

OFFICIAL STATEMENT

New Issue

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

\$48,275,000 STATE OF WISCONSIN GENERAL OBLIGATION BONDS OF 2005, SERIES E

Dated: Date of Delivery

Due: May 1, as shown below

Ratings AA- Fitch Ratings
Aa3 Moody's Investors Service, Inc.
AA- Standard & Poor's Ratings Services

Tax Exemption Interest on the Bonds is excluded from gross income, and is not included as an item of tax preference, for federal income tax purposes. Interest on the Bonds is subject to State of Wisconsin income and franchise taxes—*See pages 6-8.*

Redemption The Bonds are not subject to redemption prior to maturity—*See page 2.*

Security General obligations of the State of Wisconsin—*See page 2.*

Purpose Proceeds from the Bonds are being used to fund outstanding general obligation commercial paper notes—*See page 3.*

Interest Payment Dates May 1 and November 1

First Interest Payment Date May 1, 2006

Denominations Multiples of \$5,000

Closing/Settlement On or about December 8, 2005

Bond Counsel Foley & Lardner LLP

Registrar/Paying Agent Secretary of Administration

Issuer Contact Wisconsin Capital Finance Office
(608) 266-2305; DOACapitalFinanceOffice@wisconsin.gov

Book-Entry System The Depository Trust Company—*See pages 3-4.*

2004 Annual Report This Official Statement incorporates by reference Parts **I**, **II**, and **III** of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2004.

The Bonds were sold at competitive sale on November 15, 2005. The interest rates payable by the State, which are shown below, resulted from the award of the Bonds.

<u>CUSIP</u>	<u>Year (May 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>First Optional Call Date</u>	<u>Call Price</u>
97705L JZ1	2007	\$ 9,450,000	4.00%	Not Callable	-
97705L KA4	2008	9,920,000	5.00	Not Callable	-
97705L KB2	2009	10,415,000	5.00	Not Callable	-
97705L KC0	2010	9,020,000	5.00	Not Callable	-
97705L KD8	2011	9,470,000	5.00	Not Callable	-

Purchase Price: \$50,305,254.00

November 15, 2005

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

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

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

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

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STATE OFFICIALS PARTICIPATING IN THE ISSUANCE AND SALE OF THE BONDS

BUILDING COMMISSION MEMBERS

Voting Members	Term of Office Expires
Governor Jim Doyle, Chairperson	January 8, 2007
Senator Fred A. Risser, Vice-Chairperson	January 5, 2009
Senator Carol Roessler	January 5, 2009
Senator David Zien	January 8, 2007
Representative Jeff Fitzgerald	January 8, 2007
Representative Jennifer Shilling	January 8, 2007
Representative Debi Towns	January 8, 2007
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 State Facilities Department of Administration	At the pleasure of the Building Commission and the Secretary of Administration

OTHER PARTICIPANTS

Ms. Peggy A. Lautenschlager State Attorney General	January 8, 2007
Mr. Stephen E. Bablitch, Secretary Department of Administration	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

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david.erdman@wisconsin.gov

SUMMARY DESCRIPTION OF BONDS

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

Description:	State of Wisconsin General Obligation Bonds of 2005, Series E
Principal Amount:	\$48,275,000
Denominations:	Multiples of \$5,000
Date of Issue:	Date of delivery (on or about December 8, 2005)
Record Date:	April 15 and October 15
Interest Payments:	May 1 and November 1, beginning May 1, 2006
Maturities:	May 1, 2007-2011— <i>See front cover</i>
Redemption:	The Bonds are not subject to redemption prior to maturity.
Form:	Book-entry-only— <i>See pages 3-4</i>
Paying Agent:	All payments of principal and interest on the Bonds will be paid by the Secretary of Administration. All payments will be made to The Depository Trust Company, which will distribute payments to DTC Participants as described herein.
Security:	The Bonds are general obligations of the State of Wisconsin. As of October 1, 2005, general obligations of the State were outstanding in the amount of \$5,079,602,689.
Additional General Obligation Debt:	The State may issue additional general obligation debt.
Authority for Issuance:	The Bonds are issued under Article VIII of the Wisconsin Constitution and Chapters 18 and 20 of the Wisconsin Statutes.
Purpose:	Funding outstanding general obligation commercial paper notes.
Legality of Investment:	State law provides that the Bonds are legal investments for all banks, trust companies, bankers, savings banks and institutions, building and loan associations, savings and loan associations, credit unions, investment companies, and other persons or entities carrying on a banking business; for all 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 Bonds is excluded from gross income, and is not included as an item of tax preference, for federal income tax purposes— <i>See pages 6-8</i> Interest on the Bonds is subject to State of Wisconsin income and franchise taxes— <i>See page 7</i>
Legal Opinion:	Validity and tax opinion to be provided by Foley & Lardner LLP— <i>See page B-1</i>

OFFICIAL STATEMENT
\$48,275,000
STATE OF WISCONSIN
GENERAL OBLIGATION BONDS OF 2005, SERIES E

INTRODUCTION

This Official Statement provides information about the \$48,275,000 General Obligation Bonds of 2005, Series E (**Bonds**), which are being issued by the State of Wisconsin (**State**). This Official Statement includes by reference Parts I, II, and III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2004 (**2004 Annual Report**).

The Bonds are authorized under the Wisconsin Constitution and the Wisconsin Statutes, as well as an authorizing resolution that the State of Wisconsin Building Commission (**Commission**) adopted on October 24, 2000, as amended by resolutions the Commission adopted on July 30, 2003 and August 9, 2005.

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

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

THE STATE

The State is located in the Midwest among the northernmost tier of states. The State ranks 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, its financial condition, and its general obligation debt is included as **APPENDIX A**, which includes by reference Parts II and III of the 2004 Annual Report. **APPENDIX A** also includes information on the 2005-07 biennial budget, the results of the 2004-05 fiscal year, and other changes or additions to Parts II and III of the 2004 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: DOACapitalFinanceOffice@wisconsin.gov
Web site: www.doa.wi.gov/capitalfinance

THE BONDS

General

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

The Bonds will be dated their date of delivery (expected to be December 8, 2005) and will bear interest from that date payable on May 1 and November 1 of each year, beginning on May 1, 2006.

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

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

Security

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

Redemption

The Bonds are not subject to redemption prior to their maturity.

Registration and Payment of Bonds

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

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

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

Ratings

At the State’s request, several rating agencies have assigned a rating to the Bonds:

<u>Rating</u>	<u>Rating Agency</u>
AA-	Fitch Ratings
Aa3	Moody’s Investors Service, Inc. ⁽¹⁾
AA-	Standard & Poor’s Ratings Services ⁽²⁾

⁽¹⁾ On March 29, 2005, Moody’s Investors Service, Inc. changed the rating outlook on the State’s general obligations from “negative” to “stable”.

⁽²⁾ On November 9, 2005, Standard & Poor’s Ratings Services changed the rating outlook on the State’s general obligations from “stable” to “positive”.

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

Application of Bond Proceeds

The Bonds are being issued to fund outstanding general obligation commercial paper notes. Bond proceeds, together with cash provided by the State (in an amount that is primarily the scheduled amortization for the 2005-06 fiscal year), will fund the following outstanding amounts of commercial paper notes:

- \$33,995,000 General Obligation Commercial Paper Notes of 1997, Series A
- \$ 8,550,000 General Obligation Commercial Paper Notes of 1997, Series B
- \$ 7,090,000 General Obligation Commercial Paper Notes of 1998, Series A
- \$10,045,000 General Obligation Commercial Paper Notes of 1998, Series B

Bond proceeds and cash provided by the State will be transferred to the respective note funds held by the issuing and paying agent, and will be spent within 90 days of the delivery date of the Bonds to pay for maturing notes. The program resolution for the general obligation commercial paper notes provides that, when a deposit is made that is sufficient to pay the principal and interest of the notes, then the notes shall be deemed to have been paid and shall cease to be entitled to any benefit under the program resolution.

Book-Entry-Only Form

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

Bond certificates are to be issued and registered in the name of a nominee of DTC, which acts as securities depository for the Bonds. Ownership of the 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 Bonds must be made, directly or indirectly, through DTC Participants.

Payment

The State will make all payments of principal of, and interest on, the Bonds to DTC. Owners of the Bonds will receive payments through the DTC Participants.

Notices and Voting Rights

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

Redemption

If less than all of the Bonds of a given maturity are being redeemed, DTC's practice is to determine by lottery the amount of the 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, 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. The State is not responsible for any information available on DTC's web site. That information may be subject to change without notice.

The State is not responsible for a failure by DTC or any DTC Participant to transfer payments or notices to the owners of the Bonds or to follow the procedures established by DTC for its book-entry system.

OTHER INFORMATION

Limitations on Issuance of General Obligations

All general obligations issued by the State fall within a debt limit set forth in the Wisconsin Constitution and Statutes. There is an annual limit of three-quarters of one percent, and a cumulative limit of five percent, of the aggregate value of all taxable property in the State. The annual limit is currently \$3,209,501,715, and the aggregate limit is currently \$21,396,678,100. A funding or refunding obligation does not count for purposes of the annual debt limit or the cumulative debt limit. Accrued interest on any obligation that is not paid during the fiscal year in which it accrues is treated as debt and taken into account for purposes of the debt limitations. As of October 1, 2005, general obligations of the State were outstanding in the amount of \$5,079,602,689.

Borrowing Plans

General Obligations

The State has sold and delivered the following general obligations in calendar year 2005:

- Approximately \$467 million of general obligation bonds for various governmental purposes.
- Approximately \$430 million of general obligation bonds to advance refund general obligation bonds previously issued for various governmental purposes.
- Approximately \$5 million of taxable general obligation bonds for the veterans housing loan program.

The State has also sold \$97 million of general obligation bonds to refund general obligation bonds previously issued for various governmental purposes. This series of bonds was sold with a forward delivery date of January 31, 2006. In addition, the Commission has also authorized the following general obligations that may be sold and delivered in calendar years 2005 or 2006:

- Up to \$440 million of general obligation bonds to refund general obligation bonds previously issued for general governmental purposes. The amount and timing of any issuance of general obligation refunding bonds for this purpose depend on market conditions.
- Up to \$45 million of taxable general obligation bonds for the veterans housing loan program. The amount and timing of any additional issuance of taxable general obligation bonds depend on originations of veterans housing loans.

- Up to \$113 million of general obligation bonds to refund general obligation bonds previously issued for the veterans housing loan program. The amount and timing of any issuance of general obligation refunding bonds for this purpose depend on market conditions.
- Up to \$40 million of general obligation subsidy bonds to be purchased by the Environmental Improvement Fund for the Clean Water Fund Program. The amount and timing of any issuance of additional general obligation subsidy bonds for this purpose depend on loan disbursements from the Clean Water Fund Program.

The Commission is expected to authorize in the fourth quarter of calendar year 2005, and the State may sell and deliver by the end of the first quarter of calendar year 2006, additional general obligations for general governmental purposes. These general obligations are expected to be in the form of bonds and commercial paper notes.

Other Obligations

During calendar year 2005, the State has sold and delivered, as two series, \$179 million of transportation revenue refunding bonds to refund previously issued transportation revenue bonds and \$215 million of transportation revenue bonds to pay the costs of financing transportation facilities and major highway projects. The Commission has also authorized up to \$250 million of additional transportation revenue refunding bonds to refund previously issued transportation revenue bonds. The amount and timing of any issuance of refunding bonds depend on market conditions.

During calendar year 2005, the State has sold and delivered \$108 million of clean water revenue refunding bonds to refund previously issued clean water revenue bonds. The Commission has authorized up to \$125 million of clean water revenue bonds to fund loans in the Clean Water Fund Program; the State is expected to issue these clean water revenue bonds in the first quarter of calendar year 2006. The Commission has also authorized up to \$125 million of additional clean water revenue refunding bonds to refund previously issued clean water revenue bonds. The amount and timing of any issuance of refunding bonds depend on market conditions.

The Commission has authorized up to \$73 million of petroleum inspection fee revenue refunding bonds. The amount and timing of any issuance of refunding bonds depend on market conditions.

The State does not currently plan to issue operating notes for the 2005-06 fiscal year.

Underwriting

The Bonds were purchased through competitive bidding on November 15, 2005 by Lehman Brothers (**Underwriter**). The Underwriter paid \$50,305,254.00, and its bid resulted in a true interest cost rate to the State of 3.571349%.

Reference Information About the Bonds

Both the table below **and the table on the front cover** include information about the Bonds and are provided for reference. The CUSIP number for each maturity has been obtained from sources the State believes to be reliable, but the State is not responsible for the correctness of the CUSIP numbers. The Underwriter has provided the reoffering yields and prices to allow the computation of yield for federal tax law compliance.

\$48,275,000
State of Wisconsin
General Obligation Bonds of 2005, Series E

Dated Date: Date of Delivery
First Interest Date: May 1, 2006
Delivery/Settlement Date: On or about December 8, 2005

CUSIP	Year (May 1)	Principal Amount	Interest Rate	Yield at Issuance	Price at Issuance	First Optional Call Date	Call Price
97705L JZ1	2007	\$ 9,450,000	4.00%	3.28%	100.972%	Not Callable	-
97705L KA4	2008	9,920,000	5.00	3.35	103.767	Not Callable	-
97705L KB2	2009	10,415,000	5.00	3.46	104.892	Not Callable	-
97705L KC0	2010	9,020,000	5.00	3.56	105.810	Not Callable	-
97705L KD8	2011	9,470,000	5.00	3.68	106.404	Not Callable	-

Legal Investment

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

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

Legal Opinions

Bond Opinion

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

Attorney General

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

Tax Exemption

Federal Income Tax

In the opinion of Bond Counsel, under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes. Such interest also is not an item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers. For the purpose of computing the alternative minimum tax imposed on certain corporations, however, interest on the Bonds is taken into account in determining adjusted current earnings. As to questions of fact material to Bond Counsel's opinion, Bond Counsel has relied upon certified proceedings and certifications of public officials without independently undertaking to verify them. Moreover, the State must comply with all requirements of the Internal Revenue Code of 1986, as amended (**Code**), that must be satisfied after the Bonds are issued for interest on the Bonds to be, or continue to be, excluded from gross income for federal income tax purposes. The State has promised to comply with those requirements to the extent it may lawfully do so. Its failure to do so may cause interest on the Bonds to be included in gross income for federal income tax

purposes, perhaps even starting from the date the Bonds were issued. Bond Counsel expresses no opinion about other federal tax consequences arising regarding the Bonds. The proceedings authorizing the Bonds do not provide for an increase in interest rates or a redemption of the Bonds in the event interest on the Bonds ceases to be excluded from gross income.

State of Wisconsin Income and Franchise Taxes

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

Premium Bonds

Each Bond has an issue price that is greater than the amount payable at the maturity of the Bond **(Premium Bond)**.

Any Premium Bond purchased in the initial offering at the issue price will have “amortizable bond premium” within the meaning of Section 171 of the Code. An owner of a Premium Bond that has amortizable bond premium is not allowed any deduction for the amortizable bond premium. During each taxable year, such an owner must reduce his or her tax basis in the Premium Bond by the amount of the amortizable bond premium that is allocable to the portion of such taxable year during which the owner owned the 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 the Premium Bond.

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

Collateral Tax Consequences

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

- Section 265 of the Code denies a deduction for interest on any indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of an owner’s interest expense allocable to interest on the Bonds.
- Property and casualty insurance companies will be required in each taxable year to reduce the amount of their deductible losses by 15% of the amount of tax-exempt interest received or accrued during such taxable year, including interest on the Bonds, and life insurance companies are subject to similar provisions under which taxable income is increased by reason of receipt or accrual of tax-exempt interest.
- Interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code.
- Passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of the S corporation is passive investment income.
- Section 86 of the Code requires certain recipients of social security and railroad retirement benefits to include a portion of those benefits in gross income by reason of receipt or accrual of interest on the Bonds.

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

CONTINUING DISCLOSURE

The State has made an undertaking, for the benefit of the beneficial owners of the Bonds, to provide an annual report presenting certain financial information and operating data about the State (**Annual Reports**). By 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 2004 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
DOACapitalFinanceOffice@wisconsin.gov
www.doa.wi.gov/capitalfinance

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: November 15, 2005

STATE OF WISCONSIN

/s/ JIM DOYLE

Governor Jim Doyle, Chairperson
State of Wisconsin Building Commission

/s/ STEPHEN E. BABLITCH

Stephen E. Bablitch, Secretary
State of Wisconsin Department of Administration

/s/ ROBERT G. CRAMER

Robert G. Cramer, Secretary
State of Wisconsin Building Commission

APPENDIX A

INFORMATION ABOUT THE STATE

This appendix includes information concerning the State of Wisconsin (**State**). Parts **II** and **III** of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2004 (**2004 Annual Report**) are included by reference as part of this APPENDIX A. This appendix also includes information on the 2005-07 biennial budget, the results of the 2004-05 fiscal year, and other changes or additions to the information presented in Parts II and III of the 2004 Annual Report.

[Part II of the 2004 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 2003-04
- 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 2004 Annual Report](#) are the audited general purpose external financial statements for the fiscal year ending June 30, 2004, prepared in conformity with generally accepted accounting principles (GAAP) for governments as prescribed by the Government Accounting Standards Board, and the State Auditor's report.

Part III to the 2004 Annual Report contains information concerning general obligations issued by the State. That part discusses the security provisions for general obligation debt (including the flow of funds to pay debt service on general obligations) and presents data about the State's outstanding general obligation debt and the portion of that general obligation debt that is revenue-supported general obligation debt.

The 2004 Annual Report has been filed with each nationally recognized municipal securities information repository (NRMSIR). As of the date of this Official Statement, Parts **II** and **III** of the 2004 Annual Report are available from the part of the Capital Finance Office web site called "Official Disclosure for Bonds, Notes, and Other Securities Issued by the State of Wisconsin". The Capital Finance Office web site is located at the following address:

www.doa.wi.gov/capitalfinance

Copies of the 2004 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
DOACapitalFinanceOffice@wisconsin.gov

After publication and filing of the 2004 Annual Report, certain changes or events have occurred that affect items discussed in the 2004 Annual Report. Listed below, by reference to particular sections of Parts II and III of the 2004 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 2005-07 (Part II–Page 30). Add the following:

Impact from Results of 2004-05 Fiscal Year

As outlined in the Annual Fiscal Report (budgetary basis) for the 2004-05 fiscal year, the result of the restated beginning balance for the 2004-05 fiscal year and the lower-than-projected General Fund revenues is a \$57 million reduction in the projected General Fund ending balances for both the 2005-06 and 2006-07 fiscal years. See “**STATE BUDGET; FISCAL YEAR 2004-05; Results of 2004-05 Fiscal Year**” in this APPENDIX A. The following are General Fund condition statements for these two fiscal years, as prepared by the Legislative Fiscal Bureau (LFB), which shows the modifications as identified in the Annual Fiscal Report (budgetary basis) for the 2004-05 fiscal year.

**General Fund Condition Statement
Reflects Modifications As Identified in the 2004-05 Annual Fiscal Report
2005-06 and 2006-07 Fiscal Years
(in Millions)**

	2005 Wisconsin Act 25; Enacted Budget Bill		2005 Wisconsin Act 25; Modified by 2004-05 Annual Fiscal Report	
	<u>2005-06</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2006-07</u>
Revenues				
Opening Balance	\$ 5.8	\$ 65.2	\$ 4.1	\$ 8.5
Taxes	11,957.1	12,506.8	11,957.1	12,506.8
Department Revenues				
Tribal Gaming	118.6	86.3	118.6	86.3
Other	<u>674.8</u>	<u>513.6</u>	<u>674.8</u>	<u>513.6</u>
Total Available	12,756.3	13,172.0	12,754.6	13,115.3
Appropriations				
Gross Appropriations	12,681.2	13,176.2	12,681.2	13,176.2
Compensation Reserves	90.1	178.3	90.1	178.3
Transfer to Medical Assistance Trust Fund				
Act 25	235.4	0.0	235.4	0.0
2004 -05 Annual Fiscal Report	0.0	0.0	55.0	0.0
Less: Lapses	<u>(315.6)</u>	<u>(252.9)</u>	<u>(315.6)</u>	<u>(252.9)</u>
Net Appropriations	12,691.1	13,101.6	12,746.1	13,101.6
Balances				
Gross Balance	65.2	70.4	8.5	13.7
Less: Required Statutory Balance	<u>(65.0)</u>	<u>(65.0)</u>	<u>(65.0)</u>	<u>(65.0)</u>
Net Balance, June 30	\$ 0.2	\$ 5.4	\$ (56.5)	\$ (51.3)

A complete copy of the Annual Fiscal Report (budgetary basis) for the 2004-05 fiscal year can be obtained from the State at the [address on page A-1](#).

Impact of Supreme Court Decision Concerning Amendments to Gaming Compacts

It was announced on October 4, 2005 that an agreement had been reached between the State and the Forest County Potawatomi Community concerning an amendment to the Potawatomi gaming compact. As a result of this agreement, a lump sum payment of approximately \$44 million is expected to be made to the State in the 2005-06 fiscal year. This payment, which was due in the 2004-05 fiscal year, is currently being held in escrow.

2005 Wisconsin Act 25

On July 25, 2005, Governor Doyle approved in part, and vetoed in part, the budget bill for the 2005-07 biennium. A two-thirds vote in each house of the Legislature is required to override any veto. The tables on pages A-6 and A-7 present more detail on the General Fund and All-Funds budgets for the 2005-06 and 2006-07 fiscal years. The tables also reflect the results of the 2004-05 fiscal year.

Further information of the budget bill for the 2005-07 biennium may be obtained from the State at the [address on page A-1](#).

May 2005 General Fund Revenue Projections—LFB

On May 16, 2005, LFB released General Fund revenue estimates for use by the Wisconsin Legislature. The LFB report also included estimated tax projections for each year of the 2005-07 biennium.

For the 2005-06 and 2006-07 fiscal years, LFB projected that General Fund tax collections would be \$138 million and \$82 million more, respectively, than the amounts LFB projected in January 2005. A [complete copy of the May 2005 LFB memorandum appears on pages A-8 to A-15](#) of this Official Statement.

State Budget; Fiscal Year 2004-05 (Part II—Pages 28-30). Update with the following:

Results of 2004-05 Fiscal Year

The Annual Fiscal Report (budgetary basis) for the 2004-05 fiscal year was published on October 15, 2005. It reports the State ended the 2004-05 fiscal year on a statutory and unaudited basis with an undesignated balance of \$4 million. The State did not issue any operating notes during the 2004-05 fiscal year.

General Fund revenues, or general-purpose revenue taxes, were \$11.397 billion, an amount that was \$658 million more than the 2003-04 fiscal year and \$52 million less than the General Fund revenue estimates released by LFB in May 2005. The table on the following page provides a more detailed comparison of actual General Fund revenues and various projections during the 2004-05 fiscal year.

In addition, due to a change in the State's accounting for accrued tax revenues, the General Fund balance for the 2003-04 fiscal year, as reported in the Annual Fiscal Report (budgetary basis) for the 2003-04 fiscal year, has been adjusted downward by \$27 million. As a result of (i) this adjustment to the General Fund balance for the 2003-04 fiscal year, and (ii) the lower-than-projected General Fund revenues for the 2004-05 fiscal year, the transfer of \$75 million from the General Fund to the Medical Assistance Trust Fund, as directed by 2005 Wisconsin Act 15, has been split between the 2004-05 and 2005-06 fiscal years. Given the ending balance of \$4 million for the 2004-05 fiscal year, the transfer of the entire \$75 million in that fiscal year would have resulted in a negative ending balance for the 2004-05 fiscal year. See "[STATE BUDGET; FISCAL YEAR 2004-05; Fiscal Year 2004-05 Medicaid Bills](#)" in this APPENDIX A

A complete copy of the Annual Fiscal Report (budgetary basis) for the 2004-05 fiscal year can be obtained from the State at the [address on page A-1](#).

Actual and Projected General Fund Tax Collections
2004-05 Fiscal Year
(Amounts in Millions)

	LFB Projections <u>January 2005</u>	LFB Projections <u>May 2005</u>	Annual Fiscal Report Actual <u>October 2005</u>	Difference (Actual to <u>May 2005 Projection)</u>
Individual Income	\$ 5,630.0	\$ 5,740.0	\$ 5,650.1	\$ (89.9)
Sales and Use	4,025.0	4,025.0	4,038.7	13.7
Corporate Income & Franchise	735.0	750.0	764.1	14.1
Public Utility	253.2	253.2	254.4	1.2
Excise				
Cigarettes	296.0	296.0	294.3	4.3
Liquor & Wine	40.0	40.0	39.5	(0.5)
Tobacco Products	16.7	15.7	15.8	0.1
Beer	9.6	9.6	9.8	0.2
Insurance Company	130.0	128.0	129.8	1.8
Estate	100.0	110.0	112.4	2.4
Miscellaneous Taxes	<u>84.6</u>	<u>87.6</u>	<u>87.7</u>	<u>0.1</u>
TOTAL	<u>\$11,320.1</u>	<u>\$11,449.1</u>	<u>\$11,396.6</u>	<u>\$ (52.5)</u>

Impact of Supreme Court Decision Concerning Amendments to Gaming Compacts

The Wisconsin Supreme Court ruled in May 2004 that the Governor's execution on the State's behalf of an amendment to the gaming compact with a tribal government was unconstitutional. Although the decision concerned an amendment to a gaming compact with only 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.

The State's 2003-05 biennial budget assumed \$105 million of payments in the 2004-05 fiscal year from all amended gaming compacts. For the 2004-05 fiscal year, the State received the expected payments from all but two tribal governments. One tribal government placed its payment of about \$44 million in escrow for release to the State upon completion of a new amendment to its gaming compact. The other tribal government did not make its payment of about \$30 million.

May 2005 General Fund Revenue Projections—LFB

On May 16, 2005, LFB released General Fund revenue estimates for fiscal year 2004-05 for use by the Wisconsin Legislature. The LFB report also included estimated tax projections for each year of the 2005-07 biennium.

For the 2004-05 fiscal year, the May 2005 LFB report estimates that General Fund tax collections will be \$129 million more than the amount that LFB projected in January 2005.

The May 2005 LFB report also included other items affecting the General Fund in the 2004-05 fiscal year. The report projected a shortfall of \$75 million in the Medical Assistance Trust Fund, a shortfall of approximately \$30 million in the fuel and utility appropriation for the University of Wisconsin, and a shortfall of approximately \$7 million in the fuel and utility appropriation for the Department of Corrections. See **"STATE BUDGET; FISCAL YEAR 2004-05; Fiscal Year 2004-05 Medicaid Bills"** in this APPENDIX A for subsequent events that addressed these projected shortfalls.

A complete copy of the May 2005 LFB memorandum [appears on pages A-8 to A-15](#) of this Official Statement.

Fiscal Year 2004-05 Medicaid Bills

On February 8, 2005, the Department of Administration provided a letter to the chairs of the Joint Committee on Finance that identified a \$196 million shortfall for Medical Assistance-related programs. Specifically, this letter identified a \$194 million shortfall for the Medicaid program and a \$12 million shortfall for the SeniorCare program, which were partially offset by \$10 million of underspending in the BadgerCare program.

On February 22, 2005, the Legislature approved a bill that addressed, in part, this projected shortfall, and Governor Doyle signed this bill into law on February 25, 2005 (2005 Wisconsin Act 2). This act increased the appropriation from the General Fund for this purpose by nearly \$70 million and transferred \$50 million from the General Fund to the Medical Assistance Trust Fund. After giving effect to this act, the shortfall in the Medical Assistance Trust Fund was reduced to approximately \$70 million.

On June 15, 2005, the Legislature approved a bill that addressed the remaining shortfall in the Medical Assistance Trust Fund, and Governor Doyle signed this bill into law on June 22, 2005 (2005 Wisconsin Act 15). This act transferred an additional \$75 million from the General Fund to the Medical Assistance Trust Fund. As noted in [“STATE BUDGET; FISCAL YEAR 2004-05; Results of 2004-05 Fiscal Year” in this Appendix A](#), this transfer was split between the 2004-05 and 2005-06 fiscal years. Furthermore, this act also corrected the shortfalls in the fuel and utility appropriations of the University of Wisconsin and Department of Corrections.

January 2005 General Fund Revenue and Expenditure Projections—LFB

On January 25, 2005, LFB released General Fund revenue and expenditure projections for use by the Wisconsin Legislature. While these projections are not required by Wisconsin Statutes, LFB generally provides similar projections each fiscal year. The January 2005 LFB report also includes estimated tax projections for each year of the 2005-07 biennium.

For the 2004-05 fiscal year, LFB projected that General Fund tax collections would be \$16 million less than the amount the Department of Revenue projected in November 2004. The January 2005 LFB report also projected that the General Fund ending balance for the 2004-05 fiscal year will be \$88 million, which is \$88 million less than the projected net ending General Fund balance included in the report released by the Department of Administration in November 2004.

A copy of the January 2005 LFB report can be obtained from the State at the [address on page A-1](#).

Table II-4; State Budget-General Fund (Part II–Page 32). Update with the following:

State Budget–General Fund^(a)

	Actual 2004-2005 ^(b)	Budget 2004-2005 ^(c)	Budget 2005-2006	Budget 2006-2007
RECEIPTS				
Fund Balance from Prior Year.....	\$ 129,004,000	\$ 133,428,000	\$ 4,111,000 ^(d)	\$ 8,520,800
Tax Revenue				
State Taxes Deposited to General Fund				
Individual Income.....	5,650,109,000	5,556,590,000	6,144,500,000	6,502,757,200
General Sales and Use.....	4,038,715,000	4,094,750,000	4,181,600,000	4,358,100,000
Corporate Franchise and Income.....	764,053,000	627,050,000	683,320,000	670,252,800
Public Utility.....	254,443,000	271,000,000	267,465,000	281,065,000
Excise				
Cigarette/Tobacco Products.....	310,142,000	302,000,000	304,320,000	304,190,000
Liquor and Wine.....	39,532,000	40,000,000	40,800,000	41,600,000
Malt Beverage.....	9,770,000	9,800,000	9,600,000	9,600,000
Inheritance, Estate & Gift.....	112,346,000	90,000,000	105,000,000	110,000,000
Insurance Company.....	129,839,000	120,000,000	131,000,000	137,703,000
Other.....	107,496,000	78,000,000	89,500,000	91,500,000
Subtotal.....	<u>11,416,445,000</u>	<u>11,189,190,000</u>	<u>11,957,105,000</u>	<u>12,506,768,000</u>
Nontax Revenue				
Departmental Revenue				
Tribal Gaming Revenues	n/a ^(e)	80,595,400	118,628,600 ^(f)	86,349,100
Other.....	237,384,000	329,151,800	674,768,700	513,641,700
Program Revenue-Federal.....	6,190,669,000	5,509,198,900	5,881,969,000	5,976,875,800
Program Revenue-Other.....	3,347,102,000	3,533,134,400	3,652,367,300	3,727,060,500
Subtotal.....	<u>9,775,155,000</u>	<u>9,452,080,500</u>	<u>10,327,733,600</u>	<u>10,303,927,100</u>
Total Available.....	<u>\$ 21,320,604,000</u>	<u>\$ 20,774,698,500</u>	<u>\$ 22,288,949,600</u>	<u>\$ 22,819,215,900</u>
DISBURSEMENTS AND RESERVES				
Commerce.....	253,520,000	\$ 274,448,400	288,639,300	280,863,700
Education.....	9,614,612,000	9,381,679,500	10,151,858,300	10,374,195,600
Environmental Resources.....	233,160,000	252,105,900	296,476,000	337,924,200
Human Relations and Resources.....	8,933,512,000	8,435,726,300	8,496,069,700	8,957,964,800
General Executive.....	626,194,000	636,573,200	890,108,400	876,584,600
Judicial.....	114,247,000	110,988,200	113,245,800	113,301,400
Legislative.....	58,234,000	62,479,800	63,707,200	63,637,700
General Appropriations.....	1,654,699,000	1,656,183,700	1,915,407,600	1,875,696,800
Subtotal.....	<u>21,488,178,000</u>	<u>20,810,185,000</u>	<u>22,215,512,300</u>	<u>22,880,168,800</u>
Less: (Lapses).....	n/a	(215,125,400)	(315,586,600)	(252,906,900)
Compensation Reserves.....	n/a	163,019,600	90,054,100	178,302,800
Required Statutory Balance.....	n/a	40,000,000	65,000,000	65,000,000
Transfer to Medical Assistance Trust Fund	n/a	n/a	235,449,000	n/a
Adjustment 2004-05 Fiscal Report.....	n/a	n/a	55,000,000	n/a
Changes in Continuing Balance.....	(176,871,000)	n/a	n/a	n/a
Total Disbursements & Reserves.....	<u>\$ 21,311,307,000</u>	<u>\$ 20,798,079,200</u>	<u>\$ 22,345,428,800</u>	<u>\$ 22,870,564,700</u>
Fund Balance.....	\$ 9,297,000	\$ (23,380,700)	\$ (56,479,200)	\$ (51,348,800)
Undesignated Balance.....	\$ 4,111,000	\$ 16,619,300	\$ 8,520,800	\$ 13,651,200

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

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

(c) The amounts shown incorporate all budget acts of the 2003 legislative session but do not reflect the provisions of 2005 Wisconsin Acts 2 and 15, which addressed projected shortfalls for Medical Assistance-related programs and utility fuel costs.

(d) The beginning balance is based on Legislative Fiscal Bureau memo, dated October 18, 2005, which reflects the Annual Fiscal Report (budgetary basis) for the 2004-05 fiscal year.

(e) Tribal gaming revenues are budgeted separately; however, when the payments are received by the State, they are not specifically reported but rather included within the category entitled "Nontax Revenue - Departmental Revenue".

(f) Assumes receipt of certain tribal gaming payments that were due in previous fiscal years.

Sources: Legislative Fiscal Bureau and Department of Administration.

Table II-5; State Budget-All Funds (Part II–Page 33). Update with the following:

State Budget–All Funds^(a)				
	Actual	Budget	Budget	Budget
	2004-2005^(b)	2004-2005^(c)	2005-2006	2006-2007
RECEIPTS				
Fund Balance from Prior Year.....	\$ 129,004,000	\$ 133,428,000	\$ 4,111,000 ^(d)	\$ 8,520,800
Tax Revenue				
Individual Income.....	5,650,109,000	5,556,590,000	6,144,500,000	6,502,757,200
General Sales and Use.....	4,038,715,000	4,094,750,000	4,181,600,000	4,358,100,000
Corporate Franchise and Income.....	764,053,000	627,050,000	683,320,000	670,252,800
Public Utility.....	254,443,000	271,000,000	267,465,000	281,065,000
Excise				
Cigarette/Tobacco Products.....	310,142,000	302,000,000	304,320,000	304,190,000
Liquor and Wine.....	39,532,000	40,000,000	40,800,000	41,600,000
Malt Beverage.....	9,770,000	9,800,000	9,600,000	9,600,000
Inheritance, Estate & Gift.....	112,346,000	90,000,000	105,000,000	110,000,000
Insurance Company.....	129,839,000	120,000,000	131,000,000	137,703,000
Other.....	<u>1,271,777,000</u>	<u>78,000,000^(e)</u>	<u>89,500,000^(e)</u>	<u>91,500,000^(e)</u>
Subtotal.....	12,580,726,000	11,189,190,000	11,957,105,000	12,506,768,000
Nontax Revenue				
Departmental Revenue				
Tribal Gaming Revenues	-	80,595,400	118,628,600 ^(g)	86,349,100
Other.....	237,384,000	329,151,800	674,768,700	513,641,700
Total Federal Aids.....	6,190,669,000	6,172,387,600	6,666,435,700	6,765,443,900
Total Program Revenue.....	3,347,102,000	3,533,134,400	3,652,367,300	3,727,060,500
Total Segregated Funds.....	4,446,271,000	2,808,703,900	2,725,433,400	2,660,878,900
Bond Authority.....	734,441,000	485,000,000	544,797,000	622,735,000
Employee Benefit Contributions ^(h)	<u>9,482,548,000</u>	<u>7,203,432,000</u>	<u>7,343,260,000</u>	<u>7,718,157,000</u>
Subtotal.....	<u>24,438,415,000</u>	<u>20,612,405,100</u>	<u>21,725,690,700</u>	<u>22,094,266,100</u>
Total Available.....	<u>\$ 37,148,145,000</u>	<u>\$ 31,935,023,100</u>	<u>\$ 33,686,906,700</u>	<u>\$ 34,609,554,900</u>
DISBURSEMENTS AND RESERVES				
Commerce.....	\$ 385,481,000	\$ 473,052,600	\$ 464,344,300	\$ 453,856,500
Education.....	10,010,896,000	9,507,703,400	10,214,983,700	10,437,359,000
Environmental Resources.....	3,067,825,000	2,477,859,700	2,709,947,700	3,035,491,700
Human Relations and Resources.....	10,361,051,000	8,867,059,700	9,037,349,300	9,146,826,100
General Executive.....	5,671,189,000	791,644,300	1,047,117,300	1,034,964,700
Judicial.....	114,593,000	111,701,500	113,974,200	114,029,800
Legislative.....	58,234,000	62,479,800	63,707,200	63,637,700
General Appropriations.....	2,591,140,000	1,990,576,600	2,073,988,700	2,043,450,300
General Obligation Bond Program.....	730,513,000	485,000,000	544,797,000	622,735,000
Employee Benefit Payments ^(h)	4,587,874,000	4,428,317,000	4,844,548,000	5,324,309,000
Reserve for Employee Benefit Payments ^(h)	<u>4,894,674,000</u>	<u>2,775,115,000</u>	<u>2,498,712,000</u>	<u>2,393,848,000</u>
Subtotal.....	42,473,470,000	31,970,509,600	33,613,469,400	34,670,507,800
Less: (Lapses).....	n/a	(215,125,400)	(315,586,600)	(252,906,900)
Compensation Reserves.....	n/a	163,019,600	90,054,100	178,302,800
Required Statutory Balance.....	n/a	40,000,000	65,000,000	65,000,000
Transfer to Medical Assistance Trust Fund.....	n/a	n/a	235,449,000	n/a
Adjustment 2004-2005 Fiscal Report.....	n/a	n/a	55,000,000	n/a
Change in Continuing Balance.....	<u>(5,334,622,000)</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>
Total Disbursements & Reserves.....	<u>\$ 37,138,848,000</u>	<u>\$ 31,958,403,800</u>	<u>\$ 33,743,385,900</u>	<u>\$ 34,660,903,700</u>
Fund Balance.....	\$ 9,297,000	\$ (23,380,700)	\$ (56,479,200)	\$ (51,348,800)
Undesignated Balance.....	\$ 4,111,000	\$ 16,619,300	\$ 8,520,800	\$ 13,651,200

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

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

(c) The amounts shown incorporate all budget acts of the 2003 legislative session but do not reflect the provisions of 2005 Wisconsin Acts 2 and 15, which addressed projected shortfalls for Medical Assistance-related programs and utility fuel costs.

(d) The beginning balance is based on Legislative Fiscal Bureau memo, dated October 18, 2005, which reflects the Annual Fiscal Report (budgetary basis) for the 2004-05 fiscal year.

(e) The budgeted amounts do not include taxes collected for segregated funds. The largest such tax is the motor fuel tax. The State collected \$955 million of motor fuel taxes in the 2004-05 fiscal year.

(f) Tribal gaming revenues are budgeted separately; however, when the payments are received by State, they are not specifically reported but rather included within the category entitled "Nontax Revenue - Departmental Revenue".

(g) Assumes receipt of certain tribal gaming payments that were due in previous fiscal years.

(h) State law separates the accounting of employee benefits from the budget. They are included for purposes of comparability to the figures presented in this table and Tables II-1 and II-2 in Part II of the Annual Report.

Sources: Legislative Fiscal Bureau and Department of Administration.



Legislative Fiscal Bureau

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May 16, 2005

Senator Scott Fitzgerald, Senate Chair
Representative Dean Kaufert, Assembly Chair
Joint Committee on Finance
State Capitol
Madison, WI 53703

Dear Senator Fitzgerald and Representative Kaufert:

In January of 2005, this office prepared estimates of general fund tax collections for 2004-05 and the two years of the 2005-07 biennium. These figures were incorporated into the Governor's 2005-07 budget bill.

Recently, tax collections data for April became available and the May, 2005, national economic forecast by Global Insight, Inc. was released. Based upon our review of tax collections data and the new economic forecast, we now believe that general fund tax revenues will be higher than the amounts estimated last January by \$129.0 million in 2004-05, \$137.6 million in 2005-06, and \$82.4 million in 2006-07. The three-year increase in the estimates is \$349.0 million, or slightly less than 1%.

The increase is primarily due to the individual income tax, which has shown strong growth in collections in recent months. In addition, the forecast of personal income growth in 2004 and 2005 has been revised upward since January. More modest increases are estimated for the corporate income and franchise tax, estate tax, and real estate transfer fee. Small decreases are estimated for insurance taxes and the excise taxes on cigarettes and tobacco products. The estimates for the sales tax, public utility taxes, and excise taxes on beer, wine, and liquor have not been changed.

Table 1 shows the revised tax revenue estimates and Table 2 outlines the May, 2005, economic forecast by Global Insight, Inc. The tax revenue estimates in Table 1 reflect current law and do not incorporate any of the law changes recommended by the Governor in the budget bill. The sections following the tables present additional detail about the economic forecast and the new revenue estimates.

TABLE 1
Projected General Fund Tax Collections
(\$ in Millions)

	<u>2003-05 Biennium</u>		<u>2005-07 Biennium</u>	
	<u>2003-04</u> <u>Actual</u>	<u>2004-05</u> <u>Estimated</u>	<u>2005-06</u> <u>Estimated</u>	<u>2006-07</u> <u>Estimated</u>
Individual Income	\$5,277.1	\$5,740.0	\$6,130.0	\$6,490.0
General Sales and Use	3,899.3	4,025.0	4,180.0	4,355.0
Corporate Income & Franchise	650.5	750.0	685.0	670.0
Public Utility	269.8	253.2	267.6	281.2
Excise				
Cigarette	291.3	290.0	288.0	287.0
Liquor and Wine	38.5	40.0	40.8	41.6
Tobacco Products	16.1	15.7	16.5	17.4
Beer	9.6	9.6	9.6	9.6
Insurance Company	123.6	128.0	131.0	133.0
Estate	86.4	110.0	105.0	110.0
Miscellaneous Taxes	<u>77.1</u>	<u>87.6</u>	<u>89.5</u>	<u>91.5</u>
TOTAL	\$10,739.3	\$11,449.1	\$11,943.0	\$12,486.3
Change from Prior Year		\$709.8	\$493.9	\$543.3
Percent Change		6.6%	4.3%	4.5%

TABLE 2
Summary of National Economic Indicators
Global Insight, Inc.
May, 2005
(\$ in Billions)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Nominal GDP	\$11,735.0	\$12,447.0	\$13,076.4	\$13,729.6
% Change	6.6%	6.1%	5.1%	5.0%
Real GDP	\$10,841.9	\$11,213.5	\$11,534.5	\$11,866.4
% Change	4.4%	3.4%	2.9%	2.9%
CPI	2.7%	2.9%	2.1%	1.9%
Personal Income	\$9,673.0	\$10,215.8	\$10,800.8	\$11,373.9
% Change	5.6%	5.6%	5.7%	5.3%
Personal Consumption	\$8,229.9	\$8,708.4	\$9,115.9	\$9,551.6
% Change	6.0%	5.8%	4.7%	4.8%
Economic Profits	\$1,181.6	\$1,359.2	\$1,350.7	\$1,372.7
% Change	15.7%	15.0%	-0.6%	1.6%
Unemployment Rate	5.5%	5.2%	5.2%	5.3%

National Economic Forecast

Nominal (current-dollar) gross domestic product (GDP) grew by an estimated 6.6% in 2004, and real (inflation-adjusted) GDP increased by 4.4%, which was the strongest rate of economic growth since 1999. The January, 2005, economic forecast by Global Insight, Inc. (which was used for the previous tax revenue estimates) projected that positive growth would continue over the next three years, but that the rate of growth would decelerate.

As with the January forecast, Global Insight, Inc.'s May economic forecast anticipates continued positive growth through 2007, with slower rates of growth occurring in 2006 and 2007. Nominal GDP is expected to increase by 6.1% in 2005, 5.1% in 2006, and 5.0% in 2007. Compared to the January forecast, the 2005 growth rate is 0.4% higher and the growth rates in 2006 and 2007 are slightly lower (-0.1% in 2006 and -0.2% in 2007). However, growth in real GDP is expected to be significantly lower in 2006 and 2007 than was forecast in January. Specifically, real GDP growth is now projected to be 3.4% in 2005 and 2.9% in 2006 and 2007. These estimates are lower than the January figures by 0.1% in 2005 and 0.5% in 2006 and 2007. Essentially, the current forecast assumes that lower real economic growth will be accompanied by higher inflation, which will result in small changes to nominal growth.

Inflation, as measured by the consumer price index (CPI), is now estimated at 2.9% in 2005, 2.1% in 2006, and 1.9% in 2007. While these estimates are still low by historical standards, they exceed the January projections by 0.7% in 2005, 0.5% in 2006, and 0.1% in 2007. Estimates of other measures of inflation have been increased more significantly since January. Inflation in producer prices is now expected to exceed the January estimates by 2.1% in 2005, 1.5% in 2006, and 0.4% in 2007 for finished goods; by 2.8% in 2005 and 2.2% in 2006 for intermediate materials; and by 9.9% in 2005, 2.4% in 2006, and 1.9% in 2007 for crude materials. The new inflation estimates primarily reflect high prices for oil and other commodities. In addition, productivity growth has slowed, which has raised unit labor costs. The forecast assumes that oil prices will remain at approximately \$50 per barrel through the end of 2005 and then fall slightly to \$48 per barrel during 2006.

As expected, on May 5, the Federal Reserve increased the federal funds rate by a quarter-point, from 2.75% to 3%. This was the eighth 0.25% increase since June, 2004. The forecast assumes that, in the near-term, inflation is more of a concern for the Federal Reserve than a potential recession, and that the measured rate increases will continue through the end of 2005. It is anticipated that the federal funds rate will be raised to 4% by the end of this year and to 4.5% by early 2008, with a pause in rate hikes during 2006.

Personal income growth is projected at 5.6% in 2005, 5.7% in 2006, and 5.3% in 2007. The current estimate for 2005 is higher than the January estimate by 0.4%. The anticipated growth rate in 2006 is the same as the January forecast while the 2007 estimate is 0.3% lower. In addition, personal income growth for 2004 has been revised upward by 0.2% since January. Personal consumption growth in 2005 is expected to be nearly 1% higher than the January estimate and slightly lower in 2006 and 2007.

Corporate profits continue to show strong growth, and the current estimate for growth in economic profits in 2005 has been revised upward by 8.3% (from 6.7% in the January forecast to 15.0% in the May forecast). As in the January forecast, growth in profits is expected to slow considerably in 2006 and 2007, due to both slower growth in demand and higher business costs. The current growth estimates are lower than the January figures by 2% in 2006 and 1% in 2007.

As noted, in terms of current dollars, the May forecast is very close to the January forecast, with somewhat higher growth expected this year and slightly slower growth rates in 2006 and 2007. However, real growth is expected to be lower than previously estimated due, in part, to the impact of higher oil prices and interest rates. Both the January and May forecasts anticipate that growth will slow from the pace seen in 2004, but the May forecast assumes that the deceleration began earlier than previously estimated (in the first quarter of 2005 rather than the second quarter).

Recent economic data has been mixed. Business investment and some profit reports were lower than expected in the first quarter, while inventories grew. In addition, the stock market experienced losses after two strong years in 2003 and 2004. On the other hand, the housing market, personal income, job growth, and personal consumption exceeded expectations. In January it was projected that real GDP growth would be 3.6% in the first quarter of 2005 and that nominal growth would be 6.0%. Real first-quarter growth is now estimated at 3.1% (0.5% lower than the January estimate), while nominal first-quarter growth is estimated at 6.4% (0.4% higher). It is believed that the high oil prices are leading to lower levels of real spending and real economic growth, while the higher price levels are maintaining nominal growth rates at levels very close to the previous estimates. This trend is expected to continue through 2007.

Positive aspects to the economy include strong corporate profits and finances, relatively low long-term interest rates, continued strength in the housing market, and a greater than expected increase in employment in April. In addition to high oil prices, negative factors include an expected slow-down in consumer spending and low levels of household savings, less vigorous foreign demand, the risk that U.S. companies may be becoming averse to investing and expanding, and a reduced capacity for the federal government and state and local governments to provide fiscal stimulus. Also, in recent years, the U.S. has become more reliant on financing from foreign central banks, particularly in Asia. There is concern that foreign central banks will become uncomfortable with their exposure to the dollar and, in response, reduce their rate of investment in this country. This could put downward pressure on the dollar and lead to increased interest rates in order to attract alternate sources of capital.

As in the January forecast, Global Insight, Inc. has prepared two alternative forecasts, each with a probability of 20%. The optimistic scenario assumes that productivity, foreign economic growth, business investment, and housing activity are all stronger than under the baseline forecast. The federal budget deficit, oil prices, inflation, and interest rates are assumed to be somewhat lower. Under this scenario, real GDP growth would be higher than the baseline estimates by 0.3% in 2005, 1.1% in 2006, and 0.6% in 2007. Under the pessimistic alternative, less capacity exists in the U.S. and global economies, the dollar falls rapidly, and inflation and interest rates are higher than under the baseline forecast. The economy would continue to expand, but the growth rates would be lower by 0.3% in 2005, 1.4% in 2006, and 1.2% in 2007.

Revised General Fund Tax Estimates

Individual Income Tax. Individual income tax receipts are reestimated at \$5,740.0 million in 2004-05, \$6,130.0 million in 2005-06, and \$6,490.0 million in 2006-07. The revised figures exceed the January projections by \$110.0 million in 2004-05, \$130.0 million in 2005-06, and \$75.0 million in 2006-07.

In January, it was estimated that income tax collections in 2004-05 would increase by 6.7% over collections for 2003-04, based on the economic forecast and assumptions about taxable personal income growth at the time. The reestimate is based on year-to-date tax collections that are stronger than had been anticipated in the January estimate for 2004-05, in addition to an improved forecast for personal income growth in 2005 compared to January. The revised estimate for 2004-05 also reflects an anticipated adjustment in the year-end accrual process related to withholding tax receipts. The estimates for the 2005-07 biennium have also been increased, in order to reflect a higher 2004-05 base year, the adjustment to the accrual process in 2004-05, and slight reductions in anticipated growth in the second year.

Corporate Income and Franchise Tax. Corporate income and franchise tax collections in the current fiscal year have been stronger than anticipated. Both total collections and estimated payments are more than 17% higher than for the same period in 2003-04. Consequently, corporate income and franchise tax revenue estimates have been revised upward. Collections are now projected to be \$750.0 million in 2004-05, \$685.0 million in 2005-06, and \$670.0 million in 2006-07. Declining collections in 2005-06 and 2006-07 reflect the forecast of a slowing economy, declining industrial production, and reduced business investment. In January, estimated corporate income and franchise tax revenues were \$735.0 million in 2004-05, \$675.0 million in 2005-06, and \$660.0 million in 2006-07.

Excise Taxes. In January, cigarette tax revenues were estimated at \$296.0 million in 2004-05, \$294.4 million in 2005-06, and \$293.6 million in 2006-07. Based on collections through April, 2005, the 2004-05 estimate has been revised downward by \$6.0 million to \$290.0 million. The estimates for the 2005-07 biennium have also been revised downward; the reestimated figures are \$288.0 million in 2005-06 and \$287.0 million in 2006-07, which are \$6.4 million lower in 2005-06 and \$6.6 million lower in 2006-07 than the January estimates. The new estimates are consistent with the general downward trend in cigarette tax collections in recent years.

Tobacco products tax revenues have also been revised downward compared to the January projections. In January, tobacco products taxes were estimated at \$16.7 million in 2004-05. However, based on collections through April, tobacco products taxes are currently estimated at \$15.7 million in 2004-05. The estimates for 2005-06 and 2006-07 have also each been reduced by \$1.0 million per year, to the current projections of \$16.5 million in 2005-06 and \$17.4 million in 2006-07.

Insurance Premiums Taxes. Insurance premiums tax estimates have been revised slightly downward to reflect somewhat slower year-to-date collections. Premiums tax revenues are now

projected to be \$128.0 million in 2004-05, \$131.0 million in 2005-06, and \$133.0 million in 2006-07. These numbers are lower than the January estimates by \$2.0 million in each year.

Estate Tax. Based on the strength of year-to-date collections, estate tax revenues for 2004-05 are reestimated at \$110.0 million in 2004-05, which is \$10.0 million more than the January estimate of \$100.0 million.

In addition, estate tax revenues for 2005-06 and 2006-07 are reestimated at \$105.0 million and \$110.0 million for the two years, respectively. These estimates are \$5.0 million more in each year than the January estimates. The decline estimated for 2005-06 from the current projection for 2004-05 is based, in part, on an interaction between federal and state estate taxes starting with deaths occurring in 2005 (when federal law shifted from providing a state death tax credit to a deduction for state death taxes paid) that is expected to reduce state estate tax receipts by approximately \$5 million annually.

It should be noted, however, that annual estate tax collections are significantly affected by the settlement, or lack thereof, of a small number of large estates. Collections may, therefore, vary considerably from year to year.

Miscellaneous Taxes. Tax revenues from miscellaneous taxes have been increased by \$3.0 million in 2004-05, and \$2.0 million in each year of the 2005-07 biennium. The anticipated increases are from the real estate transfer fee and are based, primarily, on strong growth in year-to-date collections. The estimates for the remaining miscellaneous taxes, municipal and circuit court-related fees and the occupational tax on coal, have not been revised. Total miscellaneous tax revenues are estimated at \$87.6 million in 2004-05, \$89.5 million in 2005-06, and \$91.5 million in 2006-07.

Other Items Affecting the General Fund

As indicated, the general fund tax reestimates of this memorandum reflect additional projected collections of \$349.0 million. There are other items, however, that will potentially affect the general fund that are important to note.

2004-05 Appropriation Shortfalls. 2005 Act 2 provided \$119.8 million to partially address the 2004-05 shortfall in the medical assistance (MA) benefits program. The remaining shortfall of \$75 million reflects a projected deficit in the MA trust fund. Thus, \$75 million would need to be credited to the MA trust fund in 2004-05 in order for the fund to have a \$0 balance at the end of the fiscal year.

In addition to the \$75 million noted above, it is estimated that the University's fuel and utility appropriation for 2004-05 faces a shortfall of \$29.7 million. The amount of GPR for this shortfall depends upon how much of it would be funded from tuition or other UW sources. If the \$29.7 million were to be funded by the traditional GPR-to-fee ratio, an estimated \$22.5 million GPR would need to be appropriated.

Finally, it is estimated that the Department of Corrections faces a \$7.3 million shortfall in 2004-05 in its GPR appropriation for fuel and utilities.

2005-07 Items. There are three items in the 2005-07 budget bill (AB 100) that should be noted.

The first relates to tribal gaming revenues. The AB 100 general fund condition statement shows general fund revenue from tribal gaming totaling \$102.3 million in 2005-06 and \$120.8 million in 2006-07. Generally, tribal payments to the state in 2005-06 and 2006-07 will be based on a percentage of net casino revenue (revenue remaining after winnings are paid out). The percentages, which are established in the 2003 gaming compact amendments, vary by tribe. The bill generally assumes that net casino revenue would increase by 15% each year for each tribe. In some cases, larger one-time increases were also assumed in certain years.

By utilizing the actual revenue growth factors experienced by each tribe between 2003 and 2004 to project future net casino revenue, state revenue in 2005-06 and 2006-07 can be reestimated. Under the reestimate, general fund revenue would be projected to total \$74.1 million in 2005-06 and \$85.3 million in 2006-07. (As under AB 100, this assumes that the \$30.0 million annual payments from the Ho-Chunk Nation relating to the 2003-05 biennium will be made in the 2005-07 biennium.) These revised estimates are lower than the amounts under the budget bill by \$28.2 million in 2005-06 and \$35.5 million in 2006-07.

Following the resolution of certain gaming-related legal issues before the Wisconsin Supreme Court, the renegotiation of the 2003 gaming compact amendments, and the completion of anticipated casino expansion projects by certain tribes, state revenue could increase from these reestimated amounts. However, the timing of these events is uncertain and may not significantly affect state revenue in the 2005-07 biennium.

Second, a base reestimate in the MA benefits program indicates the need for additional GPR of \$32.6 million in 2005-07 over the amounts contained in AB 100. The estimate calls for an addition of \$14.2 million in 2005-06 and \$18.4 million in 2006-07.

Third, estimates of the homestead and earned income tax credits indicate that these sum sufficient appropriations should be increased, above those contained in AB 100, by \$9.5 million and \$12.0 million GPR, respectively, for the 2005-07 biennium. The increase in the homestead tax credit amounts are estimated at \$5.0 million in 2005-06 and \$4.5 million in 2006-07. The adjustment for the earned income tax credit appropriation is \$5.3 million in 2005-06 and \$6.7 million in 2006-07.

If general fund appropriations were increased to cover all of the shortfalls identified above, and if the lower amount of tribal gaming revenues is considered, the 2005-07 general fund balance would be reduced by an estimated \$222.6 million. These modifications, along with the estimated

\$349.0 million increase in tax revenues, would result in a net increase to the general fund of \$126.4 million.

This office will continue to review other appropriations of AB 100. During the course of that review, there will likely be other modifications that will affect the general fund both positively and negatively. For example, it appears that the debt service amounts in AB 100 can be reestimated downward. We will notify you and your colleagues of those and other reestimates once our analysis is completed.

Sincerely,

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

Robert Wm. Lang
Director

cc: Members, Wisconsin Legislature

RWL/sas

General Fund Information; General Fund Cash Flow (Part II–Pages 41-49). Update with the following:

The following provide updates to various tables containing General Fund information that are presented on either a cash basis or agency recorded basis. Unless noted, the following information is through September 30, 2005.

Projections in the following tables assume that all payments from tribal governments called for under the gaming compacts will be received, notwithstanding the Wisconsin Supreme Court's ruling in May 2004 that certain amendments to the gaming compacts were invalid. At the time of the Supreme Court's decision, it was uncertain whether or to what extent the tribal governments would make those payments. For the fiscal year ending June 30, 2004, the State received the expected payments for all but one tribal government, which did not make its payment of about \$30 million. For the fiscal year ending June 30, 2005, as reflected in the following tables, the State received the expected payments from all but two tribal governments. One tribal government placed its payment of about \$44 million in escrow for release to the State upon completion of a new amendment to its gaming compact. The other tribal government did not make its payment of about \$30 million. It was announced on October 4, 2005 that an agreement had been reached between the State and the Forest County Potawatomi Community concerning an amendment to Potawatomi's gaming compact. As a result of this agreement, a lump sum payment of approximately \$44 million is expected to be made to the State in the 2005-06 fiscal year. This payment, due in the 2004-05 fiscal year, has been held in escrow pending this successful resolution of a new amendment to the gaming compact.

The comparison of monthly General Fund information that is presented on a cash basis has many inherent problems. Unforeseen events or variations from underlying assumptions may cause a decrease or increase in receipts and disbursements from those projected for any specific month.

Operating notes were not issued for the 2004-05 fiscal year, and are not planned for the 2005-06 fiscal year. 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 can have a negative cash balance at the end of a fiscal year. By contrast, the Wisconsin Constitution requires the Legislature to enact a balanced biennial budget, and if final budgetary expenses of any fiscal year exceed available revenues, the Legislature must take actions to balance the budget in the succeeding fiscal year.

Table II-7; Actual and Projected General Fund Cash Flow (Part II–Page 44). Update the table with the following:

ACTUAL 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)	(\$431,440)	\$209,127	\$536,311	\$875,711	\$912,695	\$205,179	\$1,173,280	\$1,216,964	\$371,940	\$582,997	\$1,003,050
Ending Balance ^(c)	(\$431,440)	\$209,127	\$536,311	\$875,711	\$912,695	\$205,179	\$1,173,280	\$1,216,964	\$371,940	\$582,997	\$1,003,050	(\$193,683)
Lowest Daily Balance ^(e)	(\$431,440)	(\$436,769)	\$53,578	\$403,787	\$383,199	(\$351,824)	\$205,179	\$796,175	\$295,070	\$81,325	\$480,441	(\$285,950)
RECEIPTS												
TAX RECEIPTS												
Individual Income	\$533,817	\$540,819	\$571,670	\$464,819	\$526,873	\$430,598	\$962,378	\$459,605	\$496,915	\$869,372	\$570,200	\$600,468
Sales & Use	380,702	389,894	384,632	378,842	371,408	334,261	408,819	309,549	309,647	344,001	346,925	380,569
Corporate Income	30,839	16,739	144,521	34,036	36,179	161,303	20,921	19,052	202,608	31,571	20,753	158,057
Public Utility	0	38	179	3,948	131,313	497	2,419	10	74	1,692	128,910	1,289
Excise	29,945	32,206	32,708	31,917	29,395	30,788	29,490	27,527	24,774	27,147	28,569	30,842
Insurance	295	2,305	27,417	229	1,496	58,508	910	17,530	26,784	27,272	1,300	28,774
Inheritance	8,654	7,954	14,003	10,329	9,156	5,230	6,824	12,383	10,523	7,543	7,804	13,485
Subtotal Tax Receipts	\$984,252	\$989,955	\$1,175,130	\$924,120	\$1,105,820	\$1,021,185	\$1,431,761	\$845,656	\$1,071,325	\$1,308,598	\$1,104,461	\$1,213,484
NON-TAX RECEIPTS												
Federal	\$344,173	\$535,363	\$537,338	\$462,100	\$546,148	\$456,585	\$506,599	\$559,541	\$626,099	\$440,758	\$540,908	\$524,516
Other & Transfers ^(d)	196,901	339,783	411,016	330,993	241,754	155,269	478,650	427,854	162,532	292,897	249,827	337,730
Note Proceeds	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal Non-Tax Receipts	\$541,074	\$875,146	\$948,354	\$793,093	\$787,902	\$611,854	\$985,249	\$987,395	\$788,631	\$733,655	\$790,735	\$862,246
TOTAL RECEIPTS	\$1,525,326	\$1,865,101	\$2,123,484	\$1,717,213	\$1,893,722	\$1,633,039	\$2,417,010	\$1,833,051	\$1,859,956	\$2,042,253	\$1,895,196	\$2,075,730
DISBURSEMENTS												
Local Aids ^{(e)(f)}	\$835,926	\$170,248	\$670,948	\$115,497	\$774,303	\$1,163,305	\$196,800	\$232,064	\$1,176,452	\$93,211	\$249,705	\$1,842,612
Income Maintenance	383,180	416,654	427,137	405,086	419,216	390,891	444,808	432,390	460,679	440,792	407,448	431,897
Payroll and Related	390,998	244,728	314,918	378,189	319,992	326,967	359,515	327,431	371,284	471,104	248,414	312,525
Tax Refunds	49,162	55,304	51,246	50,655	64,252	127,443	73,997	437,298	366,230	311,188	132,115	137,268
Debt Service	0	687	0	118,493	1,108	0	0	1,547	0	216,976	35,279	0
Miscellaneous ^(g)	276,284	336,913	332,051	309,893	277,867	331,949	373,789	358,637	330,335	297,925	402,182	548,161
Note Repayment	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL DISBURSEMENTS	\$1,935,550	\$1,224,534	\$1,796,300	\$1,377,813	\$1,856,738	\$2,340,555	\$1,448,909	\$1,789,367	\$2,704,980	\$1,831,196	\$1,475,143	\$3,272,463

(a) This table reflects the provisions of 2005 Wisconsin Act 2 and 2005 Wisconsin Act 15, which collectively address the shortfall in the Medical Assistance Trust Fund. This table also reflects that, for payments due from tribal governments called for under the gaming compacts, as amended and after giving effect to the Wisconsin Supreme Court's ruling in May 2004 that certain amendments to the gaming compacts were invalid, the State received the expected payments from all but two tribal governments. One tribal government placed its payment of about \$44 million in escrow for release to the State upon completion of a new amendment to its gaming compact. The other tribal government did not make its payment of about \$30 million. This table does 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. The designated funds ranged 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 averaged 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 was 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 transferred from the Transportation Fund to the General Fund in June 2005.

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

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

(g) Includes \$50 million and \$75 million that have been separately transferred from the General Fund to the Medicaid Trust Fund.

Table II-7; Actual and Projected General Fund Cash Flow (Part II–Page 44). Update the table with the following:

**ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2005 TO SEPTEMBER 20, 2005
PROJECTED GENERAL FUND CASH FLOW; OCTOBER 1, 2005 TO JUNE 30, 2006^(a)**

(In Thousands of Dollars)

	July 2005	August 2005	September 2005	October 2005	November 2005	December 2005	January 2006	February 2006	March 2006	April 2006	May 2006	June 2006
BALANCES^(b)												
Beginning Balance	(\$193,683)	(\$417,079)	\$136,628	\$309,053	\$776,331	\$590,344	(\$239,870)	\$892,954	\$947,620	(\$65,404)	\$338,385	\$659,140
Ending Balance ^(c)	(\$417,079)	\$136,628	\$309,053	\$776,331	\$590,344	(\$239,870)	\$892,954	\$947,620	(\$65,404)	\$338,385	\$659,140	(\$224,021)
Lowest Daily Balance ^(c)	(\$22,613)	(\$589,150)	(\$264,889)	115,898	404,313	(845,360)	(323,519)	536,312	(122,790)	(430,531)	88,489	(742,151)
RECEIPTS												
TAX RECEIPTS												
Individual Income	\$457,176	\$546,087	\$625,591	\$542,708	\$508,485	\$406,434	\$1,070,121	\$487,181	\$526,730	\$921,534	\$596,375	\$663,136
Sales & Use	402,599	400,199	384,904	393,996	386,264	347,631	425,172	321,931	322,033	357,761	348,523	385,424
Corporate Income	31,786	24,880	170,441	32,334	34,370	153,238	19,875	18,099	192,478	29,992	19,205	137,180
Public Utility	24	0	196	4,027	133,939	507	2,467	10	75	1,726	131,488	1,632
Excise	36,572	30,625	36,942	31,917	29,395	30,788	29,490	27,527	24,774	27,147	28,567	31,000
Insurance	690	1,273	27,858	234	1,526	59,678	928	17,881	27,320	27,817	1,326	29,784
Inheritance	16,949	6,932	8,463	10,329	9,156	5,230	6,824	12,383	10,523	7,543	7,804	7,400
Subtotal Tax Receipts	\$945,796	\$1,009,996	\$1,254,395	\$1,015,545	\$1,103,136	\$1,003,506	\$1,554,877	\$885,012	\$1,103,933	\$1,373,521	\$1,133,288	\$1,255,556
NON-TAX RECEIPTS												
Federal	\$524,946	\$554,359	\$554,537	\$466,721	\$563,609	\$476,151	\$511,665	\$565,136	\$632,360	\$445,166	\$546,317	\$541,764
Other & Transfers ^(d)	355,748	298,506	470,126	349,303	259,172	171,822	498,437	447,133	179,157	310,826	287,453	518,139
Note Proceeds	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal Non-Tax Receipts	\$880,694	\$852,865	\$1,024,663	\$816,024	\$822,781	\$647,973	\$1,010,101	\$1,012,269	\$811,517	\$755,992	\$833,770	\$1,059,903
TOTAL RECEIPTS	\$1,826,490	\$1,862,861	\$2,279,058	\$1,831,568	\$1,925,917	\$1,651,479	\$2,564,978	\$1,897,281	\$1,915,450	\$2,129,513	\$1,967,058	\$2,315,459
DISBURSEMENTS												
Local Aids	\$884,042	\$142,784	\$757,441	\$134,097	\$975,747	\$1,244,090	\$207,173	\$248,508	\$1,237,245	\$94,429	\$267,285	\$1,938,341
Income Maintenance	489,129	468,260	454,986	387,311	438,454	417,017	375,237	405,495	456,128	384,718	427,649	332,964
Payroll and Related	315,952	295,222	427,311	305,753	340,922	343,632	375,099	340,772	496,753	304,055	338,989	339,664
Tax Refunds	60,810	62,584	43,817	53,694	68,101	135,088	78,430	463,544	388,193	329,853	140,050	172,089
Debt Service	0	0	0	164,948	4,141	0	0	4,141	0	296,868	46,016	0
Miscellaneous	299,953	340,304	423,078	318,487	284,539	341,866	396,216	380,155	350,155	315,801	426,313	415,562
Note Repayment	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL DISBURSEMENTS	\$2,049,886	\$1,309,154	\$2,106,633	\$1,364,290	\$2,111,904	\$2,481,693	\$1,432,155	\$1,842,615	\$2,928,474	\$1,725,724	\$1,646,302	\$3,198,620

(a) This table reflects the General Fund revenue estimates released by the Legislative Fiscal Bureau on May 16, 2005, which were incorporated into 2005 Wisconsin Act 25, which is the budget bill for FY06 and FY07. Projections assume that the State will receive approximately \$146.4 million pursuant to the amended gaming compacts with tribal governments. This amount reflects (i) \$72.8 million, which is the estimate of all payments due in FY06, and (ii) \$73.6 million, which is an estimate of payments due in previous fiscal years that are expected to be made in FY06. This table does 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. The designated funds are expected to range from \$150 to \$300 million during the 2005-06 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 2005-06 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 \$634 million for FY06. 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 \$380 million for FY06) 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 \$338 million to be transferred from the Transportation Fund to the General Fund, which is assumed to occur in June 2006.

Table II-8; General Fund Cash Receipts and Disbursements Year To Date; Compared to Estimates and Previous Fiscal Year. (Page 45). Update the table with the following:

**2005-06 FISCAL YEAR
GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS YEAR-TO-DATE
COMPARED TO ESTIMATES AND PREVIOUS FISCAL YEAR^(a)**

**(Cash Basis)
As of September 30, 2005
(Amounts in Thousands)**

	FY05 through September 2004	FY06 through September 2005				Difference FY05 Actual to FY06 Actual
	Actual	Actual	Estimate ^(b)	Variance ^(c)	Adjusted Variance ^(c)	
RECEIPTS						
Tax Receipts						
Individual Income	\$ 1,646,306	\$ 1,628,854	\$ 1,745,084	\$ (116,230)	\$ (116,230)	\$ (17,452)
Sales	1,155,228	1,187,702	1,201,437	(13,735)	(13,735)	32,474
Corporate Income	192,099	227,107	182,494	44,613	44,613	35,008
Public Utility	217	220	221	(1)	(1)	3
Excise	94,859	104,139	94,859	9,280	9,280	9,280
Insurance	30,017	29,821	30,617	(796)	(796)	(196)
Inheritance	30,611	32,344	30,611	1,733	1,733	1,733
Total Tax Receipts	\$ 3,149,337	\$ 3,210,187	\$ 3,285,323	\$ (75,136)	\$ (75,136)	\$ 60,850
Non-Tax Receipts						
Federal	\$ 1,416,874	\$ 1,633,842	\$ 1,511,043	\$ 122,799	\$ 122,799	\$ 216,968
Other and Transfers	947,700	1,124,380	1,002,177	122,203	122,203	176,680
Note Proceeds	-	-	-	-	-	- ^(d)
Total Non-Tax Receipts	\$ 2,364,574	\$ 2,758,222	\$ 2,513,220	\$ 245,002	\$ 245,002	\$ 393,648
TOTAL RECEIPTS	\$ 5,513,911	\$ 5,968,409	\$ 5,798,543	\$ 169,866	\$ 169,866	\$ 454,498
DISBURSEMENTS						
Local Aids	\$ 1,677,122	\$ 1,784,267	\$ 1,734,053	\$ (50,214)	\$ (50,214)	\$ 107,145
Income Maintenance	1,226,971	1,412,375	1,360,150	(52,225)	(52,225)	185,404
Payroll & Related	950,644	1,038,485	1,099,781	61,296	61,296	87,841
Tax Refunds	155,712	167,211	165,034	(2,177)	(2,177)	11,499
Debt Service	687	-	4,141	4,141	4,141	(687)
Miscellaneous	945,248	1,063,335	911,963	(151,372)	(151,372)	118,087
Note Repayment	-	-	-	-	-	-
TOTAL DISBURSEMENTS	\$ 4,956,384	\$ 5,465,673	\$ 5,275,122	\$ (190,551)	\$ (190,551)	\$ 509,289
VARIANCE FY06 YEAR-TO-DATE				\$ (20,685)	\$ (20,685)	

- (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) Projections reflect the General Fund revenue estimates released by the Legislative Fiscal Bureau on May 16, 2005, which were used in the enacted budget bill for the 2005-06 and 2006-07 fiscal years (2005 Wisconsin Act 25). Projections assume that the State will receive approximately \$146 million in the 2005-06 fiscal year pursuant to the amended gaming compacts with tribal governments. This amount reflects (i) \$72 million, which is the estimate of all payments due this fiscal year, and (ii) \$74 million, which is an estimate of payments due in previous fiscal years that are expected to be made in the 2005-06 fiscal year.
- (c) Changes are sometimes made after the beginning of the fiscal year to the projected revenues and disbursements. Depending on when these changes occur, there are situations in which prior estimates can not be changed and results in large variances. This column includes adjustments to the variances to more accurately reflect the variance between the estimated and actual amounts.
- (d) Operating notes were not issued for the 2004-05 fiscal year, and no operating notes are planned for the 2005-06 fiscal year.

Table II-9; General Fund Monthly Position (Page 46). Update the table with the following:

**GENERAL FUND MONTHLY CASH POSITION^(a)
July 1, 2003 through September 30, 2005 — Actual
October 1, 2005 through June 30, 2006 — Estimated^(b)**

		(Amounts in Thousands)			
	<u>Starting Date</u>	<u>Starting Balance</u>	<u>Receipts^(c)</u>	<u>Disbursements^(c)</u>	
2003	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)	1,525,326	1,935,550	
August.....		(431,440) ^(d)	1,865,101	1,224,534	
September.....		209,127	2,123,484	1,796,300	
October.....		536,311	1,717,213	1,377,813	
November.....		875,711	1,893,722	1,856,738	
December.....		912,695 ^(d)	1,633,039	2,340,555	
2005	January.....	205,179	2,417,010	1,448,909	
	February.....	1,173,280	1,833,051	1,789,367	
	March.....	1,216,964	1,859,956	2,704,980	
	April.....	371,940	2,042,253	1,831,196	
	May.....	582,997	1,895,196	1,475,143	
	June.....	1,003,050 ^(d)	2,075,730	3,272,463	
	July.....	(193,683) ^(d)	1,826,490	2,049,886	
	August.....	(417,079) ^(d)	1,862,861	1,309,154	
	September.....	136,628 ^(d)	2,279,058	2,106,633	
	October.....	309,053	1,831,568	1,364,290	
	November.....	776,331	1,925,917	2,111,904	
	December.....	590,344 ^(d)	1,651,479	2,481,693	
2006	January.....	(239,870) ^(d)	2,564,978	1,432,155	
	February.....	892,954	1,897,281	1,842,615	
	March.....	947,620 ^(d)	1,915,450	2,928,474	
	April.....	(65,404) ^(d)	2,129,513	1,725,724	
	May.....	338,385	1,967,058	1,646,302	
	June.....	659,140 ^(d)	2,315,459	3,198,620	

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

^(b) Projections reflect the General Fund revenue estimates released by the Legislative Fiscal Bureau on May 16, 2005, which were used in the enacted budget bill for the 2005-06 and 2006-07 fiscal years (2005 Wisconsin Act 25). Projections assume that the State will receive approximately \$146 million in the 2005-06 fiscal year pursuant to the amended gaming compacts with tribal governments. This amount reflects (i) \$72 million, which is the estimate of all payments due this fiscal year, and (ii) \$74 million, which is an estimate of payments due in previous fiscal years that are expected to be made in the 2005-06 fiscal year.

^(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 2004-05 fiscal year, and no operating notes are planned for the 2005-06 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 approximately \$634 million for the 2005-06 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 \$380 million for the 2005-06 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 47). Update the table with the following:

BALANCES IN FUNDS AVAILABLE FOR INTERFUND BORROWING^(a)
July 31, 2003 to September 30, 2005 — Actual
October 31, 2005 to June 30, 2006— 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)

<u>Month (Last Day)</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
January		\$ 1,027	\$ 830	\$ 830
February		1,126	960	960
March		1,179	1,043	1,043
April		1,157	964	963
May		1,163	1,045	1,045
June		1,054	1,182	1,117
July	\$ 1,140	908	1,048	
August	1,242	1,003	1,100	
September	1,226	997	1,176	
October	1,187	954	954 ^(b)	
November	1,078	827	827	
December	1,130	892	892	

The second table includes the balances in the LGIP. The average 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)

<u>Month (Last Day)</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
January		\$ 4,673	\$ 3,818	\$ 3,818
February		4,852	3,984	3,984
March		5,197	4,101	4,101
April		4,707	3,749	3,749
May		4,417	3,627	3,626
June		4,274	3,905	4,329
July	\$ 5,135	4,268	4,193	
August	4,580	3,904	3,823	
September	4,378	3,726	3,746	
October	3,922	3,233	3,234 ^(b)	
November	3,797	3,059	3,059	
December	4,090	3,392	3,392	

^(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)
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
Environmental Improvement Fund	Uninsured Employers	Environmental
Local Government Property Insurance	University Trust Principal	Patients Compensation
Veterans Mortgage Loan Repayment	Mediation	State Building Trust
Medical Assistance	Agricultural College	
Normal School	Wisconsin Health Education Loan Repayment	
University	Waste Management	
Groundwater	Work Injury Supplemental Benefit	
Health Insurance Risk Sharing Plan	Recycling	
Petroleum Storage Environmental Cleanup	Unemployment Compensation Interest Repayment	

^(b) Amounts for October 31, 2005 and subsequent months are projected.

Table II-11; General Fund Recorded Revenues (Page 48). Update the table with the following:

General Fund Recorded Revenues^(a)				
(Agency Recorded Basis)				
July 1, 2005 to September 30, 2005 compared with previous year				
	Annual Fiscal Report Revenues	Projected Revenues	Recorded Revenues July 1, 2004 to September 30, 2004^(d)	Recorded Revenues July 1, 2005 to September 30, 2005^(e)
	<u>2004-05 FY^(b)</u>	<u>2005-06 FY^(c)</u>		
Individual Income Tax	\$ 5,650,109,000	\$ 6,144,500,000	\$ 1,082,472,740	\$ 1,173,868,808
General Sales and Use Tax	4,038,715,000	4,181,600,000	691,700,619	719,247,016
Corporate Franchise and Income Tax	764,053,000	683,320,000	170,696,322	210,741,599
Public Utility Taxes	254,443,000	267,465,000	269,815	77,402
Excise Taxes	359,444,000	354,720,000	64,273,800	65,902,104
Inheritance Taxes	112,346,000	105,000,000	30,418,145	32,360,125
Insurance Company Taxes	129,839,000	131,000,000	2,003,595	1,491,193
Miscellaneous Taxes	87,701,000	89,500,000	18,831,715	20,835,119
SUBTOTAL.....	\$ 11,396,650,000	\$ 11,957,105,000	2,060,666,751	2,224,523,365
Federal and Other Inter- Governmental Revenues ^(f)	\$ 6,190,669,000	\$ 5,881,969,000	1,424,470,004	1,593,232,080
Dedicated and Other Revenues ^(g)	<u>3,584,486,000</u>	<u>4,445,764,600</u>	<u>1,037,182,873</u>	<u>1,048,159,890</u>
TOTAL.....	<u>\$ 21,171,805,000</u>	<u>\$ 22,284,838,600</u>	<u>\$ 4,522,319,628</u>	<u>\$ 4,865,915,334</u>

- (a) None of the data presented here has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments.
- (b) The amounts are from the Annual Fiscal Report (budgetary basis) for the 2004-05 fiscal year, dated October 15, 2005.
- (c) Projections reflect the General Fund revenue estimates released by the Legislative Fiscal Bureau on May 16, 2005, which were used in the enacted budget bill for the 2005-06 and 2006-07 fiscal years (2005 Wisconsin Act 25). Projections assume that the State will receive approximately \$146 million in the 2005-06 fiscal year pursuant to the amended gaming compacts with tribal governments. This amount reflects (i) \$72 million, which is the estimate of all payments due this fiscal year, and (ii) \$74 million, which is an estimate of payments due in previous fiscal years that are expected to be made in the 2005-06 fiscal year.
- (d) The amounts shown are fiscal year 2004-05 revenues as recorded by state agencies.
- (e) The amounts shown are fiscal year 2005-06 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 49). Update the table with the following:

General Fund Recorded Expenditures By Function^(a)
(Agency Recorded Basis)
July 1, 2005 to September 30, 2005 compared with previous year

	Annual Fiscal Report Expenditures 2004-05 FY ^(b)	Appropriations 2005-06 FY ^(c)	Recorded Expenditures July 1, 2004 to September 30, 2004 ^(d)	Recorded Expenditures July 1, 2005 to September 30, 2005 ^(e)
Commerce.....	\$ 253,520,000	\$ 288,639,300	\$ 60,624,043	\$ 60,991,485
Education.....	9,614,612,000	10,151,858,300	1,868,320,781	1,956,246,458
Environmental Resources.....	233,160,000	296,476,000	32,507,098	22,988,458
Human Relations & Resources	8,933,512,000	8,496,069,700	2,176,964,776	2,278,210,550
General Executive.....	626,194,000	890,108,400	141,446,724	170,660,730
Judicial.....	114,247,000	113,245,800	35,078,922	35,503,482
Legislative.....	58,234,000	63,707,200	11,086,686	11,940,247
General Appropriations.....	1,654,699,000	1,915,407,600	670,569,785	670,984,741
TOTAL.....	\$ 21,488,178,000	\$ 22,215,512,300	\$ 4,996,598,816	\$ 5,207,526,150

- (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 fiscal year 2004-05, dated October 15, 2005.
- (c) Estimated appropriations based on the 2005-07 biennial budget bill (2005 Wisconsin Act 25).
- (d) The amounts shown are fiscal year 2004-05 expenditures as recorded by state agencies.
- (e) The amounts shown are fiscal year 2005-06 expenditures as recorded by state agencies.

Source: Wisconsin Department of Administration.

Part III—Introduction Table (Page 81). Update the table with the following:

On March 29, 2005, Moody’s Investors Service, Inc. changed the rating outlook on the State’s general obligations from “negative” to “stable”.

On November 9, 2005, Standard & Poor’s Ratings Services changed the rating outlook on the State’s general obligations from “stable” to “positive”.

APPENDIX B

EXPECTED FORM OF BOND COUNSEL OPINION

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

(Letterhead of Foley & Lardner LLP)

\$48,275,000

STATE OF WISCONSIN GENERAL OBLIGATION BONDS OF 2005, SERIES E

We have served as bond counsel in connection with the issuance by the State of Wisconsin (**State**) of its \$48,275,000 General Obligation Bonds of 2005, Series E, dated December 8, 2005 (**Bonds**). The Bonds are being issued pursuant to Chapters 18 and 20, Wisconsin Statutes, and a resolution adopted by the State of Wisconsin Building Commission (**Commission**) on October 24, 2000, as amended by resolutions adopted by the Commission on July 30, 2003 and August 9, 2005 (as amended, the **Resolution**).

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

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

1. The Bonds are valid and binding general obligations of the State.
2. The Resolution has been duly adopted by the Commission and is a valid and binding obligation of the State enforceable upon the State as provided in the Resolution.
3. The full faith, credit, and taxing power of the State are irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Bonds as the Bonds mature and become due. There has been irrevocably appropriated, as a first charge upon all revenues of the State, a sum sufficient for such purpose.
4. Interest on the Bonds is excluded from gross income for federal income tax purposes. It also is not an item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers. For the purpose of computing the alternative minimum tax imposed on certain corporations, however, interest on the Bonds is taken into account in determining adjusted current earnings. The State must comply with all requirements of the Internal Revenue Code that must be satisfied after the Bonds are issued for interest on the Bonds to be, or continue to be, excluded from gross income for federal income tax purposes. The State has agreed to do so. A failure to comply may cause interest on the Bonds to be included in gross income for federal income tax purposes, in some cases retroactive to the date the Bonds were issued. This letter expresses no opinion about other federal tax law consequences regarding the Bonds.

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

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

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

Very truly yours,

FOLEY & LARDNER LLP