

OFFICIAL STATEMENT

New Issue

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

\$131,485,000 STATE OF WISCONSIN GENERAL OBLIGATION BONDS OF 2005, SERIES A

Dated: Date of Delivery

Due: May 1, as shown below

Ratings—*See page 3.* 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 7-8.*

Redemption The Bonds are callable at par (100%) on May 1, 2015 or any date thereafter—*See page 2.*

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

Purpose Proceeds from the Bonds are being used for various governmental purposes—*See page 3.*

Interest Payment Dates May 1 and November 1

First Interest Payment Date November 1, 2005

Denominations \$5,000 or multiples thereof

Closing/Settlement On or about February 10, 2005

Bond Counsel Foley & Lardner LLP

Registrar/Paying Agent Secretary of Administration

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

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

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 January 19, 2005. The interest rates payable by the State, which are shown below, resulted from the award of the Bonds.

| CUSIP | Year (May 1) | Principal Amount | Interest Rate | First Optional Call Date (May 1) | Call Price |
|------------|-----------------|---------------------|---------------|-------------------------------------|------------|
| 97705L FB8 | 2016 | \$ 9,895,000 | 4.00% | 2015 | 100% |
| 97705L FC6 | 2017 | 10,390,000 | 4.00 | 2015 | 100 |
| 97705L FD4 | 2018 | 10,910,000 | 5.00 | 2015 | 100 |
| 97705L FE2 | 2019 | 11,455,000 | 5.00 | 2015 | 100 |
| 97705L FF9 | 2020 | 12,025,000 | 5.00 | 2015 | 100 |
| 97705L FG7 | 2021 | 12,630,000 | 5.00 | 2015 | 100 |
| 97705L FH5 | 2022 | 13,260,000 | 5.00 | 2015 | 100 |
| 97705L FJ1 | 2023 | 13,925,000 | 5.00 | 2015 | 100 |
| 97705L FK8 | 2024 | 14,615,000 | 5.00 | 2015 | 100 |
| 97705L FL6 | 2025 | 22,380,000 | 5.00 | 2015 | 100 |

Purchase Price: \$139,167,248.05

January 19, 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 Underwriters are not the authors of this document. In accordance with their responsibilities under federal securities laws, the Underwriters are required to review the information in this document and must have a reasonable basis for their belief in the accuracy and completeness of its key representations.

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

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

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STATE OFFICIALS PARTICIPATING IN THE ISSUANCE AND SALE OF 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 Daniel Vrakas | 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. Marc J. Marotta, 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
capfin@doa.state.wi.us

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Mr. David R. Erdman
Capital Finance Officer
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david.erdman@doa.state.wi.us

SUMMARY DESCRIPTION OF BONDS

Selected information is presented on this page for the convenience of the reader. A prospective investor should read the entire Official Statement to make an informed investment decision.

| | |
|-------------------------------------|--|
| Description: | State of Wisconsin General Obligation Bonds of 2005, Series A |
| Principal Amount: | \$131,485,000 |
| Denominations: | \$5,000 or multiples thereof |
| Date of Issue: | Date of delivery (on or about February 10, 2005) |
| Record Date: | April 15 and October 15 |
| Interest Payment: | May 1 and November 1, commencing November 1, 2005 |
| Maturities: | May 1, 2016-2025— <i>See front cover</i> |
| Redemption: | <i>Optional</i> —The Bonds are subject to optional redemption at par (100%) on May 1, 2015 or any date thereafter— <i>See page 2</i> |
| 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 Beneficial Owners as described herein. |
| Security: | The Bonds are general obligations. As of December 1, 2004, general obligations of the State were outstanding in the amount of \$4,876,460,340. |
| Additional General Obligation Debt: | The State may issue additional general obligation debt. |
| Authority for Issuance: | The Bonds are issued under Article VIII of the Wisconsin Constitution and Chapters 18 and 20 of the Wisconsin Statutes. |
| Purpose: | Acquisition, construction, development, extension, enlargement, or improvement of land, water, property, highways, buildings, equipment, or facilities for public purposes. |
| Legality of Investment: | State law provides that the Bonds are legal investments for all banks, trust companies, 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 not included in gross income, and is not an item of tax preference, for federal income tax purposes— <i>See pages 7-8</i> Interest on the Bonds is subject to State of Wisconsin income and franchise taxes— <i>See page 8</i> |
| Legal Opinion: | Validity and tax opinion to be provided by Foley & Lardner LLP— <i>See page C-1</i> |

OFFICIAL STATEMENT
\$131,485,000
STATE OF WISCONSIN
GENERAL OBLIGATION BONDS OF 2005, SERIES A

INTRODUCTION

This Official Statement provides information about the \$131,485,000 General Obligation Bonds of 2005, Series A (**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 January 14, 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 Part II and Part III of the 2004 Annual Report. **APPENDIX A** also includes updates to Part II 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: capfin@doa.state.wi.us
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 February 10, 2005) and will bear interest from that date payable on May 1 and November 1 of each year, beginning on November 1, 2005.

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

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

Security

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

Redemption Provisions

Optional Redemption

The Bonds may be redeemed on May 1, 2015 or any date thereafter, in whole or in part in multiples of \$5,000, at a redemption price equal to par (100%) plus accrued interest to the redemption date. The Commission may decide whether to redeem Bonds, and it may direct the amounts and maturities of the Bonds to be redeemed.

Selection of Bonds

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

Notice of Redemption

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

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

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

Registration and Payment of Bonds

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

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

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 |

⁽¹⁾ Moody’s Investors Service, Inc. has assigned a rating outlook on the State’s general obligations of “negative”.

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 Wisconsin Legislature has established the borrowing purposes and amounts for which public debt may be issued. **APPENDIX B** includes a summary of these purposes and the amounts both authorized and previously issued for each borrowing purpose. **APPENDIX B** also identifies the purposes and amounts that the Bonds are being issued for.

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

Book-Entry-Only Form

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, interest on, and any redemption premium 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 rather will 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 \$2,933,908,610, and the aggregate limit is currently \$19,559,390,735. 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 December 1, 2004, general obligations of the State were outstanding in the amount of \$4,876,460,340.

Borrowing Plans for 2005

General Obligations

The Bonds are among the first series of general obligations to be issued in this calendar year. The Commission has also authorized the following general obligations that may be issued in calendar year 2005:

- Up to \$560 million of general obligation bonds to refund general obligation bonds previously issued for general governmental purposes. The State expects to issue approximately \$430 million of these general obligation refunding bonds within 15 days of the sale date of the Bonds, with delivery expected to occur on the same date as delivery of the Bonds. The State further expects to issue approximately \$100 million of general obligation refunding bonds shortly after the sale of the Bonds, with delivery scheduled for early calendar year 2006.
- Up to \$149 million of general obligations for general governmental purposes. The State expects to issue these general obligations as bonds extendible municipal commercial paper later in the first quarter of calendar year 2005.
- Up to \$28 million of taxable general obligation bonds for the veterans housing loan program. The amount and timing of any issuance of taxable general obligation bonds depend on loan originations of the veterans housing loan program.
- Up to \$121 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 \$30 million of general obligation subsidy bonds to be purchased by the Environmental Improvement Fund for the Clean Water Fund Program. The amount and timing of any issuance of additional general obligation subsidy bonds for this purpose depend on loan disbursements from the Clean Water Fund Program.

The Commission is also expected to authorize additional general obligations in the third or fourth quarter for general governmental purposes.

Other Obligations

The Commission has authorized up to \$215 million of transportation revenue obligations to pay the costs of financing transportation facilities and major highway projects. The State expects to issue these obligations in the second quarter of 2005. The Commission has authorized up to \$154 million of 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.

On December 19, 2004, the State sold \$108 million of clean water revenue refunding bonds to refund previously issued clean water revenue bonds. Delivery of these clean water revenue refunding bonds is expected to occur on January 25, 2005.

The Commission has authorized \$50 million of petroleum inspection fee revenue obligations to fund environmental remediation claims; the amount and timing of any issuance of additional petroleum inspection fee revenue obligations depend on funding of the claims. The Commission has also authorized up to \$30 million of petroleum inspection fee revenue refunding bonds. The amount and timing of any issuance of additional refunding bonds depend on market conditions.

The State has determined that operating notes will not be issued for the 2004-05 fiscal year.

Underwriting

The Bonds were purchased through competitive bidding on January 19, 2005 by the following account (**Underwriters**): Merrill Lynch & Co., book-running manager; Lehman Brothers; and Jackson Securities, LLC. The Underwriters paid \$139,167,248.05, and their bid resulted in a true interest cost rate to the State of 4.368590%.

Reference Information About the Bonds

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

\$131,485,000
State of Wisconsin
General Obligation Bonds of 2005, Series A

Dated Date: Date of Delivery

First Interest Date: November 1, 2005

Delivery/Settlement Date: On or about February 10, 2005

| <u>CUSIP</u> | <u>Year (May 1)</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Yield at Issuance</u> | <u>Price at Issuance</u> | <u>First Optional Call Date (May 1)</u> | <u>Call Price</u> |
|--------------|-------------------------|-----------------------------|--------------------------|------------------------------|------------------------------|---|-------------------|
| 97705L FB8 | 2016 | \$ 9,895,000 | 4.00% | 3.81% | 101.591% ^(a) | 2015 | 100% |
| 97705L FC6 | 2017 | 10,390,000 | 4.00 | 3.90 | 100.831 ^(a) | 2015 | 100 |
| 97705L FD4 | 2018 | 10,910,000 | 5.00 | 3.99 | 108.406 ^(a) | 2015 | 100 |
| 97705L FE2 | 2019 | 11,455,000 | 5.00 | 4.05 | 107.883 ^(a) | 2015 | 100 |
| 97705L FF9 | 2020 | 12,025,000 | 5.00 | 4.10 | 107.449 ^(a) | 2015 | 100 |
| 97705L FG7 | 2021 | 12,630,000 | 5.00 | 4.14 | 107.104 ^(a) | 2015 | 100 |
| 97705L FH5 | 2022 | 13,260,000 | 5.00 | 4.19 | 106.674 ^(a) | 2015 | 100 |
| 97705L FJ1 | 2023 | 13,925,000 | 5.00 | 4.23 | 106.331 ^(a) | 2015 | 100 |
| 97705L FK8 | 2024 | 14,615,000 | 5.00 | 4.26 | 106.075 ^(a) | 2015 | 100 |
| 97705L FL6 | 2025 | 22,380,000 | 5.00 | 4.30 | 105.735 ^(a) | 2015 | 100 |

^(a) These bonds are priced to the May 1, 2015 call date.

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 Foley & Lardner LLP (**Bond Counsel**). Bond Counsel will deliver an approving opinion when the Bonds are delivered, in substantially the form shown in **APPENDIX C**. If certificated Bonds are issued, 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. 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.

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

Any Premium Bond purchased in the initial offering at the issue price will have “amortizable bond premium” within the meaning of Section 171 of the Code. 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.

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.

State of Wisconsin Income and Franchise Taxes

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

CONTINUING DISCLOSURE

The State has made an undertaking, for the benefit of the beneficial owners of the Bonds, to provide an annual report presenting certain financial information and operating data about the State (**Annual Reports**). By 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
capfin@doa.state.wi.us
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: January 19, 2005

STATE OF WISCONSIN

/s/ JIM DOYLE

Governor Jim Doyle, Chairperson
State of Wisconsin Building Commission

/s/ MARC J. MAROTTA

Marc J. Marotta, Secretary
State of Wisconsin Department of Administration

/s/ ROBERT G. CRAMER

Robert G. Cramer, Secretary
State of Wisconsin Building Commission

APPENDIX A

INFORMATION ABOUT THE STATE

This appendix includes information concerning the State of Wisconsin (**State**). Parts **II** and **III** of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2004 (**2004 Annual Report**) is included by reference as part of this APPENDIX A. This appendix also includes changes or additions to the information presented in Part II of the 2004 Annual Report.

[Part II to 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 Auditors' 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 is available from the part of the Capital Finance Office web site called "Official Disclosure for Bonds, Notes, and Other Securities Issued by the State of Wisconsin". The Capital Finance Office web site is located at the following address:

www.doa.wi.gov/capitalfinance

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
capfin@doa.state.wi.us

Listed below, by reference to particular sections 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). Update with the following:

Governor Jim Doyle is expected to release his proposed budget for the 2005-07 biennium on February 8, 2005.

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 December 31, 2004 and projections after that date reflect the General Fund tax revenue estimates that were provided by the Department of Revenue (**DOR**) on November 20, 2004. The following information does not reflect the Wisconsin Supreme Court's decision in May 2004 concerning amendments to gaming compacts. In light of this decision, it was uncertain whether or to what extent the tribal governments would make the payments due under the amended gaming compacts. Subsequent to the decision, the State received the payments expected to be received by June 30, 2004 from all but one of the tribal governments; the amount that was not received is \$30 million. Discussions continue with tribal governments regarding the one outstanding payment and the assumed payments due during the 2004-05 fiscal year.

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. As an example, the General Fund information through November 30, 2004 included some large variances from estimates for individual income tax receipts and federal revenues, which are expected to reverse, in part, in subsequent months. Furthermore, the following General Fund information through December 31, 2004 includes a large variance in the income maintenance category.

The State has determined that operating notes will not be issued for the 2004-05 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 is not prohibited from having a negative cash balance at the end of a fiscal year. This is different than budgetary requirements; the Wisconsin Constitution requires the Legislature to enact a balanced biennial budget.

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 DECEMBER 31, 2004
PROJECTED GENERAL FUND CASH FLOW; JANUARY 1, 2005 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 | \$1,250,945 | \$1,468,236 | \$520,789 | \$890,353 | \$1,124,262 |
| Ending Balance ^(c) | (\$431,440) | \$209,127 | \$536,311 | \$875,711 | \$912,695 | \$205,179 | \$1,250,945 | \$1,468,236 | \$520,789 | \$890,353 | \$1,124,262 | \$366,663 |
| Lowest Daily Balance ^(c) | (\$431,440) | (\$436,769) | \$53,578 | \$403,787 | \$383,199 | (\$351,824) | \$205,179 | \$908,447 | \$433,944 | \$244,135 | \$629,860 | \$108,095 |
| RECEIPTS | | | | | | | | | | | | |
| TAX RECEIPTS | | | | | | | | | | | | |
| Individual Income | \$533,817 | \$540,819 | \$571,670 | \$464,819 | \$526,873 | \$430,598 | \$912,400 | \$476,700 | \$417,200 | \$941,900 | \$408,900 | \$625,600 |
| Sales & Use | 380,702 | 389,894 | 384,632 | 378,842 | 371,408 | 334,261 | 427,100 | 333,600 | 301,200 | 339,600 | 361,000 | 370,600 |
| Corporate Income | 30,839 | 16,739 | 144,521 | 34,036 | 36,179 | 161,303 | 29,100 | 15,200 | 202,100 | 31,600 | 20,700 | 144,400 |
| Public Utility | 0 | 38 | 179 | 3,948 | 131,313 | 497 | 0 | 3,500 | 200 | 4,900 | 112,200 | 1,600 |
| Excise | 29,945 | 32,206 | 32,708 | 31,917 | 29,395 | 30,788 | 28,800 | 30,500 | 25,600 | 28,100 | 31,500 | 31,000 |
| Insurance | 295 | 2,305 | 27,417 | 229 | 1,496 | 58,508 | 2,300 | 15,100 | 24,100 | 30,400 | 4,900 | 29,200 |
| Inheritance | 8,654 | 7,954 | 14,003 | 10,329 | 9,156 | 5,230 | 10,700 | 7,200 | 8,100 | 13,400 | 8,300 | 7,400 |
| Subtotal Tax Receipts | \$984,252 | \$989,955 | \$1,175,130 | \$924,120 | \$1,105,820 | \$1,021,185 | \$1,410,400 | \$881,800 | \$978,500 | \$1,389,900 | \$947,500 | \$1,209,800 |
| NON-TAX RECEIPTS | | | | | | | | | | | | |
| Federal | \$344,173 | \$535,363 | \$537,338 | \$462,100 | \$546,148 | \$456,585 | \$588,900 | \$510,700 | \$461,600 | \$518,200 | \$504,900 | \$536,400 |
| Other & Transfers ^(d) | 196,901 | 339,783 | 411,016 | 330,993 | 241,754 | 155,269 | 416,250 | 418,050 | 348,750 | 350,750 | 330,150 | 503,850 |
| 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 | \$1,005,150 | \$928,750 | \$810,350 | \$868,950 | \$835,050 | \$1,040,250 |
| TOTAL RECEIPTS | \$1,525,326 | \$1,865,101 | \$2,123,484 | \$1,717,213 | \$1,893,722 | \$1,633,039 | \$2,415,550 | \$1,810,550 | \$1,788,850 | \$2,258,850 | \$1,782,550 | \$2,250,050 |
| DISBURSEMENTS | | | | | | | | | | | | |
| Local Aids ^{(e)(f)} | \$835,926 | \$170,248 | \$670,948 | \$115,497 | \$774,303 | \$1,163,305 | \$227,374 | \$232,359 | \$1,193,196 | \$122,127 | \$248,992 | \$1,817,211 |
| Income Maintenance | 383,180 | 416,654 | 427,137 | 405,086 | 419,216 | 390,891 | 344,776 | 414,316 | 471,345 | 434,538 | 408,025 | 388,860 |
| Payroll and Related | 390,998 | 244,728 | 314,918 | 378,189 | 319,992 | 326,967 | 359,826 | 325,251 | 369,525 | 470,929 | 255,539 | 313,235 |
| Tax Refunds | 49,162 | 55,304 | 51,246 | 50,655 | 64,252 | 127,443 | 62,810 | 350,703 | 352,497 | 315,206 | 235,992 | 209,511 |
| Debt Service | 0 | 687 | 0 | 118,493 | 1,108 | 0 | 0 | 3,621 | 0 | 266,649 | 39,575 | 0 |
| Miscellaneous | 276,284 | 336,913 | 332,051 | 309,893 | 277,867 | 331,949 | 374,998 | 267,009 | 349,734 | 279,837 | 360,518 | 278,832 |
| Note Repayment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL DISBURSEMENTS | \$1,935,550 | \$1,224,534 | \$1,796,300 | \$1,377,813 | \$1,856,738 | \$2,340,555 | \$1,369,784 | \$1,593,259 | \$2,736,297 | \$1,889,286 | \$1,548,641 | \$3,007,649 |

(a) Projections reflect the revised General Fund revenue estimates that were released by DOR on November 20, 2004. Prior to this release, the estimates reflected the re-estimates of departmental revenues and expenditures provided by LFB on January 15, 2004 and the General Fund tax collection estimates provided by LFB on February 10, 2004. While the estimates from DOR and LFB are presented on a budgetary basis, the estimates herein are presented on a cash basis and not a budgetary basis. The following information does not reflect the Wisconsin Supreme Court's decision concerning amendments to gaming compacts. In light of the decision, it was uncertain whether or to what extent the tribal governments would make the payments due under the amended gaming compacts. Subsequent to the decision, the State received the payments expected to be received by June 30, 2004 from all but one of the tribal governments; the amount that was not received is \$30 million. It remains uncertain whether or to what extent the tribal governments will make the payments prior to June 30, 2005, and discussions continue with tribal governments regarding the one outstanding payment and the payments due on or after June 30, 2005. Projections do not include interfund borrowings.

(b) The General Fund cash balances presented in this schedule are not based on Generally Accepted Accounting Principles (GAAP). The General Fund includes funds designated for operations and capital purposes of certain proprietary programs of the State's Universities. Receipts and disbursements of such funds for the designated programs and the disbursement of such funds for other purposes are reflected in the cash flow. A use of the designated funds for purposes other than the proprietary programs is, in effect, a borrowing of such funds. Therefore, at any time that the balance in the General Fund is less than the balance of such designated funds, the State is obligated to replenish the designated funds to the extent of the shortfall. The designated funds are expected to range from \$150 to \$300 million during the 2004-05 fiscal year. In addition, the General Fund is the depository for several escrow accounts pursuant to court orders or federal rulings. These funds are expected to average approximately \$50 million during the 2004-05 fiscal year.

(c) The Statutes provide certain administrative remedies to deal with periods when the General Fund is in a negative cash position. The Secretary of Administration may temporarily reallocate cash in other funds (up to 5% of the general-purpose revenue appropriations then in effect) to the General Fund. This amount is approximately \$589 million for the 2004-05 fiscal year. In addition, the Secretary of Administration may also temporarily reallocate an additional amount up to 3% of the general-purpose revenue appropriations then in effect (approximately \$354 million for the 2004-05 fiscal year) for a period of up to 30 days. If the amount of interfund borrowing available to the General Fund is not sufficient, the Secretary of Administration is authorized to prorate and defer certain payments.

(d) Includes \$75 million to be transferred from the Transportation Fund to the General Fund in June 2005.

(e) \$190 million of the November 2004 shared revenue payments 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.

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:

2004-05 FISCAL YEAR
GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS YEAR-TO-DATE
COMPARED TO ESTIMATES AND PREVIOUS FISCAL YEAR^(a)
(Cash Basis)
As of December 31, 2004
(Amounts in Thousands)

| | FY04 through December 2003 | | FY05 through December 2004 | | | Adjusted Variance ^(c) | Difference FY04 Actual to FY05 Actual |
|-----------------------------------|----------------------------|--|----------------------------|-------------------------|-------------------|----------------------------------|---------------------------------------|
| | Actual | | Actual | Estimate ^(b) | Variance | | |
| RECEIPTS | | | | | | | |
| Tax Receipts | | | | | | | |
| Individual Income | \$ 2,846,958 | | \$ 3,068,596 | \$ 3,072,300 | \$ (3,704) | \$ (3,704) | \$ 221,638 |
| Sales | 2,153,789 | | 2,239,739 | 2,242,900 | (3,161) | (3,161) | 85,950 |
| Corporate Income | 375,295 | | 423,617 | 398,100 | 25,517 | 25,517 | 48,322 |
| Public Utility | 135,374 | | 135,975 | 148,400 | (12,425) | (12,425) | 601 |
| Excise | 191,139 | | 186,959 | 188,600 | (1,641) | (1,641) | (4,180) |
| Insurance | 57,815 | | 90,250 | 59,000 | 31,250 | 31,250 | 32,435 |
| Inheritance | 45,901 | | 55,326 | 48,500 | 6,826 | 6,826 | 9,425 |
| Total Tax Receipts | \$ 5,806,271 | | \$ 6,200,462 | \$ 6,157,800 | \$ 42,662 | \$ 42,662 | \$ 394,191 |
| Non-Tax Receipts | | | | | | | |
| Federal | \$ 3,013,843 | | \$ 2,881,707 | \$ 2,901,000 | \$ (19,293) | \$ (19,293) | \$ (132,136) |
| Other and Transfers | 2,382,525 | | 1,675,716 | 1,609,200 | 66,516 | 66,516 | (706,809) |
| Note Proceeds | 400,000 | | - | - | - | - | (400,000) ^(d) |
| Total Non-Tax Receipts | \$ 5,796,368 | | \$ 4,557,423 | \$ 4,510,200 | \$ 47,223 | \$ 47,223 | \$ (1,238,945) |
| TOTAL RECEIPTS | \$ 11,602,639 | | \$ 10,757,885 | \$ 10,668,000 | \$ 89,885 | \$ 89,885 | \$ (844,754) |
| DISBURSEMENTS | | | | | | | |
| Local Aids | \$ 3,874,267 | | \$ 3,730,227 | \$ 3,765,403 | \$ 35,176 | \$ 35,176 | \$ (144,040) |
| Income Maintenance | 2,207,228 | | 2,453,009 | 2,701,970 | 248,961 | 248,961 | 245,781 |
| Payroll & Related | 1,875,939 | | 1,975,792 | 2,011,487 | 35,695 | 35,695 | 99,853 |
| Tax Refunds | 405,304 | | 398,062 | 457,493 | 59,431 | 59,431 | (7,242) |
| Debt Service | 120,171 | | 120,288 | 146,878 | 26,590 | 26,590 | 117 |
| Miscellaneous | 1,804,848 | | 1,854,112 | 1,700,846 | (153,266) | (153,266) | 49,264 |
| Note Repayment | - | | - | - | - | - | - |
| TOTAL DISBURSEMENTS | \$ 10,287,757 | | \$ 10,531,490 | \$ 10,784,077 | \$ 252,587 | \$ 252,587 | \$ 243,733 |
| VARIANCE FY05 YEAR-TO-DATE | | | | | \$ 342,472 | \$ 342,472 | |

- (a) None of the data presented here has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments. In addition, comparison of monthly General Fund financial information has many inherent problems. Unforeseen events (including even a change in weather conditions) or variations from underlying assumptions may cause a decrease in receipts or an increase in disbursements from those projected for a given month.
- (b) Estimates reflect the revised General Fund revenue estimates that were released by DOR on November 20, 2004. Prior to this release, the estimates reflected the re-estimates of departmental revenues and expenditures provided by LFB on January 15, 2004 and the General Fund tax collection projections provided by LFB on February 10, 2004. While the information from DOR and LFB is presented on a budgetary basis, the estimates are presented on a cash basis and not a budgetary basis. The estimates do not reflect the Wisconsin Supreme Court's decision in May 2004 concerning amendments to gaming compacts. Subsequent to the decision, the State received the payments expected to be received by June 30, 2004 from all but one of the tribal governments; the amount that was not received is \$30 million. Discussions continue with the tribal governments regarding the one outstanding payment and the assumed payments due during and after the 2004-05 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 issued on September 18, 2003 for the 2003-04 fiscal year, but the State has determined that operating notes will not be issued for the 2004-05 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, 2002 through December 31, 2004 — Actual
January 1, 2005 through June 30, 2005 — Estimated^(b)
 (Amounts in Thousands)

| | <u>Starting Date</u> | <u>Starting Balance</u> | <u>Receipts^(c)</u> | <u>Disbursements^(c)</u> | |
|----------------|----------------------|-----------------------------|-------------------------------|------------------------------------|-----------|
| 2002 | July..... | \$ (421,915) ^(d) | \$ 1,700,476 | \$ 1,895,272 | |
| | August..... | (616,711) ^(d) | 1,637,001 | 1,171,887 | |
| | September..... | (151,597) ^(d) | 2,025,879 | 1,562,196 | |
| | October..... | 312,086 | 1,606,014 | 1,280,382 | |
| | November..... | 637,718 | 1,482,326 | 1,488,485 | |
| | December..... | 631,559 ^(d) | 1,706,488 | 2,178,341 | |
| | 2003 | January..... | 159,706 | 2,105,857 | 1,431,836 |
| | | February..... | 833,727 | 1,721,792 | 1,615,352 |
| | | March..... | 940,167 | 1,652,274 | 2,383,386 |
| | | April..... | 209,055 ^(d) | 2,101,401 | 1,712,702 |
| | | May..... | 597,754 | 1,485,340 | 1,566,243 |
| | | June..... | 516,851 ^(d) | 2,030,380 | 2,848,351 |
| July..... | | (301,120) ^(d) | 1,676,451 | 1,997,749 | |
| August..... | | (622,418) ^(d) | 1,461,025 | 1,239,109 | |
| September..... | | (400,502) ^(d) | 2,623,535 | 1,804,526 | |
| October..... | | 418,507 | 1,829,971 | 1,340,667 | |
| November..... | | 907,811 | 1,583,977 | 1,627,906 | |
| December..... | | 863,882 ^(d) | 2,427,680 | 2,277,800 | |
| 2004 | January..... | 1,013,762 | 2,142,215 | 1,964,574 | |
| | February..... | 1,191,403 | 1,668,211 | 1,820,788 | |
| | March..... | 1,038,826 ^(d) | 1,929,719 | 2,982,788 | |
| | April..... | (14,243) ^(d) | 2,105,306 | 1,538,546 | |
| | May..... | 552,517 | 1,624,996 | 1,418,939 | |
| | June..... | 758,574 ^(d) | 2,286,899 | 3,066,689 | |
| | July..... | (21,216) ^(d) | 1,525,326 | 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 | 2,415,550 | 1,369,784 | |
| | February..... | 1,250,945 | 1,810,550 | 1,593,259 | |
| | March..... | 1,468,236 | 1,788,850 | 2,736,297 | |
| | April..... | 520,789 | 2,258,850 | 1,889,286 | |
| | May..... | 890,353 | 1,782,550 | 1,548,641 | |
| | June..... | 1,124,262 | 2,250,050 | 3,007,649 | |

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

^(b) The monthly receipt and disbursement projections for January 1, 2005 through June 30, 2005 are based on the General Fund tax revenue estimates provided by DOR on November 20, 2004. The estimates do not reflect the Wisconsin Supreme Court's decision in May 2004 concerning amendments to gaming compacts. Subsequent to the decision, the State received the payments expected to be received by June 30, 2004 from all but one of the tribal governments; the amount that was not received is \$30 million. Discussions continue with the tribal governments regarding the one outstanding payment and the assumed payments due during and after the 2004-05 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 2002-03 fiscal year, and the State has determined that no operating notes will be issued for the 2004-05 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 is approximately \$589 million for the 2004-05 fiscal year. In addition, the Secretary of Administration may also temporarily reallocate an additional amount up to 3% of the general-purpose revenue appropriations then in effect (approximately \$354 million for the 2004-05 fiscal year) for a period of up to 30 days. If the amount of interfund borrowing available to the General Fund is not sufficient, the Secretary of Administration is authorized to prorate and defer certain payments.

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, 2002 to December 31, 2004 — Actual
January 31, 2005 to June 30, 2005— Estimated^(b)
(Amounts in Millions)

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

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

| <u>Month (Last Day)</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> |
|-------------------------|-------------|-------------|-------------|-------------------------|
| January | | \$ 1,100 | \$ 1,027 | \$ 1,018 ^(b) |
| February | | 1,138 | 1,126 | 1,105 |
| March | | 1,203 | 1,179 | 1,107 |
| April | | 1,133 | 1,157 | 997 |
| May | | 1,187 | 1,163 | 1,061 |
| June | | 1,279 | 1,054 | 1,117 |
| July | \$ 1,033 | 1,140 | 908 | |
| August | 1,049 | 1,242 | 1,003 | |
| September | 1,055 | 1,226 | 997 | |
| October | 1,032 | 1,187 | 954 | |
| November | 1,105 | 1,078 | 827 | |
| December | 1,131 | 1,130 | 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>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> |
|-------------------------|-------------|-------------|-------------|-------------------------|
| January | | \$ 5,025 | \$ 4,673 | \$ 5,360 ^(b) |
| February | | 5,235 | 4,852 | 5,463 |
| March | | 5,438 | 5,197 | 5,628 |
| April | | 5,113 | 4,707 | 5,135 |
| May | | 4,674 | 4,417 | 4,158 |
| June | | 4,835 | 4,274 | 4,329 |
| July | \$ 5,401 | 5,135 | 4,268 | |
| August | 4,785 | 4,580 | 3,904 | |
| September | 4,898 | 4,378 | 3,726 | |
| October | 4,328 | 3,922 | 3,233 | |
| November | 4,242 | 3,797 | 3,059 | |
| December | 4,737 | 4,090 | 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) The balances for January 31, 2005 and subsequent months are estimates.

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

**General Fund Recorded Revenues
(Agency Recorded Basis)
July 1, 2004 to December 31, 2004 compared with previous year ^(a)**

| | Annual Fiscal Report Revenues <u>2003-04 FY^(b)</u> | Projected Revenues <u>2004-05 FY^(c)</u> | Recorded Revenues July 1, 2003 to <u>December 31, 2003^(d)</u> | Recorded Revenues July 1, 2004 to <u>December 31, 2004^(e)</u> |
|--|---|--|--|--|
| Individual Income Tax | \$ 5,277,119,000 | \$ 5,557,000,000 | \$ 2,295,597,178 | \$ 2,469,253,571 |
| General Sales and Use Tax | 3,899,264,000 | 4,095,000,000 | 1,641,600,639 | 1,682,972,127 |
| Corporate Franchise and Income Tax | 650,526,000 | 627,000,000 | 296,449,201 | 353,544,481 |
| Public Utility Taxes | 269,801,000 | 271,000,000 | 130,835,382 | 129,541,082 |
| Excise Taxes | 355,495,000 | 351,800,000 | 151,819,713 | 155,379,634 |
| Inheritance Taxes | 86,357,000 | 90,000,000 | 44,070,742 | 54,694,366 |
| Insurance Company Taxes | 123,621,000 | 120,000,000 | 28,365,947 | 30,370,022 |
| Miscellaneous Taxes | 97,331,000 | 78,000,000 | 41,178,040 | 41,832,495 |
| SUBTOTAL..... | <u>\$ 10,759,514,000</u> | <u>\$ 11,189,800,000</u> | <u>\$ 4,629,916,842</u> | <u>\$ 4,917,587,778</u> |
| Federal and Other Inter- Governmental Revenues ^(f) | \$ 6,617,596,000 | \$ 5,509,000,000 | \$ 2,996,708,355 | \$ 2,892,204,593 |
| Dedicated and Other Revenues ^(g) | <u>4,663,830,000</u> | <u>3,943,000,000</u> | <u>3,436,899,754</u> | <u>1,863,281,443</u> |
| TOTAL..... | <u>\$ 22,040,940,000</u> | <u>\$ 20,641,800,000</u> | <u>\$ 11,063,524,951</u> | <u>\$ 9,673,073,814</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 2003-04 fiscal year, dated October 15, 2004.
- (c) The projected revenues are based on the re-estimates of departmental revenues that LFB released on January 15, 2004 and the General Fund tax collection projections provided by LFB on February 10, 2004. Projections do not reflect the revised General Fund tax revenue estimates provided by DOR on November 20, 2004.
- (d) The amounts shown are fiscal year 2003-04 revenues as recorded by state agencies.
- (e) The amounts shown are fiscal year 2004-05 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
(Agency Recorded Basis)
July 1, 2004 to December 31, 2004 compared with previous year^(a)**

| | Annual Fiscal Report Expenditures 2003-04 FY ^(b) | Appropriations 2004-05 FY ^(c) | Recorded Expenditures July 1, 2003 to December 31, 2003 ^(d) | Recorded Expenditures July 1, 2004 to December 31, 2004 ^(e) |
|-----------------------------------|---|---|---|---|
| Commerce..... | \$ 310,494,000 | \$ 274,448,400 | \$ 137,088,382 | \$ 118,940,931 |
| Education..... | 9,338,633,000 | 9,381,679,500 | 4,070,937,053 | 4,177,114,011 |
| Environmental Resources..... | 182,335,000 | 252,105,900 | 93,282,374 | 88,341,604 |
| Human Relations & Resources | 7,936,185,000 | 8,435,726,300 | 3,937,446,510 | 4,241,398,336 |
| General Executive..... | 2,104,690,000 | 636,573,200 | 1,079,239,010 | 306,600,154 |
| Judicial..... | 110,882,000 | 110,988,200 | 64,035,482 | 64,580,950 |
| Legislative..... | 59,302,000 | 62,479,800 | 25,469,595 | 24,648,339 |
| General Appropriations..... | <u>1,673,811,000</u> | <u>1,656,183,700</u> | <u>1,608,351,481</u> | <u>1,331,696,502</u> |
| TOTAL..... | <u>\$ 21,716,332,000</u> | <u>\$ 20,810,185,000</u> | <u>\$ 11,015,849,888</u> | <u>\$ 10,353,320,826</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 FY04, dated October 15, 2004.
- (c) Estimated appropriations based on the 2003-05 biennial budget bill (2003 Wisconsin Act 33), all budget acts from the 2003 legislative session, and the re-estimates of expenditures that LFB released on January 15, 2004.
- (d) The amounts shown are fiscal year 2003-04 expenditures as recorded by state agencies.
- (e) The amounts shown are fiscal year 2004-05 expenditures as recorded by state agencies.

Source: Wisconsin Department of Administration.

APPENDIX B

State of Wisconsin General Obligation Issuance Status Report December 1, 2004

| <u>Program Purpose</u> | <u>Legislative Authorization</u> | <u>General Obligations Issued to Date</u> | <u>Interest Earnings^(a)</u> | <u>G.O. Bonds of 2005, Series A^(c)</u> | <u>Total Authorized Unissued Debt^(c)</u> |
|--|--------------------------------------|---|--|---|---|
| University of Wisconsin; academic facilities..... | \$ 1,107,898,000 | \$ 958,992,229 | \$ 9,294,630 | \$ 9,294,630 | \$ 130,316,511 |
| University of Wisconsin; self-amortizing facilities..... | 992,385,200 | 629,032,621 | 32,583,936 | 32,583,936 | 298,184,707 |
| Natural resources; Warren Knowles - Gaylord Nelson stewardship 2000 program..... | 572,000,000 | 182,433,000 | 15,614,979 | 15,614,979 | 358,337,042 |
| Natural resources; municipal clean drinking water grants..... | 9,800,000 | 9,518,744 | | | 281,256 |
| Clean water fund program..... | 637,743,200 | 442,334,053 | | | 195,409,147 |
| Safe drinking water loan program..... | 26,210,000 | 25,506,520 | | | 703,480 |
| Natural resources; nonpoint source grants..... | 85,310,400 | 64,130,658 | 483,321 | 483,321 | 20,213,100 |
| Natural resources; nonpoint source compliance..... | 2,000,000 | 2,000,000 | | | |
| Natural resources; environmental repair..... | 48,000,000 | 38,346,900 | | | 9,653,100 |
| Natural resources; urban nonpoint source cost-sharing..... | 22,400,000 | 10,598,850 | 498,812 | 498,812 | 10,803,526 |
| Natural resources; environmental segregated fund supported administrative facilities..... | 6,770,400 | 2,867,750 | 495,714 | 495,714 | 2,911,222 |
| Natural resources; segregated revenue supported dam safety projects..... | 6,600,000 | 5,993,000 | | | 607,000 |
| Natural resources; pollution abatement and sewage collection facilities, ORAP funding..... | 145,060,325 | 145,010,325 | | | 50,000 |
| Natural resources; pollution abatement and sewage collection facilities..... | 893,493,400 | 874,674,068 | 154,910 | 154,910 | 18,509,512 |
| Natural resources; pollution abatement and sewage collection facilities; combined sewer overflow..... | 200,600,000 | 194,312,599 | | | 6,287,401 |
| Natural resources; recreation projects..... | 56,055,000 | 56,053,994 | | | |
| Natural resources; local parks land acquisition and development..... | 2,490,000 | 2,447,741 | | | 42,259 |
| Natural resources; recreation development..... | 23,061,500 | 22,871,110 | | | 190,390 |
| Natural resources; land acquisition..... | 45,608,600 | 45,116,930 | | | |

GENERAL OBLIGATION ISSUANCE STATUS REPORT—CONTINUED
December 1, 2004

| <u>Program Purpose</u> | <u>Legislative Authorization</u> | <u>General Obligations Issued to Date</u> | <u>Interest Earnings^(a)</u> | <u>G.O. Bonds of 2005, Series A^(c)</u> | <u>Total Authorized Unissued Debt^(c)</u> |
|--|--------------------------------------|---|--|---|---|
| Natural resources; Wisconsin natural areas heritage program..... | 2,500,000 | 2,445,793 | 17,174 | | 37,032 |
| Natural resources; segregated revenue supported facilities..... | 45,296,900 | 23,647,802 | 45,287 | 867,499 | 20,736,312 |
| Natural resources; general fund supported administrative facilities..... | 10,882,400 | 10,470,126 | 21,432 | 68,161 | 322,681 |
| Natural resources; ice age trail..... | 750,000 | 750,000 | | | |
| Natural resources; dam safety projects..... | 5,500,000 | 5,400,148 | 49,701 | | 50,151 |
| Natural resources; segregated revenue supported land acquisition..... | 2,500,000 | 2,500,000 | | | |
| Natural resources; Warren Knowles - Gaylord Nelson stewardship program..... | 231,000,000 | 224,675,820 | 1,293,404 | | 5,030,776 |
| Transportation; administrative facilities..... | 8,890,400 | 8,759,479 | 33,943 | | 96,978 |
| Transportation; accelerated bridge improvements..... | 46,849,800 | 46,849,800 | | | |
| Transportation; rail passenger route development.. | 50,000,000 | 1,432,921 | | 15,491 | 48,551,588 |
| Transportation; accelerated highway improvements..... | 185,000,000 | 185,000,000 | | | |
| Transportation; connecting highway improvements..... | 15,000,000 | 15,000,000 | | | |
| Transportation; federally aided highway facilities..... | 10,000,000 | 10,000,000 | | | |
| Transportation; highway projects..... | 41,000,000 | 41,000,000 | | | |
| Transportation; major highway and rehabilitation projects..... | 565,480,400 | 454,837,720 | | 42,409,961 | 68,232,719 |
| Transportation; harbor improvements..... | 28,000,000 | 19,748,190 | 232,605 | 601,053 | 7,418,152 |
| Transportation; rail acquisitions and improvements..... | 32,500,000 | 26,764,625 | 16 | 359,392 | 5,375,967 |
| Transportation; local roads for job preservation, state funds..... | 2,000,000 | 1,958,357 | | | 41,643 |
| Corrections; correctional facilities..... | 793,787,700 | 766,702,362 | 11,467,003 | 2,370,131 | 13,248,204 |
| Corrections; self-amortizing facilities and equipment..... | 7,337,000 | 2,115,438 | 99 | | 5,221,463 |
| Corrections; juvenile correctional facilities..... | 27,726,500 | 25,448,556 | 102,026 | 24,786 | 2,151,132 |
| Health and family services; mental health and secure treatment facilities..... | 129,057,200 | 121,005,267 | 895,124 | 309,821 | 6,846,988 |

GENERAL OBLIGATION ISSUANCE STATUS REPORT—CONTINUED
December 1, 2004

| <u>Program Purpose</u> | <u>Legislative Authorization</u> | <u>General Obligations Issued to Date</u> | <u>Interest Earnings^(a)</u> | <u>G.O. Bonds of 2005, Series A^(c)</u> | <u>Total Authorized Unissued Debt^(c)</u> |
|--|--------------------------------------|---|--|---|---|
| Agriculture; soil and water..... | 20,575,000 | 10,808,000 | 1,248 | 1,301,248 | 8,464,504 |
| Agriculture; conservation reserve enhancement... | 40,000,000 | 8,153,000 | | | 31,847,000 |
| Administration; Black Point Estate..... | 1,600,000 | | | | 1,600,000 |
| Building commission; previous lease rental authority..... | 143,071,600 | 143,068,654 | | | 2,946 |
| Building commission; refunding corporation self-amortizing debt..... | 870,000 | | | | 870,000 |
| Building commission; refunding tax-supported general obligation debt..... | 2,102,086,430 | 2,102,086,530 ^(b) | | | |
| Building commission; refunding self-amortizing general obligation debt..... | 272,863,033 | 272,863,033 ^(b) | | | |
| Building commission; refunding tax-supported and self-amortizing general obligation debt incurred before June 30, 2005... | 250,000,000 | 250,000,000 | | | |
| Building commission; refunding tax-supported and self-amortizing general obligation debt..... | 1,000,000,000 ^(d) | 440,000,000 | | | 560,000,000 |
| Building commission; housing state departments and agencies..... | 480,088,500 | 402,454,121 | 2,329,712 | 929,463 | 74,375,204 |
| Building commission; 1 West Wilson street parking ramp..... | 15,100,000 | 14,805,521 | 294,479 | | |
| Building commission; project contingencies..... | 47,961,200 | 37,290,000 | 62,251 | 743,570 | 9,865,379 |
| Building commission; capital equipment acquisition..... | 117,042,900 | 102,754,191 | 729,518 | 2,013,837 | 11,545,354 |
| Building commission; discount sale of debt..... | 90,000,000 | 66,758,598 | | | 23,241,402 |
| Building commission; discount sale of debt (higher education bonds)..... | 100,000,000 | 99,988,833 ^(b) | | | 11,167 |
| Building commission; other public purposes..... | 1,495,901,000 | 1,139,984,244 | 6,188,961 | 17,705,876 | 332,021,919 |
| Medical College of Wisconsin, Inc.; | | | | | |
| basic science education and health information technology facilities.... | 10,000,000 | 10,000,000 | | | |
| HR Academy, Inc..... | 1,500,000 | 1,292,042 | | 128,859 | 79,099 |
| Medical College of Wisconsin, Inc.; | | | | | |
| biomedical research and technology incubator..... | 25,000,000 | | | | 25,000,000 |
| Marquette University; dental clinic and education facility... | 15,000,000 | 14,999,182 | 818 | | |
| Swiss cultural center..... | 1,000,000 | | | | 1,000,000 |
| Racine County; Discovery Place museum..... | 1,000,000 | | | | 1,000,000 |
| Milwaukee Police Athletic League; youth activities center..... | 1,000,000 | 1,000,000 | | | |

GENERAL OBLIGATION ISSUANCE STATUS REPORT—CONTINUED
December 1, 2004

| <u>Program Purpose</u> | <u>Legislative Authorization</u> | <u>General Obligations Issued to Date</u> | <u>Interest Earnings^(a)</u> | <u>G.O. Bonds of 2005, Series A^(c)</u> | <u>Total Authorized Unissued Debt^(c)</u> |
|---|--------------------------------------|---|--|---|---|
| Administration; school educational technology infrastructure financial assistance..... | 90,200,000 | 68,285,000 | 431,066 | | 21,483,934 |
| Administration; public library educational technology infrastructure financial assistance..... | 300,000 | 268,918 | 41 | | 31,041 |
| Educational communications board; educational communications facilities..... | 22,858,100 | 16,809,539 | 37,069 | 309,821 | 5,701,671 |
| Historical society; self-amortizing facilities..... | 3,173,600 | 1,029,156 | 3,896 | | 2,140,547 |
| Historical society; historic records..... | 400,000 | | | | 400,000 |
| Historical society; historic sites..... | 1,839,000 | 1,825,756 | | | 13,244 |
| Historical society; museum facility..... | 4,384,400 | 4,362,469 | | | 21,931 |
| Historical society; Wisconsin history center..... | 30,000,000 | | | | 30,000,000 |
| Public instruction; state school, state center and library facilities..... | 7,367,700 | 7,330,612 | 32,508 | | 4,579 |
| Military affairs; armories and military facilities..... | 24,393,800 | 20,662,527 | 192,632 | | 3,538,641 |
| Veterans affairs; veterans facilities..... | 10,090,100 | 9,405,565 | 50,593 | | 633,941 |
| Veterans affairs; self-amortizing mortgage loans..... | 2,120,840,000 | 2,045,652,395 | 2,133,000 | | 73,054,605 |
| Veterans affairs; refunding bonds..... | 840,000,000 | 721,169,245 | | | 118,830,755 |
| Veterans affairs; self-amortizing facilities..... | 34,412,600 | 4,277,500 | 501 | 1,858,926 | 28,275,673 |
| State fair park board; board facilities..... | 13,587,100 | 12,887,010 | | 102,241 | 597,849 |
| State fair park board; housing facilities..... | 11,000,000 | 10,999,990 | 13 | | |
| State fair park board; self-amortizing facilities..... | 56,787,100 | 51,991,800 | 22,328 | 238,562 | 4,534,410 |
| Total..... | <u>\$16,627,837,488</u> | <u>\$13,804,016,927</u> | <u>\$85,794,751</u> | <u>\$131,485,000</u> | <u>\$2,606,048,237</u> |

^(a) Interest earnings reduce issuance authority by the same amount.

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

^(c) Does not reflect the \$430,240,000 General Obligation Refunding Bonds of 2005, Series 1, which are expected to be sold on January 20, 2005 and delivered on February 10, 2005.

^(d) 2005 Wisconsin Act 1, which Governor Doyle signed into law on January 13, 2005, increases the amount of legislative authorization for this purpose to \$1,000,000,000.

Source: Wisconsin Department of Administration.

Appendix C

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)

\$131,485,000

STATE OF WISCONSIN

GENERAL OBLIGATION BONDS OF 2005, SERIES A

We have served as bond counsel in connection with the issuance by the State of Wisconsin (**State**) of its \$131,485,000 General Obligation Bonds of 2005, Series A, dated February 10, 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 January 14, 2005 (**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