

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.

\$241,985,000

**STATE OF WISCONSIN
GENERAL OBLIGATION REFUNDING BONDS OF 2014, SERIES 2**

Dated: Date of Delivery

Due: May 1 as shown below

Ratings AA Fitch Ratings
AA Kroll Bond Rating Agency, Inc.
Aa2 Moody's Investors Service, Inc.
AA Standard & Poor's Ratings Service

Tax Exemption Interest on the Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers —*See pages 9-10.*

Interest on the Bonds is not exempt from current State of Wisconsin income or franchise taxes—*See page 9.*

Redemption The Bonds maturing on or after May 1, 2024 are callable at par on May 1, 2022 or any date thereafter—*See page 3.*

Security General obligations of the State of Wisconsin—*See page 3.*

Purpose Proceeds from the Bonds are being used for the current refunding and the advance refunding of general obligation bonds previously issued by the State of Wisconsin for general governmental purposes—*See pages 2-3.*

Interest Payment Dates May 1 and November 1, beginning November 1, 2014.

Delivery On or about April 24, 2014. *See page 3.*

Denominations Multiples of \$5,000

Bond Counsel Foley & Lardner LLP

Registrar/Paying Agent Secretary of Administration

Issuer Contact Wisconsin Capital Finance Office
(608) 266-2305; DOACapitalFinanceOffice@wisconsin.gov

Book-Entry System The Depository Trust Company—*See pages 4-5.*

2013 Annual Report This Official Statement incorporates by reference, and includes updated information and makes changes or additions to, **Parts I, II, and III** of the State of Wisconsin Continuing Disclosure Annual Report, dated December 27, 2013.

The prices and yields listed below were determined on March 12, 2014 at negotiated sale.

CUSIP	Due (May 1)	Principal Amount	Interest Rate	Yield at Issuance	Price at Issuance	First Optional	Call Price
						Call Date (May 1)	
97705L 4W4	2015	\$ 880,000	2.00%	0.18%	101.852%	Not Callable	-
97705L 4X2	2016	8,000,000	4.00	0.30	107.443	Not Callable	-
97705L 5E3	2016	15,430,000	5.00	0.30	109.455	Not Callable	-
97705L 5F0	2017	27,695,000	5.00	0.60	113.146	Not Callable	-
97705L 5G8	2018	31,675,000	5.00	0.94	115.977	Not Callable	-
97705L 4Y0	2019	4,000,000	1.50	1.26	101.163	Not Callable	-
97705L 5H6	2019	8,350,000	5.00	1.26	118.135	Not Callable	-
97705L 5J2	2020	12,720,000	5.00	1.68	118.931	Not Callable	-
97705L 4Z7	2024	34,500,000	5.00	2.77	115.937	^(a) 2022	100%
97705L 5A1	2025	55,135,000	5.00	2.87	115.161	^(a) 2022	100
97705L 5B9	2026	13,710,000	5.00	2.99	114.237	^(a) 2022	100
97705L 5C7	2027	25,750,000	5.00	3.07	113.626	^(a) 2022	100
97705L 5D5	2034	4,140,000	4.00	4.01	99.862	2022	100

(a) These Bonds are priced to the May 1, 2022 first optional call date.

Morgan Stanley
BNY Mellon Capital Markets
Hilliard Lyons

Ramirez & Co., Inc.
Cabrera Capital Markets, LLC
J.P. Morgan

March 13, 2014

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

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

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 this information had specific functions that covered some aspects of the offering but not others. For example, financial staff focused on quantitative financial information, and legal counsel focused on specific documents or legal issues assigned to them.

No dealer, broker, sales representative, or other person has been authorized by the State 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 incorporated.

In connection with the offering of the Bonds, the Underwriters may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the Bonds to certain dealers and dealer banks and banks acting as agents at prices lower than the public offering prices stated on the **front cover** hereof and such public offering prices may be changed from time to time by the Underwriters.

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STATE OFFICIALS PARTICIPATING IN ISSUANCE AND SALE OF BONDS

BUILDING COMMISSION MEMBERS*

Voting Members

	Term of Office Expires
Governor Scott Walker, Chairperson	January 5, 2015
Representative Dean Kaufert, Vice-Chairperson	January 5, 2015
Senator Neal Kedzie	January 5, 2015
Senator Terry Moulton	January 5, 2015
Senator Fred Risser	January 2, 2017
Representative Joan Ballweg	January 5, 2015
Representative Gordon Hintz	January 5, 2015
Mr. Robert Brandherm, Citizen Member	At the pleasure of the Governor

Nonvoting, Advisory Members

Vacant, State Chief Engineer Department of Administration	_____
Mr. Daniel J. Stephans, State Ranking Architect Department of Administration	_____

Building Commission Secretary

Ms. Summer R. Strand, Administrator Division of Facilities Development 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 5, 2015
Mr. Mike Huebsch, Secretary Department of Administration	At the pleasure of the Governor

DEBT MANAGEMENT AND DISCLOSURE

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

DOACapitalFinanceOffice@wisconsin.gov

Mr. Kevin D. Taylor
Capital Finance Director
(608) 266-2305
DOACapitalFinanceOffice@wisconsin.gov

Mr. David Erdman
Assistant Capital Finance Director
(608) 267-0374
DOACapitalFinanceOffice@wisconsin.gov

Mr. Brad Elmer
Capital Finance Officer
(608) 267-7399
DOACapitalFinanceOffice@wisconsin.gov

* The Building Commission is composed of eight voting members. The Governor serves as the chairperson. Each house of the Wisconsin State Legislature appoints three members. State law provides for the two major political parties to be represented in the membership from each house. One citizen member is appointed by the Governor and serves at the Governor's pleasure.

SUMMARY DESCRIPTION OF BONDS

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

Description:	State of Wisconsin General Obligation Refunding Bonds of 2014, Series 2
Principal Amount:	\$241,985,000
Denominations:	Multiples of \$5,000
Date of Issue:	On or about April 24, 2014
Record Date:	April 15 and October 15
Interest Payments:	May 1 and November 1, beginning November 1, 2014
Maturities:	May 1, 2015-2027, and 2034— <i>See front cover.</i>
Redemption:	The Bonds maturing on or after May 1, 2024 are callable at par on May 1, 2022 or any date thereafter— <i>See pages 3- 4.</i>
Form:	Book-entry-only— <i>See pages 4-5.</i>
Paying Agent:	All payments of principal of, 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 March 1, 2014, general obligations of the State were outstanding in the amount of \$8,237,981,754.
Additional General Obligation Debt:	The State may issue additional general obligation debt.
Authority for Issuance:	The Bonds are issued under Article VIII of the Wisconsin Constitution and Chapters 18 and 20 of the Wisconsin Statutes.
Purpose:	Proceeds from the Bonds are being used for the current refunding and the advance refunding of general obligation bonds previously issued by the State for general governmental purposes— <i>See pages 2-3.</i>
Legality of Investment:	State law provides that the Bonds are legal investments for all banks, trust companies, bankers, savings banks and institutions, building and loan associations, savings and loan associations, credit unions, investment companies, and other persons or entities carrying on a banking business; for all personal representatives, guardians, trustees, and other fiduciaries; and for the State and all public officers, municipal corporations, political subdivisions, and public bodies.
Tax Exemption:	Interest on the Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers— <i>See pages 9-10.</i> Interest on the Bonds is not exempt from current State of Wisconsin income or franchise taxes— <i>See page 9.</i>
Legal Opinion:	Validity and tax opinion for the Bonds to be provided by Foley & Lardner LLP— <i>See APPENDIX C.</i>

OFFICIAL STATEMENT
\$241,985,000
STATE OF WISCONSIN
GENERAL OBLIGATION REFUNDING BONDS OF 2014, SERIES 2

INTRODUCTION

This Official Statement provides information about the \$241,985,000 General Obligation Refunding Bonds of 2014, Series 2 (**Bonds**) to be issued by the State of Wisconsin (**State**). This Official Statement incorporates by reference, and includes updated information and makes changes or additions to, **Parts I, II, and III** of the State of Wisconsin Continuing Disclosure Annual Report, dated December 27, 2013 (**2013 Annual Report**).

The Bonds are authorized under the Wisconsin Constitution and the Wisconsin Statutes, and issued pursuant to an authorizing resolution that the State of Wisconsin Building Commission (**Commission**) adopted on March 5, 2014.

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 25th 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 incorporates by reference Parts II and III of the 2013 Annual Report.

APPENDIX A also includes updated information, or makes changes or additions to, Parts II and III of the 2013 Annual Report, including, but not limited to:

- Information included in the Legislative Fiscal Bureau memorandum dated January 16, 2014.
- Potential fiscal impact of withholding table changes and pending legislation.
- General Fund information for the 2013-14 fiscal year through January 31, 2014, which is presented on either a cash basis or an agency-recorded basis.

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

Web site: www.doa.wi.gov/capitalfinance

PLAN OF REFUNDING

General

The Commission is empowered by law to issue refunding bonds. The Bonds are being issued for the purposes and within the amounts authorized by the Wisconsin State Legislature (**Legislature**). See **APPENDIX B**.

Portions of the Bonds are being issued for the current refunding of certain maturities of general obligation refunding bonds previously issued by the State and associated with general governmental purposes (**Current Refunding**). The refunded maturities associated with the Current Refunding are currently outstanding in the total principal amount of \$7,845,000 (**Current Refunded Bonds**).

Portions of the Bonds are being issued for the advance refunding of certain maturities of general obligation bonds previously issued by the State for general governmental purposes (**Advance Refunding**). The refunded maturities associated with the Advance Refunding are currently outstanding in the total principal amount of \$246,600,000 (**Advance Refunded Bonds**).

APPENDIX D identifies, and provides information about, the Current Refunded Bonds and the Advance Refunded Bonds.

Current Refunding

Upon delivery of Bonds, a portion of the proceeds will be deposited into the State's Bond Security and Redemption Fund. These proceeds (including an amount to be deposited by the State by April 15, 2014 and prior to the issuance of the Bonds in the State's Bond Security and Redemption Fund for the payment of interest due May 1, 2014 on the Current Refunded Bonds), will be used to pay on May 1, 2014 the principal or redemption price of, and interest on, the Current Refunded Bonds.

Advance Refunding

To provide for the Advance Refunding, a portion of the proceeds of the Bonds will be used to purchase direct noncallable general obligations of the United States or its agencies, the Federal National Mortgage Association, the Federal Farm Credit Banks Funding Corporation, corporations wholly owned by the United States, or any corporation chartered by an act of Congress (**Escrow Obligations**). These Escrow Obligations, together with the interest to be earned, a beginning cash deposit, and amounts to be deposited by the State by April 15, 2014 and prior to the issuance of the Bonds in the State's Bond Security and Redemption Fund for the payment of interest due May 1, 2014 on the Advance Refunded Bonds, will be sufficient:

- to pay when due the interest on the Advance Refunded Bonds to and including their respective redemption dates, and
- to redeem or pay the principal of the Advance Refunded Bonds on their respective redemption dates at their respective redemption prices.

Refunding Escrow Agreement

The Escrow Obligations, the beginning cash balance, and the interest earnings will be held in an escrow fund, with separate accounts for the Escrow Obligations (collectively, the **Escrow Fund**) created by a Refunding Escrow Agreement (**Escrow Agreement**), between the State and The Bank of New York Mellon Trust Company, N.A. (**Escrow Trustee**), solely for the benefit of the owners of the Advance Refunded Bonds. Neither the Escrow Obligations, the cash on deposit, nor the interest earnings held in the Escrow Fund will serve as security or be available for the payment of the Bonds.

The Escrow Fund will be held by the Escrow Trustee in trust to make payments of the principal and redemption price of and interest on the Advance Refunded Bonds. The Escrow Fund will be held by the Escrow Trustee separate and apart from all other funds or accounts held by the Escrow Trustee. No fees or other charges of the Escrow Trustee may be paid from moneys in the Escrow Fund. Instead, the Escrow Agreement provides that the State will pay all such fees and charges to the Escrow Trustee from other available funds.

The arithmetical accuracy of the computations of the sufficiency of the amounts deposited into the Escrow Fund will be independently verified by Robert Thomas CPA, LLC (**Verification Agent**).

Use of Proceeds and Pledge

The proceeds of the Bonds, and any other State funds, deposited into the State's Bond Security and Redemption Fund may be expended only for the payment of the principal of, and redemption premium (if any) and interest on, the Current Refunded Bonds and interest on the Advance Refunded Bonds. All money in the Escrow Fund may be expended only for the payment of the principal of, and redemption premium (if any) and interest on, the Advance Refunded Bonds. However, notwithstanding the amounts in the State's Bond Security and Redemption Fund and the Escrow Fund, there is irrevocably appropriated, as a first charge on all revenues of the State, a sum sufficient for the payment of the Current Refunded Bonds and the Advance Refunded Bonds. Each year, for the purpose of determining the constitutional limit on public debt, the amounts in the State's Bond Security and Redemption Fund and the Escrow Fund will be subtracted from the amount of outstanding aggregate public debt of the State.

THE BONDS

General

The **front cover of this Official Statement** sets forth the maturity dates, amounts, interest rates, and other information 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 April 24, 2014) and will bear interest from that date payable on May 1 and November 1 of each year, beginning on November 1, 2014.

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 the principal of, and interest on, 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 Wisconsin Constitution pledges the full faith, credit, and taxing power of the State to make principal and interest payments on general obligations, and requires the Legislature to provide for their payment by appropriation. The Wisconsin Statutes establish, as security for the payment of all debt service on general obligations, a first charge upon all revenues of the State. Further, a sufficient amount of those revenues is irrevocably appropriated for the payment of principal of, and interest on, general obligations, so that no subsequent legislative action is required to release such revenues. 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, 2024 may be redeemed on May 1, 2022, 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

If some but less than all the Bonds are to be redeemed on any date, the State shall select the aggregate principal amounts of each stated maturity to be redeemed. So long as the Bonds to be redeemed 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 the principal of, and interest on, the Bonds on the payment date will be made by wire transfer to the securities depository or its nominee by the **Paying Agent**—which is the Secretary of Administration.

Ratings

The following ratings have been assigned to the Bonds:

<u>Rating</u>	<u>Rating Organization</u>
AA	Fitch Ratings
AA	Kroll Bond Rating Agency, Inc.
Aa2	Moody’s Investors Service, Inc.
AA	Standard & Poor’s Ratings Services

Any explanation of what a rating means may only be obtained from the rating organization giving the rating. A securities rating is not a recommendation to buy, sell, or hold securities and may be subject to revision or withdrawal at any time. Any downgrade or withdrawal of a rating may adversely affect the market price of the Bonds.

Sources and Uses of Funds

The proceeds from the sale of the Bonds are expected to be used as follows:

Sources	
Principal Amount	\$241,985,000.00
Net Original Issue Premium	<u>34,053,116.10</u>
TOTAL SOURCES	\$276,038,116.10
Uses	
Deposit to Escrow Fund	\$266,374,226.53
Deposit to Bond Security and Redemption Fund	7,845,000.00
Underwriters’ Discount	1,135,331.05
Costs of Issuance	<u>683,558.52</u>
TOTAL USES	\$276,038,116.10

Book-Entry-Only Form

The Bonds are being initially 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 a 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 on, the Bonds to DTC. Owners of the Bonds will receive payments through the DTC Participants.

Notices and Voting Rights

The State will provide any notices or 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 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 without a successor securities depository being appointed, bond certificates would be executed and delivered to DTC Participants.

Further Information

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

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

Redemption and Payment if Bonds Are Not in Book-Entry-Only Form

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 was paid or money was 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

General obligations issued by the State are subject to debt limits set forth in the Wisconsin Constitution and the Wisconsin Statutes. There is an annual debt limit of three-quarters of one percent, and a cumulative debt limit of five percent, of the aggregate value of all taxable property in the State. Currently,

the annual debt limit is \$3,506,269,230, and the cumulative debt limit is \$23,375,128,200. Funding or refunding obligations, such as the Bonds, are not subject to the annual limit but are accounted for in applying 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 March 1, 2014, general obligations of the State were outstanding in the principal amount of \$8,237,981,754. The issuance of the Bonds will not cause the State to exceed its annual debt limit or its cumulative debt limit.

Borrowing Plans for Calendar Year 2014

General Obligations

The Bonds are the fourth series of general obligations to be issued in calendar year 2014. One series relates to a term loan agreement to obtain funds, pursuant to certain terms and conditions, between February 1, 2015 and May 1, 2015 to be used for refunding purposes on May 1, 2015. Another series are general obligation refunding bonds in the par amount of \$182 million used for current refunding purposes. The third series are general obligation bonds issued for various governmental purposes in the par amount of \$231 million.

In addition to the Bonds, the Commission has authorized the issuance of the following general obligations:

- Up to \$50 million of general obligation subsidy bonds to be purchased by the Environmental Improvement Fund for the Clean Water Fund Program. The amount and timing of any issuance of general obligation subsidy bonds for this purpose depend on various factors, including the amount and timing of loan disbursements from the Clean Water Fund Program.
- Up to \$353 million of general obligations for the refunding of general obligation bonds previously issued for general governmental purposes. The amount and timing of any issuance of additional general obligations for refunding purposes depend on market conditions.
- Up to \$50 million of general obligations for the veterans housing loan program, which may be in the form of bonds, commercial paper notes, or extendible municipal commercial paper. The amount and timing of any issuance of general obligations for this purpose depend on originations of veterans housing loans and market conditions.
- Up to \$73 million of general obligation refunding bonds to refund general obligation bonds previously issued for the veterans housing loan program. The amount and timing of any issuance of general obligation refunding bonds for this purpose depend on market conditions and other factors relating to the veterans housing loan program.
- 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 \$905 million as of March 1, 2014. The amount and timing of any issuance of general obligations for this purpose depend on a decision to fund outstanding obligations bearing variable interest rates either with a different form of variable-rate obligation or with bonds bearing a fixed interest rate.

Other Obligations

In this calendar year, the State has not issued any transportation revenue bonds. The Commission has authorized up to \$300 million of transportation revenue obligations to finance certain transportation facilities and highway projects and \$375 million of transportation revenue obligations to refund outstanding transportation revenue bonds. The State released a Preliminary Official Statement on March 13, 2014 providing information about two pending series of transportation revenue bonds resulting from these authorizations. The amount and timing of any issuance of transportation revenue refunding bonds depend on market conditions.

In this calendar year, the State has not issued any clean water revenue bonds. The Commission has authorized up to \$100 million of clean water revenue bonds and up to \$225 million of clean water revenue refunding bonds. The amount and timing of any issuance of clean water revenue bonds depend on loan activity in the State's Clean Water Fund Program, and the amount and timing of any issuance of clean water revenue refunding bonds depend on market conditions.

On February 27, 2014, the Department of Administration issued master lease certificates of participation (State of Wisconsin) in the par amount of \$33 million for the funding of lease schedules under the department's master lease program.

The State has not issued operating notes for the 2013-2014 fiscal year.

Reference Information About the Bonds

Information about the Bonds is provided for reference in both the following table and the [table on the front cover](#) of this Official Statement. The CUSIP number for each maturity has been obtained from a source 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 the Bonds. For each of the Bonds subject to optional redemption, the yield at issuance shown is the lower of the yield to first optional call date or the yield to the nominal maturity date.

\$241,985,000
State of Wisconsin
General Obligation Refunding Bonds of 2014, Series 2

Dated Date: Date of Delivery

First Interest Date: November 1, 2014

Issuance Date: On or about April 24, 2014

CUSIP	Due (May 1)	Principal Amount	Interest Rate	Yield at Issuance	Price at Issuance	First Optional Call Date (May 1)	Call Price
97705L 4W4	2015	\$ 880,000	2.00%	0.18%	101.852%	Not Callable	-
97705L 4X2	2016	8,000,000	4.00	0.30	107.443	Not Callable	-
97705L 5E3	2016	15,430,000	5.00	0.30	109.455	Not Callable	-
97705L 5F0	2017	27,695,000	5.00	0.60	113.146	Not Callable	-
97705L 5G8	2018	31,675,000	5.00	0.94	115.977	Not Callable	-
97705L 4Y0	2019	4,000,000	1.50	1.26	101.163	Not Callable	-
97705L 5H6	2019	8,350,000	5.00	1.26	118.135	Not Callable	-
97705L 5J2	2020	12,720,000	5.00	1.68	118.931	Not Callable	-
97705L 4Z7	2024	34,500,000	5.00	2.77	115.937	^(a) 2022	100%
97705L 5A1	2025	55,135,000	5.00	2.87	115.161	^(a) 2022	100
97705L 5B9	2026	13,710,000	5.00	2.99	114.237	^(a) 2022	100
97705L 5C7	2027	25,750,000	5.00	3.07	113.626	^(a) 2022	100
97705L 5D5	2034	4,140,000	4.00	4.01	99.862	2022	100

(a) These Bonds are priced to the May 1, 2022 first optional call date.

Underwriting

The Bonds are being purchased by the **Underwriters** listed on the front cover, for which Morgan Stanley & Co. LLC. is acting as the representative (**Representative**). The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the State at an aggregate purchase price of \$274,902,785.05 reflecting a net original issue premium of \$34,053,116.10 and underwriters' discount of \$1,135,331.05.

The Underwriters have agreed to reoffer the Bonds at the public offering prices or yields set forth on the [front cover](#) of this Official Statement. The Bonds may be offered and sold to certain dealers (including dealers depositing the Bonds into investment trusts) at prices lower than such public offering prices, and

such prices may be changed, from time to time, by the Underwriters. The Underwriters' obligations under their contract to purchase the Bonds are subject to certain conditions precedent and that the Underwriters will be obligated to purchase all of the Bonds if any of the Bonds are purchased.

Certain legal matters will be passed upon for the Underwriters by their counsel, Chapman and Cutler LLP.

Financial Advisor

Lamont Financial Services Corporation has been engaged by the State to perform professional services in the capacity of financial advisor (**Financial Advisor**). The Financial Advisor has provided advice on the plan of refunding and the structure of the Bonds, reviewed certain legal and disclosure documents, including this Official Statement, for financial matters, and reviewed the pricing of the Bonds by the Underwriters.

Verification of Mathematical Computations

The arithmetical accuracy of certain computations was independently verified by the Verification Agent. These computations, which were provided by the Underwriters, indicate that the projected receipts from the Escrow Obligations, together with an initial cash deposit, are sufficient to make all payments of the principal of, and premium (if any) and interest on, the Advance Refunded Bonds to become due on or before their respective early redemption dates.

In addition, the computations indicate that the composite yield of the Escrow Fund that hold cash deposited from and Escrow Obligations purchased with proceeds of the Bonds, and the deposit into the State's Bond Security and Redemption Fund of proceeds of the Bonds, is less than the yield on the Bonds. The Verification Agent relied upon assumptions and information supplied by the Underwriters on behalf of the State and has not made any study or examination of them, except as noted in its report. The Verification Agent has not expressed an opinion on the reasonableness of the assumptions or the likelihood that the debt service requirements of the Current Refunded Bonds and the Advance Refunded Bonds will be paid as described in its report.

Legal Investment

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

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

Legal Opinions

Bond Opinion

Legal matters relating to the authorization, issuance, and sale of the Bonds are subject to the approval of **Bond Counsel**, which is Foley & Lardner LLP. When the Bonds are delivered, Bond Counsel will deliver an approving opinion with respect to the Bonds 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. When the Bonds are delivered, the Attorney General will deliver an opinion on the regularity and validity of the proceedings with respect to the Bonds delivered. 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 and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers; however, interest on the Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. The State must comply with certain requirements of the Internal Revenue Code 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 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 on which the Bonds are issued. No provision is made for an increase in interest rates or a redemption of the Bonds in the event interest on the Bonds is included in gross income.

The opinion of Bond Counsel will be based on legal authorities that are current as of its date, will cover certain matters not directly addressed by those authorities, and will represent Bond Counsel's judgment regarding the proper treatment of the Bonds for federal income tax purposes. It will not be binding on the Internal Revenue Service (**IRS**) or the courts and will not be a guaranty of result. As to questions of fact, Bond Counsel will rely upon certified proceedings and certifications of public officials and others without independently undertaking to verify them.

Bond Counsel will express no opinion about other federal tax matters regarding the Bonds. Other federal tax law provisions may adversely affect the value of an investment in the Bonds for particular owners of those Bonds. Prospective investors should consult their own tax advisors about the tax consequences of owning a Bond.

The IRS has an active tax-exempt bond enforcement program. Under current IRS procedures, owners of the Bonds would have little or no right to participate in an IRS examination of the Bonds. Moreover, it may not be practicable to obtain judicial review of IRS positions with which the State disagrees. Any action of the IRS, including selection of the Bonds for examination, the conduct or conclusion of such an examination, or an examination of obligations presenting similar tax issues, may affect the marketability of the Bonds.

Current and future legislative proposals, if enacted into law, may cause the interest on the Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent the owners of the Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals may also affect the marketability of the Bonds. Prospective investors should consult their own tax advisors about federal legislative proposals.

State of Wisconsin Income and Franchise Taxes

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

Original Issue Discount Bonds

Under existing law, any original issue discount on the Bonds is excluded from gross income for federal income tax purposes to the same extent as interest payable on such Bonds. The original issue discount is the excess of the principal amount of a Bond over the issue price of that Bond. The issue price of a

maturity of the Bonds generally is the initial offering price to the public, excluding underwriters or other intermediaries, at which price a substantial amount of such maturity of the Bonds were first sold. Based on representations from the Underwriters, the State expects the issue price of each maturity of the Bonds to be the Price at Issuance set forth on the **front cover** of this Official Statement.

Original issue discount on tax-exempt obligations accrues on a constant-yield-to-maturity method based on regular compounding. The amount of original issue discount accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period and will increase the owner's tax basis in the obligations. The adjusted tax basis 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 obligations.

Owners of Bonds with original issue discount should consult their own tax advisors with respect to the federal tax consequences of owning such Bonds, including the computation of accrued original issue discount and the accrual of original issue discount allocable to owners that do not purchase their Bonds in the initial offering at the issue price. For certain corporations, a portion of the original issue discount that accrues in each year will be included in the calculation of federal alternative minimum tax liability. As a result, ownership of Bonds with original issue discount by such a corporation may result in an alternative minimum tax liability even though there has been no corresponding cash payment.

Owners of Bonds with original issue discount should also consult their own tax advisors with respect to the state and local tax consequences of owning Bonds. Under the applicable provisions governing the determination of state and local taxes, ownership of Bonds with original issue discount may result in a tax liability in the year of accrual, even though there will not be a corresponding cash payment until a later year.

Premium Bonds

Under existing law, no deduction is allowed for any amortizable bond premium on the Bonds. The excess of the issue price over the principal amount of a Bond is the amortizable bond premium. The issue price of a maturity of the Bonds generally is the initial offering price to the public, excluding underwriters or other intermediaries, at which price a substantial amount of such maturity of the Bonds were first sold. Based on representations from the Underwriters, the State expects that the issue price of each maturity of the Bonds to be the Price at Issuance set forth on the **front cover** of this Official Statement.

During each taxable year, an owner of Bonds with amortizable bond premium must reduce his, her, or its tax basis in the Bond by the amount of the amortizable bond premium that is allocable to the portion of that taxable year during which the owner owned the Bond. The adjusted tax basis in a 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 Bond.

Owners of Bonds purchased at a premium should consult their own tax advisors with respect to the federal tax consequences of owning such Bonds, including computation of their tax basis and the effect of any purchase of Bonds that is not made in the initial offering at the issue price. Owners of such Bonds should also consult their own tax advisors with respect to the state and local tax consequences of owning those 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 Annual Report to the Municipal Securities Rulemaking Board (**MSRB**). The State will also provide to the MSRB notices of the occurrence of certain events specified in the undertaking. [Part I of the 2013 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
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 MSRB. In the last five years, the State has not failed to comply in any material respect with this, or any similar, undertaking.

Dated: March 13, 2014

STATE OF WISCONSIN

/s/ SCOTT WALKER

Governor Scott Walker, Chairperson
State of Wisconsin Building Commission

/s/ MIKE HUEBSCH

Mike Huebsch, Secretary
State of Wisconsin Department of Administration

/s/ SUMMER R. STRAND

Summer R. Strand, Secretary
State of Wisconsin Building Commission

APPENDIX A

INFORMATION ABOUT THE STATE

This Appendix includes by reference information concerning the State of Wisconsin (**State**) contained in [Parts II and III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 27, 2013 \(2013 Annual Report\)](#), which can be obtained as described below. This Appendix also includes any updates, or makes changes or additions, to the information presented in Parts II and III of the 2013 Annual Report, including, but not limited to;

- Information included in the Legislative Fiscal Bureau (**LFB**) memorandum dated January 16, 2014 (**January 2014 LFB Memorandum**).
- Potential fiscal impact of withholding table changes and pending legislation.
- General Fund information for the 2013-14 fiscal year through January 31, 2014, which is presented on either a cash basis or an agency-recorded basis.

[Part II of the 2013 Annual Report](#) contains general information about the State. More specifically, that part presents information about the following matters:

- State's revenue and expenditures
- State's operations, financial procedures, accounting, and financial reporting
- Organization of, and services provided by, the State
- Budget process and fiscal controls
- State budget (including results of fiscal year 2012-13 and State budget for the 2013-15 biennium)
- Potential effects of litigation
- State obligations
- Employee pension funds and other post-employment benefits
- State Investment Board
- Statistical information about the State's population, income, and employment

Included as APPENDIX A to [Part II of the 2013 Annual Report](#) are the audited general purpose external financial statements for the fiscal year ending June 30, 2013, 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 2013 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 2013 Annual Report was filed with the Municipal Securities Rulemaking Board (**MSRB**) through its Electronic Municipal Market Access (**EMMA**) system, and also is available from the part of the Capital Finance Office web site called "Official Disclosure for Bonds, Notes, and Other Securities Issued by the State of Wisconsin." The Capital Finance Office web site is located at the following address:

www.doa.wi.gov/capitalfinance

Copies of the 2013 Annual Report may also be obtained from:

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

The State independently provided, from July 2001 to June 2013, monthly reports on general fund financial information. These monthly reports were not required by any of the State's undertakings to provide information concerning the State's securities. These monthly reports are available on the State's Capital Finance Office web site that is listed above and also were filed as additional voluntary information with the MSRB through its EMMA system; however, such reports are not incorporated by reference into this Official Statement or Part II of the 2013 Annual Report. The State has not filed monthly reports since June 2013; the State is currently reviewing the content and structure of these monthly reports in consideration of best practices concerning the release of unaudited information. The State expects that it will resume filing these monthly reports again in calendar year 2014, but the State is not obligated to provide such monthly reports at any time in the future.

After publication and filing of the 2013 Annual Report, certain changes or events have occurred that affect items discussed in the 2013 Annual Report. Listed below, by reference to particular sections of Parts II and III of the 2013 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 MSRB. However, the State has filed, and expects to continue to file, informational notices with the MSRB, some of which may be notices that are not required to be filed under the State's undertakings.

This Official Statement may include changes or additions that were released after the date of the Preliminary Official Statement (March 7, 2014). Any such change or addition is identified accordingly.

State Budget; Budget for 2013-15 Biennium and Revenue Projections for 2013-15 Biennium (Part II; Pages 32-35). Update with the following information:

Withholding Table Changes and Pending Legislation

Certain events have occurred subsequent to the January 2014 LFB Memorandum that may reduce the projected ending General Fund balances from the balances presented in the January 2014 LFB Memorandum.

First, the Governor has directed the Department of Revenue (**DOR**) to adjust the individual income tax withholding tables on or after April 1, 2014 to reflect changes due to the indexing of individual income tax provisions and recent changes in tax rates and tax brackets. These adjustments will not change the total amount of General Fund tax revenues that are due, but the adjustments will have a one-time budgetary impact in the next two fiscal years due to timing differences between the State's tax year and fiscal year. At this time, it is estimated that individual income tax collections will be reduced by \$156 million in the 2013-14 fiscal year and by \$166 million in the 2014-15 fiscal year.

Second, on January 23, 2014, Governor Walker called the Wisconsin State Legislature (**Legislature**) into special session to address two bills that, if enacted, would reduce the projected General Fund balances. One bill would reduce certain General Fund taxes and property taxes, and the other bill would provide greater funding for the Department of Workforce Development. The two bills have been introduced in the Legislature, have been approved, with amendments, by the Legislature's Joint Committee on Finance, have been approved, with the same amendments, by the State Senate, and are currently under consideration by the State Assembly. As part of the actions by the Legislature's Joint Committee on Finance, as further approved by the State Senate, the statutory provisions requiring transfers from the General Fund to the Budget Stabilization Fund have been suspended for the 2013-14 and 2014-15 fiscal years. Under existing law, in the event general purpose revenues exceed the original budget estimates,

50% of general purpose revenues received that exceed the original budget estimates are transferred to the Budget Stabilization Fund.

Based on an analysis completed by LFB, reflecting the above actions of the Legislature's Joint Committee on Finance and the withholding table adjustments, the projected gross ending General Fund balance at the end of the 2013-14 and 2014-15 fiscal years would be \$725 million and \$178 million, respectively, if the two bills were enacted as approved, with amendments, by the Joint Committee on Finance and the State Senate.

January 2014 LFB Memorandum

On January 16, 2014, LFB released a memorandum that includes estimated General Fund tax revenues and an updated General Fund condition statement for each fiscal year of the 2013-15 biennium. The estimated General Fund tax revenues included in the January 2014 LFB Memorandum are \$14.400 billion for the 2013-14 fiscal year, or an increase of \$314 million (or 2.2%) from collections in the 2012-13 fiscal year and an increase of \$386 million from the projections resulting from the 2013-15 biennial budget (2013 Wisconsin Act 20). In addition, the estimated General Fund tax revenues are \$15.017 billion for the 2014-15 fiscal year, or an increase of \$617 million (or 4.3%) from the estimated collections for the 2014-15 fiscal year and an increase of \$500 million from projections in the 2013-15 biennial budget (2013 Act 20).

The following table includes a summary of the estimated General Fund tax revenues for each fiscal year of the 2013-15 biennium, and also includes, for comparison, actual General Fund tax collections for the 2012-13 fiscal year and projected General Fund tax collections from DOR, as included in November 20, 2012 report from the Wisconsin Department of Administration (DOA), and projections from the 2013-15 biennial budget (2013 Act 20).

**ESTIMATED GENERAL FUND TAX REVENUE COLLECTIONS
2013-14 AND 2014-15 FISCAL YEARS**

(in Millions)

	2012-13 <u>Actual</u>	2013-14 Fiscal Year			2014-15 Fiscal Year		
		DOR	Budget	LFB	DOR	Budget	LFB
		<u>Nov. 2012</u>	<u>2013 Act 20</u>	<u>Jan. 2014</u>	<u>Nov. 2012</u>	<u>2013 Act 20</u>	<u>Jan. 2014</u>
Individual Income	\$ 7,496.9	\$ 7,459.2	\$ 7,295.3	\$ 7,410.0	\$7,803.6	\$ 7,651.0	\$ 7,800.00
Sales and Use	4,410.1	4,533.1	4,497.6	4,640.0	4,656.7	4,607.2	4,815.0
Corp. Income & Franchise	925.4	897.6	961.8	1,065.0	887.1	993.8	1,100.0
Public Utility	341.2	373.0	358.3	353.7	373.8	355.9	358.3
Excise							
Cigarettes	569.2	572.8	551.2	575.0	566.9	541.4	570.0
Liquor & Wine	48.3	71.3	64.7	67.7	74.6	66.7	69.8
Tobacco Products	63.0	49.4	50.5	47.7	51.4	51.5	48.3
Beer	9.0	9.3	9.1	9.0	9.2	9.0	8.9
Estate ^(a)	0.3	94.0	0.0	0.0	125.0	0.0	0.0
Insurance Company	159.3	157.5	160.0	164.0	168.2	168.0	172.0
Miscellaneous Taxes	<u>62.9</u>	<u>63.0</u>	<u>65.0</u>	<u>67.8</u>	<u>66.0</u>	<u>73.0</u>	<u>74.9</u>
TOTAL	\$14,085.6	\$14,280.2	\$14,013.5	\$14,399.9	\$14,782.5	\$14,517.5	\$15,017.2

^(a) The November 20, 2012 report from DOA assumed federal and state law as of November 20, 2012. Subsequent to that report, Congress took actions which had the effect of keeping the State's estate tax from being reactivated commencing January 1, 2013.

In addition, the General Fund condition statement projections included in the January 2014 LFB Memorandum show a gross ending balance at the end of the 2013-14 fiscal year of \$897 million and at the end of the 2014-15 fiscal year of \$1.042 billion. These amounts are \$433 million and \$885 million greater, respectively, than the projected General Fund condition statement amounts included in the 2013-15 biennial budget (2013 Wisconsin Act 20).

The following table includes these updated General Fund condition statements for the 2013-15 biennium and also includes, for comparison, the estimated General Fund condition statements from the 2013-15 biennial budget (2013 Act 20).

PROJECTED GENERAL FUND CONDITION STATEMENT
2013-14 and 2014-15 FISCAL YEARS^(a)
(in Millions)

	2013-14 Fiscal Year		2014-15 Fiscal Year	
	2013-2015 Biennial <u>Budget</u>	LFB <u>Jan. 2014</u>	2013-2015 Biennial <u>Budget</u>	LFB <u>Jan. 2014</u>
Revenues				
Opening Balance	\$ 669.6	\$ 759.2	\$ 463.5	\$ 896.9
Taxes	14,013.5	14,399.9	14,517.5	15,017.2
Department Revenues				
Tribal Gaming	26.3	23.7	27.0	23.5
Other	<u>590.1</u>	<u>576.8</u>	<u>534.2</u>	<u>535.1</u>
Total Available	15,299.5	15,759.6	15,542.3	16,472.7
Appropriations				
Gross Appropriations	14,977.1	15,026.6	15,433.4	15,513.3
2013 Wisconsin Act 9	9.2		10.6	
Sum Sufficient Reestimates		(5.0)		(16.6)
Transfers to Other Funds	66.2	66.2	143.8	143.8
Compensation Reserves	78.8	78.8	133.1	133.1
Less: Lapses	<u>(295.3)</u>	<u>(303.8)</u>	<u>(334.9)</u>	<u>(342.5)</u>
Net Appropriations	14,835.9	14,862.8	15,386.0	15,431.1
Balances				
Gross Balance	463.5	896.9	156.3	1,041.6
Less: Required Statutory Balance	<u>(65.0)</u>	<u>(65.0)</u>	<u>(65.0)</u>	<u>(65.0)</u>
Net Balance, June 30	\$ 398.5	\$ 831.9	\$ 91.3	\$ 976.6

(a) This table does not reflect impacts of (i) withholding table changes that DOR has been ordered to make on or after April 1, 2014, or (ii) pending legislation introduced after the January 2014 LFB Memorandum that would reduce certain General Fund taxes and property taxes and provide greater funding for the Department of Workforce Development.

A complete copy of the January 2014 LFB Memorandum is included as part of this Official Statement at the [end of this Appendix A](#). In addition, the State has filed the January 2014 LFB Memorandum with the MSRB through its EMMA system, and a copy is available at any of the addresses included [on page A-1](#).

State Obligations; Employee Pension Funds (Part II; Pages 67-69). Update with the following information:

The State is part of the Wisconsin Retirement System (WRS), which is a hybrid pension plan with separate individual accounts maintained for all participants. Market-related risks are generally mitigated by (1) regular changes in active employee contributions based on actuarial costs and (2) adjustment of benefits based on investment performance. Annual annuity adjustments for calendar year 2014 were announced by WRS on February 27, 2014, and include an increase of 4.7% for retirees in the WRS Core Retirement Trust.

General Fund Information; General Fund Cash Flow (Part II; Pages 44-55). The following tables provide updates and additions to various tables containing General Fund information for the 2013-14 fiscal year, which are presented on either a cash basis or an agency-recorded basis. Unless otherwise noted, these tables contain information through January 31, 2014.

The results, projections, and estimates in the following tables reflect the budget bill for the 2013-15 biennium (2013 Wisconsin Act 20), estimated General Fund tax collections included in the memorandum provided by LFB on May 9, 2013 (**May 2013 LFB Memorandum**), and estimated General Fund tax revenues included in the January 2014 LFB Memorandum, but do not reflect the impacts of withholding table changes that DOR has been directed to make on or after April 1, 2014.

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 State can have a negative cash balance at the end of a fiscal year.

The Wisconsin 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 to the General Fund in an amount up to 9% of the general-purpose revenue appropriations then in effect and may also temporarily reallocate for a period of up to 30 days an additional amount up to 3% of the general-purpose revenue appropriations then in effect.

If the amount available for temporary reallocation to the General Fund is not sufficient, then the Secretary of Administration is authorized to set priorities for payments from the General Fund and to prorate and defer certain payments.

Table II-11; General Fund Cash Flow (Part II; Page 47). Replace with the following updated table.

ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2013 TO JANUARY 31, 2014
PROJECTED GENERAL FUND CASH FLOW; FEBRUARY 1, 2014 TO JUNE 30, 2014^(a)

(Amounts in Thousands)

	July 2013	August 2013	September 2013	October 2013	November 2013	December 2013	January 2014	February 2014	March 2014	April 2014	May 2014	June 2014
BALANCES^{(a)(b)}												
Beginning Balance	\$ 1,826,568	\$ 959,259	\$ 1,096,352	\$ 1,976,298	\$ 2,590,295	\$ 2,201,088	\$ 1,864,661	\$ 2,979,472	\$ 2,913,757	\$ 2,045,816	\$ 2,428,752	\$ 2,582,102
Ending Balance^(c)	959,259	1,096,352	1,976,298	2,590,295	2,201,088	1,864,661	2,979,472	2,913,757	2,045,816	2,428,752	2,582,102	2,155,097
Lowest Daily Balance^(c)	694,591	676,990	966,197	1,868,597	1,998,057	1,262,328	1,864,661	2,650,568	1,969,994	2,045,798	1,975,344	1,575,781
RECEIPTS												
TAX RECEIPTS												
Individual Income	\$ 800,065	\$ 413,410	\$ 976,828	\$ 723,133	\$ 435,536	\$ 752,680	\$ 1,180,995	\$ 595,392	\$ 716,731	\$ 1,455,428	\$ 397,194	\$ 1,008,872
Sales & Use	442,317	428,431	435,847	436,335	409,206	383,195	458,960	353,084	343,629	404,122	408,722	431,093
Corporate Income	37,868	48,418	190,960	36,606	26,352	195,992	30,561	33,834	248,431	84,839	32,854	213,368
Public Utility	176	60	88	5,262	184,696	26	2	13	3	2,912	159,899	13
Excise	56,370	65,737	67,173	57,873	64,181	54,638	61,346	47,952	51,062	59,379	55,619	64,875
Insurance	98	605	14,360	21	848	13,946	13,017	28,927	9,890	15,894	1,869	14,627
Subtotal Tax Receipts	\$ 1,336,894	\$ 956,661	\$ 1,685,256	\$ 1,259,230	\$ 1,120,819	\$ 1,400,477	\$ 1,744,881	\$ 1,059,202	\$ 1,369,746	\$ 2,022,574	\$ 1,056,157	\$ 1,732,848
NON-TAX RECEIPTS												
Federal	\$ 781,233	\$ 612,092	\$ 1,111,835	\$ 650,079	\$ 658,618	\$ 588,090	\$ 970,331	\$ 741,988	\$ 693,559	\$ 628,373	\$ 705,317	\$ 684,875
Other & Transfers	494,089	373,600	504,906	450,276	307,748	413,827	364,231	632,969	457,969	408,646	371,454	318,133
Note Proceeds	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal Non-Tax Receipts	\$ 1,275,322	\$ 985,692	\$ 1,616,741	\$ 1,100,355	\$ 966,366	\$ 1,001,917	\$ 1,334,562	\$ 1,374,957	\$ 1,151,528	\$ 1,037,019	\$ 1,076,771	\$ 1,003,008
TOTAL RECEIPTS	\$ 2,612,216	\$ 1,942,353	\$ 3,301,997	\$ 2,359,585	\$ 2,087,185	\$ 2,402,394	\$ 3,079,443	\$ 2,434,159	\$ 2,521,274	\$ 3,059,593	\$ 2,132,928	\$ 2,735,856
DISBURSEMENTS												
Local Aids	\$ 1,478,783	\$ 156,058	\$ 796,300	\$ 89,769	\$ 872,236	\$ 1,243,073	\$ 166,773	\$ 261,864	\$ 1,329,311	\$ 132,693	\$ 173,715	\$ 1,861,211
Income Maintenance	904,094	601,507	644,906	637,506	633,143	664,655	735,599	651,368	666,806	668,409	605,386	279,944
Payroll and Related	328,217	404,239	307,347	417,135	509,656	358,394	482,768	389,793	292,824	443,108	517,445	337,717
Tax Refunds	74,881	90,418	65,640	106,962	77,263	139,348	62,638	742,102	680,156	557,505	169,730	136,281
Debt Service	258,604	-	-	125,675	-	-	-	6,397	-	467,894	104,213	257
Miscellaneous	434,946	553,038	607,858	368,540	384,094	333,352	516,854	448,350	420,118	407,048	409,089	547,451
Note Repayment	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	\$ 3,479,525	\$ 1,805,260	\$ 2,422,051	\$ 1,745,587	\$ 2,476,392	\$ 2,738,822	\$ 1,964,632	\$ 2,499,874	\$ 3,389,215	\$ 2,676,657	\$ 1,979,578	\$ 3,162,861

(a) The results, projections, or estimates in this table reflect the budget bill for the 2013-15 biennium (2013 Wisconsin Act 20), the estimated General Fund tax collections for the 2013-14 fiscal year as included in the May 2013 LFB Memorandum, and the estimated General Fund tax revenues included in the January 2014 LFB Memorandum. The projections or estimates in this table do not reflect the impacts of withholding table changes that DOR has been directed to make on or after April 1, 2014. This table does not include any temporary reallocations of cash.

(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 ending monthly balances of designated funds ranged from \$1.2 billion to \$1.9 billion during the 2012-13 fiscal year, ranged from \$1.4 billion to \$1.9 billion for the 2013-14 fiscal year through December 31, 2013, and are expected to range from \$1.1 billion to \$1.9 billion for the remainder of the 2013-14 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 \$25 million during the 2013-14 fiscal year.

(c) While no negative cash positions are currently projected, the Wisconsin Statutes do provide certain administrative remedies to deal with periods when the General Fund may be in a negative cash position. For the 2013-14 fiscal year, the Secretary of Administration may temporarily reallocate cash in other funds to the General Fund in an amount up to 9% of the total general-purpose revenue appropriations then in effect with an additional amount up to 3% for a period of up to 30 days. The resulting amounts available for temporary reallocation in the 2013-14 fiscal year are approximately \$1.349 billion and \$450 million, respectively. If the amount available for temporary reallocation to the General Fund is not sufficient, then the Secretary of Administration is authorized to set priorities for payments from the General Fund and to prorate and defer certain payments.

Table II-12; General Fund Cash Receipts and Disbursements Year-to-Date Compared to Estimates and Previous Fiscal Year (Part II; Page 49). Replace with the following updated table.

**2013-14 FISCAL YEAR
GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS YEAR-TO-DATE
COMPARED TO ESTIMATES AND PREVIOUS FISCAL YEAR^(a)
(Cash Basis)
As of January 31, 2014
(Amounts in Thousands)**

	FY13 through January 2013		FY14 through January 2014			Adjusted Variance ^(c)	Difference FY13 Actual to FY14 Actual
	Actual	Actual ^(b)	Estimate ^(b)	Variance	Variance ^(c)		
RECEIPTS							
Tax Receipts							
Individual Income	\$ 5,177,638	\$ 5,282,647	\$ 5,354,138	\$ (71,491)	\$ (71,491)	\$ 105,009	
Sales	2,869,472	2,994,291	2,958,577	35,714	35,714	124,819	
Corporate Income	528,271	566,757	584,913	(18,156)	(18,156)	38,486	
Public Utility	182,923	190,310	184,339	5,971	5,971	7,387	
Excise	423,334	427,318	431,660	(4,342)	(4,342)	3,984	
Insurance	41,603	42,895	45,127	(2,232)	(2,232)	1,292	
Total Tax Receipts	\$ 9,223,241	\$ 9,504,218	\$ 9,558,754	\$ (54,536)	\$ (54,536)	\$ 280,977	
Non-Tax Receipts							
Federal	\$ 5,303,709	\$ 5,372,278	\$ 5,424,296	\$ (52,018)	\$ (52,018)	\$ 68,569	
Other and Transfers	2,786,083	2,908,659	2,916,873	(8,214)	(8,214)	122,576	
Note Proceeds	-	-	-	-	-	-	
Total Non-Tax Receipts	\$ 8,089,792	\$ 8,280,937	\$ 8,341,169	\$ (60,232)	\$ (60,232)	\$ 191,145	
TOTAL RECEIPTS	\$ 17,313,033	\$ 17,785,155	\$ 17,899,923	\$ (114,768)	\$ (114,768)	\$ 472,122	
DISBURSEMENTS							
Local Aids	\$ 4,847,314	\$ 4,802,992	\$ 4,968,036	\$ 165,044	\$ 165,044	\$ (44,322)	
Income Maintenance	4,843,084	4,821,410	5,036,377	214,967	214,967	(21,674)	
Payroll & Related	2,492,555	2,807,756	2,826,142	18,386	18,386	315,201	
Tax Refunds	656,864	617,150	679,984	62,834	62,834	(39,714)	
Debt Service	368,352	384,279	444,958	60,679	60,679	15,927	
Miscellaneous	2,885,453	3,198,682	3,413,090	214,408	214,408	313,229	
Note Repayment	-	-	-	-	-	-	
TOTAL DISBURSEMENTS	\$ 16,093,622	\$ 16,632,269	\$ 17,368,587	\$ 736,318	\$ 736,318	\$ 538,647	
2013-14 FISCAL YEAR VARIANCE YEAR-TO-DATE				\$ 621,550	\$ 621,550		

- (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 results, projections, and estimates in this table for the 2013-14 fiscal year reflect the budget bill for the 2013-15 biennium (2013 Wisconsin Act 20), estimated General Fund tax collections included in the May 2013 LFB Memorandum, and estimated General Fund tax revenues included in the January 2014 LFB Memorandum, but do not reflect the impacts of withholding table changes that DOR has been directed to make on or after April 1, 2014.
- (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, if any, to more accurately reflect the variance between the estimated and actual amounts.

Source: Wisconsin Department of Administration

Table II-13; General Fund Monthly Cash Position (Part II; Page 50). Replace with the following updated table.

**GENERAL FUND MONTHLY CASH POSITION^(a)
July 1, 2011 through January 31, 2014 – Actual
February 1, 2014 through June 30, 2014 – Estimated^(b)
(Amounts in Thousands)**

	<u>Starting Date</u>	<u>Starting Balance</u>	<u>Receipts^(c)</u>	<u>Disbursements^(c)</u>
2011	July.....	\$ 303,777	^(d) \$ 2,895,946	\$ 3,131,187
	August.....	68,536	^(d) 2,153,238	1,889,807
	September.....	331,967	2,880,991	2,518,798
	October.....	694,160	2,517,524	1,669,453
	November.....	1,542,231	2,425,673	2,603,246
	December.....	1,364,658	2,304,227	2,853,021
2012	January.....	815,864	2,932,858	1,903,677
	February.....	1,845,045	2,427,368	2,583,608
	March.....	1,688,805	2,268,923	3,479,073
	April.....	478,655	3,140,908	2,296,885
	May.....	1,322,678	2,266,454	1,814,343
	June.....	1,774,789	2,399,924	3,199,761
	July.....	974,952	^(d) 2,520,484	3,324,432
	August.....	171,004	^(d) 2,062,401	1,768,434
	September.....	464,971	2,652,821	2,118,851
	October.....	998,941	2,612,683	1,734,916
	November.....	1,876,708	2,140,854	2,586,604
	December.....	1,430,959	2,274,768	2,744,918
2013	January.....	960,809	3,049,021	1,815,467
	February.....	2,194,363	2,440,117	2,299,291
	March.....	2,335,189	2,273,592	3,182,972
	April.....	1,425,809	3,275,565	2,513,625
	May.....	2,187,749	2,309,395	2,038,569
	June.....	2,458,575	2,398,430	3,030,437
	July.....	1,826,568	2,612,216	3,479,525
	August.....	959,259	1,942,353	1,805,260
	September.....	1,096,352	3,301,997	2,422,051
	October.....	1,976,298	2,359,585	1,745,587
	November.....	2,590,296	2,087,185	2,476,392
	December.....	2,201,089	2,402,394	2,738,822
2014	January.....	1,864,661	3,079,425	1,964,632
	February.....	2,979,454	2,434,159	2,499,874
	March.....	2,913,739	2,521,274	3,389,215
	April.....	2,045,798	3,059,593	2,676,657
	May.....	2,428,734	2,132,928	1,979,578
	June.....	2,582,084	2,735,856	3,162,861

Source: Wisconsin Department of Administration.

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

^(b) The results, projections, or estimates in this table for the 2013-14 fiscal year reflect the budget bill for the 2013-15 biennium, the estimated General Fund tax revenue collections included in the May 2013 LFB Memorandum, and estimated General Fund tax revenues included in the January 2014 LFB Memorandum, but do not reflect the impacts of withholding table changes that DOR has been directed to make on or after April 1, 2014.

^(c) Operating notes were issued for the 2011-12 fiscal year, but were not issued for the 2012-13 or 2013-14 fiscal years.

^(d) At some period during this month, the General Fund was in a negative cash position. The Wisconsin Statutes provide certain administrative remedies for periods when the General Fund is in a negative cash position. The Secretary of Administration may temporarily reallocate cash in other funds to the General Fund up to 9% of the general purpose revenue appropriations then in effect. For the 2012-13 fiscal year, this amount was \$1.328 billion, and for the 2013-14 fiscal year this amount is \$1.349 billion. In addition, the Secretary of Administration may also temporarily reallocate an additional amount of up to 3% of general purpose revenue appropriations for a period of up to 30 days. For the 2012-13 fiscal year, this amount was \$443 million, and for the 2013-14 fiscal year this amount is \$450 million. If the amount available for temporary reallocation to the General Fund is insufficient, then the Secretary of Administration is authorized to set priorities for payments from the General Fund and to prorate or defer certain payments.

Source: Wisconsin Department of Administration

Table II-14; Cash Balances in Funds Available for Temporary Reallocation (Part II; Page 51).
 Replace with the following updated table.

CASH BALANCES IN FUNDS AVAILABLE FOR TEMPORARY REALLOCATION^(a)
July 31, 2011 to January 31, 2014 – Actual
February 28, 2014 to June 30, 2014 – Estimated
(Amounts in Millions)

The following two tables show, on a monthly basis, the cash balances available for temporary reallocation. 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 temporary reallocation, 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 \$2.113 billion during November 2011 to a high of \$4.344 billion during March 2009. The Secretary of Administration may not exercise the authority to make temporary reallocation if doing so would jeopardize the cash flow of any fund or account from which the temporary reallocation would be made.

Available Balances; Does Not Include Balances in the LGIP

<u>Month (Last Day)</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
January		\$ 1,428	\$ 1,549	\$ 1,465
February		1,478	1,601	1,601
March		1,520	1,688	1,688
April		1,529	1,708	1,708
May		1,500	1,721	1,289
June		1,596	1,677	1,427
July	\$ 1,402	1,460	1,557	
August	1,586	1,498	1,569	
September	1,542	1,569	1,616	
October	1,321	1,341	1,419	
November	1,349	1,388	1,454	
December	1,438	1,487	1,518	

Available Balances; Includes Balances in the LGIP

<u>Month (Last Day)</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
January		\$ 4,645	\$ 5,017	\$ 4,586
February		4,658	5,051	5,051
March		4,925	5,250	5,250
April		4,542	4,999	4,999
May		4,086	4,577	3,842
June		4,018	4,427	4,035
July	\$ 4,648	4,620	4,865	
August	4,229	4,176	4,283	
September	3,905	3,998	4,005	
October	3,421	3,529	3,615	
November	3,484	3,527	3,614	
December	4,122	4,174	4,255	

^(a) The amounts shown reflect a reduction in the aggregate cash balances available to the extent any fund had a negative balance and temporary reallocations were made from such fund.

Source: Wisconsin Department of Administration

Table II-15; General Fund Recorded Revenues (Part II; Page 53). Replace with the following updated table.

GENERAL FUND RECORDED REVENUES^(a)
(Agency-Recorded Basis)
July 1, 2013 to January 31, 2014 Compared With Previous Year

	Annual Fiscal Report Revenues <u>2012-13 Fiscal Year^(b)</u>	Projected Revenues <u>2013-14 Fiscal Year^(c)</u>	Recorded Revenues July 1, 2012 to January 31, 2013 ^(d)	Recorded Revenues July 1, 2013 to January 31, 2014 ^(e)
Individual Income Tax	\$ 7,496,854,000	\$ 7,295,261,000	\$ 4,534,145,107	\$ 4,638,777,459
General Sales and Use Tax	4,410,130,000	4,497,640,000	2,239,444,905	2,402,347,445
Corporate Franchise and Income Tax	925,383,000	961,805,000	401,012,798	479,000,512
Public Utility Taxes	341,256,000	358,292,000	177,268,285	190,049,874
Excise Taxes	689,464,000	675,500,000	357,831,299	372,009,562
Inheritance Taxes	305,000	-	207,249	17,167
Insurance Company Taxes	159,277,000	160,000,000	62,601,109	79,332,213
Miscellaneous Taxes	62,958,000	65,000,000	38,036,559	41,867,215
SUBTOTAL	<u>14,085,627,000</u>	<u>14,013,498,000</u>	<u>7,810,547,311</u>	<u>8,203,401,447</u>
Federal and Other Inter- Governmental Revenues ^(f)	10,082,914,000	8,811,039,400	5,838,462,689	5,826,528,311
Dedicated and Other Revenues ^(g)	<u>5,266,640,000</u>	<u>6,062,187,900</u>	<u>3,118,461,657</u>	<u>3,365,726,686</u>
TOTAL	<u>\$ 29,435,181,000</u>	<u>\$ 28,886,725,300</u>	<u>\$ 16,767,471,658</u>	<u>\$ 17,395,656,444</u>

(a) The revenues in this table are presented on an agency-recorded basis and not a budgetary basis. None of the data presented in this table has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments.

(b) The amounts are from the Annual Fiscal Report (budgetary basis) for the 2012-13 fiscal year, dated October 15, 2013.

(c) The results, projections, or estimates included in this table on an agency-recorded basis reflect the 2013-15 biennial budget (2013 Wisconsin Act 20) and the estimated General Fund tax revenue collections included in the May 2013 LFB Memorandum. The results, projections, or estimates in this table do not reflect the estimated General Fund tax revenues included in the January 2014 LFB Memorandum or the impacts of withholding table changes that DOR has been directed to make on or after April 1, 2014.

(d) The amounts shown are 2012-13 fiscal year revenues as recorded by all State agencies. There may be differences between the tax revenues shown in this table and those reported by DOR from time to time in its monthly general purpose revenue collections report; the DOR report only includes general purpose revenues or taxes that are actually collected by DOR.

(e) The amounts shown are 2013-14 fiscal year 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 DOR from time to time in its monthly general purpose revenue collections report; the DOR report only includes general purpose revenues or taxes that are actually collected by DOR.

(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-16; General Fund Recorded Expenditures by Function (Part II; Page 55). Replace with the following updated table.

GENERAL FUND RECORDED EXPENDITURES BY FUNCTION^(a)
(Agency-Recorded Basis)
July 1, 2013 to January 31, 2014 Compared With Previous Year

	Annual Fiscal Report Expenditures <u>2012-13 Fiscal Year^(b)</u>	Appropriations <u>2013-14 Fiscal Year^(c)</u>	Recorded Expenditures July 1, 2012 to <u>January 31, 2013^(d)</u>	Recorded Expenditures July 1, 2013 to <u>January 31, 2014^(e)</u>
Commerce.....	\$ 205,290,000	\$ 226,725,400	\$ 112,472,854	\$ 104,685,139
Education.....	11,998,243,000	12,298,789,500	6,241,209,395	6,366,596,775
Environmental Resources.....	388,797,000	436,812,300	96,693,638	84,345,375
Human Relations & Resources	12,402,984,000	12,197,504,300	7,314,219,393	7,792,377,417
General Executive.....	970,600,000	1,134,338,100	688,366,557	665,422,730
Judicial.....	127,454,000	135,758,400	77,422,750	77,233,064
Legislative.....	64,552,000	75,067,400	31,038,080	32,858,324
General Appropriations.....	2,242,825,000	2,381,729,900	2,001,347,349	2,024,354,703
TOTAL.....	<u>\$ 28,400,745,000</u>	<u>\$ 28,886,725,300</u>	<u>\$ 16,562,770,015</u>	<u>\$ 17,147,873,528</u>

- (a) The expenditures in this table are presented on an agency-recorded basis and not a budgetary basis. None of the data presented in this table has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments.
- (b) The amounts are from the Annual Fiscal Report (budgetary basis) for the 2012-13 fiscal year, dated October 15, 2013.
- (c) The results and estimates included in this table reflect the 2013-15 biennial budget (2013 Wisconsin Act 20).
- (d) The amounts shown are 2012-13 fiscal year expenditures as recorded by all State agencies.
- (e) The amounts shown are 2013-14 fiscal year expenditures as recorded by all State agencies.

Source: Wisconsin Department of Administration

Statistical Information; Table II-39; Unemployment Rate Comparison (Part II; Page 88). Replace with the following updated table. This updated table is an addition that was released after the date of the Preliminary Official Statement for the Bonds (March 7, 2014).

UNEMPLOYMENT RATE COMPARISON^(a)
By Month 2008 to 2013
By Quarter 2004-2007

	<u>2013</u>		<u>2012</u>		<u>2011</u>		<u>2010</u>		<u>2009</u>		<u>2008</u>	
	<u>Wis.</u>	<u>U.S.</u>	<u>Wis.</u>	<u>U.S.</u>	<u>Wis.</u>	<u>U.S.</u>	<u>Wis.</u>	<u>U.S.</u>	<u>Wis.</u>	<u>U.S.</u>	<u>Wis.</u>	<u>U.S.</u>
January	8.0	8.5	7.7	8.8	8.5	9.8	10.0	10.6	7.7	8.5	5.0	5.4
February	8.2	8.1	8.0	8.7	8.6	9.5	10.3	10.4	8.8	8.9	5.2	5.2
March	7.7	7.6	7.7	8.4	8.3	9.2	10.1	10.2	9.4	9.0	5.0	5.2
April	7.2	7.1	6.8	7.7	7.5	8.7	8.8	9.5	8.8	8.6	4.2	4.8
May	6.7	7.3	6.7	7.9	7.3	8.7	8.3	9.3	8.7	9.1	4.2	5.2
June	7.0	7.8	7.4	8.4	8.0	9.3	8.5	9.6	9.1	9.7	4.7	5.7
July	6.8	7.7	7.2	8.6	7.6	9.3	8.2	9.7	8.8	9.7	4.6	6.0
August	6.2	7.3	6.8	8.2	7.3	9.1	7.9	9.5	8.6	9.6	4.7	6.1
September..	5.9	7.0	6.1	7.6	6.8	8.8	7.3	9.2	8.0	9.5	4.3	6.0
October	5.7	7.0	5.9	7.5	6.6	8.5	7.2	9.0	7.9	9.5	4.5	6.1
November..	5.8	6.6	6.2	7.4	6.5	8.2	7.5	9.3	8.0	9.4	5.2	6.5
December...	<u>5.8</u>	<u>6.5</u>	<u>6.6</u>	<u>7.6</u>	<u>6.6</u>	<u>8.3</u>	<u>7.4</u>	<u>9.1</u>	<u>8.3</u>	<u>9.7</u>	<u>5.9</u>	<u>7.1</u>
Annual												
Average	6.8	7.4	6.9	8.1	7.5	8.9	8.5	9.6	8.7	9.3	4.8	5.8
	2007 Quarters		<u>WI</u>	<u>U.S.</u>			2006 Quarters		<u>WI</u>	<u>U.S.</u>		
I			5.6	4.8	I				5.4	5.0		
II			4.9	4.4	II				4.7	4.6		
III			4.5	4.7	III				4.4	4.7		
IV			4.1	4.6	IV				4.2	4.2		
	2005 Quarters		<u>WI</u>	<u>U.S.</u>			2004 Quarters		<u>WI</u>	<u>U.S.</u>		
I			5.7	5.6	I				6.2	6.1		
II			4.8	5.0	II				5.1	5.5		
III			4.4	5.0	III				4.6	5.4		
IV			4.3	4.7	IV				4.3	5.1		

^(a) Figures show the percentage of labor force that is unemployed and are *not seasonally adjusted*.

Source: Department of Workforce Development and U.S. Bureau of Labor Standards

Debt Information; Table III-7; Comparison of Outstanding Indebtedness to Equalized Valuation of Property (Part III; Page 107). Replace with the following corrected table.

**COMPARISON OF OUTSTANDING
INDEBTEDNESS TO EQUALIZED VALUATION
OF PROPERTY**

<u>Calendar Year</u>	<u>Value of Taxable Property (Amounts in Thousands)</u>	<u>Outstanding Indebtedness^(a) (Amounts in Thousands)</u>	<u>Debt as Percentage of Equalized Value</u>
2003.....	\$ 360,710,815	\$ 4,794,398	1.33%
2004.....	391,187,815	5,116,439	1.31
2005.....	427,933,562	5,445,615	1.27
2006.....	468,983,200	5,898,647	1.26
2007.....	497,920,349	5,893,590	1.18
2008.....	514,393,964	6,146,978	1.19
2009.....	511,911,983	6,481,078	1.27
2010.....	495,904,192	7,407,431	1.49
2011.....	486,864,233	7,878,628	1.62
2012.....	471,092,529	8,385,972	1.78

^(a) As of December 31.

Sources: Department of Revenue and Wisconsin Legislative Audit Bureau

Legislative Fiscal Bureau

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State of Wisconsin

January 16, 2014

Representative John Nygren, Assembly Chair
Senator Alberta Darling, Senate Chair
Joint Committee on Finance
State Capitol
Madison, WI 53702

Dear Representative Nygren and Senator Darling:

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

Based upon our analysis, we project the closing, gross general fund balance at the end of this biennium (June 30, 2015) to be \$1,041.6 million. This is \$911.9 million above the \$129.7 million balance that was estimated prior to our review. The estimated \$129.7 million balance includes all bills enacted to date in this legislative session (through 2013 Act 116).

The additional \$911.9 million is the net result of: (1) an \$892.7 million increase in estimated tax collections; (2) an \$18.4 million decrease in departmental revenues; (3) a \$21.6 million decrease in sum sufficient appropriation expenditures; and (4) a \$16.0 million increase in estimated lapses to the general fund.

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

TABLE 1**2013-15 General Fund Condition Statement**

	<u>2013-14</u>	<u>2014-15</u>
Revenues		
Opening Balance, July 1	\$759,205,000	\$896,858,900
Taxes	14,399,900,000	15,017,200,000
Departmental Revenues		
Tribal Gaming	23,703,600	23,533,600
Other	<u>576,818,000</u>	<u>535,113,000</u>
Total Available	\$15,759,626,600	\$16,472,705,500
Appropriations, Transfers, and Reserves		
Gross Appropriations	\$15,026,592,200	\$15,513,263,600
Sum Sufficient Reestimates	-5,001,900	-16,615,800
Transfers to:		
Transportation Fund	60,877,000	143,837,100
Veterans Trust Fund	5,300,000	0
Compensation Reserves	78,752,200	133,056,500
Less Lapses	<u>-303,751,800</u>	<u>-342,485,700</u>
Net Appropriations	\$14,862,767,700	\$15,431,055,700
Balance		
Gross Balance	\$896,858,900	\$1,041,649,800
Required Statutory Balance	<u>-65,000,000</u>	<u>-65,000,000</u>
Net Balance, June 30	\$831,858,900	\$976,649,800

The biennial change in departmental revenues is estimated to be -\$18.4 million. Although there are a number of adjustments to departmental revenues, there are two items that contribute to most of the reduction. First, estimated tobacco settlement revenues have been reduced by \$13.3 million in 2013-14, primarily due to litigation that will likely not be resolved in that fiscal year. Second, tribal gaming revenues have been reduced by \$6.0 million to reflect a decline in amounts generated under the gaming compacts.

Net appropriations are projected to decrease by a net of \$37.6 million. Significant factors in this estimate include a reduction in homestead tax credits for the biennium (-\$23.3 million) and earned income tax credits (-\$8.2 million). In addition, it is projected that cigarette and tobacco product tax refunds will increase by \$9.1 million in 2013-14 due to a delayed payment from the prior year. Debt service is projected to be \$19.5 million lower than previously anticipated.

The following additional points should be noted about the condition statement of Table 1. First, it incorporates the fiscal effects of all bills enacted to date in this legislative session

(through 2013 Act 116). Second, it does not reflect the impact of any bills that are pending before the Legislature that have not yet been enacted.

Finally, it does not reflect any appropriation change to the medical assistance (MA) program. The Department of Health Services (DHS) is required to submit quarterly reports to the Joint Committee on Finance on the fiscal status of the medical assistance program. In the December 30, 2013, report, DHS projected that the MA biennial general fund appropriation of \$4.8 billion could potentially face a \$92.6 million shortfall in the 2013-15 biennium. Much of this is due to a reduction in the 2015 federal matching rate from the preliminary estimate of 59.19% to 58.27%. This downward revision would result in a loss of approximately \$52 million in federal MA matching funds in 2014-15. Through the Department's quarterly reports, the Legislature will be able to monitor the fiscal status of the program and react to any modifications, if necessary, prior to the conclusion of the biennium.

Budget Stabilization Fund

Under s. 16.518 of the statutes, half of any excess of actual general fund tax revenues in a fiscal year over the amount included in the biennial budget act must be deposited into the budget stabilization fund after the close of that fiscal year. Currently, the budget stabilization fund has a balance of \$279.3 million.

The following chart shows general fund taxes included in the 2013-15 biennial budget (2013 Act 20) and the projections of this analysis.

	<u>2013-14</u>	<u>2014-15</u>
January 16 Estimate	\$14,399,900,000	\$15,017,200,000
2013 Act 20	<u>14,013,498,000</u>	<u>14,517,548,000</u>
Difference	\$386,402,000	\$499,652,000

As the chart indicates, the tax estimates of this analysis exceed those of the biennial budget act by \$386,402,000 in 2013-14 and \$499,652,000 in 2014-15. Thus, if taxes are not modified and actual collections are the same as the estimated amounts, \$193,201,000 ($\$386,402,000 \times .50$) would be transferred to the budget stabilization fund at the end of the 2013-14 fiscal year and \$249,826,000 ($\$499,652,000 \times .50$) would be transferred at the close of 2014-15. The biennial total of the transfer under this scenario would be \$443,027,000.

Section 16.518 further states that if a transfer to the budget stabilization fund would reduce the balance in the general fund below the required statutory reserve, then the transfer must be reduced as needed to maintain the required statutory reserve in the general fund. Currently, the statutory reserve is set at \$65 million, annually. For example, if the gross balance in the general fund at the end of a fiscal year was \$100 million, the most that could be transferred to the budget stabilization fund would be \$35 million.

Transportation Fund

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

Upon passage of the 2013-15 biennial budget act (Act 20), the biennium-ending balance in the transportation fund was estimated at \$1.8 million. The Department of Transportation has recently completed a reestimate of transportation fund revenues. Based on our review of these estimates, the biennium-ending balance is now projected to be \$84.6 million. Although the economic variables used to project future revenues have not changed substantially from earlier estimates, actual revenue collections from the motor fuel tax and vehicle registration fees during the first few months of the biennium are somewhat higher than the Act 20 forecast. The Department's new estimate projects that revenue will continue to build on these early collections, accounting for the higher biennium-ending forecast balance. The new estimated balance is equal to 2.2% of gross transportation fund revenues.

Although the transportation fund is projected to have a higher biennium-ending balance, there are several issues that could affect future decisions with respect to transportation finance. First, the amount of the state's federal highway aid remains uncertain for future fiscal years. Federal highway trust fund collections have been and continue to be below annual program outlays. In several recent years, Congress has supplemented trust fund revenues with federal general fund revenues to maintain a stable highway aid program. It is unclear, however, if additional transfers (or other measures, such as a federal fuel tax increase) will be approved in the future. Congress may decide, instead, to reduce highway aid to the states. In this event, Wisconsin may need to reduce funding for programs that use federal highway aid, or supplement those programs with additional state funds.

Second, while the transportation fund is projected to have a positive, biennium-ending budgetary balance, the fund faces a structural imbalance heading into the 2015-17 biennium. In 2014-15 (the base year), total revenues, net of revenue bond debt service, are \$11.4 million above total transportation fund expenditures. However, of the 2014-15 revenue total, \$123.5 million is provided with one-time transfers from other funds (\$107.5 million from the general fund and \$16.0 million from the petroleum inspection fund). Without the one-time transfer revenues, base expenditures exceed base revenues by \$112.0 million annually. Therefore, over the 2015-17 biennium revenues would have to grow by \$224.0 million to fund expenditures at the 2014-15, base-year level.

In addition, other factors will increase current law expenditure commitments in the 2015-17 biennium. First, Act 20 provided a 4% increase in calendar year 2015 for the mass transit assistance and general transportation aid programs. Since only a portion of the 2015 aid increase, in both programs, is funded in 2014-15, an additional funding increase would be required in subsequent fiscal years to fully fund the increase. For the general transportation aid program, an additional increase of \$9.0 million will be required in 2015-16 (or \$18.0 million over the biennium if the 2015 aid level is continued), while in the mass transit assistance program, an additional increase of \$3.2 million will be required in 2015-16 (or \$6.4 million over

the biennium). Assuming that the 2015 aid level is fully funded and that level is maintained, these commitments add \$24.4 million to the structural imbalance.

Further, growth in transportation fund debt service, on currently-authorized bonds, will further increase 2015-17 expenditures. Typically, the full, annualized debt service on bonds authorized in one biennium is not paid until the following biennium. Based on current bond issuance assumptions, the Department of Transportation estimates that debt service on currently-authorized bonds will grow by \$41.9 million in 2015-16 and by \$45.9 million in 2016-17, above the 2014-15 base, for a biennial total of \$87.8 million.

Finally, the calculations described above do not include the impact of any other costs that the state may incur in the 2015-17 biennium in excess of the 2014-15 appropriation base. Notably, the Department of Transportation estimates that continuing work on the Zoo Interchange and Hoan Bridge projects in Milwaukee County will cost \$957 million in the 2015-17 biennium. By comparison, the 2014-15 base appropriation for the southeast Wisconsin freeway megaprojects program is \$86 million.

General Fund Taxes

The following section presents information regarding general fund taxes for the 2013-15 biennium, including a discussion of the national economic forecast and general fund tax revenue estimates for fiscal years 2013-14 and 2014-15.

National Economic Review and Forecast. This office first prepared revenue estimates for the 2013-15 biennium in January, 2013, based on IHS Global Insight, Inc.'s January, 2013, forecast for the U.S. economy. That forecast predicted economic growth in 2013 would slow, primarily due to the expiration of the 2% payroll tax cut and increased taxes on high earners included in the American Taxpayer Relief Act of 2012. Under that forecast, Global Insight had made assumptions regarding federal fiscal policy that sequestration cuts would not occur in 2013 and, instead, those cuts would be replaced with a combination of increases in income taxes on high earners and cuts to Medicare, Medicaid, Social Security, and nondefense discretionary spending. Under these assumptions, real gross domestic product (GDP) growth was expected to increase by 1.7% in 2013, 2.7% in 2014, and 3.4% in 2015. The primary downside risks to the forecast included U.S. policymakers cutting defense and nondefense spending further than was scheduled to take effect under sequestration, an intensification of recession in Europe, and slower than expected growth in China and other emerging markets.

In May, 2013, this office raised its revenue estimates for individual income taxes and corporate income and franchise taxes in 2012-13 and the 2013-15 biennium. The upward revision was primarily based on stronger than expected tax collections through April, 2013. One-time payments of corporate dividends and gains on asset sales that were accelerated into 2012 in anticipation of changes in federal individual income tax rates contributed to increased income tax collections during 2012-13. The revisions also incorporated Global Insight's May, 2013, forecast for the U.S. economy. Real GDP growth had been slightly increased from the January estimates to 1.8% in 2013, 2.8% in 2014, and 3.2% in 2015. The forecast assumed that federal sequestration cuts would stay in place until September 30, 2013, and would be replaced

by a combination of tax increases and cuts to entitlement programs beginning in 2014. The primary downside risk to the forecast remained the same as it had been in the January, 2013, forecast.

According to Global Insight's latest analysis (January, 2014), 2013 real GDP growth was 1.9%, which was slightly higher than the May estimate of 1.8% despite previously unanticipated fiscal austerity constraints. The May forecast had not anticipated that the sequestration cuts would remain in place through the end of 2013, nor had the May forecast anticipated the three-week federal government shutdown, which was estimated to subtract 0.3 percentage points from fourth-quarter U.S. economic growth. Under the current forecast, Global Insight estimates that expiration of the accelerated depreciation allowance at the end of 2013 encouraged some firms to accelerate capital spending into the fourth quarter of 2013 from 2014.

Two strong areas of growth in 2013 were sales of light vehicles and residential housing starts, which grew at rates of 7.7% and 18.9%, respectively. Growth in light vehicle sales was below 2012's rate of 13.4%, but remained historically high. Growth in light vehicle sales is expected to moderate from that pace to 2.9% in 2014 and 2.0% in 2015. While housing starts have shown strong year-over-year growth in 2013 (931,000 units) and strong growth of 28.0% in 2012, it should be noted that the number of housing starts remains more than 55% below the peak level of 2,073,000 units in 2005. Although housing starts are not expected to return to the 2005 level for at least the next 10 years, housing is expected to be a strong, positive contributor to economic growth with double digit growth in starts projected for 2014 and 2015. Among other housing indicators, sales of new and existing homes grew 9.8% in 2013, the average price of an existing home increased 9.1%, and the average price of a new home increased 11.0%.

Average nonfarm payroll levels increased 2.195 million in 2013, with private sector payrolls increasing 2.253 million, offsetting the 58,000 decline in government jobs. Last year concluded the third year in a row where private sector payrolls have increased, while government jobs have declined. Employment growth in 2013 was 219,000 higher than Global Insight's May estimated 2.034 million increase in total nonfarm payrolls. The average unemployment rate for 2013 was 7.4%, lower than the May estimate of 7.6%. While higher than expected employment gains helped lower the average annual unemployment rate, increased numbers of workers exiting the workforce since the May forecast has had a greater impact on lowering the unemployment rate.

In the January forecast, Global Insight expects continued moderate growth based on sound economic fundamentals for the U.S. economy, with real GDP increasing 2.7% in 2014 and 3.2% in 2015. The forecast is based on the following key assumptions. First, the discretionary spending levels agreed upon in the recently negotiated federal Bipartisan Budget Act will be kept in place during 2014. Second, emergency unemployment benefits will not be extended in 2014, reducing 2014 real GDP growth by between 0.1 and 0.2 percentage points. Third, the Federal Reserve will continue tapering the amount of long-term securities purchases by an additional \$10 billion per month following each Fed meeting, ending its purchases of long-term securities during the fourth quarter of 2014. Fourth, the inflation-adjusted, trade-weighted value of the U.S. dollar is expected to fall 3.7% over the next ten years against major trading partners and to

fall 23.8% against other trading partners. Fifth, real GDP growth is expected to average 2.0%, annually, among major-currency trading partners and 4.5%, annually, among other important trading partners over the next ten years. Sixth, Brent spot prices for crude oil are expected to average between \$99 and \$108 per barrel over the next five years, overall demand for oil is expected to grow 1.4% in 2014, and annual oil demand growth is expected to average 0.8% over the next ten years as a result of successful energy conservation efforts.

GDP. Real (inflation adjusted) GDP is now projected to grow 2.7% in 2014 and 3.2% in 2015. These estimates are similar to Global Insight's May, 2013, forecast, in which real GDP had been expected to increase by 2.8% and 3.2% in 2014 and 2015, respectively. The expectations for nominal (current dollar) GDP growth are slightly lower in 2014 and higher in 2015 compared to the May estimates, changing from 4.7% and 4.8% in 2014 and 2015, respectively, to 4.3% and 5.0%. Overall, Global Insight's January forecast maintains similar expectations for U.S. economic growth in 2014 and 2015 as in its May forecast, but projects slightly slower growth in the first year and stronger growth in the second year.

Consumer Prices. The Consumer Price Index (CPI) is expected to rise by 1.4% in 2014 and 1.8% in 2015, with declining energy prices offsetting increases in the cost of other goods and services. These estimates are similar to Global Insight's May, 2013, forecast for CPI, though slightly lower in the first year and higher in the second year. Declining energy prices were somewhat offset by higher prices for other items over the forecast period. Core inflation, which excludes food and energy costs, is expected to increase faster than overall CPI at rates of 1.9% in 2014 and 2.0% in 2015 (which is similar to the May estimates).

Monetary Policy. The U.S. Federal Reserve maintained very accommodative monetary policy through 2013. The Fed made outright long-term Treasury purchases of \$45 billion per month and purchased mortgage-backed securities at a rate of \$40 billion per month. The Fed's purchase of \$85 billion per month in long-term securities was an attempt to keep downward pressure on interest rates and support the economic recovery. At the Fed's December 17-18 meeting, the Fed noted that labor market risks had diminished and announced that it would reduce long-term securities purchases by \$10 billion per month, as compared to its current pace of purchases. Global Insight predicts that the Fed will continue reducing long-term securities purchases by an additional \$10 billion per month following each of the upcoming Federal Reserve meetings, and the Fed will end making long-term monthly securities purchases during 2014. This forecast is in line with Global Insight's May, 2013, assumptions.

The Fed maintained historically low short-term interest rates during 2013 by keeping the target range for the federal funds rate between 0.0% and 0.25%. The Fed did not mention at its December 17-18 meeting when the first interest hike might occur. Global Insight expects that the Fed will first increase interest rates in 2015, which is the same assumption as in Global Insight's May, 2013, forecast.

Personal Consumption. Nominal personal consumption expenditures increased by an estimated 3.2% in 2013, slightly higher than the 3.1% increase projected in the May, 2013, forecast. Purchases of consumer durable goods, which are generally subject to the state sales tax,

increased by 5.4%, led by 9.8% growth in expenditures for used motor vehicles. Purchases of services, which are generally not subject to sales tax, increased by 3.1%. Under the latest forecast, personal consumption is expected to grow by 3.9% in 2014 and 4.6% in 2015, with strong, broad-based gains in durable goods and slower growth in purchases of nondurable goods. These projections are slightly lower in 2014 and higher in 2015 than Global Insight's May, 2013, projections of 4.0% and 4.1%, respectively.

Employment. In the most recent employment report, it was estimated that the U.S. economy created only 74,000 jobs in December. However, bad weather prevented 273,000 workers from being able to get to their jobs, which was nearly twice as many workers as historically report being unable to get to work due to weather in December. Assuming weather was the primary factor behind this poor jobs report, Global Insight anticipates that U.S. job creation will rebound in the coming months. U.S. job creation averaged 183,000 per month over the course of 2013. Despite the December report, Global Insight expects non-farm payrolls to improve from growth of 2.2 million in 2013 to growth of 2.3 million jobs in 2014 and 2.8 million in 2015. In addition, the forecast calls for small government job gains over the next two years, as compared to the previous four years of government job losses. These estimates are slightly higher than Global Insight's May, 2013, forecast.

The national unemployment rate, which is a function of both the number of jobs and the number of labor market participants, is expected to decline at a faster rate than was anticipated in the May forecast. The average annual unemployment rate for 2013 was 7.4%, as compared to the 7.6% forecast in May. In the December report, the monthly seasonal adjusted unemployment rate dropped from 7.0% in November to 6.7%, as a significant number of workers exited the labor force. The average annual unemployment rate is expected to continue to drop to 6.5% in 2014 and 5.9% in 2015.

Housing. Residential construction activity improved in 2013 and is expected to continue strong growth over the next two years. Housing starts finished 2013 up 18.9%; however, this is lower than Global Insight's May forecast of 26.3% growth for the year. In 2014 and 2015, housing starts are expected to grow 24.8% and 26.9%, respectively, which are similar to Global Insight's May estimates.

Sales of existing homes grew at 9.1% in 2013, which is higher than Global Insight's May forecast of 8.5%. Existing home sales are expected to increase by 4.8% in 2014 and 8.5% in 2015, which is lower in the first year and higher in the second year compared to Global Insight's May forecast of 11.9% and 6.9%, respectively. The average price of an existing home is expected to grow more slowly over the forecast period, decelerating from 9.1% growth in 2013 to estimated growth of 4.5% in 2014 and 0.1% in 2015, which are lower than Global Insight's May forecast of 5.0% and 1.9%, respectively.

Corporate Profits. Economic profits increased 5.0% in 2013, and are expected to continue relatively strong growth over 2014 and 2015 at rates of 6.3% and 4.3%, respectively. These estimates are higher than the May forecast, which had projected growth of 0.8% in 2013, 4.2% in 2014, and 2.3% in 2015. Similarly, before-tax book profits finished 2013 up 3.7%, and are

expected to increase 14.2% in 2014 and 0.8% in 2015. These estimates are higher than the May estimates of a 1.6% contraction in 2013, 12.9% growth in 2014 and a 1.5% contraction in 2015. The large growth rate in 2014 is due, in part, to the expiration of federal bonus depreciation provisions after 2013.

Business Investment. Business investment in equipment grew at a rate of 3.4% in 2013, and is expected to grow 7.0% in 2014, and 9.2% in 2015. These estimates are lower than Global Insight's May forecast in 2013 and 2014, which called for growth of 6.3% and 8.2%, respectively, but is higher than May's estimated growth of 7.7% in 2015.

Intellectual property investment for software, which is another indicator of business investment, is expected to follow a similar pattern, with growth of 4.8% in 2013, and expected growth of 6.2% in 2014 and 7.5% in 2015. Software investment showed a similar deviation from the May forecast as investment in equipment had.

Business investment in nonresidential structures is expected to show year-over-year gains, finishing 2013 up 4.3%, and is expected to increase by 5.4% in 2014 and 6.2% in 2015. These estimates are lower than Global Insight's May forecast, which had called for growth of 4.7% in 2013, 7.6% in 2014, and 9.4% in 2015.

The projections outlined above and summarized in Table 2 reflect Global Insight's January, 2014, "baseline" forecast for the U.S. economy. Global Insight also prepares "pessimistic" and "optimistic" scenarios. Under the pessimistic scenario, given a 20% chance of occurring, U.S. economic growth stalls following: (a) a significant fiscal tightening in discretionary federal government spending during 2014, which leads to a fall in private-sector confidence and stock prices; (b) additional fiscal tightening in the European Union and slower growth in emerging markets, which reduces international appetite for U.S. imports; and (c) lower employment and wage gains leading to lower housing starts and home sales. Under this scenario, Global Insight expects that the Fed would expand its purchases of long-term securities and keep the federal funds rate at historically low levels until late 2017. Real GDP growth estimates would be reduced to 0.9% in 2014 and 2.0% in 2015, and unemployment rates would remain elevated, at 7.4% in 2014 and 7.2% 2015.

In the optimistic scenario, to which Global Insight also assigns a 20% probability, markets respond favorably to: (a) the U.S. government easily passing a debt-ceiling limit increase; (b) Congress negotiating a long-term deficit reduction program, which includes lower entitlement spending and revenue raising tax reform; (c) global growth accelerating, increasing demand for U.S. imports; and (d) an improving labor market adding 330,000 jobs per month by mid-2014. Under this scenario, the Federal Reserve would respond by increasing interest rates in the third quarter of 2014, five quarters sooner than under the baseline forecast, following stronger than expected improvements in the job market and increased pressure on consumer prices. The optimistic scenario projects higher real GDP growth of 4.3% in 2014 and 4.2% in 2015, with the unemployment rate falling to 5.7% and 4.6%, respectively.

TABLE 2

Summary of National Economic Indicators
IHS Global Insight, Inc., Baseline Forecast, January, 2014
(\$ in Billions)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Nominal Gross Domestic Product	\$16,244.6	\$16,792.3	\$17,507.9	\$18,375.4
Percent Change	4.6%	3.4%	4.3%	5.0%
Real Gross Domestic Product	\$15,470.7	\$15,761.3	\$16,182.8	\$16,708.5
Percent Change	2.8%	1.9%	2.7%	3.2%
Consumer Prices (Percent Change)	2.1%	1.5%	1.4%	1.8%
Personal Income	\$13,743.8	\$14,138.2	\$14,785.6	\$15,527.3
Percent Change	4.2%	2.9%	4.6%	5.0%
Personal Consumption Expenditures	\$11,149.6	\$11,501.4	\$11,953.7	\$12,497.9
Percent Change	4.1%	3.2%	3.9%	4.6%
Economic Profits	\$2,009.5	\$2,110.5	\$2,243.6	\$2,340.3
Percent Change	7.0%	5.0%	6.3%	4.3%
Unemployment Rate	8.1%	7.4%	6.5%	5.9%
Total Non-Farm Payrolls (Millions)	133.737	135.932	138.258	141.012
Percent Change	1.7%	1.6%	1.7%	2.0%
Light Vehicle Sales (Millions of Units)	14.44	15.56	16.01	16.42
Percent Change	13.4%	7.7%	2.9%	2.5%
Sales of New and Existing Homes (Millions)	5.029	5.520	5.891	6.508
Percent Change	9.7%	9.8%	6.7%	10.5%
Housing Starts (Millions of Units)	0.783	0.931	1.162	1.475
Percent Change	28.0%	18.9%	24.8%	26.9%

General Fund Tax Projections. Table 3 shows revised general fund tax revenue estimates for the 2013-15 biennium. The estimates are based on Global Insight's January, 2014, forecast of the U.S. economy and incorporate the impact of all tax law changes enacted to date.

TABLE 3
Projected General Fund Tax Collections
(\$ Millions)

	2012-13 <u>Actual</u>	Previous Estimates		Revised Estimates January, 2014	
		<u>2013-14</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2014-15</u>
Individual Income	\$7,496.9	\$7,294.8	\$7,650.1	\$7,410.0	\$7,800.0
General Sales and Use	4,410.1	4,497.6	4,607.2	4,640.0	4,815.0
Corporate Income and Franchise	925.4	961.0	989.6	1,065.0	1,100.0
Public Utility	341.2	358.3	355.9	353.7	358.3
Excise					
Cigarette	569.2	551.2	541.4	575.0	570.0
Tobacco Products	63.0	64.7	66.7	67.7	69.8
Liquor and Wine	48.3	50.5	51.5	47.7	48.3
Beer	9.0	9.1	9.0	9.0	8.9
Insurance Company	159.3	160.0	167.8	164.0	172.0
Miscellaneous Taxes	<u>63.2</u>	<u>65.0</u>	<u>73.0</u>	<u>67.8</u>	<u>74.9</u>
Total	\$14,085.6	\$14,012.2	\$14,512.2	\$14,399.9	\$15,017.2
Change from Prior Year		-\$73.4	\$500.0	\$314.3	\$617.3
Percent Change		-0.5%	3.6%	2.2%	4.3%

As shown in the table, total general fund taxes are estimated at \$14,399.9 million in 2013-14 and \$15,017.2 million in 2014-15. These amounts are higher than the previous estimates by \$387.7 million in the first year and \$505.0 million in the second year. The biennial increase is \$892.7 million, or 3.1%. The estimates for each of the three major taxes, and the cigarette tax, have been increased significantly, primarily based on strong year-to-date collections data. Smaller adjustments have been made to the estimates for the other taxes.

Individual Income Tax. State individual income tax revenues were \$7,496.9 million in 2012-13 and are currently estimated at \$7,410.0 million in 2013-14 and \$7,800.0 million in 2014-15. Relative to the previous figures, the current estimates are higher by \$115.2 million in the first year and \$149.9 million in the second year. On a year-to-year basis, the current estimates reflect a decrease of 1.2% for 2013-14 and an increase of 5.3% for 2014-15. The revised estimates incorporate a number of law changes estimated to reduce revenues by approximately \$350 million in 2013-14 and \$385 million in 2014-15. The most significant law change is the income tax rate reductions and bracket reconfiguration enacted as part of 2013 Wisconsin Act 20. Those changes are estimated to reduce collections by \$328 million in 2013-14 and \$320 million in 2014-15. Act 20 contained a number of other provisions intended to simplify the state's income tax system, but they have a less significant fiscal impact.

Based on preliminary collection information through December, 2013, individual income tax revenues for the current fiscal year are 4.7% higher than such revenues through the same period in 2012-13. However, taxpayers have not adjusted their withholding payments to reflect the law changes noted above, and this will result in higher refunds and lower tax payments in the coming months.

General Sales and Use Tax. In 2012-13, state sales and use tax collections were \$4,410.1 million, which was 2.8% higher than the prior year. Sales tax collections through December, 2013, are 7.9% higher than the same period in 2012-13. Accounting for law changes and a one-time tax refund paid in August of 2012, adjusted year-to-date sales tax collections are 6.8% above the same period in 2012-13. State sales and use tax revenues are currently estimated at \$4,640.0 million in 2013-14 and \$4,815.0 million in 2014-15, which represents increased revenue of 5.2% in the first year and 3.8% in the second year. These estimates are \$142.4 million higher in the first year and \$207.8 million higher in the second year than the previous estimates. The increased estimates are based on: (a) higher than anticipated year-to-date growth in tax collections; (b) increased growth projected for 2014-15 for taxable personal consumption expenditures in Global Insight's forecast; and (c) enhanced sales and use tax collections from Amazon.com agreeing to collect Wisconsin sales and use taxes beginning November, 2013 (the Department of Revenue estimates state tax revenue increases of \$28 million annually resulting from this agreement).

Corporate Income and Franchise Tax. Corporate income and franchise taxes were \$925.4 million in 2012-13. Corporate income/franchise tax revenues are projected to be \$1,065.0 million in 2013-14, and \$1,100.0 million in 2014-15. These amounts represent an annual increase of 15.1% in 2013-14, and 3.3% in 2014-15. The new estimates are higher than prior estimates by \$104.0 million in 2013-14, and \$110.4 million in 2014-15.

The new estimates reflect year-to-date corporate income and franchise tax collections, which are approximately 25% higher than a year ago. In addition, the outlook for corporate earnings is positive. Corporate profits are forecast to increase in 2014 and 2015, with economic profits projected to increase 6.3% in 2013-14, and 4.3% in 2014-15. Consumer confidence has improved with both the Conference Board Consumer Confidence and University of Michigan Consumer Sentiment indexes increasing. Real disposable income is forecast to increase 3.3% in 2014, and 3.5% in 2015, and consumer purchases of durable goods are projected to increase 5.1% in 2014, and 5.2% in 2015. The improving economy is also expected to signal to businesses that it is time to expand. Companies have substantial amounts of cash on hand, profits are strong, and interest rates are low. Investment in equipment is projected to increase 7.0% in 2014 and 9.2% in 2015. Also, industrial production is forecast to grow at a faster rate than 2013, in both 2014 and 2015, and manufacturing output is projected to improve in both years as well.

The corporate income and franchise tax estimates have been adjusted to reflect the effect of certain law changes, including allowing combined group members to share pre-2009 net business losses, increasing the total credit limit for the economic development tax credit, and the phase-in the manufacturing and agriculture tax credit, that are effective for fiscal years 2013-14 and 2014-15. In addition, the estimates have been adjusted to reflect certain law changes related to tax

enforcement activities by the Department of Revenue, including the reduction in the interest rate on tax refunds.

Public Utility Taxes. Public utility tax revenues were \$341.2 million in 2012-13, and are currently projected at \$353.7 million in 2013-14 and \$358.3 million in 2014-15. Compared to the previous estimates, these figures are \$4.6 million lower in 2013-14 and \$2.4 million higher in 2014-15. Utility tax collections are currently expected to increase by 3.7% in 2013-14 and 1.3% in 2014-15. Private light, heat, and power companies are the largest taxpayer group, comprising 65% of estimated public utility taxes for the 2013-15 biennium. Collections from these companies totaled \$226.1 million in 2012-13, and are estimated to increase to \$226.8 million (0.3%) in 2013-14 and \$234.8 million (3.5%) in 2014-15.

Excise Taxes. General fund excise taxes are imposed on cigarettes, other tobacco products, liquor (including wine and hard cider), and beer. Total excise tax revenues were \$689.5 million in 2012-13. Excise tax revenues are currently estimated at \$699.4 million in 2013-14 and \$697.0 million in 2014-15, which represents increased revenue of \$23.9 million in the first year and \$28.4 million in the second year compared to the prior estimates. Excise tax revenues have been increased largely due to higher year-to-date cigarette tax collections, which represent 82% of total estimated excise tax revenues.

Cigarette tax revenues were \$569.2 million in 2012-13, which was 3.2% lower than the previous year. Cigarette tax collections are currently estimated at \$575.0 million in 2013-14 and \$570.0 million in 2014-15, which represents increased revenue of 1.0% in the first year and reduced revenue of 0.9% in the second year. Compared to the previous estimates, these amounts are \$23.8 million higher in the first year and \$28.6 million higher in the second year, primarily due to higher than expected year-to-date collections. Minnesota enacted a significant cigarette tax rate increase on July 1, 2013, resulting in its current rate of \$3.432 per pack (which is higher than Wisconsin's tax rate of \$2.52 per pack). It is believed that higher year-to-date tax collections are, in part, due to consumers living along the state border purchasing cigarettes in Wisconsin, rather than in Minnesota, in response to that state's tax increase.

Insurance Premiums Taxes. Insurance premiums taxes were \$159.3 million in 2012-13. Premiums tax collections are projected to be \$164.0 million in 2013-14, and \$172.0 million in 2014-15. The estimates are higher than prior estimates by \$4.0 million in 2013-14, and \$4.3 million in 2014-15. The estimate for 2013-14 is based on year-to-date premiums tax collections, which are 3.7% higher than 2012-13 collections. The estimate for 2014-15 reflects industry forecasts of moderate growth in sales, premiums, and profits.

Miscellaneous Taxes. Miscellaneous taxes include the real estate transfer fee (RETF), municipal and circuit court-related fees, a small amount from the occupational tax on coal, and some estate tax revenue from ongoing lawsuit settlements. Miscellaneous tax revenues were \$63.2 million in 2012-13, and are estimated at \$67.8 million in 2013-14 and \$74.9 million in 2014-15. These estimates are higher than the previous estimates by \$2.8 million in 2013-14 and \$1.9 million in 2014-15. The increase in estimated revenue is due primarily to higher than expected year-to-date RETF collections.

This office will continue to monitor state revenues and expenditures and new economic forecasts, and notify you and your colleagues of any further adjustments that may be necessary.

Sincerely,

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

Robert Wm. Lang
Director

RWL/sas

cc: Members, Wisconsin Legislature

APPENDIX B

GENERAL OBLIGATION ISSUANCE STATUS REPORT MARCH 1, 2014

<u>Program Purpose</u>	<u>Legislative Authorization</u>	<u>General Obligations Issued to Date</u>	<u>Credit to Capital Improvement Fund</u>		<u>G.O. Refunding Bonds of 2014, Series 2</u>	<u>Total Authorized Unissued Debt</u>
			<u>Interest Earnings^(a)</u>	<u>Premium^(a)</u>		
University of Wisconsin; academic facilities.....	\$ 2,255,401,100	\$ 1,768,374,287	\$ 13,072,507	\$ 17,688,019		\$ 456,266,287
University of Wisconsin; self-amortizing facilities.....	2,718,606,300	1,979,396,804	2,911,822	19,688,750		716,608,924
Natural resources; Warren Knowles - Gaylord Nelson stewardship 2000 program.....	1,134,500,000	730,236,994	405,319	7,007,342		396,850,345
Natural resources; municipal clean drinking water grants.....	9,800,000	9,518,744	141,818			139,438
Clean water fund program.....	740,843,200	617,455,216		1,502,890		121,885,094
Safe drinking water loan program.....	60,200,000	54,842,978		445,626		4,911,396
Natural resources; nonpoint source grants.....	94,310,400	93,293,671	190,043	98,832		727,854
Natural resources; nonpoint source	32,000,000	14,952,720	1,454	293,868		16,751,958
Natural resources; environmental repair.....	57,000,000	47,712,102	203,594	34,982		9,049,322
Natural resources; urban nonpoint source cost-sharing.....	46,900,000	33,631,515	30,671	287,205		12,950,609
Natural resources; contaminated sediment removal.....	32,000,000	19,695,083		379,449		11,925,468
Natural resources; environmental segregated fund supported administrative facilities.....	19,969,200	10,281,459	143	81,140		9,606,458
Natural resources; segregated revenue supported dam safety projects.....	6,600,000	6,571,582	617	27,795		6
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	22,919,742	141,325	68		364
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			37,032
Natural resources; segregated revenue supported facilities.....	102,365,300	66,141,738	93,544	175,411		35,954,607

GENERAL OBLIGATION ISSUANCE STATUS REPORT—CONTINUED
MARCH 1, 2014

<u>Program Purpose</u>	<u>Legislative Authorization</u>	<u>General Obligations Issued to Date</u>	<u>Credit to Capital Improvement Fund</u>		<u>G.O. Refunding Bonds of 2014, Series 2</u>	<u>Total Authorized Unissued Debt</u> ^(a)
			<u>Interest Earnings</u> ^(a)	<u>Premium</u> ^(a)		
Natural resources; general fund supported administrative facilities.....	\$ 16,514,100	\$ 11,262,807	\$ 21,753	\$ 94		\$ 5,229,445
Natural resources; ice age trail.....	750,000	750,000				
Natural resources; dam safety projects.....	17,500,000	10,141,371	49,701	203,738		7,105,190
Natural resources; segregated revenue supported land acquisition.....	2,500,000	2,500,000				
Natural resources; Warren Knowles - Gaylord Nelson stewardship program.....	231,000,000	228,474,367	1,306,849	16,156		1,202,628
Transportation; administrative facilities.....	8,890,400	8,759,479	33,943			96,978
Transportation; accelerated bridge improvements.....	46,849,800	46,849,800				
Transportation; major interstate bridge construction.....	225,000,000	44,908,314		5,019,437		175,072,249
Transportation; rail passenger route development.....	122,000,000	51,529,513	3,016	584,531		69,882,940
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, zoo interchange, southeast megaprojects, and I 94 north-south corridor reconstruction projects.....	1,011,750,000	692,205,554	3,018,078	18,216,113		298,310,255
Transportation; state highway rehabilitation projects.....	820,063,700	608,836,045	1,182,897	10,041,752		200,003,006
Transportation; major highway projects.....	100,000,000	98,945,372		1,051,496		3,132
Transportation; state highway rehabilitation, certain projects.....	141,000,000	120,786,132		4,189,039		16,024,829
Transportation; harbor improvements.....	92,700,000	58,573,498	234,581	797,078		33,094,843
Transportation; rail acquisitions and improvements.....	208,500,000	85,400,461	5,187	1,197,549		121,896,803
Transportation; local roads for job preservation, state funds.....	2,000,000	2,000,000	-			-
Corrections; correctional facilities.....	875,075,600	807,881,581	11,467,562	582,021		55,144,436
Corrections; self-amortizing facilities and equipment.....	7,337,000	2,115,438	99			5,221,463

GENERAL OBLIGATION ISSUANCE STATUS REPORT—CONTINUED
MARCH 1, 2014

<u>Program Purpose</u>	<u>Legislative Authorization</u>	<u>General Obligations Issued to Date</u>	<u>Credit to Capital Improvement Fund</u>		<u>G.O. Refunding Bonds of 2014, Series 2</u>	<u>Total Authorized Unissued Debt^(a)</u>
			<u>Interest Earnings^(a)</u>	<u>Premium^(a)</u>		
Corrections; juvenile correctional facilities.....	\$ 28,984,500	\$ 28,535,951	\$ 108,861	\$ 598		\$ 339,090
Health services; mental health and secure treatment facilities.....	181,108,800	162,070,162	895,124	459,022		17,684,492
Agriculture; soil and water.....	54,075,000	44,793,303	3,025	647,948		8,630,724
Agriculture; conservation reserve enhancement.....	28,000,000	12,938,617		25,878		15,035,505
Administration; Black Point Estate.....	1,600,000	1,598,655	445			900
Administration; energy conservation projects; capital improvement fund.....	200,000,000	110,959,517		2,934,419		86,106,064
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 incurred before July 1, 2011.....	474,000,000	473,651,084				348,916
Building commission; refunding tax-supported and self-amortizing general obligation debt incurred before July 1, 2013.....	264,200,000	263,420,000				780,000
Building commission; refunding tax-supported and self-amortizing general obligation debt.....	3,785,000,000	2,356,723,916			\$ 241,985,000	1,186,291,084
Building commission; housing state departments and agencies.....	820,767,100	527,118,771	2,356,097	3,537,528		287,754,704
Building commission; 1 West Wilson street parking ramp.....	15,100,000	14,805,521	294,479			
Building commission; project contingencies.....	47,961,200	46,550,690	64,761	49,004		1,296,745
Building commission; capital equipment acquisition.....	126,335,000	122,108,633	740,327	74,496		3,411,544
Building commission; discount sale of debt.....	90,000,000	72,869,266				17,130,734
Building commission; discount sale of debt (higher education bonds).....	100,000,000	99,988,833 ^(b)				11,167
Building commission; other public purposes.....	2,484,671,700	2,134,640,718	8,728,268	20,344,152		320,958,562
Medical College of Wisconsin, Inc.; basic science education and health information technology facilities.....	10,000,000	10,000,000				

GENERAL OBLIGATION ISSUANCE STATUS REPORT—CONTINUED
MARCH 1, 2014

<u>Program Purpose</u>	<u>Legislative Authorization</u>	<u>General Obligations Issued to Date</u>	<u>Credit to Capital Improvement Fund</u>		<u>G.O. Refunding Bonds of 2014, Series 2</u>	<u>Total Authorized Unissued Debt^(a)</u>
			<u>Interest Earnings^(a)</u>	<u>Premium^(a)</u>		
Norskedalen Nature and Heritage Center.....	\$ 1,048,300					\$ 1,048,300
Bond Health Center.....	1,000,000	\$ 983,307		\$ 16,682		10
Lac du Flambeau Indian Tribal Center.....	250,000					250,000
Dane County Livestock Facilities.....	9,000,000					9,000,000
K I Convention Center.....	2,000,000					2,000,000
HR Academy, Inc.....	1,500,000	1,500,000				
Medical College of Wisconsin, Inc.; biomedical research and technology incubator.....	35,000,000	30,397,708		287,141		4,315,151
AIDS Resource Center of Wisconsin, Inc.....	800,000	800,000				
Bradley Center Sports and Entertainment Corporation.....	5,000,000	4,869,334		129,986		680
Medical College of Wisconsin, Inc.;						
Community medical education facilities.....	7,384,300					7,384,300
Children's Hospital of Wisconsin;						
Family Justice Center.....	10,625,000					10,625,000
Marquette University;						
dental clinic and education facility.....	23,000,000	17,980,273	\$ 818	337,910		4,680,999
Civil War exhibit at the Kenosha Public Museums.....	500,000	500,000				
AIDS Network, Inc.....	300,000	300,000				
Swiss cultural center.....	1,000,000					1,000,000
Wisconsin Maritime Center of Excellence....	5,000,000					5,000,000
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				
Domestic Abuse Intervention Center.....	560,000.00					560,000
Administration; school educational technology infrastructure financial assistance.....	71,911,300	71,480,216	431,066			18
Myrick Hixon EcoPark, Inc.....	500,000	500,000				
Madison Children's Museum.....	250,000	250,000				
Marshfield Clinic.....	10,000,000					10,000,000
Administration; public library educational technology infrastructure financial assistance.....	269,000	268,918	42			41
Educational communications board; educational communications facilities.....	24,503,200	24,108,056	38,515	11,459		345,170
Grand Opera House in Oshkosh.....	500,000	500,000				
Aldo Leopold climate change classroom and interactive laboratory.....	500,000	485,000		14,992		8
Historical society; self-amortizing facilities.....	1,157,000	1,029,156	3,896			123,947
Historical society; historic records.....	26,650,000	1,924,000		50,834		24,675,166

GENERAL OBLIGATION ISSUANCE STATUS REPORT—CONTINUED
MARCH 1, 2014

<u>Program Purpose</u>	<u>Legislative Authorization</u>	<u>General Obligations Issued to Date</u>	<u>Credit to Capital Improvement Fund</u>		<u>G.O. Refunding Bonds of 2014, Series 2</u>	<u>Total Authorized Unissued Debt^(a)</u>
			<u>Interest Earnings^(a)</u>	<u>Premium^(a)</u>		
Historical society; historic sites.....	\$ 10,067,800	\$ 9,005,965	\$ 847	\$ 282,410		\$ 778,578
Historical society; museum facility.....	19,384,400	4,362,469				15,021,931
Historical society; Wisconsin history center.....	20,000,000					20,000,000
Public instruction; state school, state center and library facilities.....	12,350,600	11,663,219	32,509	441,700		213,172
Military affairs; armories and military facilities.....	46,272,700	29,736,693	195,308	32,049		16,308,650
Veterans affairs; veterans facilities.....	10,090,100	9,405,485	50,593			634,021
Veterans affairs; self-amortizing mortgage loans.....	2,400,840,000	2,122,542,395				278,297,605
Veterans affairs; refunding bonds.....	1,015,000,000	761,594,245				253,405,755
Veterans affairs; self-amortizing facilities.....	51,347,100	21,725,733	1,613	357,396		29,262,358
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.....	53,687,100	52,694,356	22,401	13,050		957,293
Total.....	<u>\$28,823,384,688</u> ^(c)	<u>\$22,962,157,118</u> ^(c)	<u>\$73,888,124</u>	<u>\$119,659,037</u>	<u>\$241,985,000</u>	<u>\$5,425,695,509</u>

^(a) Amounts previously credited to the Capital Improvement Fund (which include interest earnings and may include sale proceeds representing purchase premium) reduce issuance authority by the same amount.

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

^(c) The enacted budget for the 2013-15 biennium (2013 Wisconsin Act 20) provides that the Building Commission shall not issue, until July 1, 2015, \$250 million of general obligations that are otherwise statutorily authorized in such enacted biennial budget.

Source: 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)

State of Wisconsin Building Commission
101 East Wilson Street, 7th Floor
Madison, Wisconsin 53707

\$241,985,000
STATE OF WISCONSIN
GENERAL OBLIGATION REFUNDING BONDS OF 2014, SERIES 2

We have acted as bond counsel in connection with the issuance by the State of Wisconsin (**State**) of its \$241,985,000 General Obligation Refunding Bonds of 2014, Series 2, 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 March 5, 2014 (**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, and 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 and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers; however, interest on the Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. 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 retroactively 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 dated March 13, 2014 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).

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 acting as bond counsel, we have established an attorney-client relationship solely with the State.

Very truly yours,

FOLEY & LARDNER LLP

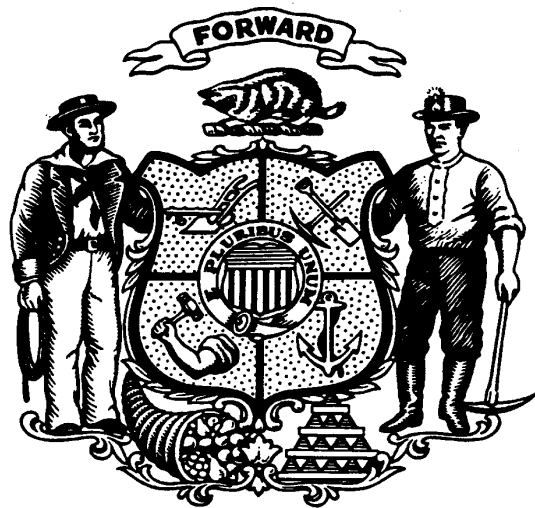
Appendix D

REFUNDED BONDS

Series	Dated Date	Principal Amount	Interest Rate	Maturity	CUSIP ^(a)	Redemption Date	Redemption Price
<i>Current Refunded Bonds</i>							
2003 Series C	10/15/2003	\$ 4,105,000 ^(b)	5.00%	5/1/2034 ^(b)	97705L 3Z8	5/1/2014	100%
2004 Series 3	6/15/2004	1,220,000	5.25	5/1/2015	97705L NM5	5/1/2014	100
		560,000	5.25	5/1/2016	97705L NN3	5/1/2014	100
		465,000	5.25	5/1/2017	97705L NP8	5/1/2014	100
		460,000	5.25	5/1/2018	97705L NQ6	5/1/2014	100
		375,000	5.25	5/1/2019	97705L NR4	5/1/2014	100
		290,000	5.25	5/1/2020	97705L NS2	5/1/2014	100
		180,000	5.25	5/1/2021	97705L N52	5/1/2014	100
		190,000	5.25	5/1/2022	97705L N60	5/1/2014	100
<i>Advance Refunded Bonds</i>							
2004 Series E	10/21/2004	7,325,000	5.00	5/1/2016	97705L EM5	5/1/2015	100
2005 Series A	2/10/2005	9,895,000	4.00	5/1/2016	97705L FB8	5/1/2015	100
2005 Series D	8/11/2005	8,855,000	5.00	5/1/2017	97705L JE8	5/1/2016	100
		12,460,000	5.00	5/1/2024	97705L JM0	5/1/2016	100
		13,080,000	5.00	5/1/2025	97705L JN8	5/1/2016	100
2006 Series A	3/28/2006	19,720,000	5.00	5/1/2017	97705L KJ5	5/1/2016	100
		20,710,000	5.00	5/1/2018	97705L KK2	5/1/2016	100
		27,755,000	5.00	5/1/2024	97705L KR7	5/1/2016	100
		29,140,000	4.75	5/1/2025	97705L KS5	5/1/2016	100
2006 Series D	9/13/2006	12,035,000	5.00	5/1/2018	97705L LX3	5/1/2017	100
		12,640,000	5.00	5/1/2019	97705L LY1	5/1/2017	100
		13,265,000	5.00	5/1/2020	97705L LZ8	5/1/2017	100
2007 Series A	2/1/2007	13,205,000	4.40	5/1/2025	97705L MS3	5/1/2015	100
		13,865,000	4.50	5/1/2026	97705L MT1	5/1/2015	100
		25,840,000	4.50	5/1/2027	97705L MU8	5/1/2015	100
2007 Series B	6/27/2007	6,810,000	5.00	5/1/2016	97705L PG6	5/1/2015	100

^(a) The CUSIP number for each refunded bond has been obtained from a source the State believes to be reliable, but the State is not responsible for the correctness of the CUSIP numbers.

^(b) Reflects a partial refunding of the \$18,655,000 term bond maturing on May 1, 2034. The refunded amount reflects, and will be applied to, the mandatory sinking fund installment due on May 1, 2034. The other mandatory sinking fund installments of this term bond were defeased with proceeds of the State of Wisconsin General Obligation Refunding Bonds of 2013, Series 1. The original CUSIP number for the term bond was 977056 7H7; the CUSIP number assigned to the previously defeased portion is 97705L 3Y1 and the listed CUSIP number was previously assigned to this portion of the term bond.



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