

NOTICE OF BOND INSURANCE

**STATE OF WISCONSIN
TRANSPORTATION REVENUE BONDS, 2005 SERIES B
Maturing July 1, 2007-2014, 2015-2017, and 2022-2025**

The Underwriter, as defined in the Official Statement, dated September 13, 2005, has provided for financial guaranty insurance policies to be issued simultaneously with the delivery of the above captioned bonds by:

Ambac

Insuring the payment when due of the principal and interest on the State of Wisconsin Transportation Revenue Bonds, 2005 Series B, maturing on July 1, 2007-2014
(AMBAC Insured Bonds)

MBIA

Insuring the payment when due of the principal and interest on the State of Wisconsin Transportation Revenue Bonds, 2005 Series B, maturing on July 1, 2015-2017 and 2022-2025
(MBIA Insured Bonds)

The AMBAC Insured Bonds and MBIA Insured Bonds are collectively referred to as the **Insured Bonds**. The State of Wisconsin Transportation Revenue Bonds, 2005 Series B, maturing on July 1, 2018-2021 are not insured by such policies.

This Notice includes certain information concerning Ambac Assurance Corporation (**Ambac Assurance**), MBIA Insurance Corporation (**MBIA**), and the terms of the respective financial guaranty insurance policies (**Policies**) relating to the Insured Bonds. Information with respect to Ambac Assurance and its Policy has been supplied by Ambac Assurance. Information with respect to MBIA and its Policy has been supplied by MBIA. No representation is made by the Underwriter as to the accuracy or adequacy of such information. The Policies do not constitute a part of the contract between the State of Wisconsin (**State**) and the owners of the Insured Bonds. The Underwriter has the responsibility for paying the premiums on and complying with the conditions for the issuance of the Policies, and the State has no responsibility with respect to such insurance in any way, including the maintenance and enforcement of the Policies or collection of a claim submitted under the Policies.

This Notice has been prepared by the Underwriter to provide certain information pertaining to Ambac Assurance and MBIA. It has not been prepared or reviewed by the State, and the State makes no representations as to the adequacy of the information contained herein. Each purchaser should consult the Official Statement, dated September 13, 2005, for information about the Insured Bonds.

The Underwriter has applied for, and upon issuance of the Policies there will be assigned to the Insured Bonds, the AAA rating from Fitch Ratings, the Aaa rating from Moody's Investors Service, Inc., and the AAA rating from Standard & Poor's Ratings Services.

September 13, 2005

Lehman Brothers

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Ambac Assurance

Payment Pursuant to Ambac Assurance Financial Guaranty Insurance Policy

Ambac Assurance has made a commitment to issue a financial guaranty insurance policy (**Ambac Assurance Financial Guaranty Insurance Policy**) relating to the AMBAC Insured Bonds effective as of the date of issuance of the AMBAC Insured Bonds. Under the terms of the Ambac Assurance Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, in New York, New York or any successor thereto (**AMBAC Insurance Trustee**) that portion of the principal of and interest on the AMBAC Insured Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Ambac Assurance Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the AMBAC Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Paying Agent. The insurance will extend for the term of the AMBAC Insured Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Ambac Assurance Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the AMBAC Insured Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding AMBAC Insured Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding AMBAC Insured Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the AMBAC Insured Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Paying Agent has notice that any payment of principal of or interest on an AMBAC Insured Bonds which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Ambac Assurance Financial Guaranty Insurance Policy does **not** insure any risk other than Nonpayment, as defined therein. Specifically, the Ambac Assurance Financial Guaranty Insurance Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee or Paying Agent, if any.

If it becomes necessary to call upon the Ambac Assurance Financial Guaranty Insurance Policy, payment of principal requires surrender of AMBAC Insured Bonds to the AMBAC Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such AMBAC Insured Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Ambac Assurance Financial Guaranty Insurance Policy. Payment of interest pursuant to the Ambac Assurance Financial Guaranty Insurance Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the AMBAC Insured Bonds, appurtenant coupon, if any, or right to payment of principal or interest on such AMBAC Insured Bonds and will be fully subrogated to the surrendering Holder's rights to payment.

Ambac Assurance Corporation

Ambac Assurance Corporation (**Ambac Assurance**) is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico, and the U.S. Virgin Islands, with admitted assets of approximately \$8,720,000,000 (unaudited) and statutory capital of approximately \$5,287,000,000 (unaudited) as of June 30, 2005. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially

identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the AMBAC Insured Bonds.

Ambac Assurance makes no representation regarding the AMBAC Insured Bonds or the advisability of investing in the AMBAC Insured Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement and this Notice other than the information supplied by Ambac Assurance and presented in this Notice.

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (**Company**), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (**Exchange Act**), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (**SEC**). Such reports, proxy statements and other information can be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (**NYSE**) at 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

Ambac Assurance Information

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Notice:

- The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004 and filed on March 15, 2005;
- The Company's Current Report on Form 8-K dated April 5, 2005 and filed on April 11, 2005;
- The Company's Current Report on Form 8-K dated and filed on April 20, 2005;
- The Company's Current Report on Form 8-K dated May 3, 2005 and filed on May 5, 2005;
- The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2005 and filed on May 10, 2005;
- The Company's Current Report on Form 8-K dated and filed on July 20, 2005;
- The Company's Current Report on Form 8-K dated July 28, 2005 and filed on August 2, 2005;
- The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2005 and filed on August 9, 2005; and
- The Company's Current Report on Form 8-K dated September 8, 2005 and filed on September 9, 2005.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Notice will be available for inspection in the same manner as described above in "Ambac Assurance; *Available Information*".

OFFICIAL STATEMENT

New Issue

This Official Statement provides information on the 2005 Series B 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.

\$158,400,000

STATE OF WISCONSIN

TRANSPORTATION REVENUE BONDS, 2005 SERIES B

Dated: Date of Delivery

Due: July 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 2005 Series B Bonds is excludable from gross income, and is not included as an item of tax preference, for federal income tax purposes. Interest on the 2005 Series B Bonds is subject to State of Wisconsin income and franchise taxes—*Pages 10-12.*

Redemption The 2005 Series B Bonds maturing on or after July 1, 2016 are subject to optional redemption at par (100%) on any date on or after July 1, 2015—*Page 2.*

Security/Priority The 2005 Series B Bonds have a first claim on vehicle registration fees (which are a substantial portion of pledged Program Income) and other vehicle registration-related fees including, but not limited to, vehicle title transaction fees, registration and title counter service fees, and personalized license plate issuance and renewal fees. A Reserve Fund also exists if there is a deficiency for the payment of principal and interest on the then Outstanding Bonds. The 2005 Series B Bonds are issued on a parity with the Prior Bonds and any additional parity Bonds issued by the State pursuant to the General Resolution. The 2005 Series B Bonds are not general obligations of the State—*Pages 6-8.*

Purpose Proceeds are being used to finance certain State transportation facilities and highway projects and to pay costs of issuance—*Page 3.*

Interest Payment Dates January 1 and July 1

First Interest Payment Date January 1, 2006

Closing/Settlement On or about September 29, 2005

Denominations Multiples of \$5,000

Book-Entry-Only Form The Depository Trust Company—*Page 4.*

Trustee/Registrar/Paying Agent J.P. Morgan Trust Company, National Association

Bond Counsel Quarles & Brady LLP

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

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

The 2005 Series B Bonds were sold at competitive sale on September 13, 2005. The interest rates shown below resulted from the award of the 2005 Series B Bonds.

CUSIP	Year (July 1)	Principal Amount	Interest Rate	First Optional Call Date (July 1)	Call Price
977123 UW6	2007	\$ 7,040,000	5.00%	Not Callable	-
977123 UX4	2008	7,395,000	4.00	Not Callable	-
977123 UY2	2009	7,760,000	4.50	Not Callable	-
977123 UZ9	2010	8,150,000	5.00	Not Callable	-
977123 VA3	2011	8,560,000	5.00	Not Callable	-
977123 VB1	2012	8,985,000	5.00	Not Callable	-
977123 VC9	2013	9,435,000	5.00	Not Callable	-
977123 VD7	2014	9,905,000	5.00	Not Callable	-
977123 VE5	2015	10,400,000	5.00	Not Callable	-
977123 VF2	2016	10,920,000	5.00	2015	100%
977123 VG0	2017	11,465,000	5.00	2015	100
977123 VH8	2018	12,040,000	4.10	2015	100
977123 VJ4	2019	12,640,000	4.10	2015	100
977123 VK1	2020	13,275,000	4.20	2015	100
977123 VL9	2021	13,940,000	4.25	2015	100
977123 VM7	2022	1,505,000	4.00	2015	100
977123 VN5	2023	1,580,000	4.00	2015	100
977123 VP0	2024	1,660,000	4.00	2015	100
977123 VQ8	2025	1,745,000	4.10	2015	100

Purchase Price: \$165,860,884.10

September 13, 2005

Note: The State has been advised by the Underwriter that it has received a Commitment For Financial Guaranty Insurance from Ambac Assurance for the 2005 Series B Bonds maturing on July 1, 2007 through 2014. The State has also been advised by the Underwriter that it has received a Commitment to Issue a Financial Guaranty Insurance Policy from MBIA for the 2005 Series B Bonds maturing on July 1, 2015 through 2017 and July 1, 2022 through 2025. Further information on these commitments and financial guaranty insurance policies can be obtained from the Underwriter and Ambac Assurance or MBIA, respectively.

This document is the State’s *official* statement about the offering of the 2005 Series B Bonds; that is, it is the only document the State has authorized for providing information about the 2005 Series B Bonds. This document is not an offer or solicitation for the 2005 Series B 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 2005 Series B 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 2005 Series B Bonds other than what is in this document. The information and expressions of opinion in this document may change without notice. Neither the delivery of this document nor any sale of the 2005 Series B Bonds implies that there has been no change in the other matters contained in this document since its date. Material referred to in this document is not part of this document unless expressly included.

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STATE OFFICIALS PARTICIPATING IN THE ISSUANCE AND SALE OF THE 2005 SERIES B 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 P. 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
Mr. Frank J. Busalacchi, Secretary Department of Transportation	At the pleasure of the Governor

DEBT MANAGEMENT AND DISCLOSURE

Department of Administration
Capital Finance Office
P.O. Box 7864
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Madison, WI 53707-7864
Telefax (608) 266-7645
capfin@doa.state.wi.us

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Mr. Lawrence K. Dallia
Assistant Capital Finance Director
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Mr. David R. Erdman
Capital Finance Officer
(608) 267-0374
david.erdman@doa.state.wi.us

SUMMARY DESCRIPTION OF THE 2005 SERIES B BONDS

Selected information is presented on this page for the convenience of the reader. To make an informed decision regarding the 2005 Series B Bonds, a prospective investor should read the entire Official Statement.

Description:	State of Wisconsin Transportation Revenue Bonds, 2005 Series B
Principal Amount:	\$158,400,000
Denominations:	Multiples of \$5,000
Date of Issue:	Date of Delivery (expected to be September 29, 2005)
Interest Payment:	January 1 and July 1, commencing January 1, 2006
Maturities:	July 1, 2007-2025— <i>Cover</i>
Record Date:	December 15 or June 15
Redemption:	<i>Optional</i> —The 2005 Series B Bonds maturing on or after July 1, 2016 are subject to optional redemption at par (100%) on any date on or after July 1, 2015— <i>Page 2</i>
Form:	Book-entry-only— <i>Page 4</i>
Paying Agent:	All payments of principal and interest on the 2005 Series B Bonds will be made by J. P. Morgan Trust Company, National Association. All payments will be made to The Depository Trust Company, which will distribute payments as described herein.
Authority for Issuance:	The 2005 Series B Bonds are issued under Chapter 18 and Section 84.59 of the Wisconsin Statutes.
Purpose:	The 2005 Series B Bond proceeds will be used to finance certain State transportation facilities and highway projects and to pay costs of issuance.
Security and Priority:	The 2005 Series B Bonds are revenue obligations having a first claim on vehicle registration fees (which are a substantial portion of pledged Program Income), other registration-related fees (including but not limited to vehicle title transaction fees, registration and title counter service fees, and personalized license plate issuance and renewal fees), and any other pledged Program Income. The 2005 Series B Bonds are issued on a parity with the Prior Bonds and any additional parity Bonds issued by the State pursuant to the General Resolution. A Reserve Fund also exists in the amount of \$60,369,200. The 2005 Series B Bonds are not general obligations of the State— <i>Pages 6-8</i>
Bond Insurance:	The State has been advised by the Underwriter that it has received a Commitment For Financial Guaranty Insurance from Ambac Assurance Corporation (Ambac Assurance) for the 2005 Series B Bonds maturing on July 1, 2007 through 2014. The State has also been advised by the Underwriter that it has received a Commitment to Issue a Financial Guaranty Insurance Policy from MBIA Insurance Corporation (MBIA) for the 2005 Series B Bonds maturing on July 1, 2015 through 2017 and July 1, 2022 through 2025. Further information on these commitments and financial guaranty insurance policies can be obtained from the Underwriter and Ambac Assurance or MBIA, respectively.
Prior Bonds and Notes:	As of September 1, 2005, \$1,251,875,000 of Prior Bonds were Outstanding and \$113,893,000 of Notes were Outstanding that were subordinate to the Prior Bonds— <i>Pages 5-6</i>
Additional Bonds:	The State may issue additional transportation revenue obligations, and if certain conditions are met, they may be issued on parity with the Prior Bonds and the 2005 Series B Bonds— <i>Page 8</i>
Legality of Investment:	State law provides that the 2005 Series B Bonds are legal investments for all banks and bankers, trust companies, savings banks and institutions, savings and loan associations, credit unions, investment companies, insurance companies, insurance associations, and other persons or entities carrying on a banking or insurance business; for all personal representatives, guardians, trustees, and other fiduciaries; and for the State and all public officers, municipal corporations, political subdivisions, and public bodies.
Tax Exemption:	Interest on the 2005 Series B Bonds is excludable from gross income, and is not an item of tax preference, for federal income tax purposes— <i>Pages 10-12</i> Interest on the 2005 Series B Bonds is subject to State of Wisconsin income and franchise taxes— <i>Page 12</i>
Legal Opinion:	Validity and tax opinion to be provided by Quarles & Brady LLP— <i>Page C-1</i>

OFFICIAL STATEMENT
\$158,400,000
STATE OF WISCONSIN
TRANSPORTATION REVENUE BONDS, 2005 SERIES B

INTRODUCTION

This Official Statement sets forth information concerning the \$158,400,000 State of Wisconsin Transportation Revenue Bonds, 2005 Series B (**2005 Series B Bonds**), issued by the State of Wisconsin (**State**). This Official Statement includes by reference Parts I, II, and V of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2004 (**2004 Annual Report**).

The 2005 Series B Bonds are revenue obligations issued pursuant to Subchapter II of Chapter 18 of the Wisconsin Statutes, as amended (**Revenue Obligations Act**), Section 84.59 of the Wisconsin Statutes (**Act**), a General Resolution adopted by the State of Wisconsin Building Commission (**Commission**) on June 26, 1986, as supplemented on March 19, 1998, August 9, 2000, and October 15, 2003 (**General Resolution**), and a Series Resolution adopted by the Commission on November 17, 2004 (collectively, with the General Resolution, **Resolution**).

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

In connection with the issuance and sale of the 2005 Series B Bonds, the Commission has authorized the preparation of this Official Statement. This Official Statement describes the terms of and security for the 2005 Series B Bonds. Copies of the Resolution, the Revenue Obligations Act and the Act are available from the Commission. All capitalized terms used in this Official Statement and not otherwise defined shall have the meanings assigned in the Resolution.

THE DEPARTMENT OF TRANSPORTATION

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

Information concerning the Department is included as **APPENDIX A** to this Official Statement, which includes by reference Part V of the 2004 Annual Report. **APPENDIX A** also includes updates to Part V of the 2004 Annual Report.

THE STATE

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

Information concerning the State and its financial condition is included as **APPENDIX B**, which includes by reference Part II of the 2004 Annual Report. **APPENDIX B** also includes information on the 2005-07 biennial budget and changes or additions 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

THE 2005 SERIES B BONDS

General

The 2005 Series B Bonds are the twenty-first Series of Bonds to be issued under the General Resolution. The cover of this Official Statement sets forth the maturity dates, principal amounts, and interest rates for the 2005 Series B Bonds. The Legislature has authorized the issuance of \$2.324 billion of revenue bonds to finance the costs of State transportation facilities and highway projects (**Projects**), excluding revenue bonds issued to refund Outstanding Bonds. To date, and including the 2005 Series B Bonds, \$2.068 billion of such bonds (not including refunding bonds) have been issued. The Legislature has in the past, and may again in the future, increase the amount of revenue bonds that may be authorized for Projects.

The 2005 Series B Bonds will be dated their date of delivery (expected to be September 29, 2005) and will bear interest from that date payable on January 1 and July 1 of each year, beginning on January 1, 2006. Interest on the 2005 Series B Bonds will be computed on the basis of a 30-day month and a 360-day year.

The 2005 Series B Bonds are issued as fully-registered bonds without coupons in the principal denominations of \$5,000 or any multiples thereof. Principal of and interest on the 2005 Series B Bonds will be payable to the person or entity who is, as of the fifteenth day of the month preceding each Interest Payment Date, the registered owner of record, which initially will be The Depository Trust Company, New York, New York (**DTC**) or its nominee.

J.P. Morgan Trust Company, National Association is the trustee for the Bonds (**Trustee**). In addition, the Trustee is the registrar (**Registrar**) and paying agent (**Paying Agent**) for the 2005 Series B Bonds.

Optional Redemption

The 2005 Series B Bonds maturing on or after July 1, 2016 are subject to optional redemption, at the option of the Commission, on July 1, 2015 or any date after that date, in whole or in part in integral multiples of \$5,000, at a redemption price equal to par (100%) of the principal amount to be redeemed, plus accrued interest to the date of redemption. In the event of partial redemption, the Commission shall direct the amounts and maturity or maturities of the 2005 Series B Bonds to be redeemed.

Selection of 2005 Series B Bonds

The 2005 Series B Bonds shall be called for redemption in multiples of \$5,000 and bonds of denominations of more than \$5,000 shall be treated as representing the number of bonds obtained by dividing the denomination of the bond by \$5,000, and such bonds may be selected for redemption in part. If the 2005 Series B Bonds are in book-entry form and less than all of a

particular maturity are to be redeemed, selection of the ownership interests of the 2005 Series B Bonds affected thereby shall be made solely by DTC and the DTC Participants in accordance with their then prevailing rules. If the 2005 Series B Bonds are in certificated form and less than all of a particular maturity are to be redeemed, selection shall be by lot.

Notice of Redemption

So long as the 2005 Series B Bonds are in book-entry form, a notice of the redemption of any 2005 Series B Bonds shall be sent to the securities depository not less than 30 days or more than 60 days prior to the date of redemption.

In the event that the 2005 Series B Bonds are outstanding in certificated form, a notice of the redemption of any 2005 Series B Bonds shall be mailed not less than 30 days prior to the date of redemption to the registered owners of any 2005 Series B Bonds to be redeemed.

Interest on any 2005 Series B Bond so called for prior redemption shall cease to accrue on the redemption date provided payment thereof has been duly made or provided for.

Ratings

At the State’s request, several rating agencies have assigned a rating on the 2005 Series B Bonds and confirmed the ratings on the Outstanding Bonds:

<u>Rating</u>	<u>Rating Agency</u>
AA	Fitch Ratings
Aa3	Moody’s Investors Service, Inc.
AA-	Standard and Poor’s Ratings Services

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 2005 Series B Bonds and the Outstanding 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 effect the market price of the 2005 Series B Bonds and the Outstanding Bonds.

Sources and Applications of Funds

It is expected that the proceeds of the 2005 Series B Bonds will be applied as follows. Investment earnings on unspent 2005 Series B Bond proceeds deposited into the Program Account are not included with the amounts below but will be applied to cost of Projects.

Sources

Principal Amount of the 2005 Series B Bonds	\$ 158,400,000.00
Net Original Issue Premium.....	<u>7,882,228.10</u>
Total Sources	<u>\$ 166,282,228.10</u>

Applications

Deposit to the Program Account to Pay	
Costs of Projects	\$ 165,730,884.10
Costs of Issuance.....	130,000.00
Underwriters’ Discount.....	<u>421,344.00</u>
Total Applications	<u>\$ 166,282,228.10</u>

Book-Entry-Only Form

The 2005 Series B Bonds will initially be issued in book-entry-only form. Purchasers of the 2005 Series B Bonds will not receive bond certificates but instead will have their ownership in the 2005 Series B Bonds recorded in the book-entry system.

2005 Series B Bond certificates are to be issued and registered in the name of a nominee of DTC, which acts as securities depository for the 2005 Series B Bonds. Ownership of the 2005 Series B 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 2005 Series B Bonds must be made, directly or indirectly, through DTC Participants.

Payment

The Trustee will make all payments of principal of, interest on, and any redemption premium on the 2005 Series B Bonds to DTC. Owners of the 2005 Series B Bonds will receive payments through the DTC Participants.

Notices and Voting Rights

The State and Trustee will provide notices and other communications about the 2005 Series B Bonds to DTC. Owners of the 2005 Series B 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 2005 Series B Bonds of a given maturity are being redeemed, DTC's practice is to determine by lottery the amount of the 2005 Series B 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 and Trustee are not responsible for any information available on DTC's web site. That information may be subject to change without notice.

The State and Trustee are not responsible for a failure by DTC or any DTC Participant to transfer payments or notices to the owners of the 2005 Series B Bonds or to follow the procedures established by DTC for its book-entry system.

Transfer of Bonds

If the 2005 Series B Bonds are no longer held in book-entry-only form, any 2005 Series B Bond may be transferred by the person in whose name it is registered, in person or by his duly authorized legal representative, upon surrender of the 2005 Series B Bond to the Registrar for cancellation, together with a duly executed written instrument of transfer in a form approved by the Registrar. Whenever any 2005 Series B Bond is surrendered for transfer, the Registrar shall deliver 2005 Series B Bonds, in like aggregate principal amount, interest rate, and maturity. The Registrar may require the Bondholder requesting the transfer to pay any tax or other governmental charge required to be paid with respect to the transfer and may charge a sum

sufficient to pay the cost of preparing such 2005 Series B Bond. The Registrar shall not be obliged to make any transfer or exchange of 2005 Series B Bonds:

- (1) after the 15th day of the month preceding an Interest Payment Date for the 2005 Series B Bond,
- (2) during the 15 days preceding the date of the mailing of a notice of redemption of 2005 Series B Bonds selected for redemption, or
- (3) after such 2005 Series B Bond has been called for redemption.

SECURITY FOR THE 2005 SERIES B BONDS

General

Information concerning the State of Wisconsin Transportation Facilities and Highway Projects Revenue Obligations Program (**Program**), security for the Bonds, sources of payment, vehicles subject to registration, past and projected registration fees, past and projected other registration-related fees, registration fee collection procedures, Reserve Fund, additional Bonds, and the Department is included as **APPENDIX A**, which includes by reference Part V of the 2004 Annual Report. **APPENDIX A** also includes updates to Part V of the 2004 Annual Report.

Prior Bonds

The State has previously issued 20 series of Transportation Revenue Bonds, of which the following are currently Outstanding Bonds within the meaning of the General Resolution:

<u>Bond Issue</u>	<u>Dated Date</u>
Transportation Revenue Bonds, 1993 Series A (1993 Bonds)	September 1, 1993
Transportation Revenue Bonds, 1996 Series A (1996 Bonds)	May 15, 1996
Transportation Revenue Bonds, 1998 Series A (1998 Series A Bonds)	August 15, 1998
Transportation Revenue Bonds, 1998 Series B (1998 Series B Bonds)	October 1, 1998
Transportation Revenue Bonds, 2000 Series A (2000 Bonds)	September 15, 2000
Transportation Revenue Bonds, 2001 Series A (2001 Bonds)	November 15, 2001
Transportation Revenue Refunding Bonds, 2002 Series 1 (2002 Series 1 Bonds)	April 15, 2002
Transportation Revenue Refunding Bonds, 2002 Series 2 (2002 Series 2 Bonds)	April 15, 2002
Transportation Revenue Bonds, 2002 Series A (2002 Series A Bonds)	October 15, 2002
Transportation Revenue Bonds, 2003 Series A (2003 Bonds)	November 1, 2003
Transportation Revenue Refunding Bonds, 2004 Series 1 (2004 Bonds)	September 30, 2004
Transportation Revenue Bonds, 2005 Series A (2005 Series A Bonds)	March 10, 2005

These Outstanding Bonds (collectively, **Prior Bonds**) and the 2005 Series B Bonds, together with any additional Bonds issued by the State pursuant to the General Resolution, are referred to collectively as the **Bonds**. As of September 1, 2005, the amount of outstanding Prior Bonds was \$1,251,875,000.

The 2005 Series B Bonds are issued on a parity with the Prior Bonds and any additional parity Bonds to be issued by the State pursuant to the General Resolution.

The State has also issued Transportation Revenue Commercial Paper Notes of 1997, Series A (**Notes**), and as of September 1, 2005, the amount of outstanding Notes was \$113,893,000. The Notes were issued pursuant to the General Resolution and pursuant to Series Resolutions that provide that the Notes are junior and subordinate to the Bonds. The Commission has authorized the issuance of additional Bonds to pay for the funding of the Notes. Those additional Bonds, when and if issued, will be issued on a parity with the Prior Bonds, the 2005 Series B Bonds, and

any additional parity Bonds issued by the State pursuant to the provisions and conditions of the General Resolution.

Security

The 2005 Series B Bonds are revenue obligations of the State payable solely from the Redemption Fund created by the General Resolution. The 2005 Series B Bonds, the Prior Bonds, and any additional parity Bonds issued by the State pursuant to the General Resolution, are secured by a first lien pledge of Program Income (as defined herein), and the trust funds created by the General Resolution pledged to the payment of interest, principal, and Redemption Price on the Bonds.

The Notes, and any other obligation to be issued on parity with the Notes, are also revenue obligations of the State payable from Program Income deposited into the Subordinated Debt Service Fund authorized by the General Resolution and created pursuant to the Series Resolutions for the Notes. The pledge of Program Income to the Subordinated Debt Service Fund is subordinate to the pledge of Program Income to the Redemption Fund.

Before July 24, 2003, Program Income included only vehicle registration fees authorized under Section 341.25, Wisconsin Statutes (**Registration Fees**). A statutory change that was part of 2003 Wisconsin Act 33 provided that many additional vehicle registration-related fees can also be pledged as Program Income (**Other Registration-Related Fees**). A supplement to the General Resolution approved by the Commission on October 15, 2003 amended the definition of **Program Income** to include both Registration Fees and the Other Registration-Related Fees.

While all Other Registration-Related Fees (which include many types of fees that are enumerated in the Wisconsin Statutes) are Program Income, many of the Other Registration-Related Fees result in insignificant or sporadic annual revenues. As a result, the State has requested ratings based on, and is currently providing continuing disclosure on some, but not all, Other Registration-Related Fees, including vehicle title transaction fees, registration and title counter service fees, and personalized license plate issuance and renewal fees. **SEE APPENDIX A.**

Flow of Funds; Other

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

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

- (1) to pay interest on all Outstanding Bonds,
- (2) to pay the principal or Redemption Price of all Outstanding Bonds,
- (3) to maintain the Debt Service Reserve Requirement in the Reserve Fund,
- (4) to pay, from the Program Expense Fund, direct administrative expenses (**Program Expenses**) of the State's program of financing Projects, and
- (5) to pay, from the Subordinated Debt Service Fund, principal of and interest on the Notes and any other obligations issued on a parity with the Notes.

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

The 2005 Series B Bonds shall be revenue obligations of the State payable solely out of the Redemption Fund. The State is not generally liable on the 2005 Series B Bonds, and the 2005 Series B Bonds shall not be a debt of the State for any purpose whatsoever.

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

Reserve Fund

The General Resolution creates a Reserve Fund and provides that it shall be used in the event there is a deficiency in the Redemption Fund for the payment of principal of and interest on all of the then Outstanding Bonds. Each Series Resolution sets forth the Debt Service Reserve Requirement, if any, for that Series, and no representation is made as to the Debt Service Reserve Requirement that may be established upon the issuance of additional Series of Bonds. The separate Debt Service Reserve Requirements for all of the Outstanding Bonds are combined to determine the aggregate Debt Service Reserve Requirement for the Reserve Fund. If all of the Bonds of a Series cease to be Outstanding, then the aggregate Debt Service Reserve Requirement is reduced by the Debt Service Reserve Requirement attributable to that Series of Bonds. It has been the State's policy not to reduce the funds in the Reserve Fund in conjunction with a reduction in the Debt Service Reserve Requirement. However, there is no assurance that the Reserve Fund will be maintained at any amount in excess of the Debt Service Reserve Requirement.

In the past, it was generally the practice of the State to fund the Reserve Fund at an amount equal to the maximum annual interest due on the-then Outstanding Bonds (on a fiscal year basis). This past practice generally resulted in a Debt Service Reserve Requirement being established and additional deposits being made to the Reserve Fund at the time of issuance for each Series of Bonds to reflect the-then Outstanding Bonds.

Currently, the Reserve Fund is funded in the amount of \$60,369,200. For the issuance of the 2005 Series B Bonds, the State has decided to change its past practice and will maintain the Reserve Fund at its current level. As a result, the Debt Service Reserve Requirement for the 2005 Series B Bonds is \$0.00. As in the past, the State will make future decisions about the Debt Service Reserve Requirement and any change in the amount of Reserve Fund in connection with the issuance of additional Bonds on a case-by-base basis.

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

Since 1993, the State has funded the Reserve Fund, in part, with an irrevocable surety bond (**Surety Bond**) issued by Ambac Assurance Corporation. The Surety Bond is currently in the amount of \$51,258,600 and is noncancelable by the provider until it expires on the earlier of July 1, 2023 or when all Bonds are paid in full. The Surety Bond is an asset of the Reserve Fund and

represents nearly 85% of the Reserve Fund balance. The remaining balance in the Reserve Fund, which is \$9,110,600, was funded with proceeds of the 2003 Bonds and is currently invested in Investment Obligations.

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

Additional Bonds

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

SUMMARY OF THE GENERAL RESOLUTION

A summary of the General Resolution is included as **APPENDIX A**, which includes by reference Part V of the 2004 Annual Report.

BORROWING PROGRAM

The sale of the 2005 Series B Bonds is the second issuance of transportation revenue bonds in calendar year 2005. The State previously issued \$236 million of transportation revenue bonds to refund certain Prior Bonds and to finance the cost of Projects.

The Commission has authorized not to exceed \$250 million of additional transportation revenue refunding bonds. The amount and timing of any issuance of transportation revenue refunding bonds depend on market conditions. If additional refunding Bonds are issued, they will be on parity with the Prior Bonds, the 2005 Series B Bonds, and any additional parity Bonds issued by the State pursuant to the provisions and conditions of the General Resolution.

The Commission has previously authorized the issuance of additional Bonds for the funding of the outstanding Notes. If the funding Bonds are issued, they will be on parity with the Prior Bonds, the 2005 Series B Bonds, and any additional parity Bonds issued by the State pursuant to the provisions and conditions of the General Resolution.

UNDERWRITING

The 2005 Series B Bonds were purchased at competitive bidding on September 13, 2005 by Lehman Brothers (**Underwriter**). The Underwriter paid \$165,860,884.10, resulting in a true interest cost rate to the State of 3.944426%.

CUSIP NUMBERS, REOFFERING YIELDS, AND PRICES

The **tables appearing below** and **on the cover** include information about the 2005 Series B Bonds. The CUSIP number for each maturity has been obtained from sources believed to be reliable, but the State is not responsible for the correctness of the CUSIP numbers. The reoffering yields and

prices have been provided by the Underwriter to allow the computation of yield for federal tax law compliance. For each of the 2005 Series B Bonds maturing on or after July 1, 2016, the reoffering prices have been calculated to the lower of the first optional call date or the nominal maturity date.

\$158,400,000
State of Wisconsin
Transportation Revenue Bonds, 2005 Series B

Dated Date: September 29, 2005
First Interest Date: January 1, 2006
Closing/Settlement Date: September 29, 2005

CUSIP	Year (July 1)	Principal Amount	Interest Rate	Yield at Issuance	Price at Issuance	First Optional Call Date (July 1)	Call Price
977123 UW6	2007	\$ 7,040,000	5.00%	2.970%	103.442%	Not Callable	-
977123 UX4	2008	7,395,000	4.00	3.040	102.515	Not Callable	-
977123 UY2	2009	7,760,000	4.50	3.120	104.850	Not Callable	-
977123 UZ9	2010	8,150,000	5.00	3.240	107.694	Not Callable	-
977123 VA3	2011	8,560,000	5.00	3.350	108.567	Not Callable	-
977123 VB1	2012	8,985,000	5.00	3.460	109.201	Not Callable	-
977123 VC9	2013	9,435,000	5.00	3.550	109.749	Not Callable	-
977123 VD7	2014	9,905,000	5.00	3.630	110.191	Not Callable	-
977123 VE5	2015	10,400,000	5.00	3.710	110.472	Not Callable	-
977123 VF2	2016	10,920,000	5.00	3.810	109.614	^(a) 2015	100%
977123 VG0	2017	11,465,000	5.00	3.870	109.103	^(a) 2015	100
977123 VH8	2018	12,040,000	4.10	4.110	99.896	2015	100
977123 VJ4	2019	12,640,000	4.10	4.160	99.371	2015	100
977123 VK1	2020	13,275,000	4.20	4.210	99.885	2015	100
977123 VL9	2021	13,940,000	4.25	4.260	99.880	2015	100
977123 VM7	2022	1,505,000	4.00	4.124	98.500	2015	100
977123 VN5	2023	1,580,000	4.00	4.120	98.500	2015	100
977123 VP0	2024	1,660,000	4.00	4.115	98.500	2015	100
977123 VQ8	2025	1,745,000	4.10	4.212	98.500	2015	100

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

Note: The State has been advised by the Underwriter that it has received a Commitment For Financial Guaranty Insurance from Ambac Assurance for the 2005 Series B Bonds maturing on July 1, 2007 through 2014. The State has also been advised by the Underwriter that it has received a Commitment to Issue a Financial Guaranty Insurance Policy from MBIA for the 2005 Series B Bonds maturing on July 1, 2015 through 2017 and July 1, 2022 through 2025. Further information on these commitments and financial guaranty insurance policies can be obtained from the Underwriter and Ambac Assurance or MBIA, respectively.

LEGALITY FOR INVESTMENT

State law provides that the 2005 Series B Bonds are legal investments for the following:

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

PENDING LITIGATION

The State and its officers and employees are defendants in numerous lawsuits. It is not expected that the pending litigation will be finally determined so as to result individually or in the aggregate in a final judgment against the State which would materially affect the payment of interest on, principal of, or Redemption Price of the 2005 Series B Bonds.

It is the opinion of the State Attorney General that there is no litigation of any nature either pending or threatened in writing, to the knowledge of the State, seeking to restrain or enjoin the issuance, sale, execution, or delivery of the 2005 Series B Bonds, or in any way contesting or affecting the validity of the 2005 Series B Bonds, any proceedings of the State taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the 2005 Series B Bonds, or the existence of the Department or its power to charge and collect vehicle registration fees and other vehicle registration-related fees and pledge them for the payment of the 2005 Series B Bonds.

LEGALITY

All legal matters incident to the authorization, issuance and delivery of the 2005 Series B Bonds are subject to the opinion of Quarles & Brady LLP (**Bond Counsel**).

As required by law, the Attorney General of the State of Wisconsin will examine a certified copy of all proceedings preliminary to issuance of the 2005 Series B Bonds to determine the regularity and validity of such proceedings. In the event certificated 2005 Series B Bonds are issued, the certificate of the Attorney General will be printed on the reverse side of each 2005 Series B Bond.

TAX EXEMPTION

Bond Counsel will deliver a legal opinion with respect to the federal income tax exemption applicable to the interest on the 2005 Series B Bonds under existing law substantially in the form set forth in **APPENDIX C**. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the 2005 Series B Bonds.

The State has covenanted to comply with all requirements referenced in the legal opinion to the extent it may lawfully do so. However, the proceedings authorizing the 2005 Series B Bonds do not provide for an increase in interest rates in the event of taxability or in the event of the inclusion of interest as an item of tax preference in computing the alternative minimum tax.

In the opinion of Bond Counsel, the 2005 Series B Bonds are not “private activity bonds” under Section 141(a) of the Internal Revenue Code, as amended (**Code**).

The initial public offering prices of certain of the 2005 Series B Bonds (**Discounted Bonds**) are less than the principal amount payable at maturity. As a result, the Discounted Bonds will be considered to be issued with original issue discount. The original issue discount is the excess of the stated redemption price at maturity of a Discounted Bond over the initial offering price to the public, excluding underwriters or other intermediaries, at which price a substantial amount of such Discounted Bonds were sold (**issue price**). With respect to a taxpayer who purchases a Discounted Bond in the initial public offering at the issue price and who holds such Discounted Bond to maturity, the full amount of original issue discount will constitute interest which is not includible in the gross income of the owner of such Discounted Bond for federal income tax purposes and such owner will not, under present federal income tax law, realize taxable capital gain upon payment of such Discounted Bond upon maturity.

Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound interest basis. The amount of original issue discount that accrues to an owner of a Discounted Bond during any accrual period generally equals (1) the issue price of such Discounted Bonds plus the amount of original issue discount accrued in all prior accrual periods multiplied by (2) the yield to maturity of such Discounted Bond (determined on the basis of compounding at the close of each accrual period, and properly adjusted for the length of each accrual period), less (3) any interest payable on such Discounted Bond during such accrual period.

The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, and will increase the owner's tax basis in such Discounted Bond. The adjusted basis in a Discounted Bond will be used to determine taxable gain or loss upon a disposition (for example, upon a sale, exchange, redemption, or payment at maturity) of such Discounted Bond.

A portion of the original issue discount that accrues in each year to an owner of a Discounted Bond may result in certain collateral federal income tax consequences, some of which are described below.

Owners who purchase Discounted Bonds in the initial public offering but at a price different than the initial offering price at which a substantial amount of that maturity of the Discounted Bonds was sold to the public should consult their own tax advisors with respect to the tax consequences of the ownership of the Discounted Bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of subsequent purchasers of obligations such as the Discounted Bonds. Owners who do not purchase Discounted Bonds in the initial public offering should consult their own tax advisors with respect to the tax consequences of the ownership of the Discounted Bonds.

Owners of Discounted Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Discounted Bonds. It is possible that under the applicable provisions governing the determination of state or local income taxes, accrued interest on the Discounted Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year.

The initial public offering prices of certain of the 2005 Series B Bonds (**Premium Bonds**) are more than the principal amount payable at maturity. As a result, the Premium Bonds will be considered to be issued with original issue premium.

Any Premium Bond purchased in the initial offering at the issue price will have "amortizable bond premium" within the meaning of Section 171 of the Code. The amortizable bond premium of each Premium Bond is calculated on a daily basis from the issue date of such Premium Bond until its stated maturity date (or call date, if any) on the basis of a constant instant rate compounded at each accrual period (with straight line interpolation between the compounding dates). An owner of a Premium Bond that has amortizable bond premium is not allowed any deduction for the amortizable bond premium; rather the amortizable bond premium attributable to a taxable year is applied against (and operates to reduce) the amount of tax-exempt interest payments on the Premium Bonds. During each taxable year, such an owner must reduce his or her tax basis in such Premium Bond by the amount of the amortizable bond premium that is allocable to the portion of such taxable year during which the holder held such Premium Bond. The adjusted tax basis in a Premium Bond will be used to determine taxable gain or loss upon a disposition (for example, upon a sale, exchange, redemption, or payment at maturity) of such Premium Bond.

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

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

Prospective purchasers of the 2005 Series B Bonds should be aware that ownership of the 2005 Series B Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with “excess net passive income”, foreign corporations subject to branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the 2005 Series B Bonds. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the 2005 Series B Bonds should consult their tax advisors as to collateral federal income tax consequences.

From time to time, legislation is proposed which, if enacted, could alter one or more of the federal tax matters referred to above or could adversely affect the market value of the 2005 Series B Bonds. It cannot be predicted whether or in what form any of such proposals may be enacted and whether, if enacted, such proposals will apply to the 2005 Series B Bonds.

State Taxes

The interest on the 2005 Series B Bonds is not exempt from present Wisconsin income or franchise taxes. Investors should consult their own tax advisors with respect to the state and local tax consequences of owning a 2005 Series B Bond.

CONTINUING DISCLOSURE

The State has made an undertaking, for the benefit of the beneficial owners of the 2005 Series B Bonds, to provide an annual report presenting certain financial information and operating data about the State (**Annual Report**). By about December 27 of each year, the State will send the report to each nationally recognized municipal securities information repository (**NRMSIR**) and to any appropriate state information depository (**SID**) for the State. The State will also provide notices of the occurrence of certain events specified in the undertaking to each NRMSIR, or the Municipal Securities Rulemaking Board (**MSRB**), and to any SID. At this time, there is no appropriate SID for the State. [Part I of the 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

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

Dated: September 13, 2005

STATE OF WISCONSIN

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

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

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

APPENDIX A

**INFORMATION ABOUT THE TRANSPORTATION REVENUE
BOND PROGRAM**

This appendix includes information concerning the State of Wisconsin Transportation Revenue Bond Program. [Part V of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 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 V of the 2004 Annual Report.

Part V of the 2004 Annual Report contains information concerning the Transportation Revenue Bond Program, the security for the Bonds, sources of payment, registration fees, other registration-related fees, registration fee collection procedures, the Reserve Fund, additional Bonds, the Wisconsin Department of Transportation, and a summary of the General Resolution.

The 2004 Annual Report has been filed with each nationally recognized municipal securities information repository (NRMSIR). As of the date of this Official Statement, [Part V](#) of the 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

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 Part V 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 constitute listed material events under the State’s Master Agreement on Continuing Disclosure.

Table V-2; Debt Service of Outstanding Transportation Revenue Bonds and Estimated Revenue Coverage (Page 153-154). Replace the table with the following:

The following table shows the forecasted coverage of annual debt service on the Outstanding Bonds following the issuance of the 2005 Series B Bonds, based on the Department’s estimated Program Income for 2006-2015. There can be no assurance that the estimated vehicle registration and certain other registration-related fees will be realized in the amounts shown.

**Debt Service on the 2005 Series B Bonds
and Estimated Revenue Coverage for Outstanding Bonds**

Maturity (July 1)	Principal	Coupon	Interest	Debt Service on the 2005 Series B Bonds	Debt Service on the Prior Bonds	Total Debt Service ^{(a)(b)}	Estimated Registration Fees (Millions) ^(c)	Estimated Certain Other Registration- Related Fees (Millions) ^(c)	Estimated	Estimated
									Total Program Income (Millions) ^(c)	Coverage Ratio ^(d)
2006			\$5,524,037	\$5,524,037	\$134,455,959	\$149,274,159	\$394.00	\$60.87	\$454.87	3.05
2007	\$7,040,000	5.000%	7,311,225	14,351,225	134,231,004	160,715,629	400.21	64.42	464.63	2.89
2008	7,395,000	4.000%	6,959,225	14,354,225	129,027,949	155,537,574	419.25	64.42	483.67	3.11
2009	7,760,000	4.500%	6,663,425	14,423,425	124,047,674	150,650,499	426.23	64.42	490.65	3.26
2010	8,150,000	5.000%	6,314,225	14,464,225	112,456,139	139,129,764	446.25	64.42	510.67	3.67
2011	8,560,000	5.000%	5,906,725	14,466,725	112,487,740	139,208,615	454.22	64.42	518.64	3.73
2012	8,985,000	5.000%	5,478,725	14,463,725	110,034,571	136,800,196	475.14	64.42	539.56	3.94
2013	9,435,000	5.000%	5,029,475	14,464,475	110,317,814	137,143,689	484.20	64.42	548.62	4.00
2014	9,905,000	5.000%	4,557,725	14,462,725	109,991,286	136,879,911	506.35	64.42	570.77	4.17
2015	10,400,000	5.000%	4,062,475	14,462,475	101,998,611	128,964,986	518.82	64.42	583.24	4.52
2016	10,920,000	5.000%	3,542,475	14,462,475	93,615,768	120,661,643				
2017	11,465,000	5.000%	2,996,475	14,461,475	84,237,030	111,376,405				
2018	12,040,000	4.100%	2,423,225	14,463,225	84,256,030	107,962,405				
2019	12,640,000	4.100%	1,929,585	14,569,585	84,402,513	98,972,098				
2020	13,275,000	4.200%	1,411,345	14,686,345	76,210,784	90,897,129				
2021	13,940,000	4.250%	853,795	14,793,795	76,219,449	91,013,244				
2022	1,505,000	4.000%	261,345	1,766,345	73,064,928	74,831,273				
2023	1,580,000	4.000%	201,145	1,781,145	52,034,538	53,815,683				
2024	1,660,000	4.000%	137,945	1,797,945	36,024,250	37,822,195				
2025	1,745,000	4.100%	71,545	1,816,545	15,960,000	17,776,545				
	<u>\$158,400,000</u>		<u>\$71,636,142</u>	<u>\$230,036,142</u>		<u>\$2,365,319,988</u>				

(a) Debt service amounts are reduced to reflect accrued interest and purchase premium that, pursuant to the General Resolution, are irrevocably deposited into the Interest Account and used to make interest payments due on the Bonds.

(b) Includes debt service for assumed \$114 million bond issue that could be issued to fund currently outstanding transportation revenue commercial paper notes. This assumed \$114 million bond issue is amortized with level debt service payments until 2018 using an interest rate of 5.00% per annum. Also includes, for prior bond issues, accrued interest and purchase premium that are irrevocably deposited into the Interest Account and used to make interest payments due on the Bonds.

(c) Excludes interest earnings. Reflects increases in title fees and duplicate title fees that are effective October 1, 2005

(d) Assumes that no additional bonds will be issued and continuation of current Registration Fees and certain Other Registration-Related Fees. Estimates of revenue and coverage beyond 2015 are not available.

Registration Fees (Page 155). Update with the following information:

Governor Doyle's proposed budget for the 2005-06 and 2006-07 fiscal years included an increase to vehicle registration fees authorized under Section 341.25, Wisconsin Statutes (**Registration Fees**). However, the budget bill for the 2005-07 biennium that Governor Doyle signed into law on July 25, 2005 does not contain the proposed increase in Registration Fees. See **APPENDIX B** for further information on the 2005-07 budget bill.

Registration Fees – Table V-6; Registration Fees (Page 156). Update with the following information:

Fiscal Year (June 30)	Registration Fees 1996 to 2005 (Amounts in Millions)		Total	% Change
	Non-IRP Fees	Pledged IRP Fees		
1995	\$203.7	\$42.3	\$246.0	—
1996	205.4	43.3	248.7	1.1%
1997	207.4	46.8	254.2	2.2
1998	232.4	48.2	280.6	10.4
1999	244.6	49.9	294.5	4.9
2000	255.7	55.1	310.8	5.5
2001	258.4	55.5	313.9	1.0
2002	267.9	55.8	323.7	3.1
2003	267.3	53.0	320.3	(1.1)
2004	302.1 ^(a)	48.5	350.6	9.5
2005	314.4	49.6	364.0	3.8

(a) The increase in Fiscal Year 2004 Non-IRP fees reflect the \$10 increase in registration fees for automobiles that went into effect on October 1, 2003.

Registration Fees – Table V-7; Projected Registration Fees (Page 159). Update with the following information:

Projected Registration Fees 2006 to 2015		
Fiscal Year	Revenues^(a) (Amounts in Millions)	% Change
2006	\$394.00	—
2007	400.21	1.58%
2008	419.25	4.76
2009	426.23	1.67
2010	446.25	4.70
2011	454.22	1.79
2012	475.14	4.61
2013	484.20	1.91
2014	506.35	4.58
2015	518.82	2.46

^(a) Includes both IRP and non-IRP Registration Fees pursuant to Section 341.25, Wisconsin Statutes. Does not include Other Registration-Related Fees that are addressed in Part V of the 2004 Annual Report.

Source: Department of Transportation

Other Registration-Related Fees; General (Page 161). Update with the following information:

While all **Other Registration-Related Fees** (which include many types of fees that are enumerated in the Wisconsin Statutes) are Program Income, many of these Other Registration-Related Fees result in insignificant or sporadic annual revenues. As a result, the State has requested ratings based on, and is currently providing continuing disclosure on some, but not all, of Other Registration-Related Fees, including vehicle title transaction fees, registration and title counter service fees, and personalized license plate issuance and renewal fees.

The budget bill for the 2005-07 biennium that Governor Doyle signed into law on July 25, 2005 had the effect of redirecting to the Veterans Trust Fund the \$15 special group license plate issuance and reissuance fee for only military group license plates, effective July 27, 2005. Such special group license plate issuance and reissuance fees were previously contained in statutory sections included in the definition of Program Income and such fees are further included in the portion of Other Registration-Related Fees that the State is not including for purposes of rating and continuing disclosure. This amount of this transfer to the Veterans Trust Fund is estimated to be approximately \$307,000 for the 2005-07 biennium.

Other Registration-Related Fees; General; Vehicle Title Transaction Fees (Page 161).

Update with the following information:

The budget bill for the 2005-07 biennium that Governor Doyle signed into law on July 25, 2005 includes certain increases to the following vehicle title transaction fees:

- Vehicle Title Transaction Fee—Currently \$35 increasing by \$10 to \$45. As is the current situation, a portion of each vehicle title transaction fee (\$9.00) is not considered to be an Other Registration-Related Fee and is not pledged as Program Income since it is an environmental impact fee collected for the Department of Natural Resources.
- Duplicate Title Fee—Currently \$8 increasing by \$12 to \$20.

Other Registration-Related Fees; General; Registration and Title Counter Service Fees (Page 162). Update with the following information:

The average volume of registration renewals for calendar years 1999 to 2003 was 471,900 transactions at the Division of Motor Vehicle Customer Service Centers (DMV CSC). The calendar year 2004 volume at the DMV CSCs for renewals was 471,500. The average volume of titling, temporary plates, hang tags, registrations for calendar years 1999 to 2003 was 769,400 transactions at the DMV CSCs. The calendar year 2004 volume at the DMV CSCs for titling, temporary plates, hang tags and registrations was 785,300.

Other Registration-Related Fees; General; Personalized License Plates (Pages 162-163). Update with the following information:

The average number of new requests for personalized license plates for fiscal years 1999 to 2003 was 31,850. The average number of personalized license plates displayed on authorized vehicles during fiscal years 1999 to 2004 was 282,200. At the end of fiscal year 2004, the State had 277,400 authorized personalized license plates.

Other Registration-Related Fees — Table V-8; History and Estimated Registration-Related Fees (Page 163). Update with the following information:

**Other Registration-Related Fees
1998 to 2015**

Fiscal Year (June 30)	Counter Service Fees and Personalized License Plates			Other Miscellaneous Vehicle Registration-Related Fees	Total Registration-Related Fees
	Title Transaction Fees ⁽¹⁾		Subtotal		
1998	\$ 16,206,906	\$ 9,196,061	\$ 25,402,967	\$ 14,005,494	\$ 39,408,461
1999	24,315,238	9,847,987	34,163,225	13,824,114	47,987,339
2000	24,977,188	10,227,975	35,205,163	17,872,550	53,077,713
2001	24,115,343	10,006,286	34,121,629	15,074,978	49,196,607
2002	24,904,447	10,383,485	35,287,932	18,249,990	53,537,922
2003	25,088,025	10,315,603	35,403,628	15,736,973	51,140,601
2004	35,178,866	10,394,684	45,573,550	19,833,030	65,406,580
2005	37,703,381	9,080,116	46,783,497	11,249,762	58,033,259
2006	50,735,200	10,139,600	60,874,800	9,622,700	70,497,500
2007	54,646,900	9,769,300	64,416,200	9,949,800	74,366,000
2008	54,646,900	9,769,300	64,416,200	10,039,200	74,455,400
2009	54,646,900	9,769,300	64,416,200	10,130,900	74,547,100
2010	54,646,900	9,769,300	64,416,200	10,227,300	74,643,500
2011	54,646,900	9,769,300	64,416,200	10,326,000	74,742,200
2012	54,646,900	9,769,300	64,416,200	10,428,000	74,844,200
2013	54,646,900	9,769,300	64,416,200	10,535,300	74,951,500
2014	54,646,900	9,769,300	64,416,200	10,647,000	75,063,200
2015	54,646,900	9,769,300	64,416,200	10,780,100	75,196,300

⁽¹⁾ Reflects effective date of October 1, 2003 for \$10 increase in title transaction fees and effective date of October 1, 2005 for additional \$10 increase in title transaction fees and \$12 increase in duplicate title fee.

Source: Department of Transportation.

APPENDIX B

INFORMATION ABOUT THE STATE

This appendix includes information concerning the State of Wisconsin (**State**). Part II of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2004 (**2004 Annual Report**) is included by reference as part of this APPENDIX B. This appendix also includes information on the 2005-07 biennial budget and changes or additions to the information presented in Part II 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.

The 2004 Annual Report has been filed with each nationally recognized municipal securities information repository (**NRMSIR**). As of the date of this Official Statement, Part II of the 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

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 Part II 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; 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 will be published in October 2005. This Annual Fiscal Report will include the ending budgetary balance for the 2004-05 fiscal year.

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 only 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 this 2004-05 fiscal year, the State received the expected payments from all but two tribal governments. One tribal government placed its payment of about \$40 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—Legislative Fiscal Bureau

On May 16, 2005, the Legislative Fiscal Bureau (LFB) released General Fund revenue estimates for fiscal year 2004-05 for use by the Wisconsin Legislature. The LFB report also includes estimated tax projections for each year of the upcoming 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 following table provides a more detailed comparison of all the General Fund tax collection projections for the 2004-05 fiscal year.

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

	DOR Projections <u>November 2004</u>	LFB Projections <u>January 2005</u>	LFB Projections <u>May 2005</u>	Difference (November 2004 to <u>May 2005)</u>
Individual Income	\$ 5,619.6	\$ 5,630.0	\$ 5,740.0	\$ 120.4
Sales and Use	4,093.5	4,025.0	4,025.0	(68.5)
Corporate Income & Franchise	682.6	735.0	750.0	57.4
Public Utility	254.9	253.2	253.2	(1.7)
Excise				
Cigarettes	294.5	296.0	296.0	1.5
Liquor & Wine	38.8	40.0	40.0	1.2
Tobacco Products	17.1	16.7	15.7	(1.4)
Beer	9.6	9.6	9.6	0.0
Insurance Company	110.8	130.0	128.0	17.2
Estate	132.3	100.0	110.0	(22.3)
Miscellaneous Taxes	<u>82.0</u>	<u>84.6</u>	<u>87.6</u>	<u>5.6</u>
TOTAL	\$11,335.7	\$11,320.1	\$11,449.1	\$ 113.4

The May 2005 LFB report also includes other items affecting the General Fund in fiscal year 2004-05. The report projected a shortfall of \$75 million in the Medical Assistance Trust Fund, a shortfall of approximately \$29.7 million (General Fund impact of \$22.5 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 B for subsequent events that addressed these projected shortfalls.

A complete copy of the May 2005 memorandum from LFB appears on pages B-9 to B-16 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. 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 upcoming 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 (DOR) 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 (DOA) in November 2004. The differences are as follows:

- LFB projected that General Fund tax collections would be \$16 million less than the amount DOR had projected in November 2004.
- LFB projected that departmental revenues would be \$60 million less than the amount DOA had projected in November 2004, which assumed that full payment will be made from all tribal governments pursuant to existing amendments to gaming compacts. As noted in the 2004 Annual Report, subsequent to the Wisconsin Supreme Court’s decision on this matter, the State received payments expected to be received by June 30, 2004 from all but one of the tribal governments; the amount that was not received was \$30 million.
- LFB projected that net General Fund appropriations would be \$13 million more than the amount DOA had projected in November 2004.

A copy of the January 2005 LFB report may be obtained from:

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

State Budget; Budget for 2005-07 (Part II–Page 30). Update with the following:

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 enacted budget was published on July 26, 2005 as 2005 Wisconsin Act 25 and will be effective on July 27, 2005. The enacted budget is available on the world wide web at <http://www.legis.state.wi.us/2005/data/acts/05Act25.pdf>, and Governor Doyle's veto message is available at http://www.doa.state.wi.us/docs_view2.asp?docid=5001. These items 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

The table on the following page presents a projected General Fund condition statement for the 2005-06 and 2006-07 fiscal years, based on the enacted budget. Tables containing detailed information about the enacted budget can be found on pages B-7 and B-8.

Executive Budget and Legislature-Approved Budget; 2005-07

On February 8, 2005, Governor Doyle introduced the proposed executive budget for the 2005-06 and 2006-07 fiscal years, and on July 5, 2005, the Legislature approved a budget bill which differed from the proposed executive budget. Governor Doyle's vetoes modify the budget that was approved by the Legislature.

**General Fund Condition Statement-Enacted Budget
2005-06 and 2006-07 Fiscal Years**

	<u>Enacted Budget 2005-06 Fiscal Year</u>	<u>Enacted Budget 2006-07 Fiscal Year</u>
Revenues		
Opening Balance	\$ 5,832,700	\$ 65,242,500
Taxes	11,957,105,000	12,506,768,000
Department Revenues		
Tribal Gaming	118,628,600	86,349,100
Other	<u>674,768,700</u>	<u>513,641,700</u>
Total Available	12,756,335,000	13,172,001,300
Appropriations		
Gross Appropriations	12,681,176,000	13,176,232,500
Compensation Reserves	90,054,100	178,302,800
Transfer to Budget Stabilization Fund	0	0
Transfer to Medical Assistance Trust Fund	235,449,000	0
Less: Lapses	<u>(315,586,600)</u>	<u>(252,906,900)</u>
Net Appropriations	12,691,092,500	13,101,628,400
Balances		
Gross Balance	65,242,500	70,372,900
Less: Required Statutory Balance	<u>(65,000,000)</u>	<u>(65,000,000)</u>
Net Balance, June 30	\$ 242,500	\$ 5,372,900

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. The following table provides a more detailed comparison of all the General Fund tax collection projections for the 2005-07 biennium. A **complete copy of the May 2005 memorandum from LFB appears on pages B-9 to B-16** of this Official Statement.

Projected General Fund Tax Collections
2005-06 and 2006-07 Fiscal Years
(Amounts in Millions)

	2005-06 Fiscal Year			2006-07 Fiscal Year		
	DOR	LFB		DOR	LFB	LFB
	Projections	Projections	LFB	Projections	Projections	Projections
	November	January	Projections	November	January	Projections
	<u>2004</u>	<u>2005</u>	<u>May 2005</u>	<u>2004</u>	<u>January 2005</u>	<u>May 2005</u>
Individual Income	\$ 5,932.6	\$ 6,000.0	\$ 6,130.0	\$ 6,274.7	\$ 6,415.0	\$ 6,490.0
Sales and Use	4,279.8	4,180.0	4,180.0	4,467.8	4,355.0	4,355.0
Corporate Income & Franchise	648.2	675.0	685.0	645.5	660.0	670.0
Public Utility	269.2	267.6	267.6	278.4	281.2	281.2
Excise						
Cigarettes	294.4	294.4	288.0	293.7	293.6	287.0
Liquor & Wine	28.6	40.8	40.8	39.2	41.6	41.6
Tobacco Products	18.6	17.5	16.5	19.8	18.4	17.4
Beer	9.6	9.6	9.6	9.6	9.6	9.6
Insurance Company	136.3	133.0	131.0	137.6	135.0	133.0
Estate	113.2	100.0	105.0	120.2	105.0	110.0
Miscellaneous Taxes	<u>84.2</u>	<u>87.5</u>	<u>89.5</u>	<u>86.4</u>	<u>89.5</u>	<u>91.5</u>
TOTAL	\$11,824.7	\$11,805.4	\$11,943.0	\$12,372.9	\$12,403.9	\$12,486.3

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

State Budget–General Fund^(a)

	Actual 2003-2004 ^(b)	Budget 2003-2004 ^(c)	Budget 2004-2005 ^(c)	Budget 2005-2006	Budget 2006-2007
RECEIPTS					
Fund Balance from Prior Year.....	\$ (282,221,000)	\$ (282,221,000)	\$ 133,428,000	\$ 5,832,700 ^(e)	\$ 65,242,500
Tax Revenue					
State Taxes Deposited to General Fund					
Individual Income.....	5,277,119,000	5,220,000,000	5,556,590,000	6,144,500,000	6,502,757,200
General Sales and Use.....	3,899,264,000	3,899,625,000	4,094,750,000	4,181,600,000	4,358,100,000
Corporate Franchise and Income.....	650,526,000	650,000,000	627,050,000	683,320,000	670,252,800
Public Utility.....	269,801,000	261,000,000	271,000,000	267,465,000	281,065,000
Excise					
Cigarette/Tobacco Products.....	307,424,000	305,600,000	302,000,000	304,320,000	304,190,000
Liquor and Wine.....	38,470,000	39,000,000	40,000,000	40,800,000	41,600,000
Malt Beverage.....	9,601,000	9,700,000	9,800,000	9,600,000	9,600,000
Inheritance, Estate & Gift.....	86,357,000	85,000,000	90,000,000	105,000,000	110,000,000
Insurance Company.....	123,621,000	125,000,000	120,000,000	131,000,000	137,703,000
Other.....	97,331,000	75,100,000	78,000,000	89,500,000	91,500,000
Subtotal.....	10,759,514,000	10,670,025,000	11,189,190,000	11,957,105,000	12,506,768,000
Nontax Revenue					
Departmental Revenue					
Tribal Gaming Revenues	n/a ^(d)	80,276,600	80,595,400	118,628,600 ^(f)	86,349,100
Other.....	284,051,000	328,970,400	329,151,800	674,768,700	513,641,700
Program Revenue-Federal.....	6,333,545,000	5,710,050,800	5,509,198,900	5,881,969,000	5,976,875,800
Program Revenue-Other.....	4,663,830,000	3,052,502,000	3,533,134,400	3,652,367,300	3,727,060,500
Subtotal.....	11,281,426,000	9,171,799,800	9,452,080,500	10,327,733,600	10,303,927,100
Total Available.....	\$ 21,758,719,000	\$ 19,559,603,800	\$ 20,774,698,500	\$ 22,290,671,300	\$ 22,875,937,600
DISBURSEMENTS AND RESERVES					
Commerce.....	310,494,000.00	\$ 266,885,900	\$ 274,448,400	288,639,300	280,863,700
Education.....	9,338,633,000	9,182,818,900	9,381,679,500	10,151,858,300	10,374,195,600
Environmental Resources.....	182,335,000	191,037,600	252,105,900	296,476,000	337,924,200
Human Relations and Resources.....	7,936,185,000	7,660,725,800	8,435,726,300	8,496,069,700	8,957,964,800
General Executive.....	2,104,690,000	293,152,400	636,573,200	890,108,400	876,584,600
Judicial.....	110,882,000	110,945,700	110,988,200	113,245,800	113,301,400
Legislative.....	59,302,000	62,468,300	62,479,800	63,707,200	63,637,700
General Appropriations.....	1,673,811,000	1,667,554,700	1,656,183,700	1,915,407,600	1,875,696,800
Subtotal.....	21,716,332,000	19,435,589,300	20,810,185,000	22,215,512,300	22,880,168,800
Less: (Lapses).....	n/a	(242,066,400)	(215,125,400)	(315,586,600)	(252,906,900)
Compensation Reserves.....	n/a	109,152,900	163,019,600	90,054,100	178,302,800
Required Statutory Balance.....	n/a	35,000,000	40,000,000	65,000,000	65,000,000
Transfer to Medical Assistance Trust Fund	n/a	123,500,000	-	235,449,000	-
Changes in Continuing Balance.....	(114,007,000)	n/a	n/a	n/a	n/a
Total Disbursements & Reserves.....	\$ 21,602,325,000	\$ 19,461,175,800	\$ 20,798,079,200	\$ 22,290,428,800	\$ 22,870,564,700
Fund Balance.....	\$ 156,394,000	\$ 98,428,000	\$ (23,380,700)	\$ 242,500	\$ 5,372,900
Undesignated Balance.....	\$ 105,200,000	\$ 133,428,000	\$ 16,619,300	\$ 65,242,500	\$ 70,372,900

(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) 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".

(e) The beginning balance is based on information available as of July 26, 2005.

(f) Assumes that a tribal payment of approximately \$43 million due in the 2004-05 fiscal year that was put into escrow is received.

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 2003-2004 ^(b)	Budget 2003-2004 ^(c)	Budget 2004-2005 ^(c)	Budget 2005-2006	Budget 2006-2007
RECEIPTS					
Fund Balance from Prior Year.....	\$ (282,221,000)	\$ (282,221,000)	\$ 133,428,000	\$ 5,832,700 ^(d)	\$ 65,242,500
Tax Revenue					
Individual Income.....	5,277,119,000	5,220,000,000	5,556,590,000	6,144,500,000	6,502,757,200
General Sales and Use.....	3,899,264,000	3,899,625,000	4,094,750,000	4,181,600,000	4,358,100,000
Corporate Franchise and Income.....	650,526,000	650,000,000	627,050,000	683,320,000	670,252,800
Public Utility.....	269,801,000	261,000,000	271,000,000	267,465,000	281,065,000
Excise					
Cigarette/Tobacco Products.....	307,424,000	305,600,000	302,000,000	304,320,000	304,190,000
Liquor and Wine.....	38,470,000	39,000,000	40,000,000	40,800,000	41,600,000
Malt Beverage.....	9,601,000	9,700,000	9,800,000	9,600,000	9,600,000
Inheritance, Estate & Gift.....	86,357,000	85,000,000	90,000,000	105,000,000	110,000,000
Insurance Company.....	123,621,000	125,000,000	120,000,000	131,000,000	137,703,000
Other.....	1,251,834,000	75,100,000 ^(e)	78,000,000 ^(e)	89,500,000 ^(e)	91,500,000 ^(e)
Subtotal.....	11,914,017,000	10,670,025,000	11,189,190,000	11,957,105,000	12,506,768,000
Nontax Revenue					
Departmental Revenue					
Tribal Gaming Revenues.....	- ^(f)	80,276,600	80,595,400	118,628,600 ^(g)	86,349,100
Other.....	284,051,000	328,970,400	329,151,800	674,768,700	513,641,700
Total Federal Aids.....	6,333,545,000	6,343,733,000	6,172,387,600	6,666,435,700	6,765,443,900
Total Program Revenue.....	4,663,830,000	3,388,287,300	3,533,134,400	3,652,367,300	3,727,060,500
Total Segregated Funds.....	2,851,232,000	3,190,796,700	2,808,703,900	2,725,433,400	2,660,878,900
Bond Authority.....	2,706,057,000	475,000,000	485,000,000	544,797,000	622,735,000
Employee Benefit Contributions ^(h)	12,832,705,000	6,835,282,000	7,203,432,000	7,343,260,000	7,718,157,000
Subtotal.....	29,671,420,000	20,642,346,000	20,612,405,100	21,725,690,700	22,094,266,100
Total Available.....	\$ 41,303,216,000	\$ 31,030,150,000	\$ 31,935,023,100	\$ 33,688,628,400	\$ 34,666,276,600
DISBURSEMENTS AND RESERVES					
Commerce.....	\$ 498,554,000	\$ 458,866,100	\$ 473,052,600	\$ 464,344,300	\$ 453,856,500
Education.....	9,659,543,000	9,284,053,800	9,507,703,400	10,214,983,700	10,437,359,000
Environmental Resources.....	2,947,226,000	2,271,685,400	2,477,859,700	2,709,947,700	3,035,491,700
Human Relations and Resources.....	10,159,591,000	8,564,114,600	8,867,059,700	9,037,349,300	9,146,826,100
General Executive.....	7,713,151,000	782,477,400	791,644,300	1,047,117,300	1,034,964,700
Judicial.....	111,238,000	111,659,000	111,701,500	113,974,200	114,029,800
Legislative.....	59,302,000	62,468,300	62,479,800	63,707,200	63,637,700
General Appropriations.....	2,745,128,000	2,060,528,900	1,990,576,600	2,073,988,700	2,043,450,300
General Obligation Bond Program.....	748,064,000	475,000,000	485,000,000	544,797,000	622,735,000
Employee Benefit Payments ^(b)	5,087,852,000	4,028,899,000	4,428,317,000	4,844,548,000	5,324,309,000
Reserve for Employee Benefit Payments ^(b)	7,744,853,000	2,806,383,000	2,775,115,000	2,498,712,000	2,393,848,000
Subtotal.....	47,474,502,000	30,906,135,500	31,970,509,600	33,613,469,400	34,670,507,800
Less: (Lapses).....	n/a	(242,066,400)	(215,125,400)	(315,586,600)	(252,906,900)
Compensation Reserves.....	n/a	109,152,900	163,019,600	90,054,100	178,302,800
Required Statutory Balance.....	n/a	35,000,000	40,000,000	65,000,000	65,000,000
Transfer to Medical Assistance Trust Fund.....	n/a	123,500,000	-	235,449,000	-
Change in Continuing Balance.....	(6,327,680,000)	n/a	n/a	n/a	n/a
Total Disbursements & Reserves.....	\$ 41,146,822,000	\$ 30,931,722,000	\$ 31,958,403,800	\$ 33,688,385,900	\$ 34,660,903,700
Fund Balance.....	\$ 156,394,000	\$ 98,428,000	\$ (23,380,700)	\$ 242,500	\$ 5,372,900
Undesignated Balance.....	\$ 105,200,000	\$ 133,428,000	\$ 16,619,300	\$ 65,242,500	\$ 70,372,900

(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 information available as of July 26, 2005.

(e) The budgeted amounts do not include taxes collected for segregated funds. The largest such tax is the motor fuel tax. The State collected \$935 million of motor fuel taxes in the 2003-04 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 that a tribal payment of approximately \$43 million due in the 2004-05 fiscal year that was put into escrow is received.

(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

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

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 somewhat stylized.

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 June 30, 2005.

Previous General Fund cash flow projections assumed that all payments from tribal governments called for under the gaming compacts would 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 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 \$40 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.

The following tables also reflect the provisions of 2005 Wisconsin Acts 2 and 15, which collectively address the shortfalls in the Medical Assistance Trust Fund by increasing a GPR appropriation for medical assistance by \$70 million, and transferring an additional amount of \$125 million from the General Fund to the Medical Assistance Trust Fund.

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 were expected to reverse, in part, in subsequent months. Furthermore, the General Fund information through December 31, 2004 included a large variance in the income maintenance category.

Operating notes were not 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 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 ^(c)	(\$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 \$40 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. 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 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 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 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.

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

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 June 30, 2005
(Amounts in Thousands)

	FY04 through June 2004	FY05 through June 2005				Difference FY04 Actual to FY05 Actual
	Actual	Actual	Estimate ^(b)	Variance	Adjusted Variance ^(c)	
RECEIPTS						
Tax Receipts						
Individual Income	\$ 6,520,758	\$ 7,027,534	\$ 6,855,000	\$ 172,534	\$ 172,534	\$ 506,776
Sales	4,185,129	4,339,249	4,376,000	(36,751)	(36,751)	154,120
Corporate Income	775,303	876,579	841,200	35,379	35,379	101,276
Public Utility	276,945	270,369	270,800	(431)	(431)	(6,576)
Excise	367,140	355,308	364,100	(8,792)	(8,792)	(11,832)
Insurance	160,708	192,820	165,000	27,820	27,820	32,112
Inheritance	88,274	113,888	103,600	10,288	10,288	25,614
Total Tax Receipts	\$ 12,374,257	\$ 13,175,747	\$ 12,975,700	\$ 200,047	\$ 200,047	\$ 801,490
Non-Tax Receipts						
Federal	\$ 6,254,404	\$ 6,080,128	\$ 6,021,700	\$ 58,428	\$ 58,428	\$ (174,276)
Other and Transfers	4,331,324	3,625,206	3,977,000	(351,794)	(351,794)	(706,118)
Note Proceeds	400,000	-	-	-	-	(400,000) ^(d)
Total Non-Tax Receipts	\$ 10,985,728	\$ 9,705,334	\$ 9,998,700	\$ (293,366)	\$ (293,366)	\$ (1,280,394)
TOTAL RECEIPTS	\$ 23,359,985	\$ 22,881,081	\$ 22,974,400	\$ (93,319)	\$ (93,319)	\$ (478,904)
DISBURSEMENTS						
Local Aids	\$ 7,761,669	\$ 7,503,309	\$ 7,606,662	\$ 103,353	\$ 103,353	\$ (258,360)
Income Maintenance	4,140,437	5,053,635	5,163,830	110,195	110,195	913,198
Payroll & Related	3,917,215	4,066,065	4,105,792	39,727	39,727	148,850
Tax Refunds	1,876,440	1,856,158	1,984,212	128,054	128,054	(20,282)
Debt Service	237,156	374,090	456,723	82,633	82,633	136,934
Miscellaneous	4,744,458	4,200,291	3,736,774	(463,517)	(463,517)	(544,167)
Note Repayment	402,706	-	-	-	-	(402,706)
TOTAL DISBURSEMENTS	\$ 23,080,081	\$ 23,053,548	\$ 23,053,993	\$ 445	\$ 445	\$ (26,533)
VARIANCE FY05 YEAR-TO-DATE				\$ (92,874)	\$ (92,874)	

- (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) This table reflects the provisions of 2005 Act 2 and 2005 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 \$40 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.
- (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 were not 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 June 30, 2005 — Actual^(b)**

(Amounts in Thousands)

	<u>Starting Date</u>	<u>Starting Balance</u>		<u>Receipts^(c)</u>	<u>Disbursements^(c)</u>
2002	July.....	\$ (421,915) ^(a)	\$	1,700,476	\$ 1,895,272
	August.....	(616,711) ^(a)		1,637,001	1,171,887
	September.....	(151,597) ^(a)		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 ^(a)		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 ^(a)		2,030,380	2,848,351
	July.....	(301,120) ^(a)		1,676,451	1,997,749
	August.....	(622,418) ^(a)		1,461,025	1,239,109
	September.....	(400,502) ^(a)		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 ^(a)		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 ^(a)		1,929,719	2,982,788
	April.....	(14,243) ^(a)		2,105,306	1,538,546
	May.....	552,517		1,624,996	1,418,939
	June.....	758,574 ^(a)		2,286,899	3,066,689
	July.....	(21,216) ^(a)		1,525,326	1,935,550
	August.....	(431,440) ^(a)		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 ^(a)		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 ^(a)		2,075,730	3,272,463

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

^(b) This table reflects the provisions of 2005 Act 2 and 2005 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, State received the expected payments from all but two tribal governments. One tribal government placed its payment of about \$40 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.

^(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 and 2004-05 fiscal years.

^(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 \$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 June 30, 2005 — Actual
(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	\$ 830
February		1,138	1,126	960
March		1,203	1,179	1,043
April		1,133	1,157	964
May		1,187	1,163	1,045
June		1,279	1,054	1,183
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	\$ 3,818
February		5,235	4,852	3,984
March		5,438	5,197	4,101
April		5,113	4,707	3,749
May		4,674	4,417	3,627
June		4,835	4,274	3,905
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	

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 June 30, 2005 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 June 30, 2004 ^(d)	Recorded Revenues July 1, 2004 to June 30, 2005 ^(e)
Individual Income Tax	\$ 5,277,119,000	\$ 5,557,000,000	\$ 4,849,907,567	\$ 5,310,911,477
General Sales and Use Tax	3,899,264,000	4,095,000,000	3,515,894,222	3,623,572,533
Corporate Franchise and Income Tax	650,526,000	627,000,000	656,457,961	769,425,013
Public Utility Taxes	269,801,000	271,000,000	268,244,412	253,064,010
Excise Taxes	355,495,000	351,800,000	325,978,235	322,945,961
Inheritance Taxes	86,357,000	90,000,000	86,693,559	112,371,418
Insurance Company Taxes	123,621,000	120,000,000	95,686,338	101,768,016
Miscellaneous Taxes	97,331,000	78,000,000	89,871,865	99,262,611
SUBTOTAL.....	<u>\$ 10,759,514,000</u>	<u>\$ 11,189,800,000</u>	<u>9,888,734,158</u>	<u>10,593,321,040</u>
Federal and Other Inter- Governmental Revenues ^(f)	\$ 6,617,596,000	\$ 5,509,000,000	6,246,779,263	6,133,390,658
Dedicated and Other Revenues ^(g)	<u>4,663,830,000</u>	<u>3,943,000,000</u>	<u>5,214,521,339</u>	<u>3,842,955,894</u>
TOTAL.....	<u>\$ 22,040,940,000</u>	<u>\$ 20,641,800,000</u>	<u>\$ 21,350,034,760</u>	<u>\$ 20,569,667,592</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 general fund taxes are based on the re-estimates of departmental revenues and expenditures that LFB released on January 15, 2004 and the general fund tax collection estimates 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 nor the provisions of 2005 Wisconsin Act 2 and 2005 Wisconsin Act 15, which collectively address the shortfall in the Medical Assistance Trust Fund. The projections 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 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, the State received the expected payments from all but two tribal governments. One tribal government placed its payment of about \$40 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.
- (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 June 30, 2005 compared with previous year ^(a)**

	Annual Fiscal Report Expenditures <u>2003-04 FY^(b)</u>	Appropriations <u>2004-05 FY^(c)</u>	Recorded Expenditures July 1, 2003 to June 30, 2004 ^(d)	Recorded Expenditures July 1, 2004 to June 30, 2005 ^(e)
Commerce.....	\$ 310,494,000	\$ 274,448,400	\$ 270,000,490	\$ 247,023,318
Education.....	9,338,633,000	9,381,679,500	9,308,007,709	9,579,549,079
Environmental Resources.....	182,335,000	252,105,900	174,897,331	217,932,095
Human Relations & Resources	7,936,185,000	8,435,726,300	7,879,374,217	8,858,598,944
General Executive.....	2,104,690,000	636,573,200	2,126,661,511	641,648,013
Judicial.....	110,882,000	110,988,200	107,154,470	110,547,548
Legislative.....	59,302,000	62,479,800	55,878,728	53,852,007
General Appropriations.....	<u>1,673,811,000</u>	<u>1,656,183,700</u>	<u>1,653,963,904</u>	<u>1,635,548,223</u>
TOTAL.....	<u>\$ 21,716,332,000</u>	<u>\$ 20,810,185,000</u>	<u>\$ 21,575,938,361</u>	<u>\$ 21,344,699,226</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 fiscal year 2003-04, dated October 15, 2004.
- (c) Estimated appropriations based on the 2003-05 biennial budget (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 C

FORM OF BOND COUNSEL OPINION

Upon delivery of the 2005 Series B Bonds, Quarles & Brady LLP expects to deliver to the State a legal opinion in substantially the following form:

[Letterhead of Quarles & Brady LLP]

RE: \$158,400,000 State of Wisconsin (the "State")
Transportation Revenue Bonds, 2005 Series B,
dated September 29, 2005 (the "Bonds")

We have acted as bond counsel in connection with the issuance by the State of the Bonds. We hereby certify that, as bond counsel, we have examined a certified copy of the transcript of proceedings of record of the State of Wisconsin Building Commission (the "Commission") preliminary to and in connection with the issuance of the Bonds, as well as the law and such other documents and records we deem necessary to render this opinion. We have relied upon such certified proceedings and other documents as to the matters of fact stated therein, without independent verification. We have also examined a printer's proof or sample of the Bonds and find the same to be in proper form.

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

The Bonds have been authorized and issued pursuant to Subchapter II of Chapter 18 (the "Revenue Obligations Act") and Section 84.59 (the "Act") of the Wisconsin Statutes as now in force; the resolution of the Commission adopted June 26, 1986, entitled "1986 State of Wisconsin Building Commission Resolution 9, State of Wisconsin Transportation Facilities and Highway Projects Revenue Obligations General Resolution" (the "General Resolution"), as amended and supplemented by certain resolutions of the Commission adopted March 19, 1998, August 9, 2000, and October 15, 2003 (collectively, the "Amending Resolutions"); and the resolution of the Commission adopted November 17, 2004 (the "Series Resolution") (hereafter, the General Resolution, as amended by the Amending Resolutions shall be referred to as the "General Resolution" and the General Resolution and the Series Resolution shall be referred to collectively as the "Resolutions").

The Bonds are issued on a parity with certain outstanding transportation revenue bonds (the "Prior Bonds"), and are issued on a basis senior to the Transportation Revenue Commercial Paper Notes of 1997, Series A. The Bonds are issued to pay the costs of financing transportation facilities and major highway projects.

The Bonds are numbered 1 and upwards; are in the denomination of \$5,000 or any integral multiple thereof; are in fully registered form; are dated September 29, 2005; bear interest at the rates set forth below; and mature on July 1 of each year, in the years and principal amounts as follows:

Year	Principal Amount	Interest Rate	Year	Principal Amount	Interest Rate
2007	\$ 7,040,000	5.00%	2016	\$ 10,920,000	5.00%
2008	7,395,000	4.00	2017	11,465,000	5.00
2009	7,760,000	4.50	2018	12,040,000	4.10
2010	8,150,000	5.00	2019	12,640,000	4.10
2011	8,560,000	5.00	2020	13,275,000	4.20
2012	8,985,000	5.00	2021	13,940,000	4.25
2013	9,435,000	5.00	2022	1,505,000	4.00
2014	9,905,000	5.00	2023	1,580,000	4.00
2015	10,400,000	5.00	2024	1,660,000	4.00
			2025	1,745,000	4.10

Interest on the Bonds is payable semi-annually on January 1 and July 1 of each year commencing on January 1, 2006.

At the option of the State, certain of the Bonds are subject to redemption prior to maturity as set forth in the Official Statement.

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

As to questions of fact material to our opinion, we have relied on representations of the State contained in the Resolutions as well as the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing examination and upon such legal authorities as we deemed relevant and in reliance upon the certifications received above, we are of the opinion that as of the date hereof, under existing law:

- (1) The State has valid right and lawful authority to finance transportation facilities and major highway projects by the adoption of the Resolutions, to perform its obligations under the terms and conditions of the Resolutions, and to issue the Bonds.
- (2) The Resolutions have been duly and lawfully adopted by the Commission, are in full force and effect, and constitute valid and binding obligations of the State enforceable in accordance with their terms.
- (3) The Bonds are valid and binding revenue bonds of the State secured by a pledge in the manner and to the extent set forth in the General Resolution and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Resolution on a parity with the Prior Bonds. The General Resolution creates the valid pledge which it purports to create of the Program Income (as defined in the General Resolution) and of monies and securities on deposit in any of the Funds (as defined in the General Resolution) established under the General Resolution, including the investments, if any, thereof, subject to the application thereof to the purposes and on the conditions permitted by the General Resolution.
- (4) The Bonds have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State, including the Revenue Obligations Act and the Act, as amended to the date of this Opinion, and in accordance with the Resolutions.
- (5) The Bonds do not constitute a debt or grant or loan of credit of the State, and the State shall not be generally liable thereon, nor shall the Bonds be payable out of any funds other than those provided therefor pursuant to the Resolutions and the Act. Neither the

faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the principal or the interest on the Bonds.

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

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

QUARLES & BRADY LLP

MBIA

The following information has been furnished by MBIA Insurance Corporation (**MBIA**) for use in this Notice. MBIA does not accept any responsibility for the accuracy or completeness of this Notice or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the policy and MBIA set forth in this Notice under the heading “MBIA; *The MBIA Insurance Corporation Insurance Policy*”. Additionally, MBIA makes no representation regarding the MBIA Insured Bonds or the advisability of investing in the MBIA Insured Bonds.

The MBIA Insurance Corporation Insurance Policy

The Financial Guaranty Insurance Policy from MBIA (**MBIA Policy**) unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the State to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the MBIA Insured Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the MBIA Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless MBIA elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the MBIA Insured Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (**Preference**).

The MBIA Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any MBIA Insured Bond. The MBIA Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of MBIA Insured Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The MBIA Policy also does not insure against nonpayment of principal of or interest on the MBIA Insured Bonds resulting from the insolvency, negligence, or any other act or omission of the Paying Agent or any other paying agent for the MBIA Insured Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of a MBIA Insured Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such MBIA Insured Bonds or presentment of such other proof of ownership of the MBIA Insured Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the MBIA Insured Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the MBIA Insured Bonds in any legal proceeding related to payment of insured amounts on the MBIA Insured Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such MBIA Insured Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA

MBIA is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (**Company**). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore, and one in the Kingdom of Spain. The principal executive offices of MBIA are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

Regulation

As a financial guaranty insurance company licensed to do business in the State of New York, MBIA is subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA and its affiliates.

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

Financial Strength Ratings of MBIA

- Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."
- Standard & Poor's, a division of The McGraw-Hill Companies, Inc., rates the financial strength of MBIA "AAA."
- Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell, or hold the MBIA Insured Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the MBIA Insured Bonds. MBIA does not guaranty the market price of the MBIA Insured Bonds, nor does it guaranty that the ratings on the MBIA Insured Bonds will not be revised or withdrawn.

MBIA Financial Information

As of December 31, 2004, MBIA had admitted assets of \$10.4 billion (audited), total liabilities of \$7.0 billion (audited), and total capital and surplus of \$3.4 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of June 30, 2005, MBIA had admitted assets of \$10.7 billion (unaudited), total liabilities of \$7.0 billion (unaudited), and total capital and surplus of \$3.7 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2004 and December 31, 2003 and for each of the three years in the period ended December 31, 2004, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2004 and the consolidated financial statements of MBIA and its subsidiaries as of June 30, 2005 and for the six month periods ended June 30, 2005 and June 30, 2004 included in the Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2005.

Copies of the statutory financial statements filed by MBIA with the State of New York Insurance Department are available over the Internet at the Company's web site and at no cost, upon request to MBIA at its principal executive offices.

MBIA Information

The following document filed by the Company with the Securities and Exchange Commission (SEC) is incorporated herein by reference:

- The Company's Annual Report on Form 10-K for the year ended December 31, 2004.
- The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005.

Any documents, including any financial statements of MBIA and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14, or 15(d) of the Exchange Act of 1934, as amended, after the Company's most recent Quarterly Report on form 10-Q and prior to the termination of the offering of the MBIA Insured Bonds offered hereby shall be deemed to be incorporated by reference in this Notice and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Notice, shall be deemed to be modified or superseded for purposes of this Notice to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Notice.

The Company files annual, quarterly, and special reports, information statements, and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and (2) the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2005 and June 30, 2005) are available (i) over the Internet at the SEC's web site; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site; and (iv) at no cost, upon request to MBIA at its principal executive offices.

Financial Guaranty Insurance Policy

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.



President



Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.



Authorized Officer of Insurance Trustee



FINANCIAL GUARANTY INSURANCE POLICY

**MBIA Insurance Corporation
Armonk, New York 10504**

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects, in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

President

Assistant Secretary