OFFICIAL STATEMENT

New Issue

This Official Statement provides information about the Notes. 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.

$800,000,000
STATE OF WISCONSIN
OPERATING NOTES OF 2008

Dated: Date of Delivery **Due: June 15, 2009**

Note Ratings	F1+ Fitch Ratings MIG1 Moody's Investors Service, Inc. SP-1+ Standard & Poor's Ratings Services
Interest Rate	3.00%
Term	344 days (on a 30/360 basis)
CUSIP Number	97705L TP2
Closing/Settlement	On or about July 1, 2008
Maturity	June 15, 2009
Interest Payment Date	June 15, 2009
Tax Exemption	Interest on the Notes is, for federal income tax purposes, excluded from gross income and not an item of tax preference. Interest on the Notes is not excluded from current State of Wisconsin income and franchise taxes–*See pages 13-14*.
Redemption	Not subject to redemption prior to maturity.
Security	Payable from, and secured solely by, revenues deposited into the Operating Note Redemption Fund, which is irrevocably pledged only for the payment of the Notes. The State of Wisconsin is obligated to use all General Fund revenues, other than those required to pay the State's general obligations, in a sum sufficient to make impoundment payments into the Operating Note Redemption Fund–*See pages 2-4.*
Purpose	General Fund cash-flow needs—*See page 2.*
Denominations	$25,000
Bond Counsel	Foley & Lardner LLP
Trustee/Registrar/Paying Agent	The Bank of New York Mellon Trust Company, N.A.
Issuer Contact	Wisconsin Capital Finance Office (608) 266-2305; DOACapitalFinanceOffice@wisconsin.gov
Book-Entry System	The Depository Trust Company–*See pages 4-5*.
2007 Annual Report	This Official Statement incorporates by reference Parts I and II of the State of Wisconsin Continuing Disclosure Annual Report, dated December 21, 2007.
Sale Information	Competitive sale on June 26, 2008–*See page 12*.

June 26, 2008

This document is the State's *official* statement about the offering of the Notes; that is, it is the only document the State has authorized for providing information about the Notes. This document is not an offer or solicitation for the Notes, 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 Notes, 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 Notes 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 Notes does not imply that there has been no change in the matters contained in this document since the date of this document. Material referred to in this document is not part of this document unless expressly included.

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STATE OFFICIALS PARTICIPATING IN THE ISSUANCE AND SALE OF THE NOTES

BUILDING COMMISSION MEMBERS

Voting Members	**Term of Office Expires**
Governor Jim Doyle, Chairperson	January 2, 2011
Senator Fred A. Risser, Vice-Chairperson	January 4, 2009
Senator Ted Kanavas	January 4, 2009
Senator Jeffrey Plale	January 2, 2011
Representative Dean Kaufert	January 4, 2009
Representative Phil Montgomery*	January 4, 2009
Representative Jennifer Shilling	January 4, 2009
Mr. Terry McGuire, Citizen Member	At the pleasure of the Governor

* For the Building Commission meeting held on May 21, 2008, Representative Mark Honadel replaced Representative Phil Montgomery.

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. David W. Helbach, Administrator Division of State Facilities Department of Administration	At the pleasure of the Building Commission and the Secretary of Administration

OTHER PARTICIPANTS

Mr. J.B. Van Hollen State Attorney General	January 2, 2011
Mr. Michael L. Morgan, Secretary Department of Administration	At the pleasure of the Governor

DEBT MANAGEMENT AND DISCLOSURE

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SUMMARY DESCRIPTION OF THE NOTES

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

Description:	State of Wisconsin Operating Notes of 2008
Principal Amount:	$800,000,000
Denominations:	Multiples of $25,000
Date of Issue:	On or about July 1, 2008
Term:	344 days (on a 30/360 basis)
Maturity:	June 15, 2009
Interest Payment:	June 15, 2009
Redemption:	Not subject to redemption prior to maturity.
Form:	Book-entry-only—*See pages 4-5*
Paying Agent:	All payments of principal and interest on the Notes will be paid by The Bank of New York Mellon Trust Company, N.A., as Paying Agent. All payments will be made to The Depository Trust Company, which will distribute payments to DTC Participants as described herein.
Security:	Payable from, and secured solely by, revenues deposited into the Operating Note Redemption Fund, which is irrevocably pledged only for the payment of the Notes. The State of Wisconsin is obligated to use all General Fund revenues, other than those required to pay the State's general obligations, in a sum sufficient to make impoundment payments into the Operating Note Redemption Fund on February 27, March 31, April 30, and May 29, 2009—*See pages 2-4*
Authority for Issuance:	The Notes are authorized by Chapters 16 and 18 of the Wisconsin Statutes.
Purpose:	General Fund cash-flow needs.
Additional Notes:	The State may issue additional operating notes.
Legality of Investment:	State law provides that the Notes 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 of Wisconsin and all public officers, municipal corporations, political subdivisions, and public bodies.
Tax Exemption:	Interest on the Notes is, for federal income tax purposes, excluded from gross income and not an item of tax preference—*See page 13-14* Interest on the Notes is not excluded from current State of Wisconsin income and franchise taxes—*See page14*
Legal Opinion:	Validity and tax opinion to be provided by Foley & Lardner LLP—*See APPENDIX B*

OFFICIAL STATEMENT

$800,000,000

STATE OF WISCONSIN

OPERATING NOTES OF 2008

INTRODUCTION

This Official Statement provides information about the $800,000,000 Operating Notes of 2008 **(Notes),** which are being issued by the State of Wisconsin **(State)**. This Official Statement includes by reference Parts I and II of the State of Wisconsin Continuing Disclosure Annual Report, dated December 21, 2007 **(2007 Annual Report)**.

The Notes are authorized by Chapters 16 and 18 of the Wisconsin Statutes **(Act)** and issued pursuant to an authorizing resolution that the State of Wisconsin Building Commission **(Commission)** adopted on June 25, 2008 (**Resolution)**. All steps and actions required before adoption of the Resolution were satisfied.

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

The Commission has authorized the Department 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 and its financial condition is included as APPENDIX A, which includes by reference, and makes changes and additions to, Part II of the 2007 Annual Report. APPENDIX A includes a copy of a memorandum dated February 13, 2008 from the State's Legislative Fiscal Bureau **(LFB)** that presents revised projections of General Fund tax collections for the 2007-09 biennium, which include unfavorable changes from prior projections. APPENDIX A also includes information on the budget adjustment bill for the 2007-09 biennium that the Governor signed into law, with some vetoes, on May 16, 2008 (2007 Wisconsin Act 226).

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

Contact:	State of Wisconsin Capital Finance Office Department of Administration 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 NOTES

General

The Notes 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 Notes, The Depository Trust Company, New York, New York **(DTC)**. See "THE NOTES; Book-Entry-Only Form".

The Notes will be dated their date of delivery (expected to be July 1, 2008) and will bear interest from that date payable on the maturity date of the Notes, which is June 15, 2009.

The Notes will bear interest at a rate of 3.00%, computed on the basis of a 360-day year of twelve 30-day months. So long as the Notes are in book-entry-only form, payments of principal of, and interest on, each Note will be paid to the registered owner of the Notes.

The Bank of New York Mellon Trust Company, N.A. has been appointed as the trustee for the Notes (**Trustee**). The Trustee is also the registrar (**Registrar**) and paying agent (**Paying Agent**) for the Notes.

The Notes are issued as fully registered certificated obligations in principal denominations of $25,000 or multiples of $25,000.

Purpose

The State is issuing the Notes because of an imbalance in the timing of payments disbursed from and receipts collected in the General Fund. The Notes are issued in an aggregate amount estimated to be sufficient, with interfund borrowings, to meet General Fund cash-flow needs for the 2008–09 fiscal year. Developments during the year may require the State to issue additional operating notes. See "THE NOTES; Additional Notes".

The State will deposit the proceeds from the sale of the Notes into the General Fund. The State will expend the Note proceeds in anticipation of revenues to be received later in the fiscal year. Until so used, the proceeds will be invested by the State on a short-term basis. This investment activity is the responsibility of the State of Wisconsin Investment Board. See APPENDIX A.

Any premium paid as part of the purchase price of the Notes will be deposited into the Operating Note Redemption Fund and used to pay interest on the Notes. The costs of issuance of the Notes will be paid by the State from money separately appropriated from the General Fund.

Redemption

The Notes are not subject to redemption prior to maturity.

Security

The Notes are payable from, and secured solely by, revenues deposited into the Operating Note Redemption Fund **(Pledged Revenues)**, which is irrevocably pledged only for the payment of the Notes. The State is obligated to use all General Fund revenues, other than those required to pay the State's general obligations, in a sum sufficient to make impoundment payments into the Operating Note Redemption Fund on February 27, March 31, April 30, and May 29, 2009. The Pledged Revenues are subject to any prior rights of the owners of the State's general obligations.

The Notes mature before the end of the 2008-09 fiscal year, which is the second year of the 2007-09 biennium. The enacted budget for the 2008-09 fiscal year (which includes the budget adjustment bill for the 2007-09 biennium) is balanced on a statutory basis and contains sufficient estimated tax revenues and other revenues to pay the estimated expenses for the fiscal year. Although many factors may affect the State's financial results for the 2008-09 fiscal year, the estimates of General Fund receipts and disbursements in the enacted budget are believed to be reasonable. See APPENDIX A.

The Operating Note Redemption Fund is a separate and distinct fund established with the Trustee. All money in the Operating Note Redemption Fund may be expended only for the payment of the principal of, and interest on, the Notes.

The Notes are not general obligations of the State, and the Notes do not constitute "public debt" of the State as that term is used in the Constitution and in the Wisconsin Statutes.

Impoundments

The Resolution requires the Secretary of the Department **(Secretary of Administration)** to impound and transfer sums from the General Fund to the Operating Note Redemption Fund by certain dates and in certain amounts:

- 25% of the principal and interest payable at maturity of the Notes must be impounded on February 27, 2009.
- 50% of the principal and interest payable at maturity of the Notes must be impounded on March 31, 2009.
- 75% of the principal and interest payable at maturity of the Notes must be impounded on April 30, 2009.
- 100% of the principal and interest payable at maturity of the Notes must be impounded on May 29, 2009.

If on any of these impoundment dates the balance in the Operating Note Redemption Fund is less than the amount required, then all General Fund revenues (other than those required to be paid with respect to general obligations) **(Unrestricted Revenues)** must be set aside and deposited in the Operating Note Redemption Fund until the balance in the Operating Note Redemption Fund is equal to the amount required by that date.

General Fund Cash-Flow Projections and Determinations

The Resolution requires that the Secretary of Administration each month prepare and file with the Trustee projections of General Fund revenues, expenses, and fund balances of the State for each month remaining in the 2008-09 fiscal year. These projections must be in sufficient detail to permit the Secretary of Administration to make the following determinations, which are required by the Resolution.

Interfund Borrowings

If at any time the Secretary of Administration determines that Unrestricted Revenues will be insufficient to permit the required impoundment from the General Fund to the Operating Note Redemption Fund, then the Secretary of Administration must, to the extent permitted by law, transfer to the General Fund other funds of the State in a sum sufficient to permit the required transfers to be made. The Wisconsin Statutes allow the Secretary of Administration to make a temporary reallocation of amounts, also referred to as interfund borrowing, within the General Fund or from certain segregated funds to the General Fund in an amount up to 5% of the total general-purpose revenue appropriations then in effect and an additional 3% for a period of up to 30 days. Based on the budget for the 2008-09 fiscal year, the 5% amount is approximately $706 million and the 3% amount is approximately $424 million. Before reallocating amounts from any other fund, the Secretary of Administration is required to reallocate amounts in the Budget Stabilization Fund (and the percentage limits do not apply to this reallocation). See APPENDIX A.

Deferral of Expenditures

If at any time the Secretary of Administration determines that the payment of any amount, other than payments for general obligations, will result in the moneys available in the General Fund for transfer to the Operating Note Redemption Fund being less than the amount required (after taking into account any temporary reallocations), then the Secretary of Administration must defer the payment of enough expenses to permit the required transfer when due. The Secretary of

Administration is authorized to set priorities for payments from the General Fund and to prorate certain payments. The Wisconsin Statutes provide that all payments shall be in accordance with the following order of preference:

(a) All direct and indirect payments of principal and interest on State general obligations have first priority and may not be prorated or reduced.

(b) All direct and indirect payments of principal and interest on operating notes have second priority and may not be prorated or reduced.

(c) All State employe payrolls have third priority and may be prorated or reduced.

(d) All other payments shall be paid in a priority determined by the Secretary of Administration.

The Wisconsin Statutes provide that claims may be prioritized only after all possible procedures have been used and are found to be insufficient, including reallocation of available moneys.

Acceleration of Impoundment

If at any time the Secretary of Administration determines that the principal and interest due on the Notes at maturity less any amounts on deposit in the Operating Note Redemption Fund equals or exceeds 85% of the amount of Unrestricted Revenues estimated to be received thereafter and prior to June 15, 2009, then all Unrestricted Revenues thereafter received must be immediately deposited in the Operating Note Redemption Fund until the amount in such fund is equal to 100% of the principal and interest due on the Notes at maturity.

Ratings

At the State's request, the following ratings have been assigned to the Notes:

Rating	Rating Agency
F1+	Fitch Ratings
MIG1	Moody's Investors Service, Inc.[a]
SP-1+	Standard & Poor's Ratings Services

[a] On March 17, 2008, Moody's Investors Services, Inc. changed its rating outlook on the State's general obligations from "stable" to "negative".

Any explanation of what a rating means may only be obtained from the rating agency giving the rating. No one can offer any assurance that a rating given to the Notes 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 Notes.

Authority for Issuance

The Commission is authorized by the Wisconsin Statutes to issue operating notes when, in the judgment of the Department, a deficiency will occur in the funds of the State which will not permit the State to pay its operating obligations in a timely manner. Operating notes may be issued in an amount not exceeding 10% of budgeted appropriations of general purpose and program revenues for the year in which operating notes are issued. The maximum issuance of operating notes for the 2008-09 fiscal year is $2.4 billion.

Book-Entry-Only Form

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

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

Payment

The Paying Agent will make all payments of principal of, and interest on, the Notes to DTC. Owners of the Notes will receive payments through the DTC Participants.

Notices and Voting Rights

The State or the Trustee will provide notices and other communications about the Notes to DTC. Owners of the Notes 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.

Discontinued Service

In the event that participation in DTC's book-entry system were to be discontinued and a successor securities depository was not obtained, note 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. Neither the State nor the Trustee is responsible for any information available on DTC's web site. That information may be subject to change without notice.

Neither the State nor the Trustee is responsible for a failure by DTC or any DTC Participant to transfer payments or notices to the owners of the Notes or to follow the procedures established by DTC for its book-entry system.

Possible Discontinuance of Book-Entry-Only System

In the event DTC discontinued acting as securities depository for the Notes and the Commission did not appoint a successor securities depository, how the Notes are paid would differ. The Commission would prepare certificated Notes in bearer form without coupons and deliver them to the beneficial owners as shown in the records of the depository and the brokers and other organizations that participate, directly or indirectly, in the depository's book-entry system. Payments of principal and interest would be made upon the presentation and surrender of the Notes in bearer form at the principal office of the Paying Agent.

Investment of Operating Note Redemption Fund

Money deposited in the Operating Note Redemption Fund may be invested by the Trustee at the direction of the State of Wisconsin Investment Board in any of the following types of investments:

(1) Direct obligations of, or obligations unconditionally guaranteed by, the United States.

(2) Obligations issued by agencies of, or corporations wholly owned by, the United States.

(3) Direct obligations of the Federal National Mortgage Association or any corporation chartered by an act of Congress.

(4) Obligations of the International Bank for Reconstruction and Development.

(5) A money market mutual fund that (i) invests solely in obligations described in (1) and (2) above and (ii) that has one of the two highest ratings given by a nationally recognized rating service.

(6) Repurchase agreements with a bank other than the Trustee which is a member of the Federal Deposit Insurance Corporation or a government bond dealer (i) reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, (ii) having capital of at least $250,000,000, and (iii) having one of the two highest ratings given by a nationally recognized rating service, the underlying securities of which a repurchase agreement are obligations described in (1) and (2) above, provided the underlying securities are required to be continuously maintained at a value (consisting of the market value of such securities and the amount of interest accrued on such securities) not less than the amount so invested plus accrued interest and are held by the Trustee or a third party.

All investments in the Operating Note Redemption Fund must mature on or before the maturity date of the Notes. All investments must be valued at their face amount, including any interest to be paid to maturity.

Additional Notes

The Notes are issued in an aggregate amount estimated to be sufficient, together with interfund borrowings, to meet General Fund cash-flow needs for the 2008-09 fiscal year. Any additional operating notes that may be issued must, pursuant to the Resolution, mature on or after June 15, 2009 and on or prior to June 30, 2009, and will not be entitled to any priority with respect to payment or security over the Notes or any other series of additional operating notes. Any additional operating notes would be payable from the same source, be entitled to the same security as the Notes, and be subject to the same impoundment provisions.

Defaults and Remedies

The Resolution provides that an Event of Default exists if the principal of, or interest on, the Notes is not timely paid or if the State fails to make the required payments into the Operating Note Redemption Fund or otherwise does not observe the requirements set forth in the Resolution.

If an Event of Default continues for 30 days, then the Trustee is required to publish a notice in *The Bond Buyer*.

If an Event of Default exists, then the Trustee may bring such legal proceedings as are authorized by the Act or by other law to collect amounts that are due from the State and to protect the rights of the owners of the Notes. If the owners of not less than 25% in aggregate principal amount of the Notes then outstanding ask the Trustee to do so and provide the Trustee with reasonable security and indemnity, then the Trustee is required to bring legal proceedings seeking appropriate relief. No owner of the Notes may bring such legal proceedings, unless an Event of Default exists, and the Trustee, having been asked to proceed and given reasonable security and indemnity, fails or refuses to bring such legal proceedings.

If the State fails to pay any Note in accordance with its terms, then an action to compel such payment may be commenced against the State in the Circuit Court for Dane County, Wisconsin. The Act provides that a final judgment against the State in such an action shall be paid together with interest at the annual rate of 10% from the date the payment was judged to have been due until the date of payment of the judgment. State law requires the clerk of courts to file the judgment with the Department, the Department to audit the amount of damage and the costs awarded, and the amount then to be paid from the State Treasury. State law also contains a continuing appropriation in a sum sufficient to meet judgments against the State.

GENERAL FUND INFORMATION

Information regarding the State's General Fund is included as APPENDIX A. The General Fund cash-flow tables on the following pages present the following by major categories of receipts and disbursements:

- Actual monthly cash flow of the General Fund from July 2006 through June 2007.
- Actual monthly cash flow of the General Fund from July 2007 through May 2008 and projected monthly cash flow for June 2008.
- Projected monthly cash flow from July 2008 through June 2009.

The projected General Fund cash-flow tables should be read in conjunction with other information concerning the budget for the 2007-08 and 2008-09 fiscal years. There can be no assurance that historical data with respect to such revenues and expenditures are necessarily indicative of future receipts and payments.

Since June 2001, the State has posted on the Capital Finance Office web site monthly reports of actual and projected General Fund cash flows. The State intends, but is not obligated, to continue posting these reports for the 2008-09 fiscal year. The reports are located in 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

There have been, and will continue to be, differences in the amounts shown for the presentations on a cash basis (such as the following General Fund cash-flow tables) and on a budgetary basis (such as the budget information in APPENDIX A). For example, the cash-flow basis presentation on the following pages shows tax receipts as revenues and tax refunds as disbursements. The budgetary basis presentation in APPENDIX A shows tax revenues net of tax refunds. In addition, Wisconsin counties have the authority to impose a county sales tax. The State receives all county sales tax collections and then returns to the counties their respective portion. The cash-flow basis presentation on the following pages shows the gross sales tax receipts and the disbursement to the counties, while the county sales tax is not included in the budgetary basis presentation in APPENDIX A. There are other items that are treated differently between the cash-flow basis and budgetary basis that prevent a direct reconciliation of the cash and budgetary presentations.

Monthly cash-flow projections are based upon the respective fiscal year budget and upon historical experience as adjusted to reflect economic conditions, statutory, and administrative changes and anticipated payment dates for debt service, payrolls, and State aid.

Unforeseen events or variations from underlying assumptions may cause a decrease in receipts or an increase in disbursements from those projected for a given month. Additionally, the timing of transactions from month to month may vary from the forecast.

ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2006 TO JUNE 30, 2007

(In Thousands of Dollars)

	July 2006	August 2006	September 2006	October 2006	November 2006	December 2006	January 2007	February 2007	March 2007	April 2007	May 2007	June 2007
BALANCES[(a)]												
Beginning Balance	$ 4,563	$ (195,929)	$ 108,161	$ 355,567	$ 1,112,712	$ 882,489	$ 172,573	$ 1,025,510	$ 1,028,184	$ (37,253)	$ 614,881	$ 1,098,523
Ending Balance [(b)]	(195,929)	108,161	355,567	1,112,712	882,489	172,573	1,025,510	1,028,184	(37,253)	614,881	1,098,523	49,149
Lowest Daily Balance [(b)]	(451,652)	(488,713)	(100,789)	355,566	628,474	(547,039)	138,110	594,866	(37,254)	(397,049)	289,082	(497,774)
RECEIPTS												
TAX RECEIPTS												
Individual Income	$ 565,897	$ 474,676	$ 605,681	$ 680,238	$ 502,370	$ 508,275	$ 1,035,880	$ 515,293	$ 446,568	$ 1,276,649	$ 503,010	$ 641,597
Sales & Use	402,145	401,109	397,579	396,789	378,295	345,906	430,155	334,817	300,179	357,353	362,545	398,458
Corporate Income	37,496	28,116	185,473	34,815	23,319	173,619	43,211	22,369	237,573	51,427	26,470	168,888
Public Utility	50	11	99	1,468	143,824	250	178	76	244	2,228	146,026	211
Excise	34,911	32,778	34,592	28,986	30,956	29,561	27,603	27,221	25,851	24,537	28,496	30,483
Insurance	316	938	30,876	592	820	33,568	4,405	18,619	21,349	30,011	2,152	32,774
Inheritance	7,193	9,971	8,044	9,665	10,691	15,756	12,666	7,390	11,941	6,716	13,764	12,037
Subtotal Tax Receipts	$ 1,048,008	$ 947,599	$ 1,262,344	$ 1,152,553	$ 1,090,275	$ 1,106,935	$ 1,554,098	$ 925,785	$ 1,043,705	$ 1,748,921	$ 1,082,463	$ 1,284,448
NON-TAX RECEIPTS												
Federal	$ 502,417	$ 581,763	$ 513,024	$ 546,768	$ 477,516	$ 444,362	$ 608,224	$ 518,096	$ 467,030	$ 520,055	$ 710,788	$ 511,648
Other & Transfers [(c)]	370,205	166,183	513,130	431,228	288,729	240,339	408,411	505,994	358,552	279,736	216,299	510,993
Note Proceeds	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal Non-Tax Receipts	$ 872,622	$ 747,946	$ 1,026,154	$ 977,996	$ 766,245	$ 684,701	$ 1,016,635	$ 1,024,090	$ 825,582	$ 799,791	$ 927,087	$ 1,022,641
TOTAL RECEIPTS	$ 1,920,630	$ 1,695,545	$ 2,288,498	$ 2,130,549	$ 1,856,520	$ 1,791,636	$ 2,570,733	$ 1,949,875	$ 1,869,287	$ 2,548,712	$ 2,009,550	$ 2,307,089
DISBURSEMENTS												
Local Aids	$ 896,807	$ 130,871	$ 824,354	$ 131,610	$ 911,622	$ 1,297,119	$ 204,888	$ 236,990	$ 1,311,244	$ 145,745	$ 162,288	$ 2,007,042
Income Maintenance	509,527	436,928	399,100	442,531	442,391	437,168	435,225	503,594	427,964	436,025	448,909	349,463
Payroll and Related	295,693	358,565	411,764	307,885	336,493	350,578	384,840	355,111	508,573	333,782	328,897	419,855
Tax Refunds	64,862	80,941	45,628	52,478	33,584	115,915	102,004	481,641	385,436	357,598	102,631	152,576
Debt Service	58,612	2,473	-	160,015	-	-	-	-	-	320,114	35,757	-
Miscellaneous[(c)]	295,621	381,677	360,246	278,885	362,653	300,772	590,839	369,865	301,507	303,314	447,426	427,527
Note Repayment	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	$ 2,121,122	$ 1,391,455	$ 2,041,092	$ 1,373,404	$ 2,086,743	$ 2,501,552	$ 1,717,796	$ 1,947,201	$ 2,934,724	$ 1,896,578	$ 1,525,908	$ 3,356,463

(a) 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 ranged from $161 to $305 million during the 2006-07 fiscal year. In addition, the General Fund holds deposits for several escrow accounts pursuant to court orders or federal rulings. These funds ranged from $9 to $30 million during the 2006-07 fiscal year.

(b) 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 $661 million for the 2006-07 fiscal year. In addition, the Secretary of Administration may also temporarily reallocate an additional amount up to 3% of the general-purpose revenue appropriations then in effect (approximately $397 million for the 2006-07 fiscal year) for a period of up to 30 days. If the amount of interfund borrowing available to the General Fund is not sufficient, then the Secretary of Administration is authorized to prorate and defer certain payments.

(c) Includes $20 million that was transferred from the Petroleum Inspection Fund to the General Fund on September 1, 2006, $88 million that was transferred from the Transportation Fund to the General Fund on October 12, 2006, and $25 million that was transferred from the General Fund to the Medical Assistance Trust Fund on June 30, 2007.

ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2007 TO MAY 31, 2008
PROJECTED GENERAL FUND CASH FLOW; JUNE 1, 2008 TO JUNE 30, 2008[(a)]

(In Thousands of Dollars)

	July 2007	August 2007	September 2007	October 2007	November 2007	December 2007	January 2008	February 2008	March 2008	April 2008	May 2008	June 2008
BALANCES[(b)]												
Beginning Balance	$ 49,148	$ 349,749	$ 638,780	$ 723,620	$ 1,417,676	$ 1,131,328	$ 446,854	$ 1,364,065	$ 1,117,488	$ (212,538)	$ 412,897	$ 584,332
Ending Balance [(c)]	349,749	638,780	723,620	1,417,676	1,131,328	446,854	1,364,065	1,117,488	(212,538)	412,897	584,332	42,539
Lowest Daily Balance [(c)]	39,257	(441)	159,554	606,183	783,121	(285,238)	435,780	1,048,982	(212,538)	(648,410)	121,190	(518,229)
RECEIPTS												
TAX RECEIPTS												
Individual Income	$ 682,211	$ 500,798	$ 651,858	$ 695,206	$ 521,419	$ 459,790	$ 1,112,129	$ 574,257	$ 578,486	$ 1,193,252	$ 411,259	$ 694,028
Sales & Use	414,387	413,404	401,674	396,967	385,034	345,203	421,814	323,947	310,458	358,240	353,900	372,771
Corporate Income	35,238	20,042	154,364	51,110	31,669	174,535	21,726	30,498	188,247	49,678	42,495	144,972
Public Utility	20	20	509	1,871	148,786	987	56	20	94	1,111	154,287	908
Excise	30,620	34,376	36,523	27,764	36,994	26,518	28,435	74,544	47,280	51,023	53,713	61,596
Insurance	584	1,777	33,083	489	1,004	31,518	2,096	23,510	26,594	33,065	1,627	34,686
Inheritance	12,784	17,121	14,108	14,117	15,580	10,886	4,291	11,192	18,117	10,360	12,993	12,896
Subtotal Tax Receipts	$ 1,175,844	$ 987,538	$ 1,292,119	$ 1,187,524	$ 1,140,486	$ 1,049,437	$ 1,590,547	$ 1,037,968	$ 1,169,276	$ 1,696,729	$ 1,030,274	$ 1,321,857
NON-TAX RECEIPTS												
Federal	$ 579,248	$ 553,559	$ 479,277	$ 518,519	$ 557,015	$ 504,290	$ 650,871	$ 609,628	$ 553,043	$ 450,485	$ 715,921	$ 586,100
Other & Transfers	397,510	231,439	414,249	418,712	264,756	215,831	457,837	507,579	230,775	315,770	241,706	617,400
Note Proceeds[(d)]	594,000	-	-	-	-	-	-	-	-	-	-	-
Subtotal Non-Tax Receipts	$ 1,570,758	$ 784,998	$ 893,526	$ 937,231	$ 821,771	$ 720,121	$ 1,108,708	$ 1,117,207	$ 783,818	$ 766,255	$ 957,627	$ 1,203,500
TOTAL RECEIPTS	$ 2,746,602	$ 1,772,536	$ 2,185,645	$ 2,124,755	$ 1,962,257	$ 1,769,558	$ 2,699,255	$ 2,155,175	$ 1,953,094	$ 2,462,984	$ 1,987,901	$ 2,525,357
DISBURSEMENTS												
Local Aids	$ 1,088,886	$ 170,143	$ 841,399	$ 120,205	$ 928,976	$ 1,293,374	$ 244,301	$ 255,745	$ 1,358,278	$ 113,409	$ 274,666	$ 1,962,700
Income Maintenance	554,657	462,141	430,767	475,577	408,147	473,582	425,771	484,702	438,158	484,009	356,006	228,516
Payroll and Related	293,794	439,220	257,475	384,708	457,197	272,879	447,230	491,507	258,898	398,933	435,843	279,832
Tax Refunds	114,634	89,140	53,251	63,034	69,419	157,306	100,895	567,085	409,708	384,057	160,371	164,100
Debt Service	95,411	5,720	170,526	-	3,239	-	-	1,500	330,346	-	12,688	-
Miscellaneous	294,406	317,141	347,387	387,175	381,627	256,891	563,847	450,369	331,924	301,106	420,593	432,002
Note Repayment[(d)]	4,213	-	-	-	-	-	-	150,844	155,808	156,035	156,299	-
TOTAL DISBURSEMENTS	$ 2,446,001	$ 1,483,505	$ 2,100,805	$ 1,430,699	$ 2,248,605	$ 2,454,032	$ 1,782,044	$ 2,401,752	$ 3,283,120	$ 1,837,549	$ 1,816,466	$ 3,067,150

(a) The projections in this table for the remainder of the fiscal year reflect the updated General Fund revenues estimates released by LFB on February 13, 2008, the budget for the 2007-09 biennium (2007 Wisconsin Act 20), and the budget adjustment bill for the 2007-09 beinnium (2007 Wisconsin Act 226). The projections also reflect (i) $254 million that will be transferred from various funds to General Fund on June 12, 2008 ($229 million of this amount relates to lapses and other requirements of 2007 Wisconsin Act 226, including, but not limited to, the transfer of $57 million from the Budget Stabilization Fund), and (ii) assumption that the State will receive approximately $124 million pursuant to the amended gaming compacts with tribal governments ($72 million of this amount is an estimate of all payments due in the 2007-08 fiscal year and $52 million of this amount is an estimate of payments due in previous years from a tribal government that are expected to be made in the 2007-08 fiscal year). 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 $191 to $324 million during the 2007-08 fiscal year. In addition, the General Fund holds deposits for several escrow accounts pursuant to court orders or federal rulings. These funds are expected to average approximately $22 million during the 2007-08 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. Based on the enacted budget bill and budget adjustment bill, this amount is approximately $690 million for the 2007-08 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 $414 million for the 2007-08 fiscal year) for a period of up to 30 days. 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.

(d) Includes $600 million of proceeds from an operating note issue that was issued on July 2, 2007 and impoundment payments made on February 29, 2008, March 31, 2008, April 30, 2008, and May 30, 2008. The February 29, 2008 impoundment payment reflected the premium that was received on July 2, 2007 and deposited into the Operating Note Redemption Fund.

PROJECTED GENERAL FUND CASH FLOW; JULY 1, 2008 TO JUNE 30, 2009[a]

(In Thousands of Dollars)

	July 2008	August 2008	September 2008	October 2008	November 2008	December 2008	January 2009	February 2009	March 2009	April 2009	May 2009	June 2009
BALANCES[b]												
Beginning Balance[c]	$ 42,539	$ 210,635	$ 675,621	$ 875,117	$ 1,319,817	$ 1,007,422	$ 399,034	$ 1,210,205	$ 1,106,795	$ (286,033)	$ 168,629	$ 394,447
Ending Balance[d]	210,635	675,621	875,117	1,319,817	1,007,422	399,034	1,210,205	1,106,795	(286,033)	168,629	394,447	(433,465)
Lowest Daily Balance[d]	42,539	(38,988)	203,160	590,825	722,567	(483,660)	254,667	862,747	(286,033)	(675,758)	(103,730)	(1,086,048)
RECEIPTS												
TAX RECEIPTS												
Individual Income	$ 638,593	$ 448,835	$ 831,843	$ 652,185	$ 470,404	$ 555,940	$ 1,088,287	$ 600,673	$ 613,719	$ 1,025,393	$ 540,072	$ 688,256
Sales & Use	404,200	407,700	403,400	395,900	380,600	353,400	425,200	326,400	315,800	359,800	362,900	395,600
Corporate Income	27,000	21,600	159,700	33,700	28,300	163,800	28,600	20,300	215,400	43,200	22,300	158,600
Public Utility	100	-	200	4,100	156,900	1,600	100	1,200	200	2,900	159,400	900
Excise	58,800	55,200	55,300	54,000	53,400	49,300	51,000	47,200	41,600	47,800	51,000	54,100
Insurance	782	1,814	31,174	814	1,578	40,185	2,978	21,558	28,211	31,639	1,861	33,748
Inheritance	10,318	10,318	10,317	-	-	-	-	-	-	-	-	-
Subtotal Tax Receipts	$ 1,139,793	$ 945,467	$ 1,491,934	$ 1,140,699	$ 1,091,182	$ 1,164,225	$ 1,596,165	$ 1,017,331	$ 1,214,930	$ 1,510,732	$ 1,137,533	$ 1,331,204
NON-TAX RECEIPTS												
Federal	$ 599,498	$ 572,911	$ 496,032	$ 536,646	$ 576,488	$ 521,920	$ 673,625	$ 630,940	$ 507,525	$ 540,249	$ 572,436	$ 641,030
Other & Transfers	314,845	285,161	483,628	376,041	282,545	233,232	465,544	556,921	283,616	340,483	287,272	424,360
Note Proceeds[e]	801,840	-	-	-	-	-	-	-	-	-	-	-
Subtotal Non-Tax Receipts	$ 1,716,183	$ 858,072	$ 979,660	$ 912,687	$ 859,033	$ 755,152	$ 1,139,169	$ 1,187,861	$ 791,141	$ 880,732	$ 859,708	$ 1,065,390
TOTAL RECEIPTS	$ 2,855,976	$ 1,803,539	$ 2,471,594	$ 2,053,386	$ 1,950,215	$ 1,919,377	$ 2,735,334	$ 2,205,192	$ 2,006,071	$ 2,391,464	$ 1,997,241	$ 2,396,594
DISBURSEMENTS												
Local Aids	$ 1,190,140	$ 168,144	$ 881,752	$ 155,897	$ 1,025,475	$ 1,331,112	$ 245,207	$ 282,190	$ 1,357,945	$ 111,512	$ 160,021	$ 1,969,005
Income Maintenance	589,563	426,412	463,487	499,007	403,477	450,789	443,039	418,166	410,209	448,219	338,725	229,859
Payroll and Related	467,102	355,967	353,579	511,227	384,195	358,393	522,558	395,680	286,440	436,168	386,805	384,555
Tax Refunds	31,700	54,700	43,900	42,600	52,000	122,100	130,900	549,900	473,200	395,000	156,800	166,300
Debt Service	103,176	5,720	170,526	-	3,239	-	-	1,537	327,165	-	28,837	-
Miscellaneous	296,359	327,610	358,854	399,955	394,224	265,371	582,459	465,236	338,207	340,170	494,502	474,787
Note Repayment[e]	9,840	-	-	-	-	-	-	195,893	205,733	205,733	205,733	-
TOTAL DISBURSEMENTS	$ 2,687,880	$ 1,338,553	$ 2,272,098	$ 1,608,686	$ 2,262,610	$ 2,527,765	$ 1,924,163	$ 2,308,602	$ 3,398,899	$ 1,936,802	$ 1,771,423	$ 3,224,506

(a) The projections in this table reflect the budget for the 2007-09 biennium (2007 Wisconsin Act 20), the updated General Fund revenues estimates released by LFB on February 13, 2008, and the budget adjustment bill for the 2007-09 biennium (2007 Wisconsin Act 226). The projections also reflect an assumption that the State will receive approximately $75 million pursuant to the amended gaming compacts with tribal governments, which is the estimate of all payments due in the 2008-09 fiscal year. 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 $206 to $350 million during the 2008-09 fiscal year. In addition, the General Fund holds deposits for several escrow accounts pursuant to court orders or federal rulings. These funds are expected to average approximately $10 million during the 2008-09 fiscal year.

(c) The beginning balance reflects preliminary General Fund cash balances through May 31, 2008. Other tables in this Official Statement include General Fund cash balances through April 30, 2008.

(d) The Statutes provide certain administrative remedies to deal with periods when the General Fund is in a negative cash position. The Secretary of Administration may temporarily reallocate cash in other funds (up to 5% of the general-purpose revenue appropriations then in effect) to the General Fund. This amount is approximately $706 million for the 2008-09 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 $424 million for the 2008-09 fiscal year) for a period of up to 30 days. 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.

(e) Includes $800 million of operating note proceeds that are expected to be issued on July 1, 2008 and impoundment payments expected to be made on February 27, 2009, March 31, 2009, April 30, 2009, and May 29, 2009. The February 27, 2009 impoundment payment reflects the premium that is expected to be received on July 1, 2008 and deposited into the Operating Note Redemption Fund.

OTHER INFORMATION

Borrowing Plans for 2008

General Obligations

The State has issued multiple series of general obligations in this calendar year: (i) taxable general obligation bonds in the aggregate par amount of $27 million to provide a subsidy for the State's Clean Water Fund Program, (ii) taxable general obligation bonds in the par amount of $4 million to fund general obligation extendible municipal commercial paper previously issued for the veterans housing loan program, (iii) general obligation extendible municipal commercial paper in the par amount of $452 million to fund general obligation extendible municipal commercial paper issued under multiple series designations in previous calendar years, (iv) general obligation bonds in the par amount of $165 million for general governmental purposes, and (v) general obligation refunding bonds in the aggregate par amount of $20 million as a replacement refunding of general obligation bonds previously issued for the veterans housing loan program.

The Commission has authorized the issuance of the following general obligations:

- Up to $509 million of general obligation refunding bonds to refund general obligation bonds previously issued for general governmental purposes. The amount and timing of any issuance of general obligation refunding bonds depend on market conditions.
- Up to $28 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 general obligation subsidy bonds for this purpose depend on various factors, including the amount and timing of loan disbursements from the Clean Water Fund Program.
- Up to $25 million of general obligations for the veterans housing loan program, which may be in the form of bonds or extendible municipal commercial paper. The amount and timing of any additional issuance of general obligations depend on originations of veterans housing loans.
- Up to $21 million of general obligation refunding bonds to refund general obligation bonds previously issued for the veterans housing loan program. The amount and timing of any issuance of additional general obligation refunding bonds for this purpose depend on market conditions.
- General obligations for the funding of the State's outstanding general obligation commercial paper notes and extendible municipal commercial paper, which were outstanding in the amount of $641 million as of June 15, 2008. The amount and timing of any issuance of general obligations for this funding purpose depend on various factors.

Other Obligations

The Commission has authorized up to $200 million of transportation revenue obligations, in the form of bonds or commercial paper notes, to fund highway and transportation facility projects. The sale or placement of these transportation revenue obligations is expected in the third quarter of this calendar year. 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 State has issued two series of clean water revenue bonds in this calendar year, one series in the par amount of $100 million to fund loans in the Clean Water Fund Program and one series in the par amount of $27 million to refund previously issued clean water revenue bonds. The Commission has authorized up to $50 million of clean water revenue bonds to fund additional loans in the Clean Water Fund Program. The amount and timing of any issuance of clean water revenue bonds depend on loan activity in the Clean Water Fund Program. The Commission has also authorized up to $98 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 State, acting by and through the Department, has issued three series of general fund annual appropriation refunding bonds in this calendar year in the aggregate par amount of $1.0 billion to refund the portion of general fund annual appropriation bonds issued in 2003 in the form of auction rate certificates. Proceeds of the general fund annual appropriation bonds issued in 2003 were used to pay the State's unfunded accrued prior service (pension) liability and unfunded accrued liability for sick leave conversion credits.

The budget adjustment bill for the 2007-09 biennium (2007 Wisconsin Act 226) provides that the State may issue appropriation obligations to refund obligations previously issued in 2002 by the Badger Tobacco Asset Securitization Corporation and relating to tobacco settlement payments to be received by the State pursuant to the Master Settlement Agreement entered into among the participating cigarette manufacturers, 46 states, and six other U.S. jurisdictions in conjunction with the settlement of certain smoking-related litigation. These appropriation obligations may be sold, depending on market conditions, in the fourth quarter of this calendar year.

Underwriting

The Notes were purchased at competitive sale on June 26, 2008. Information about the public reoffering of the Notes may be obtained only from the successful bidders **(Underwriters).** The Notes were awarded to the following Underwriters in the amounts shown. The Underwriters paid an aggregate amount of $809,840,000.00, resulting in a net interest cost rate to the State of 1.712791%.

Underwriter	Amount	Purchase Price
Lehman Brothers	$ 200,000,000	$ 202,478,000.00
J.P. Morgan Securities Inc. With Ramirez & Co., Inc.	300,000,000	303,680,000.00
Citigroup Global Markets Inc.	300,000,000	303,682,000.00

Legal Investment

State law provides that the Notes 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 Counsel

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

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 Notes. 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 Notes, and there also is no action, suit, or proceeding, either pending or threatened in writing, known to the Attorney General, in any way contesting or affecting (1) the titles to their respective offices of any of the State officers involved in the issuance of the Notes, (2) the validity of the Notes or any of the proceedings taken with respect to the issuance, sale, execution, or delivery of the Notes, or (3) the pledge or application of any moneys or security provided for the payment of the Notes.

If certificated Notes were issued, then a certificate of the Attorney General would be printed on the reverse side of each Note.

Tax Exemption

Federal Income Tax

In the opinion of Bond Counsel, under existing law, interest on the Notes 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 Notes 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 Notes are issued for interest on the Notes 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 Notes to be included in gross income for federal income tax purposes, perhaps even starting from the date the Notes were issued. The proceedings authorizing the Notes do not provide for an increase in interest rates or a redemption of the Notes in the event interest on the Notes ceases to be excluded from gross income.

Certain requirements and procedures contained or referred to in the Resolution and other relevant documents may be changed, and certain actions may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel does not express any opinion as to any Note or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Foley & Lardner LLP.

Future legislation or clarifications or amendments to the Code, if enacted into law, may cause the interest on the Notes to be subject, directly or indirectly, to federal taxation, or otherwise prevent the owners of the Notes from realizing the full current benefit of the tax status of the interest on the Notes. Prospective purchasers of the Notes are encouraged to consult their own tax advisors regarding any pending federal legislation.

The opinion of Bond Counsel is based on legal authorities that are current as of its date, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment regarding the proper treatment of the Notes for federal income tax purposes. It is not binding on the Internal Revenue Service **(IRS)** or the courts, and it is not a guarantee of result.

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

Bond Counsel expresses no opinion about other federal tax consequences arising regarding the Notes. There may be other federal tax law provisions that could adversely affect the value of an investment in the

Notes for particular owners of Notes. Prospective investors should consult their own tax advisors about the tax consequences of owning a Note.

State of Wisconsin Income and Franchise Taxes

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

CONTINUING DISCLOSURE

The State has made an undertaking, for the benefit of the beneficial owners of the Notes, to provide notices of the occurrence of certain events specified in the undertaking to each nationally recognized municipal securities information repository **(NRMSIR)** or the Municipal Securities Rulemaking Board **(MSRB)**, and to any state information depository **(SID)** for the State. At this time, there is no SID for the State.

Copies of the notices may be obtained from:

State of Wisconsin Capital Finance Office
Department of Administration
Attn: Capital Finance Director
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

Part I of the 2007 Annual Report, which contains information on the undertaking, is included by reference as part of this Official Statement. 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: June 26, 2008

STATE OF WISCONSIN

/s/ JIM DOYLE

Governor Jim Doyle, Chairperson
State of Wisconsin Building Commission

/s/ MICHAEL L. MORGAN

Michael L. Morgan, Secretary
State of Wisconsin Department of Administration

/s/ DAVID W. HELBACH

David W. Helbach, 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, contained in Part II of the State of Wisconsin Continuing Disclosure Annual Report, dated December 21, 2007 **(2007 Annual Report)**, which can be obtained as described below. This Appendix also includes changes or additions to the information presented in Part II of the 2007 Annual Report.

The changes or additions include information on the following:

- The budget adjustment bill for the 2007-09 biennium, as signed into law, with some vetoes, by the Governor on May 16, 2008 (2007 Wisconsin Act 226).
- Copy of a memorandum dated February 13, 2008 from the State's Legislative Fiscal Bureau **(LFB)** that presents revised projections of General Fund tax collections for the 2007-09 biennium, which include unfavorable changes from prior projections.
- Projected and actual General Fund cash flows, as of May 31, 2008.

Part II of the 2007 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 2006-07
- 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 2007 Annual Report are the audited general purpose external financial statements for the fiscal year ending June 30, 2007, prepared in conformity with generally accepted accounting principles **(GAAP)** for governments as prescribed by the Government Accounting Standards Board, and the independent auditor's report provided by the State Auditor.

The 2007 Annual Report has been filed with each nationally recognized municipal securities information repository **(NRMSIR)** and is also 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 2007 Annual Report may also be obtained from:

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

After publication and filing of the 2007 Annual Report, certain changes or events have occurred that affect items discussed in the 2007 Annual Report. Listed below, by reference to particular sections of Part II of the 2007 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 describe matters other than listed material events under the State's Master Agreement on Continuing Disclosure.

Budget for 2007-08 and 2008-09 Fiscal Years (Part II; Pages 26-27). Add the following new sections:

Budget Adjustment Bill

Based on the projections included in the February 13, 2008 LFB memorandum, the Secretary of Administration made a determination on March 5, 2008 that budgeted expenditures will exceed revenues by more than one-half of one percent of general purpose revenues and notified the Governor and Legislature.

In response to this determination, the Governor issued an executive order convening a special session of the Legislature to consider and act upon legislation relating to the projected budget shortfall. A budget adjustment bill was passed by the Senate and the Assembly and signed into law, with some vetoes, by the Governor on May 16, 2008 (2007 Wisconsin Act 226). A two-thirds vote in each house of the Legislature is required to override any veto and enact the vetoed portion into law. Action to override any veto may be taken before or after the effective date of the act.

The following table provides the estimated General Fund condition statement for the 2007-08 and 2008-09 fiscal years, as of the effective date of 2007 Wisconsin Act 226. The following table also includes, for comparison, the estimated General Fund condition statement for the budget as initially enacted for the 2007-09 biennium (2007 Wisconsin Act 20).

Estimated General Fund Condition Statement
2007-08 and 2008-09 Fiscal Years
(in Millions)

	2007-08 Fiscal Year		2008-09 Fiscal Year	
	2007 Act 20	Budget Adjustment Bill (2007 Act 226)	2007 Act 20	Budget Adjustment Bill (2007 Act 226)
Revenues				
Opening Balance	$ 66.3	$ 66.3	$ 67.0	$ 80.5
Taxes	13,100.1	12,868.3	13,626.2	13,286.5
Department Revenues				
Tribal Gaming	96.7	96.7	46.3	46.3
Other	428.2	643.1	435.0	514.2
Total Available	13,691.4	13,674.4	14,174.5	13,917.5
Appropriations				
Gross Appropriations	13,824.0	13,799.4	14,212.1	14,117.9
Compensation Reserves	62.8	62.8	156.6	132.6
Less: Lapses	(262.4)	(268.3)	(262.0)	(429.3)
Net Appropriations	13,624.4	13,593.9	14,106.8	13,821.2
Balances				
Gross Balance	67.0	80.5	67.7	106.2
Less: Required Statutory Balance	(65.0)	(65.0)	(65.0)	(65.0)
Net Balance, June 30	$ 2.0	$ 15.5	$ 2.7	$ 41.3

The Wisconsin Constitution requires the Legislature to enact a balanced biennial budget (which the Legislature has done, including for the 2007-09 biennium) and also requires that if final budgetary expenses of any fiscal year exceed available revenues, then the Legislature must take action to balance the budget in the succeeding fiscal year.

February 2008 General Fund Revenue Projections - LFB

On February 13, 2008, LFB released projections of General Fund tax collections for the 2007-09 biennium. These projections differ adversely from the projections of General Fund tax collections that were made in January 2007 and used in preparing the State's 2007-09 biennial budget (2007 Wisconsin Act 20). For the 2007-09 biennium, the LFB memorandum projected:

- A decrease of $240 million in estimated individual income tax collections.
- A decrease of $284 million in estimated general sale and use tax collections.
- A decrease of $124 million in estimated corporate income and franchise tax collections.

The LFB memorandum identified two administrative actions that the Secretary of Administration completed before the release of the LFB memorandum. These actions reduced the potential deficit by approximately $236 million for the 2007-09 biennium.

Taking into account the actions already completed by the Secretary of Administration, the LFB memorandum included an updated General Fund condition statement, which projected a gross ending General Fund balance for the end of the current fiscal year (June 30, 2008) of negative $77 million, and for the end of the current biennium (June 30, 2009) of negative $351 million, not including the statutory required reserve. With respect to the projected gross ending balance for the end of the current biennium, the amount is approximately $419 million less than the balance included in the enacted budget for the 2007-09 biennium.

The February 13, 2008 LFB memorandum identified other items that may impact the projections and information presented in such memorandum. These items include the following, which have been previously discussed in the 2007 Annual Report:

- Budgetary assumptions related to payment of amounts due in previous fiscal years from a tribal government, pursuant to amended gaming compacts in calendar year 2003.
- Litigation from calendar year 2007 related to the transfer of certain amounts from the State's Patient and Families Compensation Fund to the Medical Assistance Trust Fund.
- The Supreme Court's consideration of an appeal from the State of Wisconsin related to the taxability of computer software.

Additional details can be found in the complete copy of the LFB memorandum, which appears on the pages A-4 to A-19 of this Official Statement.

Legislative Fiscal Bureau Robert Wm. Lang, Director

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Telephone: (608) 266-3847 • Fax: (608) 267-6873

State of Wisconsin

February 13, 2008

Senator Mark Miller, Senate Chair
Representative Kitty Rhoades, Assembly Chair
Joint Committee on Finance
State Capitol
Madison, WI 53702

Dear Senator Miller and Representative Rhoades:

On January 24, 2008, I sent a letter to you that discussed preliminary information regarding general fund tax revenue estimates for the remainder of the 2007-09 biennium. In that letter, I noted that the December, 2007, tax collection report was considerably weaker than in previous months and thought that it would be prudent to wait until February before issuing our analysis of the condition of the general fund. This would allow us to examine sales taxes paid on purchases during the Christmas shopping season and determine if the weak December report was an anomaly or a trend in collections. It would also provide the opportunity to review the February economic forecast and more recent data on a variety of factors, including the potential effect of interest rate decisions by the Federal Reserve Board and the federal economic stimulus plan.

We have now completed our review. Unfortunately, the January, 2008, collections report and the February forecast both point to further weakness in general fund tax collections.

Based upon our analysis, we project the closing net general fund balance at the end of the biennium to be -$652.3 million. This is prior to decisions made by the Department of Administration (DOA) on February 12, 2008 (described below). The -$652.3 million is $655.0 million below the $2.7 million ending balance that was indicated upon enactment of the state's 2007-09 biennial budget (2007 Act 20).

The $655.0 million is the net result of a decrease in estimated tax collections of $586.5 million, a decrease in departmental revenues of $34.9 million (primarily due to lower interest earnings), and an increase in net expenditures (laws enacted after Act 20, sum sufficient appropriation reestimates, and lapse reestimates) of $33.6 million.

Yesterday, DOA announced two administrative actions aimed at reducing the magnitude of the potential deficit.

In a memorandum to state agency heads dated February 12, 2008, the Secretary of DOA indicated that the Department is taking two actions relating to state agency spending. First, the previously announced allocation of lapses to meet the required $200 million lapse provision under Act 20 will be modified by DOA, so that the entire $200 million will accrue from segregated funds or program revenue accounts. Second, acting under s.16.50 of the statutes, DOA will require GPR-funded agencies to lapse the $106 million previously identified as part of the $200 million lapse under Act 20, as well as an additional $5 million in 2008-09. The effect of these actions will be to improve the general fund's balance by $53 million in 2007-08 and $58 million in 2008-09 compared to the estimates used under Act 20.

The administration also indicates that it will use its existing authority to roll over short-term general obligation borrowing that otherwise would have been paid off in 2007-08 and 2008-09. This action will reduce GPR debt service expenditures by an estimated $63.6 million in 2007-08 and $61.8 million in 2008-09 compared to estimated GPR debt service under Act 20.

These two decisions of the administration are projected to reduce the $652.3 million deficit by a biennial total of $236.4 million to $415.9 million.

The following table reflects the estimated 2007-09 general fund condition statement, which incorporates the revenue and expenditure estimates of this letter and the February 12 actions of the administration.

TABLE 1

2007-09 General Fund Condition Statement

	2007-08	2008-09
Revenues		
Opening Balance, July 1	$66,288,000*	-$76,860,200
Estimated Taxes	12,868,300,000	13,271,500,000
Departmental Revenues		
Tribal Gaming Revenues	96,731,600	46,250,700
Other	467,103,700	472,175,900
Total Available	$13,498,423,300	$13,713,066,400
Appropriations and Reserves		
Gross Appropriations	$13,780,810,400	$14,171,612,500
Compensation Reserves	62,759,600	156,617,900
Less Lapses	-268,286,500	-264,286,400
Net Appropriations	$13,575,283,500	$14,063,944,000
Balances		
Gross Balance	-$76,860,200	-$350,877,600
Less Required Statutory Balance	-65,000,000	-65,000,000
Net Balance, June 30	-$141,860,200	-$415,877,600

*In addition, $55.6 million of the 2006-07 ending balance has been transferred to the budget stabilization fund pursuant to s. 16.518 of the statutes.

There are three items that deserve mention which could impact the figures shown in Table 1. Those items are discussed below.

First, the 2007-09 tribal gaming revenues shown in Table 1 ($96,731,600 in 2007-08 and $46,250,700 in 2008-09) include certain state payments under the Ho-Chunk Nation's 2003 gaming compact amendments. Under the amendments, the Ho-Chunk Nation was to provide certain lump-sum payments to the state in 2003-04 and 2004-05 and payments based on a percent of net casino win in subsequent years. The general fund revenue from tribal gaming indicated in Table 1 assumes the Ho-Chunk will pay, in 2007-08, the lump-sum payment of $30 million originally due in 2004-05, as well as percent-of-net-win payments associated with 2005-06 and 2006-07 casino earnings. In 2008-09, the general fund revenue amount assumes the Ho-Chunk will make a percent-of-net-win payment associated with its 2007-08 casino earnings. However, the timing of any Ho-Chunk payments may be affected by the outcome of litigation, currently pending in the federal court for the Western District of Wisconsin, relating to a dispute between the state and the Ho-Chunk Nation. It is unclear at this time how or when the disputed issues will be resolved.

Second, 2007 Act 20 authorized the transfer of $71.5 million SEG in 2007-08 and $128.5 million SEG in 2008-09 from the injured patients and families compensation fund (IPFCF) to the medical assistance trust fund (MATF), and increased SEG funding from the MATF and reduced GPR funding for MA benefits by corresponding amounts. In response to the Act 20 directive, the Department of Administration has made the 2007-08 transfer.

On October 29, 2007, the Wisconsin Medical Society filed an action in Dane County Circuit Court seeking, among other things, to permanently enjoin the transfer of monies out of the IPFCF, the immediate return to the IPFCF of all monies so transferred, along with lost earnings, and the recovery of the Medical Society's attorneys' fees and costs. The lawsuit remains pending and its ultimate impact on the state's finances, including the MATF, cannot be predicted at this time.

Finally, the tax revenue estimates shown in Table 1 do not include the potential effect of a decision issued by the Court of Appeals on January 25, 2007, in the case Wisconsin Department of Revenue v. Menasha Corporation, with respect to the taxability of computer software. Under state law, while prewritten computer software is subject to the state sales tax on tangible personal property, sales of custom computer software are exempt. In 1998, Menasha Corporation filed a refund claim with the Department of Revenue (DOR) for sales taxes paid on certain computer software that the company believed was custom software. DOR denied the refund claim, and Menasha Corporation appealed to the Tax Appeals Commission, which decided in favor of Menasha Corporation on December 1, 2003. The decision broadened the DOR interpretation of what computer software is to be considered 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. Menasha Corporation appealed the Circuit Court's decision to the Court of Appeals, which decided in favor of Menasha Corporation. DOR has appealed the Appeals Court decision, and the Supreme Court agreed to hear the case. Oral arguments were presented in late 2007 and a ruling is expected this spring.

Subsequent to the Appeals Court decision, DOR had estimated the fiscal effect of a final decision in favor of Menasha Corporation as a reduction in state sales tax revenues of approximately $28 million annually. In addition, the Department estimated related refund requests associated with years prior to 2007-08 of up to $221 million. Assuming that the final decision will be made closer to the end of 2007-08, and based on the Department's methodology, this estimate should be updated to approximately $265 million associated with refunds for years prior to 2008-09.

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, longer periods may apply under certain conditions, such as audits or protective claims for refunds. The Department's estimate of the cost of refund requests associated with Menasha Corporation is based on the assumption that refund claims will be filed for 50% of potential claims for 1999 through 2002 and 80% of potential claims for 2003 through the time of final determination of the case. Actual refund requests could be higher or lower than the Department's estimate. Assuming that a final determination of the case would be made prior to the end of 2007-08 or early in 2008-09, the Department expects that most refunds would be paid in the current biennium.

Given the uncertainty of the final determination of the case, the sales tax estimates shown above for the 2007-09 biennium do not incorporate the potential effect of the decision. However, should the Appeals Court decision represent the final determination of the case, it is projected that general fund revenues would be reduced by up to approximately $293 million prior to the end of the 2007-09 biennium ($265 million for refunds for fiscal years through 2007-08 and $28 million associated with computer software sales during 2008-09). While both the precise magnitude and timing of the fiscal effect are uncertain, the $293 million total is based on DOR's expectations for the combined effect of refunds and annual costs through the end of the biennium.

General Fund Taxes

The following section provides information on general fund tax revenues for the 2007-09 biennium, including a discussion of the national economic forecast for 2008 and 2009 and general fund tax revenue projections for fiscal years 2007-08 and 2008-09.

National Economic Forecast. This office first prepared revenue estimates for the 2007-09 biennium in January, 2007, based on the January, 2007, forecast of the U.S. economy by Global Insight, Inc. At that time, positive economic growth was expected to continue in 2007, 2008, and 2009, although at a slower pace than that of 2006. The primary risks to the forecast were that the economy's excess production capacity was less than estimated and that foreign investors would diversify from the dollar in response to the large U.S. trade deficit, which would lead to an acceleration in inflation and interest rates and a lower level of economic growth.

In June, 2007, this office revised its fiscal year 2006-07 revenue estimates upward by $49 million (approximately 0.4%). The revision was based primarily on actual collections through May, 2007. However, because the more recent economic forecasts were somewhat weaker than the January, 2007, forecast, the estimates for 2007-08 and 2008-09 were not increased. Actual collections for 2006-07 exceeded the June estimates by an additional $22 million. However, individual income tax collections in 2006-07 were artificially high by approximately $75 million due to delays in paying refunds for tax year 2006 until 2007-08.

Despite considerable weakness in the housing market, high energy prices, and significant disruptions to credit markets, the economy continued to expand throughout 2007. After a sluggish first quarter of 0.6% real (inflation-adjusted) growth in gross domestic product (GDP), the second and third quarters showed real growth rates of 3.8% and 4.9%, respectively. However, it is believed that the economy slowed dramatically in the fourth quarter, with 0.6% real GDP growth. The slowdown in the fourth quarter reflects an accelerated decline in residential construction, slower consumption growth, and reduced growth in inventories following an unusually high accumulation in the third quarter. For the entire year, nominal (current-dollar) GDP growth is estimated at 4.9% and real growth is estimated at 2.2%. The nominal growth rate is 0.5% higher than projected last January, while the real growth rate is 0.1% lower. This discrepancy reflects a higher rate of inflation than was estimated last January, primarily due to increased prices for fuel.

The labor market was resilient in 2007. Personal income grew by an estimated 6.2% in 2007, compared to last January's estimate of 5.1%, which reflected higher than anticipated growth in both jobs and wages. The unemployment rate for 2007 is now estimated at 4.6%, compared to last January's estimate of 4.9%. The employment and income growth led to higher consumption expenditures, which increased by an estimated at 5.5%, compared to last January's projection of 4.7%. As anticipated, growth in corporate profits slowed significantly from the double-digit increases seen during 2002 through 2006. Growth in pre-tax profits in 2007 is now estimated at 4.2%, which is twice the rate of growth forecast last January.

As described above, by most measures, the economy performed better in 2007 than was anticipated last January, due to strength in the second and third quarters. However, as noted, growth slowed significantly in the fourth quarter, and the current (February, 2008) forecast assumes that the economy has begun to contract. Global Insight believes that the U.S. economy has entered into a recessionary phase that will last through the first half of this year. Real GDP growth is estimated at -0.4% in the first quarter and -0.5% in the second quarter. Positive growth is expected to resume in the third quarter of 2008, in part due to the effects of interest rate cuts and the federal stimulus package. Third-quarter growth is estimated at 3.4% and fourth-quarter growth is estimated at 2.7%. Significantly slower growth (0.7%) is expected in the first quarter of 2009 as the boost to consumer spending from the federal tax rebates diminishes. Real GDP growth is estimated at approximately 3% over the remainder of 2009.

For all of 2008 and 2009, the current forecast expects reduced levels of production, employment, income, profits, and consumption expenditures compared to last year's forecast. Nominal GDP growth is now estimated at 3.6% in 2008 and 4.0% in 2009, compared to last

January's estimates of 5.2% and 5.5%, respectively. Real GDP growth is now estimated at 1.4% in 2008 and 2.2% in 2009, compared to the previous forecast of 3.2% and 3.4%. As in recent months, the main areas of concern going forward are the housing and credit markets and high energy prices. However, new information regarding consumption expenditures, profits, and employment indicates a broader downturn has begun.

After increasing rapidly for several years, housing starts peaked at 2.1 million units in 2005, and then declined by 12.6% (to 1.8 million units) in 2006 and an estimated 25.8% (to 1.3 million units) in 2007. The forecast expects another significant decline in 2008, followed by a strong rebound in 2009. Housing starts are estimated at 0.9 million units in 2008 (a decrease of 33.0% from 2007) and 1.2 million units in 2009 (an increase of 31.1%). Sales of new and existing homes are expected to exhibit a similar pattern, with decreases of 9.5% in 2006, 14.6% in 2007, and 19.5% in 2008, followed by an increase of 10.2% in 2009. The recent declines in housing activity reflect high inventory levels and prices, along with reduced availability of credit. In addition, compared to historical trends, much of the demand for housing in 2004 and 2005 was from investors who did not intend to use the home as a primary residence. These former purchasers have now become sellers of homes, which has contributed to the imbalanced housing market.

The forecast expects housing activity to bottom out in the first half of 2008 and then begin to rebound as the excess inventory is sold off, interest rates decrease, and affordability improves as housing prices decline. Nationwide, housing prices (as measured by the constant-quality price index) decreased by 0.2% in 2007 and are expected to decrease by 5.1% in 2008 and 1.7% in 2009. Beginning in 2010, modest price increases are expected to resume. Median and average prices of new and existing homes are also expected to continue declining at least through 2009. All of these measures of housing activity have been revised downward since last January. As discussed later, a key risk to the baseline forecast is that the housing market will deteriorate further.

Closely tied to the housing market are the credit markets, which experienced significant uncertainty and financial losses during 2007, primarily due to weakness in subprime mortgage loans. In recent years, relaxed lending standards by banks and other lenders have allowed more families to become homeowners and to purchase homes that previously had been beyond their means. These loans often were made with small or no down-payments, and low initial interest rates, which would later adjust upward to reflect market rates. As housing price appreciation slowed and interest rates reset, delinquencies and foreclosures began to rise dramatically, leading to large losses by lenders and by investors who had purchased mortgage-backed securities. Toward the end of 2007, there was also a significant increase in delinquencies on prime-rate mortgages, auto loans, and credit card debt. In response, lending standards have been tightened and there has been a "flight to quality" as investors increased their purchases of less risky assets such as U.S. Treasury securities.

Since last September, the Federal Reserve Board has cut the federal funds rate five times by a total of 225 basis points (from 5.25% to 3.0%). The most recent rate cuts occurred on January 22nd (75 basis points) and January 30th (50 basis points). The January 22nd reduction followed an international stock sell-off based, in part, on fears of a U.S. recession. However, market rates on corporate bonds, mortgage loans, and other types of private-sector debt have not fallen by the same amounts due to increased risk-aversion by lenders. The forecast anticipates that the Federal Reserve will continue to cut rates in order to prevent or mitigate a recession. Specifically, it is expected that the federal funds rate will be reduced by an additional 100 basis points (to 2.0%) by the end of April, 2008, where it will remain through the rest of the year. It is expected that rates will be increased slightly beginning in the first quarter of 2009. Other interest rates are expected to fall by approximately 40 to 70 basis points over the next seven months and then begin rising slowly in the fourth quarter of 2008.

On February 7th, Congress approved a $168 billion economic stimulus package, which included tax rebates for individuals and tax reductions for businesses. As of this writing, the President has not signed the bill, but it is expected that he will do so this week. The plan will provide rebate checks of up to $600 for individuals and up to $1,200 for married couples, with an additional payment of $300 per child and a minimum payment of $300 for individuals who pay less than that amount in federal income taxes. The rebates will be phased out for higher-income taxpayers (individuals with incomes of at least $75,000 and married couples with incomes of at least $150,000). It is anticipated that the Treasury Department will begin distributing the checks in early May after federal income tax returns have been processed. The plan will also allow businesses to depreciate equipment purchases more quickly and increase the amount of capital expenses that small businesses can immediately deduct for tax purposes. The legislation will also increase the loan limits for Fannie Mae, Freddie Mac, and the Federal Housing Administration.

The stimulus package is very similar to, but somewhat larger than, what was assumed by Global Insight in the February forecast (a total package of approximately $150 billion). As noted, it is anticipated that the rebate checks will result in increased consumer spending in the second half of 2008 (6.5% growth in the third quarter and 3.9% growth in the fourth quarter compared to rates of 3.0% and 1.2% in the first and second quarters, respectively). Lower growth rates are expected in the first part of 2009 as the impact of the rebates fades. Global Insight believes that the business tax provisions will affect the timing of certain investments but not have a significant impact on overall economic growth.

After falling in the last quarter of 2006 and first quarter of 2007, oil prices again increased significantly during the remainder of 2007 and early 2008. Crude oil prices had receded to an average of $58 per barrel during the first quarter of 2007, but then rose to approximately $100 per barrel early this year (close to the inflation-adjusted record price of $102.81 per barrel in April, 1980). Prices have since receded to between $90 and $95 per barrel. Global Insight believes that the recent high oil prices reflect temporary geopolitical events and speculation, rather than fundamental supply and demand, and that the slowing economy will result in reduced demand for oil and lower prices in the coming months. Oil prices are expected to decline to approximately $73 per barrel by the fourth quarter of 2008, and then remain between $70 and $75 per barrel throughout the rest of that year and 2009.

As with crude oil, gasoline prices also rose significantly in 2007, from a national average price of $2.43 per gallon in the first quarter to $3.01 per gallon in the fourth quarter. Prices are expected to remain at approximately $3.00 per gallon in the first half of this year and then begin falling in the third quarter. The U.S. average price is expected to be between $2.60 and $2.80 per gallon in the fourth quarter of 2008 and in 2009. However, even with the anticipated decreases later this year, oil and gasoline prices are expected to be significantly higher than in last January's forecast. Natural gas prices are expected to increase by approximately 11.1% during 2008 and 10.2% in 2009. A significant risk to the baseline forecast is that the recent high oil prices will be sustained because they are more reflective of ongoing supply difficulties than speculative buying.

The overall consumer price index (CPI) increased by 2.9% in 2007, primarily due to rising prices for oil and other energy commodities. The CPI for energy commodities rose by 8.2%. Lower levels of inflation are forecast for 2008 and 2009 as the economy slows and oil prices fall. The overall CPI is now estimated at 2.5% in 2008 and 1.6% in 2009. The 2007 figure exceeded last January's forecast by 1.1%; the estimates for 2008 and 2009 are very close to last year's projections. Food prices also rose faster than overall inflation in 2007, with an increase of 4.0%. Food price inflation is estimated at 4.1% in 2008 and 2.1% in 2009. Inflation would be significantly higher (2.9% in 2008 and 3.1% in 2009) if oil prices do not fall as assumed in the baseline forecast.

As noted, personal income growth is estimated at 6.2% in 2007, which is 1.1% above last January's forecast of 5.1%. The higher rate of growth reflects a higher level of both jobs and wages. Other major sources of personal income (farm income, dividends, interest, and transfer payments) also exceeded expectations in 2007. Non-farm proprietors' income was lower than forecast. Personal income growth is now projected to be 4.1% in 2008 and 4.4% in 2009. These growth rates are lower than last January's forecast by 1.4% and 1.8%, respectively. Reduced rates of growth are expected for most components of personal income as overall economic growth slows.

Employment growth is estimated at 1.1% in 2007, which is slightly higher than the 1.0% growth projected last January. However, the projections for 2008 and 2009 have been reduced since last January's forecast. The current forecast anticipates employment growth of 0.3% in 2008 and 0.7% in 2009, compared to the previous estimates of 1.3% and 1.6%. Relative to last January, lower employment growth is expected for nearly all sectors of the economy, with particular weakness in construction jobs. Consistent with the jobs numbers, the unemployment rate is now projected to be higher than estimated last January. The current forecast is for an unemployment rate of 5.3% in 2008 and 5.6% in 2009, compared with last January's projection of 4.9% and 4.6%, respectively.

The forecast for personal consumption expenditures shows a similar pattern, with higher than anticipated growth in 2007, but a less optimistic forecast for 2008 and 2009. Consumption expenditures increased by an estimated 5.5% in 2007, compared to last year's estimate of 4.7%. As in recent years, areas of strength were concentrated in items that are generally not subject to the state sales tax, such as food (6.1% growth), gasoline (6.1%), heating fuel (16.6%), and services (6.0%). Purchases of items that are generally taxable grew more slowly. Sales of motor vehicles and parts increased by 1.6% and sales of other durable goods increased by 3.8%. Sales of nondurable goods, excluding food and fuel, increased by 4.1%.

Overall consumption growth is expected to slow to 4.1% in 2008 and 3.8% in 2009 due to lower personal income growth, tighter credit, and continued weakness in the housing market. The growth rate in 2008 would be even lower if the federal stimulus package had not been approved. As in 2007, higher rates of growth are forecast for food and services. However, due to falling prices, sales of gasoline are expected to show only a modest increase in 2008 and a small decrease in 2009. Sales of motor vehicles and parts are expected to be especially weak in 2008, with a decrease of 4.9%. However, a 4.9% increase is estimated for 2009 as employment and overall economic growth improve. Sales of other durable goods are forecast to rise by 0.5% in 2008 and fall by 0.4% in 2009, while sales of nondurable goods (excluding food and fuel) are expected to increase by 2.9% in 2008 and 3.7% in 2009.

Exports have been an area of strength for the U.S. economy in recent years and are expected to continue showing considerable growth in 2008 and 2009. Without the assumption of strong export growth, the baseline forecast would anticipate a longer and deeper recession. Exports increased by double-digit growth rates in each year from 2004 through 2007. An important factor in this growth has been the reduced value of the dollar relative to the currencies of the nation's major trading partners (more than 30% since early 2002), which makes U.S. products more affordable in foreign markets. In addition, the economies of Asian nations and other trading partners have experienced relatively robust growth. Export growth is estimated at 11.6% in 2008 and 8.6% in 2009, as the dollar continues to weaken throughout the first three quarters of this year before rising in the fourth quarter and stabilizing in 2009. Despite strong export growth, the U.S. trade deficit rose each year between 2002 and 2006. This occurred primarily due to increased imports of consumer goods and oil. As oil prices moderate and U.S. exports of other goods and services continue to show strong growth, it is expected that the trade deficit will decrease in 2008 and 2009.

After double-digit increases in 2005 and 2006, growth in business investment spending moderated to 6.1% in 2007, but was still an area of relative strength for the economy. Spending on nonresidential structures was particularly strong in 2007, with growth of 16.8%. However, investment in software and equipment was much weaker, with 1.7% growth. The forecast anticipates a significant slowdown in business investment as credit markets tighten and overall demand slows. Total business investment is expected to increase by 1.9% in 2008 and decrease by 0.2% in 2009. Investment in structures is expected to grow by 2.9% in 2008 and decrease by 9.5% in 2009, while investment in equipment and software is expected to increase by 1.4% and 4.3%, respectively.

The federal stimulus package will allow a first-year "bonus depreciation" deduction equal to 50% of the adjusted basis of qualified property placed into service during 2008 (the applicable time period is extended through 2009 for certain types of property). In addition, the stimulus package will increase the amount of investment that may be immediately expensed by small businesses (section 179 property) from $128,000 to $250,000, beginning in tax year 2008.

Under current law, the $128,000 amount is reduced by the amount by which the cost of the qualifying property exceeds $510,000. The new federal provisions will increase the $510,000 threshold to $800,000.

Global Insight does not expect the federal bonus depreciation and expensing provisions to have a significant impact on business investment. In effect, the bonus depreciation amounts to an interest-free loan from the government because the beneficial cash-flow impact is reversed in later years. The forecast assumes that business spending will be more influenced by weakening demand than by the federal tax changes, although it is believed that some investments will be moved forward from early 2009 to 2008 before the new provisions expire. As discussed below, the new provisions will result in a significant decrease in before-tax book profits in 2008 and a an offsetting increase in 2009.

Following several very strong years, growth in corporate profits slowed to 4.2% in 2007. Pre-tax book profits are expected to fall by 14.8% in 2008 and increase by 20.9% in 2009. However, these growth rates are distorted by the expensing and depreciation provisions of the federal stimulus package. Economic profits, which are not affected by federal tax law changes, grew by 3.1% in 2007 and are estimated to increase by 0.2% in 2008 and 3.4% in 2009. The double-digit growth rates of recent years were driven in large part by productivity gains, which slowed considerably in 2007. The lower levels of profits also reflect continued weakness in housing-related businesses, large losses in the financial sector, high oil prices, and a general reduction in demand for goods and services as the economy slows.

Global Insight has also prepared two alternative forecasts, one more optimistic and one more pessimistic than the baseline forecast. In the optimistic scenario, productivity growth, business investment, and foreign economic growth are all stronger than under the baseline forecast, and energy prices are lower. These factors lead to lower inflation and to increased domestic production, investment, and housing starts. The federal budget deficit is also lower than under the baseline forecast due to stronger revenue growth and reduced expenditures for transfer payments. Under this alternative forecast, which is assigned a probability of 25%, there is no recession in 2008 and, compared to the baseline forecast, real GDP growth is higher by 0.8% in that year and in 2009.

The pessimistic alternative (also 25% probability) assumes a deeper contraction in the housing market and higher oil prices than under the baseline forecast. Housing starts and prices are significantly lower, which leads to reduced consumption expenditures. In turn, the lower consumer demand leads to reduced production and investment by businesses. Under this scenario, employment drops for five consecutive quarters and industrial production falls for seven quarters. Real GDP declines in the first two quarters of 2008, then rebounds slightly in the second half (less than 1% growth), before decreasing again in the first quarter of 2009. Real GDP growth is estimated at -0.1% in 2008 and 0.4% in 2009, compared to the baseline estimates of 1.4% and 2.2%, respectively. The pessimistic scenario in last January's forecast, which had a probability of 20%, called for a lower level of economic growth but no recession in 2007 through 2009.

Table 2 shows a summary of national economic indicators drawn from the February, 2008, forecast by Global Insight.

TABLE 2

Summary of National Economic Indicators
Global Insight, Inc., February, 2008
($ in Billions)

	2006	2007	2008	2009
Nominal Gross Domestic Product	$13,194.7	$13,843.0	$14,335.2	$14,902.5
Percent Change	6.1%	4.9%	3.6%	4.0%
Real Gross Domestic Product	11,319.4	11,567.3	11,724.3	11,978.4
Percent Change	2.9%	2.2%	1.4%	2.2%
Consumer Price Index	3.2%	2.9%	2.5%	1.6%
Personal Income	10,983.4	11,667.3	12,144.7	12,676.3
Percent Change	6.6%	6.2%	4.1%	4.4%
Personal Consumption	9,224.5	9,732.0	10,128.0	10,511.3
Percent Change	5.9%	5.5%	4.1%	3.8%
Economic Profits	1,553.7	1,601.9	1,604.8	1,659.7
Percent Change	13.2%	3.1%	0.2%	3.4%
Unemployment Rate	4.6%	4.6%	5.3%	5.6%

General Fund Tax Projections. Table 3 shows our revised general fund tax revenue estimates for the 2007-09 biennium. The estimates are based on the February, 2008, forecast of the U.S. economy by Global Insight, and incorporate all of the tax law changes included in Act 20.

TABLE 3

Projected General Fund Tax Collections
($ Millions)

Source	2006-07 Actual	Budget Estimates (Act 20) 2007-08	Budget Estimates (Act 20) 2008-09	Revised Estimates February 2008 2007-08	Revised Estimates February 2008 2008-09
Individual Income	$6,573.8	$6,758.8	$7,105.5	$6,660.0	$6,965.0
General Sales and Use	4,158.6	4,310.0	4,479.4	4,210.0	4,295.0
Corporate Income & Franchise	890.1	887.8	860.3	810.0	815.0
Public Utility	284.9	297.2	314.4	295.6	316.2
Excise					
Cigarette	296.1	456.5	531.0	448.9	523.7
Liquor and Wine	42.7	42.5	43.0	42.5	43.0
Tobacco Products	17.5	28.9	41.2	28.9	41.2
Beer	9.5	9.4	9.4	9.4	9.4
Insurance Company	141.4	141.0	144.0	150.0	160.0
Estate	121.1	95.0	25.0	140.0	30.0
Miscellaneous Taxes	82.2	73.0	73.0	73.0	73.0
Total	$12,617.9	$13,100.1	$13,626.2	$12,868.3	$13,271.5
Change from Prior Year					
Amount		$482.2	$526.1	$250.4	$403.2
Percent Change		3.8%	4.0%	2.0%	3.1%

As shown in Table 3, general fund tax revenues are estimated to total $12,868.3 million in 2007-08 and $13,271.5 million in 2008-09. These amounts are lower than the Act 20 estimates by $231.8 million in the first year and $354.7 million in the second year, for a total decrease of $586.5 million. The estimates for the three major taxes (individual income, general sales and use, and corporate income and franchise) have all been revised downward significantly. The cigarette tax estimates have also been decreased, while the estimates for the estate tax and insurance company taxes have been increased.

Individual Income Tax. State individual income tax revenues were $6,573.8 million in 2006-07 and are currently estimated at $6,660.0 million in 2007-08 and $6,965.0 million in 2008-09. The current estimates are lower than the Act 20 estimates by $98.8 million in the first year and $140.5 million in the second year. The current estimates reflect growth of 1.3% for 2007-08 and 4.6% for 2008-09. It should be noted that the growth rate for 2007-08 is affected by a delay that occurred in the payment of approximately $75 million in individual income tax refunds for the 2006 tax year from 2006-07 to 2007-08. As a result of the delay, collections for 2006-07 were artificially high and collections in 2007-08 will be, correspondingly, artificially low. In addition, the growth rates for both years are affected by a number of law changes, primarily the implementation of the 100% income tax exclusion for social security benefits starting in 2008. In the absence of the refund delay and the effects of the law changes, growth in individual income tax revenues would be estimated at 4.6% for 2007-08 and 4.5% for 2008-09.

Based on preliminary collections information through January, 2008, individual income tax revenues for the current fiscal year are 3.1% higher than such revenues through the same period in 2006-07. However, if the additional $75 million in refunds for tax year 2006 had not been paid in 2007-08, then collections for this fiscal year through January would be 5.1% higher than the previous year. Based on the delay in refunds and law changes referred to above, as well as the forecast reduction in personal income growth in 2008, growth in collections is expected to slow during the remaining months of the fiscal year, resulting in the projections described above for actual growth in 2007-08 of 1.3% and adjusted growth of 4.6%.

General Sales and Use Tax. In 2006-07, state sales and use tax collections were $4,158.6 million, which was a 0.8% increase over the prior year. State sales and use tax revenues are currently estimated at $4,210.0 million in 2007-08 and $4,295.0 million in 2008-09, which represent growth of 1.2% in the first year and 2.0% in the second year. These estimates are $100.0 million lower in the first year and $184.4 million lower in the second year than the Act 20 estimates of $4,310.0 million in 2007-08 and $4,479.4 million in 2008-09. The reductions in the estimates are based, in part, on 1.5% growth in sales and use tax collections year-to-date through January, 2008, and in part on the most recent forecast of growth in taxable personal consumption expenditures. As previously noted, the estimates do not include the impact of the Court of Appeals decision in the Menasha Corporation case.

Corporate Income and Franchise Tax. Corporate income and franchise taxes were $890.1 million in 2006-07. Collections are projected to be $810.0 million in 2007-08 and $815.0 million in 2008-09. These amounts represent an annual decrease of 9.0% in 2007-08, and a slight increase of 0.6% in 2008-09. The new estimates are lower than the Act 20 estimates by $77.8 million in the first year and $45.3 million in the second year.

The new estimates reflect decreased year-to-date corporate income and franchise tax collections, which were 9.3% lower through January, 2008. The lower collections mirror the slowdown in the U. S. economy. Decreasing consumption expenditures, business investment, and industrial production are depressing corporate earnings, as the effect of the housing recession and credit restrictions spread through the economy. However, exports are projected to be a significant contributor to corporate sales and profits over the forecast period. Economic profits are forecast to increase by 0.2% in 2008, before rebounding somewhat to increase by 3.4% in 2009.

The corporate income and franchise tax estimates have been adjusted to reflect the effect of certain law changes, including the phase-in of single-sales factor apportionment, repeal of the manufacturers' sales tax credit, enactment of new tax credits, such as the dairy investment, dairy manufacturing facility, Internet equipment, Health Insurance Risk-Sharing Plan assessments, and ethanol and biodiesel fuel pump tax credits, and for the collection of back taxes from banks.

Public Utility Taxes. Public utility tax revenues were $284.9 million in 2006-07, and are currently projected at $295.6 million in 2007-08 and $316.2 million in 2008-09. Relative to the Act 20 estimates, these figures are lower than the 2007-08 estimate by $1.6 million but higher than the 2008-09 estimate by $1.8 million. Utility tax collections are currently expected to increase by 3.8% in 2007-08 and by 7.0% in 2008-09, rather than by 4.3% in 2007-08 and 5.8% in 2008-09, as had been estimated under Act 20.

Excise Tax Revenues. General fund excise taxes are imposed on cigarettes, other tobacco products, liquor (including wine and hard cider), and beer. Total excise tax revenues were $365.8 million in 2006-07. Under Act 20, total excise tax revenues were reestimated at $537.3 million in 2007-08 and $624.6 million in 2008-09, to reflect the Act 20 increases in the tax rates on cigarettes and other tobacco products as well as additional modifications to taxes on other tobacco products, which took effect January 1, 2008.

Data is not yet available to reflect the actual impact of the cigarette and other tobacco products tax law changes under Act 20. However, while the January, 2007, estimates of cigarette tax revenues under prior law had assumed a slight increase in revenues, collections through December, 2007, had decreased by 1.25% compared to the prior year. Based on the reduced collections through December, 2007, and the current forecast for slower growth in personal income and personal consumption expenditures, it is now anticipated that cigarette tax revenues will be lower than the Act 20 estimates by $7.6 million in 2007-08 and $7.3 million 2008-09.

No changes are projected from the Act 20 estimates for the remaining excise taxes. Therefore, excise tax revenues are currently estimated at $529.7 million in 2007-08 and $617.3 million in 2008-09.

Insurance Premiums Taxes. Insurance premium taxes were $141.4 million in 2006-07. Premiums tax collections are projected to be $150.0 million in 2007-08 and $160.0 million in 2008-09. The projected increase in 2007-08 is primarily based on year-to-date monthly premiums tax collections, which are 4.6 % higher through January, 2008, and expected increased premiums in response to lower investment income. The estimated increase in 2008-09 reflects expected continued growth in insurance premiums. The new estimates exceed the Act 20 estimates by $9.0 million in 2007-08 and $16.0 million in 2008-09.

Estate Tax. In 2006-07, state estate tax revenues were $121.1 million. Under Act 20, estate taxes were estimated at $95.0 million in 2007-08 and $25.0 million in 2008-09. However, based on collections to date in 2007-08, estate taxes are reestimated at $140.0 million in 2007-08 and $30.0 million in 2008-09. The revised estimates are $45.0 million higher in 2007-08 and $5.0 million higher in 2008-09 than the Act 20 estimates.

The significant reduction in the estimates for 2008-09 under both Act 20 and the current revision is the result of statutory provisions that effectively eliminated the state estate tax for deaths on or after January 1, 2008. Such provisions specify that, for deaths on or after January 1, 2008, the state estate tax is based on a federal credit for state death taxes paid under federal estate tax law. However, current federal law does not provide such a credit, which is the reason that the state estate tax is eliminated. It should be noted, however, that the relevant federal provisions are scheduled to sunset on December 31, 2010. As a result, in the absence of a federal law change, Wisconsin's estate tax will again apply with respect to estates of decedents dying after December 31, 2010.

Estate taxes are typically paid nine months after the date of death. Therefore, it is expected that the state will receive estate tax revenues through September, 2008, for deaths occurring in the last nine months of 2007.

Miscellaneous Taxes. Miscellaneous taxes include the real estate transfer fee, municipal and circuit court-related fees, and a small amount from the occupational tax on coal. Miscellaneous tax revenues were $82.2 million in 2006-07, and are estimated at $73.0 million in both 2007-08 and in 2008-09. These estimates are unchanged from the Act 20 estimates.

Approximately 85% of miscellaneous tax revenues are from the real estate transfer fee (RETF). State RETF collections, which have fluctuated along with the strength of the housing market in recent years, reached a peak of $80.6 million in 2005-06 before declining to $71.7 million in 2006-07. RETF revenues are estimated to further decline to $62.5 million in 2007-08 before stabilizing at that level in 2008-09.

Transportation Fund

In addition to the discussion of the condition of the state's general fund, the following information is provided on the condition of the transportation fund.

Typically, the Department of Transportation, in cooperation with this office, prepares revised estimates of the transportation fund condition each spring. This year, the Department expects to produce this estimate in early April, utilizing February economic forecasts from Global Insight, Inc., as well as other, state-specific forecasts developed by the Department of Revenue. Of particular interest for this estimate will be the impact on transportation fund revenue collections of the economic downturn that has affected general fund revenue collections. Although it is still too early to fully evaluate the precise magnitude of the impact, based on preliminary indications, including actual collections through the first six months of the biennium, it appears that the transportation fund could have a biennium-ending deficit of as much as $25 million to $40 million.

The primary area of concern for transportation fund collections is vehicle registration and titling. The Act 20 revenue estimates were based on projections made in the spring of 2007, covering the three-year period from 2006-07 through 2008-09. Actual collections of vehicle registration revenue for 2006-07, however, were lower than the projections by $16.0 million. Although these reductions were offset in that year by higher collections in other areas, including motor fuel taxes, the relative weakness of vehicle registration revenue, particularly from heavy trucks, appears to have continued into the 2007-09 biennium.

Motor fuel tax collections, which are the other major component of transportation fund revenues, appear, through the first six months of the biennium, to be close to budget projections.

The Joint Committee on Finance may have two opportunities in the coming months to address any projected transportation fund deficit. First, under current law, the Department of Transportation is required to submit a plan to the Co-Chairs to allocate additional federal highway aid among its appropriations if the amount of aid received in a given federal fiscal year is greater than the amounts estimated in the state budget by 5% or more. Last week, the Federal Highway Administration notified the Department that the state will receive $718.3 million in federal fiscal year 2008, an amount that exceeds budget estimates by $76.2 million, or 11.9%. In addition, the state received an additional $23.4 million in federal fiscal year 2007 funds for expenditure in state fiscal year 2007-08, for a total of $99.6 million in additional funds. Under the statutory provision that requires the Department to submit a plan allocating these additional funds, the plan may adjust any DOT appropriation. Consequently, the plan could be used to reduce certain SEG appropriations to eliminate a projected deficit. In considering the Department's plan, the Committee may approve or modify and approve the adjustments, including any adjustments to the Department's SEG appropriations.

In addition to being required to submit a plan to make adjustments to allocate additional federal aid, a provision of Act 20 requires the Department to develop a plan to eliminate a projected deficit by reducing SEG appropriations whenever the deficit is projected to exceed $30 million. If the Department's spring estimate indicates that the deficit triggers this requirement, the Department will be required to submit a plan to the Committee. As with the federal funds allocation plan, the Committee may approve or modify and approve the plan.

We will continue to monitor economic forecasts, revenues, and expenditures and keep you informed of any modifications that may be necessary.

Sincerely,

Bob

Robert Wm. Lang
Director

RWL/sas
cc: Members, Wisconsin Legislature

General Fund Information; General Fund Cash Flow (Part II; Pages 36-44).

The following tables provide updates and additions to various tables containing General Fund information for the 2007-08 and 2008-09 fiscal years, which are presented on either a cash basis or agency recorded basis. The projections and estimates in the following tables, unless noted, reflect the projected General Fund revenues released by LFB on February 13, 2008 and the budget adjustment bill for the 2007-09 biennium, as signed into law, with some vetoes, by the Governor on May 16, 2008 (2007 Wisconsin Act 226) . The tables contain information through May 31, 2008.

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.

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. The Wisconsin Constitution, however, 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.

Table II-7; Actual and Projected General Fund Cash Flow (Part II - Page 39). Replace with the tables that appear on pages 9 and 10 of this Official Statement. These tables include actual and projected General Fund cash flow for both the 2007-08 and 2008-09 fiscal years.

Table II-8; General Fund Cash Receipts and Disbursements Year to Date; Compared to Estimates and Previous Fiscal Year. (Part II-Page 40). Replace with the following updated table.

2007-08 FISCAL YEAR
GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS YEAR-TO-DATE
COMPARED TO ESTIMATES AND PREVIOUS FISCAL YEAR[a]
(Cash Basis)
As of May 31, 2008
(Amounts in Thousands)

	FY07 through May 2007	FY08 through May 2008				
	Actual	Actual	Estimate[b]	Variance	Adjusted Variance[c]	Difference FY07 Actual to FY08 Actual
RECEIPTS						
Tax Receipts						
Individual Income	$ 7,114,537	$ 7,380,665	$ 7,169,051	$ 211,614	$ 211,614	$ 266,128
Sales	4,106,872	4,125,028	4,051,501	73,527	73,527	18,156
Corporate Income	863,887	799,602	761,712	37,890	37,890	(64,285)
Public Utility	294,454	307,761	306,115	1,646	1,646	13,307
Excise	325,492	447,790	488,038	(40,248)	(40,248)	122,298
Insurance	143,646	155,347	157,301	(1,954)	(1,954)	11,701
Inheritance	113,797	141,549	94,233	47,316	47,316	27,752
Total Tax Receipts	$ 12,962,685	$ 13,357,742	$ 13,027,951	$ 329,791	$ 329,791	$ 395,057
Non-Tax Receipts						
Federal	$ 5,890,043	$ 6,171,856	$ 5,977,146	$ 194,710	$ 194,710	$ 281,813
Other and Transfers	3,781,809	3,696,164	4,077,288	(381,124)	(381,124)	(85,645)
Note Proceeds [d]	-	594,000	594,000	-	-	594,000
Total Non-Tax Receipts	$ 9,671,852	$ 10,462,020	$ 10,648,434	$ (186,414)	$ (186,414)	$ 790,168
TOTAL RECEIPTS	$ 22,634,537	$ 23,819,762	$ 23,676,385	$ 143,377	$ 143,377	$ 1,185,225
DISBURSEMENTS						
Local Aids	$ 6,253,536	$ 6,689,382	$ 6,694,682	$ 5,300	$ 5,300	$ 435,846
Income Maintenance	4,919,360	4,993,448	4,873,852	(119,596)	(119,596)	74,088
Payroll & Related	3,972,181	4,137,684	4,282,182	144,498	144,498	165,503
Tax Refunds	1,859,544	2,168,900	1,880,783	(288,117)	(288,117)	309,356
Debt Service	576,971	619,430	660,492	41,062	41,062	42,459
Miscellaneous	3,955,981	4,052,535	4,143,546	91,011	91,011	96,554
Note Repayment [d]	-	623,199	625,800	2,601	2,601	623,199
TOTAL DISBURSEMENTS	$ 21,537,573	$ 23,284,578	$ 23,161,337	$ (123,241)	$ (123,241)	$ 1,747,005
VARIANCE FY08 YEAR-TO-DATE				$ 20,136	$ 20,136	

[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] The estimates in this table (i) through the month of September 2007 reflect the Governor's proposed budget for the 2007-08 fiscal year, (ii) for the period of October 2007 to January 2008 reflect the enacted budget (2007 Wisconsin Act 20), (iii) for the period of February 2008 to March 2008 reflect the enacted budget and the updated General Fund revenue estimates released by LFB on February 13, 2008, and (iv) for April 2008 and subsequent months reflect the enacted budget, the updated General Fund revenue estimates from LFB, and the budget adjustment bill for the 2007-09 biennium (2007 Wisconsin Act 226).

[c] Changes are sometimes made after the beginning of the fiscal year to the projected revenues and disbursements. Depending on when these changes occur, there are situations in which prior estimates cannot be changed, which may result 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 2006-07 fiscal year but were issued for the 2007-08 fiscal year.

Source: Wisconsin Department of Administration

Table II-9; General Fund Monthly Position (Part II - Page 41). Replace with the following updated table:

GENERAL FUND MONTHLY CASH POSITION[(a)]
July 1, 2006 through May 31, 2008 – Actual
June 1, 2008 through June 30, 2009 – Estimated[(b)]
(Amounts in Thousands)

	Starting Date	Starting Balance		Receipts[(c)]	Disbursements[(c)]
2006	July	4,563	(d)	$ 1,920,630	$ 2,121,122
	August	(195,929)	(d)	1,695,545	1,391,455
	September	108,161	(d)	2,288,498	2,041,092
	October	355,567		2,130,549	1,373,404
	November	1,112,712		1,856,520	2,086,743
	December	882,489	(d)	1,791,636	2,501,552
2007	January	172,573		2,570,733	1,717,796
	February	1,025,510		1,949,875	1,947,201
	March	1,028,184		1,869,287	2,934,724
	April	(37,253)	(d)	2,548,712	1,896,578
	May	614,881		2,009,550	1,525,908
	June	1,098,523	(d)	2,307,089	3,356,463
	July	49,149		2,746,602	2,446,001
	August	349,750	(d)	1,772,536	1,483,505
	September	638,781		2,185,645	2,100,805
	October	723,621		2,124,755	1,430,699
	November	1,417,677		1,962,257	2,248,605
	December	1,131,329	(d)	1,769,558	2,454,032
2008	January	446,855		2,699,255	1,782,044
	February	1,364,066		2,155,175	2,401,752
	March	1,117,489	(d)	1,953,094	3,283,120
	April	(212,537)	(d)	2,462,984	1,837,549
	May	412,898		1,987,901	1,816,466
	June	584,333	(d)	2,525,357	3,067,150
	July	42,540		2,855,976	2,687,880
	August	210,636	(d)	1,803,539	1,338,553
	September	675,622		2,471,594	2,272,098
	October	875,118		2,053,386	1,608,686
	November	1,319,818	(d)	1,950,215	2,262,610
	December	1,007,423		1,919,377	2,527,765
2009	January	399,035		2,735,334	1,924,163
	February	1,210,206		2,205,192	2,308,602
	March	1,106,796	(d)	2,006,071	3,398,899
	April	(286,032)	(d)	2,391,464	1,936,802
	May	168,630	(d)	1,997,241	1,771,423
	June	394,448	(d)	2,396,594	3,224,506

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

(b) The projections in this table reflect the budget for the 2007-09 biennium (2007 Wisconsin Act 20), the updated General Fund revenues estimates released by LFB on February 13, 2008, and the budget adjustment bill for the 2007-09 biennium (2007 Wisconsin Act 226).

(c) Operating notes were not issued for the 2006-07 fiscal year, were issued for the 2007-08 fiscal year, and are expected to be issued for the 2008-09 fiscal year.

(d) At some period during this month, the General Fund was in a negative cash position. 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 $690 million for the 2007-08 fiscal year and $706 million for the 2008-09 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 $414 million for the 2007-08 fiscal year and $424 million for the 2008-09 fiscal year) for a period of up to 30 days. 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.

Source: Wisconsin Department of Administration

Table II-10; Balances in Funds Available for Interfund Borrowing (Part II - Page 42). Replace with the following updated table.

BALANCES IN FUNDS AVAILABLE FOR INTERFUND BORROWING[(a)]
July 31, 2006 to May 31, 2008 – Actual
June 30, 2008 to June 30, 2009 – Estimated
(Amounts in Millions)

The following two tables show, on a monthly basis, the cash balances available for temporary reallocation, which is also referred to as interfund borrowing. The first table does not include balances in the Local Government Investment Pool **(LGIP)**. Though 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. The Secretary of Administration may not exercise the authority to complete interfund borrowing if this temporary reallocation would jeopardize the cash flow of any fund or account from which interfund borrowing would be made.

Available Balances; Does Not Include Balances in the LGIP

Month (Last Day)	2006	2007	2008	2009
January		$ 1,048	$ 1,203	$ 1,203
February		1,131	1,265	1,265
March		1,154	1,298	1,298
April		1,114	1,210	1,210
May		1,202	1,166	1,166
June		1,208	1,074	1,074
July	$ 932	1,141	1,141	
August	1,052	1,204	1,204	
September	1,067	1,204	1,205	
October	925	1,110	1,110	
November	966	1,229	1,229	
December	1,019	1,244	1,244	

Available Balances; Includes Balances in the LGIP

Month (Last Day)	2006	2007	2008	2009
January		$ 4,509	$ 4,943	$ 4,943
February		4,773	5,255	5,255
March		4,860	5,453	5,453
April		4,593	5,273	5,273
May		4,408	5,010	5,010
June		4,536	3,941	3,941
July	$ 4,218	4,862	4,863	
August	3,978	4,383	4,383	
September	3,845	4,264	4,264	
October	3,361	3,900	3,900	
November	3,477	4,017	4,017	
December	3,764	4,141	4,141	

[(a)] The amounts shown reflect a reduction in the aggregate cash balances available to the extent any fund has a negative balance and is subject to interfund borrowing.

Source: Wisconsin Department of Administration

Table II-11; General Fund Recorded Revenues (Part II - Page 43). Replace with the following updated table:

GENERAL FUND RECORDED REVENUES[(a)]
(Agency Recorded Basis)
July 1, 2007 to May 31, 2008 compared with previous year[(b)]

	Annual Fiscal Report Revenues 2006-07 FY[(c)]	Projected Revenues 2007-08 FY[(d)]	Recorded Revenues July 1, 2006 to May 31, 2007[(e)]	Recorded Revenues July 1, 2007 to May 31, 2008[(f)]
Individual Income Tax	$ 6,573,778,000	$ 6,758,800,000	$ 5,608,804,626	$ 5,608,854,428
General Sales and Use Tax	4,158,612,000	4,310,000,000	3,423,792,675	3,468,929,668
Corporate Franchise and Income Tax	890,056,000	887,775,000	738,466,056	685,525,188
Public Utility Taxes	284,940,000	297,200,000	284,880,051	297,552,752
Excise Taxes	365,848,000	537,300,000	300,445,413	417,468,717
Inheritance Taxes	121,114,000	95,000,000	110,084,548	138,029,595
Insurance Company Taxes	141,405,000	141,000,000	107,515,404	119,125,327
Miscellaneous Taxes	82,244,000	73,000,000	100,234,842	94,084,319
SUBTOTAL.........................	12,617,997,000	13,100,075,000	10,674,223,615	10,829,569,996
Federal and Other Inter-Governmental Revenues[(g)]	6,505,269,000	6,239,071,300	5,879,526,137	6,206,271,152
Dedicated and Other Revenues[(h)]	4,000,158,000	4,548,254,700	3,914,656,015	3,855,516,470
TOTAL.............................	$ 23,123,424,000	$ 23,887,401,000	$ 20,468,405,766	$ 20,891,357,618

(a) The revenues in this table are presented on an agency recorded basis and not a budgetary basis. 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 shown do not include revenues for the 2006-07 fiscal year that were recorded by state agencies during the months of July and August, 2007.

(c) The amounts are from the Annual Fiscal Report (budgetary basis) for 2006-07 fiscal year, dated October 15, 2007.

(d) The projections in this table reflect the projected General Fund revenues released by LFB on January 30, 2007 and the budget for the 2007-08 fiscal year (2007 Wisconsin Act 20). The projections do not reflect the updated estimates of General Fund revenues released by LFB on February 13, 2008 nor the budget adjustment bill for the 2007-08 fiscal year (2007 Wisconsin Act 226).

(e) The amounts shown are 2006-07 fiscal year revenues as recorded by all state agencies.

(f) The amounts shown are 2007-08 general purpose revenues and program revenue taxes collected across all state agencies. There may be differences between the tax revenues shown in this table and those reported by the Department of Revenue from time to time in their monthly general purpose revenue collections report; the Department of Revenue report only includes general purpose revenues or taxes that are actually collected by the Department of Revenue.

(g) 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.

(h) 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 44). Replace with the following updated table:

GENERAL FUND RECORDED EXPENDITURES BY FUNCTION[(a)]
(Agency Recorded Basis)
July 1, 2007 to May 31, 2008 compared with previous year[(b)]

	Annual Fiscal Report Expenditures 2006–07 FY[(c)]	Appropriations 2007–08 FY[(d)]	Recorded Expenditures July 1, 2006 to May 31, 2007[(e)]	Recorded Expenditures July 1, 2007 to May 31, 2008[(f)]
Commerce.................................………	$ 281,047,000	$ 294,328,200	$ 227,800,758	$ 209,646,818
Education...............................………	10,542,076,000	10,961,021,300	8,400,530,562	8,654,324,731
Environmental Resources......………	328,094,000	367,720,800	308,740,232	303,103,007
Human Relations & Resources …….	9,341,228,000	9,256,908,100	8,559,213,079	8,746,692,963
General Executive.................………	720,467,000	947,430,200	741,184,350	778,164,183
Judicial.................................………	121,332,000	127,264,900	110,410,107	114,380,959
Legislative...........................………	63,372,000	71,124,100	53,990,516	55,470,535
General Appropriations..........………	1,807,627,000	2,060,562,300	1,776,513,249	2,005,544,909
TOTAL.......………………….	$ 23,205,243,000	$ 24,086,359,900	$ 20,178,382,854	$ 20,867,328,105

(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) This table does not include the expenditures for the 2006-07 fiscal year that were recorded by State agencies during the months of July and August, 2007.

(c) The amounts are from the Annual Fiscal Report (unaudited and budgetary basis) for the 2006-07 fiscal year, dated October 15, 2007.

(d) The estimates in this table reflect the budget for the 2007-08 fiscal year (2007 Wisconsin Act 20) but do not reflect the budget adjustment bill for the 2007-08 fiscal year (2007 Wisconsin Act 226).

(e) The amounts shown are 2006-07 fiscal year expenditures as recorded by state agencies.

(f) The amounts shown are 2007-08 fiscal year expenditures as recorded by all state agencies.

Source: Wisconsin Department of Administration.

Appendix B

EXPECTED FORM OF OPINION OF BOND COUNSEL

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

[Letterhead of Foley & Lardner LLP]

$800,000,000

STATE OF WISCONSIN

OPERATING NOTES OF 2008

We have served as bond counsel in connection with the issuance by the State of Wisconsin (**State**) of its $800,000,000 Operating Notes of 2008, dated the date hereof (**Notes**). The Notes are authorized by Chapters 16 and 18, Wisconsin Statutes **(Act)** and are being issued pursuant to a resolution adopted by the State of Wisconsin Building Commission **(Commission)** on June 25, 2008 (**Resolution).**

We examined the law, a certified copy of the proceedings relating to the issuance of the Notes, 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 Notes are valid and binding limited obligations of the State, payable only from, and secured by, revenues pledged by the Commission and deposited into the Operating Note Redemption Fund established with The Bank of New York Mellon Trust Company, N.A., as trustee. The Notes and the interest on the Notes are not a general obligation of the State and do not constitute "public debt" of the State as that term is used in the Constitution and the statutes of the State.

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

3. The Notes are secured equally with all other notes (if any) issued under the Resolution, subordinate only to the owners of the State's general obligations.

4. There has been appropriated from the General Fund of the State a sum sufficient for the payment of the principal and interest coming due on the Notes and for the payment of certain funds required to be impounded and transferred, from time to time, to the Operating Note Redemption Fund. There has been irrevocably appropriated from the Operating Note Redemption Fund a sum sufficient to pay the principal and interest coming due on the Notes.

5. Interest on the Notes 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 Notes is taken into account in determining adjusted current earnings. The State must comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied after the Notes are issued for interest 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 Notes to be included in gross income for federal income tax purposes, in some cases retroactive to the date the Notes were issued. This letter expresses no opinion about other federal tax law consequences relating to the Notes.

6. The Notes are exempt from registration under the Securities Act of 1933, and the Resolution is exempt from qualification under the Trust Indenture Act of 1939. We have not passed upon matters pertaining to compliance with the Blue Sky laws of any state in connection with the offering and sale of the Notes.

The rights of the owners of the Notes and the enforceability of the Notes 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 Notes (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 Notes, 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 update this letter to reflect any facts or circumstances that later come to our attention or any subsequent changes in law. In serving as bond counsel, we have established an attorney-client relationship solely with the State.

Very truly yours,

FOLEY & LARDNER LLP