NOTICE OF BOND INSURANCE

STATE OF WISCONSIN
GENERAL OBLIGATION BONDS OF 2006, SERIES A

The Underwriters, as defined in the Official Statement, dated March 7, 2006, have provided for the delivery of a municipal bond insurance policy to be issued simultaneously with the delivery of the above captioned bonds by:

FGIC

This Notice includes certain information concerning Financial Guaranty Insurance Company (**Financial Guaranty)** and the terms of the Municipal Bond New Issue Insurance Policy (**Policy**) relating to the Bonds. Information with respect to Financial Guaranty and the Policy has been supplied by Financial Guaranty. 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 the Bonds. The Underwriters have 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 Underwriters to provide certain information pertaining to Financial Guaranty. It has not been prepared or reviewed by the State, and the State makes no representations as to the adequacy of the information contained herein. Each purchaser should consult the Official Statement, dated March 7, 2006, for information about the Bonds.

The Underwriters have 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.

March 7, 2006

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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.

$331,215,000
STATE OF WISCONSIN
GENERAL OBLIGATION BONDS OF 2006, SERIES A

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

Ratings	AA– Fitch Ratings Aa3 Moody's Investors Service, Inc. AA– Standard & Poor's Ratings Services.
Tax Exemption	Interest on the Bonds is excluded from gross income, and is not an item of tax preference, for federal income tax purposes. Interest on the Bonds is not excluded from State of Wisconsin income and franchise taxes—*See pages 7-8.*
Redemption	The Bonds maturing on or after May 1, 2017 are callable at par on May 1, 2016 or any date thereafter—*See page 2.*
Security	General obligations of the State of Wisconsin–*See page 2.*
Purpose	Proceeds from the Bonds are being used for various governmental purposes—*See page 3*.
Interest Payment Dates	May 1 and November 1
First Interest Payment Date	November 1, 2006
Denominations	Multiples of $5,000
Closing/Settlement	On or about March 28, 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 March 7, 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 KG1	2015	$ 40,555,000	5.00%	Not Callable	-
97705L KH9	2016	42,575,000	5.00	Not Callable	-
97705L KJ5	2017	19,720,000	5.00	2016	100%
97705L KK2	2018	20,710,000	5.00	2016	100
97705L KL0	2019	21,750,000	5.00	2016	100
97705L KM8	2020	22,835,000	5.00	2016	100
97705L KN6	2021	23,975,000	5.00	2016	100
97705L KP1	2022	25,170,000	5.00	2016	100
97705L KQ9	2023	26,430,000	5.00	2016	100
97705L KR7	2024	27,755,000	5.00	2016	100
97705L KS5	2025	29,140,000	4.75	2016	100
97705L KT3	2026	30,600,000	4.50	2016	100

Purchase Price: $349,686,890.25

March 7, 2006

Note: The State has been advised by the Underwriters that they have received a Commitment for Municipal Bond Insurance from Financial Guaranty Insurance Company **(Financial Guaranty)** for the Bonds. Further information on the commitment and the Municipal Bond New Issue Insurance Policy may be obtained from the Underwriters and Financial Guaranty.

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

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

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

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

TABLE OF CONTENTS

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

New e-mail addresses became effective in November 2005.

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 A
Principal Amount:	$331,215,000
Denominations:	Multiples of $5,000
Date of Issue:	Date of delivery (on or about March 28, 2006)
Record Date:	April 15 and October 15
Interest Payments:	May 1 and November 1, beginning November 1, 2006
Maturities:	May 1, 2015-2026—*See front cover*
Redemption:	*Optional*—The Bonds maturing on or after May 1, 2017 are callable at par on May 1, 2016 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 February 15, 2006, general obligations of the State were outstanding in the amount of $5,315,252,689.
Bond Insurance:	The State has been advised by the Underwriters that they have received a Commitment for Municipal Bond Insurance from Financial Guaranty for the Bonds. Further information on the commitment and the Municipal Bond New Issue Insurance Policy may be obtained from the Underwriters and Financial Guaranty.
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 excluded from gross income, and is not an item of tax preference, for federal income tax purposes—*See pages 7-8* Interest on the Bonds is not excluded from 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

$331,215,000
STATE OF WISCONSIN
GENERAL OBLIGATION BONDS OF 2006, SERIES A

INTRODUCTION

This Official Statement provides information about the $331,215,000 General Obligation Bonds of 2006, Series A **(Bonds)**, which are being issued by the State of Wisconsin **(State)**. This Official Statement includes by reference Parts I, II, and III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 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 December 7, 2005.

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

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

THE STATE

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

Information concerning the State, its financial condition, and its general obligation debt is included as APPENDIX A, which includes by reference Parts II and III of the 2005 Annual Report. APPENDIX A also includes any 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 March 28, 2006) and will bear interest from that date payable on May 1 and November 1 of each year, beginning on November 1, 2006.

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

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

Security

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

Redemption Provisions

Optional Redemption

The Bonds maturing on or after May 1, 2017 may be redeemed on May 1, 2016 or any date thereafter, in whole or in part in multiples of $5,000, at a redemption price equal to par (100%) plus accrued interest to the redemption date. The Commission may decide whether to redeem Bonds, and it may direct the amounts and maturities of the Bonds to be redeemed.

Selection of Bonds

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

Notice of Redemption

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

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

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

Registration and Payment of Bonds

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

If the Bonds are in book-entry-only form, 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
Aa3	Moody's Investors Service, Inc. [1]
AA–	Standard & Poor's Ratings Services[2]

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

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

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

Application of Bond Proceeds

The 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 is 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 $3,209,501,715, and the aggregate limit is currently $21,396,678,100. A funding or refunding obligation does not count for purposes of the annual debt limit or the cumulative debt limit. Accrued interest on any obligation that is not paid during the fiscal year in which it accrues is treated as debt and taken into account for purposes of the debt limitations. As of February 15, 2006, general obligations of the State were outstanding in the amount of $5,315,252,689.

Borrowing Plans for 2006

General Obligations

The Bonds are part of a $593 million borrowing plan that includes the recent issuance of general obligation commercial paper notes ($100 million) and general obligation extendible municipal commercial paper ($162 million). The State has also issued in this calendar year $97 million of general obligation bonds to currently refund general obligation bonds previously issued for various governmental purposes.

In addition, the Commission has 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 $45 million of taxable general obligation bonds and up to $9 million of tax-exempt general obligations for the veterans housing loan program. The amount and timing of any additional issuance of any general obligations depend on originations of veterans housing loans.
- Up to $113 million of general obligation bonds to refund general obligation bonds previously issued for the veterans housing loan program. The amount and timing of any issuance of general obligation refunding bonds for this purpose depend on market conditions.
- Up to $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 additional general obligation subsidy bonds for this purpose depend on loan disbursements from the Clean Water Fund Program.

The commission is expected to authorize, and the State may issue, additional general obligations in the third or fourth quarter for general governmental purposes. These additional general obligations may be in the form of bonds, commercial paper notes, or extendible municipal commercial paper.

Other Obligations

The Commission has 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 Commission has authorized up to $125 million of clean water revenue bonds to fund loans in the Clean Water Fund Program. On February 23, 2006, the State sold $80 million of these clean water revenue bonds at competitive sale, with delivery expected on March 16, 2006. 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 $73 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 has determined that operating notes will not be issued in the 2005-06 fiscal year.

Underwriting

The Bonds were purchased through competitive bidding on March 7, 2006 by the following account **(Underwriters)**: J P. Morgan Securities Inc. (book running manager); Bear, Stearns & Co. Inc., Fidelity Capital Markets Services, and Popular Securities, Inc., joint managers; Robert W. Baird & Co., Inc., BB&T Capital Markets, Inc., a division of Scott & Stringfellow, S.B.K- Brooks Investment Corp., J.B. Hanauer & Company, Ramirez & Co., Inc., and Wachovia Bank, National Association; in association with Duncan-Williams, Inc., Southwest Securities, Stifel, Nicolaus & Company, Inc., The GMS Group L.L.C., Isaak Bond Investments, Inc., and Northern Trust Securities, Inc.

The Underwriters paid $349,686,890.25, and their bid resulted in a true interest cost rate to the State of 4.379032%.

Reference Information About the Bonds

The table below—as well as the table on the front cover—includes information about the Bonds and is provided for reference. The CUSIP number for each maturity has been obtained from sources the State believes to be reliable, but the State is not responsible for the correctness of the CUSIP numbers. The Underwriters have provided the reoffering yields and prices to allow the computation of yield for federal tax law compliance. For each of the Bonds maturing on or after May 1, 2017, the dollar price at issuance is computed to the lower of the first optional call date or the nominal maturity date.

$331,215,000
State of Wisconsin
General Obligation Bonds of 2006, Series A

Dated Date: Date of Delivery
First Interest Date: November 1, 2006
Delivery/Settlement Date: On or about March 28, 2006

CUSIP	Year (May 1)	Principal Amount	Interest Rate	Yield at Issuance	Price at Issuance	First Optional Call Date (May 1)	Call Price
97705L KG1	2015	$ 40,555,000	5.00%	3.95%	107.951%	Not Callable	-
97705L KH9	2016	42,575,000	5.00	4.00	108.232	Not Callable	-
97705L KJ5	2017	19,720,000	5.00	4.05	107.802 [a]	2016	100%
97705L KK2	2018	20,710,000	5.00	4.09	107.458 [a]	2016	100
97705L KL0	2019	21,750,000	5.00	4.13	107.116 [a]	2016	100
97705L KM8	2020	22,835,000	5.00	4.17	106.776 [a]	2016	100
97705L KN6	2021	23,975,000	5.00	4.20	106.521 [a]	2016	100
97705L KP1	2022	25,170,000	5.00	4.22	106.352 [a]	2016	100
97705L KQ9	2023	26,430,000	5.00	4.24	106.183 [a]	2016	100
97705L KR7	2024	27,755,000	5.00	4.26	106.014 [a]	2016	100
97705L KS5	2025	29,140,000	4.75	4.40	102.823 [a]	2016	100
97705L KT3	2026	30,600,000	4.50	4.52	99.734	2016	100

[a] These bonds are priced to the May 1, 2016 call date.

Note: The State has been advised by the Underwriters that they have received a Commitment for Municipal Bond Insurance from Financial Guaranty for the Bonds. Further information on the commitment and the Municipal Bond New Issue Insurance Policy may be obtained from the Underwriters and Financial Guaranty.

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 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 Bond maturing in the year 2026 (**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 Bond maturing in the years 2015 through 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.

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: March 7, 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)**. As of the date of this Official Statement, Parts II and III of the 2005 Annual Report are available from the part of the Capital Finance Office web site called "Official Disclosure for Bonds, Notes, and Other Securities Issued by the State of Wisconsin". The Capital Finance Office web site is located at the following address:

www.doa.wi.gov/capitalfinance

Copies of the 2005 Annual Report may be obtained from:

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

LFB Projected General Fund Tax Collections and General Fund Balance

On January 19, 2006, the Legislative Fiscal Bureau **(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 at the end of 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 projected gross ending General Fund balance of $107 million for the 2005-07 biennium (June 30, 2007) is approximately $93 million more than the balance that was included in the October 18, 2005 LFB memorandum, which addressed changes to the General Fund condition statement as a result of the Annual Fiscal Report for the 2004-05 fiscal year. The difference is the result of:

- An increase of $46 million in estimated tax collections.
- An increase of $3 million in estimated department revenues.
- An increase of $76 million in estimated lapses to the General Fund.
- An increase of $32 million in sum sufficient appropriation expenditures.

The January 19, 2006 LFB memorandum identifies two items regarding the General Fund projections and re-estimates. First, 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. Second, the Medical Assistance Trust Fund is projected to experience a shortfall of $77 million during the 2005-07 biennium. The Legislature has not made any appropriations to address this shortfall, and therefore the projected shortfall is not incorporated into the projected General Fund balance.

The following reflects the estimated General Fund condition statement for the 2005-06 and 2006-07 fiscal years, as included in the January 19, 2006 LFB memorandum. The following also includes, for comparison, the estimated General Fund condition statements that were included in the October 18, 2005 LFB memorandum.

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

	January 19, 2006 LFB Memorandum		October 18, 2005 LFB Memorandum	
	2005-06	2006-07	2005-06	2006-07
Revenues				
Opening Balance	$ 4.1	$ 0.4	$ 4.1	$ 8.5
Taxes	11,949.6	12,560.0	11,957.1	12,506.8
Department Revenues				
Tribal Gaming	118.6	86.3	118.6	86.3
Other	685.9	505.6	674.8	513.6
Total Available	12,758.2	13,152.4	12,754.6	13,115.3
Appropriations				
Gross Appropriations	12,696.2	13,192.6	12,681.2	13,176.2
Compensation Reserves	90.1	178.3	90.1	178.3
Transfers to Medical Assistance Trust Fund	290.5		290.5	
Less: Lapses	(318.9)	(325.2)	(315.6)	(252.9)
Net Appropriations	12,757.8	13,045.7	12,746.1	13,101.6
Balances				
Gross Balance	0.4	106.7	8.5	13.7
Less: Required Statutory Balance	(65.0)	(65.0)	(65.0)	(65.0)
Net Balance, June 30	$ (64.6)	$ 41.7	$ (56.5)	$ (51.3)

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 to various tables containing General Fund information that are presented on either a cash basis or agency recorded basis. These tables do not reflect the projections included in the January 19, 2006 LFB memorandum and, unless noted, contain information through December 31, 2005.

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

Operating notes were not issued for the 2004-05 fiscal year and are not planned for the 2005-06 fiscal year. The following tables may show negative balances on a cash basis. 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). Update the table with the following:

ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2005 TO DECEMBER 31, 2005
PROJECTED GENERAL FUND CASH FLOW; JANUARY 1, 2006 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)	$1,013,897	$1,068,564	$55,540	$459,328	$780,084
Ending Balance [(c)]	(417,079)	136,628	309,053	818,545	586,768	(118,926)	1,013,897	1,068,564	55,540	459,328	780,084	(103,077)
Lowest Daily Balance [(c)]	(522,613)	(589,150)	(264,889)	158,797	418,125	(864,503)	(205,575)	657,256	(1,846)	(309,587)	209,433	(621,207)
RECEIPTS												
TAX RECEIPTS												
Individual Income	$457,176	$546,087	$625,591	$566,601	$461,234	$484,890	$1,070,121	$487,181	$526,730	$921,534	$596,375	$663,136
Sales & Use	402,599	400,199	384,904	378,257	364,808	356,213	425,172	321,931	322,033	357,761	348,523	385,424
Corporate Income	31,786	24,880	170,441	34,258	31,377	130,776	19,875	18,099	192,478	29,992	19,205	137,180
Public Utility	24	0	196	2,667	125,226	130	2,467	10	75	1,726	131,488	1,632
Excise	36,572	30,625	36,942	32,048	32,403	29,800	29,490	27,527	24,774	27,147	28,567	31,000
Insurance	690	1,273	27,858	1,556	1,839	33,661	928	17,881	27,320	27,817	1,326	29,784
Inheritance	16,949	6,932	8,463	13,570	11,203	7,341	6,824	12,383	10,523	7,543	7,804	7,400
Subtotal Tax Receipts	$945,796	$1,009,996	$1,254,395	$1,028,957	$1,028,090	$1,042,811	$1,554,877	$885,012	$1,103,933	$1,373,521	$1,133,288	$1,255,556
NON-TAX RECEIPTS												
Federal	$524,946	$554,359	$554,537	$487,805	$539,678	$499,963	$511,665	$565,136	$632,360	$445,166	$546,317	$541,764
Other & Transfers [(d)]	355,748	298,506	470,126	316,093	283,115	286,968	498,437	447,133	179,157	310,826	287,453	518,139
Note Proceeds	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal Non-Tax Receipts	$880,694	$852,865	$1,024,663	$803,898	$822,793	$786,931	$1,010,101	$1,012,269	$811,517	$755,992	$833,770	$1,059,903
TOTAL RECEIPTS	$1,826,490	$1,862,861	$2,279,058	$1,832,855	$1,850,883	$1,829,742	$2,564,978	$1,897,281	$1,915,450	$2,129,513	$1,967,058	$2,315,459
DISBURSEMENTS												
Local Aids	$884,042	$142,784	$757,441	$100,945	$958,939	$1,280,054	$207,173	$248,508	$1,237,245	$94,429	$267,285	$1,938,341
Income Maintenance	489,129	468,260	454,986	416,256	461,190	448,737	375,237	405,495	456,128	384,718	427,649	332,964
Payroll and Related	315,952	295,222	427,311	303,005	315,798	335,548	375,099	340,772	496,753	304,055	338,989	339,664
Tax Refunds	60,810	62,584	43,817	51,777	52,037	120,021	78,430	463,544	388,193	329,853	140,050	172,089
Debt Service	0	0	0	156,686	1,562	0	0	4,141	0	296,868	46,016	0
Miscellaneous	299,953	340,304	423,078	294,694	293,134	351,076	396,216	380,155	350,155	315,801	426,313	415,562
Note Repayment	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL DISBURSEMENTS	$2,049,886	$1,309,154	$2,106,633	$1,323,363	$2,082,660	$2,535,436	$1,432,155	$1,842,615	$2,928,474	$1,725,724	$1,646,302	$3,198,620

(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 May 16, 2005, which were incorporated into 2005 Wisconsin Act 25. This table does not reflect the General Fund revenue estimates released by the Legislative Fiscal Bureau on January 19, 2006. Projections assume that the State will receive approximately $146 million pursuant to the amended gaming compacts with tribal governments. This amount reflects estimates of (i) all payments due in the 2005-06 fiscal year ($72 million), and (ii) payments due in previous fiscal years that are expected to be made in the 2005-06 fiscal year ($74 million). 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. This table does not include interfund borrowings.

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

(c) The Statutes provide certain administrative remedies to deal with periods when the General Fund is in a negative cash position. The Secretary of Administration may temporarily reallocate cash in other funds (up to 5% of the general-purpose revenue appropriations then in effect) to the General Fund. This amount is approximately $634 million for 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 $338 million to be transferred from the Transportation Fund to the General Fund, which is assumed to occur in June 2006.

Table II-8; General Fund Cash Receipts and Disbursements Year To Date; Compared to Estimates and Previous Fiscal Year. (Part II–Page 44). Update the table with the following:

2005-06 FISCAL YEAR
GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS YEAR-TO-DATE
COMPARED TO ESTIMATES AND PREVIOUS FISCAL YEAR[(a)]
(Cash Basis)
As of December 31, 2005
(Amounts in Thousands)

	FY05 through December 2004	FY06 through December 2005				
	Actual	Actual	Estimate[(b)]	Variance	Adjusted Variance[(c)]	Difference FY05 Actual to FY06 Actual
RECEIPTS						
Tax Receipts						
Individual Income	$ 3,068,596	$ 3,141,579	$ 3,202,711	$ (61,132)	$ (61,132)	$ 72,983
Sales	2,239,739	2,286,980	2,329,328	(42,348)	(42,348)	47,241
Corporate Income	423,617	423,518	402,436	21,082	21,082	(99)
Public Utility	135,975	128,243	138,694	(10,451)	(10,451)	(7,732)
Excise	186,959	198,390	186,959	11,431	11,431	11,431
Insurance	90,250	66,877	92,055	(25,178)	(25,178)	(23,373)
Inheritance	55,326	64,458	55,326	9,132	9,132	9,132
Total Tax Receipts	$ 6,200,462	$ 6,310,045	$ 6,407,509	$ (97,464)	$ (97,464)	$ 109,583
Non-Tax Receipts						
Federal	$ 2,881,707	$ 3,161,288	$ 3,017,524	$ 143,764	$ 143,764	$ 279,581
Other and Transfers	1,675,716	2,010,556	1,782,474	228,082	228,082	334,840
Note Proceeds [(d)]	-	-	-	-	-	-
Total Non-Tax Receipts	$ 4,557,423	$ 5,171,844	$ 4,799,998	$ 371,846	$ 371,846	$ 614,421
TOTAL RECEIPTS	$ 10,757,885	$ 11,481,889	$ 11,207,507	$ 274,382	$ 274,382	$ 724,004
DISBURSEMENTS						
Local Aids	$ 3,730,227	$ 4,124,205	$ 4,087,987	$ (36,218)	$ (36,218)	$ 393,978
Income Maintenance	2,453,009	2,738,558	2,602,932	(135,626)	(135,626)	285,549
Payroll & Related	1,975,792	1,992,836	2,090,088	97,252	97,252	17,044
Tax Refunds	398,062	391,046	421,917	30,871	30,871	(7,016)
Debt Service	120,288	158,248	173,230	14,982	14,982	37,960
Miscellaneous	1,854,112	2,002,239	1,856,855	(145,384)	(145,384)	148,127
Note Repayment [(d)]	-	-	-	-	-	-
TOTAL DISBURSEMENTS	$ 10,531,490	$ 11,407,132	$ 11,233,009	$ (174,123)	$ (174,123)	$ 875,642
VARIANCE FY06 YEAR-TO-DATE				$ 100,259	$ 100,259	

[(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. This table does not reflect the General Fund revenue estimates released by the Legislative Fiscal Bureau on January 19, 2006. Projections assume that the State will receive approximately $146 million in the 2005-06 fiscal year pursuant to the amended gaming compacts with tribal governments. This amount reflects estimates of (i) all payments due this fiscal year ($72 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). 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.

[(c)] Changes are sometimes made after the beginning of the fiscal year to the projected revenues and disbursements. Depending on when these changes occur, there are situations in which prior estimates can not be changed and results in large variances. This column includes adjustments to the variances to more accurately reflect the variance between the estimated and actual amounts.

[(d)] Operating notes were not issued for the 2004-05 fiscal year and are not planned for the 2005-06 fiscal year.

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

GENERAL FUND MONTHLY CASH POSITION[a]
July 1, 2003 through December 31, 2005 — Actual
January 1, 2006 through June 30, 2006 — Estimated[b]
(Amounts in Thousands)

	Starting Date	Starting Balance		Receipts[c]	Disbursements[c]
2003	July	$ (301,120)	[d]	$ 1,676,451	$ 1,997,749
	August	(622,418)	[d]	1,461,025	1,239,109
	September	(400,502)	[d]	2,623,535	1,804,526
	October	418,507		1,829,971	1,340,667
	November	907,811		1,583,977	1,627,906
	December	863,882	[d]	2,427,680	2,277,800
2004	January	1,013,762		2,142,215	1,964,574
	February	1,191,403		1,668,211	1,820,788
	March	1,038,826	[d]	1,929,719	2,982,788
	April	(14,243)	[d]	2,105,306	1,538,546
	May	552,517		1,624,996	1,418,939
	June	758,574	[d]	2,286,899	3,066,689
	July	(21,216)	[d]	1,525,326	1,935,550
	August	(431,440)	[d]	1,865,101	1,224,534
	September	209,127		2,123,484	1,796,300
	October	536,311		1,717,213	1,377,813
	November	875,711		1,893,722	1,856,738
	December	912,695	[d]	1,633,039	2,340,555
2005	January	205,179		2,417,010	1,448,909
	February	1,173,280		1,833,051	1,789,367
	March	1,216,964		1,859,956	2,704,980
	April	371,940		2,042,253	1,831,196
	May	582,997		1,895,196	1,475,143
	June	1,003,050	[d]	2,075,730	3,272,463
	July	(193,683)	[d]	1,826,490	2,049,886
	August	(417,079)	[d]	1,862,861	1,309,154
	September	136,628	[d]	2,279,058	2,106,633
	October	309,053		1,832,855	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]	2,564,978	1,432,155
	February	1,013,897		1,897,281	1,842,615
	March	1,068,564	[d]	1,915,450	2,928,474
	April	55,540	[d]	2,129,513	1,725,724
	May	459,328		1,967,058	1,646,302
	June	780,084	[d]	2,315,459	3,198,620

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

[b] 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. This table does not reflect the General Fund revenue estimates released by the Legislative Fiscal Bureau on January 19, 2006. Projections assume that the State will receive approximately $146 million in the 2005-06 fiscal year pursuant to the amended gaming compacts with tribal governments. This amount reflects estimates of (i) all payments due this fiscal year ($72 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). 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.

[c] The amounts shown in September 2003 include receipts from the issuance of operating notes, and amounts shown in February through May 2004 include disbursements for impoundment payments required in connection with the issuance of operating notes. Operating notes were not issued for the 2004-05 fiscal year and are not planned for the 2005-06 fiscal year.

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

Source: Wisconsin Department of Administration.

Table II-10; Balances in Funds Available for Interfund Borrowing (Part II–Page 46). Update the table with the following:

BALANCES IN FUNDS AVAILABLE FOR INTERFUND BORROWING[(a)]
July 31, 2003 to December 31, 2005 — Actual
January 31, 2006 to June 30, 2006— 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)	2003	2004	2005	2006
January		$ 1,027	$ 830	$ 830
February		1,126	960	960
March		1,179	1,043	1,043
April		1,157	964	963
May		1,163	1,045	1,045
June		1,054	1,182	1,117
July	$ 1,140	908	1,048	
August	1,242	1,003	1,100	
September	1,226	997	1,176	
October	1,187	954	1,115	
November	1,078	827	1,167	
December	1,130	892	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)	2003	2004	2005	2006
January		$ 4,673	$ 3,818	$ 3,818
February		4,852	3,984	3,984
March		5,197	4,101	4,101
April		4,707	3,749	3,749
May		4,417	3,627	3,626
June		4,274	3,905	4,329
July	$ 5,135	4,268	4,193	
August	4,580	3,904	3,823	
September	4,378	3,726	3,746	
October	3,922	3,233	3,361	
November	3,797	3,059	3,370	
December	4,090	3,392	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	Common School	Conservation (Partial)
Local Government Investment Pool	Wisconsin Election Campaign	Farms for the Future
Investment & Local Impact	Agrichemical Management	Elderly Property Tax Deferral
Historical Society Trust	Lottery	School Income Fund
Children's Trust	Benevolent	Racing
Environmental Improvement Fund	Uninsured Employers	Environmental
Local Government Property Insurance	University Trust Principal	Patients Compensation
Veterans Mortgage Loan Repayment	Mediation	State Building Trust

Medical Assistance	Agricultural College
Normal School	Wisconsin Health Education Loan Repayment
University	Waste Management
Groundwater	Work Injury Supplemental Benefit
Health Insurance Risk Sharing Plan	Recycling
Petroleum Storage Environmental Cleanup	Unemployment Compensation Interest Repayment

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

General Fund Recorded Revenues[a]
(Agency Recorded Basis)
July 1, 2005 to December 31, 2005 compared with previous year

	Annual Fiscal Report Revenues 2004-05 FY[b]	Projected Revenues 2005-06 FY[c]	Recorded Revenues July 1, 2004 to December 31, 2004[d]	Recorded Revenues July 1, 2005 to December 31, 2005[e]
Individual Income Tax	$ 5,650,109,000	$ 6,144,500,000	$ 2,469,253,571	$ 2,746,431,995
General Sales and Use Tax	4,038,715,000	4,181,600,000	1,682,972,127	1,758,886,543
Corporate Franchise and Income Tax	764,053,000	683,320,000	353,544,481	354,516,377
Public Utility Taxes	254,443,000	267,465,000	129,541,082	121,846,372
Excise Taxes	359,444,000	354,720,000	155,379,634	159,544,473
Inheritance Taxes	112,346,000	105,000,000	54,694,366	63,480,472
Insurance Company Taxes	129,839,000	131,000,000	30,370,022	31,734,487
Miscellaneous Taxes	87,701,000	89,500,000	41,832,495	44,860,260
SUBTOTAL..........................	$ 11,396,650,000	$ 11,957,105,000	4,917,587,778	5,281,300,979
Federal and Other Inter-Governmental Revenues[f]	$ 6,190,669,000	$ 5,881,969,000	2,892,204,593	3,141,455,461
Dedicated and Other Revenues[g]	3,584,486,000	4,445,764,600	1,863,281,443	1,971,745,300
TOTAL....................................	$ 21,171,805,000	$ 22,284,838,600	$ 9,673,073,814	$ 10,394,501,740

(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). This table does not reflect the General Fund revenue estimates released by the Legislative Fiscal Bureau on January 19, 2006. Projections assume that the State will receive approximately $146 million in the 2005-06 fiscal year pursuant to the amended gaming compacts with tribal governments. This amount reflects estimates of (i) all payments due this fiscal year ($72 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). 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.

(d) The amounts shown are fiscal year 2004-05 revenues as recorded by state agencies.

(e) The amounts shown are fiscal year 2005-06 revenues as recorded by state agencies.

(f) This category includes intergovernmental transfers. The amount of these transfers may vary greatly between fiscal years, and therefore this category may not be comparable on a historical basis.

(g) Certain transfers between General Fund appropriations are recorded as both revenues and expenditures of the General Fund. The amount of these transfers may vary greatly between fiscal years, and therefore this category may not be comparable on a historical basis.

Source: Wisconsin Department of Administration.

Table II-12; General Fund Recorded Expenditures By Function (Part II–Page 48). Update the table with the following:

General Fund Recorded Expenditures By Function[a]
(Agency Recorded Basis)
July 1, 2005 to December 31, 2005 compared with previous year

	Annual Fiscal Report Expenditures 2004–05 FY[b]	Appropriations 2005–06 FY[c]	Recorded Expenditures July 1, 2004 to December 31, 2004[d]	Recorded Expenditures July 1, 2005 to December 31, 2005[e]
Commerce	$ 253,520,000	$ 288,639,300	$ 118,940,931	$ 112,456,243
Education	9,614,612,000	10,151,858,300	4,177,114,011	4,478,212,218
Environmental Resources	233,160,000	296,476,000	88,341,604	112,061,126
Human Relations & Resources	8,933,512,000	8,496,069,700	4,241,398,336	4,408,862,782
General Executive	626,194,000	890,108,400	306,600,154	365,952,129
Judicial	114,247,000	113,245,800	64,580,950	65,870,496
Legislative	58,234,000	63,707,200	24,648,339	26,543,353
General Appropriations	1,654,699,000	1,915,407,600	1,331,696,502	1,538,206,971
TOTAL	$ 21,488,178,000	$ 22,215,512,300	$ 10,353,320,826	$ 11,108,165,320

[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.

[e] The amounts shown are fiscal year 2005-06 expenditures as recorded by state agencies.

Source: Wisconsin Department of Administration.

APPENDIX B

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

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Interest Earnings[(a)]	G.O. Bonds of 2006, Series A	Total Authorized Unissued Debt
University of Wisconsin; academic facilities..........................	$ 1,358,615,800	$ 1,022,966,302	$ 12,046,136	$ 12,445,926	$ 311,157,435
University of Wisconsin; self-amortizing facilities................	1,279,517,100	707,376,461	1,643,606	23,736,160	546,760,873
Natural resources; Warren Knowles - Gaylord Nelson stewardship 2000 program.................…………	572,000,000	263,180,526	13,392		308,806,082
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	28,786,520			3,523,480
Natural resources; nonpoint source grants..................	89,310,400	69,107,490	132,570	1,408,168	18,662,171
Natural resources; nonpoint source compliance……….	4,000,000	2,000,000			2,000,000
Natural resources; environmental repair......................	51,000,000	37,552,880	161,017	2,286,494	10,999,609
Natural resources; urban nonpoint source cost-sharing…………………………	23,900,000	13,355,574		1,383,276	9,161,150
Natural resources; environmental segregated fund supported administrative facilities…………….	7,490,000	5,273,748		64,008	2,152,244
Natural resources; segregated revenue supported dam safety projects…………………	6,600,000	6,282,994			317,006
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	874,927,168	18,513,076		53,156
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
February 15, 2006

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Interest Earnings[(a)]	G.O. Bonds of 2006, Series A	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	27,125,410	45,287	1,422,391	26,485,012
Natural resources; general fund supported administrative facilities	11,410,200	10,607,058	21,432	17,069	764,641
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	225,244,770	1,293,404	416,049	4,045,776
Transportation; administrative facilities	8,890,400	8,759,479	33,943		96,978
Transportation; accelerated bridge improvements	46,849,800	46,849,800			
Transportation; rail passenger route development	50,000,000	1,492,921			48,507,079
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	61,509,921		151,490,079	100,000
Transportation; state highway rehabilitation projects	250,000,000	150,596,185		99,403,815	0
Transportation; harbor improvements	40,700,000	21,398,476	232,605	394,714	18,674,204
Transportation; rail acquisitions and improvements	44,500,000	29,642,093	16	732,532	14,125,359
Transportation; local roads for job preservation, state funds	2,000,000	1,999,957			43
Corrections; correctional facilities	801,979,400	775,392,559	11,467,003	1,109,802	14,010,036

General Obligation Issuance Status Report–Continued
February 15, 2006

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Interest Earnings[(a)]	G.O. Bonds of 2006, Series A	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	25,514,548	102,026	64,008	3,303,918
Health and family services; mental health and secure treatment facilities............	129,057,200	121,815,376	895,124	24,892	6,321,808
Agriculture; soil and water……………………..	26,075,000	15,228,382	1,248	2,389,618	8,455,752
Agriculture; conservation reserve enhancement…	40,000,000	9,481,125		81,875	30,437,000
Administration; Black Point Estate…………………	1,600,000				1,600,000
Building commission; previous lease rental authority..............................	143,071,600	143,068,654			2,946
Building commission; refunding tax-supported general obligation debt..................	2,102,086,430	2,102,086,530 [(b)]			
Building commission; refunding self-amortizing general obligation debt..................	272,863,033	272,863,033 [(b)]			
Building commission; refunding tax-supported and self-amortizing general obligation debt incurred before June 30, 2005…	250,000,000	250,000,000			
Building commission; refunding tax-supported and self-amortizing general obligation debt…………………………………	1,400,000,000	967,020,000			432,980,000
Building commission; housing state departments and agencies..................................	485,015,400	405,676,131	2,329,712	1,777,989	75,231,568
Building commission; 1 West Wilson street parking ramp................................	15,100,000	14,805,521	294,479		
Building commission; project contingencies....................	47,961,200	40,923,206	62,251	1,066,794	5,908,949
Building commission; capital equipment acquisition.......…	126,335,000	108,991,139	729,518	313,052	16,301,291
Building commission; discount sale of debt.....................…	90,000,000	66,758,598			23,241,402
Building commission; discount sale of debt (higher education bonds)..............…	100,000,000	99,988,833 [(b)]			11,167
Building commission; other public purposes..................…	1,727,901,000	1,253,413,588	6,188,961	20,706,818	447,591,633
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	4,732,825		4,267,175	16,000,000
Marquette University; dental clinic and education facility…	15,000,000	14,999,182	818		

General Obligation Issuance Status Report–Continued
February 15, 2006

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Interest Earnings[a]	G.O. Bonds of 2006, Series A	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				10,000,000
Administration; school educational technology infrastructure financial assistance…………………	90,200,000	70,376,571	431,066	663,429	18,728,934
Administration; public library educational technology infrastructure financial assistance………..………	300,000	268,918	41		31,041
Educational communications board; educational communications facilities……………………………..	22,858,100	17,742,745	37,069	1,066,794	4,011,492
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	20,662,527	192,632		6,608,741
Veterans affairs; veterans facilities..........…………	10,090,100	9,405,565	50,593		633,941
Veterans affairs; self-amortizing mortgage loans....…	2,120,840,000	2,111,652,395	2,133,000		7,054,605
Veterans affairs; refunding bonds............................…	1,015,000,000	721,169,245			293,830,755
Veterans affairs; self-amortizing facilities…………..	34,912,600	8,143,913	501	2,133,587	24,634,600
State fair park board; board facilities.........................…….	14,787,100	13,215,524		348,486	1,223,090
State fair park board; housing facilities...........................….	11,000,000	10,999,990	15		
State fair park board; self-amortizing facilities..........…..	56,787,100	51,094,300	22,328		5,670,472
Total..…	$18,545,436,788	$15,125,931,927	$66,333,631	$331,215,000	$3,021,956,336

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

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

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)
$331,215,000
STATE OF WISCONSIN
GENERAL OBLIGATION BONDS OF 2006, SERIES A

We have served as bond counsel in connection with the issuance by the State of Wisconsin **(State)** of its $331,215,000 General Obligation Bonds of 2006, Series A, 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 December 7, 2005 **(Resolution)**.

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

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

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

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

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

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

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

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

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

Very truly yours,

FOLEY & LARDNER LLP

Bond Insurance

Financial Guaranty has supplied the following information for inclusion in this Notice. No representation is made by the State or the Underwriters as to the accuracy or completeness of this information.

Payments Under the Policy

Concurrently with the issuance of the State of Wisconsin General Obligation Bonds of 2006, Series A (the **"Bonds"**), Financial Guaranty Insurance Company **("Financial Guaranty")** will issue its Municipal Bond New Issue Insurance Policy for the Bonds (the **"Policy"**). The Policy unconditionally guarantees the payment of that portion of the principal or accreted value (if applicable) of, and interest on, the Bonds which has become due for payment but shall be unpaid by reason of nonpayment by the issuer of the Bonds (the **"Issuer"**). Financial Guaranty will make such payments to U.S. Bank Trust National Association, or its successor as its agent (the **"Fiscal Agent"**), on the later of the date on which such principal, accreted value, or interest (as applicable) is due or on the business day next following the day on which Financial Guaranty shall have received notice (in accordance with the terms of the Policy) from an owner of Bonds or the trustee or paying agent (if any) of the nonpayment of such amount by the Issuer. The Fiscal Agent will disburse such amount due on any Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal, accreted value, or interest (as applicable) due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal, accreted value, or interest (as applicable) shall be vested in Financial Guaranty. The term "nonpayment" in respect of a Bond includes any payment of principal, accreted value, or interest (as applicable) made to an owner of a Bond 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.

Once issued, the Policy is non-cancellable by Financial Guaranty. The Policy covers failure to pay principal (or accreted value, if applicable) of the Bonds on their stated maturity dates and their mandatory sinking fund redemption dates, and not on any other date on which the Bonds may have been otherwise called for redemption, accelerated, or advanced in maturity. The Policy also covers the failure to pay interest on the stated date for its payment. In the event that payment of the Bonds is accelerated, Financial Guaranty will only be obligated to pay principal (or accreted value, if applicable) and interest in the originally scheduled amounts on the originally scheduled payment dates. Upon such payment, Financial Guaranty will become the owner of the Bond, appurtenant coupon, or right to payment of principal or interest on such Bond and will be fully subrogated to all of the Bondholder's rights thereunder.

The Policy does not insure any risk other than nonpayment by the Issuer, as defined in the Policy. Specifically, the Policy does not cover: (i) payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity; (ii) payment of any redemption, prepayment, or acceleration premium; or (iii) nonpayment of principal (or accreted value, if applicable) or interest caused by the insolvency or negligence or any other act or omission of the trustee or paying agent, if any.

As a condition of its commitment to insure the Bonds, Financial Guaranty may be granted certain rights under the Bond documentation. The specific rights, if any, granted to Financial Guaranty in connection with its insurance of the Bonds may be set forth in the description of the principal legal documents appearing elsewhere in this Notice, and reference should be made thereto.

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

Financial Guaranty Insurance Company

Financial Guaranty is a New York stock insurance corporation that writes financial guaranty insurance in respect of public finance and structured finance obligations and other financial obligations, including credit default swaps. Financial Guaranty is licensed to engage in financial guaranty insurance business in all 50 states, the District of Columbia and the Commonwealth of Puerto Rico, the U.S. Virgin Islands, and the United Kingdom.

Financial Guaranty is a direct, wholly owned subsidiary of FGIC Corporation, a Deleware corporation. At December 31, 2005, the principal owners of FGIC Corporation and the approximately percentage of its outstanding common stock owned by each were as follows: The PMI Group, Inc. — 42%; affiliates of The Blackstone Group L.P.—23%; and affiliates of The Cypress Group L.L.C.—23%. Neither FGIC Corporation nor any of its shareholders or affiliates is obligated to pay any debts of Financial Guaranty or any claims under any insurance policy, including the Policy, issued by Financial Guaranty.

Financial Guaranty is subject to the insurance laws and regulations of the State of New York, where Financial Guaranty is domiciled, including New York's comprehensive financial guaranty insurance law. That law, among other things, limits the business of each financial guaranty insurer to financial guaranty insurance (and related lines); requires that each financial guaranty insurer maintain a minimum surplus to policyholders; establishes limits on the aggregate net amount of exposure that may be retained in respect of a particular issuer or revenue source (known as single risk limits) and on the aggregate net amount of exposure that may be retained in respect of particular types of risk as compared to the policyholders' surplus (known as aggregate risk limits); and establishes contingency, loss, and unearned premium reserve requirements. In addition, Financial Guaranty is also subject to the applicable insurance laws and regulations of all other jurisdictions in which it is licensed to transact insurance business. The insurance laws and regulations, as well as the level of supervisory authority that may be exercised by the various insurance regulators, vary by jurisdiction.

At December 31, 2005, Financial Guaranty had net admitted assets of approximately $3.504 billion, total liabilities of approximately $2.341 billion, and total capital and policyholders' surplus of approximately $1.163 billion, determined in accordance with statutory accounting practices **("SAP")** prescribed or permitted by insurance regulatory authorities.

The unaudited consolidated financial statements of Financial Guaranty and subsidiaries, on the basis of U.S. generally accepted accounting principles **("GAAP")**, as of December 31, 2005 and 2004, which have been filed with the Nationally Recognized Municipal Securities Information Repositories **("NRMSIRs")**, are hereby included by specific reference in this Notice. Any statement contained in this Notice or any documents included by specific reference herein, shall be modified or superseded to the extent required by any statement in any document subsequently filed by Financial Guaranty with such NRMSIRs, and shall not be deemed, except as so modified or superseded, to constitute a part of this Notice. All financial statements of Financial Guaranty (if any) included in documents filed by Financial Guaranty with the NRMSIRs subsequent to the date of this Notice and prior to the termination of the offering of the Bonds shall be deemed to be included by specific reference into this Notice and to be a part hereof from the respective dates of filing of such documents.

The New York State Insurance Department recognizes only SAP for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the New York Insurance Law, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. Although Financial Guaranty prepares both GAAP and SAP financial statements, no consideration is given by the New York State Insurance Department to financial statements prepared in accordance with GAAP in making such determinations. A discussion of the principal differences between SAP and GAAP is contained in the notes to Financial Guaranty's SAP financial statements.

Copies of Financial Guaranty's most recently published GAAP and SAP financial statements are available upon request to: Financial Guaranty Insurance Company, 125 Park Avenue, New York, NY 10017, Attention: Corporate Communications Department. Financial Guaranty's telephone number is (212) 312-3000.

Financial Guaranty's Credit Ratings

The financial strength of Financial Guaranty is rated "AAA" by Standard & Poor's, a Division of The McGraw-Hill Companies, Inc., "Aaa" by Moody's Investors Service, and "AAA" by Fitch Ratings. Each rating of Financial Guaranty should be evaluated independently. The ratings reflect the respective ratings agencies' current assessments of the insurance financial strength of Financial Guaranty. Any further explanation of any rating may be obtained only from the applicable rating agency. These ratings are not recommendations to buy, sell, or hold the Bonds, and are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. Financial Guaranty does not guarantee the market price or investment value of the Bonds nor does it guarantee that the ratings on the Bonds will not be revised or withdrawn.

Neither Financial Guaranty nor any of its affiliates accepts any responsibility for the accuracy or completeness of the Notice or any information or disclosure that is provided to potential purchasers of the Bonds, or omitted from such disclosure, other than with respect to the accuracy of information with respect to Financial Guaranty or the Policy in this Notice. In addition, Financial Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds.