

**OFFICIAL STATEMENT**

New Issue

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

**\$302,200,000**  
**STATE OF WISCONSIN**  
**GENERAL OBLIGATION BONDS OF 2008, SERIES C**

**Dated: Date of Delivery**

**Due: May 1, as shown below**

<b>Ratings</b>	AA– Fitch Ratings Aa3 Moody’s Investors Service, Inc. AA Standard & Poor’s Ratings Services
<b>Tax Exemption</b>	Interest on the Bonds is, for federal income tax purposes, excluded from gross income and not an item of tax preference. Interest on the Bonds is not excluded from current State of Wisconsin income and franchise taxes— <i>See pages 8-9.</i>
<b>Redemption</b>	The Bonds maturing on or after May 1, 2019 are callable at par on May 1, 2018 or any date thereafter— <i>See page 2.</i>
<b>Security</b>	General obligations of the State of Wisconsin— <i>See page 2.</i>
<b>Purpose</b>	Proceeds from the Bonds are being used for various governmental purposes— <i>See page 3.</i>
<b>Interest Payment Dates</b>	May 1 and November 1
<b>First Interest Payment Date</b>	May 1, 2009
<b>Denominations</b>	Multiples of \$5,000
<b>Closing/Settlement</b>	On or about September 4, 2008
<b>Bond Counsel</b>	Foley & Lardner LLP
<b>Registrar/Paying Agent</b>	Secretary of Administration
<b>Issuer Contact</b>	Wisconsin Capital Finance Office (608) 266-2305; <a href="mailto:DOACapitalFinanceOffice@wisconsin.gov">DOACapitalFinanceOffice@wisconsin.gov</a>
<b>Book-Entry System</b>	The Depository Trust Company— <i>See pages 3-4.</i>
<b>2007 Annual Report</b>	This Official Statement incorporates by reference Parts <b>I, II,</b> and <b>III</b> of the State of Wisconsin Continuing Disclosure Annual Report, dated December 21, 2007.

The Bonds were sold at competitive sale on August 19, 2008. The interest rates payable by the State, which are shown below, resulted from the award of the Bonds.

<b>CUSIP</b>	<b>Year (May 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>First Optional Call Date (May 1)</b>	<b>Call Price</b>
97705L TT4	2010	\$ 11,370,000	5.00%	Not Callable	-
97705L TU1	2011	11,935,000	4.00	Not Callable	-
97705L TV9	2012	12,535,000	5.00	Not Callable	-
97705L TW7	2013	13,160,000	4.00	Not Callable	-
97705L TX5	2014	13,820,000	5.00	Not Callable	-
97705L TY3	2015	14,510,000	5.00	Not Callable	-
97705L TZ0	2016	15,235,000	5.00	Not Callable	-
97705L UA3	2017	16,000,000	5.00	Not Callable	-
97705L UB1	2018	16,795,000	5.00	Not Callable	-
97705L UC9	2019	17,640,000	5.00	2018	100%
97705L UD7	2020	11,950,000	5.00	2018	100
97705L UE5	2021	12,545,000	5.00	2018	100
97705L UF2	2022	13,175,000	5.00	2018	100
97705L UG0	2023	13,835,000	5.00	2018	100
97705L UH8	2024	14,525,000	5.00	2018	100
97705L UJ4	2025	15,250,000	5.00	2018	100
97705L UK1	2026	16,015,000	5.00	2018	100
97705L UL9	2027	16,810,000	4.75	2018	100
97705L UM7	2028	17,650,000	5.00	2018	100
97705L UN5	2029	27,445,000	5.00	2018	100

**Purchase Price: \$319,372,801.77**

August 19, 2008

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

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 prepared this document and is responsible for its accuracy and completeness. The Underwriters did not prepare 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.

Certain statements in this document are forward-looking statements that are based on expectations, estimates, projections, or assumptions. Forward-looking statements contained in this document are made as of the date hereof, and the State undertakes no obligation to update such statements to reflect subsequent events or circumstances. Actual results could differ materially from the anticipated results.

Some of the people who prepared, compiled, or reviewed the information in this document had specific functions that covered some of its aspects but not others. For example, financial staff may have been asked to assist with quantitative financial information, and legal counsel, with specific documents or legal issues.

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

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# STATE OFFICIALS PARTICIPATING IN THE ISSUANCE AND SALE OF THE BONDS

## BUILDING COMMISSION MEMBERS

### Voting Members

	Term of Office Expires
Governor Jim Doyle, Chairperson	January 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

### 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
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## 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

Department of Administration  
Capital Finance Office  
P.O. Box 7864  
101 E. Wilson Street, 10th Floor  
Madison, WI 53707-7864  
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[DOACapitalFinanceOffice@wisconsin.gov](mailto:DOACapitalFinanceOffice@wisconsin.gov)

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Mr. Lawrence K. Dallia  
Assistant Capital Finance Director  
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[larry.dallia@wisconsin.gov](mailto:larry.dallia@wisconsin.gov)

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

## SUMMARY DESCRIPTION OF BONDS

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

Description:	State of Wisconsin General Obligation Bonds of 2008, Series C
Principal Amount:	\$302,200,000
Denominations:	Multiples of \$5,000
Date of Issue:	Date of delivery (on or about September 4, 2008)
Record Date:	April 15 and October 15
Interest Payments:	May 1 and November 1, beginning May 1, 2009
Maturities:	May 1, 2010-2029— <i>See front cover</i>
Redemption:	<i>Optional</i> —The Bonds maturing on or after May 1, 2019 are callable at par on May 1, 2018 or any date thereafter— <i>See page 2</i>
Form:	Book-entry-only— <i>See pages 3-4</i>
Paying Agent:	All payments of principal and interest on the Bonds will be paid by the Secretary of Administration. All payments will be made to The Depository Trust Company, which will distribute payments to DTC Participants as described herein.
Security:	The Bonds are general obligations of the State of Wisconsin. As of August 1, 2008, general obligations of the State were outstanding in the principal amount of \$5,737,228,688.
Additional General Obligation Debt:	The State may issue additional general obligation debt.
Authority for Issuance:	The Bonds are authorized by Article VIII of the Wisconsin Constitution and Chapters 18 and 20 of the Wisconsin Statutes.
Purpose:	Acquisition, construction, development, extension, enlargement, or improvement of land, water, property, highways, buildings, equipment, or facilities for public purposes.
Legality of Investment:	State law provides that the Bonds are legal investments for all banks, trust companies, bankers, savings banks and institutions, building and loan associations, savings and loan associations, credit unions, investment companies, and other persons or entities carrying on a banking business; for all personal representatives, guardians, trustees, and other fiduciaries; and for the State and all public officers, municipal corporations, political subdivisions, and public bodies.
Tax Exemption:	Interest on the Bonds is, for federal income tax purposes, excluded from gross income and not an item of tax preference— <i>See pages 8-9</i>  Interest on the Bonds is not excluded from current State of Wisconsin income and franchise taxes— <i>See page 9</i>
Legal Opinion:	Validity and tax opinion to be provided by Foley & Lardner LLP— <i>See page C-1</i>

**OFFICIAL STATEMENT**  
**\$302,200,000**  
**STATE OF WISCONSIN**  
**GENERAL OBLIGATION BONDS OF 2008, SERIES C**

**INTRODUCTION**

This Official Statement provides information about the \$302,200,000 General Obligation Bonds of 2008, Series C (**Bonds**), which are being issued by the State of Wisconsin (**State**). This Official Statement includes by reference Parts I, II, and III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 21, 2007 (**2007 Annual Report**).

The Bonds are authorized under the Wisconsin Constitution and the Wisconsin Statutes, as well as an authorizing resolution that the State of Wisconsin Building Commission (**Commission**) adopted on August 6, 2008.

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

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

**THE STATE**

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

Information concerning the State, its financial condition, and its general obligation debt is included as **APPENDIX A**, which includes by reference Parts II and III of the 2007 Annual Report. **APPENDIX A** also includes updated information and changes or additions to Parts II and III of the 2007 Annual Report, including but not limited to:

- Projected and actual General Fund cash flows as of June 30, 2008.
- Information on the budget adjustment bill for the 2007-09 biennium, which was 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.

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

*Mail:* 101 East Wilson Street, FLR 10  
P.O. Box 7864  
Madison, WI 53707-7864

*Phone:* (608) 266-2305

*E-mail:* [DOACapitalFinanceOffice@wisconsin.gov](mailto:DOACapitalFinanceOffice@wisconsin.gov)

*Web site:* [www.doa.wi.gov/capitalfinance](http://www.doa.wi.gov/capitalfinance)

# THE BONDS

## General

The **front cover of this Official Statement** sets forth the maturity dates, amounts, and interest rates for the Bonds. The Bonds are being issued in book-entry-only form, so the registered owner will be a securities depository or its nominee. The Commission has appointed, as the securities depository for the Bonds, The Depository Trust Company, New York, New York (DTC). See “**THE BONDS; Book-Entry-Only Form**”.

The Bonds will be dated their date of delivery (expected to be September 4, 2008) and will bear interest from that date payable on May 1 and November 1 of each year, beginning on May 1, 2009.

Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months. So long as the Bonds are in book-entry-only form, payments of principal and interest for each Bond will be paid to the securities depository.

The Bonds are issued as fully registered certificated bonds in principal denominations of \$5,000 or multiples of \$5,000.

## Security

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

## Redemption Provisions

### *Optional Redemption*

The Bonds maturing on or after May 1, 2019 may be redeemed on May 1, 2018 or any date thereafter, in whole or in part in multiples of \$5,000, at a redemption price equal to par (100% of the principal amount to be redeemed), plus accrued interest to the redemption date. The Commission may decide whether to redeem Bonds, and the Capital Finance Director may direct the amounts and maturities of the Bonds to be redeemed.

### *Selection of Bonds*

So long as the Bonds are in book-entry-only form, selection of the beneficial owners affected by the redemption will be made by the securities depository and its participants in accordance with their rules.

### *Notice of Redemption*

So long as the Bonds are in book-entry-only form, any redemption notice will be sent to the securities depository between 30 and 60 days before the redemption date. A redemption notice may be revoked by sending notice to the securities depository at least 15 days before the proposed redemption date.

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

## Registration and Payment of Bonds

So long as the Bonds are in book-entry-only form, payment of principal will be made by wire transfer to the securities depository or its nominee by the **Paying Agent**—which is the Secretary of Administration. Payment of interest will be made by wire transfer to the securities depository or its nominee on the payment date.

## **Ratings**

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

<u>Rating</u>	<u>Rating Agency</u>
AA-	Fitch Ratings
Aa3	Moody's Investors Service, Inc. <sup>(a)</sup>
AA	Standard & Poor's Ratings Services <sup>(b)</sup>

<sup>(a)</sup> On March 17, 2008, Moody's Investors Services, Inc. changed its rating outlook on the State's general obligations from "stable" to "negative".

<sup>(b)</sup> On August 15, 2008, Standard & Poor's Rating Services upgraded its rating on the State's general obligations from "AA-" to "AA".

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

## **Application of Bond Proceeds**

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

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

## **Book-Entry-Only Form**

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

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

### *Payment*

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

### *Notices and Voting Rights*

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

### *Redemption*

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

### *Discontinued Service*

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

### *Further Information*

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

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

### **Possible Discontinuance of Book-Entry-Only System**

In the event the Bonds were not in book-entry-only form, how the Bonds are redeemed and paid would differ.

Bonds would be selected for redemption by lot. Any redemption notice would be published between 30 and 60 days before the date of redemption in a financial newspaper published or circulated in New York, New York. The notice would also be mailed, postage prepaid, between 30 and 60 days before the redemption date to the registered owners of any Bonds to be redeemed. The mailing, however, would not be a condition to the redemption; any proceedings to redeem the Bonds would still be effective even if the notice were not mailed. A redemption notice could be revoked by publication of a notice at least 15 days before the proposed redemption date in a financial newspaper published or circulated in New York, New York. Any revocation notice would also be mailed, postage prepaid, at least 15 days before the proposed redemption date to the registered owners of any Bonds to have been redeemed. The mailing, however, would not be a condition to the revocation; the revocation would still be effective even if the notice were not mailed. Interest on any Bond called for redemption would cease to accrue on the redemption date so long as the Bond were paid or money were provided for its payment.

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

## **OTHER INFORMATION**

### **Limitations on Issuance of General Obligations**

All general obligations issued by the State fall within a debt limit set forth in the Wisconsin Constitution and Statutes. There is an annual limit of three-quarters of one percent, and a cumulative limit of five percent, of the aggregate value of all taxable property in the State. Based on the determination of the aggregate value of all taxable property made on August 15, 2007, the annual limit was \$3,734,402,615, and the aggregate limit was \$24,896,017,435. With the determination of the aggregate value of all taxable property that was made on August 15, 2008, the annual limit increased to \$3,857,954,728, and the aggregate limit increased to \$25,719,698,185. A funding or refunding obligation does not count for purposes of the annual debt limit or the cumulative debt limit. Accrued interest on any obligation that is not paid during the fiscal year in which it accrues is treated as debt and taken into account for purposes of the debt limitations. As of



August 1, 2008, general obligations of the State were outstanding in the principal amount of \$5,737,228,688.

## **Borrowing Plans for 2008**

### *General Obligations*

The Bonds are the sixth series of general obligations to be issued in this calendar year. The State has previously issued (i) general obligation bonds in the par amount of \$10 million to provide a subsidy for the State's Clean Water Fund Program, (ii) general obligation extendible municipal commercial paper in the aggregate par amount of \$452 million to fund general obligation extendible municipal commercial paper issued under multiple series designations in previous calendar years, (iii) general obligation bonds in the par amount of \$165 million for general governmental purposes, and (iv) general obligation bonds in the aggregate par amount of \$20 million to refund general obligations bonds previously issued for the veterans housing loan program.

The Commission has authorized, in addition to the Bonds, 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 issuance of 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 issuance of general obligations for this purpose 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 issuance of 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 \$640 million as of August 1, 2008. The amount and timing of any issuance of general obligations for this funding purpose depend on various factors.

### *Other Obligations*

The State has sold, and expects to deliver on August 27, 2008, a series of transportation revenue bonds in the par amount of \$185 million to fund highway projects and transportation facilities. 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 loans in the

Clean Water Fund Program. The amount and timing of any additional 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 additional issuance of clean water revenue refunding bonds depend on market conditions.

The State, acting by and through its Department of Administration, 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 calendar year 2002 by the Badger Tobacco Asset Securitization Corporation, which related 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. The appropriation obligations may be sold for this purpose, depending on market conditions, in the fourth quarter of this calendar year.

The State has issued operating notes in the par amount of \$800 million for the 2008-09 fiscal year.

### **Underwriting**

The Bonds were purchased through competitive bidding on August 19, 2008 by the following account (**Underwriters**): Merrill Lynch & Co., book-running manager, and Jackson Securities, LLC. The Underwriters paid \$319,372,801.77, and their bid resulted in a true interest cost rate to the State of 4.302845%.

### **Reference Information About the Bonds**

Both the [table on the following page](#) and the [table on the front cover](#) include information about the Bonds and are provided for reference. The CUSIP number for each maturity has been obtained from sources the State believes to be reliable, but the State is not responsible for the correctness of the CUSIP numbers. The Underwriters have provided the reoffering yields and prices. For each of the Bonds subject to optional redemption, the yield shown is the lower of the yield to the first optional call date or the yield to the nominal maturity date.

### **Legal Investment**

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

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

**\$302,200,000**  
**State of Wisconsin**  
**General Obligation Bonds of 2008, Series C**

**Dated Date: Date of Delivery**  
**First Interest Date: May 1, 2009**  
**Delivery/Settlement Date: On or about September 4, 2008**

<u>CUSIP</u>	<u>Year (May 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield at Issuance</u>	<u>Price at Issuance</u>	<u>First Optional Call Date (May 1)</u>	<u>Call Price</u>
97705L TT4	2010	\$ 11,370,000	5.00%	2.15%	104.615%	Not Callable	-
97705L TU1	2011	11,935,000	4.00	2.54	103.727	Not Callable	-
97705L TV9	2012	12,535,000	5.00	2.80	107.595	Not Callable	-
97705L TW7	2013	13,160,000	4.00	2.97	104.447	Not Callable	-
97705L TX5	2014	13,820,000	5.00	3.18	109.352	Not Callable	-
97705L TY3	2015	14,510,000	5.00	3.30	110.083	Not Callable	-
97705L TZ0	2016	15,235,000	5.00	3.49	110.066	Not Callable	-
97705L UA3	2017	16,000,000	5.00	3.65	109.940	Not Callable	-
97705L UB1	2018	16,795,000	5.00	3.79	109.705	Not Callable	-
97705L UC9	2019	17,640,000	5.00	3.94	108.441	<sup>(a)</sup> 2018	100%
97705L UD7	2020	11,950,000	5.00	4.08	107.278	<sup>(a)</sup> 2018	100
97705L UE5	2021	12,545,000	5.00	4.19	106.374	<sup>(a)</sup> 2018	100
97705L UF2	2022	13,175,000	5.00	4.27	105.722	<sup>(a)</sup> 2018	100
97705L UG0	2023	13,835,000	5.00	4.30	105.479	<sup>(a)</sup> 2018	100
97705L UH8	2024	14,525,000	5.00	4.34	105.156	<sup>(a)</sup> 2018	100
97705L UJ4	2025	15,250,000	5.00	4.40	104.673	<sup>(a)</sup> 2018	100
97705L UK1	2026	16,015,000	5.00	4.45	104.273	<sup>(a)</sup> 2018	100
97705L UL9	2027	16,810,000	4.75	4.75	100.000	2018	100
97705L UM7	2028	17,650,000	5.00	4.55	103.479	<sup>(a)</sup> 2018	100
97705L UN5	2029	27,445,000	5.00	4.63	102.849	<sup>(a)</sup> 2018	100

<sup>(a)</sup> These Bonds are priced to the May 1, 2018 first optional call date.

**Legal Opinions**

*Bond Opinion*

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

*Attorney General*

As required by law, the office of the Attorney General will examine a certified copy of all proceedings leading to issuance of the Bonds. The Attorney General will deliver an opinion on the regularity and validity of the proceedings. The Attorney General's opinion will also state that there is no action, suit, or proceeding, either pending or threatened in writing, known to the Attorney General, restraining or enjoining the issuance, sale, execution, or delivery of the Bonds, 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 Bonds, (2) the validity of the Bonds or any of the proceedings taken with respect to the issuance, sale, execution, or delivery of the Bonds, or (3) the pledge or application of any moneys or security provided for the payment of the Bonds.

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

## **Tax Exemption**

### *Federal Income Tax*

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

Certain requirements and procedures contained or referred to in the authorizing 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 Bond 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 Bonds to be subject, directly or indirectly, to federal taxation, or otherwise prevent the owners of the Bonds from realizing the full current benefit of the tax status of the interest on the Bonds. Prospective purchasers of the Bonds 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 Bonds 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 Bonds in the event of an examination by the IRS. Under current IRS procedures, the owners of the Bonds and other parties other than the State would have little, if any, right to participate in an IRS examination of the Bonds. Moreover, because obtaining judicial review in connection with an IRS examination of tax-exempt obligations is difficult, obtaining independent review of IRS positions with which the State may legitimately disagree may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for examination, or the course or result of such an examination, or an examination of obligations presenting similar tax issues may affect the market price, or the marketability of the Bonds, and may cause the State or the owners of the Bonds to incur significant expense.

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

*State of Wisconsin Income and Franchise Taxes*

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

*Premium Bonds*

Each Bond maturing in the years May 1, 2010 through 2026, 2028, and 2029 (**Premium Bond**) has an issue price that is greater than the amount payable at the maturity of the Bond.

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

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

## **CONTINUING DISCLOSURE**

The State has made an undertaking, for the benefit of the beneficial owners of the Bonds, to provide an annual report presenting certain financial information and operating data about the State (**Annual Reports**). By December 27 of each year, the State will send the report to each nationally recognized municipal securities information repository (**NRMSIR**) and to any state information depository (**SID**) for the State. The State will also provide notices of the occurrence of certain events specified in the undertaking to each NRMSIR, or the Municipal Securities Rulemaking Board (**MSRB**), and to any SID. At this time, there is no SID for the State. [Part I of the 2007 Annual Report](#), which contains information on the undertaking, is included by reference as part of this Official Statement.

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

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

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

Dated: August 19, 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 [Parts II and III 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 Parts II and III of the 2007 Annual Report.

The changes or additions include information on the following:

- Projected and actual General Fund cash flows, as of June 30, 2008.
- 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.

[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.

[Part III of the 2007 Annual Report](#) contains information concerning general obligations issued by the State. That part discusses the security provisions for general obligations (including the flow of funds to pay debt service on general obligations) and presents data about the State's outstanding general obligations and the portion of outstanding general obligations that is revenue supported.

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](http://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](mailto: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 Parts II and III 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:

*Results of 2007-08 Fiscal Year*

The Annual Fiscal Report (budgetary basis) for the 2007-08 fiscal year will be published by October 15, 2008. This report will include the ending budgetary undesignated balance for the 2007-08 fiscal year.

*Budget Adjustment Bill*

A budget adjustment bill for the 2007-09 biennium 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. This budget adjustment bill was in response to the February 13, 2008 Legislative Fiscal Bureau (LFB) memorandum (see below) and the Secretary of Administration's determination that, as a result of the revised projections of General Fund tax collections, budgeted expenditures would exceed revenues by more than one-half of one percent of general purpose revenues

The table on the following page 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).

The Wisconsin Constitution requires the Legislature to enact a balanced biennial budget (which the Legislature has done 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.



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

	<u>2007-08 Fiscal Year</u>		<u>2008-09 Fiscal Year</u>	
	<u>2007 Act 20</u>	<u>Budget Adjustment Bill (2007 Act 226)</u>	<u>2007 Act 20</u>	<u>Budget Adjustment Bill (2007 Act 226)</u>
<b>Revenues</b>				
Opening Balance	\$ 66.3	\$ 66.3	\$ 67.0	\$ 80.5
Taxes	13,100.1	12,868.3	13,626.2	13,286.5
<b>Department Revenues</b>				
Tribal Gaming	96.7	96.7	46.3	46.3
Other	<u>428.2</u>	<u>643.1</u>	<u>435.0</u>	<u>514.2</u>
Total Available	13,691.4	13,674.4	14,174.5	13,917.5
<b>Appropriations</b>				
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	<u>(262.4)</u>	<u>(268.3)</u>	<u>(262.0)</u>	<u>(429.3)</u>
Net Appropriations	13,624.4	13,593.9	14,106.8	13,821.2
<b>Balances</b>				
Gross Balance	67.0	80.5	67.7	106.2
Less: Req. Statutory Balance	<u>(65.0)</u>	<u>(65.0)</u>	<u>(65.0)</u>	<u>(65.0)</u>
Net Balance, June 30	\$ 2.0	\$ 15.5	\$ 2.7	\$ 41.3

*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.

Taking into account the actions completed by the Secretary of Administration before the release of the LFB memorandum, an updated General Fund condition statement 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-5 to A-20](#) of this Official Statement.

**State Budget; Potential Effect of Litigation; Sales Tax on Customized Computer Software (Part II; Pages 30-31).** Update with the following information:

On July 11, 2008, the Wisconsin Supreme Court affirmed a Wisconsin court of appeal's decision in this case, that sales of certain customized software are not subject to the State's sales tax (Wisconsin Department of Revenue v. Menasha Corporation).

The LFB memorandum of February 13, 2008 included prior estimates from the Wisconsin Department of Revenue (**DOR**) that such a decision could reduce the State sales tax revenues by approximately \$28 million annually. This amount is less than the projected gross ending balance of \$106 million for the 2008-09 fiscal year, as shown in the above estimated General Fund condition statement. In addition, the LFB memorandum estimates that refund requests associated with years prior to the 2008-09 fiscal year will be approximately \$265 million. The State is currently reviewing the decision. The amount of refunds, if any, that will be paid in the 2008-09 fiscal year is not currently known; a more complete understanding on the timing and amount of refunds will be available on November 20, 2008, when the Department of Administration is required to provide revenue and expenditure estimates for the 2008-09 fiscal year.

# Legislative Fiscal Bureau

Robert Wm. Lang, Director



*State of Wisconsin*

One East Main, Suite 301 • Madison, WI 53703  
Email: Fiscal.Bureau@legis.wisconsin.gov  
Telephone: (608) 266-3847 • Fax: (608) 267-6873

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**

	<u>2007-08</u>	<u>2008-09</u>
<b>Revenues</b>		
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	<u>467,103,700</u>	<u>472,175,900</u>
Total Available	\$13,498,423,300	\$13,713,066,400
<b>Appropriations and Reserves</b>		
Gross Appropriations	\$13,780,810,400	\$14,171,612,500
Compensation Reserves	62,759,600	156,617,900
Less Lapses	<u>-268,286,500</u>	<u>-264,286,400</u>
Net Appropriations	\$13,575,283,500	\$14,063,944,000
<b>Balances</b>		
Gross Balance	-\$76,860,200	-\$350,877,600
Less Required Statutory Balance	<u>-65,000,000</u>	<u>-65,000,000</u>
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 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 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)**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
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)**

<u>Source</u>	<u>2006-07 Actual</u>	<u>Budget Estimates (Act 20)</u>		<u>Revised Estimates February 2008</u>	
		<u>2007-08</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2008-09</u>
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	<u>82.2</u>	<u>73.0</u>	<u>73.0</u>	<u>73.0</u>	<u>73.0</u>
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,

A handwritten signature in black ink that reads "Bob". The letters are stylized and cursive.

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 the 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 (2007 Wisconsin Act 226). The tables contain information through June 30, 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 (Page 39).** Replace with the following updated tables, which include actual and projected General Fund cash flow for both the 2007-08 and 2008-09 fiscal years.

**ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2007 TO JUNE 30, 2008<sup>(a)</sup>**

(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
<b>BALANCES<sup>(b)</sup></b>												
<b>Beginning Balance</b>	\$ 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
<b>Ending Balance<sup>(c)</sup></b>	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	24,835
<b>Lowest Daily Balance<sup>(c)</sup></b>	39,257	(441)	159,554	606,183	783,121	(285,238)	435,780	1,048,982	(212,538)	(648,410)	121,190	(576,399)
<b>RECEIPTS</b>												
<b>TAX RECEIPTS</b>												
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	\$ 860,989
Sales & Use	414,387	413,404	401,674	396,967	385,034	345,203	421,814	323,947	310,458	358,240	353,900	409,089
Corporate Income	35,238	20,042	154,364	51,110	31,669	174,535	21,726	30,498	188,247	49,678	42,495	144,842
Public Utility	20	20	509	1,871	148,786	987	56	20	94	1,111	154,287	213
Excise	30,620	34,376	36,523	27,764	36,994	26,518	28,435	74,544	47,280	51,023	53,713	55,139
Insurance	584	1,777	33,083	489	1,004	31,518	2,096	23,510	26,594	33,065	1,627	37,004
Inheritance	12,784	17,121	14,108	14,117	15,580	10,886	4,291	11,192	18,117	10,360	12,993	9,900
<b>Subtotal Tax Receipts</b>	<b>\$ 1,175,844</b>	<b>\$ 987,538</b>	<b>\$ 1,292,119</b>	<b>\$ 1,187,524</b>	<b>\$ 1,140,486</b>	<b>\$ 1,049,437</b>	<b>\$ 1,590,547</b>	<b>\$ 1,037,968</b>	<b>\$ 1,169,276</b>	<b>\$ 1,696,729</b>	<b>\$ 1,030,274</b>	<b>\$ 1,517,176</b>
<b>NON-TAX RECEIPTS</b>												
Federal	\$ 579,248	\$ 553,559	\$ 479,277	\$ 518,519	\$ 557,015	\$ 504,290	\$ 650,871	\$ 609,628	\$ 553,043	\$ 450,485	\$ 715,921	\$ 509,436
Other & Transfers	397,510	231,439	414,249	418,712	264,756	215,831	457,837	507,579	230,775	315,770	241,706	587,733
Note Proceeds <sup>(d)</sup>	594,000	-	-	-	-	-	-	-	-	-	-	-
<b>Subtotal Non-Tax Receipts</b>	<b>\$ 1,570,758</b>	<b>\$ 784,998</b>	<b>\$ 893,526</b>	<b>\$ 937,231</b>	<b>\$ 821,771</b>	<b>\$ 720,121</b>	<b>\$ 1,108,708</b>	<b>\$ 1,117,207</b>	<b>\$ 783,818</b>	<b>\$ 766,255</b>	<b>\$ 957,627</b>	<b>\$ 1,097,169</b>
<b>TOTAL RECEIPTS</b>	<b>\$ 2,746,602</b>	<b>\$ 1,772,536</b>	<b>\$ 2,185,645</b>	<b>\$ 2,124,755</b>	<b>\$ 1,962,257</b>	<b>\$ 1,769,558</b>	<b>\$ 2,699,255</b>	<b>\$ 2,155,175</b>	<b>\$ 1,953,094</b>	<b>\$ 2,462,984</b>	<b>\$ 1,987,901</b>	<b>\$ 2,614,345</b>
<b>DISBURSEMENTS</b>												
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	\$ 1,958,842
Income Maintenance	554,657	462,141	430,767	475,577	408,147	473,582	425,771	484,702	438,158	484,009	356,006	338,683
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	289,695
Tax Refunds	114,634	89,140	53,251	63,034	69,419	157,306	100,895	567,085	409,708	384,057	160,371	156,033
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	430,589
Note Repayment <sup>(d)</sup>	4,213	-	-	-	-	-	-	150,844	155,808	156,035	156,299	-
<b>TOTAL DISBURSEMENTS</b>	<b>\$ 2,446,001</b>	<b>\$ 1,483,505</b>	<b>\$ 2,100,805</b>	<b>\$ 1,430,699</b>	<b>\$ 2,248,605</b>	<b>\$ 2,454,032</b>	<b>\$ 1,782,044</b>	<b>\$ 2,401,752</b>	<b>\$ 3,283,120</b>	<b>\$ 1,837,549</b>	<b>\$ 1,816,466</b>	<b>\$ 3,173,842</b>

(a) Projections had reflected the assumption that the State would receive approximately \$124 million pursuant to the amended gaming compacts with tribal governments (\$72 million of this amount was an estimate of all payments due in the 2007-08 fiscal year, and \$52 million of this amount was an estimate of payments due in previous years from a tribal government that were expected to be made in the 2007-08 fiscal year). With respect to the estimated \$72 million of payments due in the 2007-08 fiscal year, as of June 30, 2008 the State received payments totaling \$44 million, invoiced two other tribal governments for which payments will be forthcoming, and had not yet received (and did not expect to receive) payment from one other tribal government. With respect to the estimated \$52 million of payments due in previous years, the State did not receive such payments. It is the same tribal government that is not expected to make its scheduled payment in the 2007-08 fiscal year and the payments due in previous years. The State and this tribal government continue arbitration with respect to this tribal government's amended gaming compact. This table does not include interfund

(b) The General Fund cash balances presented in this schedule are not based on generally accepted accounting principles (GAAP). The General Fund includes funds designated for operations and capital purposes of certain proprietary programs of the State's universities. Receipts and disbursements of such funds for the designated programs and the disbursement of such funds for other purposes are reflected in the cash flow. A use of the designated funds for purposes other than the proprietary programs is, in effect, a borrowing of such funds. Therefore, at any time that the balance in the General Fund is less than the balance of such designated funds, the State is obligated to replenish the designated funds to the extent of the shortfall. The designated funds were expected to range from \$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 were 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 was approximately \$690 million for the 2007-08 fiscal year. In addition, the Secretary of Administration may also temporarily reallocate an additional amount of 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) Included \$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<sup>(a)</sup>**

(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
<b>BALANCES<sup>(b)</sup></b>												
Beginning Balance	\$ 24,835	\$ 192,931	\$ 657,917	\$ 857,413	\$ 1,302,113	\$ 989,718	\$ 381,330	\$ 1,192,501	\$ 1,089,091	\$ (303,737)	\$ 150,925	\$ 376,743
Ending Balance <sup>(c)</sup>	192,931	657,917	857,413	1,302,113	989,718	381,330	1,192,501	1,089,091	(303,737)	150,925	376,743	(451,169)
Lowest Daily Balance <sup>(c)</sup>	24,835	(56,692)	185,456	573,121	704,863	(501,364)	236,963	854,043	(303,737)	(693,462)	(121,434)	(1,103,752)
<b>RECEIPTS</b>												
<b>TAX RECEIPTS</b>												
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	-	-	-	-	-	-	-	-	-
<b>Subtotal Tax Receipts</b>	<b>\$ 1,139,793</b>	<b>\$ 945,467</b>	<b>\$ 1,491,934</b>	<b>\$ 1,140,699</b>	<b>\$ 1,091,182</b>	<b>\$ 1,164,225</b>	<b>\$ 1,596,165</b>	<b>\$ 1,017,331</b>	<b>\$ 1,214,930</b>	<b>\$ 1,510,732</b>	<b>\$ 1,137,533</b>	<b>\$ 1,331,204</b>
<b>NON-TAX RECEIPTS</b>												
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 <sup>(d)</sup>	801,840	-	-	-	-	-	-	-	-	-	-	-
<b>Subtotal Non-Tax Receipts</b>	<b>\$ 1,716,183</b>	<b>\$ 858,072</b>	<b>\$ 979,660</b>	<b>\$ 912,687</b>	<b>\$ 859,033</b>	<b>\$ 755,152</b>	<b>\$ 1,139,169</b>	<b>\$ 1,187,861</b>	<b>\$ 791,141</b>	<b>\$ 880,732</b>	<b>\$ 859,708</b>	<b>\$ 1,065,390</b>
<b>TOTAL RECEIPTS</b>	<b>\$ 2,855,976</b>	<b>\$ 1,803,539</b>	<b>\$ 2,471,594</b>	<b>\$ 2,053,386</b>	<b>\$ 1,950,215</b>	<b>\$ 1,919,377</b>	<b>\$ 2,735,334</b>	<b>\$ 2,205,192</b>	<b>\$ 2,006,071</b>	<b>\$ 2,391,464</b>	<b>\$ 1,997,241</b>	<b>\$ 2,396,594</b>
<b>DISBURSEMENTS</b>												
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 <sup>(d)</sup>	9,840	-	-	-	-	-	-	195,893	205,733	205,733	205,733	-
<b>TOTAL DISBURSEMENTS</b>	<b>\$ 2,687,880</b>	<b>\$ 1,338,553</b>	<b>\$ 2,272,098</b>	<b>\$ 1,608,686</b>	<b>\$ 2,262,610</b>	<b>\$ 2,527,765</b>	<b>\$ 1,924,163</b>	<b>\$ 2,308,602</b>	<b>\$ 3,398,899</b>	<b>\$ 1,936,802</b>	<b>\$ 1,771,423</b>	<b>\$ 3,224,506</b>

(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 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 of 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.

(d) Includes \$800 million of operating note proceeds 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 received on July 1, 2008 and deposited into the Operating Note Redemption Fund.

**Table II-8; General Fund Cash Receipts and Disbursements Year to Date; Compared to Estimates and Previous Fiscal Year. (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<sup>(a)</sup>  
(Cash Basis)  
As of June 30, 2008  
(Amounts in Thousands)**

	<u>FY07 through June 2007</u>	<u>FY08 through June 2008</u>				<u>Difference FY07 Actual to FY08 Actual</u>
	<u>Actual</u>	<u>Actual</u>	<u>Estimate<sup>(b)</sup></u>	<u>Variance</u>	<u>Adjusted Variance<sup>(c)</sup></u>	
<b>RECEIPTS</b>						
<b>Tax Receipts</b>						
Individual Income	\$ 7,756,134	\$ 8,241,654	\$ 7,863,079	\$ 378,575	\$ 378,575	\$ 485,520
Sales	4,505,330	4,534,117	4,424,272	109,845	109,845	28,787
Corporate Income	1,032,775	944,444	906,684	37,760	37,760	(88,331)
Public Utility	294,665	307,974	307,023	951	951	13,309
Excise	355,975	502,929	549,635	(46,706)	(46,706)	146,954
Insurance	176,420	192,351	191,987	364	364	15,931
Inheritance	125,834	151,449	107,129	44,320	44,320	25,615
<b>Total Tax Receipts</b>	<b>\$ 14,247,133</b>	<b>\$ 14,874,918</b>	<b>\$ 14,349,809</b>	<b>\$ 525,109</b>	<b>\$ 525,109</b>	<b>\$ 627,785</b>
<b>Non-Tax Receipts</b>						
Federal	\$ 6,401,691	\$ 6,681,292	\$ 6,563,246	\$ 118,046	\$ 118,046	\$ 279,601
Other and Transfers	4,292,802	4,283,897	4,694,688	(410,791)	(410,791)	(8,905)
Note Proceeds <sup>(d)</sup>	-	594,000	594,000	-	-	594,000
<b>Total Non-Tax Receipts</b>	<b>\$ 10,694,493</b>	<b>\$ 11,559,189</b>	<b>\$ 11,851,934</b>	<b>\$ (292,745)</b>	<b>\$ (292,745)</b>	<b>\$ 864,696</b>
<b>TOTAL RECEIPTS</b>	<b>\$ 24,941,626</b>	<b>\$ 26,434,107</b>	<b>\$ 26,201,743</b>	<b>\$ 232,364</b>	<b>\$ 232,364</b>	<b>\$ 1,492,481</b>
<b>DISBURSEMENTS</b>						
Local Aids	\$ 8,260,578	\$ 8,648,224	\$ 8,657,382	\$ 9,158	\$ 9,158	\$ 387,646
Income Maintenance	5,268,823	5,332,131	5,102,368	(229,763)	(229,763)	63,308
Payroll & Related	4,392,036	4,427,379	4,562,014	134,635	134,635	35,343
Tax Refunds	2,012,120	2,324,933	2,044,882	(280,051)	(280,051)	312,813
Debt Service	576,971	619,430	660,492	41,062	41,062	42,459
Miscellaneous	4,383,508	4,483,124	4,575,549	92,425	92,425	99,616
Note Repayment <sup>(d)</sup>	-	623,199	625,800	2,601	2,601	623,199
<b>TOTAL DISBURSEMENTS</b>	<b>\$ 24,894,036</b>	<b>\$ 26,458,420</b>	<b>\$ 26,228,487</b>	<b>\$ (229,933)</b>	<b>\$ (229,933)</b>	<b>\$ 1,564,384</b>
<b>VARIANCE FY08 YEAR-TO-DATE</b>				<b>\$ 2,431</b>	<b>\$ 2,431</b>	

- (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 (Page 41).** Replace with the following updated table:

**GENERAL FUND MONTHLY CASH POSITION<sup>(a)</sup>**  
**July 1, 2006 through June 30, 2008 – Actual**  
**July 1, 2008 through June 30, 2009 – Estimated<sup>(b)</sup>**  
**(Amounts in Thousands)**

	<u>Starting Date</u>	<u>Starting Balance</u>	<u>Receipts<sup>(c)</sup></u>	<u>Disbursements<sup>(c)</sup></u>
2006	July.....	\$ 4,563 <sup>(d)</sup>	\$ 1,920,630	\$ 2,121,122
	August.....	(195,929) <sup>(d)</sup>	1,695,545	1,391,455
	September.....	108,161 <sup>(d)</sup>	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 <sup>(d)</sup>	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) <sup>(d)</sup>	2,548,712	1,896,578
	May.....	614,881	2,009,550	1,525,908
	June.....	1,098,523 <sup>(d)</sup>	2,307,089	3,356,463
	July.....	49,149	2,746,602	2,446,001
	August.....	349,750 <sup>(d)</sup>	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 <sup>(d)</sup>	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 <sup>(d)</sup>	1,953,094	3,283,120
	April.....	(212,537) <sup>(d)</sup>	2,462,984	1,837,549
	May.....	412,898	1,987,901	1,816,466
	June.....	584,333 <sup>(d)</sup>	2,614,345	3,173,842
	July.....	24,836	2,855,976	2,687,880
	August.....	192,932 <sup>(d)</sup>	1,803,539	1,338,553
	September.....	657,918	2,471,594	2,272,098
	October.....	857,414	2,053,386	1,608,686
	November.....	1,302,114 <sup>(d)</sup>	1,950,215	2,262,610
	December.....	989,719	1,919,377	2,527,765
2009	January.....	381,331	2,735,334	1,924,163
	February.....	1,192,502	2,205,192	2,308,602
	March.....	1,089,092 <sup>(d)</sup>	2,006,071	3,398,899
	April.....	(303,736) <sup>(d)</sup>	2,391,464	1,936,802
	May.....	150,926 <sup>(d)</sup>	1,997,241	1,771,423
	June.....	376,744 <sup>(d)</sup>	2,396,594	3,224,506

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

<sup>(b)</sup> 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).

<sup>(c)</sup> Operating notes were not issued for the 2006-07 fiscal year but were issued for the 2007-08 and 2008-09 fiscal years.

<sup>(d)</sup> 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 of 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 (Page 42).** Replace with the following updated table.

**BALANCES IN FUNDS AVAILABLE FOR INTERFUND BORROWING<sup>(a)</sup>**  
**July 31, 2006 to June 30, 2008 – Actual**  
**July 31, 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, or interfund borrowing. The first table does not include balances in the Local Government Investment Pool (LGIP) and the second table does include such balances. 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 monthly average daily balances in the LGIP for the past five years have ranged from a low of \$2.2 billion during November 2005 to a high of \$4.2 billion in April 2008. 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**

<u>Month (Last Day)</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
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	<u>1,079</u>	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**

<u>Month (Last Day)</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
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	<u>3,941</u>	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	

<sup>(a)</sup> 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 (Page 43).** Replace with the following updated table:

<b>GENERAL FUND RECORDED REVENUES<sup>(a)</sup></b>				
<b>(Agency Recorded Basis)</b>				
<b>July 1, 2007 to June 30, 2008 compared with previous year</b>				
	<b>Annual Fiscal Report Revenues <u>2006-07 FY<sup>(b)</sup></u></b>	<b>Projected Revenues <u>2007-08 FY<sup>(c)</sup></u></b>	<b>Recorded Revenues July 1, 2006 to <u>June 30, 2007<sup>(d)</sup></u></b>	<b>Recorded Revenues July 1, 2007 to <u>June 30, 2008<sup>(e)</sup></u></b>
Individual Income Tax .....	\$ 6,573,778,000	\$ 6,758,800,000	\$ 6,170,412,220	\$ 6,361,954,876
General Sales and Use Tax .....	4,158,612,000	4,310,000,000	3,796,440,215	3,853,283,035
Corporate Franchise and Income Tax .....	890,056,000	887,775,000	902,847,875	821,003,166
Public Utility Taxes .....	284,940,000	297,200,000	285,225,201	297,355,895
Excise Taxes .....	365,848,000	537,300,000	333,293,179	473,081,241
Inheritance Taxes .....	121,114,000	95,000,000	121,320,141	147,514,984
Insurance Company Taxes .....	141,405,000	141,000,000	108,974,144	120,001,484
Miscellaneous Taxes .....	82,244,000	73,000,000	95,378,675	88,033,879
SUBTOTAL.....	<u>12,617,997,000</u>	<u>13,100,075,000</u>	<u>11,813,891,649</u>	<u>12,162,228,561</u>
Federal and Other Inter- Governmental Revenues <sup>(f)</sup> .....	6,505,269,000	6,239,071,300	6,428,454,260	6,707,018,327
Dedicated and Other Revenues <sup>(g)</sup> .....	<u>4,000,158,000</u>	<u>4,548,254,700</u>	<u>4,190,524,161</u>	<u>4,460,411,116</u>
TOTAL.....	<u>\$ 23,123,424,000</u>	<u>\$ 23,887,401,000</u>	<u>\$ 22,432,870,070</u>	<u>\$ 23,329,658,004</u>

- (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 are from the Annual Fiscal Report (budgetary basis) for 2006-07 fiscal year, dated October 15, 2007.
- (c) 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).
- (d) The amounts shown are 2006-07 fiscal year revenues as recorded by all State agencies. The amounts shown are as of June 30, 2007 and do not include revenues for the 2006-07 fiscal year that were recorded by State agencies during the months of July and August, 2007.
- (e) 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. Additional revenues will be recorded and reported by State agencies during the months of July and August, 2008.
- (f) This category includes intergovernmental transfers. The amount of these transfers may vary greatly between fiscal years, and therefore this category may not be comparable on a historical basis.
- (g) Certain transfers between general fund appropriations are recorded as both revenues and expenditures of the General Fund. The amount of these transfers may vary greatly between fiscal years, and therefore this category may not be comparable on a historical basis.

**Source: Wisconsin Department of Administration**

**Table II-12; General Fund Recorded Expenditures by Function (Page 44).** Replace with the following updated table:

**GENERAL FUND RECORDED EXPENDITURES BY FUNCTION<sup>(a)</sup>  
(Agency Recorded Basis)  
July 1, 2007 to June 30, 2008 compared with previous year**

	Annual Fiscal Report Expenditures <u>2006-07 FY<sup>(b)</sup></u>	Appropriations <u>2007-08 FY<sup>(c)</sup></u>	Recorded Expenditures July 1, 2006 to <u>June 30, 2007<sup>(d)</sup></u>	Recorded Expenditures July 1, 2007 to <u>June 30, 2008<sup>(e)</sup></u>
Commerce.....	\$ 281,047,000	\$ 294,328,200	\$ 257,744,063	\$ 239,681,804
Education.....	10,542,076,000	10,961,021,300	10,552,529,684	10,819,234,211
Environmental Resources.....	328,094,000	367,720,800	315,605,973	310,140,223
Human Relations & Resources .....	9,341,228,000	9,256,908,100	9,153,283,841	9,464,108,251
General Executive.....	720,467,000	947,430,200	779,754,447	829,895,106
Judicial.....	121,332,000	127,264,900	117,234,212	121,596,961
Legislative.....	63,372,000	71,124,100	59,082,761	61,336,905
General Appropriations.....	1,807,627,000	2,060,562,300	1,791,359,807	2,015,967,640
<b>TOTAL.....</b>	<b><u>\$ 23,205,243,000</u></b>	<b><u>\$ 24,086,359,900</u></b>	<b><u>\$ 23,026,594,789</u></b>	<b><u>\$ 23,861,961,102</u></b>

- (a) None of the data presented here has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments.
- (b) The amounts are from the Annual Fiscal Report (unaudited and budgetary basis) for the 2006-07 fiscal year, dated October 15, 2007.
- (c) 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).
- (d) The amounts shown are 2006-07 fiscal year expenditures as recorded by all State agencies. The amounts shown are as of June 30, 2007 and do not include expenditures for the 2006-07 fiscal year that were recorded by State agencies during the months of July and August, 2007.
- (e) The amounts shown are 2007-08 fiscal year expenditures as recorded by all State agencies. Additional expenditures will be recorded and reported by State agencies during the months of July and August, 2008.

**Source: Wisconsin Department of Administration**

**Part III—Introduction (Page 76).** Update with the following information:

On August 15, 2008, Standard & Poor’s Rating Services upgraded its rating on the State’s general obligations from “AA-” to “AA”.

## APPENDIX B

### State of Wisconsin General Obligation Issuance Status Report August 1, 2008

<u>Program Purpose</u>	<u>Legislative Authorization</u>	<u>General Obligations Issued to Date</u>	<u>Interest Earnings<sup>(a)</sup></u>	<u>G.O. Bonds of 2008, Series C</u>	<u>Total Authorized Unissued Debt</u>
University of Wisconsin; academic facilities.....	\$ 1,567,180,800	\$ 1,188,161,744	\$ 13,072,507	\$ 60,000,000	\$ 305,946,549
University of Wisconsin; self-amortizing facilities.....	1,615,268,200	1,031,996,661	2,911,822	49,145,000	531,214,717
Natural resources; Warren Knowles - Gaylord Nelson stewardship 2000 program.....	1,432,000,000	418,824,651	405,319	42,000,000	970,770,030
Natural resources; municipal clean drinking water grants.....	9,800,000	9,518,744	141,818		139,438
Clean water fund program.....	697,643,200	511,594,053		1,800,000	184,249,147
Safe drinking water loan program.....	38,400,000	35,171,520		3,140,000	88,480
Natural resources; nonpoint source grants.....	94,310,400	88,384,918	190,043		5,735,439
Natural resources; nonpoint source .....	11,000,000	3,195,000	1,454	4,100,000	3,703,546
Natural resources; environmental repair.....	54,000,000	43,219,054	203,594		10,577,352
Natural resources; urban nonpoint source cost-sharing.....	29,900,000	22,878,640	30,671		6,990,689
Natural resources; contaminated sediment removal.....	17,000,000			8,000,000	9,000,000
Natural resources; environmental segregated fund supported administrative facilities.....	10,339,800	7,137,686	143	395,000	2,806,971
Natural resources; segregated revenue supported dam safety projects.....	6,600,000	5,932,779	617	225,000	441,604
Natural resources; pollution abatement and sewage collection facilities, ORAP funding.....	145,060,325	145,010,325	50,000		
Natural resources; pollution abatement and sewage collection facilities.....	893,493,400	874,927,239	18,513,077		53,084
Natural resources; pollution abatement and sewage collection facilities; combined sewer overflow.....	200,600,000	194,312,599	6,287,401		
Natural resources; recreation projects.....	56,055,000	56,053,994	1,006		
Natural resources; local parks land acquisition and development.....	2,490,000	2,447,741	42,259		
Natural resources; recreation development.....	23,061,500	22,914,510	141,325		5,665
Natural resources; land acquisition.....	45,608,600	45,116,929	491,671		
Natural resources; Wisconsin natural areas heritage program.....	2,500,000	2,445,793	17,174		37,033

**General Obligation Issuance Status Report—Continued**  
**August 1, 2008**

<u>Program Purpose</u>	<u>Legislative Authorization</u>	<u>General Obligations Issued to Date</u>	<u>Interest Earnings<sup>(a)</sup></u>	<u>G.O. Bonds of 2008, Series C</u>	<u>Total Authorized Unissued Debt</u>
Natural resources; segregated revenue supported facilities.....	73,277,700	45,417,692	93,544	10,000,000	17,766,464
Natural resources; general fund supported administrative facilities.....	11,410,200	11,164,102	21,753	40,000	184,345
Natural resources; ice age trail.....	750,000	750,000			
Natural resources; dam safety projects.....	5,500,000	5,400,148	49,701		50,151
Natural resources; segregated revenue supported land acquisition.....	2,500,000	2,500,000			
Natural resources; Warren Knowles - Gaylord Nelson stewardship program.....	231,000,000	227,652,895	1,306,849		2,040,256
Transportation; administrative facilities.....	8,890,400	8,759,479	33,943		96,978
Transportation; accelerated bridge improvements.....	46,849,800	46,849,800			
Transportation; rail passenger route development...	82,000,000	1,992,921	4,968		80,002,111
Transportation; accelerated highway improvements.....	185,000,000	185,000,000			
Transportation; connecting highway improvements.....	15,000,000	15,000,000			
Transportation; federally aided highway facilities.....	10,000,000	10,000,000			
Transportation; highway projects.....	41,000,000	41,000,000			
Transportation; major highway and rehabilitation projects.....	565,480,400	565,480,400			
Transportation; Marquette interchange and I 94 north-south corridor reconstruction projects.....	303,300,000	225,300,000	3,018,078	25,000,000	49,981,922
Transportation; state highway rehabilitation projects.....	300,000,000	248,817,103	1,182,897	49,125,000	875,000
Transportation; harbor improvements.....	53,400,000	36,381,500	232,629	350,000	16,435,871
Transportation; rail acquisitions and improvements.....	66,500,000	42,361,684	5,187	525,000	23,608,129
Transportation; local roads for job preservation, state funds.....	2,000,000	2,000,000			
Corrections; correctional facilities.....	812,235,900	779,800,337	11,467,562	4,000,000	16,968,001
Corrections; self-amortizing facilities and equipment.....	7,337,000	2,115,438	99		5,221,463
Corrections; juvenile correctional facilities.....	28,984,500	27,283,551	108,861	150,000	1,442,088
Health and family services; mental health and secure treatment facilities.....	172,817,700	137,845,268	895,124	2,200,000	31,877,308

**General Obligation Issuance Status Report—Continued**  
**August 1, 2008**

<u>Program Purpose</u>	<u>Legislative Authorization</u>	<u>General Obligations Issued to Date</u>	<u>Interest Earnings<sup>(a)</sup></u>	<u>G.O. Bonds of 2008, Series C</u>	<u>Total Authorized Unissued Debt</u>
Agriculture; soil and water.....	33,075,000	24,492,960	3,025	1,165,000	7,414,015
Agriculture; conservation reserve enhancement....	40,000,000	11,191,000		400,000	28,409,000
Administration; Black Point Estate.....	1,600,000	1,557,000	445	40,000	2,555
Administration; energy conservation projects; capital improvement fund.....	30,000,000			300,000	29,700,000
Building commission; previous lease rental authority.....	143,071,600	143,068,654			2,946
Building commission; refunding tax-supported general obligation debt.....	2,102,086,430	2,102,086,530			
Building commission; refunding self-amortizing general obligation debt.....	272,863,033	272,863,033			
Building commission; refunding tax-supported and self-amortizing general obligation debt incurred before June 30, 2005...	250,000,000	250,000,000			
Building commission; refunding tax-supported and self-amortizing general obligation debt.....	1,775,000,000	1,266,025,000			508,975,000
Building commission; housing state departments and agencies.....	554,279,900	423,688,306	2,356,097	2,500,000	125,735,497
Building commission; 1 West Wilson street parking ramp.....	15,100,000	14,805,521	294,479		
Building commission; project contingencies.....	47,961,200	44,464,610	64,761	550,000	2,881,829
Building commission; capital equipment acquisition.....	126,335,000	115,278,761	740,327	500,000	9,815,912
Building commission; discount sale of debt.....	90,000,000	67,493,598			22,506,402
Building commission; discount sale of debt (higher education bonds).....	100,000,000	99,988,833 <sup>(b)</sup>			11,167
Building commission; other public purposes.....	1,883,901,000	1,476,503,856	8,728,268	35,000,000	363,668,876
Medical College of Wisconsin, Inc.; basic science education and health information technology facilities....	10,000,000	10,000,000			
Bond Health Center.....	1,000,000				1,000,000
HR Academy, Inc.....	1,500,000	1,500,000			
Medical College of Wisconsin, Inc.; biomedical research and technology incubator.....	35,000,000	25,000,000			10,000,000
Marquette University; dental clinic and education facility....	15,000,000	14,999,182	818		
Civil War exhibit at the Kenosha Public Museums.....	500,000				500,000

**General Obligation Issuance Status Report—Continued**  
**August 1, 2008**

<u>Program Purpose</u>	<u>Legislative Authorization</u>	<u>General Obligations Issued to Date</u>	<u>Interest Earnings<sup>(a)</sup></u>	<u>G.O. Bonds of 2008, Series C</u>	<u>Total Authorized Unissued Debt</u>
Swiss cultural center.....	1,000,000				1,000,000
Hmong cultural centers.....	2,250,000			250,000	2,000,000
Milwaukee Police Athletic League; youth activities center.....	1,000,000	1,000,000			
Children's research institute.....	10,000,000	10,000,000			
Administration; school educational technology infrastructure financial assistance.....	71,911,300	71,480,216	431,066		18
Administration; public library educational technology infrastructure financial assistance.....	269,000	268,918	42		40
Educational communications board; educational communications facilities.....	23,981,500	21,627,389	38,515	500,000	1,815,596
Historical society; self-amortizing facilities.....	1,157,000	1,029,156	3,896		123,948
Historical society; historic records.....	18,650,000				18,650,000
Historical society; historic sites.....	3,107,800	2,988,756	847	70,000	48,197
Historical society; museum facility.....	4,384,400	4,362,469			21,931
Historical society; Wisconsin history center.....	30,000,000				30,000,000
Public instruction; state school, state center and library facilities.....	7,367,700	7,330,612	32,509		4,579
Military affairs; armories and military facilities.....	32,772,500	26,217,447	195,308		6,359,745
Veterans affairs; veterans facilities.....	10,090,100	9,405,485	50,593		634,022
Veterans affairs; self-amortizing mortgage loans.....	2,205,840,000	2,122,542,395			83,297,605
Veterans affairs; refunding bonds.....	1,015,000,000	761,594,245			253,405,755
Veterans affairs; self-amortizing facilities.....	38,051,600	13,877,450	1,613	700,000	23,472,537
State fair park board; board facilities.....	14,787,100	14,769,363	1		17,736
State fair park board; housing facilities.....	11,000,000	10,999,985	15		
State fair park board; self-amortizing facilities.....	52,987,100	51,969,300	22,401	30,000	965,399
Total.....	<u>\$21,061,425,088</u>	<u>\$16,874,586,928</u>	<u>\$73,888,123</u>	<u>\$302,200,000</u>	<u>\$3,810,750,139</u>

<sup>(a)</sup> Interest earnings reduce issuance authority by the same amount.

<sup>(b)</sup> Accrued interest on any obligation that is not paid during the fiscal year in which it accrues is treated as debt and taken into account for purposes of the statutory authority to issue debt.

**Source: Wisconsin Department of Administration.**

## APPENDIX C

### EXPECTED FORM OF BOND COUNSEL OPINION

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

(Letterhead of Foley & Lardner LLP)

**\$302,200,000**

**STATE OF WISCONSIN**

**GENERAL OBLIGATION BONDS OF 2008, SERIES C**

We have served as bond counsel in connection with the issuance by the State of Wisconsin (**State**) of its \$302,200,000 General Obligation Bonds of 2008, Series C, dated the date hereof (**Bonds**). The Bonds are authorized by Article VIII of the Wisconsin Constitution and Chapters 18 and 20 of the Wisconsin Statutes, and are being issued pursuant to a resolution adopted by the State of Wisconsin Building Commission (**Commission**) on August 6, 2008 (**Resolution**).

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

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

1. The Bonds are valid and binding general obligations of the State.
2. The Resolution has been duly adopted by the Commission and is a valid and binding obligation of the State enforceable upon the State as provided in the Resolution.
3. The full faith, credit, and taxing power of the State are irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Bonds as the Bonds mature and become due. There has been irrevocably appropriated, as a first charge upon all revenues of the State, a sum sufficient for such purpose.
4. Interest on the Bonds is excluded from gross income for federal income tax purposes. It also is not an item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers. For the purpose of computing the alternative minimum tax imposed on certain corporations, however, interest on the Bonds is taken into account in determining adjusted current earnings. The State must comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied after the Bonds are issued for interest on the Bonds to be, or continue to be, excluded from gross income for federal income tax purposes. The State has agreed to do so. A failure to comply may cause interest on the Bonds to be included in gross income for federal income tax purposes, in some cases retroactive to the date the Bonds were issued. This letter expresses no opinion about other federal tax law consequences regarding the Bonds.

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

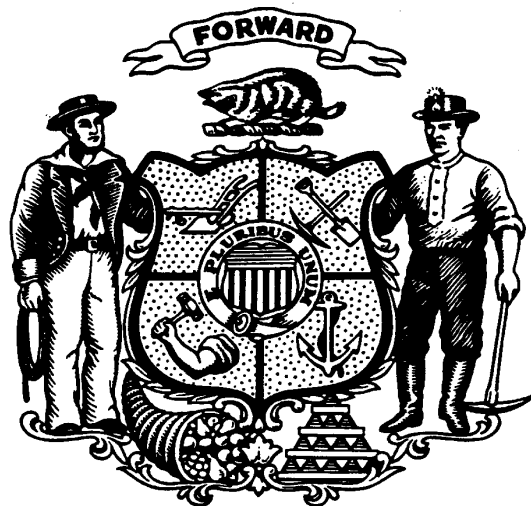
We have not been engaged or undertaken to review the accuracy, completeness, or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement), and we express no opinion relating thereto (except only the matters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

This letter speaks as of its date. We assume no duty to change this letter to reflect any facts or circumstances that later come to our attention or any changes in law. In serving as bond counsel, we have established an attorney-client relationship solely with the State.

Very truly yours,

FOLEY & LARDNER LLP





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