<u>NOTICE OF BOND INSURANCE</u>

$176,490,000
STATE OF WISCONSIN
GENERAL OBLIGATION BONDS OF 2006, SERIES D

The Underwriter, as defined in the Official Statement, dated August 23, 2006, has provided for a Municipal Bond Insurance Policy **(Policy)** to be issued, concurrently with the delivery of the above captioned bonds, by Financial Security Assurance Inc., guaranteeing when due the scheduled payment of principal of and interest on the State of Wisconsin General Obligation Bonds of 2006, Series D **(Bonds)**

FSA®

This Notice includes certain information concerning Financial Security Assurance Inc. (**Financial Security**) and the terms of the Policy relating to the Bonds. Information with respect to Financial Security and the Policy has been supplied by Financial Security. No representation is made by the Underwriter as to the accuracy or adequacy of such information. The Policy does not constitute a part of the contract between the State of Wisconsin **(State)** and the owners of Bonds. The Underwriter has the responsibility for paying the premium on and complying with the conditions for the issuance of the Policy, and the State has no responsibility with respect to such insurance in any way, including the maintenance and enforcement of the Policy or collection of a claim submitted under the Policy.

This Notice has been prepared by the Underwriter to provide certain information pertaining to Financial Security and has not been prepared or reviewed by the State, and the State makes no representation to the adequacy of the information contained herein. Each purchaser should consult the Official Statement, dated August 23, 2006, for information about the Bonds.

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

August 23, 2006

Other than with respect to information concerning Financial Security contained in this Notice, none of the information in the Official Statement, dated August 23, 2006, has been supplied or verified by Financial Security, and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information, (ii) the validity of the Bonds, or (iii) the tax-exempt status of the interest on the Bonds.

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Financial Security will issue its Policy for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included in this Notice.

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

Financial Security Assurance Inc.

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

At June 30, 2006, Financial Security's total policyholders' surplus and contingency reserves were approximately $2,514,378,000, and its total unearned premium reserve was approximately $1,937,740,000, in accordance with statutory accounting practices. At June 30, 2006, Financial Security's total shareholders' equity was approximately $2,889,984,000, and its total net unearned premium reserve was approximately $1,556,639,000, in accordance with generally accepted accounting principles.

The consolidated financial statements of Financial Security included in, or as exhibits to, the annual and quarterly reports filed after December 31, 2005 by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. All financial statements of Financial Security included in, or as exhibits to, documents filed by Holdings pursuant to Section 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934 after the date of this Notice and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Notice. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc., 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

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

OFFICIAL STATEMENT

New Issue

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

$176,490,000
STATE OF WISCONSIN
GENERAL OBLIGATION BONDS OF 2006, SERIES D

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

Ratings	AA– Fitch Ratings Aa3 Moody's Investors Service, Inc. AA– Standard & Poor's Ratings Services.
Tax Exemption	Interest on the Bonds is, for federal income tax purposes, excluded from gross income and not an item of tax preference. Interest on the Bonds is not excluded from current State of Wisconsin income and franchise taxes—*See pages 7-9.*
Redemption	The Bonds are callable at par on May 1, 2017 or any date thereafter—*See page 2.*
Security	General obligations of the State of Wisconsin–*See page 2.*
Purpose	Proceeds from the Bonds are being used for various governmental purposes—*See page 3*.
Interest Payment Dates	May 1 and November 1
First Interest Payment Date	May 1, 2007
Denominations	Multiples of $5,000
Closing/Settlement	On or about September 13, 2006
Bond Counsel	Foley & Lardner LLP
Registrar/Paying Agent	Secretary of Administration
Issuer Contact	Wisconsin Capital Finance Office (608) 266-2305; DOACapitalFinanceOffice@wisconsin.gov
Book-Entry System	The Depository Trust Company—*See pages 3-4.*
2005 Annual Report	This Official Statement incorporates by reference Parts I, II, and III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2005.

The Bonds were sold at competitive sale on August 23, 2006. The interest rates payable by the State, which are shown below, resulted from the award of the Bonds.

CUSIP	Year (May 1)	Principal Amount	Interest Rate	First Optional Call Date (May 1)	Call Price
97705L LX3	2018	$ 12,035,000	5.00%	2017	100%
97705L LY1	2019	12,640,000	5.00	2017	100
97705L LZ8	2020	13,265,000	5.00	2017	100
97705L MA2	2021	13,935,000	5.00	2017	100
97705L MB0	2022	14,630,000	5.00	2017	100
97705L MC8	2023	15,360,000	5.00	2017	100
97705L MD6	2024	16,130,000	5.00	2017	100
97705L ME4	2025	16,935,000	4.50	2017	100
97705L MF1	2026	17,780,000	4.50	2017	100
97705L MG9	2027	43,780,000	4.50	2017	100

Purchase Price: $182,612,602.50

August 23, 2006

Note: The State has been advised by the Underwriter that it has received from Financial Security Assurance Inc. **(Financial Security)** a Municipal Bond Insurance Commitment for the Bonds. Further information about the Commitment and the Municipal Bond Insurance Policy may be obtained from the Underwriter and Financial Security.

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

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

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

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

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STATE OFFICIALS PARTICIPATING IN THE ISSUANCE AND SALE OF THE BONDS

BUILDING COMMISSION MEMBERS

Voting Members	**Term of Office Expires**
Governor Jim Doyle, Chairperson	January 8, 2007
Senator Fred A. Risser, Vice-Chairperson	January 5, 2009
Senator Carol Roessler	January 5, 2009
Senator David Zien	January 8, 2007
Representative Jeff Fitzgerald	January 8, 2007
Representative Jennifer Shilling	January 8, 2007
Representative Debi Towns	January 8, 2007
Mr. Terry McGuire, Citizen Member	At the pleasure of the Governor
Nonvoting, Advisory Members	
Mr. Adel Tabrizi, State Chief Engineer Department of Administration	——
Mr. Dave Haley, State Chief Architect Department of Administration	——
Building Commission Secretary	
Mr. Robert G. Cramer, Administrator Division of State Facilities Department of Administration	At the pleasure of the Building Commission and the Secretary of Administration

OTHER PARTICIPANTS

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

DEBT MANAGEMENT AND DISCLOSURE

Department of Administration
Capital Finance Office
P.O. Box 7864
101 E. Wilson Street, 10th Floor
Madison, WI 53707-7864
Telefax (608) 266-7645
DOACapitalFinanceOffice@wisconsin.gov

Mr. Frank R. Hoadley
Capital Finance Director
(608) 266-2305
frank.hoadley@wisconsin.gov

Mr. Lawrence K. Dallia
Assistant Capital Finance Director
(608) 267-7399
larry.dallia@wisconsin.gov

Mr. David R. Erdman
Capital Finance Officer
(608) 267-0374
david.erdman@wisconsin.gov

SUMMARY DESCRIPTION OF BONDS

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

Description:	State of Wisconsin General Obligation Bonds of 2006, Series D
Principal Amount:	$176,490,000
Denominations:	Multiples of $5,000
Date of Issue:	Date of delivery (on or about September 13, 2006)
Record Date:	April 15 and October 15
Interest Payments:	May 1 and November 1, beginning May 1, 2007
Maturities:	May 1, 2018-2027—*See front cover*
Optional Redemption:	The Bonds are callable at par on May 1, 2017 or any date thereafter—*See page 2*
Form:	Book-entry-only—*See pages 3-4*
Paying Agent:	All payments of principal and interest on the Bonds will be paid by the Secretary of Administration. All payments will be made to The Depository Trust Company, which will distribute payments to DTC Participants as described herein.
Security:	The Bonds are general obligations of the State of Wisconsin. As of June 15, 2006, general obligations of the State were outstanding in the amount of $5,377,583,689.
Bond Insurance:	The State has been advised by the Underwriter that it has received from Financial Security Assurance Inc. **(Financial Security)** a Municipal Bond Insurance Commitment for the Bonds. Further information about the Commitment and the Municipal Bond Insurance Policy may be obtained from the Underwriter and Financial Security.
Additional General Obligation Debt:	The State may issue additional general obligation debt.
Authority for Issuance:	The Bonds are issued under Article VIII of the Wisconsin Constitution and Chapters 18 and 20 of the Wisconsin Statutes.
Purpose:	Acquisition, construction, development, extension, enlargement, or improvement of land, water, property, highways, buildings, equipment, or facilities for public purposes.
Legality of Investment:	State law provides that the Bonds are legal investments for all banks, trust companies, bankers, savings banks and institutions, building and loan associations, savings and loan associations, credit unions, investment companies, and other persons or entities carrying on a banking business; for all personal representatives, guardians, trustees, and other fiduciaries; and for the State and all public officers, municipal corporations, political subdivisions, and public bodies.
Tax Exemption:	Interest on the Bonds is, for federal income tax purposes, excluded from gross income and not an item of tax preference—*See pages 7-9* Interest on the Bonds is not excluded from current State of Wisconsin income and franchise taxes—*See page 7*
Legal Opinion:	Validity and tax opinion to be provided by Foley & Lardner LLP—*See page C-1*

OFFICIAL STATEMENT

$176,490,000
STATE OF WISCONSIN
GENERAL OBLIGATION BONDS OF 2006, SERIES D

INTRODUCTION

This Official Statement provides information about the $176,490,000 General Obligation Bonds of 2006, Series D **(Bonds)**, which are being issued by the State of Wisconsin **(State)**. This Official Statement includes by reference Parts I, II, and III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2005 **(2005 Annual Report)**.

The Bonds are authorized under the Wisconsin Constitution and the Wisconsin Statutes, as well as an authorizing resolution that the State of Wisconsin Building Commission **(Commission)** adopted on June 28, 2006.

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

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

THE STATE

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

Information concerning the State, its financial condition, and its general obligation debt is included as APPENDIX A, which includes by reference Parts II and III of the 2005 Annual Report. APPENDIX A also includes changes or additions to Parts II and III of the 2005 Annual Report.

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

Contact:	Capital Finance Office Attn: Capital Finance Director
Phone:	(608) 266-2305
Mail:	101 East Wilson Street, FLR 10 P.O. Box 7864 Madison, WI 53707-7864
E-mail:	DOACapitalFinanceOffice@wisconsin.gov
Web site:	www.doa.wi.gov/capitalfinance

THE BONDS

General

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

The Bonds will be dated their date of delivery (expected to be September 13, 2006) and will bear interest from that date payable on May 1 and November 1 of each year, beginning on May 1, 2007.

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

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

Security

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

Redemption Provisions

Optional Redemption

The Bonds may be redeemed on May 1, 2017 or any date thereafter, in whole or in part in multiples of $5,000, at a redemption price equal to par (100% of the principal amount to be redeemed), plus accrued interest to the redemption date. The Commission may decide whether to redeem Bonds, and it may direct the amounts and maturities of the Bonds to be redeemed.

Selection of Bonds

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

Notice of Redemption

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

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

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

Registration and Payment of Bonds

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

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

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

Ratings

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

Rating	Rating Agency
AA–	Fitch Ratings(1)
Aa3	Moody's Investors Service, Inc. (2)
AA–	Standard & Poor's Ratings Services(3)

(1) On April 13, 2006, Fitch Ratings assigned a rating outlook of "stable" to the State's general obligations.

(2) On March 29, 2005, Moody's Investors Service, Inc. changed the rating outlook on the State's general obligations from "negative" to "stable".

(3) On November 9, 2005, Standard & Poor's Ratings Services changed the rating outlook on the State's general obligations from "stable" to "positive".

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

Application of Bond Proceeds

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

Bond proceeds will be deposited in the State's Capital Improvement Fund. Bond proceeds will be spent as the State incurs costs for the various borrowing purposes; until spent, the money will be invested by the State of Wisconsin Investment Board.

Book-Entry-Only Form

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

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

Payment

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

Notices and Voting Rights

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

Redemption

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

Discontinued Service

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

Further Information

Further information concerning DTC and DTC's book-entry system is available at www.dtcc.com. The State is not responsible for any information available on DTC's web site. That information may be subject to change without notice.

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

OTHER INFORMATION

Limitations on Issuance of General Obligations

All general obligations issued by the State fall within a debt limit set forth in the Wisconsin Constitution and Statutes. There is an annual limit of three-quarters of one percent, and a cumulative limit of five percent, of the aggregate value of all taxable property in the State. The annual limit is currently $3,517,373,999, and the aggregate limit is currently $23,449,159,990. A funding or refunding obligation does not count for purposes of the annual debt limit or the cumulative debt limit. Accrued interest on any obligation that is not paid during the fiscal year in which it accrues is treated as debt and taken into account for purposes of the debt limitations. As of June 15, 2006, general obligations of the State were outstanding in the amount of $5,377,583,689.

Borrowing Plans for 2006

General Obligations

This is the seventh series of general obligations issued in this calendar year. The State has previously issued in calendar year 2006:

- $331 million of general obligation bonds for general governmental purposes.
- $162 million of general obligation extendible municipal commercial paper for general governmental purposes.
- $124 million of general obligation commercial paper notes for general governmental purposes.

- $97 million of general obligation bonds to refund general obligations previously issued for general governmental purposes.
- $2 million for taxable general obligation bonds for veterans housing loan program.
- $62 million of general obligation bonds to fund extendible municipal commercial paper previously issued for the veterans housing loan program.

In addition, the Commission has also authorized the following general obligations that may be issued in calendar year 2006:

- Up to $440 million of general obligation bonds to refund general obligation bonds previously issued for general governmental purposes. The amount and timing of any issuance of general obligation refunding bonds for this purpose depend on market conditions.
- Up to $8 million of taxable general obligation bonds and up to $8 million of tax-exempt general obligations for the veterans housing loan program. The amount and timing of any issuance of general obligations depend on originations of veterans housing loans.
- Up to $20 million of general obligation subsidy bonds to be purchased by the Environmental Improvement Fund for the Clean Water Fund Program. The amount and timing of any issuance of general obligation subsidy bonds for this purpose depend on loan disbursements from the Clean Water Fund Program.

Other Obligations

The Commission has authorized up to $240 million of transportation revenue obligations to fund projects in the transportation revenue obligation program. A portion of these transportation revenue obligations are expected to be issued in the third quarter of this calendar year in the form of commercial paper notes. The balance may be issued in the fourth quarter of this calendar year in the form of bonds. The Commission has also authorized up to $250 million of transportation revenue refunding bonds to refund previously issued transportation revenue bonds. The amount and timing of any issuance of transportation revenue refunding bonds depend on market conditions.

The State has issued $80 million of clean water revenue bonds to fund loans in the Clean Water Fund Program. The Commission has authorized up to $100 million of clean water revenue bonds to fund additional loans in the Clean Water Fund Program. The amount and timing of these additional revenue bonds depends on loan activity in the Clean Water Fund Program. The Commission has also authorized up to $125 million of clean water revenue refunding bonds to refund previously issued clean water revenue bonds. The amount and timing of any issuance of clean water revenue refunding bonds depend on market conditions.

The Commission has authorized up to $27 million of petroleum inspection fee revenue refunding bonds. The amount and timing of any issuance of petroleum inspection fee revenue refunding bonds depend on market conditions.

The State sold master lease certificates of participation at competitive sale on August 22, 2006, with the issuance and delivery scheduled to occur on August 31, 2006.

The State does not currently expect to issue operating notes for the 2006-07 fiscal year.

Underwriting

The Bonds were purchased through competitive bidding on August 23, 2006 by Citigroup Global Markets Inc. **(Underwriter).** The Underwriter paid $182,612,602.50, and its bid resulted in a true interest cost rate to the State of 4.457466%.

Reference Information About the Bonds

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

$176,490,000
State of Wisconsin
General Obligation Bonds of 2006, Series D

Dated Date: Date of Delivery
First Interest Date: May 1, 2007
Delivery/Settlement Date: On or about September 13, 2006

CUSIP	Year (May 1)	Principal Amount	Interest Rate	Yield at Issuance	Price at Issuance	First Optional Call Date (May 1)	Call Price
97705L LX3	2018	$ 12,035,000	5.00%	4.07%	107.957% [a]	2017	100%
97705L LY1	2019	12,640,000	5.00	4.12	107.510 [a]	2017	100
97705L LZ8	2020	13,265,000	5.00	4.12	107.510 [a]	2017	100
97705L MA2	2021	13,935,000	5.00	4.16	107.154 [a]	2017	100
97705L MB0	2022	14,630,000	5.00	4.20	106.799 [a]	2017	100
97705L MC8	2023	15,360,000	5.00	4.25	106.357 [a]	2017	100
97705L MD6	2024	16,130,000	5.00	4.23	106.534 [a]	2017	100
97705L ME4	2025	16,935,000	4.50	4.39	100.921 [a]	2017	100
97705L MF1	2026	17,780,000	4.50	4.52	99.736	2017	100
97705L MG9	2027	43,780,000	4.50	4.54	99.462	2017	100

[a] These bonds are priced to the May 1, 2017 first optional call date.

Note: The State has been advised by the Underwriter that it has received from Financial Security a Municipal Bond Insurance Commitment for the Bonds. Further information about the Commitment and the Municipal Bond Insurance Policy may be obtained from the Underwriter and Financial Security.

Legal Investment

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

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

Legal Opinions

Bond Opinion

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

Attorney General

As required by law, the office of the Attorney General will examine a certified copy of all proceedings leading to issuance of the Bonds. The Attorney General will deliver an opinion on the regularity and validity of the proceedings. The Attorney General's opinion will also state that there is no action, suit, or proceeding, either pending or threatened in writing, known to the Attorney General, restraining or enjoining the issuance, sale, execution, or delivery of the Bonds, or in any way contesting or affecting the titles to their respective offices of any of the State officers involved in the issuance of the Bonds or the validity of the Bonds or any of the proceedings taken with respect to the issuance and sale thereof.

If certificated Bonds are issued, then a certificate of the Attorney General will be printed on the reverse side of each Bond.

Tax Exemption

Federal Income Tax

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

Bond Counsel expresses no opinion about other federal tax consequences arising regarding the Bonds. There may be other federal tax law provisions that could adversely affect the value of an investment in the Bonds for particular owners of Bonds. Prospective investors should consult their own tax advisors about the tax consequences of owning a Bond.

State of Wisconsin Income and Franchise Taxes

Interest on the Bonds is not excluded from current State of Wisconsin income and franchise taxes. Prospective investors should consult their own tax advisors about the state and local tax consequences of owning a Bond.

Discount Bonds

In the opinion of Bond Counsel, under existing law, the original issue discount in the selling price of each of the Bonds maturing in the years 2026 and 2027 (**Discount Bond**), to the extent properly allocable to the owner of a Discount Bond, is excluded from gross income for federal income tax purposes to the same extent that any interest payable on such Discount Bond is or would be excluded from gross income for federal income tax purposes. The original issue discount is the excess of the stated redemption price at maturity of a Discount Bond over the initial offering price to the public, excluding underwriters or other intermediaries, at which price a substantial amount of such Discount Bonds were sold (**Issue Price**).

Under Section 1288 of the Code, original issue discount on tax-exempt obligations accrues on a compound interest basis. The amount of original issue discount that accrues to an owner of a Discount Bond during any accrual period generally equals:

- The Issue Price of the Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, *multiplied by* the yield to maturity of the Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of each accrual period),

- *Less* any interest payable on the Discount Bond during such accrual period.

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

Owners of Discount Bonds who do not purchase their Discount Bonds in the initial offering at the Issue Price should consult their own tax advisors with respect to the tax consequences of owning Discount Bonds.

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

Premium Bonds

Each of the Bonds maturing in the years 2018 through and including 2025 (**Premium Bond**) has an issue price that is greater than the amount payable at the maturity of the Bond.

Any Premium Bond purchased in the initial offering at the issue price will have "amortizable bond premium" within the meaning of Section 171 of the Code. An owner of a Premium Bond that has amortizable bond premium is not allowed any deduction for the amortizable bond premium. During each taxable year, such an owner must reduce his or her tax basis in the Premium Bond by the amount of the amortizable bond premium that is allocable to the portion of such taxable year during which the owner owned the Premium Bond. The adjusted tax basis in a Premium Bond will be used to determine taxable gain or loss upon a disposition (for example, upon a sale, exchange, redemption, or payment at maturity) of the Premium Bond.

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

IRS Tax-Exempt Bond Enforcement Program

The Internal Revenue Service (**IRS**) has an active tax-exempt bond enforcement program. Under current IRS procedures, the owners of the Bonds and other parties other than the State would have little, if any, right to participate in an IRS examination of the Bonds. Moreover, because obtaining judicial review in connection with an IRS examination of tax-exempt bonds is difficult, obtaining independent review of IRS positions with which the State legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for examination, or the course or result of such an examination, or an examination of bonds presenting similar tax issues may affect the market price, or the marketability, of the Bonds, and may cause the State or the owners of the Bonds to incur significant expense.

Information Reporting

Recent legislation amended section 6049 of the Code to require information reporting for payments of tax-exempt interest, applicable to interest paid after December 31, 2005. The IRS has not issued any guidance implementing this new requirement, including, for example, whether "back up withholding" of interest payments will be required under certain circumstances.

CONTINUING DISCLOSURE

The State has made an undertaking, for the benefit of the beneficial owners of the Bonds, to provide an annual report presenting certain financial information and operating data about the State **(Annual Reports)**. By December 27 of each year, the State will send the report to each nationally recognized municipal securities information repository **(NRMSIR)** and to any 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 SID for the State. Part I of the 2005 Annual Report, which contains information on the undertaking, is included by reference as part of this Official Statement.

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

State of Wisconsin Capital Finance Office
Department of Administration
101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
(608) 266-2305
DOACapitalFinanceOffice@wisconsin.gov
www.doa.wi.gov/capitalfinance

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

Dated: August 23, 2006

STATE OF WISCONSIN

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

/s/ STEPHEN E. BABLITCH
Stephen E. Bablitch, Secretary
State of Wisconsin Department of Administration

/s/ ROBERT G. CRAMER
Robert G. Cramer, Secretary
State of Wisconsin Building Commission

APPENDIX A

INFORMATION ABOUT THE STATE

This appendix includes by reference information concerning the State of Wisconsin **(State)** and general obligations issued by the State, as contained in Parts II and III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2005 **(2005 Annual Report)**. This appendix also includes any changes or additions to the information presented in Parts II and III of the 2005 Annual Report.

Part II of the 2005 Annual Report contains general information about the State. More specifically, that part presents information about 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 2004-05
- State budget
- Potential effects of litigation
- 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 2005 Annual Report are the audited general purpose external financial statements for the fiscal year ending June 30, 2005, prepared in conformity with generally accepted accounting principles **(GAAP)** for governments as prescribed by the Government Accounting Standards Board, and the State Auditors' report.

Part III of the 2005 Annual Report contains information concerning general obligations issued by the State. That part discusses the security provisions for general obligation debt (including the flow of funds to pay debt service on general obligations) and presents data about the State's outstanding general obligation debt and the portion of that general obligation debt that is revenue-supported general obligation debt.

The 2005 Annual Report has been filed with each nationally recognized municipal securities information repository **(NRMSIR)** and 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 2005 Annual Report may also be obtained from:

State of Wisconsin Capital Finance Office
Department of Administration
101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
(608) 266-2305
DOACapitalFinanceOffice@wisconsin.gov
www.doa.wi.gov/capitalfinance

After publication and filing of the 2005 Annual Report, certain changes or events have occurred that affect items discussed in the 2005 Annual Report. Listed below, by reference to particular sections of Parts II and III of the 2005 Annual Report, are changes or additions to the discussion contained in those particular sections. Many of the following changes or additions have not been filed with the NRMSIRs. However, the State has filed, and expects to continue to file, certain informational notices with the NRMSIRs, some of which may be notices that do not describe listed material events under the State's Master Agreement on Continuing Disclosure.

State Budget; Budget for 2005-07 (Part II–Pages 29-31). Add the following:

Condition of General Fund Budget for 2005-07

On June 6, 2006, the Legislative Fiscal Bureau **(LFB)** released a memorandum that contained information on the condition of the General Fund budget for the 2005-07 biennium. This memorandum reflected the Governor's action on all enrolled bills that were passed by the Legislature in the past legislative session.

The June 6, 2006 LFB memorandum projected that the ending gross General Fund balance for the 2005-07 biennium would be approximately $11 million. That amount is $96 million less than the projected gross ending balance included in a prior memorandum provided by LFB on January 19, 2006. The discussion below in "State Budget; Budget for 2005-07; *LFB Projected General Fund Tax Collections*" contains more information on, and certain events that occurred subsequent to, this January 19, 2006 LFB memorandum.

The following table reflects the estimated General Fund condition statement for the 2005-06 and 2006-07 fiscal years, as included in the June 6, 2006 LFB memorandum. The following table also includes, for comparison, the estimated General Fund condition statements that were included in a prior memorandum provided by LFB on October 18, 2005, which at that time addressed modifications to the budget for the 2005-07 biennium resulting from the Annual Fiscal Report (budgetary basis) for the 2004-05 fiscal year.

General Fund Condition Statement
2005-06 and 2006-07 Fiscal Years
(in Millions)

	June 6, 2006 LFB Memorandum		October 18, 2005 LFB Memorandum	
	2005-06	2006-07	2005-06	2006-07
Revenues				
Opening Balance	$ 4.0	$ 11.0	$ 4.1	$ 8.5
Taxes	11,950.0	12,560.0	11,957.1	12,506.8
Department Revenues				
Tribal Gaming	118.0	86.0	118.6	86.3
Other	686.0	506.0	674.8	513.6
Total Available	12,758.0	13,163.0	12,754.6	13,115.3
Appropriations				
Gross Appropriations	12,634.0	13,218.0	12,681.2	13,176.2
Compensation Reserves	90.0	178.0	90.1	178.3
Transfers to Medical Assistance Trust Fund	342.0	25.0	290.5	
Less: Lapses	(319.0)	(269.0)	(315.6)	(252.9)
Net Appropriations	12,747.0	13,152.0	12,746.1	13,101.6
Balances				
Gross Balance	11.0	11.0	8.5	13.7
Less: Required Statutory Balance	(65.0)	(65.0)	(65.0)	(65.0)
Net Balance, June 30	$ (54.0)	$ (54.0)	$ (56.5)	$ (51.3)

LFB Projected General Fund Tax Collections

On January 19, 2006, LFB released a memorandum that contained projections of General Fund tax collections for the 2005-07 biennium, re-estimates of departmental revenues and expenditures for the 2005-07 biennium, and projected gross ending General Fund balance for the 2005-07 biennium. A complete copy of the January 19, 2006 LFB memorandum appears on pages A-4 to A-16 of this Official Statement.

The January 19, 2006 LFB memorandum also projected that estimated tax collections would be greater by $46 million, and estimated department revenues would be greater by $3 million, than the projections used in the enacted budget for the 2005-07 biennium. The January 19, 2006 LFB memorandum projected that the ending gross General Fund balance for the 2005-07 biennium would be $107 million. That amount exceeds the projected gross ending balance included in the October 18, 2005 LFB memorandum by $93 million.

The January 19, 2006 LFB memorandum identified two items regarding the General Fund projections and re-estimates. Subsequently, certain actions occurred that addressed these items.

- The projected ending General Fund balance continues to assume that, during the 2005-07 biennium, the State will receive $104 million of tribal gaming payments that were due from two tribal governments in the 2003-05 biennium. On February 1, 2006, the State received payment of nearly $44 million from one tribal government. This payment, due in the 2003-05 biennium, resulted from an agreement announced in October 2005 regarding that tribal government's gaming compact. On May 11, 2006, the State received payment of $30 million from another tribal government. This payment, also due in the 2003-05 biennium, resulted from an agreement announced on May 10, 2006 regarding the negotiation between the State and that tribal government's gaming compact.
- Second, the Medical Assistance Trust Fund was projected to experience a shortfall of $77 million during the 2005-07 biennium. On March 27, 2006, the Governor signed into law 2005 Wisconsin Act 211, which among other provisions, transfers an aggregate of $77 million from the General Fund to the Medical Assistance Trust Fund during the 2005-06 and 2006-07 fiscal years.

State Budget; Potential Effect of Litigation (Part II–Pages 34-35). Add the following:

Validity of Gaming Compacts

On July 14, 2006, the Wisconsin Supreme Court held that a 1993 amendment to the gambling provision of the Wisconsin Constitution did not invalidate or affect the extension, renewal, or amendment of compacts originally executed in 1991 and 1992 between the State and tribal governments. In addition, the Wisconsin Supreme Court overruled the portion of its earlier decision from 2004 that had invalidated compact amendments made in 2003 that allowed tribes to offer additional games beyond those agreed to in the original tribal compacts.

General Fund Information; General Fund Cash Flow (Part II–Pages 40-48). Update with the following:

The tables starting on page A-17 of this Official Statement provide updates and additions to various tables containing General Fund information for the 2005-06 and 2006-07 fiscal years, which are presented on either a cash basis or agency recorded basis. The projections in these tables for the 2006-07 fiscal year reflect the revised General Fund revenue estimates from the January 19, 2006 LFB memorandum. The tables, unless noted, contain information through June 30, 2006.

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

Operating notes were not issued for the 2004-05 and 2005-06 fiscal years and are not currently planned for the 2006-07 fiscal year. The following tables may show negative balances on a cash basis. The 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, then the Legislature must take actions to balance the budget in the succeeding fiscal year.

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

January 19, 2006

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

Dear Senator Fitzgerald and Representative Kaufert:

In January of each year, this office conducts a review of the status of the state's general fund and presents its findings to the Legislature. In even-numbered years, the analysis includes an examination of economic forecasts and tax collection and expenditure data for the first six months of the current fiscal year, and projections for each fiscal year of the current biennium. We have now completed our review.

Based upon our analysis, we project the closing gross general fund balance at the end of the biennium to be $106.7 million. This is $93.0 million above the $13.7 million balance that was indicated in my October 18, 2005, memorandum to the Joint Committee on Finance following release of the 2004-05 Annual Fiscal Report.

The $93.0 million is the net result of an increase in estimated tax collections of $45.7 million, an increase in departmental revenues of $3.2 million, an increase of $31.5 million in sum sufficient appropriation expenditures (primarily in the homestead tax credit program and tax reciprocity agreements with Minnesota and Illinois), and an increase in estimated lapses to the general fund of $75.6 million. The increase in the lapse estimate is due mainly to projected GPR underspending in the medical assistance (MA) program.

Although the gross balance is shown as $106.7 million, it should be noted that the required statutory balance is $65 million. Thus, the net balance at the end of the biennium (June 30, 2007) is projected to be $41.7 million.

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

TABLE 1

2005-07 General Fund Condition Statement

	2005-06	2006-07
Revenues		
Opening Balance, July 1	$4,111,000	$408,700
Taxes	11,949,600,000	12,560,000,000
Departmental Revenues		
Tribal Gaming	118,628,600	86,349,100
Other	685,850,200	505,645,700
Total Available	$12,758,189,800	$13,152,403,500
Appropriations, Transfers, and Reserves		
Gross Appropriations	$12,696,202,600	$13,192,596,600
Compensation Reserves	90,054,100	178,302,800
Transfers to Medical Assistance Trust Fund	290,449,000	0
Less Lapses	-318,924,600	-325,212,100
Net Appropriations	$12,757,781,100	$13,045,687,300
Balances		
Gross Balance	$408,700	$106,716,200
Less Required Statutory Balance	- 65,000,000	-65,000,000
Net Balance, June 30	-$64,591,300	$41,716,200

As Table 1 indicates, the gross balance at the end of the biennium is projected to be $106.7 million. There are, however, two items (tribal gaming revenues and medical assistance) that should be noted regarding the condition statement.

Tribal Gaming Revenues. Under 2005 Act 25 (the 2005-07 budget act), the tribal gaming revenue projections include $60.0 million ($30.0 million annually) in payments by the Ho-Chunk Nation that were due in the 2003-05 biennium. These payments have not yet been made to the state. However, Table 1 assumes the payments will be received as $30.0 million annual payments in 2005-06 and in 2006-07. The state payments by the Ho-Chunk are currently in dispute and an arbitrator has been appointed to settle the matter under binding arbitration provisions contained in the 2003 compact amendments.

In addition, the tribal gaming revenue projections of Table 1 include $43.6 million in 2005-06 to reflect that a scheduled 2004-05 payment in this amount by the Forest County

Potawatomi was not made by June 30, 2005, and is expected to be remitted to the state in 2005-06.

Medical Assistance. It is estimated that the amount of GPR funding that is currently budgeted to support MA benefits will exceed projected costs of the program by $63.6 million in 2005-07. Because of the biennial nature of the MA benefits appropriation, the $63.6 million is included in the estimated lapses of Table 1 in 2006-07. The projected lapse is primarily due to lower spending for managed care capitation payments and lower caseload than had been estimated in the 2005-07 budget.

On the other hand, it is now estimated that the segregated MA trust fund will experience a shortfall of $76.7 million in the biennium. The projected shortfall in the MA trust fund reflects: (a) the Governor's partial vetoes in Act 25, which reduced revenue to the trust fund compared to the bill passed by the Legislature (-$60.2 million); (b) reestimates of revenue the state will receive by billing MA for treatment services residential care centers provide to certain children (-$16.7 million); and (c) other revenue reestimates ($0.2 million).

If funds are transferred from the general fund to offset the MA trust fund deficit, the balance shown in Table 1 would need to be reduced by a corresponding amount. For example, if the entire deficit in the MA trust fund were to be eliminated by transfer from the general fund, the $106.7 million gross balance of Table 1 would be reduced to $30.0 million and the net balance would be -$35.0 million.

General Fund Taxes

The following section provides information on general fund tax revenues for the 2005-07 biennium, including a discussion of the national economic forecast for 2006 and 2007 and general fund tax revenue projections for fiscal years 2005-06 and 2006-07.

National Economic Forecast. This office first prepared revenue estimates for the 2005-07 biennium in January, 2005, based on the January, 2005, forecast of the U.S. economy by Global Insight, Inc. At that time, positive economic growth was expected to continue in 2005, 2006, and 2007, although at a slower pace than that of 2004. The primary risk to the forecast was that the economy's excess production capacity was less than estimated, which would lead to an acceleration in inflation and interest rates and a lower level of economic growth.

In May, 2005, this office revised its 2005-07 revenue estimates upward by approximately 1%. The revision was based on 2004-05 tax collections through April, 2005, and on more recent economic forecasts. The May forecast by Global Insight, Inc. projected higher levels of inflation and nominal (current-dollar) personal income, consumption, and corporate profits than the January forecast. Due to the increased inflation, the level of nominal gross domestic product (GDP) was also estimated to be higher than in January. However, the estimate of real (inflation-adjusted) GDP was reduced from the January projections. In May, growth in nominal GDP for 2004 was reported at 6.6% and growth was projected to be 6.1% in 2005, 5.1% in 2006, and 5.0% in 2007. As in the January, 2005, forecast, the primary risk was that the economy's spare capacity was less than estimated.

Despite unusually severe hurricanes and high energy prices, the economy continued to expand throughout 2005. The third quarter was especially strong, with nominal GDP growth of 7.6% and real growth of 4.1%, but it is believed that growth slowed in the fourth quarter following the hurricanes and the spike in gas prices. Auto sales also decreased considerably in the fourth quarter following solid sales during the summer. Fourth quarter growth in nominal GDP is estimated at 5.4% and real growth is estimated at 3.1%. For the entire year, nominal GDP growth is estimated at 6.4% and real growth is estimated at 3.6%. Both of these growth rates are slightly higher than projected last May. Growth in personal consumption was also higher than forecast, while growth in personal income and corporate profits was slightly lower than projected. With the high energy prices, the consumer price index (CPI) was 0.5% higher than anticipated last May. Last year was the fourth consecutive year of economic growth following the recession of 2001.

In the near-term, the current (January, 2006) economic forecast by Global Insight, Inc. anticipates stronger overall growth than at the end of 2005 due to reconstruction activity in the Gulf states and a recovery in energy production that was hindered by the hurricanes. The forecast anticipates that federal government spending in response to the storms will total $110 billion over the next several years. The forecast also assumes an additional 150,000 housing starts to replace homes destroyed by the hurricanes. In the first quarter of 2006, nominal GDP growth is projected to be 6.9% and real growth is projected to be 3.8%.

Growth is expected to moderate beginning in the second quarter as the housing market cools and consumers continue to face high energy prices. However, these negative impacts are expected to be cushioned by increased business spending. Nominal GDP growth is estimated at 5.6% for the second quarter of 2006, and approximately 5.0% for the last six months of the year. Nominal growth is expected to fluctuate between 4.4% and 5.0% throughout 2007. On an annualized basis, nominal GDP is expected to increase by 6.0% in 2006 and 4.8% in 2007. Real GDP is expected to show a similar pattern, with growth of 3.8% in the first quarter, approximately 3.0% over the remainder of 2006, and slightly lower in 2007. Annual growth is estimated at 3.4% for all of 2006 and 2.7% for 2007. The 2006 growth rates are higher than forecast last May, and the 2007 growth rates are slightly lower.

Gasoline prices increased steadily during the first half of 2005 and then spiked in September following the Gulf hurricanes. National average prices fell in the fourth quarter (from $2.63 per gallon to $2.51 per gallon) and are expected to decrease again in the first quarter of 2006 (to $2.29 per gallon). Prices are forecast to stay within the range of $2.20 to $2.30 per gallon for the remainder of 2006 and 2007. Natural gas prices are expected to remain high during the first quarter of 2006 (nearly double last year's prices) and then decline significantly beginning in the second quarter. However, even with these anticipated price decreases, gasoline and natural gas will be significantly more expensive than in 2004 and earlier years.

The high energy prices resulted in a higher level of overall inflation in 2005 than was forecast last May. The CPI increased by 3.4% in 2005, which was 0.5% higher than the May forecast. The CPI is expected to increase by 2.6% in 2006 and 1.8% in 2007. These figures are higher than the May estimates by 0.6% in 2006 and lower by 0.1% in 2007. The larger inflation estimate for 2006 reflects the continued high energy prices; however, as energy prices fall and overall economic growth slows somewhat, lower levels of inflation are forecast for 2007. Core inflation (excluding food and energy) is expected to show the opposite pattern--slightly lower growth in 2005 followed by slightly higher levels in 2006 and 2007-- as producers pass their increased energy costs forward to consumers.

Last December, the Federal Reserve increased the federal funds rate by 25 basis-points (from 4.0% to 4.25%). This was the thirteenth such increase since the Federal Reserve began raising rates in June, 2004. The forecast assumes that two more quarter-point increases will occur by the end of March, 2006, followed by an extended pause. In its statement accompanying the December increase, the Federal Reserve no longer described monetary policy as "accommodative" and no longer stated that rates would be raised at a "measured pace." In addition, Federal Reserve officials noted that robust competition, including from foreign producers, was helping contain cost and price pressures. The forecast assumes that the Federal Reserve now believes interest rates are in a "neutral" area and that future increases will be more intermittent.

Also regarding interest rates, the yield curve inverted at the end of 2005 as the yield on 10-year Treasury notes fell slightly below the yield on two-year notes. Normally, the yield on long-term bonds exceeds that of short-term bonds because investors expect to be compensated for committing their money for a longer period of time. This results in an upward-sloping yield curve. An inverted (downward-sloping) yield curve indicates that investors believe interest rates will fall in future years, and is often followed by a recession. Global Insight, Inc. believes that the yield curve is a cause for concern, but notes that the inversion was very modest and brief (the slope became positive again in early January). Also, in previous instances when an inverted yield curve was followed by a recession, real short-term rates were at least 4%, reflecting very tight monetary policy. This is not the case today, as real short-term rates are just above 2%. With current monetary policy more in the accommodative or neutral range, Global Insight, Inc. does not believe the inverted yield curve was signaling the beginning of a recession.

As noted, after several years of very strong growth, the housing market is expected to cool in 2006 and 2007. Housing continued to be a positive factor in the economy during 2005, with stable mortgage interest rates and significant price increases throughout most of the year. Housing starts reached 2.1 million units in 2005, which was one of the best years on record. However, mortgage rates rose by about 0.5% in the fourth quarter of 2005 and are expected to continue increasing throughout 2006 and 2007. With the higher interest rates and a larger inventory of unsold homes, it is expected that the big price increases of recent years will slow significantly. Prices are not expected to fall, but increases are anticipated to be below the overall rate of inflation for the next several years. Even with rebuilding in the areas affected by the hurricanes, housing starts are estimated to decrease by 8.8% in 2006 and 4.5% in 2007. The reduced housing activity is expected to lead to lower expenditures for furniture and appliances, and the slower pace of appreciation in home values will make it more difficult for families to use housing gains as a means of financing consumption.

Personal income growth is estimated at 5.4% in 2005, which was slightly below last May's forecast of 5.6%. Wage and salary disbursements were somewhat higher than estimated last May, but proprietors' income and rental income were significantly lower than anticipated. Personal income growth is projected to be 6.0% in 2006 and 5.8% in 2007. These estimates are higher than the May projections by 0.3% and 0.5%, respectively. The increased personal income estimates reflect slightly higher levels of employment and wages compared to the May figures. In addition, the growth in non-wage income from business activities and investments is forecast to be stronger than anticipated last May. Employment growth is estimated at 1.6% in 2005, the same growth rate forecast last May. Total employment is projected to grow by 1.5% in 2006 and 1.4% in 2007. These figures are higher than the May estimates by 0.1% in 2006 and 0.5% in 2007. Areas of strength include mining, professional and business services, and health care. Manufacturing employment is expected to weaken slightly, with declines of 0.3% in 2006 and 1.0% in 2007. With the higher overall job levels, the unemployment rate is expected to be slightly below 5% in 2006 and 2007, a decrease of 0.3% in each year compared to the May forecast.

Personal consumption expenditures grew by an estimated 6.4% in 2005, which was 0.6% more than forecast last May. However, the sectors showing the strongest growth were energy-related and generally exempt from the state sales tax. For example, purchases of natural gas and gasoline and oil grew by nearly 25%, and purchases of fuel oil and coal grew by almost 20%. Sales of other generally nontaxable items also showed strong growth, with purchases of food for home consumption increasing by 7.7% and purchases of services increasing by 6.1%. Purchases that generally are taxable (durable goods and other types of nondurable goods) grew more slowly at 4.9%. Expenditures for cars, light trucks, and other vehicles showed no growth from 2004, which was also a weak year.

It is anticipated that overall consumption growth will slow in 2006 and 2007 due to higher interest rates and a slower housing market, which will put downward pressure on sales of durable goods. Total personal consumption expenditures are estimated to increase by 5.5% in 2006 and 5.0% in 2007. Although these amounts are lower than the growth experienced in 2005, they are somewhat higher than last May's estimates. Spending for natural gas is expected to again increase by almost 25% in 2006, due to much higher prices this winter, but then decline by 13% in 2007 as production recovers and prices fall. Gasoline expenditures are anticipated to increase by about 1% in each year, and outlays for fuel oil and coal are expected to fall by 3.6% in 2006 and 10.4% in 2007. Services expenditures are again expected to increase more rapidly than overall consumption, with growth of 6.5% in 2006 and 5.7% in 2007. Sales of durable goods and non-durable goods, excluding food and energy, are expected to grow by 4.0% in 2006 and 4.8% in 2007. The higher growth rate in 2007 reflects improved motor vehicle sales following several weak years dating back to 2003.

Business investment was an area of strength in the economy in 2005, and is expected to continue to show robust growth in 2006 and 2007. Corporations have large cash reserves after several years of exceptionally strong profits, and businesses are continuing to realize high returns on investments in information technology. It is estimated that business fixed investment increased by 11.0% in 2005, and it is projected that investment growth will be 12.3% in 2006 and 6.1% in 2007. The largest gains are anticipated in manufacturing plants and, in 2006, mining and petroleum, as facilities damaged by Hurricane Katrina are restored. Continued high levels of investment in information processing are also expected. As consumers scale back somewhat, the share of GDP represented by business investment is forecast to increase from approximately 10% in recent years to 11.3% in 2006 and 11.4% in 2007.

As noted, corporate profits have been quite strong, with double-digit growth in each year since 2002. In 2005, profits increased by an estimated 16.1%. An important factor in the recent profit growth has been productivity gains. Since 2002, manufacturing output per hour has increased by an average of 6% per year. Strong profit growth is also projected for 2006 (15.6%) followed by a decline in 2007 (-0.7%). The decrease in 2007 reflects a slowing economy and anticipated increases in wages and other business costs as additional capacity is utilized and productivity gains diminish. The reduced rate of growth in consumer purchases and the slower housing market are expected to negatively impact demand and industrial production. However, it is anticipated that these factors will be offset by growth in business investment and government expenditures. Public expenditures are expected to increase because of hurricane-related rebuilding projects, the federal highway bill, and improved state and local revenue collections nationwide.

The U.S. trade deficit (exports minus imports) has been increasing steadily for several years, and reached $804 billion in the fourth quarter of 2005. Exports grew by approximately 11% in 2005, while imports rose by 13%. A significant factor in the growth of imports was the high price of oil. In addition, the dollar rose throughout 2005 relative to currencies of the nation's major trading partners, which contributed to the increased trade deficit. It is anticipated that the dollar will weaken considerably throughout 2006 and 2007, as the Federal Reserve discontinues regular interest rate increases and foreign central banks act to tighten monetary policy. A weaker dollar hurts consumers in this country but makes U.S. products more affordable in foreign markets. It is expected that the lower dollar will lead to some improvement in the trade deficit, but continued high oil prices will prevent more significant reductions.

Global Insight, Inc. has also prepared two alternative forecasts, one more optimistic and the other more pessimistic than the baseline forecast. In the optimistic scenario, which is assigned a probability of 20%, productivity growth and foreign economic growth are stronger and energy prices are lower than under the baseline forecast. These factors lead to lower levels of inflation and interest rates and to increased domestic production, investment, and housing starts. The federal budget deficit is also lower than under the baseline forecast due to increased tax revenues and lower expenditures for transfer payments and interest. Under this alternative forecast, real GDP growth is higher by 0.8% in 2006 and 1.0% in 2007.

Under the pessimistic alternative (25% probability), there is less excess capacity in the global economy than estimated under the baseline forecast and the dollar falls more rapidly relative to foreign currencies. As a result, productivity gains are lower and inflation is significantly higher. The acceleration in inflation leads the Federal Reserve to adopt additional interest rate increases, which contribute to significant declines in home values and a reduction in overall economic activity. The federal budget deficit is also higher than under the baseline forecast. The economy does not go into a recession under this scenario, but real GDP growth is lower than the baseline by 0.6% in 2006 and 1.2% in 2007.

Table 2 shows a summary of national economic indicators drawn from the January, 2006, forecast by Global Insight, Inc.

TABLE 2

Summary of National Economic Indicators
Global Insight, Inc., January, 2006
($ in Billions)

	2004	2005	2006	2007
Nominal Gross Domestic Product	$11,734.3	$12,488.7	$13,242.4	$13,876.9
Percent Change	7.0%	6.4%	6.0%	4.8%
Real Gross Domestic Product	10,755.7	11,144.9	11,526.6	11,839.7
Percent Change	4.2%	3.6%	3.4%	2.7%
Consumer Price Index	2.7%	3.4%	2.6%	1.8%
Personal Income	9,713.3	10,234.7	10,849.6	11,480.3
Percent Change	5.9%	5.4%	6.0%	5.8%
Personal Consumption Expenditures	8,214.3	8,741.2	9,222.0	9,684.6
Percent Change	6.5%	6.4%	5.5%	5.0%
Economic Profits	1,161.5	1,348.4	1,558.7	1,548.4
Percent Change	12.6%	16.1%	15.6%	-0.7%
Unemployment Rate	5.5%	5.1%	4.8%	4.9%

General Fund Tax Projections. Table 3 shows our revised estimates of general fund tax revenues for the 2005-07 biennium, which are based on tax collections to date and the January, 2006, forecast of the U.S. economy by Global Insight, Inc. The estimates reflect all of the tax law changes adopted in Act 25 and other enacted legislation.

TABLE 3

Projected General Fund Tax Collections
($ in Millions)

Source	2004-05 Actual	Budget Estimates (Act 25) 2005-06	Budget Estimates (Act 25) 2006-07	Revised Estimates January, 2006 2005-06	Revised Estimates January, 2006 2006-07
Individual Income	$5,650.1	$6,144.5	$6,502.8	$6,025.0	$6,405.0
General Sales and Use	4,038.7	4,181.6	4,358.1	4,181.6	4,358.1
Corporate Income & Franchise	764.1	683.3	670.2	770.0	785.0
Public Utility	254.4	267.5	281.1	257.9	283.4
Excise					
Cigarette	294.3	287.8	286.8	296.5	294.7
Liquor and Wine	39.5	40.8	41.6	42.4	43.5
Tobacco Products	15.8	16.5	17.4	16.1	16.4
Beer	9.8	9.6	9.6	9.9	10.0
Insurance Company	129.8	131.0	137.7	135.0	142.4
Estate	112.4	105.0	110.0	124.0	130.0
Miscellaneous Taxes	87.7	89.5	91.5	91.2	91.5
TOTAL	$11,396.6	$11,957.1	$12,506.8	$11,949.6	$12,560.0
Change from Prior Year					
Amount		$560.5	$549.7	$553.0	$610.4
Percent		4.9%	4.6%	4.9%	5.1%

As shown in Table 3, general fund tax revenues are estimated to total $11,949.6 million in 2005-06 and $12,560.0 million in 2006-07. These amounts are lower than the Act 25 estimates by $7.5 million in the first year and higher by $53.2 million in the second year, for a net increase of $45.7 million. The estimates for the corporate income and franchise tax, cigarette tax, and estate tax have been revised upward significantly, while the projections for the individual income tax have been reduced. The general sales and use tax estimates were not changed from the May figures, and small increases are estimated for most of the other tax sources.

Individual Income Tax. Individual income tax revenues are currently estimated at $6,025.0 million in 2005-06 and $6,405.0 million in 2006-07. The current estimates are lower than the Act 25 estimates by $119.5 million in the first year and $97.8 million in the second year.

The revised estimates reflect growth of 6.6% in 2005-06 and 6.3% in 2006-07. It should be noted, however, that the growth rate for 2005-06 is affected by a change in the state's accounting mechanism regarding accrued tax revenues in 2004-05 that led to a one-time reduction in income tax revenues of approximately $50 million in 2004-05. The projected growth in income tax revenues for 2005-06 would reflect a 5.7% increase over 2004-05 in the absence of this accounting change.

The decrease in the current estimates, compared to Act 25, is primarily related to changes in projected growth in the taxable components of personal income. Taxable personal income excludes nontaxable government transfer payments, fringe benefits, and certain other types of nontaxable income. Based on the May, 2005, Global Insight, Inc. forecast, while national personal income growth was estimated at 5.6% in 2005 and 5.7% in 2006, the taxable portion was estimated at 5.3% and 5.6% for the two years, respectively. The current estimates for national personal income growth, which are 5.4% in 2005 and 6.0% in 2006, include growth in taxable income of 4.8% in 2005 and 5.9% in 2006. These projected growth rates for taxable personal income are 0.5% lower in 2005 and 0.3% higher in 2006 than the May estimates. While the growth rate in the second year is currently projected to be higher than was the case last May, the net result of the reduced first-year growth is a reduction in estimated individual income tax revenues in each of the two fiscal years.

The current projection of 5.7% growth in individual income tax revenues in 2005-06 (after taking into account the effect of the change in the accrual process, mentioned above), is consistent with withholding tax collections to date for the fiscal year. As of early January, which includes collections made at the end of December but not processed until the start of January, growth in withholding collections over the same period in the prior fiscal year was 5.7%.

General Sales and Use Tax. In 2004-05, state sales and use tax collections were $4,038.7 million, which was a 3.6% increase over the prior year. Under Act 25, state sales and use tax revenues were estimated at $4,181.6 million in 2005-06 and $4,358.1 million in 2006-07, representing growth of 3.5% and 4.2% for the two years, respectively. Based on current projections of taxable personal consumption expenditures and on year-to-date tax collections, no change has been made to the Act 25 sales and use tax estimates.

It should be noted that state sales tax revenues could be affected by a case pending before the Court of Appeals with respect to the taxability of computer software. While pre-written computer software is subject to the state sales tax on tangible personal property, sales of custom computer software are exempt. In the case Menasha Corporation v. Wisconsin Department of Revenue (DOR), a decision by the Tax Appeals Commission on December 1, 2003, broadened the interpretation of what computer software is considered to be nontaxable custom software. The case was appealed to the Circuit Court, which reversed the Tax Appeals Commission decision on October 26, 2004, and ruled that DOR was correct in collecting sales tax on the computer software in question. On December 13, 2004, Menasha Corporation filed an appeal of the Circuit Court decision, and the case is now pending before the Court of Appeals.

It is expected that a decision in favor of Menasha Corporation would affect the interpretation of taxable computer software generally. Based on past estimates by DOR, it is expected that, were a higher court to reverse the Circuit Court decision, state sales tax revenues would be reduced by approximately $50 million associated with each year of the current biennium. In addition, the state could be required to pay approximately $250 million in refunds and interest for prior fiscal years. Generally, the statutes authorize claims for refunds to be filed for up to four years from the unextended due date of the claimant's income tax return for the year to which the claim relates. However, shorter or longer periods may apply under certain conditions. In the case of refund claims based on the taxability of computer software in the Menasha case, for example, taxpayers were permitted to enter into agreements with the Department under which the time to file a claim, for the years specified in the agreement, was extended to six months after a final determination has been made.

Based on these projections, the effect of a final court decision reversing the Circuit Court ruling would be a reduction in the general fund of an estimated $350 million for the period ending on June 30, 2007. The timing of the effect of such a decision on the general fund would depend on the timing of the Appeals Court decision, whether any subsequent appeals were filed, and the timing of the receipt by the Department of associated refund requests. Ongoing revenue losses in subsequent years would also occur.

Corporate Income and Franchise Tax. Corporate income and franchise tax collections were $764.1 million in 2004-05, which was about $14 million more than estimated in May, 2005. The increase reflected continued consumer spending and productivity gains, and related growth in corporate profits. Collections are projected to be $770.0 million in 2005-06 and $785.0 million in 2006-07. These amounts represent an annual increase of 0.8% in 2005-06 and 1.9% in 2006-07, and are higher than the May, 2005, estimates by $86.7 million in 2005-06 and $114.8 million in 2006-07.

The new estimates reflect better than anticipated corporate earnings in 2005, and continued growth in profits through 2006. Consumer demand and increases in productivity, combined with somewhat improved pricing power, have greatly improved corporate balance sheets. Businesses have been able to control labor costs by scaling back benefits, primarily health care, and continuing productivity gains through investment in computers and equipment. As a result, corporate net worth has increased while debt has become more manageable. Internally generated funds from profits and depreciation allowances increased over 24% in 2005, the largest increase in 25 years. The additional funds are expected to be used for increased business investment in plant and equipment, and continued hiring. The increased investment is projected to contribute to employee productivity and demand for business products, which will somewhat offset the decline in consumer spending as the housing market cools.

It should be noted that these estimates have been adjusted to reflect the effect on collections of the phase-in of the single sales factor apportionment formula, repeal of the manufacturer's sales tax credit, implementation and expansion of the dairy investment tax credit, and updating state tax references to the federal Internal Revenue Code.

Public Utility Taxes. Public utility tax revenues were $254.4 million in 2004-05, and are currently projected at $257.9 million in 2005-06 and $283.4 million in 2006-07. These figures are lower than the Act 25 estimates by $9.6 million in 2005-06 and higher than the Act 25 estimates by $2.3 million in 2006-07. The revisions reflect the effects of anticipated decreases in tax receipts from telecommunications companies (Telcos) and expected increases in tax receipts from light, heat, and power companies.

The utility tax on Telcos is an ad valorem tax, one that is based on property values. The reduced tax estimates for Telcos are a result of a significant decrease in total telecommunications property value in 2005. According to the Department of Revenue, the reduced property value follows multiple mergers and consolidations of Telcos that involved writing off assets, the use of newer equipment that is more efficient and less expensive than equipment used previously, and certain changes in the depreciation schedules and the tax assessment process. It is believed that the effect of these factors has now been incorporated into the Telco property base and that property values will again increase, starting with tax year 2006. Therefore, there is a larger reduction in the reestimates of Telco taxes in 2005-06 than in 2006-07.

The utility tax on light, heat, and power companies is based on the gross revenues of such companies. The estimated increases in tax revenues from light, heat, and power companies are a result of higher energy costs of such companies and associated higher sales receipts.

The net effect of the anticipated changes in tax revenues described above is that total utility taxes are currently expected to increase by 1.4% in 2005-06 and by 9.9% in 2006-07, rather than by 5.1% per year, as had been estimated under Act 25.

Excise Taxes. General fund excise taxes are imposed on cigarettes, liquor (including wine and hard cider), tobacco products, and beer. Excise tax collections were $359.4 million in 2004-05. Under Act 25, total excise tax revenues were estimated at $354.7 million in 2005-06 and $355.4 million in 2006-07. Excise tax revenues are currently estimated at $364.9 million in 2005-06 and $364.6 million in 2006-07. The revised estimates are $10.2 million higher in 2005-06 and $9.2 million higher in 2006-07 than the Act 25 estimates, primarily as a result of higher than anticipated cigarette tax collections to date in 2005-06.

Insurance Premiums Taxes. Insurance premiums taxes increased from $123.6 million in 2003-04 to $129.8 million in 2004-05, reflecting strong premium growth in the insurance industry in 2004 and 2005. Premiums taxes are projected to increase to $135.0 million in 2005-06 and to $142.4 million in 2006-07. The projected increase in 2005-06 collections is primarily based on year-to-date monthly premiums tax collections through December, which are significantly higher than collections for 2004-05, for the same period. The projected increase in

2006-07 reflects expected continued growth in insurance premiums, and one-time additional revenues generated by audits conducted by the Office of the Commissioner of Insurance.

Estate Tax. In 2004-05, state estate tax revenues were $112.4 million. Under Act 25, estate taxes were estimated at $105.0 million in 2005-06 and $110.0 million in 2006-07. However, based on collections to date in 2005-06, estate taxes are reestimated at $124.0 million in 2005-06 and $130.0 million in 2006-07. The revised estimates are $19.0 million higher in 2005-06 and $20.0 million higher in 2006-07 than the Act 25 estimates. It should be noted, however, that 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. Miscellaneous tax revenues were $87.7 million in 2004-05, and are estimated at $91.2 million in 2005-06 and $91.5 million in 2006-07. The first-year estimate is $1.7 million higher than the Act 25 estimate, and the second-year estimate is unchanged from Act 25. The revised estimate reflects year-to-date collections from the real estate transfer fee. Other miscellaneous taxes include municipal and circuit court related fees and the occupational tax on coal.

We will continue to monitor economic forecasts and data regarding tax collections and expenditures and inform you if any further revisions are necessary.

Sincerely,

Bob

Robert Wm. Lang
Director

RWL/sas
cc: Members, Wisconsin Legislature

Table II-7; Actual and Projected General Fund Cash Flow (Part II–Page 43). Replace with the following updated table:

ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2005 TO JUNE 30, 2006[a]

(In Thousands of Dollars)

	July 2005	August 2005	September 2005	October 2005	November 2005	December 2005	January 2006	February 2006	March 2006	April 2006	May 2006	June 2006
BALANCES[b]												
Beginning Balance	($193,683)	($417,079)	$136,628	$309,053	$818,545	$586,768	($118,926)	$882,782	$1,145,630	$115,031	$831,334	$1,369,935
Ending Balance [c]	(417,079)	136,628	309,053	818,545	586,768	(118,926)	882,782	1,145,630	115,031	831,334	1,369,935	4,563
Lowest Daily Balance [c]	(522,613)	(589,150)	(264,889)	158,797	418,125	(864,503)	(173,681)	686,665	100,921	(225,788)	611,737	(344,263)
RECEIPTS												
TAX RECEIPTS												
Individual Income	$457,176	$546,087	$625,591	$566,601	$461,234	$484,890	$966,768	$489,178	$522,941	$979,881	$555,643	$657,624
Sales & Use	402,599	400,199	384,904	378,257	364,808	356,213	411,358	319,356	309,399	340,820	342,919	375,380
Corporate Income	31,786	24,880	170,441	34,258	31,377	130,776	28,752	19,203	197,151	40,032	27,154	149,264
Public Utility	24	0	196	2,667	125,226	130	356	81	157	1,530	155,348	54
Excise	36,572	30,625	36,942	32,048	32,403	29,800	30,316	26,764	26,799	28,888	28,775	34,874
Insurance	690	1,273	27,858	1,556	1,839	33,661	2,840	22,490	22,319	26,422	1,037	31,382
Inheritance	16,949	6,932	8,463	13,570	11,203	7,341	7,020	7,236	12,159	6,428	7,829	9,601
Subtotal Tax Receipts	$945,796	$1,009,996	$1,254,395	$1,028,957	$1,028,090	$1,042,811	$1,447,410	$884,308	$1,090,925	$1,424,001	$1,118,705	$1,258,179
NON-TAX RECEIPTS												
Federal	$524,946	$554,359	$554,537	$487,805	$539,678	$499,963	$567,423	$508,860	$536,237	$470,205	$541,885	$460,998
Other & Transfers [d]	355,748	298,506	470,126	316,093	283,115	286,968	438,937	689,774	322,126	422,228	374,934	314,764
Note Proceeds	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal Non-Tax Receipts	$880,694	$852,865	$1,024,663	$803,898	$822,793	$786,931	$1,006,360	$1,198,634	$858,363	$892,433	$916,819	$775,762
TOTAL RECEIPTS	$1,826,490	$1,862,861	$2,279,058	$1,832,855	$1,850,883	$1,829,742	$2,453,770	$2,082,942	$1,949,288	$2,316,434	$2,035,524	$2,033,941
DISBURSEMENTS												
Local Aids	$884,042	$142,784	$757,441	$100,945	$958,939	$1,280,054	$190,703	$251,483	$1,316,971	$109,499	$288,235	$1,919,099
Income Maintenance	489,129	468,260	454,986	416,256	461,190	448,737	380,248	413,072	467,013	283,779	328,572	260,110
Payroll and Related	315,952	295,222	427,311	303,005	315,798	335,548	362,573	335,005	487,027	304,889	321,666	352,584
Tax Refunds	60,810	62,584	43,817	51,777	52,037	120,021	112,785	466,205	381,505	316,659	154,121	158,392
Debt Service	0	0	0	156,686	1,562	0	0	2,082	0	295,695	28,097	0
Miscellaneous [e]	299,953	340,304	423,078	294,694	293,134	351,076	405,753	352,247	327,371	289,610	376,232	709,128
Note Repayment	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL DISBURSEMENTS	$2,049,886	$1,309,154	$2,106,633	$1,323,363	$2,082,660	$2,535,436	$1,452,062	$1,820,094	$2,979,887	$1,600,131	$1,496,923	$3,399,313

(a) Projections reflected the biennial budget bill for the 2005-07 biennium (2005 Wisconsin Act 25) and the General Fund revenue estimates released by the Legislative Fiscal Bureau on May 16, 2005, which were incorporated into 2005 Wisconsin Act 25. No changes were needed to the projections as a result of the revised revenue estimates released by the Legislative Fiscal Bureau on January 19, 2006. Projections assumed that the State would receive approximately $146 million pursuant to the amended gaming compacts with tribal governments. Included in this amount was $73 million, which was an estimate of all payments due in the 2005-06 fiscal year. The amount of estimated payments due in the 2005-06 fiscal year was subsequently revised downward to $67 million to reflect provisions of the compacts with the tribal governments. The State has received payments, totalling $44 million, from all but one tribal government. The State and this tribal government continue arbitration with respect to this tribal government's amended gaming compact. Also included in this amount was $74 million, which was an estimate of payments due in previous fiscal years that were expected to be made in the 2005-06 fiscal year by two tribal governments. The State has received the payments from the two tribal governments that equal this amount. This table does not include interfund borrowings.

(b) The General Fund cash balances presented in this schedule are not based on generally accepted accounting principles (GAAP). The General Fund includes funds designated for operations and capital purposes of certain proprietary programs of the State's Universities. Receipts and disbursements of such funds for the designated programs and the disbursement of such funds for other purposes are reflected in the cash flow. A use of the designated funds for purposes other than the proprietary programs is, in effect, a borrowing of such funds. Therefore, at any time that the balance in the General Fund is less than the balance of such designated funds, the State is obligated to replenish the designated funds to the extent of the shortfall. The designated funds were expected to range from $150 to $300 million during the 2005-06 fiscal year. In addition, the General Fund is the depository for several escrow accounts pursuant to court orders or federal rulings. These funds were expected to average approximately $50 million during the 2005-06 fiscal year.

(c) The Statutes provide certain administrative remedies to deal with periods when the General Fund is in a negative cash position. The Secretary of Administration may temporarily reallocate cash in other funds (up to 5% of the general-purpose revenue appropriations then in effect) to the General Fund. This amount was approximately $634 million for the 2005-06 fiscal year. In addition, the Secretary of Administration may also temporarily reallocate an additional amount up to 3% of the general-purpose revenue appropriations then in effect (approximately $380 million for the 2005-06 fiscal year) for a period of up to 30 days. If the amount of interfund borrowing available to the General Fund is not sufficient, the Secretary of Administration is authorized to prorate and defer certain payments.

(d) Includes $175 million transferred from the Transportation Fund to the General Fund on February 1, 2006, $100 million transferred from the Transportation Fund to the General Fund on April 18, 2006, $63 million transferred from the Transportation Fund to the General Fund on June 1, 2006, $235 million transferred from the General Fund to the Medical Assistance Trust Fund on June 16, 2006, and $51 million transferred from the General Fund to the Medical Assistance Trust Fund on June 30, 2006 (pursuant to provisions of 2005 Wisconsin Act 211).

Table II-7; Actual and Projected General Fund Cash Flow (Part II–Page 43). Add the following table:

PROJECTED GENERAL FUND CASH FLOW; JULY 1, 2006 TO JUNE 30, 2007[a]

(In Thousands of Dollars)

	July 2006	August 2006	September 2006	October 2006	November 2006	December 2006	January 2007	February 2007	March 2007	April 2007	May 2007	June 2007
BALANCES[b]												
Beginning Balance	$4,563	($152,470)	$277,997	$335,746	$899,803	$639,332	($100,400)	$1,050,811	$1,115,411	$31,431	$507,596	$1,057,739
Ending Balance [c]	($152,470)	$277,997	$335,746	$899,803	$639,332	($100,400)	$1,050,811	$1,115,411	$31,431	$507,596	$1,057,739	$29,063
Lowest Daily Balance [c]	(428,669)	(413,040)	(3,955)	149,536	460,586	(879,740)	(118,985)	706,197	13,316	(382,775)	369,722	(422,186)
RECEIPTS												
TAX RECEIPTS												
Individual Income	575,300	485,700	575,600	667,700	436,100	501,900	1,151,000	528,000	500,200	1,070,400	552,200	673,800
Sales & Use	403,200	412,200	403,700	400,300	392,200	358,100	431,300	330,500	316,000	362,300	369,900	392,900
Corporate Income	21,300	19,900	151,400	33,500	25,400	172,500	26,300	19,400	214,300	32,100	20,700	153,200
Public Utility	100	0	300	4,500	144,700	2,000	0	1,300	100	3,300	138,000	1,000
Excise	32,500	32,100	32,500	30,200	37,600	30,000	29,200	30,800	25,900	28,600	31,800	31,500
Insurance	800	2,000	27,300	500	1,500	38,000	2,100	18,700	27,900	28,700	1,700	29,300
Inheritance	11,500	15,900	20,500	8,700	10,400	8,100	13,700	9,300	10,400	17,300	10,600	9,500
Subtotal Tax Receipts	$1,044,700	$967,800	$1,211,300	$1,145,400	$1,047,900	$1,110,600	$1,653,600	$938,000	$1,094,800	$1,542,700	$1,124,900	$1,291,200
NON-TAX RECEIPTS												
Federal	$545,944	$576,533	$576,718	$507,317	$561,265	$519,962	$590,120	$529,214	$557,686	$489,013	$563,560	$563,435
Other & Transfers [d]	353,400	304,500	477,300	320,200	320,500	270,200	502,700	504,700	355,432	379,900	457,100	430,100
Note Proceeds	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal Non-Tax Receipts	$899,344	$881,033	$1,054,018	$827,517	$881,765	$790,162	$1,092,820	$1,033,914	$913,118	$868,913	$1,020,660	$993,535
TOTAL RECEIPTS	$1,944,044	$1,848,833	$2,265,318	$1,972,917	$1,929,665	$1,900,762	$2,746,420	$1,971,914	$2,007,918	$2,411,613	$2,145,560	$2,284,735
DISBURSEMENTS												
Local Aids	$889,915	$125,806	$823,918	$134,188	$985,474	$1,324,475	$244,452	$249,671	$1,306,572	$134,143	$197,844	$1,958,030
Income Maintenance	496,788	498,923	429,369	435,351	461,947	435,965	449,715	424,823	446,385	372,613	423,613	322,256
Payroll and Related	297,986	346,860	411,406	312,961	337,575	353,568	385,111	350,009	501,427	313,274	337,438	409,290
Tax Refunds	52,900	46,000	47,000	45,800	62,900	128,500	73,200	465,900	480,600	422,800	177,300	133,600
Debt Service	0	5,001	0	169,957	5,001	0	0	5,001	0	330,700	5,001	0
Miscellaneous[d]	363,488	395,776	495,877	310,603	337,239	397,986	442,730	411,911	356,914	361,919	454,221	490,234
Note Repayment	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL DISBURSEMENTS	$2,101,077	$1,418,366	$2,207,570	$1,408,860	$2,190,136	$2,640,494	$1,595,208	$1,907,315	$3,091,898	$1,935,449	$1,595,417	$3,313,410

(a) This table reflects the biennial budget bill for the 2005-07 biennium (2005 Wisconsin Act 25) and the General Fund revenue estimates released by the Legislative Fiscal Bureau on January 19, 2006. Projections assume that the State will receive approximately $112 million pursuant to the amended gaming compacts with tribal governments. Included in this amount is $82 million, which is the estimate of all payments due in the 2006-07 fiscal year. Also included in this amount is $30 million, which is an estimate of a payment due in a previous biennium that is expected to be made in the 2006-07 fiscal year by a tribal government. This table does not include interfund borrowings.

(b) The General Fund cash balances presented in this schedule are not based on generally accepted accounting principles (GAAP). The General Fund includes funds designated for operations and capital purposes of certain proprietary programs of the State's Universities. Receipts and disbursements of such funds for the designated programs and the disbursement of such funds for other purposes are reflected in the cash flow. A use of the designated funds for purposes other than the proprietary programs is, in effect, a borrowing of such funds. Therefore, at any time that the balance in the General Fund is less than the balance of such designated funds, the State is obligated to replenish the designated funds to the extent of the shortfall. The designated funds are expected to range from $160 to $300 million during the 2006-07 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 $30 million during the 2006-07 fiscal year.

(c) The Statutes provide certain administrative remedies to deal with periods when the General Fund is in a negative cash position. The Secretary of Administration may temporarily reallocate cash in other funds (up to 5% of the general-purpose revenue appropriations then in effect) to the General Fund. This amount is approximately $661 million for the 2006-07 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 $397 million for the 2006-07 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) Assumes that $83 million will be transferred from the Transportation Fund to the General Fund on September 1, 2006, $20 million will be transferred from the Petroleum Inspection Fund to the General Fund on September 1, 2006, and $25 million will be transferred from the General Fund to the Medical Assistance Trust Fund on June 30, 2007.

Table II-8; General Fund Cash Receipts and Disbursements Year To Date; Compared to Estimates and Previous Fiscal Year. (Part II–Page 44). Replace with the following updated table. Please note that due to some internal reporting errors, the actual receipts along with the related variances and adjusted variances have changed from the table that appeared in the Preliminary Official Statement.

2005-06 FISCAL YEAR
GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS YEAR-TO-DATE
COMPARED TO ESTIMATES AND PREVIOUS FISCAL YEAR[a]
(Cash Basis)
As of June 30, 2006
(Amounts in Thousands)

	FY05 through June 2005	FY06 through June 2006				
	Actual	Actual	Estimate[b]	Variance	Adjusted Variance[c]	Difference FY05 Actual to FY06 Actual
RECEIPTS						
Tax Receipts						
Individual Income [d]	$ 7,027,534	$ 7,391,009	$ 7,467,788	$ (76,779)	$ 28,221	$ 363,475
Sales	4,339,249	4,514,425	4,490,172	24,253	24,253	175,176
Corporate Income	876,579	892,483	819,265	73,218	73,218	15,904
Public Utility	270,369	285,769	276,092	9,677	9,677	15,400
Excise	355,308	374,806	355,464	19,342	19,342	19,498
Insurance	192,820	173,367	197,111	(23,744)	(23,744)	(19,453)
Inheritance	113,888	114,731	107,803	6,928	6,928	843
Total Tax Receipts	$ 13,175,747	$ 13,746,590	$ 13,713,695	$ 32,895	$ 137,895	$ 570,843
Non-Tax Receipts						
Federal	$ 6,080,128	$ 6,246,896	$ 6,259,932	$ (13,036)	$ (13,036)	$ 166,768
Other and Transfers [d]	3,625,206	4,360,303	4,023,619	336,684	231,684	735,097
Note Proceeds [e]	-	-	-	-	-	-
Total Non-Tax Receipts	$ 9,705,334	$ 10,607,199	$ 10,283,551	$ 323,648	$ 218,648	$ 901,865
TOTAL RECEIPTS	$ 22,881,081	$ 24,353,789	$ 23,997,246	$ 356,543	$ 356,543	$ 1,472,708
DISBURSEMENTS						
Local Aids	$ 7,503,309	$ 8,200,195	$ 8,080,968	$ (119,227)	$ (119,227)	$ 696,886
Income Maintenance	5,053,635	4,871,352	4,985,123	113,771	113,771	(182,283)
Payroll & Related	4,066,065	4,156,580	4,285,420	128,840	128,840	90,515
Tax Refunds	1,856,158	1,980,713	1,994,076	13,363	13,363	124,555
Debt Service	374,090	484,122	520,255	36,133	36,133	110,032
Miscellaneous	4,200,291	4,462,580	4,427,870	(34,710)	(34,710)	262,289
Note Repayment [e]	-	-	-	-	-	-
TOTAL DISBURSEMENTS	$ 23,053,548	$ 24,155,542	$ 24,293,712	$ 138,170	$ 138,170	$ 1,101,994
VARIANCE FY06 YEAR-TO-DATE				$ 494,713	$ 494,713	

(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 biennial budget for the 2005-07 biennium (2005 Wisconsin Act 25) and the General Fund revenue estimates released by the Legislative Fiscal Bureau on May 16, 2005, which were incorporated into 2005 Wisconsin Act 25. No changes were needed to the projections as a result of the revised General Fund revenue estimates released by the Legislative Fiscal Bureau on January 19, 2006. Projections assumed that the State would receive approximately $146 million in the 2005-06 fiscal year pursuant to the amended gaming compacts with tribal governments. This amount reflected estimates of (i) all payments due this fiscal year ($73 million), and (ii) payments due in previous fiscal years from two tribal governments that are expected to be made in the 2005-06 fiscal year ($74 million). With respect to payments due in the 2005-06 fiscal year, the amount due was subsequently revised downward to $67 million to reflect provisions of the compacts with the tribal governments, and the State has received payments, totaling $44 million, from all but one tribal government. Arbitration on the gaming compact continues between the State and this tribal government. With respect to payments due in previous fiscal years, on February 1, 2006, the State received payment of nearly $44 million from one tribal government, and on May 11, 2006, the State received another payment of $30 million from another tribal government. These payments, due in the 2003-05 biennium, resulted from agreements announced in October 2005 and May 2006, respectively, regarding the tribal governments' gaming compacts.

(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 cannot 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. An example is the re-categorization of receipts from the 2004-05 fiscal year, which is further discussed in the following footnote.

(d) The "FY05 Through June 2005" column has been adjusted to reflect a re-categorization of $98 million in receipts between the "Individual Income" and "Other and Transfers" categories. An error made in July 2004 on preliminary deposit reports resulted in the "Individual Income" category to be overstated by $98 million. This same error resulted in the "Other and Transfers" category to be understated by the same amount. The total amount of the 2004-05 fiscal year receipts is not impacted by the error or this adjustment.

(e) Operating notes were not issued for the 2004-05 and 2005-06 fiscal years.

Table II-9; General Fund Monthly Position (Part II–Page 45). Replace with the following updated table:

GENERAL FUND MONTHLY CASH POSITION[(a)]
July 1, 2003 through June 30, 2006 — Actual
July 1, 2006 through June 30, 2007 — Estimated[(b)]
(Amounts in Thousands)

	Starting Date	Starting Balance		Receipts[(c)]	Disbursements[(c)]
2004	July	$ (21,216)	(d)	$ 1,525,326	$ 1,935,550
	August	(431,440)	(d)	1,865,101	1,224,534
	September	209,127		2,123,484	1,796,300
	October	536,311		1,717,213	1,377,813
	November	875,711		1,893,722	1,856,738
	December	912,695	(d)	1,633,039	2,340,555
2005	January	205,179		2,417,010	1,448,909
	February	1,173,280		1,833,051	1,789,367
	March	1,216,964		1,859,956	2,704,980
	April	371,940		2,042,253	1,831,196
	May	582,997		1,895,196	1,475,143
	June	1,003,050	(d)	2,075,730	3,272,463
	July	(193,683)	(d)	1,826,490	2,049,886
	August	(417,079)	(d)	1,862,861	1,309,154
	September	136,628	(d)	2,279,058	2,106,633
	October	309,053		1,832,855	1,323,363
	November	818,545		1,850,883	2,082,660
	December	586,768	(d)	1,829,742	2,535,436
2006	January	(118,926)	(d)	2,453,770	1,452,062
	February	882,782		2,082,942	1,820,094
	March	1,145,630		1,949,288	2,979,887
	April	115,031	(d)	2,316,434	1,600,131
	May	831,334		2,035,524	1,496,923
	June	1,369,935	(d)	2,033,941	3,399,313
	July	4,563	(d)	1,944,044	2,101,077
	August	(152,470)	(d)	1,848,833	1,418,366
	September	277,997	(d)	2,265,318	2,207,570
	October	335,746		1,972,917	1,408,860
	November	899,803		1,929,665	2,190,136
	December	639,332	(d)	1,900,762	2,640,494
2007	January	(100,400)	(d)	2,746,420	1,595,208
	February	1,050,811		1,971,914	1,907,315
	March	1,115,411		2,007,918	3,091,898
	April	31,431	(d)	2,411,613	1,935,449
	May	507,596		2,145,560	1,595,417
	June	1,057,739	(d)	2,284,735	3,313,410

(a) The General Fund balances presented in this table are not based on generally accepted accounting principles (GAAP).

(b) This table reflects the biennial budget for the 2005-07 biennium (2005 Wisconsin Act 25) and the General Fund revenue estimates released by the Legislative Fiscal Bureau on January 19, 2006. Projections assume that the State will receive approximately $112 million in the 2006-07 fiscal year pursuant to the amended gaming compacts with tribal governments. This amount reflects estimates of (i) all payments due this fiscal year ($82 million) and (ii) a payment due in a previous biennium from a tribal government that is expected to be made in the 2006-07 fiscal year ($30 million).

(c) Operating notes were not issued for the 2004-05 and 2005-06 fiscal years and are not expected to be issued for the 2006-07 fiscal year.

(d) The Statutes provide certain administrative remedies to deal with periods when the General Fund is in a negative cash position. The Secretary of Administration may temporarily reallocate cash in other funds (up to 5% of the general-purpose revenue appropriations then in effect) to the General Fund. This amount is approximately $661 million for the 2006-07 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 $397 million for the 2006-07 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 (Part II–Page 46). Replace with the following updated table:

BALANCES IN FUNDS AVAILABLE FOR INTERFUND BORROWING[(a)]
July 31, 2003 to June 30, 2006 — Actual
July 31, 2006 to June 30, 2007— Estimated
(Amounts in Millions)

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

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

Month (Last Day)	2004	2005	2006	2007
January		$ 830	$ 1,118	$ 1,118
February		960	1,041	1,041
March		1,043	1,188	1,188
April		964	963	963
May		1,045	1,045	1,045
June		1,182	1,117	1,117
July	$ 908	1,048	1,048	
August	1,003	1,100	1,100	
September	997	1,176	1,176	
October	954	1,115	1,115	
November	827	1,167	1,167	
December	892	1,135	1,135	

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)

Month (Last Day)	2004	2005	2006	2007
January		$ 3,818	$ 4,232	$ 4,232
February		3,984	4,237	4,237
March		4,101	4,476	4,476
April		3,749	3,749	3,749
May		3,627	3,626	3,626
June		3,905	4,329	4,329
July	$ 4,268	4,193	4,193	
August	3,904	3,823	3,823	
September	3,726	3,746	3,746	
October	3,233	3,361	3,361	
November	3,059	3,370	3,370	
December	3,392	3,692	3,692	

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

Table II-11; General Fund Recorded Revenues (Part II–Page 47). Replace with the following updated table:

General Fund Recorded Revenues[(a)]
(Agency Recorded Basis)
July 1, 2005 to June 30, 2006 compared with previous year

	Annual Fiscal Report Revenues 2004-05 FY[(b)]	Projected Revenues 2005-06 FY[(c)]	Recorded Revenues July 1, 2004 to June 30, 2005 [(d)]	Recorded Revenues July 1, 2005 to June 30, 2006 [(e)]
Individual Income Tax	$ 5,650,109,000	$ 6,144,500,000	$ 5,310,911,477	$ 5,792,860,189
General Sales and Use Tax	4,038,715,000	4,181,600,000	3,623,572,533	3,752,915,134
Corporate Franchise and Income Tax	764,053,000	683,320,000	769,425,013	778,061,390
Public Utility Taxes	254,443,000	267,465,000	253,064,010	274,993,296
Excise Taxes	359,444,000	354,720,000	322,945,961	335,218,363
Inheritance Taxes	112,346,000	105,000,000	112,371,418	108,795,356
Insurance Company Taxes	129,839,000	131,000,000	101,768,016	103,514,981
Miscellaneous Taxes	87,701,000	89,500,000	99,262,611	114,776,758
SUBTOTAL............	$ 11,396,650,000	$ 11,957,105,000	10,593,321,040	11,261,135,465
Federal and Other Inter-Governmental Revenues[(f)]	$ 6,190,669,000	$ 5,881,969,000	6,133,390,658	6,250,794,224
Dedicated and Other Revenues[(g)]	3,584,486,000	4,445,764,600	3,842,955,894	4,353,487,144
TOTAL............	$ 21,171,805,000	$ 22,284,838,600	$ 20,569,667,592	$ 21,865,416,832

(a) None of the data presented here has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments.

(b) The amounts are from the Annual Fiscal Report (budgetary basis) for the 2004-05 fiscal year, dated October 15, 2005.

(c) Projections reflect the General Fund revenue estimates released by the Legislative Fiscal Bureau on May 16, 2005, which were used in the enacted budget bill for the 2005-06 and 2006-07 fiscal years (2005 Wisconsin Act 25). No changes were needed to the projections as a result of the revised General Fund revenue estimates released by the Legislative Fiscal Bureau on January 19, 2006. Projections assumed that the State would receive approximately $146 million in the 2005-06 fiscal year pursuant to the amended gaming compacts with tribal governments. This amount reflected estimates of (i) all payments due this fiscal year ($72 million) and (ii) payments due in previous fiscal years from two tribal governments that were expected to be made in the 2005-06 fiscal year ($74 million). With respect to payments due in the 2005-06 fiscal year, the amount due was subsequently revised downward to $67 million to reflect provisions of the compacts with the tribal governments, and the State has received $44 million of this amount from all but one tribal government. Arbitration on the gaming compact continues between the State and this tribal government. With respect to payments due in previous fiscal years, on February 1, 2006, the State received payment of nearly $44 million from one tribal government, and on May 11, 2006, the State received another payment of $30 million from another tribal government. These payments, due in the 2003-05 biennium, resulted from agreements announced in October 2005 and May 2006, respectively, regarding the tribal governments' gaming compacts.

(d) The amounts shown are fiscal year 2004-05 revenues as recorded by state agencies as of June 30, 2005. Additional revenues were recorded by state agencies for the 2004-05 fiscal year during the month of July, 2005.

(e) The amounts shown are fiscal year 2005-06 revenues as recorded by state agencies as of June 30, 2006. Additional revenues will be recorded by state agencies for the 2005-06 fiscal year during the month of July, 2006.

(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 (Part II–Page 48). Replace with the following updated table:

General Fund Recorded Expenditures By Function[a]
(Agency Recorded Basis)
July 1, 2005 to June 30, 2006 compared with previous year

	Annual Fiscal Report Expenditures 2004–05 FY[b]	Appropriations 2005–06 FY[c]	Recorded Expenditures July 1, 2004 to June 30, 2005[d]	Recorded Expenditures July 1, 2005 to June 30, 2006[e]
Commerce	$ 253,520,000	$ 288,639,300	$ 247,023,318	$ 252,538,619
Education	9,614,612,000	10,151,858,300	9,579,549,079	10,131,718,065
Environmental Resources	233,160,000	296,476,000	217,932,095	283,886,397
Human Relations & Resources	8,933,512,000	8,496,069,700	8,858,598,944	8,629,316,295
General Executive	626,194,000	890,108,400	641,648,013	730,530,179
Judicial	114,247,000	113,245,800	110,547,548	111,093,642
Legislative	58,234,000	63,707,200	53,852,007	57,425,787
General Appropriations	1,654,699,000	1,915,407,600	1,635,548,223	1,846,471,698
TOTAL	$ 21,488,178,000	$ 22,215,512,300	$ 21,344,699,226	$ 22,042,980,681

(a) None of the data presented here has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments.

(b) The amounts are from the Annual Fiscal Report (budgetary basis) for the fiscal year 2004-05, dated October 15, 2005.

(c) Estimated appropriations based on the 2005-07 biennial budget bill (2005 Wisconsin Act 25). This table does not reflect any information or projections contained in the memorandum released by the Legislative Fiscal Bureau on January 19, 2006.

(d) The amounts shown are fiscal year 2004-05 expenditures as recorded by state agencies as of June 30, 2005. Additional expenditures were recorded by state agencies for the 2004-05 fiscal year during the month of July, 2005.

(e) The amounts shown are fiscal year 2005-06 expenditures as recorded by state agencies as of June 30, 2006. Additional expenditures will be recorded by state agencies for the 2005-06 fiscal year during the month of July, 2006.

Source: Wisconsin Department of Administration.

APPENDIX B

State of Wisconsin
General Obligation Issuance Status Report
August 15, 2006

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Interest Earnings[a]	G.O. Bonds of 2006, Series D	Total Authorized Unissued Debt
University of Wisconsin; academic facilities	$ 1,358,615,800	$ 1,045,682,399	$ 12,144,382	$ 16,729,344	$ 284,059,675
University of Wisconsin; self-amortizing facilities	1,279,517,100	770,251,052	1,667,811	88,871,609	418,726,628
Natural resources; Warren Knowles - Gaylord Nelson stewardship 2000 program	572,000,000	281,813,989	69,761	30,360,662	259,755,588
Natural resources; municipal clean drinking water grants	9,800,000	9,518,744	141,818		139,438
Clean water fund program	637,743,200	450,334,053			187,409,147
Safe drinking water loan program	32,310,000	29,998,077		1,973,443	338,480
Natural resources; nonpoint source grants	89,310,400	72,413,087	132,570	3,091,831	13,672,912
Natural resources; nonpoint source compliance	4,000,000	2,095,099		154,901	1,750,000
Natural resources; environmental repair	51,000,000	39,839,054	169,096		10,991,850
Natural resources; urban nonpoint source cost-sharing	23,900,000	15,178,622		285,018	8,436,360
Natural resources; environmental segregated fund supported administrative facilities	7,490,000	5,472,686			2,017,314
Natural resources; segregated revenue supported dam safety projects	6,600,000	5,882,779	51		717,170
Natural resources; pollution abatement and sewage collection facilities, ORAP funding	145,060,325	145,010,325	50,000		
Natural resources; pollution abatement and sewage collection facilities	893,493,400	874,927,195	18,513,076	44	53,085
Natural resources; pollution abatement and sewage collection facilities; combined sewer overflow	200,600,000	194,312,599	6,287,401		
Natural resources; recreation projects	56,055,000	56,053,994	1,006		
Natural resources: local parks land acquisition and development	2,490,000	2,447,741	42,259		
Natural resources; recreation development	23,061,500	22,871,110	141,227		49,163
Natural resources; land acquisition	45,608,600	45,116,930	491,671		

General Obligation Issuance Status Report–Continued
August 15, 2006

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Interest Earnings[a]	G.O. Bonds of 2006, Series D	Total Authorized Unissued Debt
Natural resources; Wisconsin natural areas heritage program	2,500,000	2,445,793	17,174		37,032
Natural resources; segregated revenue supported facilities	55,078,100	28,547,692	46,904		26,483,504
Natural resources; general fund supported administrative facilities	11,410,200	10,698,279	21,432	120,823	569,666
Natural resources; ice age trail	750,000	750,000			
Natural resources; dam safety projects	5,500,000	5,400,148	49,701		50,151
Natural resources; segregated revenue supported land acquisition	2,500,000	2,500,000			
Natural resources; Warren Knowles - Gaylord Nelson stewardship program	231,000,000	225,764,406	1,293,404	173,489	3,768,701
Transportation; administrative facilities	8,890,400	8,759,479	33,943		96,978
Transportation; accelerated bridge improvements	46,849,800	46,849,800			
Transportation; rail passenger route development	50,000,000	1,569,000		123,921	48,307,079
Transportation; accelerated highway improvements	185,000,000	185,000,000			
Transportation; connecting highway improvements	15,000,000	15,000,000			
Transportation; federally aided highway facilities	10,000,000	10,000,000			
Transportation; highway projects	41,000,000	41,000,000			
Transportation; major highway and rehabilitation projects	565,480,400	565,480,400			
Transportation; Marquette interchange rehabilitation project	213,100,000	209,300,000	1,514,950		2,285,050
Transportation; state highway rehabilitation projects	250,000,000	248,300,000	1,099,056		600,944
Transportation; harbor improvements	40,700,000	24,252,289	232,605	1,239,211	14,975,895
Transportation; rail acquisitions and improvements	44,500,000	32,945,092	16	929,408	10,625,484
Transportation; local roads for job preservation, state funds	2,000,000	1,999,973		27	
Corrections; correctional facilities	801,979,400	776,869,005	11,467,003	421,332	13,222,060

General Obligation Issuance Status Report–Continued
August 15, 2006

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Interest Earnings[a]	G.O. Bonds of 2006, Series D	Total Authorized Unissued Debt
Corrections; self-amortizing facilities and equipment……………………	7,337,000	2,115,438	99		5,221,463
Corrections; juvenile correctional facilities……..	28,984,500	25,958,946	102,035	619,605	2,303,914
Health and family services; mental health and secure treatment facilities............	127,761,700	121,841,029	895,124	1,239	5,024,308
Agriculture; soil and water……………………..	26,075,000	17,617,960	1,248		8,455,792
Agriculture; conservation reserve enhancement…	40,000,000	9,563,000			30,437,000
Administration; Black Point Estate…………………	1,600,000	304,316		495,684	800,000
Building commission; previous lease rental authority..............................	143,071,600	143,068,654			2,946
Building commission; refunding tax-supported general obligation debt..................	2,102,086,430	2,102,086,530			
Building commission; refunding self-amortizing general obligation debt..................	272,863,033	272,863,033			
Building commission; refunding tax-supported and self-amortizing general obligation debt incurred before June 30, 2005…	250,000,000	250,000,000			
Building commission; refunding tax-supported and self-amortizing general obligation debt…………………………………	1,400,000,000	967,020,000			432,980,000
Building commission; housing state departments and agencies..................................	485,015,400	407,757,621	2,329,712	495,684	74,432,383
Building commission; 1 West Wilson street parking ramp................................	15,100,000	14,805,521	294,479		
Building commission; project contingencies....................	47,961,200	42,179,807	62,251	309,803	5,409,339
Building commission; capital equipment acquisition.........	126,335,000	110,303,761	729,556		15,301,683
Building commission; discount sale of debt.....................	90,000,000	66,808,598 [b]			23,191,402 [b]
Building commission; discount sale of debt (higher education bonds)..............	100,000,000	99,988,833 [c]			11,167
Building commission; other public purposes..................	1,727,901,000	1,315,849,553	6,482,938	17,970,343	387,598,166
Medical College of Wisconsin, Inc.; basic science education and health information technology facilities….	10,000,000	10,000,000			
HR Academy, Inc.…………………	1,500,000	1,500,000			
Medical College of Wisconsin, Inc.; biomedical research and technology incubator………………..	25,000,000	12,803,947		6,196,053	6,000,000
Marquette University; dental clinic and education facility…	15,000,000	14,999,182	818		

General Obligation Issuance Status Report–Continued
August 15, 2006

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Interest Earnings[a]	G.O. Bonds of 2006, Series D	Total Authorized Unissued Debt
Swiss cultural center…………………	1,000,000				1,000,000
Racine County; Discovery Place museum………….	1,000,000				1,000,000
Milwaukee Police Athletic League; youth activities center………………	1,000,000	1,000,000			
Children's research institute	10,000,000	1,825,894		2,974,106	5,200,000
Administration; school educational technology infrastructure financial assistance…………………	90,200,000	71,480,216	431,066		18,288,718
Administration; public library educational technology infrastructure financial assistance………..……….	300,000	268,918	42		31,040
Educational communications board; educational communications facilities……………………………..	22,858,100	19,379,981	37,069	929,408	2,511,642
Historical society; self-amortizing facilities..............…	1,157,000	1,029,156	3,896		123,947
Historical society; historic records............................…	15,400,000				15,400,000
Historical society; historic sites................................…	3,107,800	1,825,756			1,282,044
Historical society; museum facility...........................…	4,384,400	4,362,469			21,931
Historical society; Wisconsin history center……………	30,000,000				30,000,000
Public instruction; state school, state center and library facilities………………..	7,367,700	7,330,612	32,509		4,579
Military affairs; armories and military facilities...…	27,463,900	20,780,369	192,632	192,078	6,298,821
Veterans affairs; veterans facilities...........………….	10,090,100	9,405,485	50,593		634,022
Veterans affairs; self-amortizing mortgage loans...…	2,120,840,000	2,113,652,395	2,133,000		5,054,605
Veterans affairs; refunding bonds...........................…	1,015,000,000	721,169,245			293,830,755
Veterans affairs; self-amortizing facilities……………	34,912,600	11,038,239	501	1,239,211	22,634,649
State fair park board; board facilities..........................……	14,787,100	13,913,973		570,037	303,090
State fair park board; housing facilities...........................…	11,000,000	10,999,985	15		
State fair park board; self-amortizing facilities...........…..	56,787,100	51,107,614	22,328	21,686	5,635,472
Total..…	$18,544,141,288	$15,582,656,927	$69,430,228	$176,490,000	$2,715,564,234

[a] Interest earnings reduce issuance authority by the same amount.

[b] Does not include "Building commission; discount sale of debt" used in connection with the $61,685,000 General Obligation Bonds of 2006, Series C (AMT), which were delivered on August 2, 2006.

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

Source: Wisconsin Department of Administration.

APPENDIX C

EXPECTED FORM OF BOND COUNSEL OPINION

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

(Letterhead of Foley & Lardner LLP)
$176,490,000
STATE OF WISCONSIN
GENERAL OBLIGATION BONDS OF 2006, SERIES D

We have served as bond counsel in connection with the issuance by the State of Wisconsin **(State)** of its $176,490,000 General Obligation Bonds of 2006, Series D, dated the date hereof **(Bonds)**. The Bonds are being issued pursuant to Chapters 18 and 20, Wisconsin Statutes, and a resolution adopted by the State of Wisconsin Building Commission **(Commission)** on June 28, 2006 **(Resolution)**.

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

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

1. The Bonds are valid and binding general obligations of the State.

2. The Resolution has been duly adopted by the Commission and is a valid and binding obligation of the State enforceable upon the State as provided in the Resolution.

3. The full faith, credit, and taxing power of the State are irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Bonds as the Bonds mature and become due. There has been irrevocably appropriated, as a first charge upon all revenues of the State, a sum sufficient for such purpose.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes. It also is not an item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers. For the purpose of computing the alternative minimum tax imposed on certain corporations, however, interest on the Bonds is taken into account in determining adjusted current earnings. The State must comply with all requirements of the Internal Revenue Code that must be satisfied after the Bonds are issued for interest on the Bonds to be, or continue to be, excluded from gross income for federal income tax purposes. The State has agreed to do so. A failure to comply may cause interest on the Bonds to be included in gross income for federal income tax purposes, in some cases retroactive to the date the Bonds were issued. This letter expresses no opinion about other federal tax law consequences regarding the Bonds.

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

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

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

Very truly yours,

FOLEY & LARDNER LLP

FINANCIAL SECURITY ASSURANCE®

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS:

Policy No.: -N

Effective Date:

Premium: $

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

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

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

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

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

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

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

[Countersignature] FINANCIAL SECURITY ASSURANCE INC.

By ____________________ By ____________________
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd. (212) 826-0100
31 West 52nd Street, New York, N.Y. 10019