State of Wisconsin

Notice of **Listed Material Event** #2008-15
Dated September 5, 2008

Information Cover Sheet

This page is the cover sheet to the attached document that is being submitted to and filed with each of the Nationally Recognized Municipal Securities Information Repositories and the Municipal Securities Rulemaking Board. At this time, no State Information Depository has been established for the State of Wisconsin. This page is not intended to be part of the filing; rather, it is intended to only assist with the filing and classification of the attached submittal.

Issuer: State of Wisconsin Master Lease Certificates of Participation (State of Wisconsin)

CUSIP Numbers: 977087 Prefix (All)

This filing relates to all securities issued by the State of Wisconsin that contain this six-digit base CUSIP number.

Type of Filing: Electronic. The following submission is also available on the State of Wisconsin Capital Finance web site at:

www.doa.state.wi.us/capitalfinance

Type of Information: Notice of a Material Event Pursuant to Rule 15c2-12
Rating Change

The undersigned represents that he is the Capital Finance Director, State of Wisconsin Capital Finance Office (which is the office of the State of Wisconsin responsible for providing annual reports and giving notice of listed material events when notice is required by the State's Master Agreement on Continuing Disclosure) and is authorized to distribute this information publicly.

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This filing is being made pursuant to Securities and Exchange Commission (SEC) Rule 15c2-12. The bonds listed in this notice are subject to SEC Rule 15c2-12 regarding an agreement to provide continuing disclosure. This filing constitutes a listed material event as defined by the rule. This page is part of the official filing, and is intended to provide additional comment or information on the attached material.

Type of Information: Notice of a Material Event Pursuant to Rule 15c2-12
Rating Change

Effective August 15, 2008, Standard & Poor's Ratings Services raised their rating on the State of Wisconsin Master Lease Certificates of Participation from "A+" to "AA–". The outlook remains stable. Attached is a rating report from Standard & Poor's Rating Services.

The State of Wisconsin has electronically filed this notice with each Nationally Recognized Municipal Securities Information Repository through DisclosureUSA. This filing is also available on the State of Wisconsin Capital Finance Office web site at:

www.doa.state.wi.us/capitalfinance/

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RatingsDirect Publication Date
Aug. 18, 2008

Wisconsin

Credit Profile		
US$302.2 mil GO bnds ser 2008C due 05/01/2029		
Long Term Rating	AA/Stable	New
Wisconsin gen fd ann approp rfdg bnds (taxable fixed & fltg rate nts) ser 2008A&B		
Long Term Rating	AA-/Stable	Upgraded
Wisconsin GO		
Long Term Rating	AA/Stable	Upgraded

Rationale

The standard long-term rating and Standard & Poor's underlying rating (SPUR) on Wisconsin's general obligation (GO) bonds has been raised to 'AA' from 'AA-', and the standard long-term rating and SPUR on the state's annual appropriation bonds and certificates of participation has been raised to 'AA-' from 'A+', reflecting the state's proven ability to make budget corrections in order to maintain fiscal balance with low but adequate general fund reserves. Other credit factors are the state's:

- Resilient economy, with a large and diverse manufacturing sector and unemployment rates near or below the national average;
- Moderate debt burden; and
- Fully funded pension liability and only a moderately sized implicit rate subsidy liability of less than $1.0 billion for its other postemployment benefits (OPEB).

Mitigating credit factors are the state's:

- Low level of general fund operating reserves relative to other 'AA' rated states and reliance on onetime revenues and fund transfers for budgetary balance;
- Large negative generally accepted accounting principles (GAAP) general fund balances; and
- Continued high funding commitment to K-12 education, which significantly decreases discretionary spending capabilities.

In May 2008, the legislature passed, and the governor signed with partial vetoes, a budget adjustment bill as a response to the legislative fiscal bureau's (LFB) February 2008 report that substantially reduced the state's tax revenue projections for fiscals 2008 and 2009. The bill as signed cuts net appropriations after lapses $30 million, or 0.2%, for fiscal 2008 and $286 million, or 2.0%, in fiscal 2009. The effect of the bill is to increase the state's year-end gross budgetary general fund balance to $80.5 million in fiscal 2008 and $106.2 million in fiscal 2009, including the $65.0 million required statutory reserve amount.

The state's 2007-2009 biennial budget totals slightly more than $57 billion and represents an approximate 6.6% increase in expenditures over the previous 2005-2007 biennial budget period. The 2007-2009 budget initially was balanced, but continues to rely—albeit to a much lesser degree than previous Wisconsin budgets—on cuts to state agency operations and nonrecurring revenues to cover projected structural deficits. The starting 2007-2009 biennium structural budget deficit of $1.75 billion, while still significant, reflected a 55% reduction from 2002, when the projected structural deficit was $3.2 billion.

However, Wisconsin's general fund tax revenues, primarily personal and income taxes, were projected by the LFB on Feb. 13, 2008, to be significantly lower than 2007-2009 biennial budget estimates. The February 2008 tax revenue reestimates by the LFB showed a $586.5 million shortfall in tax collections over the biennium's two years ($231 million in fiscal 2008 and $354 million in fiscal 2009), a $34.9 million drop in other revenue and projected ending gross general fund balances, on a budgetary basis, in fiscal 2008 of negative $76 million (negative 0.6% of expenditures) and in fiscal 2009 of negative $350 million (negative 2.5% of expenditures), excluding $56 million of "rainy day" reserves held in the budget stabilization fund. The ending general fund reestimates factored in actions that the state's department of administration either took or was expected to take that did not require enabling legislation, which was designed to partially mitigate the tax revenue shortfalls. The department of administration's actions include departmental cuts ($111 million) and rollover of maturing commercial paper ($125 million) originally scheduled, on an internal basis, to be amortized during the biennium.

The state's budget was additionally challenged on July 11, 2008, when the Wisconsin Supreme Court ruled against the state in the Department of Revenue vs. Menasha Corp. lawsuit, effectively requiring the state to stop applying its sales and use tax to certain custom computer software. As a result, the state projects that it will not only lose $28 million in revenues annually, but will have to refund prior tax collections with interest, which it says may amount to as much as $265 million. Taxpayers that filed preliminary claims have six months to file final refund claims; other taxpayers have four years from the date of the court's decision to file a claim for reimbursement. The court did not give the state a deadline for payment of the refunds, and the state does not yet have a refund plan. The state has indicated that most of the refunds will likely be worked into the 2009-2011 biennium budget. Although the lost revenue and the refunds will add additional pressure to an already stressed budget, Standard & Poor's Ratings Services expects that the state will take the steps necessary in this fiscal year to adjust to the revenue loss and to plan for payment of the refunds in the next biennium budget.

The state could also suffer additional revenue shortfalls before the end of the 2007-2009 biennium, depending on the outcome of pending litigation related to a transfer of money from the state's medical malpractice insurance fund and back payments due from one from the state's Native American tribes relating to casino gaming.

Outlook

The long-term rating outlook remains stable, reflecting Standard & Poor's expectation that the state's current trend of fiscal discipline, which has significantly reduced structural budget deficits over the past several years, will continue and that the state will act purposefully and in a timely manner in both this and future bienniums to address budget imbalances.

2007-2009 Biennial Budget

Gov. Jim Doyle signed Wisconsin's 2007-2009 biennial budget into law on Oct. 26, 2007, the latest that a state budget was passed since the late 1970s. The two-year budget totals slightly more than $57 billion and represents an approximate 6.6% increase in expenditures over the 2005-2007 biennial budget. The 2007-2009 budget is balanced, but continues to rely—albeit to a much lesser degree than previous Wisconsin budgets—on deep cuts to state agency requests and the use of nonrecurring revenues and asset transfers to cover projected starting deficits.

The starting 2007-2009 biennium budget deficit of $1.75 billion, while still significant, reflected a 55% reduction from 2002, when the projected deficit was $3.2 billion. The 2007-2009 budget started with various advance commitments made as part of the 2005-2007 budget to lower taxes and forego various revenue sources totaling $1.5 billion, which was a 50% reduction from the commitments made as part of the 2003-2005 budget. When the budget was finalized, the state estimated that the amount of advance commitments made as part of the 2007-2009 budget was reduced by another 50%, which will help reduce the starting structural deficit for the 2009-2011 biennium to about $895 million. Starting in 2003, to help permanently reduce deficits, the state eliminated 4,700 jobs and cut nearly $700 million of agency expenditures. The state's economic performance over the past several years has also permanently reduced structural deficits. However, complete erasure of the structural deficit is unlikely to occur based on economic growth alone as the state continues to:

- Fund approximately two-thirds of K-12 education costs on a statewide basis;
- Maintain nearly $1.0 billion of shared revenue to local governments;
- Freeze or reduce income, sales, and property taxes; and
- Maintain balance in the state's Medicaid trust fund.

The 2007-2009 biennial budget restores about 500 jobs over the two-year period, although agency requests for 2007-2009 were cut by a significant $692 million. The state achieves budgetary balance in 2007-2009, in large part, through a substantial increase in its cigarette tax, the first major revenue enhancement in many years. The cigarette tax increased by $1-per-pack to $1.77/pack, which will help cover the general fund's contribution to the state's Medicare program. The state projects the increased tax will generate $410 million over the two-year period that will help fund the general fund Medicare contribution of $3.61 billion (13% of general fund budget).

The 2007-2009 budget's original revenue assumptions projected total general fund revenues growing an average of 3.9% over the two-year period, with sales and income taxes growing by an average of 3.7% and 3.9% annually, respectively, for an additional $1 billion of general revenue over the two-year period. The general revenue assumptions follow an actual 4.9% increase in general revenue in fiscal 2007 and an actual 5.6% increase in general revenue in fiscal 2006.

Notably, the 2007-2009 budget decreases the use of nonrecurring revenues and fund transfers to $290 million, from the $582 million used in the 2005-2007 biennium, including a $200 million transfer from the state's medical malpractice insurance fund. However, this transfer is subject to litigation, and although the state has some alternative revenues to access should the transfer not occur in this biennium, a delay of this transfer could cause some budget stress. In addition, tribal gaming payments included in the budget total $124 million, including back payments of $52 million due from one tribe from prior fiscal years; the state and tribal government are currently in arbitration over the terms of the tribe's amended gaming compact.

The 2007-2009 budget maintains shared revenue aid to local governments at $950 million while it increases aid to K-12 schools by $525 million to total $6.3 billion. Local assistance, including aid to schools and local governments accounts for a substantial 56% of the general fund budget. Aid to the University of Wisconsin system was increased by $225 million to total about $1 billion of contributions from the general fund.

Underscoring the continued tight nature of the state's budget situation, general fund balances on a budgetary basis in fiscals 2008 and 2009 were originally projected to be between only $68 million and $70 million, which includes the $65 million statutory reserve requirement. The state now projects that the fiscal 2008 and fiscal 2009 ending general fund balances, including the $65 million statutory reserve amount, will total $80.5 million and $106.2 million, respectively, following the passage of the budget adjustment bill in May 2008. In addition, $56 million is on deposit in the budget stabilization fund.

Economy

Wisconsin's economy experienced more than 15 years of moderate but sustained growth, including growth through the last two national recessions, but at slower levels than the nation. Like much of the Midwest, income and overall economic growth are somewhat constrained by its declining labor supply, relatively low unemployment rates, and high exposure to the manufacturing industry. Wisconsin has one of the nation's highest concentrations of manufacturing jobs—18% of total nonfarm employment, compared with the national average of 11%. This is partly because Wisconsin's manufacturing climate is relatively low cost; average manufacturing wages in Wisconsin are lower than those in neighboring Illinois, Indiana, Ohio, and Michigan. The state's income levels are on par with the nation's, with median household and per capita effective buying income at 99% and 98%, respectively, of the national levels.

Wisconsin's unemployment rate averaged 5.0% in 2007, slightly higher than the nation's 4.6%. The state's unemployment rate held steady at 4.9% in July 2008 while the nation's rate rose to 5.7%. The state continues to attract high-tech and service jobs, including many in health care services, which has a diversifying effect on the economy and improves its demographics. Global Insight, an economic forecasting firm, projects that the number of persons employed in the state will grow slightly to 2.99 million in 2011 from 2.93 million on 2007. The state's median household and per capita effective buying income mirror national averages largely as a result of lower wage manufacturing jobs and service-sector wages having outpaced those of manufacturing-related jobs over the past several years.

The state's population, at about 5.6 million in 2007, has grown about 4% since the 2000 U.S. Census, with net migration patterns lagging the Midwest region due to a decline in higher paying and highly skilled manufacturing jobs, especially in the southeastern part of the state. As has been the trend over the past decade, job growth in the service, retail, trade, and finance sectors offsets small declines in manufacturing. Leading employment sectors—services (32%), trade (19%), manufacturing (18%), and government (14%)—have been augmented by an agricultural sector that leads the nation in categories such as dairy production and timber. Wisconsin is the nation's second-largest dairy producing state behind California. Other important farm products include various fruit and vegetables.

The manufacturing sector remains an important factor in Wisconsin's overall economic picture. Manufacturing in the state is very diverse and is focused in electrical and non-electrical machinery, wood and paper products, and metals and plastics. The Milwaukee area economy, which is concentrated in manufacturing, and accounts for the state's largest concentration of manufacturing jobs, has experienced proportionally larger slowdowns in employment growth since 1998. Milwaukee-area layoffs in the automotive, aerospace, steel, and farm equipment sectors were above state levels beginning in 2001 and had slowed the statewide recovery. Historically, the city's unemployment is high, averaging 7.2% in 2007, well above the nation's 4.6%. The lumber and paper-related products sector is also important statewide.

Finances

Wisconsin's principal general fund revenue sources in fiscal 2007 were individual income taxes (28% of general fund revenues) and sales and use taxes (18%). In fiscal 2007, general fund tax revenues were $588 million, or 4.9% above fiscal 2006, mostly due to individual income tax collections. School aid represents about 45% of the state's expenditure budget. The general fund balance on a GAAP basis continued to be severely negative at fiscal year-end 2007, at negative $2.44 billion, or negative 12.6% of expenditures and net transfers, largely due to accruals for school and local government aid and tax refunds. The fiscal 2007 GAAP fund balance decreased slightly from fiscal 2006's GAAP fund balance of negative $2.15 billion, or negative 11.8% of expenditures and net transfers. The state's 2007 ending year undesignated budgetary general fund balance stood at $66.3 million after $55.6 million was transferred to the budget stabilization fund, which was an improvement over 2006's $49.2 million and a substantial improvement over 2003's negative $284 million.

Based on actual revenues as of June 30, 2008, general fund tax revenues grew 2.9% over fiscal 2007, which was below the original budget estimates of 3.8% but an improvement over the 2.0% projected by the February 2008 LFB report. Individual income taxes increased 3.3% (an increase from the 2.8% originally projected and the 1.3% projected in February 2008) and corporate collections decreased 10.3% (a decrease from the flat level projected at the beginning of the budget and the 9.0% decrease projected in February 2008). Sales and use tax collections increased 1.5%, down from the 3.6% initially projected but an improvement from the 1.2% February 2008 projection. Excluding budget stabilization funds of $56 million, the state projects that it ended fiscal 2008 with a gross budgetary general fund balance of $80.5 million.

Although the state's general fund cash position dropped to $24.8 million at the end of fiscal 2008 from $49.1 million at the end of 2007, the state's interfund borrowing capacity remains solid at more than $1 billion. Wisconsin issued operating notes for cash flow purposes in 2008 for fiscal 2009 ($800 million) due to a weakened cash position resulting from lower-than-expected revenues. Wisconsin's liquidity in general is negatively affected by its tax structure, which is focused on reducing the property tax burden. The last major tax reductions were a $700 million sales tax rebate in January 2000 and a 13.5% reduction in individual income tax rates in 2001.

Wisconsin's financial management practices are considered "good" under Standard & Poor's Financial Management Assessment (FMA). An FMA of good indicates that practices exist in most areas, although not all might be formalized or regularly monitored by government officials. The state excels in the vast majority of areas considered for the FMA, including revenue and expenditure monitoring, long-term capital planning, investment management, and debt management. The state identifies out-year revenue and expenditure issues into the next biennium, but is not required to have a formal plan to address out-year funding gaps. The state makes budget amendments and adjustments periodically, but the timing and method of addressing any identified gaps can vary from year to year.

Debt

At June 30, 2007, Wisconsin had $5.7 billion of GO bonds, annual appropriation bonds, and commercial paper (CP,including extendable municipal CP) outstanding, which is a moderate $1,020 per capita. The state also had about $1.9 billion of general fund annual appropriation debt, composed of pension and sick leave bonds and master lease certificates of participation, and $2.0 billion of transportation and petroleum inspection fee revenue bonds and CP. Total GO, appropriation, short-term, and fee-backed revenue debt adds up to a moderate $1,650 per capita and 4.7% of state personal income.

In 2003, the state issued $1.79 billion of taxable annual appropriation-backed bonds to fully finance its unfunded pension liability and all of its unfunded accrued sick leave liability. All of the $945 million series 2003B bonds that bore interest at a floating auction rate were refunded in 2008 with fixed-rate and floating index rate annual appropriation bonds. The state received its actuarial report for its OPEBs in 2008, which pegged the state's unfunded actuarial accrued liability related to its implicit rate subsidy at $935.12 million. The state does not anticipate setting up a trust fund to accumulate assets against its OPEB unfunded liability at this time.

The state adheres to a very conservative and rapid 20-year GO debt amortization schedule. The state expects debt service to be $900 million in fiscal 2008 and decline rapidly thereafter. The 2007-2009 budget authorized a total of $2.0 billion of bonds, including more than $1.0 billion of new GO bonding authority—$433 million of GO bonds and $664 million of fee-supported GO debt. The 2007-2009 budget also provides new authority for the state to enter into interest rate swaps.

The state issued $1.7 billion of tobacco settlement asset-backed bonds in May 2002, which represented all of its interest in tobacco settlement revenues to be received after June 2003 from the 1998 master tobacco settlement agreement. All of the net proceeds from the tobacco bonds were spent in fiscal 2003 for operations. The state plans to refund its 2002 tobacco settlement bonds in 2008 with bonds backed by the state's annual appropriation, which the state anticipates will provide $159 million of upfront savings that will be used for the remaining 2007-2009 biennial budget.

Debt Derivative Profile: '1.5'

The state's swap portfolio has a debt derivative profile (DDP) of '1.5' on a scale of '1' to '4', with '1' representing the lowest risk and '4' the highest. The DDP score of '1.5' indicates that the state's hedging program is very low risk, and reflects:

- Remote risk of collateralization and termination with collateral triggers at 'BBB+' and termination at 'BBB-';
- Strong economic viability over stressful interest rate periods;

- Highly rated swap counterparties and the ability to enter into collateral support agreements upon downgrades; and
- Strong swap management policies and management controls, with comprehensive reporting guidelines.

The state entered into floating-to-fixed rate swaps with three different counterparties to hedge interest rate exposure on first its series 2003B, and now its series 2008B and 2008C variable-rate annual appropriation bonds. For some of the swaps, the state pays a fixed rate of 5.47% and receives one-month LIBOR; the other swaps require the state to pay a fixed rate of 4.66% in return for receiving one-month LIBOR. Swaps are coterminous with bond maturities, with the last group of swaps maturing in 2032. The swap counterparties are UBS AG, JPMorgan Chase, and Citibank. The interest rate swaps entered into with Bear Stearns and Morgan Stanley in conjunction with the 2003B pension and sick leave bonds were terminated when some of the bonds bearing interest at a floating auction rate were refunded with fixed-rate bonds.

Ratings Detail (As Of 18-Aug-2008)		
Wisconsin gen fd annual approp 2008 C (FSA)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Wisconsin GO extendible mun cml pap (amt) ser 2006C due 12/01/2016		
Short Term Rating	A-1+	Affirmed
Wisconsin certs of part ser 2006A		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Wisconsin GO		
Unenhanced Rating	AA(SPUR)/Stable	Upgraded

Many issues are enhanced by bond insurance.