200
Education	8,863,016,000	8,921,866,800	9,334,467,000	9,469,125,000
Environmental Resources	2,803,318,000	2,750,095,800	2,591,382,000	2,759,020,000
Human Relations and Resources	10,147,579,000	8,230,228,400	8,690,644,300	8,892,649,800
General Executive	5,007,479,000	771,359,700	749,975,000	755,842,100
Judicial	107,866,000	104,496,000	112,086,200	112,288,700
Legislative	62,114,000	57,649,200	56,596,700	56,608,200
General Appropriations	4,224,747,000	2,286,296,700	2,083,506,900	2,006,781,400
General Obligation Bond Program	542,938,000	383,000,000	475,000,000	485,000,000
Employee Benefit Payments [d]	3,963,334,000	3,830,081,149	4,028,899,000	4,428,317,000
Reserve for Employee Benefit Payments [d]	n/a	4,059,522,824	2,806,383,000	2,775,115,000
Subtotal	36,150,394,000	31,811,920,373	31,586,605,200	32,207,063,400
Less: (Lapses)	n/a	(208,894,700)	(164,649,400)	(171,873,700)
Compensation Reserves	n/a	79,815,500	115,812,900	176,359,600
Required Statutory Balance	n/a	0 [f]	35,000,000	40,000,000
Transfer to Tobacco Control Board	n/a	15,345,100	15,345,100	15,345,100
Change in Continuing Balance	(9,249,999,000)	n/a	n/a	n/a
Total Disbursements & Reserves	$ 26,900,395,000	$ 31,698,186,273	$ 31,588,113,800	$ 32,266,894,400
Fund Balance	$ 77,428,000	$ (283,633,300) [g]	$ 8,893,100	$ 8,741,000
Undesignated Balance	$ 44,469,000 [e]	$ (283,633,300)	$ 43,893,100	$ 48,741,000

(a) The amounts shown are based on statutorily required accounting and not on GAAP. The all-funds budget assumes that federal funds, revenues paid into specific funds (other than the General Fund) for a specified program or purpose or which are credited to an appropriation to finance a specific program or agency, and proceeds of general obligation debt are expended in a like amount. In any given fiscal year, there may be a balance at year-end in the funds, specific program, or agency.

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

(c) The budgeted amounts do not include taxes collected for segregated funds. The largest such tax is the motor fuel tax. The State collected $865 million of motor fuel taxes in the 2001-02 fiscal year.

(d) 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 Part II of the 2002 Annual Report.

(e) The General Fund balance reported in the Annual Fiscal Report, Budgetary Basis, for the fiscal year ending June 30, 2002, includes a negative $9 million ending balance in the Program Revenue portion of the General Fund.

(f) A required balance for the 2002-03 fiscal year was not specified.

(g) As required by the Wisconsin Constitution, the budget for the 2002-03 fiscal year was balanced when it became law on July 26, 2002 (2001 Act 109). The projected fund balance reflects the revenue estimates and projections contained in a memorandum released by the Legislative Fiscal Bureau on January 23, 2003 and the general fund condition statement following enactment of the budget emergency bill for the 2002-03 fiscal year (2003 Wisconsin Act 1). The Wisconsin Constitution requires that if final budgetary expenses in any fiscal year exceed available revenues, the Legislature must take actions to balance the budget in the succeeding fiscal year.

Sources: Legislative Fiscal Bureau and Wisconsin Department of Administration.

Legislative Fiscal Bureau

Robert Wm. Lang, Director

One East Main, Suite 301 • Madison, WI 53703
Email: Fiscal.Bureau@legis.state.wi.us
Telephone: (608) 266-3847 • Fax: (608) 267-6873

State of Wisconsin

January 23, 2003

Senator Alberta Darling, Senate Chair
Representative Dean Kaufert, Assembly Chair
Joint Committee on Finance
State Capitol
Madison, WI 53702

Dear Senator Darling and Representative Kaufert:

Annually, this office prepares general fund expenditure and revenue projections for the Legislature as it begins to consider the state's budget and other legislation.

In the odd-numbered years, our report includes estimated revenues and expenditures for the current fiscal year and tax collection projections for each year of the next biennium. The purpose of this report is to present the conclusions of our analysis.

Comparison with the Administration's November 20, 2002, Report

On November 20, 2002, the Departments of Administration and Revenue submitted a report to the Governor and Legislature that identified revenue projections for the 2002-03 fiscal year and the 2003-05 biennium. Our analysis indicates that for that three-year period, the state's general fund will have $656 million less than is reflected in the November 20 report.

The $656 million is the net result of: (1) a projected decrease in tax collections of $646 million for the three-year period; (2) a decline in departmental revenues of $49 million for 2002-03; and (3) reduced expenditures of $39 million for 2002-03.

Prior to addressing the reasons for this difference, it is important to note the nature of the November 20 document. The DOA/DOR report is required, by statute, to be submitted at that time to inform the Governor, Governor-Elect, and Legislature of the magnitude of agency budget requests and present a projection of tax collections. Given the report's timing in the 2002-03 fiscal year, sufficient data is not available to reestimate certain revenues and expenditures for the current fiscal year. Thus, as indicated in their report, departmental revenues and expenditures were not reestimated by DOA. This is consistent with previous November 20 reports.

2002-03 General Fund Condition Statement

Our analysis indicates that, unless addressed by the Governor and Legislature prior to the end of the current fiscal year, the gross balance of the general fund on June 30, 2003, will be -$373 million. This is shown in Table 1.

TABLE 1

Estimated 2002-03 General Fund Condition Statement

	2002-03
Revenues	
Opening Balance, July 1	$53,782,000
Taxes	10,223,500,000
Departmental Revenues	
Tobacco Settlement	149,081,600
Other	216,673,800
Total Available	$10,643,037,400
Appropriations	
Gross Appropriations	$11,121,564,300
Compensation Reserves	79,815,500
Transfer to Tobacco Control Board	15,345,100
Less: Lapses and Sum Sufficient Reestimates	-200,490,700
Net Appropriations	$11,016,234,200
Balance	
Gross Balance	-$373,196,800

The administration's November 20 report contained a 2002-03 general fund condition statement that showed a gross balance of -$185 million. Thus, the projected gross balance of this report (-$373 million) is $188 million less than that shown in the November 20 report.

The $188 million consists of a decrease in estimated tax collections of $178 million, a decrease in departmental revenues of $49 million, and decreased expenditures of $39 million. The reduction in departmental revenues is primarily due to a projected reduction of $27 million in interest earnings, and an $8.5 million decline in tobacco settlement monies because of a reduction in the volume of cigarettes shipped in, or to, the United States. The primary item of the expenditure reduction is a projected lapse of $24.3 million from the appropriation for SeniorCare (prescription drug program for the elderly). When the SeniorCare program was enacted in the 2001-03 biennial budget, it was not anticipated that federal funds would be available to support the program. That changed in July, 2002, when the U.S. Department of Health and Human Services waived a federal law and allowed the state to claim medical assistance (MA) matching funds for a portion of Wisconsin's eligible, elderly population. In addition, enrollments in the program are below budgeted estimates.

In reviewing the 2002-03 condition statement, the following points should be noted. First, it is currently estimated that MA and BadgerCare benefit costs will exceed amounts budgeted for these programs in 2002-03 by $64 million GPR. If this shortfall were to be addressed in 2002-03, the gross balance of -$373 million would instead be -$437 million. Second, it is uncertain at this time if the 2001-03 collective bargaining agreements and proposed amendments to the state compensation plan will be approved by the Legislature and Governor. If they do not take effect in 2002-03, the deficit figure shown above would improve by an estimated $33 million. Finally, the -$373 million is a gross balance figure and does not include a statutory reserve amount. If the Governor and Legislature were to address the gross deficit and maintain a statutory balance ($134 million), the total amount needed in 2002-03 would be $507 million.

2003-05 Projected Imbalance

In addition to projecting the $185 million deficit for 2002-03, the administration's November 20 report indicated a potential general fund imbalance for the 2003-05 biennium. In preparing the estimate, the November 20 report assumed the following: (1) a 2003-04 opening balance of -$185 million; (2) the general fund revenue estimates for each year of the next biennium as contained in the November 20 report; (3) general fund appropriation amounts requested by state agencies for 2003-05; and (4) the current statutory balance requirements of 1.6% of appropriations in 2003-04 and 1.8% in 2004-05. Using those assumptions, the November 20 report showed an imbalance in 2003-04 of $1,597 million and an additional imbalance of $972 million in 2004-05. Thus, for the 2003-05 biennium, the November 20 report showed an imbalance of $2,569 million ($1,597 million plus $972 million).

If the 2003-04 opening balance of -$373 million and the 2003-05 tax collections of this report were used along with the other assumptions of the November 20 document, the projected imbalance would be $1,999 million in 2003-04 and an additional $1,226 million in 2004-05 for a biennial total of $3,225 million. This is $656 million more than the $2,569 million imbalance figure of the November 20 report for the next biennium.

The imbalance figure above is shown for comparative purposes only. At this time, the level of appropriations, departmental revenues, compensation reserves, and other items of the Governor's budget recommendations and those of the Legislature for 2003-05 are unknown. Also, the Constitution requires that the Legislature adopt a balanced budget. Thus, any imbalance projections for 2003-05 will be addressed by the Governor and Legislature in upcoming budget recommendations and deliberations.

General Fund Tax Revenues

The following sections provide information related to general fund tax revenues for 2002-03 and the 2003-05 biennium. The information provided includes a review of the economy in 2002, a discussion of the national economic forecast for 2003 through 2005, and detailed general fund tax revenue projections for the current fiscal year and the next biennium.

Review of the Economy in 2002

Last January, this office prepared general fund revenue estimates for the 2001-03 biennium based on the January, 2002, forecast of the economy prepared by DRI-WEFA (a subsidiary of Global Insight, Inc. that was formed by integrating DRI and Wharton Econometric Forecasting Associates). Global Insight, Inc. now prepares the forecast. The forecast reflected the effects on the national economy of the recession that was declared to have started in March, 2001, by the National Bureau of Economic Research. The recession was projected to bottom out in the first quarter of 2002, followed by gradually accelerating growth during the rest of the year. Relatively strong growth was forecast for 2003. The forecast indicated that the federal tax cuts approved before the September 11, 2001, terrorist attacks, increased federal spending on education, security, defense, and intelligence, and monetary policy that enhanced liquidity and produced low interest rates would all contribute to an economic turn-around. The forecast also assumed a reversal of a build-up of inventories beginning in the first quarter of 2002, and increased expenditures for travel and leisure activities as the impact of September 11 began to fade.

Nominal gross domestic product (GDP) was projected to increase 1.9% in 2002 and 6.0% in 2003, while real GDP was forecast to increase by 0.6% in 2002 and 3.7% in 2003. Inflation would remain relatively low, with the consumer price index at 1.9% in 2002 and 2.6% in 2003. The economic slowdown would cause unemployment to increase to 6.2% in 2002 and then decrease slightly to 5.9% in 2003, as the economy rebounded. Reflecting increased unemployment and the sluggish economy, the growth in personal income was projected to slow in 2002, then pick up in 2003. Growth in personal income was anticipated to be 2.2% in 2002 and increase to 5.2% in 2003, as employment began to grow again. Consumer spending was expected to drop in early 2002 then increase and help spur economic recovery beginning in the spring of 2002. The January, 2002, forecast assumed growth in personal consumption expenditures of 2.3% in 2002 and 6.1% in 2003.

Based on estimated growth in real GDP, it appears that the recession ended in the fourth quarter of 2001, and positive growth occurred in each quarter of 2002. However, when the final numbers are computed for 2002, the economy's quarterly growth rates will exhibit an erratic pattern, with peaks of 5% and 4% of real growth in the first and third quarters and lower growth rates of 1.3% and 1.0% in the second and fourth quarters, respectively. Consumer spending was the primary force behind economic growth during the year, although spending patterns were somewhat inconsistent. Consumer spending increased by 4.5% last year, with growth rates ranging from 3.9% in the first quarter to 5.4% in the third quarter. Both total personal income and disposable personal income increased to support spending. In 2002, personal income increased 3.0%, while disposable income increased 5.9%. Low prices, product innovations, low interest rates, and the return of zero-percent financing for automobiles led to additional purchases. In addition, falling mortgage rates and increasing home values allowed consumers to tap into the equity in their homes for additional funds for consumer purchases. Although consumers generally kept spending through the year, their mood mirrored the erratic pattern of the economy. Consumer confidence improved over most of the first half of 2002, declined for five months, rebounded in November, and then dropped back at year-end. The Conference Board's index of consumer confidence was 80.3 for December, down from 84.9 in November. The University of Michigan's index of consumer sentiment increased in December to 86.7 from 84.2 in November. Overall, the confidence indices taken together made no strong gains through the end of the year. Consumers were concerned about the stagnant job market, falling stock market, and the possibility of war in the Middle East.

The continuing boom in the housing market made a significant contribution to economic growth during the year. Primarily as a result of low interest rates, sales of both new and existing homes posted their best year ever. Sales of new houses increased 7.6% over 2001 while existing home sales increased from about 5.3 million to 5.6 million, or 5.6% for the year. The increased demand for housing stimulated construction as housing starts were up 5.5% in 2002. The growing demand also bid up home prices as the average price for new homes increased from $210,100 in 2001 to $223,300 in 2002. Similarly, the average price of existing homes went from $184,200 in 2001 to $200,000 in 2002. Assisted by the expansionary monetary policy followed by the Federal Reserve, mortgage interest rates fell to historic lows. In November, the Federal Open Market Committee cut the target federal funds rate 50 basis points to 1.25%. This was the first decrease in 2002, but the twelfth rate cut in two years. The annual average conventional 30-year fixed mortgage rate dropped from 7.0% in 2001 to 6.5% in 2002. The combination of low interest rates and rising home values spurred homeowners to refinance. According to the Mortgage Bankers Association of America, an estimated $1.24 trillion in mortgages were refinanced in 2002, and a study by an economist at Goldman, Sachs & Co. found that refinancing provided an amount equal to 2% of disposable income during the first half of 2002.

The year-end employment picture was not good. Payroll contracted by 101,000 in December and there were downward revisions in reported employment for October and November. However, the monthly unemployment rate remained unchanged at 6.0%. For the year, the unemployment rate was 5.8%, up from 4.8% for 2001. The unemployment rate reflects weak labor force growth. Businesses have been reluctant to add employees. In addition, firms are uncertain about the potential economic impact of a war with Iraq, the standoff with North Korea, and any future terrorist attacks. This uncertainty has also contributed to a lack of business investment. Firms are not sure that demand will remain strong enough to justify an increase in capital budgets and to start new capital projects. In addition, operating rates at many companies are quite low. The average factory operating rate was 70% for 2002. Finally, strong productivity growth allows businesses to increase output without adding new machinery. Real nonresidential fixed investment decreased 5.7% for the year, while purchases of equipment and software declined 1.8%.

In 2002, productivity gains were the best in decades. Nonfarm output per hour increased 4.7%, while manufacturing output per hour increased 5.2%. In 2001, the rate of growth of those factors was 1.1% and 0.9% respectively. At the same time, compensation per hour increased 2.9% and unit labor costs actually declined 1.8%. As a result, businesses were able to increase employee pay and improve profitability. As noted, personal income increased 3.0% in 2002. After declining in 2001, after-tax corporate profits turned around and started increasing throughout the year. The bonus depreciation provisions enacted in the federal Job Creation and Worker Assistance Act of 2002 also increased business cash flow.

Inflation remained contained in 2002, with consumer prices increasing 1.6% for the year. Producer prices for finished goods declined by 1.3% for the year. However, energy prices jumped 9.0% in the last quarter, as a result of the strike against the Venezuela national oil company and concern over war with Iraq. Core CPI inflation was a stable 2.0% for the same quarter.

Although the value of the dollar began declining against most currencies of industrialized counties in 2002, it did not drop far enough to have a positive effect on international trade. As a result, trade was a drag on the U. S. economy for the year. The strong dollar makes imports relatively cheap, while U.S. exporting firms have difficulty selling products and services overseas. The annualized current account balance deficit was almost $500 billion. America is importing more than it exports, while the income it gets from foreign investments is less than the amount paid to foreigners for investments in the U. S. The combination of a relatively strong dollar and tough competition from countries with low production costs has led to elimination of two million jobs in the manufacturing sector of the economy since 2000.

A series of corporate governance scandals, major bankruptcies, and revelations of accounting fraud that began in late 2001 shook the financial markets in 2002. These events severely undermined confidence in the financial markets. Combined with sluggish economic growth and corporate earnings, rising unemployment, and apprehension about war and terrorism, the market declined in 2002. The market did rally some late in the year, climbing two straight months in the fourth quarter, the first time since March, 1998. However, this was not enough to offset the annual decline. By the end of 2002, the market value of household equity holdings had fallen by an estimated $3.2 trillion, bringing the three-year decrease to $7.0 trillion, or 22%. Similarly, for 2002, the Dow index was down 17%, the S&P 500 was down 24%, and the Nasdaq was down 33%. The last time the market saw a three-year run in losses was 1939 to 1941.

National Economic Forecast

The revenue estimates included in this report are based on the January, 2003, forecast of the economy by Global Insight, Inc.

As 2003 began, the United States faced a world filled with uncertainties that could have significant consequences beyond the effects on the economy. The possibility of war with Iraq looms, the North Korean government has revived a program for enriching uranium and threatened aggression if certain conditions are not met, and terrorist groups remain at large and dangerous. The events surrounding potential war in Iraq, the outcome of the confrontation with North Korea, and possible terrorist activities could have substantial impacts on the U. S. economy.

Many economists believe that apprehension by consumers and businesses regarding potential war in Iraq helped contribute to a slowdown in the economy at the end of 2002. The final quarter of 2002 is expected to have a real annual rate of GDP growth of 1.0%. Final demand, reflecting depressed consumer confidence, only increased at an annual rate of 0.3%. Industrial production dropped and the unemployment rate increased. However, according to Global Insight, Inc., the slowdown in growth and increase in unemployment in the fourth quarter of 2002 gives a misleading picture of the health of the economy. Personal income grew at an annual rate of 3.8% and consumer spending for nondurables and services increased more than in the third quarter. After-tax corporate profits were strong and real nonresidential fixed investment changed from a negative annual rate of growth to a positive increase of 3.3%. Government purchases also contributed to economic growth. Inflation remained constrained and interest rates were low.

The Global Insight, Inc. forecast incorporates the effects of a war with Iraq, new federal income tax cuts, and the extension of unemployment benefits into its economic projections for 2003 and beyond. Concern about possible setbacks and a jump in oil prices are expected to depress consumer confidence and the stock market. Consumer spending and business investment will be constrained until a successful outcome of the war is assured.

An additional $50 billion in federal spending is projected, with most of the initial spending for activating reserves and combat pay. Federal expenditures to replace equipment and munitions used in the war will occur in late 2003 and 2004. The tax cut package finally adopted by Congress and approved by the President and the extension of unemployment benefits is assumed to amount to another $50 billion. Thus the total fiscal stimulus provided by possible war with Iraq, federal tax cuts, and extended unemployment benefits is forecast to be $100 billion over the next 18 months.

A resolution of the situation in Iraq, combined with the underlying strengths in the economy and the fiscal stimulus provided by war expenditures, the federal tax cuts, and unemployment compensation benefits, are expected to propel economic recovery beginning in the second half of 2003 and carrying on into 2004. Economic expansion will continue in 2005, but at a lower rate. For the forecast period, moderating growth in consumer spending will be offset by the jump in federal spending, the reversal of business investment in equipment from annual decreases to annual increases, and a decline in the value of the dollar that will improve trade. Global Insight, Inc. estimates that real GDP will grow at an annual rate of 5.5% the last two quarters of 2003. For the year, real GDP will increase 3.1%, compared to 2.4% for 2002. Real GDP growth will increase to 4.7% in 2004, and then moderate to 3.3% in 2005. Nominal GDP, which increased 3.6% in 2002, is projected to increase 5.2% in 2003, 7.2% in 2004, and 5.7% in 2005.

Consumer spending was the primary force behind economic growth in 2002. Purchasing power was enhanced by zero-percent financing for autos, federal tax cuts, and low mortgage interest rates that allowed individuals to borrow from the equity of their homes through refinancing or by taking out new home-equity loans. Despite the year-end drop in consumer confidence and slowdown in spending, the consumer will continue to be a key contributor to economic growth. Since the factors, such as mortgage refinancings, that spurred consumer spending are likely to be less significant, increasing income is expected to be the primary source of additional spending. Continued productivity gains and slowly increasing employment will cause incomes to grow. Increasing productivity gives employers the opportunity to increase wages for their workers and still maintain or increase profit margins. The Global Insight, Inc. forecast estimates that personal income will increase 5.0% in 2003, 6.5% in 2004, and 5.6% in 2005. Productivity (output per hour) is projected to increase 3.3% in 2003, 2.5% in 2004, then slow to 2.0% in 2005. Although consumer spending is expected to continue pushing economic growth during the next three years, the anticipated war with Iraq will weaken consumer spending in the first half of 2003. Oil prices are forecast to increase to almost $32 per barrel in the first quarter and consumer confidence will fall. However, it is projected that later in 2003 oil prices will decline and consumer confidence and the stock market will surge. Spending is forecast to jump in late 2003 and 2004, as increasing incomes and the proposed federal tax cut provide consumers with more disposable income. Increased hiring over the forecast period will also raise the willingness of consumers to spend. The forecast estimates the annual growth in personal consumption expenditures will be 4.4% for the first half of 2003, then increase to 5.2% for the second half of the year. Annually, personal consumption expenditures are expected to increase 4.8% in 2003, 6.7% in 2004, and 5.8% in 2005. The consumer sentiment index is projected to jump almost ten points from 86.9 in 2003 to 96.4 in 2004. The index will then stabilize at 95.8 in 2005.

At the start of 2003, the state of affairs in the world is reinforcing risk-averse behavior in businesses. In addition to the possibility of war with Iraq and confrontation with North Korea, the strike against the national oil company in Venezuela has created fears of an oil-price spike. Until these situations are cleared up, businesses will be reluctant to undertake substantial investment projects. A strong economic recovery depends on businesses' willingness to take risks and invest. Without investment, businesses are not making commitments to future growth and new hires. The forecast assumes that, once the situation with Iraq is resolved, business investment will be a primary contributor to economic growth from the second half of 2003 through 2005. The underlying factors for increased investment seem to be in place. Businesses have engaged in cost-cutting activities over the past two years. Jobs have been pared, major capital investment projects have been delayed, and worker productivity has increased. As a result, income from sales is generally going directly to a firm's bottom line. Federal bonus depreciation tax provisions will provide additional short-term cash flow to certain businesses as well. Improved earnings and cash flow are expected to drive a rebound in capital spending. In addition, a weakening dollar should make exports more competitive and foreign goods more expensive. This will improve the pricing power of U. S. businesses. The forecast assumes that, in the aftermath of a successful resolution of the situation in Iraq, the economy will experience a substantial increase in growth. Finally, increasing consumer demand is helping raise earnings. Reflecting increased consumer spending and continued strong productivity, pre-tax corporate profits will surge to an annual rate of growth of

15.0% in 2003 and 16.5% in 2004. Businesses will make the capital purchases and start the capital investment projects that have been postponed the past two years. With the ratio of inventories to sales below the ten-year trend, new orders for replacements are likely. This should spur additional investment to support expanded output. Under the forecast, real nonresidential fixed investment is projected to increase 4.8% in 2003, 10.7% in 2004, and 8.2% in 2005. Similarly, real investment in equipment and software is expected to grow by 7.6% in 2003, 12.1% in 2004, and 7.0% in 2005.

The state of the labor market deteriorated in the fourth quarter of 2002, as the unemployment rate moved up to 6.0% and the economy lost jobs. Businesses have focused on reducing costs and have been reluctant to add workers. Moreover, increased productivity from the existing workforce lets businesses increase output without increasing the workforce. Employers will have to regain confidence in the stability of demand and profits before they begin hiring at a pace strong enough to significantly lower the unemployment rate. However, by historical standards, the 6.0% jobless rate is quite low at this stage of a recovery. Under the forecast, the unemployment rate is expected to edge up to 6.4% by the second quarter of 2003. Then, as the economy accelerates in the second half of the year, employment will improve gradually from the third quarter of 2003 through 2005. The annual unemployment rate is projected to be 6.2% in 2003, 5.3% in 2004, and 5.0% in 2005. After increasing only 0.7% in 2003, payroll employment will increase 2.6% in 2004 and 1.9% in 2005.

The housing market was a major contributor to economic growth in 2002. The historic low level of mortgage rates and decline of the stock market made housing a preferred investment. The low mortgage rates accelerated the transition of some households from renters to buyers, and allowed current owners to expand consumption of housing without significantly increasing their housing budgets. The Global Insight, Inc. forecast sees a reduced role for housing and construction as factors in economic growth. Early in 2003, a downswing in housing activity is anticipated once the negative impact of rising unemployment and weak wage gains outweigh the positive impact of low mortgage rates. Beginning in the second half of the year, increasing interest rates are expected to offset an improving employment outlook. The average conventional 30-year mortgage rate is projected to increase slightly from 6.5% in 2002 to 6.7% in 2003, and then jump to 8.1% in 2004, and 8.2% in 2005. Conversely, total housing starts are forecast to drop from 1.69 million units in 2002 to 1.56 million units in 2003, before rebounding somewhat to 1.64 million and 1.67 million units in 2004 and 2005, respectively. Sales of existing homes will follow a similar pattern, while sales of new homes will show annual declines. Real residential construction is projected to decrease 1.3% in 2003, and then increase 2.3% in 2004 and jump 5.4% in 2005.

The U. S. trade deficit is expected to set a record high in 2002, even though the dollar fell to a three-year low against the Euro by mid-January, 2003. Although the dollar has dropped from its peak in February, 2002, it has not fallen enough to create a competitive environment for U. S. exporters. In recessions and times of slow economic growth, trade deficits typically narrow as consumer spending weakens, and a weak economy tends to undermine the value of the dollar, and imports become more expensive and exports cheaper for foreign consumers. While U. S. economic growth has been sluggish, the economies of many of the United States' trading partners are growing more slowly, depressing overseas demand for U. S. goods, services, and financial assets. And even though the value of the dollar is falling relative to the currencies of other trading partners, many economists believe it could take up to two years for a drop in the currency to translate into noticeable export gains or declining imports. Rather than show a fairly smooth quarterly pattern of gradual expansion of the trade deficit, the forecast projects a minor improvement in trade for several quarters of 2003, as automotive manufacturers reduce North American production and imports of completed vehicles into the United States. The trade deficit is then expected to deteriorate until later in the forecast period when foreign economies improve. The trade deficit is forecast to increase from $414.9 billion in 2002 to $421.5 billion in 2003 and $431.1 billion in 2004, before dropping to $423.2 billion in 2005.

The forecast indicates that, despite recent jumps in energy prices, the inflation environment remains benign. While many broad measures of inflation have been showing modest acceleration recently, and inflation is expected to rise, Global Insight, Inc. does not consider the rise alarming. The annual rate of increase in core inflation (the Consumer Price Index, excluding food and energy) decreased through November. Part of the drop in core inflation was due to lower wage cost escalation. Lower labor cost increases may have been the single most important reason inflation has been trending down over the past few years. The annual increase in total labor costs decreased from 4.6% in 2000 to 3.7% in 2002. The annual growth in labor costs is projected to decrease to 3.3% in 2003, then to increase 4.0% in 2004 and 3.7% in 2005, as the economy rebounds. However, there is some concern about the rising cost of employee benefits, particularly health care. The producer price index (PPI) for finished goods is also seemingly under control, having declined 1.3% in 2002, partially due to decreased auto prices. The CPI and PPI are expected to increase in the first half of 2003, as a result of the strike against the Venezuelan national oil company and the possibility of war in Iraq. The PPI for energy is expected to increase 15.3% in the first quarter of 2003, while the CPI for energy will be up 17.7% for the same period. However, when these matters are resolved, energy prices are expected to drop. The drop in energy prices is expected to dampen the inflationary effects of the increased ability of producers to raise prices as the economy recovers beginning in the second half of 2003. Moreover, sluggish growth in the manufacturing sector and moderate increases in employment costs will keep prices under control. The annual change in the PPI is expected to be 1.2% in 2003 and 2004, and 1.4% in 2005. The annual increase in the CPI is projected to be 2.3% in 2003, 2.4% in 2004, and 2.6% in 2005. Finally, core inflation is forecast to grow 2.2% in 2003 and 2.7% in both 2004 and 2005.

For most of the past two years, monetary policy has been the primary government tool used to manage the economy. The Federal Reserve's actions to continuously cut interest rates have thus far prevented the economy from tumbling into a major recession. The rate reductions have had the greatest effect on the automotive, housing, and mortgage markets. However, the lower rates have not had a significant effect on business investment. Global Insight, Inc. does not expect the Federal Reserve to take any actions during the first two quarters of 2003. Once the situation in Iraq is successfully resolved, economic growth will begin to surge and pressure will increase on prices. The forecast indicates that, in order to head off any inflationary pressures related to the recovery, the Federal Reserve will approve a rate hike next summer. The timing could be affected by the situation in Iraq or passage of a version of the administration's fiscal package.

In early January, President Bush proposed a fiscal stimulus package of tax cuts, extended unemployment compensation benefits, and personal re-employment accounts, with a total cost of almost $700 billion over ten years. [The extended unemployment benefits package has already been enacted into law.] As noted, the forecast includes the estimated effect of a stimulus package on the economy. In addition, the forecast assumes that Congress will pass an omnibus budget bill that is close to the administration's target. Increased federal outlays are anticipated for income security, Medicare, Medicaid, and defense. The federal deficit is expected to be $300 billion or more for the next two years. A budget surplus is not projected until 2011.

Over the past six quarters, state and local governments, in aggregate, have been running an annual operating deficit of about $50 billion, or about 4% of their operating budgets. This amounts to about 20% of non-wage, non-transfer spending. Since state and local governments must have balanced budgets, these governments have worked to fund the deficits mainly through the use of reserve funds, accounting adjustments, and short-term borrowing. These devices are generally not permanent solutions. As a result, Global Insight, Inc. anticipates that, during the next few years, state and local governments will use layoffs and spending cuts to bring their budgets back into balance. Also, some revenue increases, beyond cigarette taxes and casino gambling, are anticipated.

Table 2 shows projected values for several economic indicators that underlie the general fund revenue estimates for 2002-03 and the 2003-05 biennium.

TABLE 2

Summary of National Economic Indicators
Global Insight, Inc.
January, 2003
($ in Billions)

	2002	2003	2004	2005
Nominal Gross Domestic Product	$10,448.9	$10,987.1	$11,775.8	$12,448.7
Percent Change	3.6%	5.2%	7.2%	5.7%
Real Gross Domestic Product	$9,437.7	$9,730.0	$10,188.0	$10,524.3
Percent Change	2.4%	3.1%	4.7%	3.3%
Consumer Price Index	1.6%	2.3%	2.4%	2.6%
Personal Income	$8,947.0	$9,391.6	$10,004.3	$10,566.7
Percent Change	3.0%	5.0%	6.5%	5.6%
Personal Consumption Expenditures	$7,299.0	$7,650.6	$8,164.6	$8,640.9
Percent Change	4.5%	4.8%	6.7%	5.8%
Corporate Profits Before Tax	$659.4	$758.4	$883.4	$851.1
Percent Change	-1.6%	15.0%	16.5%	-3.7%
Unemployment Rate	5.8%	6.2%	5.3%	5.0%

The January, 2003, Global Insight, Inc. economic forecast includes a fairly extensive list of risks that could have an effect on the U. S. economy in 2003, which are described below. Most of these risks would negatively impact the economy; however, the last three risks would lead to stronger growth.

<u>Extensive War with Iraq</u>. Although the effects of a short war with Iraq have been built into the forecast, there is a possibility that the war could be longer and more difficult. In such a scenario, oil prices would increase more and the negative impacts on the stock market and consumer confidence would be greater. The additional uncertainty and higher oil prices could trigger recessions in the United States and other countries.

<u>Major Terrorist Attack</u>. A major terrorist attack in the United States or Europe would severely damage business and consumer confidence and reduce the prospects for economic recovery.

<u>Stock Market Dive</u>. Lackluster earnings, further corporate scandals, and geopolitical events, such as a nuclear showdown with North Korea, could cause stock prices to drop again. Though

unlikely, a further large decrease in key market indexes could significantly weaken consumer spending and prevent a recovery in capital expenditures.

Housing "Bubble" Bursts. About a dozen urban housing markets in the U. S. have exhibited some symptoms of "bubble" activity, especially at the high ends of the price spectrum. Recent data indicates that these "bubbles" are slowly deflating rather than bursting. A plunge in housing prices could only occur if interest rates jumped, which is a remote possibility in 2003. However, a drop in housing wealth could reduce consumer spending.

U. S. Dollar Crashes. If the U. S. dollar were to fall precipitously, both inflation and interest rates in the U.S. could spike. A plunge in the dollar would also undermine the export-led recoveries in Europe and Asia. Global Insight, Inc. indicates that the odds of a crash in the value of the dollar are low for two reasons. First, stronger growth in the U. S. relative to most other parts of the world will support the dollar. Second, if the dollar actually started a free-fall, the Federal Reserve and central banks in other countries would likely intervene to prevent disruption of global markets.

A Financial Crisis in a Foreign Country. Many analysts worry that a world financial crisis could be set off by a default in a large, emerging market such as Brazil, or by a financial meltdown in Japan. The likelihood of this scenario is low.

Capital Spending Accelerates. Typically, spending on equipment and structures tends to rebound strongly after a recession. It is believed that worldwide weak growth and large amounts of excess capacity are discouraging companies from making capital investments. However, ratios of inventories to sales and corporate sector net investment to GDP are at historically very low levels. There is a possibility that there is a pent-up demand for capital spending that could take off after the uncertainty about the war with Iraq dissipates. This could significantly increase economic growth above the forecasted level.

Stronger Economic Growth in Europe and Japan. The forecast anticipates weak growth in Europe and Japan. The European Central Bank is showing greater willingness to promote growth. This, combined with more flexibility on fiscal policy, could mean greater growth in domestic European demand. At the same time, banking reform could occur in Japan. If accompanied by macroeconomic policies to offset any initial negative impact on growth, the net result could benefit the worldwide economy.

No War with Iraq. The forecast assumes a short war with Iraq. An alternative would be no attack on Iraq. Under this scenario, there would be less short-term fiscal stimulus from the federal government because of lower military spending. However, the economy would get a boost in 2003 from four other sources: (1) lower oil prices; (2) higher consumer sentiment, resulting in stronger consumer spending; (3) an earlier rebound in capital spending, particularly on equipment; and (4) higher economic growth in foreign trading partners, resulting in increased exports. Under this alternative, a broad recovery starts early in 2003.

General Fund Tax Collections

Table 3 shows revenue estimates for all general fund tax sources for the 2002-03 fiscal year and each year of the 2003-05 biennium. Over the three-year period, these estimates are lower than the Department of Revenue's November 20 projections by $646.1 million ($177.5 million in 2002-03, $215.1 million in 2003-04, and $253.5 million in 2004-05). In the current fiscal year, the difference is primarily due to the individual income and sales taxes, and reflects more recent collections and employment data that are less favorable than the information that was available when DOR's estimates were prepared. In the two years of the 2003-05 biennium, overall growth rates similar to DOR's are projected (5.1% in 2003-04 and 5.6% in 2004-05). However, the reduced base-year (2002-03) estimate results in lower projections in each of the two out-years. Revenues from the estate tax are also expected to be significantly lower than DOR's figures during the next two fiscal years, based on collection patterns that prevailed prior to the recent federal and state law changes in that tax (as discussed later in this report in the section on estate taxes).

TABLE 3

Projected General Fund Tax Collections
($ in Millions)

	2001-03 Biennium		2003-05 Biennium	
	2001-02 Actual	2002-03 Estimated	2003-04 Estimated	2004-05 Estimated
Individual Income	$4,979.7	$5,120.0	$5,410.0	$5,800.0
Sales and Use	3,695.8	3,760.0	3,910.0	4,100.0
Corporate Income & Franchise	503.0	490.0	540.0	555.0
Public Utility	252.2	260.4	268.0	278.0
Excise				
Cigarettes	288.8	292.0	288.4	284.7
Liquor and Wine	36.0	36.3	37.2	38.5
Tobacco Products	13.9	15.9	16.8	17.9
Beer	9.6	9.7	9.8	9.9
Insurance Company	96.1	105.0	105.0	95.0
Estate	82.6	67.0	85.0	90.0
Miscellaneous Taxes	62.5	67.2	71.3	74.7
TOTAL	$10,020.2	$10,223.5	$10,741.5	$11,343.7
Change from Prior Year		$203.3	$518.0	$602.2
Percent Change		2.0%	5.1%	5.6%

Individual Income Tax. Individual income tax receipts are estimated to total $5,120.0 million in 2002-03, which represents a 2.8% increase over collections during 2001-02. For the 2003-05 biennium, individual income tax collections are estimated to be $5,410.0 million in 2003-

04 and $5,800.0 million in 2004-05. These figures represent increases of 5.7% and 7.2%, respectively, over prior year estimates, and are based on the forecast and assumptions about taxable personal income growth in 2003 and 2004.

General Sales and Use Tax. Sales tax revenues totaled $3,695.8 million in 2001-02 and are estimated at $3,760.0 million in 2002-03, $3,910.0 million in 2003-04, and $4,100.0 million in 2004-05. These projections are based on historical experience and forecast 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. The estimates represent growth rates of 1.7% in 2002-03, 4.0% in 2003-04, and 4.9% in 2004-05.

Corporate Income and Franchise Tax. Corporate income and franchise tax revenues are projected to decline from $503.0 million in 2001-02 to $490.0 million in 2002-03. Revenues are then forecast to increase to $540.0 million in 2003-04 and to $555.0 million in 2004-05.

The 2002-03 estimate reflects lower year-to-date corporate income and franchise tax collections and slow profit growth in the first quarter of 2003. Through December, 2002, monthly corporate income and franchise tax collections have declined significantly from 2001-02 monthly collections. In addition, corporate profits declined in 2002 and are not expected to rebound until the spring of 2003.

As the economy expands beginning in the second half of 2003, improving employment and consumer spending are expected to increase demand for business outputs and services. A surge in capital spending will also increase demand for business products. Continued productivity growth is expected to contribute to profit margins.

Public Utility Taxes. Public utility taxes are estimated to be $260.4 million in 2002-03. The estimate represents a 3.3% increase over the $252.2 million in utility taxes collected in 2001-02 and is based on year-to-date collections and assumptions about the pattern of estimated tax payments over the remainder of the fiscal year. Utility tax revenues are estimated at $268.0 million in 2003-04 and $278.0 million in 2004-05, representing year-over-year increases of 2.9% and 3.7%. These figures incorporate the reduced tax rate on wholesale electricity sales that was provided under 2001 Wisconsin Act 16 (the 2001-03 biennial budget), starting with receipts from electricity sales in 2004.

Excise Taxes. Excise taxes on cigarettes, tobacco products, and alcoholic beverages totaled $348.3 million in 2001-02. These collections are projected to be $353.9 million in 2002-03, $352.2 million in 2003-04, and $351.0 million in 2004-05. Revenues from the most significant of the excise taxes, the cigarette tax, are projected to decline during both years of the 2003-05 biennium, reflecting the continuation of a trend of gradual year-to-year consumption declines. An 18¢ increase in the cigarette excise tax (from 59¢ per pack to 77¢ per pack) was enacted in Act 16 and took effect on October 1, 2001. Because the higher rate will be in effect for the entirety of fiscal year 2002-03 but was in effect only for nine months of fiscal year 2001-02, a year-over-year increase in revenues (1.1%) is projected for 2002-03, even though year-over-year pack sales are expected to decline.

Estimates of revenues from the tobacco products tax also reflect a rate increase--from 20% of the manufacturer's list price to 25% of the price, effective October 1, 2001. In addition, sales of tobacco products are expected to grow each year during the 2003-05 biennium, trending in the opposite direction of cigarettes.

The remaining excise taxes on beer, wine, and liquor are estimated to post modest year-over-year revenue increases during all three years for which estimates have been prepared.

Insurance Premiums Taxes. Insurance premiums taxes are projected to increase from $96.1 million in 2001-02 to $105 million in 2002-03 and in 2003-04. It is estimated that insurance premiums tax revenues will then decrease to $95 million in 2004-05. The increased revenues in the first two years are due to a significant annual increase in premiums, mainly from higher prices and to a lesser extent from higher demand. Investment income is generally a significant source of income for insurers. In response to lower investment income, which reflects declining returns from equity markets, insurance companies have increased premium rates to maintain some level of profitability. Industrywide net written premiums are expected to increase 13.6% in 2002 and 12.3% in 2003. Insurance premiums tax collections to-date are significantly above last year's level. Collections are expected to moderate in 2005 as the improving economy and equity markets reduce the importance of premiums as a source of insurance company profits.

Estate Taxes. Estate tax revenues are estimated at $67.0 million in 2002-03, $85.0 million in 2003-04, and $90.0 million in 2004-05. These estimates reflect a decrease of 18.9% in 2002-03 from 2001-02 collections of $82.6 million, and increases of 26.9% and 5.9% in 2003-04 and 2004-05, respectively, over prior year estimates.

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. However, the variation in actual collections and estimated estate taxes from 2001-02 through 2004-05 primarily reflects the effects of the federal law changes under the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) and subsequent state law changes under Act 16.

Prior to Act 16, state estate taxes were coupled to federal law. Following the federal estate tax reductions under EGTRRA (which provided for the gradual elimination of the estate tax, starting with deaths in 2002, and the phase-out of the federal credit for state death taxes upon which the state estate tax was based), Act 16 decoupled state estate taxes from current federal law. Act 16 provided, instead, that state estate taxes would be linked to federal law in effect on December 31, 2000, (prior to the EGTRRA reductions) for a specified period starting October 1, 2002. The combined effect of the federal and state law changes was to temporarily reduce state estate taxes, which is reflected in the estimate of $67.0 million in estate taxes in 2002-03. Starting with fiscal year 2003-04, it is expected that state estate tax revenues will return to levels similar to those received prior to the change in the federal law. The estimates for 2003-04 and 2004-05 are based on collection patterns prior to EGTRRA.

Miscellaneous Taxes. Collections from the miscellaneous taxes--the real estate transfer fee, which comprises over 80% of miscellaneous tax revenues, and municipal and circuit court-related fees--are expected to increase by 7.4% during 2002-03, to an estimated $67.2 million, then exhibit somewhat slower growth in the two years of the 2003-05 biennium, 6.1% and 4.8%, respectively. Interest rate increases expected to occur during the economic recovery, with their dampening effects on home sales and other property transfers, are the primary factor underlying the slower growth estimates in future years.

We will continue to monitor tax collections, economic forecasts, and expenditures and keep you apprised of any modifications that may be necessary.

Sincerely,

Bob

Robert Wm. Lang
Director

RWL/sas
cc: Members, Wisconsin Legislature

General Fund Information; General Fund Cash Flow (Part II–Pages 36-44).

The following provide updates to various tables containing general fund information that is presented on a cash or recorded basis. Information presented earlier in this Appendix A has been presented on a budgetary basis. Unless noted, the following information *reflects all fiscal bills through the budget emergency bill for the 2002-03 fiscal year (2003 Wisconsin Act 1), the revised revenue estimates released by the Legislative Fiscal Bureau on January 23, 2003, and the Governor's proposed 2003-05 biennial budget (2003 Senate Bill 44).*

The following tables show negative balances on a cash-basis. Wisconsin Statutes provide certain administrative remedies, such as interfund borrowing, to deal with periods when the balance, on a cash basis, is negative. 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.

The State can have a negative cash balance at the end of a fiscal year. This is different than budgetary requirements, in which the Wisconsin Constitution requires the Legislature to enact a balanced biennial budget. The Wisconsin Constitution also requires that if final budgetary expenses of any fiscal year exceed available revenues, the Legislature must take actions to balance the budget in the succeeding fiscal year.

Table II-7; State Budget-General Fund (Part II–Page 39). Replace the table with the following:

ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2002 TO MARCH 31, 2003
PROJECTED GENERAL FUND CASH FLOW; APRIL 1, 2003 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	312,086	637,718	631,559	159,706	833,727	940,167	209,055	528,404	559,985
Ending Balance [(c)]	-616,711	-151,597	312,086	637,718	631,559	159,706	833,727	940,167	209,055	528,404	559,985	-412,444
Lowest Daily Balance [(c)]	-835,846	-682,211	-292,593	146,623	562,154	-164,082	159,706	677,134	31,400	-17,655	177,351	-853,108
RECEIPTS												
TAX RECEIPTS												
Individual Income	515,747	350,778	629,833	469,429	306,427	591,751	753,704	448,331	425,443	827,814	377,062	539,169
Sales & Use	360,882	367,587	361,239	344,735	335,382	318,549	366,893	283,770	278,331	300,438	340,468	332,183
Corporate Income	14,037	12,214	110,295	24,404	14,643	120,855	21,494	12,509	172,994	24,079	14,679	107,958
Public Utility	197	19	211	4,299	145,137	5,492	-2,773	5,070	23	7,831	122,370	244
Excise	32,420	32,992	32,434	32,234	33,477	26,215	28,962	31,172	21,643	28,564	27,740	30,862
Insurance	1,086	1,897	22,836	784	1,291	23,036	1,889	16,309	24,750	25,134	4,074	23,885
Inheritance	6,834	7,406	14,701	3,871	4,538	3,497	7,799	2,124	2,625	7,820	3,001	4,890
Subtotal Tax Receipts	931,203	772,893	1,171,549	879,756	840,895	1,089,395	1,177,968	799,285	925,809	1,221,680	889,394	1,039,191
NON-TAX RECEIPTS												
Federal	451,110	384,251	473,314	500,946	491,232	443,561	628,967	537,288	523,444	489,965	467,146	494,237
Other & Transfers [(d)]	318,163	479,857	381,016	225,312	150,199	173,532	298,922	385,219	203,021	303,491	287,377	286,292
Note Proceeds [(e)]	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal Non-Tax Receipts	769,273	864,108	854,330	726,258	641,431	617,093	927,889	922,507	726,465	793,456	754,523	780,529
TOTAL RECEIPTS	1,700,476	1,637,001	2,025,879	1,606,014	1,482,326	1,706,488	2,105,857	1,721,792	1,652,274	2,015,136	1,643,917	1,819,720
DISBURSEMENTS												
Local Aids [(f)]	903,055	166,454	704,521	101,549	410,446	1,175,368	223,251	244,546	1,199,379	117,616	247,682	1,782,117
Income Maintenance	357,630	355,727	306,119	359,298	357,037	365,688	357,190	353,772	326,068	426,792	396,419	307,078
Payroll and Related	289,522	317,944	213,252	361,884	396,657	234,841	410,335	305,602	230,548	333,915	435,905	249,021
Tax Refunds	46,735	41,583	44,505	55,983	70,935	133,298	70,374	377,534	358,377	285,502	207,091	148,049
Debt Service	0	1,159	0	120,742	1,281	0	0	893	0	255,480	7,000	0
Miscellaneous	298,330	289,020	293,799	280,926	252,129	269,146	370,686	333,005	269,014	276,482	318,239	305,884
Note Repayment [(e)]	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL DISBURSEMENTS	1,895,272	1,171,887	1,562,196	1,280,382	1,488,485	2,178,341	1,431,836	1,615,352	2,383,386	1,695,787	1,612,336	2,792,149

(a) Projections include assumptions from all fiscal bills enacted into law through 2003 Wisconsin Act 1 but are presented on a cash basis and not a budgetary basis. The projections also reflect the revenue estimates released by the Legislative Fiscal Bureau on January 23, 2003. Projections do not include interfund transfers.

(b) The General Fund cash balances presented in this schedule are not based on Generally Accepted Accounting Principles (GAAP). The General Fund includes funds designated for operations and capital purposes of certain proprietary programs of the State's Universities. Receipts and disbursements of such funds for the designated programs and the disbursement of such funds for other purposes are reflected in the cash flow. A use of the designated funds for purposes other than the proprietary programs is, in effect, a borrowing of such funds. Therefore, at any time that the balance in the General Fund is less than the balance of such designated funds, the State is obligated to replenish the designated funds to the extent of the shortfall. Ther designated funds are expected to range from $150 to $300 million during the 2002-03 fiscal year. In addition, the General Fund is the depository for several escrow accounts pursuant to court orders or federal rulings. These funds are expected to average approximately $50 million during the 2002-03 fiscal year.

(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 $556 million for the 2002-03 fiscal year. In additiona, the Secretary of Administration may also temporarily reallocate an additional amount up to 3% of the general-purpose revenue appropriations then in effect (approximately $334 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.

(d) Reflects receipt on August 1, 2002 of $231million 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-7; State Budget-General Fund (Part II–Page 39). Add the following table with the following:

PROJECTED GENERAL FUND CASH FLOW; JULY 1, 2003 TO JUNE 30, 2004[(a)]

(In Thousands of Dollars)

	July 2003	August 2003	September 2003	October 2003	November 2003	December 2003	January 2004	February 2004	March 2004	April 2004	May 2004	June 2004
BALANCES[(b)]												
Beginning Balance	-412,444	-495,144	-72,944	956	462,856	45,556	-339,044	629,156	823,856	-154,344	504,656	688,256
Ending Balance [(c)]	-495,144	-72,944	956	462,856	45,556	-339,044	629,156	823,856	-154,344	504,656	688,256	-231,244
Lowest Daily Balance [(c)]	-651,936	-627,431	-477,373	-151,241	-31,912	-965,374	-360,619	440,108	-216,364	-359,853	209,290	-461,122
RECEIPTS												
TAX RECEIPTS												
Individual Income	545,600	422,600	422,600	528,100	442,200	466,900	865,900	450,900	377,100	925,600	403,700	572,800
Sales & Use	359,200	376,600	347,800	363,700	366,300	304,700	402,400	318,000	288,700	310,700	352,300	346,600
Corporate Income	19,800	16,700	120,600	27,500	14,700	140,900	22,300	10,500	140,900	26,500	16,800	117,700
Public Utility	0	0	400	3,000	139,000	1,200	200	0	200	8,000	125,200	200
Excise	32,500	32,600	32,600	28,400	33,000	30,300	27,700	26,500	25,700	29,200	27,700	30,800
Insurance	1,300	2,100	22,400	1,200	1,100	22,900	2,400	10,800	18,500	25,100	4,100	23,900
Inheritance	5,400	7,700	9,400	5,300	5,700	10,100	6,600	8,900	7,700	9,900	3,800	6,200
Subtotal Tax Receipts	963,800	858,300	955,800	957,200	1,002,000	977,000	1,327,500	825,600	858,800	1,335,000	933,600	1,098,200
NON-TAX RECEIPTS												
Federal	408,900	403,300	395,600	488,700	382,800	406,700	553,400	475,900	427,300	483,300	470,100	501,400
Other & Transfers	337,300	296,400	399,100	267,700	276,400	259,400	420,300	422,000	357,700	359,500	340,400	339,100
Note Proceeds [(d)]	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal Non-Tax Receipts	746,200	699,700	794,700	756,400	659,200	666,100	973,700	897,900	785,000	842,800	810,500	840,500
TOTAL RECEIPTS	1,710,000	1,558,000	1,750,500	1,713,600	1,661,200	1,643,100	2,301,200	1,723,500	1,643,800	2,177,800	1,744,100	1,938,700
DISBURSEMENTS												
Local Aids	869,400	188,100	693,800	116,300	801,100	1,170,200	232,800	290,800	1,181,000	143,100	273,100	1,788,500
Income Maintenance	336,800	326,500	286,700	345,700	314,900	317,200	311,300	323,500	335,200	333,200	365,600	338,700
Payroll and Related	234,100	326,500	222,700	458,000	329,600	255,100	355,300	322,000	324,800	479,400	357,200	268,400
Tax Refunds	38,600	28,200	21,300	27,500	46,200	30,200	46,200	305,100	306,000	277,000	204,300	182,900
Debt Service	0	15,500	134,900	0	2,300	0	0	15,000	205,000	0	9,700	0
Miscellaneous	313,800	251,000	317,200	304,200	584,400	255,000	387,400	272,400	270,000	286,100	350,600	279,700
Note Repayment [(d)]	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL DISBURSEMENTS	1,792,700	1,135,800	1,676,600	1,251,700	2,078,500	2,027,700	1,333,000	1,528,800	2,622,000	1,518,800	1,560,500	2,858,200

(a) Projections include assumptions from the Governor Doyle's proposed 2003-05 biennial budget (2003 Senate Bill 44), but are presented on a cash basis and not a budgetary basis. The projections also reflect the revenue estimates released by the Legislative Fiscal Bureau on January 23, 2003. Projections do not include interfund transfers.

(b) The General Fund cash balances presented in this schedule are not based on Generally Accepted Accounting Principles (GAAP). The General Fund includes funds designated for operations and capital purposes of certain proprietary programs of the State's Universities. Receipts and disbursements of such funds for the designated programs and the disbursement of such funds for other purposes are reflected in the cash flow. A use of the designated funds for purposes other than the proprietary programs is, in effect, a borrowing of such funds. Therefore, at any time that the balance in the General Fund is less than the balance of such designated funds, the State is obligated to replenish the designated funds to the extent of the shortfall. Ther designated funds are expected to range from $150 to $300 million during the 2003-04 fiscal year. In addition, the General Fund is the depository for several escrow accounts pursuant to court orders or federal rulings. These funds are expected to average approximately $50 million during the 2003-04 fiscal year.

(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 $539 million for the 2003-04 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 $324 million for the 2003-04 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.

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

Table II-8; General Fund Cash Receipts and Disbursements Year To Date; Compared to Estimates and Previous Fiscal Year. (Page 40). Update the table with the following:

	FY02 through March 2002	FY03 through March 2003			
	Actual	Actual	Estimate[b]	Variance	Difference FY02 Actual to FY03 Actual
RECEIPTS					
Tax Receipts					
Ind. Income	4,338,330	4,491,443	4,427,952	63,491	153,113
Sales	3,020,190	3,017,368	3,021,352	(3,984)	(2,822)
Corp. Income	491,711	503,445	480,197	23,248	11,734
Public Utility	137,158	157,675	135,551	22,124	20,517
Excise	261,684	271,549	276,127	(4,578)	9,865
Insurance	71,828	93,878	76,683	17,195	22,050
Inheritance	62,665	53,395	52,751	644	(9,270)
Total Tax Receipts	8,383,566	8,588,753	8,470,613	118,140	205,187
Non-Tax Receipts					
Federal	3,632,939	4,434,113	3,702,029	732,084	801,174
Other and Transfers	2,523,952	2,615,241	2,918,760	(303,519)	91,289
Note Proceeds[c]	800,000	-	-	-	(800,000) [c]
Total Non-Tax Receipts	6,956,891	7,049,354	6,620,789	428,565	92,463
TOTAL RECEIPTS	15,340,457	15,638,107	15,091,402	546,705	297,650
DISBURSEMENTS					
Local Aids	5,525,432	5,128,569	5,237,846	109,277	(396,863)
Income Maintenance	3,126,390	3,138,529	2,934,942	(203,587)	12,139
Payroll & Related	2,601,633	2,760,585	2,762,113	1,528	158,952
Tax Refunds	1,156,553	1,199,324	1,187,464	(11,860)	42,771
Debt Service	299,859	124,075	134,842	10,767	(175,784)
Miscellaneous	2,741,713	2,656,055	2,371,523	(284,532)	(85,658)
Note Repayment[c]	401,663	-	-	-	(401,663)
TOTAL DISBURSEMENTS	15,853,243	15,007,137	14,628,730	(378,407)	(846,106)
VARIANCE FY03 YEAR-TO-DATE				168,298	

(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. In addition, comparison of monthly general fund financial information has many inherent problems. Unforeseen events (including even a change in weather conditions) or variations from underlying assumptions may cause a decrease in receipts or an increase in disbursements from those projected for a given month.

(b) Estimates include assumptions from all fiscal bills enacted into law through 2003 Wisconsin Act 1 but are presented on a cash basis and not a budgetary basis. The projections also reflect the revenue estimates released by the Legislative Fiscal Bureau on January 23, 2003.

(c) Operating Notes were issued in the 2001-02 fiscal year but have not been issued in the 2002-03 fiscal year.

Table II-9; General Fund Monthly Position (Page 41). Update the table with the following:

GENERAL FUND MONTHLY CASH POSITION[a]
July 1, 2001 through March 31, 2003 — Actual
April 1, 2003 through June 30, 2004 — Estimated[b]
(Amounts in Thousands)

	Starting Date	Starting Balance	Receipts[c]	Disbursements[c]
2001	July	281,565 [d]	$ 1,575,450	$ 1,853,617
	August	3,398 [d]	1,497,565	1,103,304
	September	397,659 [d]	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 [d]	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 [d]	1,530,532	2,730,873
	April	(231,221) [d]	2,070,342	1,573,434
	May	265,687 [d]	2,155,171	1,844,456
	June	576,402 [d]	1,753,300	2,751,617
	July	(421,915) [d]	1,700,476	1,895,272
	August	(616,711) [d]	1,637,001	1,171,887
	September	(151,597) [d]	2,025,879	1,562,196
	October	312,086	1,606,014	1,280,382
	November	637,718	1,482,326	1,488,485
	December	631,559 [d]	1,706,488	2,178,341
2003	January	159,706	2,105,857	1,431,836
	February	833,727	1,721,792	1,615,352
	March	940,167	1,652,274	2,383,386
	April	209,055 [d]	2,015,136	1,695,787
	May	528,404	1,643,917	1,612,336
	June	559,985 [d]	1,819,720	2,792,149
	July	(412,444) [d]	1,710,000	1,792,700
	August	(495,144) [d]	1,558,000	1,135,800
	September	(72,944) [d]	1,750,500	1,676,600
	October	956 [d]	1,713,600	1,251,700
	November	462,856 [d]	1,661,200	2,078,500
	December	45,556 [d]	1,643,100	2,027,700
2004	January	(339,044) [d]	2,301,200	1,333,000
	February	629,156	1,723,500	1,528,800
	March	823,856 [d]	1,643,800	2,622,000
	April	(154,344) [d]	2,177,800	1,518,800
	May	504,656	1,744,100	1,560,500
	June	688,256 [d]	1,938,700	2,858,200

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

[b] The monthly receipt and disbursement projections for April 1 through June 30, 2004 are based on all fiscal bills through 2003 Wisconsin Act 1, the revenue estimates released by the Legislative Fiscal Bureau on January 23, 2003, and the Governor's proposed budget for the 2003-05 biennium (2003 Senate Bill 44).

[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 have been issued for the 2002-03 fiscal year and the amounts shown for 2003-04 fiscal year do not include receipts or impoundment payments relating to 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. This amount is approximately $556 million for the 2002-03 fiscal year and $539 million for the 2003-04 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 $334 million for the 2002-03 fiscal year and $324 million for the 2003-04 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 42). Update the table with the following:

BALANCES IN FUNDS AVAILABLE FOR INTERFUND BORROWING[a]
July 31, 2001 to March 31, 2003 — Actual
April 30, 2003 to June 30, 2004— Estimated[b]
(Amounts in Millions)

Month (Last Day)	2001	2002	2003	2004
January		$ 5,360	$ 5,360	$ 1,887
February		5,463	5,463	1,976
March		5,628	5,628	2,011
April		5,135	1,825[b]	1,825
May		4,819	1,680	1,680
June		5,001	1,759	1,759
July	$ 5,275	5,401	1,815	
August	4,785	4,785	1,781	
September	4,897	4,898	1,777	
October	4,328	4,328	1,613	
November	4,242	4,242	1,601	
December	4,737	4,737	1,781	

[a] Consists of the following funds:

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

[b] Estimated balances for April 30, 2003 and subsequent months include as an assumption that only 20% of the amount will 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, 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 $556 million for the 2002-03 fiscal year and $539 million for the 2003-04 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 $334 million for the 2002-03 fiscal year and $324 million for the 2003-04 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-11; General Fund Recorded Revenues (Page 43). Update the table with the following:

(Agency Recorded Basis)
July 1, 2002 to March 31, 2003 compared with previous year [(a)]

	Annual Fiscal Report Revenues 2001-02FY[(b)]	Projected Revenues 2002-03 FY [(c)]	Recorded Revenues July 1, 2001 to March 31, 2002 [(d)]	Recorded Revenues July 1, 2002 to March 31, 2003 [(d)]
Individual Income Taxes.........	$ 4,979,662,000	$ 5,120,000,000	$ 3,269,272,270	$ 3,352,521,988
General Sales and Use Taxes..	3,695,796,000	3,760,000,000	2,431,800,523	2,450,653,049
Corporate Franchise and Income Taxes.............	503,008,000	490,000,000	385,582,333	394,866,009
Public Utility Taxes	252,237,000	260,400,000	128,356,002	149,091,969
Excise Taxes	348,282,000	353,900,000	230,211,776	234,029,273
Inheritance Taxes	82,635,000	67,000,000	61,256,841	52,164,240
Insurance Company Taxes…..	96,055,000	105,000,000	43,305,468	59,153,597
Miscellaneous Taxes	79,028,000	67,200,000	50,361,946	59,795,276
SUBTOTAL...................	10,036,703,000	10,223,500,000	6,600,147,160	6,752,275,402
Federal and Other Inter-governmental Revenues[(f)].......	6,372,653,000	4,860,982,500	4,056,624,503	5,022,149,338
Dedicated and Other Revenues [(g)]...............	4,440,718,000	3,528,657,300	2,679,484,300	3,042,132,030
TOTAL..........................	$ 20,850,074,000	$ 18,613,139,800	$ 13,336,255,962	$ 14,816,556,770

(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 are from the Annual Fiscal Report (budgetary basis) for the 2001-02 fiscal year, dated October 15, 2002.

(c) Projected revenues are based on all fiscal bills through 2003 Wisconsin Act 1 and also reflect the revenue estimates for the 2002-03 fiscal year that were released by the Legislative Fiscal Bureau on January 23, 2003.

(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 44). Update the table with the following:

(Agency Recorded Basis)
July 1, 2002 to March 31, 2003 compared with previous year [(a)]

	Annual Fiscal Report Expenditures 2001-02 FY[(b)]	Appropriations 2002–03 FY [(c)]	Recorded Expenditures July 1, 2001 to March 31, 2002[(d)]	Recorded Expenditures July 1, 2002 to March 31, 2003[(e)]
Commerce	$ 212,449,000	$ 228,319,500	$ 154,946,147	$ 158,410,592
Education	8,603,653,000	8,849,025,300	6,080,019,102	6,396,642,658
Environmental Resources	227,949,000	248,745,100	186,006,151	143,930,972
Human Relations & Resources	8,538,786,000	7,552,695,500	6,003,832,318	6,470,206,316
General Executive	614,520,000	637,880,200	465,561,051	469,962,139
Judicial	107,534,000	103,786,900	82,754,061	83,687,618
Legislative	62,114,000	57,649,200	44,166,116	41,964,284
General Appropriations	2,881,603,000	1,386,187,500	2,105,083,799	1,741,688,918
TOTAL	$ 21,248,608,000	$ 19,064,289,200	$ 15,122,368,745	$ 15,506,493,496

(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 are from the Annual Fiscal Report (budgetary basis) for the 2001-02 fiscal year, dated October 15, 2002.

(c) Estimated appropriations based on all fiscal bills through 2003 Wisconsin Act 1.

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

(e) 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
April 1, 2003

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Interest Earnings[(a)]	G.O. Bonds of 2003, Series A	Total Authorized Unissued Debt
University of Wisconsin; academic facilities..........................	$ 1,052,005,900	$ 888,892,229	$ 12,046,136	$ 4,100,000	$ 146,967,535
University of Wisconsin; self-amortizing facilities................	732,009,800	419,847,621	1,643,606	15,000,000	295,518,573
Natural resources; Warren Knowles - Gaylord Nelson stewardship 2000 program...................…………	572,000,000	100,350,000	13,392	50,200,000	421,436,608
Natural resources; municipal clean drinking water grants...................................	9,800,000	9,518,342	141,818		139,840
Clean water fund program.................	637,743,200	399,334,053	1,762	8,000,000	230,407,385
Safe drinking water loan program………………………	26,210,000	16,386,520		5,800,000	4,023,480
Natural resources; nonpoint source grants..................	75,763,600	46,795,658	132,570	17,335,000	11,500,372
Natural resources; nonpoint source compliance……….	2,000,000	2,000,000			
Natural resources; environmental repair......................	48,000,000	35,114,900	161,017	4,000,000	8,724,083
Natural resources; urban nonpoint source cost-sharing……………………….	17,700,000	6,290,000		3,900,000	7,510,000
Natural resources; environmental segregated fund supported administrative facilities…………….	6,770,400	1,256,100		725,000	4,789,300
Natural resources; segregated revenue supported dam safety projects……………….	6,600,000	4,868,000		975,000	757,000
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	874,914,888	18,513,076		65,436
Natural resources; pollution abatement and sewage collection facilities; combined sewer overflow..............	200,600,000	194,312,242	6,287,401		357
Natural resources; recreation projects.........................	56,055,000	56,053,994	1,006		
Natural resources: local parks land acquisition and development...........................	2,490,000	2,447,349	42,259		392
Natural resources; recreation development.................	23,061,500	22,828,110	141,227	35,000	57,163
Natural resources; land acquisition.............................	45,608,600	45,116,269	491,671		660

GENERAL OBLIGATION ISSUANCE STATUS REPORT–CONTINUED
April 1, 2003

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Interest Earnings[(a)]	G.O. Bonds of 2003, Series A	Total Authorized Unissued Debt
Natural resources; Wisconsin natural areas heritage program	2,500,000	2,445,545	17,174		37,281
Natural resources; segregated revenue supported facilities	30,576,400	18,999,722	45,287	970,000	10,561,391
Natural resources; general fund supported administrative facilities	10,882,400	9,301,075	21,432	555,000	1,004,893
Natural resources; ice age trail	750,000	680,000		20,000	50,000
Natural resources; dam safety projects	5,500,000	5,417,000	49,701		33,299
Natural resources; segregated revenue supported land acquisition	2,500,000	2,499,446			554
Natural resources; Warren Knowles - Gaylord Nelson stewardship program	231,000,000	219,760,000	1,293,404	2,675,000	7,271,596
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		10,000	48,590,000
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	19,548,000	232,605		5,219,395
Transportation; rail acquisitions and improvements	28,000,000	17,135,000	16	3,500,000	7,364,984
Transportation; local roads for job preservation, state funds	2,000,000			620,000	1,380,000
Corrections; correctional facilities	787,694,900	745,927,362	11,467,003	3,525,000	26,775,536
Corrections; self-amortizing facilities and equipment	7,337,000	1,731,000	99	340,000	5,265,901
Corrections; juvenile correctional facilities	27,726,500	25,448,556	102,026		2,175,918
Health and family services; mental health and secure treatment facilities	128,322,900	119,705,268	895,124		7,722,508

GENERAL OBLIGATION ISSUANCE STATUS REPORT–CONTINUED
April 1, 2003

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Interest Earnings[(a)]	G.O. Bonds of 2003, Series A	Total Authorized Unissued Debt
Agriculture; soil and water……………………..	13,575,000	4,758,000	1,248	2,455,000	6,360,752
Agriculture; conservation reserve enhancement…	40,000,000	640,000		2,985,000	36,375,000
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................…	272,863,034	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	384,954,121	2,329,712	12,500,000	63,583,267
Building commission; 1 West Wilson street parking ramp..............................…	15,100,000	14,805,521	294,479		
Building commission; project contingencies..................…	45,007,500	30,590,000	62,251	400,000	13,955,249
Building commission; capital equipment acquisition......…	115,839,400	93,054,191	729,518	2,200,000	19,855,691
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................…	1,255,601,000 (c)	1,049,664,318	6,188,961	10,000,000	189,747,721
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		
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	925,000		75,000	

GENERAL OBLIGATION ISSUANCE STATUS REPORT–CONTINUED
April 1, 2003

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Interest Earnings[a]	G.O. Bonds of 2003, Series A	Total Authorized Unissued Debt
Technology for educational achievement in Wisconsin board; school district educational technology infrastructure financial assistance…………………	100,000,000	59,985,000	431,066	5,000,000	34,583,934
Technology for educational achievement in Wisconsin board; public library educational technology infrastructure financial assistance………...……….	3,000,000	345,000	41		2,654,959
Educational communications board; educational communications facilities……………………………..	16,658,100 [c]	14,089,539	37,069	1,800,000	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	4,362,000			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	19,312,527	192,632		2,916,741
Veterans affairs; veterans facilities...........………….	10,090,100	9,448,065	50,593		591,442
Veterans affairs; self-amortizing mortgage loans....…	2,120,840,000	1,978,652,395	2,133,000		140,054,605
Veterans affairs; refunding bonds............................…	665,000,000	632,539,245			32,460,755
Veterans affairs; self-amortizing facilities……………	29,520,900	1,635,000	501	2,000,000	25,885,399
State fair park board; board facilities..........................…….	13,587,100	3,825,000		6,000,000	3,762,100
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	44,473,800	22,328	6,200,000	34,090,972
Total...….	$14,793,552,989	$11,921,921,928	$66,335,390	$173,900,000	$2,631,395,769

[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.

[c] Reflects total amount of legislative authorization, however, a portion of this amount can not be incurred prior to July 1, 2003.

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)
$173,900,000
STATE OF WISCONSIN
GENERAL OBLIGATION BONDS OF 2003, SERIES A

We have served as bond counsel in connection with the issuance by the State of Wisconsin **(State)** of its $173,900,000 General Obligation Bonds of 2003, Series A, dated May 1, 2003 **(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 April 16, 2003 **(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

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Bond Insurance

Concurrently with the issuance of the $173,900,000 State of Wisconsin General Obligation Bonds of 2003, Series A **(Bonds)**, Financial Guaranty Insurance Company **(Financial Guaranty)** will issue its Municipal Bond New Issue Insurance Policy **(Policy)** for the Bonds. The Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Bonds, which has become due for payment but shall be unpaid by reason of nonpayment by the issuer of the Bonds **(Issuer)**. Financial Guaranty will make such payments to U.S. Bank Trust National Association, or its successor as its agent **(Fiscal Agent)**, on the later of the date on which such principal and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of Bonds or the Paying Agent of the nonpayment of such amount by the Issuer. The Fiscal Agent will disburse such amount due on any Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal and interest due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal and interest shall be vested in Financial Guaranty. The term "nonpayment" in respect of a Bond includes any payment of principal or interest made to an owner of a Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Bonds. The Policy covers failure to pay principal of the Bonds on their respective stated maturity dates or dates on which the same shall have been duly called for mandatory sinking fund redemption, and not on any other date on which the Bonds may have been otherwise called for redemption, accelerated or advanced in maturity, and covers the failure to pay an installment of interest on the stated date for its payment.

This Notice of Bond Insurance contains information regarding the ratings assigned to the Bonds and reference should be made to this Notice of Bond Insurance for a discussion of such ratings and the basis for their assignment to the Bonds. Reference should be made to the Official Statement for a discussion of the underlying ratings assigned to outstanding bonds of this credit that are not secured by credit enhancement.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

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