New Issue

This Official Statement provides information on the 2004 Series 1 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.

$95,905,000
STATE OF WISCONSIN
TRANSPORTATION REVENUE REFUNDING BONDS, 2004 SERIES 1

Dated: Date of Delivery **Due: July 1, as shown below**

Ratings

Based on Financial Security Insurance (2012-17 Maturities Only)	Underlying (All)	
AAA	AA	Fitch Ratings
Aaa	Aa3	Moody's Investors Service, Inc.
AAA	AA–	Standard & Poor's Ratings Services

Tax Exemption Interest on the 2004 Series 1 Bonds is excludable from gross income, and is not included as an item of tax preference, for federal income tax purposes. Interest on the 2004 Series 1 Bonds is subject to State of Wisconsin income and franchise taxes—*Pages 11-12*.

Redemption The 2004 Series 1 Bonds maturing on or after July 1, 2015 are subject to optional redemption at par (100%) on any date on or after July 1, 2014—*Pages 3-4*.

Security/Priority The 2004 Series 1 Bonds have a first claim on vehicle registration fees, which are a substantial portion of pledged Program Income, and other registration-related fees including, but not limited to, vehicle title transaction fees, registration and title counter service fees, and personalized license plate issuance and renewal fees. A Reserve Fund also exists and is currently funded in an amount at least equal to the maximum annual interest currently due on the Outstanding Bonds. The 2004 Series 1 Bonds are issued on a parity with the Prior Bonds and any additional parity Bonds issued by the State pursuant to the General Resolution. The 2004 Series 1 Bonds are not general obligations of the State—*Pages 6-9.*

Bond Insurance The scheduled payment of principal of and interest on the 2004 Series 1 Bonds maturing on July 1 of the years 2012 through 2017, inclusive, when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the 2004 Series 1 Bonds by Financial Security Assurance Inc.

Purpose Proceeds of the 2004 Series 1 Bonds are being used to current and advance refund previously issued Outstanding Bonds, and to pay for costs of issuance—*Pages 2-3.*

Interest Payment Dates January 1 and July 1

First Interest Payment Date January 1, 2005

Closing/Settlement On or about September 30, 2004

Denominations Multiples of $5,000

Book-Entry-Only Form The Depository Trust Company—*Page 5.*

Trustee/Registrar/Paying Agent J. P. Morgan Trust Company, National Association, as legal successor to Bank One Trust Company, National Association

Bond Counsel Quarles & Brady LLP

Issuer Contact Wisconsin Capital Finance Office; (608) 266-2305; capfin@doa.state.wi.us

2003 Annual Report This Official Statement incorporates by reference Parts I, II, and V of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2003.

The prices and yields below were determined on September 9, 2004 at a negotiated sale. The 2004 Series 1 Bonds were purchased at an aggregate purchase price of $105,431,817.09.

CUSIP	Year (July 1)	Principal Amount	Interest Rate	Yield at Issuance	Price at Issuance	First Optional Call Date (July 1)	Call Price
977123 SR0	2005	$ 3,100,000	6.00%	1.60%	103.276%	Not Callable	-
977123 SS8	2006	5,080,000	5.00	1.89	105.334	Not Callable	-
977123 ST6	2007	10,925,000	5.00	2.20	107.435	Not Callable	-
977123 SU3	2008	5,880,000	5.00	2.55	108.711	Not Callable	-
977123 SV1	2012 [(a)]	5,760,000	5.25	3.42	112.364	Not Callable	-
977123 SW9	2013 [(a)]	6,185,000	5.25	3.58	112.448	Not Callable	-
977123 SX7	2014 [(a)]	16,345,000	5.25	3.69	112.674	Not Callable	-
977123 SY5	2015 [(a)]	18,150,000	5.25	3.77	111.978 [(b)]	2014	100%
977123 SZ2	2016 [(a)]	11,955,000	5.25	3.86	111.201 [(b)]	2014	100
977123 TA6	2017 [(a)]	12,525,000	5.25	3.95	110.431 [(b)]	2014	100

[(a)] Subject to Financial Security Assurance Inc. municipal bond insurance policy.

[(b)] Priced to the July 1, 2014 first optional call date.

Bear, Stearns & Co. Inc. **Morgan Stanley**

Robert W. Baird & Co. **Siebert Brandford Shank & Co., LLC**

September 10, 2004

This document is the State's *official* statement about the offering of the 2004 Series 1 Bonds; that is, it is the only document the State has authorized for providing information about the 2004 Series 1 Bonds. This document is not an offer or solicitation for the 2004 Series 1 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 2004 Series 1 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 2004 Series 1 Bonds other than what is in this document. The information and expressions of opinion in this document may change without notice. Neither the delivery of this document nor any sale of the 2004 Series 1 Bonds implies that there has been no change in the other matters contained in this document since its date. Material referred to in this document is not part of this document unless expressly included.

In connection with the offering of the 2004 Series 1 Bonds, the Underwriters may overallot or effect transactions which stabilize or maintain the market price of such 2004 Series 1 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

TABLE OF CONTENTS

STATE OFFICIALS PARTICIPATING IN THE ISSUANCE AND SALE OF THE 2004 SERIES 1 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 Spencer Black	January 3, 2005
Representative Jeff Fitzgerald	January 3, 2005
Representative Daniel Vrakas	January 3, 2005
Mr. Terry McGuire, Citizen Member	At the pleasure of the Governor
Nonvoting, Advisory Members	
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

Ms. Peggy A. Lautenschlager State Attorney General	January 8, 2007
Mr. Marc J. Marotta, Secretary Department of Administration	At the pleasure of the Governor
Mr. Frank J. Busalacchi, Secretary Department of Transportation	At the pleasure of the Governor

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 THE 2004 SERIES 1 BONDS

Selected information is presented on this page for the convenience of the reader. To make an informed investment decision regarding the 2004 Series 1 Bonds, a prospective investor should read the entire Official Statement.

Description:	State of Wisconsin Transportation Revenue Refunding Bonds, 2004 Series 1
Principal Amount:	$95,905,000
Denominations:	Multiples of $5,000
Date of Issue:	September 30, 2004
Interest Payment:	January 1 and July 1, commencing January 1, 2005
Maturities:	July 1, 2005-2008 and July 1, 2012-2017—*Front Cover*.
Record Date:	December 15 or June 15.
Optional Redemption:	2004 Series 1 Bonds maturing on or after July 1, 2015 are subject to optional redemption at par (100 %) on any date on or after July 1, 2014—*Pages 3-4.*
Form:	DTC book-entry-only—*Page 5.*
Paying Agent:	All payments of principal and interest on the 2004 Series 1 Bonds will be made by J. P. Morgan Trust Company, National Association, as legal successor to Bank One Trust Company, National Association. All payments will be made to The Depository Trust Company , which will distribute payments as described herein.
Authority for Issuance:	2004 Series 1 Bonds are issued under Chapter 18 and Section 84.59 of the Wisconsin Statutes.
Purpose:	2004 Series 1 Bond proceeds will be used to current and advance refund certain previously issued Outstanding Bonds, and to pay costs of issuance.
Security and Priority:	2004 Series 1 Bonds are first claim revenue obligations payable solely from vehicle registration fees (which are a substantial portion of pledged Program Income), other registration-related fees (including but not limited to vehicle title transaction fees, registration and title counter service fees, and personalized license plate issuance and renewal fees), and any other pledged Program Income. 2004 Series 1 Bonds are issued on a parity with the Prior Bonds and any additional parity Bonds issued by the State pursuant to the General Resolution. A Reserve Fund also exists and is currently funded in an amount at least equal to the maximum annual interest currently due on the Outstanding Bonds, which by definition includes the 2004 Series 1 Bonds—*Pages 6-9.*
Bond Insurance:	The scheduled payment of principal of and interest on the 2004 Series 1 Bonds maturing on July 1 of the years 2012 through 2017, inclusive, when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the 2004 Series 1 Bonds by Financial Security Assurance Inc.
Prior Bonds and Notes:	As of August 1, 2004, there were $1,258,365,000 outstanding Prior Bonds on parity with the 2004 Series 1 Bonds and $120,003,000 outstanding Notes subordinate to the Outstanding Bonds.
Additional Bonds:	The State may issue additional transportation revenue obligations. Additional Bonds may be issued on parity with the Prior Bonds and the 2004 Series 1 Bonds upon meeting certain conditions—*Page 9.*
Legality for Investment:	State law provides that the 2004 Series 1 Bonds are legal investments for all banks, trust companies, savings banks and institutions, savings and loan associations, credit unions, investment companies, insurance companies, insurance associations, and other persons or entities carrying on a banking or insurance business; for all personal representatives, 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 2004 Series 1 Bonds is excludable from gross income and not an item of tax preference for federal income tax purposes—*Pages 11-12.* Interest on the 2004 Series 1 Bonds is subject to State of Wisconsin income and franchise taxes—*Page 12.*
Legal Opinion:	Validity and tax opinion to be provided by Quarles & Brady LLP—*Page C-1.*

OFFICIAL STATEMENT

$95,905,000

STATE OF WISCONSIN

TRANSPORTATION REVENUE REFUNDING BONDS, 2004 SERIES 1

INTRODUCTION

This Official Statement sets forth information concerning the $95,905,000 State of Wisconsin Transportation Revenue Refunding Bonds, 2004 Series 1 (**2004 Series 1 Bonds**), issued by the State of Wisconsin (**State**). This Official Statement includes by reference Parts I, II, and V of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2003 **(2003 Annual Report)**.

The 2004 Series 1 Bonds are issued pursuant to Subchapter II of Chapter 18 of the Wisconsin Statutes, as amended (**Revenue Obligations Act**), Section 84.59 of the Wisconsin Statutes (**Act**), a General Resolution adopted by the State of Wisconsin Building Commission (**Commission**) on June 26, 1986, as supplemented on March 19, 1998, August 9, 2000, and October 15, 2003 (**General Resolution**), and a Series Resolution adopted by the Commission on February 18, 2004 (**Series Resolution**, and collectively with the General Resolution, **Resolution**).

The Commission, an agency of the State, is empowered by law to authorize, issue, and sell transportation revenue obligations of the State. The Commission is assisted and staffed by the State of Wisconsin Department of Administration.

In connection with the issuance and sale of the 2004 Series 1 Bonds, the Commission has authorized the preparation of this Official Statement. This Official Statement describes the terms of and security for the 2004 Series 1 Bonds. All references to the Resolution, the Revenue Obligations Act and the Act are qualified by reference to such documents, copies of which are available from the Commission. All references to the 2004 Series 1 Bonds are qualified by reference to the forms thereof and the related information contained in the Resolution. All capitalized terms used in this Official Statement and not otherwise defined shall have the meanings provided for in the Resolution.

THE DEPARTMENT OF TRANSPORTATION

The State of Wisconsin Department of Transportation (**Department** or **WisDOT**) is the State agency that is involved with all forms of transportation in the State, including the construction and reconstruction of State highways and related transportation facilities and the registration of all motor vehicles. The Department is also the State agency responsible for the collection of the vehicle registration fees and other registration-related fees, which are pledged as security for the Bonds issued by the State pursuant to the General Resolution, and the Notes that are subordinate to the Bonds.

Information concerning the Department is included as APPENDIX A to this Official Statement, which includes by reference Part V of the 2003 Annual Report.

THE STATE

The State is located in the Midwest among the northernmost tier of states. The State ranks 20th among the states in population and 26th in land area. Wisconsin attained statehood in 1848, its capital is Madison, and its largest city is Milwaukee.

Information concerning the State and its financial condition is included as APPENDIX B, which includes by reference Part II of the 2003 Annual Report. APPENDIX B also includes information on projected General Fund tax collections for the 2003-05 biennium, as released by the Legislature Fiscal Bureau on February 10, 2004, and other updates to Part II of the 2003 Annual Report.

Requests for additional information about the State may be directed to:

Contact:	Capital Finance Office
Attn:	Capital Finance Director
Phone:	(608) 266-2305
Mail:	101 East Wilson Street, FLR 10
	P.O. Box 7864
	Madison, WI 53707-7864
E-mail:	capfin@doa.state.wi.us

PLAN OF REFUNDING

General

The Act empowers the Commission to issue refunding bonds. The Bonds are being issued to current and advance refund certain maturities of previously issued Outstanding Bonds. The refunded maturities are currently outstanding in the total principal amount of $97,530,000 **(Refunded Bonds)**. APPENDIX D identifies and provides information on the Refunded Bonds.

To provide for the refunding of the Refunded Bonds, 2004 Series 1 Bond proceeds will be used to purchase direct general obligations of the United States **(Government Obligations)**. These Government Obligations, together with the interest to be earned and a beginning cash deposit, will be sufficient:

- to pay when due, the interest on the Refunded Bonds to and including their respective redemption dates, and
- to redeem or pay the principal of the Refunded Bonds on their respective redemption dates at their respective redemption prices.

Refunding Escrow Agreement

The Government Obligations, the beginning cash balance, and the interest earnings will be held in an escrow fund **(Escrow Fund)** created by a Refunding Escrow Agreement **(Escrow Agreement)**, between the State and The Bank of New York **(Escrow Trustee)** solely for the benefit of the owners of the Refunded Bonds.

The Escrow Fund will be held by the Escrow Trustee in trust to make principal and interest payments on the Refunded Bonds. The Escrow Fund will be held by the Escrow Trustee separate and apart from all other funds or accounts held by the Escrow Trustee. The Escrow Trustee will have no lien whatsoever upon any moneys in the Escrow Fund for any of its fees and costs incurred in carrying out the provisions of the Escrow Agreement. Instead, the State will pay these fees and costs to the Escrow Trustee from other available funds.

The arithmetical accuracy of the computations of the sufficiency of the amounts deposited into the Escrow Fund will be independently verified by Samuel Klein & Company, Certified Public Accountants.

In the opinion of Bond Counsel, upon the State making the deposit into the Escrow Fund, the Refunded Bonds will be deemed to be paid for purposes of the General Resolution and will no longer be considered outstanding under the General Resolution.

THE 2004 SERIES 1 BONDS

General

The 2004 Series 1 Bonds are the nineteenth Series of Bonds to be issued under the General Resolution. The cover of this Official Statement sets forth the maturity dates, amounts, and interest rates for the 2004 Series 1 Bonds. The Legislature has authorized the issuance of $2.096 billion of revenue bonds for this purpose, excluding revenue bonds issued to refund Outstanding Bonds. To date $1.853 billion of such bonds (not including refunding bonds) have been issued.

The 2004 Series 1 Bonds will be dated their date of delivery and will bear interest from that date payable on January 1 and July 1 of each year, beginning on January 1, 2005. Interest on the 2004 Series 1 Bonds will be computed on the basis of a 30-day month and a 360-day year.

The 2004 Series 1 Bonds are issued as fully registered bonds without coupons in the principal denominations of $5,000 or any integral multiples thereof. Principal of and interest on the 2004 Series 1 Bonds will be payable to the person or entity who is, as of the fifteenth day of the month preceding each Interest Payment Date, the registered owner of record which initially will be The Depository Trust Company, New York, New York (**DTC**) or its nominee.

J. P. Morgan Trust Company, National Association, as legal successor to Bank One Trust Company, National Association, is the trustee for the Bonds (**Trustee**). In addition, the Trustee is the registrar (**Registrar**) and paying agent (**Paying Agent**) for the 2004 Series 1 Bonds.

Optional Redemption

The 2004 Series 1 Bonds maturing on or after July 1, 2015 shall be subject to optional redemption, at the option of the Commission, on July 1, 2014 or any date after that date, in whole or in part in integral multiples of $5,000, at a redemption price equal to par (100%). In the event of partial redemption, the Commission shall direct the amounts and maturity or maturities of the 2004 Series 1 Bonds to be redeemed.

Selection of 2004 Series 1 Bonds

The 2004 Series 1 Bonds shall be called for redemption in multiples of $5,000 and bonds of denominations of more than $5,000 shall be treated as representing the number of bonds obtained by dividing the denomination of the bond by $5,000, and such bonds may be selected for redemption in part. If the 2004 Series 1 Bonds are in book-entry form and less than all of a particular maturity are to be redeemed, selection of the ownership interests of the 2004 Series 1 Bonds affected thereby shall be made solely by DTC and the DTC Participants in accordance with their then prevailing rules. If the 2004 Series 1 Bonds are in certificated form and less than all of a particular maturity are to be redeemed, selection shall be by lot.

Notice of Redemption

So long as the 2004 Series 1 Bonds are in book-entry form, a notice of the redemption of any of said 2004 Series 1 Bonds shall be sent to the securities depository not less than 30 days or more than 60 days prior to the date of redemption.

In the event that the 2004 Series 1 Bonds are outstanding in certificated form, a notice of the redemption of any of said 2004 Series 1 Bonds shall be published at least once not less than 30 days prior to the date of redemption in an Authorized Newspaper and shall be mailed not less than 30 days prior to the date of redemption to the registered owners of any 2004 Series 1 Bonds to be redeemed, but such mailing shall not be a condition precedent to such redemption and failure to mail any such notice or a defect therein shall not affect the validity of any proceedings for the redemption of the 2004 Series 1 Bonds. Interest on any 2004 Series 1 Bond so called for prior redemption shall cease to accrue on the redemption date provided payment thereof has been duly made or provided for.

Ratings

At the State's request, several rating agencies have assigned a rating for the 2004 Series 1 Bonds maturing on July 1 in the years 2012 through 2017, inclusive **(Insured 2004 Series 1 Bonds)**, with the understanding that a municipal bond insurance policy guaranteeing the scheduled payment of principal of and interest on the Insured 2004 Series 1 Bonds will be issued by Financial Security Assurance Inc. (**Financial Security**) concurrently with the delivery of the 2004 Series 1 Bonds:

Rating	*Rating Agency*
AAA	Fitch Ratings
Aaa	Moody's Investors Service, Inc.
AAA	Standard & Poor's Ratings Services

In addition, at the State's request, the same rating agencies have assigned an underlying rating on all the 2004 Series 1 Bonds and confirmed the rating on the Outstanding Bonds:

Rating	*Rating Agency*
AA	Fitch Ratings
Aa3	Moody's Investors Service, Inc.
AA–	Standard and Poor's Ratings Services

Any explanation of the significance of a rating may only be obtained from the rating agency furnishing that rating. There is no assurance a rating given will be maintained for any period of time; a rating may be lowered or withdrawn entirely by the rating service if in its judgment circumstances so warrant. Any downgrade or withdrawal of a rating may have an adverse effect on the market price of the 2004 Series 1 Bonds and the Outstanding Bonds.

Sources and Applications of Funds

It is expected that the proceeds of the 2004 Series 1 Bonds, together with certain other available moneys, shall be applied as follows:

Sources	
Principal Amount of the 2004 Series 1 Bonds	$ 95,905,000.00
Original Issue Premium	10,070,213.55
Total Sources	$105,975,213.55
Applications	
Deposit to Escrow Fund	$105,078,375.69
Costs of Issuance	146,836.61
Bond Insurance Premium	206,604.79
Underwriters' Discount	543,396.46
Total Applications	$105,975,213.55

Book-Entry-Only Form

The 2004 Series 1 Bonds will initially be issued in book-entry-only form. Purchasers of the 2004 Series 1 Bonds will not receive bond certificates but instead will have their ownership in the 2004 Series 1 Bonds recorded in the book-entry system.

2004 Series 1 Bond certificates are to be issued and registered in the name of a nominee of DTC, which acts as securities depository for the 2004 Series 1 Bonds. Ownership of the 2004 Series 1 Bonds by the purchasers is shown in the records of brokers and other organizations participating in the DTC book-entry system **(DTC Participants)**. All transfers of ownership in the 2004 Series 1 Bonds must be made, directly or indirectly, through DTC Participants.

Payment

The Paying Agent will make all payments of principal of, interest on, and any redemption premium on the 2004 Series 1 Bonds to DTC. Owners of the 2004 Series 1 Bonds will receive payments through the DTC Participants.

Notices and Voting Rights

The State or the Trustee will provide notices and other communications about the 2004 Series 1 Bonds to DTC. Owners of the 2004 Series 1 Bonds will receive any notices or communications through the DTC Participants. In any situation involving voting rights, DTC will not vote but rather give a proxy through the DTC Participants.

Redemption

If less than all of the 2004 Series 1 Bonds of a given maturity are being redeemed, DTC's practice is to determine by lottery the amount of the 2004 Series 1 Bonds to be redeemed from each DTC Participant.

Discontinued Service

In the event that participation in DTC's book-entry system were to be discontinued and a successor securities depository were not obtained, 2004 Series 1 Bond certificates would be executed and delivered to DTC Participants.

Further Information

Further information concerning DTC and DTC's book-entry system is available at www.dtcc.com. Neither the State nor the Trustee is responsible for any information available on DTC's web site. That information may be subject to change without notice.

Neither the State nor the Trustee is responsible for a failure by DTC or any DTC Participant to transfer payments or notices to the owners of the 2004 Series 1 Bonds or to follow the procedures established by DTC for its book-entry system.

Transfer of Bonds

Any 2004 Series 1 Bond may be transferred by the person in whose name it is registered, in person or by his duly authorized legal representative, upon surrender of the 2004 Series 1 Bond to the Registrar for cancellation, together with a duly executed written instrument of transfer in a form approved by the Registrar. Whenever any 2004 Series 1 Bond is surrendered for transfer, the Registrar shall deliver 2004 Series 1 Bonds, in like series, aggregate principal amount, interest rate, maturity and with the same letter designation, if any. The Registrar may require the Bondholder requesting the transfer to pay any tax or other governmental charge required to be paid with respect to the transfer and may charge a sum sufficient to pay the cost of preparing such 2004 Series 1 Bond. The Registrar shall not be obliged to make any transfer or exchange of 2004 Series 1 Bonds:

(1) after the 15th day of the month preceding an Interest Payment Date on the 2004 Series 1 Bond,

(2) 15 calendar days preceding the date of the mailing of a notice of redemption of 2004 Series 1 Bonds selected for redemption, or

(3) after such 2004 Series 1 Bond has been called for redemption.

SECURITY FOR THE 2004 SERIES 1 BONDS

General

Information concerning the State of Wisconsin Transportation Facilities and Highway Projects Revenue Obligations Program (**Program**), security for the Bonds, including sources of payment, registered vehicles, past and projected registration fees, past and projected other registration-related fees, registration fee collection procedures, Reserve Fund, Additional Bonds, and the Department is included as APPENDIX A, which includes by reference Part V of the 2003 Annual Report.

Prior Bonds

The State has previously issued the following Transportation Revenue Bonds:

Bond Issue	Dated Date
Transportation Revenue Bonds, 1986 Series A (**1986 Bonds**)	June 15, 1986
Transportation Revenue Bonds, 1988 Series A (**1988 Bonds**)	April 15, 1988
Transportation Revenue Bonds, 1989 Series A (**1989 Bonds**)	April 15, 1989
Transportation Revenue Bonds, 1991 Series A (**1991 Bonds**)	October 1, 1991
Transportation Revenue Bonds, 1992 Series A (**1992 Series A Bonds**)	July 1, 1992
Transportation Revenue Bonds, 1992 Series B (**1992 Series B Bonds**)	July 1, 1992
Transportation Revenue Bonds, 1993 Series A (**1993 Bonds**)	September 1, 1993
Transportation Revenue Bonds, 1994 Series A (**1994 Bonds**)	July 1, 1994
Transportation Revenue Bonds, 1995 Series A (**1995 Bonds**)	September 1, 1995
Transportation Revenue Bonds, 1996 Series A (**1996 Bonds**)	May 15, 1996
Transportation Revenue Bonds, 1998 Series A (**1998 Series A Bonds**)	August 15, 1998
Transportation Revenue Bonds, 1998 Series B (**1998 Series B Bonds**)	October 1, 1998
Transportation Revenue Bonds, 2000 Series A (**2000 Bonds**)	September 15, 2000
Transportation Revenue Bonds, 2001 Series A (**2001 Bonds**)	November 15, 2001
Transportation Revenue Refunding Bonds, 2002 Series 1 **(2002 Series 1 Bonds)**	April 15, 2002
Transportation Revenue Refunding Bonds, 2002 Series 2 **(2002 Series 2 Bonds)**	April 15, 2002
Transportation Revenue Bonds, 2002 Series A **(2002 Series A Bonds)**	October 15, 2002
Transportation Revenue Bonds, 2003 Series A **(2003 Bonds)**	November 1, 2003

As of the date of this Official Statement, the 1986 Bonds, 1988 Bonds, 1989 Bonds, 1991 Bonds, 1992 Series A Bonds, and 1992 Series B Bonds have matured or been redeemed and are not **Outstanding Bonds** within the meaning of the General Resolution. The 1993 Bonds, 1994 Bonds, 1995 Bonds, 1996 Bonds, 1998 Series A Bonds, 1998 Series B Bonds, 2000 Bonds, 2001 Bonds, 2002 Series 1 Bonds, 2002 Series 2 Bonds, 2002 Series A Bonds, 2003 Bonds (collectively, **Prior Bonds**) and the 2004 Series 1 Bonds together with any additional Bonds issued by the State pursuant to the General Resolution are referred to collectively as the **Bonds**.

The 2004 Series 1 Bonds are issued on a parity with the Prior Bonds and any additional parity Bonds to be issued by the State pursuant to the General Resolution.

As of August 1, 2004, the amount of outstanding Prior Bonds is $1,258,365,000. As of August 1, 2004, there remains outstanding $120,003,000 Transportation Revenue Commercial Paper Notes of 1997, Series A (**Notes**). The Notes are issued pursuant to the General Resolution and are subordinate to the pledge granted to the Bonds. On February 28, 2001, as amended on September 19, 2001, the Commission adopted a Series Resolution that authorizes the issuance of up to $155 million of additional Bonds to pay for the funding of the Notes. This Series Resolution is required pursuant to the terms of a credit agreement by which a syndicate of banks provide a line of credit for the Notes. These additional Bonds, when and if issued, will be issued on a parity with the Prior Bonds, the 2004 Series 1 Bonds, and any additional parity Bonds issued by the State pursuant to the provisions and conditions of the General Resolution.

Security

The 2004 Series 1 Bonds are revenue obligations of the State payable solely from the Redemption Fund created by the General Resolution. The 2004 Series 1 Bonds, the Prior Bonds, and any additional parity Bonds issued by the State pursuant to the General Resolution, are secured by a first lien pledge of Program Income, and the Funds created by the General Resolution pledged to the payment of interest, principal, and Redemption Price on the Bonds.

The Notes, and any other obligation to be issued on parity with the Notes, are also revenue obligations of the State payable from Program Income deposited into the Subordinated Debt Service Fund created pursuant to the General Resolution. The pledge of such Program Income to payment of the Notes is subordinate to the pledge of Program Income to payment of Bonds presently outstanding or hereafter incurred.

Increase and Expansion of Program Income

Prior to October 15, 2003, Program Income included only certain vehicle registration fees authorized under Section 341.25 of the Wisconsin Statutes. Provisions of the State's 2003-05 biennial budget bill (2003 Wisconsin Act 33) provided (1) a $10 increase to the vehicle registration fees for automobiles, and (2) additional registration-related fees that can be pledged as **Program Income**. The supplement to the General Resolution approved by the Commission on October 15, 2003 amended the definition of Program Income in the General Resolution to include these additional registration-related fees. These additional registration-related fees include, but are not limited to; vehicle title transaction fees, registration and title counter service fees, and personalized license plate issuance and renewal fees. APPENDIX A includes further information on all Program Income.

Flow of Funds; Other

All Program Income shall be collected by the Trustee, or the Department as agent of the Trustee, and deposited outside the State Treasury in an account with the Trustee defined as the **Redemption Fund**. Program Income is defined to include all the interest earned or gain realized from the investment of the Redemption Fund.

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

(1) to pay interest on all Outstanding Bonds,

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

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

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

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

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

The 2004 Series 1 Bonds shall be revenue obligations of the State payable solely out of the Redemption Fund and each 2004 Series 1 Bond shall contain on its face a statement to that effect. The State is not generally liable on the 2004 Series 1 Bonds, and the 2004 Series 1 Bonds shall not be a debt of the State for any purpose whatsoever.

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

Bond Insurance

The scheduled payment of principal of and interest on the Insured 2004 Series 1 Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the 2004 Series 1 Bonds by Financial Security. See "BOND INSURANCE".

Reserve Fund

The General Resolution creates a Reserve Fund and provides that it shall be used to make up any deficiency in the Redemption Fund for the payment of principal of and interest on all of the then Outstanding Bonds. Each Series Resolution must set forth the Debt Service Reserve Requirement, if any, for that Series and no representation is made as to the Debt Service Reserve Requirement that may be established upon the issuance of additional Series of Bonds. The Debt Service Reserve Requirements for all of the Bonds are combined to determine the aggregate Debt Service Reserve Requirement for the Reserve Fund. If all of the Bonds of a Series cease to be Outstanding, then the aggregate Debt Service Reserve Requirement may be reduced by the Debt Service Reserve Requirement attributable to that Series of Bonds.

It is generally the policy of the State to fund the aggregate Debt Service Reserve Requirement at an amount equal to the maximum annual interest due (fiscal year basis) on the Outstanding Bonds. In determining the maximum annual interest, the State subtracts any accrued interest or other amounts irrevocably deposited with the Trustee for payment of interest. Currently, the Reserve Fund has been funded in the amount of $60,351,600, which is an amount at least equal to the maximum annual interest currently due (fiscal year basis) on the Outstanding Bonds. The Debt Service Reserve Requirement for the 2004 Series 1 Bonds is $0.00, since the issuance of the 2004 Series 1 Bonds results in a reduction of the annual interest due on Outstanding Bonds.

If there is a deficiency in the Reserve Fund, the Trustee shall, after setting aside in the Principal and Interest Account the applicable amounts required to be deposited therein, deposit Program Income into the Reserve Fund in an amount sufficient to remedy such deficiency.

The General Resolution provides that in lieu of a deposit to the Reserve Fund of an amount equal to the Debt Service Reserve Requirement, the State may provide for a letter of credit, municipal bond insurance policy, surety bond, or other type of agreement or arrangement with an entity having, at the time of entering into such agreement or arrangement, a credit rating equal to or greater than the Bonds which provides for the availability, at the times required pursuant to the provisions of any Series Resolution, of an amount at least equal to such Debt Service Reserve Requirement and such method of funding shall be deemed to satisfy all provisions of the Series Resolution with respect to the Debt Service Reserve Requirement and the amount required to be on deposit in the Reserve Fund with respect to such Series of Bonds.

On May 27, 1993, and in conjunction with the issuance of the 1993 Bonds, the State began funding the Debt Service Reserve Requirement with an irrevocable surety bond (**Surety Bond)** issued by Ambac Assurance Corporation. In conjunction with the sale of the 1994 Bonds, the 1995 Bonds, the 1996 Bonds, the 2000 Bonds, the 2001 Bonds, and the 2002 Series A Bonds, the Surety Bond was exchanged for a larger Surety Bond that funded the Debt Service Reserve Requirement for all the then-Outstanding Bonds. The Surety Bond is currently in the amount of $51,258,600 and is noncancelable until it expires on the earlier of July 1, 2023 or when all Bonds are paid-in-full. The Surety Bond is an asset of the Reserve Fund. The remaining balance in the Reserve Fund, which is $9,093,000, was funded with proceeds of the 2003 Bonds and is currently invested in Investment Obligations.

Additional Bonds

The General Resolution authorizes the issuance of additional Bonds for the purpose of paying the costs of Projects, funding reserves, paying costs of issuance, and refunding Outstanding Bonds. Except for Refunding Bonds, additional Bonds may be issued only if Program Income for any 12 consecutive calendar months of the preceding 18 calendar months was at least equal to 2.25 times the maximum aggregate Principal and Interest Requirement in any Fiscal Year for all Outstanding Bonds. The General Resolution defines Outstanding Bonds, as of any particular date, as all Bonds theretofore and thereupon being delivered except (1) any Bond canceled by the Trustee, or proven to the satisfaction of the Trustee to have been canceled by the Registrar, (2) any Bond deemed to have been defeased pursuant to the General Resolution and (3) any Bond in lieu of or in substitution for which another Bond shall have been delivered pursuant to the requirements of the General Resolution or any Series Resolution.

SUMMARY OF THE GENERAL RESOLUTION

A summary of the General Resolution is included as APPENDIX A, which includes by reference Part V of the 2003 Annual Report.

BORROWING PROGRAM

The sale of the 2004 Series 1 Bonds is the first issuance of transportation revenue bonds in calendar year 2004. The Commission is expected to authorize and the State is expected to issue additional transportation revenue bonds in the fourth quarter of this calendar year or the first quarter of calendar year 2005 to pay the costs of financing transportation facilities and major highway projects. This bond issue will be for an estimated amount not to exceed $250 million.

The Commission has authorized the issuance of additional Bonds in an amount not to exceed $155 million for the funding of outstanding Notes. This authorization is required pursuant to a credit agreement with banks providing a line of credit for the Notes. If the Bonds are issued, they will be on parity with the Prior Bonds, the 2004 Series 1 Bonds, and any additional parity Bonds issued by the State pursuant to the provisions and conditions of the General Resolution.

After issuance of the 2004 Series 1 Bonds, approximately $154 million of transportation revenue refunding bond authority will remain to refund previously issued transportation revenue bonds. The amount and timing of any additional refunding bonds depend on market conditions. If the refunding Bonds are issued, they will be on parity with the Prior Bonds, the 2004 Series 1 Bonds, and any additional parity Bonds issued by the State pursuant to the provisions and conditions of the General Resolution.

UNDERWRITING

The 2004 Series 1 Bonds are being purchased by Bear, Stearns & Co. Inc.; Morgan Stanley & Co. Incorporated; Robert W. Baird & Co. Incorporated; and Siebert Brandford Shank & Co., LLC **(Underwriters)**. The Underwriters have agreed, subject to certain conditions, to purchase from the State the 2004 Series 1 Bonds described on the front cover of this Official Statement at an aggregate purchase price of $105,431,817.09, reflecting an original issue premium of $10,070,213.55 and underwriters' discount of $543,396.46. The Underwriters have agreed to reoffer the 2004 Series 1 Bonds at the public offering prices or yields set forth on the front cover of this Official Statement. The 2004 Series 1 Bonds may be offered and sold to certain dealers (including dealers depositing the Bonds into investment trusts) at prices lower than such public offering prices and such prices may be changed, from time to time, by the Underwriters. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all the 2004 Series 1 Bonds if any 2004 Series 1 Bonds are purchased.

Certain legal matters will be passed upon for the Underwriters by their counsel, Gonzalez, Saggio & Harlan, L.L.P.

CUSIP NUMBERS, REOFFERING YIELDS, AND PRICES

The tables appearing below and on the cover include information about the 2004 Series 1 Bonds. The CUSIP number for each maturity has been obtained from sources believed to be reliable, but the State is not responsible for the correctness of the CUSIP numbers. The reoffering yields and prices have been provided by the Underwriters in order to allow the computation of yield for federal tax law compliance. The reoffering prices have been calculated to the lower of maturity or call.

$95,905,000
State of Wisconsin
Transportation Revenue Refunding Bonds, 2004 Series 1

Dated Date: Date of Delivery
First Interest Date: January 1, 2005
Closing/Settlement Date: September 30, 2004

CUSIP	Year (July 1)		Principal Amount	Interest Rate	Yield at Issuance	Price at Issuance		First Optional Call Date (July 1)	Call Price
977123 SR0	2005		$ 3,100,000	6.00%	1.60%	103.276%		Not Callable	-
977123 SS8	2006		5,080,000	5.00	1.89	105.334		Not Callable	-
977123 ST6	2007		10,925,000	5.00	2.20	107.435		Not Callable	-
977123 SU3	2008		5,880,000	5.00	2.55	108.711		Not Callable	-
977123 SV1	2012	(a)	5,760,000	5.25	3.42	112.364		Not Callable	-
977123 SW9	2013	(a)	6,185,000	5.25	3.58	112.448		Not Callable	-
977123 SX7	2014	(a)	16,345,000	5.25	3.69	112.674		Not Callable	-
977123 SY5	2015	(a)	18,150,000	5.25	3.77	111.978	(b)	2014	100%
977123 SZ2	2016	(a)	11,955,000	5.25	3.86	111.201	(b)	2014	100
977123 TA6	2017	(a)	12,525,000	5.25	3.95	110.431	(b)	2014	100

(a) Subject to Financial Security Assurance Inc. municipal bond insurance policy.

(b) Priced to the July 1, 2014 first optional call date.

LEGALITY FOR INVESTMENT

State law provides that the 2004 Series 1 Bonds are legal investments for the following:

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

PENDING LITIGATION

The State, its officers and employees, are defendants in numerous lawsuits. It is the opinion of the State Attorney General that the pending litigation will not be finally determined so as to result individually or in the aggregate in a final judgement against the State which would materially affect the payment of interest, principal of or Redemption Price on the 2004 Series 1 Bonds. There is no litigation of any nature now pending or, to the knowledge of the State, threatened, restraining or enjoining the issuance, sale, execution or delivery of the 2004 Series 1 Bonds, or in any way contesting or affecting the validity of the 2004 Series 1 Bonds or any proceedings of the State taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the 2004 Series 1 Bonds, the existence of the Department or its power to charge and collect vehicle registration fees and other registration-related fees and pledge them for the payment of the 2004 Series 1 Bonds.

LEGALITY

All legal matters incident to the authorization, issuance and delivery of the 2004 Series 1 Bonds are subject to the opinion of Quarles & Brady LLP (**Bond Counsel**).

As required by law, the Attorney General of the State of Wisconsin will examine a certified copy of all proceedings preliminary to issuance of the 2004 Series 1 Bonds to determine the regularity and validity of such proceedings. In the event certificated 2004 Series 1 Bonds are issued, the certificate of the Attorney General will be printed on the reverse side of each 2004 Series 1 Bond.

TAX EXEMPTION

Bond Counsel will deliver a legal opinion with respect to the federal income tax exemption applicable to the interest on the 2004 Series 1 Bonds under existing law substantially in the form set forth in APPENDIX C.

The State has covenanted to comply with all such requirements referenced in the legal opinion to the extent it may lawfully do so. However, the proceedings authorizing the 2004 Series 1 Bonds do not provide for an increase in interest rates in the event of taxability or in the event of the inclusion of interest as an item of tax preference in computing the alternative minimum tax.

Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the 2004 Series 1 Bonds.

In the opinion of Bond Counsel, the 2004 Series 1 Bonds are not "private activity bonds" under Section 141(a) of the Internal Revenue Code of 1986, as amended **(Code)**.

The initial offering prices of each of the 2004 Series 1 Bonds (**Premium Bonds**) are more than the principal amount payable at maturity. As a result, the Premium Bonds will be considered to be issued with original issue premium on such 2004 Series 1 Bonds.

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. The amortizable bond premium of each Premium Bond is calculated on a daily basis from the issue date of such Premium Bond until its stated maturity date (or call date, if any) on the basis of a constant instant rate compounded at each accrual period (with straight line interpolation between the compounding dates). An owner of a Premium Bond that has amortizable bond premium is not allowed any deduction for the amortizable bond premium; rather the amortizable bond premium attributable to a taxable year is applied against (and operates to reduce) the amount of tax-exempt interest payments on the Premium Bonds. 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 holder held 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.

Owners of Premium Bonds should consult their own tax advisors with respect to the state and local tax consequences of the Premium Bonds.

Prospective purchasers of the 2004 Series 1 Bonds should be aware that ownership of the 2004 Series 1 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income", foreign corporations subject to branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the 2004 Series 1 Bonds. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the 2004 Series 1 Bonds should consult their tax advisors as to collateral federal income tax consequences.

From time to time, legislation is proposed which, if enacted, could alter one or more of the federal tax matters referred to above or would adversely affect the market value of the 2004 Series 1 Bonds. It cannot be predicted whether or in what form any of such proposals may be enacted and whether, if enacted, such proposals will apply to obligations (such as the 2004 Series 1 Bonds) issued prior to enactment.

State Taxes

The interest on the 2004 Series 1 Bonds is not exempt from present Wisconsin income or franchise taxes. Investors should consult their own tax advisors with respect to the state and local tax consequences of owning a 2004 Series 1 Bond.

FINANCIAL ADVISOR

First Albany Capital Inc. is employed by the State to perform professional services in the capacity of financial advisor. In its role as financial advisor to the State, it has provided advice on the plan of financing and structure of the 2004 Series 1 Bonds, and reviewed certain legal and disclosure documents, including this Official Statement, for financial matters.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of the mathematical computations supporting the adequacy of the maturing principal amounts of, and interest earned on, the Government Obligations and beginning cash balance deposited pursuant to the Escrow Agreement, to pay the principal of, redemption price, if any, and interest on the Refunded Bonds, and the arithmetical accuracy of the mathematical computations supporting the conclusion that the refunding aspects of the 2004 Series 1 Bonds will not cause such 2004 Series 1 Bonds to be "arbitrage bonds" under Section 148 of the Code, will be verified by Samuel Klein & Company, Certified Public Accountants as a condition to the delivery of the 2004 Series 1 Bonds.

BOND INSURANCE

Other than with respect to information concerning Financial Security contained under this section and APPENDIX E herein, none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Insured 2004 Series 1 Bonds; or (iii) the tax-exempt status of the interest on the Insured 2004 Series 1 Bonds.

Bond Insurance Policy

Concurrently with the issuance of the 2004 Series 1 Bonds, Financial Security will issue its municipal bond insurance policy **(Policy)** for the Insured 2004 Series 1 Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Insured 2004 Series 1 Bonds when due as set forth in the form of the Policy, which is included as APPENDIX E to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut, or Florida insurance law.

Financial Security Assurance Inc.

Financial Security is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. **(Holdings)**. Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation, and of Dexia Credit Local, a direct wholly-owned subsidiary of Dexia, S.A. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance, banking and asset management in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At June 30, 2004, Financial Security's total policyholders' surplus and contingency reserves were approximately $2,212,545,000 and its total unearned premium reserve was approximately $1,501,280,000 in accordance with statutory accounting practices. At June 30, 2004, Financial Security's total shareholders' equity was approximately $2,438,206,000 and its total net unearned premium reserve was approximately $1,255,708,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Insured 2004 Series 1 Bonds. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Insured 2004 Series 1 Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Insured 2004 Series 1 Bonds or the advisability of investing in the Insured 2004 Series 1 Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Issuer the information presented under this caption for inclusion in the Official Statement.

CONTINUING DISCLOSURE

The State has made an undertaking, for the benefit of the beneficial owners of the 2004 Series 1 Bonds, to provide an annual report presenting certain financial information and operating data about the State **(Annual Report)**. By about December 27 of each year, the State will send the report to each nationally recognized municipal securities information repository **(NRMSIR)** and to any appropriate state information depository **(SID)** for the State**.** 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. At this time, there is no appropriate SID for the State. Part I of the 2003 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: September 10, 2004

STATE OF WISCONSIN

By: /S/ JIM DOYLE
Governor Jim Doyle, Chairperson
State of Wisconsin Building Commission

By: /S/ ROBERT G. CRAMER
Robert G. Cramer, Secretary
State of Wisconsin Building Commission

By: /S/ FRANK J. BUSALACCHI
Frank J. Busalacchi, Secretary
State of Wisconsin Department of Transportation

APPENDIX A

INFORMATION ABOUT THE TRANSPORTATION REVENUE BOND PROGRAM

This appendix includes information concerning the State of Wisconsin Transportation Revenue Bond Program. Part V of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2003 (**2003 Annual Report**) is included by reference as part of this APPENDIX A. This appendix also includes changes or additions to the information presented in Part V of the 2003 Annual Report.

Part V to the 2003 Annual Report contains information concerning the Transportation Revenue Bond Program, security for the Bonds, including sources of payment, registration fees, other registration-related fees, registration fee collection procedures, Reserve Fund, Additional Bonds, the Transportation Projects Commission, the Wisconsin Department of Transportation, and a summary of the General Resolution.

The 2003 Annual Report has been filed with each nationally recognized municipal securities information repository **(NRMSIR)**. As of the date of this Official Statement, Part V of the 2003 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.state.wi.us/capitalfinance

Copies of the 2003 Annual Report 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

Listed below, by reference to particular sections of the 2003 Annual Report, are changes or additions to the discussion contained in those particular sections. Many of the following changes or additions have not been filed with the NRMSIRs. However, the State has filed, and expects to continue to file, certain informational notices with the NRMSIRs, some of which may be notices do not describe listed material events under the State's Master Agreement on Continuing Disclosure.

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

The following table shows the forecasted coverage of annual debt service on the Outstanding Bonds following the issuance of the 2004 Series 1 Bonds, based on the Department's estimated Program Income for 2005-2014. There can be no assurance that the estimated vehicle registration and vehicle registration-related fees will be realized in the amounts shown.

Debt Service on the 2004 Series 1 Bonds and Estimated Revenue Coverage for Outstanding Bonds

Maturity (July 1)	Principal	Coupon	Interest	Debt Service on the 2004 Series 1 Bonds	Debt Service on the Prior Bonds	Total Interest Requirement[(a)]	Total Debt Service[(a)(b)]	Estimated Revenue (Millions)[(c)]	Estimated Coverage Ratio[(d)]
2005	$ 3,100,000	6.000%	$ 3,766,561	$ 6,866,561	$ 121,718,240	$ 50,910,297	$ 133,087,000	$436.60	3.28
2006	5,080,000	5.000%	4,817,550	9,897,550	121,735,053	55,505,053	143,467,520	456.00	3.18
2007	10,925,000	5.000%	4,563,550	15,488,550	115,918,998	52,433,998	143,272,278	464.20	3.24
2008	5,880,000	5.000%	4,017,300	9,897,300	116,307,393	49,537,393	138,108,323	484.50	3.51
2009			3,723,300	3,723,300	117,501,618	46,226,618	133,170,348	493.20	3.70
2010			3,723,300	3,723,300	105,905,883	42,830,883	121,623,363	514.50	4.23
2011			3,723,300	3,723,300	105,938,734	39,558,734	121,720,726	524.70	4.31
2012	5,760,000	5.250%	3,723,300	9,483,300	97,727,596	36,107,596	119,338,201	547.50	4.59
2013	6,185,000	5.250%	3,420,900	9,605,900	97,886,076	32,916,076	119,700,806	559.20	4.67
2014	16,345,000	5.250%	3,096,188	19,441,188	87,723,099	29,453,099	119,460,891	584.00	4.89
2015	18,150,000	5.250%	2,238,075	20,388,075	78,785,499	26,285,499	111,572,779		
2016	11,955,000	5.250%	1,285,200	13,240,200	77,548,880	23,478,880	103,293,810		
2017	12,525,000	5.250%	657,563	13,182,563	68,226,980	20,636,980	94,036,298		
2018					81,431,630	18,176,630	90,652,773		
2019					81,575,013	14,995,013	81,575,013		
2020					73,387,534	11,627,534	73,387,534		
2021					73,393,699	8,433,699	73,393,699		
2022					57,104,928	5,144,928	57,104,928		
2023					36,071,038	2,591,038	36,071,038		
2024					20,060,250	955,250	20,060,250		
	$ 95,905,000		$ 42,756,086	$ 138,661,086	$ 1,735,948,136	$ 567,805,193	$ 2,034,097,574		

(a) Debt service amounts are reduced to reflect accrued interest and purchase premium that, pursuant to the General Resolution, are irrevocably deposited into the interest account and used to make all of the interest payments due on the Bonds.
(b) Includes debt service for assumed $120 million bond issue that could be issued to fund currently outstanding transportation revenue commercial paper notes. This assumed $120 million bond issue is amortized with level debt service payments until 2017 using an interest rate of 4.75%.
(c) Excludes interest earnings, but includes certain Other Registration-Related Fees that the State added to "Program Income", pursuant to 2003 Wisconsin Act 33.
(d) Assumes that no additional bonds will be issued and continuation of current Registration Fees and certain Other Registration-Related Fees. Estimates of revenue and coverage beyond 2014 are not available.

Table V-5; Motor Vehicle Registrations (Page 148). Update the table with the following:

Motor Vehicle Registrations
1995 to 2004
(Millions of Vehicles)

Fiscal Year (June 30)	Automobiles	Trucks[(a)]	Other Vehicles[(a)]	Total	% Change
1995	2.42	1.40	.46	4.28	—
1996	2.40	1.46	.40	4.26	(0.47%)
1997	2.37	1.54	.43	4.34	1.88
1998	2.40	1.67	.44	4.51	3.92
1999	2.40	1.74	.47	4.61	2.22
2000	2.41	1.82	.47	4.70	1.95
2001	2.41	1.92	.53	4.86	3.40
2002	2.40	2.00	.55	4.95	1.85
2003	2.40	2.10	.59	5.09	2.83
2004	2.39	2.18	.60	5.17	1.57

[(a)] "Trucks" include minivans and sport utility vehicles.
"Other Vehicles" include mobile homes, motorcycles, mopeds, buses, and several other vehicle types.

Source: Wisconsin Department of Transportation

Table V-6; Section 341 Registration Fee Revenues (Page 149). Update the table with the following:

Section 341.25 Registration Fee Revenues
1995 to 2004
(Amounts in Millions)

Fiscal Year (June 30)	Non-IRP Fees	Pledged IRP Fees	Total	% Change
1995	203.7	42.3	246.0	—
1996	205.4	43.3	248.7	1.1%
1997	207.4	46.8	254.2	2.2
1998	232.4	48.2	280.6	10.4
1999	244.6	50.2	294.8	5.1
2000	255.7	55.1	310.8	5.4
2001	258.4	55.5	313.9	1.0
2002	267.9	55.8	323.7	3.1
2003	267.3	53.0	320.3	(1.1)
2004	313.2[a]	48.5	361.7	12.9

[a] The increase in Fiscal Year 2004 Non-IRP Fees reflects the $10 increase in registration fees for automobiles that went into effect on October 1, 2003.

Source: Wisconsin Department of Transportation

Table V-7; Projected Section 341.25 Registration Fee Revenues (Page 151). Replace the table with the following:

Projected Section 341.25 Registration Fee Revenues
2005 to 2014

Fiscal Year (June 30)	Revenues[a] (Amounts in Millions)	% Change
2005	$387.4	—
2006	406.8	5.0%
2007	415.0	2.0
2008	435.3	4.9
2009	444.0	2.0
2010	465.3	4.8
2011	475.5	2.0
2012	498.3	4.8
2013	510.0	2.4
2014	534.8	4.9

[a] Includes both International Registration Plan **(IRP)** and non-IRP Section 341.25 revenues. Reflects $10 increase in automobile registration fees effective October 1, 2003.

Source: Wisconsin Department of Transportation

Table V-8; Other Registration-Related Fees 1998-2014 (Page 155). Update the table with the following:

Actual Other Registration-Related Fees; 1998-2004
Estimated Other Registration-Related Fees; 2005-2014

Fiscal Year (June 30)	Title Transaction Fees [1]	Counter Service Fees and Personalized License Plates	Subtotal	Other Miscellaneous Vehicle Registration-Related Fees	Total Registration-Related Fees
1998	$ 16,206,906	$ 9,196,061	$ 25,402,967	$ 13,526,542	$ 38,929,509
1999	24,315,238	9,847,987	34,163,225	13,204,194	47,367,419
2000	24,977,188	10,227,975	35,205,163	17,222,306	52,427,469
2001	24,115,343	10,006,286	34,121,629	14,520,814	48,642,443
2002	24,904,447	10,383,485	35,287,932	17,791,440	53,079,372
2003	25,088,025	10,315,603	35,403,628	16,729,500	52,133,128
2004	35,200,000	10,400,000	45,600,000	8,700,000	54,300,000
2005	39,000,000	10,200,000	49,200,000	7,400,000	56,600,000
2006	39,000,000	10,200,000	49,200,000	7,400,000	56,600,000
2007	39,000,000	10,200,000	49,200,000	7,400,000	56,600,000
2008	39,000,000	10,200,000	49,200,000	7,400,000	56,600,000
2009	39,000,000	10,200,000	49,200,000	7,400,000	56,600,000
2010	39,000,000	10,200,000	49,200,000	7,400,000	56,600,000
2011	39,000,000	10,200,000	49,200,000	7,400,000	56,600,000
2012	39,000,000	10,200,000	49,200,000	7,400,000	56,600,000
2013	39,000,000	10,200,000	49,200,000	7,400,000	56,600,000
2014	39,000,000	10,200,000	49,200,000	7,400,000	56,600,000

(1) Reflects effective date of October 1, 2003 for $10 increase in title transaction fees.
Source: Wisconsin Department of Transportation.

APPENDIX B

INFORMATION ABOUT THE STATE

This appendix includes information concerning the State of Wisconsin **(State)**. Part II of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2003 **(2003 Annual Report)** is included by reference as part of this APPENDIX B. This appendix also includes changes or additions to the information presented in Part II of the 2003 Annual Report.

The additional information includes (1) re-estimates of departmental revenues and expenditures, prepared by the Legislative Fiscal Bureau **(LFB)**, (2) projected General Fund tax collections for the 2003-05 biennium and the effect on the General Fund balance at the end of the 2003-05 biennium, also prepared by LFB, and (3) projected General Fund cash flows for the 2004-05 fiscal year.

Part II to the 2003 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 2002-03
- 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 2003 Annual Report are the audited general purpose external financial statements for the fiscal year ending June 30, 2003, prepared in conformity with generally accepted accounting principles **(GAAP)** for governments as prescribed by the Government Accounting Standards Board, and the State Auditors' report.

The 2003 Annual Report has been filed with each nationally recognized municipal securities information repository **(NRMSIR)**. As of the date of this Official Statement, Part II of the 2003 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.state.wi.us/capitalfinance

Copies of the 2003 Annual Report 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

Listed below, by reference to particular sections of the 2003 Annual Report, are changes or additions to the discussion contained in those particular sections. Many of the following changes or additions have not been filed with the NRMSIRs. However, the State has filed, and expects to continue to file, certain informational notices with the NRMSIRs, some of which may be notices that do not describe listed material events under the State's Master Agreement on Continuing Disclosure.

State Budget; Budget for 2003-05 (Page 28). Update with the following:

LFB Re-Estimates of Departmental Revenues and Expenditures

On January 15, 2004, LFB released a re-estimate of departmental revenues and expenditures for the 2003-05 biennium. This re-estimate did not include tax collections and did not revise the General Fund condition statement. A complete copy of the January 15, 2004 letter from the LFB appears on pages B-17 to B-21 of this Official Statement.

LFB Projected General Fund Tax Collections and General Fund Balance

On February 10, 2004, LFB released projections of General Fund tax collections for the 2003-05 biennium. This letter also included a projected gross ending General Fund balance of negative $32 million, not including the statutory required reserve, for the end of the biennium (June 30, 2005). This is approximately $219 million less than the balance that was indicated upon enactment of the State's 2003-05 biennial budget (2003 Wisconsin Act 33). The difference is the result of:

- An increase of $1 million in the 2003-04 fiscal year opening balance.
- A decrease of $222 million in estimated tax collections.
- A decrease of $3 million in net expenditures.

A complete copy of the letter from LFB appears on pages B-5 to B-16 of this Official Statement.

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.

The projected gross ending General Fund balance for the end of the 2003-05 biennium does not include four sum-certain general program revenue **(GPR)** appropriation items that were identified in the January 15, 2004 letter from LFB. Unlike sum-sufficient appropriations, which are automatically adjusted, sum-certain appropriations cannot be adjusted unless changed by the Legislature. Thus, if a sum-certain appropriation requires a funding increase, the Legislature has the option of reducing parameters, increasing the appropriation, prorating available funding, or letting the funded program cease due to insufficient funds. The largest of these four sum-certain appropriations is an appropriation for medical assistance benefits.

Medical Assistance Benefits

The January 15, 2004 letter estimates that, if the State were unable to secure additional federal medicaid revenues, then $311 million in State funds would be needed to support projected medical assistance benefits in the 2003-05 biennium. In addition, estimated State funding for caseload and other costs within the State's medical assistance program may be insufficient by approximately $90 million in the 2003-05 biennium. This $401 million potential shortfall in current funding for projected medical assistance benefits has been addressed, in part, by the following events that have occurred subsequent to LFB releasing its projections on January 15, 2004 and February 10, 2004. As a result of these events, the potential shortfall in current funding for projected medical assistance benefits has been reduced to approximately $224 million.

- 2003 Wisconsin Act 129 provided for the transfer of approximately $124 million from the General Fund to the Medical Assistance Trust Fund. This act provided for the refunding, for payment in later years, of approximately $175 million of certain general obligation bonds and variable-rate notes maturing during the fiscal year.
- 2003 Wisconsin Act 318 will allow the State to receive approximately $53 million of federal medical assistance funds. This act makes corrections to a prior State intergovernmental transfer proposal that federal authorities would not approve.

Supreme Court Decision Concerning Amendments to Gaming Compacts

On May 13, 2004, the Wisconsin Supreme Court released its opinion in the case of *Panzer v. Doyle,* deciding that the Governor's execution on the State's behalf of certain amendments to a gaming compact with a tribal government, namely, the Forest County Potawatomi, was unconstitutional. The court concluded that the Governor exceeded his authority by entering into a compact of indefinite duration, that the compact authorized some types of games that were prohibited under the state constitution, and that, without legislative approval, the Governor lacked power to waive the State's sovereign immunity in the compact.

Although the lawsuit concerned only certain amendments to a gaming compact with one tribal government, the reasoning of the opinion would apply to similar amendments to other gaming compacts that the Governor executed on the State's behalf on or after January 1, 2003 with other tribal governments.

The decision does not concern the original gaming compacts or amendments to them that were executed in calendar years 1998 and 1999. For some of the amendments executed on or after January 1, 2003, a possible result of the decision is that the original compacts, as amended in calendar years 1998 and 1999, remain in effect.

The State's 2003-05 biennial budget assumed the following payments from all gaming compacts, including payments from the Forest County Potawatomi.

	Fiscal Year Ending June 30, 2004	Fiscal Year Ending June 30, 2005
Total Payments	$101,965,600	$104,516,300

In light of the Supreme Court's decision, it was uncertain whether or to what extent the tribal governments would make the payments due under the amended gaming compacts. Subsequent to the Supreme Court's decision, the State has received payments expected to be received by June 30, 2004 from all but one of the tribal governments; the amount that was not received is $30 million. It remains uncertain whether or to what extent the tribal governments will make the payments due on or after June 30, 2005, and discussions continue with tribal governments regarding the outstanding payment and the payments due on or after June 30, 2005.

A substantial reduction in the payments could cause estimated General Fund expenditures to exceed estimated General Fund revenues for the fiscal year ending June 30, 2005. Wisconsin Statutes provide that, following the enactment of the budget, if the Secretary of Administration determines that budgeted General Fund expenditures will exceed revenues by more than one-half of one percent of General Fund revenues, the Secretary of Administration must notify the Governor and the Legislature, and the Governor must submit a bill correcting the imbalance. If the Legislature is not in session, the Governor must call a special session to take up the matter. At this time, the fiscal effect of this decision cannot be quantified, and as a result, the Secretary of Administration cannot determine if budgeted General Fund expenditures will exceed revenues by more than one-half of one percent of General Fund revenues.

Legislative Fiscal Bureau

Robert Wm. Lang, Director

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State of Wisconsin

February 10, 2004

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

Dear Representative Kaufert and Senator Darling:

On January 15, 2004, I sent a letter to you that discussed this office's review of general fund, non-tax revenues and expenditures for the 2003-05 biennium. That letter indicated that once the January, 2004, economic forecast of Global Insight, Inc., was available, we would prepare our projections of general fund tax collections and inform you of the results of our analysis. We have now completed our review.

Based upon our analysis, we project the closing, gross general fund balance at the end of the biennium to be -$32.2 million. This is $218.6 million below the level ($186.4 million) that was indicated upon enactment of the state's 2003-05 biennial budget (2003 Act 33).

The $218.6 million is the net result of an increase in the 2003-04 opening balance of $1.4 million, a decrease in estimated tax collections of $222.4 million, a decrease in departmental revenues of $0.3 million, and a reduction in net expenditures (sum sufficient appropriations and lapses) of $2.7 million. [With the exception of the estimated tax collections and a recent revision of debt service payments, these revenue and expenditure amounts are identified in the January 15 letter.]

In addition to the projected gross general fund deficit of $32.2 million, Act 33 requires that the state maintain a statutory balance in 2004-05 of $40.0 million. Thus, to address the projected deficit and maintain the required statutory balance, the general fund would need to be improved by $72.2 million.

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

TABLE 1

2003-05 General Fund Condition Statement

	2003-04	2004-05
Revenues		
Opening Balance, July 1	-$282,221,000	$74,542,200
Estimated Taxes	10,670,400,000	11,195,800,000
Departmental Revenues		
Tribal Gaming Revenues	79,158,400	80,595,400
Other	328,979,100	329,206,800
Total Available	$10,796,316,500	$11,680,144,400
Appropriations and Reserves		
Gross Appropriations	$10,849,730,300	$11,771,084,700
Compensation Reserves	109,152,900	163,019,600
Less Estimated Lapses	-237,108,900	-221,725,400
Total Expenditures	$10,721,774,300	$11,712,378,900
Balances		
Gross Balance	$74,542,200	-$32,234,500
Less Required Statutory Balance	-35,000,000	-40,000,000
Net Balance, June 30	$39,542,200	-$72,234,500

It is important to note that the above condition statement does not include the four sum certain GPR appropriation items that were identified in the January 15 letter. Unlike sum sufficient appropriations, which are automatically adjusted to fund selected programs, sum certain appropriations are those with a specific dollar amount that cannot be modified unless changed by the Legislature. Thus, if it is determined that a program under a sum certain appropriation will, unless modified, require a funding increase, the Legislature has the option of reducing the program's parameters, increasing the appropriation, prorating available funding, or letting the program cease due to insufficient funds.

The four sum certain appropriations are: (1) Elections Board federal matching funds ($1.3 million); (2) foster care adoption assistance ($5.1 million); (3) Office of the State Public Defender ($9.2 million); and (4) medical assistance (MA) benefits. If the state is unable to secure any additional federal MA matching funds, $401.0 million in state funds would be needed to support projected MA benefits in the 2003-05 biennium.

General Fund Taxes

The following section provides information on general fund tax revenues for the 2003-05 biennium, including a discussion of the national economic forecast for 2004 and 2005 and general fund tax revenue projections for fiscal years 2003-04 and 2004-05.

National Economic Forecast. This office first issued revenue estimates for the 2003-05 biennium in January, 2003, based on the January, 2003, forecast of the U.S. economy prepared by Global Insight, Inc. At that time, the recession that began in the first quarter of 2001 had ended and the economy had expanded during each of the four quarters of 2002. Although the economy was facing a great deal of uncertainty due to the possibility of war with Iraq, the resumption of a nuclear weapons program in North Korea, and the prospect of additional terrorist attacks, positive growth was expected to continue during calendar years 2003 through 2005, with growth in nominal (current-dollar) gross domestic product (GDP) estimated at 5.2% in 2003, 7.2% in 2004, and 5.7% in 2005. Global Insight, Inc. included the effects of a relatively brief war with Iraq in the first half of 2003 and new federal income tax cuts in its projections. The primary risk to the forecast was that a more protracted war would occur, leading to lower consumer confidence and continued reluctance by businesses to invest.

In considering the January, 2003, forecast, it was our judgment that Global Insight, Inc.'s projections may have been overly optimistic. Therefore, our estimates for the two largest tax sources (the individual income tax and sales tax) were based on lower estimates of economic growth.

In May, 2003, this office reviewed tax collections data and more recent economic forecasts to determine whether the revenue estimates should be adjusted prior to the Legislature's completion of work on the 2003-05 biennial budget bill. At that time, in the aggregate, collections were tracking closely with the 2002-03 estimates. In addition, while the new economic forecasts were less favorable than the January forecast, we believed they were still consistent with our January tax revenue estimates. Therefore, we concluded that a revision was not warranted.

The economy continued to expand throughout 2003, with relatively slow growth during the first half of the year followed by a very strong third quarter, when real GDP increased by 8.2% and nominal GDP increased by 10.0% over the same period in 2002. It is believed that growth moderated to a more sustainable level in the fourth quarter so that nominal GDP growth for all of 2003 is now estimated at 4.8% and annual real growth is estimated at 3.2%. Other economic indicators (personal income, consumption, and business investment) have shown a similar pattern of slow initial growth followed by acceleration in the second half of the year. Corporate profits have shown strong increases throughout the year, with growth rates for before-tax profits in excess of 10% in three of the four quarters of 2003. If the effects of the federal bonus depreciation provisions are excluded, corporate earnings grew by approximately 25% in the second half of 2003. After declining in the first quarter, values of equity shares increased significantly throughout the remainder of the year. These gains were due, in part, to continued low interest rates and stimulative fiscal policy by the federal government.

Despite these positive developments, the economic growth experienced in 2003 was somewhat less than anticipated by Global Insight, Inc. last January. A continuing area of concern has been a slower than expected increase in employment. Following declines in 2001 and 2002, total employment (based on the survey of business establishments) continued to decrease slightly during the first three quarters of 2003, and began to rise in the fourth quarter. Total employment at the end of 2003 is now estimated at 130.1 million persons, virtually unchanged from the beginning of the year but 2.4 million lower than at the start of 2001, when employment peaked. It is believed that businesses have been able to take advantage of improvements in productivity and increased use of foreign contractors to boost production and achieve strong profits without significant increases in staff. However, it is possible that the official employment estimates generated by the business establishment survey may understate actual employment trends because they do not adequately account for business start-ups during the early stages of an economic recovery.

The current (January, 2004) economic forecast by Global Insight, Inc. is for continued positive growth in 2004 and 2005. Real growth is anticipated to be stronger than projected last January. However, with significantly lower rates of inflation, nominal growth is forecast to be somewhat weaker. Growth in real GDP is now estimated at 4.7% in 2004 and 4.0% in 2005, compared to projections of 4.7% and 3.3% last January. Nominal GDP, which is more relevant for tax revenue estimates, is now projected to increase by 6.1% in 2004 and 5.4% in 2005, compared to the previous estimates of 7.2% and 5.7%, respectively.

Global Insight, Inc. expects the main drivers of the economy to be continued low interest rates and federal tax cuts, which will result in higher refund checks this spring. The forecast anticipates that the Federal Reserve will not raise interest rates until June, 2004, when the federal funds rate will be increased from 1.0% to 1.5% (50 basis points). An additional 50 basis-point increase is expected by year-end. However, given the soft labor market and the expectation of continued low inflation, it is possible that the current rates will be maintained for a longer period of time. Further, even if rates are raised as projected by Global Insight, Inc., they would still be very low compared to historical levels. The forecast also assumes that Congress will not allow all of the recent federal income tax cuts to expire as scheduled, although it is anticipated that over time the tax code will be modified to bring the effective personal income tax rate closer to its historical average (8.3% of GDP). A weak dollar is also expected to contribute to significantly increased exports due to reduced real prices for American products overseas, and businesses are expected to replace equipment that has become obsolete.

These factors should lead to increased production and investment by manufacturing firms and other businesses and to higher levels of employment. After decreasing in 2001 and 2002 and growing slowly in 2003, overall industrial production (which includes manufacturing, mining, and utilities) is expected to increase by 5.1% in 2004 and 5.6% in 2005. If just the manufacturing sector is considered, output growth is expected to be even stronger, with projected increases of 5.6% and 6.2%, respectively. Business investment is estimated to increase by nearly 15% in 2004 and 10% in 2005. After declining in 2001 and 2002, exports of American products grew by an estimated 4.1% in 2003 and are projected to increase by more than 10% in each of the next two years.

The current low interest rates are also expected to boost residential construction to record levels in 2004; growth over 2003, which was also a record year, is estimated at 7.2%. As interest rates rise, residential construction is expected to decline slightly in 2005. Similarly, housing starts are also expected to peak in 2004. Following declines in the past two years, nonresidential construction is expected to rebound strongly, with growth of 4.5% in 2004 and 15.2% in 2005. It is believed that this sector will see small improvements during the next several months and then begin to increase rapidly as businesses gain confidence in the economy and commit to building offices, stores, and factories to support future operations.

In spite of the recent increases in economic output and corporate profits, job growth has not met prior expectations. As noted, Global Insight, Inc. now estimates total U.S. employment at the end of 2003 to be 130.1 million persons, which is 2.8 million (2.1%) fewer than was anticipated last January. The reduced jobs numbers are contributing to slower gains in personal income. The current forecast estimates personal income growth at 3.1% in 2003, 4.8% in 2004, and 5.6% in 2005. Compared to last January's forecast, these growth rates are significantly lower in 2003 and 2004 (-1.8%) and the same in 2005. The U.S. unemployment rate for 2003 is currently estimated at 6.0%, which is slightly lower than projected last January, but this reduction is due to people dropping out of the labor force rather than to additional jobs being created. The unemployment rate in 2004 and 2005 is projected to be 5.7% and 5.3%, respectively, which is somewhat higher than last year's forecast of 5.3% and 5.0%. Although hiring has picked up recently and is anticipated to increase more rapidly during the next two years, particularly in late 2004 and 2005, this growth will not be sufficient to raise personal income to the prior estimated levels. The forecast anticipates that total employment will reach its pre-recession level during the third quarter of 2004, and then continue increasing throughout 2005. Lost manufacturing jobs will be replaced with service-sector jobs, particularly in education and health services.

Growth in nominal personal consumption expenditures is now estimated at 5.0% in 2003, 4.9% in 2004, and 5.1% in 2005. The estimate for 2003 is 0.2% higher than projected last January, but the estimates for 2004 and 2005 are lower by 1.8% and 0.8%, respectively. Real spending is expected to be higher than estimated last January, but decreased estimates of personal income and prices result in the slower growth rates for current-dollar consumption. Car and light truck sales have grown continuously since 1996, and there is little pent-up demand for vehicles. In addition, the driving-age population will increase more slowly over the next five years than it has in recent years. Therefore, vehicle sales are expected to show relatively weak growth in 2004 (2.7%) and decline slightly in 2005 (-0.7%). However, sales of computers, software, and restaurant meals are projected to show strong increases in both years. Purchases of services, which have been increasing more rapidly than other types of consumption in recent years, are anticipated to grow at about the same rate as overall consumption in 2004 and slightly faster in 2005. Following a large increase in 2003 due to higher oil prices, expenditures for gasoline and heating fuel are expected to decline by 4.9% in 2004 and increase moderately (by 3.3%) in 2005 as prices fall.

Before-tax corporate book profits were strong in 2002 and 2003, with growth of 6.9% and 13.6% in those years. Growth is expected to moderate somewhat to 11.6% in 2004 and then increase sharply to 24.0% in 2005. It should be noted, however, that book profits are calculated based on federal tax law, which includes the temporary bonus depreciation provisions that were implemented beginning in 2001. In general, these provisions permit an increased first-year depreciation allowance for equipment acquired after September 10, 2001, and placed into service before January 1, 2005. For certain types of property produced by the taxpayer, the placed-into-service date is extended to January 1, 2006. The 24% growth rate projected for book profits in 2005 is due primarily to the termination of bonus depreciation for most types of equipment, which will significantly increase the amount of earnings reported to the Internal Revenue Service.

The bonus depreciation provisions were not adopted for state tax purposes in Wisconsin. Therefore, in the near-term, a better measure of corporate earnings for state tax purposes is economic profits, which is before-tax book profits with adjustments to make the treatment of depreciation more consistent over time and across industry sectors and to account for gains or losses due to changing prices of inventory. Growth in economic profits was even stronger than book profits in recent years (17.4% in 2002 and 17.5% in 2003), because book profits were understated due to the bonus depreciation deductions. Continued strong growth of 14.5% is projected for 2004, as businesses continue to take advantage of productivity gains and a soft labor market. Economic profits are expected to decrease slightly (by 2.3%) in 2005 as the labor market tightens and wages increase. However, the decline is not anticipated to begin until the second half of the year, and economic profits are still estimated to be significantly higher than the pre-recession peak achieved in 1997.

As mentioned, inflation is expected to remain low, with a projected increase in the consumer price index (CPI) of 1.4% in 2004 and 1.3% in 2005. These estimates, which reflect falling oil prices, excess capacity in the U.S. economy, and increases in global manufacturing capacity, are significantly lower than last January's projections of 2.4% and 2.6% for those years. These lower inflation estimates contribute to decreased projections of nominal personal income and consumption, compared to last January's forecast.

The primary risk to the forecast is that businesses will be able to continue to meet demand without significant staffing increases, by making increased use of technology and foreign labor. The resulting lower levels of employment would lead to slower growth in personal income and consumption. Another recession is not contemplated under this scenario, but economic growth (real GDP) would be about 1.0% lower in 2004 and 0.4% lower in 2005 than the baseline forecast. Global Insight, Inc. assigns a 20% probability to this sequence of events.

On the other hand, it is possible that the baseline forecast is too pessimistic regarding business investment, consumer spending, and foreign economic growth. Global Insight, Inc's. "optimistic scenario" (which is also assigned a 20% probability) assumes that each of these factors is more favorable than under the baseline forecast, resulting in increased demand, output, and employment. Under these circumstances, real GDP growth would be about 0.7% higher in 2004 and 0.3% higher in 2005 than under the baseline forecast.

Table 2 presents a summary of national economic indicators as estimated by Global Insight, Inc.

TABLE 2

Summary of National Economic Indicators
Global Insight, Inc.
January, 2004
($ in Billions)

	2002	2003	2004	2005
Nominal Gross Domestic Product	$10,480.8	$10,985.9	$11,653.0	$12,285.3
Percent Change	3.8%	4.8%	6.1%	5.4%
Real Gross Domestic Product	10,083.1	10,401.6	10,895.1	11,325.9
Percent Change	2.2%	3.2%	4.7%	4.0%
Consumer Price Index	1.6%	2.3%	1.4%	1.3%
Personal Income	8,910.3	9,190.0	9,627.1	10,169.6
Percent Change	2.3%	3.1%	4.8%	5.6%
Personal Consumption Expenditures	7,385.4	7,752.5	8,131.4	8,543.0
Percent Change	4.8%	5.0%	4.9%	5.1%
Corporate Profits Before Tax	745.0	846.3	944.2	1,171.0
Percent Change	6.9%	13.6%	11.6%	24.0%
Unemployment Rate	5.8%	6.0%	5.7%	5.3%

General Fund Tax Projections. In total, general fund tax collections in 2002-03 were approximately $24 million less than the amount estimated last January, a variance of -0.2%. However, for individual taxes, the differences between actual collections and the estimates were more pronounced. Individual income tax collections were $68 million lower than estimated and sales tax collections were $22 million lower. These reductions were partially offset by increased revenues from the corporate income and franchise tax ($37 million), public utility taxes ($16 million), and insurance company taxes ($10 million). In total, revenues from the remaining taxes were about $3 million higher than estimated.

The following table shows revised estimates of general fund tax revenues for the 2003-05 biennium. These estimates are based on actual collections last year, current-year collections data, and the January, 2004, Global Insight, Inc. forecast of national economic growth. In addition, the estimates reflect all of the tax law changes included in Act 33 and subsequent enacted legislation.

TABLE 3

Projected General Fund Tax Collections
($ in Millions)

		Budget Estimates (Act 33)		Revised Estimates January, 2004	
Source	2002-03 Tax Collections	2003-04	2004-05	2003-04	2004-05
Individual Income	$5,052.5	$5,405.8	$5,795.8	$5,220.0	$5,560.0
General Sales and Use	3,738.0	3,915.4	4,107.2	3,900.0	4,095.0
Corporate Income & Franchise	526.5	539.8	554.4	650.0	630.0
Public Utility	276.8	268.0	278.0	261.0	271.0
Excise					
Cigarette	293.7	288.4	284.7	290.0	286.0
Liquor and Wine	36.0	37.2	38.5	39.0	40.0
Tobacco Products	15.5	16.8	17.9	15.6	16.0
Beer	9.5	9.8	9.9	9.7	9.8
Insurance Company	114.9	105.0	95.0	125.0	120.0
Estate	68.7	85.0	90.0	85.0	90.0
Miscellaneous Taxes	67.5	71.3	74.7	75.1	78.0
TOTAL	$10,199.6	$10,742.5	$11,346.1	$10,670.4	$11,195.8
Change from Prior Year					
Amount		$542.9	$603.6	$470.8	$525.4
Percent		5.3%	5.6%	4.6%	4.9%

As shown in Table 3, general fund tax collections are estimated to total $10,670.4 million in 2003-04 and $11,195.8 million in 2004-05. These amounts are lower than the Act 33 estimates by $72.1 million in 2003-04 and $150.3 million in 2004-05, which is a biennial decrease of 1.0% from the prior estimates. The reduction reflects a significant downward revision to the individual income tax and small decreases for the sales tax and utility taxes. These reductions are partially offset by a sizable upward revision for the corporate income and franchise tax and smaller increases for insurance company, excise, and miscellaneous taxes.

Individual Income Tax. The current estimates of individual income tax collections are $5,220.0 million in 2003-04 and $5,560.0 million in 2004-05, which are lower than the estimates under Act 33 by $185.8 million in the first year and $235.8 million in the second year. The revised estimates reflect growth of 3.3% in 2003-04 and 6.5% in 2004-05. The decreases in the estimates compared to those under Act 33 are due primarily to lower than expected collections last year and reduced projections of growth in personal income. Last January, the Global Insight, Inc. forecast was for personal income growth of 5.0% in 2003 and 6.5% in 2004. As noted, the current forecast for personal income growth is 3.1% for 2003 and 4.8% for 2004.

Through January, 2004, both income tax collections and withholding tax payments (the largest component of income tax revenues) were 1.1% higher than last year at this time. However, approximately $77 million in withholding tax payments that were deposited on Monday, February 2, had been received on the weekend and were associated with January collections. If this amount is added to actual withholding tax payments received through January 31, then such payments are 4.1% higher than at this time last year, and the adjusted total of income tax collections is 3.6% higher than income tax collections through January, 2003. The lower rate of growth for total collections, as compared to withholding, is a result of offsetting rates of growth in some of the other components of the individual income tax (for example, estimated tax payments, which reflect non-wage income, are 1.1% lower than at this time last year). An adjusted, year-to-date growth rate in individual income tax collections of 3.6% is consistent with the revised estimate for 2003-04, which assumes 3.3% growth.

General Sales and Use Tax. In 2002-03, state sales and use tax revenues amounted to $3,738.0 million, which was an increase of 1.1% over the prior year. State sales and use tax revenues are currently estimated at $3,900.0 million in 2003-04 and $4,095.0 million in 2004-05. These figures are lower than the estimates under Act 33 by $15.4 million and $12.2 million in 2003-04 and 2004-05, respectively. The revised projections are based on current collections data and the most recent forecast of growth in personal consumption expenditures, with adjustments for expenditures on food, gas and oil, and services, to more closely reflect Wisconsin's sales tax base.

The revised estimates represent projected growth of 4.3% for 2003-04 and 5.0% for 2004-05. Through January, year-to-date sales tax collections were 3.7% higher than the level collected during the same period of the prior fiscal year. This year-to-date growth rate is 0.8% lower than the 4.3% growth rate currently projected for the 2003-04 fiscal year. However, growth in sales tax revenues is expected to increase in the second half of the fiscal year, based in part on continued improvement in the economy, generally, and in part on economic stimulus anticipated from federal tax refunds (which should be higher than in recent years as a result of federal tax law changes).

The sales tax estimates for the 2003-05 biennium do not reflect a December 1, 2003, decision of the Tax Appeals Commission in the case of Menasha Corporation vs. Wisconsin Department of

Revenue (DOR) with respect to sales and use taxes on computer software. While pre-written computer software is subject to the state sales tax on tangible personal property, sales of custom computer software are not subject to tax. The Commission ruling, which DOR has appealed to the Circuit Court, broadens the interpretation of what computer software is considered to be nontaxable custom software.

DOR has estimated that, were the Circuit Court (and any subsequent courts on appeal) to uphold the Commission's decision, state sales and use taxes would be reduced by $55 million associated with such sales during 2003-04 and $59 million for sales during 2004-05. In addition, DOR projects that the state would be required to pay up to $228 million in refunds and interest for prior fiscal years. Generally, the statutes authorize claims for refunds to be filed for up to four years from the unextended due date of the claimant's income tax return for the year to which the claim relates. However, shorter or longer periods may apply under certain conditions. In the case of refund claims based on the taxability of computer software in the Menasha Corporation case, for example, a taxpayer may enter into an agreement with the Department under which the time to file a claim, for the years specified in the agreement, would be extended to six months after a final determination has been made.

Based on the Department's projections, the net effect of a final court decision upholding the Commission's ruling would be a reduction in the general fund of an estimated $342 million. The timing of any effect on the general fund would depend on the timing of the Circuit Court decision, whether any subsequent appeals were filed, and the timing of the receipt by the Department of associated refund requests. It is possible that final resolution of the case will occur after the current biennium.

Corporate Income and Franchise Tax. Corporate income and franchise tax collections were $526.5 million in 2002-03, which was approximately $37 million more than estimated in January, 2003. The increase reflected the early stages of economic recovery, productivity gains, and a related growth in corporate profits. Collections are projected to be $650 million in 2003-04 and $630 million in 2004-05. These amounts represent an annual increase of 23.5% in 2003-04 and a decrease of 3.1% in 2004-05, and are higher than the January, 2003, estimates by $110.2 million in 2003-04 and $75.6 million in 2004-05.

The new estimates reflect the effects of long-run productivity growth, elements of the recession and recent recovery, and corporate income and franchise tax collections. Through January, collections were 42.6% higher than 2002-03 collections for the same period. It should be noted that about $46 million of the increase is due to one-time payments from delinquencies and audit activities conducted by the Department of Revenue. Declaration payments, which exclude these one-time monies, are up by more than 11% over a year ago. Productivity has been strong since the mid-1990s as a result of the incorporation of computer and communications technologies into business operations. This has led to improved corporate earnings, and since the economic downturn and resulting layoffs, the corporate share of earnings has increased relative to the share allocated to labor. The current forecast projects relatively strong exports, investment in equipment, and industrial production over the next few years, which should continue earnings increases. However, productivity growth is expected to moderate and employment is projected to increase, so that the long-term corporate share of profits should decline somewhat. In addition, the estimate is adjusted to reflect the one-time funds that are included in 2003-04 collections.

Public Utility Taxes. Public utility taxes were $276.8 million in 2002-03. Approximately $10.0 million of this amount represented one-time revenues following an audit and a property value dispute settlement, in each case related to telecommunications property. Utility taxes are currently estimated at $261.0 million in 2003-04 and $271.0 million in 2004-05. These projections are $7.0 million lower in both 2003-04 and 2004-05 than had previously been projected. These reductions primarily reflect decreased estimates of the taxes on utilities paying the ad valorem tax, particularly telecommunications companies and pipelines. The downward revisions are based on: (a) actual and anticipated decreases in the value of, and investment in, such utility property; and (b) a decrease in projected property tax rates compared to prior estimates.

Excise Taxes. Cigarette excise tax revenues, which were $293.7 million in 2002-03, are estimated to be $290.0 million in 2003-04 and $286.0 million in 2004-05. The current estimates represent increases of $1.6 million and $1.3 million over prior estimates for 2003-04 and 2004-05, respectively. The adjustments are based primarily on collections through January.

Excise tax revenues from liquor sales were $36.0 million in 2002-03, and are estimated at $39.0 million in 2003-04 and $40.0 million in 2004-05. The estimates for liquor excise tax revenues have been increased by $1.8 million in 2003-04 and $1.5 million in 2004-05 over the estimates under Act 33, based on year-to-date collections through January.

Also based on year-to-date collections, it is anticipated that tax revenues from tobacco products (excluding cigarettes) and beer will be slightly lower than the Act 33 estimates. Excise tax revenues from tobacco are currently estimated at $15.6 million in 2003-04 and $16.0 million in 2004-05, which are $1.2 million lower for 2003-04 and $1.9 million lower for 2004-05 than the previous estimates. State tax revenues from the occupational tax on beer are estimated at $9.7 million in 2003-04 and $9.8 million in 2004-05, which are $100,000 lower in each year than the estimates under Act 33.

Insurance Premiums Taxes. Insurance premiums taxes increased from $96.1 million in 2001-02 to $114.9 million in 2002-03, which reflected strong increases in written premiums throughout the insurance industry in 2002 and 2003. Premiums taxes are projected to increase to $125 million in 2003-04 and then decrease to $120 million in 2004-05. The projected increase in 2003-04 reflects year-to-date monthly premiums tax collections through January, which are higher than 2002-03 for the same period. The decrease in premium tax revenues in 2004-05 is based on expected moderation in the growth in life insurance and property and casualty insurance premium payments.

Estate Tax. Estate tax revenues totaled $68.7 million in 2002-03, and are estimated at $85.0 million in 2003-04 and $90.0 million in 2004-05. The estimates, which are unchanged from those under Act 33, represent growth of 23.7% and 5.9% for 2003-04 and 2004-05, respectively. The expected increase of 23.7% over the base year reflects a state law change under 2001 Act 16 (the 2001-03 biennial budget) that decoupled the state estate tax from current federal law for deaths occurring from October 1, 2002, through December 31, 2007.

Miscellaneous Taxes. Miscellaneous taxes include the real estate transfer fee, certain court-related fees, and the occupational tax on coal. In 2002-03, the state collected $67.5 million in miscellaneous taxes, with over 80% coming from the real estate transfer fee. The current estimates for miscellaneous tax revenues are $75.1 million in 2003-04 and $78.0 million in 2004-05, which exceed the Act 33 estimates by $3.8 million in the first year and $3.3 million in the second year. The increases reflect year-to-date collections as well as construction forecasts (which are relevant for projections of the real estate transfer fee) over the remainder of the biennium.

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

Sincerely,

Bob

Robert Wm. Lang
Director

RWL/sas
cc: Members, Wisconsin Legislature

Legislative Fiscal Bureau

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State of Wisconsin

January 15, 2004

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:

In January of each year, this office typically conducts a review of the status of the state's general fund and presents its findings to the Legislature. In the even-numbered year, the analysis includes an examination of economic forecasts and tax collection and expenditure data for the first six months of the current fiscal year. Our intention has been to complete that review and issue our findings prior to commencement of the January floorperiod (January 20 in 2004).

The economic forecast that we use as a primary resource in determining tax collection projections is prepared by Global Insight, Inc. In prior years, the January forecast has been available in the beginning of the month. This year, however, due to recent comprehensive revisions to the national income and product accounts by the U.S. Bureau of Economic Analysis, the January forecast has not yet been completed and will most likely not be available until later in the month. Therefore, we will not prepare our tax collection estimate until that report is completed.

We have, however, completed our review of departmental revenues and expenditures for the 2003-05 biennium. The purpose of this letter is to present our conclusions on those items. Following the identification of the reestimates is a discussion of the status of four programs that are funded with sum certain appropriations: (1) Elections Board federal HAVA matching funds; (2) foster care and adoption assistance; (3) the Office of the State Public Defender; and (4) medical assistance.

Reestimates

In summary, departmental revenues, sum sufficient appropriations, and lapses to the general fund are, in aggregate, virtually the same as those contained in the 2003-05 budget (2003 Wisconsin Act 33). Although there are a number of reestimates in each of these categories, the net effect on the general fund balance is a reduction of $4.9 million. (The gross general fund balance of Act 33 is $186.4 million. After consideration of the $40.0 million required statutory balance, the net balance of Act 33 is $146.4 million.)

2003-04 Opening Balance. Act 33 anticipated an opening general fund balance of -$283.6 million for 2003-04. The actual balance at the close of the 2002-03 fiscal year was -$282.2 million. Thus, the opening balance for 2003-04 is $1.4 million higher than shown in Act 33.

Departmental Revenues. Act 33 estimates departmental revenues at $409.6 million in 2003-04 and $408.6 million in 2004-05. Departmental revenues are non-tax receipts (including tribal gaming amounts) that are deposited into the general fund. Our review indicates that there is little change to the Act 33 estimates. The 2003-04 projection is now $408.1 million ($1.5 million below the Act 33 estimate) and the projection for 2004-05 is $409.8 million ($1.2 million above that of Act 33).

Sum Sufficient Appropriations. In aggregate, expenditures from sum sufficient, general purpose revenue (GPR) appropriations are expected to be slightly lower ($1.8 million in 2003-04 and $1.0 million in 2004-05) than those of Act 33. Some appropriations (such as the homestead and farmland preservation tax credits) require an upward revision, while others (such as payments for debt service and the income tax reciprocity programs) are less than amounts budgeted under Act 33.

Lapses. Lapses are amounts from sum certain, GPR appropriations that are not expected to be fully expended and then "lapse" or revert, to the general fund at the close of each fiscal year. Act 33 contains general fund lapse estimates of $237.1 million in 2003-04 and $224.6 million in 2004-05. Our review indicates that the Act 33 lapses should be adjusted downward by $2.9 million in 2003-04 and by $5.9 million in 2004-05.

Sum Certain Appropriations

Unlike sum sufficient appropriations, which are automatically adjusted to fund selected programs, sum certain appropriations are those with a specific dollar amount that cannot be modified unless changed by the Legislature. Thus, if it is determined that a program under a sum certain appropriation will, unless modified, require a funding increase, the Legislature has the option of reducing the program's parameters, increasing the appropriation, prorating available funding, or letting the program cease due to insufficient funds.

In the course of our review, we have identified the following four programs funded from sum certain appropriations that merit attention.

Elections Board Federal HAVA Matching Funds. The new federal Help America Vote Act (HAVA) requires Wisconsin to create an official centralized computerized statewide voter registration list system (at an estimated five-year cost of $21.2 to $42.9 million) and to equip all polling stations with voting systems accessible to individuals with disabilities, including non-visual accessibility for the blind and visually impaired (at an estimated cost of $8.2 to $16.4 million). HAVA requires these changes to be in place by January 1, 2006.

Most of these costs will be supported with federal funds under Title II of HAVA, subject to a 5% state match. It is estimated that Wisconsin will be eligible to receive $15,390,000 FED in Title II funds in 2003-04, requiring a state match totaling $810,000 GPR. Provisions of Act 33 have already reserved $333,000 GPR of this amount. Provisions of 2003 Assembly Bill 601, currently pending in the Senate, would appropriate the remaining match requirement of $477,000 GPR in 2003-04.

Subject to congressional appropriation, the Elections Board estimates that Wisconsin will be eligible for an additional $26 million FED in Title II funds in 2004-05, requiring the Legislature to appropriate an additional state match of $1.3 million GPR in that fiscal year.

Foster Care and Adoption Assistance. Act 33 provides $35.4 million GPR in 2003-04 and $39.5 million GPR in 2004-05 in a sum certain appropriation to fund: (a) adoption assistance payments to families that adopt children with special needs to assist in the cost of care for these children; and (b) payments to families and agencies that provide foster care to children for whom the state serves as guardian. Based on a review of actual payments through December, 2003, it is estimated that an additional $2.2 million GPR in 2003-04 and $2.9 million GPR in 2004-05 will be needed to fully fund state foster care and adoption assistance payments in the 2003-05 biennium. Compared to the Act 33 estimate, the current estimate primarily reflects a decrease in the estimated percentage of total costs that can be supported by federal matching funds available under Title IV-E of the Social Security Act.

Office of the State Public Defender. Act 33 provides $16.5 million GPR in 2003-04 and $19.5 million GPR in 2004-05 to the Office of the State Public Defender (SPD) for its private bar and investigator reimbursement appropriation. This biennial appropriation funds private bar attorneys who accept assignment of defense cases for indigent persons qualifying for SPD representation. Based on actual payments and caseload through December, 2003, and caseload projections through the remainder of the 2003-05 biennium, it is estimated that an additional $9.2 million GPR in 2004-05 will be required to fully fund SPD private bar reimbursement costs.

Medical Assistance. Based on a review of 2002-03 actual expenditures and average costs and a review of caseload information through December, 2003, it is estimated that an additional $90.4 million GPR ($51.3 million in 2003-04 and $39.1 million in 2004-05) will be needed to support services provided under the medical assistance (MA) program in the 2003-05 biennium, above the amounts budgeted in Act 33.

One of the primary differences between the current estimate and the Act 33 estimate is that actual 2002-03 average costs per person were greater than projected in Act 33, resulting in a higher base of expenditures on which future costs are projected. In addition, the average cost of drugs is projected to be higher than estimated in Act 33 and actual caseload increases are not slowing as quickly as anticipated in Act 33. As of the end of December, there were approximately 4,400 more individuals enrolled in MA than had been projected under Act 33.

In addition to the projected increase in benefits costs identified above, it is likely that additional GPR will be needed to support MA benefits costs in the 2003-05 biennium. Act 33 anticipated the receipt of additional federal MA funds under two new initiatives that have yet to be approved by the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS).

Under an intergovernmental transfer (IGT) initiative, it was assumed that the state would receive an estimated $213 million in 2003-04 in additional federal revenue for certain services counties provide under MA home- and community-based waiver programs. This additional revenue was to be deposited to the MA trust fund to support a portion of the state's share of MA base costs. In the spring of 2003, DHFS submitted a description of this proposal to CMS. CMS has expressed support for the long-term care reforms proposed by DHFS, but has questioned the creation or expansion of IGT programs as the means for states to increase federal support for their MA programs. DHFS is waiting for final resolution to proposed state plan amendments regarding MA claims for certain services provided by local governments, which are described below, before it prepares and submits a formal long-term care proposal for CMS approval.

Under the proposed state plan amendments, the state expected to receive $119 million ($71.6 million in 2003-04 and $47.4 million in 2004-05) in federal MA matching funds from increased payments to local governments for non-institutional services, including home health, case management, emergency transportation, and school-based services. Some of this revenue would be deposited to the MA trust fund to support a portion of MA base costs, and the remainder would be used to support local government costs previously funded under shared revenue and school aid payments. DHFS is currently negotiating with CMS regarding these amendments. If CMS does not approve the amendments, DHFS would continue to pay local governments federal MA matching funds under the community services deficit reduction benefit (CSDRB) program. This program would be eliminated if the state plan amendments are approved. Consequently, $17 million that is budgeted from the MA trust fund in 2004-05 to replace the CSDRB program would not be expended and would be available to partially offset any shortfall.

Several adjustments have been made to projected revenues to the MA trust fund, including reestimates of the amount of enhanced federal funding provided to the state under P.L. 108-27 that is available to support MA benefits in 2003-04 and interest earnings on the fund's cash balance.

The net effect of these adjustments is to increase the projected 2003-05 ending balance of the MA trust fund by approximately $2.4 million. Finally, if CMS does not approve these initiatives, approximately $2 million budgeted for administrative costs associated with them would not be expended for this purpose and would be available to partially offset any shortfall.

In summary, if the state is unable to secure any additional federal MA matching funds under these initiatives, approximately $310.6 million GPR would be needed ($213.0 + $119.0 - $17.0 - $2.4 - $2.0 = $310.6), in addition to the $90.4 million GPR identified above, to fully support projected MA benefits in the 2003-05 biennium. Any additional federal MA funds the state receives under these or other initiatives would reduce the necessity to provide GPR funding by a corresponding amount.

Once Global Insight, Inc. has completed its economic forecast for January, 2004, we will prepare our tax collection report and distribute it to you and your colleagues in the Legislature. The report will also include a general fund condition statement for 2003-05 that will incorporate our tax collection projections and the departmental revenue, sum sufficient, and lapse reestimates contained in this letter. Depending upon the timing of the Global Insight, Inc. forecast, we hope to complete our report by the end of January or early February.

Sincerely,

Bob

Robert Wm. Lang
Director

RWL/sas

cc: Members, Wisconsin Legislature

General Fund Information; General Fund Cash Flow (Part II–Pages 38-46).

The following provide updates to various tables containing General Fund information that is presented on either a cash basis or agency recorded basis. Unless noted, the following information is through June 30, 2004 and reflects the information released by LFB on January 15, 2004 and February 10, 2004. The following information does not reflect the Supreme Court's decision concerning amendments to gaming compacts. In light of the Supreme Court's decision, it was uncertain whether or to what extent the tribal governments would make the payments due under the amended gaming compacts. Subsequent to the Supreme Court's decision, the State has received payments expected to be received by June 30, 2004 from all but one of the tribal governments; the amount that was not received is $30 million. It remains uncertain whether or to what extent the tribal governments will make the payments due on or after June 30, 2005, and discussions continue with tribal governments regarding the outstanding payment and the payments due on or after June 30, 2005.

The following tables may 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, then the Secretary of Administration is authorized to prorate and defer certain payments.

The State is not prohibited from having 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.

Table II-7; State Budget-General Fund (Part II–Page 41). Replace the table with the following:

ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2003 TO JUNE 30, 2004

(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[a]												
Beginning Balance	($301,120)	($622,418)	($400,502)	$418,507	$907,811	$863,882	$1,013,762	$1,191,403	$1,038,826	($14,243)	$552,517	$758,574
Ending Balance [b]	($622,418)	($400,502)	$418,507	$907,811	$863,882	$1,013,762	$1,191,403	$1,038,826	($14,243)	$552,517	$758,574	($21,216)
Lowest Daily Balance [b]	($762,702)	($757,258)	($654,756)	$289,720	$648,269	($200,315)	$1,013,762	$1,013,762	($78,170)	($14,243)	$412,085	($322,282)
RECEIPTS												
TAX RECEIPTS												
Individual Income [c]	$535,668	$361,664	$632,800	$495,028	$390,357	$431,441	$815,263	$457,296	$530,620	$851,947	$385,478	$633,196
Sales & Use	368,518	363,614	375,775	374,113	350,192	321,577	394,456	295,514	293,589	339,858	343,335	364,588
Corporate Income	15,220	19,228	126,009	28,093	26,301	160,444	20,170	21,229	176,514	28,379	17,663	136,053
Public Utility	296	0	325	4,994	129,422	337	69	20	158	5,071	136,052	201
Excise	38,152	34,660	28,651	32,261	28,631	28,784	32,244	26,592	22,978	32,116	29,565	32,506
Insurance	828	1,375	25,541	293	1,334	28,444	2,696	17,785	25,650	27,842	767	28,153
Inheritance	5,660	11,035	7,017	6,607	6,089	9,493	4,990	5,314	4,948	8,163	8,739	10,219
Subtotal Tax Receipts	$964,342	$791,576	$1,196,118	$941,389	$932,326	$980,520	$1,269,888	$823,750	$1,054,457	$1,293,376	$921,599	$1,204,916
NON-TAX RECEIPTS												
Federal	$420,678	$479,004	$507,840	$618,086	$454,026	$534,209	$543,037	$491,036	$567,534	$534,657	$487,096	$617,201
Other & Transfers [c]	291,431	190,445	519,577	270,496	197,625	912,951	329,290	353,425	307,728	277,273	216,301	464,782
Note Proceeds [d]	0	0	400,000	0	0	0	0	0	0	0	0	0
Subtotal Non-Tax Receipts	$712,109	$669,449	$1,427,417	$888,582	$651,651	$1,447,160	$872,327	$844,461	$875,262	$811,930	$703,397	$1,081,983
TOTAL RECEIPTS	$1,676,451	$1,461,025	$2,623,535	$1,829,971	$1,583,977	$2,427,680	$2,142,215	$1,668,211	$1,929,719	$2,105,306	$1,624,996	$2,286,899
DISBURSEMENTS												
Local Aids	$890,876	$172,578	$741,814	$109,530	$781,331	$1,178,138	$211,010	$237,278	$1,204,072	$153,766	$235,068	$1,846,208
Income Maintenance[f]	439,565	373,987	352,115	385,040	293,337	363,184	189,065	503,149	397,567	148,118	329,091	366,219
Payroll and Related	317,741	312,301	225,424	462,397	252,453	305,623	439,081	247,685	304,277	491,789	251,034	307,410
Tax Refunds	68,585	50,293	54,656	50,624	58,967	122,179	69,625	415,005	407,083	335,879	138,614	104,930
Debt Service	0	984	118,305	441	441	0	0	934	105,066	0	10,985	0
Miscellaneous [e]	280,982	328,966	312,212	332,635	241,377	308,676	1,055,793	318,657	463,264	307,447	352,527	441,922
Note Repayment [d]	0	0	0	0	0	0	0	98,080	101,459	101,547	101,620	0
TOTAL DISBURSEMENTS	$1,997,749	$1,239,109	$1,804,526	$1,340,667	$1,627,906	$2,277,800	$1,964,574	$1,820,788	$2,982,788	$1,538,546	$1,418,939	$3,066,689

(a) 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.

(b) 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 $542 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 $325 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.

(c) The July Individual Income Tax Receipts and the July Non-Tax Receipts for Other & Transfers were restated in September, 2003 due to a reporting reclassification by the Department of Revenue.

(d) Includes $400 million in operating note proceeds received in September, 2003 and impoundment payments due on February 27, March 31, April 30, and May 28, 2004. The February 27, 2004 impoundment payment excludes the premium deposited on September 18, 2003 into the operating note redemption fund.

(e) Includes $750 million of bond receipts that were received into the General Fund in December and disbursed on January 30, 2004.

(f) Includes $124 million of transfers from the General Fund (disbursements) to the Medical Assistance Trust Fund in March 2004, pursuant to 2003 Wisconsin Act 129.

Table II-7; State Budget-General Fund (Part II–Page 41). Add the following table:

PROJECTED GENERAL FUND CASH FLOW; JULY 1, 2004 TO JUNE 30, 2005[(a)]

(In Thousands of Dollars)

	July 2004	August 2004	September 2004	October 2004	November 2004	December 2004	January 2005	February 2005	March 2005	April 2005	May 2005	June 2005
BALANCES[(b)]												
Beginning Balance	($21,216)	($266,377)	$237,221	$382,045	$813,870	$457,255	($157,694)	$874,672	$1,086,064	$117,821	$472,882	$707,774
Ending Balance [(c)]	($266,377)	$237,221	$382,045	$813,870	$457,255	($157,694)	$874,672	$1,086,064	$117,821	$472,882	$707,774	($69,715)
Lowest Daily Balance [(c)]	($467,493)	($319,912)	$49,987	$270,395	$216,753	($763,000)	($157,695)	$531,569	$32,777	($160,098)	$211,180	($323,528)
RECEIPTS												
TAX RECEIPTS												
Individual Income	$580,400	$417,800	$622,700	$533,000	$291,700	$621,300	$902,700	$471,600	$412,800	$932,000	$404,600	$619,000
Sales & Use	380,000	400,400	377,000	385,600	381,200	318,800	427,300	333,700	301,300	339,700	361,100	370,700
Corporate Income	18,500	18,600	140,400	31,600	15,800	159,800	26,900	14,000	186,600	29,200	19,100	133,300
Public Utility	200	0	200	3,900	140,000	4,300	0	3,800	200	5,200	119,300	1,700
Excise	31,300	31,000	31,400	29,200	36,200	28,900	28,100	29,800	25,000	27,500	30,700	30,400
Insurance	1,400	2,500	24,300	1,600	1,400	25,200	2,000	13,700	21,800	27,600	4,400	26,500
Inheritance	7,200	10,000	13,000	5,500	6,500	5,100	8,700	5,900	6,600	10,900	6,700	6,000
Subtotal Tax Receipts	$1,019,000	$880,300	$1,209,000	$990,400	$872,800	$1,163,400	$1,395,700	$872,500	$954,300	$1,372,100	$945,900	$1,187,600
NON-TAX RECEIPTS												
Federal	$443,100	$467,300	$459,600	$643,600	$446,600	$470,800	$618,900	$540,700	$491,600	$548,200	$534,900	$566,400
Other & Transfers[(d)]	296,850	252,850	363,350	221,950	231,250	212,950	386,250	388,050	318,750	320,750	300,150	473,850
Note Proceeds	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal Non-Tax Receipts	$739,950	$720,150	$822,950	$865,550	$677,850	$683,750	$1,005,150	$928,750	$810,350	$868,950	$835,050	$1,040,250
TOTAL RECEIPTS	$1,758,950	$1,600,450	$2,031,950	$1,855,950	$1,550,650	$1,847,150	$2,400,850	$1,801,250	$1,764,650	$2,241,050	$1,780,950	$2,227,850
DISBURSEMENTS												
Local Aids[(e)(f)]	$833,741	$145,898	$704,176	$123,700	$786,446	$1,171,442	$227,374	$232,359	$1,193,196	$122,127	$248,992	$1,817,211
Income Maintenance	414,266	397,077	497,747	405,358	431,609	555,913	344,776	414,316	471,345	434,538	408,025	388,860
Payroll and Related	388,749	250,749	322,372	394,388	327,523	327,706	359,826	325,251	369,525	470,929	255,539	313,235
Tax Refunds	61,499	52,604	48,791	64,194	76,501	76,405	61,510	347,302	349,093	311,909	233,409	207,201
Debt Service	0	3,621	0	139,636	3,621	0	0	3,621	0	266,649	39,575	0
Miscellaneous	305,856	246,903	314,040	296,849	281,565	330,633	374,998	267,009	349,734	279,837	360,518	278,832
Note Repayment	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL DISBURSEMENTS	$2,004,111	$1,096,852	$1,887,126	$1,424,125	$1,907,265	$2,462,099	$1,368,484	$1,589,858	$2,732,893	$1,885,989	$1,546,058	$3,005,339

(a) Projections reflect the re-estimates of departmental revenues and expenditures provided by the Legislative Fiscal Bureau on January 15, 2004 and the general fund tax collection estimates provided by the Legislative Fiscal Bureau on February 10, 2004. Projections do not reflect the recent Supreme Court decision concerning amendments to gaming compacts. Subsequent to the Supreme Court's decision, the State has received payments expected to be received by June 30, 2004 from all but one of the tribal governments. Discussions continue with the tribal governments regarding the outstanding payment and all payments due on or after June 30, 2005. While the projections are based on budgetary assumptions, they are presented on a cash basis and not a budgetary basis. Projections do not include interfund borrowings.

(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 2004-05 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 2004-05 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 $589 million for the 2004-05 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 $354 million for the 2004-05 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) Includes $75 million to be transferred from the Transportation Fund to the General Fund in June 2005.

(e) $190 million of the November 2004 shared revenue payments are to be made from Segregated Funds and are not included in these Local Aid disbursement totals.

(f) $60 million of the September 2004 equalization payments are to be made from Transportation Fund and are not included in these Local Aid disbursement totals.

Table II-8; General Fund Cash Receipts and Disbursements Year To Date; Compared to Estimates and Previous Fiscal Year. (Page 42). Update the table with the following:

2003-04 FISCAL YEAR
GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS YEAR-TO-DATE
COMPARED TO ESTIMATES AND PREVIOUS FISCAL YEAR[a]
(Cash Basis)
As of June 30, 2004
(Amounts in Thousands)

	FY03 through June 2003	FY04 through June 2004				
	Actual	Actual	Estimate[b]	Variance	Adjusted Variance[c]	Difference FY03 Actual to FY04 Actual
RECEIPTS						
Tax Receipts						
Individual Income	$ 6,269,741	$ 6,520,758	$ 6,572,300	$ (51,542)	$ 11,058	$ 251,017
Sales	4,004,377	4,185,129	4,177,000	8,129	8,129	180,752
Corporate Income	653,986	775,303	751,800	23,503	23,503	121,317
Public Utility	281,986	276,945	272,100	4,845	4,845	(5,041)
Excise	359,002	367,140	363,200	3,940	3,940	8,138
Insurance	145,925	160,708	149,000	11,708	11,708	14,783
Inheritance	69,603	88,274	83,700	4,574	4,574	18,671
Total Tax Receipts	$ 11,784,620	$ 12,374,257	$ 12,369,100	$ 5,157	$ 67,757	$ 589,637
Non-Tax Receipts						
Federal	$ 5,961,076	$ 6,254,404	$ 6,047,400	$ 207,004	$ 207,004	$ 293,328
Other and Transfers	3,509,635	4,331,324	3,839,500	491,824	(213,310)	821,689
Note Proceeds	-	400,000	400,000	-	-	400,000 [d]
Total Non-Tax Receipts	$ 9,470,711	$ 10,985,728	$ 10,286,900	$ 698,828	$ (6,306)	$ 1,515,017
TOTAL RECEIPTS	$ 21,255,331	$ 23,359,985	$ 22,656,000	$ 703,985	$ 61,451	$ 2,104,654
DISBURSEMENTS						
Local Aids	$ 7,286,897	$ 7,761,669	$ 7,700,573	$ (61,096)	$ (61,096)	$ 474,772
Income Maintenance	4,180,230	4,140,437	3,921,333	(219,104)	(46,490)	(39,793)
Payroll & Related	3,790,607	3,917,215	3,867,032	(50,183)	(50,183)	126,608
Tax Refunds	1,855,069	1,876,440	1,861,647	(14,793)	(14,793)	21,371
Debt Service	393,134	237,156	262,404	25,248	25,248	(155,978)
Miscellaneous	3,628,496	4,744,458	4,666,194	(78,264)	(78,264)	1,115,962
Note Repayment	-	402,706	403,408	702	702	402,706
TOTAL DISBURSEMENTS	$ 21,134,433	$ 23,080,081	$ 22,682,591	$ (397,490)	$ (224,876)	$ 1,945,648
VARIANCE FY04 YEAR-TO-DATE				$ 306,495	$ (163,425)	

(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 the re-estimates of departmental revenues and expenditures provided by LFB on January 15, 2004 and the General Fund tax collection projections provided by LFB on February 10, 2004. While the information from the Legislative Fiscal Bureau is presented on a budgetary basis, the estimates are presented on a cash basis and not a budgetary basis. Estimates do not reflect the recent Supreme Court decision concerning amendments to gaming compacts. Subsequent to the Supreme Court's decision, the State has received payments expected to be received by June 30, 2004 from all but one of the tribal governments. Discussions continue with the tribal governments regarding the outstanding payment and all payments due on or after June 30, 2005.

(c) Changes were made, after the beginning of the fiscal year, to the estimates of receipts starting in September 2003. These changes were made to better reflect the timing of end-of-month electronic fund transfers. Because the changes were made starting in September 2003, the July and August 2003 estimates could not be changed. Since the timing of end-of-month electronic fund transfers impacted August and September 2003, the changes to the estimates of receipts include an increase in September 2003 but could not include any decrease in August 2003. As a result, the variance has been adjusted by $63 million to show the result if the August 2003 estimate were changed. In addition, the variance reflects $705 million of pension obligation bond proceeds that were received into the General Fund in December 2003 that were subsequently disbursed in January 2004, and $173 million resulting from a timing change related to Medicaid disbursements that could be not reversed in previous estimates.

(d) Operating Notes were issued in the 2003-04 fiscal year but were not issued in the 2002-03 fiscal year.

Table II-9; General Fund Monthly Position (Page 43). Update the table with the following:

GENERAL FUND MONTHLY CASH POSITION[a]
July 1, 2002 through June 30, 2004 — Actual
July 1, 2004 through June 30, 2005 — Estimated[b]
(Amounts in Thousands)

	Starting Date	Starting Balance		Receipts[c]	Disbursements[c]
2002	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)	2,101,401	1,712,702
	May	597,754		1,485,340	1,566,243
	June	516,851	(d)	2,030,380	2,848,351
	July	(301,120)	(d)	1,676,451	1,997,749
	August	(622,418)	(d)	1,461,025	1,239,109
	September	(400,502)	(d)	2,623,535	1,804,526
	October	418,507		1,829,971	1,340,667
	November	907,811		1,583,977	1,627,906
	December	863,882	(d)	2,427,680	2,277,800
2004	January	1,013,762		2,142,215	1,964,574
	February	1,191,403		1,668,211	1,820,788
	March	1,038,826	(d)	1,929,719	2,982,788
	April	(14,243)	(d)	2,105,306	1,538,546
	May	552,517		1,624,996	1,418,939
	June	758,574	(d)	2,286,899	3,066,689
	July	(21,216)	(d)	1,758,950	2,004,111
	August	(266,377)	(d)	1,600,450	1,096,852
	September	237,221		2,031,950	1,887,126
	October	382,045		1,855,950	1,424,125
	November	813,870		1,550,650	1,907,265
	December	457,255	(d)	1,847,150	2,462,099
2005	January	(157,694)	(d)	2,400,850	1,368,484
	February	874,672		1,801,250	1,589,858
	March	1,086,064		1,764,650	2,732,893
	April	117,821	(d)	2,241,050	1,885,989
	May	472,882		1,780,950	1,546,058
	June	707,774	(d)	2,227,850	3,005,339

(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 July 1, 2004 through June 30, 2005 are based on the re-estimates of departmental revenues and expenditures provided by LFB on January 15, 2004 and the General Fund tax collection projections provided by LFB on February 10, 2004. Projections do not reflect the recent Supreme Court decision concerning amendments to gaming compacts. Subsequent to the Supreme Court's decision, the State has received payments expected to be received by June 30, 2004 from all but one of the tribal governments. Discussions continue with the tribal governments regarding the outstanding payment and all payments due on or after June 30, 2005.

(c) The amounts shown in September 2003 include receipts from the issuance of operating notes, and amounts shown in February through May 2004 include disbursements for impoundment payments required in connection with the issuance of operating notes. No operating notes were issued for the 2002-03 fiscal year.

(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 was $542 million for the 2003-04 fiscal year and is approximately $589 million for the 2004-05 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 ($325 million for the 2003-04 fiscal year and approximately $354 million for the 2004-05 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 44). Update the table with the following:

BALANCES IN FUNDS AVAILABLE FOR INTERFUND BORROWING[(a)]
July 31, 2002 to June 30, 2004 — Actual
July 31, 2004 to June 30, 2005— Estimated[(b)]
(Amounts in Millions)

The following two tables show, on a monthly basis, the cash balances available for interfund borrowing. The first table does not include balances in the Local Government Investment Pool (LGIP). While the LGIP is available for interfund borrowing, funds in the LGIP are deposited and withdrawn by local units of government, and thus are outside the control of the State.

(Does Not Include Balances in the Local Government Investment Pool)

Month (Last Day)	2002	2003	2004	2005
January		$ 1,100	$ 1,027	$ 1,018
February		1,138	1,126	1,105
March		1,203	1,179	1,107
April		1,133	1,157	997
May		1,187	1,163	1,061
June		1,279	1,054	1,117
July	$ 1,033	1,140	950[(b)]	
August	1,049	1,242	1,029	
September	1,055	1,226	997	
October	1,032	1,187	935	
November	1,105	1,078	940	
December	1,131	1,130	1,042	

The second table includes the balances in the LGIP. The average monthly daily balances in the LGIP for the past five years have ranged from a low of $2.216 billion during November 2002 to a high of $4.521 billion during March 2002.

(Includes Balances in the Local Government Investment Pool)

Month (Last Day)	2002	2003	2004	2005
January		$ 5,025	$ 4,673	$ 5,360
February		5,235	4,852	5,463
March		5,438	5,197	5,628
April		5,113	4,707	5,135
May		4,674	4,417	4,158
June		4,835	4,274	4,329
July	$ 5,401	5,135	5,275[(b)]	
August	4,785	4,580	4,785	
September	4,898	4,378	4,898	
October	4,328	3,922	4,328	
November	4,242	3,797	4,242	
December	4,737	4,090	4,737	

[(a)] The following funds are available for interfund borrowing. The amounts shown reflect a reduction in the aggregate cash balances available to the extent any fund listed below has a negative balance and is subject to interfund borrowing.

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

[(b)] The balances for July 31, 2004 and subsequent months are estimates.

Table II-11; General Fund Recorded Revenues (Page 45). Update the table with the following:

General Fund Recorded Revenues
(Agency Recorded Basis)
July 1, 2003 to June 30, 2004 compared with previous year [(a)]

	Annual Fiscal Report Revenues 2002-03 FY[(b)]	Projected Revenues 2003-04 FY[(c)]	Recorded Revenues July 1, 2002 to June 30, 2003[(d)]	Recorded Revenues July 1, 2003 to June 30, 2004[(e)]
Individual Income Tax	$ 5,052,500,000	$ 5,220,000,000	$ 4,624,383,520	$ 4,849,907,567
General Sales and Use Tax	3,738,000,000	3,900,000,000	3,374,524,671	3,515,894,222
Corporate Franchise and Income Tax	526,500,000	650,000,000	532,568,868	656,457,961
Public Utility Taxes	276,800,000	261,000,000	276,514,853	268,244,412
Excise Taxes	354,800,000	354,300,000	320,871,210	325,978,235
Inheritance Taxes	68,700,000	85,000,000	68,815,752	86,693,559
Insurance Company Taxes	114,900,000	125,000,000	90,087,405	95,686,338
Miscellaneous Taxes	67,500,000	75,100,000	90,085,274	89,871,865
SUBTOTAL..............................	$ 10,199,700,000	$ 10,670,400,000	9,377,851,554	9,888,734,158
Federal and Other Inter-Governmental Revenues[(f)]	$ 6,668,346,000	$ 5,707,551,000	6,523,563,033	6,246,779,263
Dedicated and Other Revenues[(g)]	3,815,875,000	1,931,197,500	3,823,197,770	5,214,521,339
TOTAL.....................................	$ 20,683,921,000	$ 18,309,148,500	$ 19,724,612,357	$ 21,350,034,760

[(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 2002-03 fiscal year, dated October 10, 2003.

[(c)] Projected revenues are based on the 2003-05 budget signed into law, with some partial vetoes, on July 24, 2003 by Governor Doyle (2003 Wisconsin Act 33). The projected revenues also reflect the re-estimates of departmental revenues that LFB released on January 15, 2004 and the General Fund tax collection projections provided by LFB on February 10, 2004. Projections do not reflect the recent Supreme Court decision concerning amendments to gaming compacts. Subsequent to the Supreme Court's decision, the State has received payments expected to be received by June 30, 2004 from all but one of the tribal governments. Discussions continue with the tribal governments regarding the outstanding payment and all payments due on or after June 30, 2005. Other projected revenues are based on the 2003-05 budget signed into law, with some partial vetoes, on July 24, 2003 by Governor Doyle (2003 Wisconsin Act 33).

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

[(e)] The amounts shown are fiscal year 2003-04 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 46). Update the table with the following:

General Fund Recorded Expenditures By Function
(Agency Recorded Basis)
July 1, 2003 to June 30, 2004 compared with previous year [(a)]

	Annual Fiscal Report Expenditures 2002–03 FY[(b)]	Appropriations 2003–04 FY[(c)]	Recorded Expenditures July 1, 2002 to June 30, 2003[(d)]	Recorded Expenditures July 1, 2003 to June 30, 2004[(e)]
Commerce	$ 222,143,000	$ 267,951,200	$ 214,782,322	$ 270,000,490
Education	9,087,026,000	7,372,173,100	9,077,294,168	9,308,007,709
Environmental Resources	264,282,000	252,915,200	256,210,177	174,897,331
Human Relations & Resources	8,630,020,000	7,704,344,000	8,450,668,962	7,879,374,217
General Executive	646,171,000	622,251,300	645,628,790	2,126,661,511
Judicial	109,697,000	110,945,700	106,118,860	107,154,470
Legislative	61,219,000	62,468,300	57,058,892	55,878,728
General Appropriations	1,935,927,000	1,687,946,100	1,894,334,685	1,653,963,904
TOTAL	$ 20,956,485,000	$ 18,080,994,900	$ 20,702,096,855	$ 21,575,938,361

(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 2002-03 fiscal year, dated October 10, 2003.

(c) Estimated appropriations based on the 2003-05 budget signed into law, with some partial vetoes, on July 24, 2003 by Governor Doyle (2003 Wisconsin Act 33). The estimated appropriations do not reflect the re-estimates of expenditures that LFB released on January 15, 2004.

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

(e) The amounts shown are fiscal year 2003-04 expenditures as recorded by state agencies.

Source: Wisconsin Department of Administration.

APPENDIX C

FORM OF BOND COUNSEL OPINION

Upon delivery of the 2004 Series 1 Bonds, Quarles & Brady LLP expects to deliver to the State a legal opinion in substantially the following form:

[Letterhead of Quarles & Brady LLP]

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

RE: $95,905,000 State of Wisconsin (the "State")
Transportation Revenue Refunding Bonds, 2004 Series 1,
dated September 30, 2004 (the "Bonds")

We have acted as bond counsel in connection with the issuance by the State of the Bonds. In such capacity, we have examined such law and a certified copy of the transcript of proceedings of record of the State of Wisconsin Building Commission (the "Commission") preliminary to and in connection with the issuance of the Bonds, certifications and such other documents and records we deem necessary to render this opinion.

The Bonds have been authorized and issued pursuant to Subchapter II of Chapter 18 (the "Revenue Obligations Act") and Section 84.59 (the "Act") of the Wisconsin Statutes as now in force; the resolution of the Commission adopted June 26, 1986, entitled "1986 State of Wisconsin Building Commission Resolution 9, State of Wisconsin Transportation Facilities and Highway Projects Revenue Obligations General Resolution" (the "General Resolution"), as amended and supplemented by certain resolutions of the Commission adopted March 19, 1998, August 9, 2000, and October 15, 2003 (collectively, the "Amending Resolutions"); and the resolution of the Commission adopted February 18, 2004 entitled "2004 State of Wisconsin Building Commission Resolution 5, Authorizing the Issuance and Sale of Not to Exceed $250,000,000 State of Wisconsin Transportation Revenue Refunding Bonds" (the "Series Resolution") (hereafter, the General Resolution, as amended by the Amending Resolutions, shall be referred to as the "General Resolution" and the General Resolution and the Series Resolution shall be referred to collectively as the "Resolutions").

The Bonds are issued on a parity with the Transportation Revenue Bonds, 1993 Series A (the "1993 Bonds"); the Transportation Revenue Bonds, 1994 Series A (the "1994 Bonds"), the Transportation Revenue Bonds, 1995 Series A (the "1995 Bonds"), the Transportation Revenue Bonds, 1996 Series A (the "1996 Bonds"), the Transportation Revenue Bonds, 1998 Series A (the "1998 Series A Bonds"), the Transportation Revenue Bonds, 1998 Series B (the "1998 Series B Bonds"), the Transportation Revenue Bonds, 2000 Series A (the "2000 Bonds"), the Transportation Revenue Bonds, 2001 Series A (the "2001 Bonds"), the Transportation Revenue Refunding Bonds, 2002 Series 1, dated April 15, 2002 (the "2002 Series 1 Bonds"), the Transportation Revenue Refunding Bonds, 2002 Series 2, dated April 15, 2002 (the "2002 Series 2 Bonds"), the Transportation Revenue Bonds, 2002 Series A, dated October 15, 2002 (the "2002 Series A Bonds"), and the Transportation Revenue Bonds, 2003 Series A, dated November 1, 2003 (the "2003 Bonds") (collectively, the 1993 Bonds, the 1994 Bonds, the 1995 Bonds, the 1996 Bonds, the 1998 Series A Bonds, the 1998 Series B Bonds, the 2000 Bonds, the 2001 Bonds, the 2002 Series 1 Bonds, the 2002 Series 2 Bonds, the 2002 Series A Bonds, and the 2003 Bonds shall be referred to as the "Outstanding Bonds"), and are issued on a basis senior to the Transportation Revenue Commercial Paper Notes of 1997, Series A.

The Bonds are issued to pay the costs of refinancing portions of the Outstanding Bonds.

The Bonds are numbered 1 and upwards; are in the denomination of $5,000 or any integral multiple thereof; are in fully registered form; are dated September 30, 2004; bear interest at the rates set forth below; and mature on July 1 of each year, in the years and principal amounts as follows:

Year	Principal Amount	Interest Rate
2005	$ 3,100,000	6.00%
2006	5,080,000	5.00
2007	10,925,000	5.00
2008	5,880,000	5.00

Year	Principal Amount	Interest Rate
2012	$ 5,760,000	5.25%
2013	6,185,000	5.25
2014	16,345,000	5.25
2015	18,150,000	5.25
2016	11,955,000	5.25
2017	12,525,000	5.25

Interest on the Bonds is payable semi-annually on January 1 and July 1 of each year commencing on January 1, 2005.

At the option of the State, the Bonds maturing July 1, 2015 and thereafter are subject to redemption prior to maturity as a whole or in part, and if in part from maturities selected by the State and within any maturity by lot, on July 1, 2014 or on any date thereafter at the principal amount thereof plus accrued interest to the date of redemption.

Pursuant to the Revenue Obligations Act, the Act and the General Resolution, the State, acting through the Commission, is authorized to issue Transportation Revenue Bonds in addition to, but on a parity with the Outstanding Bonds and the Bonds.

As to questions of fact material to our opinion, we have relied on representations of the State contained in the Resolutions as well as the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation. We have also examined a printer's proof or sample of the Bonds and find the same to be in proper form.

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

Based upon the foregoing, we are of the opinion that as of the date hereof, under existing law:

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

(2) The Resolutions have been duly and lawfully adopted by the Commission, are in full force and effect, and constitute valid and binding obligations of the State enforceable in accordance with their terms.

(3) The Bonds are valid and binding revenue bonds of the State secured by a pledge in the manner and to the extent set forth in the General Resolution and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Resolution on a parity with the Outstanding Bonds. The General Resolution creates the valid pledge which it purports to create of the Program Income (as defined in the General Resolution) and of monies and securities on deposit in any of the Funds (as defined in the General Resolution) established under the General Resolution, including the investments, if any, thereof, subject to the application thereof to the purposes and on the conditions permitted by the General Resolution.

(4) The Bonds have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State, including the Revenue Obligations Act and the Act, as amended to the date of this Opinion, and in accordance with the Resolutions.

(5) The Bonds do not constitute a debt or grant or loan of credit of the State, and the State shall not be generally liable thereon, nor shall the Bonds be payable out of any funds other than those provided therefor pursuant to the Resolutions and the Act. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the principal or the interest on the Bonds.

(6) The interest on the Bonds (including any original issue discount properly allocable to the owners thereof) is excludable for federal income tax purposes from the gross income of the owners of the Bonds. The interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on corporations (as that term is defined for federal income tax purposes) and individuals. However, for purposes of computing the alternative minimum tax imposed on corporations, the interest on the Bonds is included in adjusted current earnings. The Code contains requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The State has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the State comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

QUARLES & BRADY LLP

Appendix D

OUTSTANDING BONDS
REFUNDED BY 2004 SERIES 1 BONDS

Series	Principal Amount	Interest Rate	Maturity Date	CUSIP	Call Date	Call Price
1994 Series A	$ 4,820,000	5.30%	7/1/2005	977123 GQ5	11/1/2004	100%
1995 Series A	5,055,000	4.90	7/1/2006	977123 HR2	7/1/2005	100
	5,330,000	5.00	7/1/2007	977123 HS0		
1996 Series A	5,565,000	5.25	7/1/2007	977123 JM1	7/1/2006	100
	5,860,000	5.40	7/1/2008	977123 JN9		
1998 Series B	5,905,000	5.00	7/1/2012	977123 LN6	7/1/2009	100
	6,180,000	5.00	7/1/2013	977123 LP1		
	6,475,000	5.00	7/1/2014	977123 LQ9		
	6,790,000	5.00	7/1/2015	977123 LR7		
2000 Series A	11,300,000	5.50	7/1/2015	977123 MP0	7/1/2010	100
	11,900,000	5.50	7/1/2016	977123 MQ8		
	12,500,000	5.50	7/1/2017	977123 MR6		
2002 Series A	9,850,000	5.00	7/1/2014	977123 RC4	7/1/2013	100
	97,530,000					

Appendix E

FINANCIAL SECURITY ASSURANCE®

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS:

Policy No.: -N

Effective Date:

Premium:

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer 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. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature] FINANCIAL SECURITY ASSURANCE INC.

By ______________________ By ______________________
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd. (212) 826-0100
350 Park Avenue, New York, N.Y. 10022-6022